UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER MAY 2008

DEPARTMENT OF ACCOUNTING

23.1.06

COURSE TITLE	:		**FINANCIAL ACCOUNTING III**
COURSE CODE	:		**AC 401/IDE-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: You have been asked to assist in the preparation of the consolidated accounts of H Group. Set out below are the balance sheets of H Ltd and S Ltd for the year ended 31 December, 2007:

BALANCE SHEET AS AT 31 DECEMBER, 2007

	H Ltd	S Ltd
Fixed Assets (net)	E 600 000	360 000
Investment in S Ltd	300 000	-
Current Assets:		
Stock	100 000	80 000
Debtors	80 000	80 000
Cash	20 000	20 000
	200 000	180 000
Current Liabilities:		
Trade creditors	40 000	24 000
Proposed Dividend:		
Ordinary Shares	60 000	24 000
Preference Shares	-	12 000
	100 000	60 000
Net Current Assets	100 000	120 000
Total assets less Current Liabilities	1 000 000	480 000
Capital and Reserves:		
Ordinary Share capital	600 000	240 000
Preference Share Capital (10%)	-	120 000
Profit and Loss Account	400 000	120 000
Total	**1 000 000**	**480 000**

NOTES:

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

192 000 ordinary shares of E 1 each at a cost of E 260 000.

48 000 preference shares of E 1 each at a cost of E 40 000.

All these shares were acquired on March 1, 2005, when the P & L balance of S Ltd stood at E 60 000.

2. During the year to 31 December, 2007, H Ltd purchased goods from S Ltd. for E 36 000. S Ltd invoiced these goods at a 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. Inter-Company debts at the end were: H Ltd owed S Ltd E 4 000.

5. Any goodwill/capital reserve on acquisition is to be taken to reserves.

6. Elimination of inter-group profits (or losses) is to be dealt with according to FRS-2.

REQUIRED:

Computation of the following items under separate headings and in the order indicated:

1. Cost of control
2. Stock
3. Current assets and current liabilities
4. Inter-Company debts
5. Fixed Assets
6. Consolidated Profit and Loss Account
7. Minority Interest
8. Cash
9. Consolidated Balance Sheet as at 31 December, 2007.

Marks will be awarded on computations and adjustments made under the above distinct headings.

[25 marks]

QUESTION 2: On January 2, 2007, 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 (10.2.2007)	0.30 cents (including premium)
On first and final call (1.5. 2007)	0.20 cents

The lists were closed on January 30, 2007 and by that date applications for 400 000 shares were received and it was decided to deal with as follows:

A. To return cheques 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, 2007, 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 1, 2007. These were re-issued to Mr. Y on May 5 as fully paid at E 0.90 per share.

REQUIRED:

1. Share Application Account
2. Share Allotment Account
3. Share First Call Account
4. Forfeited Shares Account
5. Re-issue Account
6. Bank Account

No Journal entries are required . **[25 Marks]**

QUESTION 3:

(a) What is the need for International Accounting Standards ?

[5 Marks]

(b) Discuss the procedure of developing International Accounting Standards.

[5 Marks]

(c) Define "events after balance sheet date" under IAS 10.

Give three examples of adjusting events and 2 examples of non-adjusting events.

[5 Marks]

(d) On 30^{th} November, 2007, the balance in deferred taxation account was E 7 500. This is in respect of capital allowance.

During the year to 30^{th} November, 2007, the company charged E 9 000 depreciation and claimed E 10 400 in capital allowance.

The Company's tax charges for the year were E 2 350. Income tax rate is 30%.

Prepare a note for deferred taxation.

[10 Marks]

[Total 25 Marks]

QUESTION 4 : Prepare a Profit and Loss Account for the Ezulweni Bank Ltd from the following particulars for the year ended 31 December, 2007:

EZULWENI BANK LTD
PARTIAL TRIAL BALANCE
as at 31 December 2007

	DR.	CR.
	E	E
Interest loans		260 000
Interest on cash credit		240 000
Interest on overdraft		50 000
Commission charged to customers		50 000
Discount on bills discounted		200 000
Rebate on bills discounted	100 000	
Interest on fixed deposits	300 000	
Interest on savings accounts and other deposits	100 000	
Rent income (Non-interest income)		100 000
Employees salaries and benefits	50 000	
Directors & auditors fee	50 000	
Rent and insurance	20 000	
Printing and advertisement	30 000	
Postage, telephone, faxes	30 000	
Sundry charges	20 000	
Provision for credit losses	20 000	
Balance of Net Profit		200 000

Other Information:

1. Provision for credit losses of E 20 000 for the year is required.
2. Transfer a sum of E 10 000 to Statutory Reserve.
3. Provision of E 4 000 for taxation should be made.
4. Provide 10% depreciation of fixed assets, based on cost, [cost of fixed assets E 50 000].
5. Letters of credit and guarantees on behalf of clients amounted to E 20 000.

REQUIRED Prepare profit and loss account for the year ended 31 December, 2007 in accordance with Financial Institutions Order, 1975 and Swaziland Accounting Standard 5.

2008MAIN401.WPDC **[25 Marks]**