ACF 112 / IDE ACF 112 [PART TIME] (S) JULY 2018

UNIVERSITY OF SWAZILAND

# DEPARTMENT OF ACCOUNTING \& FINANCE SUPPLEMENTARY EXAMINATION PAPER 

JULY 2018

| DEGREE/YEAR OF STUDY: |  | BACHELOR OF COMMMERCE 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
Add unpresented cheques
no. 098
no. 113
55,000
9,000
15,000
No 115

Less uncleared deposits
Balance (Overdraft) as per bank statement .

|  | $(65,000)$ <br> 79,000 | 55,000 <br> 9,000 <br> 15,000 |
| :---: | ---: | ---: |
| $\cdots$ |  | $(22,300)$ |
|  |  | $(8,300)$ |

## 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
122
123
124

| 5-Dec-17 Furniture | 13,000 |
| :---: | ---: |
| 12-Dec-17 Purchases | 60,000 |
| 13-Dec-17 Creditors | 45,000 |
| 30-Dec-17 Purchases | 16,000 |

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## 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 $12^{\text {th }}$ 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 $20^{\text {th }}$ of December. She has since sent the proof of payment for the E 15000 she paid.
7. An insurance claim received by Nothando for E 1000000 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]

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## QUESTION 2

On 01 July 2017, these balances appeared in the records of EWR Rugby club:

## LIABILITIES

Membership fees received in advance
Bar payables
Accrued expenses
Accumulated funds

|  | ASSETS |  |
| ---: | ---: | ---: |
| 28 | Membership fees in arrears | 42 |
| 590 | Prepaid expenses | 28 |
| 80 | Buildings | 6,300 |
| 6,694 | Inventory | 822 |
|  | Liqour | 106 |
|  | Glassware | 316 |
|  | Sports equipment | 400 |
|  | Bank | 200 |
| 7,392 |  |  |

## Receipts and payments for the year ended 30 June 2018

## Receipts

Gate money received
Bar sales
Entrance fees
Membership fees

## Payments

1,600 Barman's wages 800
3,756 Repairs to buildings 300
86 Bar payables 3,266
1,620 Salary and wages 1,024

| 2017 | 22 | Glassware bought | 122 |
| ---: | ---: | ---: | ---: |
| 2018 | 1,570 | Sports equipment | 300 |
| 2019 | 28 | Investment: $4 \%$ debentures | 1,000 |
|  |  | $\begin{array}{l}\text { Maintenance of grounds }\end{array}$ | 246 |
|  | Stationary | 32 |  |

## Adjustments and other information:

1. On 30 June 2018, the amount owed to bar payables amounted to E 326 .
2. The accrued expenses on 01 July 2017 was for salaries, while the prepaid expenses was for stationary on hand.
3. On 01 July 2018, the secretary's salary (E 80) for June was paid.
4. On 30 June 2018:

- The inventory of alcohol was valued at E 600 and glassware at E 390 .
- The value of stationary on hand amounted to E 60, and accounts for stationary (E 100) and insurance (E 20) were still outstanding.

5. Depreciation on sports equipment amounted to $E 228$.
6. Membership fees in arrears on 30 June 2018 amounted to E 68. The balance of the membership fees in areas on 30 June 2017 are irrecoverable.
7. The debentures were bought by the club on 01 January 2018.
8. Entrance fees must be capitilised.

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

## 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 ( 5000 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) | $1,000.00$ |  |
| Direct salaries | $1,600.00$ |  |
| Direct labour | 400.00 |  |
| Factory insurance |  |  |

Note:
Completed products (31 July 2017) 4500 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.

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## QUESTION 4

## PART A

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

| Current assets |  | Current liabilites |  |
| :--- | ---: | :--- | :--- |
|  |  | 560,000 | Creditors |
| Inventory | 350,000 | Bank overdraft | 490,000 |
| Debtors | 70,000 |  | 210,000 |
| Cash | $\ldots$ | $\ldots$ |  |
|  | $\ldots$ | 980,000 |  |
|  |  |  |  |

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 50000 , 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

