



**higher education
& training**

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

**FINANCIAL MANAGEMENT
NQF LEVEL 2**

SUPPLEMENTARY EXAMINATION 2013

(3011012)

**4 March (X-Paper)
09:00 – 11:30**

This question paper consists of 14 pages and a 1-page answer sheet.

TIME: 2½ HOURS MARKS: 150
--

INSTRUCTIONS AND INFORMATION

1. This question paper consists of FIVE questions.
2. Read ALL the questions carefully.
3. QUESTION 2.4 and QUESTION 4.3 must be answered on the attached ANSWER SHEET.
4. Show ALL calculations in order for marks to be allocated.
5. Round off amounts to 2 decimals.
6. Use only black or blue ink. Answers written in pencil will not be marked.
7. Write neatly and legibly.

QUESTION NUMBER	TOPIC	MARKS	RECOMMENDED TIME GUIDE
1	Short questions	30	30
2	All topics integrated	30	30
3	All topics integrated	30	30
4	All topics integrated	30	30
5	All topics integrated	30	30
	TOTAL	150	2½ hours

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 – 1.1.15) in the ANSWER BOOK.

- 1.1.1 The fees charged by banks for handling clients' bank accounts:
- A Payment charges
 - B Bank charges
 - C Stokvel charges
 - D Holding charges
- (1)
- 1.1.2 Earnings that are part of profit before tax and are kept back by the business for reinvestment purposes:
- A Dividends
 - B Retained earnings
 - C Gross profit
 - D Gross income
- (1)
- 1.1.3 A document supplying valuable information for financial decision making:
- A Balance sheet
 - B Income statement
 - C Cash flow statement
 - D Bank statement
- (1)
- 1.1.4 Deposit slips or deposit books from various banks may be completed in ...
- A duplicate.
 - B triplicate.
 - C singular.
 - D A and B
- (1)
- 1.1.5 A ... cheque is payable only to the payee (the person whose name appears on the cheque).
- A cash
 - B order
 - C bearer
 - D bank-guaranteed
- (1)

- 1.1.6 A company gives its customers 5% discount on all cash sales. The total cash sales for June 2012 amounted to R65 000. How much is the total discount given to customers during that month?
- A R3 000
 - B R3 520
 - C R3 250
 - D R3 052
- (1)
- 1.1.7 The loss of stock through breakages on the shop floor and warehouse is known as ...
- A loss.
 - B breakage.
 - C shortage.
 - D damage.
- (1)
- 1.1.8 Credit facilities offered by banks, allowing the account holder to withdraw more than she/he has in her/his account, is called ...
- A a credit card.
 - B a savings account.
 - C an overdraft.
 - D a loan.
- (1)
- 1.1.9 A direct tax levied by the government on goods and services:
- A SARS
 - B Tax
 - C VAT
 - D PAYE
- (1)
- 1.1.10 ONE of the following is NOT necessary for completing a cash flow statement:
- A Details of non-current assets
 - B The current income statement
 - C Cash flow from operating activities
 - D Two consecutive balance sheets
- (1)

- 1.1.11 Food that has reached its expiry date and therefore cannot be sold at full price, is known as ...
- A obsolete stock.
 - B shrinkage.
 - C stock deficit.
 - D stock rotation.
- (1)
- 1.1.12 ONE of the following is NOT a liability to the business:
- A Bank overdraft
 - B Interest on loan
 - C Creditors
 - D Interest on current account
- (1)
- 1.1.13 A business is compelled by law to register as a VAT vendor if it earns a turnover of ... per annum.
- A more than R100 000
 - B less than R100 000
 - C more than R300 000
 - D less than R300 000
- (1)
- 1.1.14 The purpose of drawing up a balance sheet is to ...
- A report on the financial position of the business.
 - B determine whether the business is making a profit or a loss.
 - C show the summary of the accounts of a business.
 - D A and C
- (1)
- 1.1.15 ... discount is when suppliers give price reductions for large quantities purchased.
- A Quantity
 - B Seasonal
 - C Trade
 - D Cash
- (1)
(15)

- 1.2 Complete the following sentences/paragraph(s) by filling in the missing word(s). Write only the word(s) next to the question number (1.2.1 – 1.2.10) in the ANSWER BOOK.
- 1.2.1 The ... provides a summary of a business's performance during a financial period.
- 1.2.2 The current percentage of VAT charged for services rendered is ...
- 1.2.3 An amount of money kept in a till and used by the cashier to give customers change when necessary, is called ...
- 1.2.4 ... is part of net profit after tax which is paid out to shareholders.
- 1.2.5 Turnover less cost of sales equals ...
- 1.2.6 ... is the amount of money invested by the owner to start a business.
- 1.2.7 The document received from the bank indicating the monetary transactions for the month, is called a/an ...
- 1.2.8 A/an ... is a credit facility offered by banks allowing the account holder to withdraw more money than is actually in the account.
- 1.2.9 A cheque on which the words 'or bearer' appear below the date and are not crossed out, is a ... cheque.
- 1.2.10 A ... sets out the objectives and financial strategies of a business venture. (10 x 1) (10)
- 1.3 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (1.3.1 - 1.3.5) in the ANSWER BOOK.
- 1.3.1 (Companies/Partnerships) are normally taxed on the net profit for the year after all allowable expenses have been deducted.
- 1.3.2 The business pays (VAT output/VAT input) when purchasing goods from suppliers.
- 1.3.3 A document issued when damaged goods are returned by a customer is a (debit note/credit note).

