H Roll No. ....

BCH–201(ACCA)

B. COM. (H) (ACCA)
(SECOND SEMESTER)
MID SEMESTER
EXAMINATION, April, 2023

FINANCIAL REPORTING

Time : 1½ Hours

Maximum Marks : 50

Note : (i) Answer all the questions by choosing any *one* of the sub-questions.

(ii) Each sub-question carries 10 marks.

1. (a) Define why the treatment of investment properties should differ from other properties. (CO1)

OR

(b) An entity opens a new factory and receives a government grant of $30,000 in respect of capital equipment costing $200,000. It depreciates all plant and machinery at 20% pa straight-line.

Show the statement of profit or loss and statement of financial position extracts in respect of the grant in the first year under both methods. (CO1)

2. (a) Distinguish between a principles based and a rules based framework. (CO2)

OR

(b) Explain why accounting standards on their own are not a complete regulatory framework. (CO2)

3. (a) On 1 April 20X8 the fair value of Xu's property was $200,000 with a remaining life of 20 years. Xu's policy is to revalue its property at each year end. At 31 March 20X9 the property was valued at $172,000. The balance on the revaluation surplus at 1 April 20X8 was $40,000 which relates entirely to the property.

Xu does not make a transfer to realised profit in respect of excess depreciation.

Required :

Prepare extracts of Xu's financial statements for the year ended 31 March 20X9 reflecting the above information. (CO3)

OR

(b) An entity has incurred the following expenditure during the current year :

(i) Expenditure on the initial design work of a new product 500,000–it is anticipated that this design will be taken forward over the next two year period to be developed and tested with a view to production in three years' time.

(ii) Expenditure on the testing of a new production-200,000 system which has been designed internally and which will be in operation during the following accounting year. This new system should reduce the costs of production by 20%.

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How should each of these costs be treated in the financial statements of the entity ? (CO3)

4. (a) Discuss the nature and accounting treatment of internally generated and purchased intangibles. (CO4)

OR

(b) Wilson received an $18 million 5% loan on 1 January 20X8 to finance construction of a new factory. As the funds were not all required immediately Wilson invested $6 million in 2% bonds until 31 May 20X8.

Construction of the factory began on 1 March 20X8 and was completed on 31 December 20X8.

Calculate the amount of interest to be capitalised in respect of the factory as at 31 December 20X8. (CO4)

5. (a) Assess the circumstances that may indicate impairments to assets. (CO5)

OR

(b) McDonald operates a dairy farm. At 1 January 20X1, he owns 100 cows worth $1,000 each on the local market. At 31 December 20X1, he owns 105 cows worth $1,100 each. During 20X1 he sold 40,000 gallons of milk at an average price of $5 a gallon. When cows are sold at the local market, the auctioneer charges a commission of 4%.

Show extracts from the financial statements for 20X1 for these activities, assuming that no cows were purchased or sold during the year. (CO5)