

**University of Swaziland**  
**Department of Accounting**  
**Main Exam Paper - Semester - I**

Programme of Study : Diploma In Commerce  
Year Of Study : Year one (Full Time) Level 1 ( IDE)  
Title of Paper : Introduction To Financial Accounting I  
Course Code : AC 111(FT) / IDE AC 111(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 following is the Trial Balance of Black Diamond Jewellers, Mbabane as on 31<sup>st</sup> March 2009.

	<b>Debit E</b>		<b>Credit E</b>
Opening Inventory	72,000	Capital	500,000
Purchases	225,000	Sales	350,000
Furniture	15,000	Purchase returns	1,800
Motor Car	30,000	Gili and Company	32,000
Buildings	425,800	S A Traders	24,000
A Mathews	18,000	commission	7,500
B Joyce	20,000		
Y Precious	12,000		
Advertisement	22,000		
Repairs and Maintenance	13,000		
General expenses	16,000		
Insurance	7,000		
Cash in hand	3,500		
Bank	6,000		
Salaries	30,000		
	<b>915,300</b>		<b>915,300</b>

**NOTE:** To arrive at Accounts Receivables and Accounts Payables you have to add necessary ledger accounts.

The following additional information as at 31<sup>st</sup> March 2009 is available.

- a) Closing Inventory as at 31<sup>st</sup> March 2009, E80,000.
- b) Interest on Capital at 6% is payable.
- c) Prepaid advertisement E2,000.
- d) Goods used for domestic purpose E1,800.
- e) Outstanding salaries E3,000.
- f) Depreciation on Buildings at 5%, Furniture 5% and Motor Car at 10%:

**Required:**

- i) Prepare the Trading & Profit and Loss Account for the year ended 31<sup>st</sup> March 2009. **(13 marks)**
  - ii) Prepare the Balance Sheet as at 31<sup>st</sup> March 2009. **(12 marks)**
- Total (25 marks)**

**QUESTION 2:**

As at 1<sup>st</sup> October 2009, Olive Retail had E820 in cash and a bank balance of E8,940.

Among others the following transactions took place in October.

- Oct 2 The following paid Olive Retail by cheque, in each case deducting a 5 percent cash discount: A Bango E820; L Peter E320; G Hlophe E440; M Rooney E1,040.
- „ 3 Cash sales paid direct into bank E840.
- „ 5 Paid rent by cash E430.
- „ 6 Olive Retail paid the following accounts by cheque, in each case deducting 2½ percent cash discount: M Patrick E360; S Gule E960; A Biswalo E400.
- „ 8 Withdrew cash from the bank for business use E300.
- „ 10 Cash sales E1,626.
- „ 12 B Bongani paid us their account of E280 by cheque less E4 cash discount.
- „ 14 Paid salaries by cash E530.
- „ 16 Olive Retail paid the following accounts by cheque: R Tsabedze E310 less cash discount of E15; F Dlamini E412 less cash discount E12.
- „ 20 Bought fixtures by cheque E4,300.
- „ 24 Bought lorry paying by cheque E14,200.
- „ 29 Received E320 cheque from A Line.
- „ 30 Cash sales E980.
- „ 31 Bought stationery paying by cash E56.

**Required:**

- i) Set out a three column cash book and enter all the transactions during the month of October and balance off cash and bank columns. (23 marks)
- ii) Open relevant discount accounts in the General Ledger. (2 marks)
- Total (25 marks)**

**QUESTION 3:**

Swazi Dairy, Matsapha, maintains its fixed assets at cost. Accumulated Provision for Depreciation accounts are kept for each asset. The fixed asset position as on 31 December 2007 was as follows:

	Total cost to date	Total dep., to date.
Machinery	E60,750	E27,760
Office Furniture	3250	1,250

The following transactions were made in the year ended 31 December 2008

- a) Purchased Machinery E5,000 and Office Furniture E 750.
- b) Sold Machinery which had cost E3,000 in 2004, for E900.

Depreciation is charged on a straight line basis, at 10% on machinery and at 5% on office furniture on the basis of assets in use at the end of the year irrespective of the date of purchase.

**Required:**

- i) Show Machinery and Office Furniture accounts for the year ended 2008. **(8 marks)**
- ii) Show Depreciation Provision accounts for Machinery and Office Furniture for the year ended 2008 **(8 marks)**
- iii) Show Machinery Disposal Account. **(5 marks)**
- iv) The relevant Balance Sheet entries as at that date. **(4 marks)**

**Total (25 marks)**

**QUESTION 4:**

Write Short Note on the following:

- i) Accrual Concept **(5 marks)**
- ii) How to distinguish between Capital and Revenue Expenditures. Explain by citing examples. **(5 marks)**
- iii) Write any two errors that do not affect trial balance agreement with examples and required correction entries. **(5 marks)**
- iv) Historical Cost Concept **(5 marks)**
- v) Debit Note **(5 marks)**

**Total (25 marks)**

**END OF QUESTION PAPER**