



UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

PROGRAMME: **BACHELOR IN SCIENCE IN
AGRICULTURAL ECONOMICS AND
AGRIBUSINESS MANAGEMENT II**

TITLE OF THE PAPER: **AGRIBUSINESS ACCOUNTING**

COURSE CODE: **AEM 202**

TIME ALLOWED: **TWO (2) HOURS**

INSTRUCTIONS

- 1. Question 1 is compulsory and it carries Forty (40) marks**
- 2. Answer any other TWO questions each question carries thirty (30) marks**
- 3. Begin the solution to each question on a new page.**
- 4. Show all necessary workings.**

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 layout and presentation of your answer.**

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

SPECIAL REQUIREMENT: **NONE**

QUESTION 1:

Mr. Chobo has been trading for some years as a wine merchant. The following list of balances has been extracted from his ledger as at 30 April 2008, the end of his most recent financial year.

	E
Capital	83,887
Sales	259,870
Creditors	19,840
Return outwards	13,407
Provision for bad debts	512
Discount allowed	2,306
Discount received	1,750
Purchases	135,680
Returns inwards	5,624
Carriage outwards	4,562
Drawings	18,440
Carriage inwards	11,830
Rent, rates and insurance	25,973
Heating and lighting	11,010
Postage, stationary and telephone	2,410
Advertising	5,980
Salaries and wages	38,521
Bad debts	2,008
Cash in hand	534
Cash at bank	4,440
Stock as at 1 May 2007	15,654
Debtors	24,500
Fixtures and fittings – at cost	120,740
Provision for depreciation on fixtures and fittings - as at 30 April 2008	63,020
Depreciation	12,074

The following additional information as at 30 April 2008 is available:

1. Stock at the close of business was valued at E17,750.
2. Insurance have been prepaid by E1,120.
3. Heating and lighting is accrued by E1,360.
4. Rates have been prepaid by E5,435.
5. The provision for bad debts is to be adjusted so that it is 3% of trade debtors.

Required:

Prepare Mr. Chobo's :

- (a) Trading and profit and loss account for the year ended 30 April 2008 (20 marks)
- (b) Balance sheet as at 30 April 2008 (20 marks)

(Total = 40 marks)

ANSWER ANY TWO QUESTION ONLY: make sure you answer parts a and b where relevant.

QUESTION 2:

Part A

A number of business transactions carried out by Green River Farms are shown below:

- a) Purchased a typewriter on credit.
- b) Owner invested cash in the business.
- c) Purchased office equipment for cash.
- d) Collected money owed by a debtor.
- e) Owner withdrew cash from the business.
- f) Paid a liability.
- g) Returned for credit some of the office equipment previously purchased on credit but not yet paid for.
- h) Sold land for cash at a price in excess of cost.
- i) Borrowed money from a bank.
- j) A debtor pays us by cheque.
- k) Owner injected additional cash into the business.

Required:

Indicate the effect of each of these transactions upon the total amounts of the company's assets, liabilities and owner's equity. Organize your answer in tabular form using the column heading shown below and the symbol + for increase, - for decrease, and NE for no effect.

Transaction	Assets	Liabilities	Owner's equity

(22 marks)

Part B

State which of the following statement is consistent or not consistent with current generally accepted accounting principles relating to asset valuation.

- a) Assets are originally recorded in accounting records at their cost to the business entity.
- b) Accountants assume no business will last forever; therefore, assets are never valued in a balance sheet in excess of their immediate resale value.
- c) Existing principles of asset valuation produce more reliable results during periods of stable prices than during periods of rapid inflation.
- d) Accountants prefer to base the valuation of assets upon objectives, verifiable evidence rather than upon appraisals or personal opinion.

(8 marks)

(Total = 30 marks)

QUESTION 3:**Part A**

The opening stock of Green Ltd consists of 1000 units valued at E100 each. During the current year Green bought 8000 units at a cost of 120 per unit. The closing stock of finished goods at end of year was 800 units.

Required:

What is the value of closing stock on a LIFO, FIFO and weighted average method?
(15 marks)

Part B

Company A sells three products with the following selling prices, costs and sales mix.

	A	B	C
Unit sales	1000	2000	3,000
Unit selling price	E20	E15	E10
Unit variable costs	E10	E8	E6
Specific fixed costs	E8,000	E7,000	E5,000
General fixed cost amount to	E14,000		

Required:

Calculate the break-even point for each product. (15 marks)

(Total = 30 marks)

QUESTION 4:

Valley Farm started business on 1 April 2006, and incurred the following costs during its first three years.

Year ending 31	2006	2007	2008
	E	E	E
Direct materials	60,000	49,900	52,200
Direct labour	48,000	44,000	45,000
Variable overheads	24,000	30,000	40,000
Fixed costs	40,000	40,600	41,300

Sales during the first three years were all at E20 per unit.

Production each year (units)	16,000	14,000	14,000
Sales each year (units)	14,000	14,000	15,000

Required:

Prepare a statement showing the gross profit for each of the three years if the company used:

- the marginal costing approach to valuing stock (15 marks)
- the absorption costing approach to valuing stock (15 marks)

(Total = 30 marks).