

QUESTION 1

WAGES AND SALARIES (50 marks – 22 minutes)

Wages Journal – you are provided with information related to Nkandla Traders for June 2016.

REQUIRED –

- 1.1.1 Complete the wages journal for the week ending 30 June 2016. (46)
- 1.1.2 The owner is concerned that the manager may be paying some employees for days/hours not worked. Explain two points that can be used to avoid this action. (4)

INFORMATION

Nkandla Traders is a business manufacturing school tables. They employed three workers (Nandi, Siya and Muzi) on the same wage rate of R200 per hour and each employee has worked 40 hours except for Muzi who was absent during the week and only worked for 25 hours. Due to unexpected power cuts at Nkandla both Nandi and Siya worked 12 hours and 8 hours of overtime respectively. The overtime rate is 1,5 times the normal time rate.

THE FOLLOWING DEDUCTIONS MUST BE TAKEN INTO ACCOUNT –

- The PAYE is calculated at 22% of gross wages
- Medical Aid is R250 for the main member and (R80 per additional member) Nandi is married and has two children whilst both other employees had no additional members registered under their medical schemes.
- The UIF is 1% of normal wage for each employee
- Pension Fund deductions is at 7,5% of normal basic wage

Nkandla Traders contributes on behalf of the employers as follows:

- Pension fund is 10.5% of basic wages
- Medical Aid is R2 for every rand deducted from the employee's wages.

QUESTION 2 VALUE ADDED TAX (28 marks – 13 minutes)

2.1 CONCEPTS (10)

- 2.1.1 What does VAT mean? (2)
- 2.1.2 At what rate is VAT charged on the value of brown bread? (2)
- 2.1.3 To which institution is VAT paid to? (2)
- 2.1.4 Differentiate between VAT exempt and Zero rated supplies. (4)

2.2 **VAT CALCULATIONS** – (18 marks)

REQUIRED –

Calculate the missing figures denoted by letter A – I

No	COST PRICE	MARK UP %	SELLING PRICE VAT EXCLUSIVE	VAT AMOUNT	SELLING PRICE VAT INCLUSIVE
2.2.1	C	20%	B	A	R2 736
2.2.2	R500	30%	D	E	F
2.2.3	R400	G	R640	H	I

QUESTION 3 – FINANCIAL STATEMENTS (80 marks – 60 minutes)

You are provided with information relating to Wood Sports, who sell sports equipment and repair equipment to their customers for the financial year ended 31 October 2016.

REQUIRED

3.1 Income Statement of Wood Sports for the financial year ended 31 October 2016. NOTE THAT THE PRE-ADJUSTMENT FIGURES HAVE BEEN INSERTED IN THE ANSWER BOOK. (40)

3.2 Prepare the following notes as they would appear in the financial statements as at 31 October 2016.

NOTES

- Interest expense (6)
- Fixed assets (10)
- Inventories (6)
- Trade and other receivables (7)
- Trade and other payables (11)

ADJUSTMENTS AND ADDITIONAL INFORMATION

1. Wood Sports earns commission on sport supplements that they sell at a rate of 10% of turnover of the supplements. During October an amount of R56 000 sport supplements was sold.
2. The account for water and electricity of R860 was received after the trial balance had been drawn up.
3. Insurance includes an annual premium of R3 600 for fire a fire insurance paid on the 1 August 2016.
4. The tenant paid the November rent during October 2016. The rent was increased by R300 on 1 October 2016.
5. The bank statement was received after the Pre-Adjustment Trial Balance had been drawn up and showed the following entries –

Bank charges, R382
Interest on overdraft R110
A debit order to Sanlam for R800 for the monthly insurance

6. An employee was left out of the Salaries Journal for October 2016 – Details of his payslip were as follows-

Gross salary R6 000
PAYE deduction R1 080
UIF deduction R80
Net Salary ?

The business contributes on a Rand-for – Rand basis to the UIF.

7. The stock count on 31 October 2016 revealed the following on hand –

Trading stock R83 100
Consumable stores on hand R900

8. Provide for depreciation on office and shop equipment at 10% p.a. on cost price. Note the new shop equipment costing R30 000 was purchased half way during the year. THIS HAS NOT BEEN PROPERLY RECORDED.

9. The loan statement received on 31 October 2016 from FNB reflected the following –

Balance on 1 November 2015 R332 800
Interest charged ?
Monthly repayments (12 x R4 300) R51 600
Balance at 30 October 2016 R326 200

Provide for the outstanding interest amount. The business will be paying R20 000 off the loan next year.

10. The owner took stock for his own use – (cost price, R600) and (selling price, R1 000)

11. Debtors allowances for the financial year is R6 200. This has not been entered.

QUESTION 4 (65 marks – 35 minutes)

The information given below was extracted from the accounting records of Sam Stores during October 2016.

PART A REQUIRED –

The following ledger accounts in the general ledger. The accounts must be closed off or properly balanced at the end of the month.

- 4.1 Bank (8)
- 4.2 Trading stock (13)
- 4.3 Debtors control (12)
- 4.4 Creditors control (7)
- 4.5 Sales (7)
- 4.6 Cost of sales (8)

PART B (9 marks)

Answer the following questions

- a) Give two reasons why a debtor's cheque may be returned R/D. (4)
- b) Give one circumstance when no amount will be filled in the Cost of Sales column in the Debtors Allowances Journal. (2)
- c) Explain how one calculates a mark up percentage. (3)

ACCOUNTS AND OPENING BALANCES ON 1 OCTOBER 2016

Bank overdraft R2 500

Trading stock R28 700

Debtors control R15 368

Creditors control R10 000

Sales R20 000

Cost of Sales R10 000

INFORMATION

The following totals were taken from the journals of Sam Traders on 31 October 2016

CASH RECEIPTS JOURNAL	
Bank	?
Debtors control -	
Receipts	7 540
Discount allowed	340
Sales	5 400
Cost of Sales	2 700
Sundry accounts	4 500
CASH PAYMENTS JOURNAL	
Bank	14 000
Debtors control	?
Wages	3 800
Trading stock	5 400
Creditors control -	
Payments	2 200
Discount received	100
Sundry accounts	4 200
DEBTORS CONTROL	
Debtors control	9 478
Sales	?
Cost of Sales	4 739
DEBTORS ALLOWANCES JOURNAL	
Debtors control	396
Debtors allowances	?
Cost of Sales	?
CREDITORS JOURNAL	
Creditors control	?
Trading stock	43 000
Equipment	20 000
Sundry accounts	1 500
CREDITORS ALLOWANCES JOURNAL	
Creditors control	?
Trading stock	2 000
Sundry accounts	600
GENERAL JOURNAL	
Journal debits	?
Journal credits	?

Note –The bookkeeper forgot to enter the two Journal entries into the General Journal –

- A debtor, C Edy's account was written off as a bad debt for R1 200.
- T Wittstock a debtor was charged discount on her overdue account. The interest is R600.

QUESTION 5 – PROBLEM SOLVING (16 marks – 15 minutes)

PART A (9)

Mrs Accounting runs a very successful business making and selling curry pastes from home. She decided to make and sell curry pastes and sell them at flea markets. She sells her product in supermarkets. She keeps a copy of receipts, invoices, cash slips that she receives. However, she does not issue any documents when customers buy from her.

Mrs Accounting has no training in bookkeeping or Accounting. When she started her business, she bought an A4 exercise book to record all her transactions. She divided the page into half. On the left hand side she recorded any money she spent. She called this her expenses. On the right hand side she make a heading called income. Here she recorded all money received.

ANSWER THE FOLLOWING QUESTIONS –

- a) Give two ways you would help Mrs Accounting with her record keeping. (2)
- b) What kind of business does Mrs Accounting run? (1)
- c) When supermarkets order bottles of the curry pastes, Mrs Accounting completes the order and sends it to the supermarket, together with the order form. She does not send any source documents to them.

Explain what problem Mrs Accounting is likely to have as a result of not issuing any source documents. (2)

- d) What source documents do you think Mrs Accounting is likely to need in her business? List two and give reasons for your answers. (4)

PART B (8)

Baker is the owner of two school tuck shops. Betty is the manager of Shop A and Benny is the manager of Shop B.

Each manager is paid R1 000 per week.

Each tuck shop only sells juices and chips. The chips cost R5,00 per packet and are sold at a profit mark up of 50% on cost. The juice is marked up by 25% on cost and is sold at R10 each.

REQUIRED

Identify ONE problem in each tuck shop, and provide ONE solution or advice in each case. For each problem, relevant figures must be quoted.

