

University of Swaziland
Department of Accounting
Main Exam Paper - Semester - II

Programme of Study : Bachelor of Commerce & B Ed Secondary

Year of Study : Year 1 (Full Time & Part Time, Commerce);
Year 1 (Full Time B Ed)

Title of Paper : Introduction to Financial Accounting - II

Course Code : ACF / AC 112 (Full Time) / (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:

One of your responsibilities as an accountant of Swazi Spares, is to prepare a monthly bank reconciliation statement. The following information has been extracted from the records of Swazi Spares.

Bank Reconciliation Statement as at 31 March 2017

	Debit	Credit
Credit balance as per bank statement		1,750.00
Credit outstanding deposits		1,050.00
Credit incorrect entry on bank statement		250.00
Debit outstanding cheques:		
No. 2830	370.00	
No. 2835	105.00	
No. 2836	239.00	
No. 2838	400.00	
Debit balance as per bank account	1,936.00	
	3050.00	3050.00

Here is an extract of the cash receipts journal and cash payments journal for April 2017.

Cash Receipts Journal

Date	Details	Bank
5	Deposit	950.50
15	Deposit	2,992.75
16	Deposit	1,950.75
20	Joyce D	520.20
28	Deposit	1,000.00
		7414.20

Cash Payments Journal

Doc.	Day	Details	Bank
2839	3	Insurance	400.00
2840		Cancelled	0.00
2841	7	Purchases	4,440.00
2842	12	Insurance	144.80
2843	17	Wages	352.00
2844	21	Fakudge A	476.00
S/O	26	Salaries	2,000.00
2845	28	Utilities	94.90
CU		Patrick Mcebo	142.50
2846	30	Gumedze K	592.50
			8,642.70

The Bank Statement received by Swazi Spares on 30 April 2017.

Swazi Spares
Bank Statement – April 2017

Date	Details	Debit	Credit	Balance
April 1	Balance			1,750.00 Cr
	Error corrected		250.00	2,000.00 Cr
	Deposit		1,050.00	3,050.00 Cr
April 3	Cheque 2836	239.00		2,811.00 Cr
April 8	Deposit		950.00	3,761.50 Cr
April 12	Deposit (Rent)		250.00	4,011.50 Cr
	Collection charges	3.40		4,008.10 Cr
	Cheque 2838	400.00		3,608.10 Cr
April 13	Cheque 2841	4,440.00		831.90 Dr
April 17	Deposit		2,992.75	2,160.85 Cr
April 21	Deposit		520.20	2,681.05 Cr
	Bank discount	10.50		2,670.55 Cr
	Interest	2.50		2,668.05 Cr
	Service Fee	30.00		2,638.05 Cr
	Cheque 2842	144.80		2,493.25 Cr
	Cheque 2843	352.00		2,141.25 Cr
April 24	Deposit		550.00	2,691.25 Cr
April 26	Stop order	2,000.00		691.25 Cr
April 28	Deposit		1,950.75	2,642.00 Cr
	Unpaid cheque (Patrick Mcebo)	142.50		2,499.50 Cr

Notes:

- a) Cheque 2830 was drawn in favour of Wendy Z for repairs to the computer on 16th September 2016. The cheque is stale and must be cancelled
- b) Cheque 2845 was mislaid and the bank was notified to stop payment
- c) The deposit of E550 on April 24 was paid directly into the current bank account of Swazi Spares by an Account Receivable Palmer Automobiles.

Required:

- i) Update the cash receipts and cash payments journals. Show only bank columns.
- ii) Close off the journals and post only to bank account in the general ledger. Then balance the bank account
- iii) Prepare a bank reconciliation statement on 30 April 2017

Total (25 marks)

QUESTION 2:

- a. Aesthetic Ltd. provided you (as the accountant) with this information from their accounting records as at 1 January 2016.

500,000 ordinary share capital	1,100,000.00
200,000 redeemable preference shares	200,000.00
Revaluation surplus	180,000.00
Asset replacement reserve	100,000.00
Retained earnings	1,150,000.00

The following information is available for the financial year ended 31 December 2016.

