



JUNE 2012 EXAMINATION

DATE: 4 JUNE 2012

TIME: 09H00 – 12H00

TOTAL: 100 MARKS

DURATION: 3 HOURS

PASS MARK: 40%

(BUS-AF / PD-58)

ACCOUNTING AND FINANCE

THIS EXAMINATION PAPER CONSISTS OF 2 SECTIONS:

SECTION A:	CONSISTS OF:	
	(i) 10 MULTIPLE-CHOICE QUESTIONS	(20 MARKS)
	(ii) 20 TRUE OR FALSE QUESTIONS	(20 MARKS)
	ANSWER <u>ALL</u> THE QUESTIONS	
SECTION B:	CONSISTS OF 3 QUESTIONS	
	ANSWER <u>ALL</u> THE QUESTIONS	(60 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.
AN ACCOUNTING ANSWER BOOK WILL BE PROVIDED.**

SECTION A**(40 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. Spaniard Torres 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 three months. He owes R800 and interest at 10,5% per annum is to be calculated on the amount outstanding.

What is the amount of interest that the debtor owes after three months?

 - (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. He works Mondays to Fridays inclusive for eight hours daily, Saturdays for four hours at time-and-a-half, and Sundays for five hours at double time.

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

- (a) R220,50
 - (b) R229,50
 - (c) R189,00
 - (d) None of the above.
9. Provision for depreciation applies to:
- (a) cash.
 - (b) inventory.
 - (c) furniture.
 - (d) buildings.

10. What business transaction would result in the following 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.

[10 × 2 = 20]

(ii) TRUE OR FALSE QUESTIONS

Indicate whether the following statements are true or false. Write only 'true' or 'false' for your answer.

1. The accounting equation is $A = O + L$.
2. In the bookkeeping process, for every transaction the sum of the debit entries must equal the sum of the credit entries (in monetary value).
3. Expenses incurred by a business are regarded as liabilities in the bookkeeping process.
4. Income earned by a business is regarded as a liability in the bookkeeping process.
5. In the books of a business, the VAT input account is a liability and the VAT output account is an asset.
6. VAT can be claimed on the cash price of equipment purchased on hire purchase.
7. Sundry columns in journals are posted to the sundry account in the general ledger.
8. The 'sundry accounts' account in the general ledger is used to post items that do not have a specific column in the subsidiary journal.
9. The general journal is normally used to record any type of business transaction that cannot be recorded in any one of the other subsidiary journals.
10. The general ledger has five different types of accounts, proprietary accounts, assets, liabilities, income and expense accounts only.
11. In the perpetual inventory system, trading inventory purchased for R500 and marked up by 50% on cost price, will be brought into the trading inventory account at R1 000 (if VAT is ignored).
12. In the periodic inventory system, trading inventory purchased for R500 and marked up by 50% on cost price, will be brought into the purchases account at R500 (if VAT is ignored).
13. It is better to list all the debtors' names on the trial balance than to use the balance of the debtors control account.
14. The balance on the creditors control account in the general ledger is equal to the total of the creditors list.
15. Interest charged to an individual debtor's account causes an increase in the balance owing by such a debtor.
16. The credit balance of a creditor in the books of business A will decrease when a credit note is received from this creditor.

17. Outstanding deposits shown in the cashbook receipts of the business and not on the bank statement must be shown on the bank reconciliation statement.
18. Stale cheques can still be banked if permission is received from the drawer.
19. An age analysis shows how long an account or parts thereof have been in arrears.
20. The bookkeeper first draws up the creditors reconciliation statement, and then he or she draws up a remittance advice. [20]

[40]

SECTION B

(60 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1

Analyse the following transactions by means of the accounting equation (A = O + L), using the following columns:

A/C Debited, A/C Credited, effect on Assets, Owner's equity, Liabilities. (Use these columns as headings in your answer).

An example is provided below:

Example: A cheque was issued to Realty Estates to pay the rent for the month, R2 500.

No	A/C Debited	A/C Credited	Effect on		
			Assets	Owner's Equity	Liabilities
Example	Rent expense / paid	Bank	-R2 500	-R2 500	

- (a) Stationery purchased from Pen Stationers on credit, R600.
(4)
- (b) Computer equipment purchased from TechTraders and a cheque issued for R3 500.
(4)
- (c) Received a cheque from J Notombe a debtor, for R350 in settlement of his debt of R375.
(8)
- (d) Packing Materials purchased from Packaging Ltd, and a cheque for R125 was issued.
(4) [20]

QUESTION 2

You have been given the following financial statements for Woody Stores.

Woody Stores**Income Statement for the Year Ended: 31 December 2011**

	notes	R	R
Sales (552 008 – 5 390)			546 618
Cost of sales			(287 700)
<i>Gross profit</i>			258 918
<i>Other operating income</i>			18 930
Rent income (19 175 – 1 475)		17 700	
Discount received		1 230	
<i>Gross operating income</i>			277 848
<i>Operating expenses</i>			(150 568)
Salaries		93 600	
Bad debts (3 940 + 640)		4 580	
Discount allowed		500	
Stationery		6 280	
Insurance (7 400 – 680)		6 720	
Sundry expenses (9 633 + 105)		9 738	
Repairs		2 000	
Depreciation (5 550 + 21 600)		27 150	
Operating profit			127 280
Interest income	1		320
Profit before interest expense / finance cost			127 600
Interest / finance costs	2		(7 600)
Net profit for the year	6		120 000

Woody Stores
Balance Sheet at 31 December 2011

	notes	R	R
Assets			
Non-Current Assets			335 350
Fixed assets/Tangible assets	3	327 350	
Financial Assets			
Fixed deposits: NC Bank		8 000	
Current Assets			90 260
Trading inventory (49 600 – 400)		49 200	
Trade and other receivables (debtors)	4	40 560	
Cash and cash equivalents	5	500	
Total Assets			425 610
Equity and Liabilities			
Owner's Equity	6		332 600
Non-current liabilities			40 000
Loan: SW Bank		40 000	
Current Liabilities			53 010
Trade and other payables (creditors)	7	41 975	
Bank overdraft (10 930 + 105)		11 035	
Total Equity and liabilities			425 610

Calculate the following ratios and comment briefly on each ratio:

- (a) gross profit percentage on turnover (4)
- (b) net profit percentage on turnover (4)
- (c) solvency (4)
- (d) current ratio (4)
- (e) acid test ratio (4) [20]

QUESTION 3

The following details were extracted from the books of a company at 31 January 2012.

Date	Details	R
January 1	Sales Ledger Balances	3 816
	Provision for Bad Debts	250
January 31	Sales	7 420
	Returns Inwards	73
	Cash from Customers	7 091
	Cheques dishonoured	29
	Bills Accepted by Customers	270
	Bills dishonoured	34
	Bad Debts written off	63
	Interest charged to Customers	7
	Carriage charged to Customers	11
	Discounts allowed	175
	Bad Debts previously written off, recovered	13

You are required to:

Prepare the debtors control account. Include notes to explain those amounts that are not included in the control account.

[20]

[60]

Section A: 40 marks

Section B: 60 marks

TOTAL: 100 MARKS