

**DIRECTORATE SENIOR CURRICULUM MANAGEMENT (SEN-FET)**

**HOME SCHOOLING SELF-STUDY QUESTIONS**

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| **SUBJECT** | **ACCOUNTING** | **GRADE** | 11 | **DATE** | 01-05 June 2020 |
| **TOPIC** | **INVENTORY VALUATIONS, FIXED ASSETS AND RECONCILIATIONS** |  **Term 2** |
| **TIME ALLOCATION** | **1 Hour** | **TIPS TO KEEP HEALTHY**1. **WASH YOUR HANDS** thoroughly with soap and water for at least 20 seconds. Alternatively, use hand sanitizer with an alcohol content of at least 60%.2. **PRACTICE SOCIAL DISTANCING** – keep a distance of 1m away from other people.3. **PRACTISE GOOD RESPIRATORY HYGIENE**: cough or sneeze into your elbow or tissue and dispose of the tissue immediately after use.4. **TRY NOT TO TOUCH YOUR FACE.** The virus can be transferred from your hands to your nose, mouth and eyes. It can then enter your body and make you sick. 5. **STAY AT HOME.**  |
| **INSTRUCTIONS** | **See Required**  |

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| **QUESTION 1: INVENTORY VALUATION AND PROBLEM-SOLVING**  **(45 marks; 25 minutes)** |  |

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| --- | --- | --- |
| 1.1 | **HAT ACCESSORIES** |  |
|  | Hat Accessories sells fashionable hats.  |  |
|  | **REQUIRED:** |  |
|  | 1.1.1 | Calculate the number of hats on-hand on 28 February 2017. | (3) |
|  | 1.1.2 | Calculate the following using the **weighted-average method**:  |  |
|  |  | * Value of the final stock on-hand on 28 February 2017
* Gross profit
 | (7)(5) |
|  | 1.1.3 | The owner wants to alternate between using the weighted-average method and the First-In-First-Out (FIFO) method, depending on which will result in a higher profit. |  |
|  |  | * Calculate the following using the **FIFO method:**
 |  |
|  |  | * Value of the final stock on-hand on 28 February 2017
* Gross profit percentage on cost of sales
 | (5)(6) |
|  |  | * Provide TWO reasons why alternating between the two methods of valuing stock does not comply with the requirements of International Financial Reporting Standards (IFRS).
 | (4) |

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|  | **NFORMATION:** |  |
|  | **A.** |

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| --- | --- | --- |
| **Details** | **Stock on hand and Purchases for the year** | **Sales for the year** |
| **No. of items** | **Unit Price** | **Total****R** | **No. of items** | **Unit Price** | **Total****R** |
| **Opening stock** |  |  |  |  |  |  |
|  1 March 2016 | 100 | R40 | 4 000 | 100 | R150 | 15 000 |
| **Purchases** | 500 |  | 38 000 | 410 |  | 61 500 |
|  April 2016 | 100 | R50 | 5 000 | 100 | R150 | 15 000 |
|  July 2016 | 150 | R60 | 9 000 | 150 | R150 | 22 500 |
|  November 2016 | 200 | R90 | 18 000 | 160 | R150 | 24 000 |
|  February 2017 | 50 | R120 | 6 000 | 0 | R150 | 0 |

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|  |  |  |  |
|  | **B.** | The order for hats to be received in March 2017 is 250 hats at R140 each. The business intends to sell all hats at R200 each. |  |

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| 1.2 | **GYM TRIM** |  |
|  | Gym Trim is an outlet of Vitality Sports Wholesalers. Stock is valued using the FIFO method. The following figures have been given to the owner of Gym Trim but he is not happy as the actual figures as per stocktaking and the figures of the Trading Stock records in the books do not agree. |  |
|  | **REQUIRED:** |  |
|  | 1.2.1 | Calculate the number of days of stock on-hand for Gym Bags. Gym Bags are sold at a mark-up of 25% on cost. The average stock amounted to R153 600. | (6) |
|  | 1.2.2 | Identify ONE different problem in respect of the manner in which each product is managed. Quote figures to support your answer. In each case offer practical advice. | (9) |
|  |  |  |  |
|  |

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| --- | --- | --- | --- |
| **ITEMS OF STOCK** | **Sweatbands** | **Towels** | **Gym Bags** |
| Opening stock in unit | 120 | 80 | 150 |
| Purchases in units | 5 600 | 960 | 1 200 |
| Sales in units for the year | 4 800 | 840 | 930 |
| Closing stock in units | 810 | 200 | 420 |
| Selling price per unit | R45 | R125 | R350 |
| Period of stock on hand | 50 days | 70 days | ? |
| Cash deposited for the year | R216 000 | 100 000 | R325 500 |

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|  |  |  |  | **45** |

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| **QUESTION 2** |  |
| **INVENTORY SYSTEM AND STOCK VALUATION** | **(24 marks;13 minutes)** |

The information provided is from the accounting records of Camp Out Ltd.

