



## FAC1502

October/November 2011

## FINANCIAL ACCOUNTING PRINCIPLES, CONCEPTS AND PROCEDURES

Duration : 2 Hours 100 Marks

**EXAMINERS:** 

FIRST: MS A DU PLESSIS MR P MARAISANE MRS KA NKOME PROF D SCOTT

MR D VON WELL

SECOND: PROF JS JANSEN VAN RENSBURG

Use of a non-programmable pocket calculator is permissible.

This examination question paper remains the property of the University of South Africa and may not be removed from the examination venue.

This question paper consists of 5 pages.

## **PLEASE NOTE:**

- 1. Ensure that you are writing the <u>correct examination paper</u>.
- 2. Ensure that you are handed the correct examination answer book (BLUE) by the invigilator.
- 3. All questions must be answered.
- 4. <u>Basic calculations</u>, where applicable, <u>must be shown</u>.
- 5. The answer to each question <u>must</u> be commenced on a new (separate) page.
- 6. Please do not answer the paper in pencil.
- 7. PROPOSED TIMETABLE (try not to deviate from this):

QUESTION	TOPIC	MARKS	TIME (minutes)
1	Closing entries	27	32
2	Financial statements	25	30
3	General ledger accounts	31	38
4	Incomplete records	17	20
	TOTAL	100	120

## QUESTION 1 (27 marks) (32 minutes)

Commence this question on a new (separate) page.

The following information was obtained from the books of XYZ Traders.

POST-ADJUSTMENT TRIAL BALANCE OF XYZ TRADERS AS AT 30 JUNE 2011			
	Debit	Credit	
	R	R	
Capital		100 000	
Drawings	2 445		
Land and buildings at cost	200 000		
Vehicles at cost	120 000		
Furniture and fittings at cost	65 000		
Accumulated depreciation on vehicles (30 June 2011)		54 700	
Accumulated depreciation on furniture and fittings (30 June 2011)		22 700	
Debtors control	6 780		
Inventory: Trading (30 June 2010)	13 550		
Bank	7 775		
Petty cash	500		
Mortgage loan		150 000	
Loan from Africa Bank		50 000	
Creditors control		3 200	
Sales		256 400	
Carriage on purchases	660		
Commission income		15 000	
Credit losses	244		
Depreciation	15 400		
Insurance	2 400		
Packing materials	3 300		
Purchases	154 880		
Purchases returns		245	
Rent income		3 600	
Sales returns	1 338		
Settlement discount granted	553		
Settlement discount received		155	
Wages	56 775		
Water and electricity	4 400		
	656 000	656 000	

## Additional information:

On 1 July 2011 trading inventory had a balance of R14 885.

## **REQUIRED:**

- 1.1 Show the journal entries for bringing the closing inventory at 30 June 2011 into account. (3)
- 1.2 Show the journal entries for the closing of the applicable accounts (closing entries) at 30 June 2011. (14)
- 1.3 Complete the **trading account** and the **profit or loss account** in the general ledger of XYZ Traders for the year ending 30 June 2011. (10)

## QUESTION 2 (25 marks) (30 minutes)

## Commence this question on a new (separate) page.

The following list of balances was extracted from the general ledger of M&S, a general dealer at 28 February 2011:

	R
Creditors control	28 900
Fixed deposit (36 month)	5 000
Debtors control	19 200
Bank (Dr)	6 000
Furniture and equipment (at carrying amount)	24 300
Land and buildings	108 000
Mortgage loan (repayable over 20 years)	78 000
Vehicles (at carrying amount)	51 000
Inventories	30 400
Capital (1 March 2010)	150 000
Profit/(Loss) for the year ending 28 February 2011	?

## **REQUIRED:**

2.1	Prepare the trial balance of M&S as at 28 February 2011.	(11)
2.2	Prepare the statement of changes in equity of M&S for the year ended	
	28 February 2011.	(4)
2.3	Prepare the statement of financial position of M&S as at 28 February 2011.	(10)

## **QUESTION 3** (31 marks) (38 minutes)

Commence this question on a new (separate) page.

## ABC DEALERS TRIAL BALANCE AS AT 1 FEBRUARY 2011

	R
Bank (Debit balance)	2 150
Cost of sales	192 000
Trading inventory	52 000
Sales	400 000
VAT Input	1 600
VAT Output	

The following subsidiary journals, with only the totals of the analysis columns, appeared in the books of ABC Dealers at 28 February 2011:

## **QUESTION 3** (continued)

## Cash receipts journal

Bank	Sales	Cost of	Debtors Settlement		VAT	VAT	Sundry
		sales	control	Discount granted	Output	Input	amounts
R	R	R	R	R	R	R	R
*?	18 600	9 300	6 550	(150)	2 604	(20)	-

<sup>\*</sup>Total to be calculated

## Cash payments journal

Bank	Purchases	Creditors	VAT Input	VAT Output	Settlement Discount	Sundry
					received	amounts
R	R	R	R	R	R	R
**?	7 200	6 400	1 008	(25)	(100)	3 395

<sup>\*\*</sup>Total to be calculated

## Sales journal

Debtors	Sales	Cost of sales	VAT Output
R	R	R	R
15 960	14 000	7 000	1 960

## Purchases journal

Creditors	Purchases	VAT Input
R	R	R
10 488	9 200	1 288

## Sales returns journal

Debtors	Sales returns	Cost of sales	VAT Output
R	R	R	R
285	250	125	35

## Purchases return journal

Creditors	Purchases returns	VAT Input
R	R	R
969	850	119

## **REQUIRED:**

Prepare the following general ledger accounts for ABC Dealers for February 2011:

3.1	Bank	(4)
3.2	Cost of sales	(5)
3.3	Trading inventory	(7)
3.4	Sales	(3)
3.5	VAT Input	(6)
3.6	VAT Output	(6)

## **QUESTION 4** (17 marks) (20 minutes)

## Commence this question on a new (separate) page.

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

	2010	2011
Balances at 30 April:	R	R
Furniture at cost (Bought on 30 April 2010)	25 000	25 000
Tools and equipment at cost (Bought on 30 April 2010)	46 500	46 500
Inventory: Trading	9 800	10 200
Bank(favourable)	-	2 480
Bank(overdraft)	6 500	-
Long-term borrowings	14 000	9 200
Creditors	5 200	6 120
Income received in advance	3 800	5 000
Accrued expenses	1 600	1 300

## Additional information:

- (a) F Focus drew R100 000 during the year for own use.
- (b) Depreciation at 20% per annum on the cost price of furniture, as well as tools and equipment must still be provided for.

## **REQUIRED:**

Calculate the estimated profit or loss of F Focus Services for the year ended 30 April 2011. (17)

## OCTOBER/NOVEMBER 2011 EXAM - SUGGESTED SOLUTION

## **QUESTION 1** (27 marks) (32 minutes)

1.1 Trading Inventory brought into account

	Debit	Credit
Trading acc	13 550	
Inventory: Trading (opening)		13 550
Closing transfer of opening inventory		
Inventory: Trading (closing)	14 885	
Trading acc		14 885
Closing transfer of closing inventory		

1.2 Closing entries

1.2 Closing entities	Debit	Credit
Sales	553	
Settlement discount granted		553
Closing transfer of settlement discount		
Settlement discount received	155	
Purchases		155
Closing transfer of settlement discount		
Trading acc	156 723	
Carriage on purchases		660
Purchases		154 725
Sales returns		1 338
Closing transfers		
Sales	255 847	
Purchases returns	245	
Trading acc		256 092
Closing transfers		
Trading acc	100 704	
Profit or loss		100 704
Transfer of gross profit		
Profit or Loss	82 519	
Credit losses		244
Depreciation		15 400
Insurance		2 400
Packing materials		3 300
Wages		56 775
Water and electricity		4 400
Closing transfers		
Commission income	15 000	
Rent income	3 600	
Profit or Loss		18 600
Closing transfers		
Profit or Loss	36 785	
Capital		36 785
Closing transfer of profit		
Capital	2 445	
Drawings		2 445
Closing transfer of drawings		

(3)

Dr	Trading account					
		R			R	
Jun 30	Inventory (1-7-2010)	13 550	Jun 30	Inventory (30-6-2011)	14 885	
	Carriage on purchases	660		Sales (256 400-553)	255 847	
	Purchases (154 880-155)	154 725		Purchases returns	245	
	Sales returns	1 338				
	Profit or Loss (gross)	100 704				
		270 977			270 977	
	Profit of Loss (gross)				270 9	

Dr	Profit or Loss account					
		R			R	
Jun 30	Credit losses	244	Jun 30	Trading account	100 704	
	Depreciation	15 400		Commission income	15 000	
	Insurance	2 400		Rent income	3 600	
	Packing materials	3 300				
	Wages	56 775				
	Water and electricity	4 400				
	Capital (net profit)	36 785				
		119 304			119 304	

(10)

[27]

2.1 M&S
TRIAL BALANCE AS AT 28 FEBRUARY 2011

	Dr	Cr
	R	R
Creditors control		28 900
Fixed deposit	5 000	
Debtors control	19 200	
Bank	6 000	
Furniture and equipment	24 300	
Land and buildings	108 000	
Mortgage loan		78 000
Vehicles	51 000	
Inventory	30 400	
Capital: Mica (1 March 2010)		150 000
	243 900	256 900
Loss for the year	13 000	
-	256 900	256 900

(11)

2.2 M&S STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 28 FEBRUARY 2011

	Capital
	R
Balance as at 1 March 2010/Capital	150 000
Loss for the year	(13 000)
Balance as at 28 February 2011	137 000

(4)

2.3 M&S

STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2011

ASSETS	R	R
ASSETS	, r	K
NON-CURRENT ASSETS Property, plant and equipment (24 300 +		188 300
108 000 + 51 000)	183 300	
Financial assets	5 000	
CURRENT ASSETS		55 600
Inventories	30 400	
Trade and other receivables	19 200	
Cash and cash equivalents	6 000	
•		
TOTAL ASSETS		243 900
EQUITY AND LIABILITIES		
EQUITY		137 000
Capital	137 000	
NON-CURRENT LIABILITIES		78 000
Long-term borrowings	78 000	
CURRENT LIABILITIES		28 900
Trade and other payables	28 900	
TOTAL EQUITY AND LIABILITIES		243 900

(10)

## ABC Dealers GENERAL LEDGER

Dr		Bank					
2011			R	2011			R
Feb 1	Balance	b/d	2 150	Feb 28	Total payments	CPJ	17 878
28	Total receipts	CRJ	27 584		Balance	c/d	11 856
			29 734				29 734
Mrch 1	Balance	b/d	11 856				
							(4)

Dr **Cost of sales** Cr 2011 2011 R R 192 000 Feb 28 Trading inventory SRJ Feb 1 Total/Balance b/d 125 CRJ Total/Balance 208 175 28 Trading inventory 9 300 c/d Trading inventory SJ 7 000 208 300 208 300 Mrch 1 Total/Balance b/d 208 175 (5)

Dr **Trading Inventory** Cr 2011 2011 R R Feb 1 Balance b/d 52 000 Feb 28 Cost of sales **CRJ** 9 300 CPJ 28 Bank 7 200 Cost of sales SJ 7 000 ΡJ 9 200 Creditors control PRJ 850 Creditors control Cost of sales SRJ 125 Balance c/d 51 375 68 525 68 525 Mrch 1 Balance b/d 51 375 (7)

Dr			Sal	es			Cr
2011			R	2011			R
Feb 28	Total/Balance	c/d	432 600	Feb 1	Total/Balance	b/d	400 000
				28	Bank	CRJ	18 600
					Debtors control	SJ	14 000
			432 600				432 600
						;	
				Mrch 1	Total/Balance	b/d	432 600

(3)

## **QUESTION 3** (continued)

Dr			VATI	nput			Cr
2011			R	2011			R
Feb 1	Balance	b/d	1 600	Feb 28	Creditors control	PRJ	119
28	Debtors control	CRJ	20		Balance/VAT		0.707
	Bank	CPJ	1 008		Control	c/d	3 797
	Creditors control	PJ	1 288				
			3 916				3 916
						ļ	
Mrch 1	Balance/VAT Control	b/d	3 797				
							(6)

Dr			VAIO	utput			Cr
2011			R	2011			R
Feb 28	Debtors control	SRJ	35	Feb 1	Balance	b/d	1 800
	Balance/VAT Control	c/d	6 354	28	Bank	CRJ	2 604
					Creditors control	CPJ	25
					Debtors control	SJ	1 960
			6 389				6 389
				Mrch 1	Balance/VAT		
					Control	b/d	6 354
	·		•		·		(0)

(6) [31]

## 4.1 <u>Calculation of profit/loss</u>

## F FOCUS SERVICES STATEMENT OF ASSETS AND LIABILITIES AS AT 30 APRIL 2010

	R
ASSETS	
Furniture	25 000
Tools and equipment	46 500
Inventory	9 800
TOTAL ASSETS	81 300
LIABILITIES	
Long-term borrowing	14 000
Creditors	5 200
Income received in advance	3 800
Accrued expenses	1 600
Bank overdraft	6 500
TOTAL LIABILITIES	31 100

Calculation of equity at the beginning of the period

Equity = Assets – Liabilities

= R81 300 - R31 100

= R50 200

 $(5\frac{1}{2})$ 

# F FOCUS SERVICES STATEMENT OF ASSETS AND LIABILITIES AS AT 30 APRIL 2011

OTATEMENT OF AGGETG AND EIABIETIEG AG AT 30 AT 1	R	R
ASSETS	1	Alternative
Furniture	25 000	20 000
Tools and equipment	46 500	37 200
Inventory	10 200	10 200
Bank	2 480	2 480
TOTAL ASSETS	84 180	69 880
LIABILITIES		
Long-term borrowing	9 200	9 200
Creditors	6 120	6 120
Income received in advance	5 000	5 000
Accrued expenses	1 300	1 300
TOTAL LIABILITIES	21 620	21 620

Calculation of equity at the end of the period

Equity = Assets – Liabilities

= R84 180 - R21 620 or = R69 880 - R21 620

= R62 560 or = R48 260 (5½) (7½)

## **QUESTION 4** (continued)

## **Estimated profit/loss:**

Capital at the end of the financial period Capital at the beginning of the period

Drawings Adjustments: Depreciation

Furniture

Tools and fittings

## Estimated profit for the year

	Alternative
R	R
62 560	48 260
(50 200)	(50 200)
12 360 100 000 (14 300)	(1 940) 100 000
5 000 9 300	
<del></del>	

98 060	98 060
(6)	(4)

[17]

#### **MAY/JUNE 2011 EXAMINATION PAPER**

UNIVERSITY EXAMINATIONS





FAC1502 RAC101B RFA1502

May/June 2011

## FINANCIAL ACCOUNTING CONCEPTS, PRINCIPLES AND PROCEDURES

Duration : 2 Hours 100 Marks

**EXAMINERS:** 

FIRST: PROF D SCOTT MISS A DU PLESSIS MRS KA NKOME MR P MARAISANE

SECOND: PROF JS JANSEN VAN RENSBURG

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- 6. Please do not answer the paper in pencil.
- 7. PROPOSED TIMETABLE (try not to deviate from this):

QUESTION	TOPIC	MARKS	TIME (minutes)
1	Bank reconciliation	13	16
2	Control accounts	15	18
3	Adjustments journals, trial balance and statement of comprehensive income	49	58
4	Depreciation and asset realisation	23	28
	TOTAL	100	120

#### QUESTION 1 (13 marks) (16 minutes)

The bookkeeper of OSSO Traders posted the cash receipts journal and the cash payments journal to the general ledger for January 2011, before he received the bank statement for the same month. The totals posted to the general ledger were:

Total cash receipts: R74 700Total cash payments: R49 260

On comparing the bank statement with the cash receipts journal and the cash payments journal, the following differences were noted:

- 1. On 1 January 2011 the bank account in the general ledger had a favourable balance of R540.
- 2. On 31 January 2011 the bank statement revealed a favourable balance of R10 170.
- 3. The following charges appeared on the bank statement:

	R
Service fees	305
Cheque and deposit books	137

4. The following cheques in the cash payments journal have not yet been presented at the bank:

	R
401	1 683
405	137
407	5 367
415	1 571
480	2 700
491	1 072

- 5. Cheques 401, 405 and 407 were all written out during July 2010. They are all stale now and must be cancelled. These cheques were in favour of D Banks as payment for money owing to him.
- 6. An investigation of the cash receipts journal revealed that deposits totalling R28 920 had not yet gone through the current account at the bank.
- 7. The bank statement showed a deposit of R1 980 which was made by another client and erroneously entered on OSSO Traders bank statement.
- 8. The cash receipts journal showed a deposit of R15 850 (a receipt from J Bronko, a debtor) while the correct figure of R15 170 appeared on the bank statement.
- 9. A cheque for R3 020 drawn by ROSSO Traders appeared on the bank statement.
- 10. A receipt of R6 540 from B Crux was incorrectly entered in the cash receipts journal as R5 640.
- 11. Cheque no 483 in favour of A Randwell for R1 842 was issued, but subsequently cancelled and never mailed to the creditor. The bookkeeper, however, recorded the payment in the cash payments journal.

