

**BRAINBOX VIETNAM
VAN LANG UNIVERSITY**

**IAS ACCOUNTING
Final Examination**

Date : 30 August 2010

Please read these instructions carefully

- a) Check that this set of examination paper consists of 8 pages including this page.
 - b) Answer ALL questions.
 - c) All essential workings must be shown.
 - d) Write ALL your answers in the writing paper provided.
-

Total Marks for this paper : 100

Time Duration : 3 hours

Student Details
Name
CMND

TOTAL MARKS

--

Question 1 [20 marks]**Consolidated Income Statement of Induk Ltd**

	£
Sales (450 000 + 300 000 – 80 000)	670 000 1
Cost of Goods Sold (180 000 + 120 000 – 80 000 + 25% x 16)	<u>224 000</u> 1½
Gross Profit	446 000 ½
Other income (60 000 – 80% x 50 000)	20 000 1
Distribution Costs (48 000 + 20 000)	(68 000) ½
Administrative Expenses (80 000 + 45 000)	<u>(125 000)</u> ½
Profit Before Tax	273 000 ½
Tax (60 000 + 35 000)	<u>(95 000)</u> ½
Profit After Tax	178 000 ½
Less Minority Interest's Profit (20% x 80 000)	<u>(16 000)</u> ½
Profit for the year	162 000 ½
Retained Earnings b/f (428 000 – GW 200 000/4 x 3 + 80% x 120 000)	509 000 1½
Proposed Dividend	<u>(80 000)</u> ½
Retained Earnings c/f	<u>591 000</u> ½

Consolidated Balance Sheet of Induk Ltd

	£
Fixed Assets (2 800 000 + 1 000 000)	3 800 000 ½
Goodwill (900 000 – 80% x 1 000 000 + 100 000) x ¼	5 000 1
Inventory (750 000 + 320 000 – 4 000)	1 066 000 1
Accounts Receivable (440 000 – 40 000 + 200 000 – 80 000)	520 000 1½
Cash (210 000 + 50 000 + 20 000 cheque)	280 000 1
Accounts Payable (330 000 + 20 000 – 80 000 + 270 000)	(540 000) 1½
Proposed Dividend (80 000 + 50 000 – 40 000)	<u>(90 000)</u> 1
	<u>5 041 000</u>
£1 Ordinary Share Capital	4 000 000 ½
Share Premium	200 000 ½
Retained Earnings	591 000 ½
Minority Interest (20% x 1 250 000)	<u>250 000</u> 1
	<u>5 041 000</u>

Question 2 [30 marks]

Income Statement for the year ended 31 December 2008

	1 st 6 mth	last 6 mth	
Sales (174000 – 9000 + 11000 = 176 000)	105 600	70 400	1½
Opening stock	30 000		½
Purchases (83 000 – 15000 +12000)	80 000		1
Less Closing Stock	<u>20 000</u>		½
Cost of goods sold	54 000	36 000	1
Gross Profit	51 600	34 400	½
Depreciation (10% x 120 000)	6 000	6 000	½
Operating Expenses	<u>18 000</u>	<u>36 000</u>	½
Net Profit	<u>27 600</u>	<u>(7 600)</u>	1

Balance Sheet as at 31 December 2008

	Cost	Accumulated Depreciation	Net Book Value
Fixed Assets	120 000	68 000	52 000 ½
Stock			20 000 ½
Trade Debtors			11 000 ½
Cash (12 000+174000-83000-54000+40000)			89 000 1
Trade Creditors			<u>12 000</u> ½
			<u>160 000</u>
Capital Accounts			
- Satu (50 000+60000-36000)			74 000 1
- Dua (30 000 + 30000 – 36000)			24 000 1
- Tiga (40 000 – 18000)			22 000 1
Current Accounts			
- Satu (12 000+9000+ 2/3x18600 - 2/5 x 20600)			25 160 1½
- Dua (8 000 + 9000 + 1/3 x18600 – 2/5 x 20600)			14 960 1½
- Tiga (4000 -1/5 x 20600)			<u>(120)</u> 1
			<u>160 000</u>

