FOUNDATIONS IN ACCOUNTANCY

Financial Accounting

Pilot Paper

Time allowed: 2 hours

ALL 50 questions are compulsory and MUST be attempted.

Do NOT open this paper until instructed by the supervisor.

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

The Association of Chartered Certified Accountants

Paper FFA

ACCA

ALL 50 questions are compulsory and MUST be attempted

Please use the space provided on the inside cover of the Candidate Answer Booklet to indicate your chosen answer to each multiple choice question.
Each question is worth 2 marks.

1 Which of the following calculates a sole trader's net profit for a period?

A Closing net assets + drawings – capital introduced – opening net assets
B Closing net assets – drawings + capital introduced – opening net assets
C Closing net assets – drawings – capital introduced – opening net assets
D Closing net assets + drawings + capital introduced – opening net assets

2 Which of the following explains the imprest system of operating petty cash?

A Weekly expenditure cannot exceed a set amount
B The exact amount of expenditure is reimbursed at intervals to maintain a fixed float
C All expenditure out of the petty cash must be properly authorised
D Regular equal amounts of cash are transferred into petty cash at intervals

3 Which of the following statements are TRUE of limited liability companies?

(1) The company's exposure to debts and liability is limited
(2) Financial statements must be produced
(3) A company continues to exist regardless of the identity of its owners

A 1 and 2 only
B 1 and 3 only
C 2 and 3 only
D 1, 2 and 3

4 Annie is a sole trader who does not keep full accounting records. The following details relate to her transactions with credit customers and suppliers for the year ended 30 June 20X6:

	$
Trade receivables, 1 July 20X5	130,000
Trade payables, 1 July 20X5	60,000
Cash received from customers	686,400
Cash paid to suppliers	302,800
Discounts allowed	1,400
Discounts received	2,960
Contra between payables and receivables ledgers	2,000
Trade receivables, 30 June 20X6	181,000
Trade payables, 30 June 20X6	84,000

What figure should appear for purchases in Annie's income statement for the year ended 30 June 20X6?

A $325,840
B $330,200
C $331,760
D $327,760

5 Which TWO of the following errors would cause the total of the debit column and the total of the credit column of a trial balance not to agree?

(1) A transposition error was made when entering a sales invoice into the sales day book
(2) A cheque received from a customer was credited to cash and correctly recognised in receivables
(3) A purchase of non-current assets was omitted from the accounting records
(4) Rent received was included in the trial balance as a debit balance

A 1 and 2
B 1 and 3
C 2 and 3
D 2 and 4

6 At 31 December 20X5 the following require inclusion in a company's financial statements:

(1) On 1 January 20X5 the company made a loan of $12,000 to an employee, repayable on 1 January 20X6, charging interest at 2% per year. On the due date she repaid the loan and paid the whole of the interest due on the loan to that date.
(2) The company paid an annual insurance premium of $9,000 in 20X5, covering the year ending 31 August 20X6.
(3) In January 20X6 the company received rent from a tenant of $4,000 covering the six months to 31 December 20X5.

For these items, what total figures should be included in the company's statement of financial position as at 31 December 20X5?

A Current assets $10,000 Current liabilities $12,240
B Current assets $22,240 Current liabilities $nil
C Current assets $10,240 Current liabilities $nil
D Current assets $16,240 Current liabilities $6,000

7 A company's income statement for the year ended 31 December 20X5 showed a net profit of $83,600. It was later found that $18,000 paid for the purchase of a motor van had been debited to the motor expenses account. It is the company's policy to depreciate motor vans at 25% per year on the straight line basis, with a full year's charge in the year of acquisition.

What would the net profit be after adjusting for this error?

A $106,100
B $70,100
C $97,100
D $101,600

8 Xena has the following working capital ratios:

	20X9	20X8
Current ratio	1·2:1	1·5:1
Receivables days	75 days	50 days
Payables days	30 days	45 days
Inventory turnover	42 days	35 days

Which of the following statements is correct?

