

ACCOUNTING: PAPER I

EXAMINATION NUMBER

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Time: 2 hours

200 marks

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This paper consists of 10 pages and an Information Booklet of 10 pages (i to x) with a Ratio Sheet on page x. Please check that your question paper is complete.
2. Read the questions carefully.
3. Answer the questions in the space provided. Show workings in brackets.
4. It is in your own interest to write legibly and present your work neatly.
5. You may **not** use red or green ink. **You may use a pencil, but please use a soft, dark pencil.**
6. All calculations should be rounded off to the nearest rand if necessary.
7. The allocation of marks and appropriate time to be taken for each question are as follows:

Question 1: ASSET MANAGEMENT (12 minutes)		Possible Marks	Actual Marks
Learning Outcome	Assessment Standards		
LO 3 – Managing Resources	<ul style="list-style-type: none"> AS 1 – Interpret and report on asset disposal. AS 4 – Apply internal control and internal audit processes in a business environment. 	15	
Question 2: COMPANY FINANCIAL STATEMENTS (40 minutes)			
Learning Outcome	Assessment Standards		
LO 1 – Financial Information	<ul style="list-style-type: none"> AS 5 – Prepare financial statements, analyse and interpret financial statements of a company. 	75	
LO 3 – Managing Resources	<ul style="list-style-type: none"> AS 4 – Apply internal control and internal audit processes in a business environment. 		
Question 3: CASH FLOW STATEMENTS (22 minutes)			
Learning Outcome	Assessment Standards		
LO 1 – Financial Information	<ul style="list-style-type: none"> AS 2 – Within the context of the accounting cycle, record the unique information for a company. AS 5 – Prepare final accounts and financial statements, analyse and interpret financial statements of a company. 	40	
Question 4: CASH BUDGET (27 minutes)			
Learning Outcome	Assessment Standards		
LO 2 – Managerial Accounting	<ul style="list-style-type: none"> AS 2 – Prepare, analyse and interpret cash budget for a sole trader. 	50	
LO 3 – Managing Resources	<ul style="list-style-type: none"> AS 4 – Apply internal control and internal audit processes in a business environment. 		
Question 5: VAT (19 minutes)			
Learning Outcome	Assessment Standards		
LO 1 – Financial Information	<ul style="list-style-type: none"> AS 7 – Apply the principles of VAT in different situations. 	20	
TOTAL		200	

QUESTION 1 ASSET MANAGEMENT

(15 marks, 12 minutes)

Refer to the Information Booklet for information relating to Prontoprint.

Required:

Analyse the ledger accounts and the fixed asset registers in order to fill in the missing details labelled [A] – [H]. Show calculations where necessary.

A	
B	
C	
D	
E	
F	
G	
H	

(15)

15

QUESTION 2 COMPANY FINANCIAL STATEMENTS (75 marks, 40 minutes)

Refer to the Information Booklet for information relating to the accounting records of Glamorous LTD as at their financial year end 28th February 2011.

Required:

- 2.1 Complete the Income Statement for the year ended 28th February 2011. Some figures have been entered for you.
- 2.2 Complete the Balance Sheet as at 28th February 2011. No notes are required so it is essential that all working be shown in brackets on the Balance Sheet itself.

**Glamorous LTD
Income Statement for the year ended 28th February 2011**

	R
Sales	700 500
Less: Cost of Sales	(358 000)
Gross Profit for the year	342 500
Add: Other Incomes	
Commission Income (6 150	
Gross Income for the year	
Less: Operating Expenses	
Stationery (1 860	
Discount Allowed (940	
Insurance (21 250	
Bank Charges (2 150	
Directors' Fees (80 000	
Sundry Expenses	
Operating Profit for the year	
Interest Income (1 780	
Profit before Interest Expense/Finance Costs	
Interest Expense	
Profit before Taxation	
Taxation for the year	
Net Profit for the year	

Glamorous LTD
Balance Sheet as at 28th February 2011

ASSETS	
Tangible Assets	1 015 250
Current Assets	
(
Trade and other receivables	
(
(
TOTAL ASSETS	
EQUITY AND LIABILITIES	
Capital and Reserves/Shareholders' Equity	
Share Capital	
Share Premium	
Retained Income/Accumulated Profit	80 790
Non-Current Liabilities	
Loan: Africor Bank (160 000)	
Current Liabilities	
Trade and Other Payables	
(
TOTAL EQUITY AND LIABILITIES	

(37)

2.3 Explain briefly to D. McKinley the role of an external auditor in the company and why independent auditor's fees are in fact a very necessary expense.

(4)

QUESTION 3 CASH FLOW STATEMENTS

(40 marks, 22 minutes)

Refer to the Information Booklet for information relating to the accounting records of Tronix LTD for the year ended 30th June 2011.