Realization Account

Fixed Assets	120000	½	Accumulated Depreciation	80000	½
Stock	70000	½	Cash		
Debtors	20000	½	(30000+10000+50000)	90000	1
Cash (Expenses)	5000	½	Capital – Satu	18000	1
			Capital – Dua	18000	1
			Capital - Tiga	9000	1
	215000			215000	

Capital Accounts

	Satu	Dua	Tiga		Satu	Dua	Tiga
1 Realization	18000	18000	9000	Bal b/d	74000	24000	22000 1
1 Current			38000	Current	12000	10000	
2 Capital – Tiga	20238	4762		Capital – Satu			20238
1 Cash	47762	11238		Capital - Dua			4762
	86000	34000	47000	½	86000	34000	47000

Question 3 [25 marks]

Required:

- A. Prepare the company's Statement of Cash Flows for the year ended 31 December 2009. [12 marks]

Statement of Cash Flows for year ended 31 December 2009

Net Profit before interest and tax	2650	½	
Less Profit on disposal of fixed assets	(150)	1	
Add Decrease in Inventories	400	1	
Less Increase in Accounts Receivable	(900)	1	
Add Increase in Accounts Payable	450	1	
Add Depreciation (5600+450-4800)	<u>1250</u>	1	
Cash from operating activities	3700	½	
Interest paid	(300)	½	
Tax Paid	<u>(600)</u>	½	
Net cash flow from operating activities			2800 ½
Cash flows from investing activities			
Sale of fixed assets	500		½
Purchase of fixed assets (11000+800-8000-500)	(3300)		1
Net cash flow from investing activities			(2800) ½
Cash flows from financing activities			
Dividend paid (300 +400)			(700) ½
Proceeds from debentures			<u>1000</u> ½
Net increase in cash and cash equivalents			300 ½
Opening balance of cash and cash equivalents			<u>100</u> ½
Closing balance of cash and cash equivalents			<u>400</u> ½

B. Calculate the following ratios for the years 2008 and 2009 [10 marks]

	2008	2009
Current Ratio	$6.8/3.8 = 1.79$	$7.6/4.4 = 1.73$
Acid Test Ratio	$3/3.8 = 0.79$	$4.2/4.4 = 0.95$
Return on Capital Employed	$1.65/6.2 \times 100\% = 26.61\%$	$2.65/8.6 \times 100\% = 30.81\%$
Earnings Per Share	$1.65/1.0 = \$1.65$	$2.65/1.0 = \$2.65$

C. Comment on the liquidity and profitability of the company in 2009 compared with 2008. [3 marks]

Liquidity improved, acid test ratio in 2009 was higher than in 2008.

Profitability improved, both ROCE and EPS were higher in 2009 than in 2008.

Question 4 [25 marks]

Date	Details	Debit	Credit
Mar 31	Bank	900 000	
1	Application and Allotment		900 000
1	Application and Allotment	150 000	
	Bank		150 000
Apr 15	Application and Allotment	800 000	
1 ½	Share Premium		500 000
	Ordinary Share Capital		300 000
Apr 30	Bank	50 000	
1 ½	Application and Allotment		50 000
Jun 1	Call	200 000	
1	Ordinary Share Capital		200 000
Jun 30	Bank	198 000	
1 ½	Call		198 000
Jul 31	Investment in Own Shares	2000	
1	Call		2000
Aug 10	Bank	10 000	
1 ½	Investment in Own Shares		2 000
	Share Premium		8 000
Sep 1	Share Premium	500 000	
1 ½	Ordinary Share Capital		500 000
Oct 31	Bank	250 000	
1 ½	Ordinary Share Capital		250 000
Nov 15	Retained Earnings	150 000	
1	Capital Redemption Reserve		150 000
1	Preference Share Capital	400 000	
	Share Purchase		400 000
2	Share Premium	200 000	
	Retained Earnings	120 000	
	Share Purchase		320 000
1	Share Purchase	720 000	
	Bank		720 000

Balance sheet extract

	£000
Ordinary Shares £0.50 each (1500+500+500+250)	2 750 1½
8% Preference Shares of £1 each (1000 – 400)	600 ½
Share Premium (800 + 500 + 8 – 500 – 200)	608 1½
Retained Earnings (2450 – 150 – 120)	2 180 1
Capital Redemption Reserve	150 ½

Reasons:

Refer to my notes