

**SCHOOL OF ACCOUNTING SCIENCES**

**DEPARTMENT OF FINANCIAL ACCOUNTING**

**ACCOUNTING COURSE ACN101M**

**TUTORIAL LETTER 201 FOR ACN101M: SECOND SEMESTER 2008**  
**SOLUTION ASSIGNMENTS 01 AND 02**

Dear Student

Enclosed please find the solutions to assignments 01/2/2008 and 02/2/2008.

It is in your own interest to work through the assignments and their solutions and your own solutions.

The following questions have been marked:

Assignment 01 = 100 marks (year mark)

Assignment 02

Question 5 only = 23 marks (not counting towards year mark)

Refer to par 9 of tutorial letter 101/3/2008 for more information regarding the examination. The examination paper is a two-hour paper and consists of "long type" questions only.

**TELEPHONE NUMBERS**

Please replace the telephone numbers listed in paragraph 3.2 of Tutorial Letter 101/3/2008 with the following list:

**◆ The telephone numbers of lecturers assigned to ACN101M:**

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**PLEASE NOTE**

We are available for telephone enquiries from 08:00 to 09:45 and from 10:15 to 16:00 on weekdays.

**ANNEXURE A: TERMINOLOGY****ANNEXURE B: EXAMINATION INFORMATION****ANNEXURE C: SOLUTION ASSIGNMENT 01/2/2008  
(SECOND SEMESTER)****ANNEXURE D: SOLUTION ASSIGNMENT 02/2/2008  
(SECOND SEMESTER)**

**ANNEXURE A: TERMINOLOGY**

Please note the following changes in accounting terminology:

Note:

Tutorial letter 101 and the Study Guide were prepared before the changes were introduced by SAICA. The authors of the textbook (About Financial Accounting, volume 1, second edition) managed to introduce the changes as the textbook was printed much later in 2007:

<b>Old terminology</b>	<b>New terminology</b>
Bad debts Provision for bad debts Discount allowed Discount received Discount allowed cancelled Discount received cancelled	Credit losses Allowance for credit losses Settlement discount granted Settlement discount received Settlement discount granted forfeited Settlement discount received forfeited
<b>Balance sheet</b> Non-current liabilities Interest-bearing borrowings  Current liabilities Short-term borrowings Current portion of long-term loan	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. 286-288)</p> <ol style="list-style-type: none"> <li>1. A financial asset (or liability) at fair value through profit or loss</li> <li>2. Held-to-maturity investment.</li> <li>3. Loans and receivables.</li> <li>4. Available-for-sale financial assets.</li> </ol>	

## **ANNEXURE B: EXAMINATION INFORMATION (TIPS)**

A. Your examination paper will start with the following information and/or instructions:

Use of a non-programmable pocket calculator is permissible.

### **PLEASE NOTE:**

1. Ensure that you are writing the correct examination paper (ACN101M).
  2. Ensure that you are handed the correct examination answer book (BLUE) by the invigilator.
  3. All questions must be answered. (Use a blue or black pen and **NOT** a pencil)
  4. Basic calculations, where applicable, must be shown.
  5. Each question must be commenced on a new (separate) page.
  6. Please do not answer the paper in pencil.
- B. 1. Do the calculations in your script (not on the exam paper).
2. It is not necessary to answer the questions in number sequence.
  3. The examination script consists of a book with 12 pages. Every page has three amount columns on the right hand side (similar to cash book paper). If you don't want or cannot use the columns, ignore it and draw your own columns or T-accounts. You may open the book and use the left hand page (Dr-side) and the right hand page (Cr-side).  
  
Make sure that you **indicate** what (account) is being debited and what (account) is being credited. No marks will be allocated if you swop the debit and credit sides.
  4. When you are required to prepare one of the cash journals (CRJ or CPJ), please use a double page (eg page 2 and 3) to prepare the journals. Use the given columns (both pages), which will avoid the time consuming to draw several lines.
  5. Ensure that you apply the correct format of the Income statement, Balance sheet and Statement of changes in equity (Study Guide 2008).
  6. **IMPORTANT:**  
  
Do your calculations on the page opposite to your actual answers. Marks are sometimes allocated for calculations.
  7. Please commence each question on a new (separate) page. Basic calculations, where applicable, must be shown.
  8. The paper will consist of FOUR (4) questions.

