

**SCHOOL OF ACCOUNTING
SCIENCES**

**DEPARTMENT OF
FINANCIAL ACCOUNTING**

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

**TUTORIAL LETTER 101/3/2009
(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-4/301/2009). 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 (first year accounting) 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 **subject content** problems in your studies, please do not hesitate to consult us by letter, E-mail, 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**

This first year accountancy course for all **B.Compt.** and **B.Comm.** students (including **B.Comm.-Law**) consists of two separate semester modules, namely:

ACN101M (Accounting concepts, principles and procedures), followed by

ACN102N (Accounting reporting)

The first year (Accounting 1) is concluded when both ACN101M and ACN102N are passed.

Please note that the simultaneous first registration for ACN101M and ACN102N is not allowed, unless it is a re-registration for ACN101M (after failure to pass first time registration for ACN101M and having been allowed sitting for a supplementary examination).

LLB.-Students

Register for ALP101G (Accounting principles for law practitioners)

Please note: The module ACN103P (Accounting for law practitioners) is no longer presented at UNISA. Only a supplementary-examination will be allowed. Consult your ACN103P lecturer.

BBA-students

For students registered for the BBA-qualification, only ACN101M is required. ACN102N can be presented as an elective.

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, telephone 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.

♦ **Lecturers' telephone numbers:**

Ms KA Nkome	(012)	429-3830
Dr AJ Bam	(012)	429-4941
Ms A du Plessis	(012)	429-4621
Mr MJ Viljoen	(012)	429-4426
Prof D Scott	(012)	429-4450

Lecturers are available for telephone enquiries from 08:00 to 16:00 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 your lecturers via E-mail. Please note that feedback will not necessarily be given via e-mail.

Therefore, it is important to give, in your e-mail, 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/enquiries is:
econ@unisa.ac.za

Refer all your registration and examination queries (student related problems) to the above e-mail address..

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, Second edition, by Berry PR, Botha, SM, et al. Butterworths. Durban. 2007. (www.lexisnexis.co.za. ISBN 978 0 409 10042 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. or the Contact Centre at 086 167 4111.

4.3 Plagiarism

Do not copy the assignment solutions of fellow students!!

Plagiarism (copying) 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:

- 5.1 Read as far as ANNEXURE A of this tutorial letter.
- 5.2 Work through ANNEXURE A (Assumed knowledge) and study the contents if necessary.
- 5.3 Study the relevant study units of the Study Guide for assignment 01, (use the suggested study programme in ANNEXURE B).

5.4 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.

5.5 Complete the compulsory assignment 01 on the **mark-reading sheet** (make a copy for yourself) and mail/send it to UNISA for marking. Assignment 01 is **very important as it will ensure your admission to the examination**. Assignment 1 and 02 can also be admitted via myUnisa but not faxed or e-mailed!:

To submit an assignment via myUnisa:

- Go to myUnisa.
- Log in with your student number and password.
- Select the module from the orange bar (ACN101M).
- Click on **assignments** in the left menu.
- Click on the assignment **number** you want to submit.
- Follow the instructions.

5.6 After completing and submitting assignment 01, carry on with the study programme. Do not wait for the suggested solution or for the return of the marked assignment.

5.7 Complete compulsory assignment 02 on a **mark-reading sheet**. Submitting assignment 02 will not lead to admission to the exam, but will **count towards** the year mark. Follow the instructions for submitting the assignment via myUnisa as per paragraph 5.5 above.

5.8 Mark your assignments by using the suggested solution which will be dispatched to you **after the due date for assignment 02**. The solutions will also be placed on the myUnisa system of UNISA's webpage (www.unisa.ac.za). If your answer differs from the suggested solution, make sure that you understand the reason why.

6. **IMPORTANT INFORMATION REGARDING ASSIGNMENTS**

There are 2 assignments for this module:

- Assignment 1 is a multiple choice assignment that is compulsory and contributes 50% towards your year mark. If you do not submit this assignment you will not be admitted to the examination;
- Assignment 2 is a multiple choice assignment that is also compulsory and contributes 50% towards your year mark;

Please keep copies of your submitted assignments and if submitted through *myUnisa*, proof that you submitted the assignment.

6.1 Compulsory assignments 01 and 02

To fully benefit from our formative tuition and assessment, the Management of the University has taken a decision to introduce **two compulsory assignments** in all modules to be submitted by set due dates. Submission of the first compulsory assignment by its due date will give a student **admission to the examination** in the particular module. The marks obtained in the two compulsory assignments will contribute equally towards the final year mark.

The year mark contributes 10% towards the final mark, and is calculated as follows:

50% of the mark obtained for assignment 01

plus

50% of the mark obtained for assignment 02

If you only submit assignment 1, your year mark will be 5% of the mark obtained for this assignment. This will then be your year mark out of a possible 10%. If, for example, you obtain 80% for assignment 1 and 0% for assignment 2, your year mark will be 4%. A year mark often causes a student to pass or fail this module.

According to University policy you require a sub-minimum of 40% in the examination before your year mark is taken into consideration. In other words, if you do not obtain at least 40% in the examination, you will automatically fail, and your final mark will be the mark you obtained in the examination.

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

$$(10\% \times \text{of the year mark}) + (90\% \times \text{mark obtained in the examination})$$

Example:

	A	B	C	D
	Average of marks for assignment 1 & 2 (Year mark)	Year mark contribution to final mark at 10%	Exam mark contribution required to pass (50% minus year mark contribution)	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%

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 next semester. This means that if you qualify for a supplementary examination in May, you will write the ACN102N 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. To pass this supplementary examination, you must obtain at least 50% in the examination itself. The year mark is then not taken into consideration at all.

Please ensure that the compulsory assignments reach the University before the due date – late submission of assignment 01 will result in you not being admitted to the examination! Refer to pages 10 and 11 (paragraph 8) of this tutorial letter (101/3/2009) for the due date(s).

If, for any reason, you transfer your exam period for ACN101M to a following semester, you need to submit Assignments 01 and 02 before the due date in the semester for which you originally registered for the course. The year mark you obtain will then be carried forward to the next semester because you will not be allowed to submit any assignments in the semester to which you have changed.

By applying to have your semester changed to a following semester, in effect, you are applying for an aegrotat examination. However, you still need a year mark that will be taken into account as explained above – hence the need to submit the compulsory assignment in the semester for which you originally registered.

6.2 Submitting of assignments

The assignments (mark reading sheets) can either be submitted by post or electronically via myUnisa. Assignments **may not** be faxed or e-mailed.

For detailed information and requirements for the submission of assignments, see the 2009 Unisa: Services and Procedures, which you received with your study package.

To submit an assignment via myUnisa:

- On www.unisa.ac.za go to *myUnisa*
- Log in with your student number and password
- Select ACN101M from the orange bar
- Click on assignments in the left menu
- Click on the assignment number you want to submit (01 or 02)
- Follow the instructions.

Any enquiries about whether an assignment was received, or the mark obtained therefore, must be directed to the Unisa Contact Centre (UCC) at telephone number: 0861 670 411 (International students: +27 11 670 9000). The receipt of an assignment and the mark obtained is also reflected on myUnisa. You can also send an e-mail to assign@unisa.ac.za to enquire about an assignment. Enter only your student number in the subject line. In the message you must indicate the course code and the specific assignment number that you are enquiring about.

7. **IMPORTANT INFORMATION 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 per course., eg ACN101M. 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 for FIRST SEMESTER (**compulsory**)

ANNEXURE D: ASSIGNMENT 01 for SECOND SEMESTER (**compulsory**)

IMPORTANT

1. **PLEASE ENSURE THAT THE ASSIGNMENTS REACH THE UNIVERSITY BEFORE THE DUE DATES.**
2. **LATE SUBMISSION OF ASSIGNMENT 01 WILL RESULT IN YOU NOT BEING ADMITTED TO THE EXAMINATION.**

ANNEXURE E: ASSIGNMENT 02 for FIRST SEMESTER (**compulsory**)

ANNEXURE F: ASSIGNMENT 02 for SECOND SEMESTER (**compulsory**)

ANNEXURE G: Comprehensive exercise (questions with solutions).

