

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

Programme of Study : Bachelor of Commerce / Diploma in Commerce
Year of Study : Year one (Full Time); Level 1 (Part Time)
Title of Paper : Introduction to Financial Accounting - I
Course Code : AC 111(Full Time) / IDE AC 111(Part Time)
Time Allowed : **3 Hours.**

- Instructions:
- 1. Total number of questions on this paper is five (5).**
 - 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:

Mrs. Primrose Dlamini is a trader in Electronic calling bells of a standard make and model. She buys them at E40 and sells them at E60. Her trial balance for the year ended 31st December 2010 appears as below:

Trial Balance of Mrs. Primrose Dlamini for the year ended 31st December 2010.

	Debit	Credit
Inventory 1 Jan 2009	E60,000	
Purchases	320,000	
Sales		E495,000
Carriage outward	4,000	
Stationery	6,000	
Salaries	36,000	
Postage	4,000	
Motor van	90,000	
Furniture	45,000	
Advertising	20,000	
Trade receivables	109,000	
Trade payables		67,000
Loan from Sikhonje K		75,000
Light and heat	6,000	
Rent	15,000	
Provision for depreciation:		
Van		30,000
Furniture		15,000
Allowance for doubtful debts		2,000
Cash and bank balance	9,000	
Capital		40,000
	E724,000	E724,000

The following additional information has been provided to you after preparing the trial balance.

- Motor van is to be depreciated at 20% per annum and furniture at 10% per annum using straight line method.
- Loan from Sikhonje K carries an interest of 10% per annum.
- Salaries outstanding E 3,000; Audit fees outstanding E 1,500.
- Rent for the premises is payable at E 1,000 per month.
- In a promotion campaign 100 calling bells were distributed free.
- A debt to be written off amounted to E 2,000 and maintain an allowance for doubtful debts at 5% of remaining trade receivables.
- Inventory ending amounts to E 34,000.

Required:

- i) Prepare a Statement of Comprehensive Income for the year ended 31st December 2010. **(13 marks)**
 - ii) And a Statement of Financial Position as at the same date. **(12 marks)**
- Total (25 marks)**

QUESTION 2:

Alice Shongwe prepares her financial statements on 31st December each year and maintains Machinery Account at cost. She provides depreciation at 20% using straight line method, and it is her policy to charge depreciation for every month an asset is owned.

She bought a machine on 1st April 2007 for E 85,000. The freight, insurance and installation expenses amounted to E 15,000 on the same. Another machine was bought on 31st December 2007 for E 47,000 and installed the same at a cost of E 3,000.

On 1st October 2009 the first machinery was totally damaged due to flood water in factory and the scrap was taken away by the insurance company and the insurance company agreed to pay E 40,000 as a settlement. On the same day, second hand machinery was purchased for E 110,000 and incurred E 40,000 towards repairs.

Required:

- i) Prepare Journals for years 2007, 2008, and 2009 to give effect to the above. **(13.5 marks)**
 - ii) Draw up Machinery Account, Machinery Disposals Account and Provision for Depreciation Account. **(11.5 marks)**
- Total (25 marks)**

QUESTION 3:

- a. Elvis Simelane keeps his petty cash book on the imprest system, the imprest being E 100. For the month of November 2010 his petty cash items were as follows:

Nov 1 Petty cash balance E 4.52
„ 2 Petty cashier presented vouchers to cashier and obtained cash to restore the imprest E 95.48
„ 9 Paid to Joyce Shongwe, a creditor E 9.40
„ 10 Bought postage stamps E34.
„ 11 Bought envelopes E 2.80
„ 15 Purchased petrol E 40
„ 17 Paid bus fares E 6.88
„ 23 Received cash for personal telephone call E 2.72
„ 26 Purchased Sello tape E 5.

Required:

- i) Rule up a suitable petty cash book with suitable analysis columns for each expenditure and balance the petty cash book at 30 November 2010. (8 marks)
- ii) Open the ledger accounts. (2 marks)

Sub-Total (10 marks)

- b. Mike Jerome operates a retail business and the following balances stood in his accounts.

Trade receivable (1-1-2009)	E 50,000
Allowance for doubtful debts (1-1-2009)	1,250
Sales during the year	600,500
Returns inwards	5,000
Receipts from the customers	540,000
Bad debts during the year	1,510
Discounts allowed to customers	2,000

Mike Jerome maintains a 5% of trade receivables at the end of each year.

The following transactions took place during the year 2010.

Sales (80% on credit)	E 700,000
Returns inwards	10,000
Receipts from customers	630,000
Bad debts	5,000
Discount allowed to customers	2,550
Set offs against an amount due from suppliers	12,000

Required:

- i) Draw up Trade Receivables Account for each of the two years ended 31st December 2009 and 31st December 2010. **(8 marks)**
- ii) Draw up Allowance for Doubtful Debts Account for each of the two years ended 31st December 2009 and 31st December 2010. **(7 marks)**

Sub-Total (15 marks)

QUESTION 4:

Write Short Note on the following:

- i) With the help of a flow chart explain the accounting process clearly by differentiating book-keeping and accounting.
- ii) What is meant by Cash Float in the context of petty cash book? Cite an example.
- iii) Discuss the Realisation concept with the help of an example.
- iv) Briefly explain a Debit note
- v) Explain the term 'Substance over form'.

Total (5*5 = 25 marks)

END OF QUESTION PAPER