**ANNEXURE C: SOLUTION ASSIGNMENT 01**  
(SECOND SEMESTER)

1. Option 2: (e), (a), (d), (b), (c), (f)

2. Option 1 R3 675

$$1. R(2\ 160 \times 10/12 = 1\ 800) + R(4\ 140 \times 5/12 = 1\ 725) + R(1\ 800 \times 1/12 = 150) = R3\ 675$$

3. Option 2: R187 500

Calculation:

	R
<u>Assets</u>	
Delivery truck	135 000
Inventory	45 000
Bank	22 500
Debtors	90 000
	292 500
<u>Liabilities – Creditors</u>	(105 000)
Equity	187 500

4. Option 4:

Comment:

The asset account “inventory” will decrease with R1 000 and the asset account “bank” will increase with R1 500. Equity will increase with the profit of R500.

Assets		=	Equity + Liabilities	
Cash	Inventory		Profit	
R +1 500	R -1 000		R +500	

5. Option 3: Posting of a debit from a journal was omitted.

Comment:

Option 1: Neither the debit nor the credit portion of the transaction has been recorded and thus an omission will have no effect on the trial balance.

Option 2: As there are a debit and a credit entry for the same amount, this mistake will not be revealed by a trial balance.

Option 4: If a transaction is wrongly analysed and classified, there will be a debit and a credit entry for the transaction and such a mistake will not be revealed by a trial balance.

**ASSIGNMENT 01 (continued)**

6. Option 5: Bank: R9 120; Settlement discount received: R2 000; creditors control: R11 400; VAT Input (Cr): R280

Calculation:

Bank:  $R11\ 400 - R(11\ 400 \times 20\%) = 2\ 280 = R9\ 120$

Settlement discount received:  $R11\ 400 \times 20\% = R2\ 280$  **Less** VAT on this  $(2\ 280 \times 1,14) = R2\ 000$

Creditors control: R11 400

VAT Input (Cr):  $R11\ 400 / 1,14 = R10\ 000 \times 20\% = R2\ 000 \times 14\% = R280$

Comment:

Option 4 would have been correct if it was VAT **Output**.

7. Option 1: R8 430

Cash receipts journal

Bank	Sales	Debtors	Settlement discount granted	Sundry
29 130	11 400	*8 430	420	9 720
Dr Bank	Cr Sales	Cr Debtors	Dr Settlement discount granted	Cr Sundry

8. Option 2: Dividend income

9. Option 3: R219 000

	<b>R</b>	<b>R</b>
Revenue $R(220\ 000 + 380\ 000 - 4\ 000)$		596 000
<i>Less:</i> Cost of sales		377 000
Opening inventory	21 000	
Purchases $R(120\ 000 + 250\ 000 - 3\ 000)$	367 000	
Freight on purchases	9 000	
Import duties	5 000	
	402 000	
<i>Less:</i> Closing inventory	25 000	
Gross profit		219 000

**ASSIGNMENT 01 (continued)**

10. Option 3: (a), (b) and (d)

Comment:

The correct entry for (c) is to debit "Bank" and credit "Capital".

11. Option 4: Understated by R2 700.

Calculation:

Assume the gross profit is R30 000 and the balance of the salaries before adjustments is R12 000. The correct entries will be as follows:

Salaries					
Balance	b/d	R 12 000	Prepaid salaries		R 1 350
			Profit and loss		10 650
		<u>12 000</u>			<u>12 000</u>

The profit is  $R(30\ 000 - 10\ 650) = R19\ 350$

If, however, the R1 350 was inadvertently treated as accrued salaries the entries would have been the following:

Salaries					
Balance	b/d	R 12 000			R
Accrued salaries		1 350	Profit and loss		13 350
		<u>13 350</u>			<u>13 350</u>

Profit is:  $R(30\ 000 - 13\ 350) = R16\ 650$

The profit is therefore  $R(19\ 350 - 16\ 650) = R2\ 700$  understated.

12. Option 2: An increase in assets

Comment:

In the accounting equation "advertising paid" is shown as a increase in equity but "prepaid advertising" is treated as an asset.