8. **IMPORTANT INFORMATION REGARDING SUBMISSION OF ASSIGNMENTS**

Assignments constitute an integral part of the tutorial matter and must, together with tutorial letters, 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 assignments 01 and 02 on a separate piece of paper. Use a mark reading sheet to complete assignments 01 and 02 and submit the assignments. Ensure that you use the **correct UNIQUE NUMBER** allocated for the particular assignment and semester. This assignment can also be submitted via myUnisa.

Remember:

- use a soft HB pencil to code the mark reading sheet
- there is only **one** correct answer to each question.
- all questions are equal in value.
- ◆ No **bar code** sticker should be attached to the mark reading sheet.
- ◆ Assignments must not reach us later than the dates specified in ANNEXURE B.
- ◆ Assignments must under no circumstances contain any correspondence.
- ◆ Specify the module code (ACN101M) and assignment number (01 or 02) in all enquiries regarding assignments handed in for marking. These enquiries must be directed to the Assignments section at (012) 429-4155.

IMPORTANT INFORMATION: FIRST SEMESTER 2009 (examination in May)

Assignment number	Format	Compulsory	Unique number	Due date	Contribution towards final mark
1	Multiple choice	Yes	595664	27 Feb 2009	5%
2	Multiple choice	Yes	548861	20 Mch 2009	5%
Exam	Long questions	Yes	-	* May 2009	90%

* Exam date will be announced.

SECOND SEMESTER 2009 (examination in October)

Assignment number	Format	Compulsory	Unique number	Due date	Contribution towards final mark
1	Multiple choice	Yes	595688	14 Aug 2009	5%
2	Multiple choice	Yes	548872	1 Sept 2009	5%
Exam	Long questions	Yes	-	* Oct 2009	90%

* Exam date will be announced.

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 (May for semester 01, and October for semester 02) you will be required to write a two hour examination for module ACN101M. The paper will consist of "long-type" questions.

A non-programmable pocket calculator may be used.

The examination script consists 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 left hand 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. Number each sub-question clearly.

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 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. Report any examination problems (clashes of dates) directly to the Examination Section via the Call Centre. Please start studying 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 the learning centres. Consult this year's issue (2009) of "UNISA: SERVICES AND PROCEDURES" for more details.

12. GENERAL

In spite of the care taken to ensure that the study guide, tutorial letters, assignments, and other study material, errors, omissions, and discrepancies may still 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 D Scott
Mr M J Viljoen
Ms A du Plessis
Dr AJ Bam
Ms KA Nkome

LECTURERS: ACCOUNTING 1: MODULE 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:

$13 \div 100 \times R3\ 900 = R507,00$ 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,

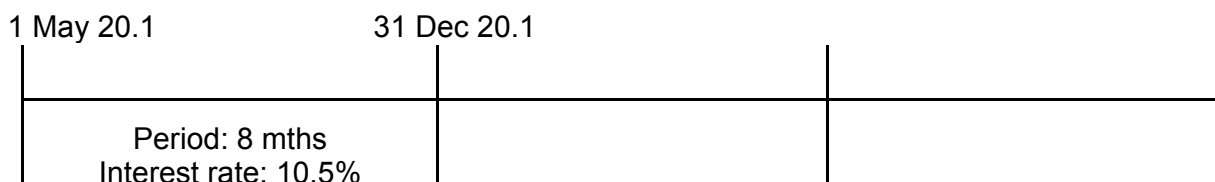
The interest rate at which it is invested/borrowed, and

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 settlement discounts

In the case of the calculation of profits and settlement 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:

$R23\ 000 + (R23\ 000 \times 25 \div 100)$	
= R23 000 + R5 750	<u>R28 750</u>
<u>OR:</u> $R23\ 000 + (R23\ 000 \times 0,25)$	
= R23 000 + R5 750	<u>R28 750</u>
<u>OR:</u> $R23\ 000 \times 1,25$	<u>R28 750</u>

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 $R23\ 000 \times 1,25$.

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:

$R23\ 000 - (R23\ 000 \times 25 \div 100)$	
= R23 000 - R5 750	<u>R17 250</u>
<u>OR:</u> $R23\ 000 - (R23\ 000 \times 0,25)$	
= R23 000 - R5 750	<u>R17 250</u>
<u>OR:</u> $R23\ 000 \times 0,75$	<u>R17 250</u>

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 $R23\ 000 \times 0,75$.

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	1,25	0,25
Selling price			<u>1,25</u>

$\left[\begin{array}{c} 1,00 \\ 0,25 \\ \hline 1,25 \end{array} \right] \div 1,25$

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 (settlement discount granted and settlement discount received)

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 x 0,95.

3.2.2 Settlement discount on payment of accounts:

Amount outstanding on account	R23 000
Settlement 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 x 5 ÷ 100)	
	= R23 000 - R1 150	<u>R21 850</u>
<u>OR:</u>	R23 000 - (R23 000 x 0,05)	
	= R23 000 - R1 150	<u>R21 850</u>
<u>OR:</u>	R23 000 x 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 settlement 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 x 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 :100. If a student obtained 43 marks out of 60, his ratio will be 43 to 60 (indicated as 43:60), or

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

By dividing the values 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 entity 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

$$R200\ 000 + R100\ 000 + R400\ 000 = R700\ 000$$

$$= 2:1:4 = 7 \text{ (parts = the amounts of the capitals as well as the total capital, divided by } 100\ 000\text{)}.$$

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 2009**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 20/02	Study: Study units 01 to 10
20/02 to 22/02	Do Assignment 01 (compulsory)
23/02	Mail Assignment 01
27/02	Due date: Assignment 01
23/02 to 13/03	Study: Study units 11 to 18
13/03 to 15/03	Do Assignment 02 (optional)
16/03	Mail Assignment 02
20/03	Due date: Assignment 02
16/03 to 18/03	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 03/08	Study: Study units 01 to 10
03/08 to 07/08	Do Assignment 01 (compulsory)
10/08	Mail Assignment 01
14/08	Due date: Assignment 01
10/08 to 25/08	Study: Study units 11 to 18
25/08 to 27/08	Do Assignment 02 (optional)
28/08	Mail Assignment 02
01/09	Due date: Assignment 02
28/08 to 30/09	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
AND IS NECESSARY FOR
EXAMINATION ADMISSION**

STUDENTS REGISTERED

- **FOR THE FIRST SEMESTER**
Due date: 27 February 2009
Unique Number: 595664

ANNEXURE C: ASSIGNMENT 01/2009 for FIRST SEMESTER**DUE DATE: First semester 27 February 2009****UNIQUE NUMBER: 595664****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. This assignment is marked electronically, therefore the **strict adherence** to the due date.

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

3. This assignment covers study units 1 - 10, 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 595664, 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 (100 marks)**(MULTIPLE CHOICE QUESTIONS)**

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

(Do all questions first in rough to find the correct answer)

1. Which one of the following statements is *incorrect*?
 - 1 The policy of prudence implies that, if any uncertainty exists regarding the amount at which an element must be indicated, the one that will have the most favourable effect on the equity of the entity must be chosen.
 - 2 The policy of materiality requires that all transactions and occurrences which have an essential bearing upon the nature and scope of the entity's activity should be disclosed.
 - 3 According to the accrual principle, transactions must be recorded in the financial period in which they occur irrespective of when cash is received or paid.
 - 4 The policy of consistency requires that a specific basis, method, procedure or approach once chosen should be maintained.
 - 5 None of the above

2. The following statements relate to the nature and function of accounting:
 - (a) Financial information is required only by entities 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
-
3. 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

ASSIGNMENT 1 (continued)

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

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

			Dr R	Cr R
1	Mar 31	Trading account Settlement discount granted	2 500	2 500
2	Mar 31	Settlement discount granted Trading account	2 500	2 500
3	Mar 31	Settlement discount granted Profit or loss	2 500	2 500
4	Mar 31	Sales Settlement discount granted	2 500	2 500
5	None of the above			

5. The following transactions were incurred by Austin Traders, operating with a favourable bank balance:
- (a) Cheque received in payment of services rendered on credit, R3 000
 - (b) Cheque issued for payment of office rent, R2 000
 - (c) Cheque issued to a creditor in payment of an outstanding account, R5 000
 - (d) Cheque for R6 000 issued for payment of non-current assets purchased for cash.

