

UNIVERSITY OF GREATER MANCHESTER
GREATER MANCHESTER BUSINESS SCHOOL
BA (HONS) ACCOUNTANCY
SEMESTER ONE EXAMINATIONS 2025/2026
ADVANCED FINANCIAL ACCOUNTING AND
REPORTING
MODULE NO: ACC6001

Date: Monday 12th January 2026

Time: 10.00am – 1.00pm

INSTRUCTIONS TO CANDIDATES:

There are 4 questions in this examination; Answer ALL four questions.

This is a closed book examination.

You must hand in this exam paper with your answer booklet.

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Question 1

Praxis plc is the parent of Sylvan Ltd which was acquired on 1 January 2017 and holds a significant influence investment in Ardent Ltd which was acquired on 1 January 2018. The group operates in diversified manufacturing sectors and prepares IFRS-compliant consolidated financial statements. Non-controlling interests are measured at fair value.

Given below are the statements of profit or loss for the year ended 31 December 2025:

	Praxis plc (£)	Sylvan Ltd (£)	Ardent Ltd (£)
Sales	1,010,000	890,000	142,000
Cost of sales	(495,000)	(430,000)	(60,000)
Gross Profit	515,000	460,000	82,000
Administration costs	(55,000)	(30,500)	(22,000)
Distribution costs	(48,500)	(31,000)	(14,000)
Dividend received from Sylvan	7,000	-	-
Profit before tax	418,500	398,500	46,000
Taxation	(82,000)	(36,000)	(21,000)
Profit for the period	336,500	362,500	25,000

Additional information:

- I. Praxis plc acquired 85% of Sylvan Ltd for £210,000 on 1 January 2017 when its share capital was £90,000 and reserves were £78,000.
- II. Praxis plc acquired 35% of Ardent Ltd for £60,000 on 1 January 2018 when its share capital was £27,000 and reserves were £50,000.
- III. Goodwill of Sylvan Ltd suffered impairment charges of £5,200 in the current year.

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Question 1 continued

- IV. Goodwill of Ardent Ltd suffered impairment charges of £4,800 in the current year.
- V. During the year Sylvan Ltd sold goods to Praxis plc for £24,000. These goods had cost Sylvan Ltd £11,000. 25% of these goods were still in Praxis plc's inventory at the year-end.
- VI. During the year Ardent Ltd sold goods to Praxis plc for £22,000. These goods had cost Ardent Ltd £18,000. 40% of these goods were still in Praxis plc's inventory at the year-end.
- VII. Additional fair value depreciation for Sylvan Ltd for the current year amounted to £13,000. All depreciation should be charged to cost of sales.
- VIII. Non-controlling interests are measured using the fair value method.

Required:

Prepare the consolidated statement of comprehensive income for the year ended 31 December 2025.

(Total 25 Marks)

End of question 1

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Question 2

Pacesetter plc manufactures drive components for automated systems. It controls Solent Ltd. who operates in precision fabrication industry and holds significant influence over Ardor Ltd. who is a regional distribution. The group prepares IFRS financial statements and measures NCI at fair value.

Statements of Financial Position as at 31 December 2025

Assets	Pacesetter (£000)	Solent (£000)	Ardor (£000)
Non-current assets			
PPE at cost	935,000	255,000	205,000
Investment in Solent	260,000	–	–
Investment in Ardor	110,000	–	–
Total non-current assets	1,305,000	255,000	205,000
Current assets			
Inventories	245,000	90,000	118,000
Receivables	182,000	118,000	86,000
Bank	68,000	20,000	24,000
Total current assets	495,000	228,000	228,000
Total assets	1,800,000	483,000	433,000
Equity and liabilities			
Equity			
Share capital (£1 shares)	880,000	230,000	200,000
Retained earnings	640,000	180,000	170,000
Total equity	1,520,000	410,000	370,000
Current liabilities			
Payables	280,000	73,000	63,000
Total equity & liabilities	1,800,000	483,000	433,000