## **Question 1** (continued)

## Required:

- 1.1 Prepare the properly balanced/closed off **bank account** for January 2011 as it will appear in the general ledger of OSSO Traders. (8)
- 1.2 Prepare the **bank reconciliation statement** of OSSO Traders as at 31 January 2011. (5)

## **QUESTION 2** (15 marks) (18 minutes)

The following details were obtained from the accounting records of S GLOW for January 2011:

	R
Balances in the debtors ledger (1 January 2011)	22 556
Balances in the creditors ledger (1 January 2011)	37 452
Receipts issued to debtors	35 036
Cheques received from debtors, returned by the bank marked "R/D"	860
Credit losses	400
Cash received from G McDermot (his account was already closed and debt written off)	160
Credit sales	65 636
Credit purchases	59 724
Cheques issued to creditors	25 724
Returns on purchases	400
Settlement discount granted to debtors	1 804
Returns on sales	110
Interest charged on overdue debtors accounts	60
Cash purchases	17 544
Interest collected by creditors	336

#### Additional information:

- 1. Credit sales of R48 were incorrectly posted to B Ball's account as R84.
- 2. An invoice of R40 for goods sold was not recorded in the sales journal.

#### Required:

Prepare the following properly balanced/closed off accounts in the general ledger of S GLOW for January 2011:

2.1 Debtors control account (9½)

2.2 Creditors control account (5½)

## QUESTION 3 (49 marks) (58 minutes)

## N&N ENTERPRISES TRIAL BALANCE AS AT 31 DECEMBER 2010

	Dr Cr			
	R	R		
Capital		130 000		
Drawings	11 000			
Mortgage loan (8%)		50 000		
Land and buildings	81 000			
Furniture and equipment	14 000			
Bank	14 000			
Inventory (1 January 2010)	100 000			
Debtors control	82 000			
Fixed deposit	37 200			
Creditors control		90 000		
Sales		500 000		
Purchases	283 000			
Interest income		800		
Rent income		2 400		
Freight charges on purchases	5 000			
Advertising	9 800			
Insurance	5 000			
Credit losses	2 600			
Administration expenses	30 000			
Property rates and taxes	9 600			
Interest expenses	3 000			
Water, electricity and telephone	10 000			
Salaries	76 000			
	773 200	773 200		

#### **Additional information** relating to the year-end adjustments is as follows:

- 1. On 1 August 2010 N&N Enterprises rent out a part of their premises to Oli Traders for 12 months. A cheque for R2 400 was received on that date for the entire year's rent.
- 2. The interest earned on the fixed deposit amounted to R1 060, but was not yet received.
- 3. An amount of R3 500 of the insurance expenses was prepaid for next year.
- 4. The advertising expense includes a payment of R2 400 made to the Count News Magazine for advertisements to be published from January 2011.
- 5. Salaries earned by the employees but not yet paid at 31 December 2010 amounts to R800.
- 6. Interest on the mortgage loan is payable quarterly in arrears on the first day of January, April, July and October. The loan was negotiated on 1 March 2010. No repayment of the capital amount was made during the year.

#### **Question 3** (continued)

- 7. Furniture and equipment should be depreciated at 10% per annum using the straight-line method.
- 8. The closing inventory on 31 December 2010 was R72 000.

#### Required:

- 3.1 Using the information given above, record the necessary year-end adjustments in the general journal of N&N Enterprises as at 31 December 2010. (7)
- 3.2 Prepare a post adjustment trial balance for N&N Enterprises as at 31 December 2010. (27)
- 3.3 Prepare the statement of comprehensive income of N&N Enterprises for the year ended 31 December 2010. (15)

#### QUESTION 4 (23 marks) (28 minutes)

On 1 March 2007 WOW Traders started doing business and on the same date equipment costing R120 000 was purchased for cash.

On 1 September 2008 new equipment costing R30 000 was purchased for cash.

On 1 June 2009 WOW Traders sold used equipment to B Bouwer on credit for R15 750. This equipment was purchased on 1 March 2007 at a total cost of R24 000.

On 1 July 2009, WOW Traders purchased new equipment on credit from OB Distributors for R54 000. On this date WOW Traders issued cheque no. 9123 for R3 000 to Equipment Installers for installing the equipment.

Provision for depreciation on equipment is made at 20% per annum using the diminishing balance method.

The accounting period of WOW Traders ends annually on the last day of February.

#### Required:

Use the information given above to prepare the following accounts in the general ledger of WOW Traders for the period 1 March 2009 to 29 February 2010:

4.1 Equipment (5)

4.2 Accumulated depreciation: Equipment (10½)

4.3 Asset realisation (7½)

## 7. MAY/JUNE EXAM 2011 - SUGGESTED SOLUTION

## **QUESTION 1** (13 marks) (16 minutes)

## 1.1 OSSO TRADERS GENERAL LEDGER

Dr			Ba	ınk			Cr
Date		Details	R	Date		Details	R
2011				2011			
Jan	1	Balance b/d	<b>√</b> 540	Jan	31	Total payments	<b>√</b> 49 260
	31	Total receipts	<b>√</b> 74 700			Bank charges (305 + 137)	^^442
		D. Banks (cancelled				J Bronko (wrong figure on	
		cheque 401)	<b>^</b> 1 683			deposit)	<b>^</b> 680
		D. Banks (cancelled				Balance c/d	<b>^</b> 34 787
		cheque 405)	<b>^</b> 137				
		D. Banks (cancelled					
		cheque 407)	<b>^</b> 5 367				
		B Crux (incorrect deposit)	<b>^</b> 900				
		A Randwell (cheque					
		cancelled)	<b>^</b> 1 842				
			85 169				85 169
Feb	1	Balance b/d	<b>^</b> 34 787	1			

## 1.2 OSSO TRADERS BANK RECONCILIATION STATEMENT AS AT 31 JANUARY 2011

	Dr	Cr
	R	R
Credit balance as per bank statement		<b>^</b> 10 170
Outstanding cheques: No 415	<b>^</b> 1 571	
480	^2 700	
491	<b>^</b> 1 072	
Outstanding deposits		<b>^</b> 28 920
Incorrect deposit	<b>√</b> 1 980	
Incorrect cheques drawn		<b>√</b> 3 020
Debit balance as per bank account	<b>^</b> 34 787	
	42 110	42 110
	_	

(8)

(5)

## **QUESTION 2** (15 marks) (18 minutes)

## S GLOW GENERAL LEDGER

2.1

Dr	Debtors control			Cr			
Date		Details	R	Date		Details	R
2011	1			2011			
Jan	31	Balance b/d	^22 556	Jan	31	Bank	<b>√</b> 35 036
		Bank (R/D)	<b>√</b> 860			Credit losses	<b>√</b> 400
		Sales	<b>√</b> 65 636			Settlement	
		Interest income	<b>√</b> 60			discount granted	<b>√</b> 1 804
		Sales	<b>√</b> 40			Sales returns	<b>√</b> 110
						Balance c/d	<b>^</b> 51 802
ГаЬ	,	D 1 1/1	89 152				89 152
Feb	1	Balance b/d	<b>^</b> 51 802				

 $(9\frac{1}{2})$ 

2.2 Dr

Dr			Creditors	reditors control					ŗ	
Date		Details		R	Date		Details		R	
2011					2011					
Jan	31	Bank		<b>√</b> 25 724	Jan	1	Balance	b/d	<b>^</b> 37 45	2
		Purchases r	eturns	<b>√</b> 400		31	Purchases		<b>√</b> 59 72	4
		Balance	c/d	<b>^</b> 71 388			Interest exp	ense	<b>√</b> 33	6
				97 512					97 51	2
					Apr	1	Balance	b/d	<b>^</b> 71 38	8

 $(5\frac{1}{2})$ 

## 3.1

## N&N ENTERPRISES JOURNAL FOR DECEMBER 2010

		Dr	Cr
De	tails	R	R
1.	Rent income	<b>^</b> 1 400	
	Income received in advance		<b>^</b> 1 400
	(Amount received in advance (7/12 x R2 400 = R1 400)		
2.	Accrued income	<b>^</b> 1 060	
	Interest income		<b>^</b> 1 060
3.	Prepaid expenses	<b>^</b> 3 500	
	Insurance		<b>^</b> 3 500
4.	Prepaid expenses	^2 400	
	Advertising		<b>^</b> 2 400
	(The advertisements will be placed from Jan 2011)		
5.	Salaries	<b>^</b> 800	
	Accrued expenses		<b>^</b> 800
6.	Interest expenses	^333	
	Accrued expenses		^333
	(Interest payable for the year: (R50 000 x 8% x 10/12 =		
<u> </u>	R3 333 – R3 000 (paid) = R333 (outstanding))		
7.	Depreciation	^1 400	
	Accumulated depreciation: Furniture and		
	equipment (R14 000 x 10% = R1 400)		<b>^</b> 1 400

## N&N ENTERPRISES POST-ADJUSTMENT TRIAL BALANCE AS AT 31 DECEMBER 2010

PUST-ADJUSTIVIENT TRIAL DALANCE AS AT	1	
	Dr	Cr
	R	R
Capital		<b>^</b> 130 000
Drawings	<b>^</b> 11 000	
Mortgage loan (8%)		<b>^^</b> 50 000
Land and buildings	<b>^</b> 81 000	
Furniture and equipment	<b>^</b> 14 000	
Accumulated depreciation: Furniture and equipment		<b>^</b> 1 400
Bank	<b>^</b> 14 000	
Fixed deposit	<b>^</b> 37 200	
Inventory	<b>^</b> 100 000	
Debtors control	<b>^</b> 82 000	
Creditors control		<b>^</b> 90 000
Income received in advance		<b>^</b> 1 400
Accrued income	<b>^</b> 1 060	
Prepaid expenses (^2 400 + √3 500)	<b>^</b> 5 900	
Accrued expenses (^333 + √800)		<b>^</b> 1 133
Sales		<b>^</b> 500 000
Purchases	<b>^</b> 283 000	
Interest income (^800 + √1 060)		<b>^</b> 1 860
Rent income (^2 400 – √1 400)		<b>^</b> 1 000
Freight charges on purchases	<b>^</b> 5 000	
Advertising (^9 800 – √2 400)	<b>^</b> 7 400	
Insurance (^5 000 – √3 500)	<b>^</b> 1 500	
Credit losses	<b>^</b> 2 600	
Depreciation	<b>^</b> 1 400	
Administration expenses	<b>^</b> 30 000	
Property rates and taxes	<b>^</b> 9 600	
Interest expenses (^3 000 + √333)	<b>^</b> 3 333	
Water, electricity and telephone	<b>^</b> 10 000	
Salaries (^76 000 + ✓800)	<b>^</b> 76 800	
	776 793	776 793

(27)

## N&N ENTERPRISES STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	R	R
Revenue ^		<b>^</b> 500 000
Cost of sales <sup>^</sup> (* 1)		<b>(4)</b> (316 000)
Gross profit^		<b>^</b> 184 000
Other income ^		<b>^</b> 2 860
Rent income	<b>^</b> 1 000	
Interest income	<b>^</b> 1 860	
		186 860
Distribution, administrative and other expenses ^		<b>^</b> (139 300)
Advertising	<b>^</b> 7 400	
Salaries	<b>^</b> 76 800	
Administrative expenses	<b>^</b> 30 000	
Property rates and taxes	<b>^</b> 9 600	
Water, electricity & telephone	<b>^</b> 10 000	
Credit losses	<b>^</b> 2 600	
Insurance expense	<b>^</b> 1 500	
Depreciation	<b>^</b> 1 400	
Finance costs		(3 333)
Interest expenses	<b>^</b> 3 333	
Profit / total comprehensive income for the year^		<b>^</b> 44 227

(15)

## (\* 1) Calculation of cost of sales

( )	
Opening inventory	<b>√</b> 100 000
Purchases	<b>√</b> 283 000
Freight charges on purchases	<b>√</b> 5 000
Closing inventory	<b>√</b> (72 000)
Cost of sales	316 000

## QUESTION 4 (23 marks) (28 minutes)

## WOW TRADERS GENERAL LEDGER

4.1

Dr	Equipment							Cr	
Date		Details	Fol.	R	Date		Details	Fol.	R
2009					2009				
Mch	1	Balance	b/d	<b>√</b> 150 000	Jun	1	Asset realisation		<b>√</b> 24 000
Jul	1	Creditors control			2010				
		(OB Distributors)		<b>√</b> 54 000	Feb	29	Balance	c/d	<b>^</b> 183 000
		Bank		<b>√</b> 3 000					
				207 000					207 000
2010									
Mch	1	Balance	b/d	<b>^</b> 183 000					

4.2

Dr	Accumulated depreciation: Equipment								Cr
Date		Details	Fol.	R	Date		Details	Fol.	R
2009					2009				
Jun	1	Asset realisation		<b>(4½)</b> 9 408	Mch	1	Balance	b/d	<b>(3½)</b> 46 200
2010					Jun	1	Depreciation		<b>√</b> 768
Feb	29	Balance	c/d	<b>^</b> 62 848	2010				
					Feb	29	Depreciation		<b>(4)</b> 25 288
				72 256					72 256
					Mch	1	Balance	b/d	<b>^</b> 62 848

4.3

Dr				Asset re	alisatio	on			Cr
Date		Details	Fol.	R	Date		Details	Fol.	R
2009					2009				
Jun	1	Equipment		<b>√</b> 24 000	Jun	1	Accumulated		
		Profit on sale of					depreciation:		
		assets		<b>√</b> 1 158			Equipment		<b>√</b> 9 408
							Debtors control		
							(B Bouwer)		<b>√</b> 15 750
				25 158					25 158

(4)

(14)

(5)

## Calculations:

Balance of accumulated depreciation	R		
<ul><li>1 March 2007 – 28 February 2008:</li><li>1 March 2008 – 28 February 2009:</li><li>1 September 2008 – 28 February 2009:</li></ul>	^R120 000 x ^20% (^R120 000 - ^R24 000) x 20% ^R30 000 x 20% x √6/12	= 24 000 = 19 200 = 3 000 46 200	(01/)
			(3½)
2. <u>Vehicle sold:</u>		R	
1 March 2007 – 28 February 2008: 1 March 2008 – 28 February 2009:	^R24 000 x ^20% (^R24 000 – ^R4 800) x 20%	= 4 800 = 3 840 ^8 640	
1 March 2009 – 1 June 2009:	(R^24 000 – ^R8 640) x 20% x √3/12	= 768 9 408	
			$(4\frac{1}{2})$
3. <u>Depreciation at year-end:</u>		R	
"Old" equipment:  "New" equipment:	[(^R150 000 - ^R24 000) - (^R46 200 - ^R8 640)] x ^20% R^57 000 x 20% x √8/12	= 17 688 = 7 600	
		25 288	(4)

#### **OCTOBER/NOVEMBER 2010 EXAMINATION PAPER**

**UNIVERSITY EXAMINATIONS** 





## FAC1502 RAC101B

October/November 2010

## ACCOUNTING CONCEPTS, PRINCIPLES AND PROCEDURES

Duration : 2 Hours 100 Marks

**EXAMINERS:** 

FIRST: PROF D SCOTT MISS A DU PLESSIS MRS KA NKOME MR P MARAISANE

SECOND: PROF JS JANSEN VAN RENSBURG

Use of a non-programmable pocket calculator is permissible.

