

**DEPARTMENT OF FINANCIAL ACCOUNTING**

**ACCOUNTING MODULE FAC1502**

**TUTORIAL LETTER 102/1/2011 FOR FAC1502**

Dear Student

Please take note of the following information regarding this module:

**1. CONTACT DETAILS**

The contact details of the lecturers are as follows:

Tel no. 012 429 4245

**Note:** This number is linked to all the module lecturers telephone numbers.

E-mails:

[FAC1502-11-S1@my.unisa.ac.za](mailto:FAC1502-11-S1@my.unisa.ac.za) AND [FAC1502@unisa.ac.za](mailto:FAC1502@unisa.ac.za)

If you are registered on 'myLife' you should use the following E-mail address for all module related issues: [FAC1502-11-S1@my.unisa.ac.za](mailto:FAC1502-11-S1@my.unisa.ac.za) when sending E-mails from your 'myLife' E-mail address.

If you are not registered on 'myLife', you may use the E-Mail address: [FAC1502@unisa.ac.za](mailto:FAC1502@unisa.ac.za) when sending E-mails from a non-'myLife' E-mail address.

E-mails forwarded to these E-mail addresses will be responded on promptly, in most cases within one working day.

**PLEASE NOTE**

We are available for telephone enquiries from 08:00 to 16:00 on weekdays.

## 2. ERRATA

Unfortunately some errors occurred in the study material. The following were identified:

- **In Tutorial letter 101/3/2011 (English)**

- The last paragraph on page 11 refer to FAC1601, it should be FAC1502.
- Dates referring to 2010 should be 2011. Paragraph 7.2, the last date should be May/June 2012.

- **Assignment 1**

A decision was made to exclude Question 1, 5, 7 and 18 from the marking scheme. This assignment will be marked out of 16 questions. Further discussion regarding the questions is in Tutorial letter 201/1/2011.

- **Paragraph referencing in the study guide to the textbook**

The following referencing from the study guide to the textbook should be corrected:

- Page 21 of the study guide; paragraph 4.3, reference to 2.4.6 should be 2.4.2 and paragraph 4.4, reference to 2.4.7 should be 2.4.2.
- Page 237 of the study guide; paragraph 12.5, reference to 2.5.6 should be 2.5.4.

## 3. IMPORTANT E-MAIL ADDRESSES

**It is important to provide your student number, telephone and fax number as well as your e-mail and postal address.**

The e-mail address for REGISTRATION and EXAMINATION changes is: [econ@unisa.ac.za](mailto:econ@unisa.ac.za).

Other departments:

- |  |  |
|--|--|
| • Aegrotat exams (for re- or sick exams) | <a href="mailto:aegrotats@unisa.ac.za">aegrotats@unisa.ac.za</a> |
| • Assignments                            | <a href="mailto:assign@unisa.ac.za">assign@unisa.ac.za</a>       |
| • Despatch, study material               | <a href="mailto:despatch@unisa.ac.za">despatch@unisa.ac.za</a>   |
| • Examinations                           | <a href="mailto:exams@unisa.ac.za">exams@unisa.ac.za</a>         |
| • Finance                                | <a href="mailto:finan@unisa.ac.za">finan@unisa.ac.za</a>         |

## 4. GROUP VISITS

Group visits (discussion classes) will take place during the month of April 2011: See the table below for dates, times and region/centre nearest to you.

The centres, venues, dates and times of the visits are as follows:

	<b>Date</b>	<b>Time</b>	<b>Venue</b>
Cape Town	16 April 2011	08:30 – 13:00	Regional Office: 15 Jean Simonis Street, Parow
Durban	09 April 2011	08:30 – 13:00	Regional Office: 230 Stalwart Simelane (Stanger) Street
Florida	02 April 2011	08:30 – 13:00	Florida campus: Cnr Christiaan de Wet and Pioneer Avenue, Florida
Polokwane	09 April 2011	08:30 – 13:00	Polokwane campus: 29A Landros Maree Street Polokwane
Pretoria	02 April 2011	08:30 – 13:00	UNISA Main Campus, Muckleneuk: ZK Matthews Hall Theo van Wyk Building
Umtata	09 April 2011	08:30 – 13:00	Umtata regional office: 32 Victoria Street

**Please note:**

There are **no fees** payable to attend the group discussion classes.

