

**UNIVERSITY OF ESWATINI  
FACULTY OF COMMERCE  
DEPARTMENT OF ACCOUNTING  
MAIN EXAMINATION PAPER FEBRUARY 2021**

**TITLE OF PAPER : FINANCIAL ACCOUNTING**

**COURSE CODE : ACF621 (M) APRIL 2021**

**TOTAL MARKS : 100 MARKS**

**TIME ALLOWED : THREE (3) HOURS**

- INSTRUCTIONS**
- 1 The paper consists of four (4) questions. Answer all the questions.**
  - 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 INVIGILATOR OR SUPERVISOR.**

**SPECIAL REQUIREMENTS: NON-PROGRAMMABLE CALCULATOR**

## QUESTION 1

IAS 16 *Property Plant and Equipment* sets out the accounting requirements for initial recognition and measurement, subsequent measurement and derecognition of items of property, plant and equipment. IAS 16 expands on and applies the definition of an asset in the Conceptual Framework, as well as the recognition criteria set out in that document.

The following is the extracts from the Trial balance of Justice Company Ltd as at 31st December, 2015

	DR E	CR E
Motor vehicles (at cost)	870,000	
Accumulated depreciation 1/1/2015 -Motor vehicles Equipment	500,000	270,000
Accumulated depreciation 1/1/2015 - Equipment Property (Land E 100,000)	550,000	150,000
Accumulated depreciation 1/1/2015 - building		135,000
Ordinary share capital (issued at E2.00)		600,000
Capital surplus (1/1/2015)		120,000
Income surplus (1/1/2015)		480,000
Net profit after tax (for the year 2015)		350,000

**The following additional information is relevant:**

- The property was revalued to E 700,000 which the new value for land is E140, 000. The original life of the building was 50 years and has not changed. The revaluation was done at the end of the year.
- Additional equipment costing E150, 000 and motor vehicle costing E450, 000 were acquired during the year.
- Motor vehicles which cost the firm E 250,000 on 1st October 2012 was sold for E170, 000.
- The company charges depreciation at the rate of 20% on cost on the motor vehicles and equipment is depreciated at 25% on reducing balance. Full year depreciation is charged in the year of purchased and nil in the year of disposal.
- The company made a bonus issue of 1 share for every 3 shares held at E 2.00 on 1st June 2015 and a right issue of 1 share for every 5 shares held as at 31st December, 2015 for E 3.50 per share.
- Treasure shares of 40,000 shares were issued for E 4.00 per shares and a dividend of E110, 000 was paid for the year.

***In accordance with IAS 16 Property Plant and Equipment, you are required to:***

- Prepare the Non-Current Assets Schedule (10 marks)
- Prepare a Statement of Changes in Equity (10 marks)

**[Total 20 marks]**

## QUESTION 2

Fisiwe Ventures operates a Petty Cash on the imprest system with a float of E600. Reimbursements are made such that cash on hand does not fall below E72. Below is a summary of Petty Cash transactions for the period to 31 July, 2017.

	<b>E</b>
July 1 Received reimbursement by cheque from cashier	504
July 3 Paid Wages	204
July 5 Paid Rent and Rates	90
July 7 Paid Wages and Salaries	180
July 8 Paid Electricity	51
July 11 Paid for transport	18
July 12 Paid for transport	24
July 13 Paid Wages	108
July 14 Paid Rent and Rates	33
July 15 Paid Wages	132
July 17 Paid Koo Nimo a creditor in full	110
July 18 Paid for transport	60
July 19 Paid Electricity	15
July 20 Paid K. Ansah a creditor	24
July 21 Paid for transport	21
July 25 Paid Rent and Rates	108
July 29 Paid Wages and Salaries	288
July 31 Paid for transport	84

### **Requirement:**

Prepare the petty cashbook for Fisiwe Ventures for the period to 31<sup>st</sup> July 2017. (20 Marks)

### Question 3

(a) The International Accounting Standards Board (IASB) follows a process for the setting of International Financial Reporting Standards. Outline the main stages of this process. (10 marks)

(b) Identify and discuss the main qualitative characteristics of accounting information. (10 marks)

(c) The following Trial Balance was extracted from the books of Africa Enterprise, a second hand bags dealer as at 31<sup>st</sup> December, 2018.

