
UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING & FINANCE

MAIN EXAMINATION PAPER

MAY 2015

DEGREE/YEAR OF STUDY:	BACHELOR OF COMMERCIAL YEAR I
TITLE OF PAPER	: INTRODUCTION TO FINANCIAL ACCOUNTING II
COURSE CODE	: AC112/ IDE AC 112 (M) MAY 2015
TOTAL MARKS	: 100 MARKS
TIME ALLOWED	: THREE (3) HOURS
INSTRUCTIONS	1 There are three (3) questions. Answer all.
	2 Begin the solution to each question on a new page.
	3 The marks awarded for each question are indicated at the end of the question.
RECOMMENDATION	1 Reading time should not exceed fifteen minutes

Note: You are reminded that in assessing your work, account will be taken of accuracy of the language and general quality of expression, together with layout and presentation of your answer.

THIS PAPER IS NOT TO BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR OR SUPERVISOR.

SPECIAL NOTES: The use of a non-programmable calculator is allowed

QUESTION 1

PART A

A Trial Balance was taken out for A. Suma on 31 August 2013. Unfortunately, the Trial Balance failed to agree and a suspense account was opened for the difference. Investigations revealed the following errors:

1. A sale of goods worth E 910 to J. Lee had been correctly entered in the Sales Journal but had not been posted to Lee's account.
2. A credit note for E 140 received from F. Kerry had been correctly entered in the appropriate journal but had been posted to Kerry's account as E 410.
3. Discounts allowed E 190 had been wrongly credited to the Discounts Received account. No entry had been made in the Discounts Allowed account.

REQUIRED:

- (a) Prepare Journal entries, with narratives, to correct the above errors **[10 Marks]**
- (b) Draw up the Suspense account showing all the necessary corrections from (a) and the opening Trial Balance difference. **[6 Marks]**

Sub-Total: 16 Marks

PART B

The following is an extract of the cashbook prepared the bookkeeper of Bhagaloo Traders (Pty) Ltd for the month of May 2014.

Cash book extract					
Date	Receipts	Bank	Date	Payments	Bank
		E			E
3-May-14	T-Soni	2,500	1-May-14	Balance b/d	35,65
7-May-14	Cash deposit	23,000	5-May-14	Pascoe Papers (Chq 749)	1,00
10-May-14	Sales	7,100	13-May-14	Kelvin Suppliers (Chq 750)	8,00
21-May-14	Sales	6,400	13-May-14	Dean's deliveries (Chq 751)	50
28-May-14	sales	15,200	20-May-14	Supernet (Chq 752)	90
			22-May-14	Kelvin Suppliers (Chq 753)	12,50
			25-May-14	Pascoe Papers (Chq 754)	2,40
31-May-14	Balance c/d	12,350	26-May-14	Real Rentals (Chq 755)	5,60
		66,550			66,55
			1-Jun-14	Balance b/f	12,35

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The following bank statement was downloaded by Bhagaloo traders on 31 May 2014:



Transaction date	Transaction description	Payments	Deposits	Balance
		E	E	E
	Statement opening balance			(35,650)
03-May-14	EFT from T.Soni		2,500	(33,150)
06-May-14	Cheque 749	(1,000)		(34,150)
07-May-14	Cash deposit		23,000	(11,150)
08-May-14	Cheque dishonored- C Munanga	(3,000)		(14,150)
15-May-14	Cheque 751	(500)		(14,650)
17-May-14	Cheque 750	(800)		(15,450)
20-May-14	Cheque 752	(900)		(16,350)
20-May-14	D Rosevear- Invoice 2098		7,500	(8,850)
21-May-14	Cash deposit		13,500	4,650
26-May-14	Cheque 754	(2,400)		2,250
29-May-14	Service fees	(150)		2,100

Other information:

1. Please note that the deposit on the 21st includes amount that should have been deposited on the 10th.
2. The bank statement was received together with the cheque from C Munanga (for which Receipt 43 had been issued). The cheque had been returned as the figures did not match the written numbers. C Munanga has not yet been contacted in this regard.
3. On investigation it was discovered that the bank had incorrectly recorded the amount of cheque 750. The bank has been notified.
4. Cheque 755 was issued on 26 May 2014 to Real Rentals post-dated 7 June 2014, when the rent is due.

