

**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 : 3 Hours.

- Instructions:
1. Total number of questions on this paper is five (5).
  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 Treasurer of St. Joseph's Mission Hospital in Mbabane has produced the following receipts and payments account for the year ended 31<sup>st</sup> Mar 2014

Receipts	E	Payments	E
Balance at bank 1 <sup>st</sup> Apr 2013	7,130	Honorarium to Doctors	9,000
Contributions	47,996	Salaries	27,500
Donations	14,500	Medicines	30,590
Interest on investments 7%	7,000	Miscellaneous expenses	461
Collections from other sources	10,450	Instruments purchased	15,000
		Other programmes	750
		Balance at bank 31 <sup>st</sup> Mar 2014	3,775
	87,076		87,076

**Additional information:**

	1 <sup>st</sup> Apr 2013	31 <sup>st</sup> Mar 2014
Contributions receivable	E 240	E 280
Contributions received in advance	64	100
Stock of medicines	8,810	9,740
Instruments	21,200	31,600
Buildings	40,000	38,000
investments	100,000	

**Required:**

- i) Calculate the value of accumulated fund as at 1<sup>st</sup> Apr 2013. **(5 marks)**
  - ii) Prepare an Income and Expenditure Statement for the year ended 31<sup>st</sup> Mar 2014. **(10 marks)**
  - iii) Prepare a Statement of Financial Position as on 31<sup>st</sup> Mar 2014. **(10 marks)**
- Total (25 marks)**

**QUESTION 2:**

On 31<sup>st</sup> Dec 2013 the bank column of Terrence Magagula's cash book showed a debit balance of E 2,500. The monthly bank statement written up to 31<sup>st</sup> Dec 2013 showed a credit balance of E 8,610. On checking the cash book with the bank statement the following discoveries were made.

- a. Dividends of E530 had been paid directly to the bank
- b. Cheque number 1771 for E 150 had been recorded twice in the cash book
- c. Cheque number 1832 was incorrectly entered in the cash book as an amount of E1,350. The cheque had been issued to a supplier. The correct amount of E1,530 appeared on the bank statement.
- d. A credit transfer – Customs and Excise VAT refund of E 1,060 – had been collected by the bank.
- e. An amount of E205 had been credited by the bank to the account in error.
- f. The bank has credited and then debited the bank statement with an amount of E85 being A Dlamini's cheque which it forwarded on 1<sup>st</sup> Jan 2014 marked 'insufficient funds – return to drawer'.
- g. E 4,150 paid as insurance by direct debit had not been accounted for in the cash book
- h. A cheque of E10,000 received from S Shongwe, a credit customer, had been posted in error as E 1,000
- i. Bank charges of E30 had not been accounted for in the cash book
- j. Interest E50 had been debited by the bank on 30 Dec, 2013 but no advice received from the bank
- k. Cheques amounting to E3,000 that had been issued to creditors and entered in the cash book before 31<sup>st</sup> Dec, 2013 had not been presented for payment until that date
- l. Cheques received totalling E3,500 had been entered in the cash book and paid into the bank, but had not been credited by the bank until 3<sup>rd</sup> Jan 2014

**Required:**

- i) Update the cash book of Terrence Magagula as at 31<sup>st</sup> Dec 2013
- ii) Prepare the bank reconciliation statement for the month of Dec 2013

**(25 marks)**

- A. Hi-Quality Bags is a retailer in Suede Leather goods in Mbabane Mall. The book keeping system is not yet computerized. As a result, the book-keeper is unable to balance the accounts. The credits exceeding the debits by E 17,718.

He then opened a suspense account for the difference and began to check through the accounting records to find the difference. He found the following errors and omissions.

- a. A credit note for E158 received from a supplier had been posted to the wrong side of his account
- b. E 49,600 paid for an item of plant purchased had been debited to repairs account
- c. E 8,980 – the total of sales returns book had been credited to the purchases returns account
- d. E 1,050 paid for advertising had been posted as E 1,500.
- e. Bank charges of E 50 appeared in the cash book had not been posted to the nominal account.

**Required:**

- i) Prepare Journal entries to correct each of these errors  
(Note: Narratives not required)
- ii) Prepare the suspense account

**(10 marks)**

- B. Simphiwe Magagula deals in bicycles in Bunu Mall, Manzini. His trading statement for the year ended 31/3/2014 is given to you.

Sales		E571,400
Less Cost of Goods Sold:	E 64,000	
Opening Stock	457,000	
Add. Purchases		
	<u>521,000</u>	
Less Closing Stock	<u>87,000</u>	
Gross Profit		<u>434,000</u> <u>137,400</u>

Simphiwe says that he always calculates his selling price by adding  $33 \frac{1}{3}$  % of cost on to the Cost price.

**Required:**

- i) If he has adhered strictly to the statement above, what should be the percentage of Gross Profit to Sales?
- ii) His actual percentage of GP to Sales as per the above trading statement.
- iii) Give two reasons for the difference between the figures you have calculated above.
- iv) What is Simphiwe's rate of Stock turnover?
- v) Simphiwe's expenses amount to 10% of his sales. Calculate his net profit for the year ended 31 March 2014.
- vi) His suppliers are proposing to increase their prices by 5%, but Simphiwe considers that he would be unwise to increase his Sale Price. To obtain some impression of the effect on Gross Profit if his costs should be increased by 5%. He asks you to reconstruct his trading statement to show the Gross Profit if the increase had applied from 1<sup>st</sup> April 2013.

**(15 marks)**

**Total (25 marks)**

**QUESTION 4:**

Write short notes on the following:

- a. Limited Partnerships
- b. Nature of "Non-profit organizations".
- c. Advantages of control accounts
- d. Advantages of reconciling cash book with bank statement
- e. Bonds and dividends

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

**END OF EXAM QUESTION PAPER**