



UNISA

ACN101-M

October/November 2003

**ACCOUNTING CONCEPTS, PRINCIPLES AND PROCEDURES
(BCOMPT AND BCOM)**

Duration : 2 Hours

100 Marks

EXAMINERS :**FIRST :**

PROF JJ SWANEVELDER

MR MJ VILJOEN

MS HJ VAN ZYL

MISS A DU PLESSIS

MR A VISAGIE

MS KA PHEEHA

SECOND :

PROF D SCHEEPERS

Use of a non-programmable pocket calculator permissible.

This paper comprises 9 pages.

PLEASE NOTE:

1. Ensure that you are writing the correct examination paper.
2. Ensure that you are handed the correct examination answer book (BLUE) by the invigilator.
3. This paper consists of FOUR (4) questions.
4. All questions must be answered.
5. Please do not answer the paper in pencil.

**PROPOSED TIME TABLE
(try not to deviate from this)**

Question	Subject	Marks	Time (minutes)
1	Bank reconciliation	20 (7)	25
2	Note on property, plant and equipment and machine realisation account	21	25
3	Income Statement and statement of changes in equity	20 (10)	25
4	Multiple choice questions (13 questions)	39 (21)	45
	TOTAL	100	120

[TURN OVER]

QUESTION 1 (20 marks)(25 minutes)

Commence this question on a new (separate) page.
Basic calculations, where applicable, must be shown.

The following information relates to Martin Trading:

1. **BANK RECONCILIATION STATEMENT AT 30 APRIL 2003**

	Debit R	Credit R
Balance per bank statement <i>unfavourable</i>	7 367	
Outstanding cheques		
No 531	230	
No 784	1 245	
No 785	2 163	
No 789	80	
	11 085	
Correction of error		120
Balance as per bank account <i>unfavourable</i>		10 965
	11 085	11 085

2. Provisional (pencil) totals of the bank columns in the subsidiary journals on 31 May 2003 are as follows:

	R
Cash receipts journal	133 468 <i>B + Bank</i>
Cash payments journal	111 396 <i>B - Bank</i>

3. A comparison of the cash journals for May 2003 with the bank statement for May 2003 brought the following to light:

3.1 Items appearing on the bank statement but not in the cash journals:

- ✓(a) A direct deposit made by Sand Traders (a debtor) to the amount of R3 148. *(CRJ)*
- ✓(b) Cash deposit fees of R100. *(CRJ)*
- ✓(c) Ledger fees charged for the month: R310. *CPJ*.
- ✓(d) Interest on bank overdraft: R180. *CPJ*
- ✓(e) A cheque to the amount of R380, incorrectly debited to Martin Trading's bank account.
- ✓(f) A stop order of R325 for the monthly insurance premium and a debit order of R898 for payment of the telephone account. *CPJ*.
- (g) Correction of the error that appeared on the previous bank reconciliation.

- ✓3.2 It was also found that cheque 785 (for cash purchases) appeared on the bank statement as R2 136, which is the correct amount.

4. Items appearing in the cash journals but not on the bank statement:

- ✓4.1 A deposit made on 31st May 2003 for R5 213.
- ✓4.2 Cheque no 531 (dated 15 November 2002, issued to J Rondo for purchases) for R230, No 799 for R2 110 and No 812 for R3 212.

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REQUIRED:

- 1.1 Complete the cash receipts journal (bank column only) of Martin Trading for May 2003. (Commence with the provisional total given above). 136743 (3½)
- 1.2 Complete the cash payments journal (bank column only) of Martin Trading for May 2003. (Commence with the provisional total given above). 113109. (4½)
- 1.3 Prepare the bank account in the general ledger of Martin Trading properly balanced at 31 May 2003. dr. 12669. (6)
- 1.4 Prepare the bank reconciliation statement of Martin Trading at 31 May 2003. (6)

bal as per bank statement = R12628

QUESTION 2 (21 marks)(25 minutes)

Commence this question on a new (separate) page.

Basic calculations, where applicable, must be shown.

The following are balances at 30 June 2003, obtained from the general ledger of Rocco's Store:

	R
Capital	330 000
Vehicles at cost (30 June 2002)	160 000
Machinery at cost (30 June 2002)	200 000
Accumulated depreciation on vehicles (30 June 2002)	40 000
Accumulated depreciation on machinery (30 June 2002)	38 000
Debtors	34 000
Creditors	50 000
Inventory	15 000
Bank (Dr)	49 000

Additional information:

- 1 On 31 December 2002 a machine, bought on 1 July 2000 for R30 000, was sold for R24 000.
- 2 On 1 April 2003 Rocco's Store purchased a new machine to replace the machine which was sold. The following information pertains to the new machine.

	R
Purchase price	50 000
Installation cost	2 000
Transport cost	8 000

- 3 Depreciation must be provided for as follows:
 Vehicles - 25% per annum according to the straight line method.
 Machinery - 10% per annum according to the diminished balance method.

