

University of Swaziland
Department of Accounting
Main Exam Paper - Semester - II

Programme of Study : Bachelor of Commerce & B Ed Secondary

Year of Study : Year 1 (Full Time & Part Time, Commerce);
Year 1 and Year 2 (Full Time B Ed)

Title of Paper : Introduction to Financial Accounting - II

Course Code : ACF / AC 112 (Full Time) / (Part Time)

Time Allowed : 3 Hours.

- Instructions:
1. **Total number of questions on this paper is four (4).**
 2. **Answer all questions.**
 3. **Begin the solution to each question on a new page.**
 4. **The marks awarded for a question / part is indicated at the end of each question / part of question.**
 5. **Where applicable, submit all workings and calculations on the answer sheet alongside the case.**

Note: You are reminded that in assessing your work, account will be taken of accuracy of the language and the general quality of expression, together with the layout and presentation of your final answer.

Special requirement : Calculator.

This paper is not to be opened until permission has been granted by the invigilator.

QUESTION 1:

The following is the Receipts and Payments Account of the National Tennis Club for the year ended 31st December 2015

Receipts	E	Payments	E
Cash on hand (1.1.2015)	2,000	Club building	40,000
Donations received	50,000	Printing & Stationery	200
Entrance fees	3,000	Postage	25
Tournament Fund	9,000	Other expenses	475
Subscriptions (including E 600 for 2009)	5,100	Furniture	2,000
Lockers rent	300	Salaries and wages	2,800
Miscellaneous receipts	1,300	Tennis balls	2,000
		Repairs of Tennis court	750
		Expenses of Tennis Tournament	900
		Insurance for the year ending 30.09.2009	360
		8% Plan Bonds (Purchased on 1.7.2015)	16,000
		Secretary's Honorarium	1,000
		Cash on hand (31.12.2015)	400
		Bank (31.12.2015)	3,790
	E 70,700		E 70,700

Prepare Income and Expenditure statement for the year ended 31st December 2015 and a Balance sheet on that date after taking into consideration the following

The following valuations are also available:

As at 31 Dec	2014	2015
Subscriptions in arrears	E 350	E 500
Salaries unpaid	600	450
Stock of tennis balls	400	500

Interest on bonds has become due

Provide depreciation on buildings 2.5% and on furniture 5%

All donations and half of entrance fee are to be capitalized.

Required:

- i) Calculate the value of accumulated fund as at 1st Jan 2015. **(5 marks)**
 - ii) Prepare an Income and Expenditure Statement for the year ended 31st Dec 2015. **(10 marks)**
 - iii) Prepare a Statement of Financial Position as on 31st Dec 2015. **(10 marks)**
- Total (25 marks)**

QUESTION 2:

- a. In the draft accounts for the year ended 31st March 2016 of Khanyisile Shongwe, the proprietor of a garment shop in Manzini, the balance at bank according to the cash book was E 5,875 in hand. Subsequently, the following discoveries were made:
1. An amount of E125 had been credited by the bank to the account in error
 2. The Bank statement showed a debit entry for E25 in respect of service fee
 3. A cheque from a customer entered in the cash book as E66 had been correctly entered by the bank as E166
 4. Dividends of E1,050 had been paid directly to the bank
 5. A credit transfer – VAT refund of E 254 – had been collected by the bank
 6. The bank had credited and then debited the bank statement with an amount of E150 being A Dlamini's cheque which it forwarded on 28th March 2016 marked 'insufficient funds – return to drawer'
 7. A direct debit transfer E1,070 from a customer Phindile Dlamini was not accounted for in the cash book
 8. Cheque number 2823 received from a customer for E500 had been recorded twice in the cash book
 9. Bank charges for March 2016 as per the bank statement amount to E349. However, E60 of the bank charges relate to a dishonored check of E5,450 that appeared on the March 2016 bank statement. It is the policy of the business to charge the customers of any dishonoring fee
 10. A standing order for a business rates installment of E200 on 31 March 2016 had not been entered in the cash book
 11. Deposits not cleared by the date were E2,000
 12. Two checks drawn in favor of T Jain E500 and A Mallik E640 had been entered in the cash book but had not been presented for payment until April 2nd, 2016

Required:

- i) Bring the cash book up to date
- ii) Prepare a bank reconciliation statement as at 31st March 2016 **(20 marks)**

- b. The following errors were located in the books of Maseko Samuel – the debits exceeding the credits by E 49,361. He is seeking your help in order to rectify the errors committed by him who is not that good in accounting.
1. The purchases book was under cast by E2000
 2. Cash balance of E56,000 was carried forward from one folio of the cash book to the next as E65,000
 3. Discount allowed of E46 was posted to the credit of discount received account as E64
 4. An invoice for E975 from Brigham E., for goods purchased for sale, was not posted to Brigham E.
 5. Wages of E140 for the erection of Bill Board in the warehouse was debited to wages A/c as E104
 6. E600 paid for freight on equipment for office was debited to freight A/c as E60
 7. E80 received from sale of old furniture was entered in the sales A/c
 8. A check of E7,000 received for loss of stock by fire was deposited in the Proprietor's private bank A/c
 9. An item of E1,000 entered in the Sales Returns Book was posted to the debit of the customer A Dlamini who returned the goods
 10. Salary paid to Mr Patel of E5,000 was wrongly debited to his personal accoount as E45,000

Required:

- i) Write up the journal entries require to record the necessary adjustments arising from the above (narratives are not required) **(10 marks)**
 - ii) Draw up the Suspense account. **(3 marks)**
- Total (33 marks)**

QUESTION 3:

The trial balance of Excellent Footwear revealed a difference in the books. In order that the errors could be located, it was decided to prepare payables and receivables ledger control accounts.

Receivables ledger balances, 1 January 2016 – Debit E 15,016
Credit E 157

Payables ledger balances, 1 January 2016 – Debit E 97
Credit E 27,015

Activities during the quarter year ending **31 March 2016**:

Cash purchases	E 100,032
Credit purchases	452,050
Carriage inwards	52,010
Carriage outwards	62,020
Paid to suppliers	290,000
Returns outwards	10,011
Returns inwards	30,050
Sales on credit	500,000
Settlement discount allowed	40,000
Settlement discount received	12,250
Bad debts	5,540
Receipts from customers	432,525
Dishonor of cheques received	7,250
Reversal of discount allowed to customers	1,250
Debt recovered by contra offset	20,750
Interest charged on overdue accounts	752
Debt collection expenses charged to customers	2,250

Receivables ledger credit balances at **31 March 2016** E 20,200

Payables ledger debit balances at **31 March 2016** E 15,150

Required:

Prepare Receivables Ledger Control A/c and Payables Leger Control A/c for the quarter year ending 31 May 2016.

Total (22 marks)

QUESTION 4:

Write **Short Note** on the following

- In partnership organizations why interest is allowed on capital and interest is charged on drawings?
- Bonds and Dividends
- Advantages of Control accounts
- Write about Liquidity ratios and turnover ratios by citing examples

Total (4 * 5 = 20 marks)

END OF EXAM QUESTION PAPER