As time is limited, it is essential that effective use is made of the lecturing time and therefore only certain important topics and known problem areas will be discussed.

It is very important that you work through the study material and assignments before the discussion as it will be assumed that you have this background knowledge. Please bring along all your tutorial letters (including solutions) and study guide as frequent references will be made to them.

**Please note that statistics indicated that students who attended group visits were more successful in their studies. Any unclear sections of the work or a possible lack of knowledge can therefore be timeously identified and rectified.**

## 5. DISCUSSION CLASS FORMAT

The format of the discussion classes will be as follows:

### 5.1 DVD evaluation

A study related DVD was included in your study pack as part of your study material. It will be assumed that you watched the DVD before the discussion class. During the discussion class, an evaluation of the DVD will be conducted.

### 5.2 Discussion of general problem areas

Those issues in the study material that seems in general to be problematic, will be highlighted and discussed.

### 5.3 Questions and answers

Students are requested to prepare focussed questions on issues that are unclear. As we are limited to a preset timeframe, only course related issues will be discussed and some questions that are not in the general interest will be addressed via direct communication (telephone or e-mail).

### 5.4 Examination information

Information relating to the May/June 2011 examination will be provided.

With best wishes.

Prof D Scott  
Ms A du Plessis  
Mr P Maraisane  
Ms KA Nkome  
Mr D von Well  
Ms JHJ Coetzee (Secretary)

**LECTURERS: ACCOUNTING 1: MODULE FAC1502**

**ANNEXURE:** Oct/Nov 2010 Examination paper and suggested solution.

## 6. OCTOBER/NOVEMBER 2010 EXAMINATION PAPER

UNIVERSITY EXAMINATIONS



UNIVERSITEITSEKSAMENS

**UNISA** |   
 university  
 of south africa

**FAC1502  
 RAC101B**

October/November 2010

**ACCOUNTING CONCEPTS, PRINCIPLES AND PROCEDURES**

Duration : 2 Hours

100 Marks

EXAMINERS :

FIRST :

 PROF D SCOTT  
 MRS KA NKOME

 MISS A DU PLESSIS  
 MR P MARAISANE

SECOND :

PROF JS JANSEN VAN RENSBURG

Use of a non-programmable pocket calculator is permissible.

This question paper consists of 6 pages.

**PLEASE NOTE:**

1. Ensure that you are writing the correct examination paper.
2. Ensure that you are handed the correct examination answer book (BLUE) by the invigilator.
3. All questions must be answered.
4. Basic calculations, where applicable, must be shown.
5. The answer to each question must be commenced on a new (separate) page.
6. Please do not answer the paper in pencil.
7. PROPOSED TIMETABLE (try not to deviate from this):

QUESTION	TOPIC	MARKS	TIME (minutes)
1	Short questions	32	38
2	Accounting equation	18	22
3	Asset realisation	15	18
4	Financial statements	35	42
	TOTAL	100	120

**QUESTION 1** (32 marks) (38 minutes)

This question consists of six (6) short questions.

- 1.1 During January 2010 Mogan Dealers purchased goods to the value of R6 000, one third of which was sold for R3 500 during January. Rental and electricity for the month amounted to R500 and R80 respectively.

**Required:**

Calculate the total costs to be taken into account against income for January 2010. (3)

- 1.2 The following information relates to the 2010 financial year of Black Bird CC:

	<b>R</b>
Sales .....	300 000
Purchases .....	275 000
Inventory on hand at 28 February 2009 .....	25 000
Inventory on hand at 28 February 2010 .....	55 000
Purchases returns.....	50 000
Carriage on sales.....	4 000
Customs duties .....	5 000

**Required:**

Calculate the gross profit percentage on sales for the year ended 28 February 2010. (6)

- 1.3 The following information was taken from the accounting records of Midway Traders at 31 March 2010 before any adjustments or closing entries had been made:

	<b>R</b>
Trade debtors (31 March 2010) .....	18 000
Allowance for credit losses (balance at 1 April 2009) .....	1 000
Credit losses written off during the year.....	600

Additional information:

An amount of R500 must still be written off as irrecoverable.

