higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

# NATIONAL CERTIFICATE (VOCATIONAL)

## APPLIED ACCOUNTING
### NQF LEVEL 3

(3011003)

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

**Non-programmable calculators may be used.**

**This question paper consists of 12 pages and a 17-page answer book.**

041Q1N2204

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**TIME: 3 HOURS**
**MARKS: 200**

## INSTRUCTIONS AND INFORMATION

1. Answer all the questions.
2. Read all the questions carefully.
3. Number the answers according to the numbering system used in this question paper.
4. Use the TABLE below to guide you in how much time to spend answering each question.
5. No pages should be removed from the ANSWER BOOK.
6. Show all calculations.
7. Start each question on a new a page.
8. Use only blue or black ink.
9. Write neatly and legibly.

| QUESTIONS | TOPICS | MARKS | RECOMMENDED TIME GUIDE |
|---|---|---|---|
| **SECTION A** | | | |
| 1 | Multiple-choice questions | 20 | 18 minutes |
| 2 | Short theoretical questions | 30 | 27 minutes |
| 3 | Short theoretical questions | 30 | 27 minutes |
| **SECTION B** | | | |
| 4 | Subsidiary journals | 60 | 65 minutes |
| 5 | General ledger | 20 | 15 minutes |
| 6 | Financial year end and Statements | 30 | 20 minutes |
| 7 | Accounting equation | 10 | 10 minutes |
| | **TOTAL** | **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 Which financial statement displays the revenues and expenses of a company for a period of time?

A Income statement
B Balance sheet
C Cash flow statement
D Statement of stockholder's equity

1.1.2 What is the main purpose of financial accounting?

A Organise financial information.
B Provide useful financial information to outsiders.
C Keep track of company expenses.
D Minimise company taxes.

1.1.3 Which of these is not included as a separate item in the basic accounting equation?

A Assets
B Income
C Liabilities
D Stockholder's equity

1.1.4 The format that displays debits, credits, and balances, as headings.

A Final account
B General Journal
C General Ledger
D Ledger account

1.1.5 A contra asset account has what type of balance?

A Debit
B Credit
C Contra
D All of the above.

1.2 Choose an item from COLUMN B that matches a description 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 | The maximum amount of time a debtor is allowed to take to pay his/her debt | A | interest received |
| 1.2.2 | Debtors written off who are likely not to pay their accounts | B | interest |
| 1.2.3 | The levy charged on debtors that do not pay on time | C | bad debts |
| 1.2.4 | The maximum amount a debtor is allowed to buy goods on credit | D | credit limit |
| 1.2.5 | Policies and procedures aimed at controlling the granting of credit | E | National Credit Act |
| | | F | bad debts recovered |
| | | G | credit terms |

(5 × 1) (5)

1.3 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'True' or 'False' next to the question number (1.3.1–1.3.5) in the ANSWER BOOK.

1.3.1 VAT input is the value-added tax that is charged to customers.

1.3.2 Any business with sales of more than R200 000 must register as a VAT vendor.

1.3.3 Certain basic foods and essential items are zero-rated to assist the poor.

1.3.4 Most businesses mark their stock with the selling price including VAT.

1.3.5 VAT is payable when VAT output exceeds VAT input.

(5 x 1)

1.4 Analyse the following items if whether the item is VAT exempt, zero-rated or taxed at 15% VAT by making a cross (X) in the appropriate column provided in the ANSWER BOOK.

| | Goods/Services | VAT exempt | 0% | 15% |
|---|---|---|---|---|
| 1.4.1 | Brown bread | | | |
| 1.4.2 | New cash register | | | |
| 1.4.3 | Diesel | | | |
| 1.4.4 | School fees for public school | | | |
| 1.4.5 | Furniture | | | |

(5 × 1) (5)
**[20]**

## QUESTION 2

Mr M Record is the owner of Records (Pty) Ltd, that buys and sells goods on credit. Records (Pty) Ltd hired you as an intern to balance and reconcile its debtors control account because its current intern is not feeling well. Due to the COVID-19 lockdown there were many retrenchments, and most clients cannot pay their accounts on time.

Required:

2.1 Name TWO ways that Records (Pty) Ltd can use to encourage its customers to pay on time. (2 × 2) (4)

2.2 Mention TWO control measures that Records (Pty) Ltd can implement before it grants credit to its customers. (2 × 2) (4)

2.3 Records (Pty) Ltd's current intern did not record all transactions carefully. You are asked is to prepare the correct debtors control according to your NC(v)'s Level 3 accounting knowledge gained throughout the year, using the information provided below. (18)

2.4 Prepare the correct debtors list for Records (Pty) Ltd. (4)

| GENERAL LEDGER OF RECORDS (PTY) LTD | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Dr | DEBTORS CONTROL | | | | | | | | Cr |
| 2020 June | 1 | Balance | b/d | 13 460 | 2020 June | 30 | Bank and discount allowed | CRJ | 36 690 |
| | 30 | Sales | DJ | 51 560 | | | Debtors allowance | DAJ | 13 520 |
| | | Bank | CPJ | 7 500 | | | Journal credit | GJ | 1 290 |
| | | Journal debit | GJ | 0 | | | Balance | c/d | 21 020 |
| | | | | 72 520 | | | | | 72 520 |
| July | 1 | Balance | | 21 020 | | | | | |
| | | | | | | | | | |

**Debtors List**

| **Details** | **Amount** |
|---|---|
| M Alex | R3 800 |
| B Randall | R4 790 |
| D Scott | R8 340 |
| A Anthony | R2 690 |
| **TOTAL** | **R19 630** |

Additional information

As a newly appointed intern, you discovered the following errors and omissions.