#### This question paper consists of 6 pages.

## **PLEASE NOTE**:

- 1. Ensure that you are writing the <u>correct examination paper</u>.
- 2. Ensure that you are handed the correct examination answer book (BLUE) by the invigilator.
- 3. All questions must be answered.
- 4. <u>Basic calculations</u>, where applicable, <u>must be shown</u>.
- 5. The answer to each question <u>must</u> be commenced on a new (separate) page.
- 6. Please do not answer the paper in pencil.
- 7. PROPOSED TIMETABLE (try not to deviate from this):

QUESTION	TOPIC	MARKS	TIME (minutes)
1	Short questions	32	38
2	Accounting equation	18	22
3	Asset realisation	15	18
4	Financial statements	35	42
	TOTAL	100	120

#### QUESTION 1 (32 marks) (38 minutes)

This question consists of six (6) short questions.

1.1 During January 2010 Mogan Dealers purchased goods to the value of R6 000, one third of which was sold for R3 500 during January. Rental and electricity for the month amounted to R500 and R80 respectively.

#### Required:

Calculate the total costs to be taken into account against income for January 2010. (3)

1.2 The following information relates to the 2010 financial year of Black Bird CC:

	ĸ
Sales	300 000
Purchases	275 000
Inventory on hand at 28 February 2009	25 000
Inventory on hand at 28 February 2010	
Purchases returns	50 000
Carriage on sales	4 000
Customs duties	5 000

#### Required:

Calculate the gross profit percentage on sales for the year ended 28 February 2010. (6)

1.3 The following information was taken from the accounting records of Midway Traders at 31 March 2010 before any adjustments or closing entries had been made: **R** 

Trade debtors (31 March 2010)	18 000
Allowance for credit losses (balance at 1 April 2009)	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.

#### Required:

Calculate the amount to be disclosed as credit losses in the statement of comprehensive income of Midway Traders for the year ended 31 March 2010. (6)

1.4 Medicall started business on 1 March 2008 and purchased two delivery motorbikes at R12 000 each. The financial year of the entity ends at 28 February of every year and depreciation on the motorbikes is calculated at 30% per annum according to the diminishing balance method.

One of the motorbikes was involved in an accident on 30 April 2010 and was completely written off. R5 000 was received from the insurance company.

(5)

#### Required:

Calculate the profit or loss on the scrapping of the motorbike.

1.5 The membership fees of the Claysville Club was R150 for 2008 and R180 for 2009 per member per annum. At 31 December 2008, the end of the financial year, the membership fees of 5 members was received in advance for the 2009 financial year (at the new rate for membership fees applicable to 2009). On the same date the membership fees of 8 members were still outstanding for 2008.

#### **QUESTION 1 (continued)**

During 2009 membership fees received amounted to R21 720, including R1 200 in respect of 2008 and R1 230 in respect of 2010. The membership fees of 7 members were still outstanding at 31 December 2009.

#### Required:

Calculate the amount to be credited to the income and expenditure account of the club at 31 December 2009 in respect of membership fees. *Hint:* Prepare the membership fees ledger account. (6)

1.6 You must prepare a bank reconciliation statement at 30 April 2010. A comparison with the bank account and other financial information reveals the following differences that must be taken into consideration:

Cheques not appearing on the bank statement:

Cheque 197: R2 000
Cheque 212: R1 000
Cheque 213: R5 000

Receipts not appearing on the bank statement:

• P Muller paid R14 000 in settlement of his account.

#### Additional information:

- The balance on the bank statement for the month ended 30 April showed a balance of R36 000 (CR).
- The balance in the bank account showed a balance of R22 000 (DR) at 1 April 2010.
- The totals of the bank columns in the subsidiary journals had the following balances:
  - Cash receipts journal, R 60 000
  - Cash payments journal, R 40 000.

#### Required:

Prepare a bank reconciliation statement for the month ended 30 April 2010.

(6)

#### QUESTION 2 (18 marks) (22 minutes)

The following transactions took place in the business of Haricool Air Conditioners during September 2010:

- 1. Harold, the owner of Haricool Air Conditioners, deposited R50 000 as additional capital into the bank account of the entity.
- 2. Harold bought a light utility vehicle (LUV) for the business from Auto Motors at a total price of R28 000 and paid a deposit of R5 000 by cheque.
- 3. Install an air conditioner and received R4 000 cash.
- 4. Purchase four new air conditioners to be installed at a client during the next week, and paid R8 000 by cheque.
- 5. Invoice a corporate client for the installation of 10 air conditioners to the value of R42 000.
- 6. Harold had his private motor vehicle serviced and paid R1 750 with a business cheque.
- 7. Charged interest of R150 to the overdue account of a debtor, D Cooldare
- 8. An amount of R5 600 was written off as depreciation on the LUV.

Note: Haricool Air Conditioners uses a periodic inventory recording system.

## **QUESTION 2 (continued)**

#### Required:

For each of the transactions listed above, indicate what account must be debited and what account must be credited in the general ledger, as well as the overall effect of each transaction on the elements of the accounting equation. Accept in all cases that the bank has a favourable balance. Present your answer in the following format:

AS	SSETS	= EQUITY +	LIABILITIES	ACCOUNT DEBITED	ACCOUNT CREDITED
	+200	+200	0	Bank	Interest received

## **QUESTION 3** (15 marks) (18 minutes)

Total Scrap Dealers had, amongst others, the following balances in their books at 1 September 2009:

	R
Vehicles	200 000
Accumulated depreciation: Vehicles	40 000

During the year ended 31 August 2010, the following transactions took place pertaining to vehicles:

- 1. On 28 February 2010 a new vehicle was bought for R66 000 cash.
- 2. On 1 June 2010 an old vehicle, which was bought on 1 December 2007 for R80 000, was sold on credit for R45 000.

Total Scrap Dealers provides for depreciation on all their assets at a rate of 20% using the straight-line method.

#### Required:

Prepare the following accounts in the general ledger of Total Scrap Dealers for the financial year ended 31 August 2010. (Show all your calculations):

3.1	Vehicles	(4)
3.2	Accumulated depreciation: Vehicles	(7)
3.3	Asset realisation.	(4)

## QUESTION 4 (35 marks) (42 minutes)

The following information was obtained from the accounting records of WS Dealers on the last day of the financial year of the business:

WS DEALERS
TRIAL BALANCE AS AT 31 MARCH 2010

	Dr	Cr
	R	R
Capital		207 300
Drawings	23 000	
Office equipment at cost	24 000	
Accumulated depreciation: Office equipment		8 400
Bank	102 700	
Fixed deposit	80 000	
Petty cash	2 000	
Inventory	22 000	
Debtors control	21 300	
Creditors control		12 100
Allowance for credit losses		1 200
Sales		208 550
Cost of sales	114 000	
Advertisements	800	
Salaries and wages	34 800	
Interest on fixed deposit		8 800
Rent income		3 600
Administrative expenses	2 600	
Repairs and maintenance	3 600	
Water and electricity	8 650	
Insurance	4 200	
Stationery	2 300	
Depreciation	4 000	
	449 950	449 950

## **Additional information:**

- 1. The entity took out a fire insurance policy on 2 January 2010 and paid the annual premium of R2 880 for coverage until 31 December 2010.
- 2. On 31 March 2010 stationary to the value of R1 500 was still on hand.
- 3. Employee salaries of R4 500 were outstanding (not paid) on 31 March 2010.
- 4. A tenant moved into office space available for rent on 30 November 2009 and prepaid the rent for 12 months. No deposit was required.
- 5. The fixed deposit was invested a few years ago. Interest on the investment is provided for at 12% per annum.

## **QUESTION 4 (continued)**

## Required:

- 4.1 Prepare the statement of comprehensive income of WS Dealers for the year ended 31 March 2010. (17)
- 4.2 Prepare the statement of changes in equity of WS Dealers for the year ended 31 March 2010. (3)
- 4.3 Prepare the statement of financial position of WS Dealers as at 31 March 2010. (15)

## 7. SUGGESTED SOLUTION

## **QUESTION 1** (32marks)

## Question 1.1

$$(6000x1/3) + 500 + 80) = R2 580$$
(3)

## Question 1.2

		R
Sales	٨	300 000
Cost of sales		200 000
Opening inventory	٨	25 000
Purchases (275 000 – 50 000)	٨	225 000
Customs duties	^	5 000
Closing stock	^	(55 000)
Gross profit	✓	100 000

Gross profit percentage:  $100\ 000/300\ 000\ x\ 100 = 33.3\%$  or 33% (6)

#### Question 1.3

## Allowance for credit losses

Credit losses*		<b>√</b> 125	Balance	1 000
Balance	c/d	<b>√</b> 875		
		1 000		1 000

Allowance for credit losses 31 March 2010 (R18 000 – R500) x 5% = R875 Balancing figure\*

#### Credit losses

		Orodic	100000	
Balance	b/d	<b>√</b> 600	Allowance for Credit Losses	<b>√</b> 125
Debtors	c/d	√500	Profit or loss (Statement of	
			Comprehensive income	√975
		1 100		1 100
				(6)

Alternative: R600 + R500 - R125 (R1 000 - R875) = R975

## **QUESTION 1 (continued)**

## Question 1.4

Depreciation calculation:

1/3/08 - 28/2/09: R12 000 x 30% = R3 600 \( 1/3/09 - 28/2/10: R (12 000 - 3 600) x 30% = 2 520 \( 1/3/10 - 30/4/10: R (12 000 - 6 120) x 30% x 2/12 =  $\frac{294}{6414}$ 

## **Question 1.5**

Membership fees

2009			R	2009			R
Jan 1	Fees accrued (150x8)	b/d	<b>√</b> 1 200	Jan 1	Fees in advance (180x5)	b/d	<b>√</b> 900
	Income &	J	<b>21 450</b>		Bank	CRJ(	√)21 720
Dec 31	Expenditure√	J	( <b>√</b> )1 230	Dec 31	Fees accrued (180x7)	c/d	✓ 1 260
	Fees In advance		)				
			23 880				23 880
			2				20 000

(6)

#### Question 1.6

## **Bank Reconciliation Statement**

Details	Debit	Credit
Credit balance per bank statement Outstanding cheques:	✓ 2000 ✓ 1000 ✓ 5000 ✓ 42000	<ul><li>✓ 36 000</li><li>✓ 14000</li></ul>
	50000	50000

(6)

Alternative formats are acceptable. The calculations/entries are important and earn marks.

## **QUESTION 2** (18 marks)

AS	SSETS = E	QUITY + LIA	BILITIES	ACCOUNT DEBITED	ACCOUNT CREDITED
	R	R	R		
1.	+ 50 000^	+ 50 000^	0	Bank ^	Capital ^
2.	+ 28 000^	0	+ 28 000^	Vehicles ^	Creditor (AutoMotors)^
	- 5 000^	0	- 5 000^	Creditor (Auto Motors)^	Bank ^
3.	+ 4 000^	+ 4000^	0	Bank ^	Sales/Fees earned/Services rendered, etc (but not 'income') ^
*4.	- 8 000^	- 8 000^	0	Purchases ^	Bank ^
5.	+ 42 000^	+ 42 000^	0	Debtors control ^	Sales/Fees earned/Services rendered, etc (but not 'income') ^
6.	- 1 750^	- 1 750^	0	Drawings ^	Bank ^
7.	+ 150^	+ 150^	0	Debtor (D Cooldare) ^	Interest received ^
8.	- 5 600^	- 5 600^	0	Depreciation ^	Accumulated depreciation ^

\* Note: When using a **periodic inventory system** a **Purchases account** is used to record all purchases of inventories.

