

## QUESTION 1: RECONCILIATIONS

(30 marks; 25 minutes)

### 1.1 BANK RECONCILIATION

The information relates to Scot Traders, owned by Scot Salaza. The business receives the official Bank Statement on the 25<sup>th</sup> of each month.

#### REQUIRED:

1.1.1 Calculate the correct Bank Account balance on 31 May 2024. (8)

1.1.2 Prepare the Bank Reconciliation Statement on 31 May 2024. (6)

1.1.3 Scot has been convinced by his bank manager that he should use online banking for his business, particularly as this makes payments easier through the use of electronic funds transfer (EFT). Scot is planning to employ Kiki to be responsible for all matters related to online banking.

Explain TWO important instructions that Scot should give to Kiki to ensure that corruption does not occur with regard to the processing of EFTs. (4)

#### INFORMATION:

A. The bookkeeper calculated the provisional bank balance as a positive R9 050 on 31 May 2024 using the opening Bank Account balance and totals from the Cash Receipts Journal (CRJ) and the Cash Payments Journal (CPJ), before receiving the May 2024 Bank Statement.

#### B. Figures from the Reconciliation Statement on 30 April 2024:

Unfavourable balance as per Bank Statement		R1 550
Outstanding deposits:	16 April 2024	4 000
	26 April 2024	15 000
Outstanding EFTs:	No. 632	7 800
	No. 633	5 480
Favourable Bank Account balance as per General Ledger		4 170

#### NOTE:

- The deposit on 16 April 2024 for R4 000 and EFT 632 for R7 800 were reflected on the May Bank Statement.
- The deposit on 26 April 2024 appeared as R10 000 on the Bank Statement. The cashier at the time was dismissