

Time: 2 Hours

Marks: 200

Instructions

1. This paper consists of 6 pages. Please check that your question paper is complete.
2. Read the questions carefully.
3. All answers should be written on the answer booklet provided.
4. Please answer in **pencil**.
5. It is in your own interest to write legible.
6. The allocation of marks and the appropriate time to be taken for each question are as follows:

Question	Topic	LO: AS	Marks	Time
1.	Accounting Equation	LO 1 – AS 1,2,3 LO 3 – AS 3	84	50 min
2.	Year end adjustments & closing transfers	LO 1 – AS 1,4	55	33 min
3.	Income statement	LO 1 – AS 4	28	17 min
4.	Balance sheet	LO 1 – AS 4	33	20 min
			200	120 min

QUESTION 1 (98 marks; 59 minutes)

Instruction

Analyse the transactions of Cellcom Traders by filling in the table given in the answer book. Cellcom Traders buy and sell cell phones.

Note: The bank will remain **favourable** for all transactions. The mark-up used is 80% on cost. The year end is 30 September 2009.

Transactions

1. Credit card sales not yet recorded, R2 016.
2. B Richardson (the owner) took a cell phone for his son. The phone originally cost R 700 and has a retail price of R1 260.
3. Purchased inventory from Nokia for R11 000 and received their invoice.
4. Paid DHL for carriage on purchases by cheque, R180.
5. It was discovered that the stationery purchased on 26 September 2009 for R650 was entered into the Trading inventory column in the Cash Payments Journal for September. Correct the error.
6. Mr Jones bought a cell phone from Cellcom Traders on credit for R3 060.
7. Postnet sent us an invoice for R60 for delivering the cell phone to Mr Jones. We have charged the delivery to his account.
8. D Fraud, a debtor, had previously sent us a cheque for R475 in settlement of his account after allowing 5% discount. This had been recorded correctly. The cheque has now been returned by the bank marked R/D on account of insufficient funds. The discount must also be cancelled.
9.
 - R600 was received from J Wei, our tenant. He was issued with a receipt.
 - We received R40 from AB bank for interest earned on our current account.
10. A cheque of R250 was sent to Badinsure. This was for the monthly insurance premium.

QUESTION 2 (55 marks; 59 minutes)

The following information appeared in the books of Wallaby Stores on 28 February 2009, the end of the financial year.

INSTRUCTIONS:

- 2.1. After taking the adjustments and additional information into account, you are required to prepare the Trading Account and the Profit and Loss Account in the general ledger of Wallaby Stores on 28 February 2009, the end of the financial year. (47)
- 2.2. Answer the questions that follow. (8)

WALLABY STORES

Extract of the PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2009

Balance Sheet Accounts Section	Debit	Credit
...		
Trading inventory	48 500	
...		
Fixed deposit: DB Bank (7,5%)	40 000	
Nominal Accounts Section		
Sales		822 450
Cost of sales	500 000	
Debtors allowances	22 450	
Bank charges	1 680	
Stationery	11 260	
Water and electricity	15 170	
Rent income		27 225
Bad debts	1 270	
Repairs	5 500	
Telephone	3 300	
Interest on mortgage	7 500	
Interest on current account		15
Interest on Fixed deposit		750
Salaries	90 000	
Insurance	6 410	

ADJUSTMENTS AND ADDITIONAL INFORMATION:

1. P. Waugh, a debtor, whose debt of R 500 had been written off during October 2006, paid an amount of R 300 on 26 February 2009. The amount was credited against debtor's control by mistake. No entry to correct the error has yet been made.
2. An amount of R1 200 was received from the insolvent estate of debtor, M. Gitteau. This represents a dividend of 60 cents in the rand. The entry in the cash receipts journal was correctly recorded. The remaining portion must be written off as irrecoverable.
3. The owner took goods with a selling price of R400 for his own use on 27 February 2009. No entry was made for this. Goods are marked up by 60% on cost.
4. A physical stocktaking on 28 February 2009 showed the following stock on hand:
 - Trading inventory 47 100
 - Stationery 540
5. Repairs to the roof of the building, R 3 000 have been incorrectly debited to the Land and Buildings Account.
6. Part of the building has been let since 1 August 2008 for R 3 025 per month.
7. Insurance includes a premium of R 1 800, which was paid for the period 1 February 2009 to 30 April 2009.
8. The bank statement was received after the books had been closed off. The following was debited on the bank statement: Service fees R 60; Cash deposit fees R 48; Credit card levy R 32.
9. The telephone account for February of R300 has been received but not yet paid.
10. The Fixed deposit was invested on 30 September 2008, at DB Bank, for a period of 5 years earning interest at a rate of 7,5 % p.a. payable quarterly. Account for any outstanding interest.

QUESTIONS

2.2. Answer the following questions:

- 2.2.1. What does GAAP stand for? (2)
- 2.2.2. Give the definition for the following two GAAP principles:
 - a. Going concern (2)
 - b. Historical cost (2)
- 2.2.3. To which GAAP principle does the following definition refer:

"When recording financial information one should always be conservative in approach, choosing to record transactions in such a way as to provide the most realistic results."

(1)
- 2.2.4. What GAAP principle is being applied when adjustment 6 above is accounted for? (1)

QUESTION 3 (28 marks; 17 minutes)

Required:

3.1. Complete the Income Statement of Puma Traders for the year ended 31 August 2009. (25)

3.2. Answer the question that follows. (3)

Note: Show any necessary calculations in brackets.

PUMA TRADERS

POST-ADJUSTMENT TRIAL BALANCE ON 31 AUGUST 2009

Balance sheet accounts section	Debit	Credit
...		
Nominal accounts section		
Sales		815 000
Cost of sales	505 000	
Debtors Allowances	7 000	
Rent income		48 000
Municipal charges and rates	7 250	
Salaries and wages	186 000	
Fee income		78 060
Interest on mortgage bond	12 452	
Interest on Fixed deposit		1 459
Interest on overdraft	77	
Discount allowed	1 301	
Discount received		2 172
Telephone	15 395	
Insurance	10 800	
Bad debts	1 024	
Sundry expenses	44 817	
Bad debts recovered		225
Trading inventory deficit	1 800	

QUESTION

3.2. Give 3 possible causes of the trading inventory deficit that appeared in the books of Puma traders, bearing in mind that they buy and sell sporting equipment. (3)

QUESTION 4 (33 marks; 20 minutes)

Required:

Use the information provided to:

1. Prepare the Balance Sheet of Tricolor Stores on 31 October 2009.
2. Draw up only those notes provided for in the answer book.

Note: Where a note has not been required show calculations on the face of the Balance Sheet.

INFORMATION

1. **POST-CLOSING TRIAL BALANCE ON 31 OCTOBER 2009**

Balance sheet accounts section	Debit	Credit
Capital		1 162 589
Land and buildings	1 200 000	
Vehicles	365 000	
Equipment	190 000	
Trading inventory	70 773	
Debtors control	6 816	
Bank	13 192	
Petty cash	500	
Cash Float	1 000	
Creditors control		9 983
Loan: ABSA (14 %)		675 000
Consumable stores on hand	574	
Accrued Income	325	
Accrued Expenses		483
Income Received in Advance		526
Prepaid Expenses	401	
	1 848 581	1 848 581

2. The loan gets repaid on the 31st of December each year. Each annual repayment amounts to R75 000 plus any outstanding interest.
3. The owner drew R20 000 per month for all months during the financial year except for December 2008 where he drew R30 000.
4. The net profit as determined in the Profit and Loss account amounted to R375 391