Which one of the following alternatives represents the effect of the above transactions on the equity of the entity?

- 1 + R1 000
- 2 - R2 000
- 3 - R7 000
- 4 + R7 000
- 5 None of the above

ASSIGNMENT 1 (continued)

6. During February 20.2 the following transactions were incurred by AA Salvage 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 Salvage 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	- 3 600		- 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. Corner Traders had to pay rent of R3 500 per month during the financial year ended on 30 April 20.7

Which one of the following accounts will be debited with R3 500 on 30 June 20.7, the end of the financial year, if a total of R45 500 was already paid for rent?

- 1 Prepaid expenses
 - 2 Accrued expenses
 - 3 Rent paid
 - 4 Rent receivable
 - 5 None 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

ASSIGNMENT 1 (continued)Balances at 28 February 20.4:

	R
Debtors control account	24 000
Creditors control account	29 160
Inventory account	36 000

Extract from cash payments journal at 28 February 20.4:

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

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

ASSIGNMENT 1 (continued)

11. Ariel Sales uses the perpetual inventory system, control accounts, and all the relevant subsidiary journals.

Which of the following transactions will be reflected in the general journal?

- (a) Sold R1 000 worth of merchandise on credit.
- (b) The account of a debtor was written off as irrecoverable, R350.
- (c) Purchased merchandise on credit, R22 500.
- (d) Issued a debit note in respect of goods returned to a creditor, R800.
- (e) R80 settlement discount granted was reversed as the debtor's cheque was returned by the bank marked R/D.
- (f) R50 interest was charged by the bank for discounting a bill of R5 000 one month before due date.

Alternatives:

- 1 (a), (c), (d), (f)
 - 2 (b), (d), (e)
 - 3 (b), (e)
 - 4 (b), (d), (e), (f)
 - 5 None of the above
12. Rahya Lamps, who uses the periodic inventory system, purchased goods worth R8 600 on credit from Stan Colly. Which one of the following alternatives represents the correct effect on the basic accounting equation of Rahya Lamps?

	Assets	Owner's equity	Liabilities
1	R + 8 600	R 0	R + 8 600
2	0	- 8 600	+ 8 600
3	+ 8 600	+ 8 600	0
4	- 8 600	0	- 8 600
5	None of the above		

ASSIGNMENT 1 (continued)

13. Entity E Els Stores had a gross profit of R85 000 for the year ended 30 April 20.7.

Which one of the following journal entries reflects the correct closing transfer of the gross profit?

		<u>Debit</u> R	<u>Credit</u> R
1	Trading account Profit or loss	85 000	85 000
2	Profit or loss Trading account	85 000	85 000
3	Profit or loss Capital - E Els	85 000	85 000
4	Capital - E Els Profit or loss	85 000	85 000
5	None 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
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

- (b) Balances at 30 April 20.4:

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

ASSIGNMENT 1 (continued)(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 (R2 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 one of the following statements regarding value added tax (VAT) is *not true*?

- 1 VAT on credit sales is debited to the VAT Output account.
- 2 The VAT on goods purchased or services received is input VAT.
- 3 VAT on cash purchases is debited to the VAT Input account.
- 4 There are two rates of VAT for taxable supplies.
- 5 None of the above

17. John's Traders uses the perpetual inventory system and is not registered as a VAT-vendor. Inventory on hand on 1 April 20.6 amounted to R30 000. Goods are usually sold at cost plus 30%. The following transactions occurred during the year ended 31 March 20.7:

	R
Credit sales.....	200 000
Cash sales.....	150 000
Credit purchases.....	180 000
Cash purchases.....	162 500
Purchases returns.....	1 500
Sales return at selling price	2 000

Which one of the following amounts represents the balance of the inventory account at 31 March 20.7?

- 1 R22 731
- 2 R23 000
- 3 R103 307
- 4 R103 653
- 5 None of the above

ASSIGNMENT 1 (continued)

18. The following balances appeared, *inter alia*, in the trial balance of Beta Cafe at 30 April 20.7, the end of their financial year.

	R	R
Inventory: Merchandise (1 May 20.6)	25 000	
Purchases	110 000	
Sales.....		150 000
Sales returns	5 000	
Purchases returns		3 000
Customs and excise duties	1 000	
Carriage on purchases.....	2 000	
Carriage on sales	4 000	

Additional information:

A physical inventory count of merchandise at 30 April 20.7 revealed an inventory figure of R35 000 at cost price.

In compliance with the *matching principle*, which one of the following amounts must be brought into account against sales at 30 April 20.7, to determine the gross profit?

- 1 R100 000
 - 2 R104 000
 - 3 R107 000
 - 4 R120 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 or loss	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. The following information relates to the financial year of Echo Shoes that ended at 30 April 20.7:

	R
Sales	150 000
Purchases	137 500
Settlement discount received	3 500
Inventory: Merchandise at 1 May 20.6	12 500
Inventory: Merchandise at 30 April 20.7	22 500
Purchases returns	25 000
Carriage on sales	20 000
Customs and import duties	2 500

Which one of the following alternatives represents the gross profit percentage on sales for the year ended 30 April 20.7?

- 1 R52 000
- 2 R45 000
- 3 R26 500
- 4 R48 500
- 5 None of the above.

END OF ASSIGNMENT 1 FOR FIRST SEMESTER

ANNEXURE D: ASSIGNMENT 01 SECOND SEMESTER

**THIS ASSIGNMENT IS COMPULSORY
AND IS NECESSARY FOR
EXAMINATION ADMISSION**

STUDENTS REGISTERED

- **FOR THE SECOND SEMESTER**
Due date: 14 August 2009
Unique Number: 595688

ANNEXURE D: ASSIGNMENT 01/2009**DUE DATE: Second semester - 14 August 2009****UNIQUE NUMBER: 595688****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. This assignment is marked electronically, therefore the **strict adherence** to the **MARK READING SHEET AND THE DUE DATE**.

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

3. This assignment covers study units 1 - 10, 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(s) 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 595688, 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.

ASSIGNMENT 01 (SECOND SEMESTER) (continued)**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 (100 marks)****(MULTIPLE CHOICE QUESTIONS)**

Do this assignment on a mark reading sheet and mail it or submit it via myUnisa.
(Do all questions first in rough before starting to code the mark reading sheet).

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)
		R
1	31 July 20.1	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 or 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 entity trading as Simunye General Dealers. At 31 May 20.7 the entity had the following assets and liabilities:

	R
Vehicles	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. T Smit, the owner of Smitty's Cycles took goods with a selling price of R3 000 for his own use. Selling prices are determined by a mark-up of 25% on cost price. The perpetual inventory system is in use.

Which one of the following alternatives represents the general ledger accounts as well as the effect of the transaction on the accounting equation of Smitty's Cycles?

	General ledger accounts		Accounting equation		
	Debit	Credit	A	=	L + E
1	Drawings	Purchases			+ 2 250 - 2 250
2	Drawings	Inventory	- 2 400		- 2 400
3	Drawings	Sales	+ 3 000		+ 3 000
4	Drawings	Inventory	- 2 250		- 2 250
5	None of the above				

ASSIGNMENT 01 (continued)

5. Alfred Ltd's list of individual debtors' balances, with a total of R10 440, did not agree with the debtors control account at the end of March 20.7. Upon investigation, the following errors were discovered:
- The list of debtors' balances had been undercast by R150.
 - Goods to the value of R60, bought by client Jim Jones, was inadvertently debited to Jim James's account.
 - Sales invoice number 120 for R290 which was entered correctly in the sales journal, was entered as R920 in N Nina's account.

