


**FAC1502
 ACN101M
 RAC101B
 RFA1502**

October/November 2010

FINANCIAL ACCOUNTING CONCEPTS, PRINCIPLES AND PROCEDURES

Duration 2 Hours

100 Marks

EXAMINERS
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MR P MARAISANE

SECOND

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Use of a non-programmable pocket calculator is permissible

This question paper consists of 6 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 PROPOSED TIMETABLE (try not to deviate from this)

QUESTION	TOPIC	MARKS	TIME (minutes)
1	Short questions	32	38
2	Accounting equation	18	22
3	Asset realisation	15	18
4	Financial statements	35	42
	TOTAL	100	120

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QUESTION 1 (32 marks) (38 minutes)

This question consists of six (6) short questions

- 1 1 During January 2010 Mogan Dealers purchased goods to the value of R6 000, one third of which was sold for R3 500 during January Rental and electricity for the month amounted to R500 and R80 respectively

Required:

Calculate the total costs to be taken into account against income for January 2010 (3)

- 1 2 The following information relates to the 2010 financial year of Black Bird CC

	R
Sales	300 000
Purchases	275 000
Inventory on hand at 28 February 2009	25 000
Inventory on hand at 28 February 2010	55 000
Purchases returns	50 000
Carriage on sales	4 000
Customs duties	5 000

Required:

Calculate the gross profit percentage on sales for the year ended 28 February 2010 (6)

- 1 3 The following information was taken from the accounting records of Midway Traders at 31 March 2010 before any adjustments or closing entries had been made

	R
Trade debtors (31 March 2010)	18 000
Allowance for credit losses (balance at 1 April 2009)	1 000
Credit losses written off during the year	600

Additional information

An amount of R500 must still be written off as irrecoverable

The allowance for credit losses must be maintained at 5% of outstanding debtors

Required:

Calculate the amount to be disclosed as credit losses in the statement of comprehensive income of Midway Traders for the year ended 31 March 2010 (6)

- 1 4 Medicall started business on 1 March 2008 and purchased two delivery motorbikes at R12 000 each The financial year of the entity ends at 28 February of every year and depreciation on the motorbikes is calculated at 30% per annum according to the diminishing balance method

One of the motorbikes was involved in an accident on 30 April 2010 and was completely written off R5 000 was received from the insurance company

Required:

Calculate the profit or loss on the scrapping of the motorbike (5)

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QUESTION 1 (Continued)

- 1 5 The membership fees of the Claysville Club was R150 for 2008 and R180 for 2009 per member per annum. At 31 December 2008, the end of the financial year, the membership fees of 5 members was received in advance for the 2009 financial year (at the new rate for membership fees applicable to 2009). On the same date the membership fees of 8 members were still outstanding for 2008.

During 2009 membership fees received amounted to R21 720, including R1 200 in respect of 2008 and R1 230 in respect of 2010. The membership fees of 7 members were still outstanding at 31 December 2009.

Required:

Calculate the amount to be credited to the income and expenditure account of the club at 31 December 2009 in respect of membership fees. *Hint:* Prepare the membership fees ledger account. (6)

- 1 6 You must prepare a bank reconciliation statement at 30 April 2010. A comparison with the bank account and other financial information reveals the following differences that must be taken into consideration:

Cheques not appearing on the bank statement

- Cheque 197 R2 000
- Cheque 212 R1 000
- Cheque 213 R5 000

Receipts not appearing on the bank statement

- P Muller paid R14 000 in settlement of his account

Additional information

- The balance on the bank statement for the month ended 30 April showed a balance of R36 000 (CR)
- The balance in the bank account showed a balance of R22 000 (DR) at 1 April 2010
- The totals of the bank columns in the subsidiary journals had the following balances:
 - Cash receipts journal, R 60 000
 - Cash payments journal, R 40 000

Required:

Prepare a bank reconciliation statement for the month ended 30 April 2010. (6)

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QUESTION 2 (18 marks) (22 minutes)

The following transactions took place in the business of Hancool Air Conditioners during September 2010

