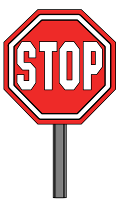
ACCA

Paper F3 and FFA

Financial Accounting

December 2017

Revision Mock – Answers



To gain maximum benefit, do not refer to these answers until you have completed the revision mock questions and submitted them for marking.

Acknowledgements

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SECTION A

1 B

The double entry for the new share issue is:

Dr Cash (100,000 × $4)	$400,000
Cr Share capital (100,000 × $1)	$100,000
Cr Share premium (bal. fig)	$300,000

Therefore the balance will be $50,000 + $300,000 = $350,000

2 A and B

3 $12,300

$12,500 + $600 – $800 = $12,300

4 $910

$750 + $1,135 – ($7,650 – $6,675) = $910

5 D

6 C

7 $514,000

Cost	$400,000
Accumulated Depreciation	($64,000)
(400,000/50) × 8 years	————
Carrying amount at 31/12/X9	$336,000

Revaluation surplus = $850,000 – $336,000 = $514,000

8 A

Receivables

	$		$
Bal b/d	65,000	Cash received	182,500
Sales	**188,950**	Irrecoverable debts	1,250
		Contra with payables	1,700
		Bal c/d	68,500
	253,950		253,950

9 B

Overdraft per bank statement	(\$865)
Add: unpresented cheques	(\$265)
Less: amount deducted by bank in error	\$325
Balance per cash book = credit balance	**(\$805)**

10 B

11 A

Sales tax

	\$		\$
Purchases ($3,300 × (10/110))	300	Sales ($2,500 × 10%)	250
		Bal c/d	50
	300		300
Bal b/d	50		

12 D

Cost = \$300

NRV = \$280 – \$75 = \$205

Per IAS2, inventory is valued at the lower of cost and NRV

13 C

Any balance on the revaluation surplus account will always be a credit balance.

14 B

It is not probable that there will be an outflow of economic benefits resulting from this situation, and therefore no provision can be recognised in the financial statements. However, it is a contingent liability and the nature and potential financial consequences of the situation should be disclosed in the financial statements.

15 C

16 C

17 C

18 C

Gross profit margin	= (gross profit/revenue) × 100
	= ($1,081,250 – $432,500/$1,081,250) × 100
	= 60%

Make sure that you did not use the operating profit figure by mistake.

19 B

There are 400,000 shares (200,000/0.5)

Interim dividend = 400,000 × 0.30 = $120,000

Proposed dividends are not accounted for in accordance with IAS 10.

20 $195,000

$185,000 + ($170,000 – $160,000) = $195,000

21 B AND D

A subsidiary normally requires more than 50% ownership of shares (B Co) and an associate normally requires ownership of between 20% - 50% of the shares (C Co).

22 $2,350

The invoice amount will be $2,500 **× 94%** = $2,350 after deduction of trade discount. Early settlement discount is not deducted at the point of sale as Pop does not believe that Weasel will make early settlement.

23 $750 LOSS

Annual depreciation = $5,000/4 = $1,250

Carrying amount of the car at disposal = $5000 – (3 yrs × $1250) = $1,250

Profit/(loss) = $500 – $1,250 = ($750)

24 $135,000

Opening liability $130,000 plus charge for the year $145,000 less closing liability $140,000 = cash paid $135,000.

25 D

Units of closing inventory = 48 + 50 + 80 – 90 = 88

80 units × $11.40	$912
8 units × $11.50	$92
	$1,004

26 D

27 A

$2,400 + $83,700 + $4,700 – $3,800 – $3,000 = $84,000

28 $3 MILLION

The development expenditure incurred from 1 October 20X1 can be capitalised.

3 month's × $1m = $3m

29 C

30 B

The cash proceeds of $3,000 will be classified as a cash inflow within @investing Activities'. The loss on disposal is an adjustment within 'Operating Activities' and therefore is not an investing activity.

31 D

32 A

Reducing an accrual will decrease expenses and therefore profit will increase. Liabilities will also decrease, thus increasing net assets.

33 D

34 A

Dividends are not an expense so there will be no profit impact.

35 B

Goodwill and non-controlling interests are accounted for when a subsidiary is acquired. They are not relevant issues when accounting for an associate.

