higher education & training

Department:
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NATIONAL CERTIFICATE (VOCATIONAL)

APPLIED ACCOUNTING
(First Paper)

NQF LEVEL 4

(3011004)

28 November 2019 (X-Paper)
09:00–12:00

Non-programmable calculators may be used.

This question paper consists of 12 pages and an answer book of 13 pages.

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TIME: 3 HOURS
MARKS: 200

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions in the attached ANSWER BOOK.
2. Read ALL the questions carefully.
3. Number the answers according to the numbering system used in this question paper.
4. Show ALL calculations.
5. NO pages may be removed from the ANSWER BOOK.
6. Use the table below as a guide on how much time to spend on each question.
7. Write neatly and legibly.

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

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SECTION A

QUESTION 1

1.1 Various options are given as possible answers to the following questions. Choose the correct 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 Statement used to determine the financial performance of a business:

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

1.1.2 Water and electricity still outstanding at the end of a financial period is referred to as …

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

1.1.3 The following information appeared in the books of Bala Bala Traders on 31 January 2018:

- Trading stock according to trial balance – R123 800
- Trading stock according to actual stock take – R123 000

The amount recorded in the income statement as trading stock deficit is …

A R123 800.
B R123 000.
C R800.
D R246 800.

1.1.4 Refer to QUESTION 1.1.3 to determine which amount will be recorded in the inventory note in the balance sheet:

A R123 800
B R123 000
C R800
D R246 800

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1.1.5 Petty cash is classified as a/an …

A noncurrent asset.
B current liability.
C current asset.
D expense.

(5 × 1) (5)

1.2

The Dig Pink Drive held their annual volleyball tournament at the UKZN indoor arena on 31 December 2018. During the tournament income came from the following:

- Selling of branded clothing
- Donations
- Rental of stalls

Sales of branded clothing at the tournament:

CLOTHING DESCRIPTION	SALES
Men's over 40	R12 000
Ladies' over 35	R5 000
Men's junior	R4 000
Ladies' junior	R3 500
Total sales	R24 500

- Men's clothing was marked-up at 60% on cost
- Ladies' clothing was marked-up at 25% on cost

Other income:

- Donations – R23 800
- Rental from stalls – R1 500 per stall (total of 15 stalls)

Other expenses:

- Rent per day – R2 000 (arena used for 3 days)
- Cleaners per day – R600 (hired for 4 days)
- Refreshments – R3 200
- Other – R6 600

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1.2.1 Use the information to calculate the following. Show ALL calculations and round off the answers to the nearest whole:

(a) Total cost of sales (6)

(b) Gross profit (2)

(c) Total other income (3)

(d) Gross income (2)

(e) Total other expenses (6)

(f) Net profit/loss (3)

1.2.2 To which account will ALL the other expenses be closed off at the end of the financial year? (1)

1.2.3 The Dig Pink Drive has not prepared an income statement for the past two years.

Briefly explain to them the purpose of an income statement. (2)

[30]

QUESTION 2

2.1 Below is an extract of the preadjustment trial balance from the books of Aluminium Master on 30 November 2018, the end of its financial year.

	DEBIT	CREDIT
Capital		R200 000
Drawings	R6 800	
Trading stock	R26 500	
Creditors' control		R36 800
Accrued income	R3 100	
Accrued expense		R1 800
Prepaid expense (insurance)	R1 450	
Income received in advance		R2 020
Rates and taxes	R23 500	

The net loss for the year amounted to R15 870 before considering any of the adjustments below which have NOT yet been recorded in the books of the business.

- The owner increased his capital to R250 000 on the last day of the financial year.
- The owner took stock for his personal use, selling price R6 000 (cost price R2 640).
- The rates and taxes for October and November 2018 are still outstanding.

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Answer the following questions and show ALL workings:

2.1.1 Calculate the amount that will appear on the balance sheet on 30 November 2018 in respect of the inventory. (2)

2.1.2 How much will be recorded in respect of rates of taxes in the income statement on 30 November 2018? (3)

2.1.3 Calculate the net profit/loss after taking the adjustments into consideration. (2)

2.1.4 Show the entry in the general journal to record the profit/loss calculated in QUESTION 2.1.3 above. (2)

2.1.5 In which note of the balance sheet will income received in advance be recorded? (1)

2.1.6 Complete the note in the balance sheet in which income received in advance will be recorded. (4)

2.1.7 Show the effect that the prepaid insurance has on the accounting equation. (2)

2.1.8 Calculate the drawings that will appear in the balance sheet. (2)

2.1.9 Complete the note to capital in the balance sheet. (4)

2.2 The following information appeared in the books of Rainbow Angels on 31 October 2018, the end of its financial year:

Inventory	R26 500
Trade and other debtors	R14 700
Petty cash	R440
Cash float	R710
Bank (Cr)	R2 310
Capital	R70 000
Total equity and liabilities	R220 000

