



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

APPLIED ACCOUNTING

(First Paper)

NQF LEVEL 4

(3011004)

26 February 2018 (Y-Paper)

13:00–16:00

A nonprogrammable calculator may be used.

This question paper consists of 13 pages and an answer book of 14 pages.

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 ANSWER BOOK provided.
4. Show ALL your calculations.
5. No pages may be removed from the ANSWER BOOK.
6. Use the table below to guide you on how much time to spend answering each question.
7. Write neatly and legibly.

QUESTIONS	TOPICS	MARKS	RECOMMENDED TIME GUIDE
SECTION A			
1	Short questions	30	27 minutes
2	Calculation questions	30	27 minutes
SECTION B			
3	Adjustments	40	36 minutes
4	Profit and loss calculations	30	27 minutes
5	Financial statements	50	45 minutes
6	Influence on accounting equation	20	18 minutes
		200	180 minutes

SECTION A**QUESTION 1**

1.1 Various options are given as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (1.1.1 – 1.1.5) in the ANSWER BOOK.

1.1.1 An adjustment for stationery on hand at the end of the financial year will be recorded in the ... journal.

- A debtors
- B cash payments
- C general
- D petty cash

1.1.2 The ... is used to record the transactions of a business which are applicable to the current financial period only.

- A balance sheet
- B trial balance
- C income statement
- D cash flow statement

1.1.3 The journal entry to record the closing-off of the cost of sales account is ...

- A debit 'trading account' and credit 'cost of sales'.
- B debit 'cost of sales' and credit 'trading stock'.
- C debit 'cost of sales' and credit 'trading account'.
- D debit 'trading stock' and credit 'cost of sales'.

1.1.4 A decrease in the provision for bad debts is classified as a/an ...

- A liability.
- B income.
- C asset.
- D expense.

1.1.5 Rates and taxes that are due for the current financial year but have not yet been paid, are referred to as ...

- A prepaid expense.
- B accrued income.
- C income received in advance.
- D accrued expense.

(5 × 1) (5)

- 1.2 Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A–H) next to the question number (1.2.1–1.2.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.2.1	Trading stock deficit	A	accrued expense
1.2.2	Accrued income	B	trial balance at the end of the year before any adjustments have been made
1.2.3	Provision for bad debts	C	income earned but not yet received at the end of the financial year
1.2.4	Expenses paid in advance	D	the difference between the closing balance of trading stock in the trial balance and the value of the stock on hand after the physical stocktaking
1.2.5	Post-adjustment trial balance	E	created at the end of the year for possible debts that could be written off
		F	trial balance prepared at year end after all adjustments were made
		G	prepaid expense
		H	income already received for the next financial period

(5 × 1)

(5)

- 1.3 Sweety Makubu, a blind, talented student works in the deaf and blind association's own art and ornament shop, called Creativity At Its Best.

The following balances were extracted from the business' preadjustment trial balance on 30 June 2016, the end of its financial year:

Canvas and clay for ornaments (merchandise)	R35 250
Cash in the bank	R3 999
Capital	R50 000
Drawings	R4 200
Vehicles	R56 000
Accumulated depreciation on vehicles	R3 650
Accounts payable	R6 449
Cash sales	R62 987
Credit sales	R23 654
Cost of sales (mark-up is 150% on cost)	???
Water and electricity	R9 158

Where applicable, round off your answer to the nearest rand.

You are requested to assist Sweety with the following:

- 1.3.1 Briefly explain the following to her:
- 1.3.1.1 the difference between gross profit and net profit (2)
- 1.3.1.2 the term *depreciation*. (2)
- 1.3.2 Calculate the cost of sales for the business on 30 June 2016. (4)
- 1.3.3 Depreciation on vehicles is calculated at 10% on the diminishing balance method. A new vehicle was purchased on 1 December 2015 for R40 000. This entry has not yet been recorded in the books of the business.
- Calculate the depreciation that will be recorded in the income statement on 30 June 2016. (5)
- 1.3.4 Calculate the accumulated depreciation on vehicles that will be recorded in the balance sheet on 30 June 2016. (2)
- 1.3.5 Calculate the depreciation on vehicles that will be recorded in the income statement on 30 June 2017. (4)
- 1.3.6 What effect does accumulated depreciation have on assets? (1)

[30]

QUESTION 2

- 2.1 The following information was extracted from the books of Minions Hotel on 31 August 2016, the end of the financial year.

