



education

Department:
Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATION - 2006

ACCOUNTING

HIGHER GRADE

OCTOBER/NOVEMBER 2006

401-1/0E

**ACCOUNTING HG
Question Paper & Answer Book**



401 1 0E

HG

MARKS: 400

TIME: 3 hours

This question paper consists of 17 pages and an answer book.



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INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show ALL workings for part-marks to be allocated.
4. Read the instructions carefully and follow them precisely.
5. Candidates will forfeit marks for:
 - Important dates which are omitted
 - Use of non-standardised abbreviations
 - Over-writing on figures
 - Superfluous entries/foreign items/errors of principle
6. Non-programmable calculators may be used.
7. No pages must be removed from the answer book. The answer book caters for alternative formats of financial statements.
8. Use the information given in the table below as a guide when answering the question paper and try not to deviate from it.

QUESTION	TOPIC	MARKS	TIME GUIDE IN MINUTES
1	Clubs	55	24
2	Budget	50	22
3	Company	65	28
4	Partnership	70	30
5	Close corporation	45	20
6	Control accounts	65	29
7	Asset disposal	50	27
TOTAL		400	180 minutes

QUESTION 1**CLUBS****(55 marks; 24 minutes)****1.1 INANDA NETBALL CLUB****REQUIRED:**

Study the following information and answer the questions that follow.

INFORMATION:

- The club had 160 members on its register on 1 January 2005.
- Membership fees are R2 000 per member per year.
- Members who resign are refunded 50% of their membership fees provided they have paid their fees in full and resign before 30 June 2005.
- Members who have not paid their 2004 outstanding fees by 31 March 2005 have been deregistered and their fees have been written off.
- No new members joined the club during 2005.
- The treasurer drafted the following account for the year:

MEMBERSHIP FEES ACCOUNT							
2005 Jan	01	?	14 000	2005 Jan	01	?	18 000
Dec	31	Bank (refunds)	32 000	Dec	31	Bank	268 000
		Deferred income/ received in advance	12 000			Membership fees written off	8 000
		?	280 000			Honorarium (treasurer)	2 000
						Income accrued/ receivable	42 000
			338 000				338 000

- The club held a dance on 16 December 2005 and 92 tickets were sold at R50 each. The Statement of Receipts and Payments for the year ended 31 December 2005 reflected the following:

Collection in respect of sale of dance tickets	R2 700
Dance expenses paid	R3 800

 NOTE: Further dance expenses of R1 400 have not yet been paid.

Answer the following questions:

- 1.1.1 How much was collected in 2005 in respect of the arrear membership fees for 2004? (4)
- 1.1.2 Calculate the number of members who left the club and were refunded half their fees. (4)
- 1.1.3 Calculate the number of members registered at the club on 31 December 2005. (5)
- 1.1.4 Give ONE possible explanation for the figure of R2 000 on the credit side of the Membership Fees Account. (2)

- 1.1.5 The chairman is concerned that the community of Inanda is not supporting the club. Explain TWO possible reasons for his concern. (4)
- 1.1.6 In respect of the entries in the above membership fees account what amounts would appear in the:
- Receipts and Payments Statement
 - Income and Expenditure Statement
- Provide the figures and the descriptions. (10)
- 1.1.7 Calculate the profit or loss on the club dance (state whether this amount is a profit or a loss). (6)
- 1.1.8 The chairman is concerned that the treasurer is inefficient in collecting monies due to the club. Provide TWO reasons to support his opinion, quoting appropriate figures. (4)

1.2 PAARL DARTS CLUB

REQUIRED:

Calculate the profit on the sale of refreshments for the year ended 31 December 2005. Show ALL workings to earn part marks. (In order to calculate this figure you may prepare the relevant ledger account.) (16)

INFORMATION:

Balances on 1 January 2005:

- Stock of refreshments on hand, R2 500
- Creditors for refreshments, R3 800

Transactions for the year ended 31 December 2005:

- Cash purchases of refreshments, R15 000
- Cash sales of refreshments, deposited in the bank, R63 400
- Cheque payments to creditors for refreshments, R18 100
- Refreshments purchased on credit, R?

