

UNIVERSITY OF BOLTON
GREATER MANCHESTER BUSINESS SCHOOL
BA (HONS) ACCOUNTANCY
SEMESTER 1 EXAMINATIONS 2024/2025
FINANCIAL ACCOUNTING AND REPORTING
MODULE NO: ACC5001

Date: Tuesday 7th January 2025

Time: 10.00am – 1.00pm

INSTRUCTIONS TO CANDIDATES:

There are 4 questions in this examination; Answer ALL questions from section A and section B.

This is a 3-hour closed book examination.

You must hand in this exam paper with your answer booklet.

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SECTION A: Answer ALL questions

Question 1

One of your clients Silent Slumber Limited is a manufacturer and supplier of mattresses for wholesale and to the public. You have been provided with the company trial balance and the following information for the year ended 31 December 2024:

At 31 December 2024 the land was revalued at £150,000, this revaluation is not included in the provided trial balance. Silent Slumber Limited accounts for any revaluations as other comprehensive income and transfers any gains on revaluation to a revaluation reserve in equity.

The company depreciates its assets using the following policy:

Buildings 4% Straight Line
 Equipment 20% Reducing Balance
 Vehicles 25% Straight Line

Depreciation is to be allocated as follows:

	Cost of Sales	Distribution Costs	Administrative Expenses
Buildings	50%	25%	25%
Equipment	60%	20%	20%
Vehicles		70%	30%

- Inventories were physically counted at 31 December 2024 and were valued at £60,000
- Trade receivables includes bad debts of £4,000 which is to be written off this is not included in the provision for doubtful debts
- Provision for doubtful debts is to be adjusted to 2% of the receivables balance after bad debt have been written off.
- The tax charge on profits for the year ended 31 December 2024 is £15,000

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Question 1 continued

- Wages and Salaries are to be allocated as follows, 25% were paid to distribution staff, 50% to production staff and 25% to the administration staff.
- Director's fees are to be accounted for under administration expenses
- A final dividend of £20,000 is proposed by the directors (in addition to the £10,000 interim dividend that was paid in the year).

Silent Slumber Limited Trial Balance at 31 December 2024 is as follows:

	Dr	Cr
Sales		716
Purchases	244	
Directors fees	75	
Wages and salaries	138	
Distribution costs	51	
Administrative expenses	93	
Rents Received		20
Land at Cost	60	
Buildings at Cost	125	
Equipment at Cost	98	
Vehicles at Cost	142	
Intangible assets at cost	150	
Accumulated depreciation - Buildings		45
Accumulated depreciation - Equipment		38
Accumulated depreciation - Vehicles		66
Inventory 1 January 2024	54	
Trade receivables and payables	92	59
Provision for doubtful debts		4
Bank		32
Ordinary shares £1 each		100
Retained earnings (1 January 2024)		252
Dividends paid	10	
	<u>1332</u>	<u>1332</u>

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Question 1 continued

Required:

Prepare for Silent Slumber Limited:

(a) A statement of comprehensive income for the year ended 31 December 2024
(10 marks)

(b) A statement of financial position as at 30 December 2024
(20 marks)

Round all figures to the nearest £000 and reference any workings to the figures presented in your answers.

(Total 30 Marks)

End of question 1

Questions continue over the page

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Question 2

You are the financial accountant for No Time Limited, a company that makes and sells luxury watches to the public. The financial year ended 31st December 2024 has just passed and the Director of Finance has provided you with the companies draft financial statements and has asked you to complete the statement of cashflow for a meeting that is scheduled for next week. These are detailed below:

Income Statement for the Year Ended 31 December 2024

Revenue	33600
Cost of Sales	(18480)
Gross Profit	15120
Gain on disposal of equipment	336
Distribution Costs	(7056)
Administration expenses	(3360)
Finance Costs	(137)
Profit before tax	4904
Tax expense	(2016)
Profit for the year	2888

Statements of financial position as at 31 December 2024

	2024	2023
Non-Current assets		
Equipment	37757	36150
Current assets		
Inventory	5544	3696
Trade receivables	5039	3696
Cash and cash equivalents	0	194
Total Assets	48340	43736
Equity and liabilities		
Equity		
Ordinary share capital	3300	3000
Share premium	1200	750
Retained earnings	37484	34598
Non-current liabilities		
Bank Loans	1950	1200
Current liabilities		
Trade payables	1848	2772
Tax liability	2016	1416
Bank Overdraft	542	
Total Equity and liabilities	48340	43736

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Question 2 continued

The following information is also relevant for the year ended 31 December 2024 financial statements:

- Equipment costing £1,464,000 with accumulated depreciation of £533,000 was sold in the year and a profit of £336,000 was generated from this sale
- Depreciation totalling £5,318,000 was charged in the year
- All sales and purchases were made on credit, all other expenses were paid for in cash
- There were no dividends paid or proposed during the year

Required:

In accordance with IAS7, prepare the statement of cashflows for No Time Limited for the year ended 31 December 2024. Please keep all workings on a separate page to the statement of cash flows.

(Total 25 marks)

End of question 2

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SECTION B: Answer ALL questions

Question 3

Question 3a

Boxer purchased a non-current asset on 1 January 2021 at a cost of £30,000. At that date, the asset had an estimated useful life of ten years. Boxer does not revalue this type of asset, but accounts for it on the basis of depreciated historical cost. At 31 December 2022, the asset was subject to an impairment review and had a recoverable amount of £16,000.

At 31 December 2025, the circumstances which caused the original impairment to be recognised have reversed and are no longer applicable, with the result that the recoverable amount is now £40,000.

Required:

Explain, with supporting computations, the impact on the financial statements of the two impairment reviews.

(10 Marks)

Question 3b

Sebb Co runs a unit that suffers a massive drop in income due to the failure of its technology on 1 January 2024. The following carrying amounts were recorded in the books immediately prior to the impairment:

	£m
Goodwill	20
Technology	5
Brands	10
Land	50
Buildings	30
Other net assets	40

The recoverable value of the unit is estimated at £85 million. The technology is worthless, following its complete failure.

The other net assets include inventory and receivables. It is considered that the carrying amount of other net assets is a reasonable representation of their net realisable value.

Show the impact of the impairment on 1 January 2024.

(15 Marks)

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Question 4

Dembo is a public limited company and has financial year ended at 31 March every year. On 5 January 2024 Dembo entered into a sales contract for the construction of an asset with Lamba Ltd. whereby Lamba paid an initial deposit of £20,000. The deposit is refundable only if Dembo fails to complete the construction of the asset. The remainder of £100,000 is payable on delivery of the asset on 5 May 2024. If the customer defaults on the contract prior to completion, Dembo has the right to retain the deposit. Relevant credit checks showed that Lamba can pay for the contract.

The managing director believes that, as completion of the asset is performed over time revenue should be recognised accordingly. He has persuaded the accountant to include the deposit and a percentage of the remaining balance for construction work in revenue for financial reporting in the end of March 2024.

Required:

- a. IFRS 15 Revenue from Contracts with Customers sets out a five-step model for the recognition of revenue earned from customers. Discuss, how Dembo should account for the sales contract in the year ended 31 March 2024, in accordance with the five-step approach under IFRS 15 Revenue from Contracts with Customers.
- b. In accordance with IFRS 15 Revenue from Contracts with customers, discuss whether revenue arising from the sales contract should be recognised on a stage of completion basis as stated by the managing director.

(15 marks)

(5 marks)

(20 marks)

End of question 4

END OF QUESTIONS