QUESTION 1: Bank Reconciliation Statement *(26 Marks; 10 Minutes)*

Kerry Slack, the owner of Slack Traders asked the bookkeeper Nicola Buck to prepare the bank reconciliation statement for May 2011. Kerry was shocked that the Bank reconciliation statement did not balance. Nicola has now approached you for help.

REQUIRED:

1.1 Using the information given below correct the bank reconciliation statement. (16)

1.2 Answer the questions that Henry has for you.

INFORMATION:

Slack Traders
Bank reconciliation statement on 31 May 2011

	Debit	Credit
Overdrawn balance according to Bank statement		185
Deposits not yet taken into account	13 000	
Cheques outstanding:		
• 4222 (issued on 24 November 2010)		800
• 4557 (issued on 16 May 2011)		5 300
• 4570 (issued on 20 May 2011)		1 875
• 4575 (issued on 29 May 2011 but dated 3 July 2011)		2 985
Favourable balance according to bank account		6 005
	13 000	**17 150**

ADDITIONAL INFORMATION

- Cheque 4222 was issued in favour of Night Aid, a charity organisation as a donation. The charity no longer exists.
- Cheque 4557 appeared on the bank statement for May 2011 as R3 500. The amount appeared in the cash payments journal as R5 300. The bookkeeper was unsure on how to deal with this and therefore recorded it as an outstanding cheque. The amount on the bank statement is correct.
- A deposit of R300 for the personal account of Kerry Slack appeared on the bank statement of Slack Traders. The bookkeeper was unsure how to deal with this so he ignored it when preparing the bank reconciliation statement.
- A stop order in favour of Outsurance, R1 450 for the insurance of the business and a direct deposit by a customer for R500 was not considered by the bookkeeper when preparing the bank account.

QUESTIONS TO BE ANSWERED:

1.2.1 Cheque 4575 was issued on 29 May 2011 but dated 3 July 2011. The financial year of the business end on 30 June 2008. How would this cheque be treated in the financial statements of Slack Traders? (4)

1.2.2 Why is it important to prepare a bank reconciliation statement? Explain to Kerry the role the bank reconciliation statement plays in the control of cash in the business. (4)

1.2.3 Explain the purpose of the post-dated cheque register. (2)

QUESTION 2: Fixed Assets *(50 Marks; 30 Minutes)*

You are provided with information from the books of Westville Deliveries.

REQUIRED:

2.1 Calculate the depreciation on equipment for the year. (5)

2.2 Complete the note to the financial statements on 28 February 2011 for fixed assets by filling in the missing figures. Certain figures have already been filled in. (A total column is not required). (18)

2.3 Prepare the Asset Disposal Account. (13)

2.4 The owner is concerned that internal control over fixed assets is poor and that the figures for fixed assets in the books and financial statements are unreliable. You have been appointed as the internal auditor. Provide three suggestions to solve this problem. (9)

2.5 There is a thin line between what an asset is and what an expense is. Why do we not treat vehicles as an expense, and write the full purchase price off against revenue (income) in a single year? Give two reasons. Explain what the main difference is between assets and expenses. (5)

INFORMATION:

1. **Balances:**
The following appeared in the ledger at the end of the financial year, 28 February 2011.

Current Accounts	At Cost on 28 February 2011	Accumulated Depreciation on 1 March 2010
Land and Buildings	820 000	
Equipment	410 000	120 000
Vehicles	1 340 000	530 000

2. **Land and Buildings**
On 31 August 2010, Excel Builders were paid R80 000 for the following:
   - Repairs to the roof, R 18 000
   - Extension to office block, R 62 000

   The full amount has been debited to Land and Buildings.

3. **Equipment**
New equipment costing R60 000 was bought on 1 December 2010. This has been properly recorded. Equipment is depreciated at 20% p.a on the diminishing balance method.

4. **Vehicles**
Refer to Note for Fixed Assets on the answer sheet – the figures for vehicles have been filled in. One of the delivery vehicles was stolen from the office car-park. The insurance company has paid out the insured value of R70 000. This results in a loss to the business of R40 000.

QUESTION 3:	Manufacturing Accounts	*(55 Marks; 35 Minutes)*

PART A
You are provided with the following information for Buggy's Bag Manufacturers for the year ended 28 February 2011. This is an after-hours part-time business for Buggy.

REQUIRED:
Study the information provided and answer the questions which follow.

