

UNIVERSITY OF JOHANNESBURG

FINAL ASSESSMENT OPPORTUNITY

ACCOUNTING 4

REQUIRED

QUESTION 1

85 Marks 102 Minutes

PART 1

- a) Prepare the correct journal entries to account for the sale and leaseback agreement entered into with Jenkins Ltd in the records of Big Brands Group Ltd for the year ended 30 June 2015 in order to comply with IAS 17 *Leases*. (8)
- b) Discuss the recognition and measurement of the lease agreement entered into with Bean Fresh (Pty) Ltd in the **stand-alone (separate)** financial statements of Big Brands Group Ltd for the reporting period ended 30 June 2015.
 - a. Your answer should include all relevant journal entries for the reporting period ended 30 June 2015.
 - b. Deferred taxation calculations should be based on the balance sheet method.
 - c. Show all calculations clearly and provide brief reasons for conclusions where necessary.
 - d. Marks will be awarded for providing journal narrations, and the neatness and clarity of your answer. (20)
- c) Discuss the appropriate accounting treatment of the lease mentioned in Part 1 b) above in the **consolidated** financial statements of Big Brands Group Ltd for the reporting period ended 30 June 2015. (4)

PART 2

- d) Journalise the transactions relating to the employee incentive scheme in Big Brands Group Ltd's accounting records for the reporting period ended 30 June 2015. (17)
- e) Discuss the deferred tax implications for Big Brands Group Ltd with regards to the employee incentive scheme for the reporting period ended 30 June 2015. (3)

PART 3

- f) Discuss the appropriate revenue recognition on the revenue derived from the “Expresso Initiative” in the consolidated financial statements of Big Brands Group Ltd for the reporting period ended 30 June 2015. (13)

PART 4

- g) Discuss the classification and measurement of the *Investment in London Coffee (Pty) Ltd* in terms of IFRS 9 *Financial Instruments* in the financial statements of Big Brands Group Ltd for the reporting period ended 30 June 2015. (5)
- h) Discuss whether the foreign exchange contract transaction will qualify to be treated as a derivative in terms of IFRS 9 *Financial Instruments* in the financial statements of Big Brands Group Ltd for the reporting period ended 30 June 2015. (5)

PART 5

- i) Discuss the classification and initial measurement of the preference shares issued by Big Brands Group Ltd on 30 June 2015 in the financial statements for the reporting period ended 30 June 2015.

Please note: Your discussion should include calculations to support the measurement of the preference shares issued. (10)

QUESTION 2

15 Marks 18 Minutes

- j) Discuss whether the accounting recognition and measurement of the football player contracts adopted by Winchester United is in accordance with International Financial Reporting Standards (IFRS). Your arguments should make reference to IAS 38 *Intangible Assets*. (13)

Presentation and logical argument. (2)

PLEASE NOTE:

Show all your calculations clearly since marks are awarded for calculations.