

**SCHOOL OF ACCOUNTING
SCIENCES**

**DEPARTMENT OF
FINANCIAL ACCOUNTING**

**ACCOUNTING 1
MODULE 1 (ACN101M)
ACCOUNTING CONCEPTS,
PRINCIPLES AND PROCEDURES**

**TUTORIAL LETTER 101/3/2008
(FIRST AND SECOND SEMESTERS)**

START YOUR STUDIES BY FIRST WORKING THROUGH THIS TUTORIAL LETTER

PLEASE STUDY THIS TUTORIAL LETTER IN CONJUNCTION WITH THE DEPARTMENTAL BROCHURE (TUTORIAL LETTER ACTALL-4/301/2008). TAKE CARE THAT YOU HAVE BOTH TUTORIAL LETTERS AVAILABLE AT ALL TIMES AS FREQUENT REFERENCE WILL BE MADE TO THEM.

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1. **INTRODUCTION**

It is a pleasure to welcome you as a student to Module 1 (ACN101M) of the Accounting 1 course. We hope that you will find your studies particularly stimulating this semester and that you will achieve success.

The semester that you register for will be indicated on your registration papers when you register. If this is the first time that you are registered for ACN101M, you may not be registered for ACN102N in the same semester. Ensure that you are registered for the correct semester as you are obliged to write the examination for that semester. The examination for the first semester will be during May and the examination for the second semester will be during October.

Should you be faced with specific problems in your studies, please do not hesitate to consult us by letter, telephone or personally (by appointment).

In this tutorial letter we would like to draw your attention to a number of very important matters and we request you to study them very carefully.

2. **COMPILATION OF THE ACCOUNTING I COURSE**

ACCOUNTING 1 (MAIN STREAM)

This course, being the "main stream", comprises two modules:

ACN101M: Accounting concepts, principles and procedures,

AND

ACN102N: Accounting reporting.

ACCOUNTING 1 (LEGAL PRACTICES)

This course, mainly for legal representatives (such as attorneys), also comprises two modules:

ACN101M: Accounting concepts, principles and procedures,
AND
ACN103P: Accounting reporting for legal practices.

Both main stream and legal practice students must, therefore, pass ACN101M. In addition, you have a choice between either ACN102N **OR** ACN103P to complete the course.

BBA DEGREE

For students registered for the BBA Degree only the first module of Accounting 1: ACN101M: Accounting concepts, principles and procedures is compulsory. ACN102N: Accounting reporting is optional.

3. COMMUNICATION WITH YOUR LECTURERS

3.1 Written correspondence

Address all correspondence to:

FOR ATTENTION: (Name of lecturer or module number)
The Head of the Department
Department of Financial Accounting
P O Box 392
UNISA
0003

When writing to the University, always mention your student number, the subject and the course code at the top of the letter.

3.2 Telephonically

Contact addresses of the various administrative departments are included in **Unisa: Services and Procedures**, which you received with your tutorial matter.

The telephone numbers of lecturers are listed below. Remember to have your student number ready whenever you contact a lecturer.

Dialling code for Pretoria 012

♦ **Lecturers' telephone numbers:**

Mrs JK Hlalethwa	429-3830
Dr A Bam	429-4941
Ms A du Plessis	429-4621
Mr MJ Viljoen	429-4426
Prof JJ Swanevelder	429-4596

We are available for telephone enquiries from 08:00 to 09:45 and from 10:15 to 13:00 on weekdays.

3.3 Personal visits

To avoid any disappointment, make an appointment with a lecturer as they are not always readily available.

3.4 E-mail

You can also communicate with the Department via E-mail. Please note that feedback will not necessarily be given via e-mail.

Therefore, it is important to give your student number, telephone number, fax number, e-mail address, and postal address.

Please use the e-mail address on myUnisa for Accounting 1: Module 1 (ACN101M).

The e-mail address for REGISTRATION and EXAMINATION changes is:
econ@unisa.ac.za

4. TUTORIAL MATTER

The tutorial matter for this module consists of the following:

4.1 Supplied by UNISA

- One study guide.
- A number of tutorial letters which you will receive during the semester.

This tutorial matter will not necessarily be available at the time of registration. Such tutorial matter will be dispatched to students as it becomes available.

When you enrolled, you received, in addition to the available tutorial matter, an "INVENTORY FOR THE CURRENT ACADEMIC SEMESTER". Check the tutorial matter you have received against this inventory. You should have received all the items specified in the inventory unless there is an explicit statement to the contrary (eg out of stock). If any of the items are missing, follow the instructions on the back of the inventory.

Use only the telephone number given in the inventory for enquiries about missing tutorial matter.

Please take note:

The examination papers of previous semesters are not available to students.

4.2 Prescribed literature

The prescribed book for this module is:

About Financial Accounting, Volume 1, by Berry PR, De Klerk ES, et al. Butterworths. Durban. 2005. (www.lexisnexis.co.za. ISBN 0 409 11204 6)

Please consult the list of official booksellers and their addresses in the information brochure: **Services and Procedures** which you have received together with your tutorial matter.

Should you have any difficulties obtaining books from the official booksellers, please contact the Registrar (Academic) as soon as possible at telephone number (012) 4294152.

4.3 Plagiarism

Plagiarism is the act of taking words, ideas and thoughts of others and passing them off as your own. It is a form of theft which involves a number of dishonest academic activities.

The *Disciplinary Code for Students* (2004) is given to all students at registration. Students are advised to study the Code, especially Sections 2.1.13 and 2.1.14 (2004:3-4). Kindly read the University's *Policy on Copyright Infringement and Plagiarism* as well.

5. STUDY PROCESS

Your studies should progress smoothly if you work as follows:

- (1) Read as far as ANNEXURE A of this tutorial letter.
- (2) Work through ANNEXURE A (Assumed knowledge) and study the contents if necessary.
- (3) Study the relevant study units of the Study Guide for assignment 01, (use the suggested study programme in ANNEXURE B).
- (4) Do the first exercise (for each study unit) in the Study Guide, without referring to the solution. Mark your answer in conjunction with the solution in the Study Guide. Ascertain why, when, where, how your answer differs from that of the solution. If you do not get more than 70% for the exercise (use your own marking scheme), do the next exercise and mark it. Study the study unit again. Do the previous exercise(s) again until you get at least 70% per exercise. This may require much more time, but it will ensure that you know and understand the contents of the study material.

- (5) Complete the compulsory assignment 01 (make a copy for yourself) and send it to UNISA for marking. This will ensure admission to the examination. The submission of assignment 02 is optional and have no effect on the examination marks and/or admission. Assignment 01 can also be submitted via myUnisa. To submit an assignment **via myUnisa**:
- Go to myUnisa
 - Log in with your student number and password.
 - Select the module from the orange bar.
 - Click on assignments in the left menu.
 - Click on the assignment number you want to submit.
 - Follow the instructions.
- (6) After completing/submitting assignment 01, carry on with the study programme. Do not wait for the suggested solution or for the return of the marked assignment. *The suggested solutions of all the assignments are dispatched to all the students irrespective of whether you have submitted the assignments for marking.*
- (7) Mark your assignment by using the suggested solution which will be dispatched to you on the due date. The solutions will also be placed on the myUnisa system of UNISA's webpage (www.unisa.ac.za). Remember to mark an entry in its entirety in the case of assignment 02, for example, both the detail/description and the amount must be correct for a mark to be given. If your answer differs from the suggested solution, make sure that you understand the reason why.
- (8) After the examination in ACN101M, continue studying ACN102N or ACN103P. Do not wait for the results of ACN101M.

6. **IMPORTANT ASPECTS REGARDING ANNEXURES**

ANNEXURE A deals with assumed knowledge. Before starting to work through the Study Guide, first acquaint yourself with the contents of ANNEXURE A.

ANNEXURE B is a suggested study programme for each semester.

Students often fail to plan their studies properly in order to achieve specific study goals at predetermined dates. This leads to a haphazard approach to their studies and the use of ineffective study techniques.

To assist you in this regard, a study programme is given. This programme indicates the dates on which certain sections of the study material as well as assignments should be completed in order to meet all due dates.

The study programme is based on the following assumptions:

- ♦ That study will commence either on 15 January for the first semester or 1 July for the second semester and that the course should be completed timeously leaving sufficient time for revision.

- ◆ That you should study more or less 8 hours per week. We are of the opinion that this is within your reach. If you have never studied Accounting before you will need more time especially where you have to do the exercises several times (refer paragraph 5(4) above).

We are convinced that, if you adhere to this programme, you should be able to master the subject. It is very important that the subject matter covered in the study units should be mastered and not just skimmed. If you happen to register late or fall behind with this programme, extra effort on your part will be necessary.

ANNEXURE C: ASSIGNMENT 01 (COMPULSORY) FIRST SEMESTER

ANNEXURE D: ASSIGNMENT 01 (COMPULSORY) SECOND SEMESTER

FOR STUDENTS TO FULLY BENEFIT FROM OUR FORMATIVE TUITION AND ASSESSMENT THE MANAGEMENT OF THE UNIVERSITY DECIDED TO INTRODUCE COMPULSORY ASSIGNMENTS IN ALL MODULES FOR 2008.

YOU ARE THEREFORE REQUIRED TO SUBMIT A COMPULSORY ASSIGNMENT TO OBTAIN ADMISSION TO THE EXAMINATION.

PLEASE ENSURE THAT THIS ASSIGNMENT REACHES THE UNIVERSITY BEFORE THE DUE DATE - LATE SUBMISSION OF THE ASSIGNMENT WILL RESULT IN YOU NOT BEING ADMITTED TO THE EXAMINATION.

ANNEXURE E: Assignment 02 (Not compulsory)

Assignment two is the same for both semesters. Adhere to the due dates of the semester you are registered for.

ANNEXURE F: Comprehensive exercise

7. IMPORTANT ASPECTS REGARDING ASSIGNMENTS

Assignments constitute an integral part of the tutorial matter. Assignments and tutorial letters must also be studied for examination purposes.

ASSIGNMENTS MAY NOT BE SUBMITTED BY FAX OR E-MAIL

- ◆ Study material on which assignments are based is given in ANNEXURE B.
- ◆ Work carefully through the relevant tutorial matter before you tackle the assignment.
- ◆ Calculate your answers for the multiple-choice questions of assignment 01 on a separate piece of paper. Use a mark reading sheet to complete assignment 01 and submit the assignment. Ensure that you use the **correct UNIQUE NUMBER** allocated for the particular assignment and semester. This assignment can also be submitted via myUnisa.

Remember:

- there is only **one** correct answer to each question.
- all questions are equal in value.

- ◆ No bar code should be attached to the mark reading sheet.
- ◆ Assignments must not reach us later than the dates specified in ANNEXURE B.
- ◆ We do not mark all the questions in assignment 02. Please do not return your answer for remarking. A marking scheme is provided with all the solutions. Use this to mark the rest of your answer.
- ◆ Assignments must under no circumstances contain any correspondence.
- ◆ Specify the module code and assignment number in all enquiries regarding assignments handed in for marking. These enquiries must be directed to the Assignments section at (012) 429-4155.

8. COMPULSORY ASSIGNMENT AND CONTRIBUTION TO FINAL MARK

The Management of the University has taken a decision to introduce a compulsory assignment to be submitted in all modules by set due dates. Submission of the compulsory assignment by its due date will give a student admission to the examination in the particular module and the marks obtained for that assignment will contribute towards the final mark for that module.

Students require a final mark of 50% to pass a module. This final mark is calculated as follows:

$$(10\% \times \text{mark obtained for compulsory assignment}) + (90\% \times \text{mark obtained in the examination})$$

Example:

	a Assignment mark	b Assignment mark contribution to final mark at 10%	c Exam mark contribution required to pass (50% minus assignment mark contribution)	d Minimum exam mark required to pass (c+0,9)
Student 1	100%	10%	40%	45%
Student 2	70%	7%	43%	48%
Student 3	50%	5%	45%	50%
Student 4	30%	3%	47%	52%
Student 5	20%	2%	48%	53%
Student 6	10%	1%	49%	54%
Student 7	0%	0%	50%	56%

Please ensure that the compulsory assignment reaches the University **before the due date - late submission of the assignment will result in you not being admitted to the examination.** Please consult each tutorial letter 101 for the respective due dates.

Also refer to paragraph 3 of Tutorial Letter ACTALL4/301/2008.

9. EXAMINATION ADMISSION REQUIREMENTS

The submission of assignment 01 is a requirement to be admitted to the examination.

It will, however, be to your own advantage to complete both assignments as well as the comprehensive exercise, as:

- ◆ the assignments provide practice which is essential in your study of Accounting;
- ◆ valuable revision material is contained in the assignments and ensure that you work throughout the semester; and
- ◆ the type of questions in the assignments and the comprehensive exercises are usually representative of the type of questions which you can expect in the examination.

10. INFORMATION REGARDING THE EXAMINATION

At the end of the semester you will be required to write a two hour examination. The paper will consist of “long-type” questions.

The examination script consist of a book with 12 pages. Every page has three columns on the right hand side (similar to general journal paper). If you don't want or cannot use the columns, ignore them and draw your own columns or T-accounts. You may open the book and use the lefthand page – for the Dr-side and the right hand page – for the Cr-side of an account (e.g. ignoring the extra columns).

Start every question on a new (separate) page.

When answering a question, always read what is required before reading through all the information. This will enable you to know immediately what information is needed to answer the question. If you read through the question in its entirety without knowing what is required, you will have to reread the information and waste time in this manner.

If you obtain between 45% and 49% as a **final** mark, you will be allowed to write a supplementary examination. The supplementary examination will be written at the end of the following semester. To pass this supplementary examination, you must obtain at least 50% in the examination itself. This means that if you qualify for a supplementary exam in May you will write the ACN101M second semester paper in October. Similarly students who qualify for a supplementary examination in October will write this paper in May of the following year. A student may, however, write only one supplementary examination per enrolment.

If you qualify for a supplementary examination, no further study material will be supplied to you during the following semester. You must not submit any assignments.

Due to various reasons the lecturers cannot send, fax or e-mail previous year's exam papers or assignments and solutions and we would appreciate it if you will not contact us in this regard.

You are advised to consult the time-table timeously in order to plan your final revision programme accordingly. Please start early to avoid cramming at the last moment.