REQUIRED:

- 2.1 Prepare the note on property, plant and equipment to the financial statements of Rocco's Store, at 30 June 2003 in accordance with Generally Accepted Accounting Practice. (19)
- 2.2 Prepare the machine realisation account in the general ledger of Rocco's Store. (2)

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QUESTION 3 (20 marks)(25 minutes)

Commence this question on a new (separate) page.
Basic calculations, where applicable, must be shown.

The following list of balances appeared in the books of Nico Traders at 28 February 2003:

	R
×Capital	76 000✓
×Bank (favourable)	2 070
✓Inventory: merchandise	12 000
×Debtors	8 100
×Provision for bad debts	200
×Creditors	11 100
×Land and buildings	40 000
×Equipment	10 000
×Accumulated depreciation: equipment	4 500
✓Sales	153 750✓
✓Sales returns	3 250✓
✓Cost of sales	90 000✓
✓Railage on sales	2 000✓
✓Salaries and wages	13 200✓
✓Discount allowed	1 500✓
✓Interest paid	1 600✓
✓Interest income	1 250✓
✓Bad debts	300✓
✓Water and electricity	4 250✓
✓Telephone	3 600✓
✓Insurance	1 880✓
✓Advertisements	550✓
×Drawings	50 000
✓Depreciation	2 500✓

Additional information:

1. Insurance includes the premium for March 2003. The insurance premium for the current financial year was R140 per month.
2. Provide for the following creditors:

	R
Advertisements	50
Telephone	350
Water and electricity	400

3. The account of Mr J Tin, a debtor, to the amount of R100 should be written off as irrecoverable. *UE - B/D B - Deb.*
4. The provision for bad debts must be adjusted to 2% of outstanding debtors.
5. During the financial year the owner increased his capital with R16 000.

UE - B/D B - Prov. 4

NP = 28270

[TURN OVER]

REQUIRED:

Capital bal. end of year = R 70 270.

Using the above information, prepare the following for Nico Traders for the year ended 28 February 2003 (**NB:** Notes to the financial statements are **NOT** required):

- 3.1 The income statement in accordance with Generally Accepted Accounting Practice. (15)
 3.2 The statement of changes in equity in accordance with Generally Accepted Accounting Practice. (5)

QUESTION 4 (39 marks)(45 minutes)

Commence this question on a new (separate) page.

This question comprises 13 multiple choice questions. Each question has only one correct answer and all questions are of equal value.

DO NOT USE A MARK READING SHEET TO ANSWER THIS QUESTION.

Write the question numbers below one another in your answer book. Indicate your option with a **CAPITAL** letter next to each question number. For example:

1. D
2. A

Do your calculations on the page opposite to your choices. No marks are given for calculations.

1. Mr J James is the owner of an enterprise trading as James Traders. At 31 May 2003 the enterprise had the following assets and liabilities:

	R
Delivery vehicle <i>Asset</i>	140 000
Inventory <i>Asset</i>	30 000
Bank (overdraft) <i>Liability</i>	10 000
Creditors <i>A</i>	120 000
Debtors <i>A</i>	100 000
Accumulated depreciation: vehicles	20 000
Provision for bad debts	5 000

Which one of the following amounts reflects the owner's equity of James Traders at 31 May 2003?

- A R115 000
 B R125 000
 C R140 000
 D R160 000

$$E = A - L$$

[TURN OVER]

2. Capital Limited, who's financial year ends 28 February 2003, paid R3 000 advertising costs in respect of the twelve months ended 30 April 2003.

*R500 - UE - Ad
L: Prepaid exp.*

Which one of the following accounts reflected the balance after adjustments and closing transfers, as indicated at the end of the financial year of Capital Limited?

- A Accrued expenses: debit balance of R500
- B Advertising costs: credit balance of R1 500
- C Advertising income: credit balance of R500
- D** Prepaid expenses: debit balance of R500

*Cost - 100
markup - 33,3
Sell - 133,3*

3. T Swart, the owner of Swart Trading took goods with a selling price of R1 800 for his own use. Selling prices are determined by a mark-up of 33 1/3% on cost price. The perpetual inventory system is in use.

Which one of the following alternatives represents the general ledger accounts as well as the effect of the transaction on the accounting equation of Swart Trading?

	General ledger accounts		Accounting equation			
	Debit	Credit	A	=	L	+ E
A	Drawings	Purchases X				+ 1 350 - 1 350
B	Drawings	Inventory	- 1 800			- 1 800
C	Drawings	Inventory	- 1 350			- 1 350
D	Drawings	Sales X	+ 1 800			+ 1 800

4. A business (registered for VAT) purchased 60 items at R22,80 each, 14% VAT inclusive. The items are marked to earn a 20% mark-up on cost.

R1368. R1200 excl. VAT

Which one of the following alternatives represents the difference between the cost price and selling price, relating to the sale of 50 of these items?