The allowance for credit losses must be maintained at 5% of outstanding debtors.

**Required:**

Calculate the amount to be disclosed as credit losses in the statement of comprehensive income of Midway Traders for the year ended 31 March 2010. (6)

- 1.4 Medcall started business on 1 March 2008 and purchased two delivery motorbikes at R12 000 each. The financial year of the entity ends at 28 February of every year and depreciation on the motorbikes is calculated at 30% per annum according to the diminishing balance method.

One of the motorbikes was involved in an accident on 30 April 2010 and was completely written off. R5 000 was received from the insurance company.

**Required:**

Calculate the profit or loss on the scrapping of the motorbike. (5)

- 1.5 The membership fees of the Claysville Club was R150 for 2008 and R180 for 2009 per member per annum. At 31 December 2008, the end of the financial year, the membership fees of 5 members was received in advance for the 2009 financial year (at the new rate for membership fees applicable to 2009). On the same date the membership fees of 8 members were still outstanding for 2008.

**QUESTION 1 (continued)**

During 2009 membership fees received amounted to R21 720, including R1 200 in respect of 2008 and R1 230 in respect of 2010. The membership fees of 7 members were still outstanding at 31 December 2009.

**Required:**

Calculate the amount to be credited to the income and expenditure account of the club at 31 December 2009 in respect of membership fees. *Hint:* Prepare the membership fees ledger account. (6)

- 1.6 You must prepare a bank reconciliation statement at 30 April 2010. A comparison with the bank account and other financial information reveals the following differences that must be taken into consideration:

Cheques not appearing on the bank statement:

- Cheque 197: R2 000
- Cheque 212: R1 000
- Cheque 213: R5 000

Receipts not appearing on the bank statement:

- P Muller paid R14 000 in settlement of his account.

Additional information:

- The balance on the bank statement for the month ended 30 April showed a balance of R36 000 (CR).
- The balance in the bank account showed a balance of R22 000 (DR) at 1 April 2010.
- The totals of the bank columns in the subsidiary journals had the following balances:
  - Cash receipts journal, R 60 000
  - Cash payments journal, R 40 000.

**Required:**

Prepare a bank reconciliation statement for the month ended 30 April 2010. (6)

**QUESTION 2** (18 marks) (22 minutes)

The following transactions took place in the business of Haricool Air Conditioners during September 2010:

1. Harold, the owner of Haricool Air Conditioners, deposited R50 000 as additional capital into the bank account of the entity.
2. Harold bought a light utility vehicle (LUV) for the business from Auto Motors at a total price of R28 000 and paid a deposit of R5 000 by cheque.
3. Install an air conditioner and received R4 000 cash.
4. Purchase four new air conditioners to be installed at a client during the next week, and paid R8 000 by cheque.
5. Invoice a corporate client for the installation of 10 air conditioners to the value of R42 000.
6. Harold had his private motor vehicle serviced and paid R1 750 with a business cheque.
7. Charged interest of R150 to the overdue account of a debtor, D Cooldare
8. An amount of R5 600 was written off as depreciation on the LUV.

**Note:** Haricool Air Conditioners uses a periodic inventory recording system.

**QUESTION 2 (continued)****Required:**

For each of the transactions listed above, indicate what account must be debited and what account must be credited in the general ledger, as well as the overall effect of each transaction on the elements of the accounting equation. Accept in all cases that the bank has a favourable balance. Present your answer in the following format:

ASSETS = EQUITY + LIABILITIES			ACCOUNT DEBITED	ACCOUNT CREDITED
+200	+200	0	Bank	Interest received

**QUESTION 3** (15 marks) (18 minutes)

Total Scrap Dealers had, amongst others, the following balances in their books at 1 September 2009:

	R
Vehicles	200 000
Accumulated depreciation: Vehicles	40 000

During the year ended 31 August 2010, the following transactions took place pertaining to vehicles:

- On 28 February 2010 a new vehicle was bought for R66 000 cash.
- On 1 June 2010 an old vehicle, which was bought on 1 December 2007 for R80 000, was sold on credit for R45 000.

