

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

SUPPLEMENTARY EXAMINATION QUESTION PAPER

**DEGREE/YEAR OF STUDY : B COMM V**

**TITLE OF PAPER : FINANCIAL ACCOUNTING 111**

**COURSE CODE : AC 401**

**TIME ALLOWED : THREE (3) HOURS**

**INSTRUCTIONS**

- 1. TOTAL NUMBER OF QUESTIONS ON THIS PAPER: FOUR (4)**
- 2. ANSWER ALL QUESTIONS**
- 3. WHERE APPLICABLE ALL WORKINGS SHOULD BE SHOWN**
- 4. ALL CALCULATIONS ARE TO BE MADE TO THE NEAREST LILANGENI.**

**NOTE: YOU ARE REMINDED THAT IN ASSESSING YOUR WORK, ACCOUNT WILL BE TAKEN OF ACCURACY OF THE LANGUAGE AND THE GENERAL QUALITY OF EXPRESSION, TOGETHER WITH THE LAYOUT AND PRESENTATION OF YOUR FINAL ANSWER.**

**SPECIAL REQUIREMENT: NONE**

**THIS PAPER IS NOT TO BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR.**

**QUESTION 1**

The trial balance of TT at 31 December 2009 is as follows:

	E	E
Creditors		3600
Debtors	8300	
Land at cost	2000	
Machinery at cost	12000	
Proceeds of sale of machinery		400
Doubtful Debt Allowance at 31 Dec 2008		500
Accumulated Depreciation at 31 Dec 2008		4500
Cash in hand	500	
Wages	2400	
Insurance	600	
Interest paid	800	
Bank Balance		4300
Inventory at 31 Dec 2008	4800	
Sales revenue		24200
Purchases	22000	
Share capital		10000
Accumulated profit at 31 Dec 2008		5900
	<b>53400</b>	<b>53400</b>

**Additional Information**

- Inventory at 31 December 2009 was E5 200
- Machinery costing E1200 on which E700 depreciation had been charged was sold for E400 in the year. There were no non current purchases in the year
- Depreciation on Machinery is provided on the reducing balance basis on the net book value at the end of the year at the rate of 10%. No depreciation is provided on land
- The doubtful debt allowance is to be E600

**You are required:**

- to prepare a Statement of Comprehensive Income for the year ended 31 December 2009
- to prepare a Statement of Financial Position at that date. The financial statements are to be prepared in accordance with International Financial Reporting Standards (IFRS).

*(25marks)*

**QUESTION 2**

The summarised financial statements of Charlton, a limited company, are as follows:

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

	2008	2009
	E	E
Non-current assets (net book value)	40,406	47,759
Stock	27,200	30,918
Debtors	15,132	18,363
Bank	4,016	2,124
	<b>86,754</b>	<b>99,164</b>
Share capital	40,000	50,000
share premium	8,000	10,000
Accumulated Earnings	19,933	22,748
Loan	10,000	
Creditors	3,621	10,416
Taxation	5,200	6,000
	<b>86,754</b>	<b>99,164</b>

**Statement of Comprehensive Income for the year ended 31 December 2009**

	E
Profit (after charging depreciation of E 2, 363 and interest of E900)	17215
Taxation	6000
Profit after tax	11215

**Additional information**

An interim dividend of E2, 000 was paid during the year, as well as a final dividend for the year ended 31 December 2008 of E6, 400.

An item of machinery with a net book value of E1, 195 was sold for E1, 614. The net profit of E17 215 includes the profit/loss on the sale of the non current asset.

**Required**

Prepare a Statement of Cash Flow for the year ended 31 December 2009 using the indirect method, complying as far as possible with the requirements of IAS 7.

*(25marks)*

**QUESTION 3**

On 1 January 2007 Pixie acquired the following shareholdings in Dixie. At the date of both acquisitions, the accumulated profits of Dixie amounted to E20 000.

	Number of shares	Cost of investment (E)
E1 Ordinary shares	37 500	58 000
E1 Preference shares	16 000	<u>15 000</u>
		73000

The Statements of Financial Position of the two companies at 31 December 2009 were as follows:

	Pixie	Dixie
Non current Assets	210 000	110 600
Current Assets	113 100	43 400
Investment in Dixie	73 000	-
	<b>396 100</b>	<b>154 000</b>
Ordinary share capital	200 000	50 000
7% Preference Share capital	-	40 000
Accumulated Earnings	120 000	38 000
Trade & other payables	56 100	22 100
Proposed dividends - Ordinary	20 000	2 500
- Preference	-	1 400
	<b>396 100</b>	<b>154 000</b>

You further ascertain that:

1. The current assets of Pixie includes E42 000 of goods acquired originally from Dixie. Dixie invoiced these goods at cost plus 20%.
2. All dividends were declared during December 2009. Pixie has not accounted for the dividends receivable from Dixie. The group amortises goodwill over four years with a full years charge in the year of acquisition.

**Required:**

You are required to prepare the Consolidated Statement of Financial Position of Pixie Ltd. and its subsidiary as at 31 December 2009.

*(25 marks)*

**QUESTION 4**

You are given the following information about AA Ltd.

**Statement of Comprehensive Income**

Statement of Comprehensive Income for the year ended 31/12/	2009	2008
	E	E
Sales	60,000	50000
Cost of sales	42,000	34000
<b>Gross profit</b>	<b>18,000</b>	<b>16,000</b>
Operating expenses:	15500	13000
	<b>2,500</b>	<b>3,000</b>
Interest	2,200	1300
Profit before tax	300	1700
Tax	350	600
<b>Profit (Loss) after tax</b>	<b>-50</b>	<b>1,100</b>
Dividends paid were 600 in both years		

**Statements of Financial Position**

Statement of Financial Position		2009		2008
	E	E	E	E
<b>Non current Assets</b>				
Tangible	500		0	
Intangible	12000	<b>12500</b>	<u>11000</u>	<b>11000</b>
<b>Current Assets</b>				
Stock	14000		13000	
Debtors	16000		15000	
Bank and Cash	<u>500</u>	<b>30500</b>	<u>500</u>	<b>28500</b>
		<b>43000</b>		<b>39500</b>
<b>Capital and Reserves</b>				
Ordinary share capital	1300		1300	
Share Premium	3300		3300	
Revaluation Reserve	2000		2000	
Retained Earnings	7350	<b>13950</b>	8000	<b>14600</b>
<b>Long Term Liabilities</b>				
Loan		6000		5500
<b>Current Liabilities</b>				
Creditors		23050		19400
		<b>43000</b>		<b>39500</b>

**You are required to:**

(a) To prepare a table of the following 12 ratios, calculated for both years, clearly showing the figures used in the calculations:

- Current ratio
- Quick assets ratio
- Inventory turnover in days
- Receivables turnover in days
- Payables turnover in days
- Gross profit as a percentage of sales
- Net profit (before tax) as a percentage of sales
- Interest cover
- Dividend cover
- Return on equity (before tax)
- Return on capital employed
- Equity to assets ratio

*(12marks)*

(b) Making full use of the information given in the question and of your table of ratios, comment on the actions of management.

*(13 marks)*