higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N570**(E)**(J7)H
JUNE EXAMINATION

NATIONAL CERTIFICATE

FINANCIAL ACCOUNTING N5

(4010175)

7 June 2016 (X-Paper)
09:00–12:00

This question paper consists of 11 pages and 1 answer book of 9 pages.

GENERAL STUDIES

Copyright reserved

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. Write your EXAMINATION NUMBER on every page in the ANSWER BOOK.
6. Show ALL calculations in brackets, were applicable.
7. Financial statements must be according to the 2001 Syllabus.
8. Use only BLUE and BLACK ink.
9. Tipp-Ex may NOT be used.
10. Write neatly and legibly.

GENERAL STUDIES

Copyright reserved

QUESTION 1

The following information comes from the financial records of Cadberry Traders with partners Cad and Berry.

Pre-adjustment trial balance on30 September 2015

Balance sheet account section:	Debit	Credit
Capital: Cad		600 000
Berry		300 000
Drawings: Cad	30 080	
Berry	2 400	
Current: Cad	15 120	
Berry		36 240
Land and buildings	994 200	
Equipment	108 000	
Accumulative depreciation on equipment		36 120
Loan: Cad 14% per annum		132 000
Trading stock	98 480	
Debtors control	52 060	
Provision for bad debts		2 586
Bank	49 079	
Nominal account section:		
Sales		1 202 400
Cost of sales	801 600	
Stationery	1 860	
Water and electricity	13 450	
Bad debts	1 800	
Rent income		55 400
Insurance	11 400	
Salaries and wages	160 892	
Salary: Cad	25 000	
	2 364 746	2 364 746

Additional information:

- The following stock was on hand according to a physical stocktaking on 30 September 2015 :
  - Trading stock, R96 930
  - Stationery, R200
- A debtor, P. Prince has disappeared and his debt must be written off as irrecoverable, R360.
- The provision for bad debts must be adjusted to 6% of the debtors.
- The rent increased by R200 on 1 July 2015. The tenant has paid the rent until the end of October 2015.
- An insurance premium of R9 840 was paid and recorded on 1 November 2014. This policy expires on 31 October 2015.

GENERAL STUDIES

- The loan from partner Cad was made on 1 April 2014. On 1 April 2015 R9 000 was repaid. No interest for the year has been paid.
- Berry increased his capital contribution by giving computer equipment valued at R15 000 to the business on 1 July 2015. This has been properly recorded.
- Depreciation for the year must be written off equipment at 10% of the cost price.

The partnership agreement specifies (inter alia) the following:

a) Cad is entitled to an annual salary of R63 000.
b) Berry is entitled to a monthly salary of R1 400 more per month than that of Cad, because of managerial duties.
c) Interest on capital must be brought into account at 6% per annum.
d) Partners are debited or credited with interest at 10% per annum on the balances of their current accounts at the beginning of the year.
e) Interest on drawings is calculated at 12.5% per annum. The total amounts were drawn on 1 April 2015.

Remaining profit shared in proportion to partners' capital contributions at the beginning of the year.

REQUIRED:

1.1 Income statement of Cadberry Traders for the year ending 30 September 2015 (42)

1.2 Current Account: Cad (8)
[50]

GENERAL STUDIES

QUESTION 2

2.1 Lisela Stores of Bramley has a branch in Bethulie. The head office supplied all trading stock to the branch at cost price and received regular summaries from the branch. Cash received is transferred to the bank account of the head office at the end of each month after an advance of R5 000 has been retained.

Stock at branch on 1 September 2014	61 920
Branch debtors on 1 September 2014	34 840
Branch bank on 1 September 2014	?
Branch computer equipment on 1 September 2014	156 000
Branch accumulated depreciation on 1 September 2014	61 200
Summary of transactions for the year ended 31 August 2015	
Goods supplied by head office	308 390
Cash sales	258 860
Credit sales	161 690
Returns to head office	13 070
Cash received from debtors	170 620
Expenses paid by the branch:	
Packing material	2 510
Salaries and wages	81 600
Head office paid the following on behalf of the branch:	
Water and electricity	25 250
Computer equipment (31-05-2015)	10 400
Insurance	5 480

Adjustments:

- The stock takings on 31 August 2015 revealed the following:
  - Stock on hand R73 730
  - Only R2 270 worth of packing material was used during the year
- Provide for depreciation on computer equipment at 15% per annum on the net carrying value.
- Head office did not yet pay the water and electricity bill for August R2 110
- R840 is still owing to a casual worker

GENERAL STUDIES

Use the information to draw up the required accounts in the books of the head office at the end of their financial period ending 31 Augustus 2015.

2.1.1 Branch stock (7)

2.1.2 Branch debtors (4)

2.1.3 Branch bank (7)

2.1.4 Goods to branch (3)

2.1.5 Branch Profit and loss (11)

2.2 Mamba Dealers has a branch in Embali and Wadeville.

On 16 February 2015 the Wadeville branch sent stock of R12 400 to the branch in Embali, which received it on 17 February 2015.

On 27 February 2015 the head office sent stock of R8 350 to the branch in Embali, but the branch had not yet received the stock when the accounts were closed on 28 February 2015.