Required:

- 3.1 Prepare the Appropriation Account of Tronix LTD properly closed off on the 30th June 2011.

APPROPRIATION ACCOUNT

(5)

- 3.2 Complete the reconciliation between profit before taxation and cash generated from operations note.

Profit before taxation	
Adjustment in respect of:	
Depreciation	
Interest Expense	
Operating profit before changes in working capital	
Changes in working capital	
Increase/Decrease in inventory	(16 200)
Increase/Decrease in debtors	
Increase/Decrease in creditors	
Cash generated from operations	

(12)

- 3.3 Complete the Cash Flow Statement of Tronix LTD for the year ended 30th June 2011.

Cash Flows from Operating Activities	
Cash generated from operations	
Interest paid (
Dividends paid (
Taxation paid	(38 700)
Cash Flows from Investing Activities	(42 100)
Cash Flows from Financing Activities	
Proceeds from shares issued (
Proceeds from long-term loans received	100 000
Repayments of long-term loans (
Net Change in Cash and Cash Equivalents	
Cash and Cash Equivalents 1st July 2010	(39 400)
Cash and Cash Equivalents 30th June 2011	

(19)

3.4 The management of cash is particularly important to the users of Financial Statements as it helps to assess the liquidity position of the company. As a shareholder of Tronix LTD which TWO specific areas of the Cash Flow Statement would concern you? Justify and support your answer by providing relevant figure/s from the Cash Flow Statement.

(4)

40

QUESTION 4 CASH BUDGETS

(50 marks, 27 minutes)

Refer to the Information Booklet for information relating to the accounting records of Marlpet Distributors.

Required:

4.1 Complete the Debtors' Collection Schedule.

CREDIT SALES		RECEIPTS FROM DEBTORS	
MONTH	AMOUNT	NOVEMBER	DECEMBER
September	R55 000		
October	R60 500		
November		19 206	
December			

(7)

4.2 Complete the Cash Budget for November and December 2011.

Cash Budget of Marlpet Distributors

	NOVEMBER	DECEMBER
CASH RECEIPTS		
Cash receipts from debtors		
Rent Income	?	?
Total Receipts	117 531	145 508
CASH PAYMENTS		
Cash purchase of trading stock	15 000	
Fixed cash expenses	?	12 500
TOTAL PAYMENTS	79 900	
Cash surplus/deficit	37 631	
Opening Bank balance	(38 131)	(500)
Closing Bank balance	(500)	

(23)

4.3 Complete the table by calculating the following amounts:

The projected bad debts to be written off from December 2011 sales.	
The projected discount allowed to be granted in December 2011.	
The projected debtors control balance as at 31 st December 2011.	

(8)

4.4 Using the analysis of **actual debtors' collections for August 2011** give two points to explain whether you think that the collections from debtors are being efficiently managed. Substantiate your opinion by providing figures and making comparisons.

(6)

4.5 Give one internal control measure that Gerald could implement to reduce losses due to bad debts.

(2)

4.6 The following list of actions represents some of the options that Gerald has when dealing with the new debtors' clerk. From the list given, tick (✓) one action that you think represents the most ethical treatment of an employee in this situation; and put a cross (x) next to the least ethical choice. Briefly explain why you chose these two options.

He should demand the R15 000 be paid back immediately and then fire the debtors' clerk for negligence.	
He should issue the debtors' clerk with a verbal warning as this is her first offence.	
He should provide training for all staff regarding the dangers of cyber fraud.	
He should hold a disciplinary hearing for the debtors' clerk and give her a final written warning.	
Negotiate a repayment plan with the debtors' clerk that would be in the best interest of both parties.	

Reason for choices:

(4)

QUESTION 5 VAT

(20 marks, 19 minutes)

Refer to the Information Booklet for information relating to the accounting records of Sportquip Sports for June 2011.

Required:

- 5.1 Calculate the amount owing to SARS in respect of VAT at the end of June 2011 after taking the transactions into account.

Transaction number	Amount owing to SARS
5.1.1	5 560
5.1.2	
5.1.3	
5.1.4	
5.1.5	
5.1.6	
5.1.7	
5.1.8	
5.1.9	

(15)

- 5.2 After only one year of trading, A. Mbali decided to close the business down because it was not doing well. Owing to the fact that there was very little cash they could only pay their creditor, Sport's Holding Ltd, 35 cents in every rand owed. Sport's Holding Ltd has agreed to write off the balance of their debt.

What double entry should the accountant process for the VAT of R756 relating to the writing off of this account?

ACCOUNT DEBIT: _____

ACCOUNT CREDIT: _____

(2)

- 5.3 A. Mbali bought a new car for her son to use to get to University on a daily basis. The cost of the car was R200 000 plus VAT of R28 000. She has recorded this in the name of Sportquip Sports. As the external auditor, what comment would you make regarding this?

(3)

20

Total: 200 marks