

UNIVERSITY OF ESWATINI
FACULTY OF COMMERCE
DEPARTMENT OF ACCOUNTING
RESIT/SUPPLEMENTARY EXAMINATION PAPER JULY/AUGUST 2019

TITLE OF PAPER : INTERMEDIATE FINANCIAL ACCOUNTING II

**COURSE CODE : ACF 212(FT)/ACF 212 (N/P-IDE)/ACF 212
(IDE)/AC 212(IDE) (S) JULY/AUGUST 2019**

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 INVIGILATOR OR SUPERVISOR.

SPECIAL REQUIREMENTS: CALCULATOR

Question 1

Euro ltd. has its Head Office and main store in Fazut, and a branch store in Loki. All goods are purchased by the Head Office. Goods are invoiced to the branch at cost price plus a profit loading of 20%. The following trial balances have been extracted from the books of account of both the head office and the branch as at 31 December 2018:

	Head Office		Branch	
	Dr E 000	Cr E 000	Dr E 000	Cr E 000
Administrative expenses	380		30	
Distribution costs	157		172	
Capital (at January 2018)		550		
Bank	25		2	
Accounts payable		176		20
Current accounts	255			180
Accounts receivable	130		76	
Motor vehicles at cost	470		230	
Accumulated depreciation at 31 Dec 2018 of motor vehicle		280		120
Plant and equipment at cost	250		80	
Accumulated depreciation at 31 Dec 2018 of plant & equip.		120		30
Drawings	64			
provision for unrealised profit on opening branch inventory		5		
Purchases	880			
Sales		1200		570
Inventory at cost/invoiced amount at 1 Jan 2018	80		30	
Inventory sent to branch		360	300	
	<u>2 691</u>	<u>2 691</u>	<u>920</u>	<u>920</u>

Additional information:

1. Inventories as at 31 December 2018 were E100 at cost at the head office and E 48 at invoice price at the branch.
2. E 60 000 of inventory at invoice price had been sent to the branch on 29 December 2018. These goods had not been received by the branch until 10 January 2019 and so they had not been included in the branch books.
3. On 31 December 2018, the branch had sent E 15 000 of cash to the head office bank, but this was not received at the head office until 12 January 2019.



Required:

- a. Prepare (in adjacent columns) the Head office and the Branch Statement of Comprehensive Income for the year ending 31 December 2018. (13.5marks)
 - b. Prepare Euro's Combined Statement of Financial Position for the year ending 31 December 2018. (11.5marks)
- [25marks]**

Question 2

- a. Explain the major differences between hire purchase and normal purchases.(7 marks)
- b. ABC Ltd sold one motor vehicle to David on 1st July 2017 under hire purchase system on the following terms.

	E
Hire purchase price	400 000
Cash price	352 000
Deposit/Down payment	80 000
16 monthly installments of E 20 000 each payable on the last day of every month	

David failed to pay the installment due on 31 May 2018 and he informed ABC Ltd that he was unable to proceed with the contract.

ABC Ltd subsequently obtained a court order and repossessed the motor vehicle which was valued at E 130 000.

Required:

Show the following entries in the books of ABC Ltd on the assumption that the company's financial year ends on 31 December each year.

- i. Sales account (2marks)
 - ii. Hire purchase interest account (5marks)
 - iii. Hire purchase debtor's account (8 marks)
 - iv. Repossession account (3marks)
- [25marks]**

Question 3

- a. Michael Electronics Ltd acquired a computer-controlled machine for production purposes together with software. The machine would not be able to operate without the software. The tangible element (i.e. the machine) is more significant than the intangible element (i.e. the software).

Michael Electronics has produced new computer games which it sells to its customers in the ordinary course of business and accounting software used internally to process accounting records.

Required:

State how IAS 38 can be applied by Michael Electronics for the items described above. (7marks)

- b. In the context of IAs 16 – Property, Plant & Equipment:
- i. Discuss what is meant by the term ‘fair Value’; (2marks)
 - ii. Explain how the fair value of a building can be determined. (2marks)
- c. Discuss the need for computerizing accounting tasks in organizations. (14marks)
[25marks]

Question 4

The following information is available for Mangala a private limited company for the year ended 30 June 2018.

Inventories at 1 July 2017	E 28 000
Inventories at 30 June 2018	E 34 000
Rate of inventory turnover	8 times
Gross profit percentage	35 times
Net profit percentage	12 times
Income gearing	40%

Administrative expenses were twice as much as distribution costs.
The share capital consist of 250 000 ordinary shares of E0.50 nominal value.
Dividends paid during the year were E0.05 per share.

Required

- i. Prepare an Income Statement (Profit and Loss Account) and appropriation account, in as much detail as possible, for the year ending 30 June 2018. (22marks)
- ii. Explain three reasons why financial statements should be analysed on regular basis. (3marks)
[25marks]

END