

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

SUPPLEMENTARY EXAMINATION PAPER JULY 2009

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

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

COURSE CODE : **AC 301 (S) JULY 2009 (Full-time)
IDE AC 301-1&2 (S) JULY 2009 (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.**
- 5 **Calculations are to be made to two decimal places of accuracy, unless otherwise instructed.**

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:

The following summarised balance sheets relate to Takhile Ltd.

Balance sheet at 30 April	2008		2009	
	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		1350		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 2009, 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 2008 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 2009.
4. During the year to 30 April 2009, the company made a 1-for-2 rights issue of 250 ordinary E1 shares at 120cents per share.

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 Takhile Ltd's cash flow statement for the year to 30 April 2009 (12 marks)

(Total = 25 Marks)

QUESTION 2:

A machine is bought by Khabonina for E3,618, hire purchase price, from Sebentile Ltd on 1 January 2006. It is paid by 3 instalments of E1,206 on 31 December of 2006, 2007 and 2008. The cash price is E3,000. The rate of interest is 10%. Straight line depreciation of 20% per annum is to be provided.

Required:

To show the following accounts in the books of Khabonina for the year ending 2006, 2007 and 2008.

- Machinery account (1 mark)
- Sebentile's account (10 marks)
- Hire purchase interest (3 marks)
- Provision for depreciation account (3 marks)
- Balance sheet extract (8 marks)

(Total = marks 25)

QUESTION 3:

Assume partners A, B, C and D share profits and losses in the ratio 2:1:1:1, respectively. The balance sheet of the partnership at the beginning of the liquidation process is as follows:

Page 4 of 5

	E
Assets	290,000
Cash	<u>10,000</u>
	<u>300,000</u>
Liabilities	157,000
Current accounts:	
- A	-----
- B	10,000
- C	5,000
- D	2,000
Capital accounts	
- A	70,000
- B	30,000
- C	20,000
- D	<u>6,000</u>
	<u>300,000</u>

Assume also that during July 2008, the non-cash assets realised E210,000 cash. The realisation loss created a deficit in D's account, and D is required to make an additional capital contribution which he is unable to pay. As a result the deficit is allocated to partners A, B and C in their profit sharing ratio of 2:2:1, respectively.

Required:

- | | |
|---------------------------|-----------|
| (a) A realisation account | (6 marks) |
| (b) Current account | (5 marks) |
| (c) Cash account | (6 marks) |
| (d) Capital account | (8 marks) |

(Total 25 marks)

QUESTION 4:

During February 2009 Xolile of Nhlangano consigned 40 boxes of toys, costing E20 per box, to her selling agent, Yolanda of Siteki. Xolile paid by cheque transport charges E51 and sundry expenses, E13. After receipt of the boxes, Yolanda paid by cheque advertising charges, E58, sundry expenses E14 and delivery charges to customers, E8. By the end of March 2009, Yolanda had sold the whole consignment for E50 per box, on which she was entitled to a commission of 10% and had paid to Xolile the balance due.

Required:

- (a) Open, post and balance the goods on consignment, consignment to Yolanda and the Agent Yolanda accounts recording the above transactions in Xolile's ledger.

(18 marks)

- (b) Open, post and balance the consignor Xolile account recording the above transactions in Yolanda's ledger.

(7 marks)

(Total 25 marks)

END