



FAC1501

May/June 2014

INTRODUCTORY FINANCIAL ACCOUNTING

Duration 2 Hours

100 Marks

EXAMINERS ·
FIRSTMS L GOVENDER
MR D VON WELL
MR RN NGCOBO

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SECOND

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 SEVEN (7) 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) by the invigilator
- 4 All questions must be answered
- 5 Basic calculations, where applicable, must be shown
- 6 The answer to each question must be commenced on a new (separate) page
- 7 Please use blue or black ink only
- 8 PROPOSED TIMETABLE (try not to deviate from this)

QUESTION	TOPIC	MARKS	TIME (minutes)
1	Accounting equation	18	22
2	Cost of sales and bank reconciliation	22	26
3	Cash journals and posting to the bank account	25	30
4	Statement of profit or loss and other comprehensive income and the statement of changes in equity	35	42
	TOTAL	100	120

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QUESTION 1 (18 marks) (22 minutes)

Commence this question on a new (separate) page.

Score Traders, a service entity, opened an internet shop in 2008. The following transactions were extracted from the transactions which were entered into by Score Traders during April 2014.

Transaction number

- 1 Printing ink cartridges were purchased for R2 550 cash. The ink cartridges were immediately used to replace the old ones.
- 2 One of the computers was taken for repairs on credit. Invoice number 2022 for R350 was received.
- 3 Score Traders also sells memory sticks. Inventory of 20 (twenty) memory sticks were purchased for R3 000 cash.
- 4 7 (Seven) memory sticks for R250 each were sold for cash. The cost of sales for the 7 (seven) memory sticks amounted to R1 050.
- 5 The total internet fees charged to customers during the month amounted to R9 500 cash.

Additional information

- 1 Score Traders is not registered for VAT.
- 2 The perpetual inventory system is in use.

REQUIRED:

Prepare a table similar to the format below. Analyse the above transactions by indicating **which account** must be **debited** and **which account** must be **credited** in the general ledger. Also indicate the effect of each transaction on the accounting equation by using a “+” sign to indicate an **increase** and a “-” sign to indicate a **decrease**. Where applicable, assume that the bank balance is positive.

Example: The entity paid wages to the amount of R150 cash.

No.	General ledger		A =	E +	L
	Account debited	Account credited			
e.g. 1	Wages	Bank	- R150	- R150	-

[18]

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QUESTION 2 (22 marks) (26 minutes)

Commence this question on a new (separate) page.

This question consists of Part A and Part B which are unrelated.

PART A

Computer Traders has the following information available for the financial year ended 31 January 2014

	R
Inventory (1 February 2013)	50 700
Sales	480 500
Purchases	230 100
Sales returns	14 800
Purchase returns	5 600
Carriage on sales	20 300
Carriage on purchases	12 400
Custom and excise duties on purchases	8 900

Computer Traders uses a periodic inventory control system and after performing an inventory count on 31 January 2014, it was found that inventory to the value of R40 200 was on hand in the shop

REQUIRED:

- 2 1 Calculate the cost of sales of Computer Traders for the financial year ended 31 January 2014
Show all your calculations and not only your answer (6)

PART B

The accountant of Camera Traders prepared the cash receipts journal and the cash payments journal for April 2014 before he received the bank statements for April 2014. The totals of the cash journals, before the accountant received the bank statements for April 2014, were

	R
Total cash receipts	68 300
Total cash payments	53 400

On 1 April 2014 the bank account in the general ledger had a favourable balance of R26 950

On 30 April 2014 the bank statement revealed a favourable balance of R15 600

On comparing the bank statement with the cash receipts journal and the cash payments journal, the following differences were noted

- 1 The following entries only appeared on the bank statement

	R
Bank charges	500
Interest income	600

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QUESTION 2 (continued)

- 2 The following cheques in the cash payments journal have not yet been presented at the bank for payment
- | | R |
|---------------|-------|
| Cheque no 930 | 2 500 |
| Cheque no 940 | 4 700 |
| Cheque no 970 | 1 900 |
- 3 A credit entry for R3 100 which only appeared on the bank statement was a direct deposit made by a debtor
- 4 The comparison of the cash receipts journal with the bank statement revealed that deposits totalling R35 850 had not yet been credited by the bank
- 5 A cheque for R4 300 drawn by another entity appeared incorrectly on the bank statement of Camera Traders
- 6 The bank returned a cheque for R2 000, which was received from a debtor, unpaid and marked "refer to drawer"
- 7 Camera Traders sublets part of its building to Radio Dealers who pays the monthly rental of R3 600 via internet banking The credit entry for R3 600 only appears on the bank statement

REQUIRED:

- 2.2 Complete the cash receipts journal and the cash payments journal of Camera Traders for April 2014 (Details and bank column only) **(5)**
- 2.3 Prepare the properly balanced/closed off bank account for April 2014 in the general ledger of Camera Traders **(5)**
- 2.4 Prepare the bank reconciliation statement of Camera Traders as at 30 April 2014 **(6)**
- [22]**

QUESTION 3 (25 marks) (30 minutes)

Commence this question on a new (separate) page.

