

SCHOOL OF ACCOUNTING SCIENCES

DEPARTMENT OF FINANCIAL ACCOUNTING

ACCOUNTING COURSE FAC1502

TUTORIAL LETTER 202 FOR FAC1502

SOLUTION ASSIGNMENT 02/1/2011

(FIRST SEMESTER)

Dear Student

Enclosed you will find the solution to assignment 02/1/2011.

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

Refer to paragraph 7 of tutorial letter 101/3/2011 for more information regarding the examination. The examination paper is a two-hour paper and consists of “long type” questions.

TELEPHONE NUMBERS

Please replace the telephone numbers listed in paragraph 3.1 of Tutorial Letter 101/3/2011 with the following number:

◆ **The telephone number assigned to FAC1502 is 012 429 4245.**

Mr P Maraisane
Ms KA Nkome
Ms A du Plessis
Mr D von Well
Prof D Scott
Ms JHJ Coetzee (Secretary)

PLEASE NOTE

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

ANNEXURE A: EXAMINATION INFORMATION

**ANNEXURE B: SOLUTION ASSIGNMENT 02/1/2011
(FIRST SEMESTER)**

ANNEXURE A: EXAMINATION INFORMATION (TIPS)

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

Use of a non-programmable pocket calculator is permissible.

PLEASE NOTE:

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

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

ANNEXURE B: SOLUTION ASSIGNMENT 02/1/2011
(FIRST SEMESTER)

1. Option 3 R3 210

Calculation:

	R
Cost of goods sold (R7 200 ÷ 3)	2 400
Rent	600
Electricity	<u>210</u>
Total	<u>3 210</u>

2. Option 3 R4 205

Although the concept of cash budgeting is not specifically addressed in the study material, the application is similar to the drafting of a bank account.

Calculation:

Estimated bank account

		R			R
2011 Jan 2	Deposit Sales *	2 000 2 705	2011 Mar 31	Administrative expenses (2 000) 4	500
				Balance	c/d 4 205
		4 705			4 705
Apr 1	Balance	b/d 4 205			

* Calculation of sales

	<u>Cash</u> (½)		<u>Debtors</u>	<u>Debtors payments</u>
	R		R	R
January 2011	1 000		500	
February 2011	1 100		550	500
March 2011	<u>1 210</u>		<u>605</u>	<u>550</u>
	3 310(½)		1 655	R1 050
Cash received 31/3/2011	1 655	+	1 050	= R2 705

Note: Purchases are to be paid in May 2011.

3. Option 2 Insurance

4. Option 4

<u>Credit sales</u>	<u>Receipts from debtors</u>
R	R
42 000	45 500

Comment:

- (i) Purchases = closing creditors + payments to creditors - opening creditors
= R12 150 + R35 850 - R10 500
= R37 500
- (ii) Cost of sales = opening inventory + purchases - closing inventory
= R12 500 + R37 500 - R15 000
= R35 000
- (iii) Sales (all credit) = R35 000 + (20% x R35 000)
= R35 000 + R7 000
= R42 000
- (iv) Receipts from debtors = opening debtors + credit sales - closing debtors
= R13 500 + R42 000 - R10 000
= R45 500

OR

Creditors control

2011		R	2011		R
Feb 28	Bank	35 850	Jan 31	Balance	10 500
	Balance	12 150		Purchases *	37 500
		<u>48 000</u>			<u>48 000</u>

* Balancing figure

Inventory

2011		R	2011		R
Jan 31	Balance	12 500	Jan 31	Cost of sales *	35 000
	Purchases	37 500	Feb 28	Balance	15 000
		<u>50 000</u>			<u>50 000</u>

* Balancing figure

$$\begin{aligned}
 \text{Sales} &= (\text{R}35\,000 \times 20\%) + \text{R}35\,000 \\
 &= \text{R}7\,000 + \text{R}35\,000 \\
 &= \underline{\text{R}42\,000}
 \end{aligned}$$

Debtors control

2011		R	2011		R
Jan 31	Balance	13 500	Feb 28	Bank *	45 400
	Sales	42 000		Balance	10 000
		<u>55 500</u>			<u>55 500</u>

* Balancing figure

5. Option 1 R24 000

Comment:

Debtors control

2011			R	2011			R
Feb 1	Balance	b/d	20 640	Feb 1	Bank (R19 450 - R300)		19 150
	Sales journal		21 360	28	Balance	c/d	23 850
	Bank (cheques dishonoured)		680				
	Bank (repayments)		320				
			<u>43 000</u>				<u>43 000</u>
Mar 1	Balance	b/d	23 850				

Calculation of the total of the lists of debtors with debit balances:

Balance per control account	R
	23 850
<u>Less:</u> R200 not posted to debtors ledger	(200)
<u>Plus:</u> debtors with credit balances	<u>350</u>
Debtors with debit balances	24 000

6. This question has been excluded from the marking process due to the fact that there was a mistake with one of the dates on the Afrikaans assignment. With the correct date the solution is Option 2 R30 100.

Calculation:

Prepare a debtors control account by using the available figures and then determine the cash received as being the balancing figure.

Debtors control

2010			R	2011			R
Mar 1	Balance	(a) b/d	x	Feb 28	Settlement discount granted	(d)	400
2011					Sales returns	(e)	300
Feb 28	Credit sales	(b)	32 000		Cash received *		30 100
	Interest income	(f)	250		Balance	(a) c/d	x+1 450
			<u>x+32 250</u>				<u>x+32 250</u>

* Balancing figure

7. Option 2 R160 000

Calculation:

Cost price = 80%
 Gross profit = 20%
 Selling price = 100%

Total Sales = R400 000 x 100 ÷ 80 = R500 000

Credit sales = R (500 000 - 300 000) = R200 000

	R
Debtors - 1 February 2010	60 000
Sales	<u>200 000</u>
	260 000
<u>Less: Debtors 31 January 2011</u>	<u>100 000</u>
Amount received	<u>160 000</u>

8. Option 3 R500 unfavourable

Comment:

Bank reconciliation statement at 31 March 2011

	Dr R	Cr R
Balance per bank statement (overdraft)	225	
<u>Plus: Outstanding deposit</u>		325
<u>Less: Outstanding cheque no. 2001</u>	450	
<u>Less: Deposit incorrectly entered by the bank</u>	150	
Balance per bank account (unfavourable)		500
	<u>825</u>	<u>825</u>

9. Option 3 R28 975

Calculation:

	R
Debtors (R30 640 - R140)	30 500
Allowance for credit losses at 5%	1 525
Amount of debtors on the statement of financial position	28 975

The credit losses of R600 had been written off before 28 February 2011 and are already reflected in the balance of R30 640.

10. Option 5 None of the above

Calculation: Credit losses written off = R700 (R550 + R150)
 The adjustment to the allowance for credit losses
 = R200 (R2 000 - R1 800)
 Total credit losses = R900 (R700 + R200)

Credit losses

2011 Feb 28	Trade debtors	R 550	2011 Feb 28	Profit or loss	R 900
	Trade debtors	150			
	Allowance for credit losses	200			
		900			900

Allowance for credit losses

2011 Feb 28	Balance	c/d	R 2 000	2010 Mar 1	Balance	b/d	R 1 800
					Credit losses		200
			2 000				2 000
				2011 Mar 1	Balance	b/d	2 000

Trade debtors

2011 Feb 28	Balance	b/d	R 40 150	2011 Feb 28	Credit losses	R 150	
					Balance	c/d	40 000
			40 150				40 150
Mar 1	Balance	b/d	40 000				

11. Option 1 370 favourable

Comment:

Bank

2011 Apr 30	Balance	R 200	2011 Apr 30	Interest expense	R 10
	Rent income	250		Bank charges	20
				Balance	420
		450			450
May 1	Balance	420			

Bank reconciliation statement at 30 April 2011

	Dr R	Cr R
Balance per bank statement *		370
Deposit not yet recorded by the bank		215
Cheque 1009 not yet presented to the bank	100	
Deposit incorrectly entered by the bank	150	
Cheque 895763 incorrectly debited by the bank		85
Balance according to the bank	420	
	670	670

* Balancing figure

12. Option 3 R375

Calculation:

$$R500 \times 25\% = R125$$

$$\begin{aligned} \text{Actual purchase price} &= R(500 - 125) \\ &= R375 \end{aligned}$$

Trade discount is not recorded in the books. The 5% cash discount can only be obtained if payment is made within 20 days.

