UNIVERSITY OF JOHANNESBURG

DEPARTMENT OF ACCOUNTANCY

ACCOUNTING 1A

AUCKLAND PARK AND SOWETO CAMPUS

ASSESSORS: Mr M Dlamini
Mrs S Osman
Mr B Sibiya

MODERATORS: Ms T Mahmood

FINAL ASSESSMENT OPPORTUNITY	**6 June 2016**	**MARKS: 125** **TIME: 2 ½ HOURS**

- THE ASSESSMENT OPPORTUNITY PAPER CONSISTS OF 4 QUESTION AND 8 PAGES(front page included).
- YOU MUST ANSWER ALL THE QUESTIONS
- START EVERY NEW QUESTION AT THE TOP OF A PAGE
- WRITE IN BLUE OR BLACK INK – NO PENCIL
- A NON-PROGRAMMABLE, SILENT CALCUTATOR MAY BE USED
- CROSS OUT OPEN SPACES AND EMPTY PAGES
- NO PENCIL OR TIPPEX MAY BE USED.
- PLEASE ANSWER IN THE CORRECT COLOR BOOK AS INDICATED AT TOP OF EACH QUESTION

QUESTION	TOPIC	MARKS	TIME
1	Bank reconciliation (Blue Book)	20	24 minutes
2	Journal entries & VAT (Green Book)	25	30 minutes
3	Journals, Statement of profit or loss and Statement of Changes in Equity (Orange Book)	40	48 minutes
4	Journals and Statement of financial position (Yellow Book)	40	48 minutes
		125	**150 minutes**

QUESTION 1 **[20 marks]**

The following information was obtained from the records of Hayabusa Entity on 31 March 2014:

Information from the bank reconciliation statement at 28 February 2014.

		R
Outstanding cheques; No.	587	800
	842	1 100
	845	320
Outstanding deposit		569

a) **BANK ACCOUNT FOR MARCH 2014**

	Details		Amount	Cheque		Details	Amount
1	Balance	b/f	70 200	848	3	Rent expense	18 400
5	Sales		20 100	849	6	Repairs	350
8	Receivable Els		1 500	Tr 1	8	Loan	2 500
12	Sales		17 000	851	16	Purchases	44 000
18	Sales		25 200	852	23	Telephone	4 200
26	Receivable Goosen		3 600	853	28	Salaries	12 000
31	Sales		14 000	854	28	Payable Botha	5 600
			151 600				87 050

CITY BANK

BANK STATEMENT FOR MARCH 2014

2014			Debit R	Credit R	Balance R
May	1	Opening balance			70 851
	1	Deposit X342		569	71 420
	2	Hisway Insurance – Debit order	860		70 560
	5	Deposit X343		20 100	90 660
	6	Cheque 842	1 100		89 560
	6	Cheque 848	18 400		71 160
	8	E Els		1 500	72 660
	8	Instalment: Loan	2 500		70 160
	12	Deposit X344		17 000	87 160
	12	Cash fee	6		87 154
	13	Direct deposit- Mary		4 500	91 654
	18	Deposit X345		22 500	114 154
	19	Cheque 1056	1 000		113 154
	20	Cheque 851	46 000		68 154
	21	Cheque R/D	1 900		66 254
	26	R Goosen		3 600	69 854
	25	Services fee	350		69 504
	26	Internet banking fee	25		69 479
	26	Interest		45	69 524
	29	Cheque 853	12 000		57 524
	31	Closing balance			57 524

QUESTION 1 - CONTINUED

ADDITIONAL INFORMATION:

- Cheque no. 587 was drawn on 3 September 2013 to pay Payable John.
- A debit order was signed for the monthly insurance from Hisway Insurance.
- Cheque no. 1056 was not drawn by Hayabusa Entity.
- According to the cheque stub of cheque 851 the amount is R46 000.
- The cheque returned by the bank on 21 March was a donation received in February 2014.
- According to the deposit slip, the correct amount for the deposit on 18 March was R25 200.
- Receivable Mary deposited the amount of R4 500 owed by him directly into Hayabusa's bank account.

REQUIRED:

(a) Complete the bank account for March 2014 by starting with the totals given. (10)

(b) Prepare the bank reconciliation statement as at 31 March 2014. (10)

QUESTION 2 **[25 marks]**

Moremi Motors is owned by Mr Kubus. Moremi Motors sells motor vehicles and parts.

