

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
SUPPLEMENTARY EXAMINATION PAPER JULY 2016

DEGREE/ DIPLOMA AND

YEAR OF STUDY : B. COM 11/ B.COM LEVEL 111

TITLE OF PAPER : INTERMEDIATE FINANCIAL ACCOUNTING 1

COURSE CODE : AC211 /IDE AC311 (S) JULY 2016

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. (6¹/₂ Marks)
- b) The liquidation/ realization account. (11 Marks)
- c) Bank account. (7¹/₂ Marks)

Total: (25 Marks)

QUESTION 2

The following is a trial balance extracted from the books of Janet Joubert as at 31 December 2010 and she manufactures toys.

	DR E	CR E
Stock of raw materials -01.01.2011	21,000	
Stock of finished goods - 01.01.2011	38,900	
Work in progress - 01.01.2011	13,500	
Wages (direct E180,000; factory indirect E145,000)	325,000	
Royalties	7,000	
Carriage inwards (on raw materials)	3,500	
Purchases of raw materials	370,000	
Productive machinery (cost E280,000)	230,000	
Administration computers	12,000	
General factory expenses	31,000	
Lighting	7,500	
Factory power	13,700	
Administration salaries	44,000	
Sales representative salaries	30,000	
Commission on sales	11,500	
Rent	12,000	
Insurance	4,200	
General administration expenses	13,400	
Bank charges	2,300	
Discount allowed	4,800	
Carriage outwards	5,900	
Sales		1,000,000
Accounts receivable and accounts payable	142,300	64,000
Bank and cash	18,300	
Drawings	60,000	
Capital as at 01.01.2010		357,800
	<u>1,421,800</u>	<u>1,421,800</u>

Additional information:

1. Stock of raw materials E24,000; stock of finished goods E40,000; work in progress E15,000.
2. Lighting, rent and insurance are to be apportioned: factory 5/6, administration 1/6.
3. Depreciation on productive machinery and administrative computers at 10% per annum on cost.

Required:

- a) Manufacturing account for the year ended 31 December 2010. (8¹/₂ Marks)
- b) Statement of comprehensive income for the year ended 31 December 2010. (10 Marks)
- c) Statement of financial position as at 31 December 2010. (6¹/₂ Marks)

NB: Expenses in the statement of comprehensive income should be classified as administration expenses, selling and distribution expenses and or financial charges.

Total: (25 Marks)

QUESTION 3**Statement of comprehensive income for the year ended 31 December 2010**

	E000	E000
Sales		495
Raw materials consumed	49	
Staff costs	37	
Depreciation	74	
Loss on disposal of assets	4	
		<u>(164)</u>
Operating profit		331
Interest payable		<u>(23)</u>
Profit before tax		308
Tax provision		<u>(87)</u>
Retained profit for the year		<u><u>221</u></u>

Ndoda Dlamini**Statement of financial position of as at 31 December 2010**

	2010	2009
Fixed assets (see below)	1,145	957
Current assets		
Stock	19	16
Trade debtors	38	29
Bank	31	37
	<u>88</u>	<u>82</u>
Less: Current liabilities		
Trade creditors	12	17
Taxation	100	81
	<u>112</u>	<u>98</u>
	<u>(24)</u>	<u>(16)</u>
	1,121	941
Less: Long term liabilities		
Loans	70	320
	<u>1,051</u>	<u>621</u>
Capital	621	232
Cash introduced	39	-
Revaluation reserve	170	-
Profit and loss	221	389
	<u>1,051</u>	<u>621</u>

Note 1

Fixed assets	Land & Buildings E000	Machinery E000	Furniture E000	Total E000
Cost or valuation				
at 31 December 2009	830	470	197	1,497
Additions	0	43	55	98
Disposals	0	(18)	0	(18)
Revaluation	70	0	0	70
At 31 December 2010	900	495	252	1,647
Depreciation				
At 31 December 2009	(90)	(270)	(180)	(540)
Charge for year	(10)	(56)	(8)	(74)
Disposals	0	12	0	12
Adjustment on revaluation	100	0	0	100
At 31 December 2010	0	(314)	(188)	(502)
Net book value				
At 31 December 2010	900	181	64	1,145
At 31 December 2009	740	200	17	957

Required:

Prepare a statement of cash flows for Ndoda Dlamini for the year ended 31 December 2010 in accordance with IAS7.

Total: (25 Marks)

QUESTION 4

- i) David, Seth, and Tayo entered into a joint venture for selling fish and chips during the local intervarsity games that were held in February/ March 2010. The following transactions took place:

2010

- February 1 David rented a caravan paying a whole month's rent E1,400.
- February 3 Seth bought a horse drawn cart for E1,450.
- February 5 Tayo received cash from sale proceeds of fish & chips E20,940.
- February 23 David bought fish and chips supplies for E11,300.
- February 24 The horse drawn cart was stolen and Tayo hired a sedan and paid by cheque an amount of E400 for its use.
- February 25 The horse drawn cart had been insured with SRIC who paid E1,100 to David.
- February 26 Sales of fish and chips, cash being paid by Seth E2,800.
- February 27 Lighting bills for caravan paid for by Tayo E58.
- February 28 Tayo bought fish and chips for E1,100.
- March 3 General expenses for caravan paid of E728. These were paid for by Tayo $\frac{1}{3}$ and David $\frac{2}{3}$.
- March 4 Fish and chips taken over by Tayo at an agreed valuation of E1,500.
- March 31 The Joint venture was ended. The fish and chips remaining were taken over at an agreed valuation of E4,100 by Seth.

Required:

- a) Prepare their joint venture accounts to close off the books of the venture.
(13 Marks)
- b) Prepare the memorandum joint venture account assuming that they share profits and losses in the ratio David $\frac{2}{5}$, Seth $\frac{1}{5}$ and Tayo $\frac{2}{5}$. Any outstanding balances between the parties were settled on 31 March 2010.
(7 Marks)

- ii) Explain the importance of reviewing events after the reporting period by auditors and distinguish between two types of these events in accordance with IAS 10.

(5 Marks)

Total: (25 Marks)