

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
MAIN EXAMINATION PAPER DECEMBER 2016

DEGREE/ DIPLOMA AND

YEAR OF STUDY : B. COM 11/ B.COM LEVEL 3

TITLE OF PAPER : INTERMEDIATE FINANCIAL ACCOUNTING 1

COURSE CODE : ACF211/ AC211/ AC311 (M) DECEMBER 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 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.

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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 2015 and their trial balance as at that date was as follows:

	DR E	CR E
Capital accounts (at 1 January 2015):		
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 2015:

- 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

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 discuss the two fundamental characteristics that make financial statements useful? (10 Marks)
- Explain what the going concern assumption means as it applies in the preparation of financial statements according to the conceptual framework? (2 Marks)

Total: (25 Marks)

QUESTION 3

Statement of comprehensive income for the year ended 31 December 2015						
					E000	E000
Sales						495
Raw materials consumed					49	
Staff costs					37	
Depreciation					74	
Loss on disposal of assets					4	
						-164
Operating profit						331
Interest payable						-23
Profit before tax						308
Tax provision						-87
Retained profit for the year						221
Ndoda Dlamini						
Statement of financial position of as at 31 December 2015						
					2015	2014
Fixed assets (see below)					1 145	957
Current assets						
Stock					19	16
Trade debtors					38	29
Bank					31	37
					88	82
Less: Current liabilities						
Trade creditors					12	17
Taxation					100	81
					112	98
					-24	-16
					1 121	941
Less: Long term liabilities						
Loans					70	320
					1 051	621
Capital					621	232
Cash introduced					39	-
Revaluation reserve					170	-
Profit and loss					221	389
					1 051	621

Additional information:**Note 1**

Fixed assets	Land & Buildings	Machinery	Furniture	Total
	E000	E000	E000	E000
Cost or valuation at 31 December 2014	830	470	197	1 497
Additions	0	43	55	98
Disposals	0	-18	0	-18
Revaluation	70	0	0	70
At 31 December 2015	900	495	252	1 647
Depreciation				
At 31 December 2014	-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 2015	0	-314	-188	-502
Net book value				
At 31 December 2015	900	181	64	1 145
At 31 December 2014	740	200	17	957

Required:

Prepare a statement of cash flows for Ndoda Dlamini for the year ended 31 December 2015 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 2015. The following transactions took place:

2015

- 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.
(15 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 2015.
(10 Marks)

Total: (25 Marks)