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UNIVERSITY OF ESWATINI

DEPARTMENT OF ACCOUNTING & FINANCE

SUPPLEMENTARY EXAMINATION PAPER

JANUARY 2019

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**DEGREE/YEAR OF STUDY:** BACHELOR OF COMMERCE YEAR II/ IDE  
LEVEL II

**TITLE OF PAPER:** INTRODUCTION TO FINANCIAL ACCOUNTING I

**COURSE CODE :** ACF 111/ IDE ACF 111 (S) JANUARY 2019

**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**

March 1 Cash sales, E 15 504.

7 Received a cheque from W Wolf for E 1 469 in full settlement of his account. Received a cheque from L Lion for E 713 and allowed E 57 discount.

12 Received an account from Stationers Ltd for the printing of documents, E 684.

13 Credit sales:

— L Lion E 2 280

— W Wolf E 1 140

14 Sold an old computer to O Old for E 285 and received his cheque for the amount due.

Cash sales, E 6 840.

21 Issued a credit note to L Lion for an overcharge on the invoice of the 13th, E 57.

23 Paid C Cheetah by cheque for carriage on goods purchased, E 1 140.

28 Received a credit invoice from T Tiger for goods purchased, E 14 535.

29 Issued cheques for salaries and wages, E 5 746 and for purchases from B Bam E 7 980.

30 Issued a debit note to T Tiger for goods returned to him, E 798.

**Required:**

- (1) Record the above transactions in the following subsidiary journals, properly totalled, of Rundu Dealers for March 2018:
  - (a) Cash receipts journal (analysis columns for bank, sales, VAT output, trade receivables, VAT input (Dr), settlement discount granted and sundries)
  - (b) Cash payments journal (analysis columns for bank, purchases, trade payables, settlement discount received, VAT input, VAT output (Cr) and sundries)
  - (c) Sales journal (analysis columns for VAT output, sales and trade receivables)
  - (d) Purchases journal (analysis columns for VAT input, purchases and trade payables)
  - (e) Sales returns journal (analysis columns for VAT output, sales returns and trade receivables)
  - (f) Purchases returns journal (analysis columns for VAT input, purchases returns and trade payables)
  - (g) General journal

Total:

[25 Marks]

**QUESTION 2**

**PART A**

A business sells inventory for E 3 000 (Which shows a discount of 10% on normal selling price)

You are required to:

- i) Calculate the normal selling price.
- ii) Calculate the cost of inventory sold, assuming a mark-up of 50% on cost.
- iii) Calculate the gross profit
- iv) Discuss the meaning of gross profit and net profit

**[15 Marks]**

**PART B**

Discuss the qualitative characteristics of useful financial information

**[10 Marks]**

**Total:**

**25 Marks**

**QUESTION 3****Loliwe investors trial balance at 31 December 2018**

Details	Folio	Debit	Credit
Capital	B1		39,700
9% mortgage bond	B2		10,000
Land and buildings	B3	40,000	
Equipment (at cost)	B4	5,000	
Investments : Government bonds	B5	8,000	
Bank	B6	1,000	
Rent income	N1		12,775
Interest income	N2		325
Advertising	N3	600	
Salaries and wages	N4	6,000	
Office supplies	N5	1,600	
Interest expense	N6	600	
		62,800	62,800

*Additional information:*

- i) Wages earned by employees in December 2018 were only paid in January 2019, E 400.
- ii) Unused office supplies on hand at 31 December 2018 total E 250
- iii) Interest owing on mortgage bond for 2018 but not yet paid is E 225
- iv) Equipment, purchased on 01 January 2018 must be depreciated at the rate of 10% on cost.
- v) Rent income received in advance totals E 300
- vi) Interest earned on government bonds but not yet received, E 200
- vii) Advertising costs that relate to the 2018 financial year are E 150

**You are required to:**

**Prepare the statement of profit or loss and the Statement of Financial Position from the information given above [25 Marks]**

Total:

**25 Marks**

**QUESTION 4**

Emfuleni enterprises bought a new machine on 01 January 2011 for E 22 500. The business estimates the machine will have a useful life of six years, and a residual value at the end of the 6 years of E 1 500. (Ignore VAT)

You are required to:

1. Prepare a depreciation schedule to show:

- a) The net book value of the machine at the beginning of the year
- b) The annual depreciation expense, for each year of the estimated six year life under these alternative depreciation methods:
  - i) Straight line
  - ii) Diminishing balance (@ 33.33% per annum).

2. Assuming that the business earned income of E 80 000 and incurred expenses (excluding the depreciation expense) of E 60 000 for each of the six years to 31 December 2016, determine the net profit the company would report in its statement of profit or loss and other comprehensive income for the first (2011) and the sixth (2016) year, under each of the two alternative depreciation methods. Assume that the machine was sold for E 15 000 at the end of the 6<sup>th</sup> year.

**[25 Marks]**

**Total:**

**25 Marks**