



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N550(E)(N25)H
NOVEMBER EXAMINATION
NATIONAL CERTIFICATE
FINANCIAL ACCOUNTING N4

(4010164)

25 November 2016 (Y-Paper)
13:00–16:00

A non-programmable calculator may be used.

This question paper consists of 13 pages and an answer book of 12 pages.

DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA
NATIONAL CERTIFICATE
FINANCIAL ACCOUNTING N4
TIME: 3 HOURS
MARKS: 200

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions.
 2. Read ALL the questions carefully.
 3. Write your EXAMINATION NUMBER and CENTRE NUMBER at the top of each ANSWER SHEET.
 4. Arrange the ANSWER SHEETS in the correct sequence and staple them together before submitting them.
 5. Red or green ink may NOT be used.
 6. The time to be spent on each question is indicated next to the question number. Use the given time as a guideline for completing the question paper.
 7. Write neatly and legibly.
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QUESTION 1 (12 minutes)

The following information, amongst others, was extracted from the books of Vuitton Clothing Ltd for October 2015.

REQUIRED

Analyse the following transactions according to the headings that appear in the ANSWER BOOK.

NOTE: ➤ The perpetual inventory is used.

- Assume that the bank balance is unfavourable at all times.
- The business makes use of a debtors and creditors control system.
- Goods are marked up at 20% on cost price.
- Show the effect on A, O or L as follows:
 - + increase
 - decrease
 - o unchanged
- The following example is given:

A clock was purchased from Rotary and paid by cheque, R5 000.

No	General ledger		A	O	L
	Account debited	Account credited			
E.g.	Equipment	Bank	+ 5 000	0	+ 5 000

TRANSACTIONS

- 1.1 Cash sales of clothing as per cash register roll, R7 500.
- 1.2 Bought branded clothing from Swiss Stores on credit, R8 000.
- 1.3 Charged Swiss Stores interest of 20% on their account of R3 800,00 which was overdue for 9 months.
- 1.4 Received R500 from H. Boss, a debtor, whose account was previously written off as irrecoverable.

[15]

QUESTION 2 (59 minutes)

You are provided with the preadjustment trial balance of Morningside Cash and Carry on 30 June 2015.

REQUIRED

2.1 Prepare the income statement for the year ended 30 June 2015. (35)

2.2 Complete the notes/annexures to the balance sheet. (29)

- NOTE: ➤ The balance sheet is not required.
 ➤ Morningside Cash and Carry uses the periodic inventory system

INFORMATION

**MORNINGSIDE CASH AND CARRY
 PREADJUSTMENT TRIAL BALANCE ON 30 JUNE 2015**

		DR	CR
BALANCE SHEET ACCOUNTS SECTION			
Capital	B1		2 000 000
Drawings	B2	133 000	
Property	B3	991 360	
Equipment	B4	780 000	
Accumulation depreciation on equipment	B5		83 000
Vehicles	B6	645 000	
Accumulated depreciation on vehicles	B7		99 500
Fixed deposit: Coronation Bank (12% p.a.)	B8	350 000	
Stock (1 July 2014)	B9	68 400	
Debtors control	B10	43 220	
Bank	B11	49 350	
Petty cash	B12	5 000	
Creditors control	B13		266 890
Provision for bad debts	B14		2 500
Loan: Sanlam Pty Ltd (18% p.a.)	B15		555 000
NOMINAL ACCOUNTS SECTION			
Sales	N1		803 250
Purchases	N2	456 700	
Creditors allowances	N3		26 750
Rent income	N4		36 000
Interest on fixed deposit	N5		29 000
Interest on loan	N6	11 600	
Discount received	N7		11 500

Bad debts	N8	18 450	
Insurance	N9	12 000	
Water and electricity	N10	24 800	
Carriage on sales	N11	8 400	
Carriage on purchases	N12	9 650	
Custom duty	N13	7 500	
Salaries	N14	292 500	
Consumable stores	N15	6 460	
		3 913 390	3 913 390

ADJUSTMENTS AND ADDITIONAL INFORMATION

1. Non-current assets must be depreciated as follows:
 - Equipment at 20% p.a. according to the diminishing balance method
 - Vehicles at 15% p.a. on cost price
NOTE: A vehicle with a purchase price of R245 000 was bought on 1 January 2015.
2. Inventory records as at 30 June 2015 revealed the following stock on hand:
 - Trading stock R28 300
 - Consumable stores R1 780
3. S. Pillay, a debtor, was declared insolvent. Her debt of R3 220 must be written off as irrecoverable.
4. Adjust the provision for bad debts to 5% of debtors.
5. Create a provision for discount allowed at 5% of debtors.
6. Provide for the outstanding interest on fixed deposit.
NOTE: On 1 April 2014 the interest rate on the investment with Coronation Bank was increased from 10% to 12% p.a.
7. Rent has been received up until 31 December 2014. There has been an increase of 10% in the monthly premium which was implemented on 1 January 2015.
8. Provide for the outstanding interest on the loan.
9. Insurance has been paid up until 30 September 2015.

