

PAGE 1 OF 4

**UNIVERSITY OF SWAZILAND**  
**DEPARTMENT OF ACCOUNTING**  
**MAIN EXAMINATION PAPER MAY, 2012**

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

**TITLE OF PAPER** :ACCOUNTING THEORY  
&INTERNATIONAL ACCOUNTING

**COURSE CODE** :AC 506 (M) 2012/IDE AC506(M)2012

**TIME ALLOWED** :THREE (3) HOURS

**TOTAL MARKS** :100

- INSTRUCTIONS**
1. TOTAL NUMBER OF QUESTIONS ON THIS PAPER: FIVE (5)
  2. ANSWER QUESTION 1 (IT IS COMPULSORY),AND AND ANY OTHER THREE QUESTIONS.THE TOTAL QUESTIONS TO BE ANSWERED ARE FOUR (4).
  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 TABLE

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

**QUESTION 1:****REQUIRED :**

Discuss the concept of “Environmental Remediation”.

(25 marks)

**QUESTION 2:****REQUIRED :**

What is an operating segment?

(25 marks)

**QUESTION 3:****REQUIRED :**

A. Why are financial statements potentially misleading during inflation?

( 5 marks)

B. From the following historical financial statements of Mbabane Peak (Pty) Ltd  
Prepare a comparative historical –cost and current-cost/constant-Emalangeni  
Statement of Comprehensive Income and Position Statement as at 31.3.2012.

**MBABANE PEAK (PTY) LTD  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31.3.2012**

	E
Sales revenue	300,000
Cost of goods sold	144,000
Operating expenses (excluding depreciation)	65,000
Depreciation	11,000
Company tax	32,000
Total expenses	252,000
Net profit	48,000

**MBABANE PEAK (PTY) LTD  
POSITION STATEMENT AS AT  
31.3.2012**

	E
<b>ASSETS</b>	
Current assets other than stock	53,000
Stock	122,000
Plant assets, net	273,000
Goodwill and other assets	14,000
Total Assets	462,000
<b>LIABILITIES AND EQUITY</b>	
Total liabilities	219,000
Shareholders' equity	243,000
Total liabilities and shareholders' equity	462,000

**OTHER INFORMATION**

	<b>E</b>
<b>The current cost of goods sold for 2012 was</b>	<b>162,000</b>
<b>The current cost depreciation was</b>	<b>18,000</b>
<b>Net monetary liabilities as at 31.3.11 was (price index was 100)</b>	<b>133,000</b>
<b>The average price index for 2012 was:</b>	<b>106</b>
<b>As at 31.3.2012 the price index was:</b>	<b>112</b>
<b>During the current year the current cost of the company's stock and plant assets increased by :</b>	<b>44,000</b>
<b>The effect of general inflation was an increase of:</b>	<b>51,000</b>
<b>As at 31.3.2012 the current cost of stock was:</b>	<b>145,000</b>
<b>The current cost of plant assets,net of depreciation,was:</b>	<b>343,000</b>

(20 marks)

**Total for the question**

(25 marks)

**QUESTION 4:**

**REQUIRED :**

- A. In accounting ,how do the needs of External users (especially the external investor) get defined? (10 marks)**
- B With the following investors normative cash flow model calculate the net subjective value of the gain or loss to be obtained by an investor for an investment at time 0.**

$$V_o = \sum_{i=1}^n \frac{D_i \alpha^i}{(1+\beta)^i} + \frac{I_n \alpha^n}{(1+\beta)^n} - I_o$$

Year of income	1	2	3	4	5	6
	E	E	E	E	E	E
Annual dividends per share (Di)	600,000	700,000	800,000	900,000	950,000	980,000
Certainty equivalent	1.5	1.6	1.6	1.7	1.9	2.0

