

**UNIVERSITY OF ESWATINI**  
**FACULTY OF COMMERCE**  
**DEPARTMENT OF ACCOUNTING**  
**RESIT/SUPPLEMENTARY EXAMINATION PAPER JANUARY 2020**

**TITLE OF PAPER : INTERMEDIATE FINANCIAL ACCOUNTING I**

**COURSE CODE : ACF211/AC211 (S) JANUARY 2020**

**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

The final accounts of Paula (Pty) Ltd for two years were as follows.

#### Comprehensive Income Statement for years ended 31 December

	2017		2018	
	E	E	E	E
Sales		2700		3600
Less cost of sales				
Opening inventory	110		120	
Purchases	1900		3140	
	<u>2010</u>		<u>3260</u>	
Less closing inventory	120	1890	530	2730
Gross Profit		<u>810</u>		<u>870</u>
Less Operating expenses		<u>426</u>		<u>468</u>
Profit before interest		384		402
Interest payable		<u>84</u>		<u>84</u>
Net Profit		<u>300</u>		<u>318</u>
Dividends payable	126		138	
Transfer to General Reserve	162	288	174	312
Retained Profit for the year		<u>12</u>		<u>6</u>
Retained profit b/f		<u>72</u>		<u>84</u>
Retained Profit c/f		<u><u>84</u></u>		<u><u>90</u></u>

#### Statement of Financial Position as at 31 December

	2017		2018	
	E 000	E 000	E 000	E 000
Fixed Assets at Net Book Value		2790		3216
Current Assets				
Inventory	120		530	
Debtors	456		882	
Bank	<u>192</u>	768	<u>.....</u>	1412
Current Liabilities				
Creditors	192		730	
Dividends due	126		138	

Interest due	84		84	
Bank	..... 402		340	1292
Net current Assets		366		120
		<u>3156</u>		<u>3336</u>
Financed by				
Ordinary Share Capital (Fully Paid)		1800		1800
General Reserve	432		606	
Retained Profits	<u>84</u>	516	<u>90</u>	696
10% Debentures		<u>840</u>		<u>840</u>
		<u>3156</u>		<u>3336</u>

All sales and purchases were on credit.

**Required:**

- a. For each year calculate the following to two decimal places (show your workings):
    - i. Acid test (liquid/quick) ratio (2Marks)
    - ii. Stock turnover (2Marks)
    - iii. Debtors Collection Period (2Marks)
    - iv. Gross Profit ratio (2Marks)
    - v. Net Profit ratio (2 Marks)
    - vi. Return on Capital Employed (2 Marks)
  - b. Comment on the changes in the Company from 2017 to 2018, stating for each ratio whether it is better or worse, and why. (12 Marks)
  - c. Comment briefly on the advantage in analysing financial information using ratios. (1 Mark)
- [Total 25]**

**Question 2**

John, Jane and James have been in partnership sharing profits and losses in the ratio 4:3:3. They have agreed to dissolve the partnership.

**Required:**

- a. Distinguish between purchased and non-purchased goodwill. (2 Marks)
- b. Explain any four legal characteristics of a partnership (8 Marks)
- c. State three reasons why a partnership may be dissolved under Partnership Act in Eswatini. (3marks)

Additional information

At the time of the dissolution the partnership's statement of financial position was as follows:

Statement of financial position as at 31 March 2019

	E		E
Assets			
Non-Current assets at net book value			
Motor vehicles	29400		
Furniture and equipment	<u>15600</u>		
			45000
Current assets			
Inventory	14920		
Trade receivables	<u>11540</u>		
			<u>26460</u>
Total assets			<u>71460</u>
Capital and liabilities			
Capital accounts			
John	28000		
Jane	21000		
James	<u>19000</u>		
			68000
Current accounts			
John	-2200	Dr	
Jane	1400	Cr	
James	<u>-1800</u>	Dr	
			-2600
Current Liabilities			
Bank overdraft			<u>6060</u>
Total capital and liabilities			<u>71460</u>

The following information is also available.

1. At dissolution John took over the furniture and equipment at an agreed valuation of E 9 500 and the inventory at a valuation of E 11 000.
2. James took over a motor vehicle at an agreed valuation of E 16 600; the other motor vehicle was sold for E 8 450.
3. The balance of one credit customer who owed E 740 was written off as irrecoverable. The remaining trade receivables settled their accounts in full less a cash discount of 5%.
4. Cost of dissolution, E 2 350, was paid from the bank account.