Additional information on 31 December 2005:

- Cost of refreshments stolen during a burglary on 24 December 2005, R800
- The insurance claim of R600 in respect of the theft of refreshments on 24 December 2005 will be received in January 2006
- Amount owing to creditors for refreshments at year-end, R2 200
- Cash sales of refreshments received on 30 December 2005 but banked only on 2 January 2006, R1 300
- Stock of refreshments on hand at year-end, R1 900

QUESTION 2**BUDGET****(50 marks; 22 minutes)**

You are provided with an incomplete Cash Budget of Witbank Limited.

REQUIRED:

- 2.1 Complete the Cash Budget for the quarter ended 31 March 2007. (41)
- 2.2 The workers at Witbank Limited feel that they are being exploited by the directors and they are planning a two-day strike during February or March 2007. The directors, however, feel that the workers are being treated fairly.
- Do you feel that the grievances of the workers are valid?
 - Provide ONE reason FOR the strike and ONE reason AGAINST the strike. In your answer quote relevant figures from the budget. (9)

INFORMATION:**Balances on 31 December 2006:**

Cash at bank	R 22 700
Ordinary share capital R5,00 each	350 000
Trading stock (fixed base stock)	100 000

WITBANK LIMITED			
CASH BUDGET FOR QUARTER ENDING 31 MARCH 2007			
CASH RECEIPTS	JANUARY	FEBRUARY	MARCH
Cash sales	190 000	250 000	
Rent income	5 000		
TOTAL RECEIPTS	195 000		
CASH PAYMENTS			
Cash purchases of stock	38 000		
Payments to creditors (for stock)	66 900		
Wages to workers (15 employees)	70 000		
Directors' fees (3 directors)	45 000		
Sundry operating expenses	22 100		
TOTAL PAYMENTS	242 000		
Cash surplus (deficit)	(47 000)		
Bank balance at beginning of month	22 700		
Bank balance at end of month	(24 300)		

Additional information:

1. All goods are currently sold for cash at a mark-up of 100% on cost. As sales are expected to slow down during the next year due to increased competition, there will be a special sale of goods sold for cash during March 2007 at a discount of 25%.
2. The expected credit purchases of trading stock is as follows:

January – R57 000; February – R75 000 ; March – R57 000.

The purchasing policy is as follows: 40% for cash and 60% on credit. All goods purchased are sold in the same month and stock is maintained at a fixed level of R100 000.
3. Creditors are paid within 30 days subject to a 5% discount for prompt settlement.
4. The monthly rent income is expected to increase by R1 000 with effect from 1 March 2007.
5. Witbank Limited is scheduled to take out a long-term loan of R120 000 on 28 February 2007. Interest on loan is payable monthly at the rate of 15% p.a.
6. The following increases will take place with effect from 1 March 2007:
 - Sundry operating expenses are expected to increase by the inflation rate of 5%.
 - The wages for the 15 workers will increase by 8%.
 - The three directors will each receive an increase of R5 000 per month.
7. Provisional tax of R32 000 is due to be paid to SARS on 28 February 2007.
8. Audit fees must be paid on 31 March 2007. The auditors are paid at the rate of R550 an hour. They are expected to spend 30 hours on the audit.
9. The company plans to declare a final dividend of 12 cents per share on 28 February 2007. This amount is due to be paid on 15 March 2007.

QUESTION 3**COMPANY****(65 marks; 28 minutes)**

Umzinto Limited has an authorised share capital of 250 000 ordinary shares. The par value of each ordinary share is R3,00 each.

REQUIRED:

- 3.1 Prepare the Cash Flow Statement for the year ended 28 February 2006. (29)
- 3.2 Calculate the number of new shares that were issued on 1 March 2005. (4)
- 3.3 Calculate the price at which each new share was issued on 1 March 2005. (4)
- 3.4 Calculate the debt equity ratio on 28 February 2006. (5)
- 3.5 Umzinto Limited aims to repay the mortgage loan as soon as possible over two years. Do you think that this is advisable? Explain your answer in full by quoting appropriate figures or financial indicators (ratios/percentages). (9)
- 3.6 The directors feel that the shareholders of Umzinto Limited should be very satisfied with the performance of the company for the financial year ended 28 February 2006.
- Explain THREE points to support their opinion. Refer to the appropriate financial indicators (ratios/percentages) to support their opinion. (9)
- 3.7 You own 10 000 shares in this company. The price on the Stock Exchange is 350 cents.
- Would you sell your shares on the Stock Exchange now? Provide a valid reason for your answer. (5)