A Xena's liquidity and working capital has improved in 20X9
B Xena is receiving cash from customers more quickly in 20X9 than in 20X8
C Xena is suffering from a worsening liquidity position in 20X9
D Xena is taking longer to pay suppliers in 20X9 than in 20X8

9 Which of the following statements is/are correct?

(1) A statement of cash flows prepared using the direct method produces a different figure to net cash from operating activities from that produced if the indirect method is used
(2) Rights issues of shares do not feature in a statement of cash flows
(3) A surplus on revaluation of a non-current asset will not appear as an item in a statement of cash flows
(4) A profit on the sale of a non-current asset will appear as an item under cash flows from investing activities in the statement of cash flows

A 1 and 3 only
B 3 and 4 only
C 2 and 4 only
D 3 only

10 A company receives rent from a large number of properties. The total received in the year ended 30 April 20X6 was $481,200.

The following were the amounts of rent in advance and in arrears at 30 April 20X5 and 20X6:

	30 April 20X5	30 April 20X6
	$	$
Rent received in advance	28,700	31,200
Rent in arrears (all subsequently received)	21,200	18,400

What amount of rental income should appear in the company's income statement for the year ended 30 April 20X6?

A $486,500
B $460,900
C $501,500
D $475,900

11 Which of the following are differences between sole traders and limited liability companies?

(1) A sole trader's financial statements are private and never made available to third parties; a company's financial statements are sent to shareholders and may be publicly filed
(2) Only companies have share capital
(3) A sole trader is fully and personally liable for any losses that the business might make
(4) Only drawings would appear in a sole trader's financial statements

A 1 and 4 only
B 2, 3 and 4
C 2 and 3 only
D 1, 3 and 4

12 Which of the following statements is true?

A The interpretation of an entity's financial statements using ratios is only useful for potential investors
B Ratios based on historical data can predict the future performance of an entity
C The analysis of financial statements using ratios provides useful information when compared with previous performance or industry averages
D An entity's management will not assess an entity's performance using financial ratios

13 X has a 40% shareholding in each of the following three companies:

P: X has the right to appoint or remove a majority of the directors of P.
Q: X has significant influence over the affairs of Q.
R: X has the power to govern the financial and operating policies of R.

Which of these companies are subsidiaries of X for financial reporting purposes?

A Q and R only
B P and R only
C P and Q only
D P, Q and R

14 **Which TWO of the following items must be disclosed in the note to the financial statements for intangible assets?**

(1) The useful lives of intangible assets capitalised in the financial statements
(2) A description of the development projects that have been undertaken during the period
(3) A list of all intangible assets purchased or developed in the period
(4) Impairment losses written off intangible assets during the period

A 1 and 4
B 2 and 3
C 3 and 4
D 1 and 2

15 Bob acquired 80% of the voting equity shares of Bill. Bill had the following equity at the date of acquisition:

	$
Ordinary shares $1	1,000,000
Retained earnings	800,000

The cost of the investment was $1,500,000 and the fair value of the non-controlling interest at acquisition was $360,000.

What was the goodwill on acquisition of Bill?

A $420,000
B $60,000
C $300,000
D $48,000

16 The following transactions relate to Rashid's electricity expense ledger account for the year ended 30 June 20X9:

	$
Prepayment brought forward	550
Cash paid	5,400
Accrual carried forward	650

What amount should be charged to the income statement in the year ended 30 June 20X9 for electricity?

A $6,600
B $5,400
C $5,500
D $5,300

17 At 30 June 20X5 a company's allowance for receivables was $39,000. At 30 June 20X6 trade receivables totalled $517,000. It was decided to write off debts totalling $37,000 and to adjust the allowance for receivables to the equivalent of 5% of the trade receivables based on past events.

What figure should appear in the income statement for the year ended 30 June 20X6 for receivables expense?

A $61,000
B $52,000
C $22,000
D $37,000

18 The total of the list of balances in Valley's payables ledger was $438,900 at 30 June 20X6. This balance did not agree with Valley's payables ledger control account balance. The following errors were discovered:

(1) A contra entry of $980 was recorded in the payables ledger control account, but not in the payables ledger.
(2) The total of the purchase returns daybook was undercast by $1,000.
(3) An invoice for $4,344 was posted to the supplier's account as $4,434.

What amount should Valley report in its statement of financial position for accounts payable at 30 June 20X6?

A $436,830
B $438,010
C $439,790
D $437,830

19 **According to IAS 2 *Inventories*, which TWO of the following costs should be included in valuing the inventories of a manufacturing company?**

(1) Carriage inwards
(2) Carriage outwards
(3) Depreciation of factory plant
(4) General administrative overheads

A 1 and 4
B 1 and 3
C 3 and 4
D 2 and 3

20 Prisha has not kept accurate accounting records during the financial year. She had opening inventory of $6,700 and purchased goods costing $84,000 during the year. At the year end she had $5,400 left in inventory. All sales are made at a mark up on cost of 20%.