Ensure that you have received all assignment solutions at least two weeks before the examination. No solutions will be faxed to students in the 14 days prior to the examination. Solutions are available on myUnisa system of UNISA's webpage (assign@unisa.ac.za).

11. LEARNING CENTRES

Student support is provided at these learning centres. Consult this year's issue of "UNISA: SERVICES AND PROCEDURES" for more details.

12. GENERAL

In spite of the care taken to ensure that study guides, assignments, and solutions are comprehensible and free from errors and omissions, discrepancies may occur. Should you come across such matters, or matters which are not clearly expressed, kindly let us know to enable us to make the necessary corrections.

With best wishes

Prof J J Swanevelder

Mr M J Viljoen

Ms A du Plessis

Mrs JK Hlaethwa

Dr A Bam

LECTURERS: ACCOUNTING 1: MODULE 1 (ACN101M)

ANNEXURE A: ASSUMED KNOWLEDGE

It is assumed that students have knowledge to do some elementary calculations. Some of these are discussed in the following paragraphs, in order to help those students who wish to acquaint themselves with the relevant subjects.

1 Basic calculations

To calculate a percentage of an amount or number

e.g. 13% of R3 900.

The 13% actually means 13 out of 100, or $13 \div 100$; and the word "of" means "multiply by". Therefore: 13% of R3 900 can be read:

$13 \div 100 \times R3\,900,00 = R507,00$ or, when using a pocket calculator: $3900 \times .13 = 507.00$. (By using the factor of ".13", you have already divided the 13 by 100. All percentages can be used in this manner.)

To relate the price of a number of items to a single item

e.g. R39,52 paid for 13 items, one item will cost $R39,52 \div 13 = R3,04$. This amount can then be used to calculate the price of another number of articles of the same calibre, e.g. 27 items will cost $27 \times R3,04 = R82,08$.

2 Interest

Interest is in effect the payment for the use of somebody else's money and is therefore the "price" of money or a finance cost.

Interest can be receivable (e.g. interest on investments) or it can be payable (e.g. interest on loans, bonds or debentures). To calculate interest, one needs:

The amount involved,

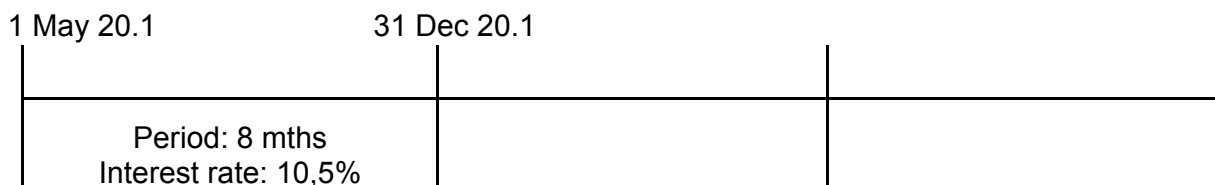
The interest rate at which it is invested/borrowed, and

The period for which it is invested/borrowed.

Whenever a period is involved, students can consider using a "time-line" which may help in the calculation. A time-line can be prepared as follows:

(a) Information:

Amount invested (or borrowed)	R12 000
Interest rate	10,5%
Period: 1 May 20.1 to 31 December 20.1 = 8 months	



Total period = 8 months (or $2/3$ of a year = 0,6667 yr).

(b) Information:

Amount invested (or borrowed) R12 000
 Interest rate 10,5%
 Period: 1 May 20.0 to 31 December 20.1 =
 1 yr, 8 mths (or 20 mths)

1 May 20.0	31 Dec 20.0 1 Jan 20.1	31 Dec 20.1
Period: 8 mths Interest rate: 10,5%	Period: 12 mths (= 1 yr) Interest rate: 10,5%	

Total period = 20 months (or 1 and 2/3 of a year = 1,6667 yr).

Examples:

1. Period shorter than one year:

Amount invested (or borrowed) R12 000
 Interest rate 10,5%
 Period: 1 May 20.1 to 31 Dec 20.1 = 8 months

Calculation of interest:

$$R12\ 000 \times 10,5 \div 100 \times 8 \div 12 = \underline{\underline{R\ 840,00}}$$

$$\text{OR: } R12\ 000 \times 0,105 \times 8 \div 12 = \underline{\underline{R\ 840,00}}$$

$$\text{OR: } R12\ 000 \times 0,105 \times 2 \div 3 = \underline{\underline{R\ 840,00}}$$

$$\text{OR: } R12\ 000 \times 0,105 \times 0,6667 = \underline{\underline{R\ 840,00}}$$

2. Period longer than one year:

Amount invested (or borrowed) R12 000
 Interest rate 10,5%
 Period: 1 May 20.0 to 31 Dec 20.1
 = 1 yr, 8 mths (or 20 mths)

Calculation of interest:

$$R12\ 000 \times 10,5 \div 100 \times 20 \div 12 = \underline{\underline{R2\ 100,00}}$$

$$\text{OR: } R12\ 000 \times 0,105 \times 20 \div 12 = \underline{\underline{R2\ 100,00}}$$

$$\text{OR: } R12\ 000 \times 0,105 \times 5 \div 3 = \underline{\underline{R2\ 100,00}}$$

$$\text{OR: } R12\ 000 \times 0,105 \times 1,6667 = \underline{\underline{R2\ 100,00}}$$

3 Profits and discounts

In the case of the calculation of profits and discounts, a period is not involved, therefore no time-line is necessary. In this case the amount and the percentage, are the key factors.

Examples:

3.1 Profits:

3.1.1 Profit on cost price:

Cost price	R23 000
Profit on cost price	25%
<u>To calculate:</u> Selling price	

Calculation of selling price:

$$\begin{aligned}
 &R23\ 000 + (R23\ 000 \times 25 \div 100) \\
 &= R23\ 000 + R5\ 750 && \underline{R28\ 750} \\
 \text{OR: } &R23\ 000 + (R23\ 000 \times 0,25) \\
 &= R23\ 000 + R5\ 750 && \underline{R28\ 750} \\
 \text{OR: } &R23\ 000 \times 1,25 && \underline{R28\ 750}
 \end{aligned}$$

The rationale behind the last calculation is that, if the cost price is R1,00 the profit will be R0,25, and the selling price will be R1,25.

Therefore: If the cost price is R23 000, the selling price will be R23 000 x 1,25.

3.1.2 Profit on selling price:

Selling price	R23 000
Profit on <u>selling price</u>	25%
<u>To calculate:</u> Cost price.	

Calculation of cost price:

$$\begin{aligned}
 &R23\ 000 - (R23\ 000 \times 25 \div 100) \\
 &= R23\ 000 - R5\ 750 && \underline{R17\ 250} \\
 \text{OR: } &R23\ 000 - (R23\ 000 \times 0,25) \\
 &= R23\ 000 - R5\ 750 && \underline{R17\ 250} \\
 \text{OR: } &R23\ 000 \times 0,75 && \underline{R17\ 250}
 \end{aligned}$$

In this case the calculation of the last amount is not as simple as in the previous case. One must reason a little: The selling price of R23 000 includes a profit of 25%, therefore, if the selling price is R1,00, and the profit is R0,25, the cost price (which is less than the selling price) will be R0,75. Thus, to calculate the cost price:

If the selling price is R23 000, the cost price will be R23 000 x 0,75.

3.1.3 Selling price is given but the percentage profit is on cost price:

Selling price	R23 000
Profit on cost price	25%
<u>To calculate:</u> Cost price.	

Calculation of cost price:

$$\begin{aligned}
 &R23\ 000 - (R23\ 000 \times 25 \div 125) \\
 &= R23\ 000 - R4\ 600 \qquad \qquad \qquad \underline{R18\ 400} \\
 \text{OR: } &R23\ 000 - (R23\ 000 \times 0,20) \\
 &= R23\ 000 - R4\ 600 \qquad \qquad \qquad \underline{R18\ 400} \\
 \text{OR: } &R23\ 000 \div 1,25 \text{ (note: divided by)} \qquad \qquad \underline{R18\ 400}
 \end{aligned}$$

The calculation of the last amount is reasoned as follows: The selling price of R23 000 includes a profit of 25% on cost price, therefore, if the selling price is R1,25, and the profit is R0,25, the cost price (which is less than the selling price) will be R1,00. Thus, to calculate the cost price:

If the selling price is R23 000, the cost price will be $R23\ 000 \div 1,25$.

To sum up:

Cost price		1,00	
Profit	x	<u>1,25</u>	<u>0,25</u>
Selling price		<u>1,25</u>	÷ 1,25

Given the cost price and you have to calculate the selling price (which is more than cost price) multiply cost price with 1,25 (if the percentage is 25%).

Given the selling price and you must calculate the cost price, (which is less than selling price) divide the selling price with 1,25 (if the percentage is 25%).

3.2 Discounts:

3.2.1 Cash or trading discount on sales:

Selling price	R23 000
Discount on selling price	5%
<u>To calculate:</u> Net selling price.	

Calculation of net selling price:

$$\begin{aligned}
 &R23\ 000 - (R23\ 000 \times 5 \div 100) \\
 &= R23\ 000 - R1\ 150 \qquad \qquad \qquad \underline{R21\ 850} \\
 \text{OR: } &R23\ 000 - (R23\ 000 \times 0,05) \\
 &= R23\ 000 - R1\ 150 \qquad \qquad \qquad \underline{R21\ 850} \\
 \text{OR: } &R23\ 000 \times 0,95 \qquad \qquad \qquad \underline{R21\ 850}
 \end{aligned}$$

The last calculation is reasoned as follows: The selling price of R23 000 must be reduced by 5%, therefore, if the selling price is R1,00, the discount will be R0,05, and the net selling price (which is less than the original selling price) will be R0,95. Therefore:

If the selling price is R23 000, the net selling price will be $R23\ 000 \times 0,95$.

3.2.2 Cash discount on payment of accounts:

Amount outstanding on account	R23 000
Discount on payment made on or before a specified date	5%
<u>To calculate:</u> Net amount to be paid.	

Calculation of net amount to be paid:

	$R23\ 000 - (R23\ 000 \times 5 \div 100)$	
	= R23 000 - R1 150	<u>R21 850</u>
<u>OR:</u>	$R23\ 000 - (R23\ 000 \times 0,05)$	
	= R23 000 - R1 150	<u>R21 850</u>
<u>OR:</u>	$R23\ 000 \times 0,95$	<u>R21 850</u>

The last calculation is reasoned as follows: The amount of R23 000 must be reduced by 5%, therefore, if the full account is R1,00, the discount will be R0,05, and the net amount to be paid (which will be less than the original amount to be paid) will be R0,95. Therefore:

If the amount of the account is R23 000, the net amount to be paid will be $R23\ 000 \times 0,95$.

4 Ratios

4.1 Percentage as a ratio:

A percentage can also be regarded as a ratio; a ratio to 100. This means that a ratio of 15% actually means 15 out of 100 or $15 \div 100$. If a student obtained 43 marks out of 60, his ratio will be 43 to 60 (indicated as 43:60), or

$$43 \div 60 \times 100 = 71,7\% \text{ (or } 71,7 \text{ out of } 100 \text{ or } 71,7:100).$$

By dividing both sides of the colon by 100, you get a ratio of 0,717:1 (refer to par 4.2 below).

Similarly, if the sales of an enterprise is R245 000, and the gross profit on these sales is R147 000, the percentage gross profit is:

$R147\ 000 \div R245\ 000 \times 100 = 60\%$. Without doing a complicated calculation, one can immediately say that the cost price is 40% (= 100% - 60%). This 40% can also be calculated as follows:

$$R245\ 000 - R147\ 000 [= R98\ 000] \div R245\ 000 \times 100 = 40\%.$$

4.2 Straight forward ratios:

This type of ratio is often found in the apportionment of profits between partners. The numbers in the ratio are added and this is divided into the amount to be apportioned. Each partner will then receive his part (portion) by multiplying his ratio with the portion thus calculated, e.g.:

If the partners receive an equal part of the profits, the total amount of the profit is merely divided by the number of partners, e.g. a profit of R180 000 must be allocated equally to 3 partners. Each partner will receive the same amount as the other partners, i.e. $R180\ 000 \div 3 = R60\ 000$ (the ratio is 1:1:1 in this case).

The profits of a partnership is apportioned to partners A, B and C in the ratio 3:2:1. A profit of R120 000 must be apportioned. This will mean that the profit of R120 000 must be divided by 6 [= 3 + 2 + 1] portions, which equals R20 000. Partner A will receive 3 portions (= $R20\ 000 \times 3 = R60\ 000$), partner B will receive 2 portions (= $R20\ 000 \times 2 = R40\ 000$), and partner C will receive 1 portion (= $R20\ 000 \times 1 = R20\ 000$). The total amount allocated to the three partners should, of course, be the total profit (i.e. $R60\ 000 + R40\ 000 + R20\ 000 = R120\ 000$).

It quite often happens that profits should be apportioned in relation to the capital invested by each partner. If, for example, partners X, Y, and Z invested R200 000, R100 000 and R400 000 in the partnership, the ratio will now be

$$\begin{aligned} & R200\ 000 + R100\ 000 + R400\ 000 = R700\ 000 \\ = & 2:1:4 = 7 \text{ (parts = the amounts of the capitals as well as the total capital, divided by} \\ & 100\ 000). \end{aligned}$$

A profit of R280 000 will be apportioned as follows:

$$\begin{aligned} \text{Partner X: } & (R280\ 000 \div 7 \times 2) & = R\ 80\ 000 \\ \text{Partner Y: } & (R280\ 000 \div 7 \times 1) & = R\ 40\ 000 \\ \text{Partner Z: } & (R280\ 000 \div 7 \times 4) & = \underline{R160\ 000} \\ & & = \underline{R280\ 000} \end{aligned}$$

ANNEXURE B: PROPOSED STUDY PROGRAMME FOR 2008**PLEASE NOTE:**

The "DUE DATE" is the date on which the Assignment ***must reach*** the University campus in Pretoria. Therefore, please provide sufficient time for any delays due to distance from Pretoria, or otherwise.

