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# ACCA – Paper F3 and FFA Financial Accounting June 2015 Final Assessment

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- 1 When commenting about the script performance, please ensure on individual questions and on overall assessment your comments cover areas of examination technique including:

|   |  |  |                               |
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| • Time management                           | • Handwriting                            | • Presentation and layout                      | • Use of English              |
| • Points clearly and concisely made         | • Relevance of answers to question       | • Coverage and depth of answer                 | • Accuracy of calculations    |
| • Calculations cross-referenced to workings | • All parts of the requirement attempted | • Length of answers equates to marks available | • Read the question carefully |

- 2 For each question, please provide suitable constructive comments

| Question Number | General Comments | Exam Technique Comments |
|-----------------|------------------|-------------------------|
|                 |                  |                         |

**ACCA FINAL ASSESSMENT**

# **Financial Accounting**

**June 2015**

**Time allowed**                      2 hours

This paper is divided into two sections:

Section A – ALL 35 questions are compulsory and **MUST** be answered.

Section B – BOTH questions are compulsory and **MUST** be answered.

**Do NOT open this paper until instructed by the supervisor.**

**This question paper must not be removed from the examination hall.**

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**Paper F3 and FFA**

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## SECTION A

### ALL 35 QUESTIONS ARE COMPULSORY AND MUST BE ANSWERED

- 1 The following sales tax account has been provided by Jenny for the quarter ended 30 June 20X9. The account was prepared by an inexperienced book keeper.

| Sales tax \$                                |         |                                       |         |
|---|---------|---------------------------------------|---------|
| Bal b/d (amount owing to the tax authority) | 11,450  | Purchases (sales tax element)         | 116,280 |
| Sales (sales tax element)                   | 258,400 | Purchases returns (sales tax element) | 2,325   |
| Bank (payment on account to tax authority)  | 9,000   |                                       |         |
|   | _____   | Bal c/d                               | 160,245 |
|   | 278,850 |                                       | _____   |
|   | _____   |                                       | 278,850 |
| Bal b/d                                     | 160,245 |                                       |         |

What is the correct sales tax balance for the quarter ended 30 June 20X9?

- A \$160,245 debit  
 B \$146,895 credit  
 C \$160,245 credit  
 D \$123,995 credit (2 marks)

- 2 In the previous year Simone had a gross profit margin of 10%. In the current year, this increased to 15%.

Which of the following reasons might explain this?

- A The volume of sales has been higher in the current year  
 B Current year prompt payment discounts have been higher  
 C There have been higher levels of inventory obsolescence in the current year  
 D The mix of products sold in the current year has changed (2 marks)

- 3 Below are the extracts of the trial balance of Pattinsons, a limited liability entity, for the year ended 30 June 20X8:

|  | <i>Dr</i> | <i>Cr</i> |
|--|-----------|-----------|
| Plant and machinery cost                     | \$230,400 |           |
| Accumulated depreciation (as at 1 July 20X8) |           | \$115,200 |

During the year ended 31 June 20X9 a new piece of plant and machinery was purchased at a cost of \$50,000.

The entity depreciates plant and machinery at 20% per annum on a reducing balance basis.

What is the depreciation charge for the year ended 30 June 20X9:

..... (2 marks)

ACCA F3 AND FFA: FINANCIAL ACCOUNTING

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**4 When a prompt payment discount is received from a supplier the double entry is as follows:**

- A Dr Discounts received, Cr Payables control
- B Dr Payables ledger, Cr Discounts received
- C Dr Payables ledger control, Cr Discounts received
- D Dr Payables ledger control, Cr Discounts allowed **(2 mark)**

**5 When Roberts' trial balance was extracted, the total of the debit balances was \$208,462 and the total of the credit balances was \$208,642. He opened a suspense account for this difference and, upon investigation, he found that:**

- (i) a cash sale for \$50 was debited to the cash account, but no entry was made in the sales account
- (ii) the opening inventory figure of \$1,200 was omitted from the trial balance.

When Robert corrects these errors what is the balance on his suspense account?

- A \$1,070 debit
- B \$1,330 credit
- C \$1,280 debit
- D \$970 credit **(2 marks)**

**6 Whilst preparing his accounts, Edward discovered that he had incorrectly classified an item of revenue expenditure as capital expenditure.**

When the error is corrected, how will his net profit and capital be affected?

