
UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING & FINANCE

MAIN EXAMINATION PAPER

MAY 2018

DEGREE/YEAR OF STUDY:	BACHELOR OF COMMERCIAL YEAR 1 / BACHELOR OF EDUCATION YR 1 & 2
TITLE OF PAPER	: INTRODUCTION TO FINANCIAL ACCOUNTING II
COURSE CODE	: ACF 112/ IDE AC 112 (M) MAY 2018
TOTAL MARKS	: 100 MARKS
TIME ALLOWED	: THREE (3) HOURS
INSTRUCTIONS	1 There are four (4) 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. 4 Show all your workings. 5 Calculations are to be made to zero decimal places of accuracy, unless otherwise instructed.

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

SPECIAL REQUIREMENTS: CALCULATOR

This paper is not to be opened until permission has been granted by the invigilator

QUESTION 1

One of your functions as accountant of Kerubo (Pty) Ltd, is to prepare a monthly bank reconciliation statement. The following information has been extracted from the entity's records on 31 March 2018.

Bank reconciliation statement on 28 February 2018

Balance (Overdraft) as per bank account	(7,754.50)
Add: Unpresented cheques	810.93
no. 4930	272.50
no. 4932	48.50
no. 4898	489.93
Less uncleared deposits	(500.00)
Balance (Overdraft) as per bank statement	(7,443.57)

Extracts from:

Cash receipts journal – March 2018

Date	Details	Amount
3-Mar-18	Deposit	2,391.82
11-Mar-18	Deposit	1,922.21
19-Mar-18	Deposit	763.81
23-Mar-18	Deposit	500.00
28-Mar-18	Deposit	893.72
30-Mar-18	Deposit	492.73
		<u>6,964.29</u>

Cash payment journal – March 2018

Date	Cheque no.	Amount
1-Mar-18	5103	128.93
3-Mar-18	5104	87.01
	5105	589.23
5-Mar-18	5106	492.22
6-Mar-18	5107	52.23
8-Mar-18	5108	948.41
10-Mar-18	5109	322.19
12-Mar-18	5110	398.76
13-Mar-18	5111	732.19
15-Mar-18	5112	200.00
16-Mar-18	5113	87.63
20-Mar-18	5114	122.21
22-Mar-18	5115	1,832.48
25-Mar-18	5116	99.00
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		6,092.49

ACF 112 / IDE ACF 112 [PART TIME] (M) MAY 2018

The following bank statement on 31 March 2018 was received:

Date	Details	Debit	Credit	Balance (Overdraft)
1-Mar-18	Balance b/f			(7,443.57)
	Cheque 4898	489.93		(7,933.50)
	Deposit		500.00	(7,433.50)
	Cheque 4932	48.50		(7,482.00)
3-Mar-18	Cheque 5103	128.93		(7,610.93)
4-Mar-18	Cheque 5104	87.01		(7,697.94)
	Deposit		2,391.82	(5,306.12)
5-Mar-18	Cheque 5105	589.23		(5,895.35)
8-Mar-18	Cheque 5106	429.22		(6,324.57)
11-Mar-18	R/D Cheque (H. Dewes)	238.71		(6,563.28)
12-Mar-18	Deposit		1,922.21	(4,641.07)
15-Mar-18	Cheque 5108	948.41		(5,589.48)
	Cheque 5110	398.76		(5,988.24)
16-Mar-18	Interest	181.27		(6,169.51)
19-Mar-18	Cheque 5111	732.19		(6,901.70)
	Cheque 16983	150,000.00		(156,901.70)
23-Mar-18	Deposit		763.81	(156,137.89)
	Cheque 5113	87.63		(156,225.52)
28-Mar-18	Deposit		500.00	(155,725.52)
	Cheque 5115	1,832.48		(157,558.00)
29-Mar-18	Deposit		893.72	(156,664.28)
	Interest	341.82		(157,006.10)
30-Mar-18	Error corrected		150,000.00	(7,006.10)
	Bank charges	129.81		(7,135.91)

Assume that the entries on the bank statement are correct

Required: Effect adjustments, if any, on the cash receipts and cash payment journals, prepare the bank account for the month ended 31 March 2018 and prepare the bank reconciliation statement for Kerubo (Pty) Ltd on 31 March 2018.

Total:

[25 Marks]

Question 2

A treasurer of a tennis club has prepared this draft statement of receipt and payment. The club committee, however, want the financial statements for the 2017 (and subsequent years) to be in the form of an Income and Expenditure account and a Statement of Financial Position. The have asked you to fix the 2017 financial statements.

