

**COURSE CODE : IDE AC301-1 (M) 2005**

**UNIVERSITY OF SWAZILAND**

**DEPARTMENT OF ACCOUNTING**

**MAIN EXAMINATION QUESTION PAPER, 2005**

**DEGREE/DIPLOMA AND  
YEAR OF STUDY**

**: D.COM 111**

**TITLE OF PAPER**

**: FINANCIAL ACCOUNTING II**

**TIME ALLOWED**

**: TWO [2] HOURS**

**INSTRUCTIONS**

- 1. TOTAL NUMBER OF QUESTIONS ON THIS PAPER: FOUR [4]**
- 2. ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS**
- 3. THE MARKS AWARDED FOR A QUESTION/PART ARE INDICATED AT THE END OF EACH QUESTION/PART OF QUESTION**
- 4. ALL CALCULATIONS ARE TO BE MADE TO THE NEAREST LILANGENI**
- 5. WHERE APPLICABLE SUBMIT ALL WORKINGS AND CALCULATIONS**

**NOTE: YOU ARE REMINDED THAT IN ASSESSING YOUR WORK, ACCOUNT WILL BE TAKEN OF ACCURACY OF THE LANGUAGE AND THE GENERAL QUALITY 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**

Tony Limited is a manufacturer and the trail balance of the company at 31 December 2004 is as follows:

	E	E
Delivery van expenses	2,500	
Lighting and heating: Factory	2,859	
Office	1,110	
Manufacturing wages	45,470	
General expenses: Factory	5,640	
Office	3,816	
Sales reps: commission	7,860	
Purchase of raw materials	39,054	
Rent: Factory	4,800	
Office	2,200	
Machinery (cost E50,000)	32,500	
Office equipment (E15,000)	11,000	
Office salaries	6,285	
Debtors	28,370	
Creditors		19,450
Bank	13,337	
Sales		136,500
Premises (cost E50,000)	40,000	
Stocks at 31 December 2003:		
Raw materials	8,565	
Finished goods	29,480	
Drawings	8,560	
Capital		137,456
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	293,406	293,406
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Prepare the manufacturing, trading and profit and loss accounts for the year ended 31 December 2004 and a balance sheet as at that date. Give effect of the following adjustments:

1. Stocks at 31 December 2004: Raw materials E9,050, finished goods E31,200. There is no work in progress.
2. Depreciate machinery E2,000, office equipment E1,500, premises E1,000.
3. Manufacturing wages due but unpaid at 31 December 2002 E305, office rent prepaid E108.

Total (40 marks)

**QUESTION 2**

Annastacia, Bheki and Celiwe are partners sharing profits and losses in the ratio 2: 2: 1. The balance sheet of partnership as at 30 September 2004 was as follows:

	E	E
Freehold premises		18,000
Equipment and machinery		12,000
Cars		<u>3,000</u>
		33,000
Inventory	11,000	
Debtors	14,000	
Bank	<u>9,000</u>	
	34,000	
Creditors	<u>(10,000)</u>	
		<u>24,000</u>
		57,000
Loan account- Anastacia		<u>(7,000)</u>
		<u>50,000</u>
<b>Capital accounts</b>		
Anastacia		22,000
Bheki		18,000
Celiwe		<u>10,000</u>
		<u>50,000</u>

The partners agreed to dispose of the business to Zethu Limited with effect from 1 October 2004 under the following conditions and terms:

- (i) Zethu Limited will acquire the goodwill, all fixed assets and the stock for the purchase consideration of E58,000. This consideration will include a payment of E10,000 in cash and the issue of 12,000 10 per cent preference shares of E1 each at par, and the balance by the issue of E1 ordinary shares at E1.25 per share.
- (ii) The partnership business will settle amounts owing to creditors.
- (iii) Zethu Limited will collect the debts on behalf of the partnership.

Purchase consideration payments and allotments of shares were made on 1 October 2004. The partnership creditors were paid off by 31 October 2004 after taking cash discounts of E190.

