July Exam 2016

MULTIPLE CHOICE (30%)

1	B	16	A
2	D	17	B
3	D	18	C
4	C	19	C
5	C	20	A
6	D	21	C
7	B	22	C
8	A	23	B
9	B	24	C
10	C	25	C
11	B	26	A
12	C	27	B
13	B	28	A
14	A	29	D
15	B	30	A

CASE 1 (10%)

1	A	6	A
2	A or C	7	A
3	A	8	A
4	E	9	E
5	A	10	D

CASE 2 (5 %)

Compute the proper earnings per share for 2016.

Solution

Earnings per share: $\dfrac{\text{Net income}}{\text{Outstanding shares}} = \dfrac{\$600{,}000}{400{,}000} = \$1.50$

Earnings per share assuming bond conversion: $\dfrac{\text{Net income + Interest after taxes}}{\text{Assumed outstanding shares}}$

($350,000 × .7 = $245,000); $\dfrac{\$600{,}000 + \$245{,}000}{400{,}000 + 100{,}000} = \$1.69$

Therefore the bonds are antidilutive, and earnings per share outstanding of $1.50 should be reported.

Note that the convertible security is antidilutive:

$$\frac{\text{Bond interest after taxes}}{\text{Assumed incremental shares}} = \frac{\$245{,}000}{100{,}000} = \$2.45$$

CASE 3 (9%)

Answer each of the questions

1	$24,000
2	$48,000
3	$16,000 G

CASE 4 (9%)

Instructions

(a) Calculate the amount of the April 30:

1. Deposits in transit
   Deposits in transit, €5,205 [€13,889 – (€10,784 – €2,100)]
2. Outstanding checks
   Outstanding checks, €2,280 [€10,080 – (€11,600 – €3,800)]

(b) What is the April 30 adjusted cash balance?
Adjusted cash balance at April 30, €30,920
(€27,995 + €5,205 – €2,280) OR (€28,855 + €3,000 – €35 – €900)

CASE 5 (12 %)

Prepare a statement of cash flows for the year ending December 31, 2016

Stanislaus Co.
Statement of Cash Flows
For the year ended December 31, 2016

Net Income		€215,200
Cash flow from operating activities		
Depreciation expense	€31,600	
Increase in accounts receivable	(67,200)	
Increase in inventory	(28,600)	
Increase in accounts payable	35,600	
Decrease in short-term notes payable	(37,800)	(66,400)
Net cash provided by operating activities		148,800

Noncash investing and financing activities

Payment of long-term note payable with issuance of €67,200 of ordinary shares

Long-term note issued as payment of equipment purchase, €201,600

CASE 6 (25 %)

a) **The consolidated statement of financial position**

The consolidated statement of financial position as at 30 June 2016

ASSETS	**$**
Non-current assets	
Investments (Slap's only)	15,000
Tangible (786,734 + 493,287 + 18,000 (W8))	1,289,021
Intangible – goodwill – (W3)	27,000
	1,340,021
Current assets	
Inventory (327,931 + 126,329 – 11,600 (W7))	442,660
Receivables (384,727 + 147,628)	432,355
Cash and bank (58,123 + 26,792)	84,915
Total assets	2,299,951
EQUITY AND LIABILITIES	
Equity attributable to owners of the parent	
Share capital	500,000
Share premium	125,000
Retained earnings – (W5)	944,904
	1,569,907
Non-controlling interest – (W4)	132,409
Current liabilities	
Payables (421,244 + 176,391)	597,635
Total equity and liabilities	2,299,951

a) The consolidated statement of profit and loss

The consolidated statement of profit and loss for the year ended 30 June 2016	**$**
Revenue (2,397,783 + 1,427,950 – 476,383 (W6))	3,349,350
Cost of sales (1,652,184 + 1,127,550 – 476,383 (W6) + 11,600 (W7))	(2,314,951)
Gross profit	1,034,399
Administrative expenses (108,475 + 56,800 + 7,000 goodwill charge for 2016)	(172,275)
Distribution costs (76,328 + 33,700)	(110,028)
Profit before tax	752,096
Taxation (179,852 + 64,100)	(243,952)
Profit after tax	508,144
Profit attributable to:	
Owners of the pare3nt	481,304
Non-controlling interest (20% * (145,800 – 11,600))	26,840
	508,144

(1) Establish group structure

Patton Non-controlling interest 20%

200/250 = 80%

Slap

(2) Net assets of Slap

	30 June 2016	*Date of acquisition*	*Change*
	$	$	$
Share capital	250,000	250,000	0
Share premium	40,000	40,000	0
Retained earnings	342,645	142,000	200,645
Urealised profits (W7)	(11,600)		(11,600)
		432,000	
Fair value Adjustment (W8)	18,000	18,000	0
Total	639,045	450,000	189,045

(3) Goodwill

	$
Cost of investment	388,000
Non-controlling interest (250,000 * 20% * 1.92)	96,000
Patton % of Slaps met assets at the date of acquisition	(450,000)
Goodwill	34,000
Impaired	(7,000)
To statement of financial position	27,000

(4) Non-controlling interest

	$
Non-controlling interest (250,000 * 20% * 1.92)	96,000
Share of post-acquisition profits (189,045 (W1) * 20%)	37,809
Goodwill Impaired (7,000 * 20%)	(1,400)
	132,409

(5) Consolidated retained earnings at30 June 2016

	$
All of Patton per question	799,271
Patton's share of past acquisition profits of Slap (80% * 189,045 (W2))	151,236
Less goodwill impaired (7,000 * 80%) (W3)	(5,600)
Consolidated retained earnings	944,907

(6) Intra group sales

Dr		Revenue	476,383	
	Cr	Cost of sales		476,383

Ito eliminate intra-group sales

(7) Unrealised profits

		%	$
Sales		125	58,000
Cost of sales		100	(46,400)
Gross profit		25	11,600
Dr	Cost of sales	11,600	
Cr	Inventory in statement of financial position		11,600

Ito eliminate unrealised profits

(8) Fair value adjustment

At date of acquisition net assets per the net asset statements $432,000 (250,000 + 40,000 + 142,000) are worth $450,000
Therefore need to revalue by $18,000

Dr	Land	18,000	
Cr	Revaluation surplus		18,000