

**FAC1501**

October/November 2017

INTRODUCTORY FINANCIAL ACCOUNTING

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 examination question paper consists of TWENTY-TWO (22) pages including FIVE (5) pages for rough work (pp 18 – 22).

PLEASE NOTE

- 1 This paper consists of FOUR (4) questions
- 2 Ensure that you are writing the correct examination paper
- 3 All questions must be answered on the relevant pages of the examination paper
- 4 Basic calculations, where applicable, must be shown
- 5 Please write legibly in blue or black ink only
- 6 PROPOSED TIMETABLE (try not to deviate from this)

QUESTION	TOPIC	MARKS	TIME (minutes)
1	Multiple choice questions	20	24
2	Recording of transactions	22	26
3	Bank reconciliation	30	36
4	Statement of profit or loss and other comprehensive income	28	34
	TOTAL	100	120

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QUESTION 1 (20 marks)(24 minutes)

This question must be answered on the examination paper.

Select for each question only **ONE** alternative that you consider to be correct and then circle the correct alternative

2 marks per question

1 1 A person who owes money to the entity is

- (1) a debtor
- (2) a creditor
- (3) an investor
- (4) an employee
- (5) a money-lender

1 2 In the financial statements, insurance paid in advance will be classified as?

- (1) Assets
- (2) Liabilities
- (3) Income
- (4) Expenses
- (5) Capital

1 3 Which of the following statements are correct?

- (a) Assets increase on the credit side and decrease on the debit side
- (b) Liabilities increase on the credit side and decrease on the debit side
- (c) Drawings has a credit balance
- (d) Income accounts increase on the credit side and decrease on the debit side
- (e) Expenditure accounts are closed off to the statement of financial position

- (1) (c) and (d)
- (2) (b) and (c)
- (3) (a), (b) and (c)
- (4) (b) and (d)
- (5) (a) and (b)

1 4 The following information appeared in the statement of financial position of Tankwa Traders as at 30 September 2017

	R
Property, plant and equipment	600 000
Trade and other receivables	200 000
Bank overdraft	100 000
Long-term borrowings	80 000

Which one of the following amounts represents the equity of Tankwa Traders as at 30 September 2017?

- (1) R820 000
- (2) R720 000
- (3) R620 000
- (4) R20 000
- (5) R800 000

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QUESTION 1 (continued)

Use the information provided below to answer questions 1.5 and 1.6:

	R
Land and buildings	2 904 000
Debtors control	264 656
Creditors control	601 880
Mortgage	1 000 000
Inventories	437 540
Vehicles at carrying amount	1 645 076
Cash	215 636
Accrued expenses	24 980
Equipment at carrying amount	363 364
Fixed deposit	562 984
Income received in advance	9 140
Prepaid expenses	8 000

1.5 What is the total amount for non-current assets?

- (1) R1 904 000
- (2) R2 904 000
- (3) R5 912 440
- (4) R4 912 440
- (5) R5 475 424

1.6 What is the total amount for current liabilities?

- (1) R636 000
- (2) R601 880
- (3) R644 000
- (4) R619 020
- (5) R1 636 000

1.7 Camdeboo Traders, which is **not** registered as a VAT vendor and uses the perpetual inventory system, donated inventory worth R10 000

Which one of the following options represents the correct analysis of the above transaction?

	Account to be debited	Account to be credited	Assets R	=	Equity R	+	Liabilities R
1	Inventory	Donations	+ 10 000		+ 10 000		0
2	Purchases	Donations	0		+ 10 000 - 10 000		0
3	Donations	Inventory	- 10 000		- 10 000		0
4	Donations	Purchases	0		+ 10 000 - 10 000		0
5	Inventory	Purchases	+ 10 000		+ 10 000		0

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QUESTION 1 (continued)

- 1 8 Which option below best represents the correct analysis, if an entity which is **not** registered as a VAT vendor sold equipment that is no longer needed, on credit for R1 700

