

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
SUPPLEMENTARY EXAMINATION PAPER JULY 2015

DEGREE/ DIPLOMA AND

YEAR OF STUDY : B. COM 11/ DIPLOMA IN COMMERCE 111

TITLE OF PAPER : INTERMEDIATE FINANCIAL ACCOUNTING 11

COURSE CODE : AC212/ IDE AC212/ IDE AC312 (S) JULY 2015

TOTAL MARKS : 100 MARKS

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.

THIS PAPER IS NOT TO BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVILATOR OR SUPERVISOR.

SPECIAL REQUIREMENTS: CALCULATOR

QUESTION 1

Sales House 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 2014.

	Head office books		Branch books	
	Dr	Cr	Dr	Cr
Administrative expenses	380		30	
Distribution costs	157		172	
Capital (at 1 January 2014)		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. 2014		280		120
Plant and equipment: at cost	250		80	
Accumulated depreciation at 31 Dec. 2014		120		30
Proprietor's drawings during the year	64			
Provision for unrealised profit on branch inventory at 1 January 2014		5		
Purchases	880			
Sales		1200		570
Inventory at cost/ invoiced amount at 1 January 2014	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 2014 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 2014. These goods had not been received by the branch until 5 January 2015 and so they had not been included in the branch books of account.

- On 31 December 2014, the branch had transferred E15,000 of cash to the head office bank, but this was not received in Mbabane until 2 January 2015.

Required:

- Prepare in adjacent columns: (i) the head office, and (ii) the branch statement of comprehensive income for the year ending 31 December 2014 (A combined statement of comprehensive income is not required); and (10 Marks)

- b) Prepare in vertical format, Sales House statement of financial position as at 31 December 2014 (note: separate statement of financial positions for the head office and the branch are not required) (15 Marks)

Total: (25 Marks)

QUESTION 2

On 1 January 2012, Calvin Bought a machine costing E20,000 on hire purchase. He paid a deposit of E6,000 on 1 January 2012 and he also agreed to pay two annual instalments of E5,828 on 31 December in each year, and a final instalment of E5,831 on 31 December 2014.

The implied rate of interest in the agreement was 12%. This rate of interest is to be applied to the amount outstanding in the hire purchase loan account as at the beginning of the year.

The machine is to be depreciated on a straight line basis over five years on the assumption that the machine will have no residual value at the end of that time.

Required:

- a) Write up the following accounts for each of the three years to 31 December 2012, 2013 and 2014 respectively:
 - I. Machine at cost; (1 Mark)
 - II. Accumulated depreciation on the machine; (4 Marks)
 - III. Hire Purchase Loan a/c (12 Marks)

- b) Show the statement of financial position extracts for the year as at 31 December 2012, 2013, 2014 respectively for the following items:
 - I. Machine at cost; (1½ Marks)
 - II. Accumulated depreciation on the machine; (1½ Marks)
 - III. Non-current liabilities: obligations under hire purchase contract; and (2 Marks)
 - IV. Current liabilities: obligations under hire purchase contract; (3 Marks)

Total: (25 Marks)

QUESTION 3

You are to study the following financial statements for two furniture stores and then answer the questions which follow.

	Africa Dlamini		Europe Baker	
Statement of comprehensive income	E	E	E	E
Sales		555,000		750,000
Less Cost of goods sold				
Opening inventory	100,000		80,000	
Add: Purchases	<u>200,000</u>		<u>320,000</u>	
	300,000		400,000	
Final stock	<u>(60,000)</u>		<u>(70,000)</u>	
		<u>240,000</u>		<u>330,000</u>
Gross profit		315,000		420,000
Depreciation	5,000		15,000	
Wages, salaries and commission	165,000		220,000	
Other expenses	<u>45,000</u>		<u>35,000</u>	
		<u>215,000</u>		<u>270,000</u>
Net profit		<u>100,000</u>		<u>150,000</u>

Statement of financial position	Africa Dlamini	Europe Baker
Non current assets		
Equipment at cost	50,000	100,000
Less: Depreciation to date	<u>(40,000)</u>	<u>(30,000)</u>
	10,000	70,000
Current assets		
Inventory	60,000	70,000
Accounts receivable	125,000	100,000
Bank	<u>25,000</u>	<u>12,500</u>
	210,000	182,500
Total assets	220,000	252,500
Current liabilities		
Accounts payable	(104,000)	(100,500)
	<u>116,000</u>	<u>152,000</u>
Financed by:		
Capitals		
Balance at start of year	76,000	72,000
Add: Net profit	<u>100,000</u>	<u>150,000</u>
	176,000	222,000
Drawings	<u>(60,000)</u>	<u>(70,000)</u>
	<u>116,000</u>	<u>152,000</u>

Required:

- i. Calculate the following ratios for each business:
 - a) Gross profit as a percentage of sales (1 Mark)
 - b) Net profit as a percentage of sales (1 Mark)
 - c) Inventory turnover (1 Mark)
 - d) Rate of return of net profit on capital employed (use the average of the capital account for this purpose); (1 Mark)
 - e) Current ratio (1 Mark)
 - f) Acid test ratio (1 Mark)
 - g) Debtors days (1 Mark)
 - h) Accounts payable days (1 Mark)
- ii. Drawing upon your knowledge of accounting, comment upon the differences and similarities of the accounting ratios for Africa Dlamini and Europe Baker. Which business seems to be the most efficient? Give possible reasons. (17 Marks)

Total: (25 Marks)

QUESTION 4

- a) What are the uses of a business plan to the entrepreneur and those who might be interested in the business? How does it help to have one in place? (14 Marks)
- b) Discuss the functions of a budget? (11 Marks)

Total: (25 Marks)