

UNIVERSITY OF ESWATINI
DEPARTMENT OF ACCOUNTING & FINANCE
RESIT 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

Matsapha Wholesalers Ltd is a busy store located in Matsapha. It is involved in the retail business and uses the perpetual inventory system. Goods are marked up at 20% on cost. The business is not registered for VAT purposes.

The following balances appeared in the general ledger on 1 October 2019:

Inventory	SZL 10,000
Accounts receivable	SZL 6,000
Accounts payable	SZL 12,000
Bank (Dr)	SZL 22,000
Capital	SZL 20,000

Transactions for October 2019:

- 1 Sold goods that cost SZL 4,000 to Standard Traders for cash.
- 4 Bought goods from B Masuku and paid SZL 3,420 by cheque.
- 5 Received SZL 2,044 cash from a receivable, J Jones, in full settlement of his account.
- 7 Sold goods that cost SZL 1,600 to Mahlanya Traders for cash.
- 8 Paid for these expenses by cheque:
 - Stationery SZL 114
 - Rent SZL 1,824
- 12 Sold goods that cost SZL 600 to Standard Traders for cash.
- 15 Bought goods for SZL 4,674 from B & D Traders and paid by cheque.
- 16 A cheque for SZL 660 was sent to a payable, A Casaro, in full settlement of the amount.
- 21 Sold goods for cash and received, SZL 4,560.
- 25 Received SZL 667 from D Green in full settlement of her account.
- 31 Bought goods from Princess Wholesalers for SZL 3,192 and paid by cheque.

You are required to:

- i. Record the transactions in the Cash Receipts Journal and Cash Payments Journal.

(15 marks)

Provide for these analysis columns: **Cash Receipts Journal** → Sales, accounts receivable, sundry accounts, interest expense, cost of sales.

Cash Payments Journal → Inventory, accounts payable, sundry accounts, interest received.

- ii. Post the journals to the general ledger (folio references are not required), and balance the accounts. **(10 marks)**

Total: 25 Marks

Question 2

IT Solutions Ltd maintains its assets at cost. Accumulated provision for depreciation accounts are kept for each asset. The non-current assets on 1 January 2018 were as follows:

	Cost	Accumulated depreciation
Office Equipment	SZL 50,000	SZL 14,500
Office Furniture	SZL 60,000	SZL 26,250

The following transactions were made during the year:

- a) Purchased office equipment for SZL 5,000 and office furniture at SZL 750.
- b) Sold equipment which had cost SZL 6 000 in 2014 for SZL 2,500.

Depreciation is charged on a straight line basis at 10% on equipment and at 5% on furniture on the basis of assets in use at the end of the year irrespective of the date of purchase.

You are required to prepare:

- i. Equipment and furniture accounts for the year ended 31 December 2018. **(7 Marks)**
- ii. Provision for depreciation account for both equipment and furniture for 31 December 2018. **(7 Marks)**
- iii. Equipment disposal account **(4 Marks)**
- iv. Relevant Statement of Financial Position entries as at 31 December 2018. **(7 Marks)**

Total: 25 Marks

Question 3

Mr Ben Khathwane owns a toys shop which sells a variety of toys for kids. The financial year end of the business is 30 June each year. The following list of balances is available for the year ending 30 June 2019:

	SZL
Capital	43,150
Drawings	13,100
Land and buildings at cost	21,050
Furniture and equipment at cost	3,000
Provision for depreciation:	
Furniture and equipment	1,000
Bank overdraft	2,300
Long-term loan from Standard Bank	3,000
Accounts receivable	30,800
Accounts payable	24,000
Allowance for bad debts	1,400
Inventory (30 June 2019)	22,700
Cost of sales	51,100
Sales	79,200
Sales returns	600
Bad debts	250
Railage on sales	650
Salaries	3,790
General expenses	6,810
Interest on bank overdraft	200

Additional information:

- On year end, 30 June 2019, a receivable paid his account of SZL 1,200, depositing it directly to the bank.
- The salaries amount is for Mr Khathwane's son who has been helping in the shop for the past six months. His salary for the month of June is still owing.
- Depreciation on furniture and equipment is to be written off at 10% per annum on the reducing balance method. Furniture that cost SZL 1,000 was bought on 1 April 2019.
- An amount of SZL 600 must be written off as a bad debt.
- Allowance for bad debts must be adjusted to 5% of accounts receivable
- The loan from Standard Bank was made on 1 November 2018 and interest of SZL 175 had not been paid.

You are required to:

- i. Prepare the Statement of Comprehensive Income for the year ending 30 June 2019. **(13 Marks)**
- ii. Prepare the Statement of Financial Position as at 30 June 2019. **(12 Marks)**

Total: 25 Marks

Question 4

- (a) Briefly discuss the fundamental qualitative characteristics of financial statements. **(5 marks)**
- (b) Explain the need for subsidiary ledgers in accounting **(5 marks)**
- (c) Explain the following fundamental assumptions on financial statements concepts; **(5 marks)**
 - i. Going concern concept.
 - ii. Accrual concept
- (d) The Ministry of Commerce, Industry and Trade will be hosting a road show at Manzini North Constituency to encourage members of the public to be involved in establishing small scale businesses. As a university student, you have been recruited to make a presentation about the different types of business based on organisational form.

You are required to:

Name any two (2) organisational form of business that could be established, stating any two (2) advantages and two (2) disadvantages of each. **(10 marks)**

Total: 25 Marks