Total Scrap Dealers provides for depreciation on all their assets at a rate of 20% using the straight-line method.

**Required:**

Prepare the following accounts in the general ledger of Total Scrap Dealers for the financial year ended 31 August 2010. (Show all your calculations):

- Vehicles (4)
- Accumulated depreciation: Vehicles (7)
- Asset realisation. (4)



**QUESTION 4** (35 marks) (42 minutes)

The following information was obtained from the accounting records of WS Dealers on the last day of the financial year of the business:

**WS DEALERS**  
**TRIAL BALANCE AS AT 31 MARCH 2010**

	<b>Dr R</b>	<b>Cr R</b>
Capital		207 300
Drawings	23 000	
Office equipment at cost	24 000	
Accumulated depreciation: Office equipment		8 400
Bank	102 700	
Fixed deposit	80 000	
Petty cash	2 000	
Inventory	22 000	
Debtors control	21 300	
Creditors control		12 100
Allowance for credit losses		1 200
Sales		208 550
Cost of sales	114 000	
Advertisements	800	
Salaries and wages	34 800	
Interest on fixed deposit		8 800
Rent income		3 600
Administrative expenses	2 600	
Repairs and maintenance	3 600	
Water and electricity	8 650	
Insurance	4 200	
Stationery	2 300	
Depreciation	4 000	
	<b>449 950</b>	<b>449 950</b>

**Additional information:**

1. The entity took out a fire insurance policy on 2 January 2010 and paid the annual premium of R2 880 for coverage until 31 December 2010.
2. On 31 March 2010 stationary to the value of R1 500 was still on hand.
3. Employee salaries of R4 500 were outstanding (not paid) on 31 March 2010.
4. A tenant moved into office space available for rent on 30 November 2009 and prepaid the rent for 12 months. No deposit was required.
5. The fixed deposit was invested a few years ago. Interest on the investment is provided for at 12% per annum.

**QUESTION 4 (continued)****Required:**

- 4.1 Prepare the statement of comprehensive income of WS Dealers for the year ended 31 March 2010. (17)
- 4.2 Prepare the statement of changes in equity of WS Dealers for the year ended 31 March 2010. (3)
- 4.3 Prepare the statement of financial position of WS Dealers as at 31 March 2010. (15)

## 7. SUGGESTED SOLUTION

**QUESTION 1** (32marks)**Question 1.1**

$$\overbrace{((6000 \times 1/3))}^{\checkmark} + 500 + 80 = R2\ 580 \quad (3)$$

**Question 1.2**

		R
Sales	^	300 000
Cost of sales		200 000
Opening inventory	^	25 000
Purchases (275 000 – 50 000)	^	225 000
Customs duties	^	5 000
Closing stock	^	(55 000)
Gross profit	✓	100 000

$$\text{Gross profit percentage: } \frac{100\ 000}{300\ 000} \times 100 = 33.3\% \text{ or } 33\% \quad (6)$$

**Question 1.3**

## Allowance for credit losses

Credit losses*		✓125	Balance	1 000
Balance	c/d	✓875		
		1 000		1 000

Allowance for credit losses 31 March 2010 (R18 000 – R500) x 5% = R875

Balancing figure\*

## Credit losses

Balance	b/d	✓600	Allowance for Credit Losses	✓125
Debtors	c/d	✓500	<b>Profit or loss (Statement of Comprehensive income)</b>	<b>✓975</b>
		1 100		1 100

