

WOMEN'S UNIVERSITY IN AFRICA



Addressing gender disparity and fostering equity in University Education

FACULTY OF MANAGEMENT AND ENTREPRENEURIAL SCIENCES

BACHELOR OF ACCOUNTING SCIENCE HONOURS DEGREE

MAIN PAPER

BAS 411: FINANCIAL ACCOUNTING REGULATORY FRAMEWORK

INTAKE 9: FOURTH YEAR FIRST SEMESTER

DATE: TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

Answer **Question 1** any other two.

Question 1

- a) Describe the IFRS Foundation's standard setting process including how standards are produced, enforced and occasionally supplemented. [10]
- b) An enterprise opens a new factory and receives a government grant of \$15 000 in respect of capital equipment costing \$100 000. It depreciates all plant and machinery at 20% p.a. straight line.

Required:

Show the balance sheet extracts in respect of the grant in the first year under the following methods:

- i) Netting Off Approach [5]
- ii) Deferred Income Approach [10]

Question 2

- a) Explain what is meant by an impairment review. [10]
- b) Discuss five indicators of impairment contained in IAS 36 Impairment of assets [10]
- c) A company owns a company car that was involved in an accident at the year end. It is barely useable, so the value in use is estimated at \$1,000. However, the car is a classic and there is a demand for the parts. This results in a net realisable value of \$3,000. The opening carrying value was \$8,000 and the car was estimated to have a life of eight years from the start of the year.

Required:

- d) Show the effects of the above on the financial statements for the year. [5]

Question 3

- a) Discuss the requirements of IAS 38 Intangible Assets with respect to the initial recognition and measurement of intangible assets acquired:
- i) Separately for cash, [4]
- ii) As part of a business combination, and [4]

iii) Internally generated. [4]

b) A piece of machinery has an annual service costing \$10,000. During the most recent service it was decided to replace part of the engineering meaning that it will work faster and produce more units of product per hour. The cost of the replacement part is \$20,000.

Required:

Explain whether this expenditure would be treated as capital or revenue expenditure.

[13]

Question 4

a) Explain what is meant by Cash Generating Unit. [6]

b) Distinguish between the ‘recoverable amount’ and ‘value in use’ of an asset. [9]

c) Explain why historical cost accounting has been criticised and discuss some of the advantages associated with its use. [10]

Question 5

Discuss the following key areas when accounting for property, plant and equipment in accordance with IAS 16:

a) Initial recognition, [5]

b) Depreciation, [5]

c) Revaluation, and [10]

d) Derecognition (disposals). [5]

Question 6

Discuss the five-step approach to recognizing revenue in terms of IFRS 15, Revenue from contract with customers. [25]

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