JUNE 2012 EXAMINATION

DATE: 6 JUNE 2012

TIME: 14H00 – 17H00 TOTAL: 100 MARKS

DURATION: 3 HOURS PASS MARK: 40%

(BUS-805)

APPLIED ACCOUNTING

THIS EXAMINATION PAPER CONSISTS OF 2 SECTIONS:

SECTION A: CONSISTS OF 5 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. 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 ARE ALLOWED TO USE A NON-PROGRAMMABLE CALCULATOR. AN ACCOUNTING ANSWER BOOK WILL BE PROVIDED.
SECTION A

(10 MARKS)

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. Which account is credited if the owner withdraws money in a business?
   (a) capital
   (b) bank
   (c) money
   (d) finance

2. Which account is credited if a business provides a service to a client for payment in 30 days time?
   (a) creditors
   (b) debtors
   (c) services rendered
   (d) bank

3. What is the depreciation amount allowed in the third year for a vehicle that cost R210 000 at the beginning of the first year, if it is depreciated at 20% p.a. on the reducing balance method?
   (a) R42 000
   (b) R33 600
   (c) R26 880
   (d) R21 280

4. What is the cost of sales if closing stock is R2 800, purchases were R5 500 and opening stock was R4 800?
   (a) R2 800
   (b) R4 800
   (c) R5 500
   (d) R7 500

5. Calculate the current ratio for the following extract from a balance sheet:

   Current Assets
   Stock  110 000
   Debtors  5 000
   Cash  15 000
Current Liabilities

Creditors 15 000

(a) 10:1
(b) 5:1
(c) 2:1
(d) 1:1

\[5 \times 2 = 10\]
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).

Example: A cheque was issued to Bramley Insurers to pay the insurance for the
month, R2 800.

<table>
<thead>
<tr>
<th>No</th>
<th>A/C Debited</th>
<th>A/c Credited</th>
<th>Effect on</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Assets</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Example</td>
<td>Insurance</td>
<td>Bank</td>
<td>−R2 800</td>
</tr>
</tbody>
</table>

(a) Office stationery purchased from New Stationers on our account, R850. (4)
(b) Computer equipment purchased from Incredible Connection, R6 500, and
    a cheque was issued. (4)
(c) Cheque issued to pay creditor, Jones Boutique R3 000. A discount of R250
    was granted. (9)
(d) Stock with cost price of R14 500 purchased from Maximum Stores, a
    cheque was issued and a trade discount of 12% was allowed. (5)
(e) A debtor, Ace Traders settled his account with us by giving us a cheque
    for R750. (4)
(f) Monthly rental was paid to Mountain Estates by cheque, R15 000. (4) [30]

QUESTION 2

The following information relates to product 'tele', distributed by Com Traders:

March 01 Stock on hand: 212 units @ R5,00 each
      04 Received: 50 units @ R5,40 each
      10 Issued: 140 units
      22 Received: 90 units @ R5,50 each
      28 Issued: 88 units

All items issued were for sales.

The selling price is R8,50 per unit.
You are required to:

Calculate the cost of sales, the closing stock on hand and the gross profit based on the FIFO methods. [20]

**QUESTION 3**

The following balances, amongst others, appeared in the books of XYZ Traders on 1 January 2011, the beginning of its financial year:

<table>
<thead>
<tr>
<th></th>
<th>R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>25 000</td>
</tr>
<tr>
<td>Vehicles</td>
<td>155 000</td>
</tr>
<tr>
<td>Accumulated depreciation on equipment</td>
<td>12 000</td>
</tr>
<tr>
<td>Accumulated depreciation on vehicles</td>
<td>75 550</td>
</tr>
</tbody>
</table>

You are required to:

(a) Calculate the depreciation on equipment for the current year, if depreciation is calculated at 20% p.a. on the straight-line method. (4)

(b) Calculate the depreciation on vehicles for the current year, if depreciation is calculated at 20% p.a. on the reducing balance method. (5)

(c) Taking into account all the detail above, show how the note in the balance sheet will appear for non-current assets. (11) [20]
QUESTION 4

The following information was taken from the books of Rollon Shop for April 2012. The business is a VAT vendor and all its clients are all registered VAT vendors.

Journal totals of Rollon Shop – April 2012

<table>
<thead>
<tr>
<th>Journal totals</th>
<th>Amount (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of the debtors' column in the debtors' journal</td>
<td>76 000,00</td>
</tr>
<tr>
<td>Total of the debtors' column in the debtors' allowances journal</td>
<td>1 310,00</td>
</tr>
<tr>
<td>Total of the debtors' column in the cashbook receipts</td>
<td>4 865,00</td>
</tr>
<tr>
<td>Cheque returned by the bank marked 'r/d'</td>
<td>21 815,00</td>
</tr>
<tr>
<td>Interest charged on debtors' overdue accounts</td>
<td>907,50</td>
</tr>
<tr>
<td>Reversal of interest charged on overdue debtors' accounts</td>
<td>27,33</td>
</tr>
<tr>
<td>Bad debts written off and VAT</td>
<td>22 722,50</td>
</tr>
<tr>
<td>Discounts given and VAT</td>
<td>12 268,50</td>
</tr>
<tr>
<td>Reversal of discounts given and VAT</td>
<td>599,13</td>
</tr>
<tr>
<td>Accounts written off from debtors to creditors' control</td>
<td>21 361,25</td>
</tr>
<tr>
<td>Accounts written off from creditors to debtors' control</td>
<td>31 089,00</td>
</tr>
</tbody>
</table>

You are required to:

Use the relevant information to complete the debtors' control account in the general ledger of Rollon Shop. The balance in the debtors' control account at 1 April 2012 is R25 225,00. 

Section A: 10 marks
Section B: 90 marks
TOTAL: 100 MARKS