



ELIZADE UNIVERSITY, ILARA-MOKIN, ONDO STATE.

FACULTY: HUMANITIES, SOCIAL & MANAGEMENT SCIENCES

DEPARTMENT: ACCOUNTING & FINANCE

FIRST SEMESTER EXAMINATIONS 2020/2021 ACADEMIC SESSION

COURSE CODE: ACF 401

COURSE TITLE: ADVANCED FINANCIAL ACCOUNTING AND REPORTING I

DURATION: 2^{1/2} HOURS

INSTRUCTION: YOU ARE REQUIRED TO ANSWER FOUR (4) QUESTIONS OUT OF SIX (6) IN THIS PAPER. SECTION A IS COMPULSORY

Section A. COMPULSORY QUESTION

QUESTION 1

- a) The following is the summarised Statement of Financial position of Joy Plc, Happy Plc and Rejoice Plc as at 30th September 2019.

	Joy Plc ₦'000	Happy Plc ₦'000	Rejoice Plc ₦'000
Non-Current Assets			
Property, Plant and Equipment	800,600	420,800	300,750
Investment in Princess Plc	280,900	-	-
Investment in Palace Plc	-	270,000	-
Current assets	<u>1,450,000</u>	<u>369,100</u>	<u>499,100</u>
Total Assets	<u>2,531,500</u>	<u>1,059,900</u>	<u>799,850</u>
Equity and Liabilities			
Equity shares	200,000	150,000	100,000
Share premium	410,000	80,000	50,000
Retained earnings	720,800	295,500	183,600
	1,330,800	525,500	333,600
Non-current liabilities	680,100	209,100	180,350
Current liabilities	<u>520,600</u>	<u>325,300</u>	<u>285,900</u>
Total equity and liabilities	<u>2,531,500</u>	<u>1,059,900</u>	<u>799,850</u>

Relevant Notes

1. Joy Plc purchased 55% of the equity shares in Happy Plc on 1st January 2017 when the retained earnings of Happy Plc were ₦88m.
2. Happy Plc acquired 80% of the equity shares in Rejoice Plc on 30th June 2018 when the retained earnings of Palace Plc stood at ₦70.5m
3. It is the policy of the group to measure NCI at acquisition date using the proportionate of net asset basis.
4. Joy Plc supplies a component to Happy Plc and Rejoice Plc at cost plus mark up of 25%. At 30th September 2019, the inventories of Happy Plc included ₦3.8m and the inventories of Rejoice Plc included ₦4.5m in respect of these components.
5. The trade receivables of Joy Plc showed an amount of ₦2m receivable from Happy Plc while the trade payables of Happy Plc showed an amount payable to Joy Plc of ₦1.5m,

the difference being because of cheque sent by Happy Plc on 28th September 2019 which was not received by Joy Plc until 2nd October 2019.

Required:

Prepare Consolidated Statement of Financial Position of Prince Plc group as at 30th September 2019. (12 marks)

- b) Explain FOUR (4) circumstances under which a Parent Company is exempted from the preparation and presentation of Consolidated Financial Statement. (4 Marks)
 - c) List and explain two methods of accounting for Non-Controlling Interest in Consolidated Financial Statements. (4 Marks)
 - d) Under what conditions does a Parent Company (Investor) controls an investee in accordance with IFRS 10 (4 Marks)
- (Total: 24 Marks)**

Section B: Answer any TWO (2) questions from this section.

QUESTION 2

Messi Plc purchased 55% of Maradona Plc several years ago. The following are the statement of financial position of the two companies as at 30th April, 2018.

	Messi Plc N'000	Maradona Pl N'000
Assets		
Non-current assets	130,632	120,300
Investment in Maradona Plc	<u>40,400</u>	<u>-</u>
	171,032	120,300
Current assets		
Inventories	36,721	28,900
Trade receivables	18,900	39,410
Bills receivables	3,500	-
Bank	<u>10,200</u>	<u>15,215</u>
Total assets	<u>240,353</u>	<u>203,825</u>
Equity and Liabilities		
Share capital	60,000	40,000
Retained earnings	128,110	83,418
	188,110	123,418
Current liabilities		
Trade payables	35,033	52,895
Bills payables	-	10,000
Income tax payables	<u>17,210</u>	<u>17,512</u>
Total equity and liabilities	<u>240,353</u>	<u>203,825</u>

Relevant notes

1. The capital and reserves of the companies at acquisition date were as follows:

	Messi N'000	Maradona N'000
Share capital	60,000	40,000
Retained earnings	<u>48,388</u>	<u>27,606</u>
	<u>108,388</u>	<u>67,606</u>

2. During the year ended 30 April 2018, Maradona Plc accepted a bill of N10m drawn by Messi Plc. As at 30 April 2018, Messi Plc has discounted N6.5m of the bills

- The inventory of Maradona Plc includes goods purchased from Messi Plc of ₦5.5m. Messi Plc sells goods to all customer at cost plus 33 1/3%.
- It is the policy of the group to measure NCI using fair value method. At acquisition date, the goodwill attributable to NCI amounted to ₦1,500,000. As at 30 April 2018, Goodwill in Maradona Plc has been impaired by 35%.

