


**ACN101-M
 RAC101-B**

October/November 2005

ACCOUNTING 101

Duration : 2 Hours

100 Marks

EXAMINERS :**FIRST :**

PROF JJ SWANEVELDER

MR MJ VILJOEN

MS HJ VAN ZYL

MISS A DU PLESSIS

MR A VISAGIE

DR AJ BAM

SECOND :

PROF JS JANSEN VAN RENSBURG

 Use of a non-programmable pocket calculator permissible.

This paper consists of 7 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. All questions must be answered.
4. Basic calculations, where applicable, must be shown.
5. The answer to each question must be commenced on a new (separate) page.
6. Please do not answer the paper in pencil.
7. You must obtain at least 50% to pass this paper.

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

Question	Subject	Marks	Time in minutes
1	Cash journals and bank account	26	31
2	Adjustment and closing journal entries	21	25
3	Calculation of net profit, Statement of Changes in Equity and Balance Sheet	26	32
4	Multiple choice questions (9 questions)	27	32
	TOTAL	100	120

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QUESTION 1 (26 marks) (31 minutes)

Commence this question on a new (separate) page.

Basic calculations, where applicable, must be shown.

The following information for June 2005 relates to ABC Limited (registered as a VAT vendor):

1. The periodic inventory system is in use. There were no inventory on hand on 1 June 2005.
2. All the amounts are inclusive of VAT, unless the contrary is indicated.
3. VAT is levied at 14%.
4. The balance of the bank account on 1 June 2005 was R4 850 (debit).

5. Additional information:

The following transactions took place during June 2005:

- 2 Purchased inventory (2 000 units) for cash, R4 560 from XYZ Dealers.
- 5 Sold a quarter (25%) of the inventory for cash, R2 280 to various customers.
- 9 Paid Spoornet R228 for railage on goods received from XYZ Dealers
- 10 The remaining of the inventory was sold for cash, at R4 per unit (excluding VAT).
- 11 Inventory was purchased on credit from V Victor for R900 (excluding VAT).
- 23 Received a cheque from M Miller, R1 938, in full settlement of his account of R2 052.
- 24 An amount of R342 was paid to V Victor, being a partial payment of the amount owing to him.
- 30 An amount of R570, which has previously been written off as bad debts, was received from S Shark in settlement of his account.

REQUIRED:

Prepare the following for ABC Limited, properly totalled and/or balanced, for June 2005 (Round calculations off to the nearest Rand.):

- 1.1 Cash receipts journal (analysis columns for Bank, Sales, Debtors, VAT output (Dr/Cr), Discount allowed, and Sundries) (13)
- 1.2 Cash payments journal (analysis columns for Bank, Purchases, Creditors, VAT input (Dr/Cr) and Sundries) (8)
- 1.3 The bank account in the general ledger (5)

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QUESTION 2 (21 marks) (25 minutes)

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

The following information relates to Lion Dealers:

1. Pre-adjustment trial balance at 28 February 2005:

		Debit	Credit
	Fol	R	R
Capital 1 March 2004	B1		100 570
Bank	B2	4 520	
Inventory: - 1 March 2004	B3	5 000	
Vehicles at cost	B4	91 000	
Equipment at cost	B5	19 500	
Debtors control	B6	10 100	
Creditors control	B7		14 700
Sales	N1		77 500
Rent income	N2		600
Sales returns	N3	1 500	
Purchases	N4	52 500	
Purchases returns	N5		2 500
Wages	N6	10 550	
Bad debts	N7	300	
Advertising	N8	900	
		195 870	195 870

2. Additional information:

- (a) On 28 February 2005 a physical inventory count was done and the value of the inventory was found to be R8 500 according to the inventory list.
- (b) A payment of R900 was made on 1 June 2004 for an advertising contract which expires on 31 May 2005.
- (c) Debtor K Koedoe, who owed R500, was declared insolvent. His estate paid 20 cents in the Rand. All relevant entries must still be recorded in the general journal. The cash transaction must also be recorded in the general journal.

REQUIRED:

Prepare the following for Lion Dealers for the year ended 28 February 2005 (ignore VAT, no journal narrations are required):

- 2.1 Adjustment journal entries (5)
- 2.2 Closing journal entries ?? (16)

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QUESTION 3 (26 marks) (32 minutes)

Commence this question on a new (separate) page.

Basic calculations, where applicable, must be shown.

The following information relates to Flying Eagle:

1. The general ledger revealed the following balances at 31 March 2005:

	R
Capital (1 April 2004)	434 000
Drawings	96 000
Petty cash	1 000
Bank (favourable)	26 000
Investment (6% fixed deposit at Hand Bank)	100 000
Inventory: Consumables	8 000
Merchandise	26 000
Vehicles at cost	360 000
Computer equipment at cost	96 000
Accumulated depreciation: Vehicles	120 000
Computer equipment	6 000
Debtors control	14 000
Creditors control	8 000
Sales	490 000
Cost of sales	250 000
Selling, administrative and general expenses	81 000

2. Additional information:

- (a) Included in sales is an amount of R10 000, received on 31 March 2005, being a deposit on an order to be completed during the next financial year.
- (b) The electricity account of R2 400 for March 2005 is still outstanding and must be recorded.
- (c) The investment was made on 1 July 2004. The interest must still be recorded.
- (d) (i) Depreciation on computer equipment, calculated at 33 $\frac{1}{3}$ % per annum according to the diminishing balance method, must still be brought into account.
- (ii) Depreciation on vehicles, calculated according to the straight-line method, must still be brought into account. The expected economic life of the vehicles is 5 years and they were bought on the same date.

