THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA JUNE, 2017 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) State the disclosure requirements of IFRS-8.

(b) Define the term "Research" and " Development " and accounting treatment of both.

(c) Mint is a company that complies with the minimum requirements of BAS-24. Related Party Disclosure. The following relationships have been identified:

(i) Toffee which is a separate company in which one of Mint's junior managers owns 10% of the share capital.
(ii) The daughter of a director of Mint.
(iii) The director of Mint owns 60% of the share capital of another company called chocolate.
(iv) Miss Butterscotch owns 25% of the share capital of Mint.
(v) A director of Mint is also a director of Sugar (which is independent of Mint) but not a shareholder in either company.
(vi) Cream is a company owned by the niece of the finance director of Mint.

Required: Identify and explain which of the above are related party of Mint.

[Marks: (5+5+10) = 20]

Q. No. 2.

(a) Bangladesh Handloom Co-operative has a branch in Khulna. Goods are invoiced to Khulna at cost plus $33^{1}/_{3}\%$. Khulna branch maintain only sales ledger, except that all other transactions are recorded in Head Office book. Branch sells goods both in cash and credit. All cash collected by branch is sent the Head Office at regular intervals and all branch expenses are met by Head Office.

The following particulars are related to the Khulna Branch for the accounting year ended 31st December 2016:

	Tk. '000		Tk. '000
Stock on 1st January 2016	24,000	Goods returned to H.O. (Invoice price)	4,000
Branch Debtor 1st January 2016	18,000	Discount allowed to customers	1,000
Goods received from H.O. (at cost)	72,000	Bad debts	1,400
Branch sales: Cash	20,000	Cash sent to branch for wages payment	2,000
Credit	80,000		
Goods returned by debtor	4,000	Freight payment	2,500
Cash received from debtors	72,000	Salaries and other expenses	4,000
		Stock at 31st December 2016 (at cost price)	13,200

From the above particulars prepare in the book by Head Office.
(1) Branch Stock Account, (2) Branch Debtor Accounts, and (3) Branch Profit or Loss Account.

(b) Emida Company has an asset which cost Taka 100,000 in 2015 the carrying amount was Taka 80,000 and the asset was revalued to Taka 150,000. No equivalent adjustment was made for tax purposes. Cumulative depreciation for tax purposes is Taka 30,000 and the tax rate is 30%. If the asset is sold for more than cost the cumulative tax depreciation of Taka 30,000 will be included in taxable income but sales proceed in excess of cost will not be taxable (IAS-12).

Required: State the deferred tax contingences of the above assuming that:
(i) the company expects to recover the carrying amount through continued use of the asset.
(ii) the company expects to recover the carrying amount of the assets through the sale.

[Marks: (12+8) = 20]

Q. No. 3

(a) The following information is provided for an entity:

Profit attributable to equity share holders of the parent entity	Taka 100,000	
Ordinary share outstanding	10,000	
Non-convertible preference share	6,000	
Non-Cumulative annual dividend on preference share (before any dividend is paid on Ordinary shares)	Taka 5.50	per share

After the ordinary shares have been paid as a dividend of Taka 2.10 per share the preference shares participated in any additional dividends on a 20:80 ratio with ordinary shares.

Dividends on preference shares paid Taka 33,000 (Taka 5.50 x 6,000 shares).

Dividends on ordinary share paid Taka 21,000 (Taka 2.10 x 10,000 shares).

Required: Calculate the earnings attributable to shareholder as per IAS-33.

(i) Ordinary share.

(ii) Preference share.

(b) A Company had 8.28 million shares in issue at the start of the year and made no new issue of shares during the year ended December 31,2016, but on the dates it had in issue Taka 23,00,000, 10% convertible loan stock (2018-2021). Assume corporate tax @ 30%. The earning for the year were Taka 22,08,000.

This loan stock will be convertible in to ordinary @ Taka 1.00 shares as follows:

2018- 90, Taka 1 shares for Taka 100 nominal value loan stock
2019- 85, Taka 1 shares for Taka 100 nominal value loan stock
2020- 80, Taka 1 shares for Taka 100 nominal value loan stock
2021- 75, Taka 1 shares for Taka 100 nominal value loan stock

Required: Compute the fully diluted EPS for the year ended December 31, 2016.

[Marks: (10+10) = 20]

Q. No. 4

(a) What is significant influence? What are the different ways significant influence can be determined according to BAS 28?

