

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

**Model Solution**

**Question to the Solution # 2:**

(i) The number of shares used to compute basic earnings per share is 4,951,000, as calculated below.

Event	Dates Outstanding	Shares Outstanding	Restatement	Fraction of Year	Weighted Shares
Beginning Balance, including 5% stock dividend	Jan. 1–Apr. 1	2,100,000	2.0	3/12	1,050,000
Conversion of preferred stock	Apr. 1–July 1	2,520,000	2.0	3/12	1,260,000
Stock split	July 1–Aug. 1	5,040,000		1/12	420,000
Issued shares for building	Aug. 1–Nov. 1	5,340,000		3/12	1,335,000
Purchase of Treasury stock	Nov. 1–Dec. 31	5,316,000		2/12	<u>886,000</u>
Total number of common shares to compute basic earnings per share					<u>4,951,000</u>

(ii) The number of shares used to compute diluted earnings per share is 5,791,000, as shown below.

Number of shares to compute basic earnings per share .....	4,951,000
Convertible preferred stock—still outstanding (300,000 X 2 X 1.05) .....	630,000
Convertible preferred stock—converted (400,000 X 2 X 1.05 X 3/12) .....	<u>210,000</u>
Number of shares to compute diluted earnings per share .....	<u>5,791,000</u>

(iii) The adjusted net income to be used as the numerator in the basic earnings per share calculation for the year ended December 31, 2013, is Tk. 10,350,000, as computed below.

After-tax net income.....	Tk11,550,000
Preferred stock dividends	
March 31 (700,000 X Tk.0.75) .....	Tk525,000
June 30, September 30, and December 31	
(300,000 X Tk.0.75 X 3).....	<u>675,000</u> (1,200,000)
Adjusted net income	<u>Tk10,350,000</u>

**Question Solution No. 3. (b)(ii):**

**Farial Limited**

Singapore Branch Converted Trial Balance as at December 31, 2016

Head of Accounts	Sin \$		Exchange Rate	BDT	
	DR	CR		DR	CR
Purchase: Raw Materials	43,300		40	17,32,000	
Packing	30,240		40	12,09,600	
Sales		1,40,800	40		56,32,000
Wages	11,530		40	4,61,200	
General Expenses	10,440		40	4,17,600	
Bank Balance	29,130		40	11,65,200	
Stock:					
Raw Materials	17,640		40	7,05,600	
Packing	5,890		40	2,35,600	
Local Agent (Debtor)	18,210		40	7,28,400	
Head office A/C (Note 1)		20,400	Actual		8,36,000
Creditors		5,180	40		2,07,200
Difference on Exchange				20,000	
	1,66,380	1,66,380		66,75,200	66,75,200
Closing Stock:					
Raw Materials		6,560	40		2,62,400
Packing		6,480	40		2,59,200

**Farial Limited**

Singapore Branch Converted Trial and Profit and Loss Account for the year ended December 31, 2016

Particulars	BDT	Particulars	BDT
To, Stock:		By, Sales	56,32,000
Raw Materials	7,05,600	Closing Stock:	
Packing	2,35,600	Raw Materials	2,62,400
		Packing	2,59,200
To, Purchases:			
Raw Materials	17,32,000		
Packing	12,09,600		
Wages	4,61,200		
Gross Profit C/d	18,09,600		
	61,53,600		61,53,600
To, General Expenses	4,17,600	By, Gross Profit	18,09,600
Difference on Exchange	20,000		
Agents Commission	1,39,200		
Net Profit	12,13,800		
	18,09,600		18,09,600

**Farial Limited**

Singapore Branch Account (31.12.2016)

Particulars	BDT	Particulars	BDT
To, Balance B/d	5,96,000	By, Remittance	7,00,000
Goods set to Branch	17,32,000	Cash in transit	7,92,000
Goods set to Branch	1,60,000	Goods in transit	1,60,000
Net Profit	12,13,800	Balance B/d	20,49,800
	37,01,800		37,01,800

**Memorandum Singapore Branch Account (01.01.2017)**

<b>Particulars</b>	<b>BDT</b>	<b>Particulars</b>	<b>BDT</b>
To, Balance B/d	5,96,000	By, Bank	7,00,000
Goods set to Branch	17,32,000	Goods in transit	1,60,000
Goods set to Branch	1,60,000	Cash in transit	7,92,000
		Balance B/d	8,36,000
	24,88,000		24,88,000

**Question Solution No. 4.**

(a) (i)

- Remuneration being determined by other members of Management.
- Disclosure of relevant interests to those charged with governance.
- Consultation with superiors or relevant professional body.

