higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N530(E)(N12)H
NOVEMBER EXAMINATION

NATIONAL CERTIFICATE

FINANCIAL ACCOUNTING N5

(4010175)

12 November 2014 (Y-Paper)
13:00–16:00

This question paper consists of 9 pages and an answer book of 13 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 in the ANSWER BOOK.
2. Read ALL the questions carefully.
3. Show ALL calculations in brackets, where applicable.
4. Financial statements must be according to the 2001 Syllabus.
5. Use only BLUE or BLACK ink.
6. Tipp-Ex may NOT be used.
7. Write neatly and legibly.

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QUESTION 1

1.1 You are supplied with the following information relating to Bush Baby Bookshop.

The following balances appeared in the books of the partnership on 30 September 2013. The business is owned by two partners, Bush and Baby.

Capital: Bush	R90 000
Baby	63 000
Current account: Bush (Cr)	2 300
Baby (Dr)	5 200
Drawings: Bush	2 780
Baby	3 720
Loan: Bush (15%) (Cr)	8 000
Salary: Bush	12 000
Baby	45 000
Net Profit (before attending to the partnership agreement and items listed below)	198 000

The following entries have not yet been made:

- On 29 September 2013 Bush took stationery to the value of R100 for personal use.
- The interest on the loan should be calculated for the full financial year.

The partnership agreement makes provision for the following:

1. A salary of R98 000 must be paid to Bush at the end of the financial year

2. Baby's salary of R4 500 per month is seen as an operating expense.

3. Interest on capital and interest on current accounts must be calculated at 15% and 12% per annum respectively.

4. Interest on drawings must be provided at 10% per annum calculated for 6 months.

5. If the net profit is less than R150 000, Baby must receive a bonus of 10% of the net profit. If the net profit is more than R150 000, Bush must receive a bonus of 20% of the net profit.

6. The remainder of the profit should be divided in such a way that Baby receives two thirds thereof, while the rest goes to Bush.

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REQUIRED:

1.1.1 Show the calculation of the net profit. (7)

1.1.2 Prepare the appropriation account. (11)

1.1.3 Prepare the current accounts of the partners. (25)

1.2 Show the general journal entries for the following transactions in the books of the partnership AM Stores (narrations are not needed).

1.2.1 Decrease the general reserve by R10 000.

1.2.2 Distribute the remaining profit of R25 000 between partners Able and Mable in the ratio 2 : 3. (7)
[50]

QUESTION 2

2.1 Modern Traders, which has its head office in Elspark, has a branch in Fairmead at which a complete set of books is kept.

Use the summary of the transactions that occurred during February 2014 to draw up the following accounts (balance these accounts properly):

2.1.1 Branch account in the books of head office

2.1.2 Head office account in the books of the branch

February 2014		
1	Balance due by the branch	R45 000
1	Head office provided the branch with cash	R5 400
3	Vehicle transferred from the head office to the branch	R140 400
15	Goods supplied by head office to the branch	R32 500
18	Goods returned by the branch to head office	R6 000
28	Rent paid by head office on behalf of the branch	R4 500

28 The branch profit and loss account was received and showed a net profit of R14 170.

28 Branch returned R5 160 cash to head office. (20)

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2.2 Rakpan Dealers in Centurion has an independent branch in Isando which keeps its own complete set of books.

Summary of the transactions that occurred during the year ending 31 August 2013:

Merchandise supplied to the branch by head office at cost	83 040
Cash advance from head office	36 960
Merchandise bought for cash by branch	20 160
Sales of merchandise by branch: cash	114 240
credit	96 960
Cash received from debtors	86 640
Rent paid by branch	14 800
Stationery paid by branch	1 120
Water and electricity of branch paid by head office	6 720
Insurance of branch paid by head office	2 000
Settlements to head office	194 880
Closing stock at cost at branch as on 31 August 2013	10 320

REQUIRED

The following accounts in the books of the branch:

2.2.1 Bank account

2.2.2 Trading account

2.2.3 Profit and loss account

(20)
[40]

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QUESTION 3

3.1 Flower Range is a trader who purchases flowers wholesale and then assembles assorted bouquets and bunches. These are sold at a mark-up price of 40% on cost.

During the evening of 16 April 2014 a fire occurred on the premises and all the stock, except stock with a cost price of R1 400 was destroyed.

