higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

FINANCIAL MANAGEMENT
NQF LEVEL 2

(3011012)

11 December 2020 (X-paper)
09:00–12:00

This question paper consists of 11 pages and a 1 answer sheet.

551Q1N2011

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TIME: 3 HOURS
MARKS: 150

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. Start each section on a new page.
5. Use only a black or blue pen.
6. Write neatly and legibly.

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SECTION A

QUESTION 1

1.1 Choose a/an word/item from COLUMN B that matches a description in COLUMN A. Write only the letter (A–M) next to the question number (1.1.1–1.1.10) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.1.1	The difference between turnover and cost of sales	A	drawee
1.1.2	The journal where all items purchased by cheque would be recorded	B	working capital
1.1.3	A document that sets out the objectives and financial strategy of a business venture	C	suppliers
1.1.4	Money used to pay for everyday expenses of the business	D	gross profit
1.1.5	Excess stock that does not sell but piles up in a business	E	start-up capital
1.1.6	The bank where the cheque account holder has an account	F	sole trader
1.1.7	Income of a business before deduction of operating expenses	G	fixed cost
1.1.8	One-man business	H	drawer
1.1.9	They supply services, merchandise and non-current assets to a business on credit	I	cash payments journal
1.1.10	Cost that remain unchanged regardless of the trading activity of the business	J	obsolete stock
		K	business plan
		L	gross income
		M	creditors journal

(10 × 1) (10)

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1.2 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (1.2.1–1.2.10) in the ANSWER BOOK.

1.2.1 A cheque that is dated six months later than the date on which it must be deposited is called a ….. cheque.

A stale
B post-dated
C order
D cash

1.2.2 Which one of the following is not necessary for completing a cash flow statement?

A Details of the non-current assets
B The current income statement
C Two consecutive balance sheets
D List of debtors

1.2.3 The following is a disadvantage of using electronic equipment in your organisation:

A Easy to operate
B Enable users to do quick and accurate calculations
C Expensive to purchase
D Conveniently small

1.2.4 The current VAT charged on goods and services is calculated at …

A 0%.
B 12%.
C 14%.
D 15%.

1.2.5 Regular replacement of stock that is sold with new stock, is called …

A stockpiling.
B stock rotation.
C obsolete stock.
D shrinkage of stock.

1.2.6 Which ONE of the following is an example of a current asset of a business?

A Trading stock
B Equipment
C Buildings
D Vehicle

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1.2.7 How much VAT is payable on R7 200?

A R1 880.00
B R1 008.00
C R1 080.00
D R1 083.00

1.2.8 … discount is when suppliers give price reductions for large quantities purchased.

A Early payment
B Cash
C Quantity
D Trade

1.2.9 Earnings that are part of profit before tax and kept back by the business for reinvestment purposes are called …

A gross profit
B gross income
C dividends
D retained income

1.2.10 Tax levied on any person earning a salary or wage, who meets the threshold laid down by SARS is called …

A VAT
B pension
C PAYE
D indirect tax

(10 × 1) (10)

1.3 Indicate whether the following statements are TRUE or FALSE by writing only 'true' or 'false' next to the question number (1.3.1–1.3.5) in the ANSWER BOOK.

1.3.1 VAT is an indirect tax levied by the government on goods and services.

1.3.2 When a business' expenses are more than the income, then it will result in a loss.

1.3.3 Transactions are recorded into the journals from the supporting documents.

1.3.4 Cash sales are recorded in the debtors ledger.

1.3.5 Turnover is another term for the sales of a business.

(5 × 1) (5)

[25]

QUESTION 2

2.1 Give ONE word/term for each of the following descriptions by choosing a word/term from the list below. Write only the word/term next to the question number (2.1.1–2.1.10) in the ANSWER BOOK.

objectives; corporation; credit card; bookkeeper; stop order; inventory; bad debts; owner's equity; profit forecast; mentor; cost price; cash book; current account; vendor

2.1.1 The stock of the business

2.1.2 An individual who keeps the records and financial affairs of the business up to date

2.1.3 It includes the owner's worth and claims on the business

2.1.4 An instruction issued to the bank to make a series of future-dated recurring payments to a particular person or business

2.1.5 The price that a retailer pays for an item

2.1.6 An estimation of the future profits of a business

2.1.7 A business that is registered with SARS to pay VAT

2.1.8 It allows a person to pay for goods and services without providing cash

2.1.9 A journal that contains a business' cash receipts and payments

2.1.10 Amounts that cannot be recovered from debtors

(10 × 1) (10)

2.2 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (2.2.1–2.2.10) in the ANSWER BOOK.