	General ledger		Effect on the accounting equation		
	Account to be debited	Account to be credited	Assets R	= Equity R	+ Liabilities R
1	Equipment	Debtors control	+ 1 700 - 1 700	0	0
2	Equipment	Creditors control	+ 1 700	0	+ 1 700
3	Sales	Creditors control	0	- 1 700	+ 1 700
4	Debtors control	Equipment	+ 1 700 - 1 700	0	0
5	Creditors control	Equipment	- 1 700	0	- 1 700

- 1 9 During July 2017, Namaqua Traders, which is **not** a registered VAT vendor, incurred the following transactions

2017

July

- 1 The owner contributed equipment worth R60 000 as additional capital
 7 The entity provided services on credit for R11 000
 19 The entity paid R7 000 from the entity's bank account for medical expenses incurred by the owner's wife
 27 The entity's bank account was on average overdue by R5 000 throughout the month. Interest of R50 was paid for the month on the overdue amount

The opening balance of the bank account in the general ledger of the entity was favourable

Which one of the following options reflects the net influence of the above transactions on the extended accounting equation of Namaqua Traders?

	Assets			=	Equity		+ Liabilities
	Equipment R	Debtors R	Bank R	Capital R	Income/ expenses R	Creditors R	
1	+ 60 000	+ 11 000	- 7 050	+ 53 000	0	+ 10 950	
2	- 60 000	- 11 000	- 7 050	- 53 000	- 10 950	0	
3	+ 60 000	+ 11 000	- 7 050	+ 60 000	+ 11 000	0	
4	+ 60 000	+ 11 000	- 7 050	+ 53 000	+ 10 950	0	
5	0	+ 11 000	+ 7 050	- 53 000	- 11 000	- 10 950	

- 1 10 On 15 October 2017, a sole trader paid his own private telephone account of R1 250 with a business cheque

The account that must be debited and the account that must be credited in the general ledger will be as follows

- (1) The drawings account will be debited and the telephone account will be credited
- (2) The drawings account will be debited and the bank account will be credited
- (3) The telephone account will be debited and the bank account will be credited
- (4) The telephone account will be debited and the drawings account will be credited
- (5) The telephone account will be debited and the capital account will be credited

[20]

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QUESTION 2 (22 marks)(26 minutes)

Mapungubwe Traders uses a perpetual inventory system. All goods are sold at a mark-up of 40% on cost. The following information and transactions of Mapungubwe Traders are for August 2017.

Date	Transaction
5	Purchased goods on credit from a supplier to the value of R7 000
7	Sold goods to a customer for R2 000 on credit
14	On 26 July 2017 packing material was purchased for R2 500 by cheque and entered in the column for inventory in the cash payments journal and posted as such. Correct the error.
23	A debtor settled his account of R3 000 with a cheque for R2 800
26	The owner took goods to the value of R3 500 for his own use
31	On 31 July 2017 a cheque for R8 000 was issued to the insurance brokers for the payment of the insurance for the financial year

REQUIRED:

Indicate for each of the above transactions which accounts in the general ledger must be debited and credited. Indicate the subsidiary journal where the transaction will first be recorded.	Marks
	[22]

Use the following table to answer this question.

General ledger			Subsidiary journal
Date	Account to be debited	Account to be credited	
Example	Advertising	Bank	Cash payments journal

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QUESTION 2 (continued)

Question 2 continues on the following page

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QUESTION 3 (30 marks)(36 minutes)

Marakele Traders provided you with the following information for November 2017

Marakele Traders**Bank reconciliation statement as at 31 October 2017**

	Debit R	Credit R
Credit balance as per bank statement		285 000
Credit outstanding deposits		51 000
		30 000
Debit outstanding cheque no's		
686	18 000	
690	6 000	
700	27 000	
701	2 250	
702	4 500	
Debit an incorrect credit made by the bank	75 000	
Debit balance as per bank account	233 250	
	366 000	366 000

A comparison of the current month's bank statement with the previous month's bank reconciliation statement, current month's cash receipts and cash payments journal showed the following differences