(b) H Ltd. has investments in S Ltd. which is a subsidiary and I Ltd. which is an investment. The draft balance sheets of H ltd. and S ltd at 30 June 2016 are shown below:

	H Ltd	**S Ltd.**
Assets	'000	'000
Non-current assets		
Property, plant and equipment	6,720	820
Investment in S Ltd.	1,540	-
Investment in I Ltd	1,200	
	9,460	**820**
Current Assets		
Inventories	360	170
Trade and other receivables	370	230
Amount due from S Ltd.	75	-
Cash and cash equivalents	15	10
	820	**410**
Total Assets	**10,280**	**1,230**
Equity and Liabilities		
Capital and Reserves		
Issued Taka 1 ordinary shares	5,000	600
Revaluation Reserve	200	40
Retained Earnings	1,210	220

Q. No. 4 (cont'd………)

Equity	**6,410**	**860**
Non-current Liabilities		
Borrowings	3,200	50
Current Liabilities		
Trade and other payables	670	270
Amount due to H Ltd.	-	50
Liabilities	**3,870**	**370**
Total equity and Liabilities	**10,280**	**1,230**

Additional Information:

(1) H Ltd. acquired 450,000 Taka 1 ordinary shares in S Ltd. on 1st July 2014 for Taka 1.54 million. At that date the balance on S Ltd. retained earnings was a credit of Taka 140,000 and the balance on the revaluation reserve was a credit of Taka 28,000.

(2) I Ltd. is not an associate of H Ltd.

(3) The fair value of the plant of S Ltd. was Taka 200,000 in excess of its carrying amount at 1st July 2014. This plant is to be depreciated over five years from the acquisition date on a straight line basis with no residual value.

(4) H Ltd. sold plant to S Ltd. on 1st July 2015 for Taka 96,000; the plant had cost Taka 100,000 on 1st July 2014 and had a carrying amount of Taka 80,000. The plant is to be depreciated over its estimated remaining useful life of four years.

(5) H Ltd. sold goods S Ltd. at a price of Taka 25,000 on 30 June 2016, which were not received by S Ltd. until 5th July 2016. H Ltd. calculates selling price at a mark-up of 25% on cost.

Required:

Prepare the consolidated balance sheet of H Ltd at 30 June 2016 with necessary workings.

[Marks: (5+15) = 20]

Q. No. 5

Greenfingers Ltd is a 40 year old company producing wooden furniture. 22 years ago it acquired a 100% interest in a timber import company, Arbre Ltd. In 20W9 it acquired a 40% interest in a competitor, Water Features Ltd and on 1 January 20X7 it acquired a 75% interest in Garden Furniture Designs Ltd. The draft consolidated accounts for the Greenfingers Group are as follows.

Draft consolidated income statement for the year ended 31 December 20X7	Taka '000
Profit from operations	4,455
Share of profit of associates	1,050
Dividends from long-term investments	465
Interest payable	(450)
Profit before taxation	5,520
Income tax expense	(1,485)
Profit after taxation	4,035
Attributable to:	
Equity holders of Greenfingers Ltd	3,735
Minority interest	300
	4,035

Q. No. 5 (cont'd………)

Draft consolidated balance sheet as at 31 December	20X7		20X6	
Assets	Taka '000	Taka '000	Taka '000	Taka '000
Non-current assets				
Property, plant and equipment				
Buildings at net book value		6,225		6,600
Machinery: Cost	9,000		4,200	
Accumulated depreciation	3,600		3,300	
Net book value		5,400		900
		11,625		7,500
Goodwill		300		-
Investment in Associates		3,300		3,000
Long term Investment		1,230		1,230
		16,455		11,730
Current Asset				
Inventories	5,925		3,000	
Receivables	5,550		3,825	
Cash and cash equivalents	13,545		5,460	
		25,020		12,285
Total Assets		41,475		24,015
Equity and Liabilities				
Capital and Reserve				
Ordinary share capital	11,820		6,000	
Share premium account	8,649		6,285	
Retained earnings	10,335		7,500	
Attributable to equity holders of Greenfingers Ltd	30,804		19,785	
Minority interest	345		-	
Equity		31,149		19,785
Non-current liabilities				
Finance lease liabilities	2,130		510	
Loans	4,380		1,500	
		6,510		2,010
Current liabilities				
Trade payables	1,500		840	
Finance lease liabilities	720		600	
Income tax payable	1,476		690	
Accrued Interest and finance charge	120		90	
		3,816		2,220
Total Equity & Liabilities		**41,475**		**24,015**

Q. No. 5 (cont'd………)

Additional information:

(i) There have been no acquisitions or disposals of buildings during the year. Machinery costing Taka 1.5 million was sold for Taka 1.5 million resulting in a profit of Taka 300,000. New machinery was acquired in 20X7, including additions of Taka 2.55 million acquired under finance leases.

(ii) Information relating to the acquisition of Garden Furniture Designs Ltd is as follows (Taka '000) : Property, plant and equipment 495; Inventories 96; Trade receivables 84; Cash 336; Trade payables (204); Income tax (51) ; Minority interest (189); Goodwill 300; 2,640,000 ordinary shares issued as part consideration 825; Balance of consideration paid in cash 42.

Required:

Prepare a consolidated cash flow statement for the Greenfingers Group for the year ended 31 December 20X7 using the indirect method. The only note required is that reconciling profit before tax to cash generated from operations.

[Marks 20]

= THE END =