NATIONAL OPEN UNIVERSITY OF NIGERIA
14/16 AHMADU BELLO WAY, VICTORIA ISLAND, LAGOS
SCHOOL OF MANAGEMENT SCIENCES
SEPTEMBER/OCTOBER 2015 EXAMINATION

COURSE CODE: ACC419 CREDIT UNIT: 3
COURSE TITLE: ADVANCED FINANCIAL ACCOUNTING
TIME ALLOWED: 2 1/2 HOURS
Instructions:
1. Attempt question number one (1) and any other three (3).
2. Question number 1 is compulsory and carries 25 marks while the other carry 15 marks each.
3. Present all your points in coherent and orderly manner.

QUESTION ONE

(a) Accounting information is required by a wide range of users for various reasons. Outline the various users of accounting information you know.

(b) IAS 7 (Statement of Cash Flow) states that additional information may be relevant to users in understanding the financial position and liquidity of an entity.
(i) State FOUR advantages of cash flow accounting.
(ii) Highlight THREE of the disclosures which are required by the Standard (with comments) by the management of the entity when preparing the Statement of Cash Flow.

QUESTION TWO

The shares were bought for N765 million and Bettami Plc. Reserves at the time of purchase amounted N60million. On 31 March 2012, Alphani Plc. sold 120 million of Bettami Plc shares for N480million. The only entry made in respect of this transaction was the receipt of the cash, which was credited to the “investment in subsidiary” account. No dividend was paid by either entity during the period.

The summarised financial statements of the companies are as follows:

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED TO 30 JUNE 2012

	ALPHANI PLC	BETTAMI PLC
	N‟m	N‟m
Profit before tax	390	180
Income tax expenses	(120)	(60)
Profit for the year	270	120
Other comprehensive income that will not be reclassified to income statement net of tax	60	30
	330	150

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2012

	ALPHANI PLC	BETTAMI PLC
	N‟m	N‟m
NON-CURRENT ASSETS		
Property, Plant & Equipment	1,605	534
Investment in Bettami Plc	285	-
CURRENT ASSETS:		
Inventories	960	570
Trade Receivables	750	525
Cash and Bank	240	267
	3840	1896
EQUITY INTEREST		
Share Capital: N1 ordinary shares	1,500	600
Reserves	930	510
	2,430	1,110
CURRENT LIABITIES:		
Trade Payables	885	513
Income Tax	240	180
Provisions	285	93
	3,840	1,896

There was no Impairment loss in the group during the year.

Assume that the gain as calculated in the parent‟s separate financial statement will be subject to companies‟ income tax at a rate of 30%, and that profit and other comprehensive income accrue evenly throughout the year.

Alphani Plc. group policy is to measure non-controlling interest at fair value at the date of acquisition.

The fair value of the non-controlling interest in Bettami Plc. was N135million at the date of acquisition.

You are required to prepare the:

a. Statement of Profit or Loss and Comprehensive Income and Statement of Changes in Equity of Alphani Plc for the year ended 30 June 2012.

b. Consolidated Statement of Profit or Loss and Comprehensive Income of Alphani Plc. For the same period.

c. Consolidated Statement of Financial Position as at 30 June 2012.

QUESTION THREE

Hussain Limited‟s Statement of Profit or Loss for the year ended 31 December 2011 and Statement of Financial Position as at 31 December 2010 and 2011 are as follows:

HUSSAIN LIMITED

Statement of Profit or Loss for the year ended 31 December 2011 Loss for the year ended 31 December 2011

	N‟m	N‟m
Revenue		360
Raw Materials consumed	35	
Staff costs	47	
Depreciation	59	
Loss on disposal of non-current assets	9	
		150
Operating profit before interest and tax		210
Interest payable		14
Profit before tax		196
Taxation		62
		134

HUSSAIN LIMITED

Statement of Financial Position as at 31 Decembncial Position as at 31 December 2011

	2011	2010
	N‟m	N‟m
Non Current Assets (cost)	798	780
Depreciation	(159)	(112)
	639	668
Current Assets:		
Inventory	12	10
Trade receivable	38	29
Bank	24	28
	74	67
Total Assets	**713**	**735**
Share capital	180	170
Share premium	18	12
Retained earnings	358	257
	556	439
Non-current liabilities		
Long -term loans	100	250
Current liabilities:		
Trade payables	6	3

Taxation	51	43
	57	46
Total equity and liabilities	**713**	**735**

Dividend paid was N33million.