- 1.3.4 An increase in sales can be linked to (aggressive advertising/ reducing the number of units sold).
- 1.3.5 The (imprest system/system of varying balances) is where the cash in the petty cash box is a fixed amount at the beginning of each month.

(5 x 1)

(5)
[30]**QUESTION 2**

- 2.1 Faranani Traders is one of the most promising new businesses in town. It buys and sells mostly computers. The business is not yet confident in interpreting and doing accounting transactions. Study the bank statement below and help Faranani Traders to interpret it by answering the questions.

SILVERTON BANK BANK STATEMENT				
Faranani Traders 35 Masakhane Street Nzhelele 0993				
Statement no. 25 Account no.331 501 807 Date 31 July 2012				
DATE	DETAILS	DEBIT (R)	CREDIT (R)	BALANCE (R)
01/07/12	Balance b/f			10 500
03/07/12	Cheque no. 001	500,00		10 000
04/07/12	Cell C account	145,00		
08/07/12	Service fee	25,00		
14/07/12	D/O Metropolitan	300,00		
18/07/12	Credit card fees	35,00		
22/07/12	SARS		800,00	
24/07/12	Direct deposit: P. Phethy		1 200,00	
25/07/12	Cheque no. 002	60,00		
28/07/12	Deposit		2 000,00	
29/07/12	Cheque no. 003	9 000,00		
30/07/12	Interest on current overdraft	50,00		
01/08/12	Balance brought forward			?

- 2.1.1 Calculate the total payments made by the business.

(1)

- 2.1.2 Identify which of the payments are likely to be regular payments. (2)
- 2.1.3 Explain to Faranani Traders why the transaction on 24 July does not appear in the subsidiary journals. (2)
- 2.1.4 Calculate the total bank charges. (2)
- 2.1.5 What type of bank account does Faranani Traders have? Explain your answer. (3)
- 2.1.6 On 22 July 2012 the bank statement reflected an amount of R800,00 received from SARS. Explain why it is indicated in the credit column. (2)
- 2.2 Like most other businesses, Faranani Traders buys some products on credit. During April 2012 they purchased 20 computers on credit from S&S Suppliers for R35 000. The supplier offered the following settlement terms:
- The total amount is due within 30 days
10% discount if settled within 7 days
5% discount if settled within 21 days
- 2.2.1 Calculate the amount payable by Faranani Traders if the account is settled within 6 days. (2)
- 2.2.2 How much is payable if the account is settled within 21 days? (2)
- 2.2.3 How much is payable if the account is settled after 28 days? (2)

- 2.3 Faranani Traders provided you with the income statement for 2011 and 2012. The business has been successful over the past few months. However, the challenges posed by the recession that the country is facing, they are not sure whether they are making progress. They need your help in determining how profitable the business has been during 2011 and 2012.

Study the income statement and answer the questions that follow.

Provisional income statement of Faranani Traders for the year ended 31 July 2011 and 2012.

	2011	2012
	R	R
Sales	15 000	25 000
GROSS PROFIT	7 500	16 500
Other income	6 000	4 500
GROSS INCOME	13 500	21 000
Operating expenses	4 650	5 450
Net profit	8 850	15 550

- 2.3.1 Study the sales figures of Faranani Traders over these two years. Was there an increase or decrease in sales? Give ONE reason to support your answer. (3)
- 2.3.2 Calculate the gross profit margin for 2011. (2)
- 2.3.3 What effect will the interest on a loan have on the net profit of the business? (1)

- 2.4 On 5 July 2011 Z. Zelba, the cashier at Faranani Traders, received an amount of R300,50 from M. Maanda for a computer that was repaired.

Use the ANSWER SHEET provided to complete the receipt that was issued to M. Maanda.

(6)
[30]

QUESTION 3

- 3.1 In response to many requests from clients to service their computers, Faranani Traders decided to open a small shop at a nearby town to render computer repairs.

It hired one technician to do the repairs. He works 200 hours a month and earns R150 per hour as remuneration. The total fixed costs per month amounts to R1 200 and the variable costs are R4 500.

On average it takes three hours to repair each computer. Spare parts used per computer cost an average of R120,00. Faranani Traders adds 5% on the cost of parts used. The business intends to make a profit of 25%.

Calculate the total invoice price per computer repaired. (5)

- 3.2 This business needs your help with the analysis of the variations below. Study the information and answer the questions.