**The opportunity rate is:20% of the risk free investment.**

**The market price at the end of year 6 is E6,000,000.**

**The cost of investment at year 0,when an investment decision is made is E3,000,000.**

**(15 marks)**

**Total for the question**

**(25 marks)**

**QUESTION 5 :**

**What are the qualitative characteristics of financial information?**

**(25 marks)**

**TOTAL FOR THE PAPER**

**(100 marks)**

Present value of an annuity of 1

Years (n)	Interest rates (r)															
	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	1
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	2
3	2.9410	2.8839	2.8286	2.7751	2.7232	2.6730	2.6243	2.5771	2.5313	2.4869	2.4437	2.4018	2.3612	2.3216	2.2832	3
4	3.9020	3.8077	3.7171	3.6299	3.5460	3.4651	3.3872	3.3121	3.2397	3.1699	3.1024	3.0373	2.9745	2.9137	2.8550	4
5	4.8534	4.7135	4.5797	4.4518	4.3295	4.2124	4.1002	3.9927	3.8897	3.7908	3.6959	3.6048	3.5172	3.4331	3.3622	5
6	5.7955	5.6014	5.4172	5.2421	5.0757	4.9173	4.7665	4.6229	4.4859	4.3553	4.2305	4.1114	3.9975	3.8887	3.7846	6
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	7
8	7.6517	7.3255	7.0197	6.7327	6.4632	6.2098	5.9713	5.7466	5.5348	5.3349	5.1461	4.9676	4.7988	4.6389	4.4873	8
9	8.5660	8.1822	7.7861	7.4363	7.1078	6.8017	6.5152	6.2469	5.9952	5.7590	5.5370	5.3282	5.1317	4.9464	4.7716	9
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	5.4262	5.2161	5.0188	10
11	10.3676	9.7868	9.2528	8.7605	8.3064	7.8869	7.4987	7.1390	6.8052	6.4951	6.2065	5.9377	5.6889	5.4527	5.2337	11
12	11.2551	10.5753	9.9540	9.3851	8.8633	8.3838	7.9427	7.5361	7.1607	6.8137	6.4924	6.1944	5.9176	5.6603	5.4206	12
13	12.1337	11.3484	10.6350	9.9856	9.3936	8.8527	8.3577	7.9038	7.4869	7.1034	6.7499	6.4235	6.1218	5.8424	5.5831	13
14	13.0037	12.1062	11.2961	10.5631	9.8986	9.2950	8.7455	8.2442	7.7862	7.3667	6.9819	6.6282	6.3025	6.0021	5.7245	14
15	13.8651	12.8493	11.9379	11.1184	10.3797	9.7122	9.1079	8.5595	8.0607	7.6061	7.1909	6.8109	6.4624	6.1422	5.8474	15
16	14.7179	13.5777	12.5611	11.6523	10.8378	10.1059	9.4466	8.8514	8.3126	7.8237	7.3792	6.9740	6.6039	6.2651	5.9542	16
17	15.5623	14.2919	13.1661	12.1657	11.2741	10.4773	9.7632	9.1216	8.5436	8.0216	7.5488	7.1196	6.7291	6.3729	6.0472	17
18	16.3983	14.9920	13.7535	12.6593	11.6896	10.8276	10.0591	9.3719	8.7556	8.2014	7.7016	7.2497	6.8399	6.4674	6.1280	18
19	17.2260	15.6785	14.3238	13.1339	12.0853	11.1581	10.3356	9.6036	8.9501	8.3649	7.8393	7.3658	6.9380	6.5504	6.1982	19
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	6.6231	6.2593	20
25	22.0232	19.5235	17.4131	15.6221	14.0939	12.7834	11.6536	10.6748	9.8226	9.0770	8.4217	7.8431	7.3300	6.8729	6.4641	25
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	30
35	29.4086	24.9986	21.4872	18.6646	16.3742	14.4982	12.9477	11.6546	10.5668	9.6442	8.8552	8.1755	7.5866	7.0700	6.6166	35
40	32.8347	27.3555	23.1148	19.7928	17.1591	15.0463	13.3317	11.9246	10.7574	9.7791	8.9511	8.2438	7.6344	7.1050	6.6418	40
45	36.0945	29.4902	24.5187	20.7200	17.7741	15.4568	13.6055	12.1084	10.8812	9.8628	9.0079	8.2825	7.6609	7.1232	6.6543	45
50	39.1961	31.4236	26.7298	21.4822	18.2559	15.7619	13.8007	12.2335	10.9617	9.9148	9.0417	8.3045	7.6752	7.1327	6.6606	50

