
UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING & FINANCE
SUPPLEMENTARY EXAMINATION PAPER
JULY 2015

DEGREE/YEAR OF STUDY: BACHELOR OF- COMMERCIAL YEAR I

TITLE OF PAPER : INTRODUCTION TO FINANCIAL ACCOUNTING II

COURSE CODE : AC 112/ IDE AC 112 (S) JULY 2015

TOTAL MARKS : 100 MARKS

TIME ALLOWED : THREE (3) HOURS

INSTRUCTIONS

- 1 There are **three (3)** questions. Answer all.
- 2 Begin the solution to each question on a new page.
- 3 The marks awarded for each question are indicated at the end of the question.

RECOMMENDATION 1 Reading time should not exceed fifteen minutes

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: NONE

Question 1

Gray Pty (Ltd) does not keep double entry accounting records. The following information relating to the year ended 30 June 2015 is available.

	E		E
Cash sales banked (see note 1)	1,190	Purchase invoices received	17,360
Loan payments per quarter paid by cheque (see note 2)	1,120	Cheques paid to creditors	16,520
Penalty fee charged by a supplier for late payment	35	Credit notes issued	700
Miscellaneous expenses paid by cheque	10,500	Credit notes received	560
Purchases of machinery by cheque	3,220	Bad debts written off	448
Cheques received from debtors	36,960	Discounts allowed	770
Debtor's cheque dishonored	210	Discounts received	490

Notes

1. Wages of E4, 480 were paid, and drawings of E3, 360 were withdrawn in cash prior to banking receipts from cash sales.
2. These include a capital repayment of E 700 and interest payments of E 420. Only 3 of the payments for the current year have been made.
3. Gray Pty (Ltd) had accepted stock worth E 140 in full settlement of the account of a debtor.
4. The following relates to the year ended 30 June 2015:

	1 July 2014	30 June 2015
	E	E
Stock	4,760	3,780
Debtors	6,020	6,300
Machinery	11,340	11,760
Equipment	10,220	9,800
Miscellaneous expenses prepaid	1,540	1,260
Loan received	16,800	14,700
Cash at bank	5,880	?
Creditors	3,360	?

Required:

- (a) Calculate
- (i) capital on 1 July 2014
 - (ii) creditors on 30 June 2015;
 - (iii) total sales for the year ended 30 June 2015;
 - (iv) Bank balance on 30 June 2015.
- (b) Show the value of all expenses charged to the Profit and Loss Account for the year ending 30 June 2015

Total:

[35 Marks]

QUESTION 2

PART A

At the end of each month, Sarah prepares a bank reconciliation statement for her business bank account. At 31 May 2015 her ledger balance was E 2,759 (credit) and her bank statement showed that she had funds of E131 at the bank. She has the following information:

- (i) The bank debited Sarah's account with charges of E129 during May. Sarah has not recorded these charges.
- (ii) Sarah arranged for E2, 500 to be transferred from her personal bank account into the business bank account. The bank made the transfer on 30 May, but Sarah has not made any entry for it in her records.
- (iii) On 22 May, Sarah withdrew E 100 cash which she did not record.
- (iv) Cheque number 543987, which Sarah issued to a supplier, appears on the bank statement as E 650. Sarah incorrectly recorded the cheque as E560.
- (v) On 31 May, Sarah deposited E457. On the bank statement, this amount is dated 3 June.
- (vi) Sarah was advised by the bank that she earned E52 interest for the period in May that her account was in credit. Sarah recorded this in May, but the bank did not credit her account until June.
- (vii) Three of the cheques issued in May, with a total value of E942, were not debited on the bank statement until after 31 May.
- (viii) A cheque for E276, issued to a supplier, was cancelled but Sarah has not recorded the cancellation of the cheque.

Required:

- (a) Show the bank account in Sarah's general ledger, including any adjusting entries required due to the information given in points (i) to (viii). **(8 marks)**
- (b) Prepare a reconciliation of the bank statement balance to the corrected balance on the bank account in Sarah's general ledger. **(7 marks)**

Total:

[15 Marks]

PART B

Sebenele and Sibonelo are the sole beneficiaries in the estate of Abel Simelane. Abel died in a car accident. The estate consists of cash and real estate (***Real estate** is "Property consisting of land and the buildings on it, along with its natural resources such as crops, minerals, or water; immovable property of this nature; an interest vested in this; (also) an item of real property; (more generally) buildings or housing in general.*).

Sibonelo has advised Sebenele that it will be in their best interest to manage the assets they stand to receive from the estate together rather than dividing them equally. She has recommended that they should form a business partnership. Sebenele is unsure about this option. He has therefore approached you for advice on whether he should agree to this arrangement.

Required:

- i) Prepare a Letter to Sebenele advising him on the factors he needs to consider in relation to Sibonelo's proposal

[20 Marks]

Total:

[35 Marks]

QUESTION 3

The following are the summarized Statement of profit or loss and Financial Position for Green yards limited, a manufacturing company, and Poynder Limited, a retailer.

Profit and loss statements for the year ended 31 March				
	Green yards		Poynder limited	
	2014	2015	2014	2015
	’000	’000	’000	’000
Sales	500	610	425	460
Cost of sales	(245)	(355)	(210)	(230)
Operating costs	(225)	(230)	(190)	(200)
Loan interest paid	(7)	(10)	(7)	(3)
Net profit	23	15	18	27

Statement of financial position at 31 March

ASSETS	2014	2015	2014	2015
	'000	'000	'000	'000
Non-current assets	150	225	220	175
Current assets	80	90	40	77
Inventory	50	60	27	20
Debtors	20	30	-	-
Bank	10	-	13	57
Assets	230	315	260	252
EQUITY AND LIABILITIES				
Equity	145	160	150	177
Share Capital	50	50	50	50
Retained profit	95	110	100	127
Long term loans	60	100	75	25
Current liabilities	25	55	35	50
Creditors	25	20	35	50
Overdraft	-	35	-	-
Equity and Liabilities	230	315	260	252

Required

- Use six ratios to compare management's performance from 2014 to 2015 for each company. (Use year-end figures, not averages, to calculate ratios, also give answer to a maximum of one decimal place, and Show all workings.) **[12 Marks]**
- Comment on your findings. **[12 Marks]**
- State six shortcomings or dangers of using ratio analysis. **[6 Marks]**

Total: **[30 Marks]**