



## JUNE 2013 EXAMINATION

DATE: 3 JUNE 2013

TIME: 09H00 – 12H00

TOTAL: 100 MARKS

DURATION: 3 HOURS

PASS MARK: 40%

(BUS-AF)

## ACCOUNTING AND FINANCE

**THIS EXAMINATION PAPER CONSISTS OF 4 SECTIONS:**

<b><u>SECTION A:</u></b>	<b>CONSISTS OF:</b> (i) 10 MULTIPLE-CHOICE QUESTIONS (ii) 10 MATCHING-STATEMENT QUESTIONS ANSWER <u>ALL</u> THE QUESTIONS	<b>(10 MARKS)</b> <b>(10 MARKS)</b>
<b><u>SECTION B:</u></b>	<b>CONSISTS OF 4 SHORT QUESTIONS</b> ANSWER <u>ALL</u> THE QUESTIONS	<b>(40 MARKS)</b>
<b><u>SECTION C:</u></b>	<b>CONSISTS OF 1 LONG ANSWER QUESTION</b> ANSWER THE QUESTION	<b>(20 MARKS)</b>
<b><u>SECTION D:</u></b>	<b>CONSISTS OF 3 INTERPRETATIVE QUESTIONS</b> ANSWER <u>ANY ONE</u> OF THE QUESTIONS	<b>(20 MARKS)</b>

**INSTRUCTIONS:**

1. Read the following instructions *carefully* before answering the paper, as failure to act upon them will result in a loss of marks.
2. Write your answers in your answer book, which is provided in the exam.
3. Ensure that your name and student number are clearly indicated on your answer book.
4. Write your answers in either blue or black ink in your answer book.
5. Read each question very carefully before you answer it and number your answers *exactly* as the questions are numbered.
6. Begin with the question for which you think you will get the best marks.
7. Note the mark allocations for each question – give enough facts to earn the marks allocated. Don't waste time by giving more information than required.
8. You are welcome to use diagrams to illustrate your answers.
9. Please write neatly – we cannot mark illegible handwriting.
10. Any student caught cheating will have his or her examination paper and notes confiscated. The College will take disciplinary measures to protect the integrity of these examinations.
11. If there is something wrong with or missing from your exam paper or your answer book, please inform your invigilator immediately. If you do not inform your invigilator about a problem, the College will not be able to rectify it afterwards, and your marks cannot be adjusted to allow for the problem.
12. This paper may be removed from the examination hall *after* the examination has taken place.

**NOTE: YOU MAY USE A NON-PROGRAMMABLE CALCULATOR.**

**SECTION A****(20 MARKS)****ANSWER ALL THE QUESTIONS****(i) MULTIPLE-CHOICE QUESTIONS**

Choose the correct option for each of the following. Write only the question number and your chosen answer. For instance, if you think that the correct answer for number 1 is (a), then write it as 1. (a).

1. The formula  $ASSETS = LIABILITIES + OWNER'S EQUITY$  is known as the:
  - (a) asset statement.
  - (b) owner's summary.
  - (c) accounting equation.
  - (d) income statement.
  
2. \_\_\_\_\_ are withdrawals from the business by the owner or partners for personal use:
  - (a) Salaries
  - (b) Drawings
  - (c) Bribes
  - (d) Profit sharing
  
3. The preparation of financial statements on the assumption that the enterprise will continue to operate in the foreseeable future, is called the:
  - (a) prudence concept.
  - (b) conservative concept.
  - (c) going concern concept.
  - (d) optimistic concept.
  
4. An entry to the left-hand side of a ledger is called a:
  - (a) credit.
  - (b) debit.
  - (c) folio.
  - (d) balance.
  
5. An entry to the right-hand side of a ledger is called a:
  - (a) credit.
  - (b) debit.
  - (c) folio.
  - (d) balance.

6. The difference between the selling price and the cost price of the goods sold is referred to as the:
- (a) gross profit.
  - (b) net profit.
  - (c) gross turnover.
  - (d) expected loss.
7. Copyrights, patents and trade marks are known as:
- (a) tangible assets.
  - (b) current assets.
  - (c) intangible non-current assets.
  - (d) non-current liabilities.
8. The accounts of assets and liabilities represent the \_\_\_\_\_ of the business.
- (a) balance sheet
  - (b) accounts receivable
  - (c) accounts payable
  - (d) capital
9. The VAT that a business charges on the supply of goods or services is known as the:
- (a) accrued income.
  - (b) working capital.
  - (c) output tax.
  - (d) input tax.
10. The VAT paid by a business on goods or services acquired by it is known as:
- (a) accrued income.
  - (b) working capital.
  - (c) output tax.
  - (d) input tax.

[10]

**(ii) MATCHING-STATEMENT QUESTIONS**

Match the statements in Column B to the terms in Column A. Write down the answers only, for example 1. (a).

