higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

APPLIED ACCOUNTING

(First paper)
NQF LEVEL 4

(3011004)

18 February 2025 (X-paper)
09:00–12:00

Non-programmable calculators may be used.

This question paper consists of 12 pages and an answer book of 14 pages.

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)
APPLIED ACCOUNTING
NQF LEVEL 4
(First paper)
TIME: 3 HOURS
MARKS: 200

INSTRUCTIONS AND INFORMATION

1. Answer all the questions in the ANSWER BOOK provided.
2. Read all the questions carefully.
3. Do not remove any pages from the ANSWER BOOK.
4. Show all the calculations.
5. Use the table below to guide you on how much time to spend answering each question.
6. Use only a black or blue pen.
7. Write neatly and legibly.

QUESTIONS	TOPICS	MARKS	RECOMMENDED TIME GUIDE
SECTION A			
1	Short questions	30	27 minutes
2	Calculation questions	30	27 minutes
SECTION B			
3	Adjustments	40	36 minutes
4	Profit and loss calculations	30	27 minutes
5	Financial statements	50	45 minutes
6	Influence on accounting equation	20	18 minutes
		200	**180 minutes**

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SECTION A

QUESTION 1

1.1 Various possible options are given as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (1.1.1–1.1.5) in the ANSWER BOOK.

1.1.1 Which of the following correctly represents the accounting equation?

A Assets = Sales – Cost of sales
B Liabilities = Assets + Owners' equity
C Owners' equity = Assets + Liabilities
D Assets = Owners' equity + Liabilities

1.1.2 The following list of assets appeared in the books of Arc Stores as at 31 December 2023, the end of its financial year. All assets were purchased on 31 December 2022.

Land @ cost price	R425 000
Equipment @ cost price	R96 000
Motor vehicles @ cost price	R128 000

Depreciation is calculated on cost price @ 10% on all the applicable assets.

The depreciation on Land is …

A R42 500
B R9 600
C R12 800
D R0

1.1.3 Refer to the information in QUESTION 1.1.2.

Calculate the equipment net carrying amount that will be recorded in the Balance Sheet as at 31 December 2023.

A R96 000
B R9 600
C R86 400
D R64 900

1.1.4 Depreciation is a/an … in a business.

A current liability
B income
C current asset
D expense

1.1.5 This is NOT a basic principle in accounting:

A Income increases the owners' equity.
B Assets increase on the credit side in the General Ledger account.
C Expenses are recorded in the Income Statement.
D Liabilities increase on the credit side.

(5 × 1) (5)

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1.2 Indicate whether the following statements are TRUE or FALSE by writing only 'True' or 'False' next to the question number (1.2.1–1.2.5) in the ANSWER BOOK.

1.2.1 A trading stock deficit is recorded in the Balance Sheet.

1.2.2 At the end of the financial year the Sales account is closed off to the Trading account.

1.2.3 The debtors allowances amount must be subtracted from the debtors control amount in the Post-Adjustment Trial Balance.

1.2.4 The bank overdraft is a current liability to the business.

1.2.5 A net loss decreases the owners' equity.

(5 × 1) (5)

1.3 The following list of General Ledger accounts appeared in the records of Quick Fix Stores on 31 December 2023, the end of the financial year:

1.3.1 Fixed deposit: Cola Bank (9%)

1.3.2 Prepaid expense

1.3.3 Cost of sales

1.3.4 Creditors control

1.3.5 Income received in advance

1.3.6 Bad debts

1.3.7 Sales

1.3.8 Bank (Cr)

1.3.9 Trading stock

1.3.10 Bad debts recovered

REQUIRED

Indicate each of the above General Ledger Accounts with an 'X' next to the relevant question number in one of the categories in the table in the ANSWER BOOK.