What is Prisha's gross profit for the year?

A $13,750
B $17,060
C $16,540
D $20,675

21 Exe Co acquired 70% of the ordinary share capital of Barle Co six years ago. The following information relates to Barle Co for the year ended 30 September 20X3.

	$
Sales revenue	480,000
Cost of sales	270,000
Administration expenses	90,000
Taxation	30,000

What is the profit attributable to the non-controlling interest in the consolidated income statement?

A $27,000
B $63,000
C $36,000
D $84,000

22 **Which of the following should appear in a company's statement of changes in equity?**

(1) Total comprehensive income for the year
(2) Amortisation of capitalised development costs
(3) Surplus on revaluation of non-current assets

A 1, 2 and 3
B 2 and 3 only
C 1 and 3 only
D 1 and 2 only

23 The plant and machinery account (at cost) of a business for the year ended 31 December 20X5 was as follows:

Plant and machinery – cost

20X5		$	20X5		$
1 Jan	Balance b/f	240,000	31 Mar	Transfer to disposal account	60,000
30 Jun	Cash purchase of plant	160,000	31 Dec	Balance c/f	340,000
		400,000			400,000

The company's policy is to charge depreciation at 20% per year on the straight line basis, with proportionate depreciation in the years of purchase and disposal.

What should be the depreciation charge for the year ended 31 December 20X5?

A $68,000
B $64,000
C $61,000
D $55,000

24 The following extracts are from Hassan's financial statements:

	$
Profit before interest and tax	10,200
Interest	(1,600)
Tax	(3,300)
Profit after tax	5,300
Share capital	20,000
Reserves	15,600
	35,600
Loan liability	6,900
	42,500

What is Hassan's return on capital employed?

A 15%
B 29%
C 24%
D 12%

25 **Which of the following statements about sales tax is/are true?**

(1) Sales tax is an expense to the ultimate consumer of the goods purchased
(2) Sales tax is recorded as income in the accounts of the entity selling the goods

A 1 only
B 2 only
C Both 1 and 2
D Neither 1 nor 2

26 Q's trial balance failed to agree and a suspense account was opened for the difference. Q does not keep receivables and payables control accounts. The following errors were found in Q's accounting records:

(1) In recording an issue of shares at par, cash received of $333,000 was credited to the ordinary share capital account as $330,000
(2) Cash of $2,800 paid for plant repairs was correctly accounted for in the cash book but was credited to the plant asset account
(3) The petty cash book balance of $500 had been omitted from the trial balance
(4) A cheque for $78,400 paid for the purchase of a motor car was debited to the motor vehicles account as $87,400.

Which of the errors will require an entry to the suspense account to correct them?

A 1, 2 and 4 only
B 1, 2, 3 and 4
C 1 and 4 only
D 2 and 3 only

27 Prior to the financial year end of 31 July 20X9, Cannon Co has received a claim of $100,000 from a supplier for providing poor quality goods which have damaged the supplier's plant and equipment. Cannon Co's lawyers have stated that there is a 20% chance that Cannon will successfully defend the claim.

Which of the following is the correct accounting treatment for the claim in the financial statements for the year ended 31 July 20X9?

A Cannon should neither provide for nor disclose the claim
B Cannon should disclose a contingent liability of $100,000
C Cannon should provide for the expected cost of the claim of $100,000
D Cannon should provide for an expected cost of $20,000

28 Gareth, a sales tax registered trader purchased a computer for use in his business. The invoice for the computer showed the following costs related to the purchase:

	$
Computer	890
Additional memory	95
Delivery	10
Installation	20
Maintenance (1 year)	25
	1,040
Sales tax (17·5%)	182
Total	1,222

How much should Gareth capitalise as a non-current asset in relation to the purchase?

A $1,193
B $1,040
C $1,222
D $1,015

29 The following bank reconciliation statement has been prepared by a trainee accountant:

	$
Overdraft per bank statement	3,860
Less: Unpresented cheques	9,160
	5,300
Add: Outstanding lodgements	16,690
Cash at bank	21,990

What should be the correct balance per the cash book?

