

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
MAIN EXAMINATION PAPER MAY, 2009

DEGREE/DIPLOMA AND YEAR STUDY: B COM V /IDE B COM YEAR 7

TITLE OF PAPER : ACCOUNTING THEORY
& INTERNATIONAL ACCOUNTING

COURSE CODE : AC 506 (M) 2009/IDE AC506(M)2009

TIME ALLOWED : THREE (3) HOURS

- INSTRUCTIONS**
1. TOTAL NUMBER OF QUESTIONS ON THIS PAPER: FIVE (5)
 2. ANSWER QUESTION 1 (IT IS COMPULSORY), AND ANY OTHER THREE QUESTIONS. THE TOTAL QUESTIONS TO BE ANSWERED ARE 4 (FOUR).
 3. THE MARKS AWARDED FOR A QUESTION/PART ARE INDICATED AT THE END OF EACH QUESTION/PART OF QUESTION.
 4. WHERE APPLICABLE, SUBMIT ALL WORKINGS AND CALCULATIONS.

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 THE LAYOUT AND PRESENTATION OF YOUR FINAL ANSWER.

SPECIAL REQUIREMENTS: FINANCIAL TABLES ATTACHED

THIS PAPER IS NOT BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR.

QUESTION 1:

REQUIRED :

What have been the suggestions (based on decision usefulness) to improve financial reporting?The suggestions are based on several recent financial studies such as:

- **Making Corporate Reports Valuable (by the Institute of Chartered Accountants of Scotland,1988).**
- **Guidelines for Financial Reporting (by Solomons,1989)**
- **The Future Shape of Financial Reports (by Anorld et. al.,1991)**
- **Improving Business Reporting-A Customer Focus (by American Institute of Certified Public Accountants,1994).**

(25 marks)

QUESTION 2 :

A. What has led to the reading and analysis of foreign financial statements?

(5 marks)

B. What is the foreign business financial statements analysis framework?

(20 marks)

Total for the question

(25 marks)

QUESTION 3 :

REQUIRED :

What is the global perspective of Accounting Practice ?

(25 marks)

QUESTION 4:

REQUIRED :

A. How did the needs of the information requirements of an external investor evolve and eventually got defined? (10 marks)

B. Define the terms (components) of the following investor's cash flow model.

$$V_0 = \sum_{i=1}^n \frac{D_i \alpha_i}{(1+B)^i} + \frac{I_n \alpha_n}{(1+B)^n} - I_0$$

- V₀ = ?
- D_i = ?
- α_i = ?
- B = ?
- I_n = ?
- I₀ = ?

(5 marks)

C. Calculate the subjective net value (V₀) from the following data.

Year of income	1	2	3	4	5	
	E	E	E	E	E	
Annual dividends per share (D _i)	350,000	430,000	500,000	700,000	800,000	
Certainty equivalent	1.4	1.5	1.6	1.7	1.8	

The opportunity rate is:20% of the risk free investment.
 The market price at the end of year 5 is E4,000,000.
 The cost of investment at year 0,when an investment decision is made is E3,000,000.

(10 marks)

Total for the question (25 marks)

QUESTION 5 :
REQUIRED :

Describe the foreign investment system and its relationship to foreign exchange risk management. (25 marks)

TOTAL FOR THE PAPER (100 marks)