- |   | <i>Net profit</i> | <i>Capital</i> |
|---|-------------------|----------------|
| A | Increased         | Reduced        |
| B | Reduced           | Increased      |
| C | Increased         | Increased      |
| D | Reduced           | Reduced        |
- (2 marks)**

**7 At 31 May 20X8, Bella's capital balance was \$144,867. During the year to 31 May 20X9, her profit was \$25,764. At 31 May 20X9 her capital balance was \$153,153**

What were Bella's drawings for the year to 31 May 20X9?

..... **(2 marks)**

- 8 The following bank reconciliation has been prepared by an entity's bookkeeper as at 31 July 20X9:**

|                                    |        |
|------------------------------------|--------|
|                                    | \$     |
| Overdraft per bank statement       | 47,500 |
| Add: Unpresented cheques           | 2,400  |
| Less: Lodgements/deposits credited | 45,700 |
|                                    | _____  |
| Balance per cash book              | 95,600 |
|                                    | _____  |

What is the correct balance per the cash book?

- A \$90,800 in hand
  - B \$4,200 overdraft
  - C \$4,200 in hand
  - D \$90,800 overdraft **(2 marks)**
- 9 At 30 April 20X9 Forks, a limited liability entity, was being sued by an ex-employee for wrongful dismissal. Forks has been advised that the claim is 95% likely to succeed, and that damages of \$140,000 will be payable if the claim does succeed.**

How should this matter be treated in the financial statements of Forks for the year ended 30 April 20X9?

- A A provision should be made for \$140,000
- B The matter should be ignored
- C A provision should be made for \$133,000
- D The matter should be disclosed by a note **(2 marks)**

- 10 An entity lets out a number of properties. The total rent received in the year ended 30 June 20X9 was \$617,000. The following amounts were received in advance or were in arrears at the dates shown:**

|   | <i>30 Jun 20X9</i> | <i>1 Jul 20X8</i> |
|---|--------------------|-------------------|
|   | \$                 | \$                |
| Rent received in advance                    | 25,250             | 37,900            |
| Rent in arrears (all subsequently received) | 12,250             | 31,000            |

What amount of rental income should appear in the statement of profit or loss for the year ended 30 June 20X9?

..... **(2 marks)**

- 11 Smith acquired 80% of the equity share capital of Jones for \$1,400,000. At that date the share capital of Jones consisted of 600,000 equity shares of 50c each and its reserves were \$50,000.**

The fair value of the non-controlling interest was valued at \$525,000 at the date of acquisition. In the consolidated statement of financial position of Smith Group what amount should be included for goodwill on acquisition of Jones?

..... **(2 marks)**

ACCA F3 AND FFA: FINANCIAL ACCOUNTING

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12 Which of the following statements is correct?

- A Capital expenditure on research must be capitalised and depreciated as normal
- B Dividends proposed after the year end must not be accrued in the accounts
- C Contingent liabilities should always be provided in the accounts
- D Land should be depreciated over 50 years (2 marks)

13 Ark, a limited liability entity, has the following capital structure:

|   | \$      |
|---|---------|
| 200,000 Equity shares of 50c each                     | 100,000 |
| 20,000 20% irredeemable preference shares of \$1 each | 20,000  |

The preference shareholders had their dividend paid during the year.

The following information has been provided for equity shareholders:

- (i) Dividend declared **before** the year end was 10 cents per share.
- (ii) Dividend declared **after** the year end was 15 cents per share.

What are the dividends that should be included in the statement of changes in equity (**SOCIE**) and the statement of financial position for the year ended 31 March 20X9?

|   | <i>SOCIE</i> | <i>Statement of Financial Position</i> |
|---|--------------|--|
|   | \$           | \$                                     |
| A | 24,000       | 20,000                                 |
| B | 20,000       | 20,000                                 |
| C | 50,000       | 4,000                                  |
| D | 50,000       | 50,000                                 |

(2 marks)

14 In a set of financial statements the proceeds received on disposal of non-current assets are normally disclosed in which of the following statements?

- A Statement of cash flows
- B Statement of cash flows and statement of profit or loss
- C Statement of profit or loss and statement of financial position
- D Statement of changes in equity and statement of financial position (2 marks)

15 You are preparing the final accounts for a business. The cost of the items in closing inventory is \$41,875. This includes some items which cost \$1,960 and which were damaged in transit. You have estimated that it will cost \$360 to repair the items, and they can then be sold for \$1,200.

What is the correct inventory valuation for inclusion in the final accounts?

