
UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING & FINANCE

SUPPLEMENTARY EXAMINATION PAPER

JULY 2018

DEGREE/YEAR OF STUDY: BACHELOR OF COMMERCE YEAR I / BACHELOR OF EDUCATION YR 1 & 2

TITLE OF PAPER : INTRODUCTION TO FINANCIAL ACCOUNTING II

COURSE CODE : ACF 112/ IDE AC 112 (S) JULY 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

The following information has been extracted from the books of Tikahle limited

Bank reconciliation statement as at 30 November 2017

Balance (Overdraft) as per bank account	(65,000)
Add unrepresented cheques	79,000
no. 098	55,000
no. 113	9,000
No 115	15,000
Less uncleared deposits	(22,300)
Balance (Overdraft) as per bank statement	(8,300)

Cash receipt journal

Date	Account to credit	Amount
4-Dec-17	Sales	115,000
11-Dec-17	Sales	125,000
12-Dec-17	Debtors	35,000
18-Dec-17	Sales	65,000
29-Dec-17	Sales	85,000
	Provisional total	425,000

Cash payment journal

Chq no.	Date	Account to debit	Amount
121	5-Dec-17	Furniture	13,000
122	12-Dec-17	Purchases	60,000
123	13-Dec-17	Creditors	45,000
124	30-Dec-17	Purchases	16,000
			134,000

Bank Statement - December 2017

Date	Details	Debit	Credit	Balance
1-Dec-17	Balance			(8,300)
1-Dec-17	Interest on overdraft	1,111		(9,411)
2-Dec-17	Cheque no. 113	9,000		(18,411)
4-Dec-17	Deposit		115,000	96,589
6-Dec-17	Standing order - Insurance	10,000		86,589
12-Dec-17	Deposit		34,000	120,589
14-Dec-17	Chq 121	12,000		108,589
15-Dec-17	Deposit		125,000	233,589
17-Dec-17	Cheque no. 123	47,000		186,589
20-Dec-17	Deposit		15,000	201,589
21-Dec-17	Bank charges	1,255		200,334
23-Dec-17	Deposit		1,000,000	1,200,334

Notes:

1. Cheque no. 098 was issued as a donation to the Arsenal Supporters Club in June 2017.
2. Cheque no. 115 was issued to Kevin, a creditor in September 2017.
3. The deposit made on the 12th of December for monies received in the bank statement was erroneously recorded in the cash receipt journal but correctly recorded in the bank statement.
4. Cheque no. 121 is correctly stated in the bank statement
5. Cheque no. 123 is correctly stated in the Cash payment journal
6. Nonto, a debtor made a payment for her debt directly into the bank on the 20th of December. She has since sent the proof of payment for the E 15 000 she paid.
7. An insurance claim received by Nothando for E 1 000 000 on 23 December 2017, the owner of Tikahle limited in her personal capacity, was erroneously credited in the business account.

Required: Update the cash receipts and payment journals if required, post to the bank account in the general ledger, compare the balance with the bank statement and reconcile if necessary.

Total:**[25 Marks]**

7. The debentures were bought by the club on 01 January 2018.
8. Entrance fees must be capitalised.

Required: Prepare a Bar trading account, an income and expenditure account, and a statement of Financial Position for the year ended 30 June 2018.

Total:

[25 Marks]

QUESTION 3

These details were taken from the books of Cadbury manufacturing Ltd as at 31 July 2017

Inventory on 01 July 2017	44,000.00
Raw materials (Including direct and indirect materials)	20,000.00
Work-in-progress	8,000.00
Completed products (5 000 units)	16,000.00
Raw materials purchased	50,000.00
Direct labour	10,000.00
Sales (18 500 units)	160,000.00
Work-in-progress (31 July 2017)	6,000.00
Depreciation on machinery	1,200.00
Indirect materials used	1,000.00
Raw materials (31 July 2017)	25,000.00
Rent - Factory building	2,000.00
Supervision (Factory)	1,200.00
Heating, lights and power for manufacturing	1,400.00
Indirect materials (31 July 2017)	-
Direct salaries	1,000.00
Direct labour	1,600.00
Factory insurance	400.00

Note:

Completed products (31 July 2017) 4 500 units

Production is transferred to the sales department at cost plus 33.33%.

Required: Prepare the Statement of cost of goods manufactured and the trading account for July 2017.

Total:

[25 Marks]

QUESTION 4**PART A**

The working capital of ABC Ltd. has deteriorated in recent years and now stands as under:

Current assets		Current liabilities	
Inventory	560,000	Creditors	490,000
Debtors	350,000	Bank overdraft	210,000
Cash	70,000		
	<u>980,000</u>		<u>700,000</u>

- i) Compute the current ratio and quick ratio based on the information above [**6 Marks**]
- ii) Assume that the overdraft is increased by a further E 50 000, what is the new current ratio and quick ratio? [**6 Marks**]
- iii) Comment on the possible cause for the improvement or deterioration in the current ratio in ii) above. [**4 Marks**]

PART B

Discuss preference shares and the different types of preference shares

[**9 Marks**]

Total:

[**25 Marks**]