**ASSIGNMENT 01** (continued)

13. Option 3:

	Assets		=	Equity		+	Liabilities	
	Debtors	Bank		Capital	Profit		Loans	Creditors
3	+ 1 800	- 6 000		-	+ 1 800		- 3 600	- 2 400

Comment:

Bank was reduced with:	R
Loan (Instalment)	3 600
Creditor (PLA Services)	<u>2 400</u>
	<u>6 000</u>

14. Option 5: (c) and (e)

Comment:

Item (a) will be recorded in the purchases journal. Items (b), (d) and (f) are all cash transactions that must be entered in the cash payments journal, whilst item (g) will be entered in the sales journal, items (c) and (e) will be entered in the general journal.

Refer to revision exercises 6.8 and 6.11 in the Study Guide.

15. Option 4: R13 200

Rental for 11 months	<b>R</b> 12 000
Less: Rental increase (200 x 5)	1 000
Rental per month without increase	<u>11 000</u>
Rental for February (1 000 + 200)	1 200
Plus: Rental till January	12 000
Total rental	<u>13 200</u>



**ASSIGNMENT 01 (continued)**

16. Option 4

Comment:Option 1: Input VAT is repaid **by** the South African Revenue Services.Option 2: Output VAT is the tax levied by the business on sales and is paid **to** the South African Revenue Services.Option 3: **Output** VAT is the tax levied by the business on sales of goods and services rendered.Option 4: The balances of the VAT Input and VAT Output accounts are transferred to the "VAT control account" at the end of the tax period. The balance then indicates the amount to be claimed from, or amount payable to the South African Revenue Services.

17. Option 2: A cheque issued for payment of salaries

Comment: Salaries paid are an expense and will decrease the equity.

18. Option 5:

Comment:Option 1 is incorrect as VAT **Output**. Should be VAT **Input**, therefore Option 5.

19. Option 2: R28 300

## Calculation:

Adjustment of trial balance	Debit	Credit
	R	R
(a) Bank (cash payments journal)		29 800
(b) Creditors control	300	
(c) Rent paid (2 x R600)	1 200	
Difference in totals	28 300	
	29 800	29 800

**ASSIGNMENT 01 (continued)**

20. Option 1: The discount column in the cash payments journal must be credited to the settlement discount received account in the general ledger.

Comment:

Option 1: The debit total on the trial balance will exceed the credit total by double the amount of the discount.

Option 2: The trial balance will balance, but the balance of the creditors control account will not correspond with the total of the list of creditors balances.

Option 3: This statement is correct.

Option 4: The trial balance will balance, and the balance of the debtors control account will agree with the total of the debtors list, but the monthly statement of the debtor will be incorrect.

**ANNEXURE D: SOLUTION ASSIGNMENT 02**  
(SECOND SEMESTER)

Rest of the assignment: ✓ = 1 mark; ^ = ½ mark

**QUESTION 1** (24 marks)

Adjustments

1. General journal

		R	R
20.1 Dec 31	Depreciation Accumulated depreciation: Equipment <i>Depreciation on equipment for the year</i>	✓ 31 320	✓31 320
	Prepaid expenses Insurance <i>Insurance paid in advance</i> <i>R(7 500 - 6 000)</i>	✓ 1 500	✓ 1 500
	Prepaid expenses R(9 000 ÷ 12 x 7) Advertising R(9 000 ÷ 12 x 5) Sundry expenses <i>Correction iro advertising and advertising paid in advance</i>	✓✓ 5 250 ✓ 3 750	✓ 9 000
	Inventory: Packaging material Packaging material <i>Adjustment of packaging material in stock</i>	✓ 1500	✓ 1 500

(10)

**QUESTION 1 (continued)**

## 2. Closing entries:

Inventory: Merchandise (closing)	^75 000	
Purchases returns	^8 100	
Sales	^408 450	
Purchases		^202 500
Sales returns		^12 000
Freight on purchases		^6 750
Inventory: Merchandise (opening)		^21 000
Trading account		^^249 300
<i>Transfer of accounts to the trading account</i>		
Trading account	^249 300	
Profit and loss		^249 300
<i>Transfer of gross profit to profit and loss account</i>		
Profit and loss	^^112 320	
Packaging material		^^9 750
R(11 250 - 1 500)		^^6 000
Insurance R(7 500 - 1 500)		^30 000
Selling expenses		
Sundry expenses		^^31 500
R(40 500 - 9 000)		^3 750
Advertising		^31 320
Depreciation		
<i>Transfer of expenses to profit and loss account</i>		
Profit and loss		
R(249 300 - 112 320)	^^136 980	
Capital: T Thomas		^^136 980
<i>Transfer of profit to capital account</i>		
Capital: T Thomas	^37 500	
Drawings: T Thomas		^37 500
<i>Transfer of drawings to capital account</i>		