Table 3
Present value of an annuity of 1: $\frac{1 - (1+r)^{-n}}{r}$

Years (n)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.9009	0.8929	0.8850	0.8772	0.8696
2	1.9704	1.9416	1.9135	1.8861	1.8594	1.8334	1.8080	1.7833	1.7591	1.7355	1.7125	1.6901	1.6681	1.6467	1.6257
3	2.9410	2.8839	2.8268	2.7701	2.7232	2.6730	2.6243	2.5771	2.5313	2.4869	2.4437	2.4018	2.3612	2.3216	2.2832
4	3.9020	3.8077	3.7171	3.6299	3.5460	3.4634	3.3822	3.3121	3.2433	3.1859	3.1294	3.0737	2.9745	2.9137	2.8550
5	4.8634	4.7135	4.5787	4.4518	4.3295	4.2124	4.1002	3.9927	3.8897	3.7908	3.6958	3.6048	3.5172	3.4331	3.3522
6	5.7955	5.6014	5.4172	5.2421	5.0757	4.9173	4.7665	4.6228	4.4859	4.3553	4.2305	4.1114	3.9975	3.8887	3.7845
7	6.7282	6.4720	6.2303	6.0021	5.7864	5.5824	5.3893	5.2064	5.0330	4.8684	4.7122	4.5638	4.4226	4.2883	4.1604
8	7.6617	7.3255	7.0137	6.7277	6.4632	6.2098	5.9713	5.7466	5.5348	5.3349	5.1461	4.9878	4.7988	4.6389	4.4873
9	8.5960	8.1822	7.7881	7.4353	7.1078	6.8017	6.5152	6.2469	5.9952	5.7590	5.5370	5.3282	5.1317	4.9464	4.7718
10	9.4713	8.9826	8.5302	8.1109	7.7217	7.3601	7.0236	6.7101	6.4177	6.1446	5.8892	5.6502	5.4267	5.2161	5.0188
11	10.3676	9.7866	9.2526	8.7605	8.3064	7.8869	7.4987	7.1390	6.8052	6.4951	6.2065	5.9377	5.6869	5.4527	5.2337
12	11.2851	10.6753	10.1339	9.6311	9.1633	8.7257	8.3142	7.9251	7.5651	7.2324	6.9224	6.6314	6.3563	6.0942	5.8431
13	12.1337	11.4884	10.9137	10.3884	9.9000	9.4457	9.0217	8.6244	8.2501	7.9051	7.5851	7.2861	7.0051	6.7401	6.4881
14	13.0037	12.1062	11.2981	10.5631	9.8986	9.2950	8.7455	8.2442	7.7862	7.3581	6.9561	6.5761	6.2161	5.8741	5.5481
15	13.8651	12.8493	11.9379	11.1184	10.3797	9.7122	9.1079	8.5595	8.0607	7.6081	7.1861	6.7891	6.4141	6.0581	5.7181
16	14.7179	13.6777	12.6611	11.8523	10.8378	10.1059	9.4466	8.8514	8.3128	7.8237	7.3782	6.9740	6.5961	6.2381	5.8941
17	15.5623	14.2919	13.1661	12.1657	11.2741	10.4773	9.7632	9.1216	8.5438	8.0216	7.5488	7.1198	6.7291	6.3729	6.0472
18	16.3983	14.9920	13.7635	12.8593	11.8696	10.8276	10.0591	9.3718	8.7556	8.2014	7.7016	7.2497	6.8399	6.4674	6.1280
19	17.2280	15.6786	14.3238	13.1339	12.0853	11.1581	10.3566	9.6036	8.9501	8.3649	7.8393	7.3668	6.9380	6.5504	6.1982
20	18.0456	16.3514	14.8775	13.5903	12.4622	11.4699	10.5940	9.8181	9.1285	8.5136	7.9533	7.4694	7.0248	6.6253	6.2693
25	22.0732	19.5235	17.4131	15.6221	14.0939	12.7634	11.6536	10.6748	9.8226	9.0770	8.4217	7.8431	7.3300	6.8729	6.4641
30	25.8077	22.3965	19.6004	17.2920	15.3725	13.7648	12.4090	11.2578	10.2737	9.4269	8.6938	8.0552	7.4957	7.0027	6.5660
35	29.4066	24.9986	21.4872	18.6646	16.3742	14.4982	12.9477	11.6546	10.5688	9.6442	8.8562	8.1765	7.5856	7.0700	6.6166
40	32.8347	27.3555	23.1148	19.7928	17.1591	15.0463	13.3317	11.9246	10.7674	9.7791	8.9511	8.2438	7.6344	7.1050	6.6418
45	36.0845	29.4902	24.5187	20.7200	17.7741	15.4568	13.6055	12.1084	10.8512	9.9078	9.0078	8.2825	7.6609	7.1232	6.6543
50	39.1961	31.4236	25.7298	21.4822	18.2558	15.7619	13.8007	12.2335	10.9617	9.9148	9.0418	8.3045	7.6752	7.1327	6.6605

