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higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

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NOVEMBER EXAMINATION

NATIONAL CERTIFICATE

FINANCIAL ACCOUNTING N4

(4010164)

8 November 2013 (Y-Paper)
13:00–16:00

Nonprogrammable calculators may be used.

This question paper consists of 15 pages and a 12-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. Each question must be answered on the correct ANSWER SHEET of the attached ANSWER BOOK.
5. Write your EXAMINATION NUMBER at the top of the ANSWER BOOK and on every ANSWER SHEET.
6. Arrange the ANSWER SHEETS in the correct question sequence and staple it together before submitting them.
7. Red or green ink may NOT be used.
8. 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.
9. Write neatly and legibly.

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QUESTION 1 (14 minutes)

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 (1.1–1.5) in the ANSWER BOOK.

1.1 On the 28 February 2013, Newton Traders sold a delivery vehicle (cost price R220 000; accumulated depreciation on 1 March 2012, R90 000) for R98 500 cash. The policy of the business was to depreciate vehicles at 10% on cost.

1.1.1 The sale of the vehicle will result in a …

A profit of R9 500.
B loss of R9 500.
C profit of R18 500.
D loss of R18 500. (3)

1.1.2 The effect of depreciation on the accounting equation will be …

	A	OE	L
A	- R22 000	- R22 000	0
B	+ R22 000	+ R22 000	0
C	- R13 000	- R13 000	0
D	+ R13 000	+R13 000	0

(2)

1.1.3 The closing transfer journal entry for vehicles will be …

A	Dr Asset Disposal a/c	Cr Vehicles a/c
B	Dr Vehicles a/c	Cr Asset Disposal a/c
C	Dr Vehicles a/c	Cr Accumulated depreciation on vehicle
D	Dr Accumulated depreciation on vehicle	Cr Vehicles a/c

(1)

1.2 The following totals, amongst others, were extracted from the Salaries records of Sunshine Traders.

(Employee: A Adel)

ANNUAL SALARY	R144 600
MONTHLY EMPLOYEE DEDUCTIONS:	
Pension fund	500
Medical fund	350
SARS – PAYE	1 120
MONTHLY EMPLOYER CONTRIBUTIONS:	
Pension fund	500
Medical fund	175

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1.2.1 The net salary payable to A Adel will be …

A R142 630
B R12 050
C R142 180
D R10 080 (3)

1.2.2 Sunshine Traders calculates its contributions to the pension fund …

A according to the R for R basis.
B according to a percentage basis.
C by contributing R2 for every R1 contributed by Adel.
D by contributing R2 for every R2 contributed by Adel. (1)

1.2.3 Sunshine Traders calculates its contributions to the medical fund …

A by contributing R1 for every R2 contributed by Adel.
B by contributing R2 for every R1 contributed by Adel.
C according to the R for R basis.
D according to a percentage basis. (1)

1.2.4 The amount of the cheque to be issued by Sunshine traders will be …

A R11 050.
B R1 500.
C R500.
D R1 000. (2)

1.3 The owner of Sunshine Traders had taken goods, valued at R550, from the business for his personal use. (Stocktaking is conducted as per the periodic system).

The double-entry will be …

A	Dr Drawings	Cr Trading stock
B	Dr Drawings	Cr Purchases
C	Dr Purchases	Cr Drawings
D	Dr Trading stock	Cr Drawings

(1)

1.4 The total amount of the debtors control column in the Debtors Journal will be posted to the …

A debit side of the creditors control account.
B credit side of the creditors control account.
C credit side of the debtors control account.
D debit side of the debtors control account. (1)

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1.5 A Joline, a debtor, made a direct deposit into the current banking account of the business.

The source document for the above-mentioned entry is ...

A duplicate receipt.
B duplicate invoice.
C original invoice.
D bank statement. (1)

[16]

QUESTION 2 (56 minutes)

You are given the pre-adjustment trial balance of Fashion Retailers, together with the adjustments to be made, for the financial period which ended on 30 June 2013.

REQUIRED:

2.1 Prepare the Income Statement for the year ended 30 June 2013.

2.2 Complete the Assets section of the Balance Sheet.

- Show the relevant notes/annexures to the Balance Sheet.
- The business uses the perpetual inventory system.

