

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 balances appeared in the books of Smart Traders, Manzini on 30th Sep 2014.

Cash balance	E 2,050
Bank balance	652
Accounts receivable	
B Dlamini	568
N Nkambule	1,052
D Shongwe	200
Accounts payable:	
A Ndolovukazi	250
R Joyce	562

Transactions for the month of October 2014:

1. Received E 1,052 cheque from N Nkambule in full settlement of her account.
2. Bought goods costing E 2,000 from R Joyce on credit
Sold goods to B Dlamini for E372 and received a cheque for the full amount.
4. Sold goods to D Shongwe for E570 on credit.
6. Cash drawings by proprietor E 600.
Sold goods to I Siphesihle E500 and to B Dlamini E200 on credit.
10. Paid these expenses by cheque.

Electricity	200
Telephone	150
Wages	200
15. Received a cheque from B Dlamini in full settlement of his account
16. Bought a Van on credit from Japan Cars for E 20,000
18. Goods returned to us by I Siphesihle E80
- 31 Paid Japan Cars by cheque E 2,000
- 31 Paid E 1,000 cash into bank

Required:

- i) Record the opening balances of assets and liabilities via General Journal
- ii) Record the transactions in the following journals where appropriate
 - a. Cash book
 - b. Sales Journal
 - c. Purchases Journal
 - d. Sales Returns Journal
 - e. General Journal
- iii) Post the totals to the appropriate ledger accounts in appropriate ledger books and balance the accounts.
- iv) Prepare a trial balance as on 31st Oct 2014.

Total (30 marks)

QUESTION 2:

Mr A Shongwe has been trading in Wines for some years in Bunu Mall, Manzini. The following list of balances has been extracted from his ledger as at 30th June 2014, the end of his most recent financial year.

	Debit (E)	Credit (E)
Land and Buildings	50,000	
Purchases	110,000	
Stock	40,000	
Returns	1,500	2,500
Salaries	19,000	
Office expenses	2,400	
Carriage outwards	2,000	
Discount	750	1,200
Bad debts	1,200	
Insurance	1,500	
Machinery	50,000	
Carriage inwards	1,200	
Furniture	10,000	
Accounts receivables	60,000	
Cash in hand	1,500	
Bank	4,500	
Office equipment	12,000	
Sales		205,000
Capital		115,000
Loan from Victor		15,000
Accounts payables		27,350
Commission		1,500
	367,550	367,550

Additional information:

- Trading inventory on 30th June 2014 E 60,000
- Salary of E 2,000 is still payable to an employee for June 2014
- E 3,000 of rent is outstanding
- Depreciate land and buildings by 5%, machinery by 10% and office equipment by 10%.
- E200 of the insurance expenses is prepaid
- Interest earned on capital at 5% but not yet received.
- Loan from Victor was taken on 1st Jan 2014 at a rate of interest of 8% per annum
- Provide the allowance for doubtful debts at 2.5% of receivables.

Required:

- i) Prepare the necessary adjusting entries to record the transactions a. to c. (Narrations are not required) **(5 marks)**
 - ii) Prepare a Statement of Comprehensive Income for the year ended 30th June 2013, and **(11 marks)**
 - iii) A Statement of Financial Position as at the same date. **(9 marks)**
- Total (25 marks)**

QUESTION 3:

- a. The financial year of Meena Ltd., will end on 30th June 2014. At 1st July 2013, the company had in use equipment with a total accumulated cost of E 271,240 which had been depreciated by a total of E 162,748. During the year ended 30th June 2014 Meena Ltd., purchased new equipment costing E 95,600 and sold off equipment which had originally cost E 72,000 and which had been depreciated by E 56,448 for E 11,400. No further purchases or sales of equipment are planned for June. The policy of the company is to depreciate equipment at 40% using diminishing balance method. **A full year's depreciation is provided for on all equipment in use by the company at the end of each year.**

Required:

Show the following ledger accounts for the year ended 30th June 2014:

- i) The Equipment Account
- ii) The Provision for Depreciation on Equipment Account
- iii) The Assets Disposals Account

(12 marks)

- b. Write up the Journal Entries needed to correct the errors in the following transactions: **(Narrations are not required)**
1. E 290 of discount received was credited to discounts allowed account.
 2. Repairs done to a computer was debited to the computers account
 3. Included in insurance account was E 600 which was in fact insurance paid on a house owned by the proprietor.
 4. A loan from A Dlamini E 2,000 was entered on the credit side of the capital account.
 5. Returns inwards of E 250 from G Shongwe was entered in error in Y Dlamini's account.
 6. Trade sample goods were sent to Joyce Dlamini. These were in fact free samples, but were charged wrongly at E 1,000 to Joyce Dlamini.

7. Goods taken for own use E 250 were debited to the purchases account and credited to drawings.
8. A credit sale of E64 to Lucy L was entered in purchases book.

(8*1.5 = 12 marks)

(All correct 1 mark)

Total (25 marks)

QUESTION 4:

Write Short Notes on the following:

- The four factors which cause non-current assets to depreciate
- Materiality concept
- Debit note and credit note
- Discuss how the reissued *IAS 1 – Presentation of Financial Statements* affects the publication of financial statements.

(4*5 = 20 marks)

END OF QUESTION PAPER