FIRST SEMESTER:

DATE	STUDY MATERIAL AND ASSIGNMENTS
± 15/01 to 03/03 03/03 to 07/03 08/03 14/03 08/03 – 31/03 31/03	Study: Study units 01 to 09 Do Assignment 01 (compulsory) Mail Assignment 01 Due date: Assignment 01 Study: Study units 10 to 13 Due date: Assignment 02
30/03 to 14/04 15/04 to 18/04	Study: Study units 14 to 18 Do Comprehensive Exercise
May:	EXAMINATION (STUDY UNITS 1 TO 18) (confirm date at (012) 429-4122)

SECOND SEMESTER:

DATE	STUDY MATERIAL AND ASSIGNMENTS
± 01/07 to 04/08 04/08 to 08/08 09/08 15/08 09/08 to 01/09 01/09	Study: Study units 01 to 09 Do Assignment 01 (compulsory) Mail Assignment 01 Due date: Assignment 01 Study: Study units 10 to 13 Due date: Assignment 02
01/09 to 15/09 15/09 to 17/09	Study: Study units 14 to 18 Do Comprehensive Exercise
October:	EXAMINATION (STUDY UNITS 1 TO 18) (confirm date at (012) 429-4122)

**ANNEXURE C: ASSIGNMENT 01:
FIRST SEMESTER**

THIS ASSIGNMENT IS COMPULSORY

STUDENTS REGISTERED:

- **FOR THE FIRST SEMESTER**
Due date: 14 March 2008
Unique Number: 595654

ANNEXURE C: ASSIGNMENT 01/2008**DUE DATE:** First semester - 14 March 2008**UNIQUE NUMBER: FIRST SEMESTER: 595654****DO NOT SUBMIT ASSIGNMENTS BY MEANS OF FAX OR E-MAIL****NB:** 1. This assignment must be answered on a mark reading sheet or can be submitted via myUnisa.

2. Before answering this assignment please read paragraphs 6 to 8 of this tutorial letter.

3. This assignment covers study units 1 - 9, and comprises 20 multiple choice questions.

4. **NO EXTENSION WILL BE GRANTED FOR THE LATE SUBMISSION OF THIS ASSIGNMENT AND NO CORRESPONDENCE OR TELEPHONE CONVERSATIONS WILL BE CONDUCTED IN THIS REGARD.**5. **IMPORTANT ASPECTS REGARDING MULTIPLE-CHOICE ASSIGNMENTS**

- ◆ A mark-reading sheet is required for answering assignment 01. Before completing the mark-reading sheet please see the instructions contained in this year's issue of "UNISA: SERVICES AND PROCEDURES". Read these instructions CAREFULLY and follow them EXACTLY to avoid mistakes.
- ◆ Work carefully through the relevant tutorial matter before you tackle the assignment.
- ◆ Calculate your answer on a separate piece of paper before you complete the mark-reading sheet.

REMEMBER

There is only **one** correct answer to each question.

All questions are equal in value.

Only mark-reading sheets provided, may be used.

Colour in the correct block with a HB pencil.

Fill in your student number correctly.

Fill in the assignment number correctly.

Fill in the **unique** assignment number for the specific semester correctly. Every assignment which is marked by the computer is given a unique number. The number contains information on the course code and assignment number. When the computer reads the mark-reading sheet with, say, the unique number 595654, it "knows" that it is Assignment 01 for that specific module.

Send **only** your mark-reading sheet to the Assignment Section in the appropriate envelope.

Make sure that you have enough mark-reading sheets.

DO NOT:

make more than one mark per question,
tear or fold the mark-reading sheet,
staple the mark-reading sheet to another piece of paper,
colour outside the block,
colour in the block with a pen,
make corrections with correction fluid,
submit answers on a written sheet of paper, or
try to repair a torn mark-reading sheet with sticky tape - use another one.

ASSIGNMENT 01 (60 marks)(70 minutes)**(MULTIPLE CHOICE QUESTIONS)**

Do this assignment on a mark reading sheet or submit it via myUnisa.

1. The following statements relate to the nature and function of accounting:
- (a) Financial information is required only by enterprises aiming to maximize profits.
 - (b) An accounting entity is an independently existing economic unit, the financial transactions of which must be dealt with separately from those of any other unit.
 - (c) Management accounting deals with the reporting of the financial achievements of an entity as a whole.
 - (d) All liabilities redeemable within one year must be treated as current liabilities.

Which one of the following groups correctly reflects all the statements that are true?

- 1 (a), (b), (c)
 - 2 (a), (b), (d)
 - 3 (b), (d)
 - 4 (c), (d)
 - 5 All of the above
2. During March 20.2 Mkhulushane Dealers purchased goods to the value of R3 000, one third of which was sold for R1 200 during March. Rental and electricity for the month amounted to R200 and R30 respectively.

Which one of the following amounts represents the total costs to be taken into account against income according to the matching principle for March 20.2?

- 1 R3 230
 - 2 R1 000
 - 3 R1 230
 - 4 R1 200
 - 5 None of the above
3. Graeme is the proprietor of an enterprise trading as Simunye General Dealers. At 31 May 20.7 the enterprise had the following assets and liabilities:

	R
Delivery truck.....	67 500
Inventory.....	22 500
Bank (favourable).....	11 250
Creditors.....	52 500
Debtors.....	45 000

Which one of the following amounts reflects the equity at 31 May 20.7?

- 1 R146 250
- 2 R 93 750
- 3 R198 750
- 4 R187 500
- 5 None of the above

ASSIGNMENT 1 (continued)

4. The financial year of Toy-Toy Traders ends on 31 March. The balance on the discount allowed account on 31 March 20.5 was R2 500.

Which one of the following alternatives represents the correct closing journal entry for the discount allowed account of Toy-Toy Traders?

			Dr R	Cr R
1	Mar 31	Trading account Discount allowed	2 500	2 500
2	Mar 31	Discount allowed Trading account	2 500	2 500
3	Mar 31	Discount allowed Profit and loss account	2 500	2 500
4	Mar 31	Profit and loss account Discount allowed	2 500	2 500
5	None of the above			

5. In the balance sheet, at the end of the financial year, accrued expenses will be shown as ...
- 1 a decrease in liabilities
 - 2 an increase in assets
 - 3 a decrease in equity
 - 4 an increase in equity
 - 5 an increase in liabilities

6. During February 20.2 the following transactions were incurred by AA Savage Services:

20.2

- Feb 2 Paid a capital instalment on the loan from Real Bank, R3 600
 15 Services rendered to a client on credit - R1 800
 28 Paid creditor PLA Services R2 400 cash

ASSIGNMENT 1 (continued)

Which one of the following alternatives correctly reflects the net influence of the above transactions on the extended accounting equation of AA Savage Services?

	Assets		=	Equity		+	Liabilities	
	Debtors	Bank		Capital	Profit		Loans	Creditors
	R	R		R	R		R	R
1	-	- 4 200		-	+ 1 800		-	- 6 000
2	-	- 6 000		-	+ 1 800		- 3 600	- 4 200
3	+ 1 800	- 3 000		- 2 400	-		- 1 800	- 1 200
4	+ 1 800	- 6 000		-	+ 1 800		- 3 600	- 2 400
5	- 1 800	+ 6 000		-	- 1 800		+ 3 600	+ 2 400

7. Which one of the following errors will be revealed by a trial balance?
- 1 A transaction was completely omitted from the books.
 - 2 Posting of a debit from a journal was omitted.
 - 3 Posting to the right side of the wrong account.
 - 4 Applying a faulty principle on recording a transaction.
 - 5 All of the above
8. The following information was extracted from the accounting records of Check Stores on 28 February 20.4:

<u>Balances at 31 January 20.4:</u>	R
Debtors control account	32 400
Creditors control account	25 200
Inventory account	30 000

<u>Balances at 28 February 20.4:</u>	
Debtors control account	24 000
Creditors control account	29 160
Inventory account	36 000

<u>Extract from cash payments journal at 28 February 20.4:</u>	
Payments to creditors.....	86 040

Additional information:

- (a) Gross profit mark-up is 20% on cost
- (b) Inventory is kept on the perpetual system
- (c) All purchases and 80% of sales are on credit

ASSIGNMENT 1 (continued)

Which one of the following alternatives represents purchases during February 20.4?

- 1 R90 000
- 2 R84 000
- 3 R45 000
- 4 R86 040
- 5 None of the above

9. Use the same information as for Question 8.

If the purchases during February 20.4 were R84 000, which one of the following alternatives represents the cost of sales for February 20.4?

- 1 R84 000
- 2 R78 000
- 3 R80 040
- 4 R90 000
- 5 None of the above

10. Use the same information as for Question 8.

If the cost of sales for February 20.4 were R84 000, which one of the following alternatives represents credit sales during February 20.4?

- 1 R87 360
- 2 R73 920
- 3 R80 640
- 4 R100 800
- 5 None of the above

11. If prepaid salaries of R1 350 was inadvertently treated as accrued salaries in the books of SA Traders, the profit would be . .

- 1 overstated by R1 350.
- 2 understated by R1 350.
- 3 understated by R2 700.
- 4 overstated by R2 700.
- 5 unchanged

12. The following steps all form part of the accounting cycle:

- (a) Completion of source documents
- (b) Reporting in financial statements
- (c) Transactions taking place
- (d) Recording of transaction in subsidiary journals and ledgers
- (e) Decision making by the management
- (f) Analysis and interpretation of financial statements

ASSIGNMENT 1 (continued)

Which one of the following alternatives represents the correct sequence in which the above steps usually take place in the accounting cycle?

- 1 (c), (a), (e), (d), (b), (f)
- 2 (a), (c), (e), (d), (b), (f)
- 3 (e), (a), (c), (d), (b), (f)
- 4 (c), (a), (d), (b), (f), (e)
- 5 None of the above

13. Which of the following are correct?

	Transaction	Account to be debited	Account to be credited
(a)	Vehicle purchased for cash	Vehicles	Bank
(b)	A debtor, G Force, paid us by cheque	Bank	G Force
(c)	The owner increased his capital contribution with a cash cheque	Bank	Capital
(d)	Paid a creditor, J Simms, by cheque	J Simms	Bank

- 1 (a), (b) and (d)
- 2 (b), (c) and (d)
- 3 (a), (b) and (c)
- 4 (a) and (d)
- 5 All of the above

14. On reconciling the cash journals with the bank statement the accountant of Num Shop ascertained that the bank has debited the firm's account with R1 200, in respect of the premium on the "building insurance policy" with Noquestions Insurers.

Which one of the following alternatives represents the ledger account to be debited with the amount?

- 1 Land and buildings
- 2 Insurance
- 3 Noquestions Insurers
- 4 Bank
- 5 None of the above

ASSIGNMENT 1 (continued)

15. On comparing the bank statement with the cash journals of Clay Stores, the following information and differences were found on 30 April 20.4:

(a) Balances at 1 April 20.4:

	R
Bank account (debit)	20 625
Bank statement (unfavourable)	1 170

(a) Balances at 30 April 20.4:

Bank account – preliminary (favourable)	38 400
Bank statement	?

(c) Additional information:

- (i) Cheques not yet presented to the bank for payment, amounted to R14 880.
- (ii) Bank charges not yet reflected in the cash journals, amounted to R1 875.
- (iii) A deposit of R20 880 (on 30 April 20.4) was not reflected on the bank statement.
- (iv) A stop order in favour of Clay Stores for rent (2 700), appeared on the bank statement, but not in the cash journals.
- (v) A debit entry: "Municipality R3 525" appeared on the bank statement, but not in the cash journals.
- (vi) Interest on favourable bank balance, not yet reflected in the cash journals, amounted to R375.

Which one of the following amounts represents the balance on the bank statement at 30 April 20.4?

- 1 R36 075 (unfavourable)
- 2 R36 075 (favourable)
- 3 R30 075 (unfavourable)
- 4 R30 075 (favourable)
- 5 None of the above

16. Which of the following items will be entered in the cash payments journal of an enterprise when all applicable subsidiary journals are in use?

- (a) Merchandise purchased on credit.
- (b) Merchandise purchased for cash.
- (c) Tyres for the delivery vehicle purchased on credit.
- (d) Refreshments and stamps purchased for cash.
- (e) Office furniture purchased on credit.
- (f) Motor vehicle purchased for cash.
- (g) Merchandise sold on credit.

- 1 All of the above
- 2 (c), (d), (e)
- 3 (a), (b), (d)
- 4 (b), (d), (f)
- 5 (c), (e)

ASSIGNMENT 1 (continued)

17. Which one of the following statements is correct?

- 1 Input VAT is paid to the South African Revenue Service
- 2 Output VAT is repaid by the South African Revenue Service
- 3 VAT on goods sold and services rendered is input VAT.
- 4 The balance on the VAT control account indicates what amount should be paid to or to be claimed from the South African Revenue Service.
- 5 None of the above

18. The following account appeared on 28 February 20.2 in the general ledger of Yammy in respect of an office that was sub-let:

Rent income			
			R
		Bank (total for the year)	12 000

It was established that:

- (a) The relevant office was occupied by the tenant for the full financial year.
- (b) The monthly rental was increased by R200 with effect from 1 September 20.1.
- (c) The rent for February 20.2 has not yet been received.

Which one of the following amounts will appear in the income statement for the year ended 28 February 20.2 in respect of rent income?

- 1 R13 200
 - 2 R13 000
 - 3 R13 090
 - 4 R12 000
 - 5 None of the above
19. Macro Bond leases one of its offices to Gau Cell. The following information appeared in the rent income account in the general ledger of Macro Bond on 30 April 20.5, the end of their financial year:

		R
1 May 20.4:	Accrued income.....	2 880
30 April 20.5:	Accrued income.....	4 320
	Profit and loss account.....	34 560

Which one of the following amounts represents the actual amount received during the year in respect of rent income?

- 1 R33 120
- 2 R34 560
- 3 R36 000
- 4 R38 880
- 5 None of the above

ASSIGNMENT 1 (continued)

20. On 24 March 20.5, R Scott purchased merchandise on credit from Man Ltd for R2 228, 14% VAT inclusive. The amount is subject to a discount of R228 if settled within 30 days.

Which one of the following alternatives represents the correct analysis of the entry in the cash receipts journal of Man Ltd if R Scott settled his account on 12 April 20.5?