EXTRACT FROM THE PREADJUSTMENT TRIAL BALANCE

Insurance	R25 000
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ADDITIONAL INFORMATION

- The monthly insurance to Mutual and Federal of R1 450 was paid on 6 August 2016. This entry, however, was erroneously posted to the sundry expense account.
- The business has an insurance policy with Sahara Insurers. The premium is R620 per week. The invoice for the month was received on 30 August 2016 but has not been paid yet. There are five weeks in the month of August.
- Included in the insurance account is an amount of R1 000 which is for the next financial period.

- 2.1.1 Prepare the insurance account in the general ledger. Close off this account correctly on 31 August 2016. (9)
- 2.1.2 What effect does insurance have on the owner's equity in the accounting equation? (1)
- 2.1.3 In which financial statement will insurance be recorded? (1)

- 2.2 The following is an extract from the books of Boom Bang Stores on 30 November 2016, the end of the financial year:

Noncurrent assets	R180 000
Mortgage loan (Blue Bank)	R65 000
Current assets	R45 000
Capital (balance on 1 December 2015)	R70 000
Drawings	R12 000

ADDITIONAL INFORMATION

- The net loss amounted to R10 000 for the year.

- 2.2.1 Complete the note for capital in the balance sheet. Show all the calculations. (4)
- 2.2.2 Calculate the current liabilities of Boom Bang Stores on 30 November 2016. (5)
- 2.3 The turnover of a business was R1 000 000 and its debtors were 10% of the turnover. The business wishes to have a provision of doubtful debts of 3% of debtors for the current year.
- 2.3.1 Calculate the provision for doubtful debts for the current year. (3)
- 2.3.2 The provision calculated in QUESTION 2.3.1 is 10% more than last year's provision for doubtful debts.
Calculate last year's provision for doubtful debts. Round off your answer to the nearest rand. (2)
- 2.3.3 Is the difference between last year's and this year's provision for bad debts an income or expense for the business? (1)
- 2.3.4 How do businesses know what percentage to provide for bad debts? (1)
- 2.4 Imphuphu Wholesalers conducted stocktaking on the last day of its financial year. The inventory as per the physical stocktaking is R36 477. The balance on the inventory account in the general ledger is R38 744.
- 2.4.1 What amount will be recorded in the income statement for the above transaction? (1)
- 2.4.2 What amount will be recorded in the inventory note in the balance sheet? (1)
- 2.4.3 Why is it important for a business to do regular stocktaking? (1)
- [30]**
- TOTAL SECTION A: 60**

SECTION B**QUESTION 3**

The following preadjustment trial balance was extracted from the records of Petite Ornaments on 30 June 2016, the last day of the financial year.

PREADJUSTMENT TRIAL BALANCE OF PETITE ORNAMENTS ON 30 JUNE 2016

	FOL	DEBIT		CREDIT	
BALANCE SHEET ACCOUNTS SECTION					
Capital (1 July 2015)	B1			368 960	00
Drawings	B2	18 800	00		
Equipment	B3	152 000	00		
Accumulated depreciation on equipment	B4			23 200	00
Vehicles	B5	258 840	00		
Accumulated depreciation on vehicles	B6			31 800	00
Trading stock	B7	45 860	00		
Bank	B8	36 700	00		
Petty cash	B9	500	00		
Cash float	B10	1 500	00		
Debtors control	B11	42 700	00		
Creditors control	B12			7 800	00
Fixed deposit: Buzz Bank (8%)	B13	40 000	00		
Loan: Nemo Bank (12%)	B14			90 000	00
Provision for bad debts				5 000	00
NOMINAL ACCOUNTS SECTION					
Sales	N1			395 750	00
Cost of sales	N2	143 500	00		
Debtors allowances	N3	7 250	00		
Rent income	N4			19 950	00
Carriage on sales	N5	6 540	00		
Commission received	N6			10 570	00
Bad debts	N7	8 155	00		
Bad debts recovered	N8			1 880	00
Sundry expenses	N9	10 400	00		
Water and electricity	N10	33 660	00		
Salaries	N11	126 000	00		
Stationery	N12	4 500	00		
Packing material	N13	3 950	00		
Accounting fees	N14	12 000	00		
Interest on loan	N15	2 055	00		
		954 910	00	954 910	00

