

**FAC1502
RFA1502**

May/June 2018

FINANCIAL ACCOUNTING CONCEPTS, PRINCIPLES AND PROCEDURES

Duration 2 Hours

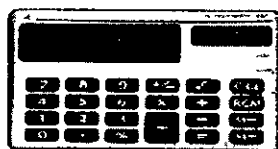
100 Marks

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


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This question paper consists of NINE (9) pages

PLEASE NOTE.

- 1 This paper consists of **FOUR (4)** questions
- 2 Ensure that you are writing the correct examination paper
- 3 Ensure that you are handed the correct examination answer book (BLUE for accounting) by the invigilator
- 4 All questions must be answered
- 5 All calculations 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	27	33
2	Statement of financial position and note for property, plant and equipment	43	51
3	Membership fees account, trading- and income and expenditure statement	25	30
4	Multiple choice questions - Theory	5	6
TOTAL		100	120

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QUESTION 1 (27 marks)(33 minutes)

Commence this question on a new (separate) page.

The following information pertains to Mike's Restaurant

An inexperienced bookkeeper prepared the following bank reconciliation statement

BANK RECONCILIATION STATEMENT AS AT 31 OCTOBER 2017

	Debit	Credit
	R	R
Balance per bank statement		40 920
Outstanding deposit		3 370
Cheques not yet presented for payment		
No 1322 – dated 18 April 2017		1 250
No 1851 – dated 25 October 2017		2 800
No 1853 – dated 29 October 2017	4 100	
No 1854 – dated 31 November 2017 (postdated)	5 440	
Balance per bank account favourable balance as at 30 September 2017		37 680
Differences	76 480	
	86 020	86 020

Additional information

- 1 Provisional totals at 31 October 2017 R

Cash receipts journal	278 330
Cash payments journal	269 690
- 2 When the auditor compared the bank statement for October 2017 to the cash journals for the same period he noted the following
 - 2.1 The outstanding deposit of R3 370 and cheques no 1851 and 1853 had incorrectly been indicated as outstanding because it did appear on the bank statement for October 2017
 - 2.2 The following entries only appeared on the bank statement for October 2017 and not in the cash journals for the same period
 - Bank charges R840
 - Interest earned on current account R90
 - A deposit of R1 370 made by a debtor N Nexeses
 - An EFT payment of R2 500 received from P Xulu for rent
 - An EFT payment of R3 350 to RJ Distributors for trading inventory
 - An amount of R1 720, relating to a debt that had previously been written off as irrecoverable, was deposited directly into the business account of Mike's Restaurant
 - A debit order for R2 200 for the monthly repayment of a loan from Thekwini Bank. The amount was paid directly into the bank account of Mike's Restaurant
 - A deposit of R760. On investigating it was found that this was an EFT payment received from Allied Bank for interest on an investment. The bank credited the current account of Mike's Restaurant instead of S Mbaso's account. Thekwini Bank will correct the error during November 2017.

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- 3 Cheque 1904 for R1 300 issued to DBN Autos Repairs on 28 October 2017 was mistakenly not recorded in the cash payment journal nor appeared in the bank statement
- 4 Cheque 1895 for R1 500 was issued to a creditor, Mr P Poodle. The creditor, Mr P Poodle, has lost the cheque and consequently the payment has been stopped by the bank. Entries relating to the stop of the payment are yet to be made in the books of Mike's Restaurant
- 5 Cheque no 1892 issued to DT Stores for packing materials was incorrectly entered as R3 770 in the cash payments journal. The bank statement reflects the correct amount of R3 270
- 6 The following items appear in the cash journals, for October 2017, but not on the bank statement for the same period
 - A deposit of R16 600 made on 31 October 2017
 - Cheque no 1903 for R2 460

REQUIRED

	Marks
(a) Complete the cash receipts and cash payments journals of Mike's Restaurant, bank columns only , for October 2017	13
(b) Prepare the bank account in the general ledger of Mike's Restaurant, properly balanced, at 31 October 2017	5
(c) Prepare the correct bank reconciliation statement of Mike's Restaurant as at 31 October 2017. Begin with the balance as per bank statement	9
	[27]
Please note. All calculations MUST be shown	

