

**UNIVERSITY OF SWAZILAND**  
**DEPARTMENT OF ACCOUNTING**  
**SUPPLEMENTARY EXAMINATION PAPER 2007**

**DEGREE / DIPLOMA AND  
YEAR OF STUDY** : **DIPLOMA IN COMMERCE 111**

**TITLE OF THE PAPER** : **FINANCIAL ACCOUNTING 11**

**COURSE CODE** : **AC 301 (S) 2007 (full time)  
IDE AC 301 – 1 & 2 (S) 2007 (part time)**

**TIME ALLOWED** : **THREE (3) HOURS**

**INSTRUCTIONS**

- 1 **There are four (4) questions, answer all.**
- 2 **Begin the solution to each question on a new page.**
- 3 **The marks awarded for a question are indicated at the end of each question.**
- 4 **Show your necessary workings.**

**NOTE:** You are reminded that in assessing your work, account will be taken of accuracy of the language and the general quality of expression, together with layout and presentation of your answer.

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

**SPECIAL REQUIREMENT: NONE**

**QUESTION 1:**

Stone consigned goods to Rock on 1 January 2006, their value being E12,000, and it was agreed that Rock should receive a commission of 5% on gross sales. Expenses incurred by Stone for freight and insurance amount to E720. Stone's financial year ended on 31 March 2006, and an 'account sales' made up to that date was received from Rock. This showed that 70% of the goods had been sold for E10,600 but that up to 31 March 2006, only E8,600 had been received by Rock in respect of these sales. Expenses in connection with the goods consigned were shown as being E350, and it was also shown that E245 had been incurred in connection with the goods sold. With the 'account sales', Rock sent a sight draft for the balance shown to be due, and Stone incurred bank charges of E12 on April 2006, in cashing same.

Stone received a further 'account sales' from Rock made up to 30 June 2006, and this showed that the remainder of the goods had been sold for E4,800 and that E200 had been incurred by way of selling expenses. It also showed that all cash due had been received with the exception of a debt for E120 which had proved to be bad. A sight draft for the balance due was sent with the 'account sales' and the bank charged Stone E9 on 1 July 2006, for cashing same.

**Required:** Prepare the following accounts in the books of Stone:

- |  |            |
|--|------------|
| (A) Goods sent on consignment account.                   | (2 marks)  |
| (B) Consignment to Rock's account (consignment account). | (12 marks) |
| (C) Consignee's (Rock) account.                          | (8 marks)  |
| (D) Cash book.   | (3 marks)  |

**(Total = 25 marks)**

**QUESTION 2:**

E Wilson is a manufacturer. His trial balance at 31 December 2006 is as follows:

	Dr.	Cr.
Motor van expenses	1,760	
Lighting and heating: Factory	7,220	
Office	1,490	
Manufacturing wages	72,100	
General expenses: Factory	8,100	
Office	1,940	
Sales reps: commission	11,688	
Purchase of raw materials	57,210	
Rent: Factory	6,100	
Office	2,700	
Machinery (cost E40,000)	28,600	
Office equipment (cost E9,000)	8,200	
Office salaries	17,740	
Debtors	34,200	
Creditors		9,400
Bank	16,142	
Sales		194,800
Motor van (cost E6,800)	6,200	
Stocks at 31 December 2005:		
Raw materials	13,260	
Finished goods	41,300	
Drawings	24,200	
Capital		155,950
	E 360,150	E 360,150

You are given the following additional information:

- (i) Stocks at 31 December 2006: raw materials E14,510; finished goods E44,490. There is no work-in-progress.
- (ii) Depreciate machinery E3,000; office equipment E600; motor van E1,200.
- (iii) Manufacturing wages due but unpaid at 31 December 2006 E550. Office rent prepaid E140.

**Required:** For the year ended 31 December 2006 prepare

(A) A manufacturing account.

(13 marks)

(B) A trading and profit & loss account.

(12 marks)

(Total = 25 marks)

**QUESTION 3**

The following summarised data was extracted from the published accounts of Collin's Ltd for the year 2006.

	E
Fixed Assets	1,300,000
Net current assets	<u>100,000</u>
	<u>1,400,000</u>
Ordinary shares of E1 per share	700,000
7% Preferences shares of E1 per share	200,000
Revenue reserves	<u>300,000</u>
Shareholders' funds	1,200,000
8% Debentures	<u>200,000</u>
	<u>1,400,000</u>
Net profit before tax	440,000
Taxation	<u>(230,000)</u>
Net profit after tax	210,000
Dividends paid and proposed ordinary shares	(90,000)
7% Preference shares	<u>(14,000)</u>
Retained profit for year	<u>106,000</u>

Price per ordinary share (2006 closing quotation) 220cents.

**Required:**

Calculate for each ordinary share

1. A book value of net assets per share (5 marks)
2. Earnings per share (5 marks)
3. Earning yield (5 marks)
4. Dividend yield (5 marks)
5. Price /Earnings ratio (5 marks)
6. List five other factors that need to be considered when interpreting ratio analysis (5 marks)

**(Total = 25 marks)**

**QUESTION 4**

The following summarised balance sheets relate to Track Ltd.

Balance sheet at 30 April	2006		2007	
	E'000	E'000	E'000	E'000
Fixed assets at cost		500		650
Less accumulated depreciation		<u>200</u>		<u>300</u>
		300		350
Investment at cost		<u>200</u>		<u>50</u>
		500		400
Current assets:				
Stock	400		700	
Debtors	1340		1550	
Cash and bank	<u>100</u>		<u>-----</u>	
		<u>1850</u>		2250
Less current liabilities:				
Bank overdraft	----		60	
Creditors	650		790	
Taxation	230		190	
Proposed dividend	<u>150</u>		<u>130</u>	
		<u>1030</u>		<u>1170</u>
		<u>1320</u>		<u>1480</u>
Capital and reserves				
Called up share capital (E1 ordinary share)		500		750
Share premium account		150		200
Profit and loss account		<u>670</u>		<u>530</u>
		<u>1320</u>		<u>1480</u>

## Additional information

1. During the year to 30 April 2007, some fixed assets originally costing E25,000 had been sold for E20,000 in cash. The accumulated depreciation on these fixed assets at 30 April 2006 amounted to E10,000. Similarly, some of the investments originally costing E150,000 had been sold for cash at their book value.
2. The taxation balances disclosed in the above balance sheets represents the actual amounts agreed with the Inland Revenue. All taxes were paid on their due dates. Advances corporation tax may be ignored.
3. No interim dividend was paid during the year to 30 April 2007.
4. During the year to 30 April 2007, the company made a 1-for-2 rights issue of 250 ordinary E1 shares at 120cents per share.

(Question 4: continued)

**Required:**

To prepare:

1. Reconciliation of operating profit to net cash inflow from operating activities (7 marks)
2. Analysis of changes in cash and cash equivalents during the year (2 marks)
3. Analysis of changes in the balances of cash and cash equivalents as shown in the balance sheet (2 marks)
4. Analysis of changes in financing during the year (2 marks)
5. Prepare Track Ltd's cash flow statement for the year to 30 April 2007 (12 marks)

**(Total = 25 Marks)**