Which one of the following alternatives represents the correct debit balance brought down on the debtors control account of Alfred Ltd at 31 March 20.7?

- R11 220
 - R10 020
 - R9 960
 - R9 660
 - None of the above
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% settlement discount.

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

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

Totals of the cash receipts journal at 31 March 20.2:

	R
Sundry column.....	9 720
Sales column.....	11 400
Settlement discount granted column.....	420
Bank column.....	29 130
Debtors column	?

ASSIGNMENT 01 (continued)

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 R8 430
 - 2 R7 590
 - 3 R18 990
 - 4 R8 010
 - 5 None of the above
8. Which one of the following statements is *incorrect*?
- 1 The application of the concept of consistency is essential if users are to rely on financial statements.
 - 2 The statement of financial position reflects the financial result of an entity for a specific period.
 - 3 A balancing trial balance does not necessarily mean that all accounting principles were correctly applied.
 - 4 Year-end closing journal entries are made after year-end adjustment journal entries.
 - 5 None of the above.
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

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

ASSIGNMENT 01 (continued)

10. The total column in the purchases returns journal of Jojo Traders was undercast by R900.

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

- 1 Debtors control account
 - 2 Sales returns account
 - 3 Purchases account
 - 4 Creditors control account
 - 5 None of the above
11. J Nel, the owner of Bambi Services, bought a vehicle for his son's personal use and paid R123 000 with a business cheque. The value of the vehicle is estimated at R130 000.

Which one of the following alternatives correctly reflects the influence of the transaction on the basic accounting equation of Bambi Services?

	Assets	Equity	Liabilities
1	R + R123 000 – R123 000	R 0	R 0
2	- R130 000	- R130 000	0
3	– R123 000	– R123 000	0
4	– R123 000	0	- R123 000
5	None of the above		

12. Irene Butchery bought R120 000 worth of meat on credit from Fresh Meat Market on 15 March 20.4, subject to a trade discount of 15%. A cash discount of 5% is given if the account is settled within 30 days. **NB:** Ignore VAT.

Which one of the following amounts represents the correct amount of the cheque paid to Fresh Meat Market on 18 April 20.4?

- 1 R120 000
- 2 R102 000
- 3 R96 900
- 4 R96 000
- 5 None of the above

ASSIGNMENT 01 (continued)

13. On 1 March 20.4 Naido Motors invested R200 000 at Stand Bank at an interest rate of 12% per annum. Interest is re-invested on a monthly basis by Stand Bank.

Which one of the following journal entries reflects the adjustment that must be made at 30 April 20.4, the end of their financial year, in the books of Naido Motors?

		Debit	Credit
		R	R
1	Investment: Stand Bank Interest income	4 020	4 020
2	Interest income Investment: Stand Bank	4 020	4 020
3	Accrued income Interest income	4 020	4 020
4	Interest income Accrued income	4 020	4 020
5	None of the above		

14. 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) <u>Balances at 1 April 20.4:</u>	R
Bank account (debit)	20 625
Bank statement (unfavourable).....	1 170
(b) <u>Balances at 30 April 20.4:</u>	
Bank account - preliminary (favourable).....	38 400
Bank statement	?

(c) *Additional information:*

- (i) Cheques not yet presented to the bank for payment, amounted to R14 775.
- (ii) Bank charges not yet reflected in the cash journals, amounted to R1 875.
- (iii) A deposit of R20 025 (on 30 April 20.4) was not reflected on the bank statement.
- (iv) A stop order in favour of Clay Stores for rent (R2 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.

ASSIGNMENT 01 (continued)

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 825 (favourable)
- 4 R30 825 (unfavourable)
- 5 None of the above

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 statement of comprehensive income 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

ASSIGNMENT 01 (continued)

17. Which one of the following transactions will result in a change in the equity of an entity 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.

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 settlement 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	Settlement discount granted	VAT Input		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. The trial balance at 28 February 20.2 of Swift Services is not balancing. The following errors, which resulted in the disequilibrium of the totals of the trial balance, were traced. Control accounts are in use.

- (a) 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 entity operated on a bank overdraft.
- (b) A payment of R300 to a creditor was only entered in the bank column of the cash payments journal.
- (c) 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.

ASSIGNMENT 1 (continued)

Which one of the following amounts represents the correction in the totals of the trial balance?

- 1 R28 000 Dr
 - 2 R28 300 Dr
 - 3 R29 500 Cr
 - 4 R29 800 Cr
 - 5 None of the above
20. Flotana uses control accounts. Which one of the following alternatives will cause the trial balance not to balance?
- 1 The settlement discount received column in the cash payments journal was posted to the debit side of the settlement discount granted 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

END OF ASSIGNMENT 1 FOR THE SECOND SEMESTER

ANNEXURE E

ASSIGNMENT 02

FIRST SEMESTER ONLY

THIS ASSIGNMENT IS COMPULSORY

**MARKS OBTAINED FOR THIS ASSIGNMENT
ARE NOT TAKEN INTO ACCOUNT FOR
ADMISSION TO THE EXAMINATION. MARKS
(5%) ARE TAKEN INTO ACCOUNT FOR YEAR
MARK.**

STUDENTS REGISTERED:

- **FOR THE FIRST SEMESTER**
Due date: 20 March 2009
Unique number: 548861

ANNEXURE E**ASSIGNMENT 02/2009 for the FIRST SEMESTER (100 marks)**

DUE DATE: 20 March 2009 Unique number: 548861

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 11 - 18, 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 02. 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 595664, 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.

ASSIGNMENT 02 (continued)**DO NOT:**

make more than one pencil 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 02 (continued)**ANNEXURE E****ASSIGNMENT 02 for FIRST SEMESTER (100 marks)****DUE DATE:** 20 March 2009 Unique number: 548861**(MULTIPLE CHOICE QUESTIONS)****Do this assignment on a mark reading sheet and mail it or submit it via myUnisa.**

(Do all questions first in rough to find the correct answer)

1. The following information concerning vehicles was taken from the fixed assets register of Truck Transporters at 30 June 20.7, the end of the financial year:

Vehicles	Date		Cost
	Purchased	Sold	
No. 1	1 January 20.6	-	R 150 000
No. 2	1 July 20.6	1 October 20.6	200 000

Depreciation is written off annually at 20% of the carrying amount of the vehicles.

Which one of the following amounts in respect of depreciation written off, will appear on the statement of comprehensive income for the year ended 30 June 20.7?

1. R87 500
 2. R42 000
 3. R37 000
 4. R27 000
 5. None of the above
2. The following balances appeared, inter alia, in the books of Ace Services on 31 March 20.6:

Equipment at cost	R 30 000
Accumulated depreciation on equipment	4 500

On 1 July 20.6 Ace Limited purchased a delivery vehicle for R150 000.

The depreciation policy of Ace Services is as follows:

Equipment: 15% per annum according to the diminishing balance method.

Vehicles: 20% per annum according to the straight-line method.

ASSIGNMENT 02 (continued)

Which one of the following amounts will be disclosed as depreciation in the statement of comprehensive income of Ace Services for the year ended 31 March 20.7?

1. R26 325
 2. R27 000
 3. R33 825
 4. R34 500
 5. None of the above
3. The following information was taken from the accounting records of Ben's Bicycle Shop at 31 July 20.7 before any adjustments or closing entries had been made:

	R
Trade debtors	15 400
Allowance for credit losses (balance at 1 August 20.6)	675
Credit losses written off during the year	550

Additional information:

Additional credit losses of R200 must be written off. The allowance for credit losses must be maintained at 4% of outstanding debtors.

Which one of the following amounts must be disclosed as credit losses in the statement of comprehensive income of Ben's Bicycle Shop for the year ended 31 July 20.7?