Years (n)	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
1	0.8621	0.8547	0.8475	0.8403	0.8333	0.8264	0.8197	0.8130	0.8065	0.8000	0.7937	0.7874	0.7812	0.7752	0.7692
2	1.6052	1.5852	1.5656	1.5465	1.5278	1.5095	1.4915	1.4740	1.4568	1.4400	1.4235	1.4074	1.3816	1.3701	1.3609
3	2.2459	2.2096	2.1743	2.1399	2.1065	2.0739	2.0422	2.0114	1.9813	1.9520	1.9234	1.8956	1.8684	1.8420	1.8101
4	2.7982	2.7432	2.6901	2.6385	2.5887	2.5404	2.4936	2.4483	2.4043	2.3616	2.3202	2.2800	2.2410	2.2031	2.1662
5	3.2743	3.1993	3.1272	3.0576	2.9906	2.9260	2.8636	2.8035	2.7454	2.6893	2.6361	2.5827	2.5320	2.4830	2.4356
6	3.6847	3.5892	3.4976	3.4098	3.3255	3.2446	3.1669	3.0923	3.0205	2.9514	2.8860	2.8210	2.7594	2.7000	2.6427
7	4.0386	3.9224	3.8115	3.7057	3.6046	3.5079	3.4165	3.3270	3.2423	3.1611	3.0833	3.0087	2.9370	2.8682	2.8021
8	4.3438	4.2072	4.0778	3.9544	3.8372	3.7256	3.6193	3.5179	3.4212	3.3289	3.2407	3.1564	3.0758	2.9986	2.9247
9	4.6065	4.4506	4.3030	4.1633	4.0310	3.9054	3.7853	3.6731	3.5685	3.4631	3.3657	3.2728	3.1842	3.0997	3.0190
10	4.8332	4.6586	4.4841	4.3389	4.1925	4.0541	3.9232	3.7993	3.6819	3.5705	3.4644	3.3644	3.2689	3.1781	3.0915
11	5.0286	4.8364	4.6560	4.4865	4.3271	4.1769	4.0364	3.9018	3.7757	3.6564	3.5435	3.4365	3.3351	3.2388	3.1473
12	5.1971	4.9884	4.7932	4.6105	4.4392	4.2784	4.1274	3.9862	3.8514	3.7251	3.6059	3.4933	3.3868	3.2859	3.1903
13	5.3423	5.1183	4.9132	4.7147	4.5227	4.3417	4.2028	4.0630	3.9124	3.7801	3.6555	3.5381	3.4272	3.3224	3.2233
14	5.4675	5.2293	5.0081	4.8023	4.6106	4.4317	4.2846	4.1082	3.9618	3.8241	3.6949	3.5733	3.4587	3.3507	3.2487
15	5.5765	5.3242	5.0816	4.8769	4.6765	4.4890	4.3152	4.1530	4.0013	3.8693	3.7261	3.6010	3.4834	3.3726	3.2682
16	5.6685	5.4053	5.1624	4.9377	4.7298	4.5364	4.3667	4.1984	4.0333	3.8874	3.7509	3.6228	3.5026	3.3896	3.2848
17	5.7487	5.4746	5.2223	4.9697	4.7748	4.5755	4.3906	4.2190	4.0581	3.9099	3.7706	3.6400	3.5177	3.4028	3.2948
18	5.8178	5.5339	5.2732	5.0333	4.8122	4.6079	4.4187	4.2431	4.0799	3.9279	3.7861	3.6536	3.5294	3.4130	3.3037
19	5.8775	5.5845	5.3182	5.0775	4.8435	4.6346	4.4415	4.2627	4.0987	3.9424	3.7985	3.6642	3.5386	3.4210	3.3105
20	5.9288	5.6278	5.3527	5.1009	4.8696	4.6567	4.4603	4.2786	4.1103	3.9539	3.8083	3.6726	3.5458	3.4271	3.3158
25	6.0971	5.7662	5.4689	5.1951	4.9476	4.7213	4.5139	4.3232	4.1474	3.9849	3.8342	3.6943	3.5640	3.4423	3.3286
30	6.1772	5.8294	5.5168	5.2347	4.9789	4.7463	4.5338	4.3391	4.1601	3.9950	3.8424	3.7009	3.5693	3.4468	3.3321

