

**UNIVERSITY OF SWAZILAND**  
**DEPARTMENT OF ACCOUNTING**  
**SUPPLEMENTARY EXAMINATION PAPER 2006**

**DEGREE / DIPLOMA AND  
YEAR OF STUDY** : **DIPLOMA IN COMMERCE 1**

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

**COURSE CODE** : **AC 101 (S) 2006 (full time)**  
**IDE AC 101 - 1 & 2 (S) 2006 (part time)**

**TIME ALLOWED** : **THREE (3) HOURS**

**INSTRUCTIONS**

- 1** **There are five (5) 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 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 / SUPERVISOR.**

**SPECIAL REQUIREMENT: NONE**

**QUESTION 1:**

The following trial balance has been extracted from the ledger of Yousef, a sole trader, as at 31 May 2005:

	DR	CR
Purchases and Sales	82,350	138,078
Carriage	5,144	
Drawings	7,800	
Rent, rates and insurance	6,622	
Postage and stationery	3,001	
Advertising	1,330	
Salaries and wages	26,420	
Bad debts	877	
Provision for doubtful debts		130
Debtors and Creditors	12,120	6,471
Cash in hand	177	
Cash at bank	1,002	
Stock as at 1 June 2004	11,927	
Equipment at cost	58,000	
Accumulated depreciation (Equipment)		19,000
Capital		53,091
	<u>E216,770</u>	<u>E216,770</u>

The following additional information as at 31 May 2005 is available:

- (i) Rent is accrued by E210.
- (ii) Rates have been prepaid by E880.
- (iii) E2,211 of carriage represents carriage inwards on purchases.
- (iv) Equipment is to be depreciated at 15% per annum using the straight line method.
- (v) The provision for doubtful debts to be increased by E40.
- (vi) Stock at the close of business has been valued at E13,551.

**REQUIRED**

- (A) Prepare a trading and profit and loss account for the year ended 31 May 2005,  
and (13 marks)
  - (B) A balance sheet as at 31 May 2005. (12 marks)
- (Total 25 marks)**

**QUESTION 2:**

(A) Distinguish between Trade Discount and Cash Discount. (6 marks)

(B) At 1 September 2005 the financial position of Sara Young's business was:

	E
Cash in hand	80
Balance at bank	900
Debtors – AB	200
CD	500
EF	300
Stock	1,000
Creditors – GH	600
IJ	1,400

During September:

- (i) The three debtors settled their accounts by cheque subject to a cash discount of 4%.
- (ii) A cheque for E100 was cashed for office use.
- (iii) GH was paid by cheque less 7.5%.
- (iv) IJ's account was settled, subject to a discount of 5%, by cheque.
- (v) Wages of E130 were paid in cash.

**REQUIRED:**

(a) Open a three-column cash book, and (12 marks)

(b) The accounts for the debtors and creditors at 1 September 2005. (5 marks)

(Total 23 marks)

**QUESTION 3:**

Give the journal entries needed to record the corrections of the following. Narratives are not required.

- (a) Extra capital of E5,000 paid into the bank had been credited to Sales Account.
- (b) Goods taken for own use E72 had been debited to Sundry Expenses.
- (c) Private rent E191 had been debited to the Rent Account.
- (d) A purchase of goods from D Pine E246 had been entered in the books as E426.
- (e) Cash banked E410 had been credited to the bank column and debited to the cash column in the cash book.
- (f) Cash drawings of E120 had been credited to the bank column of the cash book.
- (g) Returns inwards E195 from G Will had been entered in error in T Young's account.
- (h) A sales of a printer for E100 had been credited to Office Expenses.

(16 marks)

**QUESTION 4:**

- (A) Why are many accounting systems designed with a purchases ledger control account, as well as with a purchases ledger? (6 marks)
- (B) You are required to prepare a purchases ledger control account from the following for the month of April 2005. The balance of the account is to be taken as the amount of creditors as on 30 April 2005.

2005		E
April 1	Purchases ledger balances	11,241
	Totals for April:	
	Purchases journal	6,100
	Returns outwards journal	246
	Cheques paid to suppliers	8,300
	Discount received from suppliers	749
April 30	Purchases ledger balance	?

(12 marks)

(Total 18 marks)

**QUESTION 5:**

- (A) State the Accounting Equation. Why is it important to accounting? (6 marks)
- (B) Write short notes on:
- (i) Sources of income for non-profit making organisation. (6 marks)
  - (ii) Inventory Turnover Ratio and Debt Ratio. (6 marks)

(Total 18 marks)

**END**