NOVEMBER 2013 EXAMINATION
DATE: 4 NOVEMBER 2013
TIME: 09H00 – 12H00
DURATION: 3 HOURS
TOTAL: 100 MARKS
PASS MARK: 40%

(BUS-AC1)
FINANCIAL ACCOUNTING 1

THIS EXAMINATION PAPER CONSISTS OF 2 SECTIONS:

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

SECTION B: CONSISTS OF 4 QUESTIONS
ANSWER ALL THE QUESTIONS (90 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.
8. Don't waste time by giving more information than required.
9. You are welcome to use diagrams to illustrate your answers.
10. Please write neatly – we cannot mark illegible handwriting.
11. 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.
12. 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.

NOTE: YOU MAY USE A NON-PROGRAMMABLE CALCULATOR.
SECTION A  
(10 MARKS)

ANSWER ALL THE QUESTIONS

(i) MULTIPLE-CHOICE QUESTIONS

1. Jimmy Nevis paid his rent by cheque for the month. Which parts of the business accounting equation will change?

   (a) assets and capital  
   (b) capital and profits  
   (c) liabilities and assets  
   (d) capital and liabilities

2. Debon Air is a VAT registered trader. On 1 April he purchased furniture for his business for R2 000 VAT inclusive. The VAT portion of this transaction is:

   (a) R280.  
   (b) R245.61.  
   (c) Furniture purchases do not attract VAT.  
   (d) There is not sufficient information available in order to calculate the VAT portion.

3. Which of the following correctly calculates gross profit?

   (a) purchases + opening inventory + closing inventory  
   (b) purchases – opening inventory + closing inventory  
   (c) sales minus cost of sales  
   (d) cost of sales minus sales

4. An amount owing to a supplier at the end of the month is an example of:

   (a) an asset.  
   (b) a liability.  
   (c) revenue.  
   (d) an expense.

5. A Debtor’s account is in arrears for 3 months. He owes R800 and interest at 10.5% is to be calculated on the amount outstanding, for 3 months.

   What is the amount that A Debtor will now owe?

   (a) R21  
   (b) R84  
   (c) R884  
   (d) R821

6. Insurance paid in advance is:

   (a) a prepaid expense and an asset.  
   (b) a prepaid expense and a liability.  
   (c) an accrued expense and an asset.  
   (d) an accrued expense and a liability.
7. A debtor who was previously written off as irrecoverable (as a bad debt), now pays R750 on this account:

What are the correct entries in the general ledger?

(a) Dr Bad debts R750, Cr Bank, R750
(b) Dr Bank R750, Cr Bad debts R750
(c) Dr Bank R750, Cr Bad debts recovered R750
(d) None of the above.

8. An employee is paid R40,50 hourly, and works Monday to Friday inclusive for eight hours daily, Saturday for four hours at time-and-a-half, and Sunday for five hours at double time.

Pension is deducted at 7,5% on gross wages. How much is to be deducted for pension?

(a) R220,50
(b) R229,50
(c) R189,00
(d) None of the above.

9. To which asset does provision for depreciation/writing down, not apply?

(a) Cash
(b) Inventory
(c) Furniture
(d) Buildings

10. What business transaction would result in the following double entry being posted?

Dr Purchases Cr Bank

(a) the paying for and purchase of various items for the business
(b) the paying for and purchase of stock for the business
(c) a reversal of an error that had been made when various purchases were made on credit.
(d) All of the above are possibilities.
QUESTION 1

Information for the business Stormers Traders follows below, for the month of March 2013. VAT at 14% is applicable.

Note: Ignore cents

Transactions: March 2013:

1. Cash sales, R3 000 (Cost price, R1 500).
2. Credit sales to S Burger, R4 000 (Cost price, R2 000).
3. Computer and printer purchased on account from Mecer, R8 500.
4. Pens, lever arch files and writing pads purchased on account from Walltins Stationery, R2 300.
5. Bought a laptop computer for the manager from Mecer. Cheque number 414 was issued for this purchase, R7 500.
6. Additional stationery was purchased from Walltins with the issue of cheque 415, R800.
7. Interest received was received on a fixed deposit which matured, R1 285. The fixed deposit was held at Money Bank.
8. Materials for packaging inventory was purchased on account from Package Ltd, R866.
9. Sales of R6 000, on account, was made to B Conradie. (Cost price, R3 000).
10. A cheque for R2 000 was received from S Burger in part settlement of his account. Receipt no. 1012 was issued.

You are required to:

(a) Complete the following subsidiary journals:

i. Cash Receipts Journal – provide additional columns for Bank, Sales, Cost of Sales, Vat Output and sundry accounts. (10)

ii. Cash Payments Journal – provide additional columns for Bank, Vat Input, sundry accounts. (8)
iii. Sales / Debtors Journal – provide columns for Debtors Control, Sales, Cost of Sales, Vat Output. (12)

iv. Creditors Journal – provide additional columns for Creditors Control, Vat Input, sundry accounts. (12)

(b) Complete the posting to the following general ledger accounts only and balance accounts where applicable:

i. Computer Equipment (3)

ii. Stationery (3)

iii. Sales (3)

iv. Interest received (1) [52]

**QUESTION 2**

Digicore Suppliers is a creditor in the books of SS Dealers. Information for the supplier for the month of January 2013 follows below:

Transactions: January 2013

1. Amount owed to Digicore Suppliers, R3 400.
2. Credit purchases from Digicore, R2 100.
3. Cheque issued to Digicore as part payment of the account, R2 500. A discount of 5% was received on this payment.
4. Credit purchases from Digicore Suppliers for R2 800. A trade discount of 10% was allowed on this purchase.
5. A purchase of R1 500 from Encore Ltd was incorrectly entered in the account of Digicore Suppliers, in our ledger. This entry must be corrected.

You are required to:

Use the information in order to complete the account of Digicore Suppliers in the creditors ledger of SS Suppliers. (Complete your answer in columnar format). [13]
QUESTION 3

The bookkeeper of Losers Stores prepared the Trial Balance below. Errors were made in the Trial Balance in terms of some accounts that were either debited or credited incorrectly.

<table>
<thead>
<tr>
<th></th>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>328 500</td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td></td>
<td>150 000</td>
</tr>
<tr>
<td>Bank (Dr)</td>
<td>115 000</td>
<td></td>
</tr>
<tr>
<td>Land &amp; Buildings</td>
<td>250 000</td>
<td></td>
</tr>
<tr>
<td>Long-term loan</td>
<td>80 000</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>112 000</td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>8 000</td>
<td></td>
</tr>
<tr>
<td>Rent received</td>
<td>12 000</td>
<td></td>
</tr>
<tr>
<td>Insurance expense</td>
<td>4 000</td>
<td></td>
</tr>
<tr>
<td>Stationery expense</td>
<td>3500</td>
<td></td>
</tr>
<tr>
<td>Interest on loan expense</td>
<td>8 000</td>
<td></td>
</tr>
<tr>
<td>Fixed deposit</td>
<td>10 000</td>
<td></td>
</tr>
</tbody>
</table>

You are required to:

Prepare a corrected Trial Balance from the information provided above. [12]

QUESTION 4

(a) Briefly explain the difference between depreciation and accumulated depreciation on an asset. (4)

(b) Briefly explain the difference between a current liability and a non-current liability and give one example of each. (4)

(c) State whether each of the following items should be classified as capital expenditure or revenue expenditure:

i. purchase of equipment (1)  
ii. bank services fee levies (1)  
iii. overseas travelling expenses (1)  
iv. cost of new printers (1)  
v. insurance premiums (1) [13]

[90]