



**higher education
& training**

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

**FINANCIAL MANAGEMENT
NQF LEVEL 2**

NOVEMBER 2010

(3011012)

**19 November (Y-Paper)
13:00 – 15:30**

This question paper consists of 13 pages and a 2–page answer sheet.

TIME: 2½ HOURS
MARKS: 150

INSTRUCTIONS AND INFORMATION

1. This question paper consists of FIVE questions.
2. QUESTION 1 must be answered by ALL candidates on the ANSWER SHEET.
3. Show ALL calculations in order for marks to be allocated.
4. Use only BLACK or BLUE ink. Lead pencil answers will NOT be marked.
5. Value Added Tax (VAT) is calculated at 14%.
6. ROUND OFF the amounts to TWO decimals.
7. Read ALL the questions carefully.
8. Write neatly and legibly.

QUESTION NUMBER	TOPIC	MARKS	RECOMMENDED TIME GUIDE
1	Short questions (multiple choice, match the column and choose the missing word(s))	30	20
2	ALL topics integrated	30	32
3	ALL topics integrated	30	32
4	ALL topics integrated	30	33
5	ALL topics integrated	30	33
	TOTAL	150	150 minutes

QUESTION 1

1.1 Various options are provided as possible answers to the following questions. Choose the correct answer and write only the letter (A – D) next to the question number (1.1.1 – 1.1.10) on the ANSWER SHEET.

- 1.1.1 Which ONE of the following banking products is most suitable for Mrs Rosinah Maanda who receives on a pension grant?
- A Credit card
 - B Cheque account
 - C Mzantsi Savings account
 - D Money Market investment account
- (2)
- 1.1.2 A ... cheque is payable to anyone who presents the cheque for payment at a bank.
- A bearer
 - B order
 - C post dated
 - D stale
- (2)
- 1.1.3 ... is the income of a business before operating expenses have been deducted.
- A Gross income
 - B Net profit
 - C Retained income
 - D Income accrued
- (2)
- 1.1.4 Any person who has a business with sales of ..., in any given period of twelve months, is compelled by the law to register as a VAT payer.
- A Less than R1 000,000,00
 - B More than R1 000 000,00
 - C Less than R150 000,00
 - D More than R150 000,00
- (2)
- 1.1.5 Food that has reached its expiry date and cannot be sold at a full price is known as ...
- A stock rotation.
 - B obsolete stock.
 - C stock losses.
 - D shrinkage.
- (2)

- 1.1.6 A ... journal is used to record all returns of damage goods by the business to suppliers.
- A creditors
 - B debtors
 - C creditors allowances
 - D debtors allowances
- (2)
- 1.1.7 Which ONE of the following is NOT an example of a regular expense?
- A Wages
 - B Fuel
 - C Advertising
 - D Telephone
- (2)
- 1.1.8 The stub that stays behind in your cheque book and can be used to enter payments into the books of the business, is called, a ...
- A petty cash voucher.
 - B cheque counterfoil.
 - C receipt.
 - D crossed cheque.
- (2)
- 1.1.9 The money that is needed by a business to pay for every day expenses, for example, stock, overheads, and so forth, is called ...
- A liabilities.
 - B capital.
 - C working capital.
 - D start up capital.
- (2)
- 1.1.10 How much VAT is payable on R 4 300 (including VAT)?
- A R528,07
 - B R602,00
 - C R602,30
 - D R528,00
- (2)
(20)

- 1.2 Choose a phrase/word from COLUMN B to match a description in COLUMN A. Write only the letter (A – G) next to the question number (1.2.1 – 1.2.5) on the ANSWER SHEET.

COLUMN A		COLUMN B	
1.2.1	Costs that remain constant, regardless of the activity of a business	A	savings account
		B	business plan
1.2.2	A bank account from which money may be withdrawn without giving notice; and includes the use of a cheque book for making payments	C	VAT (Value Added Tax)
		D	retained income
		E	current account
1.2.3	An indirect tax levied by the government on goods and services	F	gross income
		G	fixed costs
1.2.4	The final earnings of a business after the payment of interest, tax and dividends		
1.2.5	A document that sets out the objectives and financial strategy of a business venture		

(5 × 1)

(5)

- 1.3 Choose the correct word(s) from those given in brackets. Write only the word next to the question number (1.3.1 - 1.3.5) on the attached ANSWER SHEET.

