



Tutorial letter 201/1/2018

Financial Accounting Principles for Law Practitioners

FAC1503

Semester 1

Department of Financial Accounting

<p>IMPORTANT INFORMATION</p> <p>This tutorial letter contains important information about your module.</p>

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1. Option 2

Computer equipment account (debit) and trade payables (credit).

Comment:

Refer to TL501/3/2018, learning unit 2, sections 2.1.1.1, 2.2 and 2.2.1.

- Computer equipment is classified as an asset – Assets increase on the debit (Dr) side.
- When an item was bought on credit, a liability is raised – Liabilities increase on the credit (Cr) side.

2. Option 1

Debit Mrs Palley's client control account with R5 700, credit the fees account with R5 000 and credit the VAT control account with R700.

Comment:

Refer to TL501/3/2018, learning unit 2, sections 2.1.2.1, 2.2 and 2.2.1 and learning unit 3, sections 3.5 and 3.8.

- The client control account consists of amounts owed by clients to Martins Attorneys and is classified as an asset – Assets increase on the debit (Dr) side.
- Fees earned are classified as income – Income increase on the credit (Cr) side.
- The VAT control account is classified as a liability if the output VAT exceeds the input VAT – Liabilities increase on the credit (Cr) side

Calculation:

Total fees (R4 800 + R900 – R589 – R111) = R5 000

Output VAT (R589 + R111) = R700

3. Option 4

Exempted goods and supplies will attract VAT at 0%.

Comment:

Refer to TL501/3/2018, learning unit 3, section 3.6.

- An exempt supply is not a taxable supply. VAT is not chargeable at either standard or zero rate.

4. Option 5

A cheque drawn to pay the municipality as a deposit for water and electricity.

Comment:

Refer to TL501/3/2018, learning unit 2, sections 2.1.1.1, 2.2 and 2.2.1.

- Debtors are firms/ individuals that owes money to the legal practice.
- Deposits paid over to a municipality are refundable to the entity when the municipal account is closed off. Deposits therefore are classified as assets.

SOLUTION: ASSIGNMENT 01/2018 – FIRST SEMESTER (continued)

5. Option 4

Amount of R5 894,74

Comment:

Refer to TL501/3/2018, learning unit 3, section 3.8.

Calculation:

- The R48 000 already include 14% VAT, therefore R48 000 is equal to 114% (100% + 14%).
- VAT Output of R48 000 x 14/114 = R5 894,74.

6. Option 4

A decrease in the amount of an income account.

Comment:

Refer to TL501/3/2018, learning unit 2, sections 2.1.2.1, 2.2 and 2.2.1.

- An income account decreases on the debit side.

7. Option 5

A bank reconciliation statement.

Comment:

Refer to TL501/3/2018, learning unit 1, section 1.6.3.

8. Option 4

Relevance and faithful representation.

Comment:

Refer to TL501/3/2018, learning unit 1, section 1.6.2.2 (b).

- (b) Fundamental qualitative characteristics.

9. Option 2

The petty cash can be used to pay cash wages irrespective of the amount.

Comment:

Refer to TL501/3/2018, learning unit 4, section 4.5.3.

Petty cash was designed to pay for small expenses.

10. Option 3

Make an entry in the cash receipts journal on 30 August 2017 for, R6 500.

Comment:

Refer to TL501/3/2018, learning unit 5, sections 5.1 and 5.2, step number 3.

SOLUTION: ASSIGNMENT 01/2018 – FIRST SEMESTER (continued)

11. Option 3

Debit the bank reconciliation statement at 30 June 2017 with an outstanding cheque of R3 900.

Comment:

Refer to TL501/3/2018, learning unit 5, sections 5.1 and 5.2, step number 5.

12. Option 3

Debit water and electricity account – R650; Debit office rent account – R3 500; Debit sheriff fees account – R175; Credit business bank account – R4 325.

Comment:

Refer to TL501/3/2018, learning unit 4, sections 4.5.6.

➤ Please note that the sheriff fees account in the answer is a liability of Bell and Coopers Inc.

13. Option 1

General ledger:

Debit trust creditors control account – R21 200; Credit trust bank account – R21 200.

Trust creditors ledger:

Debit B Halei – R1 750; Debit D Rock – R2 450; Debit S Snyman – R17 000.

Comment:

Refer to TL501/3/2018, learning units 4 and 6.

14. Option 4

General journal, fees journal, business and trust cash receipts journals and business and trust cash payments journals.

Analysis of the transactions:

Trust cash receipts journal – Transaction 3 October.

Business cash payments journal – Transactions 5, 25 and 30 October.

Fees journal – Transactions 13 and 15 October.

General journal – Transactions 21 and 28 October.

Business cash receipts journal – Transaction 31 October.

Trust cash payments journal – Transaction 31 October.

Transfer journal – Transaction 31 October.

Comment:

Refer to TL501/3/2018, learning units 4 and 6.

SOLUTION: ASSIGNMENT 01/2018 – FIRST SEMESTER (continued)

15. Option 3

Fees Journal				
Date	Details	Folio	Clients control	Fees
			R	R
13	S Soonay	CL1	2 700	2 700
15	Mrs Lotter	CL2	4 350	4 350

Comment:

Refer to TL501/3/2018, learning units 4 and 6.