



**higher education
& training**

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

**FINANCIAL MANAGEMENT
NQF LEVEL 2**

SUPPLEMENTARY EXAMINATION 2011

(3011012)

**17 March (Y-Paper)
13:00 – 15:30**

This question paper consists of 8 pages and a 2-page answer sheet.

TIME: 2½ HOURS MARKS: 150
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INSTRUCTIONS AND INFORMATION

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

QUESTION NUMBER	TOPIC	MARKS	RECOMMENDED TIME GUIDE
1	Short questions (fill in the missing word, multiple questions, choose the correct words)	30	20
2	All topics integrated	30	33
3	All topics integrated	30	32
4	All topics integrated	30	33
5	All topics integrated	30	32
	TOTAL	150	150 minutes

QUESTION 1

1.1 Complete the following sentences by filling in the missing word(s). Write only the word(s) next to the question number (1.1.1 – 1.1.5) on the attached ANSWER SHEET, for example, 1.1.6 money.

- 1.1.1 ... costs change in proportion to the production volume. (2)
- 1.1.2 All internal transactions, such as depreciation, correction of errors and bad debts written off, are recorded in the (2)
- 1.1.3 ... is an amount of money invested by the owner of a business. (2)
- 1.1.4 The source document for paying small items in the business is called a (2)
- 1.1.5 Turnover less cost of sales equals (2)

1.2 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (1.2.1 – 1.2.5) on the attached ANSWER SHEET, for example, 1.2.6 assets.

- 1.2.1 The types of expenses that are overhead costs every month because the business cannot do without them are called (fixed/variable) costs. (2)
- 1.2.2 Salaries and wages that are paid to employees is an (inflow/outflow) of cash for the business. (2)
- 1.2.3 (VAT/PAYE) is a percentage of money, deducted from one's salary, which is due to the Receiver of Revenue. (2)
- 1.2.4 The (drawer/payee) is a person or business who receives the payment of a cheque. (2)
- 1.2.5 A form of business ownership in which one to ten members combine their skills, knowledge and capital to form this type of business is called a (public company/close corporation). (2)

1.3 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A – D) next to the question number (1.3.1 – 1.3.5) on the attached ANSWER SHEET, for example 1.3.6 D.

- 1.3.1 A source document used when damaged goods are returned by the purchaser to the seller. (2)
- A Credit note
B Tax invoice
C Debit note
D Internal office memo

- 1.3.2 The total amount of VAT on R4 500.00 is ...
A R630,00.
B R552,63.
C R632,00.
D R552,64. (2)
- 1.3.3 The method of topping up petty cash is called ...
A varying balance.
B petty cash voucher.
C imprest system.
D petty cashier. (2)
- 1.3.4 Regular replacement of stock that has been sold with new stock is known as ...
A stock piling.
B obsolete stock.
C stock rotation.
D stock deficit. (2)
- 1.3.5 Any person or business with a turnover of more than ... is compelled by law to register as a VAT vendor.
A R250 000,00
B R300 000,00
C R150 000,00
D R1 000,00 (2)
- [30]**

QUESTION 2

- 2.1 Kennedy Smith was retrenched a few months ago and decided to use his money to start a general dealer, Kenns Dealers. He does not have a good financial background, but believes in himself. He knows that he must pay tax, but he has no idea how to calculate income tax or VAT. The business has been selling lots of shoes but he also has expenses to pay. Kennedy provided you with the following information and he wants your help with the calculation of tax.

Show all calculations and round your answers off to the nearest rand.

Total sales for the month, excluding VAT, amounted to R45 000,00.

Total purchases for the month amounted to R23 500,00 including VAT.

- 2.1.1 Calculate VAT output for the month for Kenns Dealers. (2)

2.1.2 Calculate the VAT input for the month for Kenns Dealers. (2)

2.1.3 Is Kennedy going to get a refund from the South African Revenue Services (SARS)? Give ONE reason for your answer. (3)

2.2 Kennedy wants you to use the information below to determine whether his business is profitable or not. He heard about the income statement but he cannot properly prepare it himself. (12)

Prepare the income statement for Kenns Dealers for the year ending 30 June 2010.

ITEMS	RAND
Opening stock	50 000
Fuel	1 200
Printing	800
Closing stock	25 000
Interest received	12 500
Purchases	80 000
Rent income	3 000
Salaries	30 000
Sales	300 000
Water and electricity	13 500

2.3 Name ONE factor that can lead to an increase or decrease in sales. (2)

2.4 Study the sales figure above and assume that the business has shrinkage of 5% on its sales. Calculate the total amount of shrinkage and explain how this would affect the gross profit. (4)

2.5 As part of good accounting practices and principles, Kennedy needs to record and account for every cent spent in the business. Use the following information to complete the PETTY CASH VOUCHER (given on the ANSWER SHEET) on the given date:

On 13 June 2010, T. Zakes requested R30.00 from the petty cashier, Wendy, to pay for general repairs at the office. The petty cash voucher issued was authorised by M. Pendulum.

