INTERNATIONAL UNIVERSITY OF EAST AFRICA

'Learning to Succeed'

FACULTY OF BUSINESS MANAGEMENT

END OF SEMESTER EXAMINATIONS - APRIL 2025

PROGRAMME: BBA

YEAR/SEM: YEAR 3/SEMESTER 1

COURSE CODE: ACC 3102

NAME: ADVANCED ACCOUNTING(ACCOUNTING)

DATE: 2025-04-16

TIME: 9:00AM-12:00PM

INSTRUCTIONS TO CANDIDATES:

1. Read the instructions very carefully
2. The time allowed for this examination is STRICTLY three hours
3. Read each question carefully before you attempt and allocate your time equally between all the Sections
4. Write clearly and legibly. Illegible handwriting cannot be marked
5. Number the questions you have attempted
6. Use of appropriate workplace examples to illustrate your answers will earn you bonus marks
7. Any examination malpractice detected will lead to automatic disqualification.

DO NOT WRITE ANYTHING ON THE QUESTION PAPER

Section A Section A is Compulsory

Question 1:

a) IAS 16 Property, Plant and Equipment sets out the accounting treatment of tangible non-current assets.

Required:
In accordance with IAS 16, explain the accounting treatment allowed for the measurement of Property, Plant and Equipment:

i) At initial measurement **(5 Marks)**

ii) Subsequent measurement **(5 Marks)**

iii) Explain how revaluation increases or decreases are accounted for under IAS 16 **(10 Marks)**

b) JB Fittings has incurred the following costs in building a new factory:

	Ugx
Land	12,000,000
Materials	24,000,000
Labour	30,000,000
Architectâ??s fees	250,000
Surveyorâ??s fees	150,000
Stamp duty fees	3,000,000
Administrative overheads	1,500,000
Ground rent for first year	120 ,000

Note:

1. Materials costs were greater than anticipated. On investigation, it was found that materials costing Shs 4 million had been spoiled and therefore wasted and a further Shs 6 million was incurred as a result of faulty design work.
2. As a result of these problems, work on the Factory ceased for a fortnight during October 2023 and it is estimated that approximately Shs 4 million on the labour costs relate to this period. The Factory was completed on 1 July 2023 and occupied on 1 September 2023.

Required;
Compute the total amount to be capitalized in respect of the factory in accordance with IAS 16 Property, Plant and Equipment? **(20 Marks)**

Section B Attempt any Three Questions From Section B

Question 1:

The following issues have been risen in relation to the accounts for the year ended 13 December 2019.

a) XYZ received from a customer during 2019 an advance payment of 3,000,000 for the supply of goods and services over the next three years. The directors plan to include this entire amount as revenue. Would they be correct given the guidance of IAS.18. Revenue Recognition. ***[5 marks]***

b) A car manufacturer sell cars to car dealer on the following terms:-

i) The price charged by the dealer is the price at the original date of delivery.
ii) The dealer is charged interest at 4% on cost during the period from delivery to payment.
iii) The dealer has right to return the cars to the manufacturer anytime but in practice this rarely happens.
iv) Legal title passes either on sale of cars to the public or when the car is used as a demonstration model.
v) At the Statement of Financial Position date the dealer has 15 cars in the show room.

Required. Explain how the car dealer should account for the 15 cars in the show room, under IAS. 17 - Accounting for Leases. ***[5 marks]***

c) XYZ owns a machine with a carrying value of sh. 50,000 at 31st December 2019 which is now obsolete. The directors have discovered that the machine could be sold to South Sudan in January 2020 at 50,000. It would cost XYZ sh. 62,000 to transport it to South Sudan. The directors are unsure whether the machine should be treated as an asset in accounts or not. Advised on the treatment under IFRS.5. ***[5 marks]***

d) IAS 10: Events after the reporting period (revised) replaced IAS 10: Events after the balance sheet date following the changes in terminology made by IAS 1: presentation of financial statement s in 2007. The standard sets out when entities should adjust their financial statements for events after the reporting period and the disclosures that should be made abut the date when the financial statements were authorized for issue.

Required: Explain why events occurring after the reporting period may be of importance; and describe the circumstances where the financial statements should and should not be adjusted. ***[5 marks]***

Question 2:

As one of the new graduate with a specialized in accounting and finance, as an employee of BBW Ltd, the finance manager requests you to explain the concept of regulatory framework and its key objectives to the business entity **[4 Marks]**

b) PIKOLI year-end inventory amounted to Shs 162,800,000 valued at cost. Included in this amount is some equipment which has been damaged by fire and is beyond repair. The cost of this damaged inventory was Shs 6,650,000. PIKOLI Ltd sold it to a local automatic company for Shs 2,300,000 and incurred transport costs of Shs 340,000

Required:

i. Compute the closing inventory in accordance with IAS 2 to be shown in statement of financial position and P&L account & other comprehensive income **[4Marks]**

ii. Clearly show the accounting entries **[4 Marks]**

c). IAS 2: Inventories prescribes the accounting treatment of several aspects of inventory of an entity.