Calculate the following on 31 October 2018:

2.2.1 Total current assets (4)

2.2.2 Total noncurrent assets (2)

2.2.3 Total liabilities (2)

[30]

TOTAL SECTION A: 60

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SECTION B

QUESTION 3

The following preadjustment trial balance was extracted from the records of Phindies Dance Academy on 30 September 2018, the last day of its financial year:

PREADJUSTMENT TRIAL BALANCE OF PHINDIES DANCE ACADEMY ON 30 SEPTEMBER 2018

	FOL	DEBIT		CREDIT	
Balance sheet account section		R		R	
Capital (1 October 2017)	B1			400 000	00
Drawings	B2	54 800	00		
Land and buildings	B3	150 000	00		
Vehicle	B4	245 100	00		
Accumulated depreciation vehicles	B5			45 800	00
Equipment	B6	89 650	00		
Accumulated depreciation on equipment	B7			15 801	00
Fixed deposit: Pear Bank (8%)	B8	100 000	00		
Trading stock	B9	50 500	00		
Bank	B10	23 560	00		
Petty cash	B11	1 200	00		
Cash float	B12	850	00		
Debtors' control	B13	36 980	00		
Loan: Paw Bank (12%)	B14			150 000	00
Creditors' control	B15			35 980	00
Provision for bad debts	B16			5 080	00
Nominal accounts section					
Sales	N1			445 322	00
Cost of sales	N2	215 408	00		
Debtors' allowances	N3	8 600	00		
Advertising	N4	18 045	00		
Cleaning	N5	6 980	00		
Computer expenses	N6	12 705	00		
Interest on loan	N7	8 064	00		
Packing material	N8	2 980	00		
Rates and taxes	N9	14 008	00		
Bad debts	N10	1 907	00		
Salaries and wages	N11	23 053	00		
Staff training	N12	12 999	00		
Staff training refund	N13			7 971	00
Water and electricity	N14	28 565	00		
		1 105 954	00	1 105 954	00

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ADJUSTMENTS

1. The owner, Phindie Zwane, increased her capital by 15% on the last day of the financial year. This entry has not yet been recorded.

2. A loan was taken out on the 31 March 2018. Adjust the interest on loan.

3. A physical stock taking on 30 September 2018 revealed the following on hand:

   - Trading stock R49 000
   - Packing material R600

4. A debtor, N. Koekemoer, has been declared insolvent. She owes the dance academy R2 600 of which 20% was received from her estate. The balance must be written off as irrecoverable. NO entries were made regarding these transactions.

5. Adjust the provision for bad debts to 6% of the debtors. Round off the answer to the nearest rand.

6. Due to the growing demands of the dance academy Phindi hired a new dancing instructor, Ziya Mthethwa, on 1 September 2018. She paid SCD Professional Dance School R4 000 per day to train him. The training stretched over a total of five days.

7. Phindies Dance Academy was refunded R300 per day for the five days of Ziya Mthethwa's training as they did not provide him with meals as initially discussed.

8. Depreciation on vehicles and equipment is provided for as follows (round off the answer to the nearest whole):

   8.1 Vehicles at 12% per annum on the at the diminishing balance method

   8.2 Equipment at 10% per annum at the straight-line method. Take into account that new equipment of R8 000 was purchased on 1 September 2018. This entry has not yet been recorded in the books of the business.

9. A cheque of R2 500 for cleaning services was erroneously posted to the advertising account. Correct the error.

10. The salary of Ziya Mthethwa for September 2018 has not yet been paid due to problems with his bank account. He earns R2 500 per week. There are four weeks in September.

REQUIRED

Record the adjustments in the general journal of Phindies Dance Academy on 30 September 2018. Narrations are NOT required. Round off answers to the nearest rand. **[40]**

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QUESTION 4

The following postadjustment trial balance appeared in the books of Sunrise Fruiterers on 30 June 2018, the last day of its financial year.

POSTADJUSTMENT TRIAL BALANCE OF SUNRISE FRUITERERS ON 30 JUNE 2018

	FOL	DEBIT		CREDIT	
Balance sheet account section		R		R	
Capital (1 July 2017)	B1			220 000	00
Drawings	B2	18 700	00		
Land and buildings	B3	100 000	00		
Motor vehicles	B4	168 700	00		
Accumulated depreciation on motor vehicles	B5			45 600	00
Fixed deposit: Lala Bank (9%)	B6	69 800	00		
Trading stock	B7	42 000	00		
Bank	B8	36 500	00		
Cash float	B9	500	00		
Debtors control	B10	26 980	00		
Accrued income	B11	4 650	00		
Prepaid expense	B12	2 690	00		
Creditors control	B13			59 808	00
Income received in advance (Commission received)	B14			6 905	00
Accrued expense	B15			14 050	00
Nominal accounts section					
Sales	N1			345 253	00
Cost of sales	N2	123 900	00		
Debtors allowances	N3	4 000	00		
Accounting fees	N4	18 900	00		
Bad debts	N5	3 650	00		
Commission received	N6			42 500	00
Computer expenses	N7	9 605	00		
Depreciation	N8	18 650	00		
Electricity and water	N9	26 590	00		
Interest on fixed deposit	N10			16 001	00
Legal costs	N11	11 250	00		
Packing material	N12	6 390	00		
Trading stock deficit	N13	440	00		
Wages	N14	56 222	00		
		750 117	00	750 117	00

