



THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH  
CMA JUNE, 2016 EXAMINATION  
PROFESSIONAL LEVEL-III  
SUBJECT : 301. ADVANCED FINANCIAL ACCOUNTING-II.

Reading Time: 15 minutes

Time: Three hours

Full Marks: 100

- ❖ All questions are to be attempted.
- ❖ Show computations, where necessary.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

**Q. No. 1.**

- (a) According to IAS-33 identify the main distinction in treatment of EPS between the exercise of right issue and exercise of share option.
- (b) The following information is provided about a company:

Profit attributable to ordinary equity shareholders of the percent entity for the year end 20x6.....	Tk. 12,00,000
Weighted average number of shares (equity outstanding in 20x6)	5,00,000
Average market price of one ordinary share during year 20x6	Tk. 20
Weighted average number of shares under option during 20x6	1,00,000
Exercise price per share under option during year 20x6	Tk. 15

**Required:**

Calculate the basic and diluted earnings per share.

- (c) A company had 8.24 million shares in issue at the start of the year and made no issue of shares during the year ended June 30, 2015, but that date there were outstanding options to purchase 9,20,000 shares @ Tk. 1.70 per share. Face value of the share was Tk. 1.00 and the fair value was Tk. 1.80. Earning for the year ended were Tk. 22,08,000.

**Required:**

Calculate fully diluted EPS as on June 30, 2015 following IAS-33.

**[Marks: (6+8+6) = 20]**

**Q. No. 2.**

- (a) Briefly describe the Summary of Accounting for Deferred Tax.
- (b) At 1 April, 2011 Urban Ltd. had a deferred tax liability brought forward of Tk. 59,360 this has arisen from temporary differences of PPE and development expenditure.

At 31 March, 2012 the company produces the following information:

- (1) The carrying amount of property, plant and equipment in the statement of financial position is Tk. 560,000 and the tax written down value of the same asset is Tk. 364,000.
- (2) The Company has started to amortize some development costs and at 31 March, 2009 the asset in the statement of financial position has fallen to Tk. 32,000.
- (3) Urco Plc. has incurred taxable trading losses of Tk. 160,000 in the year. It is confident that these losses are a one-off event and that the company will be profitable for the foreseeable future.
- (4) The directors have re-valued some land from its original cost of Tk. 80,000 to Tk. 400,000.

Assume a corporation tax rate of 24.75%.

**Required:**

Calculate the figures that will be included in the financial statement for the year end 31 March, 2012 including the journal entry.

**[Marks: (8+12) = 20]**

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**Q. No. 3.**

- (a) Describe at least four specific advantages of Business Combination over Internal Expansion.  
 (b) Balance sheet of Fizz and SAMMY Limited as on June 2016 one given below:

Liabilities	Fizz Ltd. (Tk.)	SAMMY Ltd. (Tk.)	Assets	Fizz Ltd. (Tk.)	SAMMY Ltd. (Tk.)
Share Capital (@Tk.10 each)	5,00,000	1,00,000	Buildings	2,00,000	1,00,000
General Reserve	2,00,000	60,000	Plant & Machinery	2,30,000	1,00,000
P/L Account	1,20,000	1,40,000	Investments: (8,000		
Creditors	80,000	60,000	Share in SAMMY Ltd)	80,000	-----
Bills payable	50,000	20,000	Others	30,000	10,000
			Stock	1,40,000	40,000
			Debtors	1,60,000	40,000
			Bank	1,10,000	90,000
<b>Total</b>	<b>9,50,000</b>	<b>3,80,000</b>	<b>Total</b>	<b>9,50,000</b>	<b>3,80,000</b>

**Additional information:**

- (i) Fizz Ltd. acquired 8000 equity shares in Sammy Ltd. on 01.04.2014. On that date Sammy Ltd. had Tk. 40,000 in P/L account and Tk. 40,000 in general reserve.  
 (ii) Sammy Ltd declared on 01.07.2014 10% dividend for 2013-14 and 15% Dividend on 01.06.2015 for 2014-15. Fizz Ltd. credited its share of both the Dividends to investment in Sammy Ltd account.  
 (iii) Further on 01.08.2015 Sammy Ltd. declared stock dividend in the ratio of one for four held out of balance in General reserve on 01.04.2014. Though Fizz Ltd. rightly treated its share of bonus dividend in its books of account, Sammy Ltd. has not yet given effect to the bonus dividend in its accounts.  
 (iv) On 01.07.2015 Sammy Ltd. purchased Plant & Machinery for Tk. 60,000 from Fizz Ltd. which yielded a profit of 20% on selling price to Fizz Ltd. Sammy Ltd. Charges 10% depreciation on its Plant & Machinery.  
 (v) The entire bills payable of Sammy Ltd. represent bills accepted in favor of Fizz Ltd.  
 (vi) Liability for expense not given effect in the books of Fizz Ltd. amounts to Tk. 25,000.

**Required:**

Prepare Consolidated Balance Sheet in the books of Fizz Ltd. on 30.06.2016.

**[Marks: (4+16) = 20]**

**Q. No. 4.**

Rush PLc. Manufacture sailing dinghies. During last year it ceased production of its model XII due to competition from overseas suppliers which could manufacture a similar dinghy at a much lower price. A new model the RV3 is due into production in the next month. Its classic design is expected to result in a resurgence of demand for wooden-hulled dinghies. New premises and equipment were purchased during the year in order to manufacture the RV3.

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Q. No. 4.(cont'd.....)

Rush PLC. has prepared the following draft accounts for the year ended 31 December, 20x8:

**Income Statement:**

	Tk.'000
Revenue	11,563
Cost of sales	<u>5,502</u>
<b>Gross Profit</b>	<b>6,061</b>
Distribution costs	402
Administration expenses	882
Interest payable	<u>152</u>
	<u>1436</u>
<b>Profit before tax</b>	<b>4,625</b>
Taxation	<u>2,231</u>
<b>Profit after tax</b>	<b>2,394</b>

**Statement of Financial Position:**

	31 December	
	20x8 Tk. 000	20x7 Tk. 000
Leasehold premises (net)	6,600	5,700
Plant, machinery and equipment (net)	5,040	3,780
Investment at cost	2,406	2,208
Inventory	2,880	1,986
Receivables	2,586	1,992
Bank	<u>-</u>	<u>576</u>
	<b>19,512</b>	<b>16,242</b>
<b>Equities &amp; liabilities:</b>		
Share capital (25 paise ordinary)	2,280	1,800
Share premium	2,112	1,800
Retained earnings	9,108	6,714
Debenture (10%)	1,240	1,800
Provision for deferred repairs	1,202	1,016
Payables	1,026	702
Over draft	222	-
Taxation	<u>2,322</u>	<u>2,410</u>
	<b>19,512</b>	<b>16,242</b>

The following data is relevant:

- (1) The 10% debentures were redeemed at par.
- (2) Plant and equipment with a written down value of Tk. 2,76,000 was sold for Tk. 168,000.  
New plant was purchased for Tk. 25,00,000.
- (3) Lease hold premises capital costs of Tk. 13,00,000 were incurred during the year.

**Required:**

Prepare the statement of cash flows and all supporting notes in accordance with IAS-7 statement of cash flows for 20x8 for Rush Plc.

**[Marks: 25]**

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**Q. No. 5.**

- (a) Explain different modes in which a company may be wound up.
- (b) Describe what is meant by the 'substance' of a transaction and how to determine this 'substance'.
- (c) As per IAS-28, 27 and 31. Cost method, equity method and proportionate method of investment accounting when adopted and why? Explain.

**[Marks: (3+6+6) = 15]**

**= THE END =**