A $21,990 balance at bank as stated
B $3,670 balance at bank
C $11,390 balance at bank
D $3,670 overdrawn

30 The IASB's *Framework for the Preparation and Presentation of Financial Statements* gives qualitative characteristics that make financial information reliable.

Which of the following are examples of those qualitative characteristics?

(1) Accruals
(2) Faithful representation
(3) Going concern
(4) Neutrality

A 1 and 2
B 2 and 4
C 2 and 3
D 1 and 4

31 The following control account has been prepared by a trainee accountant:

Receivables ledger control account

	$		$
Opening balance	308,600	Cash	147,200
Credit sales	154,200	Discounts allowed	1,400
Cash sales	88,100	Interest charged on overdue accounts	2,400
Contras	4,600	Irrecoverable debts	4,900
		Allowance for receivables	2,800
		Closing balance	396,800
	555,500		555,500

What should the closing balance be when all the errors made in preparing the receivables ledger control account have been corrected?

A $395,200
B $304,300
C $309,500
D $307,100

32 Which of the following material events after the reporting date and before the financial statements are approved are adjusting events?

(1) A valuation of property providing evidence of impairment in value at the reporting date.
(2) Sale of inventory held at the reporting date for less than cost.
(3) Discovery of fraud or error affecting the financial statements.
(4) The insolvency of a customer with a debt owing at the reporting date which is still outstanding.

A 1, 2 and 4 only
B 1, 2, 3 and 4
C 1 and 4 only
D 2 and 3 only

33 A company values its inventory using the FIFO method. At 1 May 20X5 the company had 700 engines in inventory, valued at $190 each. During the year ended 30 April 20X6 the following transactions took place:

20X5

1 July	Purchased 500 engines at $220 each
1 November	Sold 400 engines for $160,000

20X6

1 February	Purchased 300 engines at $230 each
15 April	Sold 250 engines for $125,000

What is the value of the company's closing inventory of engines at 30 April 20X6?

A $188,500
B $195,500
C $166,000
D $106,000

34 Amy is a sole trader and had assets of $569,400 and liabilities of $412,840 on 1 January 20X8. During the year ended 31 December 20X8 she paid $65,000 capital into the business and she paid herself wages of $800 per month.

At 31 December 20X8, Amy had assets of $614,130 and liabilities of $369,770.

What is Amy's profit for the year ended 31 December 20X8?

A $32,400
B $23,600
C $22,800
D $87,800

35 Bumbly Co extracted the trial balance for the year ended 31 December 20X7. The total of the debits exceeded the credits by $300.

Which of the following could explain the imbalance?

A Sales of $300 were omitted from the sales day book
B Returns inward of $150 were extracted to the debit column of the trial balance
C Discounts received of $150 were extracted to the debit column of the trial balance
D The bank ledger account did not agree with the bank statement by a debit of $300

36 **Are the following statements correct or incorrect?**

(1) Discount received should be recorded on the debit side in the payables ledger account
(2) Discount received should be recorded on the debit side in the general ledger

	Statement 1	Statement 2
A	Correct	Correct
B	Correct	Incorrect
C	Incorrect	Correct
D	Incorrect	Incorrect

37 Which TWO of the following will be classified as non-current assets for a dealer in computer equipment?

(1) Computers for resale
(2) Vehicles for delivering computers
(3) Business capital
(4) Office furniture

A 1 and 2
B 2 and 3
C 2 and 4
D 3 and 4

38 The following items have to be considered in finalising the financial statements of Q, a limited liability company:

(1) The company gives warranties on its products. The company's statistics show that about 5% of sales give rise to a warranty claim.
(2) The company has guaranteed the overdraft of another company. The likelihood of a liability arising under the guarantee is assessed as possible.

What is the correct action to be taken in the financial statements for these items?

	Item 1	Item 2
A	create a provision	disclose by note only
B	disclose by note only	no action
C	create a provision	create a provision
D	disclose by note only	disclose by note only

39 A company's motor vehicles cost account at 30 June 20X6 is as follows:

Motor vehicles – cost

	$		$
Balance b/f	35,800	Disposal	12,000
Additions	12,950	Balance c/f	36,750
	48,750		48,750

What opening balance should be included in the following period's trial balance for Motor vehicles – cost at 1 July 20X6?

A $36,750 Dr
B $48,750 Dr
C $36,750 Cr
D $48,750 Cr

40 On 30 June 20X2, H acquired 80% of the share capital of S. The non-controlling interest had a fair value of $1,300,000.