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INFORMATION:

A. PRE–ADJUSTMENT TRIAL BALANCE ON 30 JUNE 2013

BALANCE SHEET ACCOUNTS SECTION		DR	CR
Capital	B1		770 500
Drawings	B2	22 450	
Vehicles	B3	706 780	
Accumulation depreciation on vehicles	B4		84 200
Equipment	B5	365 000	
Accumulated depreciation on equipment	B6		150 500
Loan: Africa Bank (20% p.a.)	B7		120 000
Trading stock	B8	28 760	
Debtors control	B9	9 750	
Bank	B10	3 620	
Cash float	B11	2 000	
Petty cash	B12	1 500	
Provision for bad debts	B13		620
Creditors control	B14		34 280
Fixed deposit: Secure Bank	B15	240 000	
NOMINAL ACCOUNTS SECTION			
Sales	N1		620 400
Cost of sales	N2	250 600	
Debtors allowances	N3	12 050	
Bad debts recovered	N4		1 850
Bank charges	N5	2 620	
Bad debts	N6	630	
Stationery	N7	12 360	
Insurance	N8	7 400	
Telephone	N9	9 480	
Rent Income	N10		85 000
Consumable stores	N11	1 550	
Commission income	N12		1 000
Salaries	N13	191 800	
		1 868 350	1 868 350

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B. ADJUSTMENTS AND ADDITIONAL INFORMATION:

1. According to a physical stock count, the following stocks were on hand on 30 June 2013:

   - Trading stock R28 800
   - Consumable stores R450

2. Write off the debt of R. Kholi, R690.

3. Adjust the provision for bad debts to 5% of debtors.

4. An amount of R285 was collected from a debtor, C. Gayle, whose debt had been previously written off.

5. Depreciation must be provided for as follows:

   - On equipment at 20% per annum according to the straight-line method.

   NOTE: A Samsung laptop computer was purchased for R5 500 on 1 January 2013.

   - On vehicles at 15% per annum according to the diminishing balance method.

6. Salaries had been paid until 31 August 2013.

7. A loan agreement with Africa bank was signed on 1 October 2012.

8. The water account for this financial year was still outstanding, R6 700.

9. Our tenant, P. Zinta agreed to pay a rental of R8 500 per month from 1 July 2012. Rent was increased by 10% on 1 May 2013. Adjust the rent accordingly.

10. On 30 June 2013, an amount of R240 000 was invested in a fixed deposit account at Secure Bank.

[62]

QUESTION 3 (25 minutes)

REQUIRED:

Use the information given below to complete the following in the books of Harmony Dealers.

3.1 The Cash Journals on 31 October 2013 (Cast/add the bank columns only.)

3.2 Post to the Bank Account in the general ledger and balance the account.

3.3 Prepare the Bank Reconciliation Statement on 31 October 2013.

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INFORMATION

A. BANK RECONCILIATION STATEMENT ON 30 SEPTEMBER 2013.

	DEBIT	CREDIT
Cr balance according to bank statement		223 985
Dr outstanding cheques:		
No. 550	600	
592	3 685	
603	940	
605	365	
Balance as per Bank Account (favourable)	218 395	
	223 985	223 985

CASH RECEIPTS JOURNAL OF HARMONY DEALERS – OCTOBER 2013 CRJ 8

Doc. No.	Day	Details	Analysis of Receipts	Bank	Sales	Debtors Control	Sundry Account	Details of Sundry Account
761	4	B Berg	2 785	2 785		2 785		
CRR1	23	Sales	6 125	6 125	6 125			
CRR2	25	Sales	3 155		3 155			
CRR3	30	Sales	4 800	7 955	4 800			
762	31	A Sapo	5 000	5 000			5 000	Rent income
				21 865	14 080	2 785	5 000	

CASH PAYMENTS JOURNAL OF HARMONY DEALERS – OCTOBER 2013 CPJ 8

Doc. No.	Day	Payee	Bank	Creditors Control	Purchases	Sundry Amount	Account Details
609	8	Thekwini Ltd	2 500	2 500			
610	22	Toyota	120 000			120 000	Repairs
611		Municipality	4 100			4 100	Electricity
612	27	Bluff Stores	960		960		
613	29	L Levi	28 400			28 400	Drawings
614	30	Computers	17 600			17 600	Equipment
			173 560	2 500	960	170 100	

