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 ALL THE QUESTIONS

SECTION B:
CONSISTS OF 5 QUESTIONS (80 MARKS)
ANSWER ALL THE QUESTIONS

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. [T]

2. A current liability is an obligation that has to be settled during the next 30 days. [T]

3. Equity or net worth is the difference between a person's assets and liabilities. [T]

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. [F] - Correct: An entry to the left-hand side is called a debit and an entry to the right-hand side is called a credit.

5. Expenditure or costs represent outlays to secure economic benefits. [T] [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]
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.
QUESTION 5

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

<table>
<thead>
<tr>
<th>LB AGENCIES</th>
<th>TRIAL BALANCE AT 30 JUNE 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debit</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>40 000</td>
</tr>
<tr>
<td>Accumulated depreciation : Furniture and equipment</td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td>8 000</td>
</tr>
<tr>
<td>Accounts receivable (debtors)</td>
<td>15 000</td>
</tr>
<tr>
<td>Capital : Y Sanwil</td>
<td></td>
</tr>
<tr>
<td>Drawings : Y Sanwil</td>
<td>28 000</td>
</tr>
<tr>
<td>Accounts payable (Creditors)</td>
<td></td>
</tr>
<tr>
<td>Non-current loan</td>
<td></td>
</tr>
<tr>
<td>Commission earned</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>6 000</td>
</tr>
<tr>
<td>Salaries</td>
<td>15 500</td>
</tr>
<tr>
<td>Rental</td>
<td>24 000</td>
</tr>
<tr>
<td>Telephone</td>
<td>3 500</td>
</tr>
<tr>
<td></td>
<td>140 000</td>
</tr>
</tbody>
</table>

Additional information
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.

You are required to:

(a) Journalise the necessary adjustments. (12)

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

Section A: 20 marks
Section B: 80 marks
TOTAL: 100 MARKS