- 1 Harold, the owner of Hancool Air Conditioners, deposited R50 000 as additional capital into the bank account of the entity
- 2 Harold bought a light utility vehicle (LUV) for the business from Auto Motors at a total price of R28 000 and paid a deposit of R5 000 by cheque
- 3 Install an air conditioner and received R4 000 cash
- 4 Purchase four new air conditioners to be installed at a client during the next week, and paid R8 000 by cheque
- 5 Invoice a corporate client for the installation of 10 air conditioners to the value of R42 000
- 6 Harold had his private motor vehicle serviced and paid R1 750 with a business cheque
- 7 Charged interest of R150 to the overdue account of a debtor, D Cooldare
- 8 An amount of R5 600 was written off as depreciation on the LUV

Note: Hancool Air Conditioners uses a periodic inventory recording system.

Required:

For each of the transactions listed above, indicate what account must be debited and what account must be credited in the general ledger, as well as the overall effect of each transaction on the elements of the accounting equation. Accept in all cases that the bank has a favourable balance. Present your answer in the following format

ASSETS = EQUITY + LIABILITIES			ACCOUNT DEBITED	ACCOUNT CREDITED
+200	+200	0	Bank	Interest received

QUESTION 3 (15 marks) (18 minutes)

Total Scrap Dealers had, amongst others, the following balances in their books at 1 September 2009

	R
Vehicles	200 000
Accumulated depreciation Vehicles	40 000

During the year ended 31 August 2010, the following transactions took place pertaining to vehicles

- 1 On 28 February 2010 a new vehicle was bought for R66 000 cash
- 2 On 1 June 2010 an old vehicle, which was bought on 1 December 2007 for R80 000, was sold on credit for R45 000

Total Scrap Dealers provides for depreciation on all their assets at a rate of 20% using the straight-line method

Required:

Prepare the following accounts in the general ledger of Total Scrap Dealers for the financial year ended 31 August 2010 (Show all your calculations)

- | | |
|---------------------------------------|-----|
| 3 1 Vehicles | (4) |
| 3 2 Accumulated depreciation Vehicles | (7) |
| 3 3 Asset realisation | (4) |

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QUESTION 4 (35 marks) (42 minutes)

The following information was obtained from the accounting records of WS Dealers on the last day of the financial year of the business

WS DEALERS
TRIAL BALANCE AS AT 31 MARCH 2010

	Dr R	Cr R
Capital		207 300
Drawings	23 000	
Office equipment at cost	24 000	
Accumulated depreciation Office equipment		8 400
Bank	102 700	
Fixed deposit	80 000	
Petty cash	2 000	
Inventory	22 000	
Debtors control	21 300	
Creditors control		12 100
Allowance for credit losses		1 200
Sales		208 550
Cost of sales	114 000	
Advertisements	800	
Salaries and wages	34 800	
Interest on fixed deposit		8 800
Rent income		3 600
Administrative expenses	2 600	
Repairs and maintenance	3 600	
Water and electricity	8 650	
Insurance	4 200	
Stationery	2 300	
Depreciation	4 000	
	449 950	449 950

Additional information:

- 1 The entity took out a fire insurance policy on 2 January 2010 and paid the annual premium of R2 880 for coverage until 31 December 2010
- 2 On 31 March 2010 stationary to the value of R1 500 was still on hand
3. Employee salaries of R4 500 were outstanding (not paid) on 31 March 2010
- 4 A tenant moved into office space available for rent on 30 November 2009 and prepaid the rent for 12 months No deposit was required
- 5 The fixed deposit was invested a few years ago Interest on the investment is provided for at 12% per annum

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QUESTION 4 (continued)**Required:**

- 4 1 Prepare the statement of comprehensive income of WS Dealers for the year ended 31 March 2010 (17)
- 4 2 Prepare the statement of changes in equity of WS Dealers for the year ended 31 March 2010 (3)
- 4 3 Prepare the statement of financial position of WS Dealers as at 31 March 2010 (15)