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NEW ERA BANK
BANK STATEMENT

Harmony Dealers
P. O. Box 007
Durban
4001

31 October 2013

DATE	DESCRIPTION	CREDIT (+) DEBIT (-)	BALANCE
31/09	Balance		223 985
01/10	Cheque no. 603	-940	223 045
03/10	Service fee	-180	222 865
08/10	Cheque no. 609	-2 500	220 365
10/10	Credit	+2 785	223 150
13/10	Cheque Book	-175	222 975
16/10	Cheque no. 592	-3 685	219 290
19/10	Cheque dishonoured	-800	218 490
22/10	Cheque no. 610	-120 000	98 490
	Interest on debit balance	-250	98 240
	Cheque no. 611	- 4 200	94 040
23/10	Credit	+ 6 125	100 165
27/10	Cheque no. 612	-960	99 205
29/10	Credit	+2000	101 205
	Interest on debit balance	-190	101 015
30/10	Credit	+7 955	108 970
31/10	Santam	-2 600	106 370
	Interest on credit balance	+480	106 850
	Credit	+1 850	108 700
	Tax levy	-80	108 620
	Cheque no. 705	-730	107 890

ADDITIONAL INFORMATION

1. The credit entry on 29 October 2013 was in respect of a deposit that Build Ltd made directly into the firm's current account. This was for commission earned by Harmony Dealers.

2. The credit entry on 31 October 2013 was in respect of a deposit that Harmony Gold made directly into their account, but it appeared on the business bank statement.

3. Cheque no. 611 was incorrectly entered in the cash payments journal as R4 100, instead of R4 200 (which is correct on the bank statement).

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4. The bank statement showed an unpaid cheque of R800 that was received on 29 September 2013 from Z Zungu and was dishonoured on account of insufficient funds.

5. The debit entry on 31 October 2013 was in respect of a debit order in favour of Santam being an insurance premium for the owner's wife.

6. Cheque no. 705, for R730, withdrawn by the head office on their account, appeared on the business bank statement.

7. Cheque no. 550, which was issued to Game Stores in August for payment of our account, was lost and subsequently stopped. A new cheque will be issued in November 2013.

8. Cheque no. 605 was issued on 24 September 2013 to the Sunday Times for the payment of an advertisement.

[28]

QUESTION 4 (28 minutes)

REQUIRED:

Use the information given below to draw up the following:

4.1 Cash-flow Statement of Beyonce Fashion for the year ended 31 August 2013.

4.2 Notes/Calculations:

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

INFORMATION:

You are provided with relevant aspects relating to the Income Statement and Balance Sheet.

1. The following was extracted from the **INCOME STATEMENT** for the current financial year:

• Turnover	R860 000
• Interest on bank overdraft	7 100
• Interest on mortgage bond	10 350
• Interest on current account	965
• Interest on fixed deposit	2 785

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2. The following was extracted from the Balance Sheet:

BALANCE SHEET AS AT 31 AUGUST 2013

	NOTES	2012	2013
ASSETS			
Non-Current Assets			
Property, equipment and vehicles	1	975 000	991 000
Other financial assets	2	54 000	48 000
Current Assets			
Stock		174 600	162 000
Trade and other debtors		106 800	142 000
Cash and cash equivalents	3	15 000	-
TOTAL ASSETS		1 325 400	1 343 000
EQUITY AND LIABILITIES			
Capital	4	892 400	905 000
Non-Current Liabilities			
Mortgage bond: State Bank		332 000	329 000
Current Liabilities			
Trade and other creditors		101 000	107 000
Bank overdraft		-	2 000
TOTAL EQUITY AND LIABILITIES		1 325 400	1 343 000

NOTES TO THE BALANCE SHEET

NOTE 1: PROPERTY, EQUIPMENT AND VEHICLES

	2012		
	Gross Carrying Amount	**Accumulated Depreciation**	**Net Carrying Amount**
Land and Building	780 000	-	780 000
Equipment	195 000	62 000	133 000
Vehicles	154 000	92 000	62 000
			975 000

	2013		
	Gross Carrying Amount	**Accumulated Depreciation**	**Net Carrying Amount**
Land and Building	780 000	-	780 000
Equipment	190 000	64 000	126 000
Vehicles	190 000	105 000	85 000
			991 000