- 1.3.1 The (trial balance/cash receipts journal) contains the information from all journals in one book. (1)
- 1.3.2 A (company/partnership) is a business arrangement in which two or more people pool their capital, labour and skills and are joint owners of the business. (1)
- 1.3.3 (Net profit/Profit mark-up) is the amount added to the cost price to determine the selling price of goods and services. (1)
- 1.3.4 The business pays (VAT output/VAT input) when purchasing goods from the supplier. (1)
- 1.3.5 (Retained income/Dividends) is the payment made to shareholders of a company according to the number of shares each one bought. (1)

[30]

QUESTION 2

- 2.1 Timothy Maanda's Traders has been in business for some years, trading in all aspects. Timothy has provided you with a consecutive Income Statement for the year 2009 and 2010. The business has been very successful, over the past five years, but with the recession, Mr Maanda is not sure whether he is still doing as well. He is thinking of expanding his business, but he needs your help in determining how profitable his business has been during 2009 and 2010.

Study the Income Statement below and answer the questions that follow:

Income Statement of Timothy Maanda Traders for the years ended 31 October 2009 and 2010

	2009		2010	
	R		R	
Sales		1 300 000		1 420 000
Less: Cost of sales		450 000		630 000
GROSS PROFIT		850 000		790 000
Plus: Other income		12 000		10 000
Rent received	6 000		4 500	
Discount received	6 000		5 500	
GROSS INCOME		862 000		800 000
Less: Operating expenses		26 500		28 060
Depreciation	7 000		6500	
Fuel	4 500		3 560	
Administration expenses	15 000		18 000	
Net profit before tax		835 500		771 940
Interest paid		8 000		7 800
Profit after interest		827 500		764 140
Taxation 30 %		248 250		229 242
Net profit after tax		579 250		534 898

- 2.1.1 Calculate gross profit margin of Timothy Maanda Traders for the year 2010. (3)
- 2.1.2 Timothy Maanda Traders wants to know how the business performed in 2009. Calculate the percentage net profit, after tax, for the year 2009. (3)
- 2.1.3 Calculate the total expenses as a percentage of sales for 2010. (3)

- 2.1.4 Study the sales figures of Timothy Maanda Traders over the two years. Was there an increase or decrease in sales? If so, what could the reason be? (3)
- 2.1.5 Why would there be a change in the gross profit of the business? (2)
- 2.1.6 Compare the net profit of the TWO years and indicate whether the business made any progress over the year. Give ONE reason for your answer. (2)
- 2.2 Give TWO reasons why a business would decide to mark-down their products. (4)
- 2.3 Timothy is unsure of the parties involved in cheques. Help him by identifying the THREE parties involved. (3)
- 2.4 Timothy Maanda Traders is one of those businesses who pay for small items by petty cash. Which TWO petty cash methods can you advise them to use? (2)
- 2.5 After stocktaking, it was discovered that the amount of stock on hand is less than the amount in the General Ledger. Explain to Timothy ONE reason for this. (2)
- 2.6 Timothy Maanda Traders calculates their selling price by adding a profit mark-up of 5% to the cost price. The cost price of their product is R350. Calculate their selling price per item (excluding VAT). (3)
- [30]**

QUESTION 3

- 3.1 The balance sheet below appeared in the books of Timothy Maanda Traders on 30 June 2010. Study it and answer the questions that follow:

**Extract from the Balance Sheet of Timothy Maanda Traders on
30 June 2010**

	NOTE	AMOUNT
		R
NON-CURRENT ASSETS		
Property, Plant and Equipment		50 000
CURRENT ASSETS		
Inventory (Stock)		15 000
Trade and other debtors		3 500
Cash	1	23 900
TOTAL ASSETS		92 400
EQUITY AND LIABILITIES		
Owners' equity	2	55 000
NON-CURRENT LIABILITIES		
Mortgage bond: ABSA bank		20 000
CURRENT LIABILITIES		
Trade and other creditors		17 400
TOTAL EQUITY AND LIABILITIES		92 400