## **QUESTION 3** (15 marks)

## TOTAL SCRAP DEALERS GENERAL LEDGER

3.1

Dr				\/_L:					<u> </u>
Date		Details	Vehicles  Fol. R Date Details F					Fol. R	
2009		Details	FOI.	ĸ	2010		Details	FOI.	ĸ
Sept	1	Balance	b/d	<b>√</b> 200 000		1	Asset realisation	GJ	<b>√</b> 80 000
2010		Balarioc	D/ G	200 000	Aug	31	Balance	c/d	√186 000
Feb	28	Bank	CPJ	<b>√</b> 66 000	_				
				266 000					266 000
Sept	1	Balance	b/d	186 000					
.2									
Dr				mulated de		tion		1	Cr
Date		Details	Fol.	R	Date		Details	Fol.	R
2010			0.1	( ( 4 0 0 0 0	2009			l . , . l	<b>/40.00</b>
Jun	1 31	Asset realisation Balance	GJ c/d	√√40 000 √42 600		1	Balance	b/d	<b>√</b> 40 000
Aug	31	Balance	C/U	¥ 42 600	Jun	1	Depreciation	GJ	<b>√</b> 12 000
					Aug	31	Depreciation	GJ	√√30 600
				82 600	_	01	Deprediation	00	82 600
				02 000		4	Balance	b/d	42 600
					Sept	1			42 000
					Sept	1		b/G	42 000
.3					Sept	<u> </u>		b/d	42 000
Dr				Asset rea	alisatio				Cr
Dr Date		Details	Fol.	Asset rea	alisatio Date		Details	Fol.	
<b>Dr Date</b> 2010				R	Date	on	Details		Cr
Dr Date	1	Vehicles	Fol.		Date		<b>Details</b> Accumulated		Cr
<b>Dr Date</b> 2010	1	Vehicles Profit or loss		R	Date	on	Details  Accumulated depreciation:	Fol.	Cr R
<b>Dr Date</b> 2010	1	Vehicles Profit or loss (Profit on sale	GJ	R ✓80 000	Date 2010	on	Details  Accumulated depreciation: Vehicles	Fol.	Cr R
<b>Date</b> 2010	1	Vehicles Profit or loss		R	Date 2010	on	Details  Accumulated depreciation:	Fol.	Cr R
<b>Dr Date</b> 2010	1	Vehicles Profit or loss (Profit on sale	GJ	R ✓80 000	Date 2010	on	Details  Accumulated depreciation: Vehicles	Fol.	Cr R

1.	Depreciation on vehicle sold:		R
	1 Dec 2007 – 31 August 2008: 1 Sep 2008 – 31 August 2009: 1 Sep 2009 – 1 June 2010:	R80 000 x 20% x 9/12 R80 000 x 20% R80 000 x 20% x 9/12	= 12 000 = 16 000 = 12 000 40 000
2.	Depreciation on new vehicle:		R
	1 March 2010 – 31 August 2010: <u>Depreciation on other vehicles</u> : <b>Total depreciation on vehicles</b> :	R66 000 x 20% x 6/12 R120 000 x 20% R6 600 + R24 000	= 6 600 = 24 000 = 30 600

## **QUESTION 4** (35 marks)

4.1

## **WS DEALERS**

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2010

	R
Revenue (Sales)	<b>√</b> 208 550
Cost of sales	✓ (114 000)
Gross profit	94 550
Other income A A	10 800
Rent received (3 600 – 2400) Interest on fixed deposit (8 800 + 800)	<b>√</b> 1 200
Interest on fixed deposit (8 800'+ 800)	<b>√</b> 9 600
	105 350
Distribution, administration and other expenses	(61 790)
Advertisements	√800
Salaries and wages (34 800 + 4 500)	√39 300
Administrative expenses	<b>√</b> 2 600
Repairs and maintenance	<b>√</b> 3 600
Water and electricity $\Lambda$	<b>√</b> 8 650
Insurance expense (4 200 - 2 160)	<b>√</b> 2 040
Stationery expense (2 300 - 1 500) 1	√800
Depreciation	<b>√</b> 4 000
Profit / total comprehensive income for the year	43 560
	(17)

## 4.2 WS DEALERS

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2010

	Capital R
Balance as at 1 April 2009	<b>√</b> 207 300
Profit / total comprehensive income for the year	<b>√</b> 43 560
Drawings	√ (23 000)
Balance as at 31 March 2010	227 860

(3)

# $\begin{array}{c} \underline{\text{QUESTION} \ 4} \\ 4.3 \end{array} \text{ (continued)}$

#### **WS DEALERS**

# STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2010

ASSETS	R	R
NON-CURRENT ASSETS Property, plant and equipment (24 000 – 8 400) Fixed Deposit	√15 600 √80 000	95 600
CURRENT ASSETS Inventories (22 000+1 500) Trade and other receivables (21 300-1 200) Accrued Income Prepayments Cash and cash equivalents (102 700+2 000)	✓23 500 ✓20 100 ✓ 800 ✓ 2 160 ✓104 700	151 260
TOTAL ASSETS		246 860
EQUITY AND LIABILITIES		
EQUITY Capital		<b>⊘</b> 227 860
CURRENT LIABILITIES Trade and other payables(12 100+4 500+2 400)		^ 19 000
TOTAL EQUITY AND LIABILITIES		246 860

(15)





# FAC1502 ACN101M RAC101B

May/June 2010

100 Marks

## FINANCIAL ACCOUNTING CONCEPTS, PRINCIPLES AND PROCEDURES

EXAMINERS:

FIRST

Duration

PROF D SCOTT

MISS A DU PLESSIS

MR P MARAISANE

**SECOND** 

MRS KA NKOME PROF JS JANSEN VAN RENSBURG

Use of a non-programmable pocket calculator is permissible

This question paper consists of 6 pages.

2 Hours

#### **PLEASE NOTE:**

- 1 Ensure that you are writing the correct examination paper
- 2 Ensure that you are handed the correct examination answer book (BLUE) by the invigilator
- 3 All questions must be answered
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- 7 PROPOSED TIMETABLE (try not to deviate from this)

QUESTION	TOPIC	MARKS	TIME (minutes)
1	Creditors reconciliation	11	14
2	Adjustments	17	20
3	Incomplete records	25	30
4	Closing entries and final accounts	26	31
5	Cash Journals, VAT	21	25
	TOTAL	100	120

#### QUESTION 1 (11 marks) (14 minutes)

The manager of Prude Traders put you in charge of the creditors reconciliation for April 2010

#### Information available:

Note: VAT input and VAT output should be ignored.

1 On 30 April 2010, the creditors ledger of Prude Traders showed the following creditors

Balance
R
7 880
50
566
60
1 118
9 674

- 2 On 30 April 2010, the creditors control account showed a preliminary balance of R9 841
- 3 After investigation of the individual accounts, source documents and other relevant information, the following errors/omissions were detected
  - 3 1 Cheque no 343 for R50, issued to Debs Stationers as payment on account, was erroneously debited to the stationery account
  - 3 2 The account of Ferrari CC was incorrectly balanced. The amount should read R7 890
  - 3 3 The column for creditors in the purchases journal showed a total of R5 554. The amount was posted to the creditors control account, as R5 455.
  - 3 4 Credit note no SD2653 for R34, received from Dennis Cleaners, was entered in the purchases returns journal, but not posted to the account of Dennis Cleaners
  - 3.5 The account of Dragon Suppliers was credited with credit note no 778 for R100, received from Dragon Suppliers on 26 April 2010
  - 3.6 Credit invoice no B5346 for R600, received from Tswane Garage for repairs to the delivery vehicle, was entered in the general journal as R60 and subsequently posted to the account of Tswane Garage

#### Required:

- 1 Use the information above and prepare the creditors control account at 30 April 2010 showing all the entries regarding the corrections and/or omissions (4)
- 2 Prepare a creditors reconciliation statement as at 30 April 2010, showing all the changes and corrections to be made (7)

#### Question 2 (17 marks) (20 minutes)

On 31 March 2010 the accountant of Moja Traders, Mr Danger, identified the following accounts that have to be adjusted before final accounts could be produced.

Extract from the					
GENERAL LEDGER OF MOJA TRADERS AT 31 MARCH 2010					
	R				
Rent income	4 950				
Packing materials	3 350				
Settlement discount granted	1 770				
Settlement discount received	1 200				
Accumulated depreciation on Equipment	15 000				
Commission income .	2 700				
Credit losses	260				
Drawings	6 640				
Equipment (at cost) .	34 000				
Debtors control	4 458				
Purchases returns	222				
Sales returns	333				
Insurance	1 950				
Water and electricity	2 750				

#### Additional information (errors and problems identified).

- 1 Only 11 month's rent was received
- 2 Packing material on hand at 31 March 2010 amounted to R1 550
- 3 R750 commission was received in advance
- 4 Client J John disappeared Management decided to write his debt of R58 off as irrecoverable
- Provision must be made for depreciation on equipment at 10% per annum on the diminishing balance method
- The water and electricity account for March 2010 of R310, has not yet been paid
- 7 The insurance premium for April 2010 was paid in advance

#### Required:

Prepare the **general journal** entries for the adjustments at 31 March 2010 (NOTE: Valid narrations are important as they carry marks)

#### QUESTION 3 (25 marks) (30 minutes)

B Bull, the owner of Bull's Pastnes, keeps record of the business's transactions on the single-entry basis. The following information is available.

#### List of balances

	31 March 2010 R	31 March 2009 R
Equipment	15 500	15 500
Shop fittings	23 000	23 000
Debtors	1 900	2 400
Creditors	14 300	17 300
Bills receivable	1 200	750
Inventory	9 100	8 500
Bank (favourable)	-	4 300
Bank (overdraft)	?	-
Summary of receipts and payments for the		
year ended 31 March 2010	R	
Receipts		
Cash sales	48 670	
Receipt from debtors	7 700	
Payments		
Payments to creditors	13 290	
Insurance	800	
Rent expense	19 800	
Municipal expenses	5 090	
Telephone expense	2 710	
Sundry expenses	4 560	
Drawings	15 000	

#### Additional information:

- 1 On 2 July 2009 B Bull entered into a contract to insure the entity's assets. The premium is payable annually in advance on 2 July of each year.
- 2 Rent of R1 800 for March 2010 has not yet been paid

#### Required:

(a)	Prepare a statement of assets and liabilities to determine the equity at the beginning of	of the
	financial year (1 April 2009)	(5)

(b) Prepare the following accounts in the general ledger for the financial year ended 31 March 2010 (Note that all accounts must be properly balanced at 31 March 2010)

-	Bank	•	_	•	(6)
-	Debtors				(5)
-	Creditors				(3)
-	Insurance				(3)
-	Rent Expense				(3)

# QUESTION 4 (26 marks) (31 minutes)

The following information was obtained from the books of Robust Traders

POST-ADJUSTMENT TRIAL BALANCE OF ROBUST TRADERS AT 30 JUNE 2009 (extract)					
	Debit	Credit			
	R	R			
Capital		100 000			
Drawings	2 445				
Land and buildings at cost	200 000				
Vehicles at cost	122 000				
Furniture and fittings at cost	65 000				
Accumulated depreciation on vehicles (30 June 2009)		54 700			
Accumulated depreciation on furniture and fittings (30 June 2009)		22 700			
Debtors control	6 780				
Inventory Trading (30 June 2009)	13 550				
Bank	7 775				
Petty cash	500				
Mortgage loan		150 000			
Loan from Africa Bank		50 000			
Creditors control		3 200			
VAT control		2 000			
Sales		256 400			
Carnage on purchases	660				
Commission income		15 000			
Credit losses	244				
Depreciation	15 400				
Insurance	2 400				
Packing materials	3 300				
Purchases	154 880				
Purchases returns		245			
Rent income		3 600			
Sales returns	1 338	2 300			
Settlement discount granted	553				
Settlement discount received		155			
Wages	56 775	.55			
Water and electricity	4 400				
-	658 000	658 000			

#### Additional information:

On 1 July 2008 trading inventory had a balance of R14 885

# Required:

Use the above given information and

3 1	Prepare all the closing entries in the general journal (Journal narratives can be	
	omitted)	(17)
3 2	Prepare the trading account and the profit or loss account for the year ended	(,
	30 June 2009	(9)

#### QUESTION 5 (21 marks) (25 minutes)

The accounting period of Bravo Traders ends at 31 December of each year. Below are some of the transactions of the entity for March 2010.

#### Note:

- Where applicable, transactions are inclusive of VAT at 14%.
- Cash and cash equivalents are daily deposited at the bank.

#### Transactions for March 2010.

#### Date Details

- 1 Cash sales as per cash register roll, R684
  - Received a cheque to the value of R650 from B Bord in full settlement of his account of R707 Receipt no 776 issued
  - Receipt no 777 for R25 000 issued to the owner B Bravo, who increased his capital invested in Bravo Traders
- 5 Purchased stationery from Draw Traders and paid R1 026 by cheque no 543
- 7 Cash sales as per cash register roll, R2 850
- 12 Paid R3 200 by cheque 544 to Dennis CC in full payment of our account of R3 542
- 14 Sold an old delivery vehicle to Prince Garage and received their cheque for R5 500 Receipt no 778 issued

  According to the cash register roll, cash sales amounted to R7 068
- 22 Purchased fuel to the value of R570 from Highway Garage and pay by cheque 545
- Paid Kandas Stores by cheque 546 the amount of R1 368 Items purchased were trading inventory, R1 140 and an electric fan for office use, R228

#### Required:

Record the above transactions for March 2010 in the

- Cash receipts journal with the usual fixed columns and analysis columns for Receipts, Bank, Sales, Debtors control, Settlement discount granted, VAT output, VAT input, and Sundry accounts
- Cash payments journal with the usual fixed columns and analysis columns for Bank, Inventory trading, Stationery, Creditors control, Settlement discount received, VAT input, VAT output, and Sundry accounts

# FAC1502 MAY 2010 SOLUTIONS/MARK ALLOCATION

# **QUESTION 1** (11 marks)

#### **Creditors reconciliation**

 $\checkmark = 1 \text{ mark}$ 

#### **Prude Traders**

Dr			CR	EDITORS	CONTRO	)L			Cr
2010				R-	2010				R
Apr	30	Balance	c/f	9 940	Apr	1	Balance	c/d	✓ 9841
•							Purchases (correction		
							of posting)		<b>√√</b> 99
		•	:	9 940		_			9 940
					May	1	Balance (/ )	b/d	✓ 9 940
									(4)

10	
10	
Dr	Cr
50	√√ 9 674 √√ 10 540 —
_	✓ 200 9 940

(7

Total: 11

#### Notes to markers:

- Balance brought down give 1 mark irrelevant of amount if it agrees with the balance carried forward.
- The format need not be like this it could be one column adding and subtracting the amounts.
- The format could also be as follows:

LIST OF CREDITORS: 30 APRIL 2010	
Name	Balance
	R
Ferrari CC (Plus: R10)	
Debs Stationers (Minus: R50 error)	
Dennis Cleaners (Minus: R34 credit note)	
Tswane Garage (Plus: R540 error posting)	
Dragon Suppliers (Minus: Credit note R100 (x2)	
TOTAL	√√9 940

# **QUESTION 2** (17 marks)

# **Adjustments**

Adjustments in the general journal of Moja Traders: 31 March 2010.

 $^{\Lambda} = \frac{1}{2} \text{ mark}$   $\checkmark = \frac{1}{2} \text{ mark}$ 

			✓ = 1 mark
		Debit	Credit
		R	R
1	Accrued income Rent income Rent for March 2010 not received ^	√ 450	√ 450
2	Packing material on hand Packing material Unused material at year end (material on hand) ^	√1 550	✓ 1 550
3	Commission income Income received in advance Commission received in advance ^	✓ 750	√ 750
4	Credit losses J John / Debtors control Debt written off as irrecoverable ^	✓ 58	√ 58
5	Depreciation  Accumulated depreciation of equipment  Depreciation written off: 10% on diminishing balance ^ (R34 000-R15 000)x10%	√ 1900	√ 1 900
6	Water and electricity Expenses accrued Bill for March 2010 not paid ^	✓ 310	✓ 310
7	Expenses prepaid Insurance Insurance premium for April 2010 prepaid	✓ 150	✓ 150

 $(6x\frac{1}{2}=3)+14=17)$ 

# Note re all the entries:

- Name of account and amount must **both** be correct before mark is given.
- The narration must be relevant to earn the half-mark.

