

**UNIVERSITY OF ESWATINI**  
**DEPARTMENT OF ACCOUNTING & FINANCE**  
**MAIN EXAMINATION FEBRUARY 2021**

Programme of Study : Bachelor of Commerce / Bachelor of Business Education  
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/ AC111  
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.

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

**Special Requirements : Non Programmable Calculator**

### Question 1

On 1 September 2019, the beginning of the financial year, the following balances appeared in the accounting records of Emantimandze Ltd:

Machinery at cost: SZL250 000

Accumulated depreciation - Machinery: SZL65 000

During the year, the following transactions occurred in respect of the machinery:

**December 1, 2019:** Purchased a new machine on credit from Nashua Ltd. The following information is applicable:

Purchase price: SZL80 000

Carriage costs incurred (cash): SZL10 000

Installation costs (still due): SZL5 000

**June 1, 2020:** Sold an old machine which was originally purchased on March 1, 2017 for SZL60 000 on credit to a receivable, Mr Ndlela for SZL43 000

#### Additional information:

- Depreciation is calculated at 10% per year using the diminishing balance method.

#### You are required to:

- A. Show the transactions above in the following ledger accounts of Emantimandze Ltd for the financial year ended 31 August 2020:
- |                                      |         |
|--------------------------------------|---------|
| i. Machinery account                 | 5 Marks |
| ii. Accumulated depreciation account | 5 Marks |
| iii. Depreciation account            | 2 Marks |
| iv. Machinery Disposal account       | 5 Marks |
- B. Show the relevant Statement of Financial Position entries as at 31 August 2020
- 3 Marks

**Total Marks: 20 Marks**

## Question 2

Nancy Souza owns a nursery business trading as Nouza Nurseries. The following trial balance appeared on the records of the business at 31 August 2020:

	SZL	SZL
	Dr	Cr
Capital		81,600
Land and building	62,000	
Irrigation equipment	20,000	
Accounts payable		28,460
Accounts receivable	10,800	
Inventory (1 August 2019)	43,000	
Sales		88,800
Bank		9,297
Purchases	31,800	
Carriage inwards	4,010	
Delivery expenses	2,800	
General expenses	1,065	
Stationery	3,900	
Telephone	1,500	
Interest on overdraft	699	
Electricity	2,300	
Water	6,100	
Bank charges	498	
Packing material	3,185	
Wages	14,500	
	<b>208,157</b>	<b>208,157</b>

### Additional information:

1. Inventory at year end amounted to SZL34 900.
2. Unused stationery at year end was SZL 375
3. Carriage inwards of SZL 700 must still be paid
4. Packing material taken for own use by Nancy has not been recorded in the books and it amounted to SZL 192
5. Interest on overdraft and service fees (bank charges) of SZL 61 and SZL 300 respectively have not been accounted for.
6. Depreciation on irrigation equipment must be calculated at 15% using the reducing balance method.

### You are required to prepare:

- i. A Statement of Comprehensive Income for the year ended 31 August 2020. 18 Marks
- ii. A Statement of Financial Position on 31 August 2020. 12 Marks

**Total Marks: 30 Marks**

### Question 3

Mr Roy Sibanda owns a wholesale business trading as Silomo Wholesalers. The business uses the perpetual inventory system to account for its inventory and marks up inventory by 25% on selling price. The following transactions for the month of October 2020 are provided:

Day	Transaction
1	Bought goods on credit from MM Traders for SZL5 000
7	Sold goods to Denver Ltd on credit for SZL1 000
11	Bought goods on credit from Mepho Retailers for SZL3 000
14	Sold goods on credit to Besutfu General Dealer for SZL1 800
16	Sold goods to Mhlengi Hair Dressing on credit for SZL1 200
19	Sold goods to Besutfu General Dealer on credit for SZL1 300
21	Bought goods on credit from MM Traders for SZL1 200
27	Sold goods to Denver Ltd on credit for SZL2 500
29	Bought goods on credit from MM Traders for SZL1 800

**You are required to:**

- i. Record the transactions in the relevant subsidiary journals. 23 Marks
- ii. Post the journal entries to the general ledger 7 Marks

**Total Marks: 30 Marks**

### Question 4

- i. Explain any three (3) basis for determining the value of assets. 6 Marks
- ii. Explain the two (2) conditions for the de-recognition of assets in the financial statements 4 Marks
- iii. Explain the three (3) ways in which the selling price of inventory can be determined. 6 Marks
- iv. Explain the difference between the consideration amount and the value amount. 4 Marks

**Total Marks: 20 Marks**