higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

APPLIED ACCOUNTING

(First paper)

NQF LEVEL 4

(3011004)

23 November 2022 (X-paper)
09:00–12:00

A nonprogrammable calculator may be used.

This question paper consists of 13 pages and an answer book of 13 pages.

561Q1N2223

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TIME: 3 HOURS
MARKS: 200

INSTRUCTIONS AND INFORMATION

1. Answer all the questions.
2. Read all the questions carefully.
3. Answer all the questions in the ANSWER BOOK provided.
4. Show all calculations.
5. Do not remove any pages from the ANSWER BOOK.
6. Use the table below to guide you on how much time to spend answering each question.
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 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 Mr Ximba's salary for the following financial year that was paid in the current financial year, is referred to as …

A accrued expense.
B income received in advance.
C prepaid expense.
D accrued income.

1.1.2 The drawings account is closed off to the … account at the end of the year.

A capital
B profit and loss
C sales
D trading

1.1.3 Which ONE of the following classifications of accounts is not correct?

	Current assets	Equity	Current liabilities
A	Prepaid expense	Capital	Income received in advance
B	Petty cash	Drawings	Bank (Dr)
C	Accrued income	Capital	Creditors control
D	Cash float	Drawings	Accrued expense

1.1.4 The financial statement used to determine the financial position of a business:

A Income statement
B Balance sheet
C Cash flow
D Trial balance

1.1.5 The journal entry to record the closing-off of the cost of sales account:

A Debit 'Trading account' and credit 'Cost of sales'
B Debit 'Cost of sales' and credit 'Trading stock'
C Debit 'Cost of sales' and credit 'Trading account'
D Debit 'Trading stock' and credit 'Cost of sales'

(5 × 1) (5)

1.2 Choose a description from COLUMN B that matches a term in COLUMN A. Write only the letter (A–G) next to the question number (1.2.1–1.2.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.2.1	Overdraft	A	decrease in the value of an asset over a specific period as a result of it being used by the business
1.2.2	Bad debt	B	outstanding balance of creditors that cannot be paid
1.2.3	Net profit	C	when a debtor cannot settle an account and the account is written off as irrecoverable
1.2.4	Diminishing-balance method	D	method of depreciation based on the book value of the asset
1.2.5	Closing transfers	E	journal entries transferring the totals of the nominal accounts to the final accounts at the end of the financial year
		F	overdrawn bank balance
		G	final profit calculated in the income statement

(5 × 1) (5)

1.3 Sanele Malinga opened up an arts and craft store called Artworks.

He started trading on 1 March 2020. After the first year of trading, on 28 February 2021, the following accounts and balances appeared in the books of Artworks:

Cash in the bank	10 540	00
Loan: Colour Bank (12%)	40 000	00
Laptop and magic jet printer	22 405	00
Canvas Man (creditor)	6 509	00
Assorted paints (trading stock)	33 333	00
Capital	100 000	00
Drawings	12 500	00
Sales	95 000	00
Marketing costs	4 500	00
Cost of sales	25 650	00
Water and electricity	11 111	00
Telephone	4 850	00
Rent expense	22 000	00

1.3.1 Explain to Sanele the difference between *gross profit* and *net profit*. (2 + 2) (4)

1.3.2 Sanele acquired the loan from Colour Bank on 1 December 2020 to expand his business. The loan is payable over four years.

Calculate the interest on the loan for the year ended on 28 February 2021. (3)

1.3.3 In which note in the balance sheet will the interest on the loan be recorded? (1)

1.3.4 Is the loan regarded as a current liability or a noncurrent liability? (1)

1.3.5 From the given list of accounts, help Sanele to identify TWO assets which will be listed in the balance sheet. (2)

1.3.6 Identify a current asset that is not listed in Artworks' list of balances. (1)

1.3.7 Calculate the net profit for the year. Show all calculations. (5)

1.3.8 Calculate Artworks' owner's equity on 28 February 2021. (3)
[30]

QUESTION 2

2.1 The following information was extracted from the records of Fishing Pro Stores on 31 May 2021, which is the last day of its financial year:

Fixed deposit: Carp Bank (12%)	R550 000
Mortgage loan: Bass Bank (14%)	R200 000
Interest on loan	R12 200
Interest on fixed deposit	R24 440

Additional information:

- The fixed deposit was made on 1 January 2018. The interest rate changed from 11% to 12% on 31 December 2020.
- An additional fixed deposit of R200 000 was made on 1 April 2021 and has not yet been recorded in the books of the business.

2.1.1 Calculate the interest on the fixed deposit that will appear in the income statement on 31 May 2021. Round off the answer to the nearest rand. (8)

2.1.2 Calculate the amount that will appear in the notes to the balance sheet on 31 May 2021 under the trade and receivables for accrued income (interest on fixed deposit). (2)

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2.2 Use the following balances from the books of TA Bridal Boutique on 30 June 2021, its financial year end, to answer the questions that follow:

Bank (Dr)	R24 760
Petty cash	R1 700
Cash float	R55 200

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

- The owner increased his capital from R120 000 to R215 000 on the last day of the financial year.
- The owner withdrew R480 cash from the business's bank account for her daughter's school fees.
- The wages of the HR manager, R5 000, was erroneously paid from the cash float account instead of the bank account. Correct the error.
- R700 was paid from the petty cash to PNA Stationers for stationery purchased.