# QUESTION 3 (25 marks) Incomplete records

(a)

**Bull's Pastries** Statement of assets and liabilities as at 1 April 2009

Assets	R	
Equipment	15 500	٨
Shop-fittings	23 000	Λ
Inventory	8 500	Λ
Debtors	2 400	Α
Bills receivable	750	٨
Bank	4 300	٨
Total assets	54 450	
Liabilities		

15 950

Equity

Creditors

**Total liabilities** 

Assets - Liabilities

R54 450^ - R17 300^

R37 150<sup>^</sup>

(10x½=5)

17 300 ^

17 300

# (b) General ledger accounts

Dr				В	ánk				Cr
2009				R	2010				R
Apr	1	Balance	c/d	<b>^</b> 4 300	Mrch	31	Creditors		^ 13 290
2010					1		Insurance		<b>^</b> 800
Mrch	31	Cash sales		<b>^</b> 48 670		,	Rent Expense		^19 800
		Debtors		^ 7 700		1	Municipal expenses		^ 5 090
		Balance	c/f	<b>^</b> 580			Telephone expense	-	^ 2710
							Sundry expenses		^ 4 560
							Drawings		^ 15 000°
				61 250		ŀ		1	61 250
					2010				
					Apr	1	Balance	b/d	<b>^</b> 580
									(12x½=6)

				De	btors				
2009	T		T	R	2010				R
Apr	1	Balances:	c/d		Mrch	31	Bank		<b>^</b> 7 700
·		Debtors		^ 2 400			Balances:	c/f	
		Bills receivable		^ 750			Debtors		<b>^</b> 1 900
Mrch	31	Credit Sales* ∧	(	X^^) 7 650	1		Bills receivable		^ 1 200
			`	10 800	ĺ				10 800
2010	1	Balances:	b/d		ĺ				
Apr	1	Debtors		<b>^</b> 1 900					
•		Bills Receivable		<b>^</b> 1 200					
* Rala	ncin	a figure		L	a	1	L.,	141	)v1/=5)

Balancing figure

 $(10x\frac{1}{2}=5)$ 

				Cred	litors				
2010				R	2009	l			R
Mrch	31	Bank		<b>^</b> 13 290	Apr	1	Balance	c/d	<b>^</b> 17 300
		Balance	c/d	<b>^</b> 14 300	2010				
					Mrch	31	Purchases*		^^ 10 290
				27 590					27 590
			]		2010				
					Apr	1	Balance	b/d	^ 14 300
						, 			
* Bala	ncine	g figure				<u> </u>	<u> </u>		(6x½=3)

* Balancing	figure				(6x½≃3)

			Insu	rance			
2010				2010			R
Mrch	31	Bank	^^ 800	Mrch	31	Prepaid expenses Profit or Loss	^ 200 ^ 600
			800				800
				:		14	

Calculation: Insurance for 12 months (1 April 2009 – 31 March 2010) = R800

Insurance per month: R800/12 = R66,67
Thus, insurance for 9 months (1 January – 30 September 20.9) = R600

Dr	Cr	
2010 Mrch 31 Bank Accrued expenses	R 2010 AA 19 800 Mrch 31 Profit or Loss 21 600	R ^^ 21 600

# 4.2 General ledger of Robust Traders [9]

	11	ading a	ccoul	<u>nt                                    </u>			Cr
Inventory (1 Jul 2008) Carriage on purchases Purchases (154 % Sales returns Profit or loss (gross)	۸	660 154 <b>7</b> 25 1 338 <b>98 034</b>		30	Inventory (30 Jun 2009) Sales (256466 553) Purchases returns		13 550 ^255 847 ^ 245 269 642
	Prof	it or Los	s acc	our	nt		$(8 \times \frac{1}{2} = 4)$
Credit losses Depreciation Insurance Packing materials Wages Water and electricity Capital (net profit)		15 400 2 400 3 300 56 775 4 400 34 115		30	Trading acc Commission income Rent income		R
	Carriage on purchases Purchases (154 % Sales returns Profit or loss (gross)  Credit losses Depreciation Insurance Packing materials Wages Water and electricity	Carriage on purchases Purchases (154 9 Sales returns Profit or loss (gross)  Prof  Credit losses Depreciation Insurance Packing materials Wages Water and electricity Capital (net profit)	Inventory (1 Jul 2008)	Inventory (1 Jul 2008)	Inventory (1 Jul 2008)	Inventory (1 Jul 2008)	Inventory (1 Jul 2008)

#### **QUESTION 4** (26 marks) Solution

4.1 Closing entries (transfers): Robust Traders

	Debit	Credit
Trading acc Inventory: Trading (opening) Closing transfer of opening inventory	<b>^</b> 14 885	<b>^</b> 14 885
Inventory: Trading (closing)  Trading acc  Closing transfer of closing inventory	<b>^</b> 13 550	^ 13 550
Sales Settlement discount granted Closing transfer of settlement discount granted	^ 553	<b>^</b> 553
Settlement discount received Purchases Closing transfer of settlement discount received	<b>^</b> 155	^ 155
Trading acc ^ Purchases (154 880 – 155) Carriage on purchases Sales returns Closing transfers to trading account	156 723	^ 154 725 ^ 660 ^1 338
Sales (256 400 – 553) Purchases returns Trading acc ^ Closing transfers to trading account	^ 255 847 ^ 245	256 092
Trading acc ^ Profit or loss acc ^ Transfer of gross profit to profit or loss acc	^^98 034	98 034
Profit or Loss acc ^     Credit losses     Depreciation     Insurance     Packing materials     Wages     Water and electricity  Closing transfers to profit or loss account	82 519	^ 244 ^ 15 400 ^ 2 400 ^ 3 300 ^ 56 775 ^ 4 400
Commission income Rent income Profit or loss acc Closing transfers	^ 15 000 ^ 3 600	18 600
Profit and Loss acc ^ Capital ^ Closing transfer of net profit	^^ 34 115	<b>^</b> 34 115

(34 x ½= 17)

#### Please note:

- If a student closes off the purchases returns to the purchase account, it must be marked correct.
- The same applies to the sales returns when closed off against sales.

Capital Drawings Closing transfer to copital

2445

2445

(21 marks) QUESTION 5

		S							v <sub>*</sub> Jes			12)
		SUNDRY ACCOUNTS	Details				Capital ^		Asset disposal**			(24x% = 12)
		DRY	Fol									
			Amount Fol Details	ĸ			^ 25 000		^ 4 825		29 825	
	20.9	VAT Input		ድ		(2) **					(7)	
	FOR JULY		Output	ድ	^ 84			A 350	v 675	v 868	1 977	
	TRADERS I	Settlem	Discount granted	ĸ		v (50)					(20)	
$(^{\wedge} = \frac{1}{2} \text{ mark})$	F BRAVO 1	Debtors	control	ĸ		V 707					707	
" "	URNAL O	Sales		2	v 600			2850 ^ 2500		^ 12 568 ^ 6 200	9 300	
	CASH RECEIPTS JOURNAL OF BRAVO TRADERS FOR JULY 20.9	Bank		æ			^ 26 334	^ 2850		^ 12 568	41 752	
	CASH RE	Analysis	of receipts	2	^ 684	v 650	^25 000	^ 2850	^ 5 500	^ 7 068		
		Fol										
Cash Journals, VAT		Day Details			Cash sales	B Bord	B Bravo	Cash sales	Prince Garage	Sales		*Or Realisation of vehicles
Jon		Day			_			7	4			 alisati
Cash		Оос			CRR	9//	777	CRR	778	CRR		*Or Re

	SUNDRY ACCOUNTS	Fol Details			Fuel ^	Equipment ^		
	RY A	lo						
	SUND	Amount F			v 570	^ 200	770	
20.9	VAT	Output		^^ (42)			(42)	
R JULY	TAV	Input	^^ 126			^^ 168	767	
CASH PAYMENTS JOURNAL OF BRAVO TRADERS FOR JULY 20.9	Settlement	Discount Received		(300)			(300)	
OF BRAVO	O	Control		^ 3 542			3 542	
TS JOURNAL	Stationery		006 v				006	
SH PAYMEN	Inventory:	Irading				^ 1 000	1 000	
CA	Fol Bank		^ 1 026	^ 3 200	^ 570	^ 1 368	6 164	
	<u> </u>							
	Doc Day Details		Draw Traders	Dennis CC	Halfway Garage	Kandas Stores		
	Day		5	12	19	28		
	D00		543	544	545	546		

(18x% = 9)Total: 21

#### OCT 2009 EXAMINATION PAPER WITH SUGGESTED SOLUTION

UNIVERSITY EXAMINATIONS





# ACN101M RAC101B

October/November 2009

# ACCOUNTING CONCEPTS, PRINCIPLES AND PROCEDURES (ACCOUNTING 101)

Duration : 2 Hours 100 Marks

**EXAMINERS:** 

FIRST: PROF D SCOTT

DR AJ BAM MRS KA NKOME

MISS A DU PLESSIS

MR P MARAISANE

SECOND: PROF JS JANSEN VAN RENSBURG

Use of a non-programmable pocket calculator is permissible.

This paper consists of 7 pages.

#### PLEASE NOTE:

- 1. Ensure that you are writing the <u>correct examination paper</u>.
- 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. The answer to each question must be commenced on a new (separate) page.
- 6. Please do not answer the paper in pencil.
- 7. PROPOSED TIMETABLE (try not to deviate from this):

QUESTION	SUBJECT	Marks	Time (minutes)
1	Bank reconciliation	20	24
2	Financial statements	30	36
3	General ledger accounts	26	31
4	Gross profit determination	13	16
5	Note: Property, Plant and Equipment	11	13
	TOTAL	100	120

## QUESTION 1 (20 marks) (24 minutes)

#### Commence this question on a new (separate) page:

Basic calculations, where applicable, must be shown.

The following information relates to Trouble Traders:

1.1 Bank reconciliation statement as at 31 March 2009:

	DEBIT	CREDIT
	R	R
Balance per bank statement		13 600
Outstanding cheques: No.: 202	2 400	
273	600	
274	5 000	
275	4 600	
Outstanding deposit		8 600
Balance per bank account	9 600	
	22 200	22 200

1.2 Information obtained from the bank columns in the cash journals for April 2009:

(a) Cash receipts journal:

(4.)	receipte jeurnan	
		R
Deposits:	03 April	4 000
	07 April	9 000
	14 April	6 000
	21 April	15 000
	28 April	7 000
Provisional t	total	41 000

All cash received has been banked.

(b) Cash payments journal:

(b) Cash p	ayınıcınıs journai.	
		R
Cheque no.:	278	1 600
	279	8 400
	280	1 100
	281	1 700
	282	30 000
	283	5 000
	284	3 500
	285	4 300
	286	3 360
Provisional to	tal	58 960

- 1.3 Information obtained from the bank statement for April 2009:
  - (a) Credit entries:

		R
Deposits:	01 April	8 600
	03 April	4 000
	07 April	9 000
	14 April	6 000
	17 April	1 700
	21 April	15 000
Interest	·	190

(b) Debit entries:

(b) Debit e	114100:	
		R
Cheque no.:	275	4 600
	278	1 600
	279	8 400
	280	1 100
	281	1 700
	282	30 000
	283	5 000
	285	2 400
B Borwa (Sto	p order for rent)	800
Sundry bank	charges	250
Cheque book		40
	: V Vala	400

(c) Balance per bank statement at 30 April 2009: R1 800 (Cr)

#### Additional information:

- (a) Cheques outstanding for more than six months must be regarded as stale.
- (b) Balance per bank account at 1 April 2009, R9 600 (Dr)
- (c) Cheque no 202 was issued to M Monk on 11 September 2008 for repairs to vehicles.
- (d) A debtor T Tom, deposited R1 700 on 17 April without notifying Trouble Traders.
- (e) The correct amount of cheque no 285 is R4 300.

#### **REQUIRED:**

- 1.1 Prepare the cash receipts journal for April 2009 (details and bank columns only) commence with the provisional total given above. (4)
- 1.2 Prepare the cash payments journal for April 2009 (details and bank columns only) commence with the provisional total given above. (4)
- 1.3 Show the bank account, properly balanced, in the general ledger. (4)
- 1.4 Prepare the bank reconciliation statement as at 30 April 2009 commence with the balance as per bank statement. (8)

#### QUESTION 2 (30 marks) (36 minutes)

#### Commence this question on a new (separate) page.

Basic calculations, where applicable, must be shown.

The following information relates to Comp Installations (who also sells equipment).

2.1 List of balances as at 30 April 2009:

List of balances as at 50 April 2005.	
	R
Capital (1 May 2008)	400 000
Drawings	98 000
Bank (favourable)	45 000
Investment (5% fixed deposit at Monument Bank)	50 000
Inventory: Merchandise	125 000
Vehicles at cost	750 000
Equipment at cost	300 000
Accumulated depreciation: Vehicles (1 May 2008)	150 000
Equipment (1 May 2008)	100 000
Debtors control	30 000
Creditors control	12 000
Income from services rendered	700 000
Sales	386 000
Cost of sales	200 000
Administrative and general expenses	150 000

#### 2.2 Additional information:

- (a) Included in sales is an amount of R15 000, received on 30 April 2009, being a deposit on an order to be completed during the next financial year.
- (b) The electricity account for R1 500 (for the owner) for April 2009 was paid by a business cheque and must still be recorded.
- (c) The investment was made on 1 May 2005. Interest to the amount of R2 500, due on 30 April 2009, must still be recorded.
- (d) Stationery of R2 000 on hand at 30 April 2009 must still be recorded.
- (e) Depreciation on vehicles (R150 000) and on equipment (R70 000) must still be recorded.

#### **REQUIRED:**

#### (NB: Notes to the financial statements are not required)

- 2.1 Calculate the total comprehensive income (net profit) of Comp Installations for the year ended 30 April 2009. (10)
- 2.2 Prepare the Statement of Changes in Equity of Comp Installations for the year ended30 April 2009 in accordance with GAAP. (5)
- 2.3 Prepare the Statement of Financial Position of Comp Installations as at 30 April 2009 in accordance with GAAP. (15)

#### **QUESTION 3** (26 marks) (31 minutes)

#### Commence this question on a new (separate) page:

The trial balance of Pronto dealers shows the following balances on 1 February 2009.

	R
Bank (Credit balance)	2 220
Cost of sales	186 000
Trading inventory	52 000
Sales	385000
VAT Input	1 500
VAT Output	1 880

The following subsidiary journals, with only the totals of the analysis columns shown below, appeared in the books of Pronto Dealers at 28 February 2009.

Cash receipts journal: 28 Feb 2009.

_	J. J	- to journain —						
	Bank	Sales	Cost of Sales	Debtors control	Settlement Discount granted	Vat Output	Vat Input	Sundry amount
	R	R	R	R	R	R	R	R
	*?	16 000	8 000	5 550	(150)	2 240	(20)	-

<sup>\*</sup> Total to be calculated.

Cash payments journal: 28 Feb 2009.

_	odon paymento journal. Zo i eb 2000.						
	Bank	Purchases	Creditors	Vat Input	Vat	Settlement	Sundry
					Output	Discount received	amount
	R	R	R	R	R	R	R
	**?	5 800	8 200	1 148	(25)	(100)	3 395

<sup>\*\*</sup> Total to be calculated.

Sales journal: 28 Feb 2009.

Debtors	Sales	Cost of sales	Vat Output
R	R	R	R
15 960	14 000	7 000	1 960

Purchases journal: 28 Feb 2009.