	Date	Debtors	Discount allowed	VAT Output		Bank
				Dr	Cr	
1	Apr 12	R 2 228	R 200	R 28	R	R 2 000
2	Apr 12	2 228	200		28	2 000
3	Apr 12	2 000	200	28		2 228
4	Apr 12	2 000	200		28	2 228
5	None of the above					

ANNEXURE D: ASSIGNMENT 01: SECOND SEMESTER

THIS ASSIGNMENT IS COMPULSORY

STUDENTS REGISTERED:

- **FOR THE SECOND SEMESTER**
Due date: 15 August 2008
Unique Number: 595671

ANNEXURE D: ASSIGNMENT 01/2008**DUE DATE:** Second semester - 15 August 2008**UNIQUE NUMBER: SECOND SEMESTER: 595671****DO NOT SUBMIT ASSIGNMENTS BY MEANS OF FAX OR E-MAIL****NB:** 1. This assignment must be answered on a mark reading sheet or can be submitted via myUnisa.

2. Before answering this assignment please read paragraphs 6 to 8 of this tutorial letter.

3. This assignment covers study units 1 - 9, and comprises 20 multiple choice questions.

4. **NO EXTENSION WILL BE GRANTED FOR THE LATE SUBMISSION OF THIS ASSIGNMENT AND NO CORRESPONDENCE OR TELEPHONE CONVERSATIONS WILL BE CONDUCTED IN THIS REGARD.**5. **IMPORTANT ASPECTS REGARDING MULTIPLE-CHOICE ASSIGNMENTS**

- ◆ A mark-reading sheet is required for answering assignment 01. Before completing the mark-reading sheet please see the instructions contained in this year's issue of "UNISA: SERVICES AND PROCEDURES". Read these instructions CAREFULLY and follow them EXACTLY to avoid mistakes.
- ◆ Work carefully through the relevant tutorial matter before you tackle the assignment.
- ◆ Calculate your answer on a separate piece of paper before you complete the mark-reading sheet.

REMEMBER

There is only **one** correct answer to each question.

All questions are equal in value.

Only mark-reading sheets provided, may be used.

Colour in the correct block with a HB pencil.

Fill in your student number correctly.

Fill in the assignment number correctly.

Fill in the **unique** assignment number for the specific semester correctly. Every assignment which is marked by the computer is given a unique number. The number contains information on the course code and assignment number. When the computer reads the mark-reading sheet with, say, the unique number 595671, it "knows" that it is Assignment 01 for that specific module.

Send **only** your mark-reading sheet to the Assignment Section in the appropriate envelope.

Make sure that you have enough mark-reading sheets.

DO NOT:

make more than one mark per question,
tear or fold the mark-reading sheet,
staple the mark-reading sheet to another piece of paper,
colour outside the block,
colour in the block with a pen,
make corrections with correction fluid,
submit answers on a written sheet of paper, or
try to repair a torn mark-reading sheet with sticky tape - use another one.

SECOND SEMESTER ONLY**ASSIGNMENT 01 (60 marks)(70 minutes)****(MULTIPLE CHOICE QUESTIONS)**

Do this assignment on a mark reading sheet or submit it via myUnisa.

1. The following steps all form part of the accounting cycle:
- Completion of source documents.
 - Reporting in financial statements.
 - Analysis and interpretation of financial statements.
 - Recording of transactions in subsidiary journals and ledgers.
 - Transactions taking place.
 - Decision making by management regarding the analysis and interpretation of the information.

Which one of the following alternatives represents the correct sequence in which the above steps usually take place in the accounting cycle?

- (e), (d), (a), (f), (b), (c)
 - (e), (a), (d), (b), (c), (f)
 - (d), (e), (a), (f), (b), (c)
 - (a), (e), (d), (b), (c), (f)
 - None of the above
2. During the financial year ended 31 May 20.2. Amour Ltd entered into the following insurance contracts:

Policy	Date	Annual premium (paid in advance)
1	31 July 20.1	R 2 160
2	1 January 20.2	4 140
3	1 May 20.2	1 800

Which one of the following alternative represents the amount to be debited as insurance expense to the profit and loss account for the year ended 31 May 20.2 (the company has no other insurance policies)?

- R3 675
- R4 800
- R4 605
- R3 525
- None of the above

ASSIGNMENT 1 (continued)

3. Graeme is the proprietor of an enterprise trading as Simunye General Dealers. At 31 May 20.7 the enterprise had the following assets and liabilities:

	R
Delivery truck.....	135 000
Inventory.....	45 000
Bank (favourable).....	22 500
Creditors.....	105 000
Debtors.....	90 000

Which one of the following amounts reflects the equity at 31 May 20.7?

- 1 R217 500
 - 2 R187 500
 - 3 R307 500
 - 4 R292 500
 - 5 None of the above
4. Alpha Limited sold merchandise, originally costing R1 000, to Omega Limited for R1 500 cash.

Which one of the following alternatives correctly reflects the influence of the above transaction on the accounting equation of Alpha Limited if the perpetual inventory system is in use?

	Assets	=	Equity	+	Liabilities
1	- R1 500		-		+ R1 500
2	- R1 500 + R1 500		- -		- -
3	+ R1 500		+ R500		+ R1 000
4	+ R1 500 - R1 000		+ R500 -		- -
5	- -		+ R1 500 - R1 000		- -

5. Which one of the following errors will be revealed by a trial balance?
- 1 A transaction was completely omitted from the books.
 - 2 Posting to the right side of the wrong account.
 - 3 Posting of a debit from a journal was omitted.
 - 4 Applying a faulty principle on recording a transaction.
 - 5 All of the above

ASSIGNMENT 1 (continued)

6. The following transactions appeared, *inter alia*, in the books of Dels Services during May 20.2:

May 3 Purchased merchandise for R11 400 (including VAT of 14%) on credit from Sun Ltd.
 21 Settled the account of Sun Ltd and received a 20% discount.

Which one of the following alternatives represents the combination of entries that will appear in the columns of the cash payments journal of Dels Services on 21 May 20.2?

- 1 Bank: R9 804; VAT Input (Cr): R1 596
 - 2 Bank: R9 120; Discount received: R2 280; Creditors control: R11 400
 - 3 Bank: R9 120; VAT Input (Cr): R280; Creditors control: R9 120; Discount received: R2 000
 - 4 Bank: R9 120; Discount received: R2 000; Creditors control: R11 400; VAT Input (Cr): R280
 - 5 None of the above
7. The following information relates to Peter Traders:

Totals of the cash receipts journal on 31 March 20.2:

	R
Sundry column.....	9 720
Sales column.....	11 400
Discount allowed column.....	420
Bank column.....	29 130
Debtors column	?

Which one of the following amounts represents the total of the debtors column in the cash receipts journal of Peter Traders on 31 March 20.2?

- 1 R 8 430
 - 2 R 7 590
 - 3 R18 990
 - 4 R 8 010
 - 5 None of the above
8. On reconciling the cash journals with the bank statement, the account of Brad Cycles ascertained that the bank credited the businesses account with R1 500 in respect of dividends on an investment made in Long Limited.

Which one of the following ledger accounts of Brad Cycles must be credited with R1 500?

- 1 Bank
- 2 Dividend income
- 3 Long Limited
- 4 Investments
- 5 None of the above

ASSIGNMENT 1 (continued)

9. The following information for the year ended 31 August 20.2 relates to Union Traders:

	R
Inventory – 1 September 20.1	21 000
Inventory – 31 August 20.2	25 000
Cash purchases.....	120 000
Credit purchases	250 000
Cash sales.....	220 000
Credit sales.....	380 000
Purchases returns (on credit purchases)	3 000
Sales returns (on credit sales)	4 000
Freight on purchases.....	9 000
Freight on sales.....	6 000
Import duties.....	5 000
Advertising expenses	8 000

In terms of the realisation principle, which one of the following amounts represents the gross profit for the year ended 31 August 20.2?

- 1 R205 000
 - 2 R213 000
 - 3 R219 000
 - 4 R211 000
 - 5 None of the above
10. Which of the following are correct?
- | | Transaction | Account to be debited | Account to be credited |
|-----|---|-----------------------|------------------------|
| (a) | Vehicle purchased for cash | Vehicles | Bank |
| (b) | A debtor, G Force, paid us by cheque | Bank | G Force |
| (c) | The owner increased his capital contribution with a cash cheque | Capital | Bank |
| (d) | Paid a creditor, J Simms, by cheque | J Simms | Bank |
- 1 (a), (b) and (c)
 - 2 (b), (c) and (d)
 - 3 (a), (b) and (d)
 - 4 (a) and (d)
 - 5 All of the above
11. If prepaid salaries of R1 350 was inadvertently treated as accrued salaries in the books of SA Traders, the profit would be . .
- 1 overstated by R1 350.
 - 2 understated by R1 350.
 - 3 overstated by R2 700.
 - 4 understated by R2 700.
 - 5 unchanged

ASSIGNMENT 1 (continued)

12. In the balance sheet, at the end of the financial year, prepaid advertising will be shown as ...

- 1 a decrease in liabilities
- 2 an increase in assets
- 3 a decrease in equity
- 4 an increase in equity
- 5 an increase in liabilities

13. During February 20.2 the following transactions were incurred by AA Savage Services:

20.2

- Feb 2 Paid a capital instalment on the loan from Real Bank, R3 600
 15 Services rendered to a client on credit - R1 800
 28 Paid creditor PLA Services R2 400 cash

Which one of the following alternatives correctly reflects the net influence of the above transactions on the extended accounting equation of AA Savage Services?

	Assets		=	Equity		+	Liabilities	
	Debtors	Bank		Capital	Profit		Loans	Creditors
	R	R		R	R		R	R
1	-	- 4 200		-	+ 1 800		-	- 6 000
2	-	- 6 000		-	+ 1 800		- 3 600	- 4 200
3	+ 1 800	- 6 000		-	+ 1 800		- 3 600	- 2 400
4	+ 1 800	- 3 600		- 2 400	-		- 1 800	- 1 200
5	- 1 800	+ 6 000		-	- 1 800		+3 600	+ 2 400

14. Which of the following items will be entered in the general journal of an enterprise when all applicable subsidiary journals are in use?

- (a) Merchandise purchased on credit.
- (b) Merchandise purchased for cash.
- (c) Tyres for the delivery vehicle purchased on credit.
- (d) Refreshments and stamps purchased for cash.
- (e) Office furniture purchased on credit.
- (f) Motor vehicle purchased for cash.
- (g) Merchandise sold on credit.

- 1 All of the above
- 2 None of the above
- 3 (a), (b), (d)
- 4 (c), (d), (e)
- 5 (c), (e)

ASSIGNMENT 1 (continued)

15. The following account appeared on 28 February 20.2 in the general ledger of Yammy in respect of an office that was sub-let:

Rent income			
		Bank (total for the year)	R 12 000

It was established that:

- (a) The relevant office was occupied by the tenant for the full financial year.
- (b) The monthly rental was increased by R200 with effect from 1 September 20.1.
- (c) The rent for February 20.2 has not yet been received.

Which one of the following amounts will appear in the income statement for the year ended 28 February 20.2 in respect of rent income?

- 1 R12 000
 - 2 R13 000
 - 3 R13 090
 - 4 R13 200
 - 5 None of the above
16. Which one of the following statements is correct?
- 1 Input VAT is paid to the South African Revenue Service.
 - 2 Output VAT is repaid by the South African Revenue Service.
 - 3 VAT on goods sold and services rendered is input VAT.
 - 4 The balance on the VAT control account indicates what amount should be paid to or to be claimed from the South African Revenue Service.
 - 5 None of the above
17. Which one of the following transactions will result in a change in the equity of an enterprise operating on a bank overdraft?
- 1 A cheque issued in payment of a creditor's account.
 - 2 A cheque issued for payment of salaries.
 - 3 A cheque issued for payment of assets purchased for cash.
 - 4 Property bought on credit.
 - 5 None of the above.

ASSIGNMENT 1 (continued)

18. On 24 March 20.5, R Scott purchased merchandise on credit from Man Ltd for R2 228, 14% VAT inclusive. The amount is subject to a discount of R228 if settled within 30 days.

Which one of the following alternatives represents the correct analysis of the entry in the cash receipts journal of Man Ltd if R Scott settled his account on 12 April 20.5?

	Date	Debtors	Discount allowed	VAT Output		Bank
				Dr	Cr	
1	Apr 12	R 2 228	R 200	R 28	R	R 2 000
2	Apr 12	2 228	200		28	2 000
3	Apr 12	2 000	200	28		2 228
4	Apr 12	2 000	200		28	2 228
5	None of the above					

19. In the process of assisting the bookkeeper of Swift Services to rectify the trial balance at 28 February 20.2, the following errors, which resulted in the disequilibrium of the totals of the trial balance, were traced. Control accounts are in use.
- The total of the February 20.2 cash payments journal amounting to R29 800, has not been transferred to the bank account in the general ledger. The business operated on a bank overdraft.
 - A payment of R300 to a creditor was entered in the cash payments journal and posted to the creditor's personal account, but it has not been analysed in the creditors column of the cash payments journal.
 - Rent amounting to R600, paid for February 20.2, was correctly entered in the cash payments journal, but posted to the credit side of the rent account in the general ledger.

Which one of the following amounts represents the difference in the totals of the trial balance, before the above mistakes were rectified?

- R28 000
- R28 300
- R29 500
- R29 800
- None of the above

ASSIGNMENT 1 (continued)

20. Flotana uses control accounts. Which one of the following alternatives will cause the trial balance not to balance?
- 1 The discount column in the cash payments journal was debited to the discount allowed account in the general ledger.
 - 2 A credit purchase invoice was correctly entered as R325 in the purchases journal, but the amount was incorrectly posted as R235 to the personal account of the creditor.
 - 3 The bank overdraft appears as a credit balance in the trial balance.
 - 4 A credit sales invoice of R1 090 was incorrectly entered as R190 in the sales journal and posted as such to the personal account of the debtor.
 - 5 None of the above

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: 31 March 2008

- **FOR THE SECOND SEMESTER**
Due date: 1 September 2008

ANNEXURE E: ASSIGNMENT 02/2008

DUE DATE: First semester - 31 March 2008
 Second semester - 1 September 2008

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 31 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 Spornet 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 Service 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]

ANNEXURE F

COMPREHENSIVE EXERCISE
WITH
SUGGESTED SOLUTION

ANNEXURE F: COMPREHENSIVE EXERCISE WITH SUGGESTED SOLUTION

This comprehensive exercise covers study units 1 - 18.

