

QUESTION 1**(28 Marks, 17 Minutes)****BANK RECONCILIATION AND GAAP**

The information relates to Andiswa Stores for June 2018.

REQUIRED:

- 1.1 Identify the GAAP principle being explained in each of the following sentences. Write the correct principle next to the question number (1.1.1 to 1.1.4) in the ANSWER BOOK. (4)
- 1.1.1 Income and expenses must be reported in the correct financial period.
- 1.1.2 Assets are recorded at their original cost price and not at carrying value.
- 1.1.3 Financial information of importance to decision making must be shown separately for the users of the information.
- 1.1.4 Financial Statements are prepared on the assumption that a business will continue in the foreseeable future.
- 1.2 Calculate the correct Bank Account balance for the month ended 30 June 2018. State whether this is a DR or a CR balance. (12)
- 1.3 Prepare the Bank Reconciliation Statement on 30 June 2018. (10)
- 1.4 **Refer to information B.**
Andiswa is unhappy that the internal auditor contacted the bank to query the amount of R14 200 that was credited to the Bank Statement. Give **ONE** reason why the internal auditors actions were correct. (2)

INFORMATION:**A. Balances / Totals for June 2018:**

Debit Balance per Bank Account (1 June 2018)	R35 700
Credit Balance as per Bank Statement on 30 June 2018	?
Provisional Cash Receipts Journal total (Bank Column)	R26 900
Provisional Cash Payments Journal total (Bank Column)	R24 600

B. A comparison of the Bank Account of the business with the Bank Statement, received from DBSA, Bank revealed the following:

- The Bank Statement included bank charges of R625 that were not recorded in the relevant Journal.
- The Bank Statement showed an amount of R56 000 for a fixed deposit that matured on 28 June 2018. No entry was made in the relevant Journal.
- A dishonored cheque of R1 280 received from a debtor in settlement of a debt of R1 350 was recorded on the Bank Statement only.

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- Cheque No. 25 for R2 300 issued to the Melmoth Child Welfare is stale. Upon investigation, it was discovered that this cheque was never received for reasons associated with post/delivery. Cheque number 82 was issued on 29 June 2018 as replacement. This cheque has not yet been presented to the Bank.
- A postdated cheque (No. 41) for R5 870 was issued on 31 March 2018 (but dated 31 July 2018) to pay for the school fees of the owner's child.
- Cheque No. 53 for R36 590 issued on 5 June 2018 to Dube Dealers appears as correct as R36 950 in the Bank Statement.
- Two separate deposits of R 12 600 and R6 800 respectively, made on 30 June 2018, do not appear in the June Bank Statement.
- An amount of R14 200 was credited on the June Bank Statement. Upon investigation, it was discovered that this money was not meant to be credited to the account of Andiswa Traders. The bank will rectify the error.

QUESTION 2**(52 Marks, 31 Minutes)****PARTNERSHIPS AND ASSET DISPOSAL**

The inexperienced bookkeeper of Moodley Brothers, a partnership run by M. Moodley and S Moodley, did not know how to record some of the year-end adjustments, as well as the sale of the businesses only vehicle.

REQUIRED:

- 2.1 Refer to **Additional Information A:** (12)
Analyse the adjustments into account debited, account credited and amount.
- 2.2 Refer to **Additional Information B:**
Complete the following regarding the sale of the only vehicle.
- 2.2.1 The extract from Fixed Asset register for the sold vehicle. (9)
- 2.2.2 The Asset Disposal account in the General Ledger. (9)
- 2.3 Calculate the new net profit for the year ended 28 February 2019 by taking recordings done in questions 2.1 and 2.2 using additional information A and B. (8)
- 2.4 Complete the Appropriation account in the General Ledger for the year ended 28 February 2019. Show calculations in brackets so part marks can be awarded. (12)
- 2.5 Do you think both partners must be satisfied with the partnership agreement? (2)
Comment on one aspect by quoting relevant figures.

INFORMATION:

Extract from the Balance Sheet for the year ended 28 February 2019:

Capital: M. Moodley	750 000
Capital: S. Moodley	500 000
Drawings: M Moodley	144 000
Drawings: S. Moodley	165 000
Vehicles at cost	360 000
Accumulated Depreciation on Vehicles	?