Extracts from the statement of financial position of S at 30 June 20X2 and 30 June 20X6 are shown below:

Statement of financial position

	30 June 20X2	30 June 20X6
	$	$
Ordinary share capital	1,000,000	1,000,000
Share premium account	400,000	400,000
Retained earnings	4,700,000	5,600,000

What figure for non controlling interest should appear in the consolidated statement of financial position as at 30 June 20X6?

A $1,220,000
B $1,300,000
C $1,480,000
D $1,400,000

41 Which of the following statements regarding the method of consolidation is true?

(1) Subsidiaries are consolidated in full
(2) Associates are equity accounted

A Neither statement
B Statement 1 only
C Both statements
D Statement 2 only

42 Which of the following statements about the valuation of inventory is correct, according to IAS2 *Inventories*?

A Inventory items are normally to be valued at the higher of cost and net realisable value
B The cost of goods manufactured by an enterprise will include materials and labour only. Overhead costs cannot be included
C LIFO is an accepted valuation method for inventory. FIFO is not an accepted valuation method for inventory
D Selling price less estimated profit margin may be used to arrive at cost if this gives a reasonable approximation to actual cost

43 A company's gross profit as a percentage of sales increased from 24% in the year ended 31 December 20X1 to 27% in the year ended 31 December 20X2.

Which of the following events is most likely to have caused the increase?

A An increase in sales volume
B A purchase in December 20X1 mistakenly being recorded as happening in January 20X2
C Overstatement of the closing inventory at 31 December 20X1
D Understatement of the closing inventory at 31 December 20X1

44 Which of the following statements are correct?

(1) Capitalised development expenditure must be amortised over a period not exceeding five years
(2) Capitalised development costs are shown in the statement of financial position under the heading of non-current assets
(3) If certain criteria are met, research expenditure must be recognised as an intangible asset

A 2 only
B 2 and 3
C 1 only
D 1 and 3

45 IAS 28 *Investments in Associates* governs the identification of associates.

Which of the following would suggest that an entity is an associate of another entity?

A The investing entity has owned its share since the incorporation of the investee entity
B The investor holds greater than 20% but less than 50% of the voting power of the investee
C The investing entity has some influence over other entities in the same industry
D The investor often trades with the investee

46 Theta prepares its financial statements for the year to 30 April each year. The company pays rent for its premises quarterly in advance on 1 January, 1 April, 1 July and 1 October each year. The annual rent was $84,000 per year until 30 June 20X5. It was increased from that date to $96,000 per year.

What rent expense and end of year prepayment should be included in the financial statements for the year ended 30 April 20X6?

	Expense	Prepayment
A	$93,000	$8,000
B	$93,000	$16,000
C	$94,000	$8,000
D	$94,000	$16,000

47 Alpha received a statement of account from a supplier Beta, showing a balance to be paid of $8,950. Alpha's purchase ledger account for Beta shows a balance due to Beta of $4,140.

Investigation reveals the following:

(1) cash paid to Beta of $4,080 has not been accounted for by Beta
(2) Alpha's ledger account has not been adjusted for $40 of cash discount disallowed by Beta

What discrepancy remains between Alpha's and Beta's records after allowing for these items?

A nil
B $690
C $770
D $730

48 The inventory value for the financial statements of Q for the year ended 31 May 20X6 was based on an inventory count on 4 June 20X6, which gave a total inventory value of $836,200.

Between 31 May and 4 June 20X6, the following transactions took place:

	$
Purchase of goods	8,600
Sales of goods (profit margin 30% on sales)	14,000
Goods returned by Q to supplier	700

What adjusted figure should be included in the financial statements for inventories at 31 May 20X6?

A $838,100
B $853,900
C $818,500
D $834,300

49 Wheddon Co purchased 60,000 ordinary shares in Raleigh Co for $85,000 five years ago, when Raleigh Co's retained earnings were $20,000.

Raligh Co's equity and reserves at 31 July 20X9 were as follows:

Ordinary shares $1	80,000
Retained earnings	70,000

The fair value of the non-controlling interest at acquisition was $22,000.

What was the goodwill arising on acquisition of Raleigh Co?

