



University of Fort Hare
Together in Excellence

NKUHLU DEPARTMENT OF ACCOUNTING

GENERAL ACCOUNTING 1A

East London Campus Code: ACG111E
Alice Campus Code: ACG 111

SUPPLEMENTARY		150 MARKS
ASSESSMENT	JULY 2018	180 MINUTES

Assessors: Mrs C Birkholtz
Mr D Harbottle

Moderator: Mr M Bomba

INSTRUCTIONS: *PLEASE COLLECT QUESTIONS PAPERS IN*****

1. Pencils are not allowed
2. Silent, non-programmable calculators are allowed
3. Scratch out open spaces and empty pages
4. All the examination rules of the UFH will apply during this assessment.

		MARKS	TIME
QUESTION	1	20	24 minutes
	2	52	62 minutes
	3	28	34 minutes
	4	35	42 minutes
	5	15	18 minutes
	Total	150	180 minutes

QUESTION 1

20 marks (24 minutes)

PART A: VAT

1. Thomas Traders bought plant and machinery for R228 000, including VAT.
2. Thomas Traders made sales of R57 000, including VAT. Credit sales were 75% and the balance cash sales.
3. Thomas Traders paid salaries and wages of R11 400.

You are required to:

- Calculate the VAT, if applicable, for items 1, 2 and 3 above and state whether it is Input VAT or Output VAT; and **6 marks**
- Provide a definition for Output VAT. **2 marks**

PART B: INVENTORY

1. Provide a definition for the weighted average method of assigning costs to inventory. **3 marks**
2. Assuming a constant mark-up of 20% on cost; calculate:
 - Value of inventory destroyed in the fire on 31 January 2017 **9 marks**

The fire occurred on the evening of 31 January 2016 and half the goods were salvaged.

- Sales for January R396 000
- Inventory 01.01.2017 R100 000
- Purchases for January R250 000

(Show detailed workings)

QUESTION 2**52 marks (62 minutes)**

Compuhelp is a business that hires computer specialists and derives its income by rendering computer services to a number of businesses in East London who do not have their own computer specialist on site. Each employee is provided with computer equipment and a vehicle. The business has been in operation for several years and the trial balance below of for the year 1 January 2016 to 31 December 2016.

Trial Balance	Debit	Credit
REAL ACCOUNTS		
Capital		120 000
Drawings	75 000	
Loan		80 000
Computer equipment, cost	20 000	
Accumulated depreciation: computer equipment		12 765
Furniture, cost	10 000	
Accumulated depreciation: furniture		1 825
Vehicles, cost	75 000	
Accumulated depreciation: vehicles		28 750
Accrued expenses payable		4 500
Receivables	50 000	
Payables		3 400
Bank	149 490	
NOMINAL ACCOUNTS		
Services rendered		450 000
Advertising	4 000	
Fuel and licence expense	7 500	
Rent expense	56 250	
Salaries and wages	240 000	
Water and electricity expense	14 000	
Totals	701 240	701 240

The following matters still need to be adjusted for:

1. An advertisement for R1 200 was paid by cheque in December 2016 but will only appear in the January 2017 edition of the Daily News.
2. The amount of R4 500 for accrued expenses payable in the trial balance above is the accrual for December 2016 rent that the bookkeeper did not reverse in January 2017.

QUESTION 2 continued

52 marks (62 minutes)

3. December 2016 rent has not yet been paid. The rental was increased by 10% on the amount accrued at the beginning of the year.
4. On 31 December the owner decided to pay bonuses to staff totalling R10 000. It was too late to get to the bank to cash a business cheque so the owner drew the money out of his personal bank account. This transaction has not yet been recorded.
5. During the last two weeks in December work was carried out at a customer who needed urgent help as his systems crashed. The bookkeeper went on leave on 16 December and so this transaction was not recorded even though the income has been earned. The amount was for R9 000.
6. Depreciation on computer equipment is 33% per annum on the straight line basis.
7. Furniture is depreciated at 10% per annum on the reducing basis method. The furniture was all bought in previous years.
8. Depreciation for 2016 has been recorded for vehicles.
9. Interest on the loan is 8% per annum. There were no repayments during the year.

IGNORE VALUE ADDED TAX

You are required to:

1. Use the attached worksheet to record the necessary adjustments as applicable from items 1 to 9 above. Show the detailed workings for all calculations and complete all columns of the worksheet. **38 marks**
2. Prepare the Income Statement for the year ended 31 December 2016. **14 marks**

QUESTION 3**28 marks (34 minutes)**

Jax Stores is a general trading store that sells to individual customers on cash and sells to smaller shops on credit. The bookkeeper Mrs Cross is in the process of preparing the debtor's reconciliation for the month of June 2017.