The company sells cooler boxes and tents. The financial year ended on 28 February 2018.

The business uses **the periodic inventory system** and the **weighted average method of stock valuation** for cooler boxes and **the specific identification method** for tents.

# REQUIRED:

2.1 Explain the difference between the **specific identification** and the **weighted**

**average** methods of valuing stock. (4)

# COOLER BOXES:

|  |  |  |
| --- | --- | --- |
| 2.2 | The manager feels that the business is more efficient in controlling stock. |  |
|  | 2.2.1 Calculate the stock holding period (in days) of cooler boxes for 2018. |  |
|  | Use the closing stock. | (4) |
|  | 2.2.2 Comment on your findings in response to the manager’s feelings. | (3) |

**TENTS:**

* 1. Calculate the value of the closing stock of tents. (7)
	2. The mark-up percentage on tents is 25% on cost. Calculate the total sales for the financial period. (6)

# INFORMATION: COOLER BOXES

1. **Value of Stock on hand**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **No. of Items** | **Unit Price** | **Total (R)** |
| 01 March 2017 | 520 | R60 | 31 200 |
| 28 February 2018 | 850 | ? | ? |

1. **Purchases and sales of cooler boxes**

|  |  |
| --- | --- |
| **Date** | **PURCHASES** |
| **No. of Items** | **Unit Price** | **Total (R)** |
| August 2017 | 1 600 | R64 | 102 400 |
| February 2018 | 2 700 | R70 | 189 000 |
| **TOTAL** | **4 300** |  | **291 400** |
|  |  |  |  |

1. **SALES OF COOLER BOXES: 3 900 units were sold for R387 000. D RETURNS:**

20 damaged cooler boxes costing R60 each were returned to the supplier. The supplier only agreed to give an allowance of **R1 000** due to late notification.

# E

|  |  |  |
| --- | --- | --- |
| **Financial Indicators** | **2018** | **2017** |
| Stock Holding Period | ? | 125 days |
| Stock Turnover Rate | 5.7 times | 2.9 times |

**INFORMATION: TENTS**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **TENT RANGE** | **STOCK ON HAND****1 MARCH****2017** | **PURCHASES DURING THE YEAR** | **PRICE PER TENT** | **NUMBER OF TENTS SOLD DURING THE YEAR** |
| 1. Bush Baby | 14 | - | R1 260 | 14 |
| 2. Leopard | 10 | 32 | R1 400 | 28 |
| 3. Lizzard | 7 | 28 | R1 680 | 28 |
| 4. Buffalo | 8 | 34 | R1 540 | 35 |

**24**

**QUESTION 3 - New Era Study Guide (30 Marks; 18 minutes)**

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| You are provided with information from the books of Happy Tunes. The business is owned by Dean Howard. It sells one type of DVD. The financial year ended on 28 February 2016. Happy Tunes uses the FIFO method to value their stock. |
| **REQUIRED:** |

|  |  |
| --- | --- |
| 3.1 | Calculate the following: |
| 3.1.1 | Value of the closing stock on 28 February 2016, using the first-in-first-out (FIFO) method of stock valuation. | (7) |
| 3.1.2. | Total number of units sold. | (4) |
| 3.1.3. | Cost of sales. | (8) |
| 3.1.4. | Total sales amount. | (5) |
| 3.1.5. | Gross profit. | (2) |

|  |  |  |
| --- | --- | --- |
| 3.2 | With regards to the fixed selling price, what advice would you offer Dean about hispricing policy?  | (2) |
| 3.3. | Dean buys his stock from registered suppliers based in Durban. He is frustrated about the “unfair competition” that he faces in this industry.Give an example of the type of practices that may take in this place in this industry that results in unfair competition. | (2) |

|  |
| --- |
| **INFORMATION:**The following information appeared in the records of Happy Tunes for the year ended 28 February 2016. |

|  |  |  |  |
| --- | --- | --- | --- |
| **DETAILS** | **Number of****units** | **Unit Prices** | **Total value** |
| Stock balance on 1 March 2015 |  830 | R65 |  R53 950 |
| Total purchase for the year\* | 3 470 |  | R223 760 |
|  May 2015 | 1 350 | R72 |  R97 200 |
|  August 2015 |  980 | R62 |  R60 760 |
|  November 2015 |  520 | R55 |  R28 600 |
|  January 2016 |  620 | R60 |  R37 200 |
| Stock balance on 28 February 2016 | 940 | ? | ? |