	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	1
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	1.3915	1.3761	1.3609	2
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	1.8161	3
4	2.7982	2.7432	2.6901	2.6386	2.5887	2.5404	2.4936	2.4483	2.4043	2.3616	2.3202	2.2800	2.2410	2.2031	2.1662	4
5	3.2743	3.1993	3.1272	3.0576	2.9906	2.9260	2.8636	2.8035	2.7454	2.6893	2.6351	2.5827	2.5320	2.4830	2.4356	5
6	3.6847	3.5892	3.4976	3.4098	3.3255	3.2446	3.1669	3.0923	3.0205	2.9514	2.8850	2.8210	2.7594	2.7000	2.6427	6
7	4.0386	3.9224	3.8115	3.7057	3.6046	3.5079	3.4155	3.3270	3.2423	3.1611	3.0833	3.0087	2.9370	2.8682	2.8021	7
8	4.3436	4.2072	4.0776	3.9544	3.8372	3.7256	3.6193	3.5179	3.4212	3.3289	3.2407	3.1564	3.0758	2.9986	2.9247	8
9	4.6065	4.4506	4.3030	4.1633	4.0310	3.9054	3.7863	3.6731	3.5655	3.4631	3.3657	3.2728	3.1842	3.0997	3.0190	9
10	4.8332	4.6586	4.4941	4.3389	4.1925	4.0541	3.9232	3.7993	3.6819	3.5705	3.4648	3.3644	3.2689	3.1781	3.0915	10
11	5.0286	4.8364	4.6560	4.4865	4.3271	4.1769	4.0354	3.9018	3.7757	3.6564	3.5435	3.4365	3.3351	3.2388	3.1473	11
12	5.1971	4.9884	4.7932	4.6105	4.4392	4.2784	4.1274	3.9852	3.8514	3.7251	3.6059	3.4933	3.3868	3.2859	3.1903	12
13	5.3423	5.1183	4.9095	4.7147	4.5327	4.3624	4.2028	4.0530	3.9124	3.7801	3.6555	3.5381	3.4272	3.3224	3.2233	13
14	5.4675	5.2293	5.0081	4.8023	4.6106	4.4317	4.2646	4.1082	3.9616	3.8241	3.6949	3.5733	3.4587	3.3507	3.2487	14
15	5.5755	5.3242	5.0916	4.8759	4.6755	4.4890	4.3152	4.1530	4.0013	3.8593	3.7261	3.6010	3.4834	3.3726	3.2682	15
16	5.6685	5.4053	5.1624	4.9377	4.7296	4.5364	4.3567	4.1894	4.0333	3.8874	3.7509	3.6228	3.5026	3.3896	3.2832	16
17	5.7487	5.4746	5.2223	4.9897	4.7746	4.5755	4.3908	4.2190	4.0591	3.9099	3.7705	3.6400	3.5177	3.4028	3.2948	17
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	18
19	5.8775	5.5845	5.3162	5.0700	4.8435	4.6346	4.4415	4.2627	4.0967	3.9424	3.7985	3.6642	3.5386	3.4210	3.3105	19
20	5.9288	5.6278	5.3527	5.1009	4.8696	4.6567	4.4603	4.2766	4.1103	3.9539	3.8083	3.6726	3.5458	3.4271	3.3158	20
25	6.0971	5.7662	5.4669	5.1951	4.9476	4.7213	4.5139	4.3232	4.1474	3.9849	3.8342	3.6943	3.5640	3.4423	3.3286	25
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	3.4466	3.3321	30

