

**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:**

The following balances have been extracted from the books of John Msibi, for the financial year ended 31<sup>st</sup> October 2013.

Debit balances	E	Credit balances	E
John Msibi's drawings	4,500	John Msibi's capital	24,000
Purchases	20,000	Sales	30,500
Returns inwards	1,500	Discount	1,900
Opening stock	8,000	Accounts payables	12,500
Salary	4,200		
Carriage on purchases	1,200		
Rent	350		
Bad debts	400		
Discounts	700		
Accounts receivables	14,000		
Cash in hand	260		
Cash at bank	5,940		
Insurance	400		
Trade expenses	300		
Printing	150		
Furniture	2,000		
Machinery	5,000		
	68,900		68,900

**Adjustments:**

- a) Closing stock as at 31<sup>st</sup> October 2013 E 7,000
- b) Prepaid insurance E 60
- c) Outstanding salary E 200
- d) Provide for bad debts at 5% on accounts receivables
- e) Calculate interest on capital at 5% per annum
- f) Depreciate machinery at 5% and furniture at 10%
- g) Provide for cash discount on accounts receivables at 1%

**Required:**

- i) Prepare a Statement of Comprehensive Income for the year ended 31<sup>st</sup> October 2013, and **(13 marks)**
  - ii) A Statement of Financial Position as at the same date. **(12 marks)**
- Total (25 marks)**

**QUESTION 2:**

Write Journal entries for the following entries:

Date	Transaction
2013	
Nov 1	Bought a van on credit from West Side Garage
" 3	A debt of E 8,000 owing from DG Bright was written off as bad debt
" 5	Office furniture bought by us for E 6,723 was returned to the Supplier OK Furniture as it was unsuitable for allowance will be given to us
" 8	We are owed E 5,020 by Ms R Dlamini. He is declared bankrupt and we received E 1,000 in full settlement of his debt
" 10	Paid E 10,000 to buy a used vehicle for business use
" 15	Carried out major repairs to equipment costing E 15,000. This includes a new motor costing E 8,000 which increase the efficiency of the equipment by 200%
" 16	We take goods costing E 223 out of the business stock without paying for them
" 18	E 43 of the goods taken by us on 16 <sup>th</sup> Nov is returned into stock by us
" 20	Sold goods on credit to Unitrack Ltd E 10,000
" 21	A cheque received E 2,000 from B Braga returned by the bank marked 'insufficient funds'
" 23	H Harold owes us E 10,250. He is unable to pay his debt. We agree to take his car at that value and cancel the debt
" 28	Unitrack Ltd returned us goods E 250

**(12\*2=24 marks)****(1 mark for all correct)****Total (25 marks)**

**QUESTION 3:**

- a) K Dlamini commenced business on 1<sup>st</sup> Jan 2010 and prepared her financial statements to 31<sup>st</sup> Dec every year. For the year ended 31<sup>st</sup> Dec 2010, bad debts written off amounted to E 2,800. It was also found necessary to create a provision for doubtful debts of E 5,200

In the year 2011, debts amounting to E 4,400 proved bad and were written off. A Potluck whose debt of E 420 was written off as bad in the year 2010, settled her account in full on 30<sup>th</sup> Nov 2011. As at 31<sup>st</sup> Dec 2011 total debts outstanding were E 184,000. It was decided to bring the provision up to 4% of this figure on that date.

In 2012, E 7,600 debts were written off during the year and another recovery of E 640 was made in respect of debts written off in 2010. As at 31<sup>st</sup> Dec 2012 total debts outstanding were E 144,000. The provision for doubtful debts is to be increased to 5% of this figure.

**Required:** Show for the years 2010, 2011 and 2012, the

- i) Bad debts account
- ii) Bad debts recovered account
- iii) Provision for doubtful debts account

(15 marks)

- b) Pass required rectification entries to the following transactions. Narratives are not required.

- i) Private rent of E 291 had been debited to sundry expenses
- ii) A loan from G Gule E 2,000 had been entered on the credit side of capital a/c
- iii) Discounts allowed E 55 had been entered in error on the debit side of the receivables account.
- iv) Cash withdrawn from bank E500 had been entered in the cash column on the credit side of the cash book and in the bank column on the debit side
- v) A credit purchase from R Mathews costing E 56 was entered in the books as E65.

(10 marks)

**Total (25 marks)**

**QUESTION 4:**

Write **short notes** on the following:

- i) Materiality concept
- ii) Discuss how the reissued *IAS 1- Presentation of Financial Statements* affects the publication of financial statements.
- iii) Credit note
- iv) What is the meaning of depreciation? Give three reasons why depreciation may occur
- v) Distinguish between trade discount and cash discount. (5\*5 = 25 marks)

**End of exam question paper**