

QUESTION 1 ANALYSIS OF TRANSACTIONS (59 marks; 35 min)

REQUIRED

Analyse the following transactions of Lemon Traders. The business uses a mark-up of 50%.



Example: Purchased stationery for R300 from petty cash.

- A Goods costing R1 000 were sold on credit to G. Nel for R1 500.
- B Purchased equipment from New Concepts on account, R7 550.
- C The bank returned A. Jacob's unpaid cheque of R300. Jacob owed R330 and paid R300 in full and final settlement. No entries have been made to record this entry.
- D Paid JJ Traders, a creditor, by cheque R3 430. Received a discount of R170.
- E Issued a cheque to Q Log for transport of stock purchased, R1 230
- F Received R25 000 from Capitec Bank for a fixed deposit that matured. This amount included interest of R5 000. No entries have been made.
- G The owner took goods for personal use, R 1 575.

59

QUESTION 2 JOURNAL ENTRIES & CONTROL ACCOUNTS (63 marks; 38 min)

The information for May 2016 presented below was drawn from the books of Manchester Traders

REQUIRED

- 2.1 How can businesses verify that the Trading Stock account is accurate and reflects the trading stock on hand? (2)
- 2.2 Complete the General Journal for May 2016. Narrations are not required. (27)
- 2.3 Prepare the following accounts in the General Ledger after completing No.2.2:

INSTRUCTIONS:

- 1. Read all instructions carefully and follow them precisely.
- 2. Answer all questions (no options/choices) in the answer book provided. No additional paper added to the booklet will be marked.
- 3. Only the use of a **DARK** pencil, **BLACK** or **BLUE** ink pen will be allowed.
- 4. Show all calculations were necessary and instructed in order for part-marks to be allocated.
- 5. Use the table below a time management guide.

| Qu | Topic | Total | Time |
|----|--------------------------------------|------------|----------------|
| 1 | Analysis of Transactions | 59 | 35 min |
| 2 | Journal entries and control accounts | 63 | 38 min |
| 3 | Debtors' Ledger and Internal control | 31 | 18 min |
| 4 | VAT & Closing Transfers | 41 | 25 min |
| 5 | Financial Statemets | 106 | 64 min |
| | | 300 | 180 min |

- 2.3.1 Debtors Control Account (Balance on 1 May 2016 – R43 270) (13)
 2.3.2 Trading Stock Account (Balance on 1 May 2016 – R57 290) (16)

INFORMATION

1. The business uses a mark-up of 60% on cost.
 2. Extracts of totals from the other journals are as follows:

| Cash Receipts Journal | | R | Cash Payments Journal | | R |
|----------------------------|--|--------|------------------------------|--|--------|
| Bank | | ? | Bank | | ? |
| Discount Allowed | | 850 | Discount Received | | 975 |
| Debtors' Control(receipts) | | 36 730 | Creditors Control (payments) | | 19 500 |
| Sales | | 79 120 | Trading Stock | | 9 480 |
| Cost of Sales | | ? | Debtors' Control | | 2 630 |

| Debtors' Journal | | R | Debtors Allowances Journal | | R |
|------------------|--|--------|----------------------------|--|-------|
| Sales | | ? | Debtors Allowances | | 1 920 |
| Cost of Sales | | 23 850 | Cost of Sales | | 1 020 |

| Creditors' Journal | | R | Creditors Allowances Journal | | R |
|--------------------|--|--------|------------------------------|--|-------|
| Creditors' Control | | ? | Creditors Control | | ? |
| Trading Stock | | 31 320 | Trading Stock | | 2 100 |
| Equipment | | 15 980 | Equipment | | 980 |
| Packing Material | | 5 620 | Packing Material | | 270 |

| General Journal | | | Creditors' Journal | | |
|------------------|--------|------|--------------------|--------|------|
| Debtors' Control | Debit | R275 | Creditors' Control | Debit | R207 |
| | Credit | 120 | Debtors' Control | Credit | 320 |

Information from the Sundry Accounts Column in the Petty Cash Journal:

- May 17 The owner purchased stationery for personal use, R20.
 21 Paid a cash refund to a debtor, S. Villa, R35.

Transactions on 31 May 2016.

- (a) Chelsea Ltd charged interest at 15% p.a on our overdue account of R180 for 4 months.
 (b) A cheque issued to LP Builders for R500 for repairs was recorded in the Creditors' control column in the CPJ and posted accordingly. LP Builders is not a creditor. Correct the error.
 (c) Trading Stock totaling R120 returned to Leeds &Co. was erroneously posted to the account of Leeds Traders. Correct the error.

