

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
MAIN EXAMINATION PAPER MAY 2017

DEGREE/ DIPLOMA AND

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

TITLE OF PAPER : INTERMEDIATE FINANCIAL ACCOUNTING 11

COURSE CODE : ACF212/AC312 (M) MAY 2017

TOTAL MARKS : 100 MARKS

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

QUESTION 1

The following trial balances were extracted on 30 June 2016 from the records of the head office, Brave Fortune Ltd and its branch in Siphofaneni:

Head office	E	E
Capital (ordinary E1 shares)		20 000
Land & Buildings	12 000	
Machinery at cost	3 000	
Furniture & Equipment at cost	600	
Accounts receivable	3 100	
Accounts payable		1 369
Inventories (1 July 2015)	2 790	
Purchases	25 420	
Sales		29 860
Wages & Salaries	1 500	
Sundry Expenses	2 000	
Branch account	9 000	
Goods to branch account		8 421
Returns from branch account	105	
Cash in bank	195	
Retained earnings		60
	<u>59 710</u>	<u>59 710</u>

Siphofaneni branch

Head office account		8 464
Land & Buildings	6 500	
Furniture	500	
Accounts receivable	1 900	
Goods from head office	8 106	
Inventories (1 July 2015)	1 260	
Sales		12 150
Returns to head office		126
Wages & Salaries	900	
Sundry expenses	1 200	
Cash in bank	374	
	<u>20 740</u>	<u>20 740</u>

Additional information:

1. The head office dispatches goods to the branch at cost
2. The branch sells items provided exclusively by the head office
3. On 30 June 2016, it was found that
 - a) Goods to the value of E315 were in transit from the head office to the branch
 - b) Goods to the value of E21 were in transit from the branch to the head office; and
 - c) E200 cash from the branch had not yet been received by the head office
4. All non-current assets, excluding land and buildings must be depreciated at 10% per annum on cost.
5. Provision for bad debts must be provided at 5% of receivables
6. On 30 June 2016 inventories were valued as follows:

Head office	E3 000 at cost
Branch	E1 890 at cost

Required:

Prepare a combined statement of profit and loss and a statement of financial position for the year ended 30 June 2016 showing all your workings clearly.

Total: (25 Marks)

QUESTION 2

Sibahle Limited purchased a machine under a hire purchase agreement on 1 January 2014 from PS Suppliers. The agreement provided for an immediate payment of E6 000, followed by two equal instalments of E5 828 on 31 December in each year and a final instalment of E5 831 on 31 December 2016. The instalments include a 12% annual interest on the balance outstanding at the beginning of each year.

The cash price of the machine was E20 000. The 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:

- a) Write up the following ledger accounts for each of the three years to 31 December 2014, 2015 and 2016 respectively:
 - i. Machine account (1 mark)
 - ii. Accumulated depreciation on machine account (5 marks)
 - iii. PS Suppliers account (12 marks)
- b) Show the following balance sheet extracts relating to the machine as at 31 December 2014, 2015 and 2016 respectively: (7 marks)
 - i. Machine at cost
 - ii. Accumulated depreciation on the machine
 - iii. Current liabilities: obligation under hire purchase contract
 - iv. Non-current liabilities: obligation under hire purchase contract

Total: (25 Marks)

QUESTION 3

The following is the Statement of Financial Position for Apollo Ltd on 31 January 2015 and 31 January 2016:

Statement of financial position as at 31 January 2015 and 2016

	2015	2016
	E	E
ASSETS		
Non-current assets	46 000	66 000
Current Assets		
Inventories	13 000	44 000
Trade and other receivables	17 100	25 080
Cash and cash equivalents	30 280	
Total current assets	60 380	69 080
Total assets	106 380	135 080
EQUITY AND LIABILITIES		
Equity		
Capital	71 000	77 000
Non-current liabilities		
Long-term borrowings	16 000	
Current liabilities		
Trade and other payables	19 380	25 080
Bank overdraft		33 000
Total current liabilities	19 380	58 080
Total liabilities	35 380	58 080
Total equity and liabilities	106 380	135 080

Additional information

Purchases and sales for the year ended 31 January 2016 were as follows:

	Purchases	Sales
Cash	E28 000	E89 000
Credit	<u>E117 000</u>	<u>E111 000</u>
	E145 000	E200 000

Required:

A. Calculate the following with regard to the year ended 31 January 2016:

- i. the gross profit percentage on sales (4 marks)
- ii. the current ratio (4 marks)
- iii. the receivables collection period (4 marks)
- iv. the payables payment period (4 marks)
- v. the acid test ratio (4 marks)

B. The gross profit percentage on sales for the year 2015 was 35%, give two possible reasons for the change in the gross profit percentage between the two years. (5 marks)

Total: (25 Marks)

QUESTION 4

- a) What are the conditions for the recognition of a provision as a liability? (9 Marks)
- b) Clearly define an intangible asset and give an example of an intangible asset. (4 marks)
- c) Briefly explain six (6) uses of a business plan. (12 Marks)

Total: (25 Marks)