

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

Programme of Study	:	Bachelor of 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	:	<b>3 Hours.</b>
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:**

In the draft accounts for the year ended 31<sup>st</sup> May 2013, of Mr Sikhonje Jacob, a Gift Shop owner in Mahaala, the balance at bank according to the cash book was E 1,005. Subsequently the following discoveries were made.

- a. Cheque number 170282 dated 3<sup>rd</sup> April 2013 for E 489.29 in favour of G Garner Limited has been correctly recorded in the bank statement, but included in the cash book payments as E 498.29
- b. Bank charges of E 160 appeared on the bank statement. E 30 of this amount was in respect of noting charges related to a dishonoured cheque in April. These charges have been omitted by the bank from the April bank statement.
- c. A dividend of E 120, in respect of an investment has been paid directly to the business bank account on 25<sup>th</sup> May 2013, but has not been recorded in the cash book.
- d. Traders' credits totalling E 820.50 have been credited in the bank statement on 29<sup>th</sup> May 2013, but not yet recorded in cash book
- e. Cheque number 170782 for E 520.10 has been recorded twice as a credit in the cash book
- f. A standing order for payment of a monthly subscription amounting to E100 has not been entered in the cash book.
- g. A charge of E 20 for a cheque book has been made by the bank on 18<sup>th</sup> May 2013, but this related to another customer's account, but no entry has been made in the cash book.
- h. The DSTV subscription payable by the Gift Shop for E350 has been recorded in the bank statement, but this transaction has been recorded in the cash book in June
- i. A credit transfer – Customs and Excise VAT refund of E 158.50 has been collected by the bank but no entry has been made in the cash book
- j. A customer of the shop who received a cash discount of 4 percent on his account of E400 paid the firm a cheque on 12<sup>th</sup> May 2013. The cashier erroneously entered the gross amount in the cash book
- k. A deposit of E 3,092 paid on 30<sup>th</sup> May, 2013 has not been credited by the bank until 1<sup>st</sup> June 2013.
- l. The following cheques issued have not been presented for payment in bank till 31<sup>st</sup> May 2013

Cheque No	amount	dated
186748	E700	15 <sup>th</sup> May 2013
186949	200	25 <sup>th</sup> May 2013

**Required:**

- i) Make the appropriate adjustments in the cash book bringing down the correct balance **(18 marks)**
- ii) Prepare a statement reconciling the adjusted balance in the cash book with the balance shown in the bank statement **(7 marks)**

**Total (25 marks)**

**QUESTION 2:**

Mr Shabalala M owns a business making and selling wooden carvings in Manzini. The following data were extracted from his books on 31<sup>st</sup> May 2013

Purchases of raw material	E 185,000	
Capital as at 1 <sup>st</sup> Apr 2012		E 178,900
Drawings	30,000	
Machinery (Cost 140,000)	115,000	
Office computers (Cost 10,000)	6,000	
Stock of raw materials 1 <sup>st</sup> Apr 2012	10,500	
Stock of finished goods 1 <sup>st</sup> Apr 2012	19,450	
Works in progress 1 <sup>st</sup> Apr 2012	6,750	
Carriage inwards (on raw material)	1,750	
Direct wages	93,500	
Indirect wages	72,500	
Bank charges	1,150	
Bank	8,400	
Cash	750	
Factory power	6,850	
General factory expenses	15,500	
Lighting	3,750	
Administrative salaries	22,000	
Sales rep's salaries	15,000	
Rent & insurance	8,100	
General administration expenses	12,450	
Carriage outwards	5,350	
Sales		500,000
Receivables and payables	71,150	32,000
	710,900	710,900

Notes at 31<sup>st</sup> March 2013:

- Stock of raw materials E 15,000; Stock of finished goods E 20,000; Works in progress E 6,500
- Lighting, rent & insurance are to be apportioned: Factory 5/6, administration 1/6
- Depreciation on machinery and office computers at 10 per cent per annum on cost

**Required:**

For the year ended 31<sup>st</sup> Mar 2013 prepare:

- A Manufacturing Statement showing Prime Cost and Factory Cost of Production. **(12 marks)**
- A Statement of Comprehensive Income clearly distinguishing between administrative, selling and financial costs. **(13 marks)**

**Total (25 Marks)**

**QUESTION 3:**

- a. The following errors were located in the books of G Gumedze who is the proprietor of a Poultry Farm in Melkerns by name Best Eggs. He is seeking your help in order to rectify the errors committed by him who is not that good in accounting.
1. An invoice of E 2,250 from XYZ Poultry Feeds for the feed was not posted to feed account
  2. Prepaid rent of E 10,000 has been brought down as a credit balance in the rent account
  3. A cheque for E 2,500 drawn in favour of Mlambo Dlamini, a supplier has been recorded in the cash book as E 500 but not posted to Mlambo Dlamini's account
  4. The sales journal has been under cast by E 1,200
  5. A small piece of machinery purchased for E 600 has been written off to repairs.

**Required:**

- i) Pass required rectification entries.  
(Narratives not required) **(5\*2 = 10 marks)**

- b. The trial balance of Fines Traders Ltd. revealed a difference in the books for the financial year ended 31<sup>st</sup> Mar 2013. In order that the errors could be located it has been decided to prepare purchases and sales ledger control accounts.

You have been provided with the following information from the books of original entry.

Cash sales	E 654,111
Credit sales	601,220
Cash purchases	28,450
Credit purchases	1,005,957
Total receipts from customers	1,279,156
Total payments to suppliers	1,342,752
Bad debts written off	3,750
Refunds given to cash customers	7,250
Increase in the provision for bad debts	250
Discounts allowed (All to credit customers)	11,240
Discounts received (All from credit suppliers)	5,770

Returns outwards journal	3,450
Returns inwards journal	6,750
Balances on the sales ledger set off against balances on the purchases ledger	2,560

According to the audited financial statements for the previous year receivables and payables as at 1<sup>st</sup> April 2012 were E 52,540 and E 92,750 respectively.

**Required:**

Draw up the relevant control accounts in order to produce end of year figures for inclusion in the financial statements.

**(15 marks)**

**Total (25 marks)**

**QUESTION 4:**

Write short note on the following:

- i) Public and private companies
- ii) Limited partnerships
- iii) Current ratio and Acid test ratio.
- iv) Sources of income for non-profit oriented organizations
- v) Stop orders and direct debits

**(5\*5 = 25 marks)**

**END OF QUESTION PAPER**