

**FAC1502
SECOND PAPER**

May/June 2017

Financial Accounting Principles, Concepts and Procedures

Duration 2 Hours

100 Marks

EXAMINERS

FIRST

MRS MS DU RAND

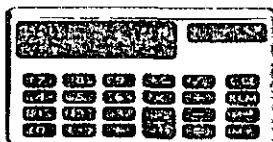
SECOND

MR RN NGCOBO

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



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This question paper consists of EIGHT (8) 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 for accounting) by the invigilator
- 4 All questions must be answered
- 5 All calculations must be shown
- 6 The answer to each question must commence on a new (separate) page
- 7 Please write **legibly** in **blue** or **black** ink

PROPOSED TIME TABLE: (Avoid deviating from this as far as possible)

QUESTION	TOPIC	MARKS	TIME (minutes)
1	Trade receivables control and trade payables control	24	28
2	Membership fees account and statement of income and expenditure	33	40
3	Statement of financial position and note for property, plant and equipment	38	46
4	Multiple choice questions - Theory	5	6
TOTAL		100	120

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QUESTION 1 (24 marks)(28 minutes)

Commence this question on a new (separate) page

The accountant at Summerhill Traders was on sick leave during the month of September 2017. Her assistant, who has limited accounting knowledge, prepared the trade receivables control account below. She has given you the following financial information for the month of September 2017 and requested your help in identifying and rectifying her mistakes.

1)

Dr		Trade receivables control				B5		Cr		
2017				R	2017			R		
Sept	30	Sales and VAT output		12 600	Sept	30	Balance	b/d	15 900	
		Balance	SJ9	18 030			Bank	CRJ9	9 130	
			c/d				Sales returns and VAT input	SRJ9	5 600	
				30 630					30 630	
					2017	Oct	1	Balance	b/d	18 480

2) Totals as per the purchases and purchase returns journals for September 2017

		R
Total of purchases column	PJ9	20 000
Total of VAT input column in the purchases journal	PJ9	2 800
Total of purchases returns column	PRJ9	5 000
Total of VAT input column in the purchases returns journal	PRJ9	700

Additional information

In addition to the errors made in the trade receivables control account above, you have listed the following errors and omissions made by the assistant:

- Interest was charged on Mrs A Naidoo, a debtor, who owed Summerhill Traders R2 000. Her account was overdue by six months. Interest is charged at 12% per annum on the overdue account.
- The trade receivables control column and the settlement discount granted column in the cash receipts journal had totals of R9 130 and R450 respectively.
- Mr R Nyathi, a cash client of Summerhill Traders, returned goods to the value of R500. Summerhill Traders. This transaction was recorded in the sales returns journal.
- Miss T Luna's attorneys declared a dividend of 30 cents in the rand from her insolvent estate. Miss T Luna owed Summerhill Traders R1 000 on 1 September 2017. Miss T Luna's outstanding debt must be written off as irrecoverable.
- The sales journal was undercast by R100.
- Mr Y Smith's cheque of R1 500 was dishonoured by the bank, due to insufficient funds in his account.
- The trade receivables control account had a debit balance of R15 900 on 31 August 2017.
- The trade payables control account had a credit balance of R20 000 on 31 August 2017.
- Mrs K Singh's account of R150 was written off as irrecoverable on 30 August 2017. She paid Summerhill Traders R150 on 1 September 2017.

The following transactions were not recorded for the month of September 2017:

- Summerhill Traders purchased office furniture for R15 000 (including VAT) on credit from Deco Furnishers.

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QUESTION 2 (33 marks) (40 minutes)

Commence this question on a new (separate) page.

The following information pertains to Durban Golf Club

1 Extract from the list of balances at 31 March 2016

	R
Bar purchases	70 000
Bar inventory - 1 April 2015	5 000
Bar sales	100 000
Bar wages	15 000
Crockery and linen at cost - 1 April 2015	10 000
Furniture at cost price - 1 April 2015	30 000
Telephone expenses	8 200
Green fees received	33 900
Equipment at cost	24 000
Vehicles at cost	35 000
Accumulated depreciation - 1 April 2015	
- Furniture	9 000
- Equipment	4 800
- Vehicles	5 000
Insurance in arrears - 1 April 2015	600
Maintenance costs	20 100
Salaries and wages	48 000
Stationery consumed	6 000
Membership fees received	101 000
Membership fees in arrears - 1 April 2015	15 000
Membership fees received in advance - 1 April 2015	20 000
Donation received	2 000

2 Additional information

- 2.1 The bar inventory at 31 March 2016 amounted to R10 000
- 2.2 Carriage on the bar purchases of R500 is still due and must be provided for
- 2.3 At 31 March 2016, the crockery and linen were valued at R3 000
- 2.4 Provide for depreciation as follows
 - Furniture at 10% per annum on the cost price
 - Equipment at 20% per annum on the diminishing balance method
 - Vehicles at 25% per annum on the diminishing balance method
- 2.5 Insurance premiums to the amount of R2 600 was paid during the year and debited to the telephone expenses account. This included an amount of R1 000 in prepaid insurance premiums
- 2.6 The club had 190 members during the current financial year. Membership fees amounts to R500 per member per annum. All of the members paid their membership fees for the current year. Membership fees in arrears of R7 500 on 1 April 2015 must be written off as irrecoverable
- 2.7 During the current year, 20 new members joined the club. Each member paid their entrance fee of R50. However, the entrance fees received were erroneously included with the amount for membership fees received and recorded as such. According to the constitution of the club, entrance fees must be capitalised. The error must be corrected
- 2.8 The salary of the club secretary for March 2015 of R1 500 is still due and must be provided for

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QUESTION 1 (continued)

- Summerhill Traders issued a cheque for R9 000 to Swallow Stores, a creditor, on 30 September 2017 in full settlement of the account Swallow Stores gave Summerhill Traders a 10% discount
- The accountant's assistant issued cheque no 256 for inventory bought from PR Suppliers

REQUIRED:

	MARKS
(a) Prepare the correct, properly balanced trade receivables control account for Summerhill Traders for September 2017	16
(b) Prepare the trade payables control account for Summerhill Traders for September 2017	8
	24

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QUESTION 3 (38 marks) (46 minutes)

This question consists of two (2) sections and all sections must be answered. Commence each section on a new page.

