

University of Swaziland
Department of Accounting
Supplementary 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 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:

Mabuja Precious has been operating a general store, The Best Traders, in Manzini for many years. Mabuja supplied the following relevant information for the year ending 30th June 2010.

The Best Traders Trial Balance as at 30 th June 2010	
	E
Mabuja's capital	258,000
Mabuja's drawings	42,000
Sales	349,000
Purchases	196,000
Returns outwards	7,000
Trade payables	45,000
Property	67,000
Machinery	100,000
Salaries to staff	42,000
Office expenses	12,500
Office furniture and fixtures	25,000
Discounts (dr)	1,200
Trade receivables	26,600
Loan to Dlamini S @ 15% per annum –balance on 1 July 2009	40,000
Bank balance	26,600
Inventory (1 July 2009)	49,175
Postage	1,400
Insurance charges	3,200
Gas and fuel	2,700
Bad debts	600
Office rent	12,600
Freight and duty	9,000
Allowance for doubtful debts	800
Interest on loan to Dlamini S	3,000
Cash	3,625
Advertising	1,600

The following additional information must be taken into account.

- a) Inventory on 30th June 2010 was valued at E 66,000
- b) Outstanding salaries amounted to E 3,600
- c) Insurance prepaid was E 1,000
- d) A new machine was installed on 31st December 2009 costing E 14,000 but it was not recorded in the books and no payment was made for it. Installation charges on this machine amount to E 1,000 have been debited to salaries account.
- e) Depreciate Machinery by 10% per year, Office Furniture & Fixtures by 8% per year, and property by 2 % per year.
- f) Of the trade receivables E 600 are bad and should be written off.
- g) Maintain an allowance of 5% on trade receivables for doubtful debts.

Required:

- i) Prepare a Statement of Comprehensive Income for the year ended 30th June 2010. **(13 marks)**
 - ii) And a Statement of Financial Position as at the same date. **(12 marks)**
- Total (25 marks)**

QUESTION 2:

Write up journal entries needed to correct the errors in the following transactions.

- a) Computer repairs E224 was debited to the computer account.
- b) E590 of discounts received credited to discounts allowed account.
- c) A credit purchase from R Reese costing E56 was entered in the books as E65.
- d) Cash drawings of E100 was credited to the bank column of cash book.
- e) We owed E320 by M. Shabangu. He is declared bankrupt and we received E60 in full settlement of the debt. This transaction was completely omitted from the books.
- f) Purchases of E2,114 on credit from F. Mnisi was entered in F. Nisi's account.
- g) Commission received E490 was credited to rent received account.
- h) Included in insurance account was E62 which was in fact insurance of a private

- house owned by proprietor.
- i) Cash paid to A. Dlamini E112 entered on the debit side of the cash book and the credit side of A. Dlamini's account.
- j) Bank charges E43 were debited to the business rates account.
- k) A credit sale of E1,000 to R. Simile was entered in the books as E900
- l) Goods worth of E200 taken for own use were debited to purchases account and credited to drawings account.

(12*2 = 24)

Total (25 marks-one mark for all correct entries)**QUESTION 3:**

Ms. S. Nhlabatsi commenced a wholesale business in wooden carvings in Manzini Market on 1st January 2010, introducing cash of E 100,000 as her capital. The following transactions took place within the first fortnight.

Date	Transaction
Jan 4	Purchased furniture for shop E 3,000 from O.K. Furniture.
„	Paid E500 towards advertising expenses to a local agency.
„	Paid rent of E500 to the landlord.
„	Purchased goods for sale on credit from Wooden Plaza E 2,590 and City Artifacts E 5,270.
„ 6	Sold goods on credit to Ginindza Thabani for E 915 and G. Godfrey for E925.
„ 7	Goods returned by Ginindza Thabani E50; G. Godfrey E92.
„	Sold goods for cash E 1,500.
„	Paid E150 to advertising agency.
„ 8	Purchases goods for sale on credit from Wooden Plaza E 1,272 and City Artifacts E 2,200.
„ 9	Sold goods to Ginindza Thabani E525 and to E. Mtetwa E800.
„ 10	Goods returned to wooden plaza E212.
„ 11	Paid City Artifacts E 1,000 Ginindza Thabani paid E 1,200.
„ 12	Cash sales E825.
„	Ms. S. Nhlabatsi took E500 in cash to meet her personal expenses.
„ 14	Paid for stationery E20.
„ 15	Sold goods on credit to Ginindza Thabani E500 and G. Godfrey E625.
„ 15	Goods worth of E200 taken for own use was debited to purchases account in error.

Required:

- i) Set out the prime entry, recording every transaction reported above. (11 marks)
 - ii) Post them to appropriate ledger accounts. (11.5 marks)
 - iii) Extract a trial Balance as at 15th January 2010. (7.5 marks)
- Total (30 marks)**

QUESTION 4:

Write Short Note on the following:

- i) Distinguish Cash Discount and Trade Discount.
 - ii) The four main causes of Depreciation.
 - iii) Why do accountants have to make Provisions for bad debts?
 - iv) How do you identify Capital Expenditure and Revenue Expenditure. Give examples.
- (4*5 = 20 marks)**

END OF QUESTION PAPER