- 1 On 30 November 2017, the bank statement of Marakele Traders had a favourable balance of R670 350. On 30 November 2017, before any of the abovementioned transactions were taken into account, the cash receipts journal had a total of R1 089 000 and the cash payments journal had a total of R319 800 in their respective bank columns.
- 2 The following transactions did not appear in the cash journals for November 2017
 - 2.1 A debit order for R15 000 for the monthly insurance premium
 - 2.2 Interest received on a fixed deposit, R9 000
 - 2.3 A debtor of Marakele Traders paid his account of R16 500 in full (this was recorded in the cash receipts journal). However, the bank dishonoured his cheque due to insufficient funds in his bank account.
 - 2.4 Bank charges, R2 400
 - 2.5 A customer of Marakele Traders, from Durban, deposited R48 000 directly into the business bank account.
 - 2.6 A debit order for R7 500 which is for the monthly security services.
 - 2.7 A tenant of Marakele Traders, deposited R19 500 into the business bank account of Marakele Traders.
- 3 The following items only appeared in the bank statement of Marakele Traders for November 2017
 - 3.1 Deposits for R51 000 and R30 000 respectively
 - 3.2

	R
Cheque no's 686	18 000
700	27 000
702	4 500

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QUESTION 3 (continued)

- 3 3 A debit entry for R75 000 to correct an incorrect credit entry which was made previously
- 3 4 A deposit of R120 000 appeared incorrectly in the bank statement of Marakele Traders
- 4 The following items only appeared in the cash journals of Marakele Traders for November 2017

		R
4 1	Cheque no's	
	807	1 800
	810	8 250
	815	21 000
	816	28 500

- 4 2 Deposits made on 29 and 30 November 2017 for R345 000 and R210 000 respectively

REQUIRED:

		Marks
(a)	Complete the cash receipts journal and the cash payments journal of Marakele Traders for November 2017 (Details and bank column only)	9
(b)	Prepare the properly balanced/closed off bank account for November 2017 in the general ledger of Marakele Traders	7½
(c)	Prepare the bank reconciliation statement of Marakele Traders as at 30 November 2017	13½
		[30]

QUESTION 3 (continued)

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QUESTION 3 (continued)

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QUESTION 4 (28 marks)(34 minutes)

The following information appeared in the accounting records of Mokala Traders for the financial year ended 30 September 2017

Balances/totals as at 30 September 2017

	R
Purchases	795 150
Purchases returns	15 900
Settlement discount received	11 100
Water and electricity	34 800
Salaries and wages	135 450
Sales	1 350 600
Sales returns	13 050
Telephone expenses	23 850
Stationery	10 200
Settlement discount granted	13 800
Fixed deposit	105 000
Furniture at cost	75 000
Plant and equipment at cost	1 125 000
Accumulated depreciation Furniture	22 500
Accumulated depreciation Plant and equipment	225 000
Repairs and maintenance	2 850
Insurance	19 800
Credit losses	17 250
Debtors control	435 150
Allowance for credit losses	19 200
Drawings	37 500
Inventory (1 October 2016)	217 950
Interest received on fixed deposit	6 000
Capital (1 October 2016)	525 000
Bank overdraft	158 550
Mortgage	720 000

Additional information

- 1 The physical inventory count at 30 September 2017 indicated that inventory amounted to R128 100 and stationery to R3 750
- 2 A debtor that owes R1 800 must be written off as irrecoverable
- 3 Provide depreciation as follows
Furniture, R11 250
Plant and equipment, R112 500
- 4 It was determined that the allowance for credit losses account should amount to R21 450 at 30 September 2017
- 5 Wages, amounting to R3 000, must still be paid
- 6 The fixed deposit was made on 1 October 2016 at Investment Bank at an interest rate of 8% per annum
- 7 The mortgage agreement was entered into on 1 August 2017 and bears interest at a rate of 10% per annum. The interest for the current financial year must still be accounted for

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QUESTION 4 (continued)**REQUIRED**

Prepare the statement of profit or loss and other comprehensive income of Mokala Traders for the year ended 30 September 2017	Marks
	[28]

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QUESTION 4 (continued)

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