Creditors	Purchases	Vat Input
R	R	R
10 488	9 200	1 288

Sales returns journal: 28 Feb 2009.

Debtors	Sales returns	Cost of sales	Vat Output
R	R	R	R
285	250	125	35

Purchases returns journal: 28 Feb 2009.

Creditors Purchases Vat Input returns R R R			
Creditors	Purchases	Vat Input	
	returns		
R	R	R	
969	850	119	

#### **QUESTION 3** (continued)

#### **REQUIRED:**

Prepare the following general ledger accounts for Pronto Dealers for February 2009:

Bank	(3)
Cost of sales	
Trading inventory	
Sales	
VAT Input	
VAT Output	(5)

#### QUESTION 4 (13 marks) (16 minutes)

#### Commence this question on a new (separate) page:

The following information was extracted from the Trial Balance of Jumbo Traders for the years ended 30 September 2008 and 30 September 2009.

	30 Sept 2009 R	30 Sept 2008 R
Inventory	165 000	155 000
Debtors Control	203 000	159 000
Allowances for credit losses	25 000	18 000
Creditors control	120 000	68 000

#### Additional information:

- a) Cash received from customers during the year ended 30 September 2009, amounted to R950 000 and credit losses of R8 000 had been written off.
- b) Cash payments to suppliers during the year ended 30 September 2009, amounted to R560 000.

#### **REQUIRED:**

Calculate the **gross profit** of Jumbo Traders for the year ended 30 September 2009, by preparing the following general ledger accounts:

Inventory	(3)
Debtors control	(4)
Creditors control	(3)
Trading account	(3)

## **QUESTION 5** (11 marks) (13 minutes)

## Commence this question on a new (separate) page:

#### EXTRACT FROM THE GENERAL LEDGER OF GOOFY TRADERS

Dr				VEHICLES					Cr
				R					R
<b>'08</b>					608				
Jan	1	Balance	b/d	460 000	Aug	1	Realisation of Vehicles		100 000
Mrch	31	Bank		120 000	Dec	31	Balance	c/d	550 000
Aug	1	GG Garage		70 000					
				650 000					650 000
<b>'</b> 09									
Jan	1	Balance	b/d	550 000					

Dr	Dr ACCUMULATED DEPRECIATION ON VEHICLES							Cr	
				R					R
'08					'08				
Aug	1	Realisation of			Jan	1	Balance	b/d	175 000
		Vehicles		65 000	Aug	1	Depreciation		5 000
Dec	31	Balance	c/d	163 000	Dec	31	Depreciation		48 000
				228 000					228 000
					·09				
					Jan	1	Balance	b/d	163 000

Dr	REALISATION OF VEHICLES						Cr		
'08				R	'08				R
Aug	1	Vehicles		100 000	Aug	1	Accumulated depreciation on vehicles GG Garage Loss on sale of assets		65 000 25 000 10 000
				100 000	-				100 000

#### **REQUIRED:**

Use the information from the information above and prepare the **NOTE ON PROPERTY, PLANT AND EQUIPMENT** for Goofy Traders for the year ended on 31 December 2008.

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# ACN101M:

## SUGGESTED SOLUTIONS

#### **OCT/NOV 2009**

#### **QUESTION 1** (20 marks) (24 minutes)

1.1 Cash receipts journal for April 2009:

	R
Provisional total	√ 41 000
M Monk (stale cheque)	√ 2 400
T Tom (direct deposit)	<b>√</b> 1 700
Interest income	<b>√</b> 190
	45 290
	45 290
	(4)

1.2 Cash payments journal for April 2009:

	R
Provisional total	√ 58 960
V Vala (R/D cheque)	<b>√</b> 400
Rent expense	✓ 800
Bank charges (R250 + 40)	<b>√</b> 290
	60 450
	(4)

1.3

Dr		Cr			
		R			R
Balance	(b/d)	√ 9 600	Total payments		√ 60 450
Total receipts	, ,	√ 45 290	, ,		
Balance	(c/d)	√ 5 560			
	, ,	60 450			68 890
			Balance	(b/d)	5 560
				• •	
					(4)

1.4 Bank reconciliation statement at 30 April 2009:

	DEBIT	CREDIT
	R	R
Balance per bank statement		1 800
Outstanding cheques: No 273	✓ 600	
274	✓ 5 000	
284	✓ 3 500	
286	✓ 3 360	
Outstanding deposits (7 000 + 9 000)		√ 7 000
Bank error (cheque no 285) R(4 300-2 400)	✓ ✓ 1 900	
Balance per bank account		√ 5 560
	14 360	14 360

(8) [Q1: 4+4+4+8 = 20]

# QUESTION 2 (30 marks) (36 minutes)

# 2.1 COMP INSTALLATIONS Calculation of profit:

- Calculation of profits	
	R
Income (386 000 – 15 000)	√√ 371 000
Cost of sales	<b>√</b> 200 000
	171 000
Income from services rendered	<b>√</b> 700 000
Interest income	√ 2 500
	873 500
Selling, administrative and general expenses R(150 000 – 2 000)	<b>√ √</b> (148 000)
Depreciation R(150 000 + 70 000)	√√ (220 000)
Profit for the year	505 500
Other comprehensive income for the year	-
Total comprehensive income for the year	√ 505 500

(10)

# 2.2 COMP INSTALLATIONS STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 APRIL 2009 ✓

	R
Capital:	
Balance at the beginning of the year	√ 400 000
Total comprehensive income for the year	√ 505 500
Minus: Drawings R(98 000 + 1 500)	√ √ (99 500)
Balance at the end of the year	806 000

(5)

# 2.3 COMP INSTALLATIONS STATEMENT OF FINANCIAL POSITION AT 30 APRIL 2009 ✓

ASSETS	OF FINANCIAL POSITION AT 30 AFRIL 2009 V	R
Other financial	and equipmentassets	630 000
Current Assets	s	203 000
Inventories:	MerchandiseStationery	127 000 ✓ 125 000 ✓ 2 000
Trade and othe	r receivables  Debtors  Accrued Income (interest)	32 500 ✓ 30 000 ✓ 2 500
Cash and cash	equivalents	43 500 ✓ 43 500
Total assets		833 000
EQUITY AND L Capital and res Capital	serves	806 000 ✓ 806 000  27 000
Cred	d other payables litorsome received in advance	27 000 ✓ 12 000 ✓ 15 000
Total equity ar	nd liabilities	833 000

## \*Property Plant and Equipment:

Calculation:

R750 000 + 300 000 - (150 000 + 100 000) - (150 000 + 70 000) = R580 000

(15) [Q2: 10 + 5 + 15 = 30]

# QUESTION 3 $^{\land} = \frac{1}{2} \text{ mark}$

(26 marks) (31 minutes)

GENERAL	I EDCED.	CEDDIIAI	7V 2000
GENERAL	I FIXSER'	FFRHIAI	* Y /IIIIM

dr	BANK										
Feb'09	28	Total receipts	CRJ	R ^^23 620	Feb' 09	1 28	Balance Total payments Balance	c/d CPJ c/f	R ^ 2 220 ^^18 418 ^ 2 982		
Mch'09	1	Balance	c/d	23 620 2 982					23 620	 6x½=3	

COST OF SALES dr cr R ^186 000 ^^ 8 000 R **^^** 125 Feb'09 Feb'09 Balance c/d 28 Inventory SRJ 1 28 **Trading Inventory** CRJ Balance c/f ^200 875 ^^ 7 000 Trading inventory SJ 201 000 201 000 Mch'09 200 875 Balance c/d

 $(8x\frac{1}{2}=4)$ 

dr	TRADING INVENTORY									
Feb'09	1 28	Balance Bank Creditors Cost of sales	c/d CPJ PJ SRJ	R ^52 000 ^ 5 800 ^ 9 200 ^ 125	Feb'09	28	Cost of sales Cost of sales Balance	CRJ SJ c/f	R ^ 8 000 ^ 7 000 ^ 52 125	
Mch'09	1	Balance	c/d	67 125 52 125					67 125	

 $(12x\frac{1}{2}=6)$ 

 $(6x\frac{1}{2}=3)$ 

dr	VAT Input											
Feb'09	1 28	Balance Bank/Debtor Bank Creditors	c/d CRJ CPJ PJ	R 1 500 A 20 A 1 148 A 1 288	Feb'09	28	Creditors Balance	PRJ c/f	R ^ 119 ^ 3 837			
				3 956					3 956			
Mch'09	1	Balance	c/d	3 837								

 $(10x\frac{1}{2}=5)$ 

dr	VAT Output									
Feb'09	28	Debtors Balance	SRJ c/f	R ^^ 35 ^6 070	Feb'09	1 28	Balance Bank/ Bank Debtors	c/d CRJ CPJ SJ	R ^ 1 880 ^^ 2 240 ^^ 25 ^^ 1 960	
				6 105					6 105	
					Mch'09	1	Balance	c/d	6 070	

(10x½=5) [Q3:  $52 \div 2 = 26$ ]

# QUESTION 4 (13 marks) (16 minutes)

^	=	1/2	mark	`
---	---	-----	------	---

dr	INVENTORY									
'08			R	'09			R			
Oct 1	Balance	c/d	<b>^</b> 155 000	Sept 30	Cost of sales		<b>^^</b> 602 000			
'09					Balance	c/f	<b>^</b> 165 000			
Sept 30	Creditors		<b>^^</b> 612 000							
			767 000				767 000			
'09										
Oct 1	Balance	c/d	165 000							
	•				•	•	(6			

 $(6x\frac{1}{2}=3)$ 

dr	dr DEBTORS CONTROL										
'08			R	'09			R				
Oct 1 '09	Balance	c/d	<b>^</b> 159 000	Sept 30	Bank Credit losses		^^ 950 000 ^^ 8 000				
Sept 30	Sales		<b>^^</b> 1 002 000		Balance	c/f	<b>^</b> 203 000				
<b>'</b> 09			1 161 000				1 161 000				
Jan 1	Balance	c/d	203 000								

 $(8x\frac{1}{2}=4)$ 

dr			CREDITORS	CONTROL			cr
'09			R	'08			R
Sept 30	Bank		<b>^^</b> 560 000	Oct 1	Balance	c/d	<b>^</b> 68 000
	Balance	c/f	<b>^</b> 120 000	'09			
				Sept 30	Inventory		<b>^^</b> 612 000
			680 000	•			680 000
				'09			
				Oct 1	Balance	c/d	120 000

 $(6x\frac{1}{2}=3)$ 

dr	dr TRADING ACCOUNT									
'09 Sept 30	Cost of sales Profit or loss (gross profit)		R ^^602 000 ^^400 000	'09 Sept 30	Sales		R ^^1 002 000			
	,		1 002 000				1 002 000			

(6 x ½=3) [Q4: 26 ÷ 2 = 13] {Total Q4 = 13}

# **QUESTION 5** (11 marks) (13 minutes)

#### **GOOFY TRADERS:**

# FINANCIAL STATEMENTS AT 31 DECEMBER 2008: NOTE ON PROPERTY, PLANT AND EQUIPMENT

	R
Carrying amount	
Beginning of the year	285 000
Cost price	√ 460 000
Accumulated depreciation on vehicles	<b>√</b> (175 000)
Additions (120 000 + 70 000)	√√ 190 000
Depreciation (5 000 + 48 000)	√√ (53 000)
Disposals:	(35 000)
Cost price	✓ 100 000
Accumulated depreciation	✓ (65 000)
Carrying amount	
End of the year	✓ 387 000
Cost	✓ 550 000
Accumulated depreciation	✓ (163 000)
·	

[Q5: = 11]

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#### 5. MAY 2009 EXAMINATION PAPER WITH SUGGESTED SOLUTION

**UNIVERSITY EXAMINATIONS** 





# ACN101M RAC101B

May/June 2009

# ACCOUNTING CONCEPTS, PRINCIPLES AND PROCEDURES (ACCOUNTING 101)

Duration : 2 Hours 100 Marks

**EXAMINERS:** 

FIRST: PROF D SCOTT MISS A DU PLESSIS DR AJ BAM MRS KA NKOME

SECOND: PROF JS JANSEN VAN RENSBURG

Use of a non-programmable pocket calculator is permissible.

This paper consists of 6 pages.

#### **PLEASE NOTE:**

- 1. Ensure that you are writing the <u>correct examination paper</u>.
- 2. Ensure that you are handed the correct examination answer book (BLUE) by the invigilator.
- 3. All questions must be answered.
- 4. <u>Basic calculations</u>, where applicable, <u>must be shown</u>.
- 5. The answer to each question <u>must</u> be commenced on a new (separate) page.
- 6. Please do not answer the paper in pencil.
- 7. PROPOSED TIMETABLE (try not to deviate from this):

Question	Subject	Marks	Time in minutes
1	Cash journals	20	24
2	Statement of changes in equity	6	7
3	Note to financial statements	24	29
4	Statement of comprehensive income	27	32
5	Non-profit organization accounting	23	28
	TOTAL	100	120

#### QUESTION 1 (20 marks) (24 minutes)

Dr. P. Heal is a general medical practitioner and is registered as a VAT vendor.

For the month of March 2009 the following transactions took place:

1 March Issued cheque 114 to the amount of R1 254, to Spacious Properties for rental.

K. Kelly paid her account of R275 and receipt 450 was issued to her.

Issued receipt 451 to J. Jail who paid R1 710 for consulting fees.

2 March The Electricity statement of R855 was paid by cheque number 115.

Cheque 116 was issued to Pharmacy Trading, for payment due on the practice's medicine account of R2 300.

4 March Received an invoice from Pharmacy Trading who supplied medicine to the value of R5 000 on credit.

9 March Receipt 452 issued to Y. Old for the amount of R383 in full settlement of his account of R440.

10 March Paid R300 to Fillup Garage for petrol (cheque 117) (Note: No VAT applicable on petrol).

12 March Deposited R9 120 into the bank account for fees earned (Receipts 453 and 491).

Dr. P. Heal withdrew R1 000 (cheque 118) and purchased Christmas gifts for his wife and family.

15 March K. Legodi consulted Dr. Heal and was charged R400.

#### ADDITIONAL INFORMATION:

- 1. VAT is calculated at 14% and is included in all the amounts in the above transactions.
- 2. The debtors control account showed a balance of R20 314 as at 28 February 2009.

#### **REQUIRED:**

**Prepare** the cash receipts journal (CRJ) and cash payments journal (CPJ) of Dr. P. Heal for the month ending 31 March 2009. Provide for the following analysis columns:

- Cash receipts journal: (10)
  - o Bank, Debtors, Fees earned, VAT output, VAT input and Sundries.
- Cash payments journal: (10)

o Bank, Creditors, VAT input and Sundries.

#### **QUESTION 2** (6 marks) (7 minutes)

The following account appeared, inter alia, in the general ledger of Bopa Stores on 30 April 2009, the end of the financial year.

Dr				CAPITA	L				Cr
2009				R	2008				R
April	30	Drawings	GJ213	15 000	May	1	Balance	b/d	500 000
		Profit or Loss	GJ219	77 000	2009				
		Balance	c/d	553 000	Jan	10	Bank		100 000
					Febr	20	Equipment		45 000
				645 000					645 000
					2009				
					May	1	Balance	b/d	553 000

#### **REQUIRED:**

Prepare the Statement of Changes in Equity for the year ended 30 April 2009.

