

UNIVERSITY OF ESWATINI
DEPARTMENT OF ACCOUNTING & FINANCE
RESIT EXAMINATION MARCH 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
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

The following balances appeared in the records of Sethu Investment Ltd on 30 June 2020:

	SZL
Capital	40,000
Drawings	4,500
Accounts payable	10,800
Accounts receivable	18,735
Office equipment at cost	12,300
Office furniture	5,625
Accumulated depreciation (1 July 2019):	
Office equipment	2,460
Office furniture	4,275
Inventory (1 July 2019)	15,300
Fixed deposit	30,000
Bank	244
Purchases	30,600
Sales	91,350
Interest income	2,700
Carriage on sales	300
Carriage on purchases	525
Sales returns	1,560
Rent expense	9,900
Advertising	1,080
Insurance	2,214
Water and electricity	2,640
Telephone	1,350
Prepaid expenses: 1 July 2019	988
Accrued income: 1 July 2019	900
VAT (Cr)	3,212
Stationery	735
Salaries and wages	16,200

Additional information:

1. Prepaid expenses on 1 July 2019 consist of the following:
 - Stationery SZL 71
 - Insurance SZL 167 (one month)
 - Rent SZL 525
 - Salaries and wages SZL 225
2. Accrued income on 1 July 2019 is interest on fixed deposit. Interest income also relates to interest on fixed deposit.
3. Bad debts of SZL 735 must still be written off.
4. Salaries in arrears amounted to SZL 75
5. Unused stationery at the end of the year amounted to SZL 57.
6. Insurance premium is paid at the end of the month for the following month. The insurance premium was increased from the 1st October 2019. The increased premium was paid since 30 September 2019.

7. Depreciation is calculated by using the diminishing balance method:
 - Office equipment 15% per year.
 - Office furniture 25% per year.
8. One of the owners of the company's private phone account of SZL 150 for June 2020 was paid by the business and allocated to the telephone account.
9. Inventory on hand after a physical stock count on 29 June 2020 was SZL9 600.
10. A trade discount of SZL 300 for a credit purchase transaction was not accounted for.
11. The advertising expense was paid from 1 August 2019 to 31 July 2020 due to a contract that has been signed.
12. The interest on the fixed deposit is calculated at 9% per year.

You are required to prepare a Statement of Comprehensive Income for the year ended 30 June 2020. 20 Marks

Total Marks: 20 Marks

Question 2

The following balances appeared in the records of Dumisani Masilela's business records, DM Trading on 1 January 2020:

Bank		SZL8 000
Capital		SZL8 000

The following transactions took place during January 2020:

Day	Transaction	Amount (SZL)
2	Paid rent for January.	1 600
6	Dumisani withdrew cash for personal use.	1 000
9	Sent an invoice to Mr Sithole for services rendered.	2 700
13	Paid a donation to a local home care.	300
18	Purchased an office equipment with a cost of SZL3 800 and paid SZL900 in cash.	
22	Received a cheque from Mr Sithole in settlement of his account.	?
28	Paid salaries.	2 000

You are required to:

1. Record the above transactions in the general journal for January 2020. 8 Marks

2. Post the journal entries to the general ledger. 15 Marks
3. Prepare the trial balance on 31 January 2020, showing the real and nominal accounts 5 Marks

Total marks: 28 Marks

Question 3

Mabovane Investments Ltd is a company that maintains its non-current assets at cost and depreciates them at the rate of 25% per annum using the straight-line method. The following information has been provided relating to the non-current assets of the company for the years ending December:

Year	Detail
2017	Bought equipment costing SZL2 600 on 1 January.
	Bought equipment costing SZL2 100 on 1 October.
2019	Bought equipment costing SZL2 800 on 1 September.
2020	Sold equipment which has been bought for SZL2 600 on 1 January 2017 for a consideration of SZL810 cash on 31 August 2020.

- A. You are required to prepare the following accounts for the years ending 31 December 2017, 2018, 2019, and 2020: 18 Marks
- i. Equipment account
 - ii. Depreciation account
 - iii. Accumulated depreciation account
 - iv. Equipment disposal account
- B. Show the statement of financial position extracts for the years ending 31 December 2017, 2018, 2019, and 2020. 8 Marks

Total Marks: 26 Marks

Question 4

- i. Explain the basic assumptions from which financial statement are prepared. Does their book say 2 basic assumptions? The books that I have say four basic assumptions. We need to be careful given that it is an introductory course. We may need to give marks if the students choose to explain any of the four 4 Marks
- ii. Explain the difference between real accounts and nominal accounts. 4 Marks
- iii. Explain the conditions for the recognition of the following elements of financial statements: 8 Marks
 - Income
 - Expenses
 - Liabilities
- iv. Explain any four (4) qualitative characteristics of financial statements. 8 Marks
- v. Explain the main purpose of accounting. 2 Marks

Total marks: 26 Marks