higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

FINANCIAL MANAGEMENT
NQF LEVEL 2

(3011012)

16 March 2020 (Y-paper)
13:00–16:00

This question paper consists of 12 pages and 1 answer sheet.

579Q1S2016

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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 question on a new page.
5. Use only blue or black ink.
6. All VAT calculations to be done at a rate of 15%.
7. Write neatly and legibly.

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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 (1.1.1–1.1.15) in the ANSWER BOOK.

1.1.1 Businesses should pay by cheque, and these cheques must be recorded in the …

A debtors journal.
B cash receipts journal.
C general journal.
D cash payments journal.

1.1.2 The most common form of bank account used by a business is a …

A cheque account.
B loan account.
C savings account.
D 32 days' notice account.

1.1.3 Which ONE transaction will not appear on a bank statement?

A Direct deposit
B Wages
C Bank charges
D Dishonoured cheques

1.1.4 The information contained in the bank statement that does not appear in the cash journals, should be recorded in the …

A bank account.
B trial balance.
C cash journals.
D customers journal.

1.1.5 Owners' equity consists of …

A capital.
B stationery.
C stock.
D packing material.

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1.1.6 The difference between the selling price and the cost price of its products, is the … of the business.

A gross income
B gross profit
C net profit
D retained income

1.1.7 A … is a document that sets out the objectives and financial strategy of a business venture.

A cash flow statement
B income statement
C balance sheet
D business plan

1.1.8 The accounting principle is based on …

A the double entry system.
B entries into journals.
C drawing up statements.
D managing assets.

1.1.9 When a business supplies goods and services to customers, it charges VAT on these goods and services. This is known as …

A input VAT.
B VAT exclusive.
C output VAT.
D VAT inclusive.

1.1.10 A person who performs a variety of general accounting support tasks such as updating and maintaining journals and ledgers is known as a/an…

A coach
B mentor
C accounting clerk
D supplier

1.1.11 … is an increase in the profit percentage on an item or service.

A Discount
B Mark-down
C Mark-up
D Fixed cost

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1.1.12 All bank money notes in South Africa are printed by the ….

A Reserve Bank.
B National Bank.
C International Bank.
D Government.

1.1.13 A … is an order written by the drawer to a bank to pay on demand a specific sum to the bearer, a named person or corporation.

A debit order
B cheque
C bank note
D stop order

1.1.14 A business' expenses must be taken into account and subtracted from the … to calculate the final product.

A sales
B gross profit
C net profit
D gross income

1.1.15 In the ... system, the accounting records are used to compute stock on hand at any given time.

A quality check
B continuous stocktaking
C periodic stocktaking
D quantity check

(15 × 1) (15)

1.2 Choose a term from COLUMN B that matches a description in COLUMN A. Write only the letter (A–M) next to the question number (1.2.1–1.2.10) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.2.1	An invoice indicating that VAT has been charged on a transaction	A	stockpiling
1.2.2	The accumulation of stock that is obsolete or which cannot be sold for other reasons	B	income
1.2.3	The bank clerk who deals with clients' transactions in a bank	C	retained income
1.2.4	The final earnings of a business after the payment of interest, tax and dividends	D	stock rotation
1.2.5	A credit facility offered by banks allowing account holders to withdraw more money than is actually in the account	E	loan
1.2.6	An element of the income statement	F	tax invoice
1.2.7	The place where the sale of goods takes place	G	credit note
1.2.8	A document indicating that an amount has been credited to a customer's account	H	teller
1.2.9	To sign the back of a cheque to indicate that the cheque can be paid to a third party	I	point of sale
1.2.10	Money or stock withdrawn from a business by its owner for personal use	J	endorsement
		K	overdraft
		L	crossed
		M	drawings

(10 × 1) (10)

[25]

QUESTION 2

2.1 Indicate whether the following statements are TRUE or FALSE by writing only 'True' or 'False' next to the question number (2.1.1–2.1.10) in the ANSWER BOOK.

2.1.1 Theft by a business' employees cannot account for a substantial part of stock losses in a business.

2.1.2 When the periodic stocktaking system is used, all stock in the business must be counted physically at the end of the financial year to determine the scope of the losses.