#### **QUESTION 3** (24 marks) (29 minutes)

On 28 February 2009, the end of the financial year, the following accounts appeared, amongst others, in the General Ledger of Berta Traders:

Dr			LAND AND BUILDINGS (at cost)								
2008				R							
March	1	Balance	b/d	500 000							
Jul	1	Lowveld Bank	GJ44	200 000							
				700 000							

Dr				VEHICL	ES (at	cost	)		Cr
2008				R	2008				R
March	1	Balance	b/d	240 000	Apr	1	Realisation	GJ1	65 000
May	1	Gumbi Motors	GJ12	90 000	2009				
Sept	30	China Cycles	GJ3	30 000	Feb	28	Balance	c/d	295 000
		-							
2009				360 000					360 000
March	1	Balance	b/d	295 000					

## **QUESTION 3** (continued)

Dr				EQUIP	MENT	(at c	ost)		Cr
2008				R	2008				R
March	1	Balance	b/d	130 000	April	1	Realisation	GJ11	16 000
Jun	30	SS Furnitures	GJ10	25 000	Dec	1	Realisation	GJ22	14 000
					2009				
					Febr	28	Balance	c/d	125 000
2009				155 000	1				155 000
March	1	Balance	b/d	125 000	1				

Dr		AC	CUMULA	ATED DEP	RECIAT	ION	ON VEHICLES		Cr
2008				R	2008				R
Apr	1	Realisation	GJ24	43 000	March	1	Balance	c/d	95 000
2009					Apr	1	Depreciation	GJ23	2 000
Febr	28	Balance	c/d	112 000	Dec	31	Depreciation	GJ88	58 000
				155 000	2009				155 000
					March	1	Balance	b/d	112 000

Dr		ACC	UMULAT	ED DEPR	ECIATIO	N O	N EQUIPMENT		Cr
2009				R	2008				R
Feb	1	Realisation	GJ24	11 000	March	1	Balance	c/d	51 000
	28	Balance	c/d	66 000	Apr	1	Depreciation	GJ13	8 000
					Febr	1	Depreciation	GJ90	6 000
						28	Depreciation	GJ91	12 000
				77 000	2009				77 000
					March	1	Balance	b/d	66 000

#### **REQUIRED:**

**Prepare** the note on Property, Plant and Equipment that accompanies the Financial Statements as at 28 February 2009.

#### QUESTION 4 (27 marks)(32 minutes)

The following information was obtained from the books of Robot Traders.

TRIAL BALANCE OF ROBOT TRADERS AS AT 28 FEBRI	JARY 2009	
	Debit	Credit
	R	R
Capital		100 000
Drawings	2 445	
Land and Buildings (at cost)	200 000	
Vehicles (at cost)	120 000	
Furniture and fittings (at cost)	65 000	
Accumulated depreciation on vehicles (1 March 2008)		54 700
Accumulated depreciation on furniture and fittings (1 March 2008)		22 700
Debtors control	6 780	
Inventory: Trading (1 March 2008)	13 550	
Bank	7 775	
Cash float	500	
Mortgage loan		150 000
Loan from Africa Bank (@ 12% p.a.)		50 000
Creditors control		3 200
Sales		243 645
Carriage on purchases	660	
Commission income		15 000
Credit losses	244	
Insurance	2 400	
Packing materials	3 300	
Purchases	154 880	
Purchases returns		245
Rent income		3 300
Sales returns	1 338	
Settlement discount granted	553	
Settlement discount received		155
Stationery	2 345	
Wages	56 775	
Water and electricity	4 400	
	642 945	642 945

#### Additional information:

- (a) Inventory on hand at 28 February 2009
  - Trading inventory R12 800
  - Stationery R345.
- (b) The insurance payment of R2 400 includes a premium of R200 for March 2009.
- (c) The loan was obtained from Africa Bank on 1 September 2008. The interest on the loan has still to be paid.
- (d) The rent for February 2009 is still outstanding.
- (e) Provision must be made for depreciation as follows:
  - Vehicles 20% on the diminishing balance method.
  - Furniture and fittings 10% per annum on the cost price.

#### **REQUIRED:**

- 4.1 **Record** the adjustments in the general journal of Robot Traders. (Ignore narrations) (7)
- 4.2 **Prepare** the statement of comprehensive income of Robot Traders for the year ended 28 February 2009.

#### QUESTION 5 (23 marks)(28 minutes)

The following information pertains to the Dolphins Diving Club:

#### Extract from the list of balances as at 31 March 2009:

	R
Bar purchases	120 000
Bar inventory (1 April 2008)	10 000
Bar sales	200 000
Bar wages	30 000
Crockery and linen at cost (1 April 2008)	20 000
Furniture at cost price (1 April 2008)	60 000
General expenses	16 400
Diving fees received	67 800
Equipment at cost	48 000
Vehicles at cost	70 000
Accumulated depreciation (1 April 2008):	
Furniture	18 000
Equipment	9 600
Vehicles	10 000
Insurance in arrears (1 April 2008)	1 200
Maintenance	40 200
Salaries and wages	96 000
Stationery consumed	12 000
Membership fees received	202 000
Membership fees in arrears (1 April 2008)	30 000
Membership fees prepaid (1 April 2008)	40 000
Donation received	4 000

#### Additional information:

- (a) Bar inventory at 31 March 2009 amounted to R20 000.
- (b) At 31 March 2009, the crockery and linen was valued at R6 000.
- (c) The total depreciation for the year on furniture, equipment and vehicles amounted to R28 680 and must still be provided for.
- (d) Insurance premiums to the amount of R5 200 was paid during the year and debited to the general expenses account. An amount of R2 000 thereof was prepaid insurance premiums.
- (e) The club had 190 members during the current financial year. Membership fees amounts to R1 000 per member per annum. All of the members paid their membership fees for the current year. R15 000 of the membership fees in arrears on 1 April 2008 must be written off as irrecoverable.
- (f) During the current year 20 new members joined the club. Each new member paid an entrance fee of R100. The entrance fees which must be capitalised, was erroneously recorded as membership fees received.
- (g) The salary of the club secretary of R3 000 for March 2009 is still due and must be provided for.

#### **REQUIRED:**

Prepare the following for the Dolphins Diving Club:

- 5.1 The membership fees account for the year ended 31 March 2009, properly balanced. (8)
- 5.2 The income and expenditure statement for the year ended 31 March 2009. (Show a separate calculation for the gross profit of the bar.) (15)

#### **SUGGESTED SOLUTIONS:**

QUESTION 1 (20 marks) (30 minutes)

# Dr P Heal CASH RECEIPTS JOURNAL – 31 DECEMBER 2008

Possints			Bank	Debtors	Fees	VAT	VAT	Sundries	
Receipts No.	Date	Details	R	Control R	Earned R	Output R	Input R	Amount R	Details
R450	1	K Kelly	^275	<b>√</b> 275					
R451	1	J Jail	<b>^</b> 1 710		<b>√</b> 1 500	<b>√</b> 210			
R452	9	Y Old	^383	<b>√</b> 440			<b>√</b> (7)	<b>√(</b> 50)	Settlement discount allowed ^
R453-491	12	Cash deposit	<b>^</b> 9 120		<b>√</b> 8 000	<b>√</b> 1 120			
Totals			11 488	715	9 500	1 330	<b>(</b> 7)	<b>(</b> 50)	

(10)

# Dr P Heal CASH PAYMENT JOURNAL - 31 DECEMBER 2008

Cheque			Bank	Creditors	VAT	Sundries	
No.	Date	Details	R	Control R	Input R	Amount R	Details
C114	1	Spacious Properties	<b>^</b> 1 254		<b>√</b> 154	<b>√</b> 1 100	Rental paid
C115	2	Cash	<b>^</b> 855		<b>√</b> 105	<b>√</b> 750	Electricity
C116	2	Pharmacy Trading	^2 300	<b>√</b> 2 300			
C117	10	Fillup Garage	<b>^</b> 300			<b>√</b> 300	Petrol
C118	12	Cash	<b>√</b> 1 000			<b>√</b> 1 000	Drawings
Totals			5 709	2 300	259	3 150	

(10)

#### **QUESTION 2** (6 marks) (7 minutes)

# BOPA STORES STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 APRIL 2009

	R	
Balance at beginning of the year	500 000	
Additional contributions	145 000	V
Drawings	(15 000)	
Loss for the year	(77 000)	
Balance at the end of the ear	553 000	

## QUESTION 3 (24 marks) (29 minutes)

#### **ASSET REALISATION**

#### NOTES TO THE FINANCIAL STATEMENTS OF BERTA TRADERS AS AT 28 FEBRUARY 2009

#### PROPERTY, PLANT AND EQUIPMENT

Format: ✓✓

	LAND AND BUILDINGS	VEHICLES	EQUIPMENT	TOTAL
	R	R	R	R
Carrying amount at beginning of year	√500 000	√145 000	√79 000	√724 000
Cost price	√500 000	√240 000	√130 000	870 000
Accumulated depreciation	0	√ (95 000)	√ (51 000)	(146 000)
Additions	√200 000	√120 000	√25 000	345 000
Depreciation	0	√ (60 000)	√ (26 000)	(86 000)
Disposals	0	(22 000)	(19 000)	(41 000)
Cost price	0	√ (65 000)	√ (30 000)	(95 000)
Accumulated depreciation	0	√43 000	√11 000	54 000
Carrying amount at the end of the year	700 000	183 000	59 000	942 000
Cost price	√700 000	√295 000	√125 000	1 120 000
Accumulated depreciation	0	√ (112 000)	√ (66 000)	(178 000)

## QUESTION 4 (27 marks) (32 minutes)

#### 4.1 Adjustments: General Journal

		Debit R	Credit R	
а	Inventory: Trading (closing) Trading Inventory: Trading (closing balance) brought into	12 800	12 800	^
	Inventory: Stationery Stationery Unused stationery at year end	345	345	^
b	Expensed Prepaid Insurance Premium paid in advance	200	200	^
С	Interest on loan Expenses Accrued Interest on loan to be paid (12% x 6 months x R50 000)	3 000	3 000	٨
d	Income Accrued Rent income Rent for June not received	300	300	۸
е	Depreciation Accumulated depreciation on vehicles Accumulated depreciation on Furniture & Fittings Vehicles (20% on diminishing balance) Furniture & Fittings (10% on cost price)	19 560	13 060 6 500	٨

## **QUESTION 4**

4.2. STATEMENT OF COMPREHENSIVE INCOME (INCOME STATEMENT) OF ROBOT TRADERS FOR THE YEAR ENDED  $28^{\mathrm{TH}}$  FEBRUARY 2009

	R	
Revenue (R243 645 – R1 338 - R553)	241 754	<b>√</b> ∨
Less: Cost of sales	(155 890)	
Inventory: Trading (1 July 2007)	13 550	✓
Inventory: Trading (30 June 2008)	(12 800)	✓
Purchases (R154 880 -(R155 + R245))	154 480	<b>√</b> ∨
Carriage on purchases	660	✓
Gross Profit	85 864	
Other income	18 600	
Rent income (R3 300 + R300)	3 600	✓
Commission income	15 000	✓
	104 464	
Administrative and other expenses	88 479	
Stationery (R2 345 – R345)	2 000	
Insurance (R2 400 – R200)	2 200	
Credit losses	244	
Depreciation (R13 060 + R6 500)	19 560	<b>√</b> ∨
Packing materials	3 300	✓
Wages	56 775	✓
Water and Electricity	4 400	✓
Finance costs	3 000	
Interest on Loan	3 000	✓
Profit for the year	12 985	

(20)

## QUESTION 5 (23 marks)

#### 5.1 Membership fees account

#### MEMBERSHIP FEES ACCOUNT

Dr	MEMBERSHIP FEES ACCOUNT	Cr
2000	D 2000	ם

2008		R	2008		R
Apr 1	Accrued income	<b>√</b> 30 000	Apr 1	Income received in	
2009				advance	<b>√</b> 40 000
Mar 31	Entrance fees	<b>√</b> 2 000	2009		
	Income & Expenditure		Mar 31	Bank	<b>√</b> 202 000
	(190 x R1 000)	<b>√</b> √190 000		Credit losses	<b>√</b> 15 000
	Income received in				
	advance	<b>√</b> 35 000			
		257 000			257 000
			2009	Income received in	
			Apr 1	advance	35 000

### 5.2 Income and expenditure statement

### DOLPHINS DIVING CLUB (1/2 mark)

### INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2009 (1/2 mark)

	R
Income	321 800
Membership fees	190 000
Donation received	✓ 4 000
Diving fees received	<b>√</b> 67 800
Bar income	60 000
Bar gross profit (a)	✓ 90 000
Bar wages	✓ (30 000)
Expenditure	(222 080)
General expenses (R16 400 – R5 200)	<b>√</b> √ 11 200
Insurance (R5 200 - R2 000 - R1 200)	<b>√√</b> √ 2 000
Maintenance	√ 40 200
Salaries and wages (R96 000 + R3 000)	<b>√</b> ✓ 99 000
Stationery	√ 12 000
Credit losses	15 000
Depreciation (R28 680 + R14 000 see (b))	<b>√</b> ✓ 42 680
Surplus for the year	99 720

### Calculations:

### (a) Bar gross profit

R
<b>(^)</b> 200 000
(110 000)
<b>(^)</b> 10 000
<b>(^)</b> 120 000
130 000
<b>(^)</b> (20 000)
90 000

#### (b) <u>Depreciation</u>

Crockery and linen:

R20 000 − R6 000) = R14 000 ✓

#### 5. EXAMPLE OF EXAMINATION PAPER

Below is the exam paper for October 2008, with the solutions.

This paper consists of 6 pages. The duration is 2 hours.

