NOVEMBER 2013 EXAMINATION

DATE: 13 NOVEMBER 2013

TIME: 14H00 – 16H30    TOTAL: 100 MARKS

DURATION: 2½ HOURS    PASS MARK: 40%

(QL-11 / AU-55)

BOOKKEEPING AND ACCOUNTING 1

THIS EXAMINATION PAPER CONSISTS OF 4 SECTIONS:

SECTION A: CONSISTS OF:
   (i) 10 MULTIPLE-CHOICE QUESTIONS (10 MARKS)
   (ii) 10 MATCHING-STATEMENT QUESTIONS (10 MARKS)

SECTION B: CONSISTS OF 4 SHORT QUESTIONS
   ANSWER ALL THE QUESTIONS (20 MARKS)

SECTION C: CONSISTS OF 4 LONG ANSWER QUESTIONS
   ANSWER ALL THE QUESTIONS (40 MARKS)

SECTION D: CONSISTS OF 3 INTERPRETATIVE QUESTIONS
   ANSWER ANY ONE OF THE QUESTIONS (20 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.
(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. Owner’s Equity =:
   (a) Assets + Liabilities
   (b) Assets – Liabilities
   (c) Current Assets – Current Liabilities
   (d) Current Assets + Current Liabilities

2. A mortgage bond is an example of:
   (a) a non-current liability.
   (b) a non-current asset.
   (c) a current liability.
   (d) an asset.

3. VAT is an acronym for:
   (a) Value Added Tax.
   (b) Value after Tax.
   (c) Valley and Tears.
   (d) Volley and Toss.

4. Vat amount × 114 ÷ 14 =:
   (a) VAT exclusive price.
   (b) amount of VAT.
   (c) VAT inclusive price.
   (d) VAT payable to SARS.

5. Our business buys goods and services on credit from a supplier. We will receive an original tax invoice from the supplier which our bookkeeper must record in the:
   (a) petty cash journal.
   (b) debtors journal.
   (c) creditors journal.
   (d) cash payments journal.

6. The bank account used by a business is called the:
   (a) current account.
   (b) trust account.
   (c) special savings account.
   (d) loan account.
7. Proprietary accounts are often referred to as the:
   (a) accounts of the owner(s).
   (b) assets of the business.
   (c) company general ledger.
   (d) property register accounts.

8. Double entry bookkeeping means:
   (a) every item must be doubled before posting.
   (b) all accounts must be shown twice.
   (c) that each transaction will involve at least two accounts.
   (d) all accounts are kept in two books.

9. A debtor is a person or a business that:
   (a) is unable to pay its debts.
   (b) owes our business money.
   (c) gives us goods without paying for them.
   (d) our business owes money to.

10. A creditor is a person or business:
    (a) who has done our business a favour.
    (b) who owes our business money.
    (c) to whom we sell our inventory.
    (d) to whom our business owes money.
(ii) MATCHING-STATEMENT QUESTIONS

Match the statements in Column B to the terms in Column A. Write down the answers only, for example 1. (a).

<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. non-current assets</td>
<td>(a) these goods are not subject to VAT</td>
</tr>
<tr>
<td>2. current assets</td>
<td>(b) the difference between the selling price and the cost price of the article sold</td>
</tr>
<tr>
<td>3. zero-rated supplies</td>
<td>(c) an account which offsets another account</td>
</tr>
<tr>
<td>4. exempt supplies</td>
<td>(d) resources that are not expected to be turned into cash within one year</td>
</tr>
<tr>
<td>5. cash transaction</td>
<td>(e) the amount added to the cost price in determining the selling price</td>
</tr>
<tr>
<td>6. assets</td>
<td>(f) VAT is charged on these goods at a rate of 0%</td>
</tr>
<tr>
<td>7. commission received</td>
<td>(g) is paid for at the point of sale</td>
</tr>
<tr>
<td>8. gross profit</td>
<td>(h) is an example of an income account</td>
</tr>
<tr>
<td>9. mark-up</td>
<td>(i) resources that are expected to be turned into cash within one year</td>
</tr>
<tr>
<td>10. contra account</td>
<td>(j) are all the cash or potential (and expected) inflows of cash to the business</td>
</tr>
</tbody>
</table>
SECTION B: SHORT QUESTIONS (20 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1
List six examples of expense accounts. [6]