**Additional information:**

|  |  |
| --- | --- |
| (a) | Transport costs from Durban amount to R5 per unit. (The opening balance |
|  | includes the transport costs but quoted purchase figures exclude these |
|  | transport costs). |
|  |  |
| (b) | 80 units from the May 2015 purchase were damage and had to be disposed of. This transaction was not recorded. Note that these goods were not covered by insurance. |
|  |   |
|  |  |
| (c) | The normal selling price for the DVD’s is fixed at R100 per unit. However, 300 units  |
|  | from the opening stock were sold at 25% below the normal selling price. |
|  |  |

**QUESTION 4 – New Era Study Guide (24 Marks; minutes)**

Briggs Bicycles Inc. uses the specific identification method to value stock of bicycles. Jeff Briggs owns the business.

**REQUIRED:**

|  |  |  |
| --- | --- | --- |
| 4.1.1 | Give ONE difference between the perpetual stock system and the periodic stock system. | (2) |
|  |  |  |
| 4.1.2. | Calculate the following on 30 April 2016, using the specific identification method. |  |
|  | * The value of the stock on hand (closing stock)
 | (8) |
|  | * The costs of sales
 | (5) |
|  | * The gross profit
 | (5) |
|  |  |  |
| 4.1.3. | Jeff wants to change the stock valuation method of bicycles to the weighted average method. What advice would you offer him ? Give TWO points. | (4) |
|  |  |  |

**INFORMATION:**

1. Stock records of bicycle

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **information** | **Model** | **Number of bicycles****purchased** | **Cost price** | **Total** | **Number sold** |
| Opening stock-1 May 2015 | M15 | 70 |  | R280 000 | 70 |
| Purchase  |  | **640** |  | **R2 682 500** | **540** |
|  July 2015 | J15 | 245 | R3 700 | R906 500 | 218 |
| December 2015 | D15 | 205 | R4 400 | R902 000 | 175 |
|  February 2016 | F15 | 190 | R4 600 | R874 000 | 147 |

**Note:**

|  |
| --- |
| * 5 bicycles from the December purchases [Model D15] WERE ditectives and were returned to the suppliers.
 |
|   |
| * On 30 April 2016, there were 95 bicycles in stock.
 |

1. Bicycles are sold at a fixed selling price of R6 450 each.

**4.2. BUYISWE SUPPLIERS**

|  |
| --- |
| Buyiswe Supplies sells school uniforms. You are presented with the stock records for school shirts. Business uses the weighted average method to value the stock shirts. |

**REQUIRED:**

|  |  |  |
| --- | --- | --- |
| 4.2.1 | Calculate the value of the closing stock using the weighted average method | (8) |
| 4.2.2 | Calculate the number of shirts missing | (5) |
| 4.2.3 | Give TWO points of advice to improve the internal control over stock. | (4) |

**INFORMATION:**

**Stock records of school shirts:**

|  |  |  |
| --- | --- | --- |
|  | **Units** | **Amount** |
| Opening stock | 400 | 14 000 |
| Purchases (less returns) | 7 380 | 293 300 |
| Total carriage on purchases |  | 19 460 |
| Closing stock | 270 | ? |
| Sales | 7 200 | 396 000 |

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| **QUESTION 5: INVENTORY VALUATION AND INTERNAL CONTROL** **(15 marks; 9 minutes)** |
|  |
| Phelix Electronics uses the periodic stock system and FIFO method to value stock of Smart television sets. The business is owned by Max Phelix. He employs Susan Sue to run the shop for him. The financial year end is 28 February 2018. |  |
|  |  |  |
| 5.1 | **INVENTORY VALUATION** |  |
|  | **REQUIRED:** |  |
|  |  |  |
|  | 5.1.1 | Calculate the value of the closing stock of Smart television sets on 28 February 2018. | (6) |
|  |  |  |  |
|  | 5.1.2 | Calculate the Cost of sales for the year ended 28 February 2018. | (5) |
|  |  |  |  |
|  | 5.1.3 | Calculate how long (in days) it will take to sell the closing stock of 145 television sets. | (4) |

