

DEPARTMENT OF ACCOUNTING

ACCOUNTING MODULE ACN101-M

TUTORIAL LETTER 102/1/2009 FOR ACN101-M (FIRST SEMESTER 2009)

Dear Student

IMPORTANT:

ERRATA (CORRECTION): **Tutorial letter 101/3/2009, Assignment 1, page 31, question 20.**

Delete the word “percentage” from the question.

The question should read: Which one of the following alternatives represents the gross profit on sales for the year ended 30 April 20.7?

Please take note of the following information regarding this module:

1. TELEPHONE NUMBERS OF LECTURERS

Please replace the telephone numbers listed in paragraph 3.2 on page 4 of Tutorial Letter 101/3/2009 with the following list:

Dialing code for Pretoria - 012.

◆ The telephone numbers of lecturers assigned to ACN101-M:

Dr A J Bam	429-4941
Miss A du Plessis	429-4621
Mr P Maraisane	429-4426
Me KA Nkome	429-3830
Prof D Scott	429-4450

PLEASE NOTE

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

2. E-MAIL ADDRESS

You can also correspond with the Department via e-mail.

It is important to provide your student, 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.

Please make use of the e-mail address on MyUnisa for ACN101-M.

Other departments:

- Aegrotat exams (for re- or sick exams) aegrotats@unisa.ac.za
- Assignments assign@unisa.ac.za
- Despatch, study material despatch@unisa.ac.za
- Examinations exams@unisa.ac.za
- Finance finan@unisa.ac.za

3. GROUP VISITS

During February 2009 and April 2009 group visits will take place in Cape Town, Durban and Pretoria. To facilitate your arrangements, the information regarding venues and dates is given below.

Two group visits will be presented per centre during the semester. The **first visit** will cover an Introduction to Accounting and the first 8 (and 11) study units in your study guide. The remainder of the syllabus will be dealt with during the **second visit**.

Please note:

There are **no fees** payable to attend the lectures.

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

The following topics (using examples from the study guide, the textbook and assignments) will be discussed:

FIRST VISIT:

1. An introduction to accounting
2. Basic accounting equation (Study guide, Revision Exercise 2, p.36)
3. Discussion on VAT (Text book, p. 103)
4. Journals i.r.o. VAT (Study guide, Exercise 6.2, p. 85)
5. Adjustment journals (Study guide, Revision Exercise 7.5, p. 112)
6. Closing entries (Text book, Example 8.1, p. 139)
7. Inventory systems (Study guide, Example to illustrate both inventory systems on p. 121 and 125)

SECOND VISIT:

1. Bank reconciliations (Text book, Example 9.1, p. 178)
2. Debtors control accounts (Text book, Example 10.18, p. 235)
3. Credit losses (Study guide, Revision Exercise 2, p. 217)
4. Property, plant and equipment (Text book, Example 12.11, p. 276)
5. Financial statements (Text book, Comprehensive example, p. 333)
6. Non-profit entities (Text book, Example 17.2, p. 343)
7. Incomplete records (Text book, Example 18.2, p. 372)

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.

All lecturers will discuss the same topics, units and examples. Please note that the lectures will be in English. If so requested, explanations will be given in Afrikaans.

The centres, venues, dates, times at which students (sometimes grouped according to surnames) should report, are as follows:

FIRST VISIT:

CAPE TOWN: The group visit will take place on 24/02/2009.

Venue: Regional Office: Jean Simonis Street 15, Parow.

Date	Time	Venue	Surnames
24/02/2009	08:30 – 12:50	See local notice Board	All

DURBAN: The group visit will take place on 26/02/2009 and 27/02/2009.

Venue: Regional Office: No.230 Stalwart Simelane (Stanger) Street, Durban.

Date	Time	Venue	Surnames
26/02/2009	08:30 - 12:50	See local notice Board	A to M
27/02/2009	08:30 - 12:50		N to Z

PRETORIA: The group visit will take place on 27/02/2009.

Venue: ZK Matthews Great Hall, UNISA Main Campus, Mucleneuk, Pretoria.

Date	Time	Venue	Surnames
27/02/2009	08:30 - 12:50	ZK Matthews Great Hall, UNISA, Main Campus.	All

SECOND VISIT:

CAPE TOWN: The group visit will take place on 21/04/2009

Venue: Regional Office: Jean Simonis Street 15, Parow.

Date	Time	Venue	Surnames
21/04/2009	08:30 - 12:50	See local notice Board	All

DURBAN: The group visit will take place on 23/04/2009 and 24/04/2009.

Venue: Regional Office: 230 Stalwart Simelane (Stanger) Street, Durban.