..... (2 marks)



**16 Mark's trial balance at 31 October 20X9 includes the following balances:**

|                                       | \$     |
|---------------------------------------|--------|
| Machinery at cost                     | 85,800 |
| Accumulated depreciation on machinery | 21,750 |
| Trade receivables                     | 42,650 |
| Allowance for receivables             | 1,570  |
| Bank overdraft                        | 6,470  |
| Inventory at 1 November 20X8          | 21,650 |

His inventory at 31 October 20X9 is valued at \$22,300

What value should be reported for current assets in Mark's statement of financial position at 31 October 20X9? **(2 marks)**

**17 A trial balance is made up of a list of debit balances and credit balances.**

Which of the following statements is correct?

- A Every debit balance represents an expense
- B Assets are represented by debit balances
- C Liabilities are represented by debit balances
- D Income is included in the list of debit balances **(2 marks)**

**18 Which of the items listed below could appear in an entity's statement of changes in equity?**

- (i) Profit for the year.
- (ii) Closing inventory.
- (iii) Loans.
- (iv) Proposed dividends.
- (v) Dividends paid.

- A (i), (ii) and (iv)
- B (i), (ii) and (iii)
- C (i) and (iv)
- D (i) and (v) **(2 marks)**

**19 During the year to 30 September 20X9 Claire paid \$16,750 for light and heat. At 1 October 20X8 she owed \$2,565 in relation to light and heat expenses incurred for the period to 30 September 20X8 and at 30 September 20X9 she had paid \$956 in advance for light and heat.**

What charge for light and heat will appear in the statement of profit or loss for the year ended 30 September 20X9? **(2 marks)**

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**20 At 30 September 20X8 Shauna had non-current assets with a carrying value of \$345,876.**

At 30 September 20X9 the non-current assets carrying value was \$457,987. During the year to 30 September 20X9 a non-current asset was sold for \$2,870, resulting in a profit on disposal of \$1,500. Depreciation on all non-current assets during the year amounted to \$16,750.

Assuming that these were the only adjustments to non-current assets during the year what were the additions to non-current assets during the year to 30 September 2009?

- A \$130,231
  - B \$131,731
  - C \$130,361
  - D None of the above
- (2 marks)**

**21 At 30 November 20X9 Hollie's general ledger included the following balances:**

|  |           |
|--|-----------|
| Trade receivables                                      | \$132,425 |
| Allowance for receivables at 1 December 20X8           | \$2,430   |
| Hollie's allowance for receivable should be revised to | \$1,100   |

How should the information above be reported on Hollie's statement of financial position?

- A Current asset of \$132,425, Current liability \$1,100
  - B Current asset of \$131,325 only
  - C Current asset of \$134,855, Current liability \$1,100
  - D Current asset of \$133,755 only
- (2 marks)**

**22 In which of the following books of prime entry would a disposal of a non-current asset appear?**

- A Cash book
  - B The journal
  - C Purchase day book
  - D Sales day book
- (2 marks)**

**23 At 1 July 20X8 Jenks, an entity, had issued share capital of \$1,500,000 comprised of equity shares with a nominal value of \$1.25 per share, together with a balance on its share premium account of \$320,000.**

During the year to 30 June 20X9, Jenks made a bonus issue of equity shares of 1 for 6. This was fully taken up by the equity shareholders.

What is the balance on the share premium account at 30 June 20X9?

- A \$120,000
  - B \$70,000
  - C \$75,000
  - D \$320,000
- (2 marks)**

- 24 An entity, Dibble, has an accounting year-end of 31 December and has 120,000 \$1 equity shares in issue. During the year ended 31 December 20X0 an interim dividend of 5 cents per share was paid and a final dividend of 10 cents per share was proposed on 30 December.**

In relation to equity dividends how much will appear on the SOCIE for the year ended 31 December 20X0?

- A \$6,000
- B NIL
- C \$18,000
- D \$12,000 (2 marks)

- 25 Which of the following errors should be detected by preparing a trial balance?**

- A A credit with no corresponding debit entry
- B An error of commission
- C A transaction for which no entries were made
- D An error of original entry (2 marks)

- 26 Barrowhall, an entity, had an under provision of \$5,000 on its tax liability account at 31 January 20X9 before accounting for the current year income tax charge.**

The estimated tax on profit for the year ended 31 January 20X9 was \$83,000.

