

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:

- a) Mr Patrick Gama is a dealer in Electronic goods operating in Mbabane. During the year to 30 Jun 2011, the following errors and omissions have been identified by his auditor.
- i) An invoice for E 30,000 from Lord's Motors for an office vehicle has been entered in the purchases day book.
 - ii) Acquired from Electro plastics Ltd., a Photo copying machine for E 100,000 on credit and toners and ribbons for E 10,000. This transaction has been completely omitted.
 - iii) Loan interest of E 400 has been debited to the van account.
 - iv) Extra capital of E 5,000 paid into the bank had been credited to sales account.
 - v) A purchase of goods from D Patrick E246 has been entered in the books as E 426.
 - vi) Returns inwards E 216 have been entered on the debit side of the returns outwards day book.
 - vii) Bank charges of E 43 have been debited to the business rates account.

REQUIRED:

Show the Journal Entries to rectify the above errors in the books of Mr Patrick Gama.

(7*2=14 marks)

- b) Mr Nayar's Trade receivables amounted to E 691,000 on 1st Jan 2008. Further details are as under:

Year	Trade receivables as at 31 st December after bad debts written off	Bad debts written off in the year
2008	E810,500	E10,250
2009	678,500	8,800
2010	710,000	9,200
2011	508,520	8,210

It is the practice of the business to maintain 5 per cent of allowance for doubtful debts on the Trade receivables outstanding at the end of the year.

REQUIRED:

Show the allowance for doubtful debts account showing the amount he would expense as bad debts in each of the four years. (10 marks)

Total (25 marks - one mark for all correct entries)

QUESTION 2:

Joyce Dlamini has been a trader in Wine for some years in Manzini. The following trial balance has been extracted from her books at the close of business on 31st Mar 2012.

	Debit (E)	Credit (E)
Purchases and Sales	61,420	127,245
Stock 1 st April 2011	7,940	
Capital 1 st April 2011		25,200
Bank overdraft		2,490
Cash	140	
Discounts	2,480	62
Returns inwards	3,486	
Returns outwards		1,356
Carriage outwards	3,210	
Rent and insurance	8,870	
Provision for doubtful debts		630
Fixtures and fittings	1,900	
Van	5,600	
Trade receivables and payables	12,418	11,400
Drawings	21,400	
Wages and salaries	39,200	
General office expenses	319	
	168,383	168,383

The following additional information as at 31st Mar 2012 is available.

- Stock at 31st Mar 2012 E 6,805
- Wages and salaries accrued at 31st Mar 2012 E 3,500; Office expenses owing E16
- Rent prepaid on 31st Mar 2012 E600
- Increase the allowance for doubtful debts by E 110 to E 740
- Provide for depreciation as follows: Fixtures and fittings 10%; Van 25%

REQUIRED:

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

QUESTION 3:

a) At 1st September the financial position of D Sima's business was as follows:

E	
Cash Balance	29
Bank Balance	654
Trade Receivables Accounts:	
K Dlamini	120
D G Nkambule	280
D Shabangu	40
Trade Payables Accounts:	
U Shinde	60
A Khaboe	440
R Grace	100

During September the following transactions have occurred:

- Sep 2 K Dlamini pays us by cheque, having deducted 2 ½ per cent cash discount
- „ 8 We pay R Grace his account by cheque, deducting 5 per cent cash discount.
- „ 11 We withdrew E100 cash from the bank for business use.
- „ 16 D G Nkambule pays us his account by cheque, deducting 2 ½ per cent discount.
- „ 17 Cash sales E1000
- „ 18 Bought Lorry paying by cheque E5,000
- „ 25 We paid office expenses in cash E92
- „ 28 D Sima withdrew E500 for her personal use.
- „ 28 D Shabangu pays us in cash after having deducted 5 per cent cash discount
- „ 29 We pay U Shinde by cheque less 5 percent cash discount.
- „ 30 We pay A Khaboe by cheque less 2 ½ percent cash discount.

REQUIRED:

1. Open a three column cash book and the accounts for the Trade Receivables (Debtors) and Trade Payables (Creditors) and balance off the Cash book and the Receivables and Payables accounts.
2. Open accounts for Discount allowed and Discount received.

(20 marks)

- b) State with reasons whether the following are capital or revenue expenditure:
- i) A restaurant had renovated some of its old cabins. Because of this some space was made free and number of cabins was increased from 10 to 13. The total expenditure was E 20,000.
 - ii) Overhaul expenses of used machinery purchased.
 - iii) Legal fee to acquire property.
 - iv) Expenses in connection with obtaining a licence for running the business
 - v) Yes Furniture sold certain goods on hire purchase basis. Five customers did not pay the instalments due. To recover such outstanding instalments, the firm spent E10,000 on account of legal expenses.

(5*1=5marks)

Total (25 marks)

QUESTION 4:

Write **Short Note** on the following:

- i) Explain the term Materiality as it is used in accounting
- ii) Credit note
- iii) What type of transactions is recorded in Journal?
- iv) Write up the 3 Journal Entries needed to record depreciation on the sale of a non - current asset.
- v) What circumstances might lead you to write-off a debt as bad and not close the debtor's account?

(5*5=25 marks)

END OF QUESTION PAPER