

# MID-YEAR EXAMINATION

[Marking Guidelines p260; Ans Bk p149]

Marks: 200

Time: 2 hours

## INSTRUCTIONS AND INFORMATION:

1. This paper consists of five questions.
2. Answer ALL the questions in the Answer Book provided.
3. Show ALL workings in order to receive part marks.
4. Non-programmable calculators may be used.
5. You may use a black/blue pen or a dark pencil to answer the questions
6. Use the following table and time guide to assist with time management.

<b>QUESTION 1: 40 marks; 20 minutes</b>	
<b>TOPIC:</b>	<b>ASPECT/SECTION COVERED:</b>
Concepts and Cash Journals	<ul style="list-style-type: none"><li>• Basic concepts.</li><li>• Preparation of the Cash Receipts Journal and Cash Payments Journal</li></ul>
<b>QUESTION 2: 45 marks; 30 minutes</b>	
<b>TOPIC:</b>	<b>ASPECT/SECTION COVERED:</b>
General Journal and Subsidiary Ledgers	<ul style="list-style-type: none"><li>• Preparing General Journal entries</li><li>• Completing debtors' ledger and creditors ledger account</li><li>• Internal controls</li></ul>
<b>QUESTION 3: 30 marks; 20 minutes</b>	
<b>TOPIC:</b>	<b>ASPECT/SECTION COVERED:</b>
General ledger	<ul style="list-style-type: none"><li>• Posting to specific accounts from journal totals</li></ul>
<b>QUESTION 4: 30 marks; 15 minutes</b>	
<b>TOPIC:</b>	<b>ASPECT/SECTION COVERED:</b>
Salaries	<ul style="list-style-type: none"><li>• Interpreting and calculating from salary scale</li><li>• Preparing a salary advice</li></ul>
<b>QUESTION 5: 55 marks; 35 minutes</b>	
<b>TOPIC:</b>	<b>ASPECT/SECTION COVERED:</b>
Depreciation and short questions	<ul style="list-style-type: none"><li>• Depreciation: calculations and posting.</li><li>• Closing transfers and the Trading Account</li><li>• VAT concepts and calculations</li></ul>

## QUESTION 1: CONCEPTS AND CASH JOURNALS (40 marks; 20 minutes)

### 1.1 CONCEPTS [5]

Choose the correct term from the list that best describes the statements below. Write only the answer next to the numbers (1.1.1 – 1.1.5) in the Answer Book.

**Capital contribution; The double entry principle; Petty cash; Cash float;  
Drawings; Liabilities; Fixed assets**

- 1.1.1 For every debit entry there is a corresponding credit entry in the ledger.
- 1.1.2 Possessions of the business that have a life-span of more than one year.
- 1.1.3 Debts of a business.
- 1.1.4 The owner's investment in a business
- 1.1.5 Money used to make small cash payments to avoid bank charges.

### 1.2 ROSE TRADERS [35]

The following transactions appeared in the books of Rose Traders for March 20.8.

#### REQUIRED:

Record the following transactions in the relevant Cash Journals for March 20.8. Insert your own document numbers. **Do not total the journals.**

#### TRANSACTIONS DURING MARCH 20.8:

<u>Date</u>	<u>Transaction</u>	<u>Amount</u>
2	EFT payment to Telemix to pay the March 20.8 telephone account.	R2 282
	Namibia Bank transferred directly into the bank account a deposit being a loan that was negotiated during February 20.8 at 11% p.a. interest	R90 000
4	Cash sales for the week. Goods are sold at a profit mark-up of 60% on cost.	R12 800
	Received an EFT payment from R Ridge for the March rent.	R7 200
6	Took delivery of trading stock purchased from Milo Stores. Processed an EFT payment for the amount.	R18 300
7	EFT payment to Star Transport who delivered the stock purchased above.	R1 520
10	Paid Transkei Cash and Carry electronically for the following: <ul style="list-style-type: none"><li>• Trading goods</li><li>• Computer for office use</li></ul>	R8 400 R9 500
12	Received an EFT payment from B. Lion (a debtor) in settlement of his account of R4 700.	R4 585
15	Paid by EFT to Samsung Stores (a creditor) as part payment of our account. Received a 5% discount on this amount.	R8 200
29	Bank statement from Rhemin Bank showed the following: <ul style="list-style-type: none"><li>• Service fees R126; cash deposit fees R64; credit card levy R125; interest on overdraft R356.</li><li>• Debit order payment to South West Insurers for the owner's car.</li></ul>	R1 350

**QUESTION 2:  
GENERAL JOURNAL AND SUBSIDIARY LEDGERS (45 marks; 30 minutes)**

The incomplete Debtors Ledger account of S. Rugbar and the incomplete Creditors Ledger account of Hoosain Suppliers taken from the books of Singh Traders are provided below:

**REQUIRED:**

- 2.1 Refer to **Information B.**  
Prepare General Journal entries for the transactions listed. (15)
- 2.2 Complete the Debtors Ledger account and the Creditors Ledger account by filling in the missing details, folios, amounts as well as the relevant transactions from the General Journal. (20)
- 2.3 Joyce, the owner, wants to ensure that only reliable people are granted credit in her business. What information should she obtain from applicants before allowing them to open accounts? Provide THREE points and a reason in each case. (6)
- 2.4 State TWO internal control measures that Joyce can use to ensure that debtors pay their accounts on time. (4)

**INFORMATION:**

**A. DEBTORS LEDGER OF SINGH TRADERS**

**S. RUGBAR**

			<b>DL3</b>			
<b>Date</b>		<b>Details</b>	<b>Fol</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
20.8 Sept	1	Balance /Account rendered	b/d			7 200
	4	*	CRJ		4 200	3 000
		*	*	*	*	2 790
	12	Invoice No 122	*	*	*	5 430
	15	*	DAJ	*	*	5 298
	18	Dishonoured cheque (R/D)	CPJ	*	*	*

- 4<sup>th</sup> : Received a payment from S. Rugbar as a part-payment of his account. He was granted a discount when he made this payment.
- 15<sup>th</sup> : A 5% allowance on damaged goods sold on the 12<sup>th</sup> must be taken into account.

**CREDITORS LEDGER OF SINGH TRADERS**

**HOOSAIN SUPPLIERS**

			<b>CL3</b>			
<b>Date</b>		<b>Details</b>	<b>Fol</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
20.8 Sept	1	Balance /Account Rendered	b/d			18 450
	5	Cheque No 431	*	*	*	13 200
	15	Invoice No. 629	*	*	*	17 160
	17	*	CAJ	*	*	16 620

**B. Additional information:**

- (i) The payment from S. Rugbar on 4<sup>th</sup> was not processed by the bank on the 18<sup>th</sup> due to insufficient funds. This amount was recorded in the respective journal. The discount must still be cancelled.
- (ii) Charged S. Rugbar interest on an overdue amount of R1 200 at 12,5% p.a. for two months.
- (iii) Goods purchased from Hoosain Suppliers on the 24<sup>th</sup> was posted in error to the account of Hoose Traders in the Creditor's Ledger, R2 280.

- (iv) Debtor B. Mylie was declared insolvent. Received R945 from his insolvent estate. This was 60% of his outstanding account. The balance must be written off as a bad debt.

### QUESTION 3: POSTING TO THE GENERAL LEDGER (30 marks; 20 minutes)

#### 3.1 CONCEPTS [5]

Choose the correct word from the alternatives within brackets. Write the word only next to the numbers 3.1.1 – 3.1.5 in the Answer Book.

- 3.1.1 A **(debtor / creditor)** is a current liability to the business.  
 3.1.2 The source document for a debit order payment for advertising is a **(cheque counterfoil / bank statement)**.  
 3.1.3 The Bank total from the Cash Receipts Journal is recorded on the **(debit / credit)** side of the Bank Account in the ledger.  
 3.1.4 Small cash payments to avoid bank charges is paid out of **(cash float / petty cash)**.  
 3.1.5 Wages is an example of a **(Statement of Financial Position account / Nominal account)**.

#### 3.2 TONY TRADERS [25]

The journal totals for March 20.8 are provided below.

##### REQUIRED:

Post to the following accounts in the General Ledger. Balance only the Trading stock account. Mark-up is 60% on cost.

- 3.2.1 Trading stock (12)  
 3.2.2 Debtors control (7)  
 3.2.3 Creditors control (6)

##### INFORMATION:

##### A. Balances on 1 March 20.8:

Trading stock	R43 210
Debtors control	23 280
Creditors control	32 170

##### B. Totals from the journals on 31 March 20.8

##### Cash Receipts Journal

Bank	R62 050
Sales	29 600
Cost of sales	18 500
Debtors: Receipts	<b>(i)</b>
Debtors: Discount allowed	640
Sundry accounts	22 950

##### Cash Payments Journal

Bank	R52 980
Trading stock	<b>(ii)</b>
Debtors control	3 120
Creditors: Payments	12 640
Creditors: Discount received	2 100
Sundry accounts	8 820

##### Creditors Journal

Creditors control	R <b>(iii)</b>
Trading stock	19 750
Equipment	5 500
Packing material	2 880
Sundry accounts	1 950

##### Creditors Allowances Journal

Creditors control	R4 810
Trading stock	3 770
Equipment	350
Packing material	200
Sundry accounts	490

**Debtors Journal**

Sales	R19 840
Cost of sales	(iv)

**Debtors Allowances Journal**

Debtors allowances	R3 630
Cost of sales	1 180

**QUESTION 4: SALARIES****(30 marks; 15 minutes)****4.1 SALARY SCALE****[11]**

W. Shange received her appointment letter from Marino Bazaar. She was given the following salary scale.

**135 000 x 14 640 – 178 920 x 16 920 – 229 680**

- 4.1.1 Calculate Shange's monthly salary in her first year of employment. (2)
- 4.1.2 What will her annual salary be in her fourth year of employment? (3)
- 4.1.3 What will her monthly increase be in her 6<sup>th</sup> year of employment? (2)
- 4.1.4 How many years would she work before she reaches R229 680 p.a.? (4)

**4.2 SALARY ADVICE: CALCULATIONS****[19]**

Ms Wright is the Human Resources Manager at Berg Street Traders. Piet Mashanga has been appointed as the Junior Clerk in the Purchasing Department. He commenced work on 1 January 20.7.

