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COLLEGE OF BUSINESS, PEACE, LEADERSHIP & GOVERNANCE

NMAC 415: ADVANCED FINANCIAL ACCOUNTING

END OF SECOND SEMESTER EXAMINATIONS

MAY 2021

LECTURER: Ms N.E CHIRIMA

TIME: 7 HOURS

Instructions

Answer **ALL** questions

The marks allocated to each question are shown at the end of the question

PART 1

Based on a cost versus benefit critique, to what extent did the adoption of IAS 29 in Zimbabwe result in useful financial reporting that meets the needs of users.

750 – 1000 words (25 marks)

PART 2

Given the developments concerning the new and revised International Accounting Standards and International Financial Reporting Standards, accountants need to make themselves conversant with the developments. Critically examine and comment on the following IFRSs; the discourse should outline the major changes made from the superseded standard(s);

- a. IFRS 8 (13 marks)
- b. IFRS 11 (12 marks)

25 marks

PART 3

You have been approached for an accounting consultation engagement by JL Ltd. As you familiarize yourself with the company background and operations you come across the information below. Based on the requirements of the relevant IAS, advice on the accounting treatment for each scenario. For each scenario, your advice should be less than 750 words.

SCENARIO 1

The company is currently in the process of constructing a new factory to expand their production line. Construction began on 1 January 2021 and all construction expenses incurred to date have been capitalized. A loan specifically for this construction was obtained at an interest rate of 25% per annum. The unused loan balance is deposited in a 18% per annum short term investment account. Borrowing costs have not been capitalized.

10 marks

SCENARIO 2

The company is in the process of procuring machinery for the factory under construction from abroad. The machine purchase cost, transportation costs as well as import duties are being paid as and when incurred from a general loan pool consisting of a 24% per annum loan, a 17% per annum loan as well as a 26% overdraft facility.

5 marks

SCENARIO 3

JL Ltd also has a project of constructing a road and a bridge which is being financed by a debenture issue specifically made for this project. The debenture interest cost is 9% per annum and is to be redeemed at a premium of 3%. Currently this project has been temporarily put on hold because of the rains. However, to ensure that when the weather clears, construction continues smoothly, procurement of necessary equipment/ parts as well as repairs and servicing of all the machinery and construction vehicles is being done.

5 marks

SCENARIO 4

An apartment which the company is letting out as flats to employees requiring accommodation to rent is currently being expanded and new flat lets are being added. This project is being funded by a 20% interest rate (per annum) specific bank overdraft facility.

5 marks

SCENARIO 5

JL Ltd is listed on the ZSE, LSE and the JSE. The group headquarters is in South Africa with a subsidiary based in Zimbabwe. Procurement of items of a capital nature is done at headquarters. The group procured land in Zimbabwe (with a hyperinflationary economy) on 30 June 2020 when the exchange rate was R1 = ZWL15. The company is currently in the process of finalizing its 31 December 2020 year - end financial report and the closing rate as at that date was R1 = ZWL25.

10 marks

PART 4

With illustrations, outline the specific IFRS 12 disclosure requirements for:

- a. Subsidiaries
- b. Joint arrangements and associates

7.5 marks each = 15 marks

END OF EXAMINATION