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QUESTION 2 (43 marks)(51 minutes)

Commence this question on a new (separate) page

The following is the general ledger balances of Cayenne Cope a herb trading business entity as at 31 July 2017

CAYENNE COPE**EXTRACT FROM THE LIST OF BALANCES AT 31 JULY 2017**

	R
Capital	50 000
Drawings	26 000
Vehicles at cost (1 August 2016)	50 000
Accumulated depreciation Vehicles (1 August 2016)	23 000
Inventory Trading (1 August 2016)	58 000
Stationery (1 August 2016)	5 600
Fixed deposit	100 000
Bank (favourable)	67 987
Mortgage (ZZC Bank)	190 000
Commission income	96 444
Insurance expenses	13 500
Packing materials (1 August 2016)	4 500
Rental income	32 500
Water and electricity expenses	52 550
Deposit Water and electricity	1 000
Advertising	130 000
Bank charges	2 782
Communication and website expenses	3 800
Interest income	4 250
Profit on sale of asset	6 450
Salaries	188 000
Trade receivables control	40 000
Trade payables control	33 500

Additional information

- The following transactions were discovered on the bank statement after the balances above were extracted
 - Bank charges R1 480 and interest earned on current account R187
 - Cheque no 1248 for stationery purchased was entered in the cash payments journal as R1 237 instead of R1 273
- A merchant in Gauteng whose inventory was sold on his behalf overpaid commission in July by R5 565 and it must be offset against future commission earned
- An annual insurance premium of R13 500 was paid on 1 October 2016
- The entity has a long-term advertising contract with Pretty Agency The fees are paid every month in advance
- On 31 August 2017 an amount of R56 000 are repayable on the mortgage
- On 31 July 2017 stationery on hand amounted to R6 500

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- 7 On 31 August 2016 Cayenne Cope sold their delivery vehicle to Mr DoLittle for R15 000 cash. The proceeds from this transaction was used to help finance the purchase of another vehicle on the same date from Big Brother Motors for R30 000 cash. The cost price of the vehicle sold was R21 000, and its accumulated depreciation amounted to R12 000 on 1 August 2016. All entries relating to these transactions were recorded in the accounting records of Cayenne Cope.
- 8 Depreciation on vehicles, at 20% per annum on the diminishing-balance method, must still be provided.
- 9 Packing materials on hand at 31 July 2017 amounted to R3 000.
- 10 Inventory valued at R10 000 was stolen in a break-in at the business premise. Insurance settlement amounted to 80% of the value of the inventory and is due to be received on 21 August 2017.
- 11 An inventory count on 31 July 2017 revealed that inventory amounting to R33 000 was on hand.
- 12 You may assume that the total comprehensive income for the year, after all the above adjustments have been taken into account, amounted to R56 243.

REQUIRED:

	Marks
(a) Prepare the statement of financial position of Cayenne Cope as at 31 July 2017	24
(b) Prepare the note for property, plant and equipment of Cayenne Cope for the year ended 31 July 2017. (The total column can be omitted)	19
	[43]
<p>Please note.</p> <p>Your answer must comply with the requirements of International Financial Reporting Standards (IFRS) appropriate to a business entity of a sole proprietor.</p> <p>All calculations MUST be shown.</p> <p>Round off all amounts to the nearest Rand.</p> <p>Notes on accounting policy are NOT required.</p>	

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QUESTION 3 (25 marks)(30 minutes)**Commence this question on a new (separate) page**

The following information pertains to Happy Kidz Tennis Club a small tennis club for children in Midrand

Extraxt from the list of balances at 31 December 2016·

	R
Accumulated fund (1 January 2016)	8 160
Equipment	42 000
Accumulated depreciation Equipment (1 January 2016)	6 080
Long-term loan (credit balance) Mr B Summers	8 000
Bank (Dr)	30 620
Inventory Tennis balls (1 January 2016)	2 500
Fixed deposit	40 000
Entrance fees	1 500
Bank charges	160
Donations received	19 300
Repairs	400
Wages	12 400
Rent expenses	5 000
Tennis balls (purchases)	900
Interest on loan	640
Affiliation fees	360
Honarium	3 500
Interest on fixed deposit	2 000
Stationery	1 000
Membership fees received	18 720
Refreshments.	
Inventory (31 December 2015)	500
Purchases	5 440
Sales	8 000
Inventory (31 December 2016)	1 000

