

**FAC1502**

October/November 2014

FINANCIAL ACCOUNTING PRINCIPLES, CONCEPTS AND PROCEDURES

Duration 2 Hours

100 Marks

EXAMINATION PANEL AS APPOINTED BY THE DEPARTMENT.

Use of a non-programmable pocket calculator is permissible.

Closed book examination.

This examination question paper remains the property of the University of South Africa and may not be removed from the examination venue.

This paper consists of SEVEN (7) pages.

PLEASE NOTE:

- 1 This paper consists of FOUR (4) questions
- 2 Ensure that you are writing the correct paper
- 3 Ensure that you are handed the correct examination answer book (BLUE) by the invigilator
- 4 All questions must be answered
- 5 Basic calculations, where applicable, must be shown
- 6 The answer to each question must commence on a new (separate) page
- 7 Please write legibly in blue or black ink

PROPOSED TIME-TABLE: (Avoid deviating from this as far as possible)

QUESTION	TOPIC	MARKS	TIME (minutes)
1	Bank reconciliation statement	26	31
2	Journal entries	20	24
3	Statement of profit or loss and other comprehensive income and the note on property, plant and equipment	38	46
4	Asset realisation ledger accounts	16	19
		100	120

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QUESTION 1 (26 marks)(31 minutes)

Commence this question on a new (separate) page.

The following information for March 2014 pertains to Masuku Enterprise

1	Totals of the cash journals at 31 March 2014	R
	Cash receipts journal	15 685
	Cash payments journal	13 236
2	Favourable balance of the bank account in the general ledger at 28 February 2014.	750
3	Favourable balance according to the bank statement at 31 March 2014	8 493
4	Item appearing on the bank reconciliation statement as at 28 February 2014 but not on the bank statement for March 2014	
	Cheque no 345, issued to a creditor Dalrius Dealers on 8 September 2013 The cheque has become stale	1 650
5	Items appearing in the cash journals for March 2014 but not on the bank statement for the same month	
	Cheque no 856, dated 28 March 2014, issued to creditor S Madiki	3 600
	Cheque no 858, dated 28 March 2014, issued to creditor P Planti	3 000
	Cheque no 863, dated 29 March 2014, issued to Incredible One Touch for communication expenses	1 659
	A deposit made on 27 March 2014 On enquiring at the bank it was established that the money was incorrectly deposited into the account of another client of the bank.	4 710
6.	Items appearing on the bank statement for March 2014 but not in the cash journals for the same period	
	Bank charges	250
	Cash handling fee	65
	A deposit by P Kwinana for rent	4 000
	A cheque received from a debtor, N Madula, returned by the bank, marked R/D	910
	Interest received on fixed deposit	200
	A deposit from a debtor, G Mapetela, paid directly into the bank account .	1 000
	A cheque issued by D Dakula, another client of the bank	3 780
7.	A cheque for R1 500, issued during March 2014 as payment for cash purchases, was recorded in the cash payments journal as R150. This error must still be corrected	
8.	A review of the bank statement for March 2014 showed that a deposit of R1 250 was made by another client of the bank	

REQUIRED:

- Complete only the bank columns of the cash receipts and cash payments journals of Masuku Enterprise at 31 March 2014 (9)
- Prepare the bank account in the general ledger of Masuku Enterprise, properly balanced, on 31 March 2014 (6)
- Prepare the bank reconciliation statement of Masuku Enterprise as at 31 March 2014. Start with the balance as per bank statement (11)

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QUESTION 2 (20 marks)(24 minutes)

Commence this question on a new (separate) page.

At the end of the financial year, 28 February 2014, the recently appointed accountant of Betty General Dealers discovered that the trial balance did not balance and that the balances of the trade debtors and trade creditors control accounts did not correspond with the trade debtors and trade creditors' lists. The accountant requested your assistance and made the following information available to you

1. Trial balance as at 28 February 2014 (after adjustments but before corrections)

	Dr R	Cr R
Property at cost	360 000	
Vehicles at carrying value	144 000	
Long-term loan		80 000
Capital		368 000
Sales		960 000
Drawings	200 000	
Cost of sales	600 000	
Water and electricity	9 600	
Depreciation	36 000	
Property tax	16 240	
Bank charges	1 680	
Postage	720	
Rental expenses	77 320	
Settlement discount granted	2 000	
Settlement discount received		400
Petty cash	240	
Bank overdraft		58 560
Debtors control	180 000	
Creditors control		166 800
Inventory	24 000	

2. Balances according to trade debtors list

	R
Y Odesola	24 000
B Efanga	34 800
D Akpu	55 680
G Mhlambiso	66 000
	180 480

3. Balances according to trade creditors list

	R
A Fortun..	60 000
G Reddy	16 000
M Kunene.	71 600
D Grant	20 640
	168 240

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QUESTION 2 (continued)

An investigation of the accounting records of the entity indicated that:

- 1 repairs to vehicles on 1 July 2013 to the value of R1 200 was correctly entered in the cash payments journal but was incorrectly debited to the vehicles account,
2. depreciation on vehicles was provided for at 20% per annum on the diminishing balance method. This amount was incorrectly provided as a result of the incorrect posting of repairs, in point 1 above, on 1 July 2013,
- 3 credit sales to the value of R1 680 to G Odesola was correctly entered in the sales journal, but was debited to the account of D Akpu in the debtors ledger as R960,
- 4 credit purchases from M Kunene to the value of R2 280 was entered in the purchases returns journal and posted to the purchases returns account in the general ledger;
- 5 credit sales to Y Mhlambiso to the value of R2 400, was entered in the sales journal as R2 040 and was also posted to the general ledger as R2 040, and
- 6 settlement discount of R340 granted to D Akpu when he paid his account was not entered in the accounting records

REQUIRED:

Prepare the journal entries at 28 February 2014 to correct any mistakes in the accounting records of Betty General Dealers highlighted by the above investigation. The entity is not registered as a VAT vendor.

Narrations for the journal entries may be omitted.

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QUESTION 3 (38 marks)(46 minutes)

Commence this question on a new (separate) page.

The following trial balance was taken from the accounting records of Mike's Rocking Chairs

PRE-ADJUSTMENT TRIAL BALANCE OF MIKE'S ROCKING CHAIRS AS AT 28 FEBRUARY 2014

	Debit R	Credit R
Capital		200 000
Drawings	50 000	
Motor vehicles at cost	250 000	
Furniture and fittings at cost	30 000	
Inventory (Rocking chairs) – 1 March 2013	75 000	
Debtors control	100 000	
Allowance for credit losses		2 500
Accumulated depreciation Motor vehicles (1 March 2013)		125 000
Accumulated depreciation Furniture and fittings (1 March 2013)		15 000
Creditors control		45 000
Bank overdraft		18 000
Long-term loan		159 000
Sales		725 000
Interest expenses	12 500	
Interest on bank overdraft	2 000	
Rental expenses	120 000	
Motor vehicle expenses	65 000	
Franchise fees	90 500	
Advertising expenses	5 500	
Water and electricity	4 000	
Purchases (Rocking chairs)	485 000	
	1 289 500	1 289 500

Additional information

The following transactions must still be taken into account for the year ended 28 February 2014

- 1 Provision must be made for the outstanding interest on the long-term loan at 10% per annum
- 2 The first payment of R10 000 on the long-term loan was on 1 March 2014
- 3 The inventory count at 28 February 2014 recorded 28 rocking chairs valued at R3 000 each on hand. The inventory is valued at the lowest of cost or net realisable value
- 4 The estate of a client is insolvent. Only R2 000 of the R5 000 owed was recovered from the insolvent estate
- 5 The allowance for credit losses must be increased with R500 for the year ended 28 February 2014.
- 6 Depreciation must be provided for on the diminishing balance method. The depreciation rate for motor vehicles is 20% per annum and that of furniture and fittings, 10% per annum. A new vehicle was purchased on 1 January 2014 at a cost price of R50 000. No other noncurrent assets were acquired or disposed of during the year
- 7 The owner deposited R40 000 cash into the bank account of the business
- 8 Sales on credit to Mr Sushi on 26 February 2014 to the value of R8 000 was not yet recorded in the accounting records of Mike's Rocking Chairs, but was taken into consideration during the inventory count

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QUESTION 3 (continued)

- 9 The water and electricity account of R1 400 for February 2014 was only received on 1 March 2014 and is payable on or before 10 March 2014

REQUIRED:

- (a) Prepare the statement of profit or loss and other comprehensive income of Mike's Rocking Chairs for the year ended 28 February 2014 (25)
- (b) Prepare the note for property, plant and equipment of Mike's Rocking Chairs for the year ended 28 February 2014. The total column of this note may be omitted (13)

All calculations must be shown

Amounts, where applicable, must be rounded off to the nearest Rand

All statements must comply with the requirements of International Financial Reporting Standards (IFRS) appropriate to the business of the entity.

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QUESTION 4 (16 marks)(19 minutes)

Commence this question on a new (separate) page.

The following balances were extracted from the accounting records of Petro Deliveries at 31 July 2013

	R
Vehicles at cost (31 July 2013)	600 000
Accumulated depreciation Vehicles (31 July 2013)	120 000

Additional information

- 1 The fleet of vehicles consists of four delivery vehicles of equal value, purchased on 1 August 2012. On 30 April 2014 one of the vehicles was traded in at R80 000 for a new delivery vehicle with a cost price of R180 000. The new vehicle was financed by obtaining a loan from Capt Bank at an interest rate of 9% per annum.
- 2 Depreciation on the vehicles, are provided for at 20% per annum according to the straight line method.

REQUIRED:

Prepare the following accounts (properly closed off) in the ledger of Petro Deliveries at 31 July 2014

- (a) Accumulated depreciation Vehicles (12)
- (b) Asset realisation (4)

The contra accounts must be correctly referred to
All calculations must be shown

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