**Required:**

- (a) Prepare the partnership dissolution account. (10 marks)

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- (b) The partners' capital accounts. (5 marks)
- (c) Bank account. (5 marks)
- (d) Opening balance sheet of Zethu Limited (10 marks)

Total (30 marks)

**QUESTION 3**

I Dodgem's balance sheet as at 31 December 2004 was as follows:

	E	E
<b>Fixed assets</b>		
Premises		55,000
Plant and machinery at cost less depreciation		21,000
Fixtures and fittings at cost less depreciation		<u>4,000</u>
		80,000
<b>Current assets</b>		
Stock	17,000	
Trade debtors	9,500	
Cash	<u>4,500</u>	
	31,000	
<b>Less current liabilities</b>		
Trade creditors	8,000	
Bank overdraft	15,800	
Expenses	<u>200</u>	
	(24,000)	
		<u>7,000</u>
		<u>87,000</u>
<b>Capital</b>		<u>87,000</u>

An opportunity had arisen for Dodgem to acquire the business of A. Swing who is retiring.

**A. Swing****Balance sheet as at 31 December 2004**

	E	E
<b>Fixed assets</b>		
Premises		25,000
Plant		9,000
Motor vehicle		<u>3,500</u>
		37,500
<b>Current assets</b>		
Stock	11,000	
Trade debtors	6,000	
Bank	8,000	
Cash	<u>500</u>	
	25,500	
<b>Less current liabilities</b>		
Trade creditors	<u>-9,000</u>	
		16,500

	<u>54,000</u>
Capital	<u>54,000</u>

- I. Dodgem agreed to takeover Swing's premises, plant, stock, trade debtors and trade creditors. For the purpose of his own records Dodgem valued the premises at E35,000, plant at E6,000 and stock at E8,000.
- II. The agreed purchase price was E50,000 and in order to finance the purchase Dodgem had obtained a fixed loan for 5 years from his bank, for one half of the purchase price on the condition that he contributed the same amount from his own private resources in cash. The purchase price was paid on 1 January 2005.
- III. Dodgem also decided to scrap some of his oldest plant and machinery which cost E9,000 with depreciation to date E8,000. This was sold for scrap for E300 cash on 1 January 2005. On the same date he bought one new plant for E4,000 paying in cash.

**Required:**

Prepare I Dodgem's balance sheet as at 1 January 2005 incorporating the above entries and also showing clearly the computation of goodwill. (30 marks)

Total (30 marks)

**QUESTION 4**

4.1. Khetsiwe entered into a joint venture with Thembi for the purchase and sale of motorcycles. They agreed that profits and losses should be shared equally. The following transactions took place:

- a) Khetsiwe purchased motorcycles for E88,900 and paid carriage of E273.
- b) Thembi purchased motorcycles for E7,560 and paid carriage E51.
- c) Thembi paid to Khetsiwe E40,000.
- d) Khetsiwe sold motorcycles for E73,400 and sent a cheque for E30,000 to Thembi.
- e) Thembi sold for E10,230 all the motorcycles he had purchased.
- f) The unsold motorcycles in the possession of Khetsiwe were taken over by her at at valuation of E26,000.
- g) The amount due from one venturer to the other was paid and the joint venture was dissolved.

**Required:**

- a) A statement to show the net profit or loss of the joint venture, and (5 marks)
  - b) The accounts for the joint venture in the books of Khetsiwe and Thembi.  
(17 marks)
- 4.2.
- a) Explain the difference between a consignment and a sale. (1 mark)
  - b) 100 cases of goods costing E30 each were sent on consignment by Sanele Limited to Mang Limited on 1 February 2002. At the same time, Sanele paid delivery expenses of E100 and insurance of E20. On 1 March 2002 an interim account sales was received from Mang Limited showing that 80 cases had been sold for E63 each and that storage charges of E180 and selling expenses of E100 had been deducted from the account. After also deducting the commission on sales which was agreed at 5 per cent of the gross sales, Mang Limited settled the balance due to Sanele for goods sold by a bank draft.

**Required:**



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- a) Prepare the interim account sales, and (2<sup>1</sup>/<sub>2</sub> marks)
- b) Prepare the consignment account in the books of Sanele Limited. (4<sup>1</sup>/<sub>2</sub> marks)

**Total (30 marks)**