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REQUIRED

Open the following accounts in the general ledger of Sunrise Fruiterers and post the closing transfers to them. Balance/Close off ALL these accounts as on 30 June 2018.

4.1	Capital	(4)
4.2	Cost of sales	(2)
4.3	Commission received	(4)
4.4	Trading account	(5)
4.5	Profit and loss account	(15)
		[30]

QUESTION 5

Use the following information from the books of Ice Cream Parlour on 31 December 2018, the end of its financial year to prepare the following:

5.1	Income statement for the year ended 31 December 2018	(26)
5.2	Balance sheet as at 31 December 2018. Show ONLY the notes required in the ANSWER BOOK. **NOTE:** Where applicable, show ALL workings in brackets. Round off ALL answers to the nearest whole.	(24)

ADJUSTMENTS

1. A physical stock taking on 31 December 2018 revealed the following on hand:

   - Trading stock R56 000
   - Printing and stationery R299

2. Write off the debt of Parson Mathabane, for R300 as irrecoverable.

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

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

   - Equipment at 10% per annum at the cost-price method.
   - Vehicles at 13% per annum at the diminishing-balance method

5. Adjust the interest on the fixed deposit. An additional deposit of R25 000 was made on 30 June 2018. This entry was already recorded in the books.

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6. Rent has been received until 31 January 2019. There was an annual increase of 10% per month on rent from 1 December 2018. Monthly rent before the increase was R4 000.

7. A contractor has been paid for repairs on machinery until 31 January 2019.

PREADJUSTMENT TRIAL BALANCE OF ICE CREAM PARLOUR ON 31 DECEMBER 2018

	FOL	DEBIT		CREDIT	
Balance sheet account section		R		R	
Capital (1 January 2018)	B1			200 000	00
Drawings	B2	25 000	00		
Land and buildings	B3	150 000	00		
Vehicles	B4	105 000	00		
Accumulated depreciation on vehicles	B5			36 000	00
Equipment	B6	56 080	00		
Accumulated depreciation on equipment	B7			13 048	00
Fixed deposit: Minnie Bank (10%)	B8	125 000	00		
Trading stock	B9	56 904	00		
Bank	B10			26 050	00
Petty cash	B11	450	00		
Cash float	B12	500	00		
Debtors control	B13	45 805	00		
Creditors control	B13			46 968	00
Nominal accounts section					
Sales	N1			606 190	00
Cost of sales	N2	236 988	00		
Debtors allowances	N3	6 988	00		
Bad debts	N4	2 366	00		
Computer expenses	N5	6 540	00		
Insurance	N6	13 555	00		
Interest on fixed deposit	N7			8 555	00
Postage	N8	986	00		
Printing and stationery	N9	1 999	00		
Rates and taxes	N10	15 488	00		
Property tax	N11	66 000	00		
Rent received	N12			52 800	00
Repairs to machinery	N13	3 900	00		
Salaries and wages	N14	45 697	00		
Telephone	N15	6 477	00		
Water and electricity	N16	17 888	00		
		989 611	00	989 611	00

[50]

QUESTION 6

Analyse the transactions from the books of NTN Cellular as on 30 November 2018, 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 +, and a decrease with – and no effect with 0.

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

EXAMPLE: *Paid Telkom for telephone by cheque, R1 356*

Number	GENERAL LEDGER		EFFECT ON ACCOUNTING EQUATION		
	Account debited	Account credited	Assets	Owner's equity	Liabilities
Example	*Telephone*	*Bank*	*-1 356*	*-1 356*	*0*

REQUIRED

6.1 The business purchased FIVE cellular phones (inventory) for R4 000 each on credit from Cellular World. (4)

6.2 The owner took a Samsung S8 (stock) for his personal use. Selling price is R7 500 (cost price is R4 400). (4)

6.3 Rent received of R5 000 was incorrectly recorded as rent expense and posted as such to the general ledger.

6.3.1 Correct the above error

6.3.2 Record the rent received correctly

(2 × 4) (8)

6.4 Commission received of R3 500 has been erroneously posted to the rent received account. Correct this error. (4)

[20]

TOTAL SECTION B: 140
GRAND TOTAL: 200

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