2.2.1 Prepare and balance the bank account on 30 June 2021. (5)

2.2.2 In which note in the balance sheet will petty cash be recorded? (1)

2.2.3 Complete the note in the balance sheet where petty cash is recorded. Show all calculations in brackets. (6)

2.2.4 Journalise the correction of the error relating to the HR manager's wages. No narrations are required. (3)

2.3 VME Publishers conducted a stocktake on 28 February 2022, which is the last day of its financial year. According to the physical stocktake, the trading stock on hand is R994 000. The balance in the trading stock account is R1 000 000.

Additional information (no entry was recorded in the books):

- The owner took stock to the value of R1 700 for personal use. The stock was taken after the physical stocktake.

2.3.1 Calculate the trading stock deficit on 28 February 2022. (3)

2.3.2 Which amount will be recorded in the trading stock note in the balance sheet on 28 February 2022? (1)

2.3.3 Which type of account is inventory? (1)

[30]

TOTAL SECTION A: 60

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SECTION B

QUESTION 3

The following pre-adjustment trial balance was extracted from the records of Kushal's Boutique on 30 June 2021, which is the last day of the financial year.

PRE-ADJUSTMENT TRIAL BALANCE OF KUSHAL'S BOUTIQUE ON 30 JUNE 2021

	FOL.	DEBIT		CREDIT	
Balance sheet account section					
Capital (1 July 2020)	B1			200 000	00
Drawings	B2	25 000	00		
Equipment	B3	61 400	00		
Accumulated depreciation on equipment	B4			5 960	00
Vehicles	B5	214 000	00		
Accumulated depreciation on vehicles	B6			23 000	00
Land and buildings	B7	300 000	00		
Trading stock	B8	49 300	00		
Bank	B9	7 200	00		
Petty cash	B10	1 000	00		
Cash float	B11	5 000	00		
Debtors' control	B12	22 400	00		
Fixed deposit: Star Bank (11%)	B13	90 000	00		
Loan: Sun Bank (13%)	B14			150 000	00
Provision for bad debts	B15			2 200	00
Creditors control	B16			33 300	00
Nominal accounts section					
Sales	N1			635 190	00
Cost of sales	N2	204 400	00		
Debtors' allowances	N3	1 000	00		
Bad debts recovered	N4			1 650	00
Bank charges	N5	2 050	00		
Dry cleaning cost	N6	3 020	00		
Insurance	N7	7 200	00		
Interest on fixed deposit	N8			1 900	00
Interest on loan	N9	6 000	00		
Postage	N10	1 380	00		
Rental income	N11			17 170	00
Stationery	N12	3 720	00		
Wages	N13	42 700	00		
Water and electricity	N14	23 600	00		
		1 070 370	**00**	**1 070 370**	**00**

ADJUSTMENTS:

1. The business acquired a loan from Sun Bank on 1 March 2021 to use for repairs to the building caused by the recent unrest in the country. This amount was received by the business and recorded in the books. Adjust the interest on the loan.

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

   2.1 Vehicles at 12% per annum on the diminishing-balance method.

   2.2 Equipment at 10% per annum on the straight-line method. Consider that a new barcode scanner was purchased on 1 October 2020 for R4 000. This entry has already been recorded in the books of the business.

3. A physical stocktake on 30 June 2021 has revealed the following on hand:

   - Trading stock R49 000
   - Stationery R900

4. A cheque of R1 450 to TCC Cleaners for dry cleaning was erroneously posted to the bank charges account. Correct the error.

5. A debtor, I. Insane, who owes the boutique R3 000, has been declared insolvent. 75% of his debt was received from his estate. The balance must be written off as irrecoverable. No entry was recorded with regard to these transactions.

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

7. Half the insurance paid relates to the next financial year.

REQUIRED:

Record the adjustments in the general journal on 30 June 2021. Narrations are not required. Round off answers to the nearest whole. Where applicable, show all workings in the answer sheet. **[40]**

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QUESTION 4

The following post-adjustment trial balance appeared in the books of Covid Traders on 31 December 2021, which is the last day of the financial year.