1000

- A** R200
- B R228
- C R240
- D R288

5. The following information relates to the 2002/2003 financial year of Concord Traders:

	R
Sales	360 000
Purchases	298 000 ✓
Inventory on hand at 30 June 2002	28 000 ✓
Inventory on hand at 30 June 2003	36 000
Purchases returns	9 000 ✓
Railage on sales	18 000 ✓
Customs and import duties	6 000
Railage on purchases	1 000

Which one of the following alternatives represents the gross profit percentage on sales of Concord Traders for the year ended 30 June 2003?

- A 20%
- B 25%
- C 15%
- D 18%

6. Mr L Shakir started an accounting practice on 1 January 2002 with R120 000 in the bank. His monthly drawings amounted to R20 000. On 31 December 2002, the end of his financial year, his accounting records reflected a bank overdraft of R84 000, with office equipment and debtors amounting to R180 000 and R60 000 respectively.

Which one of the following amounts represents the practice's average monthly income for the year ended 31 December 2002?

- A R18 000
- B R23 000
- C R33 000
- D R47 000

7. Which one of the following statements regarding value added tax (VAT) is *false*?

- A VAT on credit sales is eventually debited to the SARS: VAT account.
- B The VAT on goods purchased or services received is input VAT. ✓
- C VAT on cash purchases is eventually debited to the SARS: VAT account.
- D There are two rates of VAT for taxable supplies. ✗

8. It was ascertained that the purchases returns journal of Soccaboos had been overcast by R1 000. Which one of the following general ledger accounts of Soccaboos will be affected by this error?

- A Debtors control ✗
- B Creditors control
- C Sales ✗
- D Purchases ✗

L-Cred.
UE + P/Ret.

9. The following information for May 2003 was obtained from the records of Charles Traders:

	R
Total sales for the month	90 000
Cash receipts from debtors	65 600
Discount allowed in respect of abovementioned receipts from debtors .	1 800

Additional information:

- (a) The correct balance on the debtors control account at 1 May 2003 was R51 000.
- (b) The sales journal was undercast by R2 000.
- (c) Cash sales for the month amounted to R24 000.
- (d) A debtor was declared insolvent, and his balance of R1 500 must still be written off as bad debts.

[TURN OVER]

Which one of the following amounts represents the correct balance on the debtors control account of Charles Traders at 31 May 2003?

- A R53 100
~~B R51 900~~
 C R50 100 —
~~D R53 400~~

10. The financial year of Bon Jovi ends on 31 May. The balance on the discount allowed account on 31 May 2003 was R1 500.

Which one of the following alternatives, represents the correct closing journal entry for the discount allowed account of Bon Jovi?

A	May 31	Trading account Discount allowed	1 500	1 500
B	May 31	Discount allowed Trading account	1 500	1 500
<input checked="" type="radio"/> C	May 31	Profit and loss account Discount allowed	1 500	1 500
D	May 31	Discount allowed Profit and loss account	1 500	1 500

11. On 30 June 2002, the end of the financial year of the Clay Golf Club, the membership fees of 5 members were received in advance (at the new rate for membership fees) and that of 8 members were still outstanding for 2001/2002. The membership fee for 2001/2002 was R150 and for 2002/2003, R180 per member per annum.

During 2002/2003 membership fees received amounted to R21 720, including R1 200 in respect of 2001/2002 and R1 080 in respect of 2003/2004. The membership fees of 7 members were still outstanding on 30 June 2003.

Which one of the following amounts represents the amount that was credited to the income and expenditure account of the club on 30 June 2003 in respect of membership fees?

- A R21 450
 B R21 600
 C R21 720
 D R21 840 ?
 0.

12. The following information relates to P Swart who never kept proper records of his financial transactions:

1. Assets and liabilities at 30 June:

	2002	2003
	R	R
Property, plant and equipment at cost	500 000	550 000
Inventory	15 000	23 000
Accumulated depreciation	-	20 000
Long-term loan	30 000	25 000
Creditors	6 000	9 000
Bank (favourable)	12 000	15 000
Debtors	10 000	12 000

2. During the financial year 2002/2003 P Swart withdrew R50 000 cash and took R20 000 worth of merchandise for personal use.

Which one of the following amounts represents the net profit of P Swart for the year ended 30 June 2003?

- A R 45 000
- B R 65 000
- C R 95 000
- D R115 000

13. The annual insurance premium of Accounts CC must be prepaid on 31 December each year. For the twelve months ended 31 December 2002, the insurance premium was R3 600. For the twelve months ended 31 December 2003, the insurance premium was increased with 10% by the insurer. The financial year of Accounts CC ends on the last day of February.

Which one of the following amounts represent the expense with regard to insurance in the income statement of Accounts CC for the financial year ended 28 February 2003?

- A R3 000
- B R3 600
- C R3 660
- D R3 960