Student Name: ______________________________ **Student No:** ________________________________

Calculator Make and Model ____
(Failure to complete this section may delay the release of your grade.)

UNIVERSITY OF SOUTHERN QUEENSLAND
FACULTY OF BUSINESS
COURSE NO: ACC2115/5215
COURSE NAME: Company Accounting/Corporate Accounting
This examination carries 70% of the total Assessment for this course

Examination:			
	Current	**Deferred/ Supplementary**	**Examiner: Karyn Byrnes** **Moderator: Marie Kavanagh**
Internal	❑	☒	**Time Allowed:** **Perusal: Ten (10) minutes**
External	☒	☒	**Working: Two (2) hours**

Examination Date: February 2010

Special Instructions:

Communication of any kind about any matter between students by any means whatsoever is strictly prohibited from the time that students enter the examination room until they exit at the completion of the examination. This includes any temporary absence from the examination room during the examination. Any such communication will be deemed to be cheating and treated as serious academic misconduct under University Regulation 5.10.

This is a **RESTRICTED** examination.

Students are **permitted:**

- to use non-programmable calculators. Students must note the make and model of the calculator used in the space provided above. This may be checked by the examination supervisor.
- to write on the blue examination paper during perusal.

Students are **not permitted:**

- to write in the answer booklet during perusal.
- to write on the examination answer sheet during perusal.

This examination consists of **2 parts:**
Part A – ten (10) multiple choice questions worth a total of 20 marks.
Part B – four (4) practical questions worth a total of 80 marks.

Please write your name and student number on all examination papers.

Clearly number each question.

All examination question papers must be submitted to supervisors at the end of every examination and returned to USQ.

Part A
Multiple Choice Questions

This section consists of 10 questions worth 2 marks each. Total of 20 marks.

Please record your answers on the examination answer sheet provided.

Question 1
Jack Limited acquired a 20% investment in Spot Limited for \$54 000. Spot Limited declared and paid a dividend of \$25 000. Jack Limited does not prepare consolidated financial statements. The appropriate entry for Jack Limited to record this dividend is:

a) DR	Cash		\$5 000	
	CR	Investment in associate		\$5 000
b) DR	Investment in associate		\$5 000	
	CR	Dividend revenue		\$5 000
c) DR	Cash		\$10 800	
	CR	Dividend revenue		\$10 800
d) DR	Dividends received		\$10 800	
	CR	Cash		\$10 800

Question 2
For the purposes of equity accounting for an investment in an associate, it is presumed that the investor has significant influence over the other entity where the investor holds:

a) 20% or more of the voting power of the investee
b) between 1% and 5% of the voting power of the investee
c) 50% or more of the voting power of the investee
d) between 5% and 10% of the voting power of the investee

Question 3
Dusty Limited acquired a 25% interest in Snowy Limited for $30 000 on 1 July 2009. Dusty Limited is part of a consolidated group. For the financial year ending 30 June 2010, Snowy Limited had generated a profit before tax of $45 000. Tax rate is 30%. At this date, Snowy Limited took the following action:

- revalued assets up to fair value by $10 000
- declared a dividend of $5 000

The balance in the investor's account 'Shares in associate', after equity accounting has been applied, is:

a) $40 875
b) $38 375
c) $39 625
d) $37 875

Question 4
In relation to the order of priority of payment of debts upon liquidation, which statement is correct?

a) deferred creditors rank before ordinary unsecured creditors
b) deferred creditors rank before secured creditors
c) preferential unsecured creditors rank before deferred creditors
d) ordinary unsecured creditors rank before preferential unsecured creditors

Question 5
When translating financial statements into the presentation currency the reserve transfers are:

a) shown at the translated amount based upon the rates that were applicable when the transferred amounts were first recognized in equity
b) not required to be translated
c) shown at the translated amount based upon the average rates for the current period
d) shown at the translated amount based upon the rates at the balance date

Question 6
Where output is shared for jointly controlled assets, the preferred method of accounting for the venturer's interest is the:

a) line-by-line method
b) consolidation method
c) equity method
d) one-line method

Question 7
Which of the following is not a characteristic of a Joint Venture?

