



**higher education  
& training**

Department:  
Higher Education and Training  
**REPUBLIC OF SOUTH AFRICA**

**NATIONAL CERTIFICATE (VOCATIONAL)**

**FINANCIAL MANAGEMENT  
NQF LEVEL 2**

**NOVEMBER 2011**

**(3011012)**

**18 October (X-Paper)  
09:00 – 11:30**

**This question paper consists of 12 pages and a 2-page answer sheet.**

**TIME: 2½ HOURS**  
**MARKS: 150**

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### INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions.
  2. Read ALL the questions carefully.
  3. Number the answers according to the numbering system used in this question paper.
  4. Show ALL calculations in order for marks to be allocated.
  5. Use only black or blue ink.
  6. Value Added Tax (VAT) is calculated at 14%.
  7. Round off amounts to TWO decimal places.
  8. Write neatly and legibly.
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QUESTION NUMBER	TOPIC	MARKS	RECOMMENDED TIME GUIDE
1	Short questions (cover ALL topics)	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
	<b>TOTAL</b>	<b>150</b>	<b>150 minutes</b>

**QUESTION 1**

1.1 Various options are given as possible answers to the following questions. Choose the answer and write only the letter (A – D) next to the question number (1.1.1 – 1.1.15) in the ANSWER BOOK.

1.1.1 Percy, one of your classmates, sells snacks at the gate and only makes enough to pay for his monthly bus fare. Indicate which bank account is suitable for him.

- A Current account
- B Savings account
- C Mzansi account
- D Transmission account (1)

1.1.2 A VAT repayment period can be for ... according to the type of business.

- A one month
- B two months
- C six months
- D twelve months (1)

1.1.3 A cheque with the words 'or bearer' appearing below the date of the cheque that are not crossed out is known as a/an ...

- A order cheque.
- B not transferable cheque.
- C bearer cheque.
- D not negotiable cheque. (1)

1.1.4 Net profit that is not divided amongst the shareholders, but kept back for investment is called ...

- A retained income.
- B dividends .
- C profit before tax.
- D profit after tax. (1)

1.1.5 Damaged goods returned by the business to the suppliers will be indicated in/on a/an ...

- A tax invoice.
- B debit note.
- C credit note.
- D internal journal memo. (1)

- 1.1.6 How much VAT is payable on R3 500,00 (excluding vat)?
- A R490,50
  - B R430,00
  - C R490,00
  - D R429,82
- (1)
- 1.1.7 A method where an amount of money is placed in a petty cash box and added back to its original value when the balance is almost zero, is called ...
- A system of varying balance.
  - B the petty cash voucher.
  - C the imprest system.
  - D petty cash journal.
- (1)
- 1.1.8 Expenditures can either be regular or irregular. Which ONE of the following is an example of an irregular expenditure?
- A Maintenance
  - B Telephone
  - C Rent expense
  - D Water and electricity
- (1)
- 1.1.9 For Percy to run his business effectively, he needs R300,00 for stock, R5,00 for bus fare, R10,00 for carrying the basket, a wallet for R75,00 for putting his money. Calculate the total current assets.
- A R305,00
  - B R310,00
  - C R315,00
  - D R350,00
- (1)
- 1.1.10 Which ONE of the following journals will be used to record provision for bad debts, depreciation and correction of error?
- A Petty cash journal
  - B Cash payment journal
  - C General journal
  - D Creditors allowance journal
- (1)
- 1.1.11 The column in the petty cash journal to enter amounts that do not fit into the named analysis columns are entered in the ... column.
- A sundries
  - B left
  - C total
  - D amount
- (1)

- 1.1.12 ... is the remuneration for additional hours worked by an employee.
- A Normal time
  - B Over time
  - C Part time
  - D Suitable time
- (1)
- 1.1.13 When an amount is incorrectly posted to an account, this is known as ... of the amount.
- A misallocation
  - B allocation
  - C misplacement
  - D incorrect posting
- (1)
- 1.1.14 Which ONE of the following journals will be used to record credit sales to customers?
- A Debtors journal
  - B Creditors journal
  - C Cash Receipts journal
  - D Debtors Allowance journal
- (1)
- 1.1.15 Water and electricity is an ... which forms part of the running of the business.
- A income
  - B expense
  - C asset
  - D liability
- (1)

**[15]**

- 1.2 Choose a/an item/word from COLUMN B that matches a description in COLUMN A. Write only the letter (A – H) next to the question number (1.2.1 – 1.2.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.2.1	The stub kept by the drawer of the cheque for recording purposes	A	working capital
1.2.2	Money needed by the business to pay for daily expenses	B	PAYE
1.2.3	Regular replacement of stock sold with new stock	C	VAT (Value Added Tax)
1.2.4	Documents received from the bank indicating the monetary transaction for the month	D	bank statement
1.2.5	An indirect tax levied by the government on goods and services	E	stock piling
		F	cheque counterfoil
		G	capital
		H	stock rotation

(5)

- 1.3. Complete the following sentences by filling in the missing word(s). Write only the missing word(s) next to the question number (1.3.1 – 1.3.5) in the ANSWER BOOK.

