higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

JUNE EXAMINATION

FINANCIAL ACCOUNTING N5

20 JUNE 2014

This marking guideline consists of 11 pages.

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FINANCIAL ACCOUNTING N5

MARKING GUIDELINES

JUNE 2014

QUESTION 1	
QUESTION 2	
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QUESTION 4	
QUESTION 5	
TOTAL:	
PERCENTAGE:	

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QUESTION 1

Income statement of Alberton Traders for the year ending 31 May 2014.

Sales		640 900√√
Less Cost of sales	372 200√	
Gross profit		268 700
Add other income		7 950√◦
Bad debts recovered	500√	
Discount received	5 700√	
Interest on investment	1 550√√	
Provision for bad debts adjustment	200√√	
Operating income		276 650
Less expenses		381 284√◦
Trading stock deficit	1 000√√	
Stationery	2 930√√	
Bad debts	4 060√√	
Provision for discount allowed adjustment	494√√	
Depreciation	31 200√√	
Salaries: Albert	156 000√	
Telephone	21 700√	
Water and electricity	33 000√√	
Insurance	17 400√	
Discount allowed	2 600√	
Interest on loan	3 200√√	
Salaries and wages	59 700√	
Rent Paid	48 000√√	
Net loss for the year		104 634√◦

(33)

Appropriation Section

		Albert	Burton	Total
Interest on Capital		20 640√√	17 200√√	37 840√◦
Interest on Current		3 000√	(1 800) √	1 200√◦
Interest on Drawings		(1 440) √	(1 680) √	(3 120) √◦
Salaries			140 000√	140 000
General reserve	2 000√			2 000
Employee bonus fund	8 000√			8 000
Current		(145 277) √	(145 277) √	(290 554) √◦
Net loss				(104 634) √◦

(17)
[50]

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QUESTION 2

BRANCH STOCK

	1	Balance	b/d	72 800√			Head office Bank		139 800√
		Goods to branch		252 000√			Branch debtors		119 000√
							Goods to branch		4 130√
						31	Balance	c/d	53 970
							Brand adjustment (mark down)		2 000√√
							Brand adjustment (fire)		420√√
							Branch Profit + Loss		1 050√√
							Branch adjustment		4 430√∘
				324 800					324 800
	1	Balance	b/d	53 970√					

20)

BRANCH ADJUSTMENT

		Goods to branch		1 180√		1	Balance	b/d	20 800√√
	31	Balance	c/d	15 420			Goods to branch		72 000√
		Branch stock		2 000√					
		Branch stock		420√					
		Branch stock		4 430√∘					
		Branch Profit + Loss		69 350√∘					
				92 800					92 800
						1	Balance	b/d	15 420√√

(10)

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GOODS TO BRANCH

		Branch adjustment		72 000√√			Branch stock		252 000√
		Branch stock		4 130√			Branch adjustment		1 180√√
		Head Office Trading		177 050√o					
				253 180					253 180

(10)
[40]

QUESTION 2 ALTERNATIVE METHOD

BRANCH STOCK

	1	Balance	b/d	72 800√			Head office Bank		139 800√
		Goods to branch		180 000√			Branch debtors		119 000√
		Branch adjustment		72 000√			Goods to branch		2 950√
							Branch adjustment		1 180√
						31	Balance	c/d	53 970
							Brand adjustment (mark down)		2 000√√
							Brand adjustment (fire)		420√√
							Branch Profit + Loss		1 050√√
							Branch adjustment		4 430√o
				324 800					324 800
	1	Balance	b/d	53 970√					

(15)

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BRANCH ADJUSTMENT

		Branch stock		1 180 √√		1	Balance	b/d	20 800 √√
	31	Balance	c/d	15 420			Branch stock		72 000 √√
		Branch stock		2 000 √					
		Branch stock		420 √					
		Branch stock		4 430 √∘					
		Branch Profit + Loss		69 350 √∘					
				92 800					92 800
						1	Balance	b/d	15 420 √√

(12)

GOODS TO BRANCH

		Branch stock		2 950 √			Branch stock		180 000 √
		Head Office Trading		177 050 √∘					
				180 000					180 000

(3)

BRANCH PROFIT AND LOSS

		Branch discount allowed		2 550 √			Branch adjustment		69 350 √∘
		Branch salaries		25 400 √					
		Branch water and electricity		7 000 √√					
		Branch wages		1 700 √√					
		Branch advertisement		480 √					
		Branch stock		1 050 √					
		Head Office Profit + Loss		31 170 √∘					
				69 350					69 350

(10)
[40]

