

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
SUPPLEMENTARY EXAMINATION PAPER JULY 2011

DEGREE/ DIPLOMA AND

YEAR OF STUDY : DIPLOMA IN COMMERCE 111

TITLE OF PAPER : FINANCIAL ACCOUNTING 11

COURSE CODE : AC301 (S) JULY 2011 (Full-time)
IDE AC301-1&2 (S) JULY 2011 (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 the necessary working.
 - 5 Calculations are to be made to zero 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 general quality of expression, together with layout and presentation of your answer.

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SPECIAL REQUIREMENTS: CALCULATOR

QUESTION 1

MJ Investments, a trader, commenced business on 1 January 2009, with a head office and one branch. All goods were purchased by the head office and goods sent to the branch were invoiced at a fixed selling price of 25% above cost. All sales, both by the head office and the branch, were made at the fixed selling price.

The following trial balance was extracted from the books at the head office at 31 December 2009.

Trial Balance	E	E
Capital		52,000
Drawings	1,740	
Purchases	123,380	
Sales		83,550
Goods sent to branch (at selling price)		56,250
Branch current account	24,550	
Fixed assets	33,000	
Debtors and creditors	7,980	11,060
General expenses	8,470	
Balances at bank	3,740	
	<u>202,860</u>	<u>202,860</u>

No entries had been made in the head office books for cash in transit from the branch to the head office at 31 December 2009, E1,000.

When the balances shown below were extracted from the branch books at 31 December 2009, no entries had been made in the books of the branch for goods in transit on that date from head office to branch, E920 (selling price).

In addition to the balances which can be deduced from the information given above, the following balances appeared in the branch books on 31 December 2009.

Non current assets	E 6,000
General expenses	6,070
Accounts receivable	7,040
Accounts payable (excluding head office)	1,630
Sales	51,700
Balances at bank	1,520

When inventory was taken on 31 December 2009, it was found that there was no shortage at the head office, but at the branch there were shortages amounting to E300, at selling price.

You are required:

- (a) To prepare a statement of comprehensive income for head office and for the branch, as they would have appeared if goods sent to the branch had been invoiced at cost. (10 Marks)
- (b) To also prepare a statement of financial position of the whole business as on 31 December 2009. (15 Marks)

Head office and branch inventories are to be valued at cost.
Ignore depreciation of non current assets

Total: (25 Marks)

QUESTION 2

From the following details you are required to draft a statement of cash flows for Dudu Dlamini for the year ending 31 December 2010, using the IAS 7 layout. (25 Marks)

Dudu Dlamini		
<u>STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 31 DECEMBER 2010</u>		
	E	E
Gross profit		44,700
Add Discounts received	410	
Profit on sale of van	620	
		1,030
		45,730
Less expenses		
Motor expenses	1,940	
Wages	17,200	
General expenses	830	
Bad debts	520	
Increase in allowance for doubtful debts	200	
Depreciation: van	1,800	
		22,490
		23,240

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010:

	E	2009 E	E	2010 E
Non current assets				
Vans at cost		15,400		8,200
Less: depreciation to date		(5,300)		(3,100)
		10,100		5,100
Current assets				
Inventory	18,600		24,000	
Accounts receivable less allowance*	8,200		6,900	
Bank	410		720	
	27,210		31,620	
Less current liabilities				
Accounts payable	5,900		7,200	
Working capital		21,310		24,420
		31,410		29,520
Owner's capital				
Opening balance b/d		17,210		21,410
Add: Net profit		21,200		23,240
		38,410		44,650
Drawings		(17,000)		(22,630)
		21,410		22,020
Non current liability				
Loan from M. Maziya		10,000		7,500
		31,410		29,520

* Accounts receivable 2009 E8,000 – allowance E600.

* Accounts receivable 2010 E7,700 – allowance E800.

Note: A van was sold for E3,820 during 2010. No new vans were purchased during the year.

Total: (25 Marks)

QUESTION 3

1. Teddy Dlamini and Betty Khumalo entered a joint agreement for the purchase and sale of hats on 1 June 2010. Transactions were as follows:
 - i. 1 June 2010 Teddy purchased hats for E6,000. To finance the purchase she took out a loan of E2,000 with Sky blue financial services and paid the balance in cash.
 - ii. 15 June Teddy sent to Betty hats costing E2,400 and paid carriage charges of E280 in that connection.
 - iii. 25 July Betty sold all his hats for E5,000 and paid Sky blue financial services E2,030 in full settlement of the loan taken by Teddy Dlamini.
 - iv. 31 July Teddy paid insurance of E600. Betty paid rent of E40 for storage purposes for the hats.
 - v. 3 August Betty paid E1,000 to Teddy.
 - vi. 6 August Teddy sold part of the hats in her possession for E8,000. She agreed to take over the remaining hats personally at a cost of E1,800.
 - vii. Each party is entitled to a commission of 5% on his own gross sales. The balance of profits is to be shared, Teddy Dlamini $\frac{7}{10}$ and Betty Khumalo $\frac{3}{10}$. Final cash settlement between the partners was made on 31 August 2010.

Required:

- (a) Write up the joint venture accounts in the books of Teddy Dlamini and Betty Khumalo. (11 Marks)
 - (b) Prepare the memorandum joint venture account. (4 Marks)
2. Discuss the difference between joint venture accounts and partnership accounts? (5 Marks).
 3. Why is it sometimes preferable to buy goods on hire purchase rather than for cash? (5 Marks)

Total: (25 Marks)

QUESTION 4

- a) Discuss five advantages and four disadvantages of partnerships? (9 Marks)
- b) Discuss two differences between public and private companies? (2 Marks)
- c) As a Finance Manager of Nelson (Pty) Ltd, you have been asked by the Managing Director to explain what do events after the reporting period (IAS 10) refer to and in your explanation also discuss the different types of events after the reporting period giving examples to illustrate your answer? (6 Marks)
- d) According to IAS 2, how should inventory be valued? (2 Marks)
- e) Define a provision in accordance with IAS 37 and outline three conditions to be met for the recognition of a provision in the financial statements? (3 Marks)
- f) Discuss a contingent liability in accordance with IAS 37 and its accounting treatment? (3 Marks)

Total: (25 Marks)