KAPLAN

PUBLISHING

ACCA

Paper F3 and FFA

Financial Accounting

December 2014

Final Assessment – Answers

To gain maximum benefit, do not refer to these answers until you have completed the final assessment questions and submitted them for marking.

SECTION A

1 B

Sales tax

	$		$
Bank (part payment on account to the tax authority)	9,000	Bal b/d	11,450
Purchases (sales tax element)	116,280	Sales (sales tax element)	258,400
		Purchases returns (sales tax element)	2,325
Bal c/d	**146,895**		
	272,175		272,175
		Bal b/d	146,895

2 D

Increased volume of sales would have increased costs too.

Settlement discounts aren't part of the cost of sale calculation.

Higher levels of inventory obsolescence would result in a lower gross profit margin %.

3 A

($230,400 - $115,200) × 20% = $23,040

4 C

5 D

Suspense a/c

	$		$
Bal b/d	180	Opening inventory	1,200
Cash sale	50		
Bal c/d	970		
	1,200		1,200
		Bal b/d	970

6 D

7 B

Closing capital = opening capital + capital introduced + profit – drawings

Rearrange

Drawings = opening capital + profit – closing capital

Drawings = $144,867 + $25,764 – $153,153 = $17,478

8 B

	$
Overdraft per bank statement	(47,500)
Unpresented cheques	(2,400)
Uncleared lodgements	45,700
Balance per cash book	(4,200)

9 A

10 $610,900

		$
Total rent received during the year		617,000
Add:	1/7/X8 rent received in advance	37,900
Less:	30/6/X9 rent received in advance	25,250
Less:	1/7/X8 rent in arrears	31,000
Add:	30/6/X9 rent in arrears	12,250
Total rent receivable for the year ended 30/6/X9		**610,900**

11

	$
Cost of investment	1,400,000
FV of NCI @ acquisition	525,000
Less fair value of net assets at acquisition – (600,000 × $0.50) + $50,000	(350,000)
	1,575,000

12 B

13 A

		SOCIE $
Equity shares	200,000 @ 10c	20,000
Irredeemable preference shares	$20,000 × 20%	4,000
		24,000

Statement of financial position

Dividends payable equity shares 200,000 @ 10c $20,000

Dividend declared after year end are excluded from the financial statements.

14 A

15 B

	$
Inventory	41,875
Damaged goods	(1,960)
Sale proceeds	1,200
Repair costs before sale	(360)
	$40,755

16 $63,380

		$
Inventory		22,300
Receivables	42,650	
Allowance for receivables	(1,570)	41,080
		63,380

17 B

18 D

Closing inventory will be included in the statement of profit or loss and loans will be included in the statement of financial position. Dividends paid during the year should be accounted for in the SOCIE whilst dividends proposed but not approved at the year-end should be excluded from the SOCIE.

19 $13,229

Bank payment – opening accrual – closing prepayment

$16,750 – $2,565 – $956 = **$13,229**

20 A

Non-current assets

	$		$
Bal b/d	345,876	Disposal CV	1,370
Additions	**130,231**	Depreciation	16,750
		Bal c/d	457,987
	476,107		476,107
Bal b/d	457,987		

21 B

($132,425 – $1,100)

22 B

23 B

$1,500,000/$1.25 = 1,200,000 equity shares in issue

1,200,000/6 = 200,000 bonus shares to be issued × $1.25 = $250,000

Increase equity share capital and reduce share premium account by $250,000

Share premium account balance = $320,000 – $250,000 = $70,000

24 A

The dividend must be proposed and approved before the year-end if it is to be accounted for in the financial statements.

