201306H097

higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N540(E)(J10)H
JUNE EXAMINATION

NATIONAL CERTIFICATE

FINANCIAL ACCOUNTING N5

(4010175)

10 June 2013 (X-Paper)
09:00–12:00

Calculators may be used

This question paper consists of 8 pages and an 11-page answer book.

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE
FINANCIAL ACCOUNTING N5
TIME: 3 HOURS
MARKS: 200

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions.
2. Read ALL the questions carefully.
3. Answer ALL the questions in the attached ANSWER BOOK.
4. Number the answers according to the numbering system used in this question paper.
5. Each question must be answered on the CORRECT PAGE in the ANSWER BOOK.
6. Show ALL calculations in brackets, where applicable.
7. Financial statements must be according to the 2001 Syllabus.
8. Use only BLUE or BLACK ink.
9. Tipp-Ex must NOT be used.
10. Write neatly and legibly.

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QUESTION 1

Short and Tall are in partnership as ST Stores. The partnership agreement stipulates that:

1. Interest on capital must be charged at 9% per annum.
2. Interest on drawings must be calculated at 10% per annum.
3. Interest on current accounts must be calculated at 12% per annum.
4. Partners Short and Tall must receive salaries of R30 000 and R20 000 respectively (Payable at the END of the financial period).
5. For this financial period Tall must receive a bonus of R8 000.
6. An employee bonus fund of R12 000 must be provided.
7. The general reserve must be adjusted to R11 000.
8. The remaining profit must be shared at a ratio of 2:1.

The following is an extract from the trial balance of ST Stores on 30 June 2012 after the net profit for the SIX MONTHS has been calculated:

	Debit	Credit
Capital: Short		180 000
Capital : Tall		160 000
Current: Short		50 000
Current: Tall	25 000	
Drawings: Short	60 000	
Drawings: Tall	40 000	
General Reserve		15 000
Loan: Short (at 9% p.a.)		10 000
Salary: Short	4 000	
Salary: Tall	4 000	
Net Profit		90 400

Additional information:

- Only R150 of the interest on the loan was paid. (The interest on loan account has been closed off already)

REQUIRED:
Show the following at the end of the financial periods of SIX MONTHS on 30 June 2012

1.1 Current: Short (11)

1.2 Current: Tall (10)

1.3 Interest on capital (3)

1.4 Interest on drawings (3)

1.5 Interest on current accounts (3)

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1.6 Appropriation account (11)

1.7 Only the equity part of the balance sheet (9)
[50]

QUESTION 2

The head office of Dann Dealers is in Witbank and they have a branch in Springs. Stock is sent to the branch at selling price. The head office keeps the financial records of the branch. The branch only keeps a debtor's ledger. The branch sent the following information to the head office on 30 April 2013, the end of the financial year:

Stock on 1 May 2012 at selling price	155 200
Stock on 1 May 2012 at cost price	124 160
Debtors on 1 May 2012	75 200
Stock on 30 April 2013 at selling price	143 200
Stock on 30 April 2013 at cost price	107 200
Goods sent to branch at selling price	1 304 000
Goods sent to branch at cost price	990 800
Stock returned to head office at selling price	13 600
Stock returned to head office at cost price	12 800
Credit sales	849 600
Cash sales	440 000
Stock markdown	3 880
Stock markup	680
Cash paid by debtors	788 000
Discount allowed to debtors	9 600
Bad debts written off	8 800
Branch salaries	109 800
Branch rent	37 400
Branch general expenses	30 200

The rent for April 2013 has NOT yet been paid.

REQUIRED:
Show the following accounts in the books of the head office:

2.1 Branch stock (9)

2.2 Branch adjustment (10)

2.3 Branch debtors (6)

2.4 Goods to branch (7)

2.5 Branch profit and loss (8)

ALL accounts must be closed off or balanced. **[40]**

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QUESTION 3

3.1 The following data is a summary of the transactions for a specific product that Best Buy dealers had during March 2013.

March 2013

1	Stock on hand	300 items @ R36,20
4	Purchased	900 items @ R38,10
15	Purchased	1 230 items @ R43,50
26	Purchased	180 items @ R45,20

(5 x 2) (10)

REQUIRED:
Calculate the value of the 370 items in the closing stock according to the average cost price method.

