

UNIVERSITY OF SWAZIALND**DEPARTMENT OF ACCOUNTING****SUPPLEMENTARY EXAMINATION PAPER 2005**

DEGREE / DIPLOMA AND YEAR OF STUDY: D. COM. 1

TITLE OF THE PAPER : **FINANCIAL ACCOUNTING 1**

COURSE CODE : **AC 101 / IDE AC-101 (S) 2005**

TIME ALLOWED : **Three (3) Hours**

- INSTRUCTIONS**
- 1 There are four 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 your 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 / SUPERVISOR.

QUESTION 1:

T Morgan, a sole trader, extracted the following trial balance from his books at the close of business on 31 March 2004:

	DR.	DR.
	E	E
Purchases and sales	22,860	41,970
Stock 1 April 2003	5,160	
Capital 1 April 2003		7,200
Bank overdraft		4,350
Cash	90	
Discounts	1,440	930
Returns inwards	810	
Returns outwards		570
Carriage outwards	2,160	
Rent and insurance	1,740	
Provision for bad and doubtful debts		660
Fixtures and fittings	1,200	
Delivery van	2,100	
Debtors and creditors	11,910	6,060
Drawings	2,880	
Wages and salaries	8,940	
General office expenses	450	
	<u>61,740</u>	<u>61,740</u>

Notes:

- (a) Stock 31 March 2004 E4,290.
- (b) Wages and salaries accrued at 31 March 2004 E210; Office expenses owing E20.
- (c) Rent prepaid 31 March 2004 E180.
- (d) Increase the provision for bad and doubtful debts by E150 to E810.
- (e) Provide for depreciation as follows: Fixtures and fittings E120;
Delivery van E300.

Required:

- (A) Prepare the trading and profit and loss accounts for the year ended 31 March 2004.
(12 marks)
 - (B) Prepare a balance sheet as at 31 March 2004.
(12 marks)
- (Total 24 marks)**

QUESTION 2:

(A) The bank columns in the cash book for June 2004 and the bank statement for that month for C Grant are as follows:

Cash Book					
2004	Dr.	E	2004	Cr.	E
June 1	Balance b/d	2,379	June 5	D Blake	150
" 7	B Green	158	" 12	J Gray	433
" 16	A Silver	93	" 16	B Stephens	88
" 28	M Brown	307	" 29	Orange Club	57
" 30	K Black	624	" 30	Balance c/d	2,833
		<u>3,561</u>			<u>3,561</u>

Bank Statement			
2004	Dr.	Cr.	Balance
	E	E	E
June 1	Balance b/d		2,379
" 7	Cheque	158	2,537
" 8	D Blackness	150	2,387
" 16	Cheque	93	2,480
" 17	J Gray	433	2,047
" 18	B Stephens	88	1,959
" 28	Cheque	307	2,266
" 29	UDT standing order	44	2,222
" 30	Johnson: trader's credit	90	2,312
" 30	Bank charges	70	2,242

You are required to:

- (i) Write the cash book up to date to take the above into account, and then **(10 marks)**
 - (ii) Draw up a bank reconciliation statement as on 30 June 2004. **(10 marks)**
- (B) Briefly explain why it is necessary to prepare bank reconciliation statements at accounting year ends. **(5 marks)**
- (Total 25 marks)**

QUESTION 3:

- (A) A business, which started trading on 1 January 2002, adjusted its bad debt provisions at the end of each year on a percentage basis, but each year the percentage rate is adjusted in accordance with the current 'economic climate'. The following details are available for the three years ended 31 December 2002, 2003 and 2004.

	Bad debts written off year to 31 December	Debtors at 31 December	Per cent provision for bad debt
	E	E	
2002	656	22,000	5%
2003	1,805	40,000	7%
2004	3,847	60,000	6%

You are required to show:

- (i) Bad Debts Accounts for each of the three years.
 - (ii) Provision for Doubtful Debts Accounts for each of the three years.
 - (iii) Balance Sheet extracts as at 31 December 2002, 2003 and 2004.
- (Each = 6 marks) (18 marks)**

- (B) (i) What is the purpose of creating a provision for bad debts? **(3 marks)**
- (ii) How might the amount of a provision for bad debts be calculated?
(3 marks)
(Total 24 marks)

QUESTION 4:

- (a) Why adjusting entries are needed to account for prepaid expenses, depreciation, unearned revenues, accrued expenses, and accrued revenues? **(5 marks)**
- (b) What is a Cash Flow Statement? Why is it important? **(7 marks)**
- (c) What is different about the accounts of a "Non-Profit Organization"? **(5 marks)**
- (d) Write short notes on:
 - i) Debentures and Dividends.
 - ii) Standing Orders and Direct Debits.

(Each = 5 marks) (10 marks)
(Total 27 marks)

GOOD LUCK