- The Company issued 125,000 ordinary shares @ E2.00 each to redeem all the preference shares at E1.00/ share.
- A transfer of E60,000 has been made to asset replacement reserve.
- Machinery was revalued during the year resulting in a E60,000 increase in the revaluation surplus.
- The profit for the period amounted to E1,550,000 before the payment of the preference dividend of E200,000 and the ordinary dividend of E50,000.

Required:

Prepare the statement of changes in equity for Aesthetic Ltd. for the year ended 31 December 2016.

(8 marks)

- b. Tofa, Brian and Lambshed are partners in Swazi Seeds. The partnership agreement provides for the following.

- Capitals must remain unchanged at:

Tofa	E50,000
Brian	40,000
Lambshed	30,000
- As per the partnership deed the partners were allowed interest on capital of 6% per annum. Interest on current accounts (as they appear at the beginning of the year) is calculated at 10% per annum.
- Interest on drawings is calculated at 6% per annum. In the current year the partners withdrew, Tofa E5,000; Brian E4,000; Lambshed E3,000.
- Tofa and Brian each receive a salary of E2,000 per annum.
- E2,000 of the profit must be transferred to the general reserve account.
- The remaining profit must be shared in 6:5:3 ratio.

Additional information:

Net profit for the year amounted to E30,000 before taking into account the salaries, interest on capital, interest on current accounts, and interest on drawings.

Current accounts (Opening balances)

Tofa (Dr)	E1,000
Brian (Dr)	750
Lambshed (Cr)	2,000

Required:

Record all the transactions above in the general journal of Swazi Seeds for the year ending 31 March 2017 (**Narrations should be included**)

Note: Show the workings clearly.

(17 marks)

Total (25 marks)**QUESTION 3:**

These balances were taken from the books of the Eagles Country Club at 31st March 2016

Assets		Liabilities	
Cash at bank	168.00	Loan: K Dlamini	3,200.00
Accounts receivable (Membership subscription fee due)	180.00	Accounts payable	52.00
Inventory on hand:		Accumulated Fund	780.00
Stationery	28.00		
Tennis balls	120.00		
Furniture & Equipment	496.00		
Fixed property	3,040.00		
	4,032.00		4,032.00

This is a summary of the Club's cash transactions for the year ended 31 March 2017:

Receipts		Payments	
Balance b/d	168.00	Accounts Payables	26.00
Entrance fees	28.00	Loan: K Dlamini	400.00
Accounts Receivable (due on 31 March 2016)	60.00	Interest on loan	54.00
Membership Subscription fees	710.00	Upkeep of fixed property	130.00
Donations received	294.00	Purchases:	
Municipal grant	200.00	Furniture & Equipment	76.00

Net proceeds of annual function	318.00	Stationery	18.00
		Tennis balls	300.00
		Wages	288.00
		Water & Electricity	134.00
		Sundry expenses	28.00
		Honorarium to secretary	100.00
		Balance c/d	224.00
	1,778.00		1,778.00

Adjustments:

- a. Inventory on hand
 - Stationery E16
 - Tennis balls E42
- b. E120 of the membership subscription fees due on 31 March 2016 must be written off as irrecoverable.
- c. Membership subscription fees still due on 28 March 2017, E70.
- d. Membership subscription fees prepaid on 31 March 2017, E30.
- e. Depreciation on furniture and equipment amounted to E50
- f. The Fixed property should be depreciated by 5%
- g. Interest on loan due amounts to E18
- h. An account of E14 for water and electricity for March 2017 has not been paid.

Required:

- i) Prepare a statement of income and expenditure for the year ended 31 March 2017.
- ii) Prepare a statement of financial position as at 31 March 2017.

Total (25 marks)**QUESTION4:**Write **Short notes** on the following:

- i) The current ratio is an indicator of a company's liquidity and ability to meet its short-term debts. What further information would you require before concluding whether or not a specific company's current ratio is 'good' or 'bad'?
- ii) Define the following terminology.
 - a. Manufacturing costs
 - b. Manufacturing overheads
- iii) What is the purpose of special fund accounts?
- iv) What is the difference between a public company and a private company?
- v) Name and briefly discuss five factors which should be outlined in partnership agreement.

Total (5 * 5 = 25 marks)**End of exam question paper**