Required:

Prepare consolidated statement of financial position as at 30 April 2018.

(12 Marks)

QUESTION 3

The draft statement of financial position of Arike Plc and Subsidiaries as at 31 March, 2020 are as follows:

	Arike Plc	Adisa Plc	Ayinde Plc
	₦'000	₦'000	₦'000
Non-current Assets			
Property, Plant and Equipment	470,900	310,500	280,000
Investment in Adisa Plc	135,000	-	-
Investment in Ayinde Plc	<u>190,800</u>	<u>-</u>	<u>-</u>
	796,700	310,500	280,000
Current Assets			
Inventories	680,700	250,800	180,700
Receivables	495,200	186,900	217,315
Cash	<u>62,700</u>	<u>52,200</u>	<u>110,785</u>
Total Assets	<u>2,035,300</u>	<u>800,400</u>	<u>783,800</u>
Equities and Liabilities			
Equity shares of ₦1 each	300,000	150,000	100,000
Share Premium	120,000	30,000	50,000
Retained Earnings	885,000	220,000	235,000
Non-current Liabilities			
10% Debenture stock	200,000	100,000	80,000
Deferred Tax	65,000	45,000	38,000
Current Liabilities			
Payables	340,200	195,400	210,500
Income Tax	<u>125,100</u>	<u>60,000</u>	<u>75,300</u>
Total Equity and Liabilities	<u>2,035,300</u>	<u>800,400</u>	<u>783,800</u>

Relevant Notes:

- Arike Plc purchases 70% of the Equity shares of Adisa Plc several years ago when the retained earnings of Adisa Plc was ₦48m. On 1st April, 2015, it also bought 80% of the Equity shares in Ayinde Plc when the retained earnings of Ayinde Plc stood at ₦63.5m.
- It is the policy of Arike Plc to measure Non-Controlling Interest at acquisition date using the proportionate of net assets method.

3. The impairment test as at March 31st, 2020 reveals that there is no goodwill impairment in either companies since acquisition.

Required

Prepare Consolidated Statement of Financial Position of the Arike Group as at 31st March 2020. **(12 Marks)**

QUESTION 4

The following is the financial statements of Ade Plc and Bola Plc as at 30th September 2019

	Ade Plc N'000	Bola Plc N'000
Assets:		
Non-current assets	1,355	860
Investment in Mariho	988	-
Current assets	<u>2,382</u>	<u>2,134</u>
Total assets	<u>4,725</u>	<u>2,994</u>
Equity and liabilities		
Equity shares at 25k each	1,300	600
8% Irredeemable preference shares	-	120
Share Premium	1,840	310
Retained earnings	<u>1,368</u>	<u>1,280</u>
	4,508	2,310
Non-current liabilities	-	185
Current liabilities	<u>217</u>	<u>499</u>
Total equity & liabilities	<u>4,725</u>	<u>2,994</u>

Relevant notes

1. Ade Plc purchased 1,440,000 equity shares of Bola Plc on 1st March 2015 when the retained earnings of Bola Plc were N235,000 debit.
2. It is the policy of Ade Plc to account for NCI at fair value on acquisition date. The fair value of Bola's ordinary shares on 1st March 2015 was N2,050,000.
3. Goodwill has been subjected to impairment review and there was no impairment as at 30th September 2019.

Required:

- a) Prepare consolidated statement of financial position of Ade Plc as at 30th September 2019. **(9 Marks)**
- b) Explain the accounting treatment of gain on bargain purchase in consolidated statement of financial position. **(3 Marks)**

(Total: 12 Marks)

Section C. Answer ONE (1) question from this section

QUESTION 5

- a. The Managing Director of Sarat Oil Plc sent you an internal memo asking for your explanations for the difference between Subsidiary and Sub-Subsidiary. According to him, there is no difference between the two, but he was confused on how the two entities should be treated in the Consolidated Statement of Financial Position. Kindly send him an official memo to enlighten him on the difference between the two entities and how they are treated in Consolidated Statement of Financial Position. **(6 marks)**

- b. In accordance with IFRS 3 – Business Combinations, explain contingent considerations and describe the accounting treatment of contingent consideration in Business Combinations. (4 marks)
- c. Explain briefly how post acquisition reserve is treated in the Consolidated Statement of Financial Position. (2 marks)
- (Total: 12 marks)

QUESTION 6.

You are recently employed by Cadbural Plc, a company operating in telecom industry in Nigeria, as the Financial Accountant in charge of preparation and presentation of Financial Statements of the entity. The former Financial Accountant failed to recognise impairment losses in respect of the assets of the entity which you decided to recognise in the financial statement of the entity for the period ended 31st December 2020 in accordance with IAS -36- Impairment of Assets.

Required:

- a) How do you test for asset impairment? (2 Marks)
- b) List Three (3) Internal sources and Two (2) External sources of assets impairment. (5 Marks)
- c) Explain the treatment of impairment of goodwill in the Consolidated Statement of Financial Position. (3 Marks)
- d) What is the accounting treatment when no impairment is found? (2 Marks)
- (Total: 12 marks)