

Register Number:

Date:

**ST. JOSEPH’S COLLEGE (AUTONOMOUS) BENGALURU-27**

**B.COM IFA - IV SEMESTER**

**SEMESTER EXAMINATION: APRIL 2022**

**(Examination conducted in July 2022)**

**BC 4219 – Financial Reporting II**

**This paper contains 4 printed pages and four parts**

**Time – 2 ½ hrs Max Marks- 70**

**SECTION A**

**Answer any Five (5) of the following (5 \* 2 Marks = 10 Marks)**

1. How IFRS 9 deals with financial instruments?
2. On 1 April 20X7, Bingo entered into an agreement to lease an item of plant from the manufacturer. The lease required four annual payments in advance of $100,000 each commencing on 1 April 20X7. The plant would have a useful life of four years and would be scrapped at the end of this period. The present value of the total lease payments is $350,000. Bingo has a cost of capital of 10%.  How much should be charged to statement of profit or loss as on 30th September 20X7.
3. 20X7, Mr. Bean made a 1 for 2 rights issue at $2 when the market price was $3. Last year’s EPS was $1. There were no other issues of shares during the year. What is the restated earnings per share figure for comparative purposes?
4. What is the concept of a group as a single economic unit?
5. What is Non-controlling interest in a group?
6. Why are intra-group transactions eliminated from consolidated accounts?

**SECTION B**

**Answer any THREE (3) of the following (3 \* 5 Marks = 15 Marks)**

1. At what conditions a parent company can claim exemption from the preparation of consolidated financial statements?
2. On 1 January 20X0 Parent plc acquired 100% of the 10,000 $1 common shares in Son plc for $1.50 per share in cash and gained control. Calculate Goodwill.

**BC 4219-A-22**

|  |  |  |
| --- | --- | --- |
|  | Parent Plc | Son Plc |
| Assets |  |  |
| Non-current assets | 20,000 | 11,000 |
| Investment in Son Plc | 15,000 | --- |
| Net current assets | 8,000 | 3,000 |
| **Total assets** | **43,000** | **14,000** |
|  |  |  |
| Equity and Liabilities |  |  |
| Share capital | 16,000 | 10,000 |
| Retained earnings | 27,000 | 4,000 |
| **Total Equity and Liabilities** | **43,000** | **14,000** |

​

1. Discus the criteria to assess ‘Control’ over other entity by the parent company with an appropriate example.
2. The following information is available for the property, plant and equipment of Fry as at 30 September:

**20X4 20X3**

$000 $000

Carrying amounts 23,400 14,400

The following items were recorded during the year ended 30 September 20X4:

1. Depreciation charge of $2.5 million
2. An item of plant, with a carrying amount of $3 million, was sold for $1.8 million
3. A property was revalued upwards by $2 million
4. Environmental provisions of $4 million relating to property, plant and equipment were capitalised during the year

What amount would be shown in Fry’s statement of cash flows for purchase of property, plant and equipment for the year ended 30 September 20X4?

**SECTION C**

**Answer any TWO (2) of the following (2 \* 15 Marks = 30 Marks)**

1. Write short notes on the following
2. IFRS 13 – Fair value measurement describing the different levels of fair value.
3. Factoring of receivables and its types
4. Single economic entity concept. (5+5+5)
5. The following trial balance relates to Q as at 30 September 20X2:

|  |  |  |
| --- | --- | --- |
|  | **$000** | **$000** |
| Revenue  Cost of sales  Distribution costs  Administrative expenses  Loan note interest  Dividend paid  Investment income  Equity shares of 25 cents each  6% loan note  Retained earnings at 1 October 20X1  Plant and equipment at cost  Accumulated depreciation of plant and equipment  Equity financial asset investments  Inventory at 30 September 20X2  Trade receivables  Bank  Current tax  Deferred tax  Trade payables | 136,800  12,500  19,000  1,500  19,200  83,700  17,000  24,800  28,500  2,900  1,100 | 213,500  400  60,000  25,000  6,500  33,700  1,200  6,700 |
|  | **347,000** | **347,000** |

Consider the following relevant notes:

1. ~~Q~~ issued a $25 million 6% loan note on 1 October 20X1. Issue costs were $1 million and these have been charged to administrative expenses. The loan will be redeemed on 30 September 20X4 at a premium which gives an effective interest rate on the loan of 8%.
2. Plant and equipment is depreciated at 15% per annum using the reducing balance method. No depreciation has yet been charged for the year ended 30 September 20X2. All depreciation is charged to cost of sales.
3. The investments had a fair value of $15.7 million as at 30 September 20X2. There were no acquisitions or disposals of these investments during the year ended 30 September 20X2.
4. The balance on current tax represents the under/over provision of the tax liability for the year ended 30 September 20X1. A provision for income tax for the year ended 30 September 20X2 of $7.4 million is required. At 30 September 20X2, Q had taxable temporary differences of $5 million, requiring a provision for deferred tax. Any deferred tax adjustment should be reported in the statement of profit or loss. The income tax rate of Q is 20%.

Prepare **statement of profit or loss** and **statement of financial position** as per 30 September 20X2.

1. (a) At 1 January 20X0 Casey had property, plant and equipment with a carrying amount of $180,000. In the year ended 31 December 20X0 Casey disposed of assets with a carrying amount of $60,000 for $50,000.  Casey revalued a building from $75,000 to $100,000 and charged depreciation for the year of $20,000.  At the end of the year, the carrying amount of property, plant and equipment was $250,000. How much will be reported in the statement of cash flows for the year ended 31 December 20X0 under the heading ‘cash flows from investing activities? Show the workings.

(b) At 1 October 20X4, BK had accrued interest payable of $12,000. During the year ended 30 September 20X5, BK charged finance costs of $41,000 to its statement of profit or loss, including unwinding a discount relating to a provision stated at its present value of $150,000 at 1 October 20X4. The closing balance on accrued interest payable account at 30 September 20X5 was $15,000, and BK has a discount rate of 6%. How much interest paid should BK show on its statement of cash flows for the year ended 30 September 20X5? Show the workings.

(c ) The convertible loan notes are 8% $30 million convertible loan notes issued on 1 October 20X4 at par. An equivalent loan without the conversion would carry an interest rate of 10%. What should the value of the liability element of the convertible loan note be at 30 September 20X5, to the nearest thousand? Show the extract of financial statements.

**SECTION D**

**COMPULSORY QUESTION (1 \* 15 Marks = 15 Marks)**

1. Prepare the balance sheets of Parent Ltd and the consolidated balance sheet as at 1 January 20X7 after each transaction, using for each question the balance sheets of Parent Ltd and Daughter Ltd as at 1 January 20X7 which were as follows:

**Parent Ltd Daughter Ltd**

Ordinary shares of Rs 1 each 40,500 9,000

Retained earnings 4,500 1,800

**45,000 10,800**

Cash 20,000 2,000

Other assets 25,000 8,800

**45,000 10,800**

Prepare consolidated balance sheet of Parent limited under the following situations:

**Situation – A:** On 1 January 20X7 Parent Ltd acquired all the ordinary shares in Daughter Ltd for Rs 16,200 cash. The fair value of the net assets in Daughter Ltd was their book value.

**Situation – B:** The purchase consideration was satisfied by the issue of 5,400 new ordinary shares in Parent Ltd. The fair value of Rs1 ordinary share in Parent Ltd was Rs3. The fair value of the net assets in Daughter Ltd was their book value.