

SCHOOL OF ACCOUNTING SCIENCES

DEPARTMENT OF FINANCIAL ACCOUNTING

ACCOUNTING COURSE FAC1502

TUTORIAL LETTER 202 FOR FAC1502
SOLUTION ASSIGNMENT 02/2/2010
(SECOND SEMESTER)

Dear Student

Enclosed please find the solutions to assignment 02/2/2010.

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 101/3/2010 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 101/3/2010 with the following list:

Dialing code for Pretoria - 012.

◆ The telephone numbers of lecturers assigned to FAC1502:

	<u>Tel</u>	<u>E-pos</u>
Mr P Mariasane	429-4426	maraip1@unisa.ac.za
Ms KA Nkome	429-3830	nkomeka@unisa.ac.za
Ms A du Plessis	429-4621	dplesa@unisa.ac.za
Prof D Scott	429-4450	scottd@unisa.ac.za
Ms JHJ Coetzee (Secretary)	429-4401	coetzjihj@unisa.ac.za

PLEASE NOTE

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

ANNEXURE A: EXAMINATION INFORMATION**ANNEXURE B: SOLUTION ASSIGNMENT 02/2/2010
(SECOND SEMESTER)**

ANNEXURE A: EXAMINATION INFORMATION (TIPS)

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

Use of a non-programmable pocket calculator is permissible.

PLEASE NOTE:

1. Ensure that you are writing the correct examination paper (FAC1502).
 2. Ensure that you are handed the correct examination answer book (BLUE) by the invigilator.
 3. All questions must be answered.
 4. Basic calculations, where applicable, must be shown.
 5. Each question must be commenced on a new (separate) page.
 6. Please do not answer the paper in pencil.
- B. 1. Do the calculations in your script (not on the exam paper).
2. It is not necessary to answer the questions in number sequence.
 3. The examination script consist of a book with 12 pages. Every page has three columns on the right hand side. If you don't want or cannot use the columns, ignore them and draw your own columns or T-accounts. You may open the book and use the lefthand (Dr-side) as well as the right hand (Cr-side) page.

Make sure that you **indicate** what is being debited and what is being credited. No marks will be allocated if you swap the debit and credit sides.
 4. When it is required of you to prepare cash journals (CRJ or CPJ), please use a double page (eg page 2 and 3) to prepare the journals. Use the given columns, which will avoid the time consuming to draw several lines.
 5. Ensure that you apply the correct format of the Statement of comprehensive income, Statement of financial position and Statement of changes in equity.
 6. **NB:**
Do your calculations on the page opposite to your actual answers. Marks are sometimes allocated for calculations.
 7. Please commence each question on a new (separate) page. Basic calculations, where applicable, must be shown.
 8. The paper will consist of FIVE (5) questions.

ANNEXURE B: SOLUTION ASSIGNMENT 02/2/2010
(SECOND SEMESTER)

1 **Option 4:** Overstated by R1 200.

Comment:

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

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

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

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

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

Profit would have been: $R(10\ 000 - 3\ 400) = R6\ 600$

The profit is therefore $R(5\ 400 - 6\ 600) = R1\ 200$ overstated.

2 **Option 3:** R43 350.

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

ASSIGNMENT 02 (continued)3 **Option 3:** R1 125Comment:

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

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

4 **Option 5:**

None of the above

Comment:

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

5 **Option 2:**Comment:

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

6 **Option 3:** VAT Output account.7 **Option 2:** A cheque drawn to pay as a deposit for telephone. Whenever the telephone is no longer rented, the deposit will/must be refunded. Until then it is an asset.

ASSIGNMENT 02 (continued)**8 Option 3:**Calculation:

Cash receipts journal - August 2010

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

9 Option 3: R29 545Calculation:

Debtors (R31 270 - R170)	R 31 100
Less: Allowance for credit losses (R31 100 x 5/100)	<u>1 555</u>
Balance of debtors to be shown in the Statement of financial position	<u>29 545</u>

The credit losses of R750 had been written off before 28 February 2010 and is already reflected in the balance of R31 270. Credit losses recovered does not have any effect on the debtors or credit loss accounts.

10 Option 3:Comment:

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

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

ASSIGNMENT 02 (continued)11 **Option 3:** R133 135

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

12 **Option 4:** R6 253 loss

<u>Calculation:</u>	R
<u>Machine</u>	
01/6/2007 Cost price	50 000,00
28/2/2008 Depreciation: R50 000 x $25/100 \times 9/12$	<u>(9 375,00)</u>
01/3/2008 Carrying amount	40 625,00
28/2/2009 Depreciation: R40 625 x $25/100$	<u>(10 156,25)</u>
01/3/2009 Carrying amount	30 468,75
31/7/2009 Depreciation: R30 468,75 x $25/100 \times 5/12$	<u>(3 173,83)</u>
Carrying amount	27 294,92
Selling price	<u>30 000,00</u>
Profit on sale	<u>2 705,08</u>
<u>Vehicle</u>	
01/5/2007 Cost price	65 000,00
28/2/2008 Depreciation: R65 000 x $25/100 \times 10/12$	<u>(13 541,67)</u>
01/3/2008 Carrying amount	51 458,33
28/2/2009 Depreciation: R65 000 x $25/100$	<u>(16 250,00)</u>
01/3/2009 Carrying amount	35 208,33
28/2/2010 Depreciation: R65 000 x $25/100$	<u>(16 250,00)</u>
Carrying amount	18 958,33
Selling price	<u>10 000,00</u>
Loss on sale	<u>8 958,33</u>

Therefore, the total loss is:

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

ASSIGNMENT 02 (continued)13 **Option 1:** R99 (favourable)Calculation:

Cash receipts journal (bank column) - 30 June 2010

Date	Details	Bank
	Stationery R(361 - 316)	R 45
		45

Cash payments journal (bank column) - 30 June 2010

Date	Details	Bank
	Bank charges	R 63
		63

Bank

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

14 **Option 3:** R41 952Calculation:

Creditors control

2009 Dec 31	Bank	R 39 800	2009 Dec 1	Balance b/d	R 13 500
	Balance c/d	13 660	31	Inventory*	39 960
		53 460			53 460
			2010 Jan 1	Balance b/d	13 660

*Balancing figure

ASSIGNMENT 02 (continued)

Inventory						
2009			R	2009	R	
Dec 1	Balance	b/d	16 000	Dec 31	Cost of sales*	
31	Creditors control		39 960		Balance	c/d
			<u>55 960</u>			<u>21 000</u>
						<u>55 960</u>

2010
Jan 1 Balance b/d 21 000

*Balancing figure

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

15 **Option 4:** R30 600

Calculation:

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

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

16 **Option 4:** R2 100

Calculation:

The correct purchases journal will be as follows:

Purchases Journal - October 2010

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

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

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

ASSIGNMENT 02 (continued)17 **Option 4:** Water and electricity accountComment:

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

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

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

18 **Option 4:** (b),(d),(e)Comment:

The other entries are all adjustment journal entries.

19 **Option 4:** R162 500Calculation:

	R
Inventory: 1 July 2009	32 000
Purchases R(252 500 - 4 500 - 2 500)	245 500
Carriage on purchases	<u>4 000</u>
	281 500
Inventory: 30 June 2010	<u>(44 000)</u>
Cost of sales	<u><u>237 500</u></u>
Sales R(405 000 - 5 000)	400 000
Cost of sales	<u>(237 500)</u>
Gross profit	<u><u>162 500</u></u>

ASSIGNMENT 02 (continued)20 **Option 2:** R25 000Calculation:

Equity at 31 December 2009:

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

Equity at 31 December 2008:

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

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