- (d) Merchandise to the value of R2 300 purchased from Everton Ltd was entered in the CJ as R3 200 and posted accordingly. Correct the error.
 (e) Goods valued at R200 returned by a debtor, A Charlton, was incorrectly recorded in the DAJ as S. Charlton and posted as such. Correct the error.
 (f) A debit note issued for merchandise returned to Sun Traders for R120 was recorded in the CJ and posted accordingly. Correct the error.
 (g) We accepted a cash register valued at R5 270 from a debtors who had previously been written off as irrecoverable, P.Broke.

60

QUESTION 3

DEBTORS LEDGER AND INTERNAL CONTROL (30 marks; 17 min)

The following information was extracted from the accounting records of Dash Traders.

REQUIRED

- 3.1 Prepare the Debtors' Ledger account of K.Dashian. (18)
 3.2 Explain why the total of the Debtors' list must equal the balance on the Debtors' control account. (3)
 3.3 Would you say Dash Traders is managing their debtors efficiently? State TWO reasons to support your answer of YES / NO. (5)
 3.4 Provide TWO points of advice to DASH Traders with regard to K.Dashians account. (4)

INFORMATION

- A Dash Traders' credit term policy is 30 days less 5%.
 B K. Dashian's credit limit is R8 000.
 C Transactions for June 2016

| | | |
|----|--|--------|
| 01 | Balance | 12 520 |
| 03 | Issued invoice no .379 to K.Dashian for goods delivered | 5 770 |
| 07 | Issued receipt no. 1231 to K. Dashian for cheque received | 1 000 |
| 11 | Issued C/N no 123 to K.Dashian for an overcharge | 320 |
| 15 | The bank returned K.Sahians' cheque unpaid | 3 400 |
| | The cheque was received on 30 May 2016 subject to a discount | 80 |
| 21 | Charged interest on overdue account | 130 |

30

| NOMINAL ACCOUNTS SECTION | | |
|---------------------------|-----------|-----------|
| Sales | | 519 000 |
| Cost of sales | 346 350 | |
| Debtors' allowances | 1 875 | |
| Salaries and wages | 54 000 | |
| Rent Income | | 40 000 |
| Bad debts recovered | | 315 |
| Insurance | 10 128 | |
| Bad debts | 975 | |
| Stationery | 8 400 | |
| Water and Electricity | 4 395 | |
| Discount allowed | 675 | |
| Interest on overdraft | 2 250 | |
| Interest on fixed deposit | | 12 300 |
| Discount received | | 270 |
| | 1 292 255 | 1 292 255 |

Additional information and adjustments

- A debtor returned unsatisfactory goods with a selling price of R300 on 28 February 2015 and this was not recorded. The cost price of the goods is R200.
- After a physical stocktaking, the following stock was on hand on 28 February 2015:
 - Trading inventory R 33 600
 - Stationery R 270
- The rent for March has been received in advance and recorded. NB: The rent increased by R 200 on 1 November 2014.
- The salary of an employee, was not processed for the month of February 2015. Use the details provided and make the necessary entries to process her salary.

| | |
|--------------|---------------------|
| Gross Salary | R 18 000 |
| PAYE | 10% of gross salary |
| Pension Fund | R 720 |
| Medical Aid | R 1 200 per month |
| UIF | 1% of gross salary |

The business contributes toward UIF and Pension Fund on a Rand for Rand basis.

- The insurance amount includes an annual payment of R6 300 that was paid on 1 October 2014 for the period 1 October 2014 to 30 September 2015.

- The water and electricity amount of R465 is owing.
- A debtor J Black, who owes R2 250, was declared insolvent. A dividend of 40 cents in the rand was received and recorded, the rest must be written off as irrecoverable.
- An amount of R1 500 was received from a debtor whose account was previously written off.
- The bank statement was received after the trial balance was drawn up. The following items still need to be recorded
 - Bank charges R 540
 - Interest on overdraft R 2 750
- The business sells items on a commission basis. Commission totalling R12 000 for sales made during February is still due to the business.
- The loan Statement from CAPS Bank showed the following
 - Balance on 28 Feb 2014 R 125 340
The Bank capitalizes the interest each month. Calculate the interest on the loan which was capitalized.
- A new vehicle costing R 160 200 was bought on 1 November 2014. No entry has been made.
- Depreciation should be calculated as follows:
 - Equipment at 15% per annum on cost price method
 - Vehicles at 10% per annum on diminishing balance method

**HAVE NO FEAR
THE ACCOUNTANT
IS HERE**

QUESTION 4 VAT & CLOSING TRANSFERS (41 marks; 25 min)

4.1 VAT

- 4.1.1 What does the acronym VAT represent? (1)
- 4.1.2 What is the current rate of VAT? (1)
- 4.1.3 What is meant by zero-rated items? Provide 2 examples of such products; (3)
- 4.1.4 Calculate the missing values: (8)

| | Flat Screen TV | Tracksuit |
|---------------------------|----------------|-----------|
| Selling Price | A | R295 |
| VAT | B | C |
| Selling Price (incl. VAT) | R3 135 | D |

- 4.1.5 Explain why certain products are exempt from VAT. (2)

4.2 CLOSING TRANSFERS

Study the Final Accounts below and answer the questions that follow.