3.2 When Sipho Sithole arrived at his store on the morning of 19 April 2013, he found nearly every shelf and display rack empty. Thieves had broken in during the night and had stolen the entire inventory, except for stock with a sales price of R9 600. Sithole's accounting records showed the following up to 19 April 2013:

Stock on 1 January 2013	57 600
Sales	230 190
Purchases	181 440
Import duties	30 480
Purchases returned	34 320
Sales returns	18 540

1. The profit on normal sales is calculated at cost plus 80%.

2. Sipho only accepted normal sales as returns from clients.

3. He had a sale on stock during March, where he sold goods at marked price less 20%, that accounted for R54 720 of the total sales.

4. Staff is allowed to purchase stock at cost plus 20%. These sales amounted to R38 400.

5. The stock is insured at R100 000 and the average clause is applicable.

REQUIRED:
Show the calculation of the claim presented to the insurance company.
Show ALL the calculations, clearly indicating what is being calculated. (30)
[40]

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QUESTION 4

T. Mokoena, the owner of TM Traders, requested you to draft his balance sheet on 31 March 2013 according to the following information and to determine the net profit for the year. The following information is at your disposal:

		Capital	102 000
		Plus net profit	12 600
			114 600
Furniture at cost price	40 200	Less drawings	24 000
Accumulated depreciation on furniture	(6 000)		90 600
	34 200	Telephone due	1 260
Trading stock	45 160	Creditors' control	29 560
Petty Cash	100	Loan: Best Bank (12%)	84 000
Debtors' control	57 120		
Bank	68 600		
Accrued commission income	240		
			205 420

Additional information on 31 March 2013:

Total of receipts issued	353 640
Total of cheques issued	419 950
Drawings for the year	18 000
Vehicle bought on 1 June 2012	150 600
Debtors' control	24 400
Creditors' control	18 700
Trading stock	36 220
Stationery on hand	430
Telephone due	1 560
Rent income received in advance	3 600

- Create a provision for bad debts at 5% of debtors.
- The petty cash had been increased to R200
- Depreciation should be calculated at 20% p.a. on the cost price of vehicles and 10% p.a. on the diminishing value of furniture.
- The loan is payable in installments of R12 000 per annum, starting on 31 March 2015.

[40]

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QUESTION 5

The following combined balance sheets are presented to you by the owner of Mango Traders:

	29/02/2012	28/02/2013
Fixed assets	156 000	396 000
Stock	78 000	264 000
Debtors	90 000	132 000
Bank	180 000	-
Capital: X Mango	306 000	462 000
Mortgage bond	96 000	-
Creditors	102 000	132 000
Bank overdraft	-	198 000

The following additional information is presented to you:

Sales: Credit	608 640	666 000
Sales: Cash	475 200	534 000
Purchases: Credit	609 600	702 000
Purchases: Cash	81 600	168 000
Total operating expenses	396 000	468 000

- The business maintains a gross profit percentage of 50% on turnover
- The business allows 2 (TWO) months' credit to debtors and receives 3 (THREE) months' credit from their creditors.

REQUIRED:

5.1 Determine the Debtors collection period (in months) for 2013 and comment on it. (5)

5.2 Calculate the current ratio for 2013 and comment on it. (5)

5.3 Various options are given as possible answers to the following questions on the year ending 28 February 2013. Choose the answer and write only the letter (A–D) next to the question number (5.3.1–5.3.5) in the ANSWER BOOK.

5.3.1 The formula for acid test/quick ratio is:

A Current assets: Current liabilities
B Total assets less stock: Total liabilities
C Current assets less stock: Current liabilities
D Total assets: Total liabilities

5.3.2 The gross profit percentage for the year is 43%.

A This is better than expected
B This is worse than expected

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5.3.3 According to banking practice the ratio for the acid test should be at least:

A 2:2
B 2:1
C 1:2
D 1:1

5.3.4 The solvency ratio is 792 000 : 330 000. This equals:

A 2,4 : 1
B 1 : 2.4
C 0,42 : 1
D 1 : 0,42

5.3.5 Return on owners' equity $\frac{48\,000}{384\,000} \times \frac{100}{1}$ is equal to:

A 12,5
B 12,5 : 1
C 12,5%
D 12,5 times

(5 × 2) (10)

5.4 Calculate the following and only write the answer as a Rand value next to the question number (5.4.1–5.4.5) in your ANSWER BOOK.

5.4.1 Average stock is equal to:

5.4.2 Cost of sales equals:

5.4.3 Total assets are:

5.4.4 In the formula for gross profit percentage the sales amount is:

5.4.5 Total liabilities are ...

(5 × 2) (10)
[30]

TOTAL: 200

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