Flower Range's inventories were insured for R10 000 against fire damage. The average clause applied.

The following information was obtained from the company's records:

1.

Opening stock on 2 January 2014	7 200
Sales from 2 January 2014 until 16 April 2014	10 800
Purchases from 2 January 2014 until 16 April 2014	9 700
Delivery cost to customers	360

2. During the week of Valentine in February, prices were raised and bunches sold at cost plus 75%. The proceeds of that week's sales amounted to R3 200 and are included in the sales figure above.

3. The week after Valentine's Day a sale was held and bunches were sold at normal sales marked price less 10%. This sale yielded R2 772 and the amount is also included in the sales figure above.

REQUIRED

Calculate the claim to be submitted to the insurance company.
Round ALL amounts off to the nearest rand. (30)

3.2 Calculate the value of the closing stock of a specific product sold at BP Stores according to the average cost price method.

The following information for May 2014 was taken from the stock records.

May 2014		
1	Stock on hand	24 items @ R15,20
15	Purchased	18 items @ R15,32
27	Purchased	36 items @ R16,70
31	Stock on hand	12 items @ R ?

(10)
[40]

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QUESTION 4

4.1 On 28 February 2014 Maxi Dealers found that the following errors had been made during the month:

February 2014	
1	The invoice for stationery of R90 bought on credit from KNA was not entered in the creditor's journal.
12	The total on an invoice to P Nkosi for goods sold on credit was R20 too low.
27	Equipment bought for R400 was debited in the Trading Stock account
28	The depreciation on equipment was calculated incorrectly as R620 instead of R720.

REQUIRED

Make the necessary entries in the general journal (with narrations) to correct the errors. (12)

4.2 Mr P Silwa of PS Stores did not keep full records of transactions and he requests you to calculate his credit purchases and sales for the year ending 30 April 2014.

The following information regarding debtors and creditors were available at the end of the financial year.

Debtors (1/05/2013)	32 400
Creditors (1/05/2013)	12 480
Cash sales and payments by debtors	206 640
Cash purchase and payments to creditors	117 440
Discount allowed	1 120
Discount received	3 360
Returns by debtors	17 120
Bad debts written off	5 120
Debtors (30/04/2014)	36 640
Creditors (30/04/2014	17 840

REQUIRED

Debtors control account
Creditors control account (12)

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4.3 The inexperienced bookkeeper of Isidingo Traders could not balance the trial balance on 30 September 2013. He placed the difference in a suspense account instead of tracing the error.

After the books had been checked the following errors were discovered:

4.3.1 The total of the wages account, of R800 was not entered in the trial balance.

4.3.2 The telephone account was entered as R5 600 instead of R6 600 in the trial balance.

4.3.3 The rent income account was entered as R48 000 instead of R56 000.

4.3.4 A total of R300 for advertising in the cash payments journal was not posted.

4.3.5 A total of R200 for commission received in the cash receipts journal was not posted.

4.3.6 The posting of R2 500 for water and electricity was posted to the wrong side of the account.

4.3.7 The Trading Stock column in the creditors' journal was added too high by R600.

REQUIRED

Show the suspense account to calculate the amount by which the trial balance was out. (16)
[40]

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QUESTION 5

The following particulars were taken from the financial records of Red Heart Traders on 31 October 2013:

Non-current assets	504 000
Bank (cr)	7 000
Creditors (1-11-2012)	56 000
Creditors (31-10-2013)	77 000
Debtors (1-11-2012)	136 000
Debtors (31-10-2013)	144 000
Long-term loans	154 000
Opening trading stock	85 200
Closing trading stock	49 200
Gross profit	210 000
Sales	924 000
Total expenditure	117 600

1. The business maintained a gross profit of 25% on the selling price.

2. Cash sales amounted to 15% of the total sales.

3. A good stock turnover rate for similar industries in South Africa is 6 times per year.

4. The payment term for debtors is 60 days.

5. The business received 120 days credit from its creditors.

REQUIRED

Use the above information to calculate the following for the year ended 31 October 2013. Comment appropriately to the owner on the financial position of his business.

5.1 Gross profit percentage

5.2 Net profit percentage

5.3 Current ratio

5.4 Average collection period for debtors (days)

5.5 Solvency ratio

(5 × 6) **[30]**

TOTAL: 200

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