higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

APPLIED ACCOUNTING

(First paper)

NQF LEVEL 4

(3011004)

25 November 2020 (X-paper)
09:00–12:00

A nonprogrammable calculator may be used.

This question paper consists of 11 pages and an answer book of 13 pages.

101Q1N2025

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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. Answer all the questions in the ANSWER BOOK provided.
5. Show all your calculations
6. No pages may be removed from the ANSWER BOOK.
7. Use the table below to guide you on how much time to spend answering each question.
8. 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 This is not one of the methods used to calculate depreciation:

A Straight line method
B Book value method
C Accumulated depreciation method
D Diminishing balance method

1.1.2 Bank with a credit balance in the Trial balance is classified as a/an …

A current asset.
B accrued expense.
C prepaid expense.
D current liability.

1.1.3 The insurance account is closed off to the … account at the end of the financial year.

A trading
B capital
C profit and loss
D sales

1.1.4 The journal entry to record the closing-off of the cost of sales account is …

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'.

1.1.5 … is recorded as an income in the Income statement.

A Depreciation
B Debtors allowances
C Bank charges
D Decrease in provision for bad debts adjustment

(5 × 1) (5)

1.2 The following information pertains to the trading stock account of Jubble Bubble Stores as on 31 July 2019, the end of its financial year:

Trading stock (01/08/2018)	R199 500
Credit purchases of stock	R298 000
Cash purchases of stock	R210 250
Cost of sales (all sales are on credit)	R375 040
Returns of stock	R2 870

Additional information:

- The physical stock count revealed a trading stock deficit of R2 450.
- An amount of R8 350 for equipment purchased was recorded in the trading stock account by error.

1.2.1 Use the information provided above to complete and balance the Trading stock account on 31 July 2019. (20)

1.2.2 In which financial statement is trading stock deficit recorded? (1)

1.3 Jabulani Mthembu is the owner of Bed Zone. He requested you to assist him to calculate the following, using the information below. Round off answers to the nearest whole.

Sales	R872 650,59
Debtors allowance	R2 650,59
Cost of sales (mark-up is 70% on cost)	?
Income (15% of the gross profit)	?
Expenses (one third of the gross Income)	?

1.3.1 Cost of sales (3)

1.3.2 Why is the income statement a very useful tool to all business owners? (1)

[30]

QUESTION 2

2.1 The following balances appeared in the books of PK Funeral Services on 31 May 2019, the last day of its financial year:

Bank (Cr)	R34 760
Petty cash	R1 000
Cash float	R45 200

The following transactions have NOT yet been recorded:

- The owner increased her capital by R150 000 on the last day of the financial year.
- The owner took R200 from Petty cash for personal use.
- The salary of the director, R44 000, was erroneously credited to the cash float account instead of the bank account. Correct the error.
- Paid R4 000 to NN Promoters for advertising.

2.1.1 Complete and balance the Bank account on 31 May 2019. (8)

2.1.2 Complete the note in the Balance sheet where Bank will be recorded (show all calculations in brackets). (5)

2.2 The following balances appeared in the Pre-adjustment trial balance of Flamingo Tiles on 31 December 2019:

Vehicles	R167 000
Accumulated depreciation on vehicles	R36 500

Additional information:

- Depreciation on vehicles is calculated at 10% per annum on the diminishing balance method.
- A new vehicle was purchased on credit from Cotwal Motors for R137 000 on 1 October 2019. This entry has not yet been recorded.

2.2.1 Calculate the depreciation on vehicles that will be recorded in the Income statement on 31 December 2019, the last day of the financial year. (8)

2.2.2 Calculate the amount that will be recorded in the Balance sheet for accumulated depreciation on vehicles on 31 December 2019. (3)

2.2.3 Calculate the book/carrying value of vehicles on 31 December 2019. (4)

2.2.4 What effect does the depreciation of vehicles have on the value of the vehicles? (1)

2.2.5 What effect does the depreciation of vehicles have on owner's equity? (1)

[30]

TOTAL SECTION A: 60

SECTION B

QUESTION 3

The following Pre-adjustment trial balance was extracted from the records of Siya's Deli on 30 June 2019, the last day of the financial year:

PRE-ADJUSTMENT TRIAL BALANCE OF SIYA'S DELI ON 30 JUNE 2019					
	FOL	**DEBIT**		**CREDIT**	
Balance sheet account section					
Capital (1 July 2018)	B1			650 000	00
Drawings	B2	44 400	00		
Land and Buildings	B3	235 000	00		
Vehicles	B4	304 500	00		
Accumulated depreciation on vehicles	B5			98 780	00
Equipment	B6	65 480	00		
Accumulated depreciation on equipment	B7			12 890	00
Fixed deposit: Shady Bank (9%)	B8	200 000	00		
Trading stock	B9	65 800	00		
Bank	B10	30 255	00		
Cash float	B11	1 600	00		
Petty cash	B12	2 800	00		
Debtors control	B13	65 804	00		
Creditors control	B14			95 900	00
Provision for bad debts	B15			3 158	00
Loan: Sunny Bank (14%)	B16			175 000	00
Nominal accounts section					
Sales	N1			464 600	00
Cost of sales	N2	136 383	00		
Debtors allowances	N3	4 790	00		
Rates and taxes	N4	29 050	00		
Bad debts	N5	2 050	00		
Cell phone expenses	N6	3 560	00		
Consumable stores	N7	15 800	00		
Interest on fixed deposit	N8			12 650	00
Legal costs	N9	74 650	00		
Property maintenance	N10	39 000	00		
Salaries and wages	N11	154 648	00		
Vehicle licences and registrations	N12	10 702	00		
Water and electricity	N13	26 706	00		
		1 512 978	00	1 512 978	00

ADJUSTMENTS:

1. The business made an additional investment of R50 000 on the fixed deposit on 1 May 2019. No entry was recorded in the books. Adjust the interest on the fixed deposit.

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2. A physical stock-taking on 30 June 2019 revealed the following on hand:

   - Trading stock R62 300
   - Consumable stores R300

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

   3.1 Vehicles at 15% per annum on the diminishing balance method.

   3.2 Equipment at 20% per annum on the straight-line method. Consider that new office equipment was purchased on 1 December 2018 for R25 000. This purchase has already been recorded in the books of the business.

4. A debtor, V Vundla, who owes the business R1 500, has been declared insolvent. Fifty per cent of the amount was received from his estate. The balance must be written off as irrecoverable. NO entries were made regarding these transactions.

5. Adjust the provision for Bad debts to 4% of Debtors.

6. Property maintenance for July 2019 has been paid in advance.

7. The cheque for Legal SA in respect of legal costs of R6 500 was erroneously posted to the Rates and taxes account. Correct the error.

8. The weekly wage of the driver, D Singh, is outstanding for three weeks due to strike action. After resolution with his employer and the union it was agreed that his full wage will be paid to him. He earns a wage of R1 800 per week.

REQUIRED:

Record the adjustments in the General journal on 30 June 2019. Narrations are not required. Round off all answers to the nearest whole.

- Use the space provided in the ANSWERBOOK to show all your workings. **[40]**

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QUESTION 4

The following Post-adjustment trial balance appeared in the books of Ximba Locksmith on 31 July 2019, the last day of the financial year:

POST-ADJUSTMENT TRIAL BALANCE OF XIMBA LOCKSMITH ON 31 JULY 2019					
	FOL	**DEBIT**		**CREDIT**	
Balance sheet account section					
Capital (1 August 2018)	B1			525 000	00
Drawings	B2	25 000	00		
Land and buildings	B3	238 500	00		
Vehicles	B4	157 050	00		
Accumulated depreciation on vehicles	B5			35 795	00
Fixed deposit: Limo Bank (11%)	B6	75 000	00		
Trading stock	B7	33 741	00		
Bank	B8	28 638	00		
Petty cash	B9	525	00		
Debtors control	B10	21 365	00		
Accrued income	B11	1 570	00		
Prepaid expense	B12	2 005	00		
Creditors control	B13			27 164	00
Interest received in advance	B14			2 790	00
Nominal accounts section					
Sales	N1			124 500	00
Cost of sales	N2	34 005	00		
Debtors allowances	N3	2 500	00		
Bad debts recovered	N4			5 040	00
Bank charges	N5	3 650	00		
Carriage on sales	N6	12 450	00		
Commission income	N7			1 573	00
Computer expenses	N8	2 006	00		
Postage	N9	875	00		
Rent received	N10			54 000	00
Repairs and maintenance	N11	10 505	00		
Salaries and wages	N12	74 399	00		
Staff training	N13	12 403	00		
Telephone	N14	6 070	00		
Water and electricity	N15	33 605	00		
		775 862	00	775 862	00

