

QUESTION 1 (21 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 Kei Clothes at 30 June 2007:

	R
Capital	103 400
Drawings	3 000
Bank	??
Inventory: 1 July 2006	5 000
Property, plant and equipment at cost	45 000
Debtors control	2 500
Creditors control	1 000
Sales	155 000
Purchases	77 000
Rent income	11 000
Operating expenses	15 000

Additional information:

- (a) The balance of the bank account must still be determined.
- (b) Rent income is for 11 months only.
- (c) Purchases to the amount of R500 was received from J Bam, but not yet recorded.
- (d) An amount of R4 000, included in Sales, was received in respect of an order to be delivered in July 2007.
- (e) The account of B Brown, R300, must be written off as irrecoverable.

REQUIRED:

- 1.1 Prepare the general journal entries to record the adjustments (**NB: Narrations are NOT required**). (8)
- 1.2 Prepare the pre-closing trial balance of Kei Clothes as at 30 June 2007. (13)

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QUESTION 2 (28 marks) (33 minutes)

Commence this question on a new (separate) page.

Basic calculations, where applicable, must be shown.

Star Shop provided the following information in respect of its property, plant and equipment:

MACHINERY	Mercury	Venus
Date of purchase	1 May 2005	1 September 2006
Purchase price	R300 000	R400 000
Estimated useful life	4 years	5 years

Additional information:

- (a) The entity uses the fixed instalment method to provide for depreciation.
- (b) On 31 January 2007 management decided to increase the production capacity and purchased a Mars machine on credit from Swan Machines for R800 000. The Mercury machine was traded in, reducing the amount owing to Swan Machines to R490 000. The balance is interest free and will be paid in four equal installments from 31 July 2007.
- (c) Installation cost of R80 000 was paid in cash and production with the new machine started on 1 February 2007.
- (d) The estimated life span of the Mars machine is 8 years and the estimated trade-in value at the end of the term is R100 000.

REQUIRED:

- 2.1 Prepare general journal entries to record the following (**narrations are NOT required; work to the nearest R1**):
 - (a) Trade in of the machine and all related transactions
 - (b) Purchase of the new machine
 - (c) Depreciation at the end of the financial year. (14)
- 2.2 Prepare the following general ledger accounts (properly balanced and closed off) for the year ended 30 April 2007:
 - (a) Accumulated depreciation (9)
 - (b) Machinery realisation. (5)

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QUESTION 3 (27 marks) (32 minutes)

Commence this question on a new (separate) page.

Basic calculations, where applicable, must be shown.

The following list, which is an abstract of balances at 30 June 2007, was taken from the general ledger of Naido Traders before any of the additional information has been taken into account:

	R
Sales	300 700
Purchases	139 200
Sales returns	1 300
Purchases returns	1 400
Rent income	12 000
Salaries and wages	93 000
Railage on sales	1 900
Interest on mortgage loan	6 300
Packaging material	4 300
Discount received	500
Bad debts	400
Stationery	6 500
Insurance	1 800
Printing	1 700
Railage on purchases	3 000
Capital	72 500
Drawings	4 100
Mortgage loan: New Bank	84 000
Inventory: Merchandise (1 July 2006)	16 500
Provision for doubtful debts	200

Additional information:

- (a) Inventory on hand at 30 June 2007: Merchandise R 18 400
- (b) Depreciation must be provided for as follows:
vehicles 4 100
furniture 700
- (c) The mortgage loan was granted on 1 July 2006 at 10% interest per annum, payable every 3 months. Interest for the period 1 April 2007 to 30 June 2007 was payable on 1 July 2007.
- (d) A store room was sublet from 1 October 2006 at R1 200 per month.
- (e) An amount of R200, paid to Insure Ltd, was an advance premium for July 2007.
- (f) An account of R1 500 was received from Printo Limited for the printing of documents. This must still be recorded.

REQUIRED:

Prepare the following for Naido Traders according to Generally Accepted Accounting Practice, applicable to the business of the entity. (**NB:** Notes to the financial statements and comparatives are NOT required.)

