higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N540(E)(J20)H
JUNE EXAMINATION

NATIONAL CERTIFICATE

FINANCIAL ACCOUNTING N5

(4010175)

20 June 2014 (X-Paper)
09:00–12:00

This question paper consists of 10 pages and an answer book consisting of 10 pages.

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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 may NOT be used.
10. Write neatly and legibly.

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QUESTION 1

The following trial balance has been taken from the accounting records of Alberton Traders, with partners Albert and Burton.

Alberton Traders
Pre-adjustment trial balance on 31 May 2014

	Debit	Credit
Capital: Albert		144 000
Burton		120 000
Current: Albert		30 000
Burton	18 000	
Drawings: Albert	12 000	
Burton	14 000	
General Reserve		9 000
Land	91 200	
Vehicle at gross carrying value	156 000	
Accumulated depreciation: Vehicles		62 400
Investment: Best Bank (10%)	18 000	
Loan: Albert (12%)		80 000
Trading stock	91 200	
Debtors control	26 360	
Provision for bad debts		1 500
Creditors control		66 000
Bank	136 240	
Sales		648 300
Cost of sales	372 200	
Debtors allowance	7 400	
Stationery	3 200	
Bad debts	3 700	
Salaries: Albert	15 000	
Burton	16 000	
Telephone	21 700	
Water and electricity	31 200	
Insurance	17 400	
Discount	2 600	5 700
Rent paid	52 000	
Salaries and wages	59 700	
Interest on loan	1 800	
	1 166 900	1 166 900

Additional information:

1. According to a stock taking at the end of the financial year, the trading stock on hand were R90 200 and the stationery R270.

2. R360 due by a debtor must be written off as uncollectable.

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3. An amount of R500 previously written off as irrecoverable was collected. The cheque has been received from the attorney but has not been recorded.

4. The provision for bad debts should be kept at 5%, and a provision for discount allowed should be created at 2%.

5. On 1 April 2014 a further R3 000 was invested in Best Bank at the same interest rate.

6. The rent account has been overpaid by R4 000. This will be offset against the amount due for next year.

7. The loan from Albert was obtained on 1 February 2014.

8. Provide for depreciation on vehicles at 20% per annum on cost.

9. The amount of R1 800 for water and electricity for May 2014 was only paid during June 2014.

The partnership agreement stipulated the following:

- As manager of the business, Albert receives a monthly salary of R13 000. Albert's salary is seen as operating expenses. At the end of the year Burton receives a salary of R140 000 for his input in the business.
- Partners are entitled to 15% p.a. interest on capital balances. Albert and Burton decided to reduce the interest rate from 1 October 2013 to 14%.
- Interest on current and drawings accounts is 10% p.a. and 12% p.a. respectively.
- The General Reserve must be increased to R11 000
- Create an employee bonus fund of R8 000
- The partners should share equally in the remainder of the profit/loss.

REQUIRED:

Income- and appropriation statement of Alberton Traders for the year ending 31 May 2014. **[50]**

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QUESTION 2

Sunsavers is situated in Springs and has a branch in Daveyton. The head office supplies goods at selling price to the branch (cost price + 40%) and received regular summaries from the branch. The branch deposited all cash received directly into the bank account of the head office. The branch keeps a petty cash for smaller expenses.

Summary of transactions for the financial year ended 31 March 2014:

Stock at branch at selling price (01/04/2013)	72 800
Branch debtors (01/04/2013)	22 900
Branch Petty cash (01/04/2013)	3 000
Merchandise at selling price sent to the branch	252 000
Cash sales by the branch	139 800
Credit sales by the branch	119 000
Returns by branch to Head Office	4 130
Discount allowed to debtors	2 550
Branch expenses paid by Head Office:	
Salaries	25 400
Wages	1 200
Water and electricity	6 400
Expenses paid by the branch form petty cash:	
Advertisements	480
Painter's wages	500
Closing stock at branch at selling price (31/03/2014)	53 970

Additional information:

1. Water and electricity of R600 is still due

2. During January 2014 a sale was held at the branch. Goods were sold at a price of 10% below the normal selling price. The total receipts for the sale were R18 000 and is included in the amount of R139 800 for cash sales by the branch.

3. In December 2013 a fire damaged stock with a selling price of R1 470 to such an extent that it could no longer be sold and therefore had to be written off.

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REQUIRED:
Use the information from the summaries of the branch and prepare the following accounts in the books of the head office at the end of the financial year ending 31 March 2014.