(14)

**QUESTION 2** (30 marks)

## NKABS-JABS SWOP SHOP

Date	Account debited	Account credited	Effect on accounting equation						
			A		=	E		+	L
			Dr	Cr		Dr	Cr	Dr	Cr
			R	R		R	R	R	R
1	Rent deposit	Bank	500	500					
	Rent expense	Bank		500	500				
2	Purchases	Sleepy Suppliers/ Creditors control				1 020			1 020
5	F Flower/ Debtors control	Sales	600				600		
7	Water and electricity	Bank		340	340				
12	Land and buildings	Bank	3 000	3 000					
	Land and buildings	Loan: Premium Bank	12 000						12 000
17	Drawings	Purchases			2 500	2 500			
	Drawings	Bank		250	250				
21	Sleepy Suppliers/ Creditors Control	Bank		969				969	
	Sleepy Suppliers/ Creditors Control	Settlement discount received					51	51	
28	Bank	F Flower/ Debtors control	590	590					
	Settlement discount granted	F Flower/ Debtors control		10	10				
30	Loan: Premium Bank	Bank		650				650	
	Interest expense	Bank		100	100				

**MARKING SCHEME****Marks**

½ mark per entry

30

**QUESTION 3** (80 marks)

## FOURPLAY DEALERS

## 3.1 Cash receipts journal for December 20.1

CRJ1

Date	Details	Fol	Bank	Sales	Debtors	Settle- ment discount granted	VAT input	VAT output	Sundry account		
							Dr	Cr	Amount	Fol	Details
			R	R	R	R	R	R	R		
2	D Sanborn		1 530		1 585	(50)	(5)				
6	Sales		2 486	2 260				226			
12	M Miller		2 200		2 200						
15	Grant Ltd		44						40	L12	Settlement Discount received
23	Cash sales		3 355	3 050				305	4	L7	VAT Input
			9 615	5 310	3 785	(50)	(5)	531	44		
			L2	L10	L4	L15	L6				

Marking scheme: Half mark per amount: 22 x ½

(11)

## FOURPLAY DEALERS

## 3.2 Cash payments journal for December 20.1

CPJ1

Date	Details	Fol	Bank	Pur- chases	Credi- tors	Settle- ment discount received	VAT input	VAT output	Sundry account		
							Dr	Cr	Amount	Fol	Details
1	DBN Agency		R 880	R	R	R	R 80	R	R 800	L18	Rent expense
3	XYZ Ltd		8 118		8 415	(270)		(27)			
5	Spoornet		110				10		100	L16	Railage: Purchases
9	ExpoDelivery		165				15		150	L17	Railage: Sales
17	Blow-by-Blow		1 115		1 115						
19	SARS		1 560						1 560	L8	VAT Control
25	PBK		979	890			89				
30	Cash		2 000						2 000	L19	Salaries
			14 927	890	9 530	(270)	194	(27)	4 610		
			L2	L13	L5	L12	L7	L7			

Marking scheme: Half mark per amount: 29 x ½

(14½)

**QUESTION 3 (continued)**

## FOURPLAY DEALERS

## 3.3 Sales journal for December 20.1

SJ1

Date	Details	Fol	Debtors	VAT Output	Sales
			R	R	R
8	D Sanborn		^ 1 650	^ 150	^ 1 500
13	L Ritenour		^ 220	^ 20	^ 200
20	M Miller		^ 1 012	^ 92	^ 920
			^ 2 882	^ 262	^ 2 620

L4

L6

L10

(6)

## FOURPLAY DEALERS

## 3.4 Purchases journal for December 20.1

PJ1

Date	Details	Fol	Creditors	VAT Input	Purchases
			R	R	R
4	XYZ Ltd		^ 3 300	^ 300	^ 3 000
24	Ringo (Pty) Ltd		^ 935	^ 85	^ 850
			^ 4 235	^ 385	^ 3 850

L5

L7

L13

(4½)

