

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
RESIT EXAMINATION JULY 2019

Programme of Study : Bachelor of Commerce / Bachelor of Business Education/
Bachelor of Science (IT)

Year of Study : Year 1 (Full Time & Part Time Commerce)
Year1 (Full Time & Part Time B.Ed. Secondary)
Year 1 (Full Time B.Sc- IT)

Title of Paper : Introduction to Financial Accounting - II

Course Code : ACF112/ AC112

Time Allowed : 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

After Muhle Trading's records were provisionally closed, it was established that the total of the list of account receivables amounted to SZL20,173; and the list of payables amounted to SZL10,053. The receivables control account had a debit balance of SZL20,073; while the payables control account had a debit balance of SZL100 and a credit balance of SZL11,813.

The CEO of Muhle Trading has requested you, the Financial Accountant to check if the above balances are a true reflection of the movements in the relevant accounts during the year. In your investigation, you discover the following:

1. The purchases journal was overstated by SZL20.
2. A credit note for SZL330 from a supplier was recognised as an invoice in the purchases journal, but recorded correctly (as a credit note) in the payable's account.
3. The debit side of the receivables control account has been understated by SZL1,000.
4. A sales invoice for SZL440 was recognised in the receivables account, but not in the sales journal.
5. Credit sales of SZL240 were posted to the receivables account as SZL120.
6. A cheque for SZL170 received from a receivable and correctly recognised to a payable, was posted to their accounts only.
7. The balances of a payable, SZL80, and a receivable of SZL150, were not included in the lists.
8. A receivable's account of SZL900 was written off as uncollectable. The receivable's account was correctly credited with the amount, but no entry was made in the control account or the bad debts account.
9. A credit note for SZL130 issued to a receivable was recognised as an invoice in his account but was recognised correctly in the subsidiary journal.
10. Discount received SZL730 and discount allowed SZL260 were not recognised in the accounting records.
11. Payables with debit balances of SZL100 were deducted from the credit balances on the payables list.

You are required to:

- a) Adjust the balances of the receivables and payables control accounts accordingly using the information provided. (16 Marks)
- b) Reconcile the totals of the receivables and payables lists with the balances of the control accounts. (9 Marks)

Total Marks: 25

QUESTION 2

The following is a summary of the receipts and payments of the Miniville Rotary Club during the year ended 31 July 2018.

Miniville Rotary Club			
Receipts and Payments Account for the year ended 31 July 2018			
	SZL		SZL
Cash and Bank balances b/d	210	Secretarial expenses	163
Sales of competition tickets	437	Rent	1,402
Members subscriptions	1,987	Visiting speakes' expenses	1,275
Donations	177	Donations to charities	35
Refund of rent	500	Prizes for competitions	270
Balance c/d	13	Stationery and printing	179
	3,324		3,324

The following information is also available:

As at 31 July:	2017	2018
	SZL	SZL
Equipment (original cost SZL 1,420)	975	780
Subscriptions in arrears	65	85
Subscriptions in advance	10	37
Owing to suppliers of competition prizes	58	68
Inventory of competition prizes	38	46

You are required to:

- a) Calculate the value of the accumulated fund of the club as at 1 August 2017 (7 Marks)
- b) Prepare the following accounts for the year ended 31 July 2018
 - i. subscriptions account (6 Marks)
 - ii. the competition prizes account. (6 Marks)
- c) Prepare the statement of income and expenditure for the year ended 31 July 2018. (11 Marks)

Total Marks: 30

QUESTION 3

The following is the abridged statement of financial position for Asiphile Ltd on 31 January 2017 and 2018:

Statement of financial position for the year ended 31 December

	2017	2018
	SZL	SZL
ASSETS		
<i>Non-current assets</i>	46,000	66,000
<i>Current assets</i>		
Inventories	13,000	44,000
Account Receivables	17,100	25,080
Cash and cash equivalents	30,280	
Total current assets	60,380	69,080
TOTAL ASSETS	106,380	135,080
EQUITY AND LIABILITIES		
<i>Equity</i>		
Capital	71,000	77,000
<i>Non-current liabilities</i>		
Long term borrowings	16,000	-
<i>Current liabilities</i>		
Account Payables	19,380	25,080
Bank overdraft	-	33,000
Total current liabilities	19,380	58,080
Total liabilities	35,380	58,080
TOTAL EQUITY & LIABILITIES	106,380	135,080

Additional information:

Purchases and sales for January 2018 were as follows:

	Purchases	Sales
	SZL	SZL
Cash	28,000	89,000
Credit	117,000	111,000
	145,000	200,000

You are required to:

Calculate the following ratios for January 2018:

- i. Gross profit as a percentage of sales (4 Marks)
- ii. Current ratio (4 Marks)
- iii. Receivables collection period (4 Marks)
- iv. Payables payment period (4 marks)
- v. Acid test ratio (4 Marks)

Total Marks: 20

QUESTION 4

Explain the accounting treatment of the following items in the records of a business or organization:

- i. Special funds (5 Marks)
- ii. Fundraising activities (5 Marks)
- iii. Donations (5 Marks)
- iv. Allowance for bad debts (5 Marks)
- v. Coupons (5 Marks)

Total Marks: 25