

UNIVERSITY OF ESWATINI
DEPARTMENT OF ACCOUNTING
MAIN EXAMINATION PAPER DECEMBER 2018

DEGREE	:	MBA
YEAR OF STUDY	:	YEAR ONE (1 ST SEMESTER)
ACADEMIC YEAR	:	2018/2019
TITLE OF PAPER	:	FINANCIAL ACCOUNTING
COURSE CODE	:	ACF 621
TOTAL MARKS	:	100 MARKS
TIME ALLOWED	:	THREE (3) HOURS
INSTRUCTIONS	1	There are THREE (3) 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.

THIS PAPER IS NOT TO BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVILATOR OR SUPERVISOR.

SPECIAL REQUIREMENTS: CALCULATOR

QUESTION 1:

The following balances are taken from the ledger of South Traders on 31 December 2017:

Details	Debit	Credit
Capital		75 000
Drawings	5 000	
8% mortgage bond		25 000
Accounts payable		45 000
Land and buildings	50 000	
Fixtures and fittings	7 000	
Inventory (1 January 2017)	50 000	
Investment: Municipal Stock	18 600	
Accounts Receivables	41 000	
Bank	7 000	
Sales		270 000
Rent income		1 200
Interest income		400
Purchases	161 500	
Carriage inwards (Carriage on purchases)	3 000	
Advertising	4 900	
Insurance	2 500	
Admin expenses	17 300	
Water and electricity	4 000	
Rates and taxes	4 800	
Wages	38 500	
Interest expenses	1 500	
	<u>416 600</u>	<u>416 600</u>

Additional information:

- A. Interest earned on the municipal stock but not yet received is E620.
- B. Advertising includes a payment of E1 400 made to the Athlone Tribune for advertisements to be published from January 2018.
- C. E1 250 of insurance expense is prepaid.
- D. Wages earned by employees, but unpaid by 31 December 2017, totalled E700.
- E. On 1 August 2017, South Traders let a portion of its premises for 12 months and received a cheque for E1 200 for the whole 12 months' rent (i.e. August 2017 to July 2018).
- F. Interest on the mortgage bond is payable quarterly in arrears on the first day of January, April and October. The bond was raised on 1 January 2017 and there have been no payments of the capital sum.
- G. Fixtures and fittings must be depreciated by E900.
- H. The cost of unsold goods on hand at 31 December 2017, as determined by an inventory count, was E39 200.

You are required to:

- A. Prepare the statement of profit or loss and other comprehensive income for the year ended 31 December 2017. **(20 Marks)**
- B. Prepare the statement of financial position as at 31 December 2017. **(18 Marks)**

(QUESTION 1: TOTAL MARKS 38)

QUESTION 2:

The following balances were obtained from the books of T Limited for the years ended 30 June 2017 and 30 June 2018:

	2017		2018	
	Debit E	Credit E	Debit E	Credit E
Land and buildings	75 000		150 000	
Machinery – cost price	245 000		188 000	
Vehicles – cost price	86 000		111 000	
Investments	4 000		28 000	
Inventory	176 600		181 000	
Trade receivables	87 800		83 400	
Bank	<u>8 300</u>		<u>6 300</u>	
Ordinary share capital		100 000		140 000
Trade payables		61 100		47 100
Swaziland Revenue Authority (tax)		15 000		18 000
Ordinary dividend payable		15 000		20 000
General reserve		75 000		85 000
Retained earnings		45 600		58 600
12% Debentures		180 000		110 000
Revaluation reserve		40 000		130 000
Accumulated depreciation:				
-- Machinery		125 000		102 000
-- Vehicles		<u>26 000</u>		<u>37 000</u>
	<u>682 700</u>	<u>682 700</u>	<u>747 700</u>	<u>747 700</u>

Additional information:

1. Land and buildings were revalued during the year. Buildings of E25 000 were erected during the year, and another plot was sold at carrying value E40 000.
2. Machinery with a original cost price of E79 000 was sold during the year for E7 000 and replaced with new machinery. Accumulated depreciation of the machinery (sold item) was E68 000.
3. Vehicles to the amount of E32 000 were purchased during the year and some of the old vehicles (cost price E7 000) were written off. Accumulated depreciation of the written off vehicles was E6 000.
4. Depreciation for the current year was provided as follows:

Machinery	E45 000
Vehicles	E17 000
5. The taxation expense for 2018 amounted to E67 000.
6. Interest paid on debentures amounted to E7 200.
7. Ordinary dividends for 2018 are E34 800.
8. Dividends of E9 000 were received during the year .
9. The cash receipts from customers and cash paid out to suppliers and employees amounted to E1 604 400 and E1 428 400 respectively.

YOU ARE REQUIRED TO:

- A. Prepare the Statement of cash flow of T Limited for the year ended 30 June 2018 (Use Direct Method). **(20 Marks)**

- B. Show the following calculations: **(12 MARKS)**
 - I. Machinery Account
 - II. Vehicles Account
 - III. Accumulated Depreciation (Machinery)
 - IV. Accumulated Depreciation (Vehicles)
 - V. Asset Disposal (Machinery)
 - VI. Asset Disposal (Vehicles)

(QUESTION 2: TOTAL MARKS 32)

QUESTION 3:

3A: Multiple choice questions. Choose the correct answer.

3A.1. 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.
- D. Sale of inventory on credit basis.

(2 Marks)

3A.2. Insurance for a business is at the rate of E840 a year, starting from 1 January 2016. The business has agreed to pay this at the rate of E210 every three months. However, payments were not made at the correct times. Details were:

Amount	Insurance due	Insurance paid
E210	31 March 2016	E210 on 28 February 2016
E210	30 June 2016	Not paid
E210	30 September 2016	E420 on 31 August 2016
E210	31 December 2016	E420 on 18 November 2016

Select the correct calculation by writing down the symbol only (e.g. A or B or C or D)

What amount for insurance expense for 2016 will appear in the profit or loss account for the year ending 31 December 2016?

- A. E1 050
- B. E420
- C. E840
- D. E210

(2 Marks)

3B. Explain the following terms:

- I. Trade discount
- II. Debit note
- III. Bank reconciliation

(18 Marks)

3C. Why should we use the double entry systems?

(8 Marks)

(QUESTION 3: TOTAL MARKS 30)

END