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| --- | --- | --- |
|  | **INFORMATION:** |  |
|  | **A.** | **Stock balances of Smart television sets:** |  |
|  |  | **DATE** | **NUMBER OF UNITS** | **UNIT PRICE****(INCLUDING CARRIAGE)** | **TOTAL** |  |
|  |  | 1 March 2017  |  70 | R 5 500 | R 385 000 |  |
|  |  | 28 February 2018 | 145 | ? | ? |  |
|  |  |  |  |
|  | **B.** | **Purchases and returns of Smart television sets during the year:** |  |
|  |  | **Purchases:**  |  |
|  |  | **DATE** | **NUMBER OF UNITS** | **UNIT PRICE** | **TOTAL CARRIAGE** | **TOTAL** **(INCLUDING CARRIAGE)** |  |
|  |  | 30 May 2017 | 150 | R 5 000 | R 18 750 | R 768 750 |  |
|  |  | 25 August 2017 | 120 | R 4 750 | R 15 000 | R 585 000 |  |
|  |  | 30 Dec 2017 |  90 | R 4 450 | R 11 250 | R 411 750 |  |
|  |  | **TOTAL** | **360** |  | **R 45 000** | **R1 765 500** |  |
|  |  | **Returns:** |  |
|  |  | **DATE** | **NUMBER OF UNITS** | **UNIT PRICE** | **TOTAL CARRIAGE** | **TOTAL (INCLUDING CARRIAGE)** |  |
|  |  | 5 Sep 2017 | 3 | R4 750 | R375 | R14 625 |  |
|  |  | These returns are from the purchases of August 2017.  |  |
|  |  |  |  |
|  | **C.** | **Sales for the year:**  |  |
|  |  | 276 units for R2 303 800 |  |
|  | **D.** | **Possible theft of television sets:**Max has been informed by a cleaner that he suspects Susan of giving away television sets to her family members and friends. |  |

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| **QUESTION 6 STOCK VALUATION (26 marks, minutes)** |
|  |  | **STOCK VALUATION** |  |  |
|  |  |  |  |  |  |
|  |  | You are provided with information relating to Tholeni Stores. The business sells one type of leather jackets. The financial year ended on 28 February 2017. The business uses the weighted-average method for stock valuation and the periodic stock system. |  |  |
|  |  | **REQUIRED:** |  |  |
|  |  |  |  |  |  |
|  |  | **6.1** | Calculate the value of the closing stock on 28 February 2017 using the weighted-average method. |  | (9) |
|  |  | **6.2** | Calculate the average stock-holding period (in days) on 28 February 2017.  |  | (6) |
|  |  |  |  |  |  |
|  |  | **6.3** | Comment on the stock-holding period and explain how this would affect the business. Stock-holding period for 2016 was 100 days. |  | (4) |
|  |  | **6.4** | Calculate the value of the closing stock using the FIFO method. |  | (7) |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **INFORMATION:** |  |  |
|  |  | **A.** | **Stock balances:**

|  |  |  |
| --- | --- | --- |
| **Date** | **Jackets** | **Total value****(including carriage)** |
| 1 March 2016 | 610 | R312 900 |
| 28 February 2017 | 420 | **?** |

 |  |
|  |  |  |  |  |  |
|  |  | **B.** | **Purchases:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Date** | **Number of jackets** | **Cost price per jacket** | **Total purchases** | **Carriage per jacket** | **Total cost (including carriage)** |
| 15/03/2016 | 500 | R450 | R225 000 | R20 | R235 000 |
| 20/08/2016 | 800 | R480 | R384 000 | R25 | R404 000 |
| 28/11/2016 | 700 | R620 | R434 000 | R20 | R448 000 |
| 05/02/2017 | 400 | R650 | R260 000 | R25 | R270 000 |
| **TOTAL** | 2 400 |  | R1 303 000 |  | R1 375 000 |

 |  |
|  |  |  |  |
|  |  |  |  |  |
|  |  | **C.** | **Returns:** |  |
|  |  |  |  |  |
|  |  |  | Twenty (20) jackets from the purchases on 5 February 2017 were returned. The supplier agreed to refund the business the full amount for the cost including the carriage per jacket. |  |
|  |  |  |  |  |
|  |  | **D.** | **Sales for the financial year ended:** |  |
|  |  |  |  |  |
|  |  |  |

|  |  |
| --- | --- |
| **28 February2017** | **28 February 2016** |
|  R 3 100 000 | R1 800 000 |

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|  |  |  |  |  | **26** |

**FIXED ASSETS**

**QUESTION 7 – New Era Study Guide (35 Marks; 21 Minutes)**

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| The following information appeared in the books of Jana Traders for the financial year ended 31 December 2013 |
| **REQUIRED:** |
| 7.1 | Prepare the Asset disposal account in the General Ledger to take into account the donation of the vehicle. | (9) |
| 7.2 | Complete the Fixed Asset note. Show the individual depreciation amounts in order to score part marks. | (22) |
| 7.3 | The shareholders are concerned that the directors donated the old vehicle as they believe it could have been sold at a profit. Briefly explain TWO possible reasons why the directors decided on this method of disposing of the vehicle. | (4) |