INFORMATION:

The following was extracted from the financial records of Umzinto Limited on the last day of the financial year:

	28 February 2006	28 February 2005
Balances	R	R
Ordinary share capital	525 000	450 000
Ordinary share premium	60 000	35 000
Retained income	32 930	7 100
Fixed assets at carrying value	495 000	327 000
Mortgage loan from Quick Bank	120 000	180 000
Bank (current account at Easy Bank)	Cr 87 000	?
Financial indicators		
Earnings per share (EPS)	29 cents	27 cents
Dividends per share (DPS)	22 cents	17 cents
Net asset value (NAV) per share	176 cents	164 cents
Return on total capital employed (ROTCE)	22,5%	23,4%
Return on shareholders equity (ROSHE)	19,5%	19,2%
Debt equity ratio	?	0,36:1

ADDITIONAL INFORMATION ON 28 FEBRUARY 2006:

1. Cash generated from operations was R140 100.
2. The amount paid during the year to SARS for income tax was R40 100.
3. The amount paid during the year for dividends was R36 200.
4. Additional new shares were issued on 1 March 2005.
5. Fixed assets were sold at book value for R22 500 cash. Depreciation on fixed assets for the year totalled R17 600.
6. Umzinto Ltd has paid R6 400 each month to Quick Bank for the entire financial year. This amount covers monthly interest and loan repayments in respect of the mortgage loan.
7. Interest on overdraft reflected on the Easy Bank statements totalled R7 500 for the financial year.
8. Current interest rates on loans have varied between 11% and 13% over the financial year, while overdraft rates have varied between 16% and 19%.

QUESTION 4**PARTNERSHIP****(70 marks; 30 minutes)****4.1 BALANCE SHEET AND NOTES**

Jim Juggie and Barry Balwan are partners in the firm trading as JB Traders. Their bookkeeper did not complete the Balance Sheet because he was on sick leave. The financial year ends on 28 February 2006.

REQUIRED:

- 4.1.1 The following notes to the Balance Sheet on 28 February 2006:
- Capital accounts (of partners) (3)
 - Current accounts (of partners) (15)
- 4.1.2 Balance Sheet on 28 February 2006
(Show calculations in brackets where there are no notes.) (43)

INFORMATION:

Extracted from the accounting records of JB Traders on 28 February 2006:

Capital: J Juggie (28 February 2006)	R	50 000	
Capital: B Balwan (28 February 2006)		75 000	
Current account: J Juggie (1 March 2005)		8 700	Cr
Current account: B Balwan (1 March 2005)		2 000	Dr
Drawings: J Juggie		98 000	
Drawings: B Balwan		77 000	
Long-term loan from Soweto Bank (18 % p.a.)		54 000	
Fixed assets		?	
Creditors control		65 600	
Debtors control		7 000	
Accrued income/Income receivable		2 760	
Trading stock		56 700	
Consumable stores on hand		1 700	
Accrued expenses/Expenses payable		3 800	
Cash float		3 000	
Bank overdraft		2 700	
Financial assets at Parys Bank		68 000	

Additional information on 28 February 2006:

1. The net profit for the year was R179 300.
2. An amount of R7 500 for the long-term loan is due to be paid to Soweto Bank within the next financial year.
3. The financial assets of R68 000 at Parys Bank consist of:
 - A fixed deposit of R18 000 due to mature on 31 March 2006.
 - A fixed deposit of R50 000 due to mature on 30 June 2007.

4. J Juggie had taken the following for his personal use on 27 February 2006:
- Trading stock at cost price, R400
 - A cash cheque for R700
- These transactions have not been recorded.
5. J Juggie had reduced his capital account by withdrawing an amount of R30 000 cash from the business on 31 May 2005. This has been properly recorded.
6. B Balwan increased his capital contribution by giving computer equipment valued at R15 000 to the business on 28 February 2006. This has been properly recorded.
7. Distribution of net profit between the partners:
- 7.1 Jim Juggie is entitled to:
- Interest on capital at 10% p.a. on his capital contribution for the year. (Note changes during the year.)
 - Salary of R2 400 more per month than that of Barry Balwan because of managerial duties
 - Remaining profit shared in proportion to partners' contributions at the end of the year.
- 7.2 Barry Balwan is entitled to:
- Interest on capital of R6 000
 - Annual salary allowance of R51 000
 - Share of remaining profit R22 050

4.2 PARTNERSHIP DECISION

Barry Balwan intends to work full-time for JB Traders as his other business interests have closed down. This will mean:

- The partnership agreement will be changed to give Barry Balwan the same salary as that of Jim Juggie.
- Barry Balwan will do the books in the future (as he has an accounting qualification).
- The services of the existing bookkeeper, Tom Cook, who presently earns R60 000 a year, will no longer be required. (He will be offered early retirement and will receive a once-off payment of R75 000 from JB Traders and the pension fund will pay him a monthly pension equal to 70% of his salary).

