

FA and FFA Extra MTQs Exam Answers

MTQ 1

Task 1 (15 marks)

Statement of cashflows for the year ended 31 October 20X7	\$000	Note	
Cash Flows from Operating Activities			
Profit before tax	15000		
Adjustments			
Depreciation	4658		Add
Profit on disposal of non-current assets	720		Subtract
Inventory	6075	1	Add
Receivables	1863	2	Subtract
Payables	3198	3	Add
Tax paid	4090	4	Subtract
Net cash from operating activities			
Cash flows from investing activities			
Payments to acquire non-current assets	24340	5	Subtract
Proceeds from sale of non-current assets	2694	6	Add
Net cash from investing activities			
Cash flows from financing activities			
Proceeds from issue of share capital	1869	7	Add
Repayment of loans	2300	8	Subtract
Net cash from financing activities			
Net movement in cash and cash equivalents	181	9	Inflow
Cash and cash equivalents at beginning of period	634	9	
Cash and cash equivalents at end of period	815	9	

Note		20X7	20X6	Movement
		\$'000	\$'000	\$'000
1	Inventory	3,560	9,635	6,075
2	Receivables	6,405	4,542	1,863
3	Payables	7,562	4,364	3,198
4	Tax Paid			
	Tax liability at 20X6		2,760	
	Add tax expense		4,350	
	Tax liability at 20X7		<u>(3,020)</u>	
	Cashflow		<u>4,090</u>	
5	Payments to acquire non-current assets			
	Carrying amount of 20X6		26,574	
	Less depreciation		(4,658)	
	Less disposal		(1,974)	
	Purchase (balancing figure)		<u>24,340</u>	
	Carrying amount at 20X7		<u>44,282</u>	
6	Proceeds from Sale of non-current assets			
	Carrying amount		1,974	
	Add profit on disposal		<u>720</u>	
	Proceeds		<u>2,694</u>	
7	Proceeds from issue of share capital	19,365	17,496	1,869
8	Repayment of loans	8,000	10,300	2,300
0	Cash and cash equivalent:			
	Cash	2,045	1,063	
	Bank Overdraft	<u>(1,230)</u>	<u>(429)</u>	
		<u>815</u>	<u>634</u>	<u>181</u>

MTQ 2

Task 1 (4.5 marks)

Value of investment at acquisition	\$000
Investment in Erica Co held by Gasta Co	1380
NCI as at acquisition	<u>450</u>
Total value of investment at acquisition (A)	1830
Fair value of Erica Co's net assets at acquisition	
Equity share capital	1000
Retained earnings	<u>480</u>
Total fair value of Erica Co's net assets at acquisition (B)	1480
Goodwill at acquisition expressed as a formula	A-100% of B

Task 2 (3 marks)

The process of consolidation results in a single legal entity	No - the parent and subsidiary remain as separate legal entities. Consolidation is an accounting requirement that presents the group as if it were a separate legal entity - but it is not.
Goodwill is recalculated using the most recent fair values at each reporting period end	No - goodwill is calculated at the date of acquisition
NCI will always feature within the consolidated financial statements	No - if a subsidiary is 100% owned there will be no NCI

Task 3 (1 mark)

Fair value of NCI at acquisition + 25% of post-acquisition profits

Task 4 (6.5 marks)

	\$000
Investment	0 - it is eliminated on consolidation
Other assets	6900 - (4,500 +2,400)
Share capital	2000 - can only be the parents share capital
Retained earnings (2040 + (75% x (660-480)))	2175 - Parents plus parents share of subsidiaries post acquisition retained earnings
Non-controlling interest	495 - NCI at acquisition (\$450,000) plus share of post-acquisition retained earnings (25% x\$660,000 - 480,000)
Liabilities	2580 - (1,840 + 740)