Required:

- a) Write the cash book up to date to take the necessary items into account,
And
[3 Marks]
- b) Draw up a bank reconciliation statement as on 31 May 2014. [5 Marks]
- c) After contacting the bank it was discovered that the deposit made on 10 February 2012 was not actually deposited on the 10th. What do you think has happened to it and why should the management be concerned about this?
[3 Marks]
- d) What measures do you think Bhagaloo Traders should implement to ensure that deposits are actually made when they are recorded?

[3 Marks]

Sub-total: [14 Marks]

Total: [30 Marks]

QUESTION 2

Tyrell proves the accuracy of its sales and purchases ledgers by preparing monthly control accounts. At 01 April 2015 the following balances existed in the company's accounting records, and the control accounts agreed with the relevant personal ledgers:

Details	Debit	Credit
	E	E
Sales ledger control account	188,360	2,140
Purchases ledger control account	120	89,410

The following are the total of the transactions which took place during April 2015, as extracted from the company's records.

Details	Amount
	E
Credit sales	101,260
Credit Purchases	68,420
Returns inwards	9,160
Return outwards	4,280
Cash received from customers	91,270
Cash paid to suppliers	71,840
Cash discount allowed	1,430
Cash discount received	880
Irrecoverable debts written off	460
Contra settlements	480

At 30 April 2015 the balances on the customers and supplier personal accounts were extracted and totaled as follows:

Details	Debit balances	Credit balances
	E	E
Sales ledger	To be ascertained	2,680
Purchases ledger	90	To be ascertained

An initial attempt to balance the two ledgers showed that neither of them agreed with their control accounts. The differences were found to be due to the following:

- i) A credit balance of E 680 had been omitted when listing the sales ledger personal accounts.
- ii) A contra settlement of E 500 had not been included in the totals of transactions prepared for the control accounts.
- iii) A new employee had mistakenly entered five sales invoices into the purchases day book/ purchases journal as if they had been purchase invoices and entered the amounts to new supplier personal accounts. The total of these invoices was E 1 360.
- iv) A E 20 cash refund to a customer was made, and has not been included in the summary of transactions given above. The E 20 was entered to the customer's personal account as if it had been a cash receipt from the customer and this resulted in a E 40 credit balance on the account, which was still outstanding at 31 May 2012.

When these errors had been corrected both control accounts agreed with the personal accounts.

Required:

Calculate the closing debit balance on the sales ledger control account and the closing credit balance on the purchase ledger control account together with the net balances at 31 May on the list of balances for each ledger before the correction of the errors.

Total: [35 Marks]

Question 3**PART A**

From the following information, draw up a manufacturing account and trading account for the six months ending 30 April 2015. You should show clearly:

- i) Cost of raw materials consumed.
- ii) Prime costs of production.
- iii) Production costs of finished goods.
- iv) Gross profit on sales.

Details	E
Stocks, 1 November 2014	
Raw materials	2,990
Work-in-progress	3,900
Finished goods	15,300
Stocks, 30 April 2015	
Raw materials	4,200
Work-in-progress	3,600
Finished goods	17,700
Purchase of raw materials	15,630
Carriage on raw materials	126
Direct wages	48,648
Factory general expenses	7,048
Office salaries	22,200
Depreciation of office furniture	420
Carriage outwards	191
Advertising	1,472
Bad debts	200
Sales less returns	112,410
Sale of scrap	1,317
Discount received	188
Depreciation of factory equipment	4,200
Rent and business rates (factory three quarters, office one quarter)	2,800

Sub- Total: [25 Marks]

PART B

Discuss the advantages of a company over a sole proprietorship

[10 Marks]

Total:

[35 Marks]