

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING

SUPPLEMENTARY EXAMINATION PAPER 2011
AC 303/IDE-AC 303 (S) 2011

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COURSE TITLE : PRINCIPLES OF FINANCE AND BANKING

COURSE CODE : AC303/IDE-AC 303

DEGREE/DIPLOMA : DIPLOMA IN COMMERCE III

TIME ALLOWED : TREE (3) HOURS

INSTRUCTIONS

1. TOTAL NUMBER OF QUESTIONS ON THE PAPER: FOUR (4)
2. ATTEMPT ALL FOUR (4) QUESTIONS
3. THE MARKS AWARDED FOR 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 TWO DECIMAL PLACES OF ACCURACY, UNLESS OTHERWISE INSTRUCTED.

SPECIAL REQUIREMENTS : NONE

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

When choosing between sources of equity finance, account must be taken of certain factors. Discuss these factors.

(25 Marks)

QUESTION 2

Below are the summarised accounts for Shiba, a company with an accounting year ending on 30 June.

Summarised Statement of Financial Position

| | 2010 | | 2011 |
|---------------------------------------|-------------|-------------|-------------|
| | E000 | E000 | E000 |
| Tangible non-current assets – | | | |
| At cost less depreciation | | 4,995 | 12,700 |
| Current assets: | | | |
| Inventory | 40,145 | | 50,455 |
| Receivables | 40,210 | | 43,370 |
| Cash at bank | 12,092 | | 5,790 |
| | ----- | | ----- |
| | 92,447 | | 99,615 |
| | ===== | | ===== |
| Payables – Amounts falling due | | | |
| Due within one year: | | | |
| Trade payables | 32,604 | | 37,230 |
| Taxation | 2,473 | | 3,260 |
| Proposed dividend | 1,785 | | 1,985 |
| | ----- | | ----- |
| | 36,862 | | 42,475 |
| | ----- | | ----- |
| Net current assets | 55,585 | | 57,140 |
| | ----- | | ----- |
| Total assets less current liabilities | 60,580 | | 69,840 |
| Payables – Amounts falling due | | | |
| After more than one year: | | | |
| 10% loan notes 2011/2014 | 19,840 | | 19,840 |
| | ----- | | ----- |
| | 40,740 | | 50,000 |
| | ----- | | ----- |

| | | |
|-------------------------|--------------|--------------|
| Capital reserves: | E 000 | E 000 |
| Called up share capital | 9,920 | 9,920 |
| Of 25c per share | | |
| Income statement | 30,820 | 40,080 |
| | ----- | ----- |
| Shareholders' funds | 40,740 | 50,000 |
| | ----- | ----- |

Summarised Statement of Comprehensive Income

| | | |
|---|--------------|--------------|
| | 2010 | 2011 |
| | E 000 | E 000 |
| Revenue | 486,300 | 583,900 |
| | ----- | ----- |
| Operating profit | 17,238 | 20,670 |
| Finance cost | 1,984 | 1,984 |
| | | |
| Profit on ordinary activities before Taxation | 15,254 | 18,686 |
| Tax on profit on ordinary activities | 5,734 | 7,026 |
| | ----- | ----- |
| Profit for the financial year | 9,520 | 11,660 |
| Dividends | 2,240 | 2,400 |
| | ----- | ----- |
| Retained profit brought forward | 7,280 | 9,260 |
| | 23,540 | 30,820 |
| | ----- | ----- |
| Retained profit carried forward | 30,820 | 40,080 |
| | ----- | ----- |

- a) Calculate, for each year, two ratios which are of particular significance to them, for each of the following user groups:
 - i) Shareholders
 - ii) Trade creditors

- b) Make brief comments upon the changes, between the two years, in the ratios calculated in (a) above.

25 marks

QUESTION 3

A business has estimated that 10% of its sales will be cash sales, and the remainder credit sales. It is also estimated that 50% of receivables will pay in the month following sale, 30% two months after sale, 15% three months after sale and irrecoverable debts will be 5% of credit sales.

Total sales figures are as follows:-

| Month | E |
|----------|--------|
| October | 80,000 |
| November | 60,000 |
| December | 40,000 |
| January | 50,000 |
| February | 60,000 |
| March | 90,000 |

Required:

- a) Prepare a month-by-month forecast of cash receipts from sales for the months of January-March **15 marks**
- b) Discuss and give examples of how Governments assist companies in their financing requirements **10 marks**

Total 25 marks

Question 4

Write short explanatory notes on each of the following:-

- a) Fixed exchange rates
- b) Floating exchange rates
- c) Margin around a moveable peg
- d) Forward foreign exchange contract