	DR	CR
	E	E
Stock in Trade	120,000	
Vehicle (Cost)	150,000	
Trade Receivables	80,000	
Accumulated Depreciation: Vehicle		30,000
Furniture & Fittings		10,120
Trade Payables		100,000
Drawings	120,000	
General Expenses	65,000	
Provision for doubtful debt		2,500
Rate & Rent	14,000	
Insurance	5,000	
Bad Debt	7,000	
Discount Received		25,150
Discount Allowed	15,160	
Bank Balance	165,240	
Wages & Salaries	250,000	
Sundry Expenses	6,150	
Vehicle Running Expenses	15,650	
Furniture & Fittings	50,600	
Repairs to the shop	6,500	
Purchases	650,120	
Sales		1,079,130
Capital		<u>473,520</u>

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1,720,420

1,720,420

The following additional information are provided:

1. Provision for doubtful debts is to be reduced by 10%.
2. Rate and Rent has been paid in advance by two (2) months. Note that Africa Enterprise pays E 1,000 each month.
3. Stock in trade as at 31<sup>st</sup> December, 2014 E 80,150.
4. A bill of E 6,150 for vehicle running was outstanding as at 31<sup>st</sup> December, 2014.
5. The enterprise provides depreciation as following.
  - Vehicle 20% per annum on straight line bases.
  - Furniture and Fittings 20% per annum on straight line basis.

**Requirement:**

- i. Prepare Income Statement for the year ending 31<sup>st</sup> December 2018. (10 Marks)
- ii. Prepare Statement of Financial Position as at 31<sup>st</sup> December 2018. (10 Marks)

[Total Marks 40]

**QUESTION 4**

The bank account of Firblad Limited for the month of December 2017 was as follows:

Dr.			Bank Account of Firblad Limited			Cr.	
Date	Receipts	E	Date	Payments	Cheque No.	E	
01/12/17	Balance b/d	10,263	01/12/17	Bank Charges	D.D.	42	
05/12/17	J. O'Mahony	2,211	03/12/17	T. Roche	4312	2,213	
10/12/17	T. Foley	5,373	05/12/17	J. Ryan	4313	368	
14/12/17	Cash Lodgement	534	09/12/17	Energia	D.D.	1,028	
22/12/17	R. Kissane	6,188	13/12/17	T. Moran	4314	618	
29/12/17	Lodgement	4,868	16/12/17	B. Nolan	4315	186	
			19/12/17	T. McSherry	S.O.	102	
			22/12/17	J. Leydon	4316	678	
			26/12/17	F. Devon	4317	488	
			29/12/17	J. Richmond	4318	6,884	
			31/12/17	Balance c/d		16,830	
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		29,437				29,437	
01/01/18	Balance b/d	16,830					

The following is the bank statement for Firblad Limited for the month of December 2017.

**Bank Statement for Firblad Limited for December 2017**

Date	Description	Payments E	Lodgment E	Balance E
01/12/17	Balance			11,001
02/12/17	Bank Charges	42		10,959
03/12/17	Cheque 4310	324		10,635
04/12/17	Cheque 4312	2,123		8,512
05/12/17	Lodgement		2,211	10,723
07/12/17	Cheque 4311	414		10,309
09/12/17	Cheque 4313	368		9,941
10/12/17	Energia D.D.	1,028		8,913
11/12/17	Credit Transfer		5,373	14,286
15/12/17	Bank Charges	160		14,126
16/12/17	Lodgement		543	14,669
18/12/17	Cheque 4315	186		14,483
20/12/17	T. McSherry S.O.	102		14,381
21/12/17	124578		632	15,013
23/12/17	Lodgement		6,188	21,201
25/12/17	Cheque 4316	678		20,523
26/12/17	Meteor D.D.	425		20,098
28/12/17	Insurance S.O.	652		19,446
29/12/17	Credit Transfer		3,457	22,903

The bank has confirmed to Firblad Limited that it made an error in Firblad's bank account on the 21 December 2017 amounting to E 632 by lodging this amount to Firblad's bank account even though the lodgement related to a different customer of the banks.

**Requirement:**

- (a) Prepare a bank reconciliation statement for Firblad Limited as at 31 December 2017 **(16 Marks)**
- (b) Discuss three benefits of preparing bank reconciliation statements. **(4 Marks)**

**[Total: 20 Marks]**