NOTES:

1. CASH		2. OWNERS' EQUITY	
Bank	R19 000	Capital	R45 000
Petty cash	R2 500	Plus: Net profit	R15 000
Float	R2 400	Less drawings	R5 000

- 3.1.1 Was there any profit generated by the business during this financial period? How much? (2)
- 3.1.2 Calculate how much money Timothy Maanda Traders originally invested in this business? (2)
- 3.1.3 What is the value of non-current assets of this business? (2)
- 3.1.4 What is the purpose of the balance sheet? (3)

- 3.1.5 How much money is invested in inventory? (2)
- 3.1.6 What is the value of liabilities in the business? (2)
- 3.2 On 1 May 2010 a cheque of R600,00 was issued to the petty cashier of Timothy Maanda Traders. On 15th of the same month an additional cheque of R150,00 was issued for petty cash. The total payments from the petty cash journal on 31 May 2010 amounted to R405,00.
- Use the information above to complete the PETTY CASH ACCOUNT in the general ledger of Timothy Maanda Traders. Use the ANSWER SHEET provided. (6)
- 3.3 Give TWO examples of how Timothy Maanda Traders may reduce shrinkage at their store. (2)
- 3.4 Timothy Maanda Traders is a business that repairs household electrical items such as stoves, irons and kettles. They hired an assistant to help in the repairs section and he earns R150,00 per hour. The total variable costs average R3 000,00 per month and total fixed costs amount to R4 500,00 per month. It takes the assistant about two hours to repair one item. The business calculates that they will repair 100 items per month. A profit of 25% on cost price is projected.
- 3.4.1 Calculate the total invoice price to repair one item. (6)
- 3.4.2 Timothy Maanda Traders buys a spare part at R230,00 to fix a stove and adds a profit of 10% to the cost. Calculate the new total cost to repair this stove. (3)
- [30]**

QUESTION 4

- 4.1 After recording the transactions for June 2010 in their subsidiary journals, Timothy Maanda Traders provided you with their bank statement. You have to assist them with the reconciliation of the bank statement and the books of the business.

Study the bank statement provided below and answer the questions that follow:

SILVERTON BANK BANK STATEMENT				
Timothy Maanda Traders 23 Joubert Street Sibasa 0950				
Statement no. 20 Account no. 456 098 234 Date 30 June 2010				
DATE	DETAILS	DEBIT	CREDIT	BALANCE
01/06/10	Balance b/f			R 8 500,00
03/06/10	Cheque no. 123	R9 000,00		-500,00
04/06/10	Direct deposit: T Lutendo		R1 450,00	
08/06/10	S/F	25,00		
14/06/10	D/O Insurance Old Mutual	300,00		
18/06/10	Credit card fees	35,00		
22/06/10	SARS		500,00	
24/06/10	Virgin Mobile account	145,00		
25/06/10	Cheque book	60,00		
28/06/10	Deposit		2 000,00	
29/06/10	Cheque no. 124	13 000,00		
30/06/10	Interest on current overdraft	50,00		
01/07/10	Balance carried forward			?

- 4.1.1 On 22 June 2010 the bank statement reflected an amount of R500,00 received from SARS. Why is it indicated in the credit column? (2)
- 4.1.2 On 3 June 2010 Timothy Maanda Traders had a negative bank balance, indicated as –R500,00. What does this mean? (2)
- 4.1.3 Refer to the entry on 14 June 2010. Briefly explain what a Debit Order (D/O) is. (2)