Additional Information

- 2 1 Entrance fees must be capitalised
- 2 2 Membership fees were R100 in 2015, R120 in 2016 and will be R140 in 2017
- 2 3 On 1 January 2016, the membership fees of five members for 2015 were still due
- 2 4 An amount of R720 was prepaid by members on 31 December 2015
- 2 5 On 31 December 2016 four members paid their membership fees for 2017
- 2 6 Membership fees received during 2016 included the membership fees of three members who did not pay in 2015 The other two members must be written off as irrecoverable
- 2 7 On 31 December 2016, three member's membership fees for 2016 were still outstanding
- 2 8 Inventory on hand on 31 December 2016 is as follows
 - Tennis balls - R960

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- 2 9 Happy Kidz Tennis Club bought 9 new tennis ball machines on 1 July 2016 for R10 000
- 2 10 Depreciation is provided at 10% per annum according to the diminishing-balance method
- 2 11 Mr B Summers, a retired tennis coach, lent Happy Kidz Tennis Club R8 000 on 1 January 2015 at an interest rate of 12% per annum. The loan is repayable on 1 January 2020
- 2 12 On 1 April 2016 Happy Kidz Tennis Club made a fixed deposit of R40 000 at an interest rate of 10% per annum at WMB Bank
- 2 13 Mr B Peter's wages of R1 500 for December 2016 must still be paid
- 2 14 Happy Kidz Tennis Club rents the tennis courts from, Midrand Country Club, at R500 per month

REQUIRED

	Marks
In respect of Happy Kidz Tennis Club, prepare	
(a) The membership fees account, properly balanced as at 31 December 2016	9
(b) The trading statement for refreshments for the year ended 31 December 2016	2
(c) The income and expenditure statement for the year ended 31 December 2016	14
	[25]
Please note:	
All calculations MUST be shown	

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QUESTION 4 (5 marks)(6 minutes)

Commence this question on a new (separate) page.

MULTIPLE CHOICE QUESTIONS

This question consists of five (5) multiple-choice questions. Only one option for each question is correct. Indicate the chosen option in your exam script next to the question number in brackets, for example, Question 5 6 (c)

- 1 Which one of the following alternatives represents a correct combination, in the statement of financial position, for all the sources of funds that can be used to finance the assets
 - (a) Loan, Equity
 - (b) Profit, Cash
 - (c) Liabilities, Equity
 - (d) Equity
 - (e) Loan, Cash, Profit
- 2 Inventory with a cost price of R1 000 was sold for cash R2 100 Which one of the following options illustrates the effect of the transaction on the accounting equation when recording the transaction in the accounting records of an entity that uses a perpetual inventory system
 - (a) Increase bank, decrease inventory, increase sales and increase cost of sales
 - (b) Increase bank, increase inventory, increase sales and increase cost of sales
 - (c) Increase bank, decrease inventory, decrease sales and increase cost of sales
 - (d) Increase bank, decrease inventory, increase sales and decrease cost of sales
 - (e) Increase bank, decrease inventory and increase sales
- 3 Accrued expenses will be classified as a in the statement of financial position
 - (a) current asset
 - (b) non – current liability
 - (c) current liability
 - (d) current asset
 - (e) capital
- 4 The one underlying assumption for financial statements is
 - (a) comparability
 - (b) verifiability
 - (c) timeliness
 - (d) going concern
 - (e) understandability

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- 5 Income is not cash but the right to receive cash later and where such occurrence would benefit the owner. Income should be recognised if it is probable that economic benefits in the form of that result in increases in equity, other than those relating to contributions from equity participants
- (a) Increases in assets or decreases in liabilities
 - (b) Decreases in assets or increases in liabilities
 - (c) Decreases in assets and decreases in liabilities
 - (d) Decreases in assets and increases in liabilities
 - (e) Increases in assets and increases in liabilities