What amounts should be included in the financial statements for year ended 31 January 20X9 in respect of tax?

|   | <i>Profit or loss</i> | <i>Statement of financial position</i> |           |
|---|-----------------------|--|-----------|
| A | \$83,000              | \$83,000                               |           |
| B | \$88,000              | \$88,000                               |           |
| C | \$88,000              | \$83,000                               |           |
| D | \$78,000              | \$83,000                               | (2 marks) |

- 27 On 1 April 20X8 Brendon was owed \$61,784 by his credit customers. During the year to 31 March 20X9 his credit sales totalled \$660,846, discounts allowed totalled \$11,945, irrecoverable debts were \$6,150 and dishonoured cheques amounted to \$250. The amount received from credit customers during the year was \$655,135. On 31 March 20X9, Brendon was owed \$52,278 from his credit customers.**

What was the amount of interest was charged to credit customers for late payment during the year ended 31 March 20X9? (2 marks)

**ACCA F3 AND FFA: FINANCIAL ACCOUNTING**

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- 28 The International Accounting Standards Board (IASB) is the supervisory body for the regulatory framework of accounting. Its objective is to:**
- (i) Develop single set of high quality accounting standards.
  - (ii) Promote use and application of accounting standards.
  - (iii) Encourage the convergence of national and international accounting standards.
- A None of the above  
B (i) and (ii) only  
C (iii) only  
D All of the above **(2 marks)**
- 29 Which of the following choices comprises the four enhancing qualitative characteristics of financial information based upon the IASB's Conceptual Framework for Financial Reporting?**
- A Comparability, verifiability, timeliness and understandability  
B Relevance, reliability, prudence and understandability  
C Relevance, faithful representation, prudence and accruals  
D Relevance, reliability, prudence, and understandability **(2 marks)**
- 30 Carla is preparing a bank reconciliation. The bank balance in the general ledger is \$3,750 credit. The only items which need to be dealt with are:**
- (i) a cheque for \$2,466 issued to a supplier which has not yet appeared on the bank statement
  - (ii) a cheque receipt from a credit customer of \$1,701 has been dishonoured, Carla has not yet recorded this
  - (iii) bank interest of \$735 has been charged by the bank, but not yet recorded by Carla.
- What is the closing balance on the bank statement (before adjusting for any of the above items)?
- A \$6,186  
B \$3,750  
C \$5,520  
D \$3,720 **(2 marks)**

**31 Durzo, an entity, has the following building in its financial statements at 30 June 20X8:**

|                          |             |
|--------------------------|-------------|
| Cost                     | \$2,400,000 |
| Accumulated depreciation | \$(600,000) |
|                          | <hr/>       |
| Net book value           | \$1,800,000 |
|                          | <hr/>       |

It has been decided to revalue the property to \$3,600,000 on 1 July 20X8.

What is the double entry to record the above revaluation?

|   |    |                          |           |
|---|----|--------------------------|-----------|
|   |    | \$                       |           |
| A | Dr | Cost                     | 1,200,000 |
|   | Dr | Accumulated depreciation | 600,000   |
|   | Cr | Revaluation reserve      | 1,800,000 |
| B | Dr | Cost                     | 1,800,000 |
|   | Cr | Revaluation reserve      | 1,800,000 |
| C | Dr | Cost                     | 1,200,000 |
|   | Cr | Revaluation reserve      | 1,200,000 |
| D | Dr | Revaluation reserve      | 1,800,000 |
|   | Cr | Cost                     | 1,200,000 |
|   | Cr | Accumulated depreciation | 600,000   |

**(2 marks)**

**32 After completing his final accounts, Kyler identified that he had understated a year end accrual.**

How are Kyler's net profit and capital affected by the correction of the error?

|   |                   |                   |  |
|---|-------------------|-------------------|--|
|   | <i>Net profit</i> | <i>Net assets</i> |  |
| A | Increased         | Increased         |  |
| B | Increased         | Decreased         |  |
| C | Decreased         | Increased         |  |
| D | Decreased         | Decreased         |  |

**(2 marks)**

**33 Whilst carrying out the reconciliation of the balance on the payables control account in the general ledger with the supplier's statements, Jarl discovered the following errors:**

- (i) A supplier's statement had not accounted for cash in transit of \$1,200.
- (ii) The total of the purchase day book was overcast by \$8,000.
- (iii) Jarl took a settlement discount of \$400 that was not allowed by the supplier on their statement as the payment was late.

Which of the above errors require a correcting entry in the control account?

