

## SUBJECT ADMINISTRATION

<b>Question 1: 25 marks; 19minutes</b>	
<b>The topic for this task is</b>	<b>The learning outcomes covered are:</b>
BUDGETS	LO 2 Managerial accounting <ul style="list-style-type: none"><li>AS – Preparing and presenting a cash budget for a sole trader</li></ul>
<b>Question 2: 60 marks; 35 minutes</b>	
<b>The topic for this task is</b>	<b>The learning outcomes covered are:</b>
PARTNERSHIPS	LO 1 Financial information <ul style="list-style-type: none"><li>AS – Preparing financial statement of a partnership</li></ul>
<b>Question 3: 40 marks; 23 minutes</b>	
<b>The topic for this task is</b>	<b>The learning outcomes covered are:</b>
PERIODIC INVENTORY	LO 3 Managing resources <ul style="list-style-type: none"><li>AS – Differentiating between periodic and perpetual inventory.</li><li>AS - Calculating cost of sales, gross profit and mark-up</li><li>AS - Interpretation</li></ul>
<b>Question 4: 37 marks; 22 minutes</b>	
<b>The topic for this task is</b>	<b>The learning outcomes covered are:</b>
BANK RECONCILIATIONS	LO 1 - Managing resources <ul style="list-style-type: none"><li>AS – Prepare a bank reconciliation statement.</li></ul>
<b>Question 5: 18 marks; 21 minutes</b>	
<b>The topic for this task is</b>	<b>The learning outcomes covered are:</b>
ETHICS	LO 3 Managing resources <ul style="list-style-type: none"><li>AS – Identify and analyse ethical behaviour applicable to the financial environment with reference to accountability and transparency.</li><li>AS – Demonstrate knowledge of internal audit processes.</li></ul>

**QUESTION 1****[25 marks; 19 minutes]****Required:**

- a) Answer questions 1.1 – 1.2 in your question and answer book.
- b) Study the cash budget that follows and then answer questions 1.4 to 1.12.

**ILLOVO STORES****CASH BUDGET FOR THE PERIOD JANUARY TO MARCH 2007**

	<b>JANUARY</b>		<b>FEBRUARY</b>		<b>MARCH</b>	
	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
<b>CASH RECEIPTS</b>						
Cash sales	70 000	72 000	66 000	60 000	86 000	84 000
Cash receipts from debtors						
— in the month of the sale	20 000	24 000	18 000	20 000	25 000	28 000
— after 30 days	21 000	24 000	13 100	14 400	11 000	12 000
— after 60 days	10 560	11 520	12 800	14 400	8 600	8 640
<b>TOTAL RECEIPTS</b>	<b>121 560</b>	<b>131 520</b>	<b>109 900</b>	<b>108 800</b>	<b>130 600</b>	<b>132 640</b>
<b>CASH PAYMENTS</b>						
Payments to creditors						
— in the month of purchase	12 000	12 000	10 000	10 000	14 000	14 000
— after 30 days	40 000	40 000	12 000	12 000	10 000	10 000
— after 60 days	16 000	16 000	20 000	20 000	6 000	6 000
Interest on mortgage loan at 18% pa.	1 500	1 500	1 500	1 500	1 500	1 500
Other payments	78 500	68 500	113 400	103 500	91 500	88 500
<b>TOTAL PAYMENTS</b>	<b>148 000</b>	<b>138 000</b>	<b>156 900</b>	<b>147 000</b>	<b>123 000</b>	<b>120 000</b>
Cash surplus (shortage)		(6 480)		?		12 640
Opening bank balance		9 000		2 520		?
Closing bank balance		2 520		?		(23 040)

**Note:** Only inventory is purchased on credit. All inventory is purchased on credit.

## QUESTION 2

[60 marks; 35 minutes]

This question has two unrelated parts to it:

### Part A:

The bookkeeper of Smile Partners completed most of the year-end closing entries on 28 February 2008, but failed to take all the year-end adjustments into account. Before the adjustments given below were taken into account, a net profit of R50 000 was calculated in the Profit and Loss account and was transferred to the Capital account.

### Information

The following balances **still** appeared in the General Ledger on 28 February 2008:

<b>Balance sheet Accounts section</b>	
...	
Vehicles	230 000
Equipment	105 000
Accumulated depreciation on vehicles	90 000
Accumulated depreciation on equipment	25 000
Mortgage bond (14%)	270 000
Trading stock	14 000
Debtors' Control	22 000
Provision for bad debts	1 000
<b>Nominal Accounts Section</b>	
Stationery	2 600
Interest on mortgage bond	45 375
Rent income	35 000
Commission income	34 575
Debtors' allowances	4 500

### Additional information and transactions.

1. Unused goods costing R1 800 were returned by a customer. The selling price of the goods returned was R3 200.
2. A stock-taking revealed R13 750 worth of goods on hand. The value of stationery on hand was estimated at R200.
3. Certain debtors owing R4 000 must be charged with interest at 18% p.a. on their accounts that are now three months' overdue.
4. Provision for bad debts must be adjusted to R875.
5. Rent amounts to R2 500 per month.
6. The mortgage bond is repaid on the first day of each month, R10 000. The repayment for February 2008 has been made and correctly recorded. Interest is payable monthly on the last day of the month. The interest for February 2008 has not yet been paid.
7. Smile Partners earn commission of 5% on referrals that they make to suppliers. During the most recent financial year, R720 000 worth of referrals were made to suppliers.