25 A

26 C

27 $2,628

Receivables control account

	$		$
Bal b/d	61,784	Discounts allowed	11,945
Dishonoured cheques	250	Irrecoverable debts	6,150
Interest	**2,628**	Bank	655,135
Credit sales	660,846	Bal c/d	52,278
	725,508		725,508
Bal b/d	52,278		

28 D

29 A

30 D

Bank

	$		$
		Bal b/d	3,750
		Dishonoured cheque	1,701
Bal c/d	6,186	Bank interest	735
	6,186		6,186
		Bal b/d	6,186

Balance per Bank statement	**(3,720) Bal Fig**
Less: Unpresented cheques	(2,466)
Balance per updated cash book	(6,186)

31 A

32 D

33 B

34 B

$27,000 × 20% = $5,400 × 2 (June 20X7 & June 20X8) = $10,800

$27,000 – $10,800 = $16,200 carrying value – $12,000 proceeds = $4,200 loss

35 C

A and B would both increase current assets, D refers to inventory which is excluded from the calculation. C would reduce the cash balance and therefore reduce the quick ratio.

SECTION B

1 GOLD GROUP

(a) A subsidiary is an entity which is controlled by another entity, usually referred to as a parent or holding entity. If one entity controls another, they are regarded as a group and annual consolidated accounts must be prepared for the group. This will include accounting for goodwill and non-controlling interest. Control is normally determined by holding a majority of the voting share capital of another entity. **(1.5 marks)**

An associate is normally regarded as being an interest in another entity where an entity owns between 20% - 50% of the voting share capital of another entity. This is not sufficient to enable control to be exercise, but **(1.5 marks)**

(Total 3.0 marks)

(b) **Gold Group Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 20X2**

	$000	*Marks*
Revenue (15,000 + (6/12 × 7,500) – 500(IC))	18,250	1.0
Cost of sales (9,000 + (6/12 × 3,000) – 500(IC) + 250(PURP)	(10,250)	2.0
Gross profit	8,000	
Distribution and admin expenses (1,500 + (6/12 × 1,000))	(2,000)	0.5
Profit from operations	6,000	
Finance cost (250 + (6/12 × 150))	(325)	0.5
Profit before tax	5,675	
Taxation (500 + (6/12 × 450))	(725)	0.5
Profit for the year	4,950	
Other comprehensive income:	Nil	
Total comprehensive income for the year	4,950	
Profit for the year is attributable to:		
Group (bal fig)	4,660	
Non-controlling interest (20% × 6/12 ×$2,900)	290	
	4,950	
		4.5

Gold Group - Consolidated statement of financial position at 30 June 20X2

	$000	*Marks*
Non-current assets		
Goodwill (W3)	2,950	1.5
Property, plant and equipment (11,000 + 7,000 + 1,000(FVA))	19,000	1.0
	21,950	
Current assets		
Inventories (10,000 + 4,000 – 250(W6))	13,750	0.5
Receivables (9,000 + 3,500 – 500(IC))	12,000	0.5
Cash at bank (2,000 + 500)	2,500	0.5
Total assets	50,200	
Equity and liabilities		
Equity share capital	20,000	
Share premium	4,000	
Retained earnings (W5)	8,410	1.5
Non-controlling interest (W4)	2,290	1.0
	34,700	
Current liabilities		
Trade payables (10,000 + 5,050 – 500(IC))	14,550	0.5
Tax liabilities (500 + 450)	950	0.5
	50,200	
		7.5

Workings:

(W1) **Group structure**

- Gold owns 80% of the shares of Silver so Silver is a subsidiary.
- Note that the acquisition of shares was made during the year.
- The NCI in Silver is therefore 20%.

