



1st SEM. 2007/2008

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UNIVERSITY OF SWAZILAND
FINAL EXAMINATION PAPER

**PROGRAMME: BSc. in Agricultural Economics and Agribusiness
Management Year II**

COURSE CODE: AEM 202

TITLE OF PAPER: AGRIBUSINESS ACCOUNTING

TIME ALLOWED: TWO (2) HOURS

**INSTRUCTIONS: 1. ANSWER QUESTION ONE AND ANY OTHER TWO
QUESTIONS
2. BEGIN EACH SOLUTION TO EACH QUESTION
ON A NEW PAGE
3. SHOW YOUR NECESSARY WORKINGS**

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THE CHIEF INVIGILATOR.**

COMPULSORY:**QUESTION 1:**

The following trial balance was extracted from the books of L. Shongwe at the close of business on 28 February 2007.

| | Dr | Cr |
|---|---------------|---------------|
| | E | E |
| Purchases and sales | 11,280 | 19,740 |
| Cash at bank | 1,140 | |
| Cash in hand | 210 | |
| Capital | | 9,900 |
| Drawings | 2,850 | |
| Office furniture | 1,440 | |
| Rent | 1,020 | |
| Wages and salaries | 2,580 | |
| Discounts | 690 | 360 |
| Debtors and creditors | 4,920 | 2,490 |
| Stock 1 March 2006 | 2,970 | |
| Provision for bad and doubtful debts 1 March 2006 | | 270 |
| Delivery van | 2,400 | |
| Van running cost | 450 | |
| Bad debts written off | <u>810</u> | |
| | <u>32,760</u> | <u>32,760</u> |

Notes:

- (a) Stock 28 February 2007 E3,510.
- (b) Wages and salaries accrued at 28 February 2007 E90.
- (c) Rent prepaid at 28 February 2007 E140.
- (d) Van running costs owing at 28 February 2007 E60.
- (e) Increase the provision for bad and doubtful debts by E60.
- (f) Provide for depreciation as follows: Office furniture E180; Delivery van E480.

Draw up:

- (a) The trading and profit and loss account for the year ending 28 February 2007
(20 marks)

- (b) A balance sheet as on 28 February 2007. (20 marks)

(Total = 40 marks)

ANSWER ANY TWO QUESTION ONLY**QUESTION 2:**

A company maintains its fixed assets at cost. Depreciation provision accounts for each asset are kept. At 31 December 2005 the position was as follows:

| | Total cost to date | Total depreciation to date |
|------------------|--------------------|----------------------------|
| Machinery | 52,590 | 25,670 |
| Office furniture | 2,860 | 1,490 |

The following additions were made during the financial year ended 31 December 2006:

Machinery E2,480, office furniture E320

Some old machines bought in 2002 for E2,800 were sold for E800 during the year.

The rates of depreciation are:

Machinery 10 per cent, office furniture 5 per cent, using the straight line basis, calculated on the assets in existence at the end of each financial year irrespective of date of purchase.

Show:

- (a) The office furniture account **(4 marks)**
- (b) The machinery account **(5 marks)**
- (c) The provision for depreciation account for office furniture **(5 marks)**
- (d) The provision for depreciation account for machinery **(5 marks)**
- (e) Machinery disposal account **(4 marks)**
- (f) The balance sheet entries at year ended 31 December 2006 **(7 marks)**

(Total = 30 marks)

QUESTION 3:

A farmer budgeted on breeding and selling 10,000 goats. At this level the profit was budgeted at E20 per goat as shown below:

| | E | E |
|------------------------------|-----------|-----------|
| Selling price | | 100 |
| Cost for breeding each goat: | | |
| Direct feed and immunisation | 30 | |
| Direct labour | 35 | |
| Fixed overheads | <u>15</u> | <u>80</u> |
| Profit | | <u>20</u> |

The actual results were as follows:
 Sales 12,000 goats at E90 per goat
 Breeded 15,000 goats

| | |
|------------------------------|---------|
| Cost of breeding | E |
| Direct feed and immunisation | 450,000 |
| Direct labour | 555,000 |
| Fixed overheads | 160,000 |

Reconcile the budget profit to actual profit:

- (a) on a variable standard costing basis. (15 marks)
 (b) on an absorption standard costing basis. (15 marks)

(Total = 30 marks)

QUESTION 4

The following is the movement of goods in a business:

Bought

| | |
|-----------|----------------|
| January | 10 at E30 each |
| March | 10 at E34 each |
| September | 20 at E40 each |

Sold

| | |
|----------|-----------------|
| April | 8 for E46 each |
| December | 12 for E56 each |

Calculate the closing stock-in-trade that would be shown using:

- (a) FIFO (5 marks)
 (b) LIFO (13 marks)
 (c) Average cost method (12 marks)

(Total = 30 marks)