

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

SUPPLEMENTARY EXAMINATION QUESTION PAPER

<b>DEGREE</b>	<b>:</b>	<b>BACHELOR OF COMMERCE</b>
<b>TITLE OF PAPER</b>	<b>:</b>	<b>FINANCIAL ACCOUNTING 111</b>
<b>COURSE CODE</b>	<b>:</b>	<b>AC 401</b>
<b>TIME ALLOWED</b>	<b>:</b>	<b>THREE (3) HOURS</b>
<b>INSTRUCTIONS</b>	<b>1.</b>	<b>TOTAL NUMBER OF QUESTIONS ON THIS PAPER: FOUR (4)</b>
	<b>2.</b>	<b>ANSWER ALL QUESTIONS</b>
	<b>3.</b>	<b>WHERE APPLICABLE ALL WORKINGS SHOULD BE SHOWN</b>
	<b>4.</b>	<b>ALL CALCULATIONS ARE TO BE MADE TO THE NEAREST LILANGENI.</b>

**NOTE:** YOU ARE REMINDED THAT IN ASSESSING YOUR WORK, ACCOUNT WILL BE TAKEN OF ACCURACY, LANGUAGE, THE GENERAL QUALITY OF EXPRESSION, TOGETHER WITH THE LAYOUT AND PRESENTATION OF YOUR FINAL ANSWER.

**SPECIAL REQUIREMENT:** CALCULATOR

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

**QUESTION 1**

(a) The Conceptual Framework (2010) identifies fundamental and enhancing qualitative characteristics of financial information. Briefly describe (**in not more than five lines for each item**) financial information that meets the qualities of:

- Relevance
- Neutrality
- Completeness
- Being free from error
- Comparability.

**(20marks)**

(b) Who have been the parties involved in the development of the new Conceptual Framework (2010)?

**(5 marks)**

**QUESTION 2**

The figures below are the trial balances extracted from the books of Delta at 31 December 2009.

Capital at 1 Jan 2009	E	E 20,000
Loan Account, Omega		2,000
Drawings	1,750	
Premises	8,000	
Furniture and Fittings	500	
Plant and Machinery	5,500	
Inventory at 01 Jan 2009	8,000	
Cash at bank	650	
Allowance for doubtful debts		740
Purchases	86,046	
Sales Revenue		124,450
Bad debts	256	
Bad debts recovered		45
Trade Receivables	20,280	
Trade Payables		10,056
Bank Charges	120	
Rent	2,000	
Return Inwards	186	
Returns outwards		135
Salaries	3,500	
Wages	8,250	
Travelling expenses	1,040	
Carriage Inwards	156	
Discounts Allowed	48	
Discounts Received		138
General expenses	2,056	
Gas, Electricity and water	2,560	
Carriage outwards	546	
Travellers salaries and commission	5,480	
Printing and Stationery	640	
	<b>157,564</b>	<b>157,564</b>

**Additional Information:**

1. Inventory at 31 December 2009 was E7, 550
2. Interest on the loan at 5% p.a. had not been paid at 31 December
3. Rent includes E250 for premises paid in advance to 31 March next year
4. Depreciate plant and machinery by 10% p.a.; depreciate furniture and fittings by 5 % p.a.
5. Adjust the allowance for doubtful debts to 5% of trade receivables

You are required to prepare, in a form which complies with IAS1 and other relevant IFRSs:

- (a) The statement of comprehensive income for the year ending 31 December 2009.
- (b) The statement of financial position at that date. *(25 marks)*

**QUESTION 3**

- (a) AA Co, a listed company, has the following share transactions during 2010

Date	Details	Shares issued
1 January 2010	Balance at beginning of year	170,000
31 May 2010	Issue of new shares for cash	<u>80,000</u>
31 December 2010	Balance at year end	250,000

**Required**

Calculate the weighted average number of shares outstanding for 2010. *(5 marks)*

- (b) On January 1, 2010 SS Corporation had:  
 160,000 common shares outstanding.  
 10,000 preferred shares, E100 par value, 7%  
 On September 1, 2010 the company issued 40,000 additional common shares.  
 The net operating income for 2010: E1,257,331

**Required:**

What is the basic EPS?