QUESTION 2
What are the benefits of extending a credit line to customers? [2]

QUESTION 3
Explain the difference between a perpetual system and a periodic system for inventory. [6]

QUESTION 4
Describe the procedure for calculating the cost of sales. [6]

[20]
SECTION C: LONG ANSWER QUESTIONS (40 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1

On 28 February 2013, S Sole sent a statement to Sabie Dealers of their account as it appeared in his debtors ledger:

Debtor: Sabie Dealers

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 Jan 2013</td>
<td>Account supplied</td>
<td>750</td>
<td>00</td>
</tr>
<tr>
<td>3 Feb 2013</td>
<td>Goods: Invoice I46</td>
<td>1 076</td>
<td>40</td>
</tr>
<tr>
<td>8 Feb 2013</td>
<td>Goods: Invoice I57</td>
<td>225</td>
<td>00</td>
</tr>
<tr>
<td>12 Feb 2013</td>
<td>Bank receipt: R103</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>18 Feb 2013</td>
<td>Goods: Invoice I83</td>
<td>2 890</td>
<td>95</td>
</tr>
<tr>
<td>22 Feb 2013</td>
<td>Credit note: CN43</td>
<td></td>
<td>28</td>
</tr>
<tr>
<td>27 Feb 2013</td>
<td>Bank receipt: R223</td>
<td></td>
<td>223</td>
</tr>
<tr>
<td>28 Feb 2013</td>
<td>Amount owing</td>
<td></td>
<td>591</td>
</tr>
</tbody>
</table>

By comparing the above statement with S Sole's account in Sabie Dealers' creditors ledger, the following was discovered:

- During January 2013, S Sole charged VAT @ 14% on a zero-rated supply. The VAT inclusive amount shown on the invoice was R2 758,80.
- The goods purchased on 8 February, according to invoice I57, was incorrectly recorded by Sabie Dealers and S Sole. The purchase was subject to a trade discount of 25%, but only 10% was allowed.
- Merchandise was purchased on 9 February for R113,30 as per invoice I66. The invoice was not recorded on the monthly statement.
- The bookkeeper of Sabie Dealers erroneously recorded receipt no. R103 at R10,00.
- S Sole failed to allow the advertised trade discount of 10% on invoice I83.
- Sabie Dealers returned goods on 22 February and received credit note no. CN43 for R28,10. Sabie Dealers had, however, recorded purchases returns for R48,10 in S Sole's account.
- Sabie Dealers purchased merchandise worth R200,00 from T Sole on 24 February, but credited the entry to S Sole's account.
- On 28 February, Sabie Dealers paid R500,00 to S Sole. S Sole did not record the amount on the monthly statement.

You are required to:

Draw up the remittance advice that Sabie Dealers would have sent to S Sole on 28 February 2013. [14]
QUESTION 2

Use a diagram to illustrate the bookkeeping and accounting cycle for a full financial period of one year. [8]

QUESTION 3

Indicate the type of account that each of the following accounts are. Choose from: non-current asset; current asset; non-current liability; current liability; income; expense; proprietary account.

(a) Bank overdraft
(b) Interest on overdraft
(c) Savings account
(d) Machinery
(e) Petty cash
(f) Creditors control
(g) Credit card account (outstanding amount R500)
(h) Drawings
(i) Rates and taxes
(j) Trading inventory [10]

QUESTION 4

Calculate the values for (a) to (h) in the following table. Write only the letter and your answer:

<table>
<thead>
<tr>
<th>Mark-up on cost</th>
<th>Cost price (Excluding VAT)</th>
<th>Profit (Excluding VAT)</th>
<th>Selling Price (Excluding VAT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>200,00</td>
<td>(a)</td>
<td>(b)</td>
</tr>
<tr>
<td>25%</td>
<td>(c)</td>
<td>(d)</td>
<td>600,00</td>
</tr>
<tr>
<td>75%</td>
<td>(e)</td>
<td>600,00</td>
<td>(f)</td>
</tr>
<tr>
<td>(g)</td>
<td>(h)</td>
<td>300,00</td>
<td>600,00</td>
</tr>
</tbody>
</table>