INFORMATION:
- Buggy produced and sold 1 500 bags during the year.
- No stocks were on hand at the beginning or end of the financial period.
- His costs for the year are shown below. He regards certain costs as fixed and others as variable.

Cost:	**Amount:**	**Cost category:**
Administration cost	R 10 000	Fixed
Direct material cost	34 500	Variable
Direct labour cost	28 500	Variable
Factory overhead cost	23 100	Fixed
Selling & distribution cost	12 300	Variable
Total costs	**R108 400**	
Sales	**R153 000**	
Net profit	**R44 600**	

QUESTIONS TO BE ANSWERED:
3.1. Calculate the following:
3.1.1 Direct materials cost per unit
3.1.2 Variable costs per unit
3.1.3 Selling price per bag (7)

3.2.1 How many bags must Buggy make in order to break even (that is, to earn no profit or suffer a loss)? (5)
3.2.2 How many bags must Buggy make in order to make a R18 340 profit? (4)

PART B
3.3 You are provided with information relating to Thabo's T-shirt Manufacturers. The information given below was extracted from the accounting records on 28 February 2011, the end of the financial year.

REQUIRED:
Answer the following questions: Balance/Close off ALL accounts on 28 February 2011.

3.3.1 Prepare the Raw Materials Stock Account in the ledger on 28 February 2011. (10)

Balances on 1 March:	**2010**	**2011**
Raw materials stock	24 000	16 500
Work-in-process stock	17 800	23 400

Summary of transactions for the year ended 28 February 2011:	
Raw materials bought on credit	266 000
Raw materials bought for cash	103 000
Raw materials returned to creditors	12 800
Wages of direct labourers	110 600
Salaries & wages – factory indirect workers	122 000
Water and electricity (to be apportioned between the factory and the office in the ratio 4:1)	26 200

Indirect factory materials bought on credit during the year	18 000
Sundry factory expenses	43 100

PART C

After running the business for the month of July, Minnie has recorded the information given below. She would like to control her costs and has therefore decided to close off the expense accounts at the end of July in order to provide her with the necessary information.

REQUIRED:
Complete the following general ledger accounts for the month of July of Minnie Knits.

3.4.1Work-in-progress stock	(9)
3.4.2Factory Overheads	(11)
3.4.3Profit and loss	(9)

INFORMATION:

1. The following costs were paid for by cash:

1.1. Wool for 160 jerseys at R120 each.

1.2. Workers' wages R4 000.

1.3. Cotton to sew the jerseys, R2 100.

1.4. Servicing of knitting machines and over locker, R1 900.

1.5. Workroom rental, water and electricity R10 000.

1.6. Administrative expenses (telephone and stationery) R2 000.

1.7. R5 000 for the monthly advertising campaign.

2. Minnie expects the knitting machines and over locker to last 4 years before needing replacement. Original cost price was R 20 000, but the current market value is R 30 000.

3. Jerseys sold earned Minnie R16 500.

4. The following stock was on hand on 31 July 2008:

4.1. Cotton valued at R500.

4.2. 10 semi-finished jerseys valued at R135 each.

4.3. Finished jerseys with a total value of R25 555.

QUESTION 4: **Partnerships & Financial Statements** ***(40 Marks; 25 Minutes)***

You are provided with information relating to Tultim Traders. The business is a partnership owned by Thulani Themba and Tim Taylor.

REQUIRED:

4.1 Complete the note to the Balance Sheet for the Current Accounts on 28 February 2011. A total column is not required. Tim's figures have been entered for you. (13)

4.2 Prepare the Balance Sheet on 28 February 2011. Where notes are not required, show your workings in brackets on the face of the Balance Sheet. (27)

INFORMATION:

Figures identified from the Trial Balance on 28 February 2011:

Capital: Thulani	400 000
Capital: Tim	400 000
Current account: Thulani (1 March 2010)	Debit 22 000
Current account: Tim (1 March 2010)	Credit 15 000
Drawings: Thulani	?
Drawings: Tim	?
Mortgage loan: Gauteng Mortgages	?
Fixed assets – book value	1 020 000
Fixed deposits at Bildco	110 000
Bank overdraft	46 000
Cash float	5 000
Inventories	?
Trade & other receivables	?
Creditors' control	172 000
SARS (PAYE)	20 000

Information concerning partners' earnings and drawings:

- Tim earns a partner's salary of R12 000 per month, while Thulani earns 25% more than Tim.
- Interest on capital is 9% p.a. Note that Thulani had increased his capital by R100 000 on 1 December 2010(this has been recorded).
- Remaining profits are shared between Thulani and Tim in the ratio 3:2 respectively. The remaining profit earned by Tim after all adjustments and after the internal audit was calculated to be R240 000.
- Tim withdrew 75% of his earnings for the 2011 financial year.
- Thulani has a personal cash flow problem. In consultation with Tim, he withdrew as much as possible, leaving a positive balance of R50 000 in his current account at the end of the year.