1. R770
 2. R750
 3. R683
 4. R616
 5. None of the above
4. On 1 April 20.5 a mortgage bond of R50 000 was registered at the deeds office in the name of Hector Sales. The bond is to be repaid annually in 10 equal instalments on 31 March of each year. Interest on the bond, at 14% per annum on the outstanding balance, is also paid on 31 March. To date, Hector Sales complied to these conditions. The financial year of Hector Sales ends at 31 March.

ASSIGNMENT 02 (continued)

Which one of the following alternatives represents the amounts to be reflected as non-current liabilities, current liabilities or current assets, on the statement of financial position of Hector Sales at 31 March 20.7?

	Non-current liabilities	Current liabilities	Current assets
	R	R	R
1	50 000	-	-
2	45 000	5 000	-
3	45 000	-	5 000
4	35 000	5 000	-
5	None of the above		

5. The financial year of Toy-Toy Traders ends on 31 March. The balance on the settlement discount received account on 31 March 20.7 was R2 500.

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

		Dr R	Cr R
1	Mrt 31 Trading account Settlement discount received	2 500	2 500
2	Mrt 31 Settlement discount received Purchases	2 500	2 500
3	Mrt 31 Settlement discount received Profit or loss	2 500	2 500
4	Mrt 31 Sales Settlement discount received	2 500	2 500
5	None of the above		

6. The following information relates to the 20.6/20.7 financial year of HAV Carpets:

Sales	R 400 000
Purchases	155 000
Inventory on hand at 30 April 20.6	8 000
Inventory on hand at 30 April 20.7	18 000
Carriage on sales.....	10 000
Railage on purchases.....	5 000

Assignment 02 (vervolg)

Which one of the following alternatives represents the gross profit percentage on sales for the year ended 30 April 20.7?

1. 60,00%
 2. 62,00%
 3. 63,75%
 4. 62,50%
 5. None of the above
7. The following information was taken from the books of Midway Traders at 31 March 20.7 before any adjustments or closing entries had been made:

	R
Trade debtors (31 March 20.7)	18 000
Allowance for credit losses (balance at 1 April 20.6)	1 000
Credit losses written off during the year	600

Additional information:

An amount of R500 must still be written off as irrecoverable. The allowance for credit losses must be maintained at 5% of outstanding debtors.

Which one of the following amounts must be disclosed as credit losses in the statement of comprehensive income of Midway Traders for the year ended 31 March 20.7?

- 1 R1 100
 - 2 R1 000
 - 3 R975
 - 4 R845
 5. None of the above
8. Joy Traders, not registered as a VAT vendor, who uses the periodic inventory system, sold goods worth R2 300 on credit to Pearce Ltd.

Which one of the following alternatives represents the correct effect on the basic accounting equation of Joy Traders?

	Assets	Equity	Liabilities
	R	R	R
1	-2 300	0	-2 300
2	+2 300	0	+2 300
3	0	-2 300	+2 300
4	+2 300	+2 300	0
5	None of the above		

ASSIGNMENT 2 (continued)

9. 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 at 30 April 20.7, the end of their financial year:

		R
01 May 20.6:	Accrued income.....	2 880
30 April 20.7:	Accrued income.....	4 320
	Profit or loss	28 200

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 R26 760
 5. None of the above
10. On 24 March 20.7, R Scott purchased merchandise on credit from Man Ltd for R4 456, 14% VAT inclusive. The amount is subject to a discount of R456 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 20.7?

	Date	Debtors	Settlement discount granted	VAT Input		Bank
				Dr	Cr	
1	Apr 12	R 4 456	R 400	R	R 56	R 4 000
2	Apr 12	4 456	400	56		4 000
3	Apr 12	4 000	400	56		4 456
4	Apr 12	4 000	400		56	4 456
5	None of the above					

ASSIGNMENT 2 (continued)

11. The membership fee of the Clayville Club was R150 for 20.5 and R180 for 20.6 per member per annum. On 1 January 20.6, the beginning of the financial year of the Club, the membership fees of 5 members were received in advance (at the new rate for membership fees) and that of 8 members were still outstanding for 20.5.

During 20.6 membership fees received amounted to R21 720, including R1 200 in respect of 20.5 and R1 080 in respect of 20.7. The membership fees of 7 members were still outstanding on 31 December 20.6.

Which one of the following amounts represents the amount that was credited to the income and expenditure account of the club on 31 December 20.6 in respect of membership fees?

- 1 R21 450
- 2 R21 600
- 3 R21 720
- 4 R21 840
- 5 None of the above

12. Which one of the following statements is incorrect?

1. The policy of consistency requires that a specific basis, method, procedure or approach once chosen should be maintained.
2. The policy of materiality requires that all transactions and occurrences which have an essential bearing upon the nature and scope of the entity's activity should be disclosed.
3. According to the accrual principle, transactions must be recorded in the financial period in which they occur irrespective of when cash is received or paid.
- 4.. The policy of prudence implies that, if any uncertainty exists regarding the amount at which an element must be indicated, the one that will have the most favourable effect on the equity of the entity must be chosen.
- 5 None of the above

13. The following transactions were incurred by Concord Traders, operating with a favourable bank balance:

- (a) Cheque received in payment of services rendered on credit, R7 000
- (b) Cheque issued for payment of office rent, R6 000
- (c) Cheque issued to a creditor in payment of an outstanding account, R2 400
- (d) Cheque for R8 000 issued for payment of non-current assets purchased for cash.

ASSIGNMENT 2 (continued)

Which one of the following alternatives represents the effect of the above transactions on the equity of the entity?

1. + R1 000
2. - R8 400
3. - R6 000
4. + R7 000
5. None of the above

14. The books of J Ngcobo show a gross profit of R180 000 for the year ended 31 March 20.4.

Which one of the following journal entries reflects the correct closing transfer of the gross profit?

		Dr R	Cr R
1	Mrt 31 Profit or loss Trading account	180 000	180 000
2	Mrt 31 Trading account Profit or Loss	180 000	180 000
3	Mrt 31 Profit or loss Capital – J Ngcobo	180 000	180 000
4	Mrt 31 Capital – J Ngcobo Profit or loss	180 000	180 000
5	None of the above		

15. On 30 April 20.4, the following balances were taken from the books of Tigani Mats:

	R
Debtors control	39 000
Bills receivable	12 000
Creditors control	42 960
Bills payable	7 000
Accrued income	2 880
Accrued expenses	1 800
Prepaid expenses	3 600
Rent received in advance	1 920
Bank (overdraft)	11 640
Inventory	78 720

ASSIGNMENT 2 (continued)

Which one of the following alternatives represents the total value of the current assets to be shown in the statement of financial position of Tigani Mats at 30 April 20.4

1. R70 880
2. R134 520
3. R135 600
4. R136 200
5. None of the above

16. The following information represents the assets and liabilities of John Pearce at 30 April:

	20.4	20.3
	R	R
Property, plant and equipment at cost	150 000	120 000
Accumulated depreciation	50 000	30 000
Debtors	30 000	20 000
Inventory	18 000	7 000
Long-term loan	38 000	50 000
Bank (overdraft)		8 000
Bank (favourable)	6 000	

The owner did not make any capital contributions but withdrew R120 000 cash during the year. Which one of the following amounts represents the comprehensive income for the year ended 30 April 20.4?

1. R57 000
2. R116 000
3. R120 000
4. R177 000
5. None of the above

ASSIGNMENT 02 (continued)

17. When an entity uses the perpetual inventory system, and merchandise is sold on credit, which one of the following alternatives represents the entries to be made?