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QUESTION 3

LIFO Method

Date	Receipts		Issued		Stock on hand		Total to date
Mar	Units @ R	Amount	Units @ R	Amount	Units @ R	Amount	
1					140 @ R12	1 680√	1 680
5	30 @ R13	390√			140 @ R12	1 680√	
					30 @ R13	390√	2 070
9			20 @ R13	260√	140 @ R12	1 680√	
					10 @ R13	130√	1 810√
15			10 @ R13	130√			
			30 @ R12	360√	110 @ R12	1 320√	1 320
19	50 @ R14	700√			110 @ R12	1 320√	
					50 @ R14	700√	2 020
24			50 @ R14	700√			
			40 @ R12	480√	70 @ R12	840√	840
30	20 @ R15	300√			70 @ R12	840√	
					20 @ R15	300√	1 140

(20)

Average Cost price

Date	Receipts		Issued		Stock on hand	
Mar	Units @ R	Amount	Units @ R	Amount	Units @ R	Amount
1					√140 @ R12√	1680
5	30 @ R13	390√			√170 @ R12.18√	2 070.60
9			20 @ R12.18	243.60√	√150 @ R12.18√	1 827
15			40 @ R12.18	487.20√	√110 @ R12.18√	1 339.80
19	50 @ R14	700√			√160 @ R12.75√	2 040
24			90 @ R12.75	1 147.50√	√70 @ R12.75√	892.50
30	20 @ R15	300√			√90 @ R13.25√	1 192.50

(20)
[40]

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QUESTION 4

Balance sheet of Polka Stores on 31 March 2014

	Notes		
ASSETS			69 060
Non-current assets	1	65 060√o	
Other financial assets	2	4 000√	
Current assets			37 170
Stock	3	3 860√o	
Trade and other debtors	4	33 310√o	
Total assets			106 230√o
EQUITY AND LIABILITIES			
Capital	5		62 870√o
Non-current liabilities			7 000
Interest bearing liabilities	6	7 000√	
Current liabilities			36 360
Trade and other creditors	7	33 060√o	
Bank overdraft		3 300√√	
Total equity and liabilities			106 230√o

Notes to the balance sheet

Note 1: Equipment and vehicles

	Gross carrying amount	Accumulated Depreciation	Net carrying amount
Equipment	6 000√	300√	5 700√o
Vehicles 101 200 – 12 600	88 600√√	29 240√√	59 360√o
	94 600	29 540	65 060√o

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Reconciliation of carrying amount

		Equipment	Vehicles
Balance of the beginning of year			86 800√
Additions at cost		6 000√	
Disposal at carrying amount			(9 720)
Depreciation for the year		(300)√	(17 720)√
Balance at year end		5 700	59 360√o
Note 2: Other financial assets			4 000
Investment: OK Bank (8%) √		4 000	
Note 3: Stock			3 860
Trading stock		3 600√	
Consumable stores on hand √		260	
Packing material	260		
Note 4: Trade and other debtors			33 310
Debtors control		32 100√	
Prepaid expense		770√	
Insurance	770		
Accrued income		440√	
Rent income	440		
Note 5: Capital			62 870√o
Balance at beginning	54 200√		
Add Net profit	10 090√o		
Less Drawings		(1 420)√	
Note 6: Interest bearing liabilities			7 000
Loan: Best Bank (12%) √		7 000	
Note 7: Trade and other creditors			33 060
Creditors control		33 700√	
Accrued expense:		240√	
Interest on loan	240		
Prepaid income		120√	
Commission	120		

[40]

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QUESTION 5

5.1 5.1.1 **Stock turnover rate**

Cost of sales √
Average stock

= 938 640 √ (158 400 + 960 240 – 180 000)
169 200 √ (180 000 + 158 400 / 2)

= 5.55 times √

Comment: Good, norm is 5 √ (5)

5.1.2 **Debtors collection period:**

Average Debtors X 365 √
Credit sales

(158 400 + 220 800)/2 X 365
1 001 880 (938 640 + 135 240 – 72 000)

189 600 √ X 365
1 001 880 √

69.07 days √

Comment: Debtors pay too late. Norm is 60 days. √ (5)

5.1.3 **Return on owners' equity:**

Net profit X 100 √
Average capital

135 240 – 57 000 X 100
(480 000 + 600 000)/2

78 240 √ X 100
540 000 √

14.49% √

Comment: Good, financial institutions will not pay same interest. √ (5)

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5.1.4 **Creditors payment period**

$$\frac{\text{Average creditors}}{\text{Credit purchases}} \times 365 \checkmark$$

$$\frac{(156\,000 + 144\,000) / 2}{960\,240 \times 80\%} \times 365$$

$$\frac{150\,000 \checkmark}{768\,192 \checkmark} \times 365$$

71.27 days ✓

Comment: Payment is too early, cash flow problems may arise.
Norm is 90 days. ✓ (5)

5.2 5.2.1 C ✓✓

5.2.2 A ✓✓

5.2.3 B ✓✓

5.2.4 D ✓✓

5.2.5 D ✓✓

(10)
[30]

TOTAL: 200

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