This exercise is compiled as follows:

Question	Subject	Marks	Time (minutes)
1	Multiple choice questions	60	70
2	Asset realisation	30	35
3	Bank reconciliation statement	18	20
4	Adjustment and closing journals and financial statements	96	115
5	Debtors and creditors control accounts	27	30
6	Non-profit organisation	32	40
7	Incomplete records	20	25
		283	335

QUESTION 1 (60 marks)(70 minutes)
(MULTIPLE CHOICE QUESTIONS)

Write down the question number beneath one another and your choice ONLY:

For example: 1.1 B
 1.2 C

1.1 If accrued insurance of R600 was inadvertently treated as prepaid insurance in the books of Triangle Limited, the profit will be:

- A overstated by R600
- B understated by R600
- C overstated by R1 200
- D understated by R1 200

1.2 You are the accountant of Cocktail Ltd. The following information for February 20.2 was obtained from the records before any adjustments were made:

	R
Total sales for the month.....	62 550
Cash received from debtors	36 500
Discount allowed to debtors during the month.....	750

Additional information:

- (a) The sales journal has been overcast by R2 200.
- (b) Cash sales for the month amounted R7 800.
- (c) The debtors control account reflected a balance of R27 000 on 1 February 20.2.
- (d) The card of a creditor with a debit balance of R1 050 was transferred to the debtors ledger. This person will in future be a debtor.

Which one of the following amounts represents the correct balance on the debtors control account at 28 February 20.2?

- A R41 850
- B R43 350
- C R44 100
- D R45 550

1.3 Wholesalers Ltd sold R1 500 worth of goods on credit to Retailer Ltd on 13 February 20.2, subject to a trade discount of 25%. A cash discount of 10% will be given if the account is settled within 30 days.

Which one of the following amounts represents the correct amount received by Wholesalers Ltd from Retailer Ltd on 17 March 20.2?

- A R1 125,00
- B R1 012,50
- C R1 350,00
- D R1 500,00

QUESTION 1 (continued)

1.4 Which one of the following statements is correct?

- A According to the matching principle, income and costs incurred in generating that income, must be brought into account during the same financial period.
- B According to the consistency principle, income cannot be brought into account until it has been realised.
- C The principle of prudence requires that once a specific basis, method, procedure, or approach, has been chosen, it should be maintained.
- D The going concern principle requires that transactions and occurrences with no essential bearing upon the nature and scope of the entity's activities, should not be disclosed separately.

1.5 Florida Ltd sold a computer to BNC Ltd for R2 700 cash. The carrying amount of the computer was R1 700 at the date of sale.

Which one of the following alternatives correctly reflects the influence of the transaction on the accounting equation of Florida Ltd

	Assets	=	Equity	+	Liabilities
A	+ R2 700		-		+ R2 700
B	+ R2 700		+ R1 000		+ R1 700
C	+ R2 700		+ R2 700		-
D	+ R2 700 - R1 700		+ R1 000		-

1.6 Mr Piet, the accountant of Egoli Ltd ascertained that the VAT column of the purchases returns journal had been undercast by R700.

Which one of the following general ledger accounts will be affected by this error?

- A Creditors control account.
- B Purchases returns account.
- C VAT Output account
- D VAT Input account

1.7 Which one of the following payments is an asset?

- A A cheque drawn to pay for petrol.
- B A cheque drawn by the proprietor for his own use.
- C A cheque drawn to pay as a deposit for rent.
- D A cheque drawn to pay a creditor for goods bought some time ago as inventory.

QUESTION 1 (continued)

1.8 The following information relates to Jabulani Traders:

Cash Receipts Journal - August 20.1

Doc	Day	Details	Bank	Sales	Debtors control	Sundry accounts	Details of sundries
Rec1	1	G Leroux (owner)	R 50 000	R	R 50 000	R	Rent income
Rec2	5	PQ Ltd	800	800			
CRR1	12	Sales		520	520		
CRR2	20	AA Supermarket (debtor)		160	160		
CRR3	26	Sales		370	370		
				2 260	60	700	

Some of the entries in the Cash Receipts Journal are incorrect. Ignore VAT.

Which one of the following alternatives represents the correct totals of each of the following columns of the Cash Receipts Journal?

	Sales	Debtors	Sundry accounts
A	R 890	R 160	R 50 800
B	1 690	160	50 000
C	890	960	50 000
D	890	50 160	800

1.9 The following information was taken from the books of Rosa Ltd at 28 February 20.2 before any adjustments, or closing entries had been made:

	R
Bad debts recovered	780
Trade debtors	31 270
Provision for doubtful debts (1 March 20.1)	1 405
Bad debts written off during the year	750
Credit sales	40 500
Cash sales	12 750

Additional information:

A further amount of R170 must be written off as irrecoverable. The provision for doubtful debts is to be adjusted to 5% of the debtors.

QUESTION 1 (continued)

Which one of the following amounts represents the net amount in respect of debtors to be disclosed in the balance sheet of Rosa Ltd at 28 February 20.2?

- A R29 536,50
- B R29 545,00
- C R29 695,00
- D R28 832,50

1.10 Monday Ltd, which uses the perpetual inventory system, conducted the following transaction during March 20.1:

March 1: Sold merchandise on credit to Tuesday Ltd for R780
The profit mark-up is 20% on cost.

Which one of the following alternatives represents the entries in the general ledger for the above transaction (ignore VAT)?

	Date	Account debited	Account credited	Amount
A	March 1	Debtors control	Sales	R 780
B	March 1	Debtors control Cost of sales	Sales Inventory	780 650
C	March 1	Debtors control Cost of sales	Sales Inventory	780 624
D	March 1	Debtors control Cost of sales	Sales Purchases	780 624

1.11 Khayelitsha Ltd acquired a 4x4 vehicle (for delivery purposes) costing R140 500 for cash from Goodcars CC, subject to a cash discount of 10%. A canopy costing R3 300 was fitted and a radio costing R2 185 was installed in the vehicle. Installation costs amounted to R1 200.

Which one of the following amounts represents the cost price of the vehicle?

- A R126 450
- B R127 650
- C R131 600
- D R133 135

QUESTION 1 (continued)

1.12 Electra Ltd provides for depreciation on property, plant and equipment at the rate of 25% per annum. The following information is available:

	<u>Machine</u>	<u>Vehicle</u>
Date purchased	1 June 20.0	1 May 20.0
Date sold	31 July 20.2	28 February 20.3
Cost price	R50 000	R65 000
Proceeds on sale	R30 000	R10 000
Method of depreciation	Diminished balance	Straight line

The financial year ends on 28 February 20.3.

Which one of the following amounts represents the profit/loss on the sale of the assets?

- A R2 705,08 profit
- B R7 604,16 loss
- C R6 253,25 loss
- D None of the above

1.13 A comparison of the May 20.1 bank reconciliation statement and the June 20.1 cash journals with the June 20.1 bank statement of DBN Ltd revealed the following:

- (a) Bank charges to the amount of R63 have not yet been taken into account
- (b) A cheque of R316 was recorded in the cash journal as R361
- (c) A deposit of R490 did not appear on the bank statement
- (d) The bank erroneously debited the firms' bank account with interest of R340
- (e) Cheques to the amount of R1 210 were still outstanding

Additional information:

Balances at 30 June 20.1:	R
Bank account (favourable)(provisional).....	117
Balances at 31 May 20.1:	
Bank statement (favourable).....	680
Bank account (favourable).....	1 900

Which one of the following alternatives represents the final balance of the bank account on 30 June 20.1?

- A R 99 (unfavourable)
- B R117 (unfavourable)
- C R 99 (favourable)
- D R117 (favourable)

QUESTION 1 (continued)

1.14 The following information was extracted from the books of Giant Store on 31 December 20.1:

Balances at 30 November 20.1:	R
Debtors control account.....	19 400
Creditors control account.....	13 500
Inventory account.....	16 000

Balances at 31 December 20.1:	
Debtors control account.....	13 700
Creditors control account.....	13 660
Inventory account.....	21 000

Extract from the cash payments journal at 31 December 20.1:

Payments to creditors	39 800
-----------------------------	--------

Additional information:

- (a) Gross profit mark-up is 20% on cost.
- (b) Inventory is kept, using the perpetual system.
- (c) All purchases and sales are on credit.

Which one of the following amounts represents the credit sales during December 20.1?

- A R34 800
- B R34 960
- C R41 760
- D R41 952

1.15 The following information was extracted from KwaMashu Football Club:

Balance sheet items - 31 December 20.1:	
Accrued Membership Fees.....	R270
Prepaid Membership Fees.....	R300

Cash transactions for the year ended 31 December 20.2

Membership fees 20.1	R150
20.2	R29 880
20.3	R90

The club has 85 members and membership fees amount to R30 per month. The outstanding fees for the year 20.1 must be written off as bad debts.

Which of the following amounts will be disclosed on the Income and expenditure statement as membership fees for the year ended 31 December 20.2?

- A R30 510
- B R29 880
- C R30 600
- D R30 150

QUESTION 1 (continued)

1.16 Disc Ltd uses suitable subsidiary journals and the periodic inventory system. The following transactions occurred during October 20.1:

1. Purchased merchandise on credit from Jumbo Wholesalers for R800. The purchase is subject to a trade discount of 25% and an additional cash discount of 5% if the account is settled within 30 days.
2. Purchased merchandise from ABC Traders for R1 500 payable in two monthly instalments of R750 each at 30 November 20.1 and 31 December 20.1.
3. Purchased merchandise from Boss Traders for cash, R1 350.
4. Received a credit note of R160 from Jumbo Wholesalers for merchandise returned.
5. A debit note, R250, was issued to Jumbo Wholesalers for merchandise returned.

Which one of the following amounts will be debited to the purchases account via purchases journal for October 20.1?

- A R1 880
- B R1 910
- C R2 100
- D R3 400

1.17 Which one of the following documents is not always classified as a source document?

- A Water and electricity account
- B Debit note issued
- C Bank statement
- D Bank deposit slip

1.18 The following journal entries were made in the general journal of Pop Star, a sole trader at 31 December 20.1, the end of his financial year:

(a)	Rent income Income received in advance	R 12 000	R 12 000
(b)	Sales Trading account	45 000	45 000
(c)	Accrued income Commission	950	950
(d)	Profit and loss account Interest expense	27 000	27 000
(e)	Profit and loss account Railage on sales	15 300	15 300
(f)	Atlanta Ltd Interest income	670	670

QUESTION 1 (continued)

Which one of the following alternatives represents the combination of journal entries that can be classified as closing entries?

- A All of the above entries
- B (b), (d), (e)
- C (b), (c), (f)
- D (a), (b), (d)

1.19 The following information relates to the 20.1 financial year of Credit Store:

	R
Sales.....	405 000
Purchases.....	252 500
Inventory: Merchandise (1 July 20.0)	32 000
Inventory: Merchandise (30 June 20.1).....	44 000
Carriage: sales	5 500
Carriage: purchases	4 000
Sales returns	5 000
Purchases returns	4 500

Which one of the following alternatives represents the gross profit percentage on sales for the year 20.1?

- A 40%
- B 50%
- C 25%
- D 20%

1.20 The following information represents all the assets and liabilities of XYZ Traders:

	20.1 31 Dec	20.0 31 Dec
	R	R
Property, plant and equipment at cost.....	140 000	125 000
Accumulated depreciation	41 000	30 000
Debtors.....	29 000	23 000
Inventory	23 000	12 000
Long-term loan.....	48 000	50 000
Bank overdraft.....	6 000	8 000

The owner did not make any capital contributions or cash withdrawals during the year.

Which one of the following amounts represents the profit for the year ended 31 December 20.1?

- A R 7 000
- B R17 000
- C R25 000
- D R39 000

QUESTION 2(30 marks)(35 minutes)

The following information was extracted from the books of SS Supermarket:

1. Balances at 1 March 20.1:

	R
Vehicles at cost.....	28 000
Equipment at cost	2 800
Accumulated depreciation: Vehicles.....	14 268
Accumulated depreciation: Equipment	543

2. The following transactions took place during the year in respect of non-current assets:
 - 2.1 On 31 August 20.1 SS Supermarket sold the delivery vehicle for R7 200 cash to Mrs Peterson. The proceeds from this sales transaction was used to finance the purchase of another vehicle from Cape Motors Ltd for R22 000 cash. The cost price of the vehicle sold was R12 000 and its accumulated depreciation amounted to R6 455 on 1 March 20.1 .
 - 2.2 On 28 February 20.2 SS Supermarket sold a used computer printer for R720 cash to Mr Moon. The cost price of the computer printer sold was R900 and its accumulated depreciation amounted to R164 on 1 March 20.1 .

3. Depreciation is provided for as follows:

Vehicles:	20% p.a.-	Diminished balance method
Equipment:	10% p.a.-	Diminished balance method

4. The financial year commences on 1 March 20.1.

REQUIRED:

Prepare the following ledger accounts, properly balanced/closed off, for the year ended 28 February 20.2:

- | | |
|---|-----|
| 2.1 Vehicles at cost | (4) |
| 2.2 Equipment at cost | (3) |
| 2.3 Accumulated depreciation: Vehicles | (8) |
| 2.4 Accumulated depreciation: Equipment | (5) |
| 2.5 Realisation | (4) |
| 2.6 Depreciation | (6) |

QUESTION 3 (18 marks)(20 minutes)

1. The following information relates to Wise Limited:

(a) Bank statement for October 20.1

Date	Details	Debit	Credit	Balance
		R	R	R
1	Balance		13 242	13 242
2	Deposit		700	13 942
	Cheque 797	250		13 692
4	Cheque 828	216		13 476
	Deposit		320	13 796
5	Cheque 829	294		13 502
10	Cheque 831	740		12 762
13	Cheque 830	80		12 682
	Cheque 832	628		12 054
15	Deposit		547	12 601
18	Cheque 834	278		12 323
22	Deposit		510	12 833
28	Cheque 835	340		12 493
	Deposit		484	12 977
29	M Moosa (R/D Cheque)	48		12 929
30	Direct transfer		1 200	14 129
	Bank charges	12		14 117

(b) Cash receipts journal for October 20.1

Date	Details	Amount
		R
3	S Smith (debtor)	320
14	Cash sales	547
22	M Mohammed (debtor)	510
26	Cash sales	484
29	D de Beer (debtor)	253

(c) Cash payments journal for October 20.1

Date	Details	Cheque No	Amount
			R
4	Telkom	828	216
5	P Paxton (creditor)	829	294
6	S Nel Ltd	830	80
10	B Baloyi (creditor)	831	740
	Computer Sales Ltd	832	628
12	J Johnson (creditor)	833	153
17	W Wise	834	278
27	W Wilson (creditor)	835	340
29	S Nel Ltd	836	58

QUESTION 3 (continued)2. Additional information:

- (a) Wise Limited reconciled the cash payments journal, cash receipts journal and bank balance on 30 September 20.1, finding the following outstanding:

Cheque	794	R162
	797	R250
Deposit		R700

- (b) Bank account balance which appeared in the trial balance on 30 September 20.1 was R13 530 (favourable).
- (c) The transfer on 30 October 20.1 to the current bank account was for interest on an investment.