## FOURPLAY DEALERS

## 3.5 Sales returns journal for December 20.1

SRJ1

Date	Details	Fol	Debtors	VAT Output	Sales returns
			R	R	R
10	D Sanborn		^ 99	^ 9	^ 90
			^ 99	^ 9	^ 90

L4

L6

L11

(3)

**QUESTION 3 (continued)**

## FOURPLAY DEALERS

## 3.6 General ledger

Capital							1
20.1 Dec 1	Balance	b/d	R ^ 25 380				

Bank							2
20.1 Dec 1 31	Balance Receipts	b/d CRJ1	R ^ 8 500 ^ 9 615 18 115	20.1 Dec 31	Payments Balance	CPJ1 c/d	R ^ 14 927 ^ 3 188 18 115
20.2 Jan 1	Balance	b/d	3 188				

Inventory: Merchandise							3
20.1 Dec 1	Balance	b/d	R 14 036 <sup>^</sup>				

Debtors control							4
20.1 Dec 1 31	Balance Sales	b/d SJ1	R ^ 7 524 ^ 2 882 10 406	20.1 Dec 31	Bank and discount Sales returns Balance	CRJ1 SRJ1 c/d	R ^ 3 785 ^ 99 ^ 6 522 10 406
20.2 Jan 1	Balance	b/d	6 522				

Creditors control							5
20.1 Dec 31	Bank and discount Balance	CPJ1 c/d	R ^ 9 530 ^ 9 845 19 375	20.1 Dec 1 31	Balance Purchases	b/d PJ1	R ^ 15 140 ^ 4 235 19 375
				20.2 Jan 1	Balance	b/d	^ 9 845





**QUESTION 3 (continued)**

## Sales returns

11

20.1			R				
Dec 1	Balance	b/d	^ 700				
31	Debtors control	SRJ1	^ 90				
			^ 790				

## Settlement discount received

12

				20.1			R
				Dec 1	Balance	b/d	^ 1 200
				15	Bank	CRJ1	^ 40
				31	Creditors control	CPJ1	^ 270
							^ 1 510

## Purchases

13

20.1			R				
Dec 1	Balance	b/d	^15 340				
31	Bank	CPJ1	^ 890				
	Creditors control	PJ1	^ 3 850				
			^20 080				

## Purchases returns

14

				20.1			R
				Dec 1	Balance	b/d	^ 600

## Settlement discount granted

15

20.1			R				
Dec 1	Balance	b/d	^ 720				
31	Debtors control	CRJ1	^ 50				
			^ 770				

**QUESTION 3 (continued)**

Railage: Purchases

16

20.1 Dec 1 5	Balance Bank	b/d CPJ1	R ^ 1 680 ^ 100 ^ 1 780				
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Railage: Sales

17

20.1 Dec 1 9	Balance Bank	b/d CPJ1	R ^ 2 280 ^ 150 ^ 2 430				
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Rent expense

18

20.1 Dec 1	Balance Bank	b/d CPJ1	R ^ 6 000 ^ 800 ^ 6 800				
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Salaries

19

20.1 Dec 1 30	Balance Bank	b/d CPJ1	R ^ 10 600 ^ 2 000 ^ 12 600				
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**QUESTION 3 (continued)**

## FOURPLAY DEALERS

## 3.7 Trial balance at 31 December 20.1

	Fol	Debit	Credit
		R	R
Capital .....	L1		^ 25 380
Bank .....	L2	^ 3 188	
Inventory .....	L3	^14 036	
Debtors control .....	L4	^ 6 522	
Creditors control .....	L5		^ 9 845
VAT Output.....	L6		^ 811
VAT Input .....	L7	^ 580	
General expenses .....	L9	^ 2 900	
Sales .....	L10		^ 34 330
Sales returns .....	L11	^ 790	
Settlement discount received .....	L12		^ 1 510
Purchases .....	L13	^ 20 080	
Purchases returns .....	L14		^ 600
Settlement discount granted.....	L15	^ 770	
Railage: Purchases .....	L16	^ 1 780	
Railage: Sales .....	L17	^ 2 430	
Rent expense .....	L18	^ 6 800	
Salaries .....	L19	^ 12 600	
		72 476	72 476

[9]