Moremi Motors, as well as all of Moremi Motors' suppliers, are registered as vendors in accordance with the VAT Act.

The following transactions still have to be recognised and, where applicable, include VAT at 14%:

1 On 1 June 2015, Xade Pty (Ltd) purchased some parts for their their fleet of vehicles. On 10 June, the goods were delivered together with the invoice for R16 700. Xade settled the invoice on the same day.

2 On 11 June, Moremi Motors donated a vehicle with a cost price of R44 460 and a selling price of R74 784 to the local charity.

3 On 13 June, a decision was made to write off receivables that had not paid their accounts for the last 3 months. An investigation revealed that 7.5% of the total receivables book of R1 428 800 would have to be written off.

4 Moremi Motors bought a Toyota Tazz from Maun Motors for R57 000. The car was received on 15 June 2015 and a 50% deposit paid on the day. The balance will only be paid in July. The car will be used as a company vehicle.

5 On 30 June 2015, Moremi Motors sold its delivery vehicle to Kasane Traders for R64 000. On that day, the carrying amount of the delivery vehicle was R62 280. Kasane collected the vehicle on the day, but will only make the payment on 3 August 2015.

6 The accountant of Moremi Motors paid the following expenses on 30 June 2015:
- Petrol account R 22 800
- Interest on loan R5 700
- Salaries and wages R25 000
- Insurance premiums R1 200
- Telephone R 1 000
- Amount owing to Muzi Spares R2 500

REQUIRED:

1. Journalise the abovementioned transactions and events in the records of Moremi Entity for the reporting period ended 30 June 2015. (25)

Note: Journal narrations and the effect of the journal entries on the accounting equation are <u>not required</u>.
<u>Dates</u> have to be indicated correctly.
Where applicable, round off all amounts to the nearest Rand.

QUESTION 3 **[40 marks]**

Jupiter Entity's current reporting period is 31 December 2013. Jupiter Entity uses the perpetual inventory system.

On 30 December 2013, the following balances, amongst others, appeared in Jupiter Entity's records:

	Information	Dr	Cr
		R	R
Delivery vehicles – cost price		775 000	
Accumulated depreciation – delivery vehicles (1 Jan 2013)			75 000
Furniture and equipment – cost price		900 000	
Accumulated depreciation – furniture and equipment (1 Jan 2013)			90 000
Trade inventories		675 000	
Trade receivables (total of individual balances)		1 025 000	
Term deposit		400 000	
Bank		125 000	
Capital			1 150 000
Drawings		247 500	
Retained earnings (1 Jan 2013)			975 000
Bank loan			825 000
Trade payables (total of individual balances)			925 000
Interest income on favourable balance			10 575
Sales			6 400 000
Cost of sales		2 900 000	
Employee benefits expense		460 000	
Water and electricity		105 500	
Repairs and maintenance		126 000	
Bad debts		71 000	
Bank charges		32 450	
Office supplies		16 200	
Insurance expense		44 500	

The following additional information is available:

1 The entity has three delivery vehicles. Two vehicles were purchased at R225 000 each and put into service on 2 January 2012 and the third vehicle was purchased on 1 January 2013 for R325 000 and put into service on this date.

The purchase of the third vehicle has already been appropriately recognised in the accounting records in 2013.

The engine of one of the vehicles that was purchased on 2 January 2012, was repaired on 15 December 2013 at a cost of R25 000. This transaction was recognised on 15 December 2013 by debiting the vehicles account with R25 000 and crediting Payable Spares with R25 000. The amount is payable on 15 January 2014. The necessary adjustment still has to be made.

QUESTION 3 (CONTINUED)

2 The depreciation expense in respect of delivery vehicles as well as furniture and equipment still has to be recognised for 2013. Jupiter Entity accounts for depreciation by making use of the straight-line method. At the time of putting the vehicles into use, the useful life for each of the vehicles were estimated at 6 years.

At the time of putting the furniture and equipment into service on 2 January 2012, the useful life of the furniture and equipment was estimated at 10 years. No furniture and equipment was purchased or sold during 2013. No delivery vehicles were sold during 2013.

3 On 31 December 2013, trade inventories with a cost price of R15 000 were taken by the owner for personal use. This transaction still has to be recognised.