*(5marks)*

- (c) In 2010 DD Co had a basic EPS of 105c based on earnings of E105,000 and 100,000 ordinary E1 shares. It also had in issue E40,000 15% convertible loan stock which is convertible in two years time at the rate of 4 ordinary shares for every 5 of stock. The rate of tax is 30%. In 2010 gross profit of E200,000 and expenses of E50,000 were recorded, including interest payable of E6,000.

**Required**

Calculate the diluted EPS.

*(15marks)*

**QUESTION 4**

Handbags for Africa Pty Ltd has the following financial statements for 2010 and 2011.

**Handbags for Africa Ltd.  
Statement of Comprehensive Income for the years ended 31 December**

	2011	2010
Revenue	E 123,999,879	120,607,873
Cost of sales	(85,657,057)	(78,395,467)
<b>Gross Profit</b>	<b>38,342,822</b>	<b>42,212,406</b>
Net operating costs	(23,461,743)	(26,617,448)
Net costs from trading activities	14,881,079	15,594,958
Net costs from non trading activities	1,256,760	-
<b>Operating profit</b>	<b>16,137,839</b>	<b>15,594,958</b>
Dividend received	45,000	45,000
Interest Income	1,292,756	1,101,000
Interest paid	(3,873,379)	(4,770,000)
<b>Profit before taxation</b>	<b>13,602,216</b>	<b>11,970,958</b>
Taxation	(4,680,969)	4,140,842
<b>Profit attributable to ordinary shareholders</b>	<b>8,921,247</b>	<b>16,111,800</b>

**Handbags for Africa Ltd.**  
**Statement of Financial Position as at 31 December**

	2011	2010
<b>Assets</b>		
Non Current Assets		
Property, Plant & Equipment	39,768,700	46,416,200
Investments	260,000	270,000
	<b>40,028,700</b>	<b>46,686,200</b>
<b>Current Assets</b>		
Inventory	3,750,000	4,120,000
Trade receivables	25,928,570	24,528,570
Accrued Income	75,000	23,800
Cash and cash equivalents	13,847,607	-
	43,601,177	28,672,370
<b>Total Assets</b>	<b>83,629,877</b>	<b>75,358,570</b>
<b>Equity and Liabilities</b>		
Capital and Reserves		
Share capital	34,980,000	24,500,000
Revaluation surplus	<b>800,000</b>	<b>800,000</b>
Retained Profit	17,860,857	12,257,051
	53,640,857	37,557,051
<b>Non current liabilities</b>		
Long-term loan	17,000,000	22,000,000
<b>Current liabilities</b>		
Trade payables	2,665,740	2,850,000
Revenue Service	1,335,839	2,617,837
Current portion loan	5,000,000	5,000,000
Shareholders for dividend	3,767,441	3,361,438
Accrued expenses	220,000	180,000
Bank overdraft	-	1,792,244
	12,989,020	15,801,519
<b>Total Equity and Liabilities</b>	<b>83,629,877</b>	<b>75,358,570</b>

Analyse Handbags for Africa Ltd.'s financial statements by comparing the information for the two years using the following ratios:

**Liquidity**

1. Current ratio
2. Acid test ratio

**Efficiency ratios**

3. Inventory turnover in days
4. Receivables turnover in days
5. Payables turnover in days
6. Total Assets turnover

**Leverage**

7. Debt/Equity ratio
8. Interest cover

**Profitability**

9. Gross profit percentage
10. Net profit percentage
11. Return on total assets
12. Return on equity (before interest and tax) *(12 marks)*

(b) Briefly comment on the significant changes that arise from the analysis of each category of ratios *(13 marks)*

**End of question paper**