**INFORMATION:**

1. The following balances were in the books:

|  |  |  |
| --- | --- | --- |
|  | **31 December 2013** | **1 January 2013** |
| Land and buildings | 1 450 000 | 1 200 000 |
| Vehicles | ? | 820 000 |
| Equipment | 217 000 | 195 000 |
| Accumulated depreciation on Vehicles | ? | 344 000 |
| Accumulated depreciation on Equipment | ? | 88 000 |

|  |  |
| --- | --- |
| B. | A new storeroom and extensions to the office block were completed during this financial year. |
| C. | On 1 July 2013, two new computers (equipment) were purchased on credit from Princeton Stores. No equipment was sold during this financial year. |
| D. | On 1 October 2013, an old vehicle, cost price R70 000, was donated to a local children’s home. The accumulated depreciation on this vehicle was R66 000 on 1 January 2013. |
| E. | Vehicles are depreciated at 20% on cost and equipment is depreciated at 15% on the carrying value. |

**QUESTION 8 New Era Study Guide (35 Marks; 20 Minutes)**

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| The fixed asset information appeared in the books of Boonzaier Traders for the financial year ended 30 June 2016 |
| **REQUIRED:** |
| 8.1 | Prepare the asset disposal account to take into account the trade – in of equipment on 1 March 2016. | (11) |
| 8.2 | Calculate the missing amounts denoted by **[a]** to **[e]** on the incomplete Fixed Asset note provided. | (20) |
| 8.3 | The preparation of a Fixed Assets Register serves as an important control measures for any business. Briefly explain why. Provide TWO suitable points. | (4) |

**INFORMATION:**

1. **Fixed Asset note (incomplete)**

|  |  |  |
| --- | --- | --- |
|  | **Land and Buildings** | **Equipment** |
| **Carrying value on 1 July 2015** | 1 300 000 | **[b]** |
| Cost | 1 300 000 | 420 000 |
| Accumulated depreciation | (0) | (186 000) |
| **Movements** |  |  |
| Additions | **[a]** | 160 000 |
| Disposals | (0) | **[c]** |
| Depreciation | (0) | **[d]** |
| **Carrying value on 30 June 2016** | **1 750 000** |  |
| Cost | 1 750 000 |  |
| Accumulated depreciation | (0) |  |

|  |  |
| --- | --- |
| **B.** | A new storeroom was constructed during the financial year. |
| **C.** | **Equipment:** |
|  | * On 1 March 2016, old equipment, cost price of R90 000, was traded in for new equipment valued at R160 000. The trade-in value received was R58 200. The accumulated depreciation on the equipment traded-in was

 R27 000 on 1 July 2015.* Equipment is depreciated at 15% on carrying value.
 |

**RECONCILIATIONS**

**QUESTION 9 ANSWER SERIES STUDY GUIDE**

**BANK RECONCILIATION STATEMENT ( 36 marks 24 minutes)**

The following items appeared in the Bank Reconciliation Statement of this business on 31 December 2014, the end of the accounting period:

|  |  |
| --- | --- |
| Debit balance according to Bank Statement |  R 9 380 |
| Outstanding deposit |  R24 712 |
| Outstanding cheques No. 3405 (dated 14 June 2014) |  R 2 400 |
|  No. 6721 (dated 26 December 2014) |  R 1 792 |
|  No. 6790 (dated 30 December 2014) |  R 1 200 |
|  No. 6802 (dated 15 January 2015) |  R 9 600 |
| ....................balance according to Bank account |  **?** |

 **ANSWER THE FOLLOWING QUESTIONS:**

|  |  |
| --- | --- |
| 1. Give THREE reasons why the reconciliation process must take place when the Bank Statement is received.
 |  (6) |
| 1. What does ‘debit balance according to Bank Statement’ mean?
 | (2) |
| 1. Cheque no. 3405 has been treated incorrectly by the bookkeeper. This cheque was originally sent to Orion Sports Club as a donation. Explain how it should be treated in the journals and why.
 | (4) |
| 1. Assuming that cheque no.3405 is treated correctly, calculate the correct bank balance on 31 December by drawing up the Bank Reconciliation Statement.
 | (7) |
| 1. Explain how cheque no. 6802 should be treated when preparing the financial statements and why.
 | (5) |
| 1. If cheque no.6721 does not appear in the Bank Statement in January 2015 what would you do?
 | (2) |
| 1. Give TWO possible reasons for ‘stopping’ a cheque.
 | (2) |
| 1. Explain how the reconciliation process identifies unethical behaviour and give TWO examples of such behaviour.
 | (8) |

