NOVEMBER 2013 EXAMINATION

DATE: 6 NOVEMBER 2013

TIME: 14H00 – 17H00

TOTAL: 100 MARKS

DURATION: 3 HOURS

PASS MARK: 40%

(APPL-ACC)

APPLIED ACCOUNTING

THIS EXAMINATION PAPER CONSISTS OF 4 SECTIONS:

SECTION A: CONSISTS OF:
(i) 10 MULTIPLE-CHOICE QUESTIONS (10 MARKS)
(ii) 10 MATCHING-STATEMENT QUESTIONS (10 MARKS)
ANSWER ALL THE QUESTIONS

SECTION B: CONSISTS OF 3 SHORT QUESTIONS
ANSWER ALL THE QUESTIONS (20 MARKS)

SECTION C: CONSISTS OF 4 LONG ANSWER QUESTIONS
ANSWER ALL THE QUESTIONS (40 MARKS)

SECTION D: CONSISTS OF 2 INTERPRETATIVE QUESTIONS
ANSWER ONE OF THE QUESTIONS (20 MARKS)

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.
(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. Possessions of an organisation that are not purchased for immediate resale are called:

   (a) current assets.
   (b) fixed assets (non-current assets).
   (c) inventory.
   (d) non-current liabilities.

2. Money invested in a business by a sole proprietor is known as the:

   (a) bank balance.
   (b) loan capital.
   (c) capital.
   (d) current asset.

3. If merchandise is sold on credit, the inventory:

   (a) which is an asset, increases.
   (b) which is an asset, decreases.
   (c) which is a liability, decreases.
   (d) needs to be restocked.

4. In the ledger account expenditure is:

   (a) always debited.
   (b) always credited.
   (c) sometimes left out of the books.
   (d) always paid within 30 days.

5. Depreciation is:

   (a) the rate at which the value of the asset increases annually.
   (b) the state of an asset after one year.
   (c) the rate at which the value of the asset decreases annually.
   (d) what an asset can be sold for.
6. The float is:
   (a) an undisclosed amount of cash in an office.
   (b) the money that prevents the organisation going into liquidation.
   (c) a current liability of the organisation.
   (d) an asset for the organisation.

7. The trial balance only shows whether:
   (a) all accounts are fairly represented.
   (b) the business is making a profit.
   (c) the accounting equation is balancing.
   (d) the double entry has been applied or not.

8. Each transaction has to be entered:
   (a) in a journal after it has been entered in the general ledger.
   (b) in a journal before it can appear in the general ledger.
   (c) in a daily register for audit purposes.
   (d) in duplicate as a source document.

9. Assets = :
   (a) Owners equity + Liabilities
   (b) Owners equity – Liabilities
   (c) Owners equity x Liabilities
   (d) Owners equity ÷ Liabilities

10. When the owner withdraws stock from the business:
    (a) the drawings account is credited.
    (b) the personal salary account is debited.
    (c) the drawings account is debited.
    (d) no entries are made. [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).

<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. original copy</td>
<td>(a) sales – cost of sales</td>
</tr>
<tr>
<td>2. drawer</td>
<td>(b) external source documents received</td>
</tr>
<tr>
<td>3. credit entry a</td>
<td>(c) loss to the organisation</td>
</tr>
<tr>
<td>4. trade discount</td>
<td>(d) the person who has the current account</td>
</tr>
<tr>
<td>5. bad debt</td>
<td>(e) owe money to the organisation</td>
</tr>
<tr>
<td>6. gross profit</td>
<td>(f) decreases the owner's equity</td>
</tr>
<tr>
<td>7. discount received</td>
<td>(g) corresponds to each debit entry</td>
</tr>
<tr>
<td>8. discount allowed</td>
<td>(h) current asset</td>
</tr>
<tr>
<td>9. petty cash account</td>
<td>(i) the allowance given by one dealer to another</td>
</tr>
<tr>
<td>10. debtors (accounts receivable)</td>
<td>(j) profit to the organisation</td>
</tr>
</tbody>
</table>
SECTION B: SHORT QUESTIONS (20 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1
Describe the functions of a retailer. [10]