INFORMATION

Trading Account – F1

| | | | |
|-----------------|----------------|-------|----------------|
| Cost of Sales | ? | Sales | 210 400 |
| Profit and Loss | (A) 85 400 | | |
| | <u>210 400</u> | | <u>210 400</u> |

Profit and Loss Account – F2

| | | | |
|--------------------------------|----------------|-------------------------------|----------------|
| (All expenses of the business) | 100 670 | B | B |
| | | (All incomes of the business) | 100 270 |
| C | 85 000 | | |
| | <u>185 670</u> | | <u>185 670</u> |

Answer the following questions. Refer to the information above.

- 4.2.1 Calculate the missing **Cost of Sales** value in the Profit and Loss Acc. (2)
- 4.2.2 Identify this value of R85 400, calculated in A. (2)
- 4.2.3 Name TWO functions of the Profit and Loss Account. (4)
- 4.2.4 The **Sales** value is a net value. How is it calculated? (2)
- 4.2.5 Explain the relevance of this calculation i.e why it is calculated in this manner. (4)
- 4.2.6 Write down the missing information of B. (2)

4.2.7 Refer to C:

- (i) Explain how this value is calculated. (3)
- (ii) What is the missing detail marked C? (1)
- (iii) Explain your answer in (ii). (2)
- (iv) Name the other account closed off to the Capital account and why. (2)
- (v) Is C representing a Profit or a Loss? State why? (2)

41

QUESTION 5 FINANCIAL STATEMENTS (110 marks; 66 min)

5.1 Statement of Comprehensive Income [Income Statement]

The financial year of Russell Traders ends on 28 February each year.
The business uses the perpetual inventory system.

- 5.1.1 Prepare the Statement of Comprehensive Income [income statement] for the year ended 28 February 2015. (Show all workings in brackets to earn part marks) (46)

5.1.2 Prepare the following notes to the financial statement.

- Tangible Assets (15)
- Trade and other Payables (15)

Information

Pre-adjustment trial balance of Russell Traders on 28 February 2015

| BALANCE SHEET ACCOUNTS SECTION | Debit | Credit |
|------------------------------------|---------|---------|
| Capital | | 435 875 |
| Drawings | 17 685 | |
| Land and building | 456 862 | |
| Vehicles | 207 000 | |
| Accumulated depreciation vehicles | | 62 400 |
| Equipment | 88 000 | |
| Accumulated depreciation equipment | | 54 660 |
| Fixed Deposit : AFM Bank | 18 750 | |
| Loan: CAPS Bank (12% p.a.) | | 103 500 |
| Trading inventory | 34 650 | |
| Debtors' control | 29 460 | |
| Creditors' control | | 21 435 |
| Bank overdraft | | 52 550 |
| Cash float | 750 | |

5.2 BALANCE SHEET AND NOTES TO THE BALANCE SHEET

The following trial balance was extracted from the accounting records of Top Dog Traders on the 28 February 2015.

5.2.1 Prepare the Balance Sheet for the year ended 28 February 2015. (25)

5.2.2 Prepare Owner's Equity note to the financial statement. (5)

Balances of Top Dog Traders on 28 February 2015

| BALANCE SHEET ACCOUNTS SECTION | Debit | Credit |
|---|------------------|------------------|
| Capital | | 950 000 |
| Drawings | 235 370 | |
| Tangible Assets at carrying value | 1 408 000 | |
| Fixed deposit: ASA Bank (10% p.a.) | 37 200 | |
| Loan: Rand Bank (18%p.a) | | 274 200 |
| Trading inventory | 67 200 | |
| Debtors' control | 53 820 | |
| Creditors' control | | 88 000 |
| Bank overdraft | | 106 880 |
| Petty Cash | 1 500 | |
| Consumable Stores on Hand | 540 | |
| Accrued Expense | | 4 530 |
| Income received in advance | | 6 400 |
| Prepaid expenses | 7 350 | |
| Cash Float | 28 200 | |
| Accrued Income | 3 120 | |
| NOMINAL ACCOUNTS SECTION | | |
| Profit and Loss (Net profit for the year) | | 412 290 |
| | 1 842 300 | 1 842 300 |

Additional Information:

- On 1 August 2014 the owner invested an additional R150 000 into the business. This entry was properly recorded.
- R20 000 of the fixed deposit will mature within the next six months.
- An amount of R51 750 in respect of the loan will be paid in the next financial year.

TOTAL: 300