[64]

QUESTION 3 (31 minutes)**REQUIRED**

- 3.1 Draw up the cash flow statement of SENZO WHOLESALERS for the year ended 31 May 2015. (21)
- 3.2 Show the following notes/calculations:
- Cash received from customers/clients
 - Cash paid to suppliers and employees
- (13)

INFORMATION

- You are provided with an extract of the income statement and balance sheet.

A

**SENZO WHOLESALERS
INCOME STATEMENT FOR YEAR ENDED 31 MAY 2015**

Turnover for the year		1 240 000
Less: Cost of sales		280 000
Gross profit		960 000
Add: Other income		5 600
Interest income	5 600	
Gross income		965 600
Less: Expenses		523 800
Sundry expenses	38 000	
Depreciation on equipment	26 800	
Loss on sale of equipment	2 400	
Administrative expenses	392 000	
Interest on loan	8 600	
Depreciation on vehicles	56 000	
Net income for the year		441 800

B

**SENZO WHOLESALERS
BALANCE SHEET AS AT 31 MAY 2015**

	NOTES	2014	2015
ASSETS			
Non-current assets			
Property, equipment and vehicles	1	591 200	690 000
Other financial assets	2	60 000	40 000
Current assets			
Trading stock		280 000	320 000
Trade and other debtors		167 400	190 000
Cash and cash equivalents			50 000
TOTAL ASSETS		1 098 600	1 290 000
EQUITY AND LIABILITIES			
Capital	3	680 000	1 070 000
Non-current liabilities			
Interest bearing liabilities (14%)		250 000	50 000
Current liabilities			
Trade and other creditors		28 600	170 000
Bank overdraft		140 000	
TOTAL EQUITY AND LIABILITIES		1 098 600	1 290 000

NOTES/ANNEXURE TO THE BALANCE SHEET

1. PROPERTY, EQUIPMENT AND VEHICLES

2014			
	Gross carrying amount	Accumulated depreciation	Net carrying amount
Equipment	272 000	56 800	215 200
Vehicles	740 000	364 000	376 000
	1 012 000	420 800	591 200

2015			
	Gross carrying amount	Accumulated depreciation	Net carrying amount
Equipment	268 000	58 000	210 000
Vehicles	900 000	420 000	480 000
	1 168 000	478 000	690 000

2. OTHER FINANCIAL ASSETS

Fixed deposit: SAI Bank (14% p.a.)	R40 000

3. CAPITAL

	2014	2015
Balance at the beginning of the year	674 600	700 000
Add: Net profit	177 400	441 800
Less: Drawings	(172 000)	(71 800)
	680 000	1 070 000

ADDITIONAL INFORMATION

- The asset register showed the following:
 - A photocopying machine was sold during the financial year.
 - The cost price was R32 000.
 - Accumulated depreciation until the date of the sale was R25 600.
- The owner contributed additional capital during the financial year.

[34]**QUESTION 4 (23 minutes)****REQUIRED**

You are employed as a bookkeeper for Kelso Stationers CC. The accountant requested you to use the information given below to draw up:

- 4.1 The departmental purchases account and close off this account (8)
- 4.2 The departmental trading statement for the year ended 30 June 2015 (18)

INFORMATION

- Kelso Stationers CC consists of two departments:
Stationery
Equipment
- The business conducts its stocktaking as per the periodic inventory system.

The following was extracted from their books on 30 June 2015:

EXTRACT FROM THE PREADJUSTMENT TRIAL BALANCE AS AT 30 JUNE 2015

	DR	CR
	R	R
Trading inventory (01:07:2014)		
• Stationery	115 320	
• Equipment	250 000	
Sales		
• Stationery		420 000
• Equipment		612 000
Purchases		
• Stationery	99 210	
• Equipment	175 000	
Sales returns		
• Equipment	5 250	
Carriage on sales	12 000	
Carriage on purchases		
• Stationery	9 300	
• Equipment	23 150	
Import duties		
• Stationery	2 380	
• Equipment	9 770	
Bank	17 899	
Vehicles	408 000	

ADDITIONAL INFORMATION AND ADJUSTMENTS TO BE CONSIDERED

1. The value of the closing stock according to a physical stocktaking on 30 June 2015 is as follows:
 - Stationery R48 350
 - Equipment R95 260
2. A computer valued at R4 750 was donated to Hillcrest Hospice during the financial year.
3. Carriage is still due to Ram Couriers for equipment purchased, R1 630.
4. A cash register valued at R9 120 was transferred to the stationery department.
5. The owner, V. Chinnasamy, took books valued at R1 550, for his wife.

[26]

QUESTION 5 (28 minutes)

The information given below was extracted from the books of Starlight Fashions for August 2015.

