

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
MAIN EXAMINATION PAPER MAY 2018

DEGREE	:	MBA
YEAR OF STUDY	:	YEAR ONE (2 ND SEMESTER)
ACADEMIC YEAR	:	2017/2018
TITLE OF PAPER	:	FINANCIAL ACCOUNTING
COURSE CODE	:	ACF 602
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 a question are indicated at the end of each question.
	4	Show the necessary working.
	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 the language and general quality of expression, together with layout and presentation of your answer.

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SPECIAL REQUIREMENTS: CALCULATOR

QUESTION 1:

A. From the following multiple choice questions, choose the correct answers:

1.1. Which of the following is not the internal user of financial information?

- A. SARS
- B. Employees
- C. Management
- D. Departmental managers

(2 MARKS)

1.2. For information to be a faithful representation, it must be.....

- A. Complete, neutral and free from error
- B. Complete, free from error and biased
- C. Complete, neutral and reliable
- D. All of the above.

(2 MARKS)

1.3. Regarding an asset, which definition is correct?

- A. An asset is an economic resource that is under the control of an entity that will result in economic benefits flowing out of the business.
- B. An asset is an economic resource that is under the control of an entity that will result in economic benefits flowing into the entity and originated as a result of past events.

(2 MARKS)

1.4. A Credit Note is issued by a debtor and received by a creditor:

- A. True
- B. False

(2 MARKS)

(Question 1 continue)

- 1.5. Which one of the following events will increase the cash balance of a business?
- A. Loan repayment to banks.
 - B. Debtors paying amounts owed.
 - C. Bank institution granting an overdraft facility of an enterprise.
 - D. Sale of inventory on credit basis.

(2 MARKS)

- 1.6. Which statement given below represents outflow of cash?
- A. Increase in investments.
 - B. Decrease in long term loan.
 - C. All of the above.
 - D. None of the above.

(2 MARKS)

B.

Why is the statement of cash flow useful to the external analysers of financial statements?

(12 MARKS)**(QUESTION 1: TOTAL MARKS 24)**

QUESTION 2:

The following balances and totals are taken from the ledger of S Dlamini on 28 February 2017.

Purchases	364 975
Railage on sales	5 642
Rates and taxes	4 320
Salaries and wages	67 420
Rent income (Received for 11 months)	13 200
Sales	564 396
Telephone	3 622
Stationery	2 913
Office cleaning expense	4 360
Railage on purchases	3 696
Returns inwards (Sales Returns)	5 729
Accounts payable	16 733
Furniture at cost	24 364
Allowance for bad debts (Allowance for credit losses)	3 600
Returns outwards (Purchases Returns)	2 984
Accumulated depreciation: Furniture	1 464
Accumulated depreciation: Plant	13 000
Repairs	995
Insurance	1 985
Sales expenses	1 800
Bad debts (Credit losses)	1 365
Accounts receivable	74 965
Drawings (S Dlamini)	14 360
Plant at cost	73 000
Inventory (1 March 2016)	36 982

(Question 2 continue)

Additional information must still be taken into account:

1. Inventory on 28 February 2017, E42 029
2. Rates and taxes are for the year ended 30 June 2017 (01/07/2016 to 30/06/2017).
3. Bad debts (Credit losses) of E965 must still be written off.
4. Provide depreciation as follows:
 - Furniture : 10% per annum on the reducing balance method
 - Plant : 20% per annum on the cost (straight line method)
5. Insurance includes a premium of E480 for the six months ended 30 June 2017 (01/01/2017 to 30/06/2017)
6. Adjust the allowance for bad debts (credit losses) to 5% of receivables.
7. One week's salaries and wages for E1 964 is outstanding (Still payable to employees).
8. Rent income is in arrears for one month (one month rent income not yet received)

REQUIRED:

Prepare a statement of profit or loss & other comprehensive income of S Dlamini for the year ended 28 February 2017.

(QUESTION 2: TOTAL MARKS 26)

QUESTION 3:

The following balances were taken from the books of Roxanne Traders on 28 February 2017.

	E
Capital (1 March 2016)	43 212
Drawings (Roxanne)	4 500
Office equipment at cost	12 300
Delivery vehicles at cost	5 625
Accumulated depreciation on 1 March 2016:	
Office equipment	2 460
Delivery vehicles	4 275
Trading inventory (1 March 2016)	15 300
Fixed deposit	30 000
Debtors (Accounts receivable)	18 735
Cash on hand	1 533
Creditors (Accounts payable)	10 500
Purchases	30 600
Purchases returns	300
Sales	91 350
Advertisements	1 080
Insurance	2 214
Stationery purchased	678
Salaries and wages	16 200
Sales returns	1 560
Carriage on purchases	525
Carriage on sales	300
Interest on fixed deposit	2 700
Water and electricity	2 640
Telephone	1 350
Rent expense	9 900
Net profit after adjustments	19 957

Additional information must still be taken into account:

1. Bad debts (Credit losses) of E735 must still be written off.
2. Prepaid expenses for:
 - insurance E738
 - advertisement E90
3. Stationery on hand amounted to E57 on 28 February 2017.

(Question 3 continue)

4. Depreciation for the current year was calculated as follows:
 - office equipment, E1 476.
 - delivery vehicles, E338.
5. The owner's private telephone account of E150 for February 2017 was paid by the business and allocated to the business's telephone account.
6. Inventory on hand after physical inventory taking on 28 February 2017 is E9 600.
7. Accrued expenses: Salaries and wages E75.

REQUIRED:

Prepare the Statement of Financial Position as at 28 February 2017.

(QUESTION 3: TOTAL MARKS 22)**QUESTION 4:**

The following information was extracted from the statement of financial position of TT Limited on the last day (31 December) of the financial year 2017 and 2016.

	2017	2016
	E	E
Ordinary share capital	385 000	286 000
Preference share capital	55 000	65 000
Retained earnings	24 000	36 000
Bank	-	2 000
Land and buildings at cost	105 000	90 000
Equipment at cost	21 000	21 000
Accumulated depreciation on equipment	5 000	5 000
Inventory	23 000	17 000
Trade receivables	33 000	13 000
Trade payables	18 000	25 000
Bank overdraft	2 500	-
Shareholders for dividends	1 000	10 000
Prepaid expenses	1 000	300
SRA (Tax)	12 500	16 300
Long term loan	100 000	120 000

(Question 4 continue)

Extracted from the statement of profit and loss for the year ended 31 December 2017.

Loss on disposal of equipment	E 2 300
Taxation for 2016	E 66 000
Dividend declared	E 7 000
Sales	E 300 000
Depreciation on equipment (disposal)	E 2 000
Finance cost	E 3 300
Investment income	E 2 800
Net profit before taxation	E 61 000

Additional information:

- The gross profit percentage is 30% on sales.
- Equipment with a cost price of E11 000 was replaced by new equipment.
- Cash received from customers is E280 000 and cash payments to suppliers and employees is E247 900.

REQUIRED:

- A. Draw up a cash flow statement **(22 MARKS)**
- B. show the following calculations: **(6 MARKS)**
- Equipment Account
 - Accumulated Depreciation (Equipment)
 - Asset Disposal (Equipment)

(QUESTION 4: TOTAL MARKS 28)

END