(W2) **Net assets of Silver (sub)**

	Date of acquisition	*Reporting date*
	$000	$000
Share capital	3,000	3,000
Share premium	1,000	1,000
Retained earnings (W2a)	4,050	5,500
Fair value adjustment	1,000	1,000
	9,050	10,500

(W2a) **Retained earnings at date of acquisition**

	$000
Retained earnings at reporting date	5,500
Less: post-acquisition element of profit for the year (6/12 × 2,900)	(1,450)
Retained earnings at date of acquisition	4,050

(W3) **Goodwill on acquisition of Silver**

	$000
Cost of investment	10,000
Fair value of NCI at date of acquisition	2,000
	12,000
Net assets of Silver at acquisition (W2)	(9,050)
Goodwill at acquisition	2,950

(W4) **Non-controlling interest**

	$000
Non-controlling interest at date of acquisition	2,000
NCI share of post-acquisition retained earnings (20% × (10,500 – 9,050)) (W2)	290
	2,290

(W5) **Retained earnings**

	$000
Gold	7,500
Group share of post-acquisition retained earnings (80% × (10,500 – 9,050) (W2))	1,160
Less: Provision for unrealised profit made by Gold (W6)	(250)
	8,410

(W6) **Provision for unrealised profit**

	$000
Cost (100%)	250
Profit (100% of cost) all unrealised (W5)	250
Selling price (200% of cost)	500

Marking scheme		
		Marks
(a)	Subsidiary and associate	3
(b)	Group statement of P&L	4.5
	Group statement of financial position	7.5
Total		**15**

2 BASSOON

Bassoon - Statement of cash flows for the year ended 31 March 20X1

	$000	$000	*Marks*
Cash flows from operating activities			
Profit before tax	23,775		
Adjustments for:			
Depreciation charge (W2)	18,000		0.5
Loss on sale of plant and equipment (W1)	3,000		0.5
Interest payable	250		0.5
Increase in inventories ($37,250 - $31,500)	(5,750)		1.0
Increase in trade receivables ($39,250 - $32,500)	(6,750)		1.0
Decrease in trade payables ($23,000 – $20,500)	(2,500)		1.0
Cash generated from operations	25,525		
	(250)		0.5
Income taxes paid (W3)	(7,000)		1.0
		22,775	
Cash flows from investing activities			
Cash purchase of property, plant and equipment (W2)	(28,000)		1.0
Disposal proceeds of plant and equipment (W1)	13,000		1.0
		(15,000)	
Cash flows from financing activities			
Repayment of bank loan (W4)	(3,025)		1.0
			2.0
Dividend paid (W6)	(9,000)		2.0
		(12,025)	
Decrease in cash and cash equivalents ($8,000 - $3,750)		(4,250)	1.0
Cash and cash equivalents b/fwd		8,000	0.5
Cash and cash equivalents c/fwd		3,750	0.5
			15.0

Workings

(W1) **PPE disposal in year**

		$000
Disposal proceeds (per question)		**13,000**
Cost of PPE disposed of	21,750	
Acc dep'n to date (bal fig)	(5,750)	
CV of disposal		(16,000)
Loss on disposal		**(3,000)**

(W2) **PPE reconciliation for the year**

	Cost or val'n	Acc dep'n
	$000	*$000*
PPE b/fwd	200,000	110,000
PPE disposal in year (W1)	(21,750)	(5,750)
Revaluation of land	10,000	
Depreciation charge (bal fig)		**18,000**
Cash paid – additions (bal fig)	**28,000**	
PPE c/fwd	216,250	122,250

(W3) **Income tax paid**

	$000
Income tax liability b/fwd	7,000
Income tax charge for the year per P&L	4,500
Cash paid in year	**(7,000)**
Income tax liability c/fwd	4,500

(W4) **Bank loan – amount repaid**

	$000
Bank loan b/fwd	10,000
Cash paid	**(3,025)**
Bank loan c/fwd	6,975

(W5) **Issue of shares in the year**

	Share capital	*Share premium*
	$000	*$000*
Balance b/fwd	30,000	8,000
Bonus issue (1/6) **not a cash issue**	5,000	(5,000)
Balance c/fwd	35,000	3,000

(W6) **Dividend paid**

	$000
Retained earnings b/fwd	75,000
Profit after tax for the year	19,275
Cash paid	**(9,000)**
Balance c/fwd	85,275

Marking scheme	
	Marks
Statement of cash flows (per answer)	15
Total	**15**