a) contractual arrangement
b) working capital
c) joint control
d) economic activity

Question 8
According to AASB 127 *Consolidated and Separate Financial Statements*, non-controlling interest is classified as:

a) part of the equity of the group
b) part of the equity of the parent entity
c) a liability of the group
d) a liability of the parent entity

Question 9
IAS 31 *Interests in Joint Ventures* identifies three forms of joint venture. The key difference between the first two forms (jointly controlled operations and jointly controlled assets) and the third form (jointly controlled entities) is that:

a) in the first two forms the venturers have an undivided interest in the assets of the joint venture
b) the first two forms require the use of shared assets
c) in the first two forms the venturers have an interest in the entity rather than the individual assets
d) in the first two forms the entity controls the resources contributed by the venturers

Question 10
As required by AASB 127 *Consolidated and Separate Financial Statements*, where there are transactions between members of the group, the effects of these transactions are:

a) adjusted partially in direct proportion to the level of control held by the parent
b) not adjusted in the consolidation process
c) adjusted in full on consolidation
d) adjusted in proportion to the equity held by the non-controlling interests in the subsidiary

End of Part A

Part B
Practical Questions

This section consists of 4 questions worth a total of 80 marks.

Please record your answers in the answer booklet provided.

Question 1 (20 Marks)

Bathurst Ltd, an Australian company, acquired all of the shares of Sentosa Ltd a Singapore company for S$160,000 on 1 January 2010. At that date, Sentosa Ltd's Statement of Financial Position was as follows:-

Sentosa Ltd Statement of Financial Position as at 1 January, 2010	
Assets	S$
Cash	20,000
Motor Vehicles (net)	40,000
Plant & Equipment (net)	180,000
Liabilities	
Creditors	30,000
Net assets	$210,000
Shareholders' equity	
Share capital	150,000
Retained earnings	60,000
Total equity	$ 210,000

All the assets and liabilities were recorded at fair value.

At 31 December 2010 the financial statements of Sentosa Ltd were as follows:

Sentosa Ltd Statement of Comprehensive Income for the year ended 31 December, 2010	
	S$
Sales	93,750
Expenses	-66,000
Profit	$ 27,750

Sentosa Ltd	
Statement of Financial Position	
as at 31 December, 2010	
	S$
Assets	
Cash	45,000
Motor Vehicles	65,000
Accumulated depreciation – Motor vehicles	-16,250
Plant & Equipment	220,000
Accumulated depreciation – Plant & equipment	-44,000
Liabilities	
Creditors	32,000
Net assets	$237,750
Shareholders’ equity	
Share capital	150,000
Retained earnings	87,750
Total Equity	$237,750

Additional information:

Tax is not considered in this exercise. The exchange rates applicable are as follows:

AUD $1 is equivalent to:

AUD $1	S$
Opening rate (01/01/10)	1.30
Closing rate (31/12/10)	1.20
Average for 2010	1.25

Sales and expenses were incurred evenly throughout the 2010 year.

Required:

a) Translate the accounts of Sentosa Ltd into the presentation currency of Australian dollars (round to the nearest dollar).

(12 marks)

b) Verify the translation adjustment.

(8 marks)

Question 2 (20 Marks)

On 1 July 2008, Dove Ltd acquired 75% of the shares of Tail Ltd for $54,700. At this date the equity of Tail Ltd consisted of:

Share capital	$40,000
General reserve	$ 5,000
Retained earnings	$ 7,000

At the acquisition date, the assets and liabilities of Tail Ltd were recorded at fair value except for the Plant & Equipment:

	Carrying Amount	**Fair Value**
Plant & Equipment	$180,000	$200,000
(cost $230,000)		

- The fair value of the non-controlling interest (NCI) in Tail Ltd at 1 July 2008 was $19,000.
- The tax rate is 30%.
- During the year ended 30 June 2010, the goodwill was impaired by $2,000.
- For the year ended 30 June 2010, Tail Ltd recorded an after-tax profit of $25,000.
- On 1 January 2009, Tail Ltd sold an item of plant to Dove Ltd for $150,000, recording a before-tax profit of $20,000.
- Both entities depreciate Plant & Equipment using the straight-line method at 10% per annum.

