

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
MAIN EXAMINATION PAPER MAY 2018

DEGREE/ DIPLOMA	:	B. COM III - FULL TIME B.COM V LEVEL 4 – IDE B. ED. SECONDARY - LEVEL 3 & 4
YEAR OF STUDY	:	Year Three (2 nd Semester) – Full Time Year Four (2 nd Semester) – IDE Year Three & Four (2 nd Semester) – B. ED
ACADEMIC YEAR	:	2017/2018
TITLE OF PAPER	:	Financial Reporting Analysis / International Accounting Standards
COURSE CODE	:	ACF312 / AC323 / AC412
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 information of H&M Corporation Ltd for the year ended 28 February 2018 is provided to you:

1. Share capital

Authorized share capital:
2 500 000 ordinary shares of E1 each
500 000 20% preference shares of E2 each

Capital structure on 28 February 2017 (Issued share capital):
E2 000 000 in ordinary shares of E1 each
E1 000 000 in 20% preference shares of E2 each
2. Profit before finance costs and tax, E15 000 000.
3. Finance cost, E1 900 000.
4. Assume Swaziland normal tax rate of 30%.
5. Ordinary dividends paid (on 1 June 2017): E500 000.
6. During the financial year ended 28 February 2018, the company experienced a loss of E500 000 due to an earthquake. This amount is not included in the profit before finance costs and tax.

ADDITIONAL INFORMATION

1. On 31 August 2017, 250 000 ordinary shares were issued at E1.50 each.
2. Provide for a final ordinary dividend of 50c per share and the preference dividend.

REQUIRED

1. Calculate and disclose earnings per share and dividends per share in the statement of comprehensive income and notes to the statement of comprehensive income of H&M Corporation Ltd for the year ended 28 February 2018.
2. Show all your calculations. Comparative figures are required.

(QUESTION 1: TOTAL MARKS 25)

QUESTION 2:

The following information relates to T&L Ltd's employees benefits for the year ended 31 December 2017:

1. Salaries, wages and bonuses (13th cheque) paid amounted to E900 000. Excluding paid leave.
2. Non-monetary benefits comprising of company cars and food rations amounted to E350 000.
3. Contributions to the T&L Ltd's Provided Fund amounted to 7% of the total annual salaries and wages.
4. A profit-sharing plan in terms of which a specified proportion of net profit will be paid to employees who serve throughout the year. It is estimated that staff turnover will effectively reduce the payment to 1.5% of net profit. Assume net profit of E2.5 million.
5. Annual leave of 15 days per annum was paid per employee.
6. Sick leave of 10 days per annum. Unused sick leave may be carried forward for one calendar year. The two year sick leave cycle lapsed at the end of 2017. A maximum of 10 days are paid out per employee. At year-end 2016, the average unused entitlement is two days per employee. Of the total of 30 employees, it is expected that:
 - 6.1 Eight of the 10 employees (all 10 employees earn an average of E265 per day) will take no more than seven days of sick leave per annum and the other two an average of 12 days.
 - 6.2 Fourteen of the 20 employees (all employees earn an average of E100 per day) will take no more than eight days of paid sick leave per annum and the other six an average of 12 days each.

YOU ARE REQUIRED TO:

Calculate the expense for short-term employee benefits for the year ended 31 December 2017.

(QUESTION 2: TOTAL MARKS 20)

QUESTION 3:

The following figures are for AB Supplies Ltd at 31 December 2017:

	E	E
Turnover		160 000
Gross profit		?
Cost of Sales		?
Expenses		8 000
Fixed assets		108 000
Current assets		
Inventory	10 000	
Debtors	8 000	
Bank	<u>2 000</u>	20 000
Current liabilities		10 000
Share Capital		118 000

ADDITIONAL INFORMATION:

- AB Supplies Ltd has a mark-up of 33.33% on cost price.
- The following figures are for another firm in the same line of business, CD Services Ltd, for the ended 31 December 2017.

	<u>CD Services Ltd</u>
Rate of inventory turnover	9 times
Gross profit percentage on sales	25%
Net profit percentage on sales	10%
Net profit percentage on total capital employed	12.5%
Current ratio	1 time
Quick ratio	0.5 time

REQUIRED:

- (A) Calculate for **AB Supplies Ltd** for the year ended 31 December 2017:
- Rate of inventory turnover
 - Gross profit percentage on sales
 - Net profit percentage on sales
 - Net profit percentage on total capital employed (fixed assets plus current assets)
 - Current ratio
 - Quick ratio

(12 MARKS)

(Question 3 continue)

(B) Compare your results in (A) with those given for CD Services Ltd. As a result of your comparison, say which you think was the more successful business during 2017, giving your reasons.

(12 MARKS)

(C) Briefly discuss what you understand by

- Inventory holding period
- Accounts receivable collection period
- Accounts payable payment period

(6 MARKS)

(QUESTION 3: TOTAL MARKS 30)

QUESTION 4:

Distinguish in detail an operating lease from a finance lease and clearly outline their characteristics.

(QUESTION 4: TOTAL MARKS 25)

END