- 3.1 Income statement for the year ended 30 June 2007. (22)
- 3.2 Statement of changes in equity for the year ended 30 June 2007. (5)

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QUESTION 4 (24 marks) (30 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 statements relate to the nature and function of accounting:
- (a) Management accounting deals with reports on the financial achievement of an entity.
 - (b) All liabilities redeemable within one year must be treated as current liabilities.
 - (c) An accounting entity is an independently existing economic unit.
 - (d) Financial information is required only by entities aiming to maximise profits.
- Which one of the following groups represents those statements that are true?
- A. (a), (b), (c)
 - B. (a), (b), (d)
 - C. (c), (d)
 - D. (b), (c).
2. Which one of the following statements is correct?
- A. The excess of input VAT is paid to the South African Revenue Service.
 - B. The excess of output VAT is repaid by the South African Revenue Service.
 - C. The standard rate of VAT is currently 10% (2007).
 - D. VAT on goods and services provided is output VAT.

3. The following information concerning vehicles was taken from the fixed assets register of Truck Transporters at 30 June 2007, the end of the financial year:

Vehicles	Date		Cost
	Purchased	Sold	
No. 1	1 January 2006		R 150 000
No. 2	1 July 2006	1 October 2006	200 000

Depreciation is written off annually at 20% of the carrying amount of the vehicles.

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QUESTION 4 (continued)

Which one of the following amounts in respect of depreciation written off, will appear on the income statement for the year ended 30 June 2007?

- A. R87 500
- B. R42 000
- C. R37 000
- D. R27 000

4. The following transactions were incurred by Austin Traders, operating with a favourable bank balance:

- (i) Cheque received in payment of services rendered on credit - R3 000
- (ii) Cheque issued for payment of office rent - R2 000
- (iii) Cheque issued to a creditor in payment of an outstanding account - R5 000
- (iv) Cheque for R6 000 issued for payment of non-current assets purchased for cash.

Which one of the following alternatives represents the effect of the above transactions on the equity of the business?

- A. + R1 000
- B. - R2 000
- C. - R7 000
- D. + R7 000

5. Corner Traders had to pay rent of R3 500 per month during the 2006/2007 financial year.

Which one of the following accounts will be debited with R3 500 on 30 June 2007, the end of the financial year, if a total of R45 500 was paid for rent?

- A. Prepaid expenses
- B. Accrued expenses
- C. Rent paid
- D. Rent receivable

6. During June 2007 the following transactions were incurred by ABC Shops:

2	Paid capital instalment on loan from City Bank	R 3 600
15	Services rendered on credit to a client	1 800
18	Paid DEF Services, a creditor, in cash	2 400

Which one of the following alternatives represents the net influence of the above transactions on the accounting equation of ABC Shops?

	Assets		=	Equity		+	Liabilities	
	Debtors	Bank		Capital	Profit		Loans	Creditors
A	R	R		R	R		R	R
B	-	-4 200		-	+1 800		-	-6 000
C	+1 800	-6 000		-	+1 800		-3 600	-2 400
D	-	-6 000		-	+1 800		-3 600	-4 200
	-1 800	+6 000		-2 400	-1 800		+3 600	+2 400

QUESTION 4 (continued)

7. Which one of the following statements is incorrect?

- A. The policy of prudence implies that, if any uncertainty exists regarding the amount at which an element must be indicated, the one that will have the most favourable effect on the equity of the entity must be chosen.
- B. The policy of materiality requires that all transactions and occurrences which have an essential bearing upon the nature and scope of the entity's activity should be disclosed. According to the accrual principle, transactions must be recorded in the financial period in which they occur irrespective of when cash is received or paid.
- C. The policy of consistency requires that a specific basis, method, procedure or approach once chosen should be maintained.
- D. The following information was taken from the accounting records of Ben's Bicycle Shop at 31 July 2007 before any adjustments or closing entries had been made:

Trade debtors	R 15 400
Provision for doubtful debts (balance at 1 August 2006)	675
Bad debts written off during the year	550

Additional information:

Additional bad debts of R200 must be written off. The provision for doubtful debts must be maintained at 4% of outstanding debtors.

Which one of the following amounts must be disclosed as bad debts in the income statement of Ben's Bicycle Shop for the year ended 31 July 2007?

- A. R770
- B. R750
- C. R683
- D. R616