SECTION A.

T Beautiful runs a small beauty parlour, Nicely Done. At 28 February 2017, Nicely Done had the following general ledger balances before any adjustments were made:

**NICELY DONE
PRE-ADJUSTMENT BALANCES 28 FEBRUARY 2016**

	R
Capital	56 540
Drawings	12 168
Property (at fair value)	700 000
Equipment (at cost)	68 000
Accumulated depreciation Equipment	30 000
Mortgage	496 000
Bank (favourable)	48 416
Trade receivables control	52 200
Interest on mortgage	47 740
Commission income	5 400
Stationery	6 700
Municipal tax	8 666
Insurance	4 810
Rental income	128 000
Services rendered	240 000
Water and electricity	7 240

Additional information

- 1 The following errors and adjustments were identified:
 - 1.1 Nicely Done had 5 tenants, each paying different rental amounts. At the end of February 2017, one of Nicely Done's tenants owed two months' rent. The monthly rental payable by a tenant is R3 500.
 - 1.2 Stationery on hand at 28 February 2017 amounted to R3 100.
 - 1.3 Commission income amounting to R1 500 was earned for March and April 2017.
 - 1.4 Dr Y Ugly, a debtor owing the business R5 300, disappeared without a trace. It was decided to write-off his debt as irrecoverable.
 - 1.5 An allowance for credit losses of R2 500 must be created.
 - 1.6 Provision should still be made for depreciation on equipment at 10% per annum on the diminishing balance method.
 - 1.7 The water and electricity account for February 2017 amounting to R620, has not yet been paid.
 - 1.8 The insurance premium for March 2017 was paid in advance. The premiums are paid in equal monthly amounts.
 - 1.9 Interest at 10,5% per annum on the mortgage for February 2017 should still be provided for.
 - 1.10 On 31 July 2017 an amount of R56 000 are repayable on the mortgage.
 - 1.11 The total comprehensive income for the year, after all the above adjustments have been made, was R290 654.

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QUESTION 3 (continued)**REQUIRED**

Prepare the statement of financial position of Nicely Done as at 28 February 2017	MARKS
	23
	23
<p>Please note.</p> <p>Your answer must comply with the requirements of International Financial Reporting Standards (IFRS), appropriate to the business of the entity</p> <p>All calculations must be shown</p> <p>Notes on accounting policy are not required</p>	

SECTION B

Commence this question on a new (separate) page.

The following information was extracted from the accounting records of Betty's Bookstore

1 Balances at 1 March 2016

	R
Vehicles at cost	56 000
Accumulated depreciation Vehicles	28 536

2 The following transactions in respect of non-current assets took place during the year

2 1 On 31 August 2016, Betty's Bookstore sold their delivery vehicle to Mr Library for R14 400 cash. The proceeds from this sales transaction was used to help finance the purchase of another vehicle on the same date from Big Motors for R44 000 cash. The cost price of the vehicle sold was R24 000, and its accumulated depreciation amounted to R12 910 on 1 March 2016

3 Depreciation must still be provided for as follows

Vehicles at 20% per annum on the diminishing-balance method

4 The financial year commences on 1 March

REQUIRED:

Prepare the note for property, plant and equipment of Betty's Bookstore for the year ended 28 February 2017 (The total column can be omitted)	MARKS
	15
	15
<p>Please note</p> <p>Your answer must comply with the requirements of International Financial Reporting Standards (IFRS), appropriate to the business of the entity</p> <p>All calculations must be shown</p> <p>Notes on accounting policy are not required</p>	

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QUESTION 4 (5 marks) (6 minutes)

Commence this question on a new (separate) page

MULTIPLE CHOICE QUESTIONS

This question consists of five (5) multiple choice questions Only one option for each question is correct Indicate the chosen option in your exam script next to the question number in brackets, for example, Question 5.6 (c)

- 5 1 Which of the following users is **not** a user of financial information?
- (1) Suppliers and other trade payables
 - (2) Public
 - (3) Government
 - (4) Labour brokers
 - (5) Employees (1)
- 5 2 What is, according to the framework, the underlying assumption for financial statements?
- (1) Comparability
 - (2) Faithful representation
 - (3) Going concern
 - (4) Understandability
 - (5) Verifiability (1)
- 5 3 What will the journal entry be if an entity buys inventory on credit when the perpetual inventory system is in use?
- (1) Debit purchases and credit trade payables control
 - (2) Debit purchases and credit bank account
 - (3) Debit cost of sales and credit trade payables control
 - (4) Debit inventory and credit trade payables control
 - (5) Debit inventory and credit bank account (1)
- 5 4 Summerhill Stores paid the monthly water and electricity account of R9 000 with a business cheque What effect will the transaction have on the accounting equation?
- (1) Assets will increase and equity will increase
 - (2) Assets will increase and equity will decrease
 - (3) Assets will decrease and equity will decrease
 - (4) Assets will decrease and equity will increase
 - (5) Assets will decrease and liabilities will increase (1)
- 5 5 In which journal will you record the interest charged on an overdue debtors account?
- (1) The cash receipts journal
 - (2) The general journal
 - (3) The cash payments journal
 - (4) The sales journal
 - (5) The sales returns journal (1)