

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
MAIN EXAMINATION PAPER
APRIL / MAY 2008
ACADEMIC YEAR 2007/2008

PROGRAMME OF STUDY : **DIPLOMA IN COMMERCE**

YEAR OF STUDY : **ONE (1) (Full Time)**
Level 1 (IDE)

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

COURSE CODE : **AC 101 (M) 2008 (Full Time)**
IDE AC 101 – 1 & 2 (M) 2008 (IDE)

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

INSTRUCTIONS

- 1** **There are four (4) 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:

Landscaping Delight is a sole proprietor offering landscaping services, mainly in industrial areas. The following balances appeared in the General Ledger on 1 April 2008:

	E		E
Capital	10,000	Bank	9,500
Vehicles	24,600	Telephone	2,680
Fuel	560	Machinery	11,300
Stationery	100	Cash	300
Service Rendered (income)	23,400	Wages	2,590
Loan @ 18% p.a.	25,000	Repairs	680
Interest on loan	2,500	Consumable Stores	2,890
Advertising	700		

The following transactions took place in April 2008:

1. Paid the telephone account, E60 cash.
3. A cheque of E1,670 was received for services rendered.
4. Bought a lawn mower (machinery) from Lawns Unlimited and paid by cheque, E4,830.
7. Green Grow delivered fertiliser. The business made out a cheque, E250.
9. Paid E20 cash to the Constantia Bulletin for an advertisement.
11. Linen Ltd employed the firm to landscape its premise. Landscaping Delight received a cheque for E8,500 for work done.
15. Sent a cheque to Garage Motors to pay for repairs to the firm's bakkie, E730.
17. Cashed a cheque to pay wages, E2,500.
20. Paid E150 cash for fuel.
24. Cash received from clients for gardening services completed, E2,800.
25. Deposited E2,000 from the cashbox into the bank account.
27. Bought a computer from Office Supplies Ltd on credit, E5,900.
28. Sent a cheque to a FNB bank to repay an instalment of E2,000 (loan instalment) and interest outstanding of E2,250 (interest on loan) for the past 6 months.
29. Paid rent per cheque for April, E1,500.

Required:

Enter the opening balances on 1 April 2008 in the General Ledger of Landscaping Delight, record all transactions for the month of April 2008 into the accounts in General Ledger, balance off all the accounts, and then extract a trial balance as at 30 April 2008.

(Note: Journal entries are not required).

(Question 1 - Total marks: 35)

QUESTION 2:

Mr. Dlamini has been trading for some year 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
Trade creditors	19,840
Returns outwards	13,407
Provision for doubtful 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, stationery 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	15,645
Trade debtors	24,500
Fixtures and fittings – at cost	120,740
Depreciation	12,074
Provision for depreciation on fixtures and fittings as at 30 April 2008	63,020

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

- (a) Stock at the closing of balance was valued at E17,750.
- (b) Insurance have been prepaid by E1,120.
- (c) Heating and lighting is accrued by E1,360.
- (d) Rates have been prepaid by E5,435.
- (e) The provision for doubtful debts is to be adjusted so that it is 3% of trade debtors.

Required:

- (i) Prepare a trading and profit and loss account for the year ended 30 April 2008. (13 marks)
- (ii) Prepare a balance sheet as at 30 April 2008. (12 marks)

(Question 2 - Total marks: 25)

QUESTION 3:

Your bookkeeper extracted a trial balance on 31 December 2007 which failed to agree by E210, a shortage on the credit side of the trial balance. A suspense account was opened for difference.

In January 2008 the following errors made in 2007 were found:

- (i) Sales day book had been undercast by E200.
- (ii) Sales of E610 to T Vantaira had been debited in error to T Ventura's account.
- (iii) Rent account had been undercast by E90.
- (iv) Discounts Allowed account had been overcast by E100.
- (v) The sales of a computer at net book value had been credited in error to the Sales account E230.

You are required to:

- (a) Show the journal entries necessary to correct the errors. Narratives are required. **(10 marks)**
- (b) Draw up the suspense account after the errors described have been corrected. **(4 marks)**
- (c) If the net profit had previously been calculated at E31,400 for the year ending 31 December 2007, show the calculations of the corrected net profit. **(6 mark)**
(Question 3 - Total marks: 20)

QUESTION 4:

- (a) In partnership accounts why is:
 - (i) interest allowed on capital? **(2 marks)**
 - (ii) interest charged on drawings? **(2 marks)**
- (b) Write short notes on:
 - (i) Merchandise turnover **(4 marks)**
 - (ii) Shareholder's funds **(4 marks)**
 - (iii) Capital expenditure **(4 marks)**
 - (iv) Debit Note **(4 marks)**

(Question 4 – Total marks: 20)

(TOTAL MARKS FOR THE PAPER: 100)

END