

**UNIVERSITY OF ESWATINI**  
**FACULTY OF COMMERCE**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**  
**MAIN EXAMINATION PAPER FEBRUARY 2021**

**TITLE OF PAPER : INTERNATIONAL ACCOUNTING**

**COURSE CODE : ACF411/AC421 (M) FEBRUARY 2021**

**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

- a) Eswatini public sector organisations are financed by **taxes** and **grants**. With reference to the relevant IPSAS(s), explain how each of these two sources of finance should be treated in the financial statements of public sector organisations.
- i Taxes (4 marks)
  - ii Grants (4 marks)
- b) Explain how the variety of sources of income in the public sector might impact on the features of financial reporting in the public sector. (9 marks)
- c) The following information is available on sources of funding for a housing organisation:

	2018 E	2019 E
Long term loans	5 000	10 000
Deferred grant income	3 500	3 150
Share capital	9 000	9 000

Using the formula below, calculate the gearing ratio for each year and interpret your results. (8 marks)

$$\text{Gearing \%} = (\text{Non-equity finance} / \text{capital employed}) \times 100$$

### Question 2

Financial statements have seen an increasing move towards the use of fair values in accounting. Proponents of 'fair value accounting' believe that fair value is the most relevant measure for financial reporting whilst others believe that historical cost provides a more useful measure. Issues have been raised over the reliability and measurement of fair values, and over the nature of the current level of disclosure in financial statements in this area.

In 2011 the IASB published IFRS 13 *Fair value measurement*. IFRS 13 defines fair value, sets out a framework for measuring fair value, and requires disclosures about fair value measurements.

#### Required

- a) Discuss the view that fair value is a more relevant measure to use in corporate reporting than historical cost. (20 marks)
- b) Highlight any five changes introduced by IFRS 13 *Fair value measurement*. (5 marks)

### Question 3

Accounting's history can be traced back thousands of years to the cradle of civilisation in Mesopotamia and is said to have developed alongside writing, counting and money. With the growth of the limited liability companies and large-scale manufacturing and logistics, by mid-

1800's, demand surged for more technically proficient accountants capable of handling the growingly complex world of global transactions.

**Required**

- a) Discuss the factors contributing to the growth and development of financial accounting and reporting in the 21 century. (18marks)
- b) State three objectives of International Accounting Standard Board (IASB) (3 marks)
- c) Explain the responsibilities of IFRS Interpretations Committee. (4 marks)

**Question 4**

- a) Pine Ltd bought a farm in the Mavuseni area suitable for tea. They paid E 1 million for the farm and immediately started developing the land. This involved constructing roads to various planting areas, dividing the farm into various sections, and creating fire and wind breaks. Terraces were dug and tea planted and fertilised at a cost of E 100 000 per hectare.

Watering and weed control had to be done on a regular basis with the associated costs continually incurred. After a period of about 10 years the tea should be ready for harvesting and the yield is expected to be in excess of 20% per annum on the costs incurred to establish them. During the financial year ended 31 December 2019 Pine Ltd had developed 10 hectares at a cost of E 1 million and spent E 300 000 on watering and weeding. The accountant recorded E 1.3 million as an expense in the statement of comprehensive income however the finance manager feels E 1.3 million should be treated as an asset in the statement of financial position as at 31 December 2019.

**Required:**

Referring to the Framework argue whether the cost of planting and maintaining the plantation should be treated as an expense or an asset. (9marks)

- b) Indicate in the right hand side column whether the following (1- 8) are changes in accounting policies, changes in accounting estimates or prior period errors:

1	PnP (Pty) Ltd changed its accounting for land and buildings from cost model to revaluation model.	
2	The useful life of property plant and equipment was revised downwards following impairment loss.	
3	The depreciation method for depreciating furniture was changed from reducing balance method to straight line method.	
4	The cost formula used for valuation of inventories was changed from FIFO to weighted average.	
5	It was discovered that last year company's inventory sheets were under-casted.	

6	It was discovered that actual NRV of inventory was much lower than expected.	
7	Measurement of financial assets and liabilities	
8	Presentation (e.g. an entity changes from presenting a classified statement of financial position (current and non-current assets and current and non-current liabilities shown as separate classifications) to a liquidity presentation (items presented in order of liquidity without current/non-current classification))	

(8 marks)

- c) International Public Sector Accounting Standards (IPSASs) issued by the IPSAS Board of the International federation of Accountants focuses on accounting and financial reporting needs of the public sector, whether ne it national, local government or an intergovernmental organisation.

**Required**

Discuss the benefits that have accrued as a result of IPSASs adoption in Eswatini.

(8 marks)

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