**QUESTION 4 (46 marks)**

4.1

VIVA TRADERS

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 20.1 ✓

No	R
Revenue (a)	✓✓✓ 220 260
Cost of sales (115 800 – 93)	✓✓(115 707)
<b>Gross profit</b>	104 553
Other income	9 000
Rent income (b)	✓✓ 9 000
Selling, administrative and general expenses	113 553 (37 715)
Stationery (c)	✓✓ 820
Salaries and wages	✓17 500
Telephone	✓ 1 600
Credit losses (d)	✓✓ 195
Insurance (e)	✓✓ 540
Advertising	✓ 13 100
Depreciation R(3 400 + 560)	✓✓ 3 960
Finance costs: Interest on mortgage bond (f)	✓✓(14 400)
<b>Profit for the period</b>	<b>61 438</b>

(21)

4.2

VIVA TRADERS

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 20.1 ✓

	Capital R
Balance at 1 July 20.0	✓✓ 62 570
Profit for the period	✓✓ 61 438
Drawings	✓(3 400)
Balance at 30 June 20.1	<b>120 608</b>

(6)

**QUESTION 4 (continued)**Calculations

	R
(a) Revenue	220 260
Sales	220 620
<u>Less:</u> Sales returns	(250)
Settlement discount granted	(110)
(b) Rent income	
R10 500 x 12 ÷ 14	9 000
(c) Stationery	820
Amount per trial balance	893
<u>Less:</u> Stationery inventory	73
(d) Credit losses	195
Amount per trial balance	120
<u>Add:</u> Amount written off	100
	220
<u>Less:</u> Decrease in allowance*	25
	2 600
*Debtors	2 600
<u>Less:</u> Additional write-off	100
	2 500
	150
Old allowance	150
New allowance (R2 500 x 5 ÷ 100)	125
Decrease in allowance	25
(e) Insurance	540
Amount per trial balance	660
<u>Less:</u> Insurance prepaid	120
(f) Interest on mortgage bond	
R12 000 x 12 ÷ 10	14 400

**QUESTION 4 (continued)**

4.3  
VIVA TRADERS

BALANCE SHEET AS AT 30 JUNE 20.1

	Note	R
<b>ASSETS</b>		
<b>Non-current assets</b>		184 040
Property, plant and equipment	3	✓ 149 040
Other financial assets		✓ 35 000
Cash investment: Fixed deposit: ABC Bank		35 000
<b>Current assets</b>		19 168
Inventories (g)		✓ 15 423
Trade receivables (h)		^✓ 2 495
Cash and cash equivalents		✓ 1 250
<b>Total assets</b>		203 208
<b>EQUITY AND LIABILITIES</b>		
<b>Total equity</b>		120 608
Capital (i)		✓ 120 608
<b>Non-current liabilities</b>		70 000
Long term borrowings: Mortgage loan		^ 70 000
<b>Current liabilities</b>		12 600
Trade and other payables (j)		✓✓ 12 600
<b>Total equity and liabilities</b>		203 208

(10)

4.4  
NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policy

1.1 The annual financial statements have been prepared on the historical cost basis and comply with generally accepted accounting practice. ✓

1.2 Property, plant and equipment

Property, plant and equipment is shown at cost less accumulated depreciation. Land and buildings is classified as investment properties and are not depreciated.

**QUESTION 4 (continued)**

Depreciation is provided for as follows:

Vehicles: 20% per annum on the straight line method

Equipment: 20% per annum on the diminishing balance method ✓

2. Revenue is recognised as net sales to customers. ✓(3)

3. Property, plant and equipment:

Property, plant and equipment	Land and buildings	Vehicles	Equipment	Total
	R	R	R	R
Carrying amount: Beginning of year	140 000	10 200	2 800	<sup>^</sup> 153 000
Cost	<sup>^</sup> 140 000	<sup>^</sup> 17 000	<sup>^</sup> 3 500	160 500
Accumulated depreciation	-	<sup>^</sup> (6 800)	<sup>^</sup> (700)	(7 500)
Depreciation for the year	-	(3 400)	(560)	(3 960)
Carrying amount: End of year	140 000	6 800	2 240	<sup>^</sup> 149 040
Cost	<sup>^</sup> 140 000	<sup>^</sup> 17 000	<sup>^</sup> 3 500	160 500
Accumulated depreciation	-	<sup>^</sup> (10 200)	<sup>^</sup> (1 260)	(11 460)

(6)

Calculations:

(g) Inventories	R
Closing inventory (merchandise)	15 350
<u>Add:</u> Stationery inventory	73
	<u>15 423</u>

(h) Trade receivables:

Trade debtors	2 600
<u>Less:</u> Further credit losses written off	100
	<u>2 500</u>
<u>Less:</u> Allowance for credit losses	125
<u>Add:</u> Prepayments	120
	<u>2 495</u>

Prepayments represent insurance of R120 paid in advance.



