

UNIVERSITY OF SWAZILAND  
DEPARTMENT OF ACCOUNTING  
SUPPLEMENTARY EXAMINATION PAPER, JULY2012

DEGREE/DIPLOMA AND

YEAR OF STUDY : B.COM. II/DIPLOMA IN COMMERCE III

TITLE OF PAPER : INTERMEDIATE FINANCIAL ACCOUNTING II

COURSE CODE : AC212/AC312/IDE AC312 (S) JULY 2012

TOTAL MARKS : 100 MARKS

TIME ALLOWED : THREE (3) HOURS

- INSTRUCTIONS:
1. There are four (4) question, 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 accessing your work, account will be taken of accuracy of the language and general quality of expression, together with layout and presentation of your answer.

REQUIREMENTS: CALCULATOR

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

**QUESTION 1**

Pine stores has its head office and main store in Mbabane, and a branch store in Manzini. All goods are purchased by the Head office. Goods are invoiced to the branch at cost price plus a profit loading of 20%. The following trial balances have been extracted from the books of account of both the head office and the branch as at 31 December 2011.

	Head office books		Branch books	
	Dr	Cr	Dr	Cr
Administrative expenses	380		30	
Distribution costs	157		172	
Capital (at 1 January 2011)		550		
Cash at bank	25		2	
Accounts payable and accruals		176		20
Current accounts	255			180
Accounts receivable and prepayments	130		76	
Motor vehicles : at cost	470		230	
Accumulated depreciation at 31 Dec. 2011		280		120
Plant and equipment: at cost	250		80	
Accumulated depreciation at 31 Dec. 2011		120		30
Proprietor's drawings during the year	64			
Provision for unrealised profit on branch inventory at 1 January 2011		5		
Purchases	880			
Sales		1200		570
Inventory at cost/ invoiced amount at 1 January 2011	80		30	
Transfer of goods to the branch/ from the head office		360	300	
	<u>2691</u>	<u>2691</u>	<u>920</u>	<u>920</u>

**Additional information:**

- The inventories in hand at 31 December 2011 were estimated to be as follows:
 

At head office (at cost)	E100
At the branch (at invoiced price)	48

In addition, E60,000 of inventory, at invoiced price had been despatched to the branch on 28 December 2011. These goods had not been received by the branch until 5 January 2012 and so they had not been included in the branch books of account.

- On 31 December 2011, the branch had transferred E15,000 of cash to the head office bank, but this was not received in Mbabane until, the branch had transferred E15,000 of cash to the head office bank, but this was not received in Mbabane until 2 January 2012.

**Required:**

- a) Prepare in adjacent columns: (i) the head office, and (ii) the branch statement of comprehensive income for the year ending 31 December 2010 (A combined statement of comprehensive income is not required); and (10 Marks)
- b) Prepare in vertical format, Pine stores' statement of financial position as at 31 December 2010 (note: separate statement of financial positions for the head office and the branch are not required) (15 Marks)

**Total: (25 Marks)**

**QUESTION 2**

On 31 March 2009, D. Dylan, who prepares his financial statements to 31 March, bought a lorry on hire purchase from Texas Fleet Ltd. The cash price of the Lorry was E61,620. Under the terms of the hire purchase agreement, D. Dylan paid a deposit of E20,000 on 31 March 2009, and two annual instalments of E23,981 on 31 March 2010 and 2011.

The hire vendor charged interest at 10% per annum on the balance outstanding on 1 April each year. All payments were made on the due dates.

D. Dylan maintained the motor lorry account at cost and accumulated the annual provision for depreciation, at 40% on the reducing balance method, in a separate account. A full year's depreciation is charged in the year of purchase, irrespective of the date acquired.

**Required:**

- (a) Prepare the following accounts as they would appear in the ledger of D. Dylan for the period of the contract:
  - i. Texas Fleet Ltd (10 Marks)
  - ii. Motor lorry on hire purchase (1 Mark)
  - iii. Provision for depreciation of motor lorry (6 Marks)
  - iv. Hire purchase interest payable (2 Marks)
  
- (b) Show how the above matters would appear in the statement of financial position of D. Dylan at 31 March 2010. (6 Marks)

NB: Texas Fleet Ltd prepares its financial statements to 31 March, on which date it charges D. Dylan with the interest due. Make calculations to the nearest E.

**Total: (25 Marks)**

**QUESTION 3**

The summarized accounts of Dynamic Ltd for the years to 2010 and 2011 are given below.

**Statement of comprehensive income for the years ending 31 December**

	<b>2010</b>	<b>2011</b>
	<b>E000</b>	<b>E000</b>
Sales	200	280
Less Cost of sales	(150)	(210)
Gross profit	<u>50</u>	<u>70</u>
<b>Less:</b>		
Administration expenses	38	46
Loan note interest	-	4
	<u>38</u>	<u>50</u>
Net profit	<u>12</u>	<u>20</u>

**Statement of financial position as at 31 December**

	<b>2010</b>	<b>2011</b>
	<b>E000</b>	<b>E000</b>
Non current assets net of depreciation	110	140
<b>Current assets</b>		
Inventory	20	30
Accounts receivable	25	28
Bank	-	5
	<u>45</u>	<u>63</u>
<b>Less: Current liabilities</b>		
Accounts payable	15	12
Bank overdraft	10	-
	<u>25</u>	<u>12</u>
Working capital	20	51
Total net assets	<u>130</u>	<u>191</u>
<b>Equity and reserves</b>		
Ordinary share capital	100	100
Retained profits	30	41
Total equity	<u>130</u>	<u>141</u>
<b>Long term liabilities</b>		
8% Loan stock	-	50
	<u>130</u>	<u>191</u>

Inventory at 1 January 2010 was E50,000.

**Required:**

- (a) Calculate the following ratios for 2010 and 2011:
- i. Gross margin (2 Marks)
  - ii. Inventory turnover (2 Marks)
  - iii. Net profit: sales (2 Marks)
  - iv. Quick (Acid test) ratio (2 Marks)
  - v. Current ratio (2 Marks)
  - vi. Return on capital employed (2 Marks)
- (b) State the possible reasons for and significance of any changes in the ratios shown by your calculations. (13 Marks)

**Total: (25 Marks)**

**QUESTION 4**

- (a) State two conditions for the recognition of an asset in accordance with IAS 16 in the financial statements. (3 Marks)
- (b) State two conditions for the recognition of a provision in accordance with IAS 37? (6 Marks)
- (c) Briefly explain eight (8) components of a business plan? (16 Marks)

**Total: (25 Marks)**