2.2.1 A (drawer/teller) is a bank employee who handles deposits and withdrawals at the tills inside the bank.

2.2.2 (Mark-up/Mark-down) plus the cost price of a product is equal to the selling price of that product.

2.2.3 Credit (limit/period) is the maximum amount that a business can purchase from its suppliers.

2.2.4 The (internal journal memo/petty cash voucher) is a document with detailed information about money used to make small cash payments.

2.2.5 (Drawings/Capital) is/are money withdrawn from a business by the owner for personal use.

2.2.6 The (drawer/payee) is the person who receives a cheque as payment.

2.2.7 (Input/Output) VAT is received from a business' customers.

2.2.8 The (balance sheet/trial balance) is prepared from the totals and balances in the general ledger.

2.2.9 A/an (crossed/endorsed) cheque cannot be cashed but must be deposited into a bank account.

2.2.10 (Rent paid/Rent income) will have a positive influence on the net profit of the business.

(10 × 1) (10)

2.3 Complete the following sentences/paragraph(s) by filling the missing word(s). Write only the word(s). Write only the word(s) next to the question number (2.3.1–2.3.5) in the ANSWER BOOK.

2.3.1 A … divides its income amongst the owners of the business, who are then taxed individually.

2.3.2 Gross income is equal to …

2.3.3 … are advance payments for goods and services to be supplied at a later date.

2.3.4 A … is a document that indicates that VAT has been charged on a transaction.

2.3.5 The … states that there must be an equal credit entry for every debit entry.

(5 × 1) (5)

[25]

TOTAL SECTION A: 50

SECTION B

QUESTION 3

3.1 Study the balance sheet of Ntombi Traders below and answer the questions.

Ntombi Traders
Balance Sheet as at 31 July 2019

ASSETS	Notes		
Non-current assets			953 000
Land and building		789 000	
Vehicle		144 000	
Equipment		20 000	
Financial assets			50 000
Fixed deposit: Capital Bank (8% p.a.)		50 000	
Current assets			**???**
Trading stock		70 000	
Debtors control		14 000	
Cash and cash equivalents		5 000	
TOTAL ASSETS			**1 092 000**
EQUITY AND LIABILITIES			
Owner's equity			1 000 000
Non-current liabilities			50 000
Loan: FBN Bank (10% p.a.)		50 000	
Current liabilities			42 000
Creditors control		40 000	
Bank overdraft		2 000	
TOTAL EQUITY AND LIABILITIES			**1 092 000**

3.1.1 At which bank does the business have a loan? (1)

3.1.2 Calculate the interest on the loan that the business will have to pay at the end of the year. The loan was made on 1 August 2018. (3)

3.1.3 Does the business have a positive or negative bank balance? Give a reason for your answer. (3)

3.1.4 Calculate the value of the current assets. Show your calculation. (4)

3.1.5 At which institution was the fixed deposit made? (1)

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3.1.6 Calculate the interest that the business will receive at the end of the year. The fixed deposit was made on 1 October 2018. (3)

3.1.7 What is the purpose of the balance sheet? (2)

3.2 The accounting cycle is a chain of accounting processes that take place during each accounting period.

Draw a circular diagram to indicate the SIX steps in the accounting cycle. (6)

3.3 Identify the subsidiary journal into which an accounting entry will be made if the following source document is used:

3.3.1 Journal voucher

3.3.2 Receipt

3.3.3 Original credit invoice

3.3.4 Cheque counterfoil

(4 × 1) (4)