2.1.3 Expenses can be calculated as a percentage of sales. A decline in the percentage is an indication that the expenses are properly managed.

2.1.4 If a business uses a deposit book, the deposit slips are completed in triplicate. One copy will stay in the deposit book and the other will be filed for future reference.

2.1.5 Companies are also taxed on the dividends paid to the shareholders.

2.1.6 A money market account offers the account holder benefits typical of both savings and cheque accounts.

2.1.7 It is the responsibility of the receiver of money to issue a cheque to the payer as proof that payment has been made.

2.1.8 With the exception of a few basic foodstuffs and household products, VAT is charged on goods and services at 15%.

2.1.9 Accurate and complete records enable all the assets, liabilities, income and expenses of the business to be identified and help the financial manager to pinpoint strong and weak aspects of the business's operations.

2.1.10 Suppliers are non-current liabilities of a business.

(10 × 1) (10)

2.2 Complete the following sentences by choosing the correct word or words in brackets. Write only the word or words next to the question number (2.2.1–2.2.15) in the ANSWER BOOK.

2.2.1 A cash (receipts/payments) journal is used for entering cash received from sales, services rendered, or cash received from customers paying their accounts.

2.2.2 Cash flow from (investment/operating) activities includes cash received from customers, cash paid to creditors and dividends received and paid.

2.2.3 For preparing an income statement, all the (nominal/balance sheet) accounts from the general ledger will be used.

2.2.4 Brown bread is taxed at (15%/0%).

2.2.5 Drawing up a trial balance is the (forth/fifth) step in the accounting cycle.

2.2.6 A (current/savings) account must have a minimum balance and a notice period if you wish to withdraw a large amount of money.

2.2.7 Completed deposit slips must be verified against the (receipt/cash) book.

2.2.8 The (petty cash/float) ensures that customers can be given change when they purchase a product.

2.2.9 In a (manual/computerised) accounting system, internal documents will automatically show the next number on the system.

2.2.10 The method of 'filing' information when using the computerized system is by making regular (back-ups/updates) on the hard drive, CD or flash drives.

2.2.11 A (supporting/source) document is used to draw up the journals.

2.2.12 A business must calculate net VAT to be paid or claimed back from SARS. The financial manager submits these calculations on a (VAT201/VAT101) form.

2.2.13 A business owner who finds that customers are reluctant to pay, will encourage payment by offering (interest/discount) if they pay within a specific period.

2.2.14 The trial balance is used to draw up the (general ledger/financial statements) of a business.

2.2.15 (Shrinkage/Storage) is the loss of stock through theft, breakage and other factors.

(15 × 1) (15)

[25]

TOTAL SECTION A: 50

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SECTION B

QUESTION 3

3.1 Distinquish between the following and give ONE example of each:

3.1.1 Non-current assets (3)

3.1.2 Current assets (3)

3.2 When raising finances to start a new business, a detailed business plan needs to be drawn up.

Identify FOUR items that must be set out in the business plan. (4)

3.3 Explain the difference between a *stop order* and a *debit order.* (2 × 2) (4)

3.4 NameTWO disadvantages of a manual accounting system. (2)

3.5 Study the income statement below and answer the questions.

Income statement of Simba Traders for the year ended 30 November 2018		
Sales		988 000,00
Less: Cost of sales		?
Opening inventory (01/12/2017)	120 000,00	
Plus: Purchases	260 000,00	
	380 000,00	
Less: Closing inventory (30/11/2018)	(132 000,00)	
Gross profit		740 000,00
Plus: Other income		12 000,00
Rent income	12 000,00	
Gross income		752 000,00
Less: Operating expenses		(663 000,00)
Wages	?	
Salaries	350 000,00	
Insurance	180 000,00	
Telephone	12 400,00	
Fuel	20 600,00	
Net profit		89 000,00

3.5.1 Calculate the cost of sales. (3)

3.5.2 How will gross income be calculated? (2)

3.5.3 Calculate the amount that the business paid for in wages for the year. (4)

3.5.4 What is another word for sales? (1)

3.5.5 What is the purpose of an income statement? (2)

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3.6 Study the information of Simba Traders at the end of 2017 and 2018 and answer the questions.

