



NOVEMBER 2012 EXAMINATION

DATE: 5 NOVEMBER 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) 5 TRUE OR FALSE QUESTIONS	(10 MARKS)
	(ii) 5 DEFINITION QUESTIONS	(10 MARKS)
	ANSWER <u>ALL</u> THE QUESTIONS	
SECTION B:	CONSISTS OF 5 QUESTIONS	
	ANSWER <u>ALL</u> THE QUESTIONS	(80 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: P Taylor

SECTION A

(20 MARKS)

ANSWER ALL THE QUESTIONS

(i) TRUE OR FALSE QUESTIONS

Indicate whether the following statements are true or false. Correct the false statements.

1. A non-current asset is one from which you expect to derive benefits in the current 12 months.
2. A current liability is an obligation that has to be settled during the next 30 days.
3. Equity or net worth is the difference between a person's assets and liabilities.
4. An entry to the left-hand side in a ledger account is called a credit and an entry to the right-hand side is called a debit.
5. Expenditure or costs represent outlays to secure economic benefits. [5 × 2 = 10]

(ii) DEFINITION QUESTIONS

Briefly define or explain each of the following terms:

- | | | |
|--------------------|-----|------|
| (a) drawings | (2) | |
| (b) journals | (1) | |
| (c) trial balance | (2) | |
| (d) trade discount | (2) | |
| (e) E and OE | (3) | [10] |

[20]

SECTION B**(80 MARKS)****ANSWER ALL THE QUESTIONS****QUESTION 1**

- (a) A product bought for R50 is sold at R75. Express the mark-up as a percentage of the selling price. (2)
- (b) A product is sold for R250, and the mark-up percentage is 25% on cost. Determine the original cost price. (3) [5]

QUESTION 2

On 1 June, Makron had inventory on hand with a cost price of R10 000.

The following purchases were made during the month:

- June 10 Goods purchased on credit for R7 000
- June 20 Goods purchased by cheque for R8 000

The following sales were made during the month:

- June 15 Sold goods on credit for R10 000 (cost of sales amount to R5 000)
- June 25 Sold goods for R6 000 cash (cost of sales amount to R3 000)

The value of inventory on hand at 30 June, as established per physical inventory take, is R17 000.

You are required to:

Journalise the above transactions, including closing entries. [20]

QUESTION 3

You have purchased a machine and are keen to see the impact of using either the 'straight line method' of depreciation or the 'reducing balance method' of depreciation.

The machine cost R150 000 and has an expected life of 5 years. It will then have no resale value.

You decide to use a rate of depreciation of 20% for the reducing balance method of depreciation.

You are required to:

Calculate the book value of the machine after three years:

- (a) using the straight line method. (5)
- (b) using the reducing (diminishing) balance method. (5) [10]

QUESTION 4

After completing the bank reconciliation process for Jam Suppliers for August 2012 the following was noted:

1. The total before taking into account the amendments listed below was R25 025,17. Items not recorded in the cashbook receipts:

• Stale cheque – CCC256	R1 631,90
• Direct deposit – L Teddy	R3 272,93
• Direct deposit – Dividend received	R6 527,59
• Interest on credit balance	R744,96

The total before taking into account the amendments listed below was R86 320,04. Items not recorded in the cashbook payments:

• R/d – A Yale	R8 008,05
• Bank charges	R790,50
• Debit order – Rent paid	R4 079,74
• Debit order – ISP fees	R7 447,33
• Business error on overstating deposit – DS724	R500,00

2. Balance as per bank statement, R14 371,50. Items not recorded or incorrectly recorded by the bank:

• Outstanding cheques:	
– CCC289	R4 895,69
– CCC298	R5 179,20
– CCC299	R25 281,18
• Outstanding deposits:	
– DS725	R2 502,52
– DS726	R3 003,02
• Cheque no. CCC292 was overcast, R200.	
• Cheque no. RTR545 was incorrectly debited to the business's account, R2 366,25.	
• Cheque no. CCC294 was erroneously debited twice on the bank statement, R14 674,41.	

You are required to:

Use the information given above to compile the bank reconciliation statement as at 31 August 2012. You need not complete the supplementary cashbook receipts or the supplementary cashbook payments. Only the bank reconciliation statement is required.

[20]

QUESTION 5

The following pre-adjustment trial balance was prepared from the books of LB Agencies on 30 June 2012.

**LB AGENCIES
TRIAL BALANCE AT 30 JUNE 2012**

	Debit	Credit
Furniture and equipment	40 000	
Accumulated depreciation : Furniture and equipment		10 000
Bank	8 000	
Accounts receivable (debtors)	15 000	
Capital : Y Sanwil		60 000
Drawings : Y Sanwil	28 000	
Accounts payable (Creditors)		5 000
Non-current loan		20 000
Commission earned		45 000
Insurance	6 000	
Salaries	15 500	
Rental	24 000	
Telephone	3 500	
	140 000	140 000

Additional information

1. Commission earned but not invoiced – R9 300.
2. Prepaid insurance on 30 June – R1 500.
3. Depreciation on furniture and equipment not yet provided for – R3 000.
4. Accrued interest on non-current loan – R4 000.
5. Salaries in arrears – R2 000.
6. Telephone due – R500.

You are required to:

- (a) Journalise the necessary adjustments. (12)
- (b) Prepare a post-adjustment trial balance as at 30 June 2012. (13) [25]

[80]

Section A: 20 marks

Section B: 80 marks

TOTAL: 100 MARKS