



**FAC1501** ( 498961)  
**RFA1501** ( 477929)

May/June 2017

## INTRODUCTORY FINANCIAL ACCOUNTING

Duration : 2 Hours

100 Marks

EXAMINATION PANEL AS APPOINTED BY THE DEPARTMENT.

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.

This examination question paper consists of TWENTY FOUR (24) pages including FIVE (5) pages for rough work (pp 20 – 24) plus instructions for completion of a mark reading sheet.

### PLEASE NOTE:

1. This paper consists of FOUR (4) questions.
2. Ensure that you are writing the correct examination paper.
3. Question 1 must be answered on a mark reading sheet.
4. Questions 2 to 4 must be answered on the relevant pages of the examination paper.
5. Basic calculations, where applicable, must be shown.
6. Please write legibly in blue or black ink only.
7. PROPOSED TIMETABLE (try not to deviate from this):

QUESTION	TOPIC	MARKS	TIME (minutes)
1	Multiple choice questions	20	24
2	Bank reconciliation	22	26
3	Cash receipts journal, cash payments journal, sales journal and purchases journal	28	34
4	Calculations and statement of financial position	30	36
	<b>TOTAL</b>	<b>100</b>	<b>120</b>

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**QUESTION 1 (20 marks)(24 minutes)**

This question must be answered on a mark reading sheet.

Select for each question only **ONE** alternative that you consider to be correct.

**2 marks per question.**

1.1 Which one of the following users of financial statements uses the information to assess the ability of the entity to pay amounts owing?

- (1) Government
- (2) Suppliers and other creditors
- (3) Management
- (4) Investors
- (5) Employees

1.2 The following are the steps in the financial accounting cycle.

Steps:

- (a) Prepare the financial statements.
- (b) Extract a trial balance.
- (c) Recording transactions on source documents.
- (d) Posting from journals to the ledger accounts.
- (e) Record source documents in the appropriate subsidiary journals.

The correct order in which the steps in the financial accounting cycle should take place is as follows:

- (1) (c), (a), (d), (b), (e)
- (2) (e), (c), (d), (a), (b)
- (3) (e), (d), (c), (b), (a)
- (4) (c), (e), (d), (b), (a)
- (5) (d), (a), (c), (e), (b)

1.3 The owner issued a business cheque to pay the rent of the entity. Which one of the following statements regarding this transaction is correct?

- (1) Equity will decrease and the rent expense account must be debited.
- (2) Equity will increase and the rent expense account must be debited.
- (3) Equity will decrease and the rent expense account must be credited.
- (4) Equity will increase and the rent income account must be credited.
- (5) Equity will increase and the rent expense account must be credited.

1.4 Which one of the following is the internal source documents that were prepared by the entity to record payments made by customers to the entity?

- (1) Cheques
- (2) Original cash purchases invoices
- (3) Duplicate receipts
- (4) Credit notes
- (5) Cash slips

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**QUESTION 1 (continued)**

- 1.5 If a cheque is issued for the payment of salaries, what effect will this transaction have on assets and equity in the accounting equation?
- (1) Assets will decrease and equity will decrease.
  - (2) Assets will increase and equity will decrease.
  - (3) Assets will increase and decrease and equity will not change.
  - (4) Assets will decrease and equity will increase.
  - (5) Assets will increase and equity will increase.
- 1.6 Cheap Stores (VAT vendor) purchased equipment for R34 200 (inclusive of 14% VAT). What is the VAT amount included in the purchase price?
- R**
- (1) 30 000
  - (2) 4 118
  - (3) 4 788
  - (4) 29 412
  - (5) 4 200

**Use the source document provided below to answer questions 1.7 to 1.9:**

**Cheque counterfoil**

Date	10/12/2016
To	Extra Stores
For	Furniture
Balance	R
Deposit	R
Sub total	R
This cheque	R15 000
Balance	R
0020	

- 1.7 The book of first entry in which this transaction will be entered, is the ...
- (1) sales journal.
  - (2) cash payments journal.
  - (3) purchases journal.
  - (4) cash receipts journal.
  - (5) petty cash journal.
- 1.8 The account that will be credited as per the transaction recorded on the above source document is the ... account.
- (1) sales
  - (2) purchases
  - (3) furniture
  - (4) bank
  - (5) creditors

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**QUESTION 1 (continued)**

1.9 The effect of the above transaction on the accounting equation is ...

- (1) Assets will decrease and liabilities will decrease.
- (2) Assets will increase and equity will increase.
- (3) Assets will increase and decrease.
- (4) Assets will increase and equity will decrease.
- (5) Assets will decrease and liabilities will increase.

1.10 Trading inventory will be classified as a/an ...

- (1) non-current liability.
- (2) current liability.
- (3) expense.
- (4) non-current asset.
- (5) current asset.

