higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

NOVEMBER EXAMINATION

FINANCIAL ACCOUNTING N5

12 NOVEMBER 2014

This marking guideline consists of 8 pages.

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QUESTION 1

1.1 1.1.1

Net profit		198 000√
Add stationery		100√
Less expenses:		
Interest on loan		1 200√√
Salary: Baby		54 000√√
		142 900√

(7)

1.1.2 **APPROPRIATION ACCOUNT**

Interest on capital		22 950√			Net profit		142 900√
Salary: Bush		98 000√			Interest on drawings		330√
Bonus to partner		14 290√√			Interest on current		348√
Current: Bush		2 779√√					
Baby		5 559√√					
		143 578					143 578

(11)

1.1.3 **CURRENT ACCOUNT: BUSH**

Drawings: Bush		2 880√√			Balance	b/d	2 300√
Interest on drawings		144√√			Salary: Bush		86 000√√
					Interest on capital		13 500√
					Interest on current		276√
					Interest on loan		1 200√
Balance	c/d	103 031√			Appropriation		2 779√
		106 055					106 055
					Balance	b/d	103 031√

(13)

CURRENT ACCOUNT: BABY

Balance	b/d	5 200√			Salary: Baby		9 000√√
Drawings: Baby		3 720√			Interest on capital		9 450√
Interest on drawings		186√√			Bonus to partner		14 290√
Interest on current		624√			Appropriation		5 559√
Balance	c/d	28 569√					
		38 299					38 299
					Balance	b/d	28 569√

(12)

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1.2

1.2.1	General reserve√	10 000	
	Profit + loss appropriation√		10 000
1.2.2	Profit + loss appropriation√	25 000	
	Current account: Able√		10 000√
	Mable √		15 000√

(7)
[50]

QUESTION 2

2.1 2.1.1

MODERN TRADERS
GENERAL LEDGER OF HEAD OFFICE
BRANCH ACCOUNT

Feb	1	Balance	b/d	45 000√	Feb	18	Merchandise to branch		6 000√
	1	Bank		5 400√		28	Bank		5 160√
	3	Vehicles		140 400√					
	15	Merchandise to branch		32 500√					
	28	Bank		4 500√		28	Balance	c/d	230 810√◦
	28	Profit and loss		14 170√					
				241 970					241 970
Mar	1	Balance	b/d	230 810√					

(10)

2.1.2

MODERN TRADERS
GENERAL LEDGER OF BRANCH
HEAD OFFICE ACCOUNT

Feb	18	Merchandise from head office		6 000√	Feb	1	Balance	b/d	45 000√
	28	Bank		5 160√		1	Bank		5 400√
						3	Vehicles		140 400√
						15	Merchandise from head office		32 500√
		Balance	c/d	230 810√◦		28	Rent expense		4 500√
						28	Profit and loss		14 170√
				241 970					241 970
					Mar	1	Balance	b/d	230 810√

(10)

2.2 2.2.1

BANK ACCOUNT

Head office		36 960√			Purchases		20 160√
Sales		114 240√			Rent expense		14 800√
Debtors control		86 640√			Stationery		1 120√
					Head office		194 880√
				31	Balance	c/d	6 880
		237 840					237 840
Balance	b/d	6 880√◦					

(8)

2.2.2

TRADING ACCOUNT

Merchandise from head office		83 040√			Sales		211 200√√
Purchases		20 160√			Closing stock		10 320√◦
Profit and loss		118 320√					
		221 520					221 520

(6)

2.2.3

PROFIT AND LOSS ACCOUNT

Rent expense		14 800√			Trading account		118 320√
Stationery		1 120√					
Water and electricity		6 720√					
Insurance		2 000√					
Head office		93 680√					
		118 320					118 320

(6)
[40]

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QUESTION 3

3.1

TRADING ACCOUNT

Opening stock		7 200√			Sales		10 800√
Purchases		9 700√			Closing stock		9 422√
Profit and loss		3 322√					
		20 222					20 222

(5)

Profit for Valentine's week:

Profit = R3 200 × 75/175 = 1 371 (4)

Profit on sale:

MP = 2 772 × 100/90
= 3 080
CP = 3 080 × 100/140
= 2 200
Profit = 2 772 – 2 200 = 572 (10)

Profit on normal sales:
Sales = 10 800 – 3 200 – 2 772
= 4 828
Profit = 4 828 × 40/140 = 1 379
3 322 (6)

Stock loss: Stock less stock salvaged
9 422 - 1 400 = 8 022

Insurance claim: $\frac{\text{Insured amount}}{\text{Stock}} \times$ Stock loss

$\frac{10\,000}{9\,422} \times 8\,022$

= R8 514 (5)

3.2

Units		Total price
24		R364,80√
18		275,76√
36		601,20√
78	√	1 241,76√

R1 241,76/78√√ = R15,92√
12 × R15,92√√ = R191,04 (10)
[40]

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QUESTION 4

4.1

Feb	1	Stationery √	90	
		KNA√		90
		Invoice not brought into account, entered √		
	12	P Nkosi√	20	
		Sales√		20
		Error on invoice corrected√		
	27	Equipment√	400	
		Trading stock√		400
		Posting to incorrect account corrected√		
	28	Depreciation√	100	
		Accumulated depreciation on equipment√		100
		Correction of incorrect calculation √		

(12)

4.2

DEBTORS CONTROL

Balance	b/d	32 400√			Bank		206 640√
Sales		234 240√			Discount allowed		1 120√
					Sales returns		17 120√
					Bad debts		5 120√
					Balance	c/d	36 640
		266 640					266 640
Balance	b/d	36 640√					

(7)

CREDITORS CONTROL

Bank		117 440√			Balance	b/d	12 480√
Discount received		3 360√			Purchases		126 160√
Balance	c/d	17 840					
		138 640					138 640
					Balance	b/d	17 840√

(5)

4.3

SUSPENSE ACCOUNT

Rent income√		8 000√			Wages√		800√
Commission received√		200√			Telephone√		1 000√
Trading stock√		600√			Advertising√		300√
					Water and electricity√		5 000√
					Difference in trial balance√		1 700√
		8 800					8 800

(16)
[40]

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QUESTION 5

5.1 Gross profit percentage:

$$\frac{\text{Gross profit}}{\text{Sales}} \times 100 \checkmark$$

$$\frac{210\,000 \checkmark}{924\,000 \checkmark} \times 100$$

22,73%√

Comment: Slightly below the mark-up of 25%. Management must investigate problems with the selling and purchasing of stock/investigate sales and stock for incorrect recordings or theft. √√

5.2 Net profit percentage:

$$\frac{\text{Net profit}}{\text{Sales}} \times 100 \checkmark$$

$$\frac{92\,400 \times 100}{924\,000 \checkmark} \quad (210\,000 - 117\,600)$$

10%√

Comment: Management must investigate the expenses as it is more than half of the profit on sales/The owner can earn more than 10% on a long-term investment/Investigate and decide where he can save on unnecessary expenses √√

5.3 Current ratio:

Current assets : current liabilities √

(144 000 + 49 200) 193 200√ : 84 000√

2.3 : 1√

Comment: The current liquidity is sound and above the acceptable ratio of 2 : 1√√

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5.4 Average collection period for debtors (days)

$\frac{\text{Average debtors}}{\text{Credit sales}} \times 365$ √

$\frac{(136\,000 + 144\,000) / 2}{924\,000 \times 85\%} \times 365$

$\frac{140\,000}{785\,400}$ √ × 365 √

65,06 days√

Comment: The debtors take longer to pay as what they are allowed. This will cause a cash flow problem for the business/The credit policy must be revised. √√

5.5 Solvency ratio:
Total assets: total liabilities √

504 000 + 144 000 + 49 200 : 7 000 + 154 000 + 77 000

697 200 √ : 238 000√

2.93 : 1 √

Comment: The business is solvent and has enough assets to cover the liabilities. √√

(5 × 6) **[30]**

TOTAAL: 200

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