Example: Vehicle

	ASSETS	OWNERS EQUITY	LIABILITIES
Example	***X***		

(10)

1.4 Study the information below and answer the questions that follow.

Sales		625 000
Debtors allowance		3 600

REQUIRED

1.4.1 Calculate the cost of sales (mark-up is 125% on cost). Round off the answer to the nearest rand. Show all the calculations. (3)

1.4.2 Differentiate between the purpose of an *Income Statement* and that of a *Balance Sheet.* (4)

1.4.3 Why is the Income Statement a very useful tool to all business owners? (1)

1.4.4 Give TWO possible reasons for the gross profit being much greater than the net profit in a business. (2)
[30]

QUESTION 2

2.1 The following information was extracted from the records of Phakati Traders on 30 September 2023, the end of the financial year.

Extract from the Pre-adjustment Trial Balance:

Rent income	R99 420

ADDITIONAL INFORMATION (ADJUSTMENTS)

- Received rent of R2 400 per month from SH Properties until 31 May 2023. There was an annual increase of 10% on rent effective from 1 June 2023.
- Rent of R3 850 was received from DD Agencies on 30 September 2023 but was erroneously posted to the Commission Received account.
- A new rental agreement was drawn up between Phakati Traders and TMN Rental Agencies commencing from 1 September 2023. Monthly rent of R1 980 must be paid by TMN Rental Agencies on the 25th of each month. The instalments for two months have been received and recorded by the business.

2.1.1 Prepare the Rent Income account in the General Ledger of Phakati Traders on 30 September 2023. Close off this account correctly. (9)

2.1.2 In which financial statement will rent income be recorded? (1)

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2.2 The following balances appeared in the books of Gina Machinists on 31 July 2023, the end of the financial year.

Bank (Unfavourable)	R18 700
Petty cash	R2 450
Cash float	R5 200

The following transactions have not yet been recorded in the books of the business:

- The owner increased his capital by R20 000 on 30 July 2023.
- Stationery was purchased on 13 July 2023 for R500. During posting, the cash float account was erroneously debited with this transaction. Correct the error.
- The owner took R500 from the petty cash for fuel for his personal vehicle on 31 July 2023.
- Paid R5 000 to SGI Incorporated for accounting fees on 31 July 2023, the last day of the financial year.
- A debtor, P Nkosi, paid 50% of his outstanding balance on 31 July 2023. His total balance was R27 800.

2.2.1 Use the information provided above to complete and balance the Bank account in the General Ledger of Gina Machinists on 31 July 2023. (9)

2.2.2 In which note in the balance sheet will a favourable Bank balance be recorded? (1)

2.2.3 Complete the note in the balance sheet on 31 July 2023 where cash float will be recorded. Show all the calculations in brackets. (7)

2.2.4 Journalise the correction of error transaction on 13 July 2023. No narrations are required. (3)

[30]

TOTAL SECTION A: 60

SECTION B

QUESTION 3

The following Pre-adjustment Trial Balance was extracted from the records of De Flora Relax Spa on 31 May 2023, the last day of the financial year.

PREADJUSTMENT TRIAL BALANCE OF DE FLORA RELAX SPA ON 31 MAY 2023

	FOL	DEBIT		CREDIT	
Balance sheet accounts section					
Capital (1 June 2022)	B1			550 000	00
Drawings	B2	58 400	00		
Equipment	B3	136 800	00		
Accumulated depreciation on equipment	B4			27 400	00
Vehicles	B5	440 000	00		
Accumulated depreciation on vehicles	B6			126 400	00
Land and buildings	B7	420 000	00		
Trading stock	B8	17 600	00		
Bank	B9	4 900	00		
Petty cash	B10	1 500	00		
Cash float	B11	1 200	00		
Debtors control	B12	39 450	00		
Fixed deposit: Khao Bank (10%)	B13	225 000	00		
Loan: Maya Bank (13%)	B14			320 000	00
Provision for bad debts	B15			3 205	00
Creditors control	B16			41 760	00
Nominal accounts section					
Sales	N1			669 950	00
Cost of sales	N2	222 202	00		
Debtors allowances	N3	4 400	00		
Bank charges	N4	3 000	00		
Consumable stores	N5	976	00		
Cleaning	N6	7 897	00		
Interest on fixed deposit	N7			22 500	00
Interest on loan	N8	23 400	00		
Leasing charges	N9	31 400	00		
Refreshments	N10	12 405	00		
Rent income	N11			50 000	00
Staff training	N12	14 980	00		
Telephone	N13	24 505	00		
Wages	N14	57 400	00		
Water and electricity	N15	63 800	00		
		1 811 215	00	1 811 215	00

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ADJUSTMENTS

1. Depreciation on vehicles and equipment is provided for as follows:

   1.1 Vehicles at 10% per annum on the diminishing balance method. Take into account a new vehicle for Thai Massage On the Go was purchased on 31 March 2023 for R150 000. This entry has not yet been recorded in the books of the business.