REQUIRED:

Show the entries of these two transactions in the general journal of the branch in Embali. (8)

[40]

QUESTION 3

During September 2015 Grey Dealers had the following transactions with respect to one of their products:

September 2015

1	Stock on hand	34 units @ R20
7	Purchased	48 units @ R22
14	Sold	29 units @ R40
19	Sold	22 units @ R41
22	Purchased	42 units @ R24
26	Sold	14 units @ R42
29	Sold	32 units @ R42

GENERAL STUDIES

REQUIRED:

Enter the information on the stock cards if the following stock systems were used:

3.1 FIFO (19)

3.2 Average cost price (21)
[40]

QUESTION 4

4.1 The owner of Corx Traders informs you that no proper accounting records were maintained for the two financial years ended 28 February 2014 and 2015. He can however provide the following financial data:

	2014	2015
Loan	-	8 000
Bank (Favourable)	2 878	4 572
Equipment at cost	29 400	29 400
Accumulated depreciation on equipment	8 159	11 345
Prepaid expense	2 360	2 996
Accrued expense	3 415	1 126
Investment	4 000	4 000
Debtors	15 620	17 040
Creditors	12 320	7 680
Trading stock	50 136	64 080
Cash float	1 500	1 500

REQUIRED:

4.1.1 The owner requests you to draw up a financial statement to calculate his net profit for the year ended 28 February 2015, bearing in mind that he had withdrawn R4 200 during the year. (16)

4.1.2 The only note required is that for equity. (5)

GENERAL STUDIES

4.2 The following information from the financial records of BB Stores who did not keep full records of transactions were available at the end of the financial year, 28 February 2015:

Debtors 01-03-2014	50 625
28-02-2015	57 250
Creditors 01-03-2014	19 500
28-02-2015	27 875
Payments to creditors and cash purchases	183 500
Payments by debtors and cash sales	322 875
Returns by debtors	26 750
Returns to creditors	44 625
Discount allowed to debtors	1 750
Discount received from creditors	5 250

ADDITIONAL INFORMATION:

A debtor who owed R5 200 was declared insolvent. His estate paid 35% of his debt, and this has been added to payments by debtors. The remaining balance must be written off as a bad debt.

REQUIRED:

Show the following in the general ledger of BB Stores for the year ended 28 February 2015:

4.2.1 Debtors' control (8)

4.2.2 Creditors' control (6)

4.3 The following two errors occurred in the journals of a retailer who makes use of the periodic stock method. The errors where discovered after the journals had been closed off and posted to the ledger.

4.3.1 The total of an invoice for merchandise bought on credit from Sam and Co. was R800; the correct total is R700. (3)

4.3.2 The wages column in the cash payments journal was added incorrectly as R400 instead of R450 and posted to the wages account as such. (2)

REQUIRED:

Correct these errors by means of general journal entries. Narrations are not required. **[40]**

GENERAL STUDIES

QUESTION 5

The following information was extracted from the accounting records of a trader on 28 February 2015:

Extracts from the income statement:

Total sales	217 750
Cost of sales	124 430
Net profit	54 430

After the capital account had been credited with the above net profit, the balance sheet reflected the following balances:

Land and buildings	218 400
Equipment at carrying value	41 300
Capital	314 400
Long term loan	59 200
Investment	54 600
Current assets	134 900
Creditors control	75 600
Debtors control	36 400
Bank (dr)	33 600

ADDITIONAL INFORMATION:

1. Credit sales represent 60% of total sales.
2. Creditors allow 3 months credit.
3. Similar industries in South Africa have a stock turnover rate of 3 times per annum.

REQUIRED:

5.1 Calculate the following for the business for 2015, the first year of trading.

5.1.1 Gross profit percentage on turnover

5.1.2 Debtors collection period (in days)

(5 × 2) (10)

GENERAL STUDIES

5.2 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (5.2.1–5.1.5) in the ANSWER BOOK.

5.2.1 The formula for solvency ratio is:

A $\frac{134\ 900}{75\ 600}$

B $\frac{449\ 200}{134\ 800}$

C $\frac{394\ 600}{134\ 800}$

D $\frac{519\ 200}{373\ 600}$

5.2.2 The formula for Acid test ratio is:

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

5.2.3 Return on owners' equity is equal to:

A 17.31
B 17.31 : 1
C 17.31%
D 17.31 times

5.2.4 The firm had a stock turnover rate of two times per annum

A This is worse than similar industries in South Africa
B This is the same as similar industries in South Africa
C This is better than similar industries in South Africa

5.2.5 After calculation it was found that the business paid their creditors after 80 days.

A This is unacceptable for the creditors
B This is acceptable for the creditors

(5 × 2) (10)

GENERAL STUDIES

5.3 Write the answers to the following questions in rand value. NO calculations must be shown.

5.3.1 The value of total assets is …

5.3.2 Cash sales equals …

5.3.3 Current liabilities equals ….

5.3.4 Stock equals …

5.3.5 Operating expenses equals … (sales is the only income)

(5 × 2) (10)
[30]

TOTAL: 200

GENERAL STUDIES

Copyright reserved