

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 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:

The following trial balance has been extracted from the books of a trader, Mr. Bhimah, who is operating his business from Siteki.

	Debit (E)	Credit (E)
Cash	540	
Bank	2,630	
Purchases	40,675	
Returns inwards	9,160	
Power	4,730	
Carriage on sales	3,200	
Carriage on purchases	2,040	
Inventory (1 st July 2011)	5,760	
Buildings	32,000	
Freehold land	10,000	
Machinery	20,000	
Patents	7,500	
Salaries	15,000	
General expenses	3,000	
Insurance	600	
Drawings	5,245	
Accounts receivables	14,500	
Accounts payables		6,300
Sales		98,780
Returns outwards		500
Capital		62,000
Rent		9,000
	E 176,580	E 176,580

Take into consideration the following adjustments:

- a) Inventory on hand on 30th June, 2012 is E 6,800
- b) Machinery is to be depreciated at the rate of 10% and patents at the rate of 20%
- c) Salaries for the month of June 2012 amounting to E 1,500 were unpaid.
- d) Insurance includes an annual premium of E 170 on policy expiring on 31st December 2012.
- e) Bad debts to be written off are E 725
- f) Make a provision of 5% for bad and doubtful debts.
- g) Rent receivable E 1,000

Required:

- i) Prepare a Statement of Comprehensive Income for the year ended 30th June 2012, and (13 marks)
- ii) A Statement of Financial Position as at the same date. (12 marks)
- Note: Decimal digits can be rounded off to the nearest integer.**
- Total (25 marks)**

QUESTION 2:

- a) Fly High is an electronics shop selling various electronic goods imported from China.

For the month of November 2012 the following petty cash transactions took place and they keep their petty cash books on imprest system.

Nov 1	Received from cashier as Petty cash float.	E 150
„ 2	Travelling	6.00
„ 3	Postage	9.00
„ 4	Petrol for delivery van	11.00
„ 7	Cleaning	7.50
„ 8	Travelling	12.50
„ 9	Cleaning	9.0
„ 11	Stationery	8.50
„ 14	Postage	5.00
„ 15	Stationery	4.50
„ 18	Travelling	4.00
„ 18	Cleaning	11.50
„ 20	Postage	6.50
„ 24	Delivery van service	21.50
„ 26	Cleaning	10.50
„ 27	Petrol	9.00
„ 29	Postage	5.00
„ 30	Petrol	7.00

Required:

- i) Prepare a suitable petty cash book with analysis columns for expenses on cleaning, motor expenses, postage, stationery and travelling. (1 mark)
- ii) Enter the transactions for the month. (9 marks)
- iii) Balance the petty cash book at 30th November bringing down the balance on 1st December. (3 marks)
- iv) Open cash book and cleaning a/c only. (2 marks)

b) You have extracted a trial balance and drawn up accounts for the year ended 30th November 2012. Later, the following errors were discovered by your auditor.

- 1) Wages paid for the construction of office building debited to wages account E 4,500
- 2) A cash sale to Mthombi of E 10,000 posted as E 1,000
- 3) Cash paid to G Boy E 74 entered on the debit side of the cash book and the credit side of G Boy's account.
- 4) Purchase of goods on credit from L Haley E 819 entered in the correct accounts in error as E 891
- 5) Commission received E 164 had been entered in error in the sales a/c.

Required:

Prepare journal entries to correct each of the above transaction in journal.

(5 * 2 = 10 marks)

Total (25 marks)

QUESTION 3:

a) Trade receivables reported in the books of Copper & Palladium as at 30th Nov 2012 amounted to E 348,000. An analysis of the number of days debts had been outstanding showed the following:

Days outstanding:

Within 30 days	E 287,300
Between 31 & 60 days	55,020
Beyond 60 days	5,680

After a review of all trade receivables balances, it was decided that an amount of E 2,780 outstanding for more than 60 days was definitely irrecoverable. According to the experience of the Copper & Palladium an allowance of 2% should be provided on debts outstanding between 31 & 60 days and an allowance of 4% to be provided on amounts outstanding for more than 60 days.

Required:

- i) Calculate the amount to be written off as bad debts in the statement of comprehensive income and the amount to be provided as allowance for doubtful debts (5 marks)
- ii) Show that part of the statement of financial position pertaining to trade receivables as at 30th Nov 2012. (5 marks)

b) Two of the accounts in the ledger of Khanyisile Dlamini indicated the following balances at 1st Jan 2011.

- a) Lighting and heating (Dr) E 384
- b) Insurance (Dr) E 2,820

During the year ended 31st Dec 2011 the information related to these two accounts is as follows:

- i) Fire insurance, E 2,328 covering the year ended 31st May 2012 was paid
- ii) General insurance, E 2,928 covering the year ended 31st July 2012 was paid.
- iii) An insurance rebate of E 164 was received on 30th Jun 2011.
- iv) Electricity bills of E 2,600 were paid.
- v) An electricity bill of E 324 for Dec 2011 was unpaid as on 31st Dec 2011.
- vi) Oil bills of E 1,620 were paid
- vii) Stock of oil as on 31st Dec 2011 was E 410.

Required:

- i) Write up the accounts for lighting and heating and for insurance for the year to 31st Dec 2011. Carry forward necessary balances to 2012.
Note: Show all the necessary working as a part of the answer.

(15 marks)

Total (25 marks)

QUESTION 4:

Write **short note** on the following:

- i) What advantages are there in preparing a trial balance when you are about to prepare a statement of comprehensive income and statement of financial position? (5 marks)
- ii) Materiality concept (5 marks)
- iii) Why do accountants have to make provisions for doubtful debts and provisions for discount on debtors? (5 marks)
- iv) Debit note (5 marks)
- v) Distinguish Cash Discount and Trade Discount. (5 marks)

Total (25 marks)

END OF QUESTION PAPER