

**UNIVERSITY OF SWAZILAND**  
**DEPARTMENT OF ACCOUNTING**  
**RESIT/SUPPLEMENTARY EXAMINATION JULY 2018**

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 2 (Part Time B.Ed. Secondary)  
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.

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**Special Requirement : Calculator**

**QUESTION 1:**

On 1 January 2017, the following balances amongst others appeared in the books of Ntandoyenkosi.

Sales		E28 000
Accounts Receivables		E4 100
M Dlamini	E1 800	
T Tsela	E1 200	
S Shongwe	E1 100	
Bank		E8 500

The following transactions took place during the month:

DATE	TRANSACTION
January 2	Banked cash sales, E800
8	Received from T Tsela in part payment of his account E600
15	Banked cash sales E1 050
20	Banked cash sales E780
24	Received from M Dlamini the amount owing by him E1 800
25	Received from S Shongwe in part payment of his account E700
31	Banked cash sales E920

**Required:**

- i. Record the above transactions in the Cash Receipts Journal **(10 Marks)**
- ii. Post them the entries to the General Ledger and Accounts Receivable Ledger. **(15 Marks)**

**Total (25 Marks)**

**QUESTION 2:**

- a. On 1 January 2015 Mr Phillips, the owner of Brave Fortune Manufacturer, bought a new machine (Machine A) for E25 000. He estimated that the machine would have a useful life of 10 years after which will have a scrap value of E2 000.

On 1 January 2016, he bought a 2<sup>nd</sup> machine (Machine B) for E30 000 and estimated its useful life to be 10 years with no scrap value.

On 1 January 2017, he sold the machine bought in 2016 for E22 000 cash, assume a year end of 31 December and use the straight line method to calculating depreciation.

**You are required to prepare the following accounts:**

- i. Machinery account for the year ended 31 December 2017 **(5 marks)**
  - ii. Accumulated depreciation account for the year ended 31 December 2017 **(4 marks)**
  - iii. Asset disposal account **(4 marks)**
- b. Write **short notes** on the following measurement basis of the elements of financial statements:
- i. Historical cost
  - ii. Current cost
  - iii. Realisable/settlement value
  - iv. Present value **(4x3marks = 12)**

**Total (25 Marks)**

**QUESTION 3:**

The Trial Balance of Showers of Blessing Traders for the year ended 31 December 2016 is given below:

	<b>E</b>	<b>E</b>
	<b>Dr</b>	<b>Cr</b>
Buildings	60 000	
Furniture & Fittings	21 400	
Office equipment	16 000	
Motor vehicle	20 000	
Purchases & Sales	140 000	230 000
Bank	4 000	
Debtors & Creditors	86 000	43 000
Inventory 1 Jan 2016	62 000	
Purchases & Sales returns	4 200	2 600
Salaries	11 000	
Rent	5 500	
Long term loan		30 000
Rates & Taxes	2 100	
Discounts	2 400	1 600
Freight on Purchases	1 200	
Carnage outwards	2 000	
Drawings	12 000	
Printing & Stationery	1 800	
Electricity	2 200	
Insurance	5 500	
Bank charges	4 600	
Motor car expenses	3 600	
Interest on loan	2 700	
Capital		162 000
Bad debts	2 000	
Allowance for doubtful debts		3 000
<b>Total</b>	<b>470 200</b>	<b>470 200</b>

The following additional information is available on 31 December 2016

- Depreciate Buildings by 5%, Furniture 10%, Office equipment 15% and Motor Vehicle 20%.
- Inventory at year end was E44 000
- Allowance for doubtful debt is to be maintained at 5% of debtors

**Required:**

- a. Prepare the Statement of Comprehensive Income for the year ended 31 December 2016  
(18 marks)
- b. Prepare the Statement of Financial Position as at 31 December 2016  
(7 marks)

**Total (25 Marks)**

**QUESTION 4:**

- i. Duma purchased a machine costing E26 660. It will be kept for four years and then sold for an estimated figure of E6 400. She is not certain whether she should use the straight line or the reducing balance basis for the purpose of calculating depreciation for the machine.

**Required:**

Calculate the depreciation charge using both methods (straight line method and reducing balance method), showing clearly the balance remaining in the computer account at the end of each of the four years under each method (Assume that 30% per year is to be used for the reducing balance method). **(16 marks)**

- ii. Define VAT. What is the difference between VAT input and VAT output? **(5 marks)**
- iii. Name the two inventory valuation methods and explain the difference between them. **(4 marks)**

**Total (25 Marks)**

**END OF EXAM QUESTION PAPER**