Table 2 Present value of 1 at compound interest: $(1+r)^{-n}$

Years	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.9009	0.8929	0.8850	0.8772	0.8696	1
2	0.9803	0.9612	0.9426	0.9246	0.9070	0.8900	0.8734	0.8573	0.8417	0.8264	0.8116	0.7972	0.7831	0.7695	0.7561	2
3	0.9706	0.9423	0.9151	0.8890	0.8638	0.8398	0.8163	0.7938	0.7722	0.7513	0.7312	0.7118	0.6931	0.6750	0.6576	3
4	0.9610	0.9238	0.8885	0.8548	0.8227	0.7921	0.7629	0.7350	0.7084	0.6830	0.6587	0.6356	0.6133	0.5921	0.5718	4
5	0.9515	0.9057	0.8625	0.8219	0.7835	0.7473	0.7130	0.6806	0.6499	0.6209	0.5935	0.5674	0.5428	0.5194	0.4972	5
6	0.9420	0.8880	0.8375	0.7903	0.7462	0.7050	0.6663	0.6302	0.5963	0.5645	0.5348	0.5066	0.4803	0.4556	0.4323	6
7	0.9327	0.8706	0.8131	0.7599	0.7107	0.6651	0.6227	0.5836	0.5470	0.5132	0.4817	0.4523	0.4256	0.3996	0.3759	7
8	0.9235	0.8536	0.7894	0.7307	0.6768	0.6274	0.5820	0.5403	0.5019	0.4665	0.4339	0.4039	0.3766	0.3506	0.3269	8
9	0.9143	0.8368	0.7664	0.7028	0.6446	0.5919	0.5439	0.5002	0.4604	0.4241	0.3909	0.3606	0.3327	0.3075	0.2843	9
10	0.9053	0.8203	0.7441	0.6756	0.6139	0.5584	0.5083	0.4632	0.4224	0.3855	0.3522	0.3220	0.2944	0.2697	0.2472	10
11	0.8963	0.8043	0.7224	0.6496	0.5847	0.5268	0.4751	0.4289	0.3875	0.3505	0.3173	0.2875	0.2609	0.2368	0.2149	11
12	0.8874	0.7885	0.7014	0.6246	0.5568	0.4970	0.4410	0.3971	0.3555	0.3186	0.2858	0.2567	0.2307	0.2076	0.1869	12
13	0.8787	0.7730	0.6810	0.6006	0.5303	0.4688	0.4150	0.3677	0.3262	0.287	0.2525	0.2232	0.2042	0.1821	0.1625	13
14	0.8700	0.7579	0.6611	0.5775	0.5061	0.4423	0.3878	0.3405	0.2992	0.2633	0.2320	0.2046	0.1807	0.1597	0.1413	14
15	0.8613	0.7430	0.6419	0.5553	0.4810	0.4173	0.3624	0.3152	0.2745	0.2394	0.2090	0.1827	0.1599	0.1401	0.1229	15
16	0.8528	0.7284	0.6232	0.5339	0.4581	0.3936	0.3387	0.2919	0.2519	0.2178	0.1883	0.1631	0.1414	0.1229	0.1069	16
17	0.8444	0.7142	0.6050	0.5134	0.4363	0.3714	0.3166	0.2703	0.2311	0.1978	0.1698	0.1456	0.1252	0.1078	0.0929	17
18	0.8360	0.7002	0.5874	0.4936	0.4155	0.3503	0.2959	0.2502	0.2120	0.1799	0.1528	0.1300	0.1106	0.0948	0.0808	18
19	0.8277	0.6864	0.5703	0.4748	0.3964	0.3318	0.2785	0.2317	0.1945	0.1635	0.1377	0.1161	0.0981	0.0829	0.0703	19
20	0.8195	0.6730	0.5537	0.4564	0.3769	0.3118	0.2584	0.2115	0.1742	0.1436	0.1182	0.1037	0.0888	0.0758	0.0643	20
25	0.7795	0.6095	0.4778	0.3751	0.2953	0.2330	0.1842	0.1480	0.1180	0.0923	0.0736	0.0588	0.0471	0.0378	0.0304	25
30	0.7419	0.5521	0.410	0.3083	0.2314	0.1741	0.1314	0.0994	0.0754	0.0573	0.0437	0.0334	0.0256	0.0196	0.0151	30
35	0.7059	0.5000	0.3554	0.2534	0.1813	0.1301	0.0937	0.0678	0.0490	0.0356	0.0259	0.0189	0.0139	0.0102	0.0075	35
40	0.6717	0.4529	0.3066	0.2042	0.1420	0.0972	0.0666	0.0460	0.0318	0.0221	0.0154	0.0107	0.0075	0.0053	0.0037	40
45	0.6391	0.4102	0.2644	0.1712	0.1113	0.0727	0.0476	0.0313	0.0207	0.0137	0.0091	0.0061	0.0041	0.0027	0.0019	45
50	0.6080	0.3715	0.2281	0.1407	0.0872	0.0543	0.0339	0.0213	0.0134	0.0085	0.0054	0.0035	0.0022	0.0014	0.0009	50

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