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# DMI-ST. EUGENE UNIVERSITY

ZAMBIA

DEGREE EXAMINATION – JUNE 2023

Semester: VII 551AC71 INTERNATIONAL FINANCIAL REPORTING STANDARDS

Time: 3:00 Hours

Max. Marks: 100

Answer any FIVE Questions (5 x 20 = 100 Marks)

1. a) Discuss the objectives of the International Financial Reporting Standard (IFRS).  
(10 Marks)
- b) Outline the benefits of International Financial Reporting Standard to Investors.  
(10 Marks)
2. a) Prepare brief notes for a company Board Meeting to answer the following points for the Directors:  
(10 Marks)
  - i. Explain the term “inventories” as defined by IAS2 Inventories
  - ii. State which costs should be included when measuring the value of inventories
  - iii. State which costs should NOT be included when measuring the value of inventories
- b) From the following summary of Cash Account of X Ltd., prepare Cash Flow Statement for the year ended 31st March 2021 in accordance with AS-7 using the direct method. The company does not have any cash equivalents.  
(10 Marks)

### Cash A/C of X Ltd

Details	\$	Details	\$
To bal. b/d 01.04.2020	50	By payment to suppliers	2,000
To equity shares	300	By purchase of fixed Assets	200
To Receipt from customers	2,800	By overhead expenses	200
To sale of fixed Assets	100	By wages & salaries	100
		By Taxation	250
		By Dividends	50
		By repayment of loan	300
		By Bal. C/d 31.03.2021	150
<b>Total</b>	<b>3,250</b>		<b>3,250</b>

3. a) Y Co. purchases a patent on January 1, 2021 for \$40,000 and the patent has an expected useful life of five years with no residue value. Assuming Y Co. uses the straight line method.  
What is the carrying value of the patent on December 31, 2022? **(10 Marks)**
- b) State various ways in which Intangible Assets can be acquired. **(4 Marks)**
- c) State the objective of Impairment of Assets according to IAS28/36. **(4 Marks)**
- d) What is impairment loss? **(2 Marks)**
4. a) List and explain the 10 users of Financial Statements and the reasons for use as per IAS1 **(10 Marks)**
- b) Outline the elements of Statement of Financial Position. **(5 Marks)**
- c) State any five important concepts where financial statements under IFRS provide information. **(5 Marks)**
5. a) Discuss the limitations of financial statements. **(10 Marks)**
- b) Discuss the elements of consolidated statement of financial position. **(8 Marks)**
- c) What are Group Accounts? **(2 Marks)**
6. a) Prepare a Comprehensive income statements and the statement of the financial position

Trial Balance, 31 December 2021

Details	Dr. (K)	Cr. (K)
Capital		10,500
Cash	919	
Bank	4,290	
Purchases	2,950	
Stationery	89	
T. Dry		800
G. Law		510
Buttong Ltd		89
Sales		1,783
B. Barclay		2,500
Purchase returns		72
Sales returns		25
R. Tong	165	
Rent	220	
Fixtures	610	
Chifs		610
Salaries	790	
Van	6,500	
M. Singh	306	
<b>Total</b>	<b>16,839</b>	<b>16,839</b>

**(15 Marks)**

b) Explain the features of financial statements as stated by IAS1. **(5 Marks)**

7. a) A company holds three distinct types of Inventory in its warehouse at the end of its financial year. These are valued as follows:

Inventory	FIFO(Cost)\$	LIFO(Cost)\$	NRV\$
Type A	8,300	8,000	12,200
Type B	10,500	10,700	10,200
Type C	12,300	12,000	14,500

**Required**

Calculate the value of Inventory to be included in the company's yearend accounts.

**(10 Marks)**

b) Apply AVCO method of inventory valuation on the following information, first in periodic inventory system and then in perpetual inventory system to determine the value of inventory on hand on Mar 31 and cost of goods sold during March.

Mar 1 Beginning Inventory	60 units @ \$15.00 per unit
5 Purchase	140 units @ \$15.50 per unit
14 Sale	190 units @ \$19.00 per unit
27 Purchase	70 units @ \$16.00 per unit
29 Sale	30 units @ \$19.50 per unit

**(10 Marks)**