International Islamic University Chittagong
Department of Business Administration
BBA Major in Accounting and Information Systems
Semester-Spring 2022
Advanced Financial Accounting (ACC-4804)
Mid-Term Examination

Time: 1 Hour 30 Minutes **Full Marks: 30**

Instructions:

a) Answer the following questions.
b) Answer a set of questions at one place.

1. a) Define holding/parent company and subsidiary company. **02**

   b) P acquired 75% of the shares in S on 1 January 2007 when S had retained earnings of $15,000. Themarket price of S's shares just before the date of acquisition was $1.60. P values non-controlling interestat fair value. Goodwill is not impaired. **08**

   The statements of financial position of P and S at 31 December 20X7 were as follows:

	P. Ltd		S. Ltd	
ASSETS	**$**	**$**	**$**	**$**
Non-current assets				
Property, plant and equipment	60,000		50,000	
Investmentin S. Ltd. at cost	68,000		-	
Total non-current assets		1,28,000		50,000
Current Assets		52,000		35,000
Total Assets		**1,80,000**		**85,000**
EQUITY AND LIABILITIES				
Shareholders' Equity				
Share Capital $1 shares	1,00,000		50,000	
Retained Earnings	70,000		25,000	
Total shareholders' equity		1,70,000		75,000
Non-current Liabilities				
Total non-current liabilities		-		-
Current Liabilities		10,000		10,000
Total equity and liabilities		**1,80,000**		**85,000**

   Required:
   Prepare the consolidated statement of financial position of the group.

2. a) What is non-controlling interest? How it is reported in the consolidated financial statements? **02**

   b) P Co acquired 75% of the ordinary shares of S Co on that company's incorporation in 20X3. Thesummarized statements of profit or loss and movement on retained earnings of the two companies for the year ending 31 December 20X6 are set out below. **08**

	P Co.	S Co.
Sales Revenue	$ 75,000	$38,000
Cost of sales	(30,000)	(20,000)
Gross profit	45,000	18,000
Administrative costs	(14,000)	(8,000)
Profit before tax	31,000	10,000
Income tax expense	(10,000)	(2,000)

Profit after tax	**21,000**	**8,000**
Note: Movement on retained earnings		
Retained earnings brought forward	87,000	17,000
Profit for the year	21,000	8,000
Retained earnings carried forward	**1,08,000**	**25,000**

Requirement:
Prepare the consolidated statement of profit or loss and extract from the statement of changes in equity
showing retained earnings and non-controlling interest.

3. a) Write the five differences between consignment and sale. **02**

b) Ghosh of Dhaka sent on consignment to Alok of Chittagong 300 cases @ Taka 125 on 1st July 2021 to be sold on his account and at his riskfor 10% commission. Ghosh incurred taka 3,000 expenses on dispatchingthe goods to Alok. On July 10, 2021 Ghosh received a bill for taka 20,000 at2 months from Alok. On September 10, Ghosh discounted the bill for a discount of taka 500. On September 30, 2021 Alok sent on account salesdisclosing that 200 cases have been sold for taka 160 each and 80 cases @ taka 150 each. The account sales also discloses that Alok has incurredunloading expenses taka 600 and selling expenses taka 900. The goods for 10 cases returned to Ghosh for low quality. He sends a draft forthe net amount due. Alok paid the bill to the bank. **08**

You are required to:
(a) Prepare the account sales; and
(b) Record the transactions in the books of both the parties.

4. a) Do you think that joint venture and partnership are same? Why or why not? **02**

b) X and Y entered into Joint Venture to sell a consignment of timbersharing profits and losses equally. X provides timber from stock at mutuallyagreed value of taka 50,000. He pays expenses amounting to taka 2,500. Y incursfurther expenses on cartage, storage and collieage of taka 6,500 and receivescash for sales taka 30,000. He also takes over goods to the value of taka 10,000for his own use. At the close, X takes over the balance stock in hand which isvalued at taka 11,000. **08**

Required:
Pass Journal Entries to record the above transactions and open thenecessary ledger accounts in the books of X and Y.