3.4 The manual accounting system has become outdated since the introduction of computerised accounting programmes.

Give TWO disadvantages of the manual accounting system. (2 × 1) (2)

3.5 Name THREE sections of a cash flow statement of a business. (3)

3.6 Discuss TWO reasons why accurate and complete financial record-keeping is necessary. (2 × 2) (4)

3.7 Name TWO elements/accounts that you need to calculate gross profit in the income statement. (2)

3.8 Give TWO guidelines on how a business can manage its liabilities. (2 × 1) (2)

[40]

QUESTION 4

4.1 Name TWO elements/aspects that have an influence on the selling price of a product. (2 × 1) (2)

4.2 Woody's manufactures wooden cupboards in bulk. The rent for the factory is R7 500.00 per month. The cost of the raw materials (wood) used is R25 000.00 per month on average. The wages of the workers amount to R30 000.00 and other administration cost come to R12 000.00 per month.

Each month Woody's manufactures and sells an average of 100 wooden cupboards and the owner intends making a net profit of 15%.

Calculate the selling price per cupboard. Show ALL calculations. (8)

4.3 Redumetse sold goods of R9 560, which were VAT inclusive, to his customers on 02 October 2019.

Calculate the amount the amount of the goods before VAT. (3)

4.4 Lindy's Boutique marked down her entire winter stock by 20%. The selling price of all winter stock is R128 400.00.

4.4.1 Calculate the amount the business will receive as sales for the stock. Show ALL calculations. (3)

4.4.2 What is the mark-down amount? (1)

4.5 To encourage businesses to pay their accounts regularly, suppliers incoporate payment terms on their invoices that offer discount if payment is made within a specific period.

Indicate the TWO ways in which payment terms is determined. (2 × 1) (2)

4.6 Briefly explain what zero-rated items are. (1)
[20]

QUESTION 5

5.1 Study the cheque below that JS Traders issued and answer the questions.

ABSA BANK
14 Church Street, ERMELO, 2350

Date 2019
Datum 31 July ~~2018~~

Pay / Betaal: Midas Traders or Bearer / of Toonder

the sum of / die bedrag van: Two thousand two hundred rand only — R2 002.00

JS Traders

:100112 :052544: 031038832:

5.1.1 Identify THREE reasons why the bank will refuse to cash the above cheque. (3 × 1) (3)

5.1.2 Identify the drawer, drawee and the payee on the above cheque. (3)

5.1.3 Name the section of a cheque that is used as a source document to record the above transaction and the relevant subsidiary journal. (2)

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5.1.4 How can the above cheque be secured to ensure that only Midas Traders receive the money? (2)

5.2 JS Traders decided to keep petty cash for small payments and uses the system of varying balances.

On 1 July 2019 a cash cheque of R750.00 was issued to the petty cashier to start the petty cash. The total amount paid out for July 2019 was R479.00.

Complete the Petty cash account on the attached ANSWER SHEET to work out the amount left at the end of July. (5)

5.3 Name THREE ways in which money can be kept safe in a business. (3 × 1) (3)

5.4 Briefly outline the TWO parties to a receipt. (2)

[20]

QUESTION 6

6.1 As the bookkeeper of JS Traders, you are requested to draw up the income statement for the year ended 31 July 2019, making use of the information given below:

Sales	R432 000	00
Purchases	R244 000	00
Opening stock (01/06/2018)	R72 000	00
Closing stock (31/07/2019)	R108 000	00
Insurance	R36 000	00
Rent income	R24 000	00
Stationery	R132 000	00
Salaries	R10 400	00

(14)

6.2 Indicate whether the following items have an increasing or decreasing effect on the profits of a business:

6.2.1 Breakages

6.2.2 Interest paid

(2 × 1) (2)

6.3 Briefly describe FOUR general methods to reduce shrinkage for a business.

(4 × 1) (4)

[20]

TOTAL SECTION B: 100
GRAND TOTAL: 150

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EXAMINATION NUMBER: | | | | | | | | | | | | | |

ANSWER SHEET

5.2

Petty Cash **B11**

Date	Details	Fol	Amount	Date	Details	Fol	Amount

(5)

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