Tutorial letter 201/1/2018

Financial Accounting Principles for Law Practitioners

FAC1503

Semester 1

Department of Financial Accounting

IMPORTANT INFORMATION
This tutorial letter contains important information about your module.
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SOLUTION: ASSIGNMENT 01/2018 – FIRST SEMESTER

Unique number: 803031

1. Option 2

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

Comment:
Refer to TL501/3/2018, learning unit 2, sections 2.1.1.1, 2.2 and 2.2.1.
- Computer equipment is classified as an asset – Assets increase on the debit (Dr) side.
- When an item was bought on credit, a liability is raised – Liabilities increase on the credit (Cr) side.

2. Option 1

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

Comment:
Refer to TL501/3/2018, learning unit 2, sections 2.1.2.1, 2.2 and 2.2.1 and learning unit 3, sections 3.5 and 3.8.
- The client control account consists of amounts owed by clients to Martins Attorneys and is classified as an asset – Assets increase on the debit (Dr) side.
- Fees earned are classified as income – Income increase on the credit (Cr) side.
- The VAT control account is classified as a liability if the output VAT exceeds the input VAT – Liabilities increase on the credit (Cr) side

Calculation:

Total fees (R4 800 + R900 – R589 – R111) = R5 000
Output VAT (R589 + R111) = R700

3. Option 4

Exempted goods and supplies will attract VAT at 0%.

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

4. Option 5

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

Comment:
Refer to TL501/3/2018, learning unit 2, sections 2.1.1.1, 2.2 and 2.2.1.
- Debtors are firms/ individuals that owes money to the legal practice.
- Deposits paid over to a municipality are refundable to the entity when the municipal account is closed off. Deposits therefore are classified as assets.
SOLUTION: ASSIGNMENT 01/2018 – FIRST SEMESTER (continued)

5. Option 4

Amount of R5 894,74

Comment:

Calculation:

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

6. Option 4

A decrease in the amount of an income account.

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

- An income account decreases on the debit side.

7. Option 5

A bank reconciliation statement.

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

8. Option 4

Relevance and faithful representation.

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

- (b) Fundamental qualitative characteristics.

9. Option 2

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

Comment:
Refer to TL501/3/2018, learning unit 4, section 4.5.3.
Petty cash was designed to pay for small expenses.

10. Option 3

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

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

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

**Comment:**

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

12. Option 3

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

**Comment:**

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

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

13. Option 1

**General ledger:**

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

**Trust creditors ledger:**

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

**Comment:**


14. Option 4

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

**Analysis of the transactions:**

Trust cash receipts journal – Transaction 3 October.
Fees journal – Transactions 13 and 15 October.
General journal – Transactions 21 and 28 October.
Business cash receipts journal – Transaction 31 October.
Trust cash payments journal – Transaction 31 October.
Transfer journal – Transaction 31 October.

**Comment:**

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

15. Option 3

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Folio</th>
<th>Clients control</th>
<th>Fees</th>
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<tr>
<td>13</td>
<td>S Soonay</td>
<td>CL1</td>
<td>2 700</td>
<td>2 700</td>
</tr>
<tr>
<td>15</td>
<td>Mrs Lotter</td>
<td>CL2</td>
<td>4 350</td>
<td>4 350</td>
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</tbody>
</table>

Comment: