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higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

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JUNE EXAMINATION

NATIONAL CERTIFICATE

FINANCIAL ACCOUNTING N4

(4010164)

5 June 2013 (Y-Paper)
13:00–16:00

Nonprogrammable calculators may be used.

This question paper consists of 12 pages and a 13-page answer book.

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE
FINANCIAL ACCOUNTING N4
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. Write your EXAMINATION NUMBER at the top of each ANSWER SHEET of the ANSWER BOOK.
5. Arrange the ANSWER SHEETS in the correct question sequence and staple them together before submitting them.
6. The time to be spent on each question is indicated next to the question number. Use the given time as a guideline for completing the question paper.
7. Red or green ink may NOT be used.
8. Write neatly and legibly.

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QUESTION 1 (14 minutes)

Coastal Traders is a retail business which uses a markup of 25% on cost at ALL times. The business uses the periodic inventory system.

Study the creditors' control account below and answer the questions.

GENERAL LEDGER OF COASTAL TRADERS

BALANCE SHEET ACCOUNTS SECTION

CREDITORS' CONTROL B3

2013 March	31	Bank	CPJ 1	48 632	2013 March	1	Balance	b/d	74 920
		?	GJ 1	1 200		31	?	CJ1	95 650
		Total allowances	?	3 840			Sundry a/c	?	398
		Sundry a/c	?	6 676					

1.1 Calculate the amount due by Coastal Traders on 1 April 2013. (2)

1.2 How do you as the bookkeeper verify this balance? (2)

1.3 Name the contra-account for the amount R95 650 on the credit side of the account. (1)

1.4 Name the contra-account for the amount R1 200 on the debit side of the account. (1)

1.5 State the folio reference for the following contra-accounts:

1.5.1 Total allowances

1.5.2 Sundry a/c

(2 x 1) (2)

1.6 Give ONE transaction that could possibly give rise to the entry of R6 676 on the debit side of the account. (2)

1.7 State TWO transactions that could possibly give rise to the entry of R398 on the credit side of the account. (2 × 2) (4)

1.8 Name the source document for the following credit entries:

1.8.1 R95 650

1.8.2 R398

(2 × 1) (2)

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QUESTION 2 (25 minutes)

The information given below was extracted from the books of Nike Traders.

NOTE: Nike Traders operates a current bank account at Capital Bank.

INFORMATION

BANK RECONCILIATION STATEMENT AS AT 30 APRIL 2013

	DEBIT	CREDIT
Cr balance as per bank statement		110 000
Cr deposited not yet credited by bank		7 621
Dr outstanding cheques:		
No. 899	7 921	
901	17 400	
908	23 900	
909	42 600	
912	10 700	
Dr balance as per cash book	15 100	
	117 621	117 621

ADDITIONAL INFORMATION

A. A comparison of the April bank reconciliation statement with the sank statement received for May 2013 revealed the following:

1. The bank credited an outstanding deposit of R7 621 on the bank statement.

2. The following cheques had NOT yet been presented to the bank for payment:

   - No. 908
   - No. 909
   - No. 912

3. Cheque no. 899 which was originally issued to Belkom must now be cancelled because it got lost in the post.

   A new cheque will be issued in June 2013.

B. A comparison of the cash book with the Bank Statement received for May 2013 revealed the following differences:

1. The bank statement showed an unfavourable balance of R698 000 on 31 May 2013.

2. A tenant Rihanna, had deposited her rent directly into the bank account of the business, R10 500.

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3. A fixed deposit at Capital Bank had matured and an electronic transfer was made directly into the firm's current account, R179 000.

4. The debit order in favour of Stansure, is for insurance on the delivery vehicle, R5 800.

5. A cheque received from M Mantashe in payment of his account had been dishonoured due to insufficient funds, R1 880.

6. The bank debited the current account with the following items:

❖ Cash deposit fee	R770
❖ Service fees	310
❖ Cheque book	350
❖ Interest on debit balance	1 007

7. Cheque no. 918 for R2 700 appeared in the cash book payments only.

8. On 6 May 2013 cheque no. 922 for R675 was drawn in favour of Toyota Motors for repairs to vehicle. The cheque was dated 1 August 2013.

9. The bank had not yet credited a deposit of R997 259, which was made on 31 May 2013.

10. Cheque no. 929 was incorrectly entered on the credit side of the cash book as R12 500 instead of R12 000, as reflected on the bank statement. This cheque was issued to Belkom for the May telephone account.

11. A credit entry on 27 May 2013 to the value of R16 000 was in respect of a deposit that Nike (Pty) Ltd made on its account, but it appeared on the business bank statement.

12. Cheque no. 932 was erroneously debited twice on the bank statement, R220.

REQUIRED:

2.1 Make the supplementary entries in the cash book on 31 May 2013. Close off the cash cook on 31 May 2013.

2.2 Prepare the bank reconciliation statement on 31 May 2013.

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QUESTION 3 (65 minutes)

The following information was extracted from the accounting records of the business, on 28 February 2013.

You are the bookkeeper for Leisure Suppliers.

INFORMATION:

LEISURE SUPPLIERS
PRE–ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2013

BALANCE SHEET ACCOUNTS SECTION		**DR**	**CR**
Capital	B1		500 000
Drawings	B2	12 500	
Equipment	B4	230 000	
Vehicles	B5	450 000	
Accumulation depreciation on equipment	B6		43 200
Accumulated depreciation on vehicles	B7		31 800
Fixed deposit: Power Bank (10% p.a.)	B8	75 000	
Loan: Instant Finance Co. (20% p. a)	B9		125 000
Creditors' control	B10		27 800
Debtors' control	B11	32 700	
Stock (1 March 2012)	B12	65 800	
Bank	B13		36 700
Cash float	B14	2 000	
NOMINAL ACCOUNTS SECTION			
Sales	N1		527 152
Purchases	N2	350 000	
Creditors' allowance	N3		17 250
Rent income	N4		100 000
Discount allowed	N5	6 540	
Discount received	N6		560
Bad debts	N7	8 155	
Interest on fixed deposit	N8		6 890
Sundry expenses	N9	33 660	
Customs duty	N10	10 400	
Salaries	N11	99 000	
Stationery	N12	14 500	
Interest on loan	N13	20 000	
Carriage paid on purchases	N14	1 990	
Carriage paid on sales	N15	3 057	
Packing material	N16	1 050	
		1 416 352	1 416 352

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ADJUSTMENTS AND ADDITIONAL INFORMATION:

1. A physical stocktake on 28 February 2013 revealed the following:

   - Trading stock R39 640
   - Packing material 990

2. An amount of R250 was still owed to Speedy Couriers for carriage on goods sold.

3. A debtor, V. Vincent who owed R3 500, has been declared insolvent. Received 25 cents in the rand from his insolvent estate. Write off the outstanding balance as irrecoverable.

4. Create a provision for bad debts at 5% of debtors.

5. Interest on fixed deposit was still outstanding at the end of the financial period.

6. Provide for the outstanding interest on loan.
   NOTE: The interest rate on the loan from Instant Finance Co. was increased by 2% on 1 September 2012.

7. Salaries was paid for 11 months only.

8. Sundry expense account includes an amount of R11 550 for insurance which was paid up to 31 May 2013.

9. Rent has been received up to 31 December 2012.
   NOTE: An increase of 5% per month was implemented on 1 January 2013 as per the lease agreement.

10. Provide for depreciation as follows:
    - On vehicles at 12% p.a. on cost price
      NOTE: A new vehicle was purchased from NMI Motors on 1 December 2012, R200 000.
    - On equipment at 15% p.a. according to the diminishing balance method.

REQUIRED:

3.1 Draw up the income statement for the year ended 28 February 2013.

3.2 Complete only the notes/annexures to the balance sheet as at 28 February 2013.

NOTE:
- The balance sheet is NOT required.
- Stocktaking is conducted as per the periodic inventory system.

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QUESTION 4 (29 minutes)

INFORMATION:

The following is an extract from the financial statements for the current financial year:

A. INCOME STATEMENT OF HILLCREST TRADERS FOR YEAR ENDED 28 FEBRUARY 2013

Turnover for the year		600 000
Less: Cost of sales		200 000
Gross profit for the year		400 000
Add other income		16 400
Interest income	2 900	
Interest on fixed deposit	10 000	
Profit on sale of equipment	3 500	
Gross income for the year		416 400
Less expenses for the year		92 500
Stationery	6 000	
Salaries	19 900	
Loss on sale of vehicle	2 000	
Interest on loan	16 000	
Depreciation	48 600	
Net income for the year		323 900

B. BALANCE SHEET OF HILLCREST TRADERS AS AT 28 FEBRUARY 2013

	Notes	2012	2013
ASSETS			
Noncurrent assets			
Property, equipment and vehicles	1	491 000	693 900
Other financial assets	2	40 000	60 000
Current assets			
Trading stock		18 200	40 000
Trade and other debtors		16 900	4 700
Cash and cash equivalents	3	10 900	21 200
TOTAL ASSETS		577 000	819 800
Equity and liabilities			
Capital		393 900	647 800
Noncurrent liabilities			
Interest-bearing liabilities (14% p.a.)		120 000	100 000
Current liabilities			
Trade and other creditors		63 100	72 000
TOTAL EQUITY AND LIABILITIES		577 000	819 800

