

University of Swaziland
Department of Accounting
Main Exam Paper

Programme of Study : Diploma In Commerce
Year Of Study : Year one (Full Time)
Level 1 (IDE)
Title of Paper : Financial Accounting 1.
Course Code : AC 101(FT)/ IDE AC 101(PT)
Time Allowed : 3 Hours.

- Instructions:**
- 1. The total number of questions on this paper are four (4).**
 - 2. Answer all the questions.**
 - 3. Begin the solution to each question on a new page.**
 - 4. The marks awarded for a question / part are indicated at the end of each question / part of question.**
 - 5. Where applicable, submit all workings and calculations on the answer sheet alongside the case.**

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 the layout and presentation of your final answer.

Special requirement : Calculator.

This paper is not to be opened until permission has been granted by the invigilator.

QUESTION 1:

The Trial Balance of Good Hope Traders for the year ended 31st December, 2008 is given below.

	Debit	Credit
	E	E
Furniture	640	
Building	7,500	
Machinery	6,250	
Capital		12,500
Bad debts	125	
Reserve for Doubtful Debts		200
Debtors and Creditors	3,800	2,500
Stock (1-1-2001)	3,460	
Purchases and Sales	5,475	15,450
Bank Overdraft		2,850
Sales Returns and Purchase Returns	200	125
Advertisement	450	
Interest	118	
Cash	650	
Commission		375
Tax and Insurance	1,250	
General expenses	782	
Salary	3,300	
	34,000	34,000

The following additional information as at 31st December 2008 is available:

- a) stock on 31st December 2008 was valued at E3,250
- b) Depreciate buildings at 5%; furniture at 10% and machinery at 20%.
- c) Interest E85 is payable on bank overdraft.
- d) Salary E300 and tax E120 are outstanding.
- e) Insurance prepaid is E100.
- f) Reserve for doubtful debts is to be increased to 5% on debtors.

Required:

- i) Prepare the Trading and Profit and Loss Account for the year ended 31st December, 2008. (13 marks)
- ii) Prepare the Balance Sheet as at 31st December, 2008. (12 marks)

Total (25 marks)

QUESTION 2:

Given below is a trial balance of Pinehills Golf Club, Ejulweni, for the year ending 31st March 2009.

	Dr.	Cr.
Cash at bank	E1,962	
Club house	71,000	
Furniture	1,300	
Equipment	8,000	E3254
Profits from raffles	14,600	
Wages of bar staff		91,700
Subscriptions received	4,700	
Bar stocks 1 st April 2008	20,650	42,300
Bar purchases and sales	10,750	
Greenkeepers' wages	18,500	
Golf professionals salary	350	
General expenses	105	
Rates and insurance		14,663
Accumulated fund at 1 st April 2008	151,917	151,917

Additional Information:

- i) Bar stocks at 31st March 2009 were valued at E3,205.
- ii) Debtors for bar sales at 31st March 2009 were E5,420.
- iii) Subscriptions paid in advance by members at 31st March 2009 amounted to E935.
- iv) Depreciate furniture at 10% and equipment at 15% per annum.

Required:

- a) Draw up bar trading account for the year ended 31st March 2009. (5 marks)
 - b) Draw up income and expenditure account for the year ended 31st March 2009, and a balance sheet as at 31st March 2009. (15 marks)
- Total (20 marks)**

QUESTION 3:

The Cash book of Matsapha Laminations, Matspha, shows a favourable bank balance of E3,856 at 30 June 2008. After comparing the entries in the Cash Book with the entries on the related bank statement you find that:

- i) Cheques amounting to E218 entered in the Cash Book have not yet been presented for payment to the bank.
- ii) An amount of E50 entered on the bank account of the Cash Book has not been banked.

- iii) An amount of E95 has been credited by the bank to the account in error.
- iv) The bank has credited and then debited the bank statement with an amount of E48, being A.Jone's cheque which it forwarded on 1 July 2008 marked 'insufficient funds – return to drawer' (dishonoured).
- v) Interest of E10 has been charged by the bank, but not yet entered in the Cash Book.
- vi) A cheque from a customer entered in the Cash Book as E88 had been correctly entered by the bank as E188.

Required:

- a) Starting with the debit balance of E3,856, bring the Cash Book (Bank Columns) up to date. (12 marks)
 - b) Prepare a Bank Reconciliation Statement. (8 marks)
 - c) Briefly discuss the advantages of preparing Bank Reconciliation Statement. (5 marks)
- Total (25 marks)**

QUESTION 4:

- a) The balance sheet as at 30th April 2007 of Manzini Traders Limited included a provision for doubtful debts of E2,300. The company's accounts for the year ended 30th April 2008 are now being prepared. The company's policy now is to relate the provision for doubtful debts to the age of debts outstanding. The debts outstanding at 30th April 2008 and the required provision for doubtful debts are as follows:

Debts outstanding	Amount	Prov. for doubtful debts
Up to 1 month	E 24,000	% 1
More than 1 month and up to 2 months	10,000	2
More than 2 months and up to 3 months	8,000	4
More than 3 months	3,000	5

Customers are allowed a cash discount of 2½ % for settlement of debts within one month. It is now proposed to make a provision for discounts to be allowed in the company's accounts for the year ended 30th April 2008.

Required:

Prepare the following accounts for the year ended 30th April 2008 in the books of Manzini Traders Limited to record the above transactions.

- i) Provision for Doubtful debts; (5 marks)
- ii) Provision for Discounts to be allowed on debtors. (5 marks)

b) Write short note on the following:

- | | |
|---|-----------|
| i) Substance Over Form | (5 marks) |
| ii) Materiality | (5 marks) |
| iii) Differentiate Cash Discount and Trade Discount | (5 marks) |
| iv) Shareholder ratios. | (5 marks) |

Total (30 marks)

END OF QUESTION PAPER