- A (i) and (ii) only
- B (ii) and (iii) only
- C (iii) only
- D All of the above

**(2 marks)**

**ACCA F3 AND FFA: FINANCIAL ACCOUNTING**

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- 34 Tanya's accounting year end is 30 June. She depreciates motor vehicles at 20% per annum on the straight line basis. A full depreciation charge is made in the year of acquisition, and none in the year of disposal.**

In September 20X6 Tanya bought a van for \$27,000.

If the van is sold for \$12,000 in January 20X9, what will be Tanya's profit or loss on disposal?

- A A profit of \$4,200
- B A loss of \$4,200
- C A profit of \$1,200
- D A loss of \$1,200

**(2 marks)**

- 35 Barry's Bakery has a quick ratio of 1.6:1 which had fallen from 1.9:1.**

Which of the following might explain this?

- A The allowance for receivables has been reduced
- B Credit control has been poor
- C The entity purchased new plant and machinery for cash
- D Inventory levels are lower in the current year

**(2 marks)**

**(Total: 70 marks)**

**SECTION B****BOTH QUESTIONS ARE COMPULSORY AND MUST BE ANSWERED**

- 1 The statements of profit or loss for the year ended 30 September 20X4, together with the statements of financial position at 30 September 20X4 for two entities, Platinum and Sapphire are given below:

**Statements of profit or loss for the year ended 30 September 20X4**

|                                 | <i>Platinum</i> | <i>Sapphire</i> |
|---------------------------------|-----------------|-----------------|
|                                 | \$000           | \$000           |
| Revenue                         | 17,000          | 8,000           |
| Cost of sales                   | (10,000)        | (3,324)         |
|                                 | <hr/>           | <hr/>           |
| Gross profit                    | 7,000           | 4,676           |
| Distribution and admin expenses | (2,100)         | (1,600)         |
|                                 | <hr/>           | <hr/>           |
|                                 | 4,900           | 3,076           |
| Finance costs                   | (300)           | (200)           |
|                                 | <hr/>           | <hr/>           |
|                                 | 4,600           | 2,876           |
| Tax                             | (800)           | (500)           |
|                                 | <hr/>           | <hr/>           |
| Profit for the year             | 3,800           | 2,376           |
|                                 | <hr/>           | <hr/>           |

There were no items of other comprehensive income during the year

**Statements of financial position at 30 September 20X4**

|                                | <i>Platinum</i> | <i>Sapphire</i> |
|--------------------------------|-----------------|-----------------|
|                                | \$000           | \$000           |
| <b>Non-current assets</b>      |                 |                 |
| Property, plant and equipment  | 18,000          | 8,000           |
| Investments:                   |                 |                 |
| Investment in Sapphire at cost | 10,000          |                 |
|                                | <hr/>           | <hr/>           |
|                                | 28,000          | 8,000           |
| <b>Current assets</b>          |                 |                 |
| Inventory                      | 11,500          | 4,350           |
| Trade receivables              | 9,750           | 3,725           |
| Cash and cash equivalents      | 1,500           |                 |
|                                | <hr/>           | <hr/>           |
| <b>Total assets</b>            | 50,750          | 16,075          |
|                                | <hr/>           | <hr/>           |

**ACCA F3 AND FFA: FINANCIAL ACCOUNTING**

|                                     | <i>Platinum</i><br>\$000 | <i>Sapphire</i><br>\$000 |
|-------------------------------------|--------------------------|--------------------------|
| <b>Equity and liabilities</b>       |                          |                          |
| Equity shares of \$1 each           | 22,000                   | 2,500                    |
| Share premium                       | 3,000                    | 500                      |
| Retained earnings                   | 12,800                   | 5,550                    |
|                                     | <hr/>                    | <hr/>                    |
|                                     | 37,800                   | 8,550                    |
| <b>Current liabilities</b>          |                          |                          |
| Trade payables                      | 12,150                   | 6,250                    |
| Tax liability                       | 800                      | 500                      |
| Bank overdraft                      |                          | 775                      |
|                                     | <hr/>                    | <hr/>                    |
| <b>Total equity and liabilities</b> | 50,750                   | 16,075                   |
|                                     | <hr/>                    | <hr/>                    |

**Additional information:**

- (i) Platinum acquired sixty per cent of Sapphire's equity shares on 1 April 20X4. At that date, Sapphire had a building which had a fair value of \$1,000,000 in excess of its carrying value. (Note: ignore any depreciation that may be required on this fair value adjustment).
- (ii) At the date of acquisition, the fair value of the non-controlling interest in Sapphire was \$3,000,000. It is group policy to account for goodwill using the full goodwill method.
- (iii) Platinum carried out an impairment review of the goodwill arising on acquisition of Sapphire and found that as at 30 September 20X4, goodwill was not impaired.
- (iv) Following the acquisition of Sapphire, Sapphire sold goods to Platinum for \$600,000. Sapphire uses a mark-up of 20% on cost on the goods sold to Platinum. At 30 September 20X4 one quarter of the goods remained in Platinum's closing inventory and Platinum had not yet paid for the goods.
- (v) The amounts included in the statements of profit or loss have accrued evenly throughout the year.