Date	Time	Venue	Surnames
23/04/2009	08:30 - 12:50	See local notice Board	A to M
24/04/2009	08:30 - 12:50		N to Z

PRETORIA: The group visit will take place on 23/04/2009.

Venue: ZK Matthews Great Hall, UNISA Main Campus, Mucleneuk, Pretoria.

Date	Time	Venue	Surnames
23/04/2009	08:30 - 12:50	ZK Matthews Great Hall, UNISA, Main Campus.	All

4. TERMINOLOGY

Please be aware of the changes in terminology introduced at the beginning of 2008. If you are still using 'old' study material, change the 'old terminology' to the 'new terminology' as shown below:

Old terminology	New terminology
Bad debts	Credit losses
Provision for bad debts	Allowance for credit losses
Discount granted	Settlement discount granted
Discount received	Settlement discount received
Discount allowed cancelled	Settlement discount granted forfeited
Discount received cancelled	Settlement discount received forfeited

Old terminology	New terminology
Income Statement for the year	Statement of comprehensive income for the year
Balance sheet as at	Statement of financial position as at
Profit for the period	Profit (comprehensive income) for the year
Balance sheet as at Non-current liabilities Interest-bearing borrowings Current liabilities Short-term borrowings Current portion of long-term loan	Statement of financial position as at Non-current liabilities Long-term borrowings Current liabilities Short-term borrowings Current portion of long-term borrowings
<p>The four categories of financial instruments, are: (see textbook, p.291-292)</p> <ol style="list-style-type: none"> 1. Financial asset (or financial liability) at fair value through profit or loss. 2. Held-to-maturity investment. 3. Loans and receivables. 4. Available-for-sale financial assets. 	

5. EXAMPLE OF EXAMINATION PAPER

Below is the exam paper for October 2008, with the solutions.

This paper consists of 6 pages. The duration is 2 hours.

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	Subject	Marks	Time in minutes
1	Cash transactions and bank reconciliation	25	30
2	Debtors control account	18	22
3	Incomplete records	25	30
4	Closing entries	32	38
	TOTAL	100	120

QUESTION 1 (25 marks) (30 minutes)

The following bank reconciliation statement was prepared at 31 March 2008 in the books of Lungile Services:

Bank reconciliation statement as at 31 March 2008		
	Debit	Credit
	R	R
Credit balance as per bank statement		1 649
Credit outstanding deposit.....		960
Credit incorrect entry on bank statement		204
Debit outstanding cheques:		
No. 558	360	
No. 813	102	
No. 821	199	
Debit balance as per bank account.....	2 152	
	2 813	2 813

The following is a summary of the deposits and cheque payments recorded in the cash receipts journal and the cash payments journal for April 2008:

Cash receipts journal				Cash payments journal			
Doc No.	Date	Details	Bank (Amount deposited)	Doc. No.	Date	Details	Bank (Amount paid)
			R				R
	7	Deposit	932	823	3	Telephone	360
	16	Deposit	1 992	824	6	Purchases	4 530
	20	L. Good	420	825	11	Insurance	244
	27	Deposit	2 152	826	16	Wages	252
	30	Deposit	1 152	827	20	F Andy	376
				SO	25	Salaries	1 950
				828	27	Water and electricity	84
				CU		K Dandy	142
				829	30	G Bush	685

Abbreviations:

SO = Stop order

CU = Cheque previously deposited, unpaid (R/D)

The bank statement received on 30 April was as follows:

Bank statement: Lungile Services - April 2008				
Date	Details of	Debit	Credit	Balance
		R	R	R
April 1	Balance.....			1 649 Cr
	Error corrected.....		204	1 853 Cr
2	Deposit		960	2 813 Cr
	Cash deposit fee.....	19		2 794 Cr
7	Cheque No. 821	199		2 595 Cr
	Deposit		932	3 527 Cr
	Cash deposit fee.....	18		3 509 Cr
12	Deposit (rent).....		240	3 749 Cr
	Cash deposit fee.....	5		3 744 Cr
16	Cheque No. 823	360		3 384 Cr
20	Cheque No. 824	4 350		966 Dr
	Deposit		1 992	1 026 Cr
	Cash deposit fee.....	40		986 Cr
	Deposit		420	1 406 Cr
	Cash deposit fee.....	8		1 398 Cr
	MF.....	90		1 308 Cr
25	Cheque No. 825	244		1 064 Cr
27	Cheque No. 826	252		812 Cr
	Stop order.....	1 950		1 138 Dr
	Deposit		2 152	1 014 Cr
	Cash deposit fee.....	43		971 Cr
	Unpaid cheque (K Dandy)	142		829 Cr
	Cheque fees	16		813 Cr
	IN	10		803 Cr

Additional information:

- Abbreviations:
MF= Management Fee
IN = interest on overdraft.
- Cheque No. 558 was drawn on 16 October 2007 in favour of K Kara for repairs to the building. The cheque is stale and must be cancelled.
- The correct amount of cheque 824 is R4 350 and not R4 530.
- Cheque No.828 was mislaid by the Municipality and the bank was notified to stop payment. No entries were made to record this.