Table 2 Present value of 1 at compound interest:  $(1+r)$

Years (n)	Interest rates (r)															
	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	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	0.8396	0.8163	0.7938	0.7722	0.7513	0.7312	0.7118	0.6931	0.6750	0.6575	3
4	0.9610	0.9238	0.8885	0.8548	0.8227	0.7921	0.7629	0.7350	0.7084	0.6830	0.6587	0.6355	0.6133	0.5921	0.5718	4
5	0.9515	0.9057	0.8626	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	0.5346	0.5066	0.4803	0.4556	0.4323	6
7	0.9327	0.8706	0.8131	0.7599	0.7107	0.6651	0.6227	0.5835	0.5470	0.5132	0.4817	0.4523	0.4251	0.3996	0.3759	7
8	0.9235	0.8535	0.7894	0.7307	0.6768	0.6274	0.5820	0.5403	0.5019	0.4665	0.4339	0.4039	0.3762	0.3506	0.3269	8
9	0.9143	0.8368	0.7664	0.7026	0.6446	0.5919	0.5439	0.5002	0.4604	0.4241	0.3909	0.3606	0.3329	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	0.2946	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	0.2607	0.2366	0.2149	11
12	0.8874	0.7885	0.7014	0.6246	0.5568	0.4970	0.4440	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	0.2877	0.2575	0.2292	0.2042	0.1821	0.1625	13
14	0.8700	0.7579	0.6611	0.5775	0.5051	0.4423	0.3878	0.3406	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	0.3162	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	0.2176	0.1883	0.1631	0.1415	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	0.1696	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	0.1108	0.0946	0.0808	18
19	0.8277	0.6864	0.5703	0.4746	0.3957	0.3305	0.2766	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	0.2145	0.1784	0.1486	0.1240	0.1037	0.0868	0.0728	0.0611	20
25	0.7795	0.6095	0.4776	0.3751	0.2953	0.2330	0.1842	0.1460	0.1160	0.0923	0.0736	0.0588	0.0471	0.0378	0.0304	25
30	0.7419	0.5521	0.4120	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	0.2083	0.1420	0.0972	0.0668	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
	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	1
2	0.7432	0.7305	0.7182	0.7062	0.6944	0.6830	0.6719	0.6610	0.6504	0.6400	0.6299	0.6200	0.6104	0.6009	0.5917	2
3	0.6407	0.6244	0.6086	0.5934	0.5787	0.5645	0.5507	0.5374	0.5245	0.5120	0.4999	0.4882	0.4768	0.4658	0.4552	3
4	0.5523	0.5337	0.5158	0.4987	0.4823	0.4665	0.4514	0.4369	0.4230	0.4096	0.3968	0.3844	0.3725	0.3611	0.3501	4
5	0.4761	0.4561	0.4371	0.4190	0.4019	0.3855	0.3700	0.3552	0.3411	0.3277	0.3149	0.3027	0.2910	0.2799	0.2693	5
6	0.4104	0.3898	0.3704	0.3521	0.3349	0.3186	0.3033	0.2888	0.2751	0.2621	0.2499	0.2383	0.2274	0.2170	0.2072	6
7	0.3538	0.3332	0.3139	0.2959	0.2791	0.2633	0.2486	0.2348	0.2218	0.2097	0.1983	0.1877	0.1776	0.1682	0.1594	7
8	0.3050	0.2848	0.2660	0.2487	0.2326	0.2176	0.2038	0.1909	0.1789	0.1678	0.1574	0.1478	0.1388	0.1304	0.1226	8
9	0.2630	0.2434	0.2255	0.2090	0.1938	0.1799	0.1670	0.1552	0.1443	0.1342	0.1249	0.1164	0.1084	0.1011	0.0943	9
10	0.2267	0.2080	0.1911	0.1756	0.1615	0.1486	0.1369	0.1262	0.1164	0.1074	0.0992	0.0916	0.0847	0.0784	0.0725	10
11	0.1954	0.1778	0.1619	0.1476	0.1346	0.1228	0.1122	0.1026	0.0938	0.0859	0.0787	0.0721	0.0662	0.0607	0.0558	11
12	0.1685	0.1520	0.1372	0.1240	0.1122	0.1015	0.0920	0.0834	0.0757	0.0687	0.0625	0.0568	0.0517	0.0471	0.0429	12
13	0.1452	0.1299	0.1163	0.1042	0.0935	0.0839	0.0754	0.0678	0.0610	0.0550	0.0496	0.0447	0.0404	0.0365	0.0330	13
14	0.1252	0.1110	0.0985	0.0876	0.0779	0.0693	0.0618	0.0551	0.0492	0.0440	0.0393	0.0352	0.0316	0.0283	0.0254	14
15	0.1079	0.0949	0.0835	0.0736	0.0649	0.0573	0.0507	0.0448	0.0397	0.0352	0.0312	0.0277	0.0247	0.0219	0.0196	15
16	0.0930	0.0811	0.0708	0.0618	0.0541	0.0474	0.0415	0.0364	0.0320	0.0281	0.0248	0.0218	0.0193	0.0170	0.0150	16
17	0.0802	0.0693	0.0600	0.0520	0.0451	0.0391	0.0340	0.0296	0.0258	0.0225	0.0197	0.0172	0.0150	0.0132	0.0116	17
18	0.0691	0.0592	0.0508	0.0437	0.0376	0.0323	0.0279	0.0241	0.0208	0.0180	0.0156	0.0135	0.0118	0.0102	0.0089	18
19	0.0596	0.0506	0.0431	0.0367	0.0313	0.0267	0.0229	0.0196	0.0168	0.0144	0.0124	0.0107	0.0092	0.0079	0.0068	19
20	0.5122	0.4222	0.3422	0.2722	0.2122	0.1622	0.1222	0.0822	0.0522	0.0322	0.0222	0.0122	0.0072	0.0042	0.0022	20