	Account to be debited	At what price	Account to be credited
1	Debtor and Debtor control	Selling price	Inventory: Merchandise
2	Debtor and Debtor control	Selling price	Sales
3	Debtor and Debtor control Inventory: Merchandise	Selling price Cost price	Sales Cost of sales
4	Debtor and Debtors control Cost of sales	Selling price Cost price	Sales Inventory: Merchandise
5	None of the above		

18. The following pre-closing trial balance of Foxtrot Services was prepared by an inexperienced bookkeeper at 31 March 20.8:

	Dr	Cr
	R	R
Capital.....	300 000	
Creditors.....		20 000
Debtors.....		40 000
Long-term loan (liability).....	50 000	
Bank.....	?	?
Salaries and wages.....		300 000
Rent expense	2 400	
Interest income.....		7 600
Water and electricity.....		22 000
Cost of sales.....		300 000
Land and buildings.....		240 000
Vehicles.....	180 000	
Accumulated depreciation: Vehicles.....	60 000	
Sales.....	600 000	
	1 192 400	929 600

ASSIGNMENT 02 (continued)

Which one of the following amounts represents the balance of the bank account in the proper trial balance for Foxtrot Services as at 31 March 20.8?

1. R96 800 (unfavourable)
2. R46 800 (favourable)
3. R52 800 (unfavourable)
4. R46 800 (unfavourable)
5. None of the above

19. The following information relates to Newcastle Nails, who uses the perpetual inventory system, for the financial year ended 31 August 20.5:

	R
Cash purchases	30 000
Total sales	180 000
Inventories	55 000
Creditors	16 000

Additional information:

(a) Balances at 1 September 20.4:	R
Inventories	43 000
Creditors	24 000

(b) Gross profit percentage on sales is 50%.

Which one of the following amounts represents the amount paid to creditors during the year ended 31 August 20.5?

1. R110 000
2. R80 000
3. R90 000
4. R72 000
5. None of the above

ASSIGNMENT 02 (continued)

20. A comparison of the July 20.5's bank reconciliation statement and the August 20.5 cash journals with the August 20.5 bank statement of Grace Services revealed the following:
- a) Bank charges to the amount of R72 has not yet been taken into account.
 - b) A cheque of R414 (wages) was recorded in the cash journal as R441.
 - c) The bank erroneously debited the firm's bank account with interest of R360.
 - d) A deposit of R540 did not appear on the bank statement.
 - e) Cheques to the amount of R1 080 were still outstanding.

Additional information:

Balances at 31 July 20.5:	R
Bank account (favourable)	1 800
Bank statement (favourable)	720
 Balances at 31 August 20.5	
Bank account (provisional) (favourable)	108

Which one of the following alternatives represents the final balance of the bank account at 31 August 20.5?

1. R135 (favourable)
2. R1 755 (favourable)
3. R63 (favourable)
4. R108 (favourable)
5. None of the above

END OF ASSIGNMENT 02 FOR FIRST SEMESTER

ANNEXURE F

ASSIGNMENT 02

SECOND SEMESTER ONLY

THIS ASSIGNMENT IS COMPULSORY

MARKS OBTAINED FOR THIS ASSIGNMENT ARE NOT TAKEN INTO ACCOUNT FOR ADMISSION TO THE EXAMINATION. MARKS (5%) ARE TAKEN INTO ACCOUNT FOR YEAR MARK OF 10%.

STUDENTS REGISTERED:

- **FOR THE SECOND SEMESTER**
Due date: 1 SEPTEMBER 2009
Unique number: 548872

ANNEXURE F**ASSIGNMENT 02/2009 for SECOND SEMESTER (100 marks)**

DUE DATE: 1 September 2009 Unique number: 548872

(MULTIPLE CHOICE QUESTIONS)**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**. (The use of a **mark reading sheet** is of utmost importance as this assignment is marked electronically).
2. Before answering this assignment please read paragraphs 6 to 8 of this tutorial letter.
3. This assignment covers study units 11 - 18, 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 02. 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 595664, 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.

ANNEXURE F (continued)**DO NOT:**

make more than one pencil 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.

ANNEXURE F**ASSIGNMENT 02/2009 for the SECOND SEMESTER (100 marks)****DUE DATE:** 1 September 2009 Unique number: 548872**(MULTIPLE CHOICE QUESTIONS)**

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

- 1 overstated by R600
- 2 understated by R600
- 3 overstated by R1 200
- 4 understated by R1 200
- 5 None of the above

- 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
Settlement discount granted 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?

- 1 R41 850
- 2 R43 350
- 3 R44 100
- 4 R45 550
- 5 None of the above

ASSIGNMENT 02 (continued)

- 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?

- 1 R1 125,00
 - 2 R1 012,50
 - 3 R1 350,00
 - 4 R1 500,00
 - 5 None of the above
- 4 Which one of the following statements is correct?
- 1 According to the matching principle, income and costs incurred in generating that income, must be brought into account during the same financial period.
 - 2 According to the consistency principle, income cannot be brought into account until it has been realised.
 - 3 The principle of prudence requires that once a specific basis, method, procedure, or approach, has been chosen, it should be maintained.
 - 4 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.
 - 5 None of the above
- 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
1	+ R2 700		-		+ R2 700
2	+ R2 700		+ R1 000		+ R1 700
3	+ R2 700		+ R2 700		-
4	+ R2 700 - R1 700		+ R1 000		-
5	None of the above				

ASSIGNMENT 02 (continued)

- 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?

- 1 Creditors control account.
 - 2 Purchases returns account.
 - 3 VAT Output account
 - 4 VAT Input account
 - 5 None of the above
- 7 Which one of the following payments is an asset?
- 1 A cheque drawn to pay for petrol.
 - 2 A cheque drawn by the proprietor for his own use.
 - 3 A cheque drawn to pay as a deposit for rent.
 - 4 A cheque drawn to pay a creditor for goods bought some time ago as inventory.
 - 5 None of the above.
- 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 this Cash Receipts Journal are incorrect. Ignore VAT.

ASSIGNMENT 02 (continued)

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
	R	R	R
1	890	160	50 800
2	1 690	160	50 000
3	890	960	50 000
4	890	50 160	800
5	None of the above		

- 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
Credit losses recovered.....	780
Trade debtors	31 270
Allowance for credit losses (1 March 20.1)	1 405
Credit losses 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 allowance for credit losses is to be adjusted to 5% of the debtors.

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

- 1 R29 536,50
- 2 R29 545,00
- 3 R29 695,00
- 4 R28 832,50
- 5 None of the above

ASSIGNMENT 02 (continued)

- 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
1	March 1	Debtors control	Sales	R 780
2	March 1	Debtors control Cost of sales	Sales Inventory	780 650
3	March 1	Debtors control Cost of sales	Sales Inventory	780 624
4	March 1	Debtors control Cost of sales	Sales Purchases	780 624
5	None of the above			

- 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%. Goodcars CC also installed additional items: 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?

- 1 R126 450
- 2 R127 650
- 3 R131 600
- 4 R133 135
- 5 None of the above

ASSIGNMENT 02 (continued)

- 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?

- 1 R2 705,08 profit
 - 2 R7 604,16 loss
 - 3 R6 253,25 loss
 - 4 R2 705,08 loss
 - 5 None of the above
- 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?

- 1 R99 (unfavourable)
- 2 R117 (unfavourable)
- 3 R99 (favourable)
- 4 R117 (favourable)
- 5 None of the above

ASSIGNMENT 02 (continued)

- 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?

- 1 R34 800
 - 2 R34 960
 - 3 R41 760
 - 4 R41 952
 - 5 None of the above
- 15 The following information was extracted from KwaMashu Football Club:

Statement of financial position as at 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 credit losses.

ASSIGNMENT 02 (continued)

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?

- 1 R30 510
- 2 R29 880
- 3 R30 600
- 4 R30 150
- 5 None of the above

16 Disc Ltd uses suitable subsidiary journals and the periodic inventory system. The following five 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?

- 1 R1 880
- 2 R1 910
- 3 R2 100
- 4 R3 400
- 5 R3 040

ASSIGNMENT 02 (continued)

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

- 1 Water and electricity account
- 2 Debit note issued
- 3 Bank statement
- 4 Bank deposit slip
- 5 Petty cash slip received

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 or loss Interest expense	27 000	27 000
(e)	Profit or loss Railage on sales	15 300	15 300
(f)	Atlanta Ltd Interest income	670	670

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

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

ASSIGNMENT 02 (continued)

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

	R
Sales.....	405 000
Purchases.....	252 500
Settlement discount granted	2 500
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 for the year ended 30 June 20.1?