POST-ADJUSTMENT TRIAL BALANCE OF COVID TRADERS ON 31 DECEMBER 2021

	FOL.	DEBIT		CREDIT	
Balance sheet account section					
Capital (1 January 2021)	B1			500 000	00
Drawings	B2	90 000	00		
Land and buildings	B3	800 000	00		
Equipment	B4	203 500	00		
Accumulated depreciation on equipment	B5			57 200	00
Fixed deposit: Moon Bank (11%)	B6	75 000	00		
Trading stock	B7	176 800	00		
Bank	B8	30 700	00		
Cash float	B9	300	00		
Debtors' control	B10	21 400	00		
Prepaid expense	B11	2 900	00		
Accrued income	B12	1 800	00		
Creditors' control	B13			49 310	00
Accrued expense	B14			1 900	00
Nominal accounts section					
Sales	N1			1 325 000	00
Cost of sales	N2	420 320	00		
Debtors' allowances	N3	1 900	00		
Courier and postage	N4	4 150	00		
Depreciation	N5	52 400	00		
Interest on fixed deposit	N6			6 650	00
Packing material	N7	3 550	00		
Property maintenance	N8	5 440	00		
Rates and taxes	N9	18 100	00		
Rent expense	N10	14 600	00		
Rent income	N11			29 650	00
Salaries and wages	N12	29 100	00		
Staff training	N13	11 450	00		
Stationery	N14	2 900	00		
Telephone	N15	3 400	00		
		1 969 710		**1 969 710**	

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Open the following accounts in the general ledger of Covid Traders and post the closing transfers to them. Balance/Close off the accounts on 31 December 2021.

4.1	Capital	(5)
4.2	Drawings	(2)
4.3	Sales	(4)
4.4	Trading account	(4)
4.5	Profit and loss account	(15)

(Show all workings where necessary)

[30]

QUESTION 5

PRE-ADJUSTMENT TRIAL BALANCE OF DM FISHING STORE ON 28 FEBRUARY 2022

	FOL	DEBIT		CREDIT	
Balance sheet account section					
Capital (1 March 2021)	B1			700 000	00
Drawings	B2	30 000	00		
Land and buildings	B3	650 000	00		
Vehicles	B4	250 000	00		
Accumulated depreciation on vehicles	B5			80 330	00
Equipment	B6	131 800	00		
Accumulated depreciation on equipment	B7			37 300	00
Trading stock	B8	71 700	00		
Bank	B9	9 740	00		
Petty cash	B10	1 800	00		
Debtors control	B11	32 445	00		
Mortgage loan: Peace Bank (10%)	B12			70 000	00
Creditors control	B13			30 000	00
Nominal accounts section					
Sales	N1			807 000	00
Cost of sales	N2	401 550	00		
Debtors' allowances	N3	6 650	00		
Accounting fees	N4	14 370	00		
Bad debts	N5	2 605	00		
Insurance	N6	17 600	00		
Interest paid	N7	10 000	00		
Legal fees	N8	8 730	00		
Printing and stationery	N9	4 230	00		
Property repairs and maintenance	N10	12 150	00		
Rates and taxes	N11	11 800	00		
Rent income	N12			35 000	00
Telephone	N13	2 780	00		
Wages	N14	78 480	00		
Water and electricity	N15	11 200	00		
		1 759 630	00	1 759 630	00

Use the information extracted from the books of DM Fishing Store on 28 February 2022, which is its financial year end, to prepare the following:

5.1. Income statement for the year ended on 28 February 2022 (26)

5.2. Balance sheet as on 28 February 2022 – Show only the notes required in the ANSWER BOOK. (24)

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Adjustments:

1. The owner took two professional fishing rods, costing R5 500 each (selling price R9 200 per fishing rod), and gifted it to her fiancé for a fishing competition.

2. Included in the insurance amount is an annual insurance premium of R6 000 paid annually on 1 January. This policy was taken out seven years ago.

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

   - Vehicles at 10% per annum on the diminishing-balance method.
   - Equipment at 12% per annum on the cost-price method.

4. Write off the debt of Omicron Covid for R1 390 as irrecoverable.

5. Create a provision for bad debts at 5% of debtors.

6. A physical stocktake on 29 February 2020 revealed the following on hand:

   - Trading stock R60 000
   - Printing and stationery R1 400

7. Rent has been received up until 30 April 2022.

NB: Show all workings in brackets where applicable. Round off answers to the nearest whole. **[50]**

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QUESTION 6

Analyse the transactions from the books of Mix and Match Supermarket on 31 December 2021, which is the last day of the financial year.

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 a + and a decrease with a – and no effect with 0. Use the table in the ANSWER BOOK to analyse the transactions.

EXAMPLE: *Paid YAB Stationers for stationery by cheque, R200.*

Number	General ledger		Effect on the accounting equation		
	Account debited	**Account credited**	**Assets**	**Owner's equity**	**Liabilities**
Example	*Stationery*	*Bank*	*-200*	*-200*	*0*

Required:

6.1 The following related to sales for the year:

- Cash sales R333 000
- Credit sales R67 000
- Cost of sales R150 000

Close off the sales account for the year. Show the effect of this closing transfer on the accounting equation. (4)

6.2 The owner increased her capital by 15%. The original capital amount invested was R225 000. (4)

6.3 A new touchscreen cash register was purchased on credit for R6 600 from XPS Computer Stores. (4)

6.4 The telephone account for December 2021 has not yet been paid, R7 200. (4)

6.5 The business donated the following stock items to the Aryan Benevolent Old-age Home in Glencoe as Christmas hampers:

Toiletries	R260
Groceries	R380
Cleaning material	R100
Christmas gifts	R125

A total of 15 Christmas hampers were donated. (4)
[20]

TOTAL SECTION B: 140
GRAND TOTAL: 200

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