

University of Swaziland
Department of Accounting
Main Exam Paper - Semester - II

Programme of Study : Diploma in Commerce
Year Of Study : Year one (Full Time) Level 1 (IDE)
Title of Paper : Introduction to Financial Accounting II
Course Code : AC 112(FT) / IDE AC 112(PT)
Time Allowed : 3 Hours.

- Instructions:
1. Total number of questions on this paper are four (4).
 2. Answer all questions.
 3. Begin the solution to each question on a new page.
 4. The marks awarded for a question / part is 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:

Mr. Msibi Fundom, owns a small business making and selling soft toys in Manzini. The following balances were extracted from his books on 30th June 2009.

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Plant and Machinery at cost	52,500
Accumulated depreciation on plant and machinery	12,500
Land and buildings at cost	100,000
Purchase of raw material	55,100
Sales	167,200
Factory rates	3,000
Factory heat and light	3,250
Debtors	32,000
Creditors	15,000
Wages (including 15,500 for supervision)	32,000
Direct factory expenses	4,550
Selling expenses	5,500
Office salaries and general expenses	22,000
Bank	15,000
General reserve	9,000 (credit)
Profit and loss account	20,000 (credit)
Stocks 1 July 2008: Raw Material	10,000
Finished goods	15,000

The following additional information as at 30th June 2009 is available.

- a) The stocks at 30th June 2009 were: Raw Material E11,000; Finished Goods E17,260.
- b) Salaries include E7,200 for director's fee.
- c) Depreciation is to be charged at 10% on cost of Plant & Machinery.

Required:

- i) Prepare a Manufacturing account showing clearly the Prime Cost and Production cost of Finished Goods. **(13 marks)**
 - ii) Trading and Profit & Loss accounts for the year ending 30th June 2009. **(12 marks)**
- Total (25 marks)**

QUESTION 2:

The following items were identified in the course of Bank Reconciliation as at 30th June 2009.

1. The bank balance as per the Cash Book on that date was E56,250.
2. Bank charges of E52 has been entered twice in the Cash Book.
3. A cheque from a customer entered in the Cash Book as E24 had been correctly entered by the bank as E224.
4. A favourable balance at bank of E25,200 has been carried forward from one folio of the Cash Book to the next as E52,200.
5. The bank has credited and then debited the bank statement with an amount of E52, being Maphalala A's cheque which it forwarded marked 'insufficient funds – return to drawer'.
6. The debit side of the bank column in the Cash Book has been added as E42,250 instead of E42,150.
7. E11,400 received from Dlamini D a customer, by Direct Debit transfer is not accounted for in the Cash Book.
8. E4,000 paid as insurance by direct debit is not accounted for in the Cash Book.
9. Deposits not cleared by this date were E12,250 and cheques yet to be presented E16,000.

Required:

- a) Starting with the debit balance of E56,250, bring the Cash Book (Bank Columns) up to date. **(16 marks)**
- b) Prepare a Bank Reconciliation Statement. **(9 marks)**

Total (25 marks)

QUESTION 3:

Shoes Galore, a supplier of leather footwear and sneakers maintains its accounts with a hand written set of books. The practice of Shoes Galore is to extract a trial balance at the end of each month, and a Profit and Loss account and Balance Sheet are computed. This month, however, the Trail Balance will not balance, the debits exceeding credits by E35. Shoes Galore sought your help and you have discovered the following errors, after inspecting the ledgers.

- a) Discounts received of E234 have been posted to the debit of the discounts allowed account.
- b) A balance of E78 on a debtor's account has been omitted from the schedule of debtors, the total of which was entered as Debtors in the Trial Balance.
- c) E4,000 paid as rent was posted as E400.
- d) Bank charges of E25 appearing in the Cash Book is not posted to the nominal account.
- e) A cheque for E260 for acquiring a new display stand has been entered correctly in the Cash Book but posted to Shop Fittings account as E200.
- f) Repairs to machinery, amounting to E220 had been charged to Machinery account.
- g) The receipts side of the Cash Book has been under cast by E270.

Required:

- i) Journal entries to correct each of these errors. (14 marks)
(Narratives not required)
- ii) The suspense account (6 marks)
- iii) State the effect on the accounts of correcting each error (5 marks)

Total (25 marks)

QUESTION 4:

Write Short Note on the following:

- i) Direct Debits and Standing Orders (5 marks)
- ii) Debentures and Dividends (5 marks)
- iii) What is a cash-flow statement (5 marks)
- iv) In partnership accounts why is interest allowed on capital and interest charged on drawings. (5 marks)
- v) Sources of income for non-profit organizations (5 marks)

Total (25 marks)

END OF QUESTION PAPER