

**UNIVERSITY OF SWAZILAND**  
**SUPPLEMENTARY EXAMINATION PAPER 2005**

**DEPARTMENT OF ACCOUNTING**

- COURSE TITLE** : FINANCIAL ACCOUNTING III
- COURSE CODE** : AC 401
- DEGREE** : B COM. IV
- TIME ALLOWED** : THREE (3) HOURS
- INSTRUCTIONS** :
1. TOTAL NUMBER OF QUESTIONS IN THE PAPER: FOUR (4)
  2. ANSWER ALL QUESTIONS.
  3. THE MARKS AWARDED FOR A QUESTION/ PART OF A QUESTION ARE INDICATED AT THE END OF EACH QUESTION.
  4. WHERE APPLICABLE, ALL WORKINGS ARE TO BE SHOWN.
  5. CALCULATIONS ARE TO BE MADE TO THE NEAREST LILANGENI UNLESS OTHERWISE INSTRUCTED.

**SPECIAL REQUIREMENTS:** CALCULATOR

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

**THIS QUESTION PAPER SHOULD NOT BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR.**

**QUESTION 1:** On January 2, 2004, Swazi Glass Company Ltd issued 300 000 ordinary shares of E 1 each, at E 1.20 per share payable as follows:

On application	0.70 cents
On allotment (10.2.2004)	0.30 cents (including premium)
On first and final call (10.5. 2004)	0.20 cents

The lists were closed on January 30, 2004 and by that date applications for 400 000 shares were received and it was decided to deal with as follows:

- A. To return by cheque the amount received for 40 000 shares;
- B. To accept in full applications for 120 000 shares;
- C. To allot the remaining applicants on a pro rata basis;
- D. To utilize the surplus received on applications in part payment of the amounts due on allotment, and if necessary, on calls.

The balance due on allotment and first calls were received except from Mr. A and B, as follows:

The balance due on allotment was received in February, 2004, with the exception of Mr. A, an allottee of 6 000 shares (who was allotted on pro rata basis). These shares were declared forfeited on February 28 and were re-issued to Mr. X on the same day as fully paid at E 1.10 per share.

B, an applicant whom 4 000 shares had been allotted on a full allotment basis failed to pay the amount due on the first and final call. His shares were declared forfeited on May 20, 2004. These were re-issued to Mr. Y on May 25 as fully paid at E 0.90 per share.

**REQUIRED:**

1. Share Application Account [ 4 Marks ]
2. Share Allotment Account [ 5 Marks ]
3. Share First Call Account [ 4 Marks ]
4. Share Premium Account [ 3 Marks ]
5. Forfeited Shares Account [ 5 Marks ]
6. Re-issue Account [ 4 Marks ]

**No Journal entries are required .**

**[ 25 Marks ]**

**QUESTION 2:** The balance Sheets of H Ltd and S Ltd as at 31 December, 2004, were as follows:

**BALANCE SHEETS**

	<b>H Ltd</b>	<b>S Ltd</b>
Ordinary Shares Capital E 1	E 250 000	E 100 000
Preference Shares (10%) E 1	-	50 000
Profit and Loss	120 000	50 000
Proposed Dividends:		
Ordinary Shares	30 000	10 000
Preference Shares	-	5 000
Total	E <u>400 000</u>	E <u>215 000</u>
Fixed Assets	200 000	150 000
Investment in S Ltd.	130 000	-
Current Assets less Current Liabilities	<u>70 000</u>	<u>65 000</u>
Total	E <u>400 000</u>	E <u>215 000</u>

**ADDITIONAL INFORMATION:**

1. H Ltd. acquired the shares in the S Ltd as follows:

80 000 ordinary shares at a cost of E 120 000  
20 000 preference shares at a cost of E 10 000

All these shares were acquired on March 1, 2000, when the Profit and Loss balance of H Ltd. stood at E 25 000.

2. During the year to 31 December 2004 H Ltd purchased goods from S Ltd for E 12 000. S Ltd invoiced these goods at cost plus 50%. Half of these goods were in stock at the year-end.
3. H Ltd has not yet accounted for dividends receivable from S Ltd.
4. During the year ended 31 December, 2004, H Ltd. purchased a fixed asset for E 6 000 from S Ltd. on which S Ltd made a profit of E 2 000. Depreciation on fixed assets had already been provided by H Ltd at 20% on cost.
5. Any goodwill/capital reserve on acquisition is to be taken to reserves.

**REQUIRED:** Consolidated Balance Sheet of the Group as at 31 December 2004.

**[ 25 Marks ]**

**QUESTION 3 :** The following is the trial balance of Swazi Commercial Bank Ltd as on 31 December, 2004:

**SWAZI COMMERCIAL BANK LTD**

**TRIAL BALANCE**

**as at 31 December 2004**

	DR	CR
Coins and bank notes	100 000	
Balance with Central Bank of Swaziland	160 000	
Money at call and short notice	14 000	
Treasury bills	40 000	
Investment (15%) in Government securities	400 000	
Indebtedness by fellow subsidiaries	20 000	
Loans, cash credit and overdrafts	275 000	
Bankers acceptances	5 000	
Non-performance loans	5 000	
Remittances in transit	10 000	
Fixed assets	50 000	
Bills purchased and discounted	50 000	
Customer's current accounts		100 000
Savings account and other deposits		180 000
Other creditors and provisions (including taxation)		10 000
Indebtedness to fellow subsidiaries		10 000
Share capital: Subscribed capital 50 000 equity shares of E 10 each, fully paid		500 000
Statutory Reserve		45 000
Reserve		216 000
Balances of allowances for credit losses		10 000

**The following information should be considered :**

- (a) Transfer a sum of E6 000 to Statutory Reserve.
- (b) Provision of E4 000 for taxation should be made.
- (c) Provide 10% depreciation on fixed assets, based on cost.  
(The balance of accumulated depreciation on January 1, 2004, was E 5 000).
- (d) Market value of Investments (15%) in Swaziland Govt. stocks redeemable in 2006 was E390 000.
- (e) Interim dividend paid amounted to E 17 000, and the interim dividend declared during the year was 4%.
- (f) Retained surplus for the year after all adjustments (from a to e above) amounted to E 55 000.

**REQUIRED:** Prepare balance sheet as at that date in accordance with Financial Institutions Order, 1975 and Swaziland Accounting Standard-5. No Profit and Loss Account is needed. Notes on the Financial Statements be prepared, wherever, is necessary.

[ 25 Marks ]

**QUESTION 4 :**

- (a) How is cost of inventories determined as per IAS- 2?
- (b) Give two examples of adjusting events and 3 examples of non-adjusting events as per IAS- 10.
- (c) Discuss the two types of leases recognized by IAS- 17.
- (d) Define “contingent liability” as per IAS- 37 Provisions, current liabilities and current assets, and give two examples.
- (e) What are the two conditions that should be met before an intangible asset can be recognized in the books of accounts according to IAS- 38 Intangibles?

**[ 25 Marks ]**