

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

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 - II
Course Code : AC 112(Full Time) / IDE AC 112(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:

- a) The Trial Balance of Maverick Traders, Matsapha, revealed the following information for the financial year ended 31st December 2009 from the Books of Prime Entry.

Sales -- Cash	E172,445
-- Credit	134,094
Purchases -- Cash	7,220
-- Credit	248,300
Total receipts from customers	300,275
Total payments to suppliers	251,985
Discounts allowed (All to credit customers)	2,760
Discount received (All from credit suppliers)	1,755
Refunds given to cash customers	2,535
Bad debts written off	390
Increase in provision for bad debts	45
Debt recovered by contra off set	35
Credit notes issued to credit customers	2,070
Credit notes received from credit suppliers	740

According to the audited financial statements for the previous year receivables and payables as at 31st December 2008 were E 13,277 and E 21,775 respectively.

REQUIRED:

Draw up relevant Control (Total) Accounts entering end-of-year totals for receivables and payables. **(15 marks)**

- b) The Trial Balance of Harold Shabangu as at 31st December 2009 showed a difference which was posted to a suspense account. Draft final accounts for the year ended 31st December 2009 were prepared showing a net profit of E 25,240. The following errors were subsequently discovered.
- Sales of E 200 to A. Dlamini had been debited to A. Dlamini Enterprises.
 - A payment of E 525 for telephone bill had been entered on the debit side of Telephone Account as E 625.

- c) The purchases day book had been undercast by E325.
- d) Repairs to a machine amounting to E516 had been charged to machinery account.
- e) Discount received of E 423 had been posted to the debit of the discount allowed account.

REQUIRED:

Write up Journal Entries to correct each of these errors. Narratives are not required. **(10 marks)**

Total (25 marks)

QUESTION 2:

A Book Store in Mbabane wants you to perform their Bank Reconciliation Statement as their book-keeper was unable to reconcile the difference between the cash book balance and the bank statement balance as at 31st October 2010. The following items were identified in the course of reconciliation.

1. The bank balance as per cash book on that date was E 18,600.
2. A deposit E152 paid in on 29th October had not been credited by the bank until 2nd November 2010.
3. E 500 paid into the bank had been entered twice in the cash book.
4. A standing order for payment of an annual subscription amounting to E 1,200 had not been entered in the cash book.
5. Bank charges amounting to E 120 had not been entered in the cash book.
6. On 28th October the owner of the Book Store had given the cashier a cheque for E 1,000 to deposit into his personal account at the bank. The cashier had deposited it into the Book Store Account by mistake.
7. A receipt for a payment received from the insurance company of E 2,000 was recorded on the incorrect side of the cash book.
8. A direct debit of E 1,200 appeared on the bank statement in October. Eventually it had been discovered that it should have been recorded in the books of one other client of bank.

9. A dividend of E38 paid direct to the bank had not been recorded in the cash book.
10. The following cheques issued did not appear on the October bank statement

Salaries	E 2,500	Cheque Number	352
Advertising	E500	Cheque Number	392

11. A cheque for E 300 returned by the bank marked insufficient funds. Bank had recorded this returned cheque.
12. A deposit of E 2,000 had not appeared in October bank statement.

REQUIRED:

- i) Bring the Cash Book up to date as at 31st October 2010. **(17 marks)**
- ii) Prepare a Bank Reconciliation Statement for the Book Store as at 31st October 2010. **(8 marks)**
- Total (25 marks)**

QUESTION 3:

The Treasurer of Manzini Round Table, a social club in Manzini has produced the following receipts and payments account for the year ended 31st March 2011.

Receipts		Payments	
Cash balance b/d	E 2,250	Telephone bill	E 1,540
Bank balance b/d	130,550	Electricity bill	1,250
Subscriptions (including E750 for 2011-2012)	21,250	Stamps and stationery	1,600
Rent	16,250	Travelling expenses	1,150
Interest on T-bonds	1,000	Dinner expenses	1,500
Donations received	12,000	Establishment expenses (includes E1,400 for 2011-2012)	16,000
Telephone receipts	1,600	Rent expense	3,000
		Library	10,000
		Donations given	15,000
		Cash balance c/d	1,360
		Bank balance c/d	132,500
	E 184,900		E 184,900

The treasurer provides you with the following information.

- a) The Club holds 5%, T-bonds for E 40,000 on 1st April 2010.
- b) The library account stood at E 20,000 on 1st April 2010.
- c) Half of the donations received are to be capitalized.
- d) Rent expense E 3,000 is outstanding by the end of 31st March 2011.
- e) Provide depreciation of 2% on Library account.

REQUIRED:

- i) Calculate the value of accumulated fund as at 1st April 2010.
(5 marks)
 - ii) Prepare an Income and Expenditure Statement for the year ended 31st March 2011.
(10 marks)
 - iii) Prepare a Statement of Financial Position as on 31st March 2011.
(10 marks)
- Total (25 marks)**

QUESTION 4:

Write short note on the following:

- a) Discuss how the reissued *IAS 1- Presentation of Financial Statements* affects the publication of financial statements.
- b) What advantages do you think there might be to general partners in having a limited partner?
- c) With the help of examples, identify any two errors that can affect trial balance agreement.
- d) Discuss the conflict arising between the accounting treatment of outstanding subscriptions of members in clubs and the Prudence Concept in accounting.
- e) Discuss in detail the uses of preparing Bank Reconciliation Statement.

Total (5*5 = 25 marks)

END OF QUESTION PAPER