

**QUESTION 1: (94 Marks, 56 Minutes)**

**PART A**

**Income Statement of Lynnwood Auto for the year ended 29 February 2008**

Sales (768 000✓ – 18 000✓)	✓750000
Cost of Sales	✓ (500000)
Gross Profit	✓250000
Other operating income	✓36467
Rent Income (39000✓-3000✓)	✓36000
Discount Received	✓467
Operating Expenses	✓170467
Salaries and wages(84700✓+600✓)	✓85300
Pension Contributions(6776✓+48✓)	✓6824
Advertising	✓12250
Bad debts	✓770
Packing material	✓4130
Insurance (8500✓-750✓)	✓7750
Stationery (6800✓-700✓)	✓6100
Sundry expenses (8433✓+230✓+550✓)	✓9213
Trading Inventory Deficit	✓✓1100
Depreciation (30000✓+660✓)	✓36660
Provision for Bad debts adjustment (1120✓-750✓)	✓370
Net operating profit / Net profit before interest income	✓116000
Interest Income (600✓+300✓)	✓900
Net profit before Interest Expense	✓116900
Interest Expense (12100✓+1100✓)	✓13200
Net profit for the year	✓103700

(47)

**Lynnwood Auto**

**Notes to the Financial Statements for the year ended 29 February 2008**

**12. INVENTORY**

Trading Inventory (50000✓-400✓-1100✓)	✓48500
Consumable stores on Hand	✓700
	✓49200

(6)

**13. TRADE AND OTHER RECEIVABLES**

Net Trade Debtors	✓24095
Trade Debtors (25500-285✓)	✓25215
Provision for Bad Debts	✓ (1120)
Accrued Income	✓300
Prepaid Expenses	✓750
	✓25145



14. TRADE AND OTHER PAYABLES

Trade Creditors (35 930– 400✓)	✓35530
SARS (PAYE) (1200+120✓)	✓1320
Pension Fund (960+48✓+48✓)	✓1056
Accrued Expenses (550✓+1100✓)	✓1650
Short term portion of loan	✓20000
Creditors for Salaries	✓432
Income Received in Advance	✓3000
	<b>62988</b>

(13)

**PART B**

1.3.1

Accounting principle relating to adjustment 9, and why it gets applied
Prudence✓, To give a fair account of what is expected to be received even if the amount actually owing is greater. ✓✓

(3)

1.3.2

“For a partnership to be regarded a legal, it must be seen to benefit both partners.”
Both partners should earn a greater profit✓ than if they had been sole traders. ✓ One partner may not benefit and the other partner loose out. ✓

(3)

1.3.3

The significance of Beaumont’s opening Current Account balance.
He drew too much in the previous year✓ and will need to restrict his drawings✓ by R1271 in the following year. ✓

(3)

**PART C**

1.4.1

A favourable bank balance
A Credit✓

(1)

1.4.2

Incorrect entry
The accounting records would remain unchanged. ✓✓ The Bank reconciliation statement would be credited with R500 (credit error by bank). ✓✓

(4)

1.4.3

Two other entries on the bank reconciliation statement
<ul style="list-style-type: none"> <li>• Credit outstanding deposits (entries in the CRJ not appearing on the bank statement). ✓✓</li> <li>• Debit cheques not presented for payment (entries in the CRJ not appearing on the bank statement). ✓✓</li> </ul>

(4)

1.4.4

How a post-dated cheque received from a debtor should be dealt with.
The cheque should be filed away and only entered in the CRJ on the date that appears on the cheque. The cheque should then be deposited into the business bank account. ✓✓✓

(3)

<b>Total marks</b>
<b>/94</b>

**QUESTION 2: (26 Marks, 16 Minutes)**

Transactions for Kidwell Traders

	Source document	Debited	Credited	Amount	A	O	L
2.1	Cheque counterfoil ✓	Loan: Investec ✓	Bank ✓	20000 ✓			± ✓
		Interest on Loan ✓	Bank ✓	1000 ✓		-	+ ✓
2.2	Invoice ✓	Purchases ✓	Creditors Control ✓	2375 ✓		-	+ ✓
2.3	Debit Note ✓	Creditors Control ✓	Creditors Allowances ✓	400		+	- ✓
2.4	CRR ✓	Bank ✓	Sales ✓	7000		+	- ✓
2.5	Cheque counterfoil ✓	Carriage on purchases ✓	Bank ✓	185		-	+ ✓

Note: If bank was treated as an asset throughout then if signs were appropriate in 2.1, 2.4 & 2.5 then half marks were awarded.