Required: Explain the presentation and disclosure requirement in relating to inventory IAS 2. **[4 Marks]**

d. Explain the concept of capitalization and derecognition in accordance with IAS 16 **[4Marks]**

Question 3:

a) IFRS 3: Control is the power to govern the financial and operating policies of an entity or business so as to obtain economic benefits from its activities. Explain to the management concept of Identifiable assets, controlling and non-control interest and state what shows evidence of control over the subsidiary **[12 Marks]**

b) Jojo acquires a subsidiary on 1 January 2021. The fair value of the identifiable net assets of the subsidiary was Shs 2,170m. Jojo acquired 70% of the shares of the subsidiary for Shs 2.145m. The NCI was fair valued at Shs.683m.

Required:

Compute and compare the value of goodwill under the partial and full methods according to IFRS 3. **[8 marks]**

Question 4:

a) The Conceptual Framework for Financial Reporting defines the recognition of the elements of financial st atements as the process of incorporating in the financial statements an item that meets the definition of an element and it is probable that future economic benefit associated with the item will flow to or from the entity and the item has a cost or value that can be measured with reliability.

Required:
Explain the recognition criteria for assets, liabilities, income, and expenses indicating the statement in whi ch the element is recognised and the point at which the element is recognised in that statement**.** ***[7 marks]***

b) The measurement of the elements of financial statements is the process of determining the monetary amo unts at which the elements of the financial statements are to be recognised and carried in the statement of f inancial position and statement of comprehensive income.

Required:
Identify and explain any **four** bases of measurement of the elements of financial statements. ***[8 marks]***

c) â??IAS 37: Provisions, Contingent Liabilities and Contingent Assets aims to ensure that appropri ate recognition criteria and measurement bases are applied to provisions, contingent liabilitie s and contingent assets and that sufficient information is disclosed in the notes to the financial stat ements to enable users understand their nature, timing, and amountâ?•.

XYZ Ltd gives warranties at the time of sale to customers of its products.
Under the terms of the sale contracts, XYZ Ltd undertakes to refund the customers for the co sts of repairs of any manufacturing defect which becomes apparent within the first six mo nths of purchase. For the period ended 31 march, 2016 XYZ Ltd sold equipment for Shs 100 milli on and by the end of the period there was a 40% probability of defects.

Required: Explain how the transaction should be treated, and state the relevant disclosures that sh ould be made in the financial statements in accordance with IAS 37. ***[5 marks]***

Question 5:

In a bid to enhance the capacity of the new members of the Finance Committee, KPL organised an in-house seminar on the International Accounting Standards Board (IASB) Conceptual Framework for Financial Reporting. During the seminar, one of your colleagues who was the lead presenter said, â??The IASB Conceptual Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users and one of its purposes is to assist users of financial statements to interpret the information contained in the financial statements prepared in compliance with International Financial Reporting Standards (IFRS). The Framework emphasizes that information must have certain characteristics in order for it to be useful for decision making.â?• June 2022

Required:

a) Describe the advantages of a conceptual framework? **(10 marks)**

b) Explain to the participants the qualitative characteristics of financial information. **(10 marks)**

Question 6:

a) The Conceptual Framework for Financial Reporting defines the recognition of the elements of financial st atements as the process of incorporating in the financial statements an item that meets the definition of an element and it is probable that future economic benefit associated with the item will flow to or from the entity and the item has a cost or value that can be measured with reliability.

Required:
Explain the recognition criteria for assets, liabilities, income, and expenses indicating the statement in whi ch the element is recognised and the point at which the element is recognised in that statement. ***[7 marks]***

b) The measurement of the elements of financial statements is the process of determining the monetary amo unts at which the elements of the financial statements are to be recognised and carried in the statement of f inancial position and statement of comprehensive income.

Required:
Identify and explain any **four** bases of measurement of the elements of financial statements. ***[8 marks]***

c) â??IAS 37: Provisions, Contingent Liabilities and Contingent Assets aims to ensure that appropri ate recognition criteria and measurement bases are applied to provisions, contingent liabilitie s and contingent assets and that sufficient information is disclosed in the notes to the financial stat ements to enable users understand their nature, timing, and amountâ?•.

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Required: Explain how the transaction should be treated, and state the relevant disclosures that sh ould be made in the financial statements in accordance with IAS 37. ***[5 marks]***