REQUIRED:

Do you think that it will be advantageous for JB Traders to engage the services of partner Barry Balwan on a full-time basis and to allow Tom Cook to retire on pension? Give TWO reasons for your answer. Fully explain your reasons.

(9)

70

QUESTION 5**CLOSE CORPORATION****(45 marks; 20 minutes)**

The following information was extracted from the accounting records of Mlambo Stationers CC. The close corporation is owned by one member, Dudu Mlambo.

REQUIRED:

- 5.1 Income Statement for the financial year ended 30 June 2006. (32)
- 5.2 Note to the Balance Sheet: Distributable Reserve (Retained Income) on 30 June 2006. (7)
- 5.3 Dudu Mlambo is facing a problem. She wants to expand her business and she also wants to go on an overseas holiday. She needs money for both. She comes to you for advice. Explain an appropriate option that Dudu could take to finance each of the following, and provide a brief reason for choosing each option:
- 5.3.1 Expanding the business (3)
- 5.3.2 Going on an overseas holiday (3)

NOTE: An incomplete income statement and note on Distributable Reserve (Retained Income) is provided in the special answer book.

INFORMATION:**Some balances extracted on 1 July 2005:**

Loan from member: Dudu Mlambo	R 50 000
Accrued expense (remuneration to accounting officer)	2 900
Accrued income (commission income)	1 600
Retained income	18 430
Bank (favourable)	40 000
Fixed deposit	80 000

Additional information on 30 June 2006:

- Total sales for the year amounted to R560 000.
- The mark-up on cost of sales is 40%.
- The net income before tax on sales is equal to 13%.
- The salary to member for the year was R63 000. This is 60% of the total salary bill of Mlambo Stationers CC for the year.
- Commission received in cash during the current financial year totalled R6 100.
- Depreciation on the delivery vehicle is calculated to be R5 300.
- The fixed deposit and its interest rate have remained unchanged for the past three years. Interest of R4 200 has been received up to 31 March 2006.
- Rent received during the year was R54 600. In November 2005, the tenant paid R2 800 out of his own pocket for repairs to the roof, and he therefore deducted this amount from the December rent which he paid. This was the

Senior Certificate Examination

- only expense for repairs during the year. The monthly rental was constant for the last 18 months and by the end of the present financial year the tenant had paid the rent for July and August in advance.
9. Interest on loan was paid to Dudu Mlambo during the year, R4 500. Loan repayments of R15 000 were also made to her during the year.
 10. A total amount of R14 700 was paid by cheque during the year to the accounting officer as remuneration. However, an amount of R1 800 was still owing to the accounting officer as at 30 June 2006.
 11. All other expenses are regarded as sundry expenses (this is the missing figure in the Income Statement).
 12. Two provisional tax payments of R12 000 each were made during the year. The tax assessment for 2006 reflects a refund due of R3 840.
 13. An interim distribution of R14 000 was made to Dudu Mlambo on 3 December 2005. Dudu wants an amount of R25 000 in retained income at the end of the financial year after making a final distribution to herself.

INCOME STATEMENT OF MLAMBO STATIONERS CC FOR YEAR ENDED 30 JUNE 2006

	R
Sales for the year	560 000
Cost of sales	(?)
Gross profit for the year	?
Other income	?
Commission income	?
Rent income	?
Gross income	?
Operating expenses	(?)
Member's salary	63 000
Salary (general)	?
Repairs	?
Accounting officer's remuneration	?
Depreciation	5 300
Sundry expenses	?
Operating profit for the year	?
Interest income	?
Income before interest expense	?
Interest expense	(4 500)
Net income before tax	?
Taxation	(?)
Net income after tax	?



