



**UNIVERSITY OF SWAZILAND**

**SUPPLEMENTARY 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:**

The following is a trial balance extracted from the books of J. Jele, Toy Manufacturer, as at 31 December 2007.

Trial balance as at 31 December 2007	E Dr	E Cr
Stock of raw materials 1.1.2007	21,000	
Stock of finished goods 1.1.2007	38,900	
Work in progress 1.1.2007	13,500	
Wages (direct E180,000; factory indirect E145,000)	325,000	
Royalties	7,000	
Carriage inwards (on raw materials)	3,500	
Purchases of raw materials	370,000	
Productive machinery (cost E280,000)	230,000	
Administration computers	12,000	
General factory expenses	31,000	
Lighting	7,500	
Factory power	13,700	
Administration salaries	44,000	
Sales representative salaries	30,000	
Commission on sales	11,500	
Rent	12,000	
Insurance	4,200	
General administration expenses	13,400	
Bank charges	2,300	
Discount allowed	4,800	
Carriage outwards	5,900	
Sales		1,000,000
Debtors and creditors	142,300	64,000
Bank	16,800	
Cash	1,500	
Drawings	60,000	
Capital as at 1.1.2007		<u>357,800</u>
	<u>1,421,800</u>	<u>1,421,800</u>

Notes at 31 December 2007:

- Stock of raw materials E24,000; stock of finished goods E40,000; work in progress E15,000.
- Lighting, rent and insurance are to be portioned: factory 5/6, administration 1/6.
- Depreciation on productive machinery and administrative computers at 10 per cent per annum on cost.

**Required:**

Prepare manufacturing, trading and profit and loss account for the year ending 31 December 2007. Note that in the profit and loss account the expenses must be

separated to show whether they are administration expenses, selling and distribution expenses or financial charges.

(Total = 40 marks)

**ANSWER ANY TWO QUESTION ONLY**

**QUESTION 2**

Assume that two companies have exactly the same pattern of costs and revenue and both use FIFO when valuing stock, but that Columbus Ltd uses a marginal costing approach to the valuation of stock in its financial statements, while Steel Ltd values its stock using absorption costing.

- a) Total fixed indirect manufacturing cost is E90,000 per year.
- b) Direct labour costs over each of the three years were E9 per year.
- c) Direct material costs over each of the three years were E15 per unit.
- d) Variable expenses which vary in direct ratio to production were E6 per unit.
- e) Sales were: Year 1: 2,700 units; Year 2: 3,600 units; Year 3: 3,300 units, the selling price remained constant at E87 per unit.
- f) Production is at the rate of: Year 1: 3,600 units; Year 2: 3,900 units; Year 3: 3,750 units

**Required:**

Calculate the gross profits for each company for each of their first three years in business from the information given above.

(Total = 30 marks)

**QUESTION 3**

A farmer has fixed costs of E8,000. The variable costs are E4 per cabbage. The selling price is E6 per cabbage.

(a) What are the total costs at production level of:

- a. 4,000 cabbages
- b. 7,000 cabbages
- c. 9,000 cabbages
- d. 5,500 cabbages

**(9 marks)**

(b) What is the total revenue at:

- a. 3,000 cabbages
- b. 8,000 cabbages
- c. 5,500 cabbages

**(9 marks)**

(c) Calculate the profit or loss that will be made at levels of:

- a. 3,000 cabbages
- b. 10,000 cabbages

**(6 marks)**

(d) At what production level does the farmer break-even?

**(6 marks)**

**(Total = 30 marks)**

**QUESTION 4**

Categorize each of the costs from (a) to (z) into one of these six categories:

1. Direct materials
2. Direct labour
3. Indirect manufacturing costs
4. Administration expenses
5. Selling and distribution expenses
6. finance expenses
  - a) Wages for staff maintaining machines, in factory
  - b) Wages for staff maintaining accounting machinery
  - c) Expenses of canteen run exclusively for factory workers
  - d) Expenses of canteen run exclusively for administrative workers
  - e) Grease used for factory machinery
  - f) Cost of raw materials
  - g) Carriage inwards on fuel used in factory boiler-house
  - h) Carriage inwards on raw materials
  - i) Wages of managing director's chauffeur
  - j) Wages of cleaners in factory
  - k) Discount allowed
  - l) Rent of salesrooms
  - m) Wages of lathe operators in factory

- n) Wages of security guards; the area of the factory buildings is four times as great as the other buildings
- o) Interest on bank loan
- p) Rent of annexe used by accounting staff
- q) Managing director's remuneration
- r) Sales staff salaries
- s) Running costs of sales staff cars
- t) Repairs to factory buildings
- u) Audit fees
- v) Power for machines in factory
- w) Business rates:  $\frac{3}{4}$  for factory buildings and  $\frac{1}{4}$  for other buildings
- x) Rent of internal telephone system in factory
- y) Bank charges
- z) Cost of advertising products on television

**(Total = 30 marks)**