

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
SUPPLEMENTARY EXAMINATION PAPER
JULY 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 I**

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

John Brown is a store owner. A trial balance extracted from his books on 31 December 2007 revealed the following balance:

	DR.	CR.
Purchases and Sales	350,000	400,000
Sales returns	5,000	
Purchases returns		6,200
Opening stock at 1 January 2007	100,000	
Provision for doubtful debts		800
Wages and salaries	30,000	
Rates	6,000	
Telephone	1,000	
Shop fittings at cost	40,000	
Motor van at cost	30,000	
Debtors and creditors	9,800	7,000
Bad debts	200	
Capital		179,000
Bank balance	3,000	
Drawings	18,000	
	E593,000	E593,000

The following matters are to be taken into account:

- i) Closing stock at 31 December 2007 E120,000.
- ii) Accrued wages E5,000.
- iii) Rates prepaid E500.
- iv) The provision for doubtful debts to be increased to 10% of debtors.
- v) Telephone account outstanding E220.
- vi) Depreciate shop fittings at 10% per annum, and motor van at 20% per annum, on cost, using straight-line method.

- REQUIRED:**
- (a) Prepare a trading and profit and loss account for the year ended 31 December 2007, and **(13 marks)**
 - (b) Prepare a balance sheet as at 31 December 2007. **(12 marks)**
- (Question 1 - Total marks: 25)**

QUESTION 2:

On 31 December 2007 the bank column of F King's cash book showed a debit balance of E1,500. The monthly bank statement written up to 31 December 2007 showed a credit balance of E2,950.

On checking the cash book with the bank statement it was discovered that the following transactions had not been entered in the cash book:

- Dividends of E240 had been paid directly to the bank.
- A credit transfer – Customs and Excise VAT refund of E260 – had been collected by the bank.
- Bank charges E30.
- A direct debit of E70 for the Trade Association subscription had been paid by the bank.
- A standing order of E200 for F King's loan repayment had been paid by the bank.
- F King's deposit account balance of E1,400 was transferred into his bank current account.

A further check revealed the following items:

Two cheques drawn in favour of T Cod E250 and F Haddock E290 had been entered in the cash book but had not been presented for payment.

Cash and cheques amounting to E690 had been paid into the bank on 31 December 2007 but were not credited by the bank until 2 January 2008.

Required:

- (a) Starting with the debit balance of E1,500, bring the cash book (bank columns) up to date and then balance the bank account. **(10 marks)**
- (b) Prepare a bank reconciliation statement as at 31 December 2007. **(10 marks)**

(Question 2 - Total marks: 20)

QUESTION 3:

The following trial balance of Haven Golf Club was extracted from the books as on 31 December 2007:

	DR. E	CR. E
Club-house	21,000	
Equipment	6,809	
Profits from raffles		4,980
Subscriptions received		18,760
Wages of bar staff	2,809	
Bar stocks 1 January 2007	1,764	
Bar purchases and sales	11,658	17,973
Green-keepers' wages	7,698	
Golf professional's salary	6,000	
General expenses	580	
Cash at bank	1,570	
Accumulated fund at 1 January 2007		18,175
	E59,888	E59,888

Notes:

- (i) Bar purchases and sales were on a cash basis. Bar stocks at 31 December 2007 were valued at E989.
- (ii) Subscriptions paid in advance by members at 31 December 2007 amounted to E180.
- (iii) Provide for depreciation of equipment E760.

You are required to:

- (a) Draw up the bar trading account for the year ended 31 December 2007. **(8 marks)**
- (b) Draw up the income and expenditure account for the year ended 31 December 2007 **(10 marks)**
- (c) Draw up a balance sheet as at 31 December 2007. **(14 marks)**

(Question 3 - Total marks: 32)

QUESTION 4:

- (a) What is the difference between bad debts and provision for bad debts? (5 marks)
- (b) Why is it necessary to create a record of transactions in a business? (2 marks)
- (c) Write shorts notes on:
- (i) Income accrued and Income received in advance (4 marks)
 - (ii) Historical cost concept and Dual aspect concept (4 marks)
 - (iii) Work - In - Progress (W.I.P.) (4 marks)
 - (iv) Price / Earnings Ratio (P/E) and Earnings per share (EPS) (4 marks)
- (Question 3 – Total marks: 23)

(TOTAL MARKS FOR THE PAPER: 100)

END