Required:

a) Using the full goodwill method, prepare the acquisition analysis to determine the value of goodwill acquired at 1 July 2008.
(5.5 marks)

b) Prepare the consolidation worksheet journal entry to record this goodwill at 1 July 2008.
(2 marks)

c) Prepare the consolidation worksheet journal entry to record the impairment of goodwill during the year ended 30 June 2010.
(2 marks)

d) Calculate the NCI Share of Profit for the year ended 30 June 2010 and prepare the consolidation worksheet journal entry to record this NCI Share of Profit.
(4 marks)

e) Prepare the consolidation worksheet journal entry for the year ended 30 June 2010 that relates to the plant sold on 1 January 2009.
(6.5 marks)

Question 3 (20 Marks)

On the 30 June 2010 James Ltd went into voluntary liquidation. The Statement of Financial Position prepared on that date is as follows:

JAMES LTD			
Statement of Financial Position			
as at 30 June 2010			
Current Assets			
Cash		40,000	
Accounts receivable	90,250		
less: Allowance for doubtful debts	- 10,250	80,000	
Inventory		157,500	277,500
Non-current Assets			
Property, Plant & Equipment	420,000		
less: Accumulated depreciation	- 88,000	332,000	
Land		226,500	558,500
Total Assets			*$ 836,000*
Current Liabilities			
Accounts payable		108,000	
Other payables		40,250	148,250
Non-current Liabilities			
Debentures		125,000	
Mortgage on Land		212,500	337,500
Total Liabilities			*$ 485,750*
Net Assets			**$ 350,250**
Equity			
Share Capital:			
Preference: 25 000 shares fully paid to $2		50,000	
Ordinary: 225 000 shares fully paid to $1		225,000	275,000
Retained Earnings			75,250
Total Equity			**$ 350,250**

Additional Information:

a) Other assets realised:

Inventory	135,000
Accounts receivable	65,000
Property, Plant & Equipment	335,000

b) The debentures are secured by a floating charge over the company's assets.

c) The land was sold by the mortgage holder for $204,250.

d) The remuneration and expenses of the Liquidator totalled $4,500.

e) Preference shares are preferential as to dividends and return of capital. There are no further rights available to the preference shareholders as per the company constitution.

Required:

Prepare all the necessary journal entries to wind up James Ltd. Payments to creditors must be shown in the correct order of priority.

Question 4 (20 Marks)

On 1 July 2008, Harry Ltd entered into a joint venture agreement with Haussen Ltd to form an unincorporated entity to produce a newly designed scooter. It was agreed that each party to the agreement would share the output equally. Harry Ltd's initial contribution consisted of $750,000 cash and Haussen Ltd contributed plant and machinery that was recorded in their own records at $712,500.

During the first year of operation both parties contributed a further $1,125,000 each.

Each venturer depreciates plant and machinery at 10% per annum on cost.

On 30 June 2009, the venture manager provided the following statements:

Costs incurred for the year ended 30 June 2009	
Wages	690,000
Supplies	1,050,000
Overheads	825,000
	2,565,000
Cost of inventory	1,815,000
Work in progress at 30 June 2009	$ 750,000

Receipts and Payments for the year ended 30 June 2009		
Receipts:		
Original contributions		750,000
Additional contributions		2,250,000
		3,000,000
Payments:		
Plant & Machinery (02/07/08)	300,000	
Wages	675,000	
Supplies	1,125,000	
Overheads	787,500	
Operating expenses	75,000	2,962,500
Closing Cash Balance		$ 37,500

Assets and Liabilities at 30 June 2009	
Assets	
Cash	37,500
Plant & Machinery	1,050,000
Supplies	150,000
Work in Progress	750,000
Total Assets	$ 1,987,500
Liabilities	
Accrued wages	15,000
Accounts payable	112,500
Total Liabilities	$ 127,500
Net Assets	$ 1,860,000

Required:

For the year ended 30 June 2009, prepare all journal entries in the records of Haussen Ltd in relation to the Joint Venture, assuming the line-by-line method of accounting is used.

End of Examination