Required:

- 1.1 **Finalise** the cash receipts journal and the cash payments journal and post the totals of the cash receipts journal and cash payments journal to the bank account. (12)
- 1.2 **Open** and **complete** the bank account for April 2008 in the general ledger of Lungile Services. (5)
- 1.3 **Prepare** a bank reconciliation statement as at 30 April 2008. (8)

QUESTION 2 (18 marks) (22 minutes)

The following information relates to Ekhozi Trading for the month ending 29 February 2008.

The balance of the **debtors control** account on 1 February was R15 300.

Totals of the selected journal columns for February 2008 are as follows:

Cash receipts journal:	R
Debtors	15 000
Settlement discount granted.....	2 000
Sales	22 000
Cash payment journal:	
Creditors	27 000
Purchases.....	15 400
Debtors (R/D cheques).....	2 200
Sales journal	13 000
Purchases journal	14 000
Sales return journal	400
Bills payable journal	900
Bills receivable journal	1 100
General journal:	
Credit losses	1 300
Accounts with debit balances transferred from the creditors ledger as debtors balances	500
Interest charged on overdue accounts.....	800
Settlement discount on R/D cheque.....	70

On reconciling the balance on the debtors control account with the list of balances from the debtor's ledger, the following were discovered:

1. The sales journal was overcast by R200.
2. Credit note for R90 to P Prune, was erroneously omitted.
3. Sales invoice for R1 500 has been entered correctly in T Toy's ledger account but incorrectly in the sales journal as R1 150.
4. Debtor P Paul, who owed R1 600, was declared insolvent. His estate paid 60 cents in the Rand. All the relevant entries must still be recorded in the books.
5. While preparing the bank reconciliation, it was discovered that a direct deposit was made by S Son, a debtor for R2 000. All relevant entries must still be done.

Required:

Prepare the debtors control account (properly balanced) in the general ledger of Ekhozi Trading at 29 February 2008. (18)

QUESTION 3 (32 marks)(38 minutes)

F Focus runs a small business from home, and does not keep proper accounting records. He needs to calculate his profit/loss for income tax purposes and requests your assistance. You establish the following:

	2007	2008
	R	R
Balances at 30 April:		
Furniture at cost (Bought on 30 April 2007).....	25 000	25 000
Tools and equipment at cost (Bought on 30 April 2007)	46 500	46 500
Inventory: Trading.....	9 800	10 200
Bank (favourable).....	-	2 480
Bank overdraft.....	6 500	-
Long-term borrowings	14 000	9 200
Creditors.....	5 200	6 120
Income received in advance	3 800	5 000
Accrued expenses	1 600	1 300

Additional information:

- (a) F Focus drew R100 000 during the year for own use.
- (b) Depreciation at 20% per annum on the cost price of furniture, as well as tools and equipment must still be provided for.

Required:

- 3.1 **Calculate** the estimated profit/loss of F Focus for the year ended 30 April 2008. (15)
- 3.2 **Prepare** the statement of financial position of F Focus as at 30 April 2008. (8)
- 3.3 **Prepare** the note on property, plant and equipment as at 30 April 2008. (9)

QUESTION 4 (26 marks)(31 minutes)

The following information was obtained from the books of Roberto Traders.

TRIAL BALANCE OF ROBERTO TRADERS AS AT 30 JUNE 2008		
	Debit R	Credit R
Capital.....		100 000
Drawings.....	2 445	
Land and Buildings at cost.....	200 000	
Vehicles at cost.....	120 000	
Furniture and fittings at cost.....	65 000	
Accumulated depreciation on vehicles (30-06-2008).....		54 700
Accumulated depreciation on furniture and fittings (30-06-2008).....		22 700
Debtors control.....	6 780	
Inventory: Trading - 01-07-2007.....	13 550	
Bank.....	7 775	
Cash float.....	500	
Mortgage loan.....		150 000
Loan from Africa Bank.....		50 000
Creditors control.....		3 200
Sales.....		256 400
Carriage on purchases.....	660	
Commission income.....		15 000
Credit losses.....	244	
Depreciation.....	15 400	
Insurance.....	2 400	
Packing materials.....	3 300	
Purchases.....	154 880	
Purchases returns.....		245
Rent income.....		3 600
Sales returns.....	1 338	
Settlement discount granted.....	553	
Settlement discount received.....		155
Wages.....	56 775	
Water and electricity.....	4 400	
	656 000	656 000

Additional information:

Trading Inventory of R14 885 at 30 June 2008, has not yet been brought into account.