**REQUIRED:**

- 4.2.1 Complete the Salary Advice of Piet Mashanga on 31 October 20.7. (12)
- 4.2.2 Calculate the total salary expense of the business with regards to Piet Mashanga, inclusive of all benefits, for October 20.7. (7)

**INFORMATION:**

- Piet earned R173 160 p.a. for the current year.
- All employees receive a production bonus of 30% of their basic salary during October each year.
- Deductions/contributions:

<b>Deductions</b>	<b>From employee's salary</b>	<b>Employer's contribution</b>
Pension fund	8% of basic salary	R1,50 for every R1 contributed by the employee.
SARS: PAYE	17% of taxable income (gross)	
UIF	1% of basic salary	1% of basic salary
Medical aid	R888 per month	Rand-for-Rand

- The employer also contributes 1% of the employees' basic salary to the Skills Development Levy.

**QUESTION 5: DEPRECIATION & SHORT QUESTIONS**  
**(55 marks; 35 minutes)**

**5.1 GAAP**

**[5]**

Match the GAAP principles in Column A with the examples provided in Column B. Write only the letter (A – E) next to the numbers (5.1.1 – 5.1.5) in the Answer Book.

COLUMN A		COLUMN B	
5.1.1	Matching	A	Business letterheads (stationery) are printed for three years in advance and is recorded as stationery on hand.
5.1.2	Prudence	B	The owner's personal cellphone bill is paid by the business but is reflected as drawings.
5.1.3	Going concern	C	Insurance paid for the next financial year is recorded as a prepaid expense.
5.1.4	Historical cost	D	Consumables stores amounting to R6 000 has to be written off as it cannot be found.
5.1.5	Business entity	E	Property is recorded at R5 000 000 in the financial statements although its market value is currently R8 000 000.

**5.2 BONGI'S DELIVERY SERVICES**

**[24]**

Sarah Bongi owns Bongi's Delivery Service. The information relates to the fixed assets of the business for the financial year ended 28 February 20.8.

**REQUIRED:**

- 5.2.1 Briefly explain why fixed assets are depreciated. (2)
- 5.2.2 Calculate the depreciation on vehicles and on equipment for the financial year ended 28 February 20.8. (10)
- 5.2.3 Post to the following General Ledger accounts:  
 • Vehicles (Balance this account) (5)  
 • Depreciation (Do not balance/total) (3)
- 5.2.4 Sarah feels that the delivery vehicle expenses are higher than expected. Provide TWO internal control measures that she can use to determine if she is correct or not. (4)

**INFORMATION:**

A. Balances and totals on 28 February:

	<b>20.8</b>	<b>20.7</b>
Vehicles	552 000	384 000
Accumulated depreciated on vehicles	?	172 800
Equipment	288 000	288 000
Accumulated depreciation on equipment	?	135 750

- B. A new vehicle was bought on credit on 1 November 20.7.
- C. Vehicles are depreciated at 15% p.a. on cost and Equipment is depreciated at 20% on the diminishing balance method.

### 5.3 SHORT QUESTIONS

[26]

#### 5.3.1 FINAL ACCOUNTS

The following balances relates of Playvin Traders on 30 April 20.8, the financial year end.

#### REQUIRED:

- (i) Prepare ALL the closing transfer journal entries for the Trading account using the information below. Narrations not required. (9)
- (ii) Post to the Trading account in the General Ledger. (4)

#### INFORMATION:

**Totals on 30 April 20.8, the financial year-end:**

Sales	R1 413 720
Cost of sales	1 020 750
Debtors allowances	17 970

#### 5.3.2 VAT

- (i) Indicate whether the following statements are True or False.
  - (a) All businesses must register as VAT vendors.
  - (b) Essential goods such as bread and milk are taxed at 0%.
  - (c) Tax is payable to the South African Reserve Bank. (3)
- (ii) Choose the correct word/s from the alternatives within brackets.
  - (a) VAT is a (direct / indirect) tax.
  - (b) VAT received from sales is regarded as (Output VAT / Input VAT) (2)
- (iii) Calculate the missing amounts on the table. Note that the current VAT rate is 15% and is applicable to all the amounts on the table. (8)

	Amount excluding VAT	VAT amount	Amount including VAT
Cash and credit purchases of stock	R88 450	*	
Cash received from customers		*	R87 400
Damaged goods returned by customers		R15 480	*
VAT on expenses	R66 540	*	R76 521