REQUIRED:

- 3.1 Complete the cash payments journal and cash receipts journal (including transactions given) of Wise Limited for October 20.1 (8½)
- 3.2 Prepare the bank account in the general ledger of Wise Limited, properly balanced at 31 October 20.1 (2½)
- 3.3 Prepare the bank reconciliation statement of Wise Limited at 31 October 20.1 (7)

QUESTION 4 (96 marks)(115 minutes)

The following pre-adjustment trial balance was taken from the books of Sinamuva Distributors:

1. Pre-adjustment trial balance of Sinamuva Distributors at 31 December 20.1:

	Debit	Credit
	R	R
Capital (01/01/20.1)		141 700
Land and buildings at cost	263 240	
Vehicles at cost	40 000	
Equipment at cost	9 000	
Accumulated depreciation: Vehicles (01/01/20.1)		11 200
Accumulated depreciation: Equipment (01/01/20.1)		1 710
Fixed deposit: NBC Bank Ltd	50 000	
Inventory: Merchandise	8 500	
Debtors control	5 200	
Bank	3 100	
Petty cash	100	
Cash float	500	
Creditors control		9 550
Long-term loan: Bean Ltd		25 000
Provision for doubtful debts		300
Sales		381 790
Cost of sales	165 400	
Sales returns	1 200	
Wages	2 000	
Salaries	25 000	
Assessment rates	1 500	
Discount allowed	380	
Trading licence	1 000	
Vehicle expenses	3 500	
Bad debts	550	
Packaging materials	4 700	
Insurance	2 250	
Water and electricity	2 100	
Telephone expense	1 400	
Advertisements	2 000	
Rent income		15 600
Discount received		650
Interest on investment		5 000
Bad debts recovered		120
	592 620	592 620

2. Additional information:

The following adjustments must still be taken into account:

- (a) Packaging material on hand at 31 December 20.1, R980.

QUESTION 4 (continued)

- (b) The long-term loan was entered into on 1 October 20.1. According to the agreement interest will be payable bi-annually at a rate of 18% per annum.
- (c) Advertisements includes an amount of R400 paid for January 20.2.
- (d) Rent income includes an amount in respect of January 20.2.
- (e) Interest on the fixed deposit has not yet been received for the last two months of the financial year. Interest is calculated at a rate of 12% per annum.
- (f) Insurance includes an amount of R750 paid for the period 1 November 20.1 to 31 October 20.2.
- (g) The telephone account of R165 for December 20.1 was not yet paid.
- (h) Depreciation must be provided for as follows:
 Vehicles: 20% per annum on the diminished balance.
 Equipment: 10% per annum on the diminished balance.
 Equipment with a cost price of R2 000 was purchased on 1 July 20.1.
- (i) The account of Loose-Ends Ltd, a debtor owing the business R200, must be written off as irrecoverable.
- (j) Adjust the provision for doubtful debts to 5% of debtors.

REQUIRED:

- 4.1 Prepare journal entries to bring the adjustments into account. Change the balances on the trial balance accordingly. (12)
- 4.2 Prepare the closing journal entries. Prepare the trading account and profit and loss account for the year ended 31 December 20.1. (34)
- 4.3 Prepare the income statement of Sinamuva Distributors for the year ended 31 December 20.1. (21)
- 4.4 Prepare the statement of changes in equity for the year ended 31 December 20.1. (4)
- 4.5 Prepare the balance sheet of Sinamuva Distributors at 31 December 20.1. (14½)
- 4.6 Prepare the following notes to the financial statements:
 - (a) Accounting policy,
 - (b) Property, plant and equipment. (10½)

QUESTION 5 (27 marks)(30 minutes)

1. The following information for December 20.1 relates to Smart Boutique:

Dr		Debtors control account		Cr	
20.1		R	20.1		R
Dec 1	Balance (correct) b/d	15 670	Dec 31	Sales returns (credit sales)	1 560
31	Bank (total: debtors column)	35 380		Bills payable	1 480
	Discount allowed	685		Bank (R/D cheques)	425
	Credit sales	47 350		Credit purchases	25 620
	Bills receivable	10 115		Cash purchases	1 008
	Journal debits iro debtors	815		Discount received	275
	Journal debits iro creditors	781		Journal credits iro debtors	660
	Drawings	150		Journal credits iro creditors	8 181
	Purchases returns (credit purchases)	1 350		Bank (total: creditors column)	2 500
				Balance c/d	70 587
		<u>112 296</u>			<u>112 296</u>

20.2
Jan 1 Balance b/d 70 587

2. Additional information:

- The debtors control account was prepared by an inexperienced bookkeeper.
- In addition to the mistakes made in the above debtors control account, an investigation revealed the following:
 - The total list of debtors' balances at 31 December 20.1 was R16 060.
 - An amount of R115, which has been written off as bad debt, has erroneously been added to the journal debits of R815. This entry has been posted correctly to the applicable account in the debtors ledger.
 - The sales journal was overcast by R420.
 - Interest of R170 charged on accounts overdue during December 20.1, was posted correctly to the interest and control accounts in the general ledger but was not posted to the personal accounts of the applicable debtors in the debtors ledger.
 - Credit note number 003 for R70 was recorded correctly in the sales returns journal but posted to the wrong side of the personal account of the debtor in the debtors ledger.
 - The debtors column in the cash receipts journal includes an amount of R195 being cash discount received from a creditor.
 - The purchases journal was undercast by R718.
 - An account of R1 603 for freight on credit sales was received from Quick Transport. No entry has as yet been made.
 - The R/D cheques of R425 were in respect of debtors.
 - The balance of the creditors control account at 1 December 20.1 was R8 340.

QUESTION 5 (continued)**REQUIRED:**

- 5.1 Prepare the correct debtors and creditors control accounts of Smart Boutique for December 20.1 properly balanced. (23)
- 5.2 Prepare the reconciliation of the total of the list of debtors balances with the final balance of the debtors control account as calculated in 5.1 above. (4)

QUESTION 6 (32 marks)(40 minutes)

The following information pertains to the Sharks Diving Club:

1. Extract from list of balances at 31 March 20.1:

	R
Bar purchases	60 000
Bar inventory - 1 April 20.0.....	5 000
Bar sales.....	100 000
Bar wages.....	15 000
Crockery and linen at cost - 1 April 20.0	10 000
Furniture at cost price - 1 April 20.0	30 000
General expenses	8 200
Diving fees received	33 900
Equipment at cost.....	24 000
Vehicles at cost	35 000
Accumulated depreciation: (1 April 20.0)	
- Furniture.....	9 000
- Equipment.....	4 800
- Vehicles	5 000
Insurance in arrears - 1 April 20.0.....	600
Maintenance	20 100
Salaries and wages	48 000
Stationery consumed.....	6 000
Membership fees received	101 000
Membership fees in arrears - 1 April 20.0	15 000
Membership fees prepaid - 1 April 20.0	20 000
Donation received	2 000

2. Additional information:

- (a) Bar inventory on 31 March 20.1, R10 000.
- (b) At 31 March 20.1 the crockery and linen was valued at R3 000.
- (c) Furniture with a cost price of R5 000 and accumulated depreciation of R1 500 on 1 April 20.0 was sold for R3 000 on 30 June 20.0. This transaction must still be recorded.

QUESTION 6 (continued)

(d) Depreciation must be provided for as follows:

Furniture	-	10% per annum on the cost price
Equipment	-	20% per annum on the diminished balance.
Vehicles	-	25% per annum on the diminished balance.

(e) Insurance premiums to the amount of R2 600 was paid during the year and debited to the general expenses account. An amount of R1 000 thereof was prepaid insurance premiums.

(f) The club had 190 members during the current financial year. Membership fees amounts to R500 per member per annum. All of the members paid their membership fees for the current year. R7 500 of the membership fees in arrears on 1 April 20.0 must be written off as irrecoverable.

(g) During the current year 20 new members joined the club. Each paid their entrance fees of R50. These amounts were erroneously included in the membership fees received, and must be capitalised.

(h) The salary, R1 500, of the club secretary for March 20.1 is still due and must be provided for.

REQUIRED:

Prepare the following for Sharks Diving Club:

6.1 The membership fees account for the year ended 31 March 20.1, properly balanced. (8)

6.2 The income and expenditure statement for the year ended 31 March 20.1. (Show a separate calculation for the gross profit of the bar.) (24)

QUESTION 7 (20 marks)(25 minutes)

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

1. Balances at 30 April	20.1	20.2
	R	R
Furniture at cost.....	12 500	12 500
Tools and equipment at cost.....	23 250	23 250
Inventory: Trading	4 900	5 100
Bank (favourable).....	-	1 240
Bank overdraft.....	3 250	-
Long-term loan	7 000	4 600
Creditors.....	2 600	3 060
Income received in advance.....	1 900	2 500
Accrued expenses.....	800	650

2. Additional information:

- (a) F Fortune drew R50 000 during the year for own use.
- (b) Depreciation at 20% per annum on the cost price of both furniture and tools and equipment must still be provided for.

REQUIRED:

- 7.1 Calculate the estimated profit/loss of F Fortune for the year ended 30 April 20.2 (13)
- 7.2 Prepare the Statement of Assets and Liabilities of F Fortune at 30 April 20.2. (7)

SUGGESTED SOLUTION OF COMPREHENSIVE EXERCISE**QUESTION 1 (60 marks)**

1.1 Option (C): Overstated by R1 200.

Comment:

If we assume the gross profit is R10 000 and the balance of the insurance before adjustments is R4 000, the correct entries will be as follows if there were no other expenses:

Insurance			
	R		R
Balance b/d	4 000	Profit and loss	4 600
Accrued insurance	600		
	4 600		4 600
	4 600		4 600

The profit will be
 $R(10\ 000 - 4\ 600) = R5\ 400$

If, however, the R600 was inadvertently treated as prepaid insurance the entries in the account would have been the following:

Insurance			
	R		R
Balance b/d	4 000	Prepaid insurance	600
		Profit and loss	3 400
	4 000		4 000
	4 000		4 000

Profit would have been: $R(10\ 000 - 3\ 400) = R6\ 600$
 The profit is therefore $R(5\ 400 - 6\ 600) = R1\ 200$ overstated.

1.2 Option (B): R43 350.

Debtors control account			
	R		R
Balance b/d	27 000	Bank	36 500
Credit sales R(62 550- 7 800-2 200)	52 550	Discount allowed	750
Creditors control	1 050	Balance c/d	43 350
	80 600		80 600
	80 600		80 600

QUESTION 1 (continued)

1.3 Option (A): R1 125,00

Comment:

The account was not settled within 30 days. The discount of 10% falls away. The correct amount of the cheque is R1 125,00.

	R
Quoted price	1 500,00
<u>Less: Trade discount R(25/100 x 1 500,00)</u>	<u>375,00</u>
Payment	<u>1 125,00</u>

1.4 Option (A):

According to the matching principle, income and costs incurred in generating that income, must be brought into account during the same financial period.

Comment:

- (B) The principle of consistency requires that once a specific basis, method, procedure, or approach, has been chosen, it should be maintained.
- (C) According to the prudence principle, preparers of financial statements must be conservative in their approach to uncertainties and use the value which has the most unfavourable effect on the equity of the enterprise.
- (D) The going concern principle deals with the fact that it is expected that the business will still remain for a long period.

1.5 Option (D):

Comment:

The equipment (asset) account must be credited with R1 700 and bank (asset) account is debited by R2 700. The profit of R1 000 (R2 700 - R1 700) increases equity.

1.6 Option (D): VAT Input account.

1.7 Option (C): A cheque drawn to pay as a deposit for rent. Whenever the property is no longer rented, the deposit will/must be refunded. Until then it is an asset.

QUESTION 1 (continued)

1.8 Option (A) :

Calculation:

Cash receipts journal - August 20.1

Doc	Day	Details	Bank	Sales	Debtors control	Sundry accounts	
						Amount	Details
Rec 1	1	G Leroux	R 50 000	R	R	R 50 000	Capital Rent in- come
Rec 2	5	PQ Ltd	800			800	
CRR 1	12	Sales	520	520			
CRR 2	20	AA Super- market (debtor)	160		160		
CRR 3	26	Sales	370	370			
			51 850	890	160	50 800	

1.9 Option (B): R29 545,00

Calculation:

Debtors (R31 270 - R170)	R 31 100
Less: Provision for doubtful debts (R31 100 x 5/100)	<u>1 555</u>
Balance of debtors to be shown in the balance sheet	<u>29 545</u>

The bad debts of R750 had been written off before 28 February 20.2 and is already reflected in the balance of R31 270. Bad debts recovered does not have any effect on the debtors or bad debts accounts.

1.10 Option (B)

Comment:

When the perpetual inventory system is used, cost of sales is determined at the time of sale and the inventory account is credited.

