



## NOVEMBER 2012 EXAMINATION

DATE: 9 NOVEMBER 2012

TIME: 14H00 – 17H00

TOTAL: 100 MARKS

DURATION: 3 HOURS

PASS MARK: 40%

### (BUS-ACC1) 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 5 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 MAY USE A NON-PROGRAMMABLE CALCULATOR.**

Examiner: A Poole

**SECTION A****(10 MARKS)****ANSWER ALL THE QUESTIONS****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. The following element is affected as a result of revenues or interest flowing to the business:
  - (a) equity
  - (b) a liability
  - (c) an asset
  - (d) None of the above.
  
2. Amounts owing to the business are classified as:
  - (a) trade and other receivables.
  - (b) trade and other payables.
  - (c) loans.
  - (d) All of the above.
  
3. Under the periodic stock system, cost of sales can involve the following elements:
  - (a) opening stock, closing stock, purchases
  - (b) customs duty
  - (c) purchases
  - (d) All of the above.
  
4. Accrued expenses typically consist of items such as:
  - (a) sale of goods.
  - (b) insurance, rent, rates expenses.
  - (c) interest received.
  - (d) None of the above.
  
5. Inventory purchased when the periodic stock system is used, is debited to the following general ledger account:
  - (a) Trading stock
  - (b) Purchases
  - (c) Cost of sales
  - (d) All of the above.

6. Depreciation at 20% per annum on the reducing balance method, written off on a motor vehicle which cost R10 000, and on which the accumulated depreciation was R2 000 is as follows:
- (a) R2 000
  - (b) R1 600
  - (c) Cannot be calculated as sufficient information is not provided above.
  - (d) None of the above.
7. A business purchased stock for R40 000 on account, and a trade discount of 10% was granted. The following entries are correct:
- (a) Debit inventory and credit the creditor; amount recorded in the books, R36 000.
  - (b) Debit inventory with R44 000, credit discount received with R4 000 and credit the creditor with R40 000.
  - (c) The trade discount is not taken into account, so debit inventory and credit the creditor; amount recorded in the books, R40 000.
  - (d) None of the above.
8. A company has a 30 June year-end (2012). Annual insurance of R12 000 was paid on 31 March 2012. The following statement is correct:
- (a) R9 000 must be booked as prepaid insurance.
  - (b) R3 000 must be booked as prepaid insurance.
  - (c) R12 000 must be booked as insurance for the financial year.
  - (d) None of the above is correct.
9. A balance sheet shows:
- (a) how much profit a business generates.
  - (b) the financial position of the business.
  - (c) how much cash a business generates.
  - (d) None of the above.
10. What business transaction would result in the following double entry being posted?
- |    |                |    |      |
|----|----------------|----|------|
| Dr | Trade payables | Cr | Bank |
|----|----------------|----|------|
- (a) the payment of a creditor
  - (b) the receipt of cash from a credit customer
  - (c) a cash sale
  - (d) a credit sale

[10]

[10]

**SECTION B**

**(90 MARKS)**

**ANSWER ALL THE QUESTIONS**

**QUESTION 1: DEBTORS LEDGER**

Complete the account of A Aye in the debtor's ledger of Maxi Traders. Use the following headings:

Date	Details	Dr	Cr	Balance
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Transactions: March 2012

- 1 Amount owed by A Aye, R12 155.
- 3 Credit sales to A Aye as per tax invoice 314, R4 500.
- 5 Receipt 40114 issued for cheque payment received from A Aye for R3 150 and a discount of R126 was allowed.
- 8 Interest was charged on an overdue invoice on A Aye's account, R31,50.
- 10 The bank returned the cheque received from A Aye on the 5th, marked 'refer to drawer'.
- 31 After several attempts to secure payment from A Aye, Maxi Traders decided to write off the full amount owing, as a bad debt, since there appeared to be no realistic chance of the amount being recovered from this debtor.

[20]

**QUESTION 2: TRANSACTION ANALYSIS**

Examine the example given below. Analyse the transactions that follow, using the same column format.

**EXAMPLE:**

A cheque was issued to pay the rent for the month, R4 000.

Number	Source document	Account debited	Account credited	Amount
Example	Cheque counterfoil	Rent expense	Bank	R4 000

- (a) Pens, files, photocopy paper and staples bought from petty cash, R255. (3)
- (b) Received a cheque for R300 from A Creditor, a supplier, in settlement of the amount they owed of R310. (7)

- (c) Purchased stock from Wholesalers Ltd, R5 000. A cheque was issued and a trade discount of 5% was given on this purchase. (4)
- (d) Photocopier, fax machine and printer was purchased from Office Suppliers, on account, R12 550. (3) [17]

**QUESTION 3: NON-CURRENT ASSETS**

Information for the business XYZ Traders follows below. Answer the questions that follow based on the information provided.

The following balances, amongst others, appeared in the books of XYZ Traders on 1 January 2009, the beginning of its financial year:

	R
Equipment	25 000
Vehicles	155 000
Accumulated depreciation on equipment	12 000
Accumulated depreciation on vehicles	75 500

Note: No equipment or vehicles were bought or sold in the current year.

- (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 details given above, show how the note in the balance sheet will appear for non-current assets. (12) [21]

**QUESTION 4: CORRECTING JOURNAL ENTRIES**

Use the information below in order to process corrective, and correcting, journal entries in the books of the business Stormers Traders. (Ignore VAT).

- (a) Stationery purchased was debited to the equipment account in error, R400. (3)
- (b) A discount of R100 was received from a creditor. A cheque of R1 000 was issued to this creditor, H Amla, but the discount was not taken into account at all. (3)
- (c) A debtor, B Lee, who owed R600 was declared insolvent. His estate paid out 20 cents in the rand, while the balance was to be written off. No entry had been made for the amount which had to be written off. (4)
- (d) A cheque of R1 500 previously received from a debtor, who received a discount of R80 with this payment, was subsequently dishonoured. The only entry with respect to this situation was the reversal of the payment previously received. (3)
- (e) Goods were sold on account to a debtor, L Tsostobe, for R2 500. The entry was incorrectly entered in the account of M Ntini, another debtor. (3) [16]

**QUESTION 5: VAT**

Calculate the net VAT payable or refundable for Sharkbite CC using the information below.

The business operates on the invoice basis on a two-month VAT cycle.

	R	
Sale of trading stock	342 000	
Insurance claim on stolen equipment	12 000	
Interest received	6 000	
Purchase of trading stock	136 800	
Salaries and wages	110 000	
Office rentals	60 000	
Motor vehicle expenses:		
Repairs	2 600	
Petrol	3 000	[16]

**[90]**

**Section A: 10 marks**

**Section B: 90 marks**

**TOTAL: 100 MARKS**