INFORMATION

OCTOBER 2016	SHOP A		SHOP B	
	CHIPS	JUICES	CHIPS	JUICES
Opening stock (units)	300	200	150	90
Stock supplied by Baker (units)	400	400	400	400
Closing stock (units)	200	150	330	120
Units sold	420	450	220	370
Cash deposited (rands)	R3 150	R4 500	R1 650	R3 200

QUESTION 6 – THEORY

PART A (20 marks – 20 minutes)

For each of the following, match the statement in the left hand column with the most suitable response in the right hand column. ONLY THE LETTER IS REQUIRED

1	An asset	A	Assets are valued and reflected in the businesses books at the price originally paid for
2	Capital	B	A mortgage loan that is used to acquire property
3	Matching principle	C	Berties Bakery and Trend Clothing CC produce goods for the community's needs
4	Business entity rule	D	Items of value acquired or owned by a person or business
5	Historical cost concept	E	The cash and other tangible assets that the owner invests into the business
6	Trial balance	F	The owner of the business must ensure that his personal affairs are kept separate from the financial transactions of the business
7	Balance sheet	G	An accounting tool that ensures the double entry rule has been applied correctly
8	Non- current liability	H	Spar (Pty) Ltd obtains trading stock and sells it at a profit to its customers
9	Retailer	I	A statement prepared that reflects the value of the business on a specified date
10	Manufacturer	j	Income and expenses are deducted from one another during a specific time period

PART B (10 marks)

A) An example of a fixed asset is -

- A Salaries
- B Capital
- C Drawings
- D Land and buildings

B) An example of an income is -

- A Cost of sales
- B Debtors control
- C Creditors control
- D Bad debts recovered

C) An example of a non-current liability is

- A An expense
- B An income
- C A fixed deposit
- D A mortgage loan

D) An example of a financial asset is

- A Fixed deposit
- B Bank overdraft
- C An income
- D An expense

E) An income statement is drawn up to determine

- A Accuracy of the general ledger
- B Profit or loss made by the business for the year
- C Profit made by the business for the year
- D Loss made by the business for the year

QUESTION 7 RATIO ANALYSIS –PART A (20 marks – 12 minutes)

From the figures below you are required to calculate the following –

You are provided with information related to Nothing Stores for the financial year ending 30 September 2016.

REQUIRED – Calculate the following indicators for 2016

- 7.1 Current ratio (3)
- 7.2 Acid test ratio (4)
- 7.3 Solvency ratio (5)
- 7.4 Operating expenses on sales (3)
- 7.5 Return on average owner's equity (5)

INFORMATION

A – EXTRACT FROM THE INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2016

Sales	1 200 000
Cost of sales	480 000
Operating expenses	245 000
Interest on loan (14%)	11 500
Net profit for the year	375 850

B- EXTRACT FROM THE BALANCE SHEET ON 30 SEPTEMBER 2016

	2016	2015
Owner's equity	843 000	627 000
Fixed assets	475 550	327 100
Current assets	221 000	189 000
Trading stock	89 000	68 100
Non- current liabilities	120 000	90 000
Current liabilities	108 750	84 250

PART B (20 marks – 12 minutes)

You are provided with financial indicators of Marvel Stores for the years 2015 and 2016.

Use this information to answer the questions below.

1. INFORMATION

	2015	2016
Gross profit on cost	80%	75%
Gross profit on sales	66%	60%
Operating expenses on sales	15.4%	17%
Operating profit on sales	31,2%	27%
Return on Owner's equity	43,6%	28,4%
Current ratio	3,2:1	2:1
Acid test ratio	1,8:1	0,9:1
Solvency ratio	5,1:1	3,6:1

REQUIRED –

1. The manager feels that the liquidity of the business has generally improved. Quote two relevant financial indicators with figures to support her opinion. Comment also on the trend. (6)
2. Comment on the degree of solvency. Quote on the relevant financial indicator with figures, indicating the trend. (3)
3. The manager is satisfied with operating efficiency of the business. Quote two relevant financial indicators with figures to support his opinion. Comment also on the trend. (6)
4. The targeted mark on cost is 90%. Comment on the mark up achieved by the business in 2015 (with figures). Explain one possible reason why the business could not achieve this mark up. (5)