**[20]**

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**QUESTION 2 (22 marks)(26 minutes)**

You are provided with the following information for Gauteng Traders for the month ended 31 October 2016:

1. **Bank reconciliation statement as at 30 September 2016**

	Debit	Credit
	R	R
Debit balance as per bank statement.....	8 000	
Credit outstanding deposit.....		3 000
Debit outstanding cheques:650.....	500	
652.....	1 500	
Credit balance as per bank account.....		7 000
	10 000	10 000

2. The total for the cash payments journal was R11 600 and the total for the cash receipts journal was R19 400 on 31 October 2016, before the bank statement for October 2016 was received.
3. The bank statement had a favourable balance of R8 300 on 31 October 2016.
4. After a comparison of the bank statement for October 2016 with the bank reconciliation statement as at 30 September 2016 and the cash journals for October 2016, the following differences were identified:
  - Cheque no. 650 for R500 appeared in the bank statement only.
  - A deposit for R3 000 on 1 October 2016 appeared in the bank statement only.
  - Bank charges for October 2016 amounted to R600.
  - A debtor deposited R5 300 directly into the entity's bank account.
  - A cheque for R900 which was previously received from a debtor was dishonoured due to insufficient funds in his bank account and therefore returned by the bank.
  - The following items appeared in the cash journals only:
    - Cheque no: 730     R700  
                  736     R6 000
    - A deposit on 31 October 2016 for R4 500.

**REQUIRED:**

	Marks
(a) Complete the cash receipts journal and the cash payments journal of Gauteng Traders for October 2016. (Details and bank column only).	6½
(b) Prepare the properly balanced/closed off bank account for October 2016 in the general ledger of Gauteng Traders.	7½
(c) Prepare the bank reconciliation statement of Gauteng Traders as at 31 October 2016.	8
	<b>[22]</b>

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**QUESTION 2** (continued)

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**QUESTION 2** (continued)

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**QUESTION 3 (28 marks)(34 minutes)**

Limpopo Traders is registered as a VAT vendor and the periodic inventory system and control accounts are in use. The following transactions, inclusive of 14% VAT, were entered into by Limpopo Traders during July 2016:

**July**

- 2 Sell goods for cash to Small Stores for R11 400. Issue receipt no. 250.
- 5 Purchase inventory on credit from Huge Wholesalers for R23 940. Receive invoice no. 130.
- 8 Pay Maxi Wholesalers, a creditor, R25 536 as part payment of the amount due to them. Issue cheque no. 890.
- 11 Sell inventory on credit to Mini Stores for R12 540. Issue invoice no. 320.
- 14 Purchase goods from Large Wholesalers for R27 360 cash. Issue cheque no. 891.
- 17 Receive R13 794 from Tiny Stores, a debtor, as part payment of the amount they owe. Issue receipt no. 251.
- 20 Sell goods on credit to Little Stores for R15 960. Issue invoice no. 321.
- 24 Purchase goods on credit from Big Wholesalers for R28 500. Receive invoice no. 560.

**REQUIRED:**

	<b>Marks</b>
Record the above transactions in the following appropriate subsidiary journals of Limpopo Traders for July 2016:	
(a) Cash receipts journal	8
(b) Cash payments journal	6
(c) Sales journal	7
(d) Purchases journal	7
	<b>[28]</b>
<b>Please note: You do not have to close off the journals.</b>	

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**QUESTION 3** (continued)

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**QUESTION 4 (30 marks)(36 minutes)**

The following balances were taken from the accounting records of Mpumalanga Traders for the year ended 31 August 2016:

	<b>R</b>
Capital.....	352 000
Mortgage: EZY Bank.....	600 000
Land and buildings at cost.....	700 000
Vehicles at cost.....	100 000
Equipment at cost.....	30 000
Accumulated depreciation: Vehicles (1 September 2015).....	25 000
Accumulated depreciation: Equipment (1 September 2015).....	9 000
Fixed deposit: Investment Bank.....	90 000
Inventory.....	50 000
Accrued expenses.....	17 000
Debtors control.....	20 000
Bank (favourable).....	40 500
Creditors control.....	23 000
Petty cash.....	2 500
VAT payable.....	5 000
Cash float.....	1 500
Allowance for credit losses.....	3 500

**Additional information**

1. Depreciation must be provided for as follows:
  - On vehicles at 25% per annum according to the straight-line method.
  - On equipment at 30% per annum on the reducing-balance method.

**REQUIRED:**

	<b>Marks</b>
(a) Calculate the depreciation on vehicles for the year ended 31 August 2016.	1
(b) Calculate the depreciation on equipment for the year ended 31 August 2016.	2
(c) Calculate the amount that must be disclosed as capital in the statement of financial position of Mpumalanga Traders as at 31 August 2016.	1½
(d) Calculate the amount that must be disclosed as property, plant and equipment in the statement of financial position of Mpumalanga Traders as at 31 August 2016.	3½
(e) Calculate the amount that must be disclosed as trade and other receivables in the statement of financial position of Mpumalanga Traders as at 31 August 2016.	1
(f) Calculate the amount that must be disclosed as cash and cash equivalents in the statement of financial position of Mpumalanga Traders as at 31 August 2016.	1½
(g) Calculate the amount that must be disclosed as trade and other payables in the statement of financial position of Mpumalanga Traders as at 31 August 2016.	1
(h) Prepare the statement of financial position of Mpumalanga Traders as at 31 August 2016.	18½
	<b>[30]</b>

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**QUESTION 4 (continued)**

**Calculation of depreciation on vehicles**


(1)

**Calculation of depreciation on equipment**


(2)

**Calculation of the capital amount**


(1½)

**Calculation of the property, plant and equipment amount**


(3½)

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**QUESTION 4** (continued)

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**QUESTION 4 (continued)**

**Calculation of the trade and other receivables amount**


(1)

**Calculation of the cash and cash equivalents amount**


(1½)

**Calculation of the trade and other payables amount**


(1)

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**QUESTION 4** (continued)

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