SECTION B

1 POODLE GROUP

Consolidated statement of financial position as at 30 June 20X4

	$
Assets	
Non-current assets	
Property, plant and equipment ($450,000 + $321,825 + $100,000 FV uplift)	871,825
Goodwill (W3)	16,000
Investments ($300,000 – $270,000 re Setter)	30,000
Current assets	
Inventories ($75,000 + $45,500 – $4,000 PURP)	116,500
Trade and other receivables ($32,000 + $43,175 – $20,000 Inter-co)	55,175
Cash and cash equivalents	3,000
Total assets	1,092,500
Equity and liabilities	
Equity	
Issued share capital	100,000
Share premium	20,000
Retained earnings (W5)	560,400
Non-controlling interest (W4)	82,100
Non-current liabilities	
Loans ($150,000 + $17,500)	167,500
Current liabilities	
Trade and other payables ($100,000 + $71,425 – $20,000 inter-co)	151,425
Bank overdraft	11,075
Total equity and liabilities	1,092,500

Workings

(W1) Group structure

Poodle

80%

Setter

(W2) Net assets of subsidiary

	Acquisition date	*Reporting date*	*Post–acquisition*
	$	$	$
Share capital	50,000	50,000	
Share premium	10,000	10,000	
Retained earnings	157,500	250,500	
FV uplift	100,000	100,000	
	317,500	410,500	93,000

(W3) Goodwill

	$
Consideration paid	270,000
FV of NCI at acquisition	63,500
	333,500
FV of net assets at acquisition (W2)	(317,500)
	16,000

(W4) Non-controlling interest

	$
FV of NCI at acquisition	63,500
NCI % of post-acquisition net assets (20% × $93,000)	18,600
	82,100

(W5) Retained earnings

	$
Poodle's retained earnings	490,000
Poodle's % of post-acquisition retained earnings (80% × $93,000)	74,400
PURP (25/125 × $20,000)	(4,000)
	560,400

Marking scheme		
		Marks
1	Property, plant and equipment	2
	Goodwill	2
	Inventories	2
	Receivables	1
	Cash and overdraft	1
	Share capital and share premium	1
	Retained earnings	2
	NCI	2
	Loans	1
	Payables	1
Total		**15**

2 BUZZARD C0

Statement of profit or loss for the year ended 30 September 20X6

	$
Revenue	360,250
Cost of sales (W1)	(173,750)
Gross profit	186,500
Administrative expenses (W2)	(70,800)
Distribution costs	(42,815)
Profit before tax	72,885
Income tax charge (W3)	(14,000)
Profit after tax for the year	58,885

Statement of financial position as at 30 September 20X6

	$
Non- current assets	
Property, plant and equipment ($199,850 – $48,000 – $30,370 (W1))	121,480
Current assets	
Inventories (W1)	22,000
Receivables ($47,450 – $6,000)	41,450
Total assets	184,930
Equity and liabilities	
Issued share capital @ $1 shares	20,000
Retained earnings (W4)	119,885
	139,885
Current liabilities	
Trade and other payables	27,795
Income tax liability (W3)	15,000
Bank overdraft	2,250
Total equity and liabilities	184,930

Workings

(W1) Cost of sales

	$
Opening inventory	20,000
Purchases	145,380
Closing inventory ($23,500 – ($5,000 – $3,500))	(22,000)
Depreciation (($199,850 – $ 48,000) × 20%)	30,370
	173,750

(W2) Administrative expenses

	$
Per TB	67,300
Increase in allowance ($6,000 – $2,500)	3,500
	70,800

(W3) Income tax

	$
Overprovision re earlier year per TB	(1,000)
Tax charge for the year	15,000
	14,000

Note: the overprovision for the earlier year in the trial balance is released back to P&L as it is no longer required. You also need to account for the tax charge on the profit for the year in both P&L and also as a liability on the SOFP at the yearend.

(W4) Retained earnings

	$
Per TB	64,000
Profit after tax for the year per P&L	58,885
Less: Dividend paid during the accounting year	(3,000)
	119,885

Note: dividends are paid from retained earnings. They are not an expense to be included in P&L.

Marking scheme	
	Marks
Statement of profit or loss	
Format	0.5
Revenue	0.5
Cost of sales	3.0
Admin	2.0
Distribution	0.5
Tax	0.5
Maximum	6.5
Statement of financial position	
Format	0.5
Property, plant and equipment	2.0
Inventories	1.0
Receivables	1.5
Overdraft	0.5
Share capital and retained earnings	2.5
Payables	0.5
Tax payable	0.5
Maximum	8.5
Total	**15**