13. Option 2 (ii), (iv), (v)

Comment:

The other entries are all adjustment journal entries.

14. Option 4 R122 500

Calculation:

	R
Purchase price	130 000
<u>Less: Discount 10%</u>	<u>13 000</u>
	117 000
<u>Add: Air conditioner</u>	3 000
Radio	1 500
Installation cost	<u>1 000</u>
	<u>122 500</u>

15. Option 4 R231 125

Calculation:

<u>Vehicle No. 1:</u> Sold - no calculation necessary.	R
<u>Vehicle No. 2:</u> Annual depreciation (R128 000 - R14 000) ÷ 4	28 500
Depreciation for 6 months (1/9/2010 - 28/2/2011)	14 250
<u>Vehicle No. 3:</u> Annual depreciation (R132 000 - R15 000) ÷ 4	29 250
Depreciation for 6 months	14 625

Accumulated depreciation on 28/2/2011

	R
Vehicle No. 2	14 250
Vehicle No. 3	<u>14 625</u>
	<u>28 875</u>

Statement of financial position:

	Cost price	Accumulated depreciation	Carrying amount
	R	R	R
Vehicle No. 2	128 000	14 250	113 750
Vehicle No. 3	132 000	14 625	117 375
	260 000	28 875	231 125

16. Option 2 R250 Cr

Comment:

Bank							
Date	Details	Fol	R	Date	Details	Fol	R
2011 Jan 1	Balance	b/d	300	2011 Jan 31	B Bam		900
31	Sales		1 500		Salaries		1 000
	Interest received		200		Drawing - Potter		350
	Balance	c/d	250				
			<u>2 250</u>				<u>2 250</u>
				Feb 1	Balance	b/d	250

17. Option 4 R8 020

Comment:

Flo Manufacturers						
2011		R	2011		R	
Mar 15	Bank	2 960	Mar 1	Balance	b/d	3 000
	Settlement discount received	40	9	Purchases		15 000
16	Purchases returns	1 000	29	Bank (cheque cancelled)		2 960
25	Bank	6 000		Settlement discount received		40
29	Bank	3 000	31	Interest expense		20
31	Balance	c/d				
		21 020				21 020
			Apr 1	Balance	b/d	8 020

18. Option 3 R6 285

Comment:

You must make the necessary corrections to the control account.

Seeing that the original provisional totals of the various subsidiary journals are not available, you must only make the necessary corrections to the control account.

If the original pencil totals were available, these totals should be adjusted and only the corrected figures entered in the control account.

Creditors control							
2010		R	2010		R		
Dec 31	Balance	c/d	6 285	Dec 31	Balance (pencil)	b/d	6 100
				(i)	* Purchases (R150 - R105)		45
				(ii)	* Purchases (casting error)		100
				(iii)	* Purchases (left out)		40
		6 285					6 285
			2011	Jan 1	Balance	b/d	6 285

* Should be entered as one total together with the total of the purchases journal.

Items (iii) and (iv) have obviously no influence on the control account as they have been entered correctly in the purchases journal but they will have an influence on the total of the list of creditor's balances because they have been either not at all or incorrectly posted to the personal account of the creditor in the creditors ledger.

19. Option 3 R7 698

Comment:

Creditors control						
2011			R	2011		R
Jan 31	(c) Purchases	PJ	10	Jan 31	(a) Balance	b/d 7 169
31	Balance	c/d	7 698		(b) Purchases	PJ 189
					(e) Debtors control	350
			7 708			7 708
				Feb 1	Balance	b/d 7 698

N.B.: Items (d) and (f) will have no effect on the creditors control account.

20. Option 2 R300 net income

Comment:

The net income/loss for the year will be reflected by the difference between the capital account balances of Solo Enterprises at 28 February 2011 and 28 February 2010.

<u>Calculation of capital balances</u>		2011	2010
		R	R
Equipment at cost price		4 000	4 000
Accumulated depreciation		<u>(1 100)</u>	<u>(1 000)</u>
		2 900	3 000
Cash		400	500
Inventory		<u>1 500</u>	<u>2 000</u>
		4 800	5 500
Creditors		<u>(2 000)</u>	<u>(3 000)</u>
Capital account balance		<u>2 800</u>	<u>2 500</u>
∴ Net income	=	R2 800 - R2 500	
	=	R300	