   1.2 Equipment at 12% per annum on the straight-line method.

2. A physical-stock taking on 31 May 2023 revealed the following on hand:

   - Trading stock R16 000
   - Consumable stores R400

3. Three new employees were sent on a two week Thai massage training course at a cost of R5 600 per employee. The payment to the training company is still due.

4. A debtor, S. Molefe, has vanished without paying her May account. She received her weekly massages @ R300 each (there are 5 weeks in May 2023). She cannot be traced and is now declared insolvent. Sixty-five percent of her debt was received from her estate. The balance must be written off as irrecoverable. No entry was recorded with regards to these transactions.

5. Adjust the provision for bad debts to 6% of debtors.

6. On 1 January 2023, the business took an additional loan from Maya Bank for R150 000 to repair damages incurred to the property after a severe storm. The loan was correctly recorded in the books of the business. Adjust the interest on loan.

   REQUIRED

   Record the adjustments in the General Journal of De Flora Relax Spa on 31 May 2023. Narrations are not required. Round off the answers to the nearest rand. Where applicable, show all workings in the answer sheet. **[40]**

QUESTION 4

REQUIRED

Open the following accounts in the general ledger of Andamanda Traders and post the closing transfers to them. Balance/Close off the accounts on 30 November 2023:

4.1 Capital account (5)

4.2 Sales account (4)

4.3 Insurance account (5)

4.4 Profit and loss account (where necessary, show all workings) (16)

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The following Post-Adjustment Trial Balance appeared in the books of Andamanda Traders on 30 November 2023, the last day of the financial year.

POST-ADJUSTMENT TRIAL BALANCE OF ANDAMANDA TRADERS ON 30 NOVEMBER 2023

	FOL	DEBIT		CREDIT	
Balance sheet accounts section					
Capital (1 December 2022)	B1			350 000	00
Drawings	B2	26 000	00		
Fixed deposit: Surin Bank (12%)	B3	65 000	00		
Land and buildings	B4	100 000	00		
Motor vehicles	B5	175 000	00		
Accumulated depreciation on motor vehicles	B6			35 400	00
Equipment	B7	86 400	00		
Accumulated depreciation on equipment	B8			19 800	00
Trading stock	B9	52 500	00		
Bank	B10	17 360	00		
Cash float	B11	800	00		
Debtors control	B12	33 899	00		
Prepaid expense: Insurance	B13	2 050	00		
Accrued expense	B14			1 980	00
Creditors control	B15			55 555	00
Nominal accounts section					
Sales	N1			526 491	00
Cost of sales	N2	222 400	00		
Debtors allowances	N3	1 800	00		
Bad debts	N4	4 000	00		
Bad debts recovered	N5			3 650	00
Depreciation	N6	8 400	00		
Electricity and water	N7	33 333	00		
General expenses	N8	4 444	00		
Insurance	N9	24 950	00		
Interest on fixed deposit	N10			7 800	00
Legal fees	N11	18 150	00		
Packing material	N12	4 300	00		
Rates and taxes	N13	36 450	00		
Salaries and wages	N14	63 400	00		
Telephone	N16	20 040	00		
		1 000 676	00	1 000 676	00

[30]

QUESTION 5

Use the information that was extracted from the books of Similan Traders on 31 December 2023, the financial year end, to prepare the following:

5.1 Income Statement for the year ended on 31 December 2023. (25)

5.2 Balance Sheet as at 31 December 2023. Show ONLY the notes required in the ANSWER BOOK.

NOTE: Where applicable, show all workings in brackets.
Round off your answers to the nearest rand. (25)

ADJUSTMENTS

1. Received R1 125 from a debtor, S. Van Der Merwe, whose account was previously written off as a bad debt. This entry was not recorded in the books of the business.

