

ANNEXURE E: ASSIGNMENT 02: BOTH SEMESTERS 1 AND 2

THIS ASSIGNMENT NEED NOT BE SUBMITTED

Marks obtained for this assignment are **not** taken into account for admission to the examination. Marks are also **not** taken into account when marking the examination scripts.

The submission of this assignment is optional.

STUDENTS REGISTERED:

- **FOR THE FIRST SEMESTER**
Due date: 30 March 2007

- **FOR THE SECOND SEMESTER**
Due date: 31 August 2007

ANNEXURE E: ASSIGNMENT 02/2007

DUE DATE: First semester - 30 March 2007
 Second semester - 31 August 2007

- NB:** 1. Before answering this assignment please read paragraph 7 of this tutorial letter.
 2. This assignment covers study units 1 – 13.
 3. **THE ASSIGNMENT NEED NOT BE SUBMITTED.**

This assignment is compiled as follows:

Question	Subject	Marks	Time (minutes)
1	Adjustment and closing journal entries	24	30
2	Basic accounting equation	30	35
3	Subsidiary journals, ledger accounts and trial balance	80	95
4	Financial statements	46	55
5	Note on property, plant and equipment; vehicle realisation account	23	28
		203	243

QUESTIONS 1 TO 4: ALWAYS SHOW ALL YOUR CALCULATIONS**QUESTION 1 (24 marks) (30 minutes)**

The following information for the financial year ended 31 December 20.1 relates to Timmy Thomas Traders:

1. Trial balance at 31 December 20.1

	Debit	Credit
	R	R
Land and buildings at cost	187 500	
Equipment at cost	247 500	
Accumulated depreciation: Equipment (1 Jan 20.1)		38 700
Inventory: Merchandise (1 January 20.1)	21 000	
Debtors control	45 000	
Creditors control		9 000
Investment	22 500	
Bank	12 750	
Capital: T Thomas		420 000
Drawings: T Thomas	37 500	
Packaging material	11 250	
Insurance	7 500	
Purchases	202 500	
Purchases returns		8 100
Freight on purchases	6 750	
Selling expenses	30 000	
Sundry expenses	40 500	
Sales		408 450
Sales returns	12 000	
	884 250	884 250

Additional information:

- (a) Provide for R31 320 depreciation on equipment for the year.
- (b) Insurance expenses relating to the current financial year amount to R6 000.
- (c) A payment of R9 000 made on 1 August 20.1 for an advertising contract which expires on 31 July 20.2, was inadvertently debited to sundry expenses.
- (d) Inventory on hand at 31 December 20.1:
- | | |
|--------------------|---------|
| Merchandise | R75 000 |
| Packaging material | R 1 500 |

REQUIRED:

Prepare the following for Timmy Thomas Traders for the financial year ended 30 December 20.1:

- 1.1 The adjustment journal entries (10)
- 1.2 The closing journal entries (14)

QUESTION 2 (30 marks)(35 minutes)

The following information relates to Nkabs-Jabs Swop Shop. The periodic inventory system is in use:

Transactions during July 20.1:

- 1 Paid a rent deposit, R500, and one month's rent, R500 in advance, to Rent Agent.
- 2 Purchased foam mattresses on credit from Sleepy Suppliers for R1 200 subject to a trade discount of 15% and a further 5% cash discount if the account is settled within 20 days.
- 5 Sold merchandise on credit to F Flower, R600.
- 7 Paid the water and electricity account, R340.
- 12 Purchased a stand from R Roos for R15 000. A deposit of R3 000 was paid and the Premium Bank granted a mortgage loan for the outstanding amount.
- 17 The owner took an antique grandfather clock with a cost price of R2 500 and a selling price of R4 500 for his personal use and withdrew R250 cash.
- 21 Settled Sleepy Supplier's account.
- 28 F Flower paid his account. A discount of R10 was allowed.
- 30 Paid the monthly instalment on the bond, R750. The amount was made up as follows:

Capital repayment	R 650
Interest	R 100

REQUIRED:

Analyse the transactions in tabular form as follows (ignore VAT):

Date	Account debited	Account credited	Effect on accounting equation							
			A		=	E		+	L	
			Dr	Cr		Dr	Cr	Dr	Cr	
			R	R		R	R	R	R	

QUESTION 3 (80 marks) (95 minutes)

The following information relates to Fourplay Dealers:

(a) Trial balance at 30 November 20.1

	Debit	Credit
	R	R
Capital.....		25 380
Bank.....	8 500	
Inventory: Merchandise.....	14 036	
Debtors control.....	7 524	
Creditors control.....		15 140
VAT control.....		1 560
General expenses.....	2 900	
Sales.....		26 400
Sales returns.....	700	
Discount received.....		1 200
Purchases.....	15 340	
Purchases returns.....		600
Discount allowed.....	720	
Railage: purchases.....	1 680	
Railage: sales.....	2 280	
Rent expense.....	6 000	
Salaries.....	10 600	
	<u>70 280</u>	<u>70 280</u>

(b) Debtors list:

	R
Bob James	2 177
David Sanborn	1 585
Marcus Miller	3 212
Lee Ritenour	550
	<u>7 524</u>

Creditors list:

	R
XYZ Ltd	8 415
Ringo (Pty) Ltd	5 610
Blow-by-Blow Ltd	1 115
	<u>15 140</u>

(c) Transactions for December 20.1:

(Where applicable, VAT is included at 10%)

- Dec 1 Paid rent of R880 for December to DBN Agencies.
- 2 Received a cheque from D Sanborn, R1 530, in full settlement of his account on 30 November 20.1.
- 3 Paid XYZ Ltd R8 118 in full settlement of the amount owed.
- 4 Purchased goods on credit from XYZ Ltd, R3 300.
- 5 Paid Spoornet R110 for railage on goods received from XYZ Ltd.
- 6 Cash sales, R2 486.
- 8 Sold goods on credit to D Sanborn, R1 650.
- 9 Paid Expo Deliveries R165 for freight on goods delivered to D Sanborn. Fourplay Dealers bears the cost of the delivery.
- 10 Accepted damaged goods returned by D Sanborn and issued a credit note for R99.