QUESTION 6**DEBTORS AND TRADING STOCK****(65 marks; 29 minutes)****6.1 LEDGER ACCOUNTS**

You are provided with information from the records of Chintz Traders. The business uses a control account system and the continuous / perpetual inventory system.

REQUIRED:

- 6.1.1 Debtors Control Account (19)
6.1.2 Trading Stock Account (16)

Show folio references in accounts to indicate journals that would be used.

INFORMATION:

- **Balances on 1 March 2006:**

Debtors control R43 200 Trading stock R64 800

- **Summary of transactions extracted from journals on 31 March 2006:**

Cash sales of goods (mark-up 80% on cost)	R	9 000
Cheques issued to creditors for payment of accounts		11 100
Cash received from debtors		15 000
Discount received from creditors		420
Discount allowed to debtors		700
Trading stock purchased for cash		11 900
Stationery bought on credit		1 200
Cheque from debtors dishonoured by the bank		800
Credit sales of goods to debtors (gross profit was R16 000)		36 000
Equipment bought on credit		4 400
Allowances granted to debtors (cost of sales was R3 800)		5 400
Trading stock purchased on credit		12 500
Trading stock returned to creditors		2 200

- **Additional information:**

Goods were taken from stock by the owner at cost price. The selling price of these goods was R720 and the cost price R400.

A debtor whose account of R500 was 4 months overdue was charged interest at the rate of 12% p.a.

The account of a debtor with a credit balance of R600 must be transferred to the Creditors Ledger.

A debtor who owed R750 was declared insolvent. His estate paid out 40 cents in the Rand. The amount was received and was included in cash received from debtors. The balance of the account must be written off.

6.2 LIQUIDITY

The following information was extracted from the financial statements of Chintz Traders for the previous financial year ended 28 February 2006:

	2006	2005
	28 February	28 February
Current assets	R110 400	
Current liabilities	R65 100	
Inventories (all trading stock)	R64 800	R108 000
Debtors control	R43 200	R38 000
Total sales (75% on credit)	R468 000	
Cost of sales	R260 000	

REQUIRED:

6.2.1 Calculate the acid test ratio on 28 February 2006. (4)

6.2.2 Calculate the debtors collection period for year ended 28 February 2006. (5)

6.2.3 Calculate the stock turnover rate for year ended 28 February 2006. (5)

6.2.4 Comment on your calculations above. Should Chintz Traders be satisfied with the liquidity situation? Explain briefly, quoting amounts or figures to support your opinion.

The following comparisons are provided for the 2005 financial year:

Acid-test ratio 0,9:1
Debtors collection period: 35 days
Stock turnover rate: 5 times (10)

6.2.5 Nancy Dube has recently taken over as the person in charge of debtors in this business. List THREE important duties that she should perform to ensure that the debtors are paying the correct amounts promptly. (6)

QUESTION 7**FIXED ASSETS****(50 marks; 27 minutes)****7.1 COSMOS TAXI SERVICE**

Ron Lucas is the sole owner of Cosmos Taxi Service. He started business on 1 March 2002. On that day he introduced land and buildings into the business at a value of R300 000 and he bought three similar taxis for R330 000 (i.e. R110 000 each).

Cosmos Taxi Service did not buy or sell any vehicles during the first three financial years.

REQUIRED:

The following for the year ended 28 February 2006, the last day of the fourth financial year:

- | | | |
|-------|--|------|
| 7.1.1 | Asset Disposal Account | (8) |
| 7.1.2 | Accumulated Depreciation on vehicles | (13) |
| 7.1.3 | Note to Balance Sheet: Fixed assets
(The total column is not required.) | (17) |

INFORMATION:

2005

May 31 Cosmos Traders sold one taxi for R45 000 cash. This vehicle was purchased on 1 March 2002 for R110 000. The vehicle is depreciated annually at the rate of 20% p.a. on cost price.

Aug 31 A new taxi was purchased on credit from Mamelodi Motors for R200 000.

Oct 31 A new garage was built at a cost of R60 000 and repairs were done to the roof of the office for R12 000.

2006
Feb 28 The policy for depreciation has not changed since Cosmos Taxi Service started business operations. Depreciation on vehicles is calculated at 20% p.a. on cost price.

7.2 JUPITER TAXI SERVICE

Syd Allan runs a competing taxi business called Jupiter Taxi Service.

