

SCHOOL OF ACCOUNTING SCIENCES

DEPARTMENT OF FINANCIAL ACCOUNTING

ACCOUNTING COURSE ACN101M

TUTORIAL LETTER 201 FOR ACN101M
SOLUTION ASSIGNMENT 01/2/2009
(SECOND SEMESTER)

Dear Student

Enclosed please find the solutions to assignment 01/2/2009.

It is in your own interest to work through the assignment in conjunction with the solution and your answer.

Refer to par 9 of tutorial letter 101/3/2009 for more information regarding the examination. The examination paper is a two-hour paper and consists of “long type” questions.

TELEPHONE NUMBERS

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

Dialing code for Pretoria - 012.

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

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PLEASE NOTE

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

ANNEXURE A: TERMINOLOGY

ANNEXURE B: SOLUTION ASSIGNMENT 01/2/2009 (SECOND SEMESTER)

ANNEXURE A: TERMINOLOGY

Please note the following changes in accounting terminology:

Note:

Please take note of the following changes in accounting terminology during the past two years:

Old terminology	New terminology
Bad debts Provision for bad debts Discount allowed Discount received Discount allowed cancelled Discount received cancelled	Credit losses Allowance for credit losses Settlement discount granted Settlement discount received Settlement discount granted forfeited Settlement discount received forfeited
Statement of financial position Non-current liabilities Interest-bearing borrowings Current liabilities Short-term borrowings Current portion of long-term loan	Non-current liabilities Long-term borrowings Current liabilities Short-term borrowings Current portion of long-term borrowings
<p>The four categories of financial instruments, are: (see Textbook: p. 290-292).</p> <ol style="list-style-type: none"> 1. A financial asset (or liability) at fair value through profit or loss 2. Held-to-maturity investment. 3. Loans and receivables. 4. Available-for-sale financial assets. 	

ANNEXURE B: SOLUTION ASSIGNMENT 01/2/2009
(SECOND SEMESTER)

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

2. **Option 1:** R3 675

$$1. R(2\ 160 \times 10/12 = 1\ 800) + R4\ 140 \times 5/12 = 1\ 725) + R(1\ 800 \times 1/12 = 150) = R3\ 675$$

3. **Option 2:** R187 500

Calculation:

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

4. **Option 2:**

5. **Option 3:** R9 960 = R(10 440 + 150 + 290 – 920)

6. **Option 4:** Bank: R9 120; Settlement discount received: R2 000; creditors control: R11 400; VAT Output (Cr): R280

Calculation:

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

$$\text{Settlement discount received: } R11\ 400 \times 20\% = R2\ 280 \text{ Less VAT of R280 } (2\ 280 \times (14 \div 114)) = R2\ 000$$

$$\text{Creditors control: } R11\ 400$$

$$\text{VAT Output (Cr): } R11\ 400 \div 1,14 = R10\ 000 \times 20\% = R2\ 000 \times 14\% = R280$$

ASSIGNMENT 01 (continued)7. **Option 1:** R8 430

Cash receipts journal

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

8. **Option 2:**9. **Option 3:** R219 000

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

10. **Option 4:** Creditors control account11. **Option 3:** (Assets: -R123 000); Equity (-R123 000)12. **Option 2:** R102 000 (R120 000 x 85%)13. **Option 1:** R(200 000 x 12%/12 =R2 000); R202 000 x 12%/12 =R2 020; R2 000 + R2 020 = R4 020

ASSIGNMENT 01 (continued)14. **Option 3:** R30 825 (favourable - credit)Calculations:

NB the entries as shown in this answer will not appear as such in a “proper” bank account. Only the totals of CRJ and CPJ will appear in the account.

Bank account					
Balance	c/d	R 38 400	Bank charges		R 1 875
Rent		2 700	Municipality		3 525
Interest		375	Balance	b/d	36 075
		<u>41 475</u>			<u>41 475</u>
Balance	b/d	<u>36 075</u>			

Bank reconciliation statement: 31 April 20.4

	R	R
Debit balance (favourable): Bank account	36 075	
Debit: Cheques not yet paid	14 775	
Credit: Deposit		20 025
Credit (favourable) balance: Bank statement*		30 825
	<u>50 850</u>	<u>50 850</u>

15. **Option 4:** R13 200

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

ASSIGNMENT 01 (continued)16. **Option 4:**Comment:Option 1: Input VAT is repaid **by** the South African Revenue Services.Option 2: Output VAT is the tax levied by the business on sales and is paid **to** the South African Revenue Services.Option 3: **Output** VAT is the tax levied by the business on sales of goods and services rendered.Option 4: The balances of the VAT Input and VAT Output accounts are transferred to the "VAT control account" at the end of the tax period. The balance then indicates the amount to be claimed from, or payable to the South African Revenue Services.17. **Option 2:** A cheque issued for payment of salariesComment: Salaries paid are an expense and will decrease the equity.18. **Option 1:**

	Date	Debtors	Settlement discount granted	VAT - Input		Bank
				Dr	Cr	
1.	Apr 12	2 228	200	28		2 000

19. **Option 2:** R28 300

Calculation:

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

ASSIGNMENT 01 (continued)

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

Comment:

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

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

Option 3: This statement is correct.

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