

DO NOT REMOVE THE QUESTION PAPER FROM THE EXAMINATION HALL

UNIVERSITY OF LONDON

CENTRE FOR FINANCIAL AND MANAGEMENT STUDIES

MSc Examination
Postgraduate Diploma Examination
Postgraduate Certificate Examination
for External Students

91DFMM492

Financial Reporting

Specimen Examination

This is a specimen examination paper designed to show you the type of examination you will have at the end of the year for this module. The number of questions and the structure of the examination will be the same, but the wording and the requirements of each question will be different. Best wishes for success in your final examination.

The examination must be completed in **THREE** hours.

Answer Question 1, plus **ONE** question from Section A and **ONE** question from Section B. You must answer **THREE** questions in total.

The examiners give equal weight to each question; therefore, you are advised to distribute your time approximately equally between three questions.

PLEASE TURN OVER

Answer **THREE** questions. You must answer **Question 1**, plus **ONE** question from Section A and **ONE** question from Section B.

(All students must answer THIS question.)

- 1 The new Chief Executive Officer (CEO) of a central government department is taking an interest in the preparation of its accounts, particularly with alternative accounting methods that can be chosen and how the International Public Sector Accounting Standards (IPSAS) apply.

The CEO has queried the time taken for transactions to be recognised in the accounts. As an example, the CEO is concerned that the purchase of 20 new computers is accounted for in the department's 2018/2019 financial statements rather than in the following financial year. The department's financial year runs from 1st April to 31st March.

Activity	Date
Departmental Manager authorises the purchase of 20 new computers	23.03.2019
Department's Purchasing Officer orders 20 computers from external supplier	26.03.2019
Invoice dated 26.03.2019 is received by the department requesting payment by 26.04.2019 (30 days from order)	27.03.2019
Computers received by department from supplier	04.04.2019
Payment is made by the department to the supplier for the 20 new computers	20.04.2019

One of the department's refuse collection vehicles was recently involved in a road traffic accident. The refuse collection vehicle's driver has admitted responsibility for driving into a family car and the department is expecting its insurance company to cover the car's repair costs, which are estimated at £4,800. One of the conditions of the department's vehicle insurance is that all claims will be paid minus the excess of £200. The car's owner has confirmed that the repairs will all be completed before 31 March 2019, but the insurance company has not yet formally agreed to pay.

The department's central offices are classed as a non-cash-generating asset. The following values are available for this asset:

Carrying amount of central offices building as at 31 March 2018	£2.65 million
Depreciation for central offices building for 2018/2019 financial year	£0.25 million
Fair value of central offices building	£2.35 million
Value in use of central offices building	£1.98 million
Estimated costs to sell central offices building	£0.20 million

- a) The department applies accruals accounting but the CEO is only familiar with cash accounting. Contrast the accounting treatments for the purchase of the 20 new computers under cash and accruals bases, clearly stating when the items should be recognised in the department's accounts. *(35% of marks)*
- b) Determine the accounting treatment in the department's accounts for the road traffic accident, referring to relevant IPSAS where appropriate. *(25% of marks)*
- c) Determine the value of the department's central offices that should be shown in the 2018/2019 financial statements, referring to relevant IPSAS where appropriate. *(40% of marks)*

Section A

(Answer ONE question from this section)

- 2 What are the advantages and disadvantages of first in first out (FIFO), last in first out (LIFO) and weighted average cost inventory valuation methods?
- 3 Distinguish between liabilities, provisions and contingent liabilities and explain how they are treated in the accounts. Refer to relevant accounting standards to support your answer.
- 4 Critically discuss the use of cash- and accruals-based financial reporting.
- 5 Discuss the concepts of income, capital and value, referring to the accounting and economic alternative views.

PLEASE TURN OVER

Section B

(Answer ONE question from this section)

- 6 Discuss the potential uses of consolidated financial statements by a range of users.
- 7 Critically discuss the use of public–private partnerships (PPP).
- 8 Discuss the international governance principles that should be adopted by public sector organisations.

[END OF EXAMINATION]