PAN AFRICA CHRISTIAN UNIVERSITY

BACHELOR OF BUSINESS LEADERSHIP

END OF SEMESTER EXAMINATION

BACC 4201: ADVANCED ACCOUNTING - ONLINE

DAY: TUESDAY

TIME: 8AM -10AM

Instructions:

- Answer Question One and Any Other Three Questions
- Show all your workings
- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.

Question One

a. On 1st January 2022, Jamestown Plc., issued **7% convertible bonds** that had a nominal value of **sh. 15 Million** and were to mature in **3 years' time**. On the date of issue, they incurred an issue cost of **sh. 1,200,000**. The rate of interest on similar bonds without the conversion option is **9.38%.**

Required

i) Define the term **compound financial instruments** **(2 Marks)**

ii),Determine the value of the of the convertible bond on **1st January 2022 (6 Marks)**

ii) Prepare an amortization schedule for this financial liability **(5 Marks)**

b. Within the context of IFRS 2 - Share Based Payments (SBP's), explain the **TWO** classifications of vesting conditions based on the market **(4 Marks**)

c. With the aid of a flow chart, explain the two-test criteria approach **(5 Marks)**

d. Explain the following two terms:

i) Defined contribution plan **(2 Marks)**

ii) Subsidiary **(2 Marks)**

e. In the post acquisition period,, the parent, sold goods to its subsidiary, at a price of **sh. 6 million**. These goods had cost **Payton sh 4 million**. **Half** of these goods were still in the inventory of **Silverstone** at its year end of **31st December 2024**.

Required

Determine the Provision for Unrealized Profit (PUP) as at **31st December 2024**

(4 Marks)

Question Two

Zambezi Holdings is the parent company of Northern Inc. The following are the statements of financial position for both companies as at **31st October 2025**.

	Zambezi Holdings		**Northern Inc.**	
	Sh.'000'	**Sh.'000'**	**Sh.'000'**	**Sh.'000'**
Non-current Assets				
Property Plant and Equipment		4,200		3,300
Investments: shares in Northern Inc at cost		3,345		-
Current assets				

Inventory	1,500		800	
Receivable	1,800		750	
Bank	600		350	
		3,900		**1,900**
Total assets		**11,445**		**5,200**
Equity and liabilities				
Equity				
Ordinary Share Capital (par = sh. 1)		9,000		4,000
Retained earnings		525		200
		9,525		**4,200**
Current liabilities				
Payables	1,220		200	
Tax	700		800	
		1,920		**1,000**
Total equity and liabilities		**11,445**		**5,200**

The following information is also available:

1. Zambezi Holdings purchased **70%** of the **shares** in Northern Inc **a year ago**, for **sh. 3,200,000** when Northern Inc had retained earnings of **Sh.60,000**. On the date of acquisition, the fair value of each share of Northern Inc was **sh. 0.5**

2. During the year Zambezi Holdings sold goods to Northern Inc., at a price of **Sh**.**240,000**. These goods were invoiced at a profit mark-up of **20%**. **Half** of the goods are still in Northern Inc 's inventory at the year end.

3. Northern Inc., owes Zambezi Holdings **Sh.30,000** at **31st October 2025** for goods it purchased during the year.

4. The goodwill in Northern Inc., has impaired by **sh. 20,000** to date

Required

a. Prepare the net assets list of the subsidiary **(4 Marks)**
b. Compute the closing balance of the goodwill in the subsidiary. **(3 Marks)**
c. Determine consolidated reserves balance **(3 Marks)**

Question Three

The following information is given about a funded defined benefit plan for the year ended **31st December 2025.** To keep the computations simple, all transactions are assumed to occur at the year-end.

Present value of obligations at year start	Sh. 400 Million
Market value of plan assets at year start	Sh. 390 Million
Discount rate at start of year	10%
Current service cost	Sh. 14 Million
Benefits paid	Sh. 26 Million
Contributions paid	Sh. 34 Million
Present value of obligations at year end	Sh. 530 Million
Market value of plan assets at year end	Sh. 370 Million

There was a variation in the benefit terms during the year, which resulted in a past service cost of **Sh. 100 Million**.

Required:

a. Compute the net pension finance and net actuarial remeasurement **(6 Marks)**
b. Determine the net pension asset or liability **(2 Marks)**
c. Following the above, the pension is wound up at the year end. The market value of the plan assets is unchanged by the curtailment. But the liability is affected. The employees departing the scheme agree to receive the plan assets in full plus a further payment of **Sh. 167 Million**. The cash was paid just before the year end. Determine the gain or loss upon the curtailment **(2 Marks)**

Question Four

a. Discuss any **FIVE** fundamental ethical principles in financial reporting **(5 Marks)**
b. Explain **FIVE** threats to the fundamental ethical principles discussed in **'a' above (5 Marks)**

Question Five

a. On **1st January 2022** an **Mlango Inc**., issued **2,000 Cash-settled** share-based payments to each of its **60** employees. Each grant is conditional upon the employee working for

the entity until **31st December 2024**. The fair value of each share option on **1st January 2022** is **sh. 18**.

During **2022**, **7 employees** leave and the entity estimates that **2 employees** will leave during the three-year period. The value of each share option at that date was expected to be **sh. 21**

During **2023** a further **5 employees** leave and the entity now estimates that **4 of its employees** will leave during the three-year period. The value of each share option at that date was expected to be **sh. 24**

During **2024** a further **8 employees** leave. The value of each share option at that date was expected to be **sh. 30**

Required
Determine the increase or decrease in the share based payment liability of **Mlango Inc**., for the year ended **2022, 2023** and **2024** **(7 marks)**

b. Discuss with the aid of an illustration, instances when a firm can decide to recognize its financial assets at Fair value with gains or losses through the other comprehensive income (**FVTOCI**) **(3 Marks)**