Additional information:

- Information from loan statements for the year ended 28 February 2011:
- Balance on 1 March 2010: R360 000
- Interest charged by Gauteng Mortgages: R45 600
- Monthly payments to Gauteng Mortgages: R5 300 per month
- During the next 12 months, the capital amount of the mortgage loan will decrease by R22 000
- There are two fixed deposits at Bildco:
- A fixed deposit for R80 000 matures on 30 June 2013
- A fixed deposit for R30 000 matures on 30 June 2012
- On 28 February 2008, the current ratio is 1,8:1 and the acid-test ratio is 0,7:1.

QUESTION 5: Stock, Control and VAT ***(29 Marks; 20 Minutes)***

You are provided with information relating to Jaykay Jackets, a retail shop owned by Jerry Kay. He is concerned that there has been shoplifting (theft of stock) in his business.

INFORMATION:

LEDGER OF JAYKAY JACKETS
TRADING STOCK

May	1	Balance	b/d	72 000	May	31	Creditors Control	CAJ	3 600
2011	31	Creditors Control	CJ	216 000	2010		Cost of Sales	CRJ	(a)
		Cost of Sales	DAJ	4 320			Drawings	GJ	(b)
							Trading Stock Deficit	GJ	(c)
							Balance	c/d	?
					292 320					292 320
June	1	Balance	b/d	?					

ADDITIONAL INFORMATION:

- Jerry sells one type of jacket at a mark-up of 75% on cost. The cost price of each jacket is R360.
- There were 200 jackets on hand at the beginning of the month.
- Bought 600 jackets on credit during May.
- Sold jackets for cash. Cash slips issued to customers totalled R422 100
- Returns of jackets were as follows:
  - ➢ Received credit notes totalling R 3 600 for defective jackets returned to the manufacturer.
  - ➢ Issued credit notes for R 7 560 to credit customers. They returned 12 jackets, as incorrect sizes had been sold to them.
  - ➢ The owner took 8 jackets from stock for his family.
  - ➢ A stock count on 31 May revealed that 113 jackets were on hand at the end of the month.

REQUIRED:

5.1 Refer to the ledger account above. Identify the missing figures reflected by (a), (b) and (c). (7)

5.2 Does Jerry have a shoplifting or stock theft problem in his business? If so, how many jackets have gone missing. (3)

5.3 Calculate the rate of stock turnover. (5)

5.4 VAT

You are provided with the information relating to Jopa General Dealers. The business is owned by John Paulse and is registered as a VAT vendor.

REQUIRED:

5.4.1 What is meant by input VAT and output VAT and how does this affect the payment made to SARS by a business? (2)

5.4.2 Refer to the invoice below. Calculate the following:

5.4.2.1 The amount of output VAT included in the R516,07 (2)

5.4.2.2 The net selling price per packet of Powa breakfast cereal excluding output VAT (2)

5.4.2.3 The cost of Powa breakfast cereal per packet excluding input VAT. (2)

5.4.2.4 The profit per packet of Powa breakfast cereal earned by the business. (2)

5.4.2.5 The amount of input VAT per packet of Powa breakfast cereal. (2)

5.4.2.6 The amount of output VAT per packet of Powa breakfast cereal. (2)

INFORMATION:

1. Jopa General Dealers uses a secret cost code of "JOHNPAULSE" where J=1. Input VAT is excluded when working out the cost code on each product.
2. The following invoice is presented to you:

JOPA GENERAL DEALERS

Invoice: 7051

Debit: Holly's Bed & Breakfast 23 June 2011

PO Box 1234, Newlands

	COST CODE	VAT RATE	UNIT PRICE	TOTAL
8 loaves brown bread	N, NP	0%	5.30	42.40
12 litres fresh milk	H, LU	0%	4.56	54.72
15 Packets Powa Breakfast cereal (1 kg)	JA, NL	14%	27.93	418.95
TOTAL				**516.07**

Signed: *H. Holly*