Required:

- 4.1 Show the journal entries for bringing the closing inventory into account. (3)
- 4.2 Show the journal entries for the closing of accounts applicable. (13)
- 4.3 Complete the trading account and the profit and loss account in the general ledger. (10)

SOLUTION(S) : ACN101M EXAMINATION PAPER FOR ACN101M OCT/NOV 2008**QUESTION 1** (25 marks) (30 minutes) (Note: ✓ = one mark, and ^ = ½ mark)

Cash receipts journal of Lungile Services for April 2008			
			Receipts (Bank)
			R
		<i>Pencil total/ sub-total</i>	✓ 6 648
		Repairs (Cheque 558 cancelled)	✓ 360
		Rent income (B/S)	✓ 240
		Purchases (Correction cheque 824)	✓✓ 180
		Water and electricity (Cancellation cheque 828)	✓✓ 84
			<u>7 512</u>

(7)

Cash payments journal of Lungile Services for April 2008			
			Payments (Bank)
			R
		<i>Pencil total/ sub-total</i>	✓ 8 623
		Interest on bank overdraft (B/S)	✓✓ 10
		Bank charges	✓✓ 239
			<u>8 872</u>

(5)

BANK ACCOUNT							
Dr				Cr			
Apr	1	Balance b/d	R	Apr	30	Total payments	R
	30	Total receipts	✓ 2 152			Balance ✓ c/d	✓ 8 872
			✓ 7 512				792
			<u>9 664</u>				<u>9 664</u>
May	1	Balance ✓ b/d	792				

(5)

BANK RECONCILIATION STATEMENT AS AT 30 APRIL 2008			
		debit	credit
		R	R
	Balance as per bank statement		✓✓ 803
	Credit outstanding deposit		✓ 1 152
	Debit cheques not yet presented for payment:		
	No. 813	✓✓ 102	
	No. 827	✓ 376	
	No. 829	✓ 685	
	Balance as per bank account	✓ 792	
		<u>1 955</u>	<u>1 955</u>

(8)

TOTAL: 25

QUESTION 2 (18 marks) (22 minutes)

Dr		DEBTORS CONTROL				Cr	
			R				R
01 Feb 2008	Balance	b/d	15 300	29 Feb 2008	Bank (15 000✓+ 960✓+2 000✓)	CPJ	17 960
29 Feb 2008	Sales (13 000✓ - 200✓+350✓)	SJ	13 150		Sales return (400✓+90✓)	SRJ	490
	Bank	CRJ	2 200 ✓		Bills receivables	GJ	1 100 ✓
	General journal (500+800+70) ✓ ✓ ✓	GJ	1 370		General journal (1 300 + 640) ✓ ✓	GJ	1 940
					Balance	c/d	10 530 ✓
			32 020				32 020
01 March 2008	Balance	b/d	10 530 ✓				

QUESTION 3 (32 marks)(38 minutes)3.1 Calculation of profit/loss (15 marks)**F FOCUS****STATEMENT OF ASSETS AND LIABILITIES AS AT 30 APRIL 2007** ✓

	R
ASSETS	
Furniture	^25 000
Tools and equipment	^46 500
Inventory	^9 800
TOTAL ASSETS	81 300
LIABILITIES	
Long-term borrowing	^14 000
Creditors	^5 200
Income received in advance	^3 800
Accrued expenses	^1 600
Bank overdraft	^6 500
TOTAL LIABILITIES	31 100

(5)

Calculation of equity at the beginning of the period

$$\begin{aligned}
 \text{Equity} &= \text{Assets} - \text{Liabilities} \\
 &= \text{R}81\,300 - \text{R}31\,100 \\
 &= \text{R}50\,200
 \end{aligned}$$

STATEMENT OF ASSETS AND LIABILITIES AS AT 30 APRIL 2008 ✓

	R
ASSETS	
Furniture	^25 000
Tools and equipment	^46 500
Inventory	^10 200
Bank	^2 480
TOTAL ASSETS	84 180
LIABILITIES	
Long-term borrowing	^9 200
Creditors	^6 120
Income received in advance	^5 000
Accrued expenses	^1 300
TOTAL LIABILITIES	21 620

(5)