(6)

$$\text{Alternative: } R600 + R500 - R125 \text{ (R1 000 - R875)} = R975$$

**QUESTION 1 (continued)**

**Question 1.4**

Depreciation calculation:

$$\begin{aligned}
 1/3/08 - 28/2/09: R12\ 000 \times 30\% &= R3\ 600 \checkmark \\
 1/3/09 - 28/2/10: R(12\ 000 - 3\ 600) \times 30\% &= 2\ 520 \checkmark \\
 1/3/10 - 30/4/10: R(12\ 000 - 6\ 120) \times 30\% \times 2/12 &= \underline{294} \checkmark \\
 &= \underline{6\ 414}
 \end{aligned}$$

$$\begin{aligned}
 \text{Carrying amount: } R(12\ 000 - 6\ 414) &= R5\ 586 \checkmark \\
 \text{Loss on scrapping of motorbike: } R(5\ 586 - 5\ 000) &= R\ 586 \quad (5)
 \end{aligned}$$

**Question 1.5**

		Membership fees					
		R 2009				R	
2009							
Jan 1	Fees accrued (150x8)	b/d	✓ 1 200	Jan 1	Fees in advance (180x5)	b/d	✓ 900
	<b>Income &amp;</b>	J	<b>21 450</b>		Bank	CRJ	✓ 21 720
Dec 31	<b>Expenditure</b> ✓	J	✓ 1 230	Dec 31	Fees accrued (180x7)	c/d	✓ 1 260
	Fees In advance						
			23 880				23 880

(6)

**Question 1.6**

**Bank Reconciliation Statement**

Details	Debit	Credit
Credit balance per bank statement		✓ 36 000
Outstanding cheques:		
• Cheque 197	✓ 2000	
• Cheque 212	✓ 1000	
• Cheque 215	✓ 5000	
Outstanding deposit		✓ 14000
Debit balance per bank account	✓ 42000	
	50000	50000

(6)

Alternative formats are acceptable. The calculations/entries are important and earn marks.

**QUESTION 2** (18 marks)

ASSETS = EQUITY + LIABILITIES			ACCOUNT DEBITED	ACCOUNT CREDITED	
	R	R	R		
1.	+ 50 000 <sup>^</sup>	+ 50 000 <sup>^</sup>	0	Bank <sup>^</sup>	Capital <sup>^</sup>
2.	+ 28 000 <sup>^</sup>	0	+ 28 000 <sup>^</sup>	Vehicles <sup>^</sup>	Creditor (AutoMotors) <sup>^</sup>
	- 5 000 <sup>^</sup>	0	- 5 000 <sup>^</sup>	Creditor (Auto Motors) <sup>^</sup>	Bank <sup>^</sup>
3.	+ 4 000 <sup>^</sup>	+ 4000 <sup>^</sup>	0	Bank <sup>^</sup>	Sales/Fees earned/Services rendered, etc (but not 'income') <sup>^</sup>
*4.	- 8 000 <sup>^</sup>	- 8 000 <sup>^</sup>	0	Purchases <sup>^</sup>	Bank <sup>^</sup>
5.	+ 42 000 <sup>^</sup>	+ 42 000 <sup>^</sup>	0	Debtors control <sup>^</sup>	Sales/Fees earned/Services rendered, etc (but not 'income') <sup>^</sup>
6.	- 1 750 <sup>^</sup>	- 1 750 <sup>^</sup>	0	Drawings <sup>^</sup>	Bank <sup>^</sup>
7.	+ 150 <sup>^</sup>	+ 150 <sup>^</sup>	0	Debtor (D Cooldare) <sup>^</sup>	Interest received <sup>^</sup>
8.	- 5 600 <sup>^</sup>	- 5 600 <sup>^</sup>	0	Depreciation <sup>^</sup>	Accumulated depreciation <sup>^</sup>

**\* Note:**

When using a **periodic inventory system** a **Purchases account** is used to record all purchases of inventories.