1. B Randal's account must be written off as irrecoverable.

2. M Alex paid R1500 on his account and it was recorded correctly in the general ledger but not posted to his personal account.

3. The sales column from the debtors journal was overcast by R2 210 and debtors allowances from the debtors allowances journal was undercast by R280.

4. A Anthony returned goods worth R1 110, which was recorded as a credit sale and posted as such.

5. Goods sold to D Scott for R2 440 was posted to the general ledger and debtors ledger correctly. The transaction was posted incorrectly to his personal account as R2 040.

6. A cheque of R600 received from A Anthony was dishonoured due to insufficient funds. The transaction had a discount allowed of R30 and no entries were made.

**[30]**

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## QUESTION 3

3.1 You are hired to help at Alex Traders because its current bookkeeper had an appointment to get vaccinated. Alex Traders is registered as a VAT vendor with a 15% rate. You have discovered multiple amounts missing from the previously recorded transactions.

Information

| | Excluding VAT | VAT amount | Including VAT |
|---|---|---|---|
| Sales on credit | R960 | (a) | R1 104 |
| Purchase of stock | | (b) | R60 490 |
| Purchase of equipment | R65 000 | | (c) |
| Telephone paid | (d) | R720 | |
| Cash sales | | (e) | R112 470 |

NOTE: The amount of R112 470 included zero-rated goods that should have been sold for R5 500. The bookkeeper accidentally added a VAT amount of R825 on these goods. This error must be corrected.

Required:

3.1.1 Calculate the missing figures indicated by (a) to (e) in the table provided. Show all your calculations. (15)

3.1.2 Differentiate between *VAT input* and *VAT output.* (2 × 2) (4)

3.1.3 What does the abbreviation *VAT* stand for? (1)

3.2 You are instructed to correct the Trial balance of Alex Traders for June 2021.

| | Folio | Debit | Credit |
|---|---|---|---|
| Land and buildings | | 21 000 | |
| Equipment | | | 5 000 |
| Telephone | | | 3 200 |
| Bank (negative balance) | | | 8 800 |
| Sales | | 19 800 | |
| **Nominal Account section** | | | |
| Loan | | 16 500 | |
| Cost of sales | | | 12 500 |
| Salaries | | | 10 550 |
| **Balance sheet section** | | | |
| Creditor's control | | 8 600 | |
| Rent income | | 8 700 | |
| | | | |

(10)
**[30]**

**TOTAL SECTION A: 80**

## SECTION B

## QUESTION 4

Flybe's Dealers is a registered company that buys and sells trading stock from other VAT registered companies. The owner, Mr Flyer is impressed with your NC(v) Level 3 academic performance and requested that you complete your work-based exposure at Flybe's Dealers during the September holidays. The business uses a 40% mark-up on cost on all its goods and services.

Required:

Use the information provided to complete the following journals, September 2021. Round off to the nearest Rand.

| | | |
|---|---|---|
| 4.1 | Cash receipts journal | (16) |
| 4.2 | Cash payments journal | (14) |
| 4.3 | Debtors journal | (10) |
| 4.4 | Debtors allowances journal | (4) |
| 4.5 | Creditors journal | (10) |
| 4.6 | Creditors allowances journal | (2) |
| 4.7 | General journal | (4) |

Information

1. B Richardson (the owner) took a cell phone for his son. The phone originally cost R700 and has a retail price of R1 260.

2. Credit card sales not yet recorded; R4000 VAT exclusive. Source document CRR20.

5. Purchased inventory on credit from Nokia for R11 000 and received its invoice 01.

6. Paid DHL for carriage on purchases by cheque, R180.

7. It was discovered that the stationery purchased on 26 September 2020 for R650 was entered into the Trading inventory column in the Cash Payments Journal for September. Correct the error.

9. Mr Flyer bought a cell phone from Cellcom Traders on credit for R3 060, invoice 02.

10. Postnet sent us an invoice for R60 for delivering the cell phone to Mr Jones. We have charged the delivery to his account.

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13. D Fraud, a debtor, had previously sent us a cheque for R475 in settlement of his account after allowing 5% discount. This had been recorded correctly. The cheque has now been returned by the bank marked R/D on account of insufficient funds. The discount must also be cancelled.

13.
- 600 was received from J Wei, our tenant. He was issued with receipt 01.
- We received R40 from AB bank for interest earned on our current account.