REQUIRED:

Using the above information (**NB:** Notes to the financial statements are **not** required.):

- 3.1 Calculate the net profit/loss of Flying Eagle for the year ended 31 March 2005. (6)
- 3.2 Prepare the Statement of Changes in Equity of Flying Eagle for the year ended 31 March 2005 to comply with the requirements of Generally Accepted Accounting Practice. (4)
- 3.3 Prepare the Balance Sheet of Flying Eagle at 31 March 2005 to comply with the requirements of Generally Accepted Accounting Practice. (16)

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QUESTION 4 (27 marks) (32 minutes)

Commence this question on a new (separate) page.

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 each question number below one another in your answer book. Indicate your option next to each question number, with a CAPITAL letter, for example:

1. D
2. A etc.

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

1. The following information relates to the 2004/2005 financial year of Tigani Traders:

	R
Sales	300 000
Purchases	220 000
Inventory on hand at 30 April 2004	25 000
Inventory on hand at 30 April 2005	55 000
Carriage on sales	40 000
Railage on purchases	10 000

Which one of the following alternatives represents the gross profit percentage on sales for the year ended 30 April 2005?

- A. 13 $\frac{1}{3}$ %
- B. 20%
- C. 33 $\frac{1}{3}$ %
- D. 36 $\frac{2}{3}$ %

2. The bank statement of Brad Services is credited with R2 000 in respect of dividends on an investment made in Long Limited.

Which one of the following ledger accounts of Brad Services must be credited with R2 000?

- A Dividend income
- B Bank ✓
- C Long Limited
- D Investments

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3. Munsie Traders, who is not registered for VAT, has the following policy for sales:

- (a) Goods are marked at cost price plus 80%.
- (b) A discount of 10% on marked price is allowed on cash sales.

Which one of the following amounts represents the amount to be recorded in the bank column of the cash receipts journal if merchandise with a cost price of R30 000 is sold for cash?

- A R54 000
- B R51 000
- C R48 600
- D R27 000

4. The provisional (pencil) total of the cash payments journal of Olies Security Services was R75 000 on 30 September 2005.

After comparing the entries in the cash journals with the bank statement, it was found that the following items were not yet marked off on the bank statement:

1. The following cheques paid by the bank:
 - No 101 (dated 12/7/2005) R1 200
 - No 156 (dated 12/8/2005) R3 000
2. A debit order in favour of the municipality for R1 800. ✓
3. A stop order from Jan Brand in favour of Olies Security Services, for R2 200.
4. A stop order in favour of Ace Insurance Company for R1 100. ✓
5. A cheque of R2 000 received from John Smart, marked R/D. ✓
6. Bank charges totalling R120. ✓
7. A credit entry for interest: R100.

76 320
1 800

Which one of the following amounts will be the total to be credited to the bank account?

- A. R84 300
- B. R82 320
- C. R82 220
- D. R80 020 ✓

82 000

5. When a business uses the perpetual inventory system, and merchandise is sold on credit, which one of the following alternatives represents the entries to be made?

	Account to be debited	At what price	Account to be credited
A	Debtor and Debtors control	Selling price	Inventory: Merchandise
B	Debtor and Debtors control	Selling price	Sales
C	Debtor and Debtors control Inventory: Merchandise	Selling price Cost price	Sales Cost of sales
D	Debtor and Debtors control Cost of sales	Selling price Cost price	Sales Inventory: Merchandise

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6. Which one of the following statements is correct?
- A. Payments made for services not yet rendered or goods not yet consumed, are classified as assets at the end of the financial year.
 - B. A debit entry on an expense account decrease the amount on the expense account to be closed off at the end of the financial year.
 - C. A trial balance is always extracted for a certain period.
 - D. Income items decrease equity whereas cost items increase equity.

You are supplied with the following balances from the pre-adjustment trial balance of Schubart Traders at 30 June 2005 and relates to questions 7, 8 and 9:

	R
Debtors control	12 400
Provision for bad debts	2 200
Bad debts	1 490

Additional information:

- (a) A cheque received from a debtor, V Sorry, for R4 644 was returned by the bank marked "Refer to Drawer". This is the amount after 10% discount had been granted. No entry has yet been made regarding the transaction.
- (b) The debt of R830 of F Promise, a debtor, must be written off.
- (c) Adjust the provision for doubtful debts to 10% of outstanding debtors.

7. Which one of the following amounts represents the bad debts of Schubart Traders at 30 June 2005?

- A. R1 490
- B. R1 793
- C. R2 320
- D. R2 847

8. Which one of the following amounts represents the provision for bad debts at 30 June 2005 to be taken into account in the balance sheet of Schubart Traders?

- A. R1 756
- B. R1 673
- C. R 527
- D. None of the above

9. Which one of the following amounts represents the amount of trade debtors to be included at 30 June 2005 in the balance sheet of Schubart Traders?

- A. R10 200
- B. R11 570
- C. R15 057
- D. R16 730