He is concerned that his revenue from taxi fares has not met his budget of R1 500 000 and that the fuel and repair costs have exceeded his budget of R710 000.

He has extracted the following information from his Ledger, the Fixed Assets Register and other records on 28 February 2006, the last day of the financial year.

REQUIRED:

Consider the information provided below. Explain whether or not Syd should be concerned about any problem or aspect relating to each vehicle. Quote amounts to support your opinion. (12)

INFORMATION:

	Taxi 1	Taxi 2	Taxi 3
Name of driver	Freddy	Robbie	Shirley
Date purchased	1 March 1995	1 March 2003	1 March 2005
Cost price of vehicle	R45 000	R180 000	R300 000
Accumulated depreciation	R44 999	R36 000	R60 000
Amount of revenue brought in	R618 300	R222 800	R279 900
Kilometres covered for the past year	68 700 km	69 200 km	31 100 km
Fuel and repair costs for the year	R439 680	R290 640	R136 840
Fuel and repair costs per kilometre	R6,40	R4,38	R4,40

50

TOTAL: 400

CENTRE NUMBER

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CANDIDATE'S EXAMINATION NUMBER

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SENIOR CERTIFICATE EXAMINATION**OCTOBER/NOVEMBER 2006***DEPARTMENT OF EDUCATION***ACCOUNTING HIGHER GRADE***SPECIAL ANSWER BOOK***This answer book consists of 22 pages.**

QUESTION	MARKS	INITIAL	MOD.
1.			
2.			
3.			
4.			
5.			
6.			
7.			
TOTAL			



QUESTION 1

1.1.1 How much was collected in 2005 in respect of the arrear membership fees for 2004?

4

1.1.2 Calculate the number of members who left the club and were refunded half their fees.

4

1.1.3 Calculate the number of members registered in the club on 31 December 2005.

5



1.1.4 Give ONE possible explanation for the figure of R2 000 on the credit side of the Membership Fees Account.

2

1.1.5 The chairman is concerned that the community of Inanda is not supporting the club. Explain TWO possible reasons for his concern.

4

1.1.6 Amounts appearing in the Receipts & Payments Statement and Income & Expenditure Statement.

Receipts & Payments Statement		Income & Expenditure Statement	
Description of entry	Amount	Description of entry	Amount

10



1.1.7 Calculate the profit or loss on the club dance. State whether this amount is a profit or a loss.

CALCULATION:

STATE PROFIT OR LOSS:

6

1.1.8 The chairman is concerned that the Treasurer is inefficient in collecting monies due to the club. Provide TWO reasons to support his opinion, quoting appropriate figures.

4



QUESTION 1.2

**Calculate the profit on the sale of refreshments for the year ended 31 December 2005. Show ALL workings to earn part marks.
(In order to calculate this figure you may prepare the relevant ledger account.)**

16

TOTAL MARKS
55



QUESTION 2**2.1**

WITBANK LIMITED			
CASH BUDGET FOR QUARTER ENDING 31 MARCH 2007			
CASH RECEIPTS	JANUARY	FEBRUARY	MARCH
Cash sales	190 000	250 000	
Rent income	5 000		
TOTAL RECEIPTS	195 000		
CASH PAYMENTS			
Cash purchases of stock	38 000		
Payments to creditors (for stock)	66 900		
Wages to workers (15 employees)	70 000		
Directors' fees (3 directors)	45 000		
Sundry operating expenses	22 100		
TOTAL PAYMENTS	242 000		
Cash surplus (deficit)	(47 000)		
Bank balance at beginning of month	22 700		
Bank balance at end of month	(24 300)		



2.2 Do you feel that the grievances of the workers are valid? Provide ONE reason FOR and ONE reason AGAINST the planned strike. Quote relevant figures from the budget.

9

TOTAL MARKS
50



QUESTION 3**3.1**

UMZINTO LIMITED		
CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2006		
CASH EFFECTS OF OPERATING ACTIVITIES		
CASH EFFECTS OF INVESTING ACTIVITIES		
CASH EFFECTS OF FINANCING ACTIVITIES		
NET CHANGE IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
CASH AND CASH EQUIVALENTS AT END OF YEAR		



3.2 Calculate the number of new shares issued on 1 March 2005.

4

3.3 Calculate the price at which each new share was issued on 1 March 2005.

4

3.4 Calculate the debt equity ratio on 28 February 2006.

5

3.5 Do you think that it is advisable to repay the mortgage loan as soon as possible over two years? Explain your answer in full by quoting appropriate figures or financial indicators.