THE LOCAL TENNIS CLUB**STATEMENT OF RECEIPT AND PAYMENT FOR THE YEAR ENDED 31 DECEMBER 2017**

Opening balances	3,260.00
Cash in hand: 01 January 2017	100.00
Current account	1,160.00
Deposit account	2,000.00
Add: receipts	9,680.00
Membership fees:	
2016	620.00
2017	8,220.00
2018	125.00
Interest on deposit account	85.00
Entry fees for club championship	210.00
Tickets sold for annual dinner/dance	420.00
Less: payments	(16,890.00)
Groundman's wages	(4,000.00)
Purchase of equipment (on 30 June 2017)	(8,000.00)
Rent for year up to 30 September 2017	(2,000.00)
Rates for year up to 31 March 2018	(1,800.00)
Cost of annual dinner/dance	(500.00)
Secretarial expenses	(400.00)
Prizes for club championship	(90.00)
Miscellaneous expenses	(100.00)
Less: Cash on hand : 31 December 2017	(50.00)
Closing bank balance: 31 December 2017 (OVERDRAFT)	(4,000.00)

Additional information:

- 1) On 31 December 2017, E 700 was outstanding for membership fees for 2017.
- 2) During 2016, E 230 was received for membership fees for 2017
- 3) The cost of equipment purchased in previous years was:
 - 30 June 2006 E 5 000
 - 01 January 2011 E 1 000
 - 30 September 2015 E 1 000
- 4) The committee decides that the equipment should be depreciated at 10% p.a. on cost
- 5) Rent has been at the rate of E 2 000 p.a. for the last 2 years and is not expected to change in the immediate future.
- 6) Rates of E 750 for the 6 months to 31 March 2017 were paid on 02 November 2016
- 7) Interest of E 250 on the bank overdraft had accrued on 31 December 2017

Required: Prepare the income and expenditure account for the year ended 31 December 2017. You are also required to prepare the Statement of Financial Position as at 31 December 2017.

Total:

[25 Marks]

QUESTION 3

This information for April 2018 is from Makori (Pty) Ltd:

Direct materials purchased on credit		50,000.00
Indirect materials purchased for cash		1,500.00
Direct labour costs incurred		25,000.00
Indirect production labour		2,500.00
Factory rent		1,000.00
Water and electricity		3,250.00
Plant depreciation		5,000.00
Insurance on factory		750.00
Credit sales		160,000.00
	Opening	Closing
Direct materials	40,000.00	20,000.00
Indirect materials	1,000.00	500.00
Work-in-progress	22,500.00	12,500.00
Finished goods	50,000.00	24,180.00
Other expenses:		
Selling costs		3,000.00
Administrative expenses		1,000.00

Required: Prepare the following general ledger accounts in the books of Makori (Pty) Ltd for the month of April 2018:

1. Raw materials inventory
2. Factory overhead expenses
3. Work -in - progress
4. Finished goods inventory
5. Trading account
6. Profit and loss account

Total:

[25 Marks]

QUESTION 4

The following financial statements are presented for Sizwe enterprises.

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 APRIL 2017

	2017	2016
Sales revenue	2,478	1,999
Cost of sales	(1,287)	(1,055)
Gross profit	<u>1,191</u>	<u>944</u>
Distribution, selling and marketing expenses	(403)	(333)
Administration expenses	(187)	(153)
Other operating expenses	(153)	(101)
Profit (earnings) before interest and tax expense	<u>448</u>	<u>357</u>
Finance costs	(72)	(68)
Profit before tax	376	289
Income tax expense	(112)	(86)
Profit for the year	<u>264</u>	<u>203</u>
Earnings per share	0.528	0.406
Dividend per share	0.176	0.160
Total dividends paid	88	80

STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2017

	2017	2016	2015
NON - CURRENT ASSETS			
Property, Plant and Equipment	1,388	1,218	1,130
CURRENT ASSETS			
Inventories	250	205	200
Receivables	201	188	180
Cash assets	21	20	18
TOTAL ASSETS	1,860	1,631	1,528
EQUITY AND LIABILITIES			
Share capital	500	500	500
Retained earnings	632	456	333
Total equity	1,132	956	833
NON - CURRENT LIABILITIES			
Long-term borrowings	580	530	500
CURRENT LIABILITIES			
Trade and other payables	108	110	150
Short-term borrowings	40	35	45
TOTAL EQUITY AND LIABILITIES	1,860	1,631	1,528
Market price per share	2.80	2.50	2.00

No of shares in issue: 500

Required: Prepare the following ratios for the 2017 and 2016 financial year. Also comment on whether there has been an improvement or deterioration. (Calculations to be made to two decimal places)

- i) Current ratio
- ii) Quick ratio
- iii) Inventory turnover
- iv) Non – current asset turnover
- v) Total asset turnover
- vi) Debt ratio

- vii) Net profit margin
- viii) Return on total assets
- ix) Return on equity
- x) Earnings yield

[Marks: 2.5 each]

Total:

[25 Marks]