14. A cheque of R800 was sent to Bidvensure. This was for the monthly insurance premium, CH02.

16. Repairs to the roof of the building, R3 000 have been incorrectly debited to the Land and Buildings Account.

17. Part of the building has been rented to Marecha since 1 August 2020 for R 3 025 per month, receipt 02.

17. Sold goods for cash for R4 200 CRR 21.

20. Bought equipment on credit and received invoice 03 from Delta Suppliers for R3 800 VAT exclusive.

21. Received cheque no. 899 from Delta Suppliers, a creditor for the refund payment of an over-payment made in March.

22. Sold goods to Mr Spide for R3 600, issued invoice 106 for deliveries and issued cheque 106, R360.

23. Total credit sales to Ms Samuels R 4300 VAT exclusive, cost price R2 100, issued invoice 107.

24. Returned goods back to Nokia because of inferior quality, debit note 10.

25. Purchased machinery on credit from Maputla Stores for R10 200, received invoice 04.

26. Sold goods cash for R2 020, CRR22.

26. Paid for water and electricity at City of Cape Town and issued cheque 102, R3 600.

27. Cheque received from a client was returned due to insufficient funds.

27. M Samuels returned goods worth R2 000 issued credit note 24.

**[60]**

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## QUESTION 5

M McGregor is the owner of McGregor Furniture and provided you with the information from the business, October 2021. The business uses the continuous stock system to manage trading stock with a mark-up on cost of 50%.

M McGregor requested you to use the information provided to answer all necessary questions:

Information:

| GENERAL LEDGER OF McGREGOR FURNITURE | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Dr | TRADING STOCK | | | | | | | | Cr |
| 2021 Oct | 1 | Balance | b/d | 148 000 | 2021 Oct | 31 | Cost of sales | CRJ | **C** |
| | | Creditor's control | **A** | 54 800 | | | **D** | DJ | 60 000 |
| | | **B** | CPJ | 20 000 | | | **E** | CAJ | 3 850 |
| | | Cost of sales | DAJ | 1 845 | | | Drawings | GJ | **F** |
| | | | | | | | Donation | GJ | **G** |
| | | | | | | | Balance | c/d | ? |
| | | | | 224 645 | | | | | 224 645 |
| Nov | 1 | Balance | b/d | | | | | | |

Required:

5.1 Fill in the missing details for labels A, B, D, E. (4 × 2) (8)

5.2 Total sales for October 2021 were R150 000. Calculate the amount for C. (2)

5.3 Explain the entry on the credit side of R3 850. (2)

5.4 Stock with a selling price of R6 000 and cost price of R4 000 was donated to a neighbourhood primary school.

Calculate the missing detail G. (2)

5.5 The owner took drawings of R5 000. R3 000 was recorded in the CPJ; the balance was for goods taken for personal use. These goods were marked with a selling price of R3 000.

Complete the missing detail F. (2)

5.6 The stock keeps going missing from the business, and Mr McGregor suspects that both customers and staff are stealing from his business.

Explain how internal control measures can be put in place to prevent theft. (4)

**[20]**

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## QUESTION 6

Information extracted from the pre-adjustment trial balance of Zama Stores September 2021.

Required:

Use the information provided below to complete the following:

6.1 Trading account (4)

6.2 Profit and loss account (10)

6.3 Notes to the Balance sheet account (10)

6.4 Balance sheet account (6)

Information

**Trial Balance of Zama Stores – September 2021**

| | Debit | Credit |
|---|---|---|
| **Balance sheet account section** | | |
| Capital | | 150 000 |
| Drawings | 25 500 | |
| Land and buildings | 56 320 | |
| Equipment | 11 200 | |
| Vehicles | 78 020 | |
| Fixed Deposit: Absa Bank (12% p.a.) | 50 000 | |
| Debtors Control | 8 500 | |
| Trading stock | 36 000 | |
| Bank | 5 000 | |
| Cash float | 500 | |
| Petty cash | 800 | |
| Creditors' control | | 39 000 |
| **Nominal Accounts Section** | | |
| Sales | | 125 000 |
| Commission income | | 13 640 |
| Cost of sales | 45 500 | |
| Packing material | 600 | |
| Water and electricity | 15 000 | |
| Wages and salaries | 13 900 | |
| Telephone | 2 800 | |
| Insurance | 7 000 | |
| Rent income | | 30 000 |
| Repairs | 5 600 | |
| Interest received | | 7 800 |
| Stationery | 3 200 | |
| | **365 440** | **365 440** |

**[30]**

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**QUESTION 7**

The following information was extracted from the books of Doutsure Traders in September 2021

Analyse the following transactions according to the format provided in the ANSWER BOOK.

e.g. Business paid for packing material, R 580 and issued cheque 100.

| No | Source document | GENERAL LEDGER | | Assets | Owner's Equity | Liabilities |
|---|---|---|---|---|---|---|
| | | Account Debit | Account Credit | | | |
| E.g. | Cheque 100 | Packing material | Bank | -580 | -580 | 0 |

7.1 Sold goods on credit for R3 800, mark-up on cost 50% and issued duplicate invoice 8.

7.2 Bought equipment on credit from Master KG Stationery, received original invoice 10.

(2 × 5) **[10]**

**TOTAL SECTION B: 120**

**GRAND TOTAL: 200**

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