QUESTION 3 (continued)

- Dec 12 Received R2 200 on account from M Miller.
 13 Sold goods on credit to L Ritenour, R220.
 15 Received a cheque for R44 from Grant Ltd, a creditor, for discount not deducted on a payment made on 26 November 20.1.
 17 Paid the amount due to Blow-by-Blow Ltd.
 19 Paid SA Revenue Services the VAT owing for November 20.1.
 20 Sold goods on credit to M Miller, R1 012.
 23 Cash sales, R3 355.
 24 Purchased goods on credit from Ringo (Pty) Ltd, R935.
 25 Paid cash for goods purchased from PBK, R979.
 30 Paid salaries, R2 000.

REQUIRED:

Prepare the following subsidiary journals of Fourplay Dealers, properly totalled, for December 20.1:

- 3.1 Cash receipts journal (analysis columns for bank, sales, VAT Output, debtors, discount allowed, VAT Input (Dr), and sundries) (11)
- 3.2 Cash payments journal (analysis columns for bank, purchases, creditors, discount received, VAT Input, VAT Output (Cr) and sundries) (14½)
- 3.3 Sales journal (analysis columns for debtors, VAT Output and sales) (6)
- 3.4 Purchases journal (analysis columns for creditors, VAT Input and purchases) (4½)
- 3.5 Sales returns journal (analysis columns for debtors, VAT Output and sales returns) (3)
- 3.6 Post the entries recorded above to the relevant accounts in the general ledger of Fourplay Dealers. The accounts must be properly balanced/totalled at 31 December 20.1. Use control accounts for debtors and creditors. (32)
- NB:** (a) Remember to enter the balances at 30 November 20.1 in the applicable general ledger accounts.
 (b) The first word(s) of each entry must indicate the contra ledger account.
- 3.7 Prepare the trial balance of Fourplay Dealers at 31 December 20.1. (9)

QUESTION 4 (46 marks)(55 minutes)

The following trial balance was prepared from the books of Viva Traders on 30 June 20.1:

Pre-adjustment trial balance of Viva Traders at 30 June 20.1

	Debit	Credit
	R	R
Capital		62 570
Drawings	3 400	
Land and buildings at cost	140 000	
Vehicles at cost	17 000	
Equipment at cost	3 500	
Fixed deposit: ABC Bank	35 000	
Accumulated depreciation: Vehicles		6 800
Accumulated depreciation: Equipment		700
Inventory: Merchandise (30 June 20.1)	15 350	
Debtors control	2 600	
Bank	1 250	
Creditors control		8 700
Mortgage loan: JHB Bank		70 000
Provision for doubtful debts		150
Sales		220 620
Cost of sales	115 800	
Sales returns	250	
Rent income		10 500
Salaries and wages	17 500	
Telephone expense	1 600	
Interest on mortgage loan	12 000	
Discount allowed	110	
Discount received		93
Bad debts	120	
Stationery	893	
Insurance	660	
Advertising	13 100	
	380 133	380 133

Additional information:

- Stationery on hand amounted to R73.
- The account of a debtor, D Baloyi, who owes R100 must be written off as irrecoverable.
- The provision for doubtful debts is to be adjusted to 5% of the debtors.
- Depreciation is provided for as follows:

Vehicles:	R3 400
Equipment:	R560
- Interest on mortgage loan for two months is still payable.
- Rent was received for two months in advance.
- An amount of R120 was paid to Insurance Co Ltd, being an advance premium for July 20.1.

QUESTION 4 (continued)**REQUIRED:**

Use the trial balance and take the additional information into consideration and prepare the following for Viva Traders:

- 4.1 Income statement for the year ended 30 June 20.1. (21)
 4.2 Statement of changes in equity for the year ended 30 June 20.1. (6)
 4.3 Balance sheet at 30 June 20.1. (10)
 4.4 Prepare the following notes to the financial statements:
- (a) Accounting policy
 (b) Revenue
 (c) Property, plant and equipment. (9)

QUESTION 5 (23 marks)(28 minutes)

Basic calculations, where applicable, must be shown.

The following are balances obtained from the general ledger of Lucy's Store at 30 April 20.5, the end of their financial year:

	R
Capital.....	660 000
Vehicles at cost (30 April 20.4).....	320 000
Machinery at cost (30 April 20.4).....	400 000
Accumulated depreciation on vehicles (30 April 20.4).....	80 000
Accumulated depreciation on machinery (30 April 20.4).....	76 000
Debtors.....	68 000
Creditors.....	100 000
Inventory.....	30 000
Bank (Dr).....	98 000

Additional information:

- (a) On 31 December 20.4 a vehicle, bought on 1 July 20.2 for R60 000, was sold for R48 000.
 (b) On 1 March 20.5 Lucy's Store purchased a new machine. The following information pertains to the new machine:

	R
Purchase price.....	100 000
Installation cost.....	4 000
Transport cost.....	16 000

QUESTION 5 (continued)

(c) Depreciation must be provided for as follows:

Vehicles – 25% per annum according to the straight line method.

Machinery – 10% per annum according to the diminished balance method.

REQUIRED:

5.1 Prepare the vehicle realisation account in the general ledger of Lucy's Store (2)

5.2 Prepare the note on property, plant and equipment to the financial statements of Lucy's Store, at 30 April 20.5 in accordance with Generally Accepted Accounting Practice. (21)
[23]