	2011	2012
Gross profit margin	45%	30%
Net profit margin	25%	50%

- 3.2.1 Give ONE reason for the change in gross profit margin from 2011 to 2012. (2)
- 3.2.2 Study the percentage change in net profit margin and give TWO reasons for such variance. (4)
- 3.2.3 What effect could uncontrolled and unnecessary expenses have on the profit of a business enterprise? (1)

- 3.3 Mr Kennedy, the financial manager, has realised that some large payments have to be done by cheque. Below is one of the cheques filled in by him. Study it and answer the questions.

SILVERTON BANK 25 MARINGA STREET MALAMULELE	DATE 12 June 2012
Pay <u>Thompson Garage</u> .	
The sum of <u>Twenty thousand rands and</u> <u>forty cents</u> .	
	R 20 000,40
<u>K. Kennedy (Faranani Traders)</u> <i>Signature</i>	

- 3.3.1 From the cheque above, identify the payee, drawer and drawee. (3)
- 3.3.2 Name the section of a cheque that is used as a source document to record the transaction. (1)
- 3.3.3 How should a business deal with a crossed cheque received as payment? (2)
- 3.4 Mr Kennedy knows that if he wants to check whether the business is making a profit, he must prepare an income statement. The bookkeeper's records are up to date. Use the information below to answer the questions.

	R
Opening stock	12 000
Telephone	500
Fuel	350
Rent income	3 000
Closing stock	4 000
Sales	35 000
Advertising	1 200
Purchases	1 500

- 3.4.1 Calculate the cost of sales. (4)
- 3.4.2 Calculate the gross profit. (3)
- 3.4.3 What is the amount of total gross income? (3)

3.4.4 How much profit did Faranani Traders make?

(2)
[30]

QUESTION 4

4.1 Faranani Traders, being a new business, are uncertain of how to determine the value of the business.

When they started this buying and selling business they were told that they will need non-current assets, current assets and sometimes they will have to make investments and incur liabilities in order to expand and succeed.

4.1.1 Define *non-current assets* and give an example of ONE type of non-current asset that Faranani Traders may need for the business in which they are engaged. (3)

4.1.2 Name TWO types of liabilities that a business can incur and give an example of each one. (4)

4.1.3 Name ANY example of a current asset that the business may have. (1)

4.1.4 What is the difference between working capital and start-up capital? (4)

4.2 Faranani Traders is registered as a VAT vendor. They sell their goods at a profit mark-up of 25% on cost.

Recently they purchased a laptop from Tshedza CC for R5 500 inclusive of VAT and resold it to W. Phethany.

4.2.1 Calculate the VAT amount that Faranani Traders paid when purchasing the Laptop from Tshedza CC. (2)

4.2.2 Calculate the selling price, exclusive of VAT, to be paid by W. Phethany. (3)

4.2.3 Calculate the amount of VAT paid by W. Phethany when he purchased the laptop. (2)

- 4.3 The financial manager of Faranani Traders realised that, for payment of small items he would need petty cash instead of using cheques. The following information was provided for you to complete the petty cash voucher on the ANSWER SHEET provided.

On 15 June 2012, R35 was requested for refreshments for visitors. K. Kennedy authorised the request. L. Mabel handed the money to S. Kate to buy the refreshments. The voucher number was 003.

(7)

- 4.4 Name FOUR ways in which Faranani Traders can limit or reduce theft in the business.

(4)

[30]

QUESTION 5

- 5.1 After each transaction, Mr Kennedy of Faranani Traders records the event in the relevant subsidiary journal.

Study the information provided and identify the subsidiary journal and source document for each transaction. Write only the answer next to the question number (5.1.1 – 5.1.8) in the ANSWER BOOK.

DATE	TRANSACTION	SOURCE DOCUMENT	SUBSIDIARY JOURNAL
1/03/12	Paid by cheque for equipment bought	5.1.1	5.1.2
4/03/12	Goods sold for credit	5.1.3	5.1.4
6/03/12	Debt written off as bad debts	5.1.5	5.1.6
15/03/12	Purchased goods from E & E Electrical on credit	5.1.7	5.1.8

(8)

- 5.2 What are the THREE sources of data needed to compile the cash flow statement?
- 5.3 Differentiate between VAT input and VAT output.
- 5.4 Net income can be paid out to the shareholders or ... in the company to be used in the next financial period.

(6)

(4)

(2)

- 5.5 When an order cheque is signed on the back, it can be transferred to pay someone else. The signature on the rear of the cheque is known as a/an ... (2)
- 5.6 What do the following abbreviations mean?
- 5.6.1 SITE (2)
- 5.6.2 PAYE (2)
- 5.7 Define the term *debit order*. (4)
- [30]**
- TOTAL: 150**

ANSWER SHEET**EXAMINATION NUMBER:**

CENTRE NUMBER:

QUESTION 2.4

RECEIPT No. 123	Date:
Received from:	
The sum of: Rands	
.....Cents	
R.....	
For:	
.....	
Signature	

(6)

QUESTION 4.3

4.3

PETTY CASH VOUCHER	No:
Date:	
Amount:	
For:	
Petty cashier:	
Receiver/Buyer.....	
Authorised by:	

(5)