

QUESTION 1:

Bank Reconciliation Statement

(15 Marks; 18 Minutes)

1.1 Are bank clients in this country justified in complaining about bank charges? Briefly explain in your own words. (4)

1.2 If you were the manager of Safe Bank, how would you justify charging Bravo Traders fees of R3 120 in May? State THREE points. (6)

1.3 Briefly explain the purpose of a bank reconciliation statement. (3)

1.4 Name one aspect that the bank would consider in granting you an overdraft facility. (2)

QUESTION 2:

Asset Disposal

(15 Marks; 17 Minutes)

2.1.1 Explain why the depreciation for the current period is R39 999 and not R40 000 (3)

2.1.2 Calculate the age of the vehicle (2)

2.1.3 What are your recommendations with regard to this vehicle? (2)

2.1.4 The cost price of the premises in South Africa has increased over the last couple of years, but because of the current petrol price there might be a decline in this. Provide a reason for this. (2)

2.1.5 The current market value of the premises is R750 000 yet the company reflects R500 000 in their Balance Sheet. What concept of GAAP is being applied here? (2)

2.1.6 How does IFRS and GAAP differ when fixed/tangible assets are entered and why. (4)

GAAP

IFRS

QUESTION 3:**Ratio Analysis****(38 Marks; 30 Minutes)****Refer to transaction 1**

3.1.1.1 Name the GAAP principle that will be applied to adjust the rent income amount on 28 February 2012. (2)

3.1.1.2 Has rent been prepaid by the tenant or is it accrued on 28 February 2012? Calculate the amount that is has been prepaid or that is accrued and indicate where in the financial statements this would be recorded. (7)

3.1.1.3 Determine the amount that will appear in the Income statement for rent income. (2)

3.1.2 Refer to Transaction 2

3.1.2.1 Calculate the amount of the trading stock that will appear in the Balance Sheet on 28 February 2008. (2)

3.1.2.2 Explain the difference between a credit and a debit note (2)

3.1.2.3 Explain how you would deal with this return in the financial statements on 28 February 2012 (5)

3.1.3 Refer to Transaction 3

3.1.3.1 Calculate the interest expense for the year (5)

3.1.3.2 Explain the effect this transaction will have on the financial statements of the business at the end of the financial year. (8)

3.1.4.1 Has the business achieved its intended mark-up of 100%? Show a calculation to substantiate your answer. (3)

3.1.4.2 Supply two reasons for the intended mark-up not being achieved. (2)

QUESTION 4:

Value-Added Tax

(14 Marks; 15 Minutes)

4.1 Calculate the net profit for the last two months, while she was NOT registered for VAT. (4)

4.2 Why would some invoices for operating expenses not include VAT that can be claimed back? (2)

4.3 If she were to charge her customers VAT, her inclusive selling price would increase by 14%. What problem might she experience if she adjusts her prices in this way? (2)

4.4 Would you suggest she charge her customers more for the products when she registers for VAT, or should she absorb the cost herself? If you think she should increase her inclusive prices, by what percentage? Explain your answer. (4)

4.5 How do you think your decision above would have affected sales for the last two months? (2)

QUESTION 5:

Business Problem Solving

(18 Marks; 25 Minutes)

5.1.1 Provide ONE good reason why Mr Kitty should buy property.

(2)

5.1.1 In your opinion, which of the above financing options should Mr Kitty follow? (Note: You may decide on a combination of different options or you may decide on only one option).

(6)

5.2.1 Draw up a checklist for the bookkeeper to follow to check whether the accounting and bookkeeping principles are adhered to. Provide three items.

(3)

5.2.2 What support strategies can you as management suggest in order to assist the bookkeeper? Provide three strategies

(3)

A doctor in a poor rural area desperately needs to attend a training course on new AIDS medication which is offered only in Sweden. He cannot afford the trip. He is considering increasing his fees.

5.3.1 What appears to be the “right” course of action? (2)

5.3.2 Is this course of action likely to get universal approval from all the stakeholders? Explain (2)