



**REFORMED CHURCH UNIVERSITY**

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**FACULTY OF COMMERCE**

**BACHELOR OF COMMERCE HONOURS DEGREE IN  
ACCOUNTING**

**FINANCIAL REPORTING  
HACC 421**

**PART 4 SEMESTER 1 EXAMINATION**

**TOTAL MARKS [100]**

**DATE: OCTOBER 2024**

**Time: 3 Hours**

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**INSTRUCTIONS**

1. This paper has *six (6)* questions
2. Answer question *one (1)* and *any* other *three (3)*
3. Each question carries *25 marks*
4. Start each question on a new page

### Question 1

#### Case Study Question: Analysis of XYZ Corporation

XYZ Corporation is a mid-sized manufacturing company that produces electronic components. The company has been in operation for over 20 years and is publicly traded. The management is preparing its annual financial statements and has provided the following summarized financial data for the year ended December 31, 2023:

##### Income Statement:

Sales Revenue:	\$1,000,000
Cost of Goods Sold:	\$600,000
Operating Expenses:	\$250,000
Interest Expense:	\$30,000

Tax Rate: 25%

##### Balance Sheet:

Current Assets:	\$300,000
Non-current Assets:	\$700,000
Current Liabilities:	\$200,000
Long-term Liabilities:	\$100,000
Shareholders' Equity:	\$700,000

##### Additional Information:

- During the year, XYZ implemented a new revenue recognition policy in line with IFRS 15.
- The company experienced a significant increase in raw material costs, impacting the cost of goods sold.
- There were no extraordinary items or changes in accounting policies other than the revenue recognition method.

#### REQUIRED

- a) Prepare the Income Statement for XYZ Corporation for the year ended December 31, 2023. (8 Marks)

Include a calculation of Net Income.

b) Using the provided balance sheet data, calculate the following financial ratios:

i) Current Ratio (3 Marks)

ii) Debt-to-Equity Ratio (3 Marks)

iii) Return on Equity (ROE) (3 Marks)

c) Discuss the implications of the new revenue recognition policy on XYZ Corporation's financial statements. How might this affect the company's reported revenue and profitability (8 Marks)

#### **QUESTION 2**

Discuss the significance of the going concern assumption in financial reporting. How does it impact the preparation of financial statements (25 marks)?

#### **QUESTION 3**

Analyse the impact of IFRS (International Financial Reporting Standards) on global financial reporting. (25 marks)

#### **QUESTION 4**

Citing relevant examples, Discuss the role of financial reporting in decision-making for stakeholders. (25 Marks)

#### **QUESTION 5**

Explain any **five** ethical considerations in financial reporting. (25 marks)

#### **QUESTION 6**

Consider a company that has recently faced a significant decline in sales. Discuss how this situation might affect its financial reporting, including potential impairments and disclosures required in the financial statements. (25 marks)

**END OF PAPER**