

**ACCOUNTING GRADE 10**

**TEST : TANGIBLE ASSETS AND INTERNAL CONTROL**

**QUESTION 1: FIXED ASSETS AND INTERNAL CONTROL (29 marks)**

**1.1 FIXED ASSETS**

Ocean Breeze Traders’ financial year ends on 28 February 2020. K. Skoler is the owner.

K. Skoler has requested your help with the following:

**REQUIRED:**

1.1.1 Prepare the Fixed / Tangible assets note to the financial statements. (24)

 **Show all calculations to earn marks.**

1.1.1 According to which GAAP principle should all assets bought be recorded at

 the original cost price? (1)

**INFORMATION:**

**Extract from the Pre-adjustment Trial Balance on 28 February 2020**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Fol** | **Debit** | **Credit** |
| **Balance sheet accounts section** |  |  |  |
| Land and buildings |  | 450 000 |  |
| Vehicles |  | 130 000 |  |
| Equipment |  | 42 900 |  |
| Accumulated depreciation on vehicles |  |  | 58 500 |
| Accumulated depreciation on equipment |  |  | 13 080 |

**Adjustments and additional information:**

* + - Depreciation on equipment must be calculated at 15% p.a. on the diminished balance method. Equipment for R12 000 was purchased on 1 December 2019 and correctly recorded.
		- Depreciation on vehicles must be calculated at 20% p.a. on the cost price.

1.2 **INTERNAL CONTROL – BEKEZELA TRANSPORTERS**

Read the information below and answer the question.

Bekezela Transporters is owned by Bekezela Majola. He owns trucks and does deliveries within the boundaries of South Africa. One of his drivers has been hijacked twice in less than 8 months.He is worried that the insurance premuims have increased hugely because of claims submitted.

**REQUIRED:**

As an internal auditor of Bekezela Transporters what advice would you give to the

owner of the business for better internal control? Provide TWO points. (4)

**ANSWER BOOK**

|  |
| --- |
| **NOTE 3: FIXED / TANGIBLE ASSETS** |
|  | **LAND AND BUILDINGS** | **VEHICLES** | **EQUIPMENT** |
| Carry value @ the beginning of the year |  |  |  |
| Cost | **450 000** |  |  |
| Accumulated depreciation | - | **(58 500)** |  |
| **MOVEMENTS** |  |  |  |
| Additions at cost |  |  |  |
| Depreciation | - |  |  |
| Carry value @ the end of the year |  |  |  |
| Cost |  | **130 000** |  |
| Accumulated depreciation | - |  |  |

**1.1.1**

**24**

**10.1.2 According to which GAAP principle should all assets bought be recorded at the original cost price?**

**1**

**1.2 INTERNAL CONTROL**

**As an internal auditor of Bekezela Traders what advice would you give to the owner of business? Provide TWO points.**

**4**

**29**

**29**