4 The term deposit of R400 000 was made at the bank on 30 June 2013 for a period of 12 months. The interest rate is 8% per year and the interest accrues evenly over the term of the deposit. The accrued interest income still has to be recognised as at 31 December 2013.

5 The bank statement for 31 December 2013 was received on 4 January 2014. The bank statement reflects the following items, amongst others:

- Bank charges of R6 000 that were charged by the bank and interest income of R800 for December 2013 that was added by the bank to the favourable bank balance.
- An EFT deposit of R400 000 into Jupiter Entity's bank account by the owner on 31 December 2013 as an increase in the owner's capital. This transaction has already been recognised.

6 The loan amount was received on 2 January 2012. The primary debt and the interest is repayable in one amount on 31 December 2014. The interest schedule for the loan is as follows:

Date	Detail	Interest at 10% per year	Amortised cost of the loan
		R	R
2 Jan 2012	Primary debt		750 000
31 Dec 2012	Interest	75 000	825 000
31 Dec 2013	Interest	82 500	907 500
31 Dec 2014	Interest	90 750	998 250
		248 250	

REQUIRED:

a) With reference to the above information, recognise the journal entries in the records (general journal) of Jupiter Entity for the reporting period ended 31 December 2013. (17)

b) After taking the adjustments above into consideration, prepare the statement of profit or loss for the reporting period 31 December 2013. (17)

c) After taking the adjustments above into consideration, prepare the statement of changes in equity for the reporting period 31 December 2013. (6)

Note: VAT must not be accounted for.
Journal narrations are <u>not required</u>.
Where necessary, round off to the nearest R1.
The effect of the transaction on the accounting equation (A = L + E), is **NOT** required.

QUESTION 4 **[40 marks]**

Tuts Entity, as well as all of its suppliers, are registered VAT vendors. The Entity uses the perpetual inventory system.

On 30 December 2014, the following balances, amongst others, appeared in Tuts Entity's records:

	Notes	Dr R	Cr R
Employee benefits	1	3 256 400	
Bad debts		188 190	
Donations	2	17 100	
Trade inventories		1 718 750	
Trade receivables	5	4 260 843	
Rent deposit (refundable)		100 000	
Trade and other payables	3		3 377 415
Allowance for doubtful debts	4		183 540
VAT input		412 433	
VAT output			589 190
Bank	5	2 201 736	
Equipment – cost price	7	1 200 000	
Accumulated depreciation equipment (31 Dec 2013)	7		288 000

ADDITIONAL INFORMATION:

The following transactions and events still have to be appropriately recognised, unless the contrary is indicated.

1. On 30 December 2014 a bonus of R400 000 to the manager was approved. On the same day, an amount of R288 000 was paid to the manager by an EFT. The payment has already been appropriately recognised. The difference represents taxation (PAYE) which is payable to the SARS on 7 January 2015.

2. During the morning of 31 December 2014, delivered trade inventories with a cost price of R24 000 and a selling price of R41 040 to a local non-profit organisation ("NGO") as a donation to this organisation.

3. On 31 December 2014 the owner gave authorisation to increase the allowance for doubtful debts to R215 460.

4. The water and electricity account for December 2014 to the amount of R67 374 was received electronically from Payable Jozi on 8 January 2015 and is payable on 28 January 2015.

5. The electronic bank statement for December 2014 was received from the bank revealed the following items amongst others:
   - Bank charges for December amounted to R8 750,
   - Interest income on the favourable bank balance amounted to R5 650.

QUESTION 4 (CONTINUED)

6. The entity purchased additional equipment on 30 July 2014; the equipment was delivered on 1 October 2014 with an invoice amounting to R547 200 and put into use on the same day. This transaction has already been accounted for.

   Depreciation on equipment is allocated on the straight line method over an estimated useful life of 5 years. The depreciation expense for 2014 in respect of equipment has not been recognised.

REQUIRED:

4.1 Journalise the transactions mentioned under the additional information above. (18)

4.2 After accounting for the abovementioned additional information, present the applicable balances in the **Statement of Financial Position** of Tuts Entity for the reporting period ended 31 December 2014. (22)

Please note:

- Where applicable, the amounts include VAT.
- Round off amounts to the nearest Rand.
- Amounts must be presented next to the correct line item and under the correct heading.
- Show the calculations of all the line items between brackets, either directly after or directly underneath the wording of the relevant line item.