9



3.6 Explain THREE points to support the opinion of the directors. Refer to the appropriate financial indicators.

9

3.7 Would you sell your shares on the Stock Exchange now? Provide a valid reason for your answer.

5

TOTAL MARKS
65



QUESTION 4**4.1.1****JB TRADERS
NOTES TO BALANCE SHEET ON 28 FEBRUARY 2006****CAPITAL ACCOUNTS**

	J Juggie	B Balwan
	R	R
Balance at beginning of the year		60 000
Additional capital contributed		15 000
Withdrawal of capital		Nil
Balance at end of the year		75 000

3

CURRENT ACCOUNTS

	J Juggie	B Balwan
	R	R
Interest on capital		6 000
Salary to partner		51 000
Share of remaining profit		22 050
Drawings for the year		(77 000)

15



4.1.2

JB TRADERS BALANCE SHEET ON 28 FEBRUARY 2006		
ASSETS		
Non-current assets		
Current assets		
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Owners Equity		
Capital (see note)		
Current accounts (see note)		
Non-current liabilities		
Current liabilities		
TOTAL EQUITY AND LIABILITIES		



4.2 Do you think that it will be advantageous for JB Traders to engage the services of partner Barry Balwan on a full-time basis and to allow Tom Cook to retire on pension? Give TWO reasons for your answer. Fully explain your reasons.

9

TOTAL MARKS
70



QUESTION 5**5.1****MLAMBO STATIONERS CC
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006**

	R	
Sales for the year	560 000	
Cost of sales		
Gross profit for the year		
Other income		
Commission income		
Rent income		
Gross income		
Operating expenses		
Member's salary	63 000	
Salary (general)		
Repairs		
Accounting officer's remuneration		
Depreciation	5 300	
Sundry expenses		
Operating profit for the year		
Interest income		
Income before interest expense		
Interest expense	(4 500)	
Net income before tax		
Taxation		
Net income after tax		



**5.2 NOTE TO BALANCE SHEET:
DISTRIBUTABLE RESERVE (RETAINED INCOME)**

Balance at end of previous year	R18 430

7

5.3 Explain an appropriate option that Dudu could take to finance each of the following, and provide a brief reason for choosing each option.
5.3.1 Option for expanding the business (with reason)
5.3.2 Option for going on an overseas holiday (with reason)

6

TOTAL MARKS
45



QUESTION 6

6.1.1

Dr					Cr				
GENERAL LEDGER OF CHINTZ TRADERS									
DEBTORS CONTROL ACCOUNT									
2006 Mar	1	Balance	b/d	43 200					

19

6.1.2

Dr					Cr				
GENERAL LEDGER OF CHINTZ TRADERS									
TRADING STOCK ACCOUNT									
2006 Mar	1	Balance	b/d	64 800					

16



6.2.1 Calculate the acid test ratio on 28 February 2006.

4

6.2.2 Calculate the debtors collection period for year ended 28 February 2006.

5



6.2.3 Calculate the stock turnover rate for the year ended 28 February 2006.

5

6.2.4 Should Chintz Traders be satisfied with the liquidity situation? Explain briefly, quoting amounts or figures to support your opinion.

10



6.2.5 List THREE duties that she should perform to ensure that debtors are paying the correct amounts promptly.

6

TOTAL MARKS
65



QUESTION 7

7.1.1

Dr		GENERAL LEDGER OF COSMOS TAXI SERVICE						Cr	
ASSET DISPOSAL									

8

7.1.2

ACCUMULATED DEPRECIATION ON VEHICLES									
					2005				
					Mar	1	Balance	b/d	198 000

13



7.1.3 NOTE TO BALANCE SHEET: FIXED ASSETS

FIXED ASSETS/TANGIBLE ASSETS	Land & buildings	Vehicles
Cost at beginning of the year	300 000	
Accumulated depreciation	(0)	(198 000)
Movements		
Additions		200 000
Disposals		
Depreciation		
Cost at end of the year		
Accumulated depreciation		



7.2 Explain whether or not Syd should be concerned about any problem or aspect relating to each vehicle. Quote amounts to support your opinion.
Taxi 1:
Taxi 2:
Taxi 3:

12

TOTAL MARKS
50

