UNIVERSITY OF ESWATINI

DEPARTMENT OF ACCOUNTING

SUPPLEMENTARY EXAMINATION PAPER JANUARY 2019

DEGREE/ DIPLOMA	:	B. COM III - FULL TIME B. COM V LEVEL 4 – IDE B. ED. SECONDARY - LEVEL 3 & 4
YEAR OF STUDY	:	Year Three (1st Semester) – Full Time Year Four (1st Semester) – IDE Year Three & Four (1st Semester) – B. ED
ACADEMIC YEAR	:	2018/2019
TITLE OF PAPER	:	Advanced Financial Accounting I
COURSE CODE	:	ACF311 / IDE AC320 / IDE AC411
TOTAL MARKS	:	100 MARKS
TIME ALLOWED	:	THREE (3) HOURS
INSTRUCTIONS	1	There are THREE (3) 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:

Software Technologies Limited is a software research and development company. The company acquired two software licences and started developing new products as described below.

Intangible Assets

1. Intangible assets are accounted for according to the cost model and amortised on the straight-line method over its useful life.

2. The **first licence** for software applications was purchased on 1 July 2007 at a cost of E2 230 000 from an international software broker and was available for use as intended by management. This licence is valid for 5 years. After 5 years the licence will expire and the company has to apply for a new licence.

3. During 2008 there was a decline in the number of software applications sold globally as per an international economic report issued.

4. Global sales made a marginal recovery during 2009.

5. The **second licence** for software game development was purchased on 1 March 2009 for E960 000. This licence is valid for 4 years but the company plan to use the licence for 3 years only, as they signed an agreement with industry according to which they will cease all commercial activities regarding software game development after 3 years.

6. During 2009 there was a decline in the number of *software games* sold globally as per an international economic report issued.

Research and development

1. During the 2006 year the company started doing research on some possible new software products. On 1 April 2008 the research team reported the outcome of their research to the directors. The directors reacted very positively and recommended that the company start immediately with the development of the new products. The development was ceased on 31 August 2009 and the intangible asset was available for use as intended by management on 1 October 2009.

2. The total research and development costs amounted to E325 000 and E482 000 respectively in 2009. The development costs are written off over the estimated useful life of the asset of 5 years. The accountant of Software Technologies Limited determined that all development costs comply with the requirements of IAS 38 and qualify as an intangible asset from 1 April 2008.

YOU ARE REQUIRED TO:

Prepare the following notes to the annual financial statements of Software Technologies Limited for the year ended 31 December 2009 in accordance with IFRS:

A. Profit before taxation **(16 Marks)**

B. Intangible assets **(12 Marks)**

(QUESTION 1: TOTAL MARKS 28)

QUESTION 2:

Concept Limited is a manufacturer of motorcycles and the following information relates to Concept Limited for the year ending 28 February 2010:

Property, plant and equipment

1. The following Property, plant and equipment were included in the Statement of financial position on 28 February 2009:

	Cost	Accumulated depreciation	Carrying amount
	E	E	E
Land	1 950 000	-	1 950 000
Vehicles	518 000	(290 080)	227 920
Furniture and fittings	241 000	(120 500)	120 500
Manufacturing equipment	2 947 100	(2 578 713)	368 387

2. On 31 March 2009 Concept Limited disposed of **all manufacturing equipment for E408 120 (including VAT).** On the acquisition date, the manufacturing equipment qualified for VAT purposes in terms of the VAT Act.

3. A new delivery vehicle was purchased on 30 September 2009 for E213 320 (excluding VAT). On the acquisition date the vehicle qualified for VAT purposes in terms of the VAT Act.

4. The manufacturing plant is situated on the land, Stand 89, Manzini.

5. **New manufacturing equipment** was ordered on 1 February 2009 and was delivered on 1 April 2009 at the manufacturing buildings of Concept Limited in Manzini. The total price of the manufacturing equipment, excluding transport and installation, was E3 703 860 (including VAT) cash.

   The manufacturing equipment was transported and delivered at a cost of E92 000, cash. Installation costs amounted to E82 000, cash. Initially the manufacturing equipment could not be used effectively, resulting in an operating loss of E100 000 during the first month. Thereafter the manufacturing equipment was used profitably. The equipment was available for use as intended by management on 30 April 2009.

   The **total** cost price of the new manufacturing equipment can be split into 2 (Two) components in terms of the component approach in IAS16, *Property, plant and equipment*.

   The details of the 2 components are as follows:

Component	**% of total cost price**
Manufacturing equipment	75 %
Manufacturing control system	25 %

   For the year ended 28 February 2010, Concept Limited manufactured 148 units.

6. Concept Limited altered the depreciation method of furniture and fittings from the reducing balance method to the straight-line method for the year ended 28 February 2010. The remaining useful life as on 28 February 2010 of the furniture and fittings was determined as 3 years.

7. The following depreciation rates and methods are applicable:

Property, plant and equipment	**Depreciation Rate**	**Depreciation Method**
Land	N/A	N/A
Furniture and fittings – old policy	6 years	Reducing balance
Furniture and fittings – new policy	6 years	Straight-line
Old manufacturing equipment	5 years	Straight-line
New manufacturing equipment	1 250 units	Production unit
New manufacturing control system	3 years	Straight-line
Vehicles	5 years	Straight-line

General information

8. Concept Limited is a registered VAT vendor and all transactions are valid VAT transactions in terms of the VAT Act. **All amounts are excluding VAT, <u>unless otherwise stated</u>.** Assume a VAT rate of 14%.

YOU ARE REQUIRED TO:

Prepare the Property, plant and equipment **notes** to the Statement of financial position of Concept Limited for the year ended 28 February 2010 in accordance with IFRS.

(QUESTION 2: TOTAL MARKS 42)

<u>QUESTION 3:</u>

A. It is not always whether an event occurring after the reporting date is an adjusting event or a non-adjusting event. Explain the difference between an adjusting and a non-adjusting event, and give an example of each. **(18 Marks)**

B. Discuss the following terms:

I.	Wholly owned subsidiary	**(3 Marks)**
II.	Partly owned subsidiary	**(3 Marks)**
III.	Parent company	**(3 Marks)**
IV.	Non-controlling interest	**(3 Marks)**

(QUESTION 3: TOTAL MARKS 30)

END