

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

FACULTY OF COMMERCE

SUPPLEMENTARY EXAMINATION PAPER

JULY 2016

DEGREE / YEAR OF STUDY: B.COM II YEAR /DIPLOMA IN COMMERECE III

Title of Paper : **INTERMEDIATE FINANCIAL ACCOUNTING-II**

Course Code : AC212/IDE AC 312 July 2016

Total Marks : 100

Time Allowed : **THREE HOURS**

Instructions

- (i) There are **FOUR** Questions Answers to All
- (ii) Begin the solutions to each Question on a New page
- (iii) The marks awarded for each question are indicated at the end of the question
- (iv) Show all your workings
- (v) Calculations are to be made to zero decimal places of accuracy, unless otherwise Instructed.

RECOMMENDATION: Reading time should not exceed fifteen minutes

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 INVIGILATOR
OR SUPERVISOR**

SPECIAL REQUIREMENTS : CALCULATOR

QUESTION NO.01

Mr. Mervin trader, commenced business on 1st January 2015, with a head office and one branch. All goods were purchased by the head office and goods sent to the branch were invoiced at a fixed selling price of 25 above cost. All sales, both by the head office and the branch, were made at the fixed selling price. **(Marks: 25)**

The following trial balance was extracted from the books at the head office at 31st december 2015

	E	E
Capital		1, 04,000
Drawings	3,480	
Purchases	2, 46,760	
Sales		1, 67,100
Goods sent to branch (at selling price)		1, 12,500
Branch current account	49,100	
Non – current assets	66,000	
Accounts receivable and accounts payable	15,960	22,120
Office expenses	16,940	
Balance at bank	7,480	
Total	4, 05,720	4, 05,720
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No entries had been made in the head office books for cash in transit from the branch to head office at 31st December 2015, E2, 000 When the balances shown below were extracted from the branch books at 31st December 2015, no entries had been made in the books of the branch for goods in transit on that date from head office to branch E1, 840 (selling price) in addition to the balances which can be deduced from the information given above, the following balances appeared in the branch books on 31st December 2015

Particulars	E
Non- current assets	12,000
General expenses	12,140
Accounts receivable	14,080
Accounts payable (excluding head office)	3,260
Sales	1,03,400
Balance at bank	3,040

When inventory was taken on 31st December 2015, it was found that there was no shortage at the head office, but at the branch there were shortages amounting to E600, at selling price you are required to prepare income statements a. for head office and b. for the branch office as they would have appeared if goods sent to the branch had been invoiced at cost, and a balance sheet of the whole business as on 31st December 2015 head office and branch inventories are to be valued at cost (ignore depreciation of Non-current assets.)

QUESTION NO. 02.

- i. What is budgeting? Explain the characteristics of good budgeting. (Marks:10)
- ii. On 1st January 2012, Mr X purchased a machine on hire – purchase system. The total cash price of the machine is E 31,960, payable E 8,000 down payment, and remaining amount three instalments of E12, 000, E10, 000 and E 4,000 payable at the end of the first, second and third year respectively. Interest is charged at 5% per annum. And this 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.

(Marks:15)

- a. Prepare ledger accounts in the books of Mr X

QUESTION NO. 3

- i. What is Ratio Analysis? Explain the advantages of Ratio Analysis. (Marks:10)
- ii. The following is the profit and loss account of a trader for the year ended 31st December 2015 and the balance sheet as on the date. (Marks: 15)

Trading and profit and loss Account

Particulars	Amount	Particulars	Amount
Opening stock	10,000	sales	1, 00,000
Purchases	55,000	closing stock	15,000
Gross profit c/d	50,000		
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	1,15,000		1,15,000
	-----		-----
Office expenses	18,000	Gross profit	50,000
Selling expenses	12,000		
Net profit	20,000		
Total	50,000		50,000

Balance sheet as on 31st December 2015

Liabilities	Amount	Assets	Amount
Capital	1, 00,000	land and buildings	50,000
Profit & loss Account	20,000	plant and machinery	30,000
Creditors	25,000	stock	15,000
Bills payable	15,000	sundry debtors	15,000
		Bills receivable	12,500
		Cash at bank	17,500
		Furniture	20,000
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	1,60,000		1,60,000
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Required to calculated the following

- Stock turnover ratio
- Current ratio
- Gross profit ratio
- Net profit ratio
- Operating ratio
- Liquidity ratio
- Proprietary ratio.

QUESTION NO. 4

- What are the important factors affecting for estimation of useful life of property, plant and equipment? (Marks: 10)
- Define and describe the intangible asset in accordance with IAS 38 and what are the relevant factors are determining the estimated useful life of an intangible asset. (Marks: 15)