The following information is available to her:

- Trade receivables general ledger balance at 31 May 2017 R73 000
- June 2017 transactions:
 - Cash received from debtors per cash book R60 000
 - Credit sales to debtors per sale journal R55 000
 - Credit sales returns for June 2017 R5 000
 - Bad debts written off R8 000
- The balance per the debtor's list at 30 June 2017 R52 895
- A debtor's balance of R7 500 for Ludo Stores was left off the debtor's list
- A credit note for R550 was correctly recorded in the general ledger but was recorded as R505 in the debtor's account that is included in the debtor's list balance. The customer is Savemor Stores.
- A receipt from Clayton's Cash n Carry was correctly recorded in the cashbook but was recorded in the debtor's account as a sale. The amount received is R2 600.
- Interest charged on a debtor's account has been correctly included in the balance per the debtor's list but has not been recorded in the general ledger. The amount is R150.
- An invoice for R650 for Grant's Deals has not been recorded.

IGNORE VALUE ADDED TAX

You are required to:

1. Prepare the trade receivables general ledger account and balance it at 30 June 2017. **16 marks**
2. Prepare the debtor's reconciliation report for the month of June 2017. **12 marks**

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

The bookkeeper at Curl's Hair Salon has asked you for your assistance. He is having trouble reconciling the bank account and has made a list of items he believes need attention but is not sure how to adjust for them. The month he is trying to reconcile is April 2017.

- Item 1 Unfavourable balance in the bank general ledger of R28 676
- Item 2 Unfavourable balance per the bank statement R12 000
- Item 3 Cheque 13800 from March 2017 for R650 has not yet been presented at the bank.
- Item 4 Items recorded in the general ledger but not yet by the bank:
- Cheque No. 14200 for R9 500 dated 21 April 2017
 - Cheque No. 14500 for 11 200 dated 25 April 2017
 - Deposit of R9 785 dated 31 April 2017
- Item 5 The March bank statement showed a deposit of R6 500. This has been queried with the bank and they acknowledged it was not our deposit but belongs to another bank client. The bank promised to correct this but have not yet done so. This has not been recorded in the cash book.
- Item 6 Items on the bank statement but not yet recorded in the cash book:
- RD cheque of R2 500, originally received from a debtor on 20 April 2017
 - Bank charges for April 2017 of R459
 - Interest on overdraft of R290 for April 2017
 - Debit order for insurance for April 2017 of R440
- Item 7 During April 2017 the balance due to an inventory supplier was settled. The amount due (before discount) was R10 000 and 2% settlement discount was approved. The following entry was recorded in April 2017:
Debit Accounts payable R10 000
Credit Bank R10 000
- Item 8 A direct deposit of R3 900 from a tenant was shown on the April 2017 bank statement and not yet recorded in the cash book.
- Item 9 Cheque No. 14 444 was recorded in the cash book as R3 500 but on the bank statement it was recorded as R5 300. The payment was to a creditor and the amount on the bank statement is correct.

IGNORE VALUE ADDED TAX and Please turn over for the REQUIRED

QUESTION 4 continued

35 marks (42 minutes)

You are required to:

1. Prepare the bank general ledger account balance the account at 30 April 2017. **19 marks**
2. Prepare the Bank Reconciliation Report on 30 April 2017. **16 marks**

QUESTION 5

15 marks (18 minutes)

The bookkeeper of Mel's Bazaar has asked you for assistance with their Property, Plant and Equipment account for the year ended 31 December 2016. The following requires your attention:

1. Vehicle "A" was purchased for R300 000 cost on 1 June 2014 and was sold for R180 000 on 31 March 2016. Depreciation for vehicles is recorded on the straight line basis at 20% per annum.
2. Vehicle "B" was bought on 1 April 2016 for R400 000 cost.
3. Computer equipment was bought on 1 January for R250 000 cost and is depreciated on the straight line basis at 25% per annum.
4. Office equipment was bought on 1 January 2014 for R90 000 cost and is depreciated on the reducing balance basis at 10% per annum.

IGNORE VALUE ADDED TAX

You are required to:

1. Calculate whether a profit or loss was made on the disposal of Vehicle "A" and the amount of profit or loss. **9 marks**
2. Calculate the total depreciation expense for the year ended 31 December 2016 on all classes of assets. **6 marks**

(Show detailed workings in the format of your choice).

END OF ASSESSMENT

Student number	Trial Balance		Adjustments		Adjusted Trial Balance	
	Debit	Credit	Debit	Credit	Debit	Credit
REAL ACCOUNTS						
Capital		120 000				
Drawings	75 000					
Loan		80 000				
Computer equipment, cost	20 000					
Accumulated depreciation: computer equipment		12 765				
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Advertising	4 000					
Fuel and licence expense	7 500					
Rent expense	56 250					
Salaries and wages	240 000					
Water and electricity expense	14 000					
Totals	701 240	701 240	0	0	0	0