- 1 R162 500
- 2 R157 500
- 3 R151 000
- 4 R147 000
- 5 None of the above.

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 borrowing.....	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?

- 1 R 7 000
- 2 R17 000
- 3 R25 000
- 4 R39 000
- 5 None of the above

END OF ASSIGNMENT 2 FOR SECOND SEMESTER

ANNEXURE G

**FIRST SEMESTER
AND
SECOND SEMESTER**

**COMPREHENSIVE EXERCISE
WITH
SUGGESTED SOLUTIONS**

ANNEXURE G: COMPREHENSIVE EXERCISE WITH SUGGESTED SOLUTIONS

This comprehensive exercise covers study units 1 - 18.

This exercise is compiled as follows:

Question	Subject	Marks	Time (minutes)
1	Asset realisation	30	35
2	Bank reconciliation statement	18	20
3	Adjustment and closing journals and financial statements	96	115
4	Debtors and creditors control accounts	27	30
5	Non-profit organisation	32	40
6	Incomplete records	20	25
		223	265

QUESTION 1(30 marks)(35 minutes)

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

1.1 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

1.2 The following transactions took place during the year in respect of non-current assets:

1.2.1 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.

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 .

1.3 Depreciation must still be provided for as follows:

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

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

1.4 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:

1.1 Vehicles at cost	(4)
1.2 Equipment at cost	(3)
1.3 Accumulated depreciation: Vehicles	(8)
1.4 Accumulated depreciation: Equipment	(5)
1.5 Realisation	(4)
1.6 Depreciation	(6)

QUESTION 2 (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

QUESTION 2 (continued)

(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

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:

2.1 Complete the cash payments journal and cash receipts journal (including transactions given) of Wise Limited for October 20.1 (8½)

2.2 Prepare the bank account in the general ledger of Wise Limited, properly balanced at 31 October 20.1 (2½)

2.3 Prepare the bank reconciliation statement of Wise Limited at 31 October 20.1 (7)

QUESTION 3 (96 marks)(115 minutes)

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

3.1 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 borrowing: Bean Ltd		25 000
Allowance for credit losses		300
Sales		381 790
Cost of sales	165 400	
Sales returns.....	1 200	
Wages	2 000	
Salaries	25 000	
Assessment rates	1 500	
Settlement discount granted	380	
Licence.....	1 000	
Vehicle expenses.....	3 500	
Credit losses	550	
Packaging materials.....	4 700	
Insurance	2 250	
Water and electricity	2 100	
Telephone expense	1 400	
Advertisements	2 000	
Rent income.....		15 600
Settlement discount received on merchandise already sold during the year		650
Interest on investment.....		5 000
Credit losses recovered		120
	592 620	592 620

QUESTION 3 (continued)**3.2 Additional information:**

The following adjustments must still be taken into account:

- (a) Packaging material on hand at 31 December 20.1, R980.
- (b) The long-term borrowing 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 entity R200, must be written off as irrecoverable.
- (j) Adjust the allowance for credit losses to 5% of debtors.

REQUIRED:

- 3.1 Prepare journal entries to bring the adjustments into account. Change the balances on the trial balance accordingly. (12)
- 3.2 Prepare the closing journal entries. Prepare the trading account and Profit or loss account for the year ended 31 December 20.1. (34)
- 3.3 Prepare the statement of comprehensive income of Sinamuva Distributors for the year ended 31 December 20.1. (21)
- 3.4 Prepare the statement of changes in equity for the year ended 31 December 20.1. (4)
- 3.5 Prepare the statement of financial position of Sinamuva Distributors as at 31 December 20.1. (14½)
- 3.6 Prepare the following notes to the financial statements:
 - (a) Accounting policy,
 - (b) Property, plant and equipment. (10½)

QUESTION 4 (27 marks)(30 minutes)

4.1 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
	Settlement discount granted	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		Settlement 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
		112 296			112 296
20.2					
Jan 1	Balance b/d	70 587			

4.2 Additional information:

- (a) The debtors control account was prepared by an inexperienced bookkeeper.
- (b) 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 credit losses, 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 settlement discount received from a creditor.
 - The purchases journal was undercast by R718.

QUESTION 4 (continued)

- 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.

REQUIRED:

- 4.1 Prepare the correct debtors and creditors control accounts of Smart Boutique for December 20.1 properly balanced.
(23)
- 4.2 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 5 (32 marks)(40 minutes)

The following information pertains to the Sharks Diving Club:

5.1 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

QUESTION 5 (continued)5.2 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.
- (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:

- 5.1 The membership fees account for the year ended 31 March 20.1, properly balanced. (8)
- 5.2 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 6 (20 marks)(25 minutes)

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

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

6.2 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:

- 6.1 Calculate the estimated profit/loss of F Fortune for the year ended 30 April 20.2 (13)
- 6.2 Prepare the Statement of financial position of F Fortune as at 30 April 20.2. (7)

SUGGESTED SOLUTIONS OF COMPREHENSIVE EXERCISE

MARKING SCHEME: ✓ = 1 mark; ^ = ½ mark

QUESTION 1 (30 marks)

SS SUPERMARKET

General ledger

1.1		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
			50 000				50 000
20.2	Mar 1 Balance	b/d	^38 000				

(4)

1.2		Equipment (at cost)					
20.1	Mar 1 Balance [^]	b/d	R ^ 2 800	20.2	Feb 28 Realisation account [^]		R ^900
			2 800		Balance	c/d	^1 900
			2 800				2 800
20.2	Mar 1 Balance	b/d	^1 900				

(3)

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

(8)

QUESTION 1 (continued)

1.4 Accumulated depreciation on equipment

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

*R(164,00 + 73,60)

(5)

1.5 Realisation account

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

(4)

1.6 Depreciation

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

(6)

QUESTION 1 (continued)Calculations

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

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

- (b) Depreciation on vehicles (28 February 20.2)

	Vehicle kept	New vehicle
Cost $R(28\,000 - 12\,000)$	R 16 000,00	R 22 000,00
<u>Less:</u> Accumulated depreciation $R(14\,268 - 6\,455)$	7 813,00	-
Carrying amount	8 187,00	22 000,00
Depreciation: current year ($R8\,187 \times 20/100$) and $(R22\,000 \times 20/100 \times \frac{6}{12})$	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
Cost $R(2\,800 - 900)$	R 1 900,00	R 900,00
<u>Less:</u> Accumulated depreciation $R(543 - 164)$	379,00	164,00
Carrying amount	1 521,00	736,00
Depreciation: current year ($R1\,521 \times 10/100$) and $(R736 \times 10/100)$	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 2 (18 marks)

WISE LIMITED

2.1(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
		<u>3 314</u>

(3)

2.1(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
			<u>2 847</u>

(5¹/₂)

2.2

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
			<u>16 844</u>				<u>16 844</u>
20.1							
Nov 1	Balance	b/d	^13 997				

(2¹/₂)

QUESTION 2 (continued)

2.3. 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 3 (96 marks)**SINAMUVA DISTRIBUTORS**

3.1 General journal: 31 December 20.1

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

QUESTION 3 (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 ^{^^}
	Credit losses Loose-Ends/Debtors control <i>Account written off as irrecoverable</i>		200 [^]	200 [^]
	Allowance for credit losses Credit losses <i>Adjustment of allowance for credit losses (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 3 (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 entity 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) Allowance for credit losses:

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

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

$$= R250$$

The allowance for credit losses is at present
The balance of the allowance must be
The current allowance must be reduced by

R300
R250
R 50

QUESTION 3 (continued)