(5)
[30]

QUESTION 3

- 3.1 The following is the financial report on two income statements compiled by Kennedy Smith's bookkeeper. Kennedy wants to see how his business did over the two financial periods.

Use the information below to answer the questions that follow:

Income Statement of Kenns Dealers for the two years

	Year 2009	Year 2010
Sales	R100 000	R120 000
Gross profit	R75 000	R80 000
Total Expenses	R35 000	R43 000
Interest paid	R1 200	R1 800
Taxation	R2 000	R4 500
Net profit before tax and interest	R40 000	R37 000

- 3.1.1 Calculate the net profit after tax and interest for the year 2010 as indicated in the income statement of Kenns Dealers. (3)
- 3.1.2 Calculate the net profit margin for 2010 for Kenns Dealers. (3)
- 3.1.3 Calculate the gross profit margin for 2009 for Kenns Dealers. (3)
- 3.1.4 Which year was more profitable for Kenns Dealers? Give ONE reason for your answer. (2)
- 3.1.5 Why was it important for Kenns Dealers to draw up an income statement? (2)
- 3.2 Why do businesses offer discount on cash sales? (2)
- 3.3 What is the difference between direct and indirect cost? (4)
- 3.4 The following business transactions appear in the books of Kennedy Smith. He has no idea how to separate income from expenditure. Using the information below, calculate the total amount of expenses incurred by Kennedy Smith's business. (6)

ITEM	RANDS
Rent Income	R6 500
Bank charges	R230
Interest on loan	R15 000
Sales	R230 000
Advertising	R2 300
Cost of sales	R125 000
Fuel	R12 000
Water and electricity	R1 200
Commission income	R3 500

- 3.5 Name the THREE parties involved in cheques. (3)
- 3.6 If the bookkeeper of the company deletes the date on a cheque to replace it with a new date, is the alteration valid? Give ONE reason for your answer. (2)
- [30]**

QUESTION 4

- 4.1 Kennedy Smith has been in business for a few years. The following transactions have taken place in the business.
1. Sold shoes on credit to Mr. B. Swartz, R250,00.
 2. Cash sales according to the cash register roll, R10 000,00 .
 3. Purchased trading stock from Tshedza Suppliers and paid by cheque R8 000,00.
 4. Received a loan of R20 000,00 from ABSA bank.
 5. Paid salaries to employees per cheque, R15 000,00.
- 4.1.1 Identify the subsidiary journal and source documents that will be used to record each of the transactions above. Tabulate your answer using the following headings: (10)

Transaction No.	Subsidiary journal	Supporting document

- 4.2 Why is it important for a business to receive bank statements from the bank? (3)
- 4.3 Explain briefly what working capital is. (2)
- 4.4 Kennedy Smith's business has been operating for a while now and has been doing well. Study the transaction below and complete a RECEIPT on the attached ANSWER SHEET. (6)
- On 4 April 2010 a customer, Clara Nzima, paid R350,00 cash for shoes bought from Kenns Dealers. Receipt no. 123 was issued to her.
- 4.5 Kennedy is eager to expand his business. He decided that it would be a good opportunity to open a food business at a nearby FET college. His aim is to supply the students with a cheap, but healthy meal on a daily basis. He rents a small venue on the campus for R150,00 per month. He pays Bulelani, his assistant R250,00 per month. On average he sells 100 hamburgers each month. He buys hamburgers from Captain Morgan (supplier) for R20 each. He adds 25% mark-up on cost price. Calculate the selling price. SHOW ALL YOUR CALCULATIONS. (7)
- 4.6 Name any TWO sources of start-up capital. (2)

[30]

QUESTION 5

- 5.1 What is the purpose of the cash flow statement? (2)
- 5.2 Name THREE activities indicated on the cash flow statement and briefly state what each activity is. (3 × 2) (6)
- 5.3 Give a brief description of a balance sheet. (2)
- 5.4 Name the TWO main sections of a balance sheet. (2)
- 5.5 Kenns Dealers has an arrangement that banking will be done at the end of each day. Use the information given below to help Kennedy to calculate the deposit on this day and answer the questions that follow:

NOTES AND COINS	QUANTITY
R200	2
R100	4
R50	3
R20	1
R10	5
R5	6
R2	2
R1	10
R0.50	20

- 5.5.1 Calculate the total amount of money that he will deposit in coins. (2)
- 5.5.2 What is the total amount of notes deposited? Write your answer in words not figures. (2)
- 5.5.3 Can Kennedy Smith deposit a cheque and cash on one deposit slip? (1)
- 5.6 Name TWO different rates used by the government to calculate VAT on taxable products. Indicate the percentage tax for each rate. (4)
- 5.7 Give another word for non-taxable products. (2)
- 5.8 Define the term dividends stating to whom dividends are payable. (3)
- 5.9 Name TWO examples of shrinkage that could have a negative effect on the net profit of the business. (4)

[30]**TOTAL: 150**