A $7,000
B $10,000
C $25,000
D $43,000

50 At 31 December 20X4 a company's capital structure was as follows:

	$
Ordinary share capital	125,000
(500,000 shares of 25c each)	
Share premium account	100,000

In the year ended 31 December 20X5 the company made a rights issue of 1 share for every 2 held at $1 per share and this was taken up in full. Later in the year the company made a bonus issue of 1 share for every 5 held, using the share premium account for the purpose.

What was the company's capital structure at 31 December 20X5?

	Ordinary share capital	Share premium account
A	$450,000	$25,000
B	$225,000	$250,000
C	$225,000	$325,000
D	$212,500	$262,500

(100 marks)

End of Question Paper

Answers

Section A

1 A

2 B

3 C

4 C

Payables:	$
Balance b/f	60,000
Cash paid to suppliers	(302,800)
Discounts received	(2,960)
Contra	(2,000)
Balance c/f	(84,000)
Purchases	331,760

5 D

6 B

Current assets	$
Loan asset	12,000
Interest (12,000 x 12%)	240
Prepayment (8/12 x 9,000)	6,000
Accrued rent	4,000
	22,240

7 C

	$
Profit	83,600
Purchase of van	18,000
Depreciation 18,000 x 25%	(4,500)
	97,100

8 C

9 D

10 D

	$
Balance b/f (advance)	28,700
Balance b/f (arrears)	(21,200)
Cash received	481,200
Balance c/f (advance)	(31,200)
Balance c/f (arrears)	18,400
	475,900

11 B

12 C

13 B

14 A

15 B

	$000
Cost	1,500
NCI	360
Shares	(1,000)
Retained earnings	(800)
	60

16 A

	$
Balance b/f	550
Expense incurred (cash)	5,400
Accrual c/f	650
	6,600

17 C

	$	$
Debts written off		37,000
Movement in allowance:		
(517 – 37) x 5%	24,000	
Less opening allowance	39,000	
		(15,000)
Receivables expense		22,000

18 D

	$
Balance per ledger	438,900
Less contra	(980)
Posting error	(90)
Corrected balance	437,830

19 B

20 B
(6,700 + 84,000 – 5,400) x 20% = $17,060

21 A
Profit (480 – 270 – 90 – 30) x 30% = 27,000

22 C

23 D

	$
Depreciation:	
Jan–Mar 240,000 x 20% x 3/12	12,000
Apr–Jun (240,000 – 60,000) x 20% x 3/12	9,000
Jul–Dec (180,000 + 160,000) x 20% x 6/12	34,000
	55,000

24 C
10,200/42,500

25 A

26 B

27 C

28 D
1,040 – 25 = $1,015

29 B

	$
Overdraft per bank statement	(3,860)
Less: Unpresented cheques	(9,160)
Add: Outstanding lodgements	16,690
Cash at bank	3,670

30 B

31 D

Receivables ledger control account

	$		$
Opening balance	308,600	Cash	147,200
Credit sales	154,200	Discounts allowed	1,400
Interest charged on overdue accounts	2,400	Contras	4,600
		Irrecoverable debts	4,900
		Closing balance	307,100
	465,200		465,200

32 B

33 A
Closing inventory:

	$
50 x $190	9,500
500 x $220	110,000
300 x $230	69,000
	188,500

34 A

	$
Opening assets	569,400
Opening liabilities	(412,840)
Capital introduced	65,000
Drawings (800 x 12)	(9,600)
	211,960
Profit (bal fig)	32,400
Closing net assets (614,130 – 369,770)	244,360

35 C

36 B

37 C

38 A

39 A

40 C

	$000
At acquisition	1,300
% Post acquisition (5,600 – 4,700) x 20%	180
	1,480

41 C

42 D

43 D

44 A

45 B

46 D

Expense $84,000 x 2/12 x $96,000 x 10/12 = $94,000
Prepayment $96,000 x 2/12 = $16,000

47 B

Beta	Alpha	
$	$	
8,950	4,140	
(4,080)	40	
4,870	4,180	difference $690

48 A

	$
Count	836,200
Purchases	(8,600)
Sales	14,000 x 70%
Returns	700
	838,100

49 A

	$
Cost	85,000
NCI	22,000
Shares	(80,000)
Retained Earnings	(20,000)
	7,000

50 B

	Share capital	**Share premium**
	$	$
Balance b/f	125,000	100,000
Rights issue	62,500	187,500
Bonus issue	37,500	(37,500)
Balance c/f	225,000	250,000