**Required:**

- d. Prepare the partnership realisation account. (7 Marks)
  - e. Calculate the amount to be paid to, or to be received from, John on dissolution. (5 Marks)
- [Total 25]**

**Question 3**

Kiosk (Pty) Ltd manufactures animal products and its financial statements are as follows:

Statement of Financial Position of Kiosk (Pty) Ltd as at 30  
September 2019

	2019	2018
	E 000	E 000
<b>Non-Current Assets</b>		
Property Plant & Equipment	1 942	1 628
<b>Total Non-Current Assets</b>	1 942	1 628
<b>Current Assets</b>		
Inventories	196	129
Trade Receivables	187	199
Cash & Cash Equivalents	53	54
<b>Total Current Assets</b>	436	382
<b>Total Assets</b>	2 378	2 010
<b>Equity &amp; Liabilities</b>		
<b>Equity</b>		
Share Capital	140	100
Share Premium	45	45
Retained Earnings	1 499	1 014
Revaluation Surplus	48	26
<b>Total Equity</b>	1 732	1 185

<b>Non-Current Liabilities</b>		
Long term Loan	<u>512</u>	<u>646</u>
Total Non-Current Liabilities	<u>512</u>	<u>646</u>
<b>Current Liabilities</b>		
Trade Payables	115	146
Bank Overdraft	.....	12
Current Tax Payables	<u>19</u>	<u>21</u>
Total Current Liabilities	<u>134</u>	<u>179</u>
Total Equity and Liabilities	<u><u>2 378</u></u>	<u><u>2 010</u></u>

Statement of Profit or Loss and other Comprehensive Income for Kiosk (Pty) Ltd for the year ended 30 September 2019

	<b>E 000</b>
Revenue	3 658
Cost of Sales	<u>(2672)</u>
Gross Profit	986
Distribution Costs	(169)
Administration Expenses	(157)
Finance Costs	<u>(34)</u>
Profit before Tax	626
Income Tax Expense	<u>(95)</u>
Profit for the year	531
Other Comprehensive Income	
Gain on Property Revaluations	<u>22</u>
Total Comprehensive Income for the year after tax	553

Additional Information

- i. Property, Plant and Equipment with a carrying value of E 200 000 was sold for E 180 000. This asset had originally cost E 250 000.
- ii. Depreciation of Property, Plant and Equipment during the year amounted to E 98 000.
- iii. Dividends paid during the year amounted to E 46 000 and are reported in the statement of Changes in equity.

**Required:**

- a. Prepare a statement of Cash flows for the year-ended 30 September 2019 for Kiosk (Pty) Ltd in accordance with IAS 7 - Statement of Cash Flows. (20 Marks)
- b. Explain five benefits of Cash Flows to users of financial statements. (5 Marks)
- [Total 25]

**Question 4**

- a. After completion of the Trading Account, the following balances were extracted from the books of Madison (Pty) Ltd on 30 September 2019.

	E	
Authorised and issued share capital		
Ordinary Shares of E1 each fully paid	1 500 000	
7% Preference shares of E1 each fully paid	200 000	
Premises	2 300 000	
Motor Vehicles	500 000	
Fixtures and Fittings	170 000	
Provision for depreciation on motor vehicles	375 000	
Provision for depreciation on fixtures and fittings	102 000	
Gross profit	1 620 000	
Inventory	204 000	
Office expenses	460 000	
Selling and distribution expenses	486 000	
6% debentures-2025(issued in 2014)	100 000	
Debenture interest paid	3 000	
Profit on sale of motor vehicle	2 000	
Profit and loss account balance-1 October 2018	143 600	Cr
Debtors	132 000	
Creditors	116 000	
Bank	26 800	Cr
Cash	400	
Share premium	150 000	
Interim dividend paid- ordinary shares	75 000	
preference shares	8 000	
Provision for doubtful debts	3 000	

Additional information at 30<sup>th</sup> September 2019

1. Office expenses prepaid E 8 000
2. Selling and distribution expenses accrued E 23 000
3. Provision for doubtful debts to be maintained at 2 % of debtors
4. Depreciation to be provided as follows:
  - Motor vehicles 50 % per annum reducing (diminishing) balance
  - Fixtures and fittings 20 % per annum on cost
5. The following are proposed:
  - Final dividend of E 0.10 per share to be paid to ordinary shareholders
  - Remaining dividend due is to be paid to preference shareholders.

**Required:**

- i. Prepare Madison (Pty) Ltd Income and Appropriation Account for the year ended 30<sup>th</sup> September 2019. (12Marks)
  - ii. Prepare Madison (Pty) Ltd Statement of Financial Position as at 30<sup>th</sup> September 2019. (13Marks)
- [Total 25]**

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