The cost price of the inventory is $R780 \times 100/120 = R650$

QUESTION 1 (continued)

1.11 Option (D): R133 135

<u>Calculation:</u>	R
Purchase price	140 500
Less: Cash discount($10/100 \times R140\ 500$)	<u>14 050</u>
	126 450
Add: Canopy	3 300
Radio	2 185
Installation costs	<u>1 200</u>
	<u><u>133 135</u></u>

1.12 Option (C): R6 253,25 loss

<u>Calculation:</u>	R
<u>Machine</u>	
01/6/20.0 Cost price	50 000,00
28/2/20.1 Depreciation: $R50\ 000 \times 25/100 \times 9/12$	<u>(9 375,00)</u>
01/3/20.1 Carrying amount	40 625,00
28/2/20.2 Depreciation: $R40\ 625 \times 25/100$	<u>(10 156,25)</u>
01/3/20.2 Carrying amount	30 468,75
31/7/20.2 Depreciation: $R30\ 468,75 \times 25/100 \times 5/12$	<u>(3 173,83)</u>
Carrying amount	27 294,92
Selling price	<u>30 000,00</u>
Profit on sale	<u><u>2 705,08</u></u>
<u>Vehicle</u>	
01/5/20.0 Cost price	65 000,00
28/2/20.1 Depreciation: $R65\ 000 \times 25/100 \times 10/12$	<u>(13 541,67)</u>
01/3/20.1 Carrying amount	51 458,33
28/2/20.2 Depreciation: $R65\ 000 \times 25/100$	<u>(16 250,00)</u>
01/3/20.2 Carrying amount	35 208,33
28/2/20.3 Depreciation: $R65\ 000 \times 25/100$	<u>(16 250,00)</u>
Carrying amount	18 958,33
Selling price	<u>10 000,00</u>
Loss on sale	<u><u>8 958,33</u></u>

Therefore, the total loss is:

$$R(8\ 958,33 - 2\ 705,08) = R6\ 253,25$$

QUESTION 1 (continued)

1.13 Option (C): R99 (favourable)

Calculation:

Cash receipts journal (bank column) - 30 June 20.1

Date	Details	Bank
	Stationery R(361 - 316)	R 45
		<u>45</u>

Cash payments journal (bank column) - 30 June 20.1

Date	Details	Bank
	Bank charges	R 63
		<u>63</u>

Bank account

	Balance b/d	R 117		Payments	R 63
	Receipts	45		Balance c/d	99
		<u>162</u>			<u>162</u>
	Balance b/d	99			

1.14 Option (D): R41 952

Calculation:

Creditors control account

20.1 Dec 31	Bank	R 39 800	20.1 Dec 1	Balance b/d	R 13 500
	Balance c/d	13 660	31	Inventory*	39 960
		<u>53 460</u>			<u>53 460</u>
			20.2 Jan 1	Balance b/d	13 660

*Balancing figure

QUESTION 1 (continued)

Inventory account

20.1 Dec 1	Balance	b/d	R 16 000	20.1 Dec 31	Cost of sales*		R 34 960
31	Creditors control		39 960		Balance	c/d	21 000
			55 960				55 960

20.2

Jan 1 Balance b/d 21 000

*Balancing figure

$$\begin{aligned}
 \text{Sales} &= (\text{R}34\,960 \times 20/100) + \text{R}34\,960 \\
 &= \text{R}6\,992 + \text{R}34\,960 \\
 &= \underline{\underline{\text{R}41\,952}}
 \end{aligned}$$

1.15 Option (C): R30 600

Calculation:

$$85 \text{ members} \times \text{R}30 \times 12 \text{ months} = \text{R}30\,600$$

OR

Dr		Membership fees				Cr	
20.2 Jan 1	Balance	b/d	R	20.2 Jan 1	Balance	b/d	R
	(Accrued membership fees)		270		(Prepaid membership fees)		300
Dec 31	Prepaid membership fees		90	Dec 31	Bank		30 120
	Income and expenditure		30 600		Bad debts		120
					Accrued membership fees		420
			30 960				30 960

1.16 Option (C): R2 100

Calculation:

The correct purchases journal will be as follows:

Purchases Journal - October 20.1

Doc	Day	Details	Fol	Total	Purchases
				R	R
	1	Jumbo Wholesalers*		600	600
	2	ABC Traders		1 500	1 500
				2 100	2 100

*The quoted price is subject to trade discount of 25%.

QUESTION 1 (continued)

Quoted price	R 800
<u>Less: Trade discount (25/100 x R800)</u>	<u>200</u>
Purchase price/Amount payable	<u>600</u>

1.17 Option (A): Water and electricity account

Comment:

The cheque counterfoil serves as a source document for the water and electricity account paid. Only at the end of the financial year is the water and electricity account used to determine outstanding amounts.

The bank statement and bank deposit slip serve as the source documents for the amounts to be recorded in the cash journals.

A debit note is the source document for the amount to be recorded on the purchases returns journal.

1.18 Option (B): (b),(d),(e)

Comment:

The other entries are all adjustment journal entries.

1.19 Option (A): 40%

Calculation:

Inventory: 1 July 20.0	R 32 000
Purchases R(252 500 - 4 500)	248 000
Carriage on purchases	4 000
	<u>284 000</u>
Inventory: 30 June 20.1	<u>(44 000)</u>
Cost of sales	<u>240 000</u>
Sales R(405 000 - 5 000)	400 000
Cost of sales	<u>(240 000)</u>
Gross profit	<u>160 000</u>

Gross profit percentage on sales:
 $R160\,000/400\,000 \times 100 = 40\%$

QUESTION 1 (continued)

1.20 Option C: R25 000

Calculation:

Equity at 31 December 20.1:

	R
Assets	
Property, plant and equipment at carrying amount R(140 000 - 41 000)	99 000
Debtors	29 000
Inventory	23 000
	151 000
Liabilities	(54 000)
Long-term liability	48 000
Bank overdraft	6 000
	97 000

Equity at 31 December 20.0:

	R
Assets	
Property, plant and equipment at carrying amount R(125 000 - 30 000)	95 000
Debtors	23 000
Inventory	12 000
	130 000
Liabilities	(58 000)
Long-term liability	50 000
Bank overdraft	8 000
	72 000

Profit for the year = R(97 000 - 72 000) = R25 000

Marking scheme: ✓ = 1 mark; ^ = ½ mark

QUESTION 2 (30 marks)

SS SUPERMARKET

General ledger

2.1

Vehicles (at cost)

20.1 Mar 1	Balance [^]	b/d	R ^28 000	20.1 Aug 31	Realisation account [^]	R ^12 000
20.1 Aug 31	Bank [^]		^22 000	20.2 Feb 28	Balance	c/d ^38 000
			<u>50 000</u>			<u>50 000</u>

20.2

Mar 1 Balance b/d ^38 000 (4)

2.2

Equipment (at cost)

20.1 Mar 1	Balance [^]	b/d	R ^2 800	20.2 Feb 28	Realisation account [^]	R ^900
					Balance	c/d ^1 900
			<u>2 800</u>			<u>2 800</u>

20.2

Mar 1 Balance b/d ^1 900 (3)

2.3

Accumulated depreciation on vehicles

20.1 Aug 31	Realisation account [^]		R ^7 009,50	20.1 Mar 1	Balance [^]	b/d	R ^14 268,00
20.2 Feb 28	Balance	c/d	^11 650,40	20.1 Aug 31	Depreciation (a)		✓✓554,50
				20.2 Feb 28	Depreciation (b)		✓✓✓3 837,40
			<u>18 659,90</u>				<u>18 659,90</u>

20.2

Mar 1 Balance b/d ^11 650,40

(8)

QUESTION 2 (continued)

2.4 Accumulated depreciation on equipment

20.2 Feb 28	Realisation account* Balance	R ^237,60 ^531,10	20.1 Mar 1	Balance^	b/d	R ^543,00
	c/d		20.2 Feb 28	Depreciation (c)		✓✓225,70
		<u>768,70</u>				<u>768,70</u>

20.2
Mar 1 Balance b/d ^531,10

*R(164,00 + 73,60)

(5)

2.5 Realisation account

20.1 Aug 31	Vehicles at cost Profit on sale of vehicle	R ^12 000,00 ^ 2 209,50 <u>14 209,50</u>	20.1 Aug 31	Accumulated depreciation: vehicle Bank	R ^ 7 009,50 ^ 7 200,00 <u>14 209,50</u>
20.2 Feb 28	Equipment at cost Profit on sale of equipment	^ 900,00 ^ 57,60 <u>957,60</u>	20.2 Feb 28	Accumulated depreciation: equipment Bank	^ 237,60 ^ 720,00 <u>957,60</u>

(4)

2.6 Depreciation

20.1 Aug 31	Accumulated depreciation: vehicles (a)	R ✓✓554,50	20.2 Feb 28	Profit and loss account	R 4 617,60
20.2 Feb 28	Accumulated depreciation: vehicles (b) Accumulated depreciation: equipment (c)	✓✓3 837,40 ✓✓225,70 <u>4 617,60</u>			<u>4 617,60</u>

(6)

QUESTION 2 (continued)Calculations

(a) Depreciation on vehicle sold (31 August 20.1)

	R
Cost	12 000,00
<u>Less: Accumulated depreciation</u>	<u>6 455,00</u>
Carrying amount at 1 March 20.1	<u>5 545,00</u>
 Depreciation for next 6 months (R5 545,00 x 20/100 x ⁶ / ₁₂)	 <u>554,50</u>
Total accumulated depreciation on vehicle sold R(6 455,00 + 554,50)	<u>7 009,50</u>

(b) Depreciation on vehicles (28 February 20.2)

	Vehicle kept	New vehicle
	R	R
Cost R(28 000 - 12 000)	16 000,00	22 000,00
<u>Less: Accumulated depreciation R(14 268 - 6 455)</u>	<u>7 813,00</u>	-
Carrying amount	8 187,00	22 000,00
Depreciation: current year (R8 187 x 20/100) and (R22 000 x 20/100 x ⁶ / ₁₂)	1 637,40	2 200,00
Total R(1 637,40 + 2 200,00) = R 3 837,40		

(c) Depreciation on equipment

	Equipment kept	Equipment sold
	R	R
Cost R(2 800 - 900)	1 900,00	900,00
<u>Less: Accumulated depreciation R(543 - 164)</u>	<u>379,00</u>	164,00
Carrying amount	1 521,00	736,00
Depreciation: current year (R1 521 x 10/100) and (R736 x 10/100)	152,10	73,60
Total R(152,10 + 73,60) = R225,70		

NB: The equipment was sold on the last day of the financial year. A proportional calculation of depreciation is thus unnecessary.

QUESTION 3 (18 marks)

WISE LIMITED

3.1(a) Cash receipts journal (bank column only) - October 20.1

Date	Details	Bank
		R
3	S Smith/Debtors control	^ 320
14	Cash sales	^ 547
22	M Mohammed/Debtors control	^ 510
26	Cash sales	^ 484
29	D de Beer/Debtors control	^ 253
30	Interest income	^ 1 200
		3 314

(3)

3.1(b) Cash payments journal (bank column only) - October 20.1

Date	Details	Cheque No	Bank
			R
4	Telkom	828	^ 216
5	P Paxton/Creditors control	829	^ 294
6	S Nel Ltd	830	^ 80
10	B Baloyi/Creditors control	831	^ 740
	Computer Sales Ltd	832	^ 628
12	J Johnson/Creditors control	833	^ 153
17	W Wise	834	^ 278
27	W Wilson/Creditors control	835	^ 340
29	S Nel Ltd	836	^ 58
	M Moosa /Debtors control		^ 48
30	Bank charges		^ 12
			2 847

(5¹/₂)

3.2

Dr		Bank			Cr	
20.1		R	20.1		R	
Oct 1	Balance	b/d ^13 530	Oct 31	Payments	CPJ	^ 2 847
31	Receipts	CRJ ^ 3 314		Balance	c/d	^13 997
		16 844				16 844

20.1

Nov 1 Balance

b/d ^13 997

(2¹/₂)

QUESTION 3 (continued)

3.3. Bank reconciliation statement at 31 October 20.1

	Debit	Credit
	R	R
Credit (favourable) balance as per bank statement		✓14 117
Outstanding cheques: No 794	✓162	
No 833	✓153	
No 836	✓58	
Outstanding deposit		✓253
Debit (favourable) balance as per bank account	✓13 997	
	^ 14 370	^ 14 370

(7)

QUESTION 4 (96 marks)**SINAMUVA DISTRIBUTORS**

4.1 General journal: 31 December 20.1

	Fol	Debit	Credit
		R	R
20.1 Dec 31		980 [^]	980 [^]
Inventory: Packaging material			
Packaging material			
<i>Packaging material on hand at 31 December 20.1</i>			
Interest on loan		1 125 [^]	1 125 [^]
Accrued expenses			
<i>Interest on loan still payable (a)</i>			
Prepaid expenses		400 [^]	400 [^]
Advertisements			
<i>Advertisement paid in advance</i>			
Rent income		1 200 [^]	1 200 [^]
Income received in advance			
<i>Rent received in advance (b)</i>			
Accrued income		1 000 [^]	1 000 [^]
Interest on investment			
<i>Interest on investment not yet received (c)</i>			
Prepaid expenses		625 [^]	625 [^]
Insurance			
<i>Insurance prepaid (d)</i>			

QUESTION 4 (continued)

20.1 Dec 31	Telephone Accrued expenses <i>Telephone account for December brought into account</i>		R 165 [^]	R 165 [^]
	Depreciation Accumulated depreciation on vehicles Accumulated depreciation on equipment <i>Depreciation provided at 20% per annum on the diminished balance of vehicles and at 10% per annum on the diminished balance of equipment. (e)</i>		6 389 ^{^^}	5 760 ^{^^} 629 ^{^^}
	Provision for doubtful debts Loose-Ends/Debtors control <i>Account written off as irrecoverable</i>		200 [^]	200 [^]
	Provision for doubtful debts Bad debts <i>Adjustment of provision for doubtful debts (f)</i>		50 [^]	50 [^]

[24/2 = 12]

Calculations:

(a) Interest on loan:

$$R25\,000 \times \frac{18}{100} \times \frac{3}{12}$$

$$= R1\,125$$

(b) Rent received in advance:

$$R15\,600/13^* = R1\,200$$

*The rent was received for a full year plus one additional month.

