

1st SEM. 2019



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UNIVERSITY OF ESWATINI
FINAL EXAMINATION PAPER

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

COURSE CODE: AEM103

TITLE OF PAPER: AGRIBUSINESS ACCOUNTING

TIME ALLOWED: 2: 00 HOURS

INSTRUCTION: 1. ANSWER ALL FOUR QUESTIONS

2. EACH QUESTION CARRIES 25 MARKS

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CHIEF INVIGILATOR

Question 1

From the following information taken from SMI enterprise records ending 31 March 2015 calculate the sales generated. Selling and distribution overheads E 33,000; Direct Expenses E19,000; Factory overheads E45,000; Direct material E160,000; Direct Labour E52,000; Office and administration overheads E28,000; the profit on cost is nine percent. Show all calculations by preparing a Statement of cost sheet. (25 marks)

Question 2

- a. There are three parts to the Cash Flow Statement: **Operating, Investing and Financing** Activities. For each of the following items, indicate which part will be affected. (10 marks)
 - i. The purchase of a new delivery truck to be used in the business.
 - ii. An increase in the balance in accounts payable.
 - iii. A decrease in the balance of accounts receivable.
 - iv. A decrease in the current liability income taxes payable.
 - v. Depreciation expense
- b. For the following questions indicate whether they will have a POSITIVE OR NEGATIVE effect on CASH. (10 marks)
 - i. The proceeds from the sale of equipment formerly used in the business.
 - ii. The loss on the sale of equipment in the previous question.
 - iii. An increase in the current liability income taxes payable.
 - iv. An increase in accounts payable.
 - v. Dividends declared and paid.
- c. State the accounting equation (3 marks)
- d. The most common document issued by auditors as part of their reports is the _____ (2 marks)

Question 3

For the following questions state the accounting principle/guideline applicable.

- a. The personal assets of the owner of a company will not appear on the company's balance sheet because of which principle/guideline? (2 marks)
- b. This principle requires a company's balance sheet to report its land at the amount the company paid to acquire the land, even if the land could be sold today at a significantly higher amount. (2 marks)
- c. This principle /guideline require the company's financial statements to have a footnotes containing information that is important to users of the financial statements. (2 marks)

- d. This principle/guideline justifies a company violating an accounting principle because the amounts are immaterial. (2 marks)
- e. Accountants might recognize losses but not gains in certain situations. For example the company might write-down the cost of inventory, but will write-up the cost of inventory. (2 marks)
- f. When the accountant has to choose between two acceptable alternatives, the accountant should select the alternative that will report less profit, less asset amount, or greater liability amount. (2 marks)
- g. Near the end of the current year, a company required a customer to pay E200,000 as a deposit for work that is to begin in the following year. At the end of the current year the company reported the E200,000 as a liability on its balance sheet. Which accounting principle prevented the company from reporting the E200,000 on its income statement for the current year? (2 marks)
- h. Give any 3 requirements for preparing a budget? (6 marks)
- i. Why it is important for a business owner to be personally involved in the recording business records? (5 marks)

Question 4

- a. A company has a product, which is sold at E21 per unit. The per unit variable costs are E14. Fixed costs are E0.70 per unit at the budgeted production level of 300,000 units. Calculate the break-even point in units. Show all calculations. (7 marks)
- b. Use the details in Question 1 to calculate the P/V ratio for sugar, given the sale price for sugar is E420,000. (8 marks)
- c. Explain the relevancy of marginal costing and contribution under cost accounting branch and state four decisions that can be taken using marginal costing. (10 marks)