46

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

SUPPLEMENTARY EXAMINATION QUESTION PAPER, 2005

DEGREE/DIPLOMA AND YEAR OF STUDY	:	**D.COM 111**
TITLE OF PAPER	:	**FINANCIAL ACCOUNTING II**
TIME ALLOWED	:	**THREE [3] HOURS**
INSTRUCTIONS	1.	**TOTAL NUMBER OF QUESTIONS ON THIS PAPER: FOUR [4]**
	2.	**ANSWER ALL QUESTIONS.**
	3.	**WHERE APPLICABLE ALL WORKINGS SHOULD BE SHOWN.**
	4.	**ALL CALCULATIONS ARE TO BE MADE TO THE NEAREST LILANGENI**

NOTE: **YOU ARE REMINDED THAT IN ASSESSING YOUR WORK, ACCOUNT WILL BE TAKEN OF ACCURACY OF THE LANGUAGE AND THE GENERAL QUALITY EXPRESSION, TOGETHER WITH THE LAYOUT AND PRESENTATION OF YOUR FINAL ANSWER.**

SPECIAL REQUIREMENT: **NONE**

THIS PAPER IS NOT TO BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR.

QUESTION 1

Hadson Limited purchased a machine under a hire purchase agreement on 1 January 2002. The agreement provided for an immediate payment of E2,000, followed by five equal instalments of E3,056, each instalment to be paid on 30 June and 31 December respectively.

The cash price of the machine was E10,000. Hadson estimated that it would have a useful economic life of five years, and its residual value would then be E1,000.

In apportioning interest to respective accounting periods, the company uses the ' sum of digits' method.

(a) Write up the following ledger accounts for each of the three years to 31 December 2002, 2003 and 2004 respectively.

- (i) Machine hire purchase loan account; and
- (ii) Machine hire purchase interest account; and
- (iii) Show the following balance sheet extracts relating to the machine as at 31 December 2004, 2003 and 2004 respectively:
- (iv) Fixed assets: machine at net book value;
- (v) Creditors: amounts payable within one year – obligation under hire purchase contract; and
- (vi) Creditors: amounts falling due after more than one year –obligation under hire purchase contract.

Total (25 marks)

QUESTION 2

Radi Pty Limited has its head office and main store in Mbabane, and a branch store in Steki. All goods are purchased by the head office. Goods are invoiced to the branch at cost price plus a profit mark up of 25%. The following trial balances have been extracted from the books of account of both the head office and the branch as at 31 October 2004.

	Head office books		Branch Books	
	Dr	Cr	Dr	Cr
	E	E	E	E
Drawings	80,000			
Fixed assets: at cost	700,000		200,000	
Accumulated depreciation (at 1 November 2003)		280,000		60,000
Stock (at 1 November 2003)	16,000		40,000	
Provision for unrealised profit		8,000		
Purchases	1,828,000			
Goods sent to branch at invoiced Value		760,000	750,000	
Sales		1,700,000		874,000
Provision for doubtful debts		18,000		5,000
Head office/ branch current accounts	350,000			240,000
Distribution expenses	161,000		10,000	
Administrative expenses	400,000		33,000	
Trade debtors	120,000		120,000	
Trade creditors		100,000		
Cash and bank balances	31,000		26,000	
Capital		820,000		
	3,686,000	3,686,000	1,179,000	1,179,000

Additional information:

1. All goods are purchased by the head office. Those goods sent to the branch are invoiced at cost plus 25 per cent.
2. Stocks were valued at 31 October 2004 as being at head office, E24,000; and at the branch, E30,000 at their invoiced price.

3. Depreciation is to be provided for the year on the fixed assets at a rate of 10 per cent on the historic cost.
4. The provision for doubtful debts is to be maintained at a rate of 5 per cent of outstanding trade debtors as at the end of the financial year.
5. As at 31 October 2001, there was E100,000 cash in transit from the branch to the head office; This cash was received in Mbabane on 3 November 2004. There was also E10,000 of goods in transit at invoice price from the head office to the branch; the branch received these goods on 10 November 2004.

Required:

Prepare in adjacent columns: (a) the head office, (b) the branch and (c) the combined trading and profit and loss account for the year to 31 October 2004 and a combined balance sheet for Starlight as at that date.

Note:

Separate balance sheets for the head office and the branch are not required.

Total (25 marks)

QUESTION 3

The following information has been extracted from the books of Nord Limited for the year to 31 December 2004.

Profit and loss account for the year to 31 December

	2004	2003
	E000	E000
Profit before taxation	20,400	9,500
Taxation	(5,200)	(3,200)
Profit after taxation	15,200	6,300
Dividends:		
Preference (paid)	(100)	(100)
Ordinary: interim (paid)	(2,000)	(1,000)
Final (proposed)	(6,000)	(3,000)
Retained profit for the year	7,100	2,200

Balance sheet as at 31 December

	E000	E000
	2004	2003
Fixed assets		
Plant, machinery and equipment at cost	23,900	17,600
Less Accumulated depreciation	(10,750)	(9,500)
	13,150	8,100
Current assets		
Stocks	15,000	5,000
Trade debtors	26,700	8,600
Prepayments	400	300
Bank balances	-	600
	42,100	14,500
Current liabilities		
Bank overdraft	(16,200)	-
Trade creditors	(10,000)	(6,000)
Accruals	(1,000)	(800)
Taxation	(5,200)	(3,200)
Dividends	(6,000)	(3,000)
	(38,400)	(13,000)
	16,850	9,600
Share capital		
Ordinary shares of E1 each	5,000	5,000
10% Preference shares of E1 each	1,000	1,000
Profit and loss account	10,100	3,000
	16,100	9,000

Loans		
15% debenture stock	750	600
	16,850	9,600

Additional information:

1. The directors are extremely concerned about the large bank overdraft as at 31 December 2004 and they attribute this to the increase in trade debtors as result of alleged poor credit control.
2. During the year to 31 December 2004, fixed assets originally costing E5,500,000 were sold for E1,000,000. The accumulated depreciation on these assets as at 31 December 2003 was E3,800,000.

Required:
Prepare a cash flow statement for the year ended 31 December 2004 in accordance with FRS 1. Marks will be awarded for correctly referenced workings. (25 marks)

QUESTION 4

D Smith is a manufacturer. His trial balance at 31 December 2004 is as follows:

	E	E
Delivery van expenses	2,500	
Lighting and heating: Factory	2,859	
Office	1,110	
Manufacturing wages	45,470	
General expenses: Factory	5,640	
Office	3,816	
Sales reps: commission	7,860	
Purchase of raw materials	39,054	
Rent: Factory	4,800	
Office	2,200	
Machinery (cost E50,000)	32,500	
Office equipment (E15,000)	11,000	
Office salaries	6,285	
Debtors	28,370	
Creditors		19,450
Bank	13,337	
Sales	136,500	
Premises (cost E50,000)	40,000	
Stocks at 31 December 2003:		
Raw materials	8,565	
Finished goods	29,480	
Drawings	8,560	
Capital		137,456
	293,406	293,406

Prepare the manufacturing, trading and profit and loss accounts for the year ended 31 December 2004 and a balance sheet as at that date. Give effect of the following adjustments:

1. Stocks at 31 December 2004: Raw materials E9,050, finished goods E31,200. There is no work in progress.
2. Depreciate machinery E2,000, office equipment E1,500, premises E1,000.
3. Manufacturing wages due but unpaid at 31 December 2004 E305, office rent prepaid E108.