(c) Interest on fixed deposit:

$$R50\,000 \times \frac{12}{100} \times \frac{2}{12}$$

$$= R1\,000$$

QUESTION 4 (continued)

(d) Insurance:

Only November 20.1 and December 20.1 falls in this financial period. Ten months are paid in advance:

$$R750/12 \times 10 = R625$$

(e) Depreciation:

1. Vehicles:

$$R(40\,000 - 11\,200) \times 20\%$$

$$= R28\,800 \times \frac{20}{100}$$

$$= R5\,760$$

2. Equipment:

The accumulated depreciation is on the equipment owned by the business at the beginning of the financial year. Two calculations must therefore be done, namely:

$$2.1 \quad R[(9\,000 - 2\,000) - 1\,710] \times 10\% \\ = R529$$

$$2.2 \quad R2\,000 \times \frac{10}{100} \times \frac{6}{12}$$

$$= R100$$

Total depreciation for equipment:

$$R(529 + 100) = R629$$

(f) Provision for doubtful debts:

$$\text{Debtors: } R(5\,200 - 200) = R5\,000$$

$$R5\,000 \times \frac{5}{100}$$

$$= R250$$

The provision for doubtful debts is at present
The balance of the provision must be
The current provision must be reduced by

R300
R250
R 50

QUESTION 4 (continued)

4.2 Closing Journal Entries - December 20.1

Sales Trading Account <i>Closing off and transfer of sales to trading account</i>	R ^ 381 790	R ^ 381 790
Trading account Sales returns <i>Closing off and transfer of sales returns to trading account</i>	^ 1 200	^ 1 200
Trading Account Cost of sales <i>Closing off and transfer of cost of sales account to trading account</i>	^ 165 400	^ 165 400
Trading Account Profit and loss account <i>Transfer of gross profit</i>	^ 215 190	^ 215 190
Rent income R(15 600 - 1 200) Discount received Interest on investment R(5 000 + 1 000) Bad debts recovered Profit and loss account <i>Closing off of above accounts against profit and loss account</i>	^ 14 400 ^ 650 ^ 6 000 ^ 120	^ 21 170
Profit and loss account Wages Salaries Assessment rates Discount allowed Trading licence Vehicle expenses Bad debts R(550 + 200 - 50) Packaging material R(4 700 - 980) Insurance R(2 250 - 625) Water and electricity Telephone R(1 400 + 165) Advertisements R(2 000 - 400) Interest on loan Depreciation <i>Closing off of above accounts against profit and loss account</i>	^ 52 204	^ 2 000 ^ 25 000 ^ 1 500 ^ 380 ^ 1 000 ^ 3 500 ^ 700 ^ 3 720 ^ 1 625 ^ 2 100 ^ 1 565 ^ 1 600 ^ 1 125 ^ 6 389
Profit and loss account Capital <i>Transfer of profit to capital account</i>	^ 184 156	^ 184 156

[30/2 = 15]

QUESTION 4 (continued)

Trading account

20.1 Dec 31		R	20.1 Dec 31		R
	Cost of sales	^ 165 400		Sales	^ 381 790
	Sales returns	^ 1 200			
	Profit and loss account (Gross profit)	^ 215 190			
		<u>381 790</u>			<u>381 790</u>

[4/2 = 2]

Profit and loss account

20.1 Dec 31		R	20.1 Dec 31		R
	Wages	2 000 ^		Trading account (Gross profit)	215 190 ^
	Salaries	25 000 ^		Rent income	14 400 ✓
	Assessment rates	1 500 ^		Discount received	650 ^
	Discount allowed	380 ^		Interest on investment	6 000 ✓
	Trading licence	1 000 ^		Bad debts recovered	120 ^
	Vehicle expenses	3 500 ^			
	Bad debts	700 ✓✓			
	Packaging material	3 720 ✓			
	Insurance	1 625 ✓			
	Water and electricity	2 100 ^			
	Telephone	1 565 ✓			
	Advertisements	1 600 ✓			
	Interest on loan	1 125 ✓			
	Depreciation	6 389 ✓✓			
	Capital (profit)	184 156 ✓			
		<u>236 360</u>			<u>236 360</u>

(17)

[34]

QUESTION 4 (continued)

4.3

SINAMUVA DISTRIBUTORS
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 20.1

Revenue R(381 790 - 1 200)	✓✓	R 380 590
Cost of sales	✓	(165 400)
Gross profit		215 190
Other income		15 170
Rent income	✓	14 400
Discount received	✓	650
Bad debts recovered	✓	120
		230 360
Selling, administrative and general expenses		(51 079)
Wages	✓	2 000
Salaries	✓	25 000
Assessment rates	✓	1 500
Discount allowed	✓	380
Trading licence	✓	1 000
Vehicle expenses	✓	3 500
Bad debts	✓	700
Packaging material	✓	3 720
Insurance	✓	1 625
Water and electricity	✓	2 100
Telephone	✓	1 565
Advertisements	✓	1 600
Depreciation	✓	6 389
Investment income	✓	6 000
Finance charges: Interest on loan	✓	(1 125)
Profit for the year		184 156

(21)

4.4

SINAMUVA DISTRIBUTORS

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
31 DECEMBER 20.1 ✓

	CAPITAL
	R
Balance at the beginning of the year	✓^141 700
Profit for the year	✓^184 156
Balance at the end of the year	325 856

(4)

QUESTION 4 (continued)

4.5

SINAMUVA DISTRIBUTORS
BALANCE SHEET AT 31 DECEMBER 20.1 ✓^

ASSETS	Note	R
Non-current assets		342 941
Property, plant and equipment	2 ✓	292 941
Other financial assets:		
Cash investment:		
12% Fixed deposit: NBC Bank	✓	50 000
Current assets		19 955
Inventories		9 480
Trading inventory	✓	8 500
Packaging material	✓	980
Trade and other receivables		5 750
Debtors R(5 200 - 200 - 250)	✓	4 750
Accrued income	✓	1 000
Prepayments R(625 + 400)	✓	1 025
Cash and cash equivalents R(3 100 + 500 + 100)	✓	3 700
TOTAL ASSETS		362 896
EQUITY AND LIABILITIES		
Total equity		325 856
Capital	✓	325 856
Non-current liabilities		25 000
Interest bearing borrowings: Long term loan: Bean Ltd	✓	25 000
Current liabilities		12 040
Trade and other payables		12 040
Creditors	✓	9 550
Accrued expenses R(1 125 + 165)	✓	1 290
Income received in advance	✓	1 200
TOTAL EQUITY AND LIABILITIES		362 896

(14½)

QUESTION 4 (continued)**4.6 SINAMUVA DISTRIBUTORS****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 20.1**

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

Depreciation has been provided for as follows:

Vehicles: 20% per annum using the diminished balance method
Equipment: 15% per annum using the diminished balance method

(2)

2 Property, plant and equipment

	Land and buildings	Vehicles	Equipment	Total
	R	R	R	R
<i>Carrying amount:</i>				
Beginning of year	^263 240	^ 28 800	^ 5 290	297 330
Cost	^263 240	^ 40 000	^ 7 000	310 240
Accumulated depreciation	-	^ (11 200)	^ (1 710)	(12 910)
Additions	-	-	^ 2 000	2 000
Depreciation for the year	-	^ (5 760)	^ (629)	(6 389)
<i>Carrying amount:</i>				
End of year	263 240	23 040	6 661	^292 941
Cost	^263 240	^ 40 000	^ 9 000	312 240
Accumulated depreciation	-	^ (16 960)	^ (2 339)	(19 299)

(8½)

QUESTION 5 (27 marks)

SMART BOUTIQUE

5.1

Dr		Debtors control account		Cr	
20.1		R	20.1		R
Dec 1	Balance b/d	15 670	Dec 31	Bank	
31	Bank (R/D cheques)	✓✓ 425		R(35 380 - 195)	✓✓35 185
	Sales R(47 350 - 420)	✓✓ 46 930		Bills receivable	✓10 115
	Journal debits iro debtors			Sales returns	✓1 560
	R(815 - 115)	✓✓ 700		Bad debts	✓115
				Journal credits iro	
				debtors	✓660
				Balance c/d	^ 16 090
		<u>63 725</u>			<u>63 725</u>

20.2

Jan 1 Balance b/d ^ 16 090

(13)

Dr		Creditors control account		Cr	
20.1		R	20.1		R
Dec	Purchases returns	✓1 350	Dec 1	Balance b/d	✓8 340
31	Bank	✓✓2 500	31	Purchases	
	Bills payable	✓1 480		R(25 620 + 718)	✓26 338
	Journal debits iro creditors	✓781		Freight on sales	✓1 603
	Balance c/d	^ 38 351		Journal credits iro	
				creditors	✓8 181
		<u>44 462</u>			<u>44 462</u>

20.2

Jan 1 Balance b/d ^ 38 351

(10)

5.2 Reconciliation:

Total: list of debtors balances

Add: InterestLess: Sales returns correction R(70 x 2)

Balance debtors control account

R
✓ 16 060
✓ <u>170</u>
16 230
✓✓ <u>140</u>
<u>16 090</u>

(4)

QUESTION 6 (32 marks)**(a) SHARKS DIVING CLUB**

Dr		Membership fees		Cr	
20.0		<u>R</u>	20.0		<u>R</u>
Apr 1	Accrued income [^]	[^] 15 000	Apr 1	Income received in advance [^]	[^] 20 000
20.1			20.1		
Mar 31	Entrance fees [^]	[^] 1 000	Mar 31	Bank [^]	[^] 101 000
	Income and expenditure (190 x R500) [^]	^{^^} 95 000		Bad debts [^]	[^] 7 500
	Income received in advance [^]	[^] 17 500			
		<u>128 500</u>			<u>128 500</u>

20.1
Apr 1 Income received in advance[^] 17 500
(8)

*Analysis of membership fees received:

Membership fees in arrear at the beginning of the year	<u>R</u> 7 500
Membership fees received for the current year R(95 000 - 20 000)	75 000
Membership fees received in advance at the end of the year	17 500
	<u>100 000</u>

QUESTION 6 (continued)**(b) SHARKS DIVING CLUB^****INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 20.1^**

	R
Income	160 900
Membership fees	✓95 000
Donation received	✓2 000
Diving fees received	✓33 900
Bar income	30 000
Bar gross profit (a)	✓✓45 000
Bar wages	✓(15 000)
Expenditure	(111 040)
General expenses R(8 200 - 2 600)	✓✓5 600
Insurance R(2 600 - 1 000 - 600)	✓✓1 000
Maintenance	✓20 100
Salaries and wages R(48 000 + 1 500)	✓✓49 500
Stationery	✓6 000
Bad debts	✓7 500
Depreciation [R(2 625 + 3 840 + 7 500 + 7 000) see (b)]	(5)20 965
Loss on sale of furniture (c)	✓✓375
Surplus for the year	✓49 860
	(24)

Calculations(a) Bar gross profit

	R
Bar sales	^100 000
Cost of sales	(55 000)
Bar inventory - 1 Apr 20.0	^5 000
Bar purchases	^60 000
Bar inventory - 31 Mar 20.1	65 000
	^(10 000)
Gross profit	<u>45 000</u>

(b) Depreciation(i) Furniture - 10% per annum on the cost price

$$R30\ 000 - R5\ 000 = R25\ 000$$

$$R25\ 000 \times 10\% = R2\ 500^{^^}$$

$$R5\ 000 \times 10\% \times \frac{3}{12} = \underline{R\ 125^{^^}}$$

$$\underline{R2\ 625}$$

QUESTION 6 (continued)(ii) Equipment - 20% per annum on the diminished balance

$$R(24\ 000 - 4\ 800) = R19\ 200 \times 20\% = R3\ 840^{^^}$$

(iii) Vehicles - 25% per annum on the diminished balance

$$R(35\ 000 - 5\ 000) = R30\ 000 \times 25\% = R7\ 500^{^^}$$

(iv) Crockery and linen

$$R(10\ 000 - 3\ 000) = R7\ 000^{^^}$$

(c) Loss on sale of furniture

$$R5\ 000^{\wedge} - R(1\ 500^{\wedge} + 125^{\wedge}) = R3\ 375$$

$$R3\ 375 - R3\ 000^{\wedge} = R375$$

QUESTION 7 (20 marks)7.1 Calculation of profit/loss**F FORTUNE****STATEMENT OF ASSETS AND LIABILITIES AT 31 APRIL 20.1**

ASSETS	R	R	INTERESTS	R	R
Property, plant and Equipment		35 750	Capital*		[^] 25 100
Furniture	[^] 12 500		Non-current liabilities		7 000
Tools and equipment	[^] 23 250		Long-term loan	[^] 7 000	
Current assets		4 900	Current liabilities		8 550
Inventory	[^] 4 900		Creditors	[^] 2 600	
			Income received in advance	[^] 1 900	
			Accrued expenses	[^] 800	
			Bank overdraft	[^] 3 250	
		<u>40 650</u>			<u>[^]40 650</u>

(5)

*Balancing figure

QUESTION 7 (continued)**Determination of final capital:**

ASSETS	R	INTERESTS	R
Furniture	^12 500	Capital*	^31 280
Tools and equipment	^23 250	Long-term loan	^4 600
Inventory	^5 100	Creditors	^3 060
Bank	^1 240	Income received in advance	^2 500
		Accrued expenses	^650
	<u>42 090</u>		<u>^42 090</u>

(5)

Estimated profit/loss:

Capital at the end of the financial period	R ^31 280
Capital at the beginning of the period	^(25 100)
	<hr/>
	6 180
Drawings	^50 000
Adjustments: Depreciation	^(7 150)
Furniture	2 500
Tools and fittings	4 650
	<hr/>
Estimated profit for the year	<u>^49 030</u>

(3)

7.2F FORTUNE**STATEMENT OF ASSETS AND LIABILITIES AT 31 APRIL 20.2T**

ASSETS	R	R	INTERESTS	R	R
Property, plant and equipment		28 600	Capital		24 130
Furniture	^12 500		Balance: 1/5/20.1	^25 100	
Tools and fittings	^23 250		Estimated profit	^49 030	
Depreciation	^(7 150)		Drawings	^(50 000)	
Current assets		6 340	Non-current liabilities		4 600
Inventory	^5 100		Long-term loan	^4 600	
Bank	^1 240		Current liabilities		6 210
			Creditors	^3 060	
			Income received in advance	^2 500	
			Accrued expenses	^650	
		<u>34 940</u>			<u>34 940</u>

(7)