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REQUIRED:

Open the following accounts in the General ledger of Ximba Locksmith and post the closing transfers to them. Balance/Close off all these accounts on 31 July 2019:

4.1 Capital (5)

4.2 Sales (5)

4.3 Trading account (5)

4.4 Profit and loss account (15)
[30]

QUESTION 5

Use the information extracted from the books of The Plant Guru on 28 February 2019, its financial year end, to prepare the following:

5.1 Income statement for the year ended on 28 February 2019. (26)

5.2 Balance sheet as on 28 February 2019. Show ONLY the notes required in the ANSWER BOOK. (24)

NOTE: Where applicable, show all workings in brackets. Round off all answers to the nearest whole.

[50]

ADJUSTMENTS:

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

   - Equipment at 13% per annum on the diminishing balance method.
   - Vehicles at 11% per annum on the cost price method.

2. Adjust the interest on fixed deposit. The deposit was made on the 1 May 2015.

3. Write off the debt of D. Mabizela, a debtor, as irrecoverable, R770.

4. Create the provision for bad debts to 6% of debtors (round off your answer to the nearest whole).

5. Included in the insurance amount is an annual insurance premium of R4 000 paid annually on 1 January 2019. This policy was taken out two years ago.

6. A physical stock-taking on 28 February 2019 revealed the following on hand:

   - Trading stock R17 000
   - Stationery R820

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7. The monthly debit order for advertising was unpaid due to a bank error and is therefore still outstanding for February 2019.

PRE-ADJUSTMENT TRIAL BALANCE OF THE PLANT GURU ON 28 FEBRUARY 2019					
	FOL	**DEBIT**		**CREDIT**	
Balance sheet account section					
Capital (1 March 2018)	B1			200 000	00
Drawings	B2	12 500	00		
Equipment	B4	49 678	00		
Accumulated depreciation on equipment	B5			12 213	00
Vehicles	B6	169 440	00		
Accumulated depreciation on vehicles	B7			39 805	00
Trading stock	B9	19 250	00		
Bank	B10	49 850	00		
Cash float	B11	500	00		
Petty cash	B12	870	00		
Debtors control	B13	12 333	00		
Creditors control	B14			14 777	00
Fixed deposit: Skye Bank (15%)	B15	80 000	00		
Nominal accounts section					
Sales	N1			366 116	00
Cost of sales	N2	165 240	00		
Debtors allowances	N3	1 400	00		
Advertising	N4	6 600	00		
Bad debts	N5	3 250	00		
Cell phone expenses	N6	1 950	00		
Insurance	N7	12 858	00		
Interest on fixed deposit	N8			3 505	00
Rates and taxes	N9	17 002	00		
Rent received	N10			50 000	00
Stationery	N11	3 998	00		
Wages	N12	61 888	00		
Water and electricity	N13	17 809	00		
		686 416	00	686 416	00

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QUESTION 6

Analyse the transactions from the books of Ntsiki Bridal Shop on 31 May 2019, 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 +, a decrease with a –, and no effect with a 0.

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

EXAMPLE:

Paid PMB Times for advertising by cheque, R1 500.

Number	General ledger		Effect on the accounting equation		
	Account debited	Account credited	Assets	Owner's equity	Liabilities
Example	*Advertising*	*Bank*	*-1 500*	*- 1 500*	*0*

REQUIRED:

6.1 Paid water and electricity by cheque, R8 972. Note that the bank account was overdrawn.

6.2 Stationery on hand at the end of the financial year amounted to R235.

6.3 There was an increase in the provision for bad debts, R875.

6.4 A new laptop was purchased on 15 May 2019 for R8 700. This transaction was incorrectly posted to the Computer repairs account. Correct this error.

6.5 An amount of R1 200, previously written off as bad debt, was received from G. Gumede, a debtor.

(5 × 4) **[20]**

TOTAL SECTION B: 140
GRAND TOTAL: 200

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