Column A	Column B
1. income	(a) from which the future economic benefit is expected to be realised within the next financial year
2. expenses	(b) expenses that are incurred during the financial period but that have not yet been paid
3. equity	(c) decreases in economic benefits during the accounting period
4. current assets	(d) the value that will be received for the asset at the end of its useful life span
5. trial balance	(e) the system of restoring the petty cash fund to the original balance
6. net loss	(f) the residual interest in the assets of an enterprise after deducting all its liabilities
7. scrap value	(g) an entity that has the ability to continue operating for the foreseeable future
8. imprest system	(h) a list of account balances in the general ledger
9. a going concern	(i) increases in economic benefits during the accounting period
10. accrued expenses	(j) where expenses exceed income

[10]

[20]

**SECTION B**

**(40 MARKS)**

**ANSWER ALL THE QUESTIONS**

**QUESTION 1**

Briefly explain assets and types of assets, providing an example of each. [10]

**QUESTION 2**

The following information relates to Allclean Services:

**TRIAL BALANCE AT 31 MARCH 2012**

	R	R
Capital – Rose Jennings		68 250
Drawings	8 800	
Vehicles		84 000
Loan payable		49 000
Debtors	29 200	
Creditors		14 800
Bank (favourable balance)	48 000	
Fees earned		89 000
Salaries		41 000
Municipal costs	4 850	
Advertising	8 300	
	92 300	342 900

Additional information:

In addition to the mistakes made in the trial balance, an investigation revealed the following:

1. Receipts from debtors, R1 000 have been credited to drawings.
2. Creditors have been undercast by R900.
3. An amount of R6 200, received in respect of fees earned, has been recorded as R6 900.
4. The stationery account, with a debit balance of R2 100, has inadvertently been omitted from the trial balance.
5. Advertisement paid, R3 500, has been debited to the bank account and credited to the advertisement account.
6. A repayment on the loan, R9 800, has not yet been recorded in the books.

**You are required to:**

Do the correct trial balance of Allclean Services at 31 March 2012. [20]

**QUESTION 3**

A Benn, who operates a business as an estate agency, pays advertising expenses of R500 by cheque. Show the ledger accounts to reflect these transactions.

[5]

**QUESTION 4**

(a) What does the abbreviation VAT stand for?

(1)

(b) With respect to VAT, how must a VAT vendor account for VAT with respect to invoices received and invoices issued?

(4) [5]

[40]

**SECTION C**

**(20 MARKS)**

**ANSWER THE QUESTION**

**QUESTION 1**

Analyse the transactions of Sabie Wood Traders by following the example provided. (Draw the appropriate columns in your answer book in order to answer the question).

Example

Issued a cheque to Catcall Estates to pay the monthly rental of R8 500

Number	Account Debited	Account Credited	Effect on		
			Assets	Owner's equity	Liabilities
Example	Rent expense	Bank	-8 500	-8 500	

1. Cash received from wood sales for the month, R35 678
2. Purchased new saws from Cutters Wholesalers on account, R12 000
3. Cash received from equipment hire occupied during the month, R25 000
4. Staff wages paid, R30 000
5. A cheque received from a customer for R880, was dishonoured [20]

**[20]**

**SECTION D**

**(20 MARKS)**

**ANSWER ANY ONE OF THE QUESTIONS**

**QUESTION 1**

Mamazala has started a second-hand printer cartridge business. She buys and resells cartridges after reconditioning them. The following information has been gathered:

Inventory records

Month	Records	Price
August	Bought 30 @ R70 each	Cost
September	Bought 20 @ R75 each	Cost
October	Sold 30 @ R140 each	Selling
November	Bought 40 @ R77 each	Cost
December	Sold 10 @ R145 each	Selling
January	Sold 20 @ R148 each	Selling

Calculate the closing inventory value, using the FIFO method of valuation (draw the following table in your answer book and show all entries)

Month	Purchases at cost	Inventory issued at selling price	Inventory after transaction

[20]

**OR**

**QUESTION 2**

- (a) An asset with an estimated 5-year economic life was bought for R120 000. A residual value of R20 000 is forecasted.

Calculate the annual depreciation, using the straight line method.

(4)



- (b) In table format, use the diminishing balance method and calculate the depreciation for the first three (3) years using the following values:

Asset value R36 000

Depreciation at 15% per annum

Period is 5 years

Use the following format

(10)

Year	Opening balance	Depreciation for year	Closing balance

- (c) Explain the difference between capital expenditure and revenue expenditure, and give examples of each.

(6) [20]

OR

**QUESTION 3**

The following data is a list of petty cash expenses for Lynne Heane, owner of Muzzi Solutions.

Date	Details	Doc No	Reason / Additional information	TOTAL AMOUNT (R)
02-Nov	Staty's Stationers		Postage Stamps	116,28
05-Nov	Dad's Service Station		Fuel for Lynne Heane private vehicle	420,00
10-Nov	Gopay Grocers		Beverages for staff room	81,22
20-Nov	Staty's Stationers		2 reams of paper – one for owner's use	150,00
26-Nov	Dad's Service Station		Fuel for delivery vehicle	700,00
29-Nov	Themba Mkize		Casual Wages	500,00
30-Nov	Sports Warehouse		Goods for resale	485,00

**You are required to:**

Prepare the petty cash journal with additional columns for postage and stationery, staff refreshments and VAT.

[20]

[80]

**Section A: 20 marks**

**Section B: 40 marks**

**Section C: 20 marks**

**Section D: 20 marks**

**TOTAL: 100 MARKS**