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| **QUESTION 10** |  |
| **RECONCILIATION** | **(25 marks; 15 minutes)** |

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| 10.1 | You are provided with information related to SA Traders. |

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| **REQUIRED:** |
| 10.1.1 | **Calculate:*** The correct totals for the Cash Receipts Journal (CRJ) and the Cash Payments Journal (CPJ) for July 2018
* The bank account balance in the General Ledger on 31 July 2018
 |  |
| (15) |
| 10.1.2 | Prepare the Bank Reconciliation Statement on 31 July 2018. | (6) |
| 10.1.3 | Internal control of cash is lacking in SA Traders. Identify TWO problems and provide suitable advice to improve internal control. |  |
| (4) |

# INFORMATION:

|  |  |
| --- | --- |
| **A.** | The following items appeared in the Bank Reconciliation Statement on 30 June 2018: |

|  |  |
| --- | --- |
| Unfavourable balance on the bank statement | 17 828 |
|  | 93 140 |
| Outstanding deposit (1 March 2018) |  | 70 000 |  |
| Outstanding deposit (25 June 2018) |  | 23 140 |  |
| Outstanding cheques and EFT: |  |
|  | 13 350 |
| No. 215 (12 January 2018) |  | 1 210 |  |
| No. 670 (25 June 2018) |  | 5 200 |  |
| No. 671 (2 September 2018) |  | 1 760 |  |
| EFT payment to Zimbali Suppliers |  | 5 180 |  |
| Balance as per Bank account in the General Ledger | **?** |

|  |  |
| --- | --- |
| **B.** | Before receiving the July 2018 Bank Statement, the provisional totals in the Cash Journals on 31 July 2018 were: |
|  | * CRJ, R42 620
 |
|  | * CPJ, R20 921
 |

* 1. The Bank Statement for July 2018 shows the following items which do not appear in the Cash Journals for July 2018:

|  |  |
| --- | --- |
| **DETAILS** | **AMOUNT** |
| Deposit | 23 140 |
| Cheque no. 670 | 2 500 |
| Debit order Insure (Ltd.) for insurance | 1 080 |
| Debit order Insure (Ltd.) for insurance | 1 080 |
| EFT (Zimbali Suppliers) | 5 180 |
| Interest on bank overdraft | 172 |
| Service fees | 273 |
| Dishonoured cheque – N.Trollip to settle his account of R 1 400 | 1 316 |
| Dishonoured cheque – G.Smith (cheque post-dated) – **see D** | 4 200 |
| Direct deposit by tenant, D.Mahlangu | 8 000 |

# Note:

* + - Cheque no. 670 – The amount according to the Bank statement is correct.
		- The debit order for insurance was processed twice by the bank due to insufficient funds in the previous month. The overdraft facility was exceeded.
		- An investigation revealed that the deposit of R70 000, dated 1 March 2018, was never deposited at the bank. Malcolm, the previous bookkeeper, cannot be traced and it was decided to write off this amount.
	1. The following item appeared in the July 2018 Cash Receipts Journal:
		+ A post-dated cheque, received from G. Smith (a debtor) for R4 200, was banked in error. **(See C)**

The following items appeared in the July 2018 Cash Journals but not in the Bank Statement on 31 July 2018:

* + - EFT (processed by SA Traders but still outstanding on the Bank Statement) R3 380
		- Deposit (dated 31 July 2018) R11 800

**QUESTION 11 (Source Nov 2016)**

**DEBTORS CONTROL AND DEBTORS LIST OF LANDA TRADERS**

**REFER TO INFORMATION A, B, C** to calculate the following: -

11.1 The correct closing balance of the Debtors control account on 28 Feb 2019 the year end.

* 1. The correct amounts owing by Debtors:
		+ **J RAMSAY**
		+ **W SMITH**
		+ **C Simply**
	2. Landa Traders has the telephone numbers of all their debtors. What other information should they obtain before allowing customers to open accounts?

