

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
SUPPLEMENTARY/ RE-SIT EXAMINATION PAPER JULY 2017

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 (S/RE-SIT) JULY 2017

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

FELIX SMITH					
STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2016					
				2 016	2 015
				E	E
Non current assets				890 000	824 000
Land: cost				725 000	600 000
Plant and equipment: cost				531 000	504 000
Accumulated depreciation - Plant and equipment				-366 000	-280 000
Current assets				895 200	722 000
Inventory				360 000	440 000
Accounts receivable				200 000	240 000
Prepayments				1 200	2 000
Bank				334 000	40 000
				1 785 200	1 546 000
Equity and liabilities					
Equity				900 200	706 000
Capital				475 000	400 000
Retained earnings				545 200	306 000
Drawings				-120 000	0
Non current liabilities					
12% Long term loan				645 000	560 000
Current liabilities				240 000	280 000
Accounts payable				188 000	244 000
Taxation				52 000	36 000
				1 785 200	1 546 000

Additional information:

1. Plant and equipment which cost E48 000 were sold and accumulated depreciation to the date of sale amounted to E34 000.
2. Included in other operating expenses is a depreciation expense of E120 000.

Required:

Prepare a statement of cash flows for Felix Smith for the year ended 28 February 2016 using the layout given in IAS 7. (25 Marks)

Total: (25 Marks)

QUESTION 2

- a) Briefly discuss five enhancing qualitative characteristics that make financial statements useful? (15 Marks)
- b) Explain what the going concern assumption means as it applies in the preparation of financial statements according to the conceptual framework? (5 Marks)
- c) Distinguish between adjusting and non-adjusting events after the reporting period? (5 Marks)

Total: (25 Marks)

QUESTION 3

Gerald and Henry are in partnership sharing profits and losses in the ratio 3 to 2. The following information relates to the year ended 30 June 2016:

		DR	CR
		E000	E000
Capital accounts (at 1 July 2015):			
	Gerald		300
	Henry		100
Cash at bank		5	
Accounts payable and accruals			25
Accounts receivable and prepayments		18	
Drawings during the year:			
	Gerald (all at 30 June December 2015)	40	
	Henry (all at 30 September 2015)	40	
Non current assets: at cost			
	Accumulated depreciation (at 30 June 2016)		100
	Henry - Salary	10	
Net profit (for the year to 31 June 2016)			
			60
Inventory at cost (at 30 June 2016)		90	
Trade accounts payable			141
Trade accounts receivable		223	
		726	726

Additional information:

- The partnership agreements allows for Henry to be paid a salary of E20,000 per annum, and for interest of 5 per cent per annum to be paid on the partners' capital account balances as at 1 July in each year. Interest at a rate of 10 per cent per annum is charged on the partners' drawings.
- The partners decide to dissolve the partnership as at 30 June 2016, and the business was then sold to Nozizwe Limited. The purchase consideration was to be 400,000 E1 ordinary shares in Nozizwe at a premium of 25 cents per share. The shares were to be issued to the partners on 30 June 2016, and were to be shared between them in their profit sharing ratio.

The sale agreement allowed Gerald to take over one of the business cars at an agreed valuation of E10,000. Apart from the car and the cash and bank balances, the company took over all the other partnership assets and liabilities at their book values as at 30 June 2016.

- Matters relating to the appropriation of profit for the year to 30 June 2016 are to be dealt in the partners' capital accounts, including any arrears of salary owing to Henry.

Required:

- a) Write up the following accounts for the year to 30 June 2016:
 - i. The profit and loss appropriation account; (4 Marks)
 - ii. Gerald's and Henry's capital accounts; and (9¹/₂ Marks)
 - iii. The realization account. (5¹/₂ Marks)
- b) Prepare Noziswe's Statement of financial position as at 1 July 2016 immediately after the acquisition of the partnership and assuming that no further transactions have taken place in the meantime. (6 Marks)

Total: (25 Marks)

QUESTION 4

- a) Teddy Dlamini and Betty Khumalo entered a joint agreement for the purchase and sale of hats on 1 June 2016. Transactions were as follows:
- i. 1 June 2016 Teddy purchased hats for E6,000. To finance the purchase she took out a loan of E2,000 with Sky blue financial services and paid the balance in cash.
 - ii. 15 June Teddy sent to Betty hats costing E2,400 and paid carriage charges of E280 in that connection.
 - iii. 25 July Betty sold all his hats for E5,000 and paid Sky blue financial services E2,030 in full settlement of the loan taken by Teddy Dlamini.
 - iv. 31 July Teddy paid insurance of E600. Betty paid rent of E40 for storage purposes for the hats.
 - v. 3 August Betty paid E1,000 to Teddy.
 - vi. 6 August Teddy sold part of the hats in her possession for E8,000. She agreed to take over the remaining hats personally at a cost of E1,800.
 - vii. Each party is entitled to a commission of 5% on his own gross sales. The balance of profits is to be shared, Teddy Dlamini $\frac{7}{10}$ and Betty Khumalo $\frac{3}{10}$. Final cash settlement between the partners was made on 31 August 2016.

Required:

1. Write up the joint venture accounts in the books of Teddy Dlamini and Betty Khumalo. (11 Marks)
2. Prepare the memorandum joint venture account. (4 Marks)

- b) Discuss the difference between joint venture accounts and partnership accounts?
(5 Marks).
- c) According to IAS 2, how should inventory be valued in the financial statements?
(5 Marks)

Total: (25 Marks)