

UNIVERSITY OF BOLTON
GREATER MANCHESTER BUSINESS SCHOOL
BA (HONS) ACCOUNTANCY
SEMESTER ONE EXAMINATIONS 2024/2025
ADVANCED FINANCIAL ACCOUNTING AND
REPORTING
MODULE NO: ACC6001

Date: Tuesday 7th January 2025

Time: 10.00am – 1.00pm

INSTRUCTIONS TO CANDIDATES:

There are 4 questions in this examination; Answer ALL four questions.

This is a 3-hour closed book examination.

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

University of Bolton
 Greater Manchester Business School
 BA (Hons) Accountancy
 Semester One Examination 2024/2025
 Advanced Financial Accounting & Reporting
 Module No. ACC6001

Question 1

Given below are the statements of profit or loss for Panda, Snake, and Ant for the year ended 31 December 2023:

	Panda (£)	Snake (£)	Ant (£)
Sales	950,000	865,000	130,000
Cost of sales	(480,000)	(420,000)	(42,000)
Gross Profit	470,000	445,000	88,000
Administration costs	(53,600)	(29,000)	(20,800)
Distribution costs	(47,800)	(30,000)	(14,700)
Dividend received from Snake	6,000	-	-
Profit before tax	374,600	386,000	52,500
Taxation	(80,000)	(35,000)	(29,000)
Profit for the period	294,600	351,000	23,500

Additional information:

- I. Panda plc acquired 85% of Snake Ltd for £210,000 on 1 January 2017 when Snake Ltd's share capital was £90,000 and reserves were £78,000.
- II. Panda plc acquired 35% of Ant Ltd for £60,000 on 1 January 2018 when Ant Ltd's share capital was £27,000 and reserves were £50,000.
- III. Goodwill of Snake Ltd suffered impairment charges of £4,500 in the current year.
- IV. Goodwill of Ant Ltd suffered impairment charges of £6,000 in the current year.

Question 1 continues over the page – Please turn the page

University of Bolton
Greater Manchester Business School
BA (Hons) Accountancy
Semester One Examination 2024/2025
Advanced Financial Accounting & Reporting
Module No. ACC6001
Question 1 continued

- V. During the year Snake Ltd sold goods to Panda plc for £22,000. These goods had cost Snake Ltd £10,000. 40% of these goods were still in Panda's inventory at the year-end.
- VI. During the year Ant Ltd sold goods to Panda plc for £20,000. These goods had cost Ant Ltd £16,500. 50% of these goods were still in Panda's inventory at the year-end.
- VII. Additional fair value depreciation for Snake for the current year amounted to £12,000. All depreciation should be charged to cost of sales.
- VIII. Non-controlling interests are measured using the fair value method.

Required:

Prepare Panda's consolidated statement of comprehensive income for the year ended 31 December 2023.

(Total 25 marks)

End of question 1

Questions continue over the page

Please turn the page

University of Bolton
 Greater Manchester Business School
 BA (Hons) Accountancy
 Semester One Examination 2024/2025
 Advanced Financial Accounting & Reporting
 Module No. ACC6001

Question 2

Statements of financial position as at 31 December 2023 of Pipe Plc., Saw Ltd., and Axe Ltd. are as follows:

Assets	Pipe (£)	Saw (£)	Axe (£)
Non-current Assets			
PPE at Cost	880,000	220,000	182,000
Investment in Saw	200,000	-	-
Investment in Axe	90,000	-	-
Total Non-current Assets	1,170,000	220,000	182,000
Current Assets			
Inventories	210,000	72,000	108,000
Receivables	162,000	105,000	70,000
Bank	52,000	28,000	18,500
Total Current Assets	424,000	205,000	196,500
Total Assets	1,594,000	425,000	378,500
Equity and Liabilities			
Equity			
Share Capital (£1 Shares)	820,000	210,000	185,000
Retained Earnings	600,000	150,000	160,000
Total Equity	1,420,000	360,000	345,000
Current Liabilities			
Payables	174,000	65,000	33,500
Total Equity and Liabilities	1,594,000	425,000	378,500

Question 2 continues over the page – Please turn the page

University of Bolton
Greater Manchester Business School
BA (Hons) Accountancy
Semester One Examination 2024/2025
Advanced Financial Accounting & Reporting
Module No. ACC6001

Question 2 continued

Additional Information:

- I. On 1 January 2017, Pipe Plc acquired 65% of Saw Ltd. for £200,000 when Saw's reserves were £30,000 and 35% of Axe Ltd. for £90,000 when Axe's reserves were £25,000.
- II. In Saw's PPE, the fair value of land on the acquisition date increased by £20,000 above its cost in Saw.
- III. In December 2021, Pipe plc had inventory acquired from Saw and Axe, and all these inventories are still in Pipe's warehouse. Saw had invoiced the inventory to Pipe for £75,000 – the cost to Saw had been £53,000. Axe had invoiced Pipe for £40,000 – the cost to Axe had been £26,500.
- IV. Goodwill has been impaired by £10,000. The whole of the impairment relates to Saw.
- V. Non-controlling interests are measured using the fair value method. On the acquisition date, NCI was measured at £95,000.

Required:

Prepare Pipe plc's consolidated statement of financial position as at 31 December 2023.

(Total 25 marks)

End of question 2

Questions continue over the page

Please turn the page

University of Bolton
Greater Manchester Business School
BA (Hons) Accountancy
Semester One Examination 2024/2025
Advanced Financial Accounting & Reporting
Module No. ACC6001

Question 3

Leo Corp is considering leasing land to Zoe Corp for a period of 25 years. The ownership of the land will remain with Leo Corp at the end of the initial lease term. Zoe Corp can either continue to lease the land indefinitely at a nominal rent after the lease term or purchase the land at an 85% discount to its market value. At the commencement of the lease, Zoe Corp will pay Leo Corp a premium of \$2.5 million, which equates to 75% of the current value of the land. Additionally, Leo Corp will receive annual rental payments of 5% of the land's market value, calculated at the start of the lease term.

The directors of Leo Corp are uncertain whether to classify the lease as a finance lease or an operating lease under IFRS 16.

Required:

- a) **Based on IFRS 16, identify the key factors that a lessor should consider when determining if a lease is a finance lease or an operating lease.**
(5 marks)
 - b) **In accordance with IFRS 16, explain how Leo Corp should classify the lease of land.**
(10 marks)
 - c) **Discuss the accounting treatment for Leo Corp and Zoe Corp regarding the lease of land.**
(10 marks)
- (Total 25 marks)**

End of question 3

Questions continue over the page

Please turn the page

University of Bolton
 Greater Manchester Business School
 BA (Hons) Accountancy
 Semester One Examination 2024/2025
 Advanced Financial Accounting & Reporting
 Module No. ACC6001

Question 4

On 31 December 20X1, the issued share capital of Delta Co. consisted of 4,000,000 ordinary shares of £0.25 each. On 1 July 20X2 the entity made a rights issue in the proportion of 1 for 4 at £0.50 per share and the shares were quoted immediately before the issue at £1.

Its trading results for the last two years were as follows:

	Year ended 31 December	
	20X2	20X1
	£	£
Profit after tax	425,000	320,000

Required:

- a) Show the calculation of basic EPS to be presented in the financial statements for the year ended 31 December 20X2 (including comparative).

(10 marks)

- b) Discuss why it is useful to disclose the EPS calculated on a diluted basis in addition to the basic basis giving examples of convertible bonds and options.

(15 marks)

(25 marks)

End of question 4

END OF QUESTIONS