- 1.3.1 Rent received is one item that will have ... effect on the gross profit of the business. (1)
- 1.3.2 The method to top up petty cash is called ... . (1)
- 1.3.3 Goods and services which are taxable can be charged either at 14% or ... VAT. (1)
- 1.3.4 Dividends in a company should be declared to the ... . (1)
- 1.3.5 Petty cash ... are numbered and filed according to the policy of the particular business. (1)

- 1.4 Give ONE word/term for each of the following descriptions by choosing from the list below. Write only the word/term next to the question number (1.4.1 – 1.4.5) in the ANSWER BOOK.

PAYE; debtor; bank reconciliation statement; cash flow statement; gross wages; petty cash
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- |       |   |     |
|-------|---|-----|
| 1.4.1 | This statement is drawn up on a monthly basis to reconcile the bank statement with the books of the organisation. | (1) |
| 1.4.2 | A percentage of money deducted from a person's salary which is due to the Receiver of Revenue.                    | (1) |
| 1.4.3 | An amount of money an employee earns in a week before deductions.   | (1) |
| 1.4.4 | A person who owes money to an organisation.   | (1) |
| 1.4.5 | An amount of money, consisting of notes and coins that is kept in a business organisation to make small payments. | (1) |
- [30]**

**QUESTION 2**

- 2.1 Komoti Cleaning Services has a bank account with ABSA Bank. They receive their bank statement monthly that indicates their financial transactions. The lady in the finance department requests your help with the interpretation of the bank statement.

Study the bank statement given below and answer the questions that follow.

<b>ABSA BANK</b> <b>BANK STATEMENT</b>				
Komoti Cleaning Services Private Bag X1020 Norwood 2192				
Statement no. 03 Account no. 805 509 1234 Date 31 May 2011				
DATE	DETAILS	DEBIT	CREDIT	BALANCE
05/05/11	Balance b/f			R -6 000,00
04/05/11	Direct deposit: M Phethy		300,00	
08/05/11	S/F	15,00		
14/05/11	D/O Insurance PIB	150,00		
18/05/11	SARS	200,00		
22/05/11	Telkom account	650,00		
27/05/11	Deposit		2 000,00	
29/05/11	Cheque no. 124	100,00		
30/05/11	Interest on overdraft	25,00		
31/05/11	Balance carried forward			?

- 2.1.1 Which payments are likely to be regular payments? (2)
- 2.1.2 Calculate the total amount that was debited to the account of Komoti Cleaning Services for May 2011. (2)
- 2.1.3 Can Komoti Cleaning Services withdraw more money than they have in their account? Motivate your answer. (2)
- 2.1.4 On 18 May 2011 the bank statement reflected an amount of R200,00 which was paid to SARS. What could be the reason for this type of transaction? (2)
- 2.1.5 Calculate the total amount of bank charges for Komoti Cleaning Services during May 2011. (2)
- 2.1.6 Calculate the closing balance that should reflect on the bank statement of Komoti Cleaning Services at the end of May 2011. (2)



- 2.2 Komoti Cleaning Services' co-owner, Chicky, has the task of depositing cash daily. The business account number is 123 457 890, but she has not filled all information required on the deposit slip.

Use the information below and help her to complete the deposit slip on the attached ANSWER SHEET.

Coins	R1,00 x 4 R2,00 x 5 R5,00 x 8		
Notes	R10,00 x 6 R20,00 x 3 R50,00 x 7 R200,00 x 1		
Cheques			
Drawer	Bank	Branch	Amount
M Makgosi	ABSA	02895	R250,00

(5)

- 2.3 One of the other services rendered by Komoti Cleaning Services is to repair electrical appliances specialising in Microwave ovens. To repair one microwave oven takes them 3 hours. The fixed cost for the month is R1 200,00 and the variable costs amount to R2 500,00. They have employed one technician and pay him R80,00 per hour. The spare parts used to repair one microwave oven is R120,00 and the business adds 10% profit on all parts bought. Their technician works 100 hours per month. Their goal is to make a profit of 25% per microwave oven repaired.

2.3.1 Calculate the total invoice per microwave oven repaired. (5)

2.3.2 Was there any profit made? If any, how much? (2)

- 2.4 Komoti Cleaning Services has been doing business for some time now and are ready to open more branches. You are provided with the summary of the Income Statement for the year 2010 and 2011.

Analyse how profitable the business is before they start with expansion of their business.

Study the Income Statement and answer the questions that follow.

Summarised Income Statement of Komoti Cleaning Services for the year ended 31 May 2010 and 2011.

	2010		2011	
Sales	1 000 000	00	950 000	00
Gross profit	500 000	00	380 000	00
Expenditure	350 000	00	200 000	00
Net profit	150 000	00	180 000	00
Interest	12 000	00	10 500	00
Taxation	3 500	00	4 500	00

2.4.1 State TWO factors that could lead to an increase in sales. (2)

2.4.2 Calculate the net profit margin for 2011. (2)

2.4.3 Calculate the gross profit margin for 2010. (2)

**[30]**

### QUESTION 3

3.1 Komoti Cleaning Services realises that by rendering high quality services and making prompt payments, will sustain their business.

