

University of Swaziland
Department of Accounting
Exam Paper - Semester - I

Programme of Study : Bachelor of Commerce
Year of Study : Year one (Full Time); Level 1 (Part Time)
Title of Paper : Introduction to Financial Accounting - I
Course Code : ACF 111 (Full Time and 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 post adjustment trial balance was prepared on 31st March 2015 by the accountant of Snow White.

Opening Inventory	25,000	
Receivables	30,000	
Purchases	200,000	
Returns	7,500	5,000
Railage	4,000	
Salaries & Wages	12,500	
Machinery	40,000	
Furniture	10,000	
Bad debts	4,000	
Land & Buildings	200,000	
Insurance	8,500	
Fixed deposit	15,000	
Discount allowed	6,000	
Bank balance	25,000	
Drawings	25,000	
Capital		2,25,000
Payables		17,500
Sales		350,000
Commission received		6,500
Allowance for doubtful debts		5,000
Royalty income		3,500
	6,12,500	6,12,500

Year-end adjustments

- i) Closing inventory as on 31st March 2015 was E20,000
- ii) Salaries and wages outstanding E500
- iii) Insurance prepaid was E2,000
- iv) Allowance for doubtful debts is to be created at 10%
- v) Depreciate Machinery and Furniture at 10% and 15% respectively
- vi) The interest on fixed deposit that has not yet been received E1,500

Required:

- i) Prepare the necessary adjusting entries to record the above transactions
(Narrations are not required) **(3 marks)**
- ii) Prepare a Statement of Comprehensive Income for the year ended 31st
March 2015, and **(12 marks)**

- iii) A Statement of Financial Position as at the same date. (10 marks)
Total (25 marks)

QUESTION 2:

Enter the following transactions in the three-column cash book of a Computer Peripheral Shop located in Bunu Mall, Manzini.

2015 Oct 1	Balances brought forward: Cash E840; Bank E4,940
„ 2	The following paid us by cheque, in each case deducting a 5% cash discount; S Brandi E1,640; L Pope E640; G Harold E880; M Roy E2,080
„ 3	Cash sales paid direct into the bank E1,480
„ 5	Paid rent by cash E680
„ 6	We paid the following accounts by cheque, in each case deducting 2 per cent cash discount: M Poke E720; G Geroy E1,920; F Ball E800
„ 8	Withdrew cash from the bank for business use E800
„ 10	Cash sales E2,520
„ 12	B Brahma paid us their account of E560 by cheque less E8 cash discount
„ 14	Paid wages by cash E1,080
„ 16	We paid the following accounts by cheque: R Tony E620 less cash discount E15; F Fatima E824 less cash discount E24
„ 20	Bought office equipment by cheque E8,640
„ 24	Bought a van paying by cheque E28,600
„ 29	Received E648 cheque from A Antony
„ 30	Cash sales E1,960
„ 30	Purchased stationary paying cash E112

Note: Round off decimal places to nearest integer

Required: Balance off the cash book at the end of the month and show the discount accounts in the relevant ledger.

(20 Marks)

QUESTION 3:

- a. Journalise the following transactions

2015	
Oct 1	Assets: Buildings E20,000; Car E20,000; Inventory E10,250; Receivables E1,240 Liabilities: Payables E2,480; Loan E10,000
„ 5	A debt owing to us by F Franklin of E500 is written off as bad
„ 10	Bought a van on credit from Suzuki Motors E40,000
„ 12	We take goods costing E680 out of the business stock without paying for them
„ 15	Purchased office equipment on credit from OK Furniture. For E2,240
„ 18	H Ram owes us E5,450. He is unable to pay his debt. We agree to take some computer equipment from him at that value in settlement of the debt
„ 19	Some of the office equipment bought from OK Furniture, E250 worth, are found to be unsuitable and are returned to them for full allowance
„ 20	Cash drawings E1,500
„ 30	Sold goods E2,000 for cash
„ 31	Paid Business rates by cheque E250

(10 * 1.5=15)

- b. The Statement of Financial Position as at 30 June 2014 of Gum Traders Limited included a provision for doubtful debts of E2,566. The Company's accounts for the year ended 30 June 2015 are now being prepared. The company's policy now is to relate the provision for doubtful debts to the age of receivables outstanding. The debts outstanding at 30 June 2015 and the required provisions for doubtful debts are as follows.

Debts Outstanding	Amount	Provision for doubtful debts
Up to 1 month	E 25,000	1%
More than 1 month and up to 2 months	15,000	2%
More than 2 months and up to 3 months	7,000	3%
More than 3 months	2,500	5%

Customers are allowed a cash discount of 3% for settlement of debts within one month. It is now proposed to make a provision for discounts to be allowed in the company's accounts for the year ended 30 June 2015.

Required:

Prepare the following accounts for the year ended 30 June 2015 in the books of Gum Traders Limited to record the above transactions.

- a) Provision for doubtful debts
- b) Provision for discounts to be allowed on receivables

(15 marks)

Total (30 marks)

QUESTION 4:

Write short note on the following:

- a. Businesses often create an allowance for doubtful debts of which concept is this an example? Explain your answer. (5 marks)
- b. Discuss how the reissued *IAS 1 Presentation of Financial Statements* affects the publication of financial statements (5 marks)
- c. Distinguish Cash Discount and Trade Discount (5 marks)
- d. How do you identify Capital Expenditure and Revenue Expenditure. Give examples. (5 marks)
- e. Pass rectification entries for the following transactions (Narrations are not required)
 - i) A sale of fittings E482 had been entered in the sales account
 - ii) Extra capital of E10,000 paid into the bank had been credited to sales account
 - iii) A payment of cash of E300 to M Shongwe has been entered on the wrong side of the cash book as well as M Shongwe
 - iv) Purchase of goods from T Zondi E252 had been entered in the books as E522

(4*1.25 = 5 marks)

Total (25 marks)

END OF QUESTION PAPER