ADDITIONAL INFORMATION:**A. The following adjustments still need to be recorded for the year ended 28 February 2019:**

- I. The Water and Electricity account for February of R1 000 still needs to be paid.
- II. A physical stock take revealed that Trading Stock of R600 was missing from the store room.
- III. The Provision for Bad Debts need to be decreased by R450.
- IV. Insurance includes an amount of R1 750 prepaid for March 2019.

B. Vehicle

- The business have one vehicle which was purchased on 31 August 2016.
- Vehicles are depreciated at 20% per annum according to the fixed instalment method.
- The vehicle was sold for R170 000 cash on 31 January 2019.

C. The Net Profit, **before taking additional information A and B** into consideration, was R531 400.

D. Partnership Agreement

The partnership agreement stipulates the following:

- Both partners are entitled to a fixed monthly salary of a predetermined amount. M. Moodley has withdrawn his entire salary for the whole year. S. Moodley is still owed his salary for February 2018.
- The partners are to receive interest at a rate of 10% p.a. on the capital invested in the business. M. Moodley increased his capital contribution by R150 000 on 31 October 2018.
- The remaining profit / loss is to be split equally between both partners.

QUESTION 3**(20 Marks, 12 Minutes)****CREDITORS RECONCILIATION**

Tshabalala Traders buys goods on credit from Sithole Suppliers. The information presented is for February 2019.

REQUIRED:**3.1 Concepts****(4)**

Choose the correct answer from the words provided within brackets. Write only the answer, next to each number (1.1.1 – 1.1.4) in your ANSWER BOOK.

3.1.1 A (**debit note/credit note**) is the source document used when goods are returned by a debtor.

3.1.2 A (**cash discount/trade discount**) is offered when accounts are settled within a certain time.

3.1.3 A (**debit invoice/credit invoice**) is the source document used when goods are sold on credit to the debtor.

3.1.4 The Creditors Control account in the General Ledger is classified as a (**asset/liability**).

3.2 Performing a monthly Creditors Reconciliation is one way in which businesses can exercise control over their creditors. Discuss **TWO** other forms of internal control for creditors.

(4)

3.3 Reconcile the Creditors Ledger account of Sithole Suppliers in the books of Tshabalala Traders with the statement received.

(12)

INFORMATION:

A. Creditors Ledger of Tshabalala Traders
Sithole Suppliers (CL6)

Date		Details	Fol	Debit	Credit	Balance
Feb '19	1	Balance	B/D			34 200
	5	Invoice No. 843	CJ		4 770	38 970
	10	Cheque No. 3310	CPJ	17 500		21 470
		Discount	CPJ	875		20 595
	12	Invoice No. 1062	CJ		5 640	26 235
	16	Debit Note No. 216	CAJ	890		25 345
	28	Invoice No. 1124	CJ		9 560	34 905

B. Statement received from Sithole Suppliers

Date		Details	Debit	Credit	Balance
Feb '19	1	Receipt No. 2164		8 000	34 200
	5	Invoice No. 843	7 740		41 940
	10	Receipt No. 1328		17 500	24 440
	12	Invoice No. 1062	6 640		31 080
	16	Credit Note No. 743	890		31 970
	22	Invoice No. 772	3 860		35 830

C. The following differences were found when comparing the Creditors Ledger to the Statement:

- i. Invoice No. 843 was recorded incorrectly in the Creditors Ledger.
- ii. The Statement did not reflect the discount for early payment on the 10th. The Creditors Ledger is correct.
- iii. It was discovered that Invoice No. 1062 in the Statement included goods valued at R1 000 ordered by the owner for personal use. The bookkeeper was not aware of this.
- iv. Goods valued at R890 were returned to Sithole Suppliers on the 16th. It is shown as a debit entry in both the Creditor's Ledger as well as on the Statement.
- v. Invoice No. 772 on the statement was an error made by Sithole Suppliers. These goods were not purchased by Tshabalala Traders.
- vi. Goods purchased by Tshabalala Traders on 28 February 2019 had not yet been recorded by Sithole Suppliers.

TOTAL MARKS: 100