

University of Swaziland  
Department of Accounting  
Main Exam Paper - Semester - I

Programme of Study : Bachelor of Commerce  
Year of Study : Year 2 (Full Time & Part Time Commerce)  
Year 2 (Full Time & Part Time B Ed. Secondary)  
Title of Paper : Intermediate Financial Accounting - I  
Course Code : ACF211/ AC211  
Time Allowed : **3 Hours.**

- Instructions:
1. **Total number of questions on this paper is four (4).**
  2. **Answer all questions.**
  3. **Begin the solution to each question on a new page.**
  4. **The marks awarded for a question / part is indicated at the end of each question / part of question.**
  5. **Where applicable, submit all workings and calculations on the answer sheet alongside the case.**

**Note:** You are reminded that in assessing your work, account will be taken of accuracy of the language and the general quality of expression, together with the layout and presentation of your final answer.

**Special requirement : Calculator.**

**This paper is not to be opened until permission has been granted by the invigilator.**

**QUESTION 1:**

You are required to draw up a cash-flow statement for the year ended 31 Dec 2016 from the following financial statements of Auto Spares Dealers.

**Auto Spares Dealers**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ending 31 Dec 2016**

	2016
Net Sales	E720,000
Less: Cost of Sales	(484,800)
Gross Profit	235,200
<b>Other income:</b>	
Profit on sale of equipment	12,000
	247,200
<b>Operating expenses:</b>	(196,800)
Depreciation on: Equipment	72,000
: Vehicles	21,600
Loss on sale of vehicle	2,400
Credit losses	1,800
Discount allowed	1,600
Sundry expenses	97,400
<b>Operating Profit</b>	50,400
Interest & finance costs	(2,400)
Interest received	12,000
Interest paid	(14,400)
<b>Profit for the year</b>	48,000

**Auto Spares Dealers**  
**Statement of Financial Position as on 31 Dec 2016**

	2016 E	2015 E
<b>ASSETS</b>		
<b>Non-current assets:</b>	672,000	230,400
Equipment at cost	576,000	240,000
Less: Accumulated depreciation	(96,000)	(72,000)
Vehicles at cost	148,800	134,400
Less. Accumulated depreciation	(76,800)	(72,000)
Investment	120,000	---
<b>Current assets:</b>	190,400	124,000
Inventory	43,200	48,000
Trade receivables	72,000	36,000
Bank	73,200	36,000
Accrued income	2,000	4,000
<b>TOTAL ASSETS</b>	<b>862,400</b>	<b>354,400</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity:</b>	630,000	294,000
Capital	558,000	264,000
Retained earnings	102,000	54,000
Drawings	(30,000)	(24,000)
<b>Non-current liabilities:</b>		
Long-term loan	144,000	---
<b>Current liabilities</b>	88,400	60,400
Trade payables	24,000	48,000
Accrued expenses	64,400	12,400
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>862,400</b>	<b>354,400</b>

**Notes:**

1. Equipment with a cost price of E120,000 and a carrying value of E72,000 was sold during the year and new equipment was purchased to replace the old equipment.
2. A vehicle with a cost price of E24,000 and a carrying value of E7,200 was sold during the year and a new vehicle was purchased to replace the old one.

**Required:**

Prepare the statement of cash-flow for Auto Spares Dealers for the year ending 31 December 2016.

**Total (25 marks)**

**QUESTION 2:**

On 30 June 2017, Patrick, Quiniso and Richard decided to dissolve their partnership. They shared profits and losses in the ratio of 3:2:1. On 30 June 2017, their statement of financial position was as follows:

Premises	E150,000	Capital: Patrick	E70,000
Machinery	36,000	Quiniso	60,000
Motor vehicles	14,000	Richard	50,000
Stock	11,000	Current Accounts: Patrick	9,700
Receivables	8,000	Quiniso	7,500
Less: Provision	(400)	Richard	16,200
	7,600		
Bank	1,200	Payables	6,400
	E219,800		E219,800

- Their goodwill was sold for E30,000, the machinery for E24,000 and the stock for E12,000.
- There were three cars, all taken over by the partners at agreed values. Patrick taking one for E4,000, Quiniso one for E6,000, and Richard one for E3,000.
- The premises were taken over by Richard at an agreed value of E162,000.
- The amounts collected from receivables amounted to E7,400 after bad debts and discounts had been deducted.
- The payables were discharged for E6,280, the difference being due to discounts received.
- The costs of dissolution amounted to E700.

**Required:** To prepare

- i) The realization account **(10 marks)**
- ii) The capital accounts of partners recording the dissolution of the partnership **(8 marks)**
- iii) The bank account **(7 marks)**

**Total (25 marks)**

**QUESTION 3:**

- a. Flyplast Limited has prepared the following asset division of the statement of financial position for presentation to its shareholders:

<b>FLYPLAST</b>	
<b>STATEMENT OF FINANCIAL POSITION</b>	
<b>ON 31 DECEMBER 2016</b>	
<b>ASSETS</b>	<b>E'000</b>
<b>Non-current assets</b>	<b>145</b>
Property, plant and equipment (Plant E100,000, Vehicles E20,000)	120
Financial assets (Listed shares E20,000; Savings account E5,000)	25
<b>Current assets</b>	<b>68</b>
Cash and cash equivalents (Petty cash E2000; Bank overdraft E1,000)	3
Inventory	20
Trade and other receivables	37
Shareholders for dividends	8
<b>TOTAL ASSETS</b>	<b>213</b>

**Required:**

Critically discuss the presentation of the above statement on the basis of the Conceptual Framework and IAS 1. **(10 Marks)**

- b. i) Name and describe the two fundamental qualitative characteristics of the usefulness of financial information according to the Conceptual Framework
- ii) Which of the above-mentioned characteristics include materiality?
- iii) What does materiality mean?
- iv) Name any two enhancing qualitative characteristics of the usefulness of financial information according to the Conceptual Framework.
- v) Discuss the difference between a rights issue and a capitalization issue

**(15 marks)**

**Total (25 Marks)**

**QUESTION 4:**

Eskimo Sweaters buys and sells Sweaters. Their inventory is counted at the end of every month. On 1<sup>st</sup> January 2017, 50 sweaters were in inventory which had cost E300 each.

the first quarter's transactions are stated in the table given below. No other transactions took place during the three-month period. Each sweater sold for E500 throughout the three months.

Date	Purchases of sweaters	Sales of sweaters
Jan 8	----	30
Jan 10	100 at E300 each	---
Jan 12	----	30
Jan 15	----	50
Jan 21	120 at E350 each	----
Jan 23	----	30
Jan 28	----	60
Feb 1	----	20
Feb 5	----	30
Feb 14	150 at E360 each	----
Feb 20	----	40
Feb 23	----	60
Mar 1	----	30
Mar 4	120 at E365 each	----
Mar 10	----	50
Mar 14	----	30
Mar 19	----	40
Mar 23	100 at E366 each	----
Mar 27	----	60
Mar 30	----	60

**Required:**

- i) Calculate the inventory valuation at 31<sup>st</sup> March 2017 using FIFO method of inventory valuation.
- ii) State which two methods of valuation of inventory are acceptable under IAS 2 and why?
- iii) Calculate the gross profit for the three months ended 31<sup>st</sup> March 2017 using FIFO method of stock valuation.

**Total (25 marks)**

*End of exam question paper*