NOVEMBER 2012 EXAMINATION

DATE: 15 NOVEMBER 2012

TIME: 14H00 – 17H00

DURATION: 3 HOURS

TOTAL: 100 MARKS

PASS MARK: 40%

(NH-32 / UD-08)

BOOKKEEPING AND ACCOUNTING 3

THIS EXAMINATION PAPER CONSISTS OF 2 SECTIONS:

SECTION A: CONSISTS OF:
(i) 10 MULTIPLE-CHOICE QUESTIONS (10 MARKS)
(ii) 5 TRUE OR FALSE QUESTIONS (10 MARKS)

ANSWER ALL THE QUESTIONS

SECTION B: CONSISTS OF 4 QUESTIONS

ANSWER ALL 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: R Pretorius
SECTION A

(20 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. The cost of money is called:
   (a) dividends paid.
   (b) wages paid.
   (c) inflation.
   (d) interest paid.

2. The repo rate is the rate which the Reserve Bank:
   (a) charges individuals who make loans.
   (b) charges companies on their overdraft facilities.
   (c) charges other banks.
   (d) All of the above.

3. When investors make decisions on interest bearing assets they should always base them on:
   (a) effective interest rates.
   (b) efficient interest rates.
   (c) effluent interest rates.
   (d) affluent interest rates.

4. Three independent banks offer the following interest rate structures for an investment. Which one do you think is the preferred offer?
   (a) Bank One: 16% compounded annually
   (b) Bank Two: 15.5% compounded quarterly
   (c) Bank Three: 15% compounded daily
   (d) All will be the same.

5. Capital budget decisions are based on:
   (a) accounting profits.
   (b) cash flows.
   (c) cost of sales.
   (d) market influence.
6. Payback period refers to:
   (a) periods used to evaluate proposed investments.
   (b) number of years to recover the initial investment.
   (c) repayment of a grudge.
   (d) (a) and (b)

7. Annual business reports submitted to the relevant authorities are referred to as:
   (a) status reports.
   (b) stately reports.
   (c) statutory reports.
   (d) All of the above.

8. The abbreviation SDL stands for:
   (a) Service Delivery Level.
   (b) Skills Development Levy.
   (c) Skills Development Level.
   (d) Service Delivery List.

9. VAT returns must be sent to SARS (South African Revenue Services):
   (a) monthly.
   (b) every second month.
   (c) quarterly.
   (d) annually.

10. The EMP201 return reports on:
    (a) PAYE.
    (b) UIF.
    (c) SDL.
    (d) All of the above. [10]

(ii) **TRUE OR FALSE QUESTIONS**

Indicate whether the following statements are true or false. Motivate all your answers.

1. A manager of any business will perform three basic tasks.
2. Being late for work is considered an uncontrollable cost.
3. Disciplinary action can only be taken against subordinates.
4. Preventative and Directive are the only basic internal controls exercised by organisations.
5. The SAICA (South African Institute of Chartered Accountants) has the task of ensuring that practising members of the profession do their work. [5 × 2 = 10]

[20]
SECTION B (80 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1

(a) Explain what *marginal costs* are. (3)

(b) Name the two categories of non-manufacturing costs. (4)

(c) Explain what *sunk costs* are. (3)

(d) Gem Services are experiencing a downturn in their business and decide to rent out part of the building that they are renting. There are two parties interested in renting 2 000 and 1 500 square metres each.

   Total area is 5 000 square metres.
   Total rental cost is R30 000.

   Calculate the rental Gem and each of the interested parties will be liable for. (8)

(e) Explain what a *break-even point* is. (2)

QUESTION 2

(a) Protheus Chemicals purchase 50 litre containers of resin as a base for their chemical plant operations.

   The cost per container is R1 200.
   Usage is 36 000 containers per annum.
   The cost of placing an order and receiving it is R900 per container.
   Annual carrying cost per container is R13.

   Ignore VAT calculations.
   There is no opening stock.

   Use an order size of 800 and calculate the following:

   i. Number of orders placed in a year (3)
   ii. Annual ordering costs (3)
   iii. Average quantity in inventory (3)
   iv. Annual holding cost (3)
   v. Total annual cost of inventory (3)

(b) Explain the term *lead time*. (3)

(c) What does the abbreviation EOQ stand for? (1)

(d) Name one of the three methods used to apportion overheads. (1)
QUESTION 3

The following information is an extract from the books of Tempest Enterprises:

- Cash purchases of direct material: 287,500
- Transport cost of direct material paid from petty cash: 49,450
- Direct labour: 88,550
- Indirect labour: 39,100
- Indirect material: 28,750
- Maintenance: Factory: 17,825
- Sundry manufacturing overheads: 16,445
- Electricity (60% relates to factory): 162,150
- Depreciation of factory equipment: 69,000
- Depreciation of office equipment: 15,295
- Salaries: Admin staff: 74,750
- Selling expenses: 39,100
- Rent (50% relates to the factory): 126,500

Inventory on hand:

- Direct material: 2011/11/01 140,300 2012/10/31 118,750
- Work in process: 127,650 163,299
- Finished goods: 258,750 195,200

You are required to:

Complete the following accounts in the general ledger:

- Direct labour
- Manufacturing overheads
- Work in process
QUESTION 4

(a) List six reasons why businesses prepare budgets. (6)

(b) Dennis McDonald wants to start saving for his future. He received a few tips on how to do this. However, he has never done these calculations before and asked you to assist him. His income is made up as follows:

He is a waitron at the local steakhouse

Hourly rate is R25. The business applies a 10% service charge to every bill which is paid to the waitron.

He works on average every month:
   16 × 6 hour shifts during the week,
   and 8 × 8 hour shifts over weekends;
   he serves 5 tables every 2 hours;
   the average bill per table is R600 during weekdays, and R1 000 over weekends.

You are required to:

i. Calculate his total basic monthly income. (5)

ii. Calculate his total monthly income. (9) [20]

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