**Required:**

- (a) Explain the difference between a subsidiary and an associate. Your answer should include reference to how they are accounted for in the group accounts. (3 marks)
- (b) Prepare the group statement of profit or loss and other comprehensive income, for the year ended 30 September 20X4 together with the group statement of financial position at 30 September 20X4 for the Platinum group. (12 marks)

(Total: 15 marks)



- 2 The following financial statements and supporting information relate to Cornet, a limited liability entity:

**Statement of profit or loss and other comprehensive income – year ended 31 March 20X3**

|   |          |
|---|----------|
|   | \$000    |
| Revenue   | 98,580   |
| Cost of sales   | (83,940) |
|   | <hr/>    |
| Gross profit  | 14,640   |
| Distribution costs                                      | (8,315)  |
| Administration expenses                                 | (4,275)  |
| Interest payable  | (1,050)  |
|   | <hr/>    |
| Loss before tax   | (1,000)  |
| Income tax credit                                       | 400      |
|   | <hr/>    |
| Loss for the year                                       | (600)    |
| Other comprehensive income: Revaluation surplus on land | 4,000    |
|   | <hr/>    |
| Total comprehensive income for the year                 | 3,400    |
|   | <hr/>    |

|  |             |             |
|--|-------------|-------------|
| <b>Cornet – Statement of financial position at 31 March:</b> | <b>20X3</b> | <b>20X2</b> |
| <i>ASSETS</i>  |             |             |
| <i>Non-current assets</i>                                    |             |             |
| Property, plant and equipment – cost or valuation            | 190,000     | 185,000     |
| Property, plant and equipment – accumulated depreciation     | (110,000)   | (114,385)   |
|  | <hr/>       | <hr/>       |
|  | 80,000      | 70,615      |
| <i>Current assets</i>  |             |             |
| Inventories  | 31,500      | 25,685      |
| Trade receivables  | 32,500      | 23,450      |
| Tax refund   | 400         |             |
| Cash and equivalents   |             | 3,750       |
|  | <hr/>       | <hr/>       |
| Total assets   | 144,400     | 123,500     |
|  | <hr/>       | <hr/>       |
| <i>EQUITY AND LIABILITIES</i>                                |             |             |
| Equity share capital   | 30,000      | 20,000      |
| Share premium  | 5,000       | 4,000       |
| Revaluation reserve  | 9,000       | 5,000       |
| Retained earnings  | 60,010      | 64,000      |
|  | <hr/>       | <hr/>       |
| Total equity   | 104,010     | 93,000      |
| <i>Non-current liabilities</i>                               |             |             |
| Bank loan  | 9,500       | 4,500       |
| <i>Current liabilities</i>                                   |             |             |
| Trade payables   | 25,890      | 21,500      |
| Income tax liability   |             | 4,500       |
| Bank overdraft   | 5,000       |             |
|  | <hr/>       | <hr/>       |
| Total equity and liabilities                                 | 144,400     | 123,500     |
|  | <hr/>       | <hr/>       |

**ACCA F3 AND FFA: FINANCIAL ACCOUNTING**

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**Notes:**

The following information is relevant to the financial statements of Cornet:

- (i) During the year ended 31 March 20X3, Cornet recorded several transactions relating to property, plant and equipment as follows:
  - (a) Plant and equipment which cost \$15.0 million was sold for \$6.0 million. The gain on disposal of \$1.385 million is included in cost of sales.
  - (b) Freehold land was revalued to its fair value at 31 March 20X3.
- (ii) Cornet estimated that the income tax credit (i.re refund) arising on the loss for the year ended 31 March 20X3 was \$0.4 million.

**Required:**

**Based upon the available information, prepare a statement of cash flows using the indirect method for Cornet for the year ended 31 March 20X3 in accordance with the requirements of IAS 7.**

**(Total: 15 marks)**