#### **PLEASE NOTE**:

- 1. Ensure that you are writing the <u>correct examination paper</u>.
- 2. Ensure that you are handed the correct examination answer book (BLUE) by the invigilator.
- 3. All questions must be answered.
- 4. <u>Basic calculations</u>, where applicable, <u>must be shown</u>.
- 5. The answer to each question <u>must</u> be commenced on a new (separate) page.
- 6. Please do not answer the paper in pencil.
- 7. PROPOSED TIMETABLE (try not to deviate from this):

Question	Subject	Marks	Time in minutes
1	Cash transactions and bank reconciliation	25	30
2	Debtors control account	18	22
3	Incomplete records	25	30
4	Closing entries	32	38
	TOTAL	100	120

## QUESTION 1 (25 marks) (30 minutes)

The following bank reconciliation statement was prepared at 31 March 2008 in the books of Lungile Services:

Bank reconciliation statement as at 31 March 2008					
	Debit	Credit			
	R	R 4 640			
Credit balance as per bank statement  Credit outstanding deposit		1 649 960			
Credit incorrect entry on bank statement		204			
Debit outstanding cheques:		201			
No. 558	360				
No. 813	102				
No. 821	199				
Debit balance as per bank account	2 152				
	2 813	2 813			

The following is a summary of the deposits and cheque payments recorded in the cash receipts journal and the cash payments journal for April 2008:

Cash receipts journal					Cash payments journal		
Doc No.	Date	Details	Bank (Amount deposited)	Doc. No.	Date	Details	Bank (Amount paid)
	7 16 20 27 30	Deposit Deposit L. Good Deposit Deposit	1 992	825 826	3 6 11 16 20 25 27	Telephone Purchases Insurance Wages F Andy Salaries Water and electricity K Dandy G Bush	R 360 4 530 244 252 376 1 950 84 142 685

#### Abbreviations:

SO = Stop order

CU = Cheque previously deposited, unpaid (R/D)

The bank statement received on 30 April was as follows:

	Bank statement: Lungile Services - April 2008					
Date	Details of	Debit	Credit	Balance		
April		R	R	R		
1	Balance			1 649 Cr		
	Error corrected		204	1 853 Cr		
2	Deposit		960	2 813 Cr		
	Cash deposit fee	19		2 794 Cr		
7	Cheque No. 821	199		2 595 Cr		
	Deposit		932	3 527 Cr		
	Cash deposit fee	18		3 509 Cr		
12	Deposit (rent)		240	3 749 Cr		
	Cash deposit fee	5		3 744 Cr		
16	Cheque No. 823	360		3 384 Cr		
20	Cheque No. 824	4 350		966 Dr		
	Deposit		1 992	1 026 Cr		
	Cash deposit fee	40		986 Cr		
	Deposit		420	1 406 Cr		
	Cash deposit fee	8		1 398 Cr		
	MF	90		1 308 Cr		
25	Cheque No. 825	244		1 064 Cr		
27	Cheque No. 826	252		812 Cr		
	Stop order	1 950		1 138 Dr		
	Deposit		2 152	1 014 Cr		
	Cash deposit fee	43		971 Cr		
	Unpaid cheque (K Dandy)	142		829 Cr		
	Cheque fees	16		813 Cr		
	IN	10		803 Cr		

#### Additional information:

- 1. Abbreviations:
  - **MF**= Management Fee
  - **IN** = interest on overdraft.
- 2. Cheque No. 558 was drawn on 16 October 2007 in favour of K Kara for repairs to the building. The cheque is stale and must be cancelled.
- 3. The correct amount of cheque 824 is R4 350 and not R4 530.
- 4. Cheque No.828 was mislaid by the Municipality and the bank was notified to stop payment. No entries were made to record this.

#### Required:

- 1.1 **Finalise** the cash receipts journal and the cash payments journal and post the totals of the cash receipts journal and cash payments journal to the bank account. (12)
- 1.2 **Open** and **complete** the bank account for April 2008 in the general ledger of Lungile Services. (5)

(8)

1.3 **Prepare** a bank reconciliation statement as at 30 April 2008.

#### QUESTION 2 (18 marks) (22 minutes)

The following information relates to Ekhozi Trading for the month ending 29 February 2008.

The balance of the **debtors control** account on 1 February was R15 300.

Totals of the selected journal columns for February 2008 are as follows:

Cash receipts journal:	R
Debtors	15 000
Settlement discount granted	2 000
Sales	22 000
Cash payment journal:	
Creditors	27 000
Purchases	15 400
Debtors (R/D cheques)	2 200
Sales journal	13 000
Purchases journal	
Sales return journal	400
Bills payable journal	900
Bills receivable journal	1 100
General journal:	
Credit losses	1 300
Accounts with debit balances transferred from the creditors ledger as debtors balances	alances
	500
Interest charged on overdue accounts	800
Settlement discount on R/D cheque	70

On reconciling the balance on the debtors control account with the list of balances from the debtor's ledger, the following were discovered:

- 1. The sales journal was overcast by R200.
- 2. Credit note for R90 to P Prune, was erroneously omitted.
- 3. Sales invoice for R1 500 has been entered correctly in T Toy's ledger account but incorrectly in the sales journal as R1 150.
- 4. Debtor P Paul, who owed R1 600, was declared insolvent. His estate paid 60 cents in the Rand. All the relevant entries must still be recorded in the books.
- 5. While preparing the bank reconciliation, it was discovered that a direct deposit was made by
  - S Son, a debtor for R2 000. All relevant entries must still be done.

#### Required:

**Prepare** the **debtors control account** (properly balanced) in the general ledger of Ekhozi Trading at 29 February 2008. (18)

### **QUESTION 3** (32 marks)(38 minutes)

F Focus 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:

	2007	2008
Balances at 30 April:	R	R
Furniture at cost (Bought on 30 April 2007)	25 000	25 000
Tools and equipment at cost (Bought on 30 April 2007)	46 500	46 500
Inventory: Trading	9 800	10 200
Bank (favourable)	-	2 480
Bank overdraft	6 500	-
Long-term borrowings	14 000	9 200
Creditors	5 200	6 120
Income received in advance	3 800	5 000
Accrued expenses	1 600	1 300

#### Additional information:

- (a) F Focus drew R100 000 during the year for own use.
- (b) Depreciation at 20% per annum on the cost price of furniture, as well as tools and equipment must still be provided for.

#### Required:

- 3.1 **Calculate** the estimated profit/loss of F Focus for the year ended 30 April 2008. (15)
- 3.2 **Prepare** the statement of financial position of F Focus as at 30 April 2008. (8)
- 3.3 **Prepare** the note on property, plant and equipment as at 30 April 2008. (9)

#### QUESTION 4 (26 marks)(31 minutes)

The following information was obtained from the books of Roberto Traders.

TRIAL BALANCE OF ROBERTO TRADERS AS AT 30 JUNE 2008					
	Debit R	Credit R			
Capital Drawings Land and Buildings at cost Vehicles at cost. Furniture and fittings at cost Accumulated depreciation on vehicles (30-06-2008) Accumulated depreciation on furniture and fittings (30-06-2008) Debtors control Inventory: Trading - 01-07-2007 Bank Cash float Mortgage loan Loan from Africa Bank Creditors control Sales Carriage on purchases Carriage on purchases Commission income Credit losses Depreciation Insurance Packing materials Purchases Purchases returns Rent income Sales returns	R  2 445 200 000 120 000 65 000  6 780 13 550 7 775 500  660 244 15 400 2 400 3 300 154 880  1 338				
Settlement discount granted	553 56 775 4 400	155			
Trater and discurding	656 000	656 000			

#### Additional information:

Trading Inventory of R14 885 at 30 June 2008, has not yet been brought into account.

# Required:

- 4.1 Show the journal entries for bringing the closing inventory into account. (3)
- 4.2 Show the journal entries for the closing of accounts applicable. (13)
- 4.3 Complete the trading account and the profit and loss account in the general ledger. (10)

# SOLUTION(S): ACN101M EXAMINATION PAPER FOR ACN101M OCT/NOV 2008

**QUESTION 1** (25 marks) (30 minutes) (Note:  $\checkmark$  = one mark, and  $^{\land}$  =  $\frac{1}{2}$  mark)

Cash receipts journal of Lungile Services for April 2008	3
	Receipts
	(Bank)
	R
Pencil total/ sub-total	<b>√</b> 6 648
Repairs (Cheque 558 cancelled)	<b>√</b> 360
Rent income (B/S)	<b>√</b> 240
Purchases (Correction cheque 824)	<b>√</b> √ 180
Water and electricity (Cancellation cheque 828)	<b>√√</b> 84
	7 512

(7)

Cash payments journal of Lungile Services for April 2008					
		Payments (Bank)			
Pencil total/ sub-total Interest on bank overdraft (B/S) Bank charges		R  √ 8 623  √√ 10  √√ 239  8 872			

(5)

Dr	BANK ACCOUNT						Cr
			R				R
Apr	1	Balance b/d	√ 2 152	Apr	30	Total payments	✓ 8872
	30	Total receipts	√ 7 512			Balance ✓ c/d	792
			9 664				9 664
May	1	Balance ✓ b/d	792				

(5)

		(3)							
BANK RECONCILIATION STATEMENT AS AT 30 APRIL 2008									
	debit	credit							
	R	R							
Balance as per bank statement		<b>√</b> √ 803							
Credit outstanding deposit		√ 1 152							
Debit cheques not yet presented for									
payment: No. 813	<b>√</b> √ 102								
No. 827	<b>√</b> 376								
No. 829	√ 685								
Balance as per bank account	<b>√</b> 792								
	1 955	1 955							

(8)

TOTAL: 25

# **QUESTION 2** (18 marks) (22 minutes)

Dr	r DEBTORS CONTROL								
			R				R		
01 Feb 2008	Balance Sales (13 000√ -	b/d	15 300 ✓	29 Feb	Bank (15 000√+ 960√+2 000√)	CPJ	17 960		
29 Feb 2008	200√+350√)	SJ	13 150	2008	Sales return (400√+90√)	SRJ	490		
	Bank	CRJ	2 200						
			✓		Bills receivables	GJ	1 100 ✓		
					General journal	GJ	1 940		
	General journal (500+800+70)	GJ	1 370		(1 300 + 640) ✓				
					Balance	c/d	10 530 ✓		
					Balarios	0, 4	10 000		
			32 020				32 020		
01									
March 2008	Balance	b/d	10 530 ✓						

# **QUESTION 3** (32 marks)(38 minutes)

## 3.1 Calculation of profit/loss (15 marks)

#### F FOCUS

#### STATEMENT OF ASSETS AND LIABILITIES AS AT 30 APRIL 2007 ✓

	R
ASSETS	
Furniture	<b>^</b> 25 000
Tools and equipment	<b>^</b> 46 500
Inventory	<b>^</b> 9 800
TOTAL ASSETS	81 300
LIABILITIES	
Long-term borrowing	<b>^</b> 14 000
Creditors	<b>^</b> 5 200
Income received in advance	<b>^</b> 3 800
Accrued expenses	<b>^</b> 1 600
Bank overdraft	<b>^</b> 6 500
TOTAL LIABILITIES	31 100
	(5)

Calculation of equity at the beginning of the period

Equity = Assets – Liabilities

= R81 300 - R31 100

= R50 200

#### STATEMENT OF ASSETS AND LIABILITIES AS AT 30 APRIL 2008

	R
ASSETS	
Furniture	<b>^</b> 25 000
Tools and equipment	<b>^</b> 46 500
Inventory	<b>^</b> 10 200
Bank	<b>^</b> 2 480
TOTAL ASSETS	84 180
LIABILITIES	
Long-term borrowing	<b>^</b> 9 200
Creditors	<b>^</b> 6 120
Income received in advance	<b>^</b> 5 000
Accrued expenses	<b>^</b> 1 300
TOTAL LIABILITIES	21 620

Calculation of equity at the beginning of the period

Equity = Assets – Liabilities

= R84 180 - R21 620

= R62 560

### **Estimated profit/loss:**

Capital at the end of the financial period	R ✓62 560 <u>✓(50 200)</u>
DrawingsAdjustments: Depreciation	12 360 ✓100 000 (14 300)
Furniture Tools and fittings	✓5 000 ✓9 300
Estimated profit for the period	98 060
	(5)

3.2 Statement of financial position (10 marks)

#### **F FOCUS**

# STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2008

ASSETS	Note	R					
Non-current assets		57 200					
Property, plant and equipment	1	<b>√</b> 57 200					
Current assets		12 680					
Inventory Cash and cash equivalents		✓10 200 ✓2 480					
TOTAL ASSETS		69 880					
EQUITY AND LIABILITIES	EQUITY AND LIABILITIES						
Total equity		48 260					
Total equity							
Capital (50 200 + 98 060 – 100 000)		<b>✓</b> 48 260					
Non-current liabilities		9 200					
Long-term borrowings: Long term loan Bean Ltd		<b>√</b> 9 200					
Current liabilities	12 420						
Trade and other payables (6 120 + 5 000 + 1 300	)	<b>√</b> √√12 420					
TOTAL EQUITY AND LIABILITIES		69 880					

## 3.3 Note on property, plant and equipment (9 marks)

### F FOCUS

Notes to the financial statements - 30 April 2008.

1 Property, plant and equipment

	Furniture	Tools and Equipment	√ Total
	R	R	R
Carrying amount: Beginning of year	<b>√</b> 25 000	<b>√</b> 46 500	71 500
Cost Accumulated depreciation	25 000 -	46 500 -	71 500
Additions Depreciation for the year	- ✓ (5 000)	- √ (9 300)	- (14 300)
Carrying amount: End of year	20 000	37 200	57 200
Cost Accumulated depreciation	✓ 25 000 ✓ (5 000)	✓ 46 500 ✓ (9 300)	71 500 (14 000)

(9)

# QUESTION 4 (25 marks)(31 minutes)

4.1 Trading Inventory brought into account

	del	oit	Credit
Trading acc Inventory: Trading (opening) Closing transfer of opening inventory	^13	550	<b>^^</b> 13 550
Inventory: Trading (closing)  Trading acc  Closing transfer of closing inventory	^14	885	<b>^^</b> 14 885

(6x½=3)

4.2 Closing entries

4.2	Closing entries		
	Sales	<b>^</b> 553	
	Settlement discount granted		<b>^</b> 553
	Closing transfer of settlement discount		
	Settlement discount received	<b>^</b> 155	
	Purchases		<b>^</b> 155
	Closing transfer of settlement discount		
	Trading acc	<b>^</b> 156 723	
	Carriage on purchases		<b>^</b> 660
	Purchases		<b>^</b> 154 725
	Sales returns		<b>^</b> 1 338
	Closing transfers		
	Sales	^255 847	
	Purchases returns	^245	
	Trading acc		<b>^</b> 256 092
	Closing transfers		
	Trading acc	<b>^</b> 100 704	
	Profit and loss		<b>^^</b> 100 704
	Transfer of gross profit		
	Profit and Loss	<b>^</b> 82 519	
	Credit losses		^244
	Depreciation		<b>^</b> 15 400
	Insurance		<b>^</b> 2 400
	Packing materials		<b>^</b> 3 300
	Wages		<b>^</b> 56 775
	Water and electricity		<b>^</b> 4 400
	Closing transfers		
	Commission income	<b>^</b> 15 000	
	Rent income	<b>^</b> 3 600	
	Profit and loss		<b>^</b> 18 600
	Closing transfers		
	Profit and Loss	<b>^</b> 36 785	
	Capital		<b>^</b> 36 785
	Closing transfer of profit		
	•		(20/1/-12)

(26x½=13)

# 4.3 General ledger of Roberto Traders

Dr	Dr Trading account								Cr
Ju n	3 0	Inventory (1-7-2007) Carriage on purchases Purchases(154 880- 155) Sales returns Profit and loss (gross)		Trading accou R ^13 550 ^660 t ^154 725 r ^1 338 ^100 704 270 977	J u	3	Inventory (30-06- 2007) Sales(256 400-553) Purchases returns		Cr R ^14 885 ^^255 847 ^245 270 977

Dr	r Profitand loss account								Cr
Ju n	3 0	Credit losses Depreciation Insurance Packing materials Wages Water and electricity	1	R ^244 ^15 400 ^2 400 ^3 300 ^56 775 ^4 400	Ju n	3 0	Trading acc Commission income Rent income		R ^100 704 ^15 000 ^3 600
		Capital (profit)		^36 785 119 304	4				119 304

(20x½=10) TOTAL: 26