BASBUS

NOVEMBER 2013 EXAMINATION

DATE: 15 NOVEMBER 2013

TIME: 09H00 – 11H30

TOTAL: 100 MARKS

DURATION: 2½ HOURS

PASS MARK: 40%

(CJ-79)

BASIC ACCOUNTING AND FINANCIAL MANAGEMENT

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 3 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. Assets refer to the:

   (a) money in the bank only.
   (b) resources controlled by the firm, as a result of past events, and from which future economic benefits are likely to flow to the business.
   (c) resources which will be controlled by the firm, as a result of future events.
   (d) personal wealth.

2. Non-current assets:

   (a) are those resources that are not expected to be turned into cash within one year.
   (b) assets that have little to no value.
   (c) are resources that are cash or likely to be turned into cash within one year.
   (d) are debts that are expected to be settled within one year.

3. Current assets:

   (a) are those resources that are not expected to be turned into cash within one year.
   (b) are assets that are bought in the current month.
   (c) are resources that are cash or likely to be turned into cash within one year.
   (d) are debts that are expected to be settled within one year.

4. Current liabilities:

   (a) are those resources that are not expected to be turned into cash within one year.
   (b) are debts that can be ignored.
   (c) are resources that are cash or likely to be turned into cash within one year.
   (d) are debts that are expected to be settled within one year.

5. The difference between net sales and cost of sales gives:

   (a) gross profit.
   (b) net profit.
   (c) the cash available.
   (d) turnover.
6. Gross yield is the taxable portion of the:
   (a) rate of tax the investor pays on the next R1 of overall earnings.
   (b) interest rate paid by the financial institution where the funds are placed.
   (c) income after all deductions.
   (d) total investment yield that is exempt from tax.

7. Marginal rate is the:
   (a) rate of tax the investor pays on the next R1 of overall earnings.
   (b) interest rate paid by the financial institution where the funds are placed.
   (c) maximum tax rate payable by the wealthiest people.
   (d) percentage of the total investment yield that is exempt from tax.

8. Tax exempt yield is:
   (a) rate of tax the investor pays on the next R1 of overall earnings.
   (b) the interest rate paid by the financial institution where the funds are placed.
   (c) what does not have to be disclosed to SARS.
   (d) the percentage of the total investment yield that is exempt from tax.

9. Owner’s equity refers to:
   (a) all the shares owned in a group of companies.
   (b) the owner’s wealth.
   (c) the amount of money that a person has in the bank.
   (d) the debt of the owner.

10. The income statement measures:
    (a) financial performance.
    (b) financial position.
    (c) only financial loss.
    (d) the success of the financial manager.
(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. drawings</td>
<td>(a) the decline in the purchasing power of money</td>
</tr>
<tr>
<td>2. two sides to a transaction</td>
<td>(b) allows for donations to public benefit organisations</td>
</tr>
<tr>
<td>3. trial balance</td>
<td>(c) the source of the funds and the application thereof</td>
</tr>
<tr>
<td>4. net profit</td>
<td>(d) may be taxable subject to various rules</td>
</tr>
<tr>
<td>5. solvency</td>
<td>(e) proprietary accounts</td>
</tr>
<tr>
<td>6. acid test</td>
<td>(f) profit after all deductions</td>
</tr>
<tr>
<td>7. inflation</td>
<td>(g) a list of the balances in the general ledger</td>
</tr>
<tr>
<td>8. tax rebates</td>
<td>(h) the basic ratio of any business</td>
</tr>
<tr>
<td>9. capital gains</td>
<td>(i) quick ratio</td>
</tr>
<tr>
<td>10. section 18A of the Tax Act</td>
<td>(j) ensure that individuals with a taxable income below a certain level do not pay tax</td>
</tr>
</tbody>
</table>
SECTION B: SHORT QUESTIONS (20 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1

Name the source documents for the following transactions:

(a) Bought goods for the staff room and paid by cheque (1)
(b) Received cash from Mr Reddy in payment of accounting services rendered (1)
(c) Deposited all cash received into Cando current bank account (1)
(d) Lynda was given R135 from petty cash to buy snacks for the staff meeting (1)
(e) Purchased a new lawnmower from Mygarden CC payable in 60 day’s time (1)
(f) Chairs bought on credit were found to be defective and a refund was given (1) [6]

QUESTION 2

Graskop Trading Store had the following three transactions on 1 July 2013:

1. Mr Jameson who is the owner contributed a further R75 000 in cash to the business as a capital contribution.
2. Sabie Traders paid an insurance premium of R9 000 by way of an EFT.
3. Purchased a new air-conditioner payable in monthly instalments over the next 12 months at a total cost of R24 000.

You are required to:

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

QUESTION 3

Give the mathematical form of the accounting equation. [3]
QUESTION 1

Miss Mitchell has a gross income of R410 000 a year which includes interest income of R12 000, all of which is exempt. She also has allowable deductions of R45 000 and her taxable portion of a capital gain (not included in the gross income) of R25 000.

You are required to:

Calculate Miss Mitchell’s taxable income, clearly showing the basic formula layout.   [6]

QUESTION 2

(a) Describe what a unit trust is.   (12)

(b) What are the benefits of unitising?   (8) [20]

QUESTION 3

After completing the bank reconciliation process for Partner 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 Boston 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          R313,24
     Cq1151          R385,60
     Cq1152          R2 516,49
   - Outstanding deposits:
     CS150           R5 957,97
     CS151           R9 400,00
   - 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
QUESTION 1

The following data was extracted from the accounts of Sabie Traders:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>R 580 500</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>R (348 300)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>R 232 200</td>
</tr>
<tr>
<td>Other income</td>
<td>R 4 900</td>
</tr>
<tr>
<td>Other expenses</td>
<td>R (121 060)</td>
</tr>
<tr>
<td>Finance cost (interest on loan)</td>
<td>R (6 000)</td>
</tr>
<tr>
<td>Net profit for the period</td>
<td>R 110 040</td>
</tr>
<tr>
<td>Capital</td>
<td>R 101 040</td>
</tr>
<tr>
<td>Non-current loan</td>
<td>R 60 000</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>R 56 610</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>R 217 650</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>R 87 000</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>R 47 700</td>
</tr>
<tr>
<td>Book value</td>
<td>R 39 300</td>
</tr>
<tr>
<td>Other financial assets (investment)</td>
<td>R 20 000</td>
</tr>
<tr>
<td>Current assets</td>
<td>R 158 350</td>
</tr>
<tr>
<td>Total assets</td>
<td>R 217 650</td>
</tr>
<tr>
<td>Opening inventory</td>
<td>R 45 600</td>
</tr>
<tr>
<td>Closing inventory</td>
<td>R 55 800</td>
</tr>
<tr>
<td>Debtors</td>
<td>R 42 750</td>
</tr>
</tbody>
</table>

Assume that 80% of all sales are on credit.

You are required to:

Calculate the following ratios:

(a) Gross profit percentage
(b) Net profit percentage
(c) Debtors collection period
(d) Current ratio
(e) Acid-test ratio
(f) Average inventory turnover

OR
QUESTION 2

Name and briefly describe the four main asset classes. [20]

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