- 4.1.4 What type of bank account does Timothy Maanda Traders have? (1)
- 4.1.5 Calculate the total amount that was credited to the account of Timothy Maanda Traders for June 2010? (2)
- 4.1.6 Calculate the closing balance that should reflect on the bank Statement of Timothy Maanda Traders at the end of June 2010. (2)
- 4.2 Timothy Maanda Traders uses cheques to pay for purchase from suppliers. They normally write the words 'not transferable' on their cheques.
- 4.2.1 Explain the meaning of the words 'NOT TRANSFERABLE' on a cheque. (2)
- 4.2.2 Timothy Maanda realizes that he made a mistake on the cheque by writing the wrong date. He corrects the cheque by drawing a line across the date and writes the correct date. He then signs next to the alteration. Is this a valid alteration? Give ONE reason for your answer. (2)
- 4.2.3 A cheque that was previously received from a client is returned by the bank with a note: R/D (Refer to Drawer): Insufficient Funds. Explain what this means. (2)
- 4.3 The selling price of sneakers at Timothy Maanda Traders is R600,00 per pair. They decide to mark-down the sneakers by 25% on the selling price. Calculate the new selling price per pair of sneakers (excluding VAT). (3)
- 4.4 What do the following abbreviations stand for with regard to employees' tax deductions?
- 4.4.1 SITE (1)
- 4.4.2 PAYE (1)
- 4.5 The government does not charge VAT on all items bought by us. Some products are exempted from VAT. Give TWO examples of VAT exempted products. (2)

- 4.6 Use the information below to help Timothy Maanda Traders to calculate their cost of sales for June 2010:

Items	Amount in Rands
Purchases	23 000,00
Rent income	245,00
Salaries	12 000,00
Discount received	780,00
Stock (01/06/10)	30 000,00
Water and electricity	1 200,00
Stock(30/06/10)	15 000,00

(6)
[30]

QUESTION 5

- 5.1 Timothy bought a laptop on credit from Hi Fi Corporations for R2 500,00. According to company policy all accounts should be settled within 30 days of date of invoice. To encourage early payments, Hi Fi Corporations offer the following settlement terms:

10% discount if settled within 14 days

5% discount if settled within 21 days

Calculate how much will Timothy pay, if they decided to settle within the following dates:

5.1.1 12 days (2)

5.1.2 21 days (2)

5.1.3 35 days (2)

- 5.2 The information below is an extract from the books of Timothy Maanda Traders. Study the following transactions and enter only those which will appear in the PETTY CASH JOURNAL. Use the provided ANSWER SHEET to answer this question. Add up the Petty Cash total column.

2010 June

03	Paid for cleaning of the office curtains, R70,00 voucher no. 2	
11	Cash sales according to cash register roll, R1 240,00	
15	Paid cash for repairs to printer at CC World, R89,00 voucher no	
	...	
19	Paid R200,00 by cheque 001 to S. Smith for drawings.	(6)

- 5.3 Timothy wants to prepare the cash flow statement. What THREE sources are needed when preparing the cash flow statement? (6)

- 5.4 What is the name of the source document and its supporting document when Timothy sells goods on credit to customers? (4)

- 5.5 Define the term *cash flow statement*. (2)
- 5.6 Analyse the kind of effect that the following expenses will have on the net profit of the business. Give ONE reason for each answer.
- 5.6.1 Interest paid (2)
- 5.6.2 Dividend paid (2)
- 5.6.3 Rent income (2)
- [30]**
- TOTAL: 150**

ANSWER SHEET**EXAMINATION NUMBER:****CENTRE NUMBER:****QUESTION 1**

1.1	1.1.1	(2)
	1.1.2	(2)
	1.1.3	(2)
	1.1.4	(2)
	1.1.5	(2)
	1.1.6	(2)
	1.1.7	(2)
	1.1.8	(2)
	1.1.9	(2)
	1.1.10	(2)
1.2	1.2.1	(1)
	1.2.2	(1)
	1.2.3	(1)
	1.2.4	(1)
	1.2.5	(1)
1.3	1.3.1	(1)
	1.3.2	(1)
	1.3.3	(1)
	1.3.4	(1)
	1.3.5	(1)

[30]

ANSWER SHEET**EXAMINATION NUMBER:**

CENTRE NUMBER:

QUESTION 3.2

PETTY CASH ACCOUNT											
Dr.											
Date		Details		Amount		Date		Details		Amount	

[6]

QUESTION 5.2

PETTY CASH JOURNAL for June 2010									
Doc	Day	Details	Fol.	Petty cash	Repairs	Postage	Stationery	Sundry accounts	
								Amount	Details

[6]