3.2 Closing Journal Entries - December 20.1

Sales	R ^ 380	R
Settlement discount granted		^ 380
<i>Closing off and transfer of settlement discount granted to sales</i>		
Sales	^ 1 200	
Sales return		^ 1 200
<i>Closing off and transfer of sales returns to trading account</i>		
Sales	^ 380 210	
Trading Account		^ 380 210
<i>Closing off and transfer of sales to trading account</i>		
Settlement discount received	^ 650	
Cost of sales		^ 650
<i>Closing off and transfer of settlement discount to cost of sales</i>		
Trading Account	^ 164 750	
Cost of sales		^ 164 750
<i>Closing off and transfer of cost of sales account to trading acc</i>		
Trading Account	^ 215 460	
Profit or loss		^ 215 460
<i>Transfer of gross profit</i>		
Rent income R(15 600 - 1 200)	^ 14 400	
Interest on investment R(5 000 + 1 000)	^ 6 000	
Credit losses recovered	^ 120	
Profit or loss		^ 20 520
<i>Closing off of above accounts against Profit or loss account</i>		
Profit or loss	^ 51 824	
Wages		^ 2 000
Salaries		^ 25 000
Assessment rates		^ 1 500
Licence		^ 1 000
Vehicle expenses		^ 3 500
Credit losses R(550 + 200 - 50)		^ 700
Packaging material R(4 700 - 980)		^ 3 720
Insurance R(2 250 - 625)		^ 1 625
Water and electricity		^ 2 100
Telephone R(1 400 + 165)		^ 1 565
Advertisements R(2 000 - 400)		^ 1 600
Interest on loan		^ 1 125
Depreciation		^ 6 389
<i>Closing off of above accounts against Profit or loss account</i>		
Profit or loss	^ 184 156	
Capital		^ 184 156
<i>Transfer of profit to capital account</i>		

QUESTION 3 (continued)

Trading account

20.1 Dec 31		R	20.1 Dec 31		R
	Cost of sales (165 400-1 200)	^^ 164 750		Sales	^ 380 210
	Profit or loss (Gross profit)	^ 215 460			
		380 210			380 210

[4/2 = 2]

Profit or loss

20.1 Dec 31		R	20.1 Dec 31		R
	Wages	2 000 ^		Trading account	
	Salaries	25 000 ^		(Gross profit)	215 460 ^
	Assessment rates	1 500 ^		Rent income	14 400 ✓
	Licence	1 000 ^		Interest on investment	6 000 ✓
	Vehicle expenses	3 500 ^		Credit losses recovered	120 ^
	Credit losses	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 ✓			
		235 980			235 980

(16)

[34]

QUESTION 3 (continued)

3.3

SINAMUVA DISTRIBUTORS
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 DECEMBER 20.1

		R
Revenue	✓✓✓	380 210
Cost of sales	✓	(164 750)
Gross profit		215 460
Other income		14 520
Rent income	✓	14 400
Credit losses recovered	✓	120
		229 980
Selling, administrative and general expenses		(50 699)
Wages	✓	2 000
Salaries	✓	25 000
Assessment rates	✓	1 500
Licence	✓	1 000
Vehicle expenses	✓	3 500
Credit losses	✓	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)

3.4

SINAMUVA DISTRIBUTORS

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

	CAPITAL
	R
Balance at 1 January 20.1	✓^141 700
Profit for the year	✓^184 156
Balance at 31 December 20.1	325 856

(4)

QUESTION 3(continued)

3. **SINAMUVA DISTRIBUTORS**
STATEMENT OF FINANCIAL POSITION AS 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 receivables		6 775
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
Long-term 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 3(continued)**3.6 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 4 (27 marks)

SMART BOUTIQUE

4.1

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 R(815 - 115)		✓✓ 700		Sales returns		✓ 1 560
					Credit losses		✓ 115
					Journal credits		
					iro debtors		✓ 660
					Balance	c/d	^ 16 090
			63 725				63 725
20.2							
Jan 1	Balance	b/d	^ 16 090				

(13)

Dr		Creditors control account				Cr	
0.1			R	20.1			R
Dec 31	Purchases returns		✓ 1 350	Dec 1	Balance	b/d	✓ 8 340
	Bank		✓✓ 2 500	31	Purchases		✓ 26 338
	Bills payable		✓ 1 480		R(25 620 + 718)		✓ 1 603
	Journal debits iro creditors		✓ 781		Freight on sales		✓ 8 181
	Balance	c/d	^ 38 351		Journal credits iro creditors		
							44 462
			44 462				44 462
				20.2			
				Jan 1	Balance	b/d	^ 38 351

(10)

4.2 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 5 (32 marks)**(a) SHARKS DIVING CLUB**

Dr		Membership fees		Cr	
20.0		R	20.0		R
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		Credit losses [^]	[^] 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:

	R
Membership fees in arrear at the beginning of the year	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	<u>17 500</u>
	<u><u>100 000</u></u>

QUESTION 5 (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
Credit losses	✓7 500
Depreciation [R(2 625 + 3 840 + 7 500 + 7 000)] (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	45 000

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

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

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

$$R5\,000 \times 10\% \times \frac{3}{12} = R1\,250^{^^}$$

$$\underline{R2\,625}$$

QUESTION 5 (continued)(ii) Equipment - 20% per annum on the diminished balance

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

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

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

(iv) Crockery and linen

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

(c) Loss on sale of furniture

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

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

QUESTION 6 (20 marks)6.1 Calculation of profit/loss**F FORTUNE****STATEMENT OF ASSETS AND LIABILITIES AS AT 31 APRIL 20.1**

✓

	R
ASSETS	
Furniture	12 500 23
Tools and equipment	250
Inventory	4 900
TOTAL ASSETS	40 650
LIABILITIES	
Long-term borrowing	7 000
Creditors	2 600
Income received in advance	1 900
Accrued expenses	800
Bank overdraft	3 250
TOTAL LIABILITIES	15 550

(5}

Calculation of equity at the beginning of the period

$$\begin{aligned} \text{Equity} &= \text{Assets} - \text{Liabilities} \\ &= R40\,650 - R15\,550 \\ &= R25\,100 \end{aligned}$$

QUESTION 6 (continued)**F FORTUNE****STATEMENT OF ASSETS AND LIABILITIES AS AT 31 APRIL 20.2** ✓

		R
ASSETS		
Furniture	^	12 500
Tools and equipment	^	23 250
Inventory	^	5 100
Bank	^	1 240
TOTAL ASSETS		42 090
LIABILITIES		
Long-term borrowing	^	4 600
Creditors	^	3 060
Income received in advance	^	2 500
Accrued expenses	^	650
TOTAL LIABILITIES		10 810

(5)

Calculation of equity at the beginning of the period

$$\begin{aligned}
 \text{Equity} &= \text{Assets} - \text{Liabilities} \\
 &= \text{R}42\,090 - \text{R}10\,810 \\
 &= \text{R}31\,280
 \end{aligned}$$

Estimated profit/loss:

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

(3)

QUESTION 6 (continued)**6.2 F FORTUNE****STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 20.2** ✓

ASSETS	Note	R
Non-current assets		28 600
Property, plant and equipment	✓^	28 600
Current assets		6 340
Inventory	^	5 100
Cash and cash equivalents	^	1 240
TOTAL ASSETS		34 940
EQUITY AND LIABILITIES		
Total equity		24 130
Capital (25 100 + 49 030 – 50 000)	✓^	24 130
Non-current liabilities		4 600
Long-term borrowings: Long term loan Bean Ltd	^	4 600
Current liabilities		6 210
Trade and other payables (3 060 + 2 500 + 650)	✓^	6 210
TOTAL EQUITY AND LIABILITIES		34 940

(7)

F FORTUNE

Notes to the financial statements

1 Property, plant and equipment

	Furniture	Tools and Equipment	Total
	R	R	R
<i>Carrying amount:</i>			
Beginning of year	12 500	23 250	35 750
Cost	12 500	23 250	35 750
Accumulated depreciation			
Additions			
Depreciation for the year	(2 500)	(4 650)	(7 150)
<i>Carrying amount:</i>			
End of year	10 000	18 600	28 600
Cost	^ 12 500	^ 23 250	35 750
Accumulated depreciation	(2 500)	(4 650)	^ (7 150)