Calculation of equity at the beginning of the period

$$\begin{aligned} \text{Equity} &= \text{Assets} - \text{Liabilities} \\ &= \text{R}84\,180 - \text{R}21\,620 \\ &= \text{R}62\,560 \end{aligned}$$

Estimated profit/loss:

	R
Capital at the end of the financial period.....	✓62 560
Capital at the beginning of the period	<u>✓(50 200)</u>
	12 360
Drawings.....	✓100 000
Adjustments: Depreciation	(14 300)
Furniture	<input type="text" value="✓5 000"/>
Tools and fittings	<input type="text" value="✓9 300"/>
Estimated profit for the period	<u><u>98 060</u></u>
	(5)

3.2 Statement of financial position (10 marks)

F FOCUS

STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2008

ASSETS	Note	R
Non-current assets		57 200
Property, plant and equipment	1	<input type="text" value="✓ 57 200"/>
Current assets		12 680
Inventory		<input type="text" value="✓10 200"/>
Cash and cash equivalents		<input type="text" value="✓2 480"/>
TOTAL ASSETS		69 880
EQUITY AND LIABILITIES		
Total equity		48 260
Capital (50 200 + 98 060 – 100 000)		<input type="text" value="✓48 260"/>
Non-current liabilities		9 200
Long-term borrowings: Long term loan Bean Ltd		<input type="text" value="✓9 200"/>
Current liabilities		12 420
Trade and other payables (6 120 + 5 000 + 1 300)		<input type="text" value="✓✓✓12 420"/>
TOTAL EQUITY AND LIABILITIES		<u>69 880</u>

(8)

3.3 Note on property, plant and equipment (9 marks)

F FOCUS

Notes to the financial statements - 30 April 2008.

1 Property, plant and equipment

	Furniture	Tools and Equipment	✓ Total
	R	R	R
<i>Carrying amount:</i>			
Beginning of year	✓ 25 000	✓ 46 500	71 500
Cost	25 000	46 500	71 500
Accumulated depreciation	-	-	-
Additions	-	-	-
Depreciation for the year	✓ (5 000)	✓ (9 300)	(14 300)
<i>Carrying amount:</i>			
End of year	20 000	37 200	57 200
Cost	✓ 25 000	✓ 46 500	71 500
Accumulated depreciation	✓ (5 000)	✓ (9 300)	(14 000)

(9)

QUESTION 4 (25 marks)(31 minutes)

4.1 Trading Inventory brought into account

		debit	Credit
	Trading acc Inventory: Trading (opening) <i>Closing transfer of opening inventory</i>	^13 550	^^13 550
	Inventory: Trading (closing) Trading acc <i>Closing transfer of closing inventory</i>	^14 885	^^14 885

(6x½=3)

4.2 Closing entries

	Sales Settlement discount granted <i>Closing transfer of settlement discount</i>	^553	^553
	Settlement discount received Purchases <i>Closing transfer of settlement discount</i>	^155	^155
	Trading acc Carriage on purchases Purchases Sales returns <i>Closing transfers</i>	^156 723	^660 ^154 725 ^1 338
	Sales Purchases returns Trading acc <i>Closing transfers</i>	^255 847 ^245	^256 092
	Trading acc Profit and loss <i>Transfer of gross profit</i>	^100 704	^^100 704
	Profit and Loss Credit losses Depreciation Insurance Packing materials Wages Water and electricity <i>Closing transfers</i>	^82 519	^244 ^15 400 ^2 400 ^3 300 ^56 775 ^4 400
	Commission income Rent income Profit and loss <i>Closing transfers</i>	^15 000 ^3 600	^18 600
	Profit and Loss Capital <i>Closing transfer of profit</i>	^36 785	^36 785

(26x½=13)

4.3 General ledger of Roberto Traders

Dr		Trading account				Cr	
			R				R
Ju	3	Inventory (1-7-2007)	^13 550	J	3	Inventory (30-06-	
n	0	Carriage on purchases	^660	u	0	2007)	^14 885
		Purchases(154 880-	^^154 725	n		Sales(256 400-553)	^^255 847
		155)				Purchases returns	^245
		Sales returns	^1 338				
		Profit and loss (gross)	^100 704				
			270 977				270 977

Dr		Profitand loss account				Cr	
			R				R
Ju	3	Credit losses	^244	Ju	3	Trading acc	^100 704
n	0	Depreciation	^15 400	n	0	Commission income	^15 000
		Insurance	^2 400			Rent income	^3 600
		Packing materials	^3 300				
		Wages	^56 775				
		Water and electricity	^4 400				
		Capital (profit)	^36 785				
			119 304				119 304

(20x $\frac{1}{2}$ =10)
TOTAL: 26