2. Depreciation on equipment and vehicles is provided for as follows:

   - Vehicles at 10% per annum on the diminishing balance method.
   - Equipment at 11% per annum on the cost-price method.

3. A debtor S. Mazibuko disappeared and cannot be traced. Write off his debt of R1 234 as irrecoverable.

4. Create the provision for bad debts to 6% of debtors.

5. A physical stocktaking on 31 December 2023 revealed the following on hand:

   - Trading stock R48 000
   - Packing material R300

6. The owner withdrew R300 from the business bank account to purchase data for his private cellular phone. No entry was recorded with regard to this transaction.

7. The business paid R1 250 per month for legal fees (before the increase). There was a 10% increase in legal fees on 1 January 2024.The business has already paid the legal fees until 31 March 2024.

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PREADJUSTMENT TRIAL BALANCE OF SIMILAN TRADERS ON 31 DECEMBER 2023

	FOL	DEBIT		CREDIT	
Balance sheet account section					
Capital (1 January 2023)	B1			450 000	00
Drawings	B2	40 500	00		
Land and buildings	B3	200 000	00		
Vehicles	B4	256 400	00		
Accumulated depreciation on vehicles	B5			72 400	00
Equipment	B6	154 500	00		
Accumulated depreciation on equipment	B7			40 760	00
Trading stock	B8	49 600	00		
Bank	B9			33 279	00
Petty cash	B10	1 000	00		
Debtors control	B11	49 463	00		
Mortgage Loan: Racha Bank (11%)	B12			50 000	00
Creditors control	B13			32 690	00
Nominal accounts section					
Sales	N1			431 190	00
Cost of sales	N2	199 900	00		
Debtors allowances	N3	1 690	00		
Accounting fees	N4	14 600	00		
Bad debts	N5	3 050	00		
Interest on loan	N6	5 500	00		
Legal fees	N7	19 125	00		
Packing material	N8	1 980	00		
Printing and stationery	N9	3 600	00		
Property rates	N10	23 980	00		
Rent received	N11			66 000	00
Salaries and wages	N12	85 460	00		
Telephone	N14	10 991	00		
Water and electricity	N15	54 980	00		
		1 176 319	00	1 176 319	00

[50]

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QUESTION 6

Analyse the transactions from the books of Follow your Coral Boutique on 31 March 2024, the last day of the financial year. The business sells clothing.

Show the account to be debited and the account to be credited in the General Ledger. Show the effects on the elements of the accounting equation. Show an increase with **+**, and a decrease with **–** and no effect with **0**.

Use the table in the ANSWER BOOK to analyse the transactions.

EXAMPLE:

Paid Caltex for fuel, R200 cash.

Number	GENERAL LEDGER		EFFECT ON ACCOUNTING EQUATION		
	Account Debited	Account Credited	Assets	Owner's Equity	Liabilities
Example	*Fuel*	*Bank*	*- 200*	*- 200*	*0*

REQUIRED

6.1 The owner took R700 from the business's bank account and gave it to his son for birthday lunch with a friend.

6.2 The balance for Trading Stock in the Trial Balance on 31 March 2024, the last day of the financial year was R268 222. According to the physical stocktaking on that date, the value of the stock on hand was R265 000.

6.3 The business has been receiving rentals of R3 600 per month from 2019. There was an annual increase of 5% in rentals effective from 1 January 2024. The rentals for April 2024 were already received. Record the adjustment only.

6.4 The business donated 40 girls dresses costing R400 each and 25 boys tracksuit sets costing R300 each to the Miracle Mission Children's Home for Christmas.

6.5 Insurance was paid until May 2024. Monthly insurance premiums are R5 000. Record the adjustment only.

(5 × 4) **[20]**

TOTAL SECTION B: 140
GRAND TOTAL: 200

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