<b>Total marks</b>
<b>/26</b>

**QUESTION 3: (15 Marks, 9 Minutes)**

**Note 1: Debtors Collection schedule**

	September	October
July	47 000	-
August	87 000	✓26 100
September	✓22 800	✓72 000
October		✓25 650
	☑156 800	☑123 750

**Cash Budget for the two months ending 31 October 2008**

	September	October
<b>Receipts</b>		
Cash Sales (25%)	✓40 000	✓45 000
Debtors (From note 1)	☑156 800	☑123 750
Fee Income	✓18 000	✓15 000
Rent Income	✓3 600	✓3 600
Sale of Vehicle		✓28 000
Interest on Investment	✓4500	
Total Receipts	☑222 900	☑215 350
<b>Payments</b>		
Cash Purchases	27 000	✓36 000
Creditors Payments	30 400	✓59 850
Salaries and Wages	✓30 000	✓33 000
Rental of Premises	✓18 000	✓18 000
Vehicle deposit		✓30 000
Vehicle instalment		✓2 000
Advertising	✓50 000	
General Expenses	✓✓✓19 150*	✓20 000
Drawings	✓30 000	✓30 000
Total Payments	☑204 550	☑228 850
Surplus/(Deficit)	☑18 350	☑ (13 500)
Balance from previous month	10 000	☑28 350
Balance taken to next month	✓28 350	✓14 850

\*19150 = 19 000 + 950 (telephone payable) – 800 (insurance prepaid)

<b>Total marks</b>
/40

**QUESTION 4: (40 Marks, 24 Minutes)**

**PART A**

**Detert Sports Store**

**Note to the Financial Statements for the year ended 30 June 2008**

Tangible Assets

	Vehicles	Equipment	Total
Cost Price @ 01/07/2007	✓ 140 000	✓ 97 000	
Accumulated depreciation @ 01/07/2007	✓ (50 400)	✓ (19 400)	
Carrying Value @ 01/07/2007	✓ 89 600	✓ 77 600	✓ 167 200
Movements			
Additions	✓ 90 000		✓ 90 000
Disposals	✓✓✓ (40 320)		☑ (40 320)
Depreciation (4480+8960+7500)	✓✓✓✓ (20 940)	✓✓ (9 700)	☑ (30 640)
Carrying Value @ 30/06/2008	☑ 118 340	☑ 67 900	☑ 186 240
Cost Price @ 30/06/2008	✓ 160 000	✓ 97 000	
Accumulated depreciation @ 30/06/2008	☑ (41 660)	☑ (29 100)	

(27)

**PART B**

4.2.1

Four controls to implement to have better control of tangible assets
<ul style="list-style-type: none"> <li>• Security cameras ✓✓</li> <li>• Fixed Asset register ✓✓</li> <li>• Record of location of each asset ✓✓</li> <li>• Regular Inspections of assets ✓✓</li> </ul>
Any other acceptable answer

(8)

4.2.2

Comment on the current system of depreciation
<p>YES ✓</p> <p>Equipment, except computers will depreciated over a longer period of time, also very difficult to sell, worth nothing. ✓✓</p> <p>Vehicles, although they can be depreciated over 5 years will never be worth nothing therefore using the diminished balance gives a truer reflection of the value of the vehicles. ✓✓</p>

(5)

<b>Total marks</b>
/40

**Grand Total: 200 Marks**

THE END 😊!!!