**QUESTION 4 (continued)**

(i) Refer statement of changes in equity.

(j) Trade and other payables

	R
Trade creditors	8 700
Income received in advance (Rent income) (R10 500 ÷ 14 x 2)	1 500
Accrued expenses (Mortgage loan interest) (R12 000 ÷ 10 x 2)	2 400
	12 600
	12 600

**QUESTION 5 (23 marks)****5.1 General ledger**

Dr				<b>Vehicle realisation account</b>				Cr	
20.4	Dec 31	Vehicle (Cost) Profit and loss (profit)	J	R	20.4	Dec 31	Accumulated depreciation: Vehicle (b) * Bank (Sale)	J	R
				^60 000					^37 500
				^25 000				CRJ	^48 000
				85 500					85 500

[2]

**5.2**

Property, plant and equipment	Vehicle	Machinery	Total
	R	R	R
Carrying amount: Beginning of year	✓240 000	✓324 000	564 000
Cost price	320 000	400 000	720 000
Accumulated depreciation	(80 000)	(76 000)	(156 000)
Additions	-	✓120 000	120 000
Disposals (c)	[4] (22 500)	-	(22 500)
Depreciation for the year (a) + (e)	[2] (75 000)	[2] (34 400)	(109 400)
Carrying amount: End of year	142 500	409 600	✓552 100
Cost price (g) + (f)	✓✓260 000	✓✓520 000	✓780 000
Accumulated depreciation (d)	[3] (117 500)	✓(110 400)	(227 900)

[21]

**QUESTION 5 (continued)****Calculations**

(a) <u>Vehicle depreciation for the year</u>		R
Depreciation (R320 000 – R60 000 <sup>^</sup> x 25% <sup>^</sup> )	[1]	65 000
Old vehicle (R60 000 <sup>^</sup> x 25% x 8/12 <sup>^</sup> )	[1]	10 000
		<u>75 000</u>
(b) <u>Accumulated depreciation – vehicle sold on 31 December 20.4</u>		
01/07/.2 – 30/04/.3: (R60 000 <sup>^</sup> x 25% x 10/12 <sup>^</sup> )	[1]	12 500
01/05/.3 – 30/04/.4: (R60 000 <sup>^</sup> x 25% <sup>^</sup> )	[1]	15 000
01/05/.4 – 31/12/.4: (R60 000 <sup>^</sup> x 25% x 8/12 <sup>^</sup> )	[1]	10 000
		<u>37 500</u>
(c) <u>Vehicle disposals</u>		
Cost price	[1]	60 000
Less: Accumulated depreciation R(12 500 + 15 000 + 10 000)	[3]	37 500
Carrying amount		<u>22 500</u>
(d) <u>Vehicle – accumulated depreciation at 30 April 20.5</u>		
Balance (1 May April 20.4)	[1]	80 000
Depreciation for the year (a)	[1]	75 000
Less: Accumulated depreciation of vehicle sold	[1]	(37 500)
		<u>117 500</u>
(e) <u>Machinery depreciation for the year</u>		
New machinery (R120 000 <sup>^</sup> x 10% x 2/12 <sup>^</sup> )	[1]	2 000
Old machinery (R(400 000 – 76 000) <sup>^</sup> x 10% <sup>^</sup> )	[1]	32 400
		<u>34 400</u>
(f) <u>Cost price of machinery at 30 April 20.5</u>		
Balance (1 May 20.4)	[ <sup>1</sup> / <sub>2</sub> ]	400 000
Add: Bought: Purchase price	[ <sup>1</sup> / <sub>2</sub> ]	100 000
Installation fees	[ <sup>1</sup> / <sub>2</sub> ]	4 000
Transport costs	[ <sup>1</sup> / <sub>2</sub> ]	16 000
		<u>520 000</u>
(g) <u>Cost price of vehicles at 30 April 20.5</u>		
Balance (1 May 20.4)	[1]	320 000
Less: Sold	[1]	(60 000)
		<u>260 000</u>