

**MULTIPLE CHOICE QUESTIONS ( 45 % )**

1	D
2	D
3	A
4	C
5	D
6	D
7	C
8	C
9	C
10	C
11	A
12	B
13	D
14	C
15	A

16	A
17	A
18	A
19	D
20	C
21	A
22	C
23	C
24	C
25	C
26	B
27	D
28	B
29	A
30	B

**TRUE & FALSE ( 15% )**

1	False
2	True
3	False
4	True
5	True
6	True
7	False
8	True

9	True
10	True
11	False
12	True
13	False
14	False
15	False

**II. Matching: (6.5%)**

1	C
2	F
3	J
4	D
5	G
6	C
7	H

8	A
9	B
10	E
11	K
12	H
13	I

**II - CONSOLIDATION (10 %)**

**Required:**

Prepare the consolidated statement of financial position as at December 31, 2016.

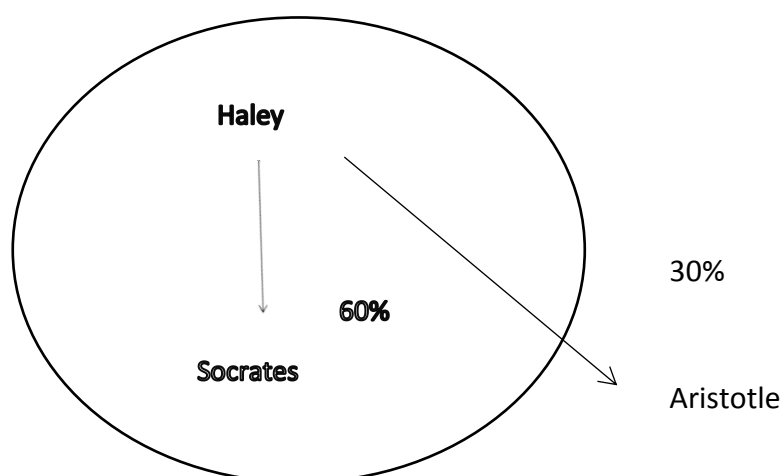
**Answer:**

**Consolidated statement of financial position as at December 2016:**

	\$000	\$000
<b>Assets</b>		
Non current assets		
Tangible assets	400	
Interest in associated undertaking (W6)	<u>48</u>	
		448
Current assets		<u>505</u>
Total assets		<u>953</u>
<b>Equity and liabilities</b>		
Share capital (\$1 shares)		250
Retained earnings (W5)		<u>469</u>
		719
Non controlling interest (W4)		<u>84</u>
		803
Non current liabilities		<u>150</u>
Total equity and liabilities		<u>953</u>

**WORKINGS:**

**(1) Group structure**



**(2) Net assets – Socrates**

	<i>Reporting date</i>	<i>Acquisition</i>	<i>Post- acquisition</i>
	\$000	\$000	\$000
Share capital	30	30	--
Retained earnings	<u>180</u>	<u>70</u>	110
	<u>210</u>	<u>100</u>	

**(3) Goodwill**

	<i>Socrates</i>
	\$000
Cost of investment	75
Share of net assets acquired (60% x 100 (W2))	<u>(60)</u>
	<u>15</u>

A fully written off to retained earnings.

**(4) Non controlling interest**

	\$000
Socrates (40% x 210)	<u>84</u>

**(5) Retained earnings**

	\$000
Haley	400
Socrates (60% x 110 (W2))	66
Aristotle (30% x 70 (W2))	21
Goodwill	(15)
Impairment of Aristotle	<u>(3)</u>
	<u>469</u>

**(6) Investment in associates**

	\$000
Cost of investment	30
Aristotle (30% x 70 (W2))	21
Impairment write down	<u>(3)</u>
	<u>48</u>

**III- EPS ( 10 %)**

**Required:**

a) Calculate earnings per share for the year ended 31 December 2015 (with comparative)

**(a) Basic EPS**

	<b>2014</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Earnings: Profit available for dividends	55,500	58,800
Number of shares	$\frac{\$100,000}{\$0.50}$	200,000
EPS	27.75c	29.4c

b) Bonus issues

The consolidated profit or loss is as in part (a). Capital structure as in part (a), except that a bonus issue was made on 1 February 2015 of one new bonus share for every four shares already held, this issue is not reflected in the capital structure of part (a).

**(b) Bonus issue**

Comparative EPS – original (as above)	27.75c
Restated $27.75c \times \frac{200,000}{250,000}$	<u>22.2c</u>
Current EPS	
Earnings (as above)	58,800
Number of shares	250,000
EPS	<u>23.4c</u>

**IV. Construction Contracts (13.5 %)**

**Required:**

Show how the above would be disclosed in the financial statements of Gerard for each of the four years ended December 31, 2015.

(a) Statement of profit or loss (extracts)

	<u>For the year ended 31 December</u>			
	2012	2013	2014	2015
	\$000	\$000	\$000	\$000
Revenue (W)	3,143	1,968	5,272	2,117
	<u>(2,750)</u>	<u>(3,000)</u>	<u>(4,200)</u>	<u>(1,150)</u>
Gross profit/(loss)	<u>393</u>	<u>(1,032)</u>	<u>1,072</u>	<u>(1,150)</u>

(b) Statement of financial position (extracts)

	<u>As at 31 December</u>			
	2012	2013	2014	2015
	\$000	\$000	\$000	\$000
Actual costs	2,750	5,750	9,950	11,100
Profit or loss	393	(639)	433	1400
Cash received	<u>(3,000)</u>	<u>(5,000)</u>	<u>(11,000)</u>	<u>(12,500)</u>
	<u>143</u>	<u>111</u>	<u>(617)</u>	<u>nil</u>

WORKING

Allocation of revenue on a costs basis

	2012	2013	2014	2015
	\$000	\$000	\$000	\$000
Costs to date	2,750	5,750	9,950	11,100
Total costs	(2,750+7,750) =10,500	(5,750+7,750) =13,500	(9,950+1,550) =11,500	11,100
% complete	26.19%	42.59%	86.52%	100%
x tender value	X 12,000	X 12,000	X 12,000	X Actual (12,500)
Revenue to date	3,143	5,111	10,383	12,500
Less taken in In prior periods	---	<u>(3,143)</u>	<u>(5,111)</u>	<u>(10,383)</u>
Revenue in year	<u>3,143</u>	<u>1,968</u>	<u>5,272</u>	<u>2,117</u>