	2018	2017
Sales	988 000,00	860 000,00
Gross profit	740 000,00	545 000,00
Net profit	89 000,00	100 000,00

3.6.1 Give TWO possible reasons for the change in the gross profit of Simba Traders from 2017 to 2018. (2 × 2) (4)

3.6.2 Based on the net profit of Simba Traders, are they progressing or not? Give ONE reason for your answer. (3)

3.7 Chippie Lays has been saving money for years to start his own bakery business, called LAYS Bakery. He could not save enough money and had to apply for a loan at FNB, which was granted.

Unfortunately he had to rent a building where he could open the bakery.

As the business was still new, he had to advertise by using different media to keep up with his competitors.

3.7.1 Name TWO operating expenses mentioned in the above case study. (2)

3.7.2 Indicate TWO ways that LAYS Bakery can use to manage their assets. (2)

3.7.3 Name ONE non-current liability of LAYS Bakery. (1)

[40]

QUESTION 4

4.1 You bought an imported TV game from Extreme Games for R2 500 (VAT exclusive). You want to sell it to a friend for R3 625 (VAT exclusive).

4.1.1 Calculate the mark-up percentage. (3)

4.1.2 Calculate the input VAT amount. (3)

4.1.3 Calculate the output VAT amount. (3)

4.1.4 Do you owe the South African Revenue Services any money due to the purchase and sale of the game? Explain your answer. (3)

4.2 Name TWO methods that can be used to enter sales transactions on the business system. (2)

4.3 On 15 November 2018, Extreme Games bought new stock on credit from Games International to the value of R78 500 excluding VAT. Games International allow a 2,5% discount if payment is made within 30 days from the date of sale.

All cash customers will receive 5% discount.

4.3.1 Calculate the amount payable by Extreme Games if they pay their account on 30 November 2018. (3)

4.3.2 How much discount would Extreme Games have received if they paid in cash? (2)

4.3.3 Give ONE possible reason why Games International follows a policy of giving discount on cash sales. (1)
[20]

QUESTION 5

5.1 Extreme Games rent out a storeroom to Drops of Water for R6 000 per month. The cashier, Toy Small, received a cheque from Drops of Water who has an account at BB Bank, Delmas, on 15th November 2018. Toy issued a receipt as proof that he had received the money from the tenant. The next day he deposited the cheque and 2 × R100 notes from the till into Extreme Games' bank account (account number 0675238103). Reference number NOV18 must be used.

5.1.1 Use the information above to complete the attached bank deposit slip (ANSWER SHEET A). (10)

5.1.2 Give TWO reasons why it is important to safeguard documents in a business. (2)

5.2 Differentiate between a

5.2.1 bearer cheque and (2)

5.2.2 order cheque (2)

5.3 Proper control must be in place when dealing with petty cash in a business.

Briefly describe TWO control measures. (2 × 1) (2)

5.4 Name TWO systems of petty cash that Extreme Games can use in the business. (2)
[20]

QUESTION 6

6.1 Extreme Games bought 20 video games at R90 each. During the year they sold 15 games. At the end of the year, during stocktaking, on game fell and broke. Extreme Games calculate the selling price by adding a mark-up of 100% on cost price.

6.1.1 Calculate the gross profit amount, taking the breakage into consideration. (5)

6.1.2 Calculate the gross profit amount, if there were no breakages. (5)

6.1.3 What influence does breakages have on the gross profit of Extreme Games? (1)

6.2 Name THREE examples of storage expenses. (3)

6.3 Provide the formula for calculating the expenses as a percentage of sales. (2)

6.4 Briefly describe TWO methods that can be used to reduce shrinkage. (2 × 2) (4)

[20]

TOTAL SECTION B: 100
GRAND TOTAL: 150

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(3011012)

STUDENT NUMBER:

CENTRE NUMBER:

	-	9	9	9	9	-				

ANSWER SHEET

5.1 5.1.1

PEOPLES BANK
DEVON
DEPOSIT SLIP

Credit: _____ **Date:** _____

BANK STAMP	**Paid by:** _____ **Signature:** _____ **Tel: (___)**_____		**R**	**c**
		Notes		
		Coins		
		MO/PW and PO		
		Subtotal		

Drawer's name	**Bank**	**Branch name/code**		
		Total		

Account number										**Reference**					

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