

UNIVERSITY OF SWAZILAND.
MAIN EXAMINATION PAPER 2007
DEPARTMENT OF ACCOUNTING

COURSE TITLE : **PRINCIPLES OF FINANCE AND BANKING**

COURSE CODE : **IDE-AC 3 0 3-1**

DEGREE : **DIPLOMA IN COMMERCE III**

TIME ALLOWED : **TWO (2) HOURS**

INSTRUCTIONS

1. **TOTAL NUMBER OF QUESTIONS ON THE PAPER: THREE (3)**
2. **ANSWER ALL THREE (3) QUESTIONS.**
3. **THE MARKS AWARDED FOR 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 TWO DECIMAL PLACES OF ACCURACY, UNLESS OTHERWISE INSTRUCTED.**
6. **ASSUME A 360-DAYS YEAR**

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:

The following statements relate to Moonlight Company Limited :

**MOONLIGHT COMPANY LIMITED
BALANCED SHEETS**

ASSETS:	<u>2005</u>	<u>2006</u>
Goodwill	E 24 000	E 18 000
Land	36 000	30 000
Machinery (Gross)	30 000	54 000
Less Accumulated Depreciation: Mach.	<u>(6 000)</u>	<u>12 000</u>
Net Machinery	<u>24 000</u>	<u>42 000</u>
Total Fixed Assets	84 000	90 000
<u>CURRENT ASSETS:</u>		
Cash	E 30 000	18 000
Marketable Securities	6 000	30 000
Accounts Receivable	36 000	30 000
Inventories	<u>24 000</u>	<u>72 000</u>
Total Current Assets	96 000	150 000
Total Assets	<u>180 000</u>	<u>240 000</u>
<u>LIABILITIES & EQUITY:</u>		
Accounts payable	24 000	30 000
Notes payable	12 000	36 000
Accruals	<u>36 000</u>	<u>18 000</u>
Total Current Liabilities	<u>72 000</u>	<u>84 000</u>
Long-Term Debts	6 000	24 000
Common Stock E 1 each	78 000	90 000
Share premium	6 000	12 000
Retained Earnings	<u>18 000</u>	<u>30 000</u>
Total Equity	<u>102 000</u>	<u>132 000</u>
 Total Liability & Equity	 <u>180 000</u>	 <u>240 000</u>

INCOME STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2006

Sales	E 420 000
Cost of Goods Sold	<u>300 000</u>
Other Expenses	(54 000)
Depreciation	<u>(6 000)</u>
EBIT	60 000
Taxes 40%	<u>24 000</u>
Net Income	<u>36 000</u>

REQUIRED:

a)Statement of cash flows for 2006.

[20 Marks]

b) Using the Du Pont Equation, find out the rate of return on assets of the Company.

[5 Marks]

c) What is measured by “Times Interest Earned” (TIE) ratio ?
Discuss.

[5 Mark]

d) Veg City daily maintains an inventory of lettuce worth E 450. The total bill for produce of lettuce over the course of the year was E 54 000. How old, on average, is the lettuce Veg City serves their customers?

[5 Marks]

[Total Marks = 35]

QUESTION 2:

Analyze the firm’s current position from the following data:

<u>Ratio</u>	<u>X Company</u>	<u>Industry</u>
Inventory turnover	5.8 x	7.0 x
Days sales outstanding	32 days	37 days
Fixed assets turnover	5.0 x	3.6 x
Times interest earned	6.5 x	3.9 x
Debt ratio	60 %	45 %

[Total 35 Marks]