

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
SUPPLEMENTARY EXAMINATION PAPER JULY 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:

Delta Limited supplies you with the following information:

1. Capital structure at 31 December 2016 (Shares issued).
 - E400 000 in 10% cumulative preference shares of 50c each.
 - E1 200 000 in ordinary shares of E2 each.
2. On 1 April 2017 the company issued 900 000 ordinary shares at E3 each.
3. On 1 November 2017 the company issued new ordinary shares by way of a capitalisation of reserves in the proportion of 1 share for each 5 previously held.
4. The following ordinary dividends were paid:

- 31 March 2016	-	E30 000
- 31 December 2016	-	E42 000
- 31 March 2017	-	E48 000
- 31 December 2017	-	E45 000
5. Net profit after tax amounts to E690 000 for the financial year ended 31 December 2016 and for the financial year ended 31 December 2017 – E990 000.

REQUIRED

- A. Calculate and disclose earnings per share and dividend per share in the statements of comprehensive income and notes to the statements of comprehensive income of Delta Limited for the financial year ended 31 December 2016 and 2017.
- B. Show all your calculations. Comparative figures are required.

(QUESTION 1: TOTAL MARKS 30)

QUESTION 2:

The following information was extracted from the financial records of Z Limited for the year ended 31 December 2017:

• Inventory	01/01/ 2017	E15 000
• Inventory	31/12/2017	E40 000
• Purchases		E155 000
• Debtors	31/12/2017	E29 000
• Debtors	01/01/2017	E29 000
• Creditors	01/01/2017	E60 000
• Creditors	31/12/2017	E60 000

Additional Information:

- Gross profit percentage is 35% on cost
- 40% of total sales were cash sales
- 80% of all purchases were on credit
- Assume 360 days per year

REQUIRED:

- A. Calculate the following for the year ended 2017
- Total sales
 - Credit sales
 - Credit payment period (in 2016 it was 101 days)
 - Debtors collection period (in 2016 it was 87 days)
 - Inventory turnover rate (in 2016 it was 6 times)
 - Quick ratio
- B. Show whether there was an improvement or a weakening in 2017 for the ratio's in c,d and e and briefly give reason for the change.

(QUESTION 2: TOTAL MARKS 22)

QUESTION 3:

Gold Industries Limited is engaged in the mining industry. The following relates to the operations for the company for the year ended 31 December 2017.

Gold Industries Limited damaged the environment when they commenced mining during 2015. At the end of 2016 the company estimated that the cost to repair the damage at 31 December 2024 would be E4 075 538.

- i. At the end of 2016, a provision was raised to the amount of E2 285 163. During the current financial year 2017, new information was obtained and it was clear that the cost to repair the damage will cost twice as much as was predicted in 2016. Therefore, an additional provision was made during the current financial year. As a result, at 31 December 2017 the provision was increased to E4 913 101.

Environmental legislation requires that the damage to the environment must be repaired at the end of mining operations.

- ii. During December 2017 the board of directors decided that, due to the environmental damage cost, they would have to close down a business unit of the company. They made the announcement about their decision on 15 December 2017. The personnel affected by the close will receive severance packages on 30 June 2018 to the amount of E750 000.

REQUIRED:

- A. Disclose the relevant information in the statement of financial position of Gold Industries Limited for the year ended 31 December 2017 in terms of IFRS.
- B. Disclose the relevant information to the notes of the financial statements of Gold Industries Limited for the year ended 31 December 2017.

(QUESTION 3: TOTAL MARKS 18)

QUESTION 4:

- A. What are disclosure requirements for the financial statements of lessee in terms of finance lease? **(12 MARKS)**
- B. Define the following:
- i. Provisions **(6 MARKS)**
 - ii. Contingent Liabilities **(6 MARKS)**
- C. With regard to the provision, discuss the disclosure requirements for the financial statements of an enterprise? **(6 MARKS)**

(QUESTION 4: TOTAL MARKS 30)

END