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NOTE 2: OTHER FINANCIAL ASSETS

	2012	2013
Fixed Deposit: State Bank (11% p.a.)	54 000	48 000

NOTE 3: CASH AND CASH EQUIVALENTS

	2012	2013
Bank	15 000	(2000)

NOTE 4: CAPITAL

	2012	2013
Balance	976 800	892 900
Add : Net Profit	57 280	22 100
LESS : Drawings	(141 680)	(10 000)

ADDITIONAL INFORMATION:

1. The owner made an additional capital contribution during the financial year.

2. During the financial year a fridge, with a cost price of R12 500, was sold for R8 000 cash.

   NOTE: The net carrying value of the fridge on the date of the sale was R10 000.

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QUESTION 5 (34 minutes)

REQUIRED

Use the information given below to prepare the **DEPARTMENTAL INCOME STATEMENT** for the year ended 30 June 2013.

INFORMATION:

- Golden Enterprises trades in menswear and sports equipment.
- All goods are marked up at 50% on cost.
- This business operates by using the periodic inventory system.
- General information:

Department	No. of workers	Floor space
Menswear	4	40 m²
Sports equipment	6	60 m²

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The following was extracted from the accounting records on 30 June 2013:

A. Balances/Totals		MENSWEAR DEPT	SPORTS EQUIPMENT DEPT
		R	R
Equipment (cost price)		260 000	120 000
Trading Inventory (1 July 2012)		316 500	170 000
Trading Inventory (30 June 2013)		95 000	82 500
Sales		570 000	429 000
Purchases		320 000	160 000
Carriage on purchases		18 000	9 000
Carriage on sales		16 600	25 000
Sales returns		6000	4 000
Purchases returns		-	2 500
Discount received		1 500	800
Sundry expenses		18 000	14 000
Salaries	440 000		
Rent expense	118 000		
Advertising	45 000		

ADDITIONAL INFORMATION:

1. Costs are allocated as follows:

   - Salaries as per the number of workers.
   - Rent expense as per floor space.
   - Advertising is to be shared equally.

2. On 30 June 2013 a suite, shirt and tie valued at R2 700 was transferred to the sports equipment department. No entry has been in the books.

3. Carriage on sales still outstanding: sports equipment department R800.

4. An outstanding amount of R1 300 for clothing must be written off as irrecoverable.

5. Depreciation must be written off on equipment at 15% p.a. on cost.

6. Bonuses must be provided for the managers of the respective departments as follows:

   - Menswear: R2 500
   - Sports equipment: 1% of this department's net sales.

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QUESTION 6 (23 minutes)

REQUIRED

The information given below was taken from the books of Sundowns Recreational Club on 31 May 2013.

Compile the following ledger accounts and close them off at the end of the financial year:

6.1 Bar Trading Account

6.2 Membership Fees account

6.3 Income and Expenditure Account

INFORMATION

As a treasurer of this club, you have the following information:

A **Extract from the Balance Sheet and Annexure of 1 June 2012**

	R
Accumulated fund	280 000
Club House property (cost)	350 000
Sports equipment (cost)	149 500
Fixed deposit: RSA Bank (8%) p.a.	50 000
Stock: Bar	11 100
Bank (Dr)	19 220
Accrued income: Membership fees	1 500
Income received in advance: Membership fees	500
Prepaid expense: Honorarium	460

B **Summary of Receipts and Payments : 31 May 2013**

Receipts		**Payments**	
Membership fees: 2012	500	Bar purchases	41 800
2013	9 500	Honorarium	375
2014	2 500	Salaries – caretaker	56 550
Bar sales	89 200	Insurance	6 130
Entrance fees	12 000	Property rates	7 800
Interest on fixed deposit	4 000	Function expenses	5 100
Function proceeds	17 900	Membership fees (refunds)	3 500

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C **ADDITIONAL INFORMATION AND ADJUSTMENTS**

1. Bar stock on hand on 31 May 2013 amounted to R17 410.
2. One quarter of entrance fees must be capitalised.
3. Membership fee is R500 per member per annum.
4. The membership fees of 2012, not yet received, must be written off.
5. Four members must still pay their membership fees for 2013.
6. Honorarium of R550 to the treasurer must be provided.

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TOTAL: 200

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