2020

2020 ACCOUNTING 0187/01

QUESTION 1

There are 15 parts to Question 1.

For each of the parts **(a)** to **(o)** below there are four possible answers A, B, C and D. Choose the one you consider correct and place a tick (✓) in the box to indicate the correct answer.

(a) Which transaction is entered in the general journal?

A bad-debt written off

B inventory bought on credit

C motor vehicle sold cash

D trade payables paid by cheque

(b) Which is not a benefit of information and communication technology (ICT)?

Aa high level of accuracy is achieved

B computer systems are cheap to install

C large quantities of information can be stored

D information can be processed very quickly

(c) What is the purpose of book-keep?

A to interpret the double entry records

B to prepare financial reports of business

C to record all the financial transactions of the business

D to summarise the financial positon of the business

(d) Tau supplies goods to Phiri on credit. On 1 August 2020, Phiri owed Tau M540.

Tau sent and received the following documents in August.

August 7 Sales invoice	M460
12 Cheque after deducting M11 cash discount	M529
15 Credit note	M 60

What was the closing balance on the statement of account on 31 August 2020?

A M400

B M411

C M531

D M538

(e) Which statement about a debit note is correct?

A it is sent to a customer to request payment of an account.

B it is sent to a customer when his order cannot be supplied in full.

C it is sent to a supplier to order additional goods.

D it is sent to a supplier when goods are received damaged.

(f) Napo's account has a credit balance of M200 in the ledger of Lerato.

What does this mean?

A Napo bought goods from Lerato M200

B Napo is owed by Lerato M200

C Napo owes Lerato M200

DNapo returned goods to Lerato M200

(g) Thuhlo sold 25 items on credit fro M10 each. He allowed a trade discount of 20% and a cash discount off 2% if payment was made in 21 days.

How much did Thuhlo record in his sales journal?

A M195

B M196

C M200

D M250

(h) A motor vehicle, M5000, was posted in error to the motor repairs account.

What was the effect of this error on the financial statements?

	Profit for the year	Non-current assets
A	Overstated	Overstated
B	Overstated	Understated
C	Understated	Overstated
D	Understated	Understated

(i) Lethole is a trader registered for VAT. What would he record as Output Tax?

A VAT Lethole charges when he sells goods

B VAT Lethole is charged when buying goods

C VAT Lethole paid to a customer when buying goods

D VAT paid by a supplier when he sells goods to Lethole

(j) Which item is **not** normally found in the payroll register?

A donations made by an employee

B gross and net pay of an employee

C the time an employee clocks in

D voluntary pension contribution by an employee

(k) Which is a capital receipt for Mpenyana who owns a shoe shop?

A purchase of shoes on credit

B purchase of new fittings for the shop on credit

C sale of shoes for cash

D sale of old shop fittings at book value for cash

(l) Which is a compulsory deduction from an employee's salary?

A donations to charities

B pay as you earn

C pension fund contribution

D trade union subscription

(m) In which section of the statement of financial position does a bank overdraft appear?

A current assets

B current liabilities

C non-current assets

D non-current liabilities

(n) Which statements are true about control accounts?

1 they are used to correct errors

2 they are used to locate errors

3 they minimize fraud

4 they help in decision-making

A 1 and 2

B 1 and 3

C 2 and 3

D 2 and 4

(o) A manufacturing business provides the following balances.

	M
Supervisors' wages	6 000
Direct expenses	22 000
Direct labour	18 000
Raw materials	24 000
Factory lighting	2 000
Financial charges	5 000

How much is the prime cost?

A M64 000

B M70 000

C M72 000

D M77 000**[Total: 15]**

QUESTION 2

Tumang maintains a petty cash book using the imprest system.

(a) State **two** advantages to Tumang of maintaining a petty cash book.

Tumang's petty cash book monthly imprest is M500 which is restored on the last day of each month. The following transactions are available for the month of July 2020.

2020

July 1 The petty cashier was given a cheque for M500

4 Paid for vehicle fuel from petty cash, M60, (voucher nmber L01)

7 Paid for office cleaning, M30, from petty cash (vouncher number L02)

9 Issued petty cash voucher, L03, for stamps and envelopes, M32

12 Issued petty cash voucher, L04, for transport, M60

18 Purchased cleaning materials, M80, from petty cash (voucher number, L05)

20 Office stationery, M50, was purchased from petty cash (voucher number, L06)

22 Issued petty cash voucher, L07, for purchase of refreshments, M70.

26 Purchaesd printing ink, M100, from petty cash (voucher number, L08)

31 The petty caheir was given a cheque to restore the petty cash amount.

(a) Record the above transactions in the petty cash book of Tumang for the month of July 2020. Balance the petty cash book and bring down the balance.

QUESTION 3

Sello and Selloane are partners, sharing the profits or losses in the ration 2:1 respectively.

The following information was extracted from their books on 31 August 2020.

			M
At 1 September 2019	Capitals accounts:	Sello	40 000
		Selloane	30 000
	Current accounts:	Sello	1500 credit
		Selloane	2000 credit
During the year ended 31 August 2020:			
	Drawings:	Sello	6000
		Selloane	5000

Profit for the year ended 31 August 2020 20 170

Interest on capitals is allowed at the rate of 5% per annum and interest is charged on drawings at the rate of 3%. Selloane is entitled to an annual salary of M8 000.

QUESTION 4

(b) Prepare the current account of Selloane for the year ended 31 August 2020. Balance the account and bring down the balance on 1 September 2020.

QUESTION 5

c)(i) State **two** disadvantages to Sello of being in partnership with Selloane rather than being a sole trader.

QUESTION 6

Moalosi is a trader who is worried about his profitability and liquidity.

(a) Suggest three ways in which he could improve the liquidity of his business.

4. (b) Moalosi has maintained a provision for doubtful debts for several years. He has decided not to continue to maintain this provision. Name the accounting principle Moalosi would be ignoring if he decided not to maintain a provision for doubtful debts. State the effect of this decision on the profit.

- te the theory to the practical component.