[8]

[40]
QUESTION 1

A bank offers a range of different accounts. Complete the table below:

<table>
<thead>
<tr>
<th>Account</th>
<th>Purpose</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings account</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit card</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current accounts</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: You need to redraw this table in your answer book. [20]

OR

QUESTION 2

September 2013 was the third month of trading for Numbi Dealers, a registered VAT vendor that trades only with other registered vendors that are able to supply them with valid tax invoices. The business uses a perpetual inventory system. The following information relates to all the transactions that Numbi Dealers entered into during September 2013 that affected the general journal. The most recent journal voucher number was JV8, issued on 31 August 2013.

Day  | Transaction details
---   |---------------------------------------------------
1    | The owner, Gigi Numbi, made a capital contribution in the form of a computer with a fair value of R18 000. Since the computer was purchased more than six months ago, no notional VAT input was allowed by SARS.
5    | The owner took trading inventory that would have been sold to the public for R4 731, including VAT, for personal use. The mark-up on cost was \( \frac{1}{33.3\%} \).
16   | The owner took trading inventory that would have been sold to the public for R5 928, including VAT. The mark-up on the selling price was 40 \%.
18   | The owner took office stationery for use by his son, since it is the start of the new school year. The stationery was brand new, and was purchased a few days ago for R479,32 including VAT.
19   | Received a cheque for R995 from a debtor, Jason Smith, in full settlement of his account of R1 010.
27   | Received a cheque for R3 800 from a debtor, Tiny Govender, in full settlement of her account. Trixie owed R1 130,67 on 1 September 2013. On 3 September 2013 she purchased trading goods from Numbi Dealers for R 3455,20, including VAT. Some of these goods were returned by Tiny
on 4 September and Numbi Dealers issued a credit note for R722,80 (including VAT) to settle the issue.

30 Received an e-mail from a debtor's bank informing us that an EFT was made into our current bank account. The amount of the transfer was R22 087,50, which constituted a full settlement of Tammy Ramaloko's account after a discount of 5% was granted.

You are required to:

Interpret the information given above, and make the necessary entries in the general journal of Numbi Dealers for September 2013. [20]

OR

QUESTION 3

After completing the bank reconciliation process for Partner Suppliers for April 2011 the following was noted:

1. Items not recorded in the cashbook receipts:
   Total before taking into account the amendments listed below: R88 421,84
   - Stale cheque – Cq855 R1 156,62
   - Direct deposit – L Bing R2 319,72
   - Direct deposit – VAT refund R4 626,48
   - Business error on deposit – CS149 R1 000,00

2. Items not recorded in the cashbook payments:
   Total before taking into account the amendments listed below: R17 736,77
   - R/d - M Mort R7 073,75
   - Bank charges R560,26
   - Interest charged R528,00
   - Debit order – Telephone and fax R2 891,55
   - Debit order – Insurance R5 278,35

3. Items not recorded or incorrectly by the bank:
   Balance as per bank statement, Dr R20 403,84
   - Outstanding cheques:
     - Cq1141 R2 313,24
     - Cq1151 R2 385,60
     - Cq1152 R1 516,49
   - Outstanding deposits:
     - CS150 R 7 957,97
     - CS151 R19 452,80
• Cheque no, Cq1145 was under cast, R20
• Cheque no, FGF300 was incorrectly debited to the business’s account, R1 677.10
• Cheque no, Cq1147 was erroneously debited twice on the bank statement, R354.74

You are required to:

Use the relevant information given above to compile the bank reconciliation statement as at 30 April 2011.

Note: Only the bank reconciliation statement is required; you need not complete the supplementary cashbook receipts or the supplementary cashbook payments. [20]

Section A: 20 marks
Section B: 20 marks
Section C: 40 marks
Section D: 20 marks
TOTAL: 100 MARKS