ADJUSTMENTS

1. A debtor, A. Joubert, who owes R2 100, was declared insolvent. His estate paid a dividend of 25 cents in the rand. The bookkeeper only recorded the entry for the receipt. You are required to record the irrecoverable amount.
2. Adjust the provision for bad debts to 10% of debtors.
3. A physical stocktaking on 30 June 2016 revealed the following on hand:
 - Trading stock R45 000
 - Stationery R400
4. The chartered accountants, Shabir Goga and Associates, invoiced the company R23 450, for completing the financial statements and provisional tax returns. This invoice is still outstanding.
5. The owner took stock to the value of R850 for her personal use.
6. The business purchased trading stock from XT Products to the value of R4 750 and paid by cheque. This entry was erroneously posted to the carriage on sales account. Correct this entry.
7. M. Stuart, a tenant, has occupied part of the building since March 2012 at a rental of R1 500 per month. Her rental was increased by 10% on 1 May 2016. Adjust rent accordingly.
8. The account of B. Bandela with a credit balance of R300 in the debtors ledger must be transferred to his account in the creditors ledger.
9. Depreciation of vehicles and equipment is provided for as follows:
 - 9.1 Equipment at 14% per annum on the straight-line method. Take into account a new photocopying machine was purchased on 1 September 2015 for R5 000. This entry had already been recorded in the books of the business.
 - 9.2 Vehicles at 16% per annum on the diminishing balance method.
10. A fixed deposit was taken out on 31 December 2015. Adjust the interest on the fixed deposit.
11. The receptionist, P. Sangweni, requested an advance on his monthly salary of R3 500 as he was going to Cape Town for a holiday. The owner agreed to his request and paid him his July 2016 salary on 30 June 2016.

REQUIRED

Record the adjustments in the general journal on 30 June 2016. Narrations are NOT required.

Round off all your answers to the nearest rand.

[40]

QUESTION 4

The following post-adjustment trial balance appeared in the books of The Famous Pet Store on 30 November 2016, the last day of the financial year.

**POST-ADJUSTMENT TRIAL BALANCE OF THE FAMOUS PET STORE ON
30 NOVEMBER 2016**

	FOL	DEBIT		CREDIT	
BALANCE SHEET ACCOUNTS SECTION					
Capital (1 December 2015)	B1			320 000	00
Drawings	B2	45 050	00		
Land and buildings	B3	375 000	00		
Fixed deposit: Smurf Bank (12%)	B4	150 000	00		
Equipment	B5	45 000	00		
Accumulated depreciation on equipment	B6			9 852	00
Trading stock	B7	25 605	00		
Debtors control	B8	34 920	00		
Bank	B9			45 822	00
Cash float	B10	650	00		
Accrued income (rent)	B11	3 400	00		
Provision for bad debts	B12			13 400	00
Creditors control	B13			30 850	00
Prepaid expense	B14	1 005	00		
Accrued expense	B15			4 605	00
NOMINAL ACCOUNTS SECTION					
Sales	N1			755 250	00
Cost of sales	N2	478 500	00		
Debtors allowances	N3	6 040	00		
Water and electricity	N4	37 508	00		
Telephone and fax	N5	16 085	00		
Salaries	N6	73 250	00		
Provision for bad debts adjustment	N7	1 680	00		
Printing and stationery	N8	6 377	00		
Interest on fixed deposit	N9			9 850	00
Rent income	N10			125 000	00
Bad debts	N11	2 003	00		
Consulting fees	N12	9 044	00		
Subscriptions	N13	3 512	00		
Bad debts recovered	N14			450	00
		1 314 629	00	1 314 629	00

REQUIRED

Open the following accounts in the general ledger of The Famous Pet Store and post the closing transfers to them. Balance/Close off all these accounts on 30 November 2016.