P Home started a general dealer business called P Home Dealers. The business is registered as a VAT vendor.

The following transactions were incurred by P Home Dealers for the month of March 2014:

- 1 March P Home deposited an amount of R40 000 in the bank account of P Home Dealers as a start-up for the business and receipt number 01 was issued.
Cheque number 001 to the amount of R1 482 was issued to Rent-Me Properties for the monthly rental.
- 2 March Goods to the value of R24 510 were purchased for cash and paid for with cheque number 002.
Equipment to the amount of R15 000 was purchased on credit from Equip Supplies and invoice number 113 was received.
- 5 March Cheque number 003 was issued to Teldigit in payment of R798 for a telephone installation and R171 for prepaid airtime.
- 7 March Goods to the value of R3 500 were sold on credit to A Mali. A part payment of R500 cash was received from A Mali and invoice number 01 and receipt number 02 were issued.
- 15 March Cheque number 004 for R1 800 was issued to pay for the weekly wages.
The total cash sales per the cash register roll number 001 amounted to R3 990.
- 22 March Cheque number 005 for R5 000 was issued to Equip Supplies as part payment of the equipment purchased from Equip Supplies on the 2nd of March (Refer above).
- 25 March Received R1 000 from A Mali as part payment of the goods sold to A Mali on the 7th of March (Refer above). Receipt number 03 was issued to A Mali.
- 29 March The total cash sales per the cash register roll number 002 amounted to R12 426.
- 30 March A delivery truck was purchased on credit for an amount of R75 000.

Additional information

- 1 VAT is calculated at 14% and is included in the amounts above, where applicable.
- 2 The periodic inventory system is in use.

REQUIRED:

- 3.1 Prepare the cash receipts journal (CRJ) and cash payments journal (CPJ) of P Home Dealers for March 2014. Provide for the following analysis columns:
- **Cash receipts journal** (10)
 - Day, Details, Bank, Sales, Debtors control, VAT output and Sundry accounts
 - Ignore the analysis of receipts column
 - **Cash payments journal** (11½)
 - Day, Details, Bank, Purchases, Creditors control, VAT input and Sundry accounts
- 3.2 Prepare the bank account for March 2014 in the general ledger of P Home Dealers. Properly balance/close off the account at the end of the month. (3½)
- [25]**

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QUESTION 4 (35 marks) (42 minutes)

Commence this question on a new (separate) page.

The following information was obtained from the financial records of RG Stores for the year ended 28 February 2014

RG STORES
PRE-ADJUSTMENT TRIAL BALANCE AS AT 28 FEBRUARY 2014

	Fol	Debit R	Credit R
Financial position section			
Capital (1 March 2013)	B1	-	390 000
Drawings	B2	50 000	-
Land and buildings	B3	680 000	-
Vehicles	B4	350 000	-
Equipment	B5	400 000	-
Accumulated depreciation Vehicles	B6	-	70 000
Accumulated depreciation Equipment	B7	-	40 000
Debtors control	B8	30 000	-
Creditors control	B9	-	16 650
Inventory	B10	54 000	-
Bank	B11	45 000	-
Petty cash	B12	1 500	-
Cash float	B13	2 500	-
Nominal accounts section			
Sales	N1	-	1 954 000
Cost of sales	N2	760 000	-
Sales returns	N3	5 000	-
Rental income	N4	-	32 500
Stationery	N5	3 500	-
Bank charges	N6	300	-
Insurance	N7	6 750	-
Wages and salaries	N8	48 000	-
Water and electricity	N9	24 000	-
Telephone expenses	N10	36 000	-
Settlement discount granted	N11	700	-
Settlement discount received	N12	-	900
Advertising	N13	4 800	-
Credit losses	N14	2 000	-
		2 504 050	2 504 050

Additional Information

- a) On 28 February 2014, a physical inventory count was done, with the following results
- Inventory on hand, R52 000
 - Stationery on hand, R500
- b) The account of Mrs A Singh for R1 500 must be written off as irrecoverable and the allowance for credit losses amounting to R3 000 must be created

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QUESTION 4 (continued)

- c) Depreciation must be provided as follows
- On equipment - 10% per annum on the straight line method
 - On vehicles - 20% per annum on the reducing balance method
- d) On 1 October 2013, RG Stores entered into an agreement with one of its customers to rent out a section of the building owned by RG Stores. A monthly rental of R6 500 is payable on the 1st of every month. The tenant paid R32 500 to RG Stores on 1 November 2013 but only took occupation of the building on 1 December 2013.
- e) Insurance includes a prepaid amount of R1 350
- f) The water and electricity account of R1 500 is still outstanding as at 28 February 2014

REQUIRED:

- 4.1 Prepare the statement of profit and loss and other comprehensive income for RG Stores for the year ended 28 February 2014 (28)
- 4.2 Prepare the statement of changes in equity for RG Stores for the year ended 28 February 2014 (7)
- [35]**