

UNIVERSITY OF ESWATINI
DEPARTMENT OF ACCOUNTING & FINANCE
MAIN EXAMINATION DECEMBER 2019

Programme of Study : Bachelor of Commerce / Bachelor of Business Education/ Bachelor of Science
Year of Study : Year 1 (Full Time & Part Time Commerce)
Year1 (Full Time & Part Time B.Ed. Secondary)
Year 1 (Full Time & Part Time B.SC. IT)
Title of Paper : Introduction to Financial Accounting I
Course Code : ACF111
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 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 the language and general quality of expression, together with layout and presentation of your answer.

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Special Requirements : Calculator

Question 1

The following transactions appeared in the books of Primato Traders Ltd for the month of July 2019:

- 1 Invested SZL 20,000 into the business, depositing it in a bank account opened with Swazi Bank.
- 3 Purchased goods on credit from D Mahlaba, SZL 15,000.
- 7 Cash sales, SZL 2,500.
- 12 Sold goods on credit to Z Mpila SZL 1,800.
- 17 Cash sales SZL 3,500.
- 21 Sold goods on credit to Ram SZL 6,500.
- 23 Purchased goods on credit from XYZ SZL 10,000.
- 25 Paid SZL 9,500 to D Mahlaba for goods purchased.
- 28 Cash sales SZL 4,500

You are required to:

- i. Record the above transactions in the General Journal assuming the entity uses the perpetual inventory system (50% mark up on selling price). **14 marks**
- ii. Post the journal entries to the General ledger **18 marks**

Total Marks = 32

Question 2

The following balances appeared in the records of Sithole Traders Ltd on 31 December 2018:

	SZL
Equipment (cost)	3,000
Vehicles (cost)	12,000
Accumulated depreciation:	
Equipment	1,500
Vehicles	5,856
Inventory (1 January 2018)	61,200
Accounts receivable	13,000
Allowance for bad debts	400
Bank	30,000
Capital	78,000
Drawings	24,000
Accounts payable	41,000
Purchases	157,000
Purchases returns	5,044
Salaries and wages	11,440
Rent	3,480
Advertising	1,200
Insurance	960
Electricity	1,280
Sundry expenses	240
Sales	190,000
Sales returns	3,000

Additional information:

1. Prepaid rent on 31 December 2018 amounted to SZL 1,000.
2. Inventory on hand on 31 December 2018 amounted to SZL 80,000 and is calculated on the FIFO basis.
3. Prepaid insurance on 31 December 2018 amounted to SZL 160.
4. The allowance for bad debts is to be increased to SZL 1,000.
5. Depreciation is to be calculated as follows:

Vehicles:	20% per annum on the carrying amount
Equipment:	5% per annum on the cost price

You are required to:

- a Prepare the Statement of Comprehensive Income for Sithole Traders the year ending 31 December 2018. **16 marks**
- b Prepare the Statement of Financial Position for Sithole Traders on 31 December 2018. **12 marks**

Total Marks = 28

Question 3

Thandolwethu Kunene owns a general dealer in his home place, Sithobelweni since December 2013. In January 2014, he purchased a freezer for the shop, which costed him SZL 3,400. The freezer was said to have an estimated useful life of six years and will have a residual value of SZL 800 at the end of the six years. The shop was growing and Mr Kunene decided to get a bigger freezer and sell the old one. On January 2018, a new freezer was purchased cash at a price of SZL 4,200 and the old freezer was sold on 31 March 2018 for SZL 2,500. The new freezer has an expected useful life of eight years with a scrap value of nil at the end of its useful life. The shop is not registered for VAT purposes.

You are required to:

- i. Calculate the annual depreciation charge for both freezers purchased by Mr Kunene. (use Freezer 1 for old freezer and Freezer 2 for new freezer). **5 marks**
- ii. Prepare the following ledger accounts for the year ending 31 December 2018: **13 marks**
 - Freezer account
 - Depreciation account
 - Provision for depreciation account
 - Freezer disposal account
- iii. Prepare the relevant Statement of Financial Position entries as at 31 December 2018. **2 marks**

Total Marks = 20

Question 4

- i. Differentiate between the accrual concept and the matching concept. **4 marks**
- ii. Explain any two (2) measurement basis of elements of financial statements. **4 marks**
- iii. Explain the main difference in the periodic and perpetual inventory systems. **4 marks**
- iv. Define VAT. Explain the difference between input VAT and output VAT. **4 marks**
- v. Discuss the information needs of any two internal users of financial or accounting information. **4 marks**

Total Marks = 20