4.1	Drawings	(2)
4.2	Accrued income	(3)
4.3	Rent income	(6)
4.4	Trading account	(4)
4.5	Profit and loss account	(15)
		[30]

QUESTION 5

Use the information below to prepare the following for Boots And All:

5.1	Income statement for the year ended 29 February 2016	(24)
5.2	Balance sheet as at 29 February 2016. ONLY show the notes required in the ANSWER BOOK.	(26)

NOTE: Where applicable, show all workings in brackets and round off all your answers to the nearest rand. **[50]**

ADJUSTMENTS

- A physical stocktaking on 29 February 2016 revealed the following on hand:
 - Trading stock R85 000
 - Packing material R750
- A debtor was retrenched and could not pay the balance of her account of R975. Write off her debt as irrecoverable.
- The loan agreement with Sofia Bank was signed on 31 July 2015.
- Create a provision for bad debts of 6% of debtors.
- Depreciation of vehicles and equipment for the year is provided for as follows:
 - Equipment at 15% per annum on the straight-line method.
 - Vehicles at 12% per annum on the diminishing balance method.
- Commission has been received until 30 April 2016.
- Included in the insurance amount is an annual insurance premium of R8 000 paid annually on 1 December. This policy was taken out two years ago.

The following preadjustment trial balance was extracted from the records of Boots And All on 29 February 2016, the last day of the financial year.

PREADJUSTMENT TRIAL BALANCE OF BOOTS AND ALL ON 29 FEBRUARY 2016

	FOL	DEBIT		CREDIT	
BALANCE SHEET ACCOUNTS SECTION					
Capital (1 March 2015)	B1			940 100	00
Drawings	B2	12 000	00		
Land and buildings	B3	650 000	00		
Vehicles	B4	398 000	00		
Accumulated depreciation on vehicles	B5			87 300	00
Equipment	B6	240 000	00		
Accumulated depreciation on equipment	B7			44 500	00
Trading stock	B8	96 200	00		
Debtors control	B9	134 500	00		
Bank	B10			34 630	00
Petty cash	B11	2 000	00		
Cash float	B12	12 500	00		
Loan: Sofia Bank (14%)	B13			100 000	00
Creditors control	B14			77 500	00
NOMINAL ACCOUNTS SECTION					
Sales	N1			976 590	00
Cost of sales	N2	459 750	00		
Debtors allowances	N3	17 400	00		
Rent income	N4			20 000	00
Commission income	N5			14 000	00
Bank charges	N6	9 980	00		
Salaries	N7	122 650	00		
Legal fees	N8	21 000	00		
Bad debts	N9	7 090	00		
Insurance	N10	14 500	00		
Stationery	N11	12 480	00		
Telephone	N12	16 000	00		
Packing material	N13	1 900	00		
Discount received	N14			1 330	00
Water and electricity	N15	68 000	00		
		2 295 950	00	2 295 950	00

QUESTION 6

Analyse the transactions from the books of Mona Lisa's Painting Store on 31 October 2016, the last day of the financial year by showing the account to be debited and the account to be credited in the general ledger. Show the effects on the elements of the accounting equation. Show an increase with +, and a decrease with – and no effect with 0.

Use the table in the ANSWER BOOK to analyse the transactions.

EXAMPLE:

Paid Caltex for fuel by cheque, R300

Number	General ledger		Effect on the accounting equation		
	Account debited	Account credited	Assets	Owner's equity	Liabilities
<i>Example</i>	<i>Fuel</i>	<i>Bank</i>	- 300	- 300	0

REQUIRED

- 6.1 Close off the net profit of R45 000.
- 6.2 Purchased text books for Applied Accounting Level 4 from the supplier, Troupant Books, and paid by cheque. The discount of R960 was mistakenly omitted and has not been received yet.
- 6.3 An amount of R750 for rates and taxes has been erroneously entered in the stationery account.
- 6.4 The telephone rental is R450 per month. This account is in arrears for three months.
- 6.5 The owner Ayush Mohan increased his capital by 15%. The original amount invested was R220 000.

(5 × 4) [20]

TOTAL SECTION B: 140
GRAND TOTAL: 200