2.1 Branch stock

2.2 Branch adjustment

2.3 Goods to branch

2.4 Branch profit and loss

[40]

QUESTION 3
Show the stock cards of item ST 236, one of the items sold by S Nkosi Dealers in March 2014, according to the following methods:

3.1 LIFO method (20)

3.2 Average cost price method (20)

March 2014	
1	Stock on hand 140 items @ R12 each
5	Purchased: 30 items @ R13 each
9	Issued: 20 items
15	Issued: 40 items
19	Purchased: 50 items @ R14 each
24	Issued: 90 items
30	Purchased: 20 items @ R15 each

[40]

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QUESTION 4

Polka Stores do not keep full records of all transactions. From the information below, obtained on 31 March 2014 draw up the balance sheet at that date.

Trial balance on 31 March 2013

Capital		36 000
Drawings	11 000	
Bank	5 040	
Vehicles	101 200	
Accumulated depreciation on vehicles		14 400
Trading stock	5 500	
Debtors control	21 600	
Investment	4 000	
Loan: Best Bank (12%)		5 000
Net Profit		29 200
Creditors control		63 740
	148 340	148 340

The following adjustments must still be taken into account:

1. The investment is at 8% per annum with OK Bank.
2. The loan was increased to R7 000. The total should be redeemed fully by 28 February 2020. Interest on the loan is still due, R240.
3. The bank statement showed an unfavorable balance of R2 400 and there was a cheque of R900 outstanding.
4. Furniture of R6 000 was purchased on 1 December 2013. Write off depreciation at 15% per annum according to the reducing balance method.
5. A vehicle with a cost price of R12 600 and accumulated depreciation of R2 880 was sold on 1 April 2013. Write off depreciation at 20% per annum on cost price.
6. The Trading stock account showed a debit balance of R3 710 after the owner took stock with a cost price of R1 420. A physical stock count revealed that there are only stock to the value of R3 600
7. Insurance of R770 for next year is already paid in advance.
8. The tenant is R440 behind with the payment of rent.
9. Commission of R120 was received in advance.
10. Packing material to the value of R260 is available for use next year.
11. Balance of debtors was R32 100 and creditors amounted to R33 700.

[40]

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QUESTION 5

The information below is obtained from the financial records of Retoria General Dealers on 30 April 2013 and 2014.

	2014	2013
Non-current assets at net carrying amount	324 400	384 300
Investments	270 000	336 000
Stock	180 000	158 400
Debtors	158 400	220 800
Capital	480 000	600 000
Non-current liabilities	36 000	32 000
Creditors	156 000	144 000
Bank (credit)	12 000	24 000
Cash Sales	72 000	48 000
Purchases	960 240	624 120
Gross profit	135 240	343 200
Sundry expenses	57 000	73 200

1. The business maintained a constant gross profit percentage of 30% on turnover.

2. 80% of purchases were on credit.

3. A good turnover rate for similar businesses in South Africa is 5 times per year.

4. The business allowed 60 days credit to debtors and receive 90 days credit from creditors.

REQUIRED:

5.1 Calculate the following for Retoria General Dealers for the year 2014 and comment on the ratios to the owner of the business. (Round off to 2 decimals)

5.1.1 Stock turnover rate

5.1.2 Debtors collection period

5.1.3 Return on owners' equity

5.1.4 Creditors payment period

(20)

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5.2 Various options are given as possible answers to the following questions based on the financial year ended 30 April 2014. Choose the answer and write only the letter (A–D) next to the question number (5.2.1–5.2.5) in the ANSWER BOOK.

5.2.1 The current ratio is 338 400 : 168 000. This is equal to:

A 2,01 %
B 1 : 2.01
C 2.01 : 1
D 0.5 : 1

5.2.2 The net profit percentage is $\frac{78\ 240}{1\ 073\ 880} \times 100$. This is equal to:

A 7.29 %
B 7.29
C 7.29 times
D 7.29 : 1

5.2.3 Current conservative banking practice assumes a ratio of ... for the acid test ratio.

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

5.2.4 The formula for turnover rate for debtors is:

A $\frac{\text{Average debtors}}{\text{Credit sales}}$

B $\frac{\text{Debtors Control}}{\text{Average Sales}}$

C $\frac{\text{Sales}}{\text{Debtors}}$

D $\frac{\text{Credit sales}}{\text{Average debtors}}$

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5.2.5 A cash flow problem can arise when …

A the stock turnover rate increases.
B the assets are more than the liabilities.
C the business pays the creditors too late.
D debtors pay too late.

(10)
[30]

TOTAL 200

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