

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.
Total Marks : 100

- 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:

Soft Tech is a computer firm selling computers and peripherals located in Matsapha. They recently received their bank statement for the month of April 2012 and on comparing with their cash book they found a substantial difference of E 25,600 to the debit of bank column in cash book and the bank statement for April. Checking the cash book with the bank statement it was discovered that the following transactions had not been entered in the cash book.

- a) Dividends of E 240 had been paid directly to the bank.
- b) Interest earned on the current account of E560 had been credited to the bank statement.
- c) A direct debit of E100 for a magazine subscription had been paid by the bank.
- d) A deposit of E 10,750 that was recorded in the business's cash book during April had been credited by the bank on 1st May 2012.
- e) A standing order of E 2,000 for loan repayment had been paid by the bank.
- f) Bank charges for April as per the bank statement amount to E150. However, E 50 of these bank charges relate to a dishonoured cheque of E 1,000 that appeared on the April bank statement. It is the policy of the Soft Tech to charge the customers of any dishonouring fee.
- g) The debit side of bank column in the cash book had been added as E 35,210 instead of E 35,110.
- h) A credit transfer - Customs & Excise VAT refund of E 450 – had been collected by the bank.
- i) E 14,000 received from A Shabangu, a customer, by direct debit transfer is not accounted for in the cash book.
- j) The following cheques that appear on the April 2012 cash book did not appear on the bank statement.
 - Cheque No 1234 – R1,200 drawn on 3rd April 2012 in favour of a supplier, Magagula Charles
 - Cheque No 2533 – R610 drawn on 5th April in favour of a supplier, Courtney Arc.
- k) Deposits not cleared by the date were E 2,500

Required:

- i) Starting with the debit balance of E 25,600 bring the cash book up to date. **(18 marks)**
 - ii) Prepare a Bank Reconciliation Statement. **(7 marks)**
- Total (25 Marks)**

QUESTION 2:

Dlamini Phephile is in the business of manufacturing wooden artefacts located in Matsapha Industrial Site. The following information has been provided by her pertaining to the financial year 1st Jan 2011 to 31st Dec 2011.

	Debit (E)	Credit (E)
Capital		75,000
Drawings	10,000	
Sales		450,000
Purchase of raw material	90,000	
Carriage inwards	4,000	
Stocks at 1 st Jan 2011		
Raw Materials	17,000	
Finished Goods	30,500	
Factory wages	92,500	
Office salaries	84,500	
Dlamini Phephile: Salary and exps.	52,000	
General expenses:		
Factory	6,000	
Office	3,750	
Lighting	12,500	
Rent	18,750	
Insurance	4,750	
Bad debts	3,250	
Advertising	7,000	
Discount received		8,000
Carriage outwards	1,875	
Plant and machinery at cost less depreciation	45,500	
Car at cost less depreciation	21,000	
Receivables and payables	38,500	30,000
Cash in hand	1,625	
Bank	18,000	
	563,000	563,000

The following additional information has also been provided:

- a) Stock at 31st Dec 2011
 Raw Materials E 14,500
 Finished Goods E 41,000
 There was no work in progress

- b) Depreciation to be charged as follows:
 Plant and Machinery E 7,500
 Car E 2,500
- c) Lighting and rent are to be apportioned: 4/5 Factory, 1/5 Office.
- d) Phephile Dlamini is the sales person of her own business and her salary and expenses are to be treated as a selling expense. She has sole use of the business's car.

Required:

- For the year ended 31st Dec 2011 prepare
- i) A Manufacturing Statement showing Prime Cost and Factory Cost of Production. **(12 marks)**
- ii) A Statement of Comprehensive Income clearly distinguishing between administrative and selling costs. **(13 marks)**
- Total (25 Marks)**

QUESTION 3:

The trial balance of Book Frenzy Ltd. revealed a difference in the books. In order that the errors could be located it was decided to prepare payables and receivables ledger control accounts with the information pertaining to the personal accounts of Book Frenzy Ltd during April 2012.

Receivables Ledger balances:

As at 1 st April 2012	
Debit balance	E 254,000
Credit balance	37,250
As at 31 st April 2012	
Credit balance	17,409

Payables Ledger balances:

As at 1 st April 2012	
Debit balance	E 4,550
Credit balance	354,550

As at 31st April 2012

Debit balance

14,217

Cash sales	E150,000
Credit sales	540,450
Refunds given to cash customers	6,750
Cash purchases	80,250
Credit purchases	320,000
Carriage inwards	18,000
Carriage outwards	22,000
Total payments to suppliers	214,150
Returns inwards	24,350
Returns outwards	22,750
Bad debts	15,250
Discount allowed (all to credit customers)	8,750
Discount received (all from credit suppliers)	1,750
Total receipts from customers	407,250
Dishonoured cheques from customers	5,770
Reversal of discounts allowed to customers	1,250
Debt recovered by contra offset	20,500
Debt collection expenses charged to customers	750

Required:

- i) Draw up relevant control accounts entering end of the month totals for customers and suppliers.

Total (25 Marks)

QUESTION 4:

Write **Short Note** on the following:

- i) Direct debits and standing orders
- ii) The benefits of control accounts
- iii) Accounting content of Section 24 of the Partnership Act 1890
- iv) Profitability ratios
- v) Why do you think an investor might purchase preference shares rather than ordinary shares in a company?

Total (5*5= 25 marks)

END OF QUESTION PAPER