Index Number....................................Signature..Date..............

CHRISTIAN SERVICE UNIVERSITY COLLEGE

KUMASI, GHANA

CSUC SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

SPECIAL SUPPLEMENTARY EXAMINATIONS – 2018/19 ACADEMIC YEAR

CSBF 414: CORPORATE REPORTING

August, 2019 **100 MARKS** **TIME ALLOWED: 3 HOURS**

GENERAL INSTRUCTIONS TO CANDIDATES:

- Answer **ALL** questions:
- Write your index number on top of the question paper and every page of the answer booklet used.

Examiner: Dr Kwame Oduro Amoako

QUESTION 1

A) The qualitative characteristics of financial information in the Conceptual Framework for Financial Reporting are in two parts, namely fundamental and enhancing characteristics. Explain the meaning, purpose of these characteristics and their meaning in the context of financial reporting.

B) On 1 January 2013, Onokwah Ltd borrowed GH¢3, 000,000 at 20% interest per annum to finance the construction of a new office building which was expected to take a year (12 months) to complete. Payments to the contractor were made as follows:

	GH¢
I January	800,000
31 March	600,000
30 September	1,200,000
31 December	600,000

Idle funds were invested temporary during 2013, yielding an interest income of GH¢100,000.

Required: Calculate the borrowing cost to capitalize in accordance with IAS 23.

C) A company issues 5% redeemable preference shares at their nominal value of GH¢10,000. The loan notes are repayable at a premium of GH¢1,760 after 5 years. The effective rate of interest is 8%. What amount will be shown in the income statement and statement of financial position for year 1 – 5?

(TOTAL = 30 MARKS)

Question 2

2A

Lord Kolowaski Ltd acquired a property (land and buildings) for **GH¢I million** on 1 January 2003. The land element of the property was estimated at **40%**of the property on the date of acquisition. The building-was depreciated a **2.5%**on cost with nil residual value. **Kolowaski** Ltd continued to depreciate the asset on this basis until 1 October 2014 when the property was revalued at **GH¢ 883,750** and the policy of the company is to incorporate the revaluations in the booksof account. The valuation expert attributed **GH¢435,000** to land and the remainder to buildings. The company had **GH¢ 50000** profit for the year ended 31 December 2014, other expenses incurred for the same year amounted to **GH¢6700.** The remaining useful life of the property remained unchanged. **Kolowaski** Ltd's reporting date is 31 December 2014.

Required:

Show the income statement extract and the statement of financial position extract as at 31 December 2014.

2B

A cash-generating unit (CGU) consists of the following assets:

Asset	**Carrying value**
	Ghc
Machine A	300,000
Machine B	30,000
Machine C	70,000
Share of factory space used (1/20 × Ghc 2 million)	100,000
License to produce the product range	50,000
Allocated goodwill (1/12 ×Ghc 240,000)	20,000
Total carrying value of CGU	**570,000**

The recoverable amount of the Cash Generating Unit (**CGU**) is **Ghc 470,000,** giving rise to an impairment loss of **Ghc100,000**.

Required: Explain how the impairment will be allocated across the cash-generating unit.

2C.

Outline **Five (5)** conditions that must be met for an asset (or 'disposal group') to be classified as held for sale under"**IFRS 5** ***Non-current Assets Held for Sale and Discontinued Operations".***

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(TOTAL=30 MARKS)

Question 3

The summarized Statement of Financial Position of **Ewurama Ltd and Kuukua Ltd as at** 31st December 2013 were as follows:

	Ewurama Ltd	Kuukua Ltd
NON - CURRENT ASSETS:	**GH¢**	**GH¢**
Property, Plant and Equipment	80,000	58,200
Investment	84,000	-
Total Non - Current Assets	164,000	58,200
CURRENT ASSETS:		
Inventory	18,000	12,000
Trade and other Receivables	62,000	21,100
Cash & Bank balances	10,000	5,500
Current Account: **Ewurama Ltd**	-	3,200
Total Assets	**254,700**	**100,000**
EQUITY & LIABILITIES		
Current Liabilities		
Trade and Other liabilities	35,000	11,000
Current Account: Kuukua Ltd	2,700	-
Total Liabilities	**37,700**	**11,000**
Equity Funds:		
Stated Capital	120,000	60,000
Income Surplus	56,000	16,000
Capital Surplus	41,000	13,000
Total Equity Funds	**217,000**	**89,000**
Total Equity & Liabilities	**254,700**	**100,000**

The following additional information is relevant:

1. On 1st January 2011, Ewurama Ltd acquired 48,000 of the equity shares in Kuukua Ltd for GH¢ 84,000 when the balance on the income surplus of Kuukua Ltd was GH¢ 8,000 whilst the balance on the capital surplus account was GH¢ 13,000.

2. On the date of acquisition, one item of plant of Kuukua Ltd with a book value of GH¢4,000 and a fair value of GH¢6,000. The plant had a remaining economic useful life of four (4) years. The fair value had not been reflected in the separate statement of financial position of Kuukua Ltd.

3. During the year, Kuukua Ltd sold goods to Ewurama Ltd at a mark-up of 25%. As at the end of the year, inventories of Ewurama Ltd included GH¢4,000 of goods from Kuukua Ltd.

4. A cheque for GH¢500 from Ewurama Ltd to Kuukua Ltd sent before 31 December, 2013 was not received by the latter company until January 2014.

5.An impairment review at 31 December 2013 revealed that the goodwill in respect of Kuukua Ltd had fallen in value over the year by GH¢500. By 1 January 2014, this goodwill had suffered another impairment totalling GH¢1,700.

6. The stated capital of Ewurama Ltd and Kuukua Ltd are made up of 120,000 and 60,000 ordinary shares respectively. The shares were issued at GH¢ 1.00 each.

7. The group policy is to fair value non-controlling interest. The market price per share of Kuukua Ltd on 1 January 2011 was GH¢ 1.40.

Required:

Prepare a Consolidated Statement of Financial Position of the Ewurama Ltd group as at 31 December, 2013. **(TOTAL= 40 MARKS)**