**QUESTION 3** (15 marks)**TOTAL SCRAP DEALERS  
GENERAL LEDGER****3.1**

Dr				Vehicles				Cr	
Date		Details	Fol.	R	Date		Details	Fol.	R
2009					2010				
Sept	1	Balance	b/d	✓200 000	Jun	1	Asset realisation	GJ	✓80 000
2010					Aug	31	Balance	c/d	✓186 000
Feb	28	Bank	CPJ	✓66 000					
				266 000					266 000
Sept	1	Balance	b/d	186 000					

(4)

**3.2**

Dr				Accumulated depreciation: Vehicles				Cr	
Date		Details	Fol.	R	Date		Details	Fol.	R
2010					2009				
Jun	1	Asset realisation	GJ	✓✓40 000	Sept	1	Balance	b/d	✓40 000
Aug	31	Balance	c/d	✓42 600	2010				
				82 600	Jun	1	Depreciation	GJ	✓12 000
					Aug	31	Depreciation	GJ	✓✓30 600
									82 600
					Sept	1	Balance	b/d	42 600

(7)

**3.3**

Dr				Asset realisation				Cr	
Date		Details	Fol.	R	Date		Details	Fol.	R
2010					2010				
Jun	1	Vehicles	GJ	✓80 000	Jun	1	Accumulated depreciation: Vehicles	GJ	✓40 000
		Profit or loss (Profit on sale of asset)	GJ	✓5 000			Debtors control	GJ	✓45 000
				85 000					85 000

(4)

**Calculations:**1. Depreciation on vehicle sold:**R**

1 Dec 2007 – 31 August 2008:	$R80\,000 \times 20\% \times 9/12$	=	12 000
1 Sep 2008 – 31 August 2009:	$R80\,000 \times 20\%$	=	16 000
1 Sep 2009 – 1 June 2010:	$R80\,000 \times 20\% \times 9/12$	=	12 000
			<u>40 000</u>

2. Depreciation on new vehicle:**R**

1 March 2010 – 31 August 2010:	$R66\,000 \times 20\% \times 6/12$	=	6 600
<u>Depreciation on other vehicles:</u>	$R120\,000 \times 20\%$	=	24 000
<b>Total depreciation on vehicles:</b>	$R6\,600 + R24\,000$	=	<u>30 600</u>

**QUESTION 4** (35 marks)

4.1

**WS DEALERS****STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2010**

	<b>R</b>
Revenue (Sales)	✓208 550
Cost of sales	✓ (114 000)
Gross profit	94 550
Other income	10 800
Rent received (3 600 – 2400)	✓1 200
Interest on fixed deposit (8 800 + 800)	✓9 600
	105 350
Distribution, administration and other expenses	(61 790)
Advertisements	✓800
Salaries and wages (34 800 + 4 500)	✓39 300
Administrative expenses	✓2 600
Repairs and maintenance	✓3 600
Water and electricity	✓8 650
Insurance expense (4 200 - 2 160)	✓2 040
Stationery expense (2 300 - 1 500)	✓800
Depreciation	✓4 000
Profit / total comprehensive income for the year	43 560

(17)

4.2

**WS DEALERS****STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2010**

	<b>Capital R</b>
Balance as at 1 April 2009	✓207 300
Profit / total comprehensive income for the year	✓43 560
Drawings	✓(23 000)
Balance as at 31 March 2010	227 860

(3)

**QUESTION 4** (continued)

4.3

**WS DEALERS****STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2010**

<b>ASSETS</b>	<b>R</b>	<b>R</b>
<b>NON-CURRENT ASSETS</b>		95 600
Property, plant and equipment (24 000 <sup>^</sup> – 8 400 <sup>^</sup> )	✓15 600	
Fixed Deposit	✓80 000	
<b>CURRENT ASSETS</b>		151 260
Inventories (22 000+1 500 <sup>^</sup> )	✓23 500	
Trade and other receivables (21 300-1 200 <sup>^</sup> )	✓20 100	
Accrued Income	✓800	
Prepayments	✓2 160	
Cash and cash equivalents (102 700+2 000 <sup>^</sup> )	✓104 700	
<b>TOTAL ASSETS</b>		<b>246 860</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Capital		✓227 860
<b>CURRENT LIABILITIES</b>		
Trade and other payables(12 100+4 500 <sup>^</sup> +2 400 <sup>^</sup> )		^✓19 000
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>246 860</b>

(15)