During the year, the company paid N45million for a new piece of machinery.
You are required to prepare a Statement of Cash Flows for Hassan Limited for the year ended 31 December 2011, in accordance with the requirements of IAS 7, using the indirect method.

QUESTION FOUR

Vulture Nigeria limited, undertakes to build another giant coal bunker for eastern coal limited, at a contract price of N 150,000,000, estimating that the work will take 18 months to complete. At the financial year ended 31 March 2015, the expenditure on the contract were as follows:

	N'000
Materials	30,000
Direct wages	40,000
Direct expenses	5,000
Plant at cost	35,000
Plant hire	2,000
Sundry tools	3,000

The written down value of plant for the year ended 31march 2008, was ₦25,000,000 while the value of sundry tools was estimated to be ₦500,000. At the year end, the value of work certified was ₦100,000,000. While cash received from the customer amounted to ₦60,000.
You are required to prepare the contract and contractee's accounts, for the year ended 31st march 2015

QUESTION FIVE

(a) Frontline Ltd decided to issue 1,000,000 shares of N 1.00 each at par, 10kobo payable on application, 40kobo on allotment and 50kobo on first and final call. Yinkus Ltd, a finance company, agrees to underwrite the whole issue, at a commission of 2.5% and to apply firm for 200,000 shares. Yinkus Ltd arranged with Funky Ltd that they sub-underwrite 25% of the shares for a commission of 2%.

The public applies for and was allotted 400,000 shares and Yinkus Ltd was allotted the firm's application for 200,000 Shares.
Yinkus Ltd had deposited cheque designed for the application money on shares underwritten and Funky Ltd in turn, had deposited the relevant cheques and which cleared when the result of the issue became known and commission due was paid.
After allotment and before final payment, Yinkus Ltd sold 100,000 shares at 45k each, having made the final payment. Yinkus Ltd then sold 250,000 shares at 110k each. At the end of the financial year of Yinkus Ltd, shares of Frontline Ltd were valued at 120k each.

You are required to prepare the Underwriting Account of Yinkus Ltd reflecting the above transactions.

(b) ABC sold a machine to XYZ on hire purchase basis. You are given the following information.
Cash price N 28,000
Initial deposit N 10,000
A yearly instalment of N 7,500 each payable on 31december for 4years, was agreed. The company makes up accounts to 31 December.

You are required to calculate the hire purchase interest attributable to each year

QUESTION SIX

Amaka Plc and Amanda Plc presented the following Statement of Profit or Loss for the year ended 31 December 2013:

	Amaka Plc	Amanda Plc
	N'000	N'000
Revenue	200,000	160,000
Cost of sales	(98,000)	(85,000)
Gross profit	102,000	75,000
Administrative expenses	(25,000)	(18,000)
	77, 000	57, 000
Finance costs	(10,500)	(4,500)
Operating Profit	66,500	52,500
Income tax expense	(20,500)	(16,500)
Profit for the year	46,000	36,000

Amanka Plc acquired 80% of the ordinary shares in Amanda Plc on 1 January 2010.
(ii) Amaka Plc declared N20 million as dividend on ordinary shares while Amanda Plc declared N16 million.
(iii) Land, which is non-depreciable is included in the trial balance at a value of N38 million. At 31 December 2013, it was re-valued to N50 million and this revaluation is to be included in the financial
statements.
You are required to:
a. Calculate the following ratios for Amaka Plc and Amanda Plc for the year 31 December 2013:
(i) Dividend cover
(ii) Interest cover
(iii) Gross profit margin
(iv) Operating profit margin

b. Prepare a consolidated Statement of Profit or Loss and other Comprehensive Income for the year ended 31 December 2013.