8. The following fixed assets were purchased during the financial year and these have been recorded in the books of the business.

1 September 2007	Vehicle	R80 000
1 February 2008	Equipment	R60 000

9. Depreciation must be written off on fixed assets as follows:

- Vehicles at 20% per annum on carrying value.
- Equipment at 15% per annum on cost price.

### Part B:

The information given below was extracted from the accounting records of LoveLock Traders, with partners L. Love and L. Lock.

### Information

1. The following information appeared in the books of the business on 30 June 2008, the last day of the financial year.

Capital: L Love	R300 000
Capital: L Lock	250 000
Drawings: L Love	?
Drawings: L Lock	44 500
Current account: L Love (1/7/2007)	7 700 (DR)
Current account: L Lock (1/7/2007)	5 125

2. The partnership agreement stipulated the following:

2.1 Partners are entitled to the following interest on capital:

- L. Love, R30 000
- L. Lock, R25 000

2.2 Partner L. Lock is to receive an annual salary of R36 000.

2.3 Partner L. Love is to receive a monthly salary of R4 000 per month. L. Love has already received his salary for period 1 July 2007 to 31 July 2008.

2.4 L. Lock received a special bonus at the end of the financial year.

2.5 Total primary distribution for the year amounted to R145 000.

2.6 After the above was taken into consideration partners' earnings were as follows:

- L. Love R90 000
- L. Lock R77 000

2.7 Further withdrawals have not yet been taken into account:

- L. Love, R5 000 cash and trading stock, R3 000
- L. Lock, R3 000 cash

**Question 3****[40 marks; 23 minutes]**

D Diederick owns a computer company, Computers Galore. The business has two departments. Department A sells hardware, and Department B sells software. On 27 February 2007 the following balances appear in the General Ledger of Computers Galore:

<u>Department A (Hardware)</u>	<u>R</u>	<u>Department B (Software)</u>	<u>R</u>
Trading Inventory	65 400	Trading Inventory (01/03/2006)	37 500
Sales	900 000	Trading Inventory (28/02/2007)	32 950
Cost of Sales	593 000	Sales	660 000
Debtors Allowances	10 500	Purchases	450 000
		Debtors Allowances	7 300
		Creditors Allowances	9 000
		Carriage on Sales	1 800
		Carriage on Purchases	2 650

**QUESTION 4****[37 marks; 22 minutes]**

The following information relates to Super Sport Stores on 31 May 2008:

**Information:**

On comparison of the cash journals and the bank statement for May, the following differences were found:

- The Bank Account in the General Ledger had a favourable balance of R700 on 31 May 2008. The Bank Statement had a debit balance of R5 888 on the same date.
- L. Armstrong's cheque for R600, which was deposited on 10 May 2008, was returned marked R/D.
- A deposit of R6 520 on 31 May 2008 does not appear on the Bank Statement.
- A debtor, V. Matfield, paid a cheque for R1 000 in settlement of his debt of R1 100 directly into the bank account of Super Sport.
- The annual insurance premium of R1 440 was paid by the bank by means of a debit order.
- A deposit of R2 190 was entered in the Cash Receipts Journal as R2 910. This amount had been received for sales.
- Service fees R48, cash handling fees R32 and interest on overdraft, R60 appear only on the Bank Statement.
- Cheque no. 240 issued for R60, appears on the bank statement as R6. The amount on the bank statement is incorrect.
- The following cheques have not yet been presented for payment to the bank:
  - #039 R640 (dated 10 May 2007) Issued to the Beacon Bay Country Club as a donation.

#237 R158 (dated 10 May 2008)

#249 R1 420 (dated 5 June 2008)

10. A cheque in payment of purchases of Trading Stock, R5 820 (cheque 238) was entered in the Cash Payments Journal as R5 280.
11. A deposit of R4 290 was cast in the deposit book as R4 190, but the bank showed the correct amount on the bank statement on 24 May 2008.

## QUESTION 5

[18 marks; 21 minutes]

### Information

G Viljoen is a senior manager for HHMS, an enterprise owned by K Hingle. He has approached you, the internal auditor, to give advice or make recommendations on the following two matters:

- Management of Inventory :

G Viljoen has noticed that the stock control manager has started placing all the orders for new stock, is the person receiving the stock from suppliers, and then is responsible for distributing stock from the store room to the shop floor. G Viljoen has been very concerned at the stock shortages that have started occurring and suspects that the stock control manager is stealing stock.

- Disposing of old computer equipment:

Having done a recent inspection of the computer network, G Viljoen came to the conclusion that all computers required upgrading in order to support the latest software programmes that are need to run HHMS effectively. Further inspection of the Fixed Asset Register revealed that all computer equipment had been purchased 4 years ago and had been fully depreciated down to R1 after 3 years. G Viljoen has 2 kids at home and feels that he could use the old computers to teach them how computers work and these machines would also be powerful enough to run some nice educational games. However G Viljoen is very ethical and wants to follow correct ethical procedures to acquire 2 of these old computers without having to pay for them.