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NOTE 1: PROPERTY, EQUIPMENT AND VEHICLES

	2012		
	Gross carrying amount	Accumulated depreciation	Net carrying amount
Land and building	280 000	-	280 000
Equipment	90 000	24 500	65 500
Vehicles	170 000	24 500	145 500
	540 000	49 000	491 000

	2013		
	Gross carrying amount	Accumulated depreciation	Net carrying amount
Land and building	480 000	-	480 000
Equipment	103 000	30 400	72 600
Vehicles	190 000	48 700	141 300
	773 000	79 100	693 900

NOTE 2: OTHER FINANCIAL ASSETS

	2012	2013
Fixed deposit: North Bank (8% p.a.)	40 000	60 000

NOTE 3: CASH AND CASH EQUIVALENTS

	2012	2013
Bank	10 900	21 200
Petty cash	-	-

ADDITIONAL INFORMATION:

During the current financial year the following transactions took place:

- Equipment (cost price R12 000) was sold for cash. The accumulated depreciation written off was R8 500.
  NOTE: A computer was bought on credit.

- A delivery van (cost price R30 000) was sold on 30 June for R18 000 cash
  NOTE: A vehicle for business use was purchased from Toyota Motors for R50 000.

- Additional transactions undertaken by the proprietor were as follows:
  - Drawings R70 000
  - His capital balance remained unchanged.

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REQUIRED:

4.1 The financial manager of Hillcrest Traders requested you to use the information given below to draw up the cash-flow statement for the year ended 28 February 2013.

4.2 You must also show the following notes/calculations:

- Cash received from customers/clients
- Cash paid to suppliers and employees.

QUESTION 5 (22 minutes)

INFORMATION:

Fashion Fitters has two departments, which is clothing and shoes. The following was extracted from its books on 31 December 2012:

- The business conducts its stocktake as per the periodic inventory system.
- ALL products are marked up at 25% on cost.

	CLOTHING DEPT	SHOES DEPT
	R	R
Sales	770 000	554 000
Purchases	520 000	262 500
Carriage on purchases	25 000	16 000
Carriage on sales	16 600	25 300
Import duties	-	8 900
Sales returns	12 800	
Bank	489 620	349 550
Trading inventory (2012:01:01)	195 300	202 500
Trading inventory (2012:12:31)	342 500	258 550

ADDITIONAL INFORMATION AND ADJUSTMENTS

1. Donations to the Mandela Community Centre were made from the following departments:
   * Clothing R5 280
   * Shoes 2 500

2. The owner took a pair of shoes for himself at a marked price of R950.

3. Returned clothing which were not according to specifications to the supplier Zamo Dealers: R1 250

4. Carriage amounting to R11 700 on clothing sold was paid up to January 2013.

5. Carriage amounting to R300 on clothing purchased was still outstanding for the current financial year.

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REQUIRED:

Use the information given below to draw up the following:

5.1 The departmental purchases account and close off this account.

5.2 The departmental trading statement for the year ended 31 December 2012.

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QUESTION 6 (25 minutes)

The information given below was extracted from the books of Pirates Sports Club on 28 February 2013.

INFORMATION:

A. Balances/Totals on 1 March 2012:

	R
Accumulated fund (cr)	14 253
Bank (dr)	5 889
Membership fees:	
• Accrued income	1200
• Income received in advance	3 600
Rent expense:	
• Accrued expense	2 500
Loan: Durban Bank (12% p.a.)	24 600

B. Extract of receipts and payments for the year ended 28 February 2013:

RECEIPTS	R
Gate takings	12 590
Entrance fees	22 500
Membership fees:	
2012	600
2013	18 000
2014	1 800
Interest on current account	150
PAYMENTS	
Interest on loan	2 000
Wages	425
Water and electricity	550
Sundry expenses	775
Rent expense	37 500
Membership fees refunded	2 400

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C. ADDITIONAL INFORMATION AND ADJUSTMENTS

1. One third of entrance fees must be transferred to the accumulated fund.

2. Membership fees still outstanding for 2012 must be written off.

3. FIVE members must still pay their subscriptions for 2013. Fees are R600 per member.

4. Provide for the membership fees which were received in advance.

5. Provide for the outstanding interest on loan.

6. An honorarium of R450 to the treasurer must still be provided for.

REQUIRED:

6.1 Draw up the membership fees account in the general ledger.

NOTE: Balance/close off this account.

6.2 Prepare the statement of income and expenditure.

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TOTAL: 200

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