The business provides the information below and requested you to draw up the Income Statement for the year ended 31 May 2011.

	R	
Turnover	6 000	00
Rent received	800	00
Cost of sales	2 500	00
Salaries	1 000	00
Stationery	250	00
Discount received	620	00
Telephone	150	00
Fuel	305	00
Insurance	175	00

(12)

3.2 When they started Komoti Cleaning Services, they did not have enough money, so they were compelled to apply for a loan at ABSA Bank. Explain what effect the interest on loan will have on the net profit of the business. (2)

3.3 State TWO measures that could be implemented by the business to prevent stock losses caused by inadequate stock control. (4)

3.4 Komoti Cleaning Services uses cash to purchase small items daily. On 1 June 2011 they started with the balance of R800,00 and the total payments during the month amounted to R555,00. Help the petty cashier to complete the petty cash amount using the imprest system. (6)

3.5 The business purchased a vacuum cleaner with a marked price of R1 250,00 (excluding VAT) from Melrose Suppliers. They were surprised to see that the total invoice amounted to R1 425,00.

3.5.1 Explain to them why the invoice amount and the marked price of the vacuum cleaner are not the same. Show ALL your calculations. (4)

3.5.2 Is the VAT paid above, a VAT input or a VAT output? (2)

**[30]**

#### QUESTION 4

4.1 Komoti Cleaning Services has been in business for some time now. They follow the accounting principles where they record transactions from source documents.

Analyse the transactions to show the effect of each one on the accounting equation. Use a plus (+) to show an increase; minus (-) to indicate a decrease and a zero (0) to show no change. Use the attached ANSWER SHEET.

No	Transaction	Amount
1.	Purchased multi purpose cleaner from Petty cash	R 100,00
2.	Rendered a service to M. Mackey on account	1 200,00
3.	Paid wages to employees in cash	350,00
4.	Received a loan from Standard Bank	10 000,00

(8)

4.2 Distinguish between *start-up capital* and *working capital*. (4)

4.3 Give ONE example of a current asset. (1)

4.4 Give TWO possible reasons for a business to mark-down its trading stock. (4)

4.5 Explain to the owners of Komoti Cleaning Services what turnover amount qualifies a business to register as a VAT vendor. (2)

4.6 Komoti Cleaning Services uses cheques to pay. They know the rules that should be adhered to when using cheques. You are requested to answer the following questions to clear any confusion they may have.

4.6.1 Give any TWO reasons why the bank would return cheques to the drawer marked 'unpaid'. (4)

4.6.2 What is the purpose of crossing a cheque? (2)

- 4.7 Define the term *stock shrinkage*. (3)
- 4.8 Komoti Cleaning Services wants to expand their business and change it from a partnership to a company, but are worried that in the case of a company, part of the income will not be declared as dividends, but rather be retained to by the business. Explain why businesses retain part of their income. (2)

**[30]****QUESTION 5**

- 5.1 The owner of Komoti Cleaning Services needs clarity on some aspects of financial statements. The following questions are some of his concerns that you have to address:
- 5.1.1 What is the purpose of a Cash Flow Statement? (2)
- 5.1.2 Name the THREE sections that a Cash Flow Statement consists of. (6)
- 5.1.3 In order to prepare the Cash Flow Statement the business will need THREE sources of information. What are these sources? (6)
- 5.1.4 Why is it necessary for the business to prepare an Income Statement at the end of the financial period? (2)
- 5.1.5 What happens if a business' expenditure is more than the income for a specific financial period? (2)
- 5.2 The business pays suppliers and employees by cheque. Complete the cheque counterfoil (stub) given on the attached ANSWER SHEET for the following payment:
- On 31 May 2011 Komoti Cleaning Services paid R850,00 by cheque to Smith Enterprise as a part-payment of an account. (4)
- 5.3 Name TWO stock trading systems that Komoti Cleaning Services may use. (2)
- 5.4 One of your fellow employees at Komoti Cleaning Services is interested in starting her own business. She requested your assistance and advice in drafting a business plan. Briefly outline any SIX steps that she should follow to draw up her business plan. (6)

**[30]****TOTAL: 150**

**ANSWER SHEET****EXAMINATION NUMBER:**

**CENTRE NUMBER:**

**QUESTION 2**

2.2

ABSA Bank

Deposit slip

		Date..... Datum.	
Credit .....	Notes		
Account no.....	Coins		
Telephone no.....	Postal/Money orders		
Signature: C. Moloti	Total cash and postal/money order		
	Cheque deposited(drawer's name)		
	1.		
	2.		
Depositor name.....	Total cheques		
Total			

(5)

**QUESTION 4**

4.1

No	Assets =	Owners' Equity	+ Liabilities
1			
2			
3			
4			

(6)

**ANSWER SHEET**

**EXAMINATION NUMBER:**

**CENTRE NUMBER:**

**QUESTION 5**

5.2

Date :.....
To :.....
For :.....
Amount :.....

(2)