



1st SEM. 2016/2017

page 1 of 5

UNIVERSITY OF SWAZILAND

RESIT EXAMINATION PAPER

PROGRAMME: BSc. in Agricultural Economics and Agribusiness Management
Year 1

COURSE CODE: AEM 103

TITLE OF PAPER: INTRODUCTION TO AGRIBUSINESS ACCOUNTING

TIME ALLOWED: TWO HOURS

INSTRUCTION: ANSWER ALL QUESTIONS

**DO NOT OPEN THIS PAPER UNTIL PERMISSION HAS BEEN GRANTED BY
THE CHIEF INVIGILATOR**

QUESTION 1

JK Consulting services opened a business on January 25, 2012. The company maintained the following ledger accounts:

- a. Cash
- b. Capital
- c. Accounts Receivable
- d. Office Stock
- e. Office Equipment
- f. Accounts Payable
- g. Retained Earning
- h. Consulting Revenue
- i. Rent Expense
- j. Utilities Expenses

The company engaged in the following business activity in January

- i. **20 January.** Issue shares of Capital for E50,000
- ii. **20 January.** Paid E400 office rent for the remainder of the month.
- iii. **21 January.** Purchase the stock for E200. The stock will last for several months and payment is not due until February 15.
- iv. **22 January.** Purchased office equipment for E15, 000 cash.
- v. **26 January.** Performed consulting services and billed clients E2, 000. The entire amount will not be collected until February.
- vi. **31 January.** Recorded E100 utilities expense. Payment is not due until February 20.

Instructions

- a. Record each of the above transactions in general journal entries. **20 marks**
- b. Post each entry to appropriate ledger accounts. **20 marks**
- c. Prepare a trial balance dated January 31, 2012. **10 marks**

50 marks

Question 2

Lesco Matsapha manufactures furniture, including tables. Selected costs are given below:

1. The tables are made of wood that costs E100 per table.
2. The tables are assembled by workers, at a wage cost of E40 per table.
3. Workers assembling the tables are supervised by factory supervisor who is paid E25, 000 per year.
4. Electrical costs are E2 per machine-hour. Four machine hours are required to produce a table.
5. The depreciation cost of the machines used to make the table totals E10, 000 per year.
6. The salary of the Chairman of LESCO Company is E100, 000 per year.
7. LESCO spends E250, 000 per year to advertise its products.
8. Sales person are paid a commission of E30 per table sold.
9. Instead of producing the tables, LESCO could rent its factory space out at a rental income of E50, 000 per year.

Required

Classify these costs above according to various terms learnt in class in this example.
25 marks

| | | | Period | Product cost | | | To Unit of product | | | |
|--------------------------------------|----------------|-------------|-----------------------------|-----------------|---------------|------------------------|--------------------|----------|-----------|------------------|
| Detail | Variable costs | Fixed costs | (selling and administration | Direct material | Direct labour | Manufacturing Overhead | Direct | Indirect | Sunk cost | Opportunity cost |
| Wood used in a table (E100 per table | x | | | | | | | | | |

Question 3

The following information is taken from the accounting records of Swazican Markerns for December 31, 2015:

| | | |
|------|---|----------|
| i. | Selling expenses | E140,000 |
| ii. | Raw materials inventory, January 1..... | 90,000 |
| iii. | Raw materials inventory, December 31..... | 60,000 |
| iv. | Utilities, factory | 36,000 |
| v. | Direct labour cost..... | 150,000 |

| | | |
|-------|---|-----------|
| vi. | Deprecation, factory | 162,000 |
| vii. | Purchases of raw material | 750,000 |
| viii. | Sales..... | 2,500,000 |
| ix. | Insurance, factory..... | 40,000 |
| x. | Supplies, factory..... | 15,000 |
| xi. | Administration..... | 270,000 |
| xii. | Indirect labour..... | 300,000 |
| xiii. | Maintenance, factory..... | 87,000 |
| xiv. | Work in progress inventory, January 1..... | 180,000 |
| xv. | Work in progress inventory, December 31 | 100,000 |
| xvi. | Finished goods inventory, January 1..... | 260,000 |
| xvii. | Finished goods inventory, December 31..... | 210,000 |

Management wants these data organized in a better format so that financial statements can be prepared for the year.

Required

10. Prepare a schedule of cost of goods manufactured for Swazican Malkerns .
15 marks
11. Compute the costs of goods sold. **5 marks**
12. Using the data as needed from (1) and (2) above, prepare income statements. **5 Marks**

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Total marks 25