QUESTION 2
Explain the two systems that are used in making cash available for petty cash. [8]

QUESTION 3
How is the balance of a ledger account determined? [2]
SECTION C: LONG ANSWER QUESTIONS  

(40 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1

Name the source documents for the following transactions:

(a) Bought goods for the canteen and paid by cheque. (1)
(b) Received cash from Mr Daniels in payment of services rendered. (1)
(c) Deposited all cash received into Cando current bank account. (1)
(d) Gillian was given R35 from petty cash to buy soft-drinks for the staff meeting. (1)
(e) Purchased a new lawnmower from Buildgardens, payable in 60 days time. (1)
(f) Items purchased were found to be defective and a refund was given. (1) [6]

QUESTION 2

Sabie Traders had the following three transactions on 1 October 2013:

1. The owner contributed a further R50 000 in cash to the business as a capital contribution.
2. Sabie Traders paid rent of R17 000 by means of a cheque.
3. Purchased a new air-conditioner on credit costing R18 000.

You are required to:

Enter the above transactions in the appropriate 'T' form ledger accounts [11]

QUESTION 3

Calculate the values for (a) to (h) in the following table:

<table>
<thead>
<tr>
<th>Mark-up on cost</th>
<th>Cost price (Excluding VAT)</th>
<th>Profit (Excluding VAT)</th>
<th>Selling price (Excluding VAT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>200,00</td>
<td>(a)</td>
<td>(b)</td>
</tr>
<tr>
<td>25%</td>
<td>(c)</td>
<td>(d)</td>
<td>600,00</td>
</tr>
<tr>
<td>75%</td>
<td>(e)</td>
<td>600,00</td>
<td>(f)</td>
</tr>
<tr>
<td>(g)</td>
<td>(h)</td>
<td>300,00</td>
<td>600,00</td>
</tr>
</tbody>
</table>

[8 × 2 = 16]
QUESTION 4

On 1 June, a small trader has a stock of 200 articles that were bought at R1 each. This cost includes duty and delivery. During June, a further 100 items were purchased at R1,10 each. Sales for June are 240 items, sold at R1,50 each. Graskop Yarn uses the Periodic Inventory system.

You are required to:

Prepare the Trading account for Graskop Yarn for the month ended 30 June. (Remember to show the Gross Profit figure in this account.)
SECTION D: INTERPRETATIVE QUESTIONS

QUESTION 1

After completing the bank reconciliation process for Sabie Suppliers for April 2013 the following was noted:

1. Items not recorded in the cashbook receipts:
   - Total before taking into account the amendments listed below: R88 421,84,
   - Stale cheque – Cq855: R1 156,62
   - Direct deposit – L, Bing: R2 319,72
   - Direct deposit – VAT refund: R4 626,48
   - Business error on deposit – CS149: R1 000,00

2. Items not recorded in the cashbook payments:
   - Total before taking into account the amendments listed below: R17 736,77,
   - R/d – M, Mort: R7 073,75
   - Bank charges: R560,26
   - Interest charged: R528,00
   - Debit order – Telephone and fax: R2 891,55
   - Debit order – Insurance: R5 278,35

3. Items not recorded or incorrectly by the bank:
   - Balance as per bank statement, Dr R20 403,84
   - Outstanding cheques:
     - Cq1141: R2 313,24
     - Cq1151: R2 385,60
     - Cq1152: R1 516,49
   - Outstanding deposits:
     - CS150: R 7 957,97
     - CS151: R19 452,80
   - Cheque no, Cq1145 was under cast, R20
   - Cheque no, FGF300 was incorrectly debited to the business's account, R1 677,10
   - Cheque no, Cq1147 was erroneously debited twice on the bank statement, R354,74

You are required to:

Use the relevant information given above to compile the bank reconciliation statement as at 30 April 2013.

Note: Only the bank reconciliation statement is required; you need not complete the supplementary cashbook receipts or the supplementary cashbook payments.

OR
QUESTION 2

You are considering opening your own business. What aspects should you plan and consider?

Section A: 20 marks
Section B: 20 marks
Section C: 40 marks
Section D: 20 marks
TOTAL: 100 MARKS