REQUIRED

- 5.1 Complete the cash receipts journal and cash payments journal on 31 August 2015. (15)
- 5.2 Post to the bank account in the general ledger and balance it. (4)
- 5.3 Prepare the bank reconciliation statement on 31 August 2015. (12)

NOTE: Starlight Fashions operates its current banking account at E-Bank.

INFORMATION

**STARLIGHT FASHIONS
BANK RECONCILIATION STATEMENT ON 31 AUGUST 2015**

	DEBIT	CREDIT
Credit balance as per bank statement		8 960
Credit deposit not yet credited by bank		5 520
Debit outstanding cheques:		
No. Z89	3 500	
Z98	5 880	
Z99	1 520	
Z106	9 008	
Debit bank error - incorrect deposit	1 392	
Credit balance as per bank account		6 820
	21 300	21 300

CASH RECEIPTS JOURNAL OF STARLIGHT FASHIONS – AUGUST 2015

Date	Details	Bank	Sales	Debtors control	Sundry accounts	
					Amount	Details
31	Total	32 500	21 780	6 800	3 920	

CASH PAYMENTS JOURNAL OF STARLIGHT FASHIONS – AUGUST 2015

Date	Details	Bank	Debtors control	Trading stock	Sundry accounts	
					Amount	Details
31	Total	17 050	6 980	7 840	2 320	

ADDITIONAL INFORMATION

1. The bank statement showed an unfavourable balance of R17 800 on 31 August 2015.
2. The bank had credited an outstanding deposit, R5 520. This was reflected on the bank statement for August 2015.
3. A deposit of R69 005, which was made on 31 August 2015, does not appear on the bank statement.
4. The bank statement for August 2015 included the adjustment for the incorrect deposit which appeared on the previous month's bank reconciliation statement.
5. The following cheques, which appeared in the previous bank reconciliation statement, were still not yet presented for payment:
 - Cheque no: Z89
(This cheque had been given to D. Dash for stationery on 12 January 2014.)
 - Cheque no: Z106
(This cheque had been issued on 22 July 2015.)
6. The following cheques appeared in the cash payments journal only:
 - No. Z66 R500
 - No. Z69 R250
7. On 16 August 2015, cheque no. Z121 for R4 000 was drawn in favour of A. Taylor for equipment purchased. This cheque was dated 30 November 2015.
8. The bank statement reflected an internet transfer of R6 500. This payment was for August rental by the tenant, B. Bengu.
9. The bank had erroneously debited the account for R1 500. This cheque was drawn by Starlight Traders.
10. A credit entry of R750 was in respect of a deposit that Starlight Traders made directly into their account, but it appeared on the bank statement of the business.

11. The following items appeared on the bank statement for August 2015:

- Service fees R125
- Cheque book R195
- Tax levy R45
- Interest on credit balance R98
- A cheque received from N. Moodley as a payment on his account has been returned by the bank due to insufficient funds, R1 880.
- Debit orders on the bank statement:
 - Durban Metro, R560 for water account
 - Old Mutual Ltd, R1 230 for fire insurance
- A fixed deposit with Castle Bank had expired and an electronic transfer was made directly into the bank account, R25 000.
- Cheque no. Z78 was erroneously debited twice on the bank statement, R1 300.

[31]

QUESTION 6 (27 minutes)

The information given below was taken from the books of Guess Social Club on 31 May 2015.

REQUIRED

As a treasurer of this club, you have to compile the following ledger accounts and close them off at the end of the financial year.

- | | | |
|-----|-----------------------------------|------|
| 6.1 | Trading account for the tuck shop | (5) |
| 6.2 | Income received in advance | (4) |
| 6.3 | Accrued income | (4) |
| 6.4 | Membership fees account | (11) |
| 6.5 | Honorarium | (3) |
| 6.6 | Legacy: J. Legend | (3) |

INFORMATION

A Extract from the balance sheet as at 1 June 2014

	R
Stock: Tuck shop	750
Income received in advance: Membership fees	3 850
Accrued income: Membership fees	1 650
Prepaid expense: Honorarium	1 450
Sports equipment (cost)	13 500
Fixed deposit: Allied Bank (13% p.a.)	8 000
Bank (Dr)	175
Accumulated fund	2 075

B Summary of receipts and payments: 31 May 2015

Receipts		Payments	
	R		R
Membership fees: *2014	550	Tuck shop purchases	2 895
*2015	11 000	Honorarium	1 200
*2016	3 300	Insurance	220
Tuck shop takings	7 230	Flea market expenses	2 100
Entrance fees	8 100	Membership fees (refunds)	1 100
Interest on fixed deposit	550		
Flea market proceeds	4 050		
Legacy: J. Legend	5 500		

C ADDITIONAL INFORMATION AND ADJUSTMENTS

- Tuck shop stock on hand on 31 May 2015, R470.
- 60% of the legacy must be capitalised and the balance must be used to defray expenses.
- Membership fee is R550 per member per annum.
- The membership fees of 2014, not yet received, must be written off.
- Four members must still pay their membership fees for 2015.

[30]

TOTAL: 200