

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
SUPPLEMENTARY EXAMINATION PAPER 2007

**DEGREE / DIPLOMA AND
YEAR OF STUDY** : B. COM V

TITLE OF THE PAPER : FINANCIAL ACCOUNTING IV

COURSE CODE : AC 501 (S) 2007 (full time)
IDE AC 501 (S) 2007 (part time)

TIME ALLOWED : TWO (2) HOURS

MAXIMUM MARKS : 50

INSTRUCTIONS:

- There are three (3) questions on this paper.
- Answer all three (3) questions.
- The marks awarded for a question/part are indicated at the end of each question/part of question.
- Where applicable, all workings are to be shown.
- Calculations are to be made to two decimal places of accuracy, unless otherwise instructed

SPECIAL REQUIREMENTS : CALCULATOR

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

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

QUESTION 1

The summarised draft balance sheets of a group at 31 December 2006 were:

	Happy Ltd E	Saltley Ltd E
Sundry assets	106,000	34,500
Investments in Saltley Ltd (at cost)	<u>27,000</u>	-----
	<u>133,000</u>	<u>34,500</u>
Share capital (E1 ord.)	100,000	20,000
Profit and loss account	22,000	6,500
Creditors	<u>11,000</u>	<u>8,000</u>
	<u>133,000</u>	<u>34,500</u>

Additional information:

- Happy Ltd acquired only 16,000 ordinary shares in Saltley Ltd on 1 January 2006 were purchase for E27,000 when Saltley Ltd had profit and loss account reserves of E6,000.

Required:

Prepare the consolidated balance sheet.

(Total = 20 marks)

QUESTION 2

On 1 January 2001, A Limited acquired its main competitor B Limited. Both companies operate on the cash retail industry from rented premises. Extract from the balance sheets of A Limited and B Limited at 31 December 2000:

	A Limited E	B Limited E
ASSETS		
Inventory	1,000	1,000
Debtors	2,000	500
Cash	<u>2,000</u>	<u>500</u>
	<u>5,000</u>	<u>2,000</u>
EQUITY AND LIABILITIES		
Ordinary share capital	2,000	1,000
Accumulated profit	<u>3,000</u>	<u>1,000</u>
Issued share capital and reserves	<u>5,000</u>	<u>2,000</u>

(Question 2: continued)

The purchase price of E2,000 was settled in cash on 1 January 2001.

Required:

Prepare A Limited's company balance sheet immediately after the business combination has taken place:

(a) When A Limited acquired the net assets of B Limited (10 marks)

(b) When A Limited acquired the issued shares of B Limited (10 marks)

(Total = 20 marks)

QUESTION 3

Where directors feel that a company ought to be wound up what procedures must be followed to carry this out?

(Total = 10 marks)