 **State TWO points with a reason in EACH case.**

**INFORMATION**

1. Balance of the Debtors’ control Account on 28 Feb 2019 , R 179 500 ( before the adjustments).
2. Debtors’ list on 28 Feb 2019

|  |  |  |
| --- | --- | --- |
| **DEBTORS** | **FOLIO** | **AMOUNT** |
| M Coley | DL1 | R60 200 |
| J Ramsay | DL2 |  37 500 |
| W Smith | DL3 |  19 500 |
| D Cummings | DL4 | 42 000 |
| C Prince | DL5 |  3 900 |
| **TOTAL** |  | **R163 100** |

**C. The following errors and omissions must be taken into account:**

1. An invoice for R2500 issued to W Smith was not recorded in the books of Landa Traders.
2. The total of the debtors’ allowances journal was posted to the Debtors’ control Account as R20 100 instead of R21 000.
3. An invoice for R4 300 issued to C Prince was erroneously posted to the account of Ramsay .
4. Stock for R5 100 sold to C Prince on credit was treated as a return of goods when posting to the Debtors’ ledger Account of C Prince.
5. A cheque for R8 350 originally received from J Ramsay in settlement of debt of R8 500 was returned by the bank marked R/D. No entries were made in the Debtors’ Ledger.
6. An invoice for R3 600 issued to W Smith was recorded correctly in the Debtors’ Journal but posted as R6 300 to his account in the Debtors’ Ledger.
7. The total for discount allowed in the CRJ was overstated by R500**.**

**QUESTION 12 ( *FS Trial Exam 2018)***

|  |  |
| --- | --- |
|  | **DEBTORS' RECONCILIATION** |
|  | The information below relates to Donovan Traders for March 2018. |
|  | **REQUIRED:** |
|  | 12.1  | Provide ONE reason why the balance of the Debtors’ Control Account and the total of the Debtors' List should be the same. | **(2)** |
|  |  |  |  |
|  | 12.2 | Calculate the correct Debtors' Control Account balance after taking into account the relevant errors and omissions.  | **(6)** |
|  |  |  |  |
|  | 12.3 | Calculate the correct balances for debtors B Tom and C Dick by taking into account the errors and omissions.  | **(8)** |
|  | **INFORMATION:** |
|  | Balance and totals on 31 March 2018 (before errors and omissions). |
| Debtors' control account in the General Ledger | R111 000 |
| Debtor's list: (before errors and omissions)  |  |
|  B Tom | R51 300 |
|  C Dick | R55 120 |

|  |
| --- |
| **Errors and omissions** |
|  |  |  |  |
|  | **A.** | The Debtors' Journal was incorrectly totalled as R34 320 instead of R29 140. |  |
|  |  |  |  |
|  | **B.** | An invoice issued to debtor B Tom for R900 has not yet been recorded in the books of Donovan Trader. |  |
|  |  |  |  |
|  | **C.** | A cheque of R6 750, received from debtor C Dick in full settlement of his account of R7 500, was returned by the bank marked R/D, insufficient funds. This transaction was not recorded. |  |
|  |  |  |  |
|  | **D.** | The bookkeeper posted an invoice for R1 500 to the wrong side of a debtor B Tom's account. Posting to the General Ledger was correct.  |  |
|  |  |  |  |
|  | **E.** | Goods sold on credit to debtor C Dick for R5 900 were correctly recorded in the Debtors' Journal but incorrectly posted to her account in the Debtors' Ledger as R9 500. |  |

**QUESTION 13 ( FS 2018)**

**CREDITORS RECONCILIATION**

**ZN Traders buys goods on credit from Styles Suppliers.**

|  |  |
| --- | --- |
| **REQUIRED:** |  |
| **13.1** | Use the table in the ANSWER BOOK to indicate how the balances given, will change when preparing the creditors’ reconciliation. Indicate the figure as well as a + for increase and a – for a decrease. |  |
| **INFORMATION:**

|  |  |
| --- | --- |
| Balance due to Styles Suppliers on 31 July 2018 as per Creditors’ Ledger account in the books of MZN Traders | 12 160 (Cr) |
| Balance due by MZN Traders on 28 July 2018 as per statement of account received from Styles Suppliers | 41 380 (Dr) |

 |  |
| **ERRORS AND OMISSIONS:** |  |
| **A.** | A payment of R8 700 by MZN Traders was not recorded in the Creditors’ ledger account and appear not on the statement as well. |
| **B.** | A discount of R950 for prompt payment was correctly recorded by MZN Traders. This was not reflected on the statement. |
| **C.** | MZN Traders recorded a debit note of R1 540 in the creditors’ ledger account of Styles Suppliers in error. This was for goods returned to another supplier. |
| **D.** | An invoice for R28 600 received from Styles Suppliers was recorded correctly in the Creditors’ Ledger account. The statement of account reflected this invoice as R26 800. |
| **E.** | The statement of account showed an invoice for goods purchased, R5 930. This transaction was not recorded in the books of MZN Traders. |
| **F.** | An invoice of R4 700 was incorrectly recorded as a payment by MZN Traders. |
| **G.** | A debit balance of R2 925 for repairs to a photocopier was transferred from the account of Styles Suppliers in the Debtors Ledger to their account in the Creditors Ledger. This transaction was not recorded by Styles Suppliers. |
| **H.** | A payment of R10 275 made on the 29 July 2018 by MZN Traders was not reflected in the statement.  |
| **Refer to information E:**An investigation revealed that this invoice was not recorded as the goods were taken by the store man, A Skelm for his private use. |
| **13.2** | Suggest TWO possible actions that the business can take against the store man. | **(4)** |
| **13.3** | Provide THREE internal control measures that the business can use similar incidents in future.  | **(6)** |

**QUESTION 14**

|  |  |  |
| --- | --- | --- |
|  | **CREDITORS’ RECONCILIATION** |  |
|  | Karoo Traders buys goods on credit from DM Suppliers. The business received a statement for June 2018 from the creditor. |  |
|  | **REQUIRED:** |  |
|  | 14.1 | Calculate the correct balance of DM Suppliers in the Creditors' Ledger of Karoo Traders. Show the changes to the figure R47 064. | **(8)** |
|  | 14.2 | Prepare a Creditors' Reconciliation Statement for DM Suppliers on 30 June 2018. | **(7)** |
|  | 14.3 | Explain TWO benefits of using electronic funds transfer (EFT) system rather than using cheques for direct payments to creditors. | **(4)** |
|  | 14.4 | State TWO consequences for the business if they do not pay the amount due to creditors on time. | **(4)** |
|  |  |  |  |
|  | **INFORMATION:** |  |
|  | **A.** | **Creditors’ Ledger of Karoo Traders** |  |
|  |  | **DM SUPPLIERS (CL7)** |  |
|  |  | **Date** |  | **Debit** | **Credit** |  **Balance** |  |
|  |  | 2018 | 01 | Account rendered |  |  | 35 920 |  |
|  |  | June | 05 | Invoice 346 |  | 11 808 | 47 728 |  |
|  |  |  | 07 | Debit note 69 | 816 |  | 46 912 |  |
|  |  |  | 13 | Cheque 207 | 22 788 |  | 24 124 |  |
|  |  |  |  | Discount | 3 532 |  | 20 592 |  |
|  |  |  | 14 | Invoice 135 |  | 6 929 | 27 521 |  |
|  |  |  | 16 | EFT- 675 | 1 000 |  | 26 521 |  |
|  |  |  | 23 | Invoice 378 |  | 7 188 | 33 709 |  |
|  |  |  | 24 | Invoice 396 |  | 8 829 | 42 538 |  |
|  |  |  | 30 | Invoice 407 |  | 4 526 | 47 064 |  |
|  | **B.** | **Statement of account received on 30 June 2018:** |  |
|  |  | **DM SUPPLIERS****PO Box 2245, Kaapsehoop 2201 Tel: 013 759 9902** |  |
|  |  | **Karoo Traders** | **Date: 25 June 2018** |  |
|  |  | **50 Main Road** | **Credit limit :R90 000** |  |
|  |  | **Emalahleni 1035** | **Payment terms: 60 days** |  |
|  |  | **DATE** | **DETAILS** | **DEBIT**  | **CREDIT** | **BALANCE** |  |
|  |  | 2018 | 01 | Balance |  |  | 35 920 |  |
|  |  | June | 05 | Invoice 346 | 10 296 |  | 46 216 |  |
|  |  |  | 07 | Credit Note 109 | 816 |  | 47 032 |  |
|  |  |  | 13 | Receipt 5140 |  | 22 788 | 24 244 |  |
|  |  |  | 16 | EFT-675 |  | 1 000 | 23 244 |  |
|  |  |  | 23 | Invoice 378 | 7 188 |  | 30 432 |  |
|  |  |  | 24 | Invoice 396 | 9 810 |  | 40 242 |  |
|  |  |  | 25 | Interest  | 29 |  | 40 271 |  |
|  | **C.** | **Additional Information:** |  |
|  |  | 1. | Invoice 346 on 5 June 2018 was correct according to the statement. |  |
|  |  | 2. | DM Suppliers made an error when recording goods returned on 7 June 2018.  |  |
|  |  | 3. | Karoo Traders qualified for discount with the payment on 13 June 2018. DM Suppliers granted only R2 532 as discount. They will show this on their statement next month. |  |
|  |  | 4. | Invoice 135 for R6 929 was recorded incorrectly in the Creditors' Ledger Account of DM Suppliers. This purchase was from Panday Suppliers. |  |
|  |  | 5. | A trade discount of 10% was deducted on Invoice 396. DM Suppliers did not take this into account. This will be rectified on the next statement. |  |
|  |  | 6. | The statement shows transactions up to 25 June 2018. |  |