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Question 2 continued

Additional Information

- I. On 1 January 2021, Pacesetter plc acquired 80% of Solent Ltd for £260,000 when Solent's reserves were £45,000, and 30% of Ardor Ltd for £110,000 when Ardor's reserves were £35,000.
- II. In Solent's PPE, land fair value at acquisition exceeded carrying amount by £26,000.
- III. Pacesetter sold goods to Solent for £96,000 at a 20% markup on cost; 40% remained unsold at year-end.
- IV. Pacesetter sold goods to Ardor for £54,000 at a 25% margin on selling price; 50% remained unsold at year-end.
- V. Goodwill has been impaired by £7,000 in the current year (entirely Solent).
- VI. NCI is measured at fair value. On acquisition, NCI was £120,000.
- VII. Ardor Ltd's retained earnings at 31 Dec 2025 were £170,000.
- VIII. Ignore deferred tax.

Required:

Prepare Pacesetter plc's consolidated statement of financial position as at 31 December 2025.

(Total 25 marks)

End of question 2

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Question 3

(a) Hyper Ltd, Z Ltd, and Rabbit Ltd are three entities that entered into various lease arrangements during the financial years 20X3–20X5. Each company applies IFRS 16 Leases. You are required to account for and explain the lease transactions described below. During the year ended 30 September 20X4, Hyper Ltd entered into two lease transactions.

- On 1 October 20X3, it made a payment of \$90,000 being the first of five equal annual payments under a lease for an item of plant. The lease has an implicit interest rate of 10% and the present value of the total lease payments on 1 October 20X3 was \$340,000.
- On 1 January 20X4, Hyper Ltd made a payment of \$18,000 for a one-year lease of another item of equipment.

Required:

Prepare extracts from Hyper Ltd's statement of profit or loss for the year ended 30 September 20X4, showing the total lease-related charges.

(10 marks)

(b) Z Ltd entered into a five-year lease on 1 November 20X2, paying \$10,975 per annum commencing 31 October 20X3. The present value of the lease payments is \$45,000 and the interest rate implicit in the lease is 7%.

Required:

- I. Prepare the lease liability amortisation schedule for the first two years;**
- II. Calculate the non-current and current portions of the lease liability at 31 October 20X3; and**
- III. Briefly explain the accounting treatment under IFRS 16 for short-term and low-value leases, using an example to illustrate.**

(8 marks)

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Question 3 continued

(c) On 1 January 20X3, Rabbit Ltd acquired a new machine with an estimated useful life of six years under the following terms:

- Initial payment \$13,760 (payable immediately)
- Five further annual payments of \$20,000 each, starting 1 January 20X3
- Implicit interest rate 8%
- Present value of lease payments (excluding the initial payment) \$86,240

Required:

(i) Calculate the lease liability and its split between current and non-current portions at 31 December 20X4; and

(ii) Prepare relevant journal entries for the first year of the lease.

(7 marks)

(Total 25 marks)

End of question 3

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Question 4

Orion Textiles Plc is a listed company in the apparel and fabric manufacturing sector. The company's performance has improved in recent years due to strong export sales. The finance director believes that reporting accurate earnings per share (EPS) figure under IAS 33 will enhance investor confidence and comparability.

The following information is available for the year ended 31 December 20X8:

Particulars	£ million
Profit after tax	36.0
Preference dividend (equity classified)	3.0
Ordinary shares at 1 Jan 20X8	12 million ordinary shares of £1 each
Bonus issue	1 for 3 made on 1 April 20X8
Rights issue	1 for 6 at £2.40 per share on 1 September 20X8 when market price = £3.00
Convertible loan	£6 million 9% convertible into 1.5 million ordinary shares (tax rate 30%)
Previous-year EPS before restatement (20X7)	£2.25 per share
Average market price of shares during 20X8	£3.00

Required

(a) Explain the concept, purpose, and measurement principles of both basic and diluted earnings per share as set out in IAS 33.

(8 marks)

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Question 4 continued

(b) Critically evaluate the advantages, limitations, and possible management bias inherent in the use of EPS as a performance indicator.

(8 marks)

(c) Discuss why IAS 33 requires disclosure of diluted EPS separately and how such disclosure enhances transparency for investors.

(4 marks)

(d) Using the information above, compute the basic and diluted EPS for 20X8 and comment briefly on the result.

(5 marks)

(Total 25 marks)

End of question 4

END OF QUESTIONS