(a) (ii)

- Notify audit committee.
- Consultation with superiors and obtain opinion.
- Consider resignation if necessary.

(b) According to IFRS-8 reporting segments are operating segments that meet following criteria:

- (1) The reported revenue from both external customers and intersegment sales or transfer is 10% or more of the combined revenue internal and external of all operating segments  
Or,
- (2) The absolute measure of its reported profit or loss is 10% or more of the greater, in absolute amount of
  - (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss at all operating segments that reported a loss.  
Or,
  - (ii) Its assets are 10% or more of the combined assets of all operating segments.  
If the total external revenue reported by operating segments constitutes less than 75% of the entity's revenue, additional operating segments must be identified as reportable segments (even if they do not meet the quantitative thresholds set out above) Until at least 75% of the entity's revenue is included in reportable segments.

In case of the existing segments, the Dhaka segments meets the criteria for a segment as its reported revenue from external and intersegment sales (Tk. 203m) is more that 10% of the combined revenue (Tk. 1010m) However it fails the profit/loss and assets test. Its result is a loss of Tk. 10m which is less than 10% of the greater of the reported profit or reported loss which is Tk. 165m. Similarly its segment assets of Tk. 3,00m are less that 10% of the combined segment assets (Tk. 3,100m).

The Chittagong Segment passes all of the threshold tests. A further issue is that the current reported segments constitute less than 75% of the company's external revenue (50%), thus additional operating segments must be identified until 75% of the entity's revenue is included in reportable Segments.

**Question to the Solution # 5:**

Workings:

1 Goodwill

	Hulk in Molehill		Hulk and Molehill in Pimple	
	Tk.	Tk.	Tk.	Tk.
Consideration transferred-direct		90,000		25,000
-indirect			(60%x42,000)	25,200
Non-controlling interests (Tk58,000X40%)/(Tk65,000x44%)		23,200		28,600
Fair value at NA acquired				
Share capital	50,000			
Retained earnings	<u>8,000</u>			
		<u>(58,000)</u>		<u>(65,000)</u>
		<u>55,200</u>		<u>13,800</u>
		} <u>Tk69,000</u>		

2. Retained earnings

	Hulk	Molehill	Pimple
	Tk.	Tk.	Tk.
Retain earnings	45,000	32,000	25,000
Pre-acquisition profits		<u>(8,000)</u>	<u>(15,000)</u>
Post-acquisition retained earnings		<u>24,000</u>	<u>10,000</u>
Group share:			
In Molehill (Tk24,000x60%)	14,400		
In Pimple (Tk10,000x56%)	<u>5,600</u>		
Group retained earnings	<u>65,000</u>		

3. Revaluation surplus

	Tk.
Hulk Co	50,000
Molehill Co: all post-acquisition (Tk20,000x60%)	<u>12,000</u>
	<u>62,000</u>

4. Non-controlling interests

	Molehill	Pimple
	Tk.	Tk.
NCI at acquisition (W1)	23,200	28,600
NCI in post acquisition retained earnings (Tk24,000(W2)x (W3)x40%)	9,600	4,400
NCI in post-acquisition revaluation surplus (Tk20,000 (W3)x40%)	8,000	-
Less NCI share of investment in pimple (Tk42,000x40%)	<u>(16,800)</u>	-
	<u>24,000</u>	<u>33,000</u>
	} <u>Tk57,000</u>	

HULK CO

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 20X5

	Tk.	Tk.
Assets		
Non-current assets		

Tangible assets	210,000	
Goodwill (W1)	<u>69,000</u>	279,000
Current assets		<u>130,000</u>
		<u>409,000</u>
Equity and liabilities		
Equity		
Ordinary shares\$1	100,000	
Revaluation surplus (W3)	62,000	
Retained earnings (W2)	<u>65,000</u>	
Shareholders' funds	227,000	
Non-controlling (W4)	<u>57,000</u>	284,000
Non-current liabilities		
12% loan		<u>10,000</u>
		294,000
Current liabilities		
Payables		<u>115,000</u>
		<u>409,000</u>

**= THE END =**