

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING

MAIN EXAMINATION PAPER DECEMBER 2015

DEGREE/ DIPLOMA AND

YEAR OF STUDY : B. COM II, B.COM LEVEL III AND B.ED III

TITLE OF PAPER : INTERMEDIATE FINANCIAL ACCOUNTING 1

COURSE CODE : AC211/AC311 (M) DECEMBER 2015

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 Round off calculations as you deem appropriate.

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.

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SPECIAL REQUIREMENTS: CALCULATOR

QUESTION 1

Alpheus, Bright and Celine were partners in partnership sharing profits and losses in the ratio 4:3:3. Their partnership was liquidated on 31 December 2010 and their trial balance as at that date was as follows:

	DR E	CR E
Capital accounts (at 1 January 2010):		
Alpheus		45,200
Bright		5,170
Celine		27,030
Loan: Alpheus		1,800
Trade and other payables		13,490
Motor vehicles	7,200	
Furniture and fittings	10,400	
Office equipment	1,300	
Inventory	55,800	
Expenses prepaid	250	
Trade and other receivables	16,400	
Allowance for credit losses		800
Bank	2,140	
	91,350	93,490

The realisation transactions were as follows:

1. Alpheus took over one of the vehicles, which has a net carrying amount of E2,500, in settlement of His loan account.
2. The remaining vehicles were sold for E4,000.
3. E14,000 was collected from trade debtors.
4. Trade payables were settled in full for E12,990.
5. The furniture and fittings were sold for E10,200 and the inventory for E37,800.
6. It was agreed that Celine would be paid E1,200 for work he had done to sell the assets.
7. Liquidation expenses amounted to E3,400

Required:

Write up the following accounts for the year to 31 December 2010:

- a) The partners' capital accounts. (6½ Marks)
- b) The liquidation/ realization account. (11 Marks)
- c) Bank account. (7½ Marks)

Total: (25 Marks)

QUESTION 2

- 2.1 Malthus Ltd's current financial statements were completed by 25 July 2015 and were authorized for issue by the directors on 12 August 2015.

You are required to do the following:

State in each of the following cases, whether the event represents an adjusting or a non-adjusting event after the reporting date and how you would record or recognize each event in the financial statements for the year ended 30 June 2015, if at all.

- a) Malthus Ltd declared a final ordinary E0.25 per share on 31 July 2015 based on the results for the 30 June 2015 year end. The dividend is payable on 5 August 2015. (3 Marks)
 - b) The company issued 100 debentures at E10 million on 23 July 2015, paying interest at 15% per annum. (3 Marks)
 - c) The company reported a contingent liability at 30 June 2015 in respect of a court case in which Malthus Ltd was the defendant. The case was not heard until the last week of July. On 5 August, the judge ruled against Malthus Ltd, and determined that Malthus Ltd was liable for payment of damages and costs totaling E3 million. (3 Marks)
 - d) At 29 June 2015, Malthus Ltd sold inventory with a cost price of E500,000 to Betty Limited and recorded the sale and amount receivable of E900,000. Betty Limited indicated that would only be able to settle the outstanding amount when the inventory purchased from Malthus Ltd had been sold to customers. Malthus Ltd signed an agreement with Betty Limited on 2 July 2015 stating that Betty Ltd could repay the outstanding amount of E900,000 on 30 June 2016. (3 Marks)
 - e) Malthus Ltd on the 20 June 2015 made a provision for audit fees of E200,000 for the year ended 30 June 2015 and received a final invoice from the auditors for the year ended 30 June 2015 on the 10 August 2015 for E250,000.
- 2.2 It is not always clear whether an event occurring after the reporting date is an adjusting event or a non-adjusting event. Explain the difference between an adjusting and a non-adjusting event, and give an example of each. (10 Marks)

Total: (25 Marks)

QUESTION 3

From the following details you are required to draft a statement of cash flows for Donald Dlamini for the year ending 31 December 2011, using the IAS 7 layout.

Statement of comprehensive income for the year ended 31 December 2011.

	E000	E000
Gross profit		44,700
Add: Discount received	410	
Profit on sale of van	620	
	<u> </u>	1,030
		<u>45,730</u>
Less Expenses		
Motor expenses	1,940	
Wages	17,200	
General expenses	830	
Bad debts	520	
Increase in allowance for doubtful debts	200	
Depreciation: Van	1,800	
	<u> </u>	22,490
		<u>23,240</u>

Donald Dlamini**Statement of financial position of as at 31 December 2011**

	2010	2011
Non current assets		
Vans at cost	15,400	8,200
Less: Depreciation to date	<u>(5,300)</u>	<u>(3,100)</u>
	10,100	5,100
Current assets		
Inventory	18,600	24,000
Accounts receivable less allowance*	8,200	6,900
Bank	410	720
	<u>27,210</u>	<u>31,620</u>
Less: Current liabilities		
Accounts payable	5,900	7,200
Less: Long term liabilities		
Loans from J. Fyfe	10,000	7,500
	<u>21,410</u>	<u>22,020</u>
Capital		
Opening balance b/d	17,210	21,410
Add Net profit	21,200	23,240
	<u>38,410</u>	<u>44,650</u>
Less Drawings	<u>(17,000)</u>	<u>(22,630)</u>
	<u>21,410</u>	<u>22,020</u>

*Accounts receivable 2010 E8,800 – allowance E600.

Accounts receivable 2011 E7,700 – allowance E800.

Note: A van was sold for E3,820 during 2011. No vans were purchased during the year.

Total: (25 Marks)

QUESTION 4

Craig Company uses a perpetual inventory system for its one product. Its opening inventory, purchases, and sales for 2014 are as follows:

Date	Activity	Units acquired at cost	Units sold at retail	Unit inventory
1-Jan-14	Open. Inventory	400 units @ E14=E5,600		400 Units
15-Jan-14	Sale		200 units @ E30	200 Units
10-Mar-14	Purchase	200 Units @ E15=E3,000		400 Units
1-Apr-14	Sale		200 units @ E30	200 units
9-May-14	Purchase	300 Units @ E16=E4,800		500 Units
22-Sep-14	Purchase	250 Units @ E20=E5,000		750 Units
1-Nov-14	Sale		300 Units @ E35	450 Units
28-Nov-14	Purchase	100 Units @ E21=E2,100		550 Units
		1,250 Units =E20,500	700 units	

- Calculate the cost of goods available for sale (4 Marks)
- Apply the FIFO to calculate ending inventory and cost of goods sold (9 Marks)
- Briefly explain why the LIFO method is not allowed under IAS 2? (2 Marks)
- Prepare a manufacturing account and income statement from the following balances of W. Miller for the year ending 31 December 2014 (10 Marks)

	E
Inventory at 1 January 2014	
Raw materials	25,400
Work in progress	31,100
Finished goods	23,260
Purchases: raw materials	91,535
Carriage on raw materials	1,960
Direct labour	84,208
Office salaries	33,419
Rent	5,200
Office light and heating	4,420
Depreciation: works machinery	10,200
Office equipment	2,300
Sales	318,622
Factory fuel and power	8,120

Rent is to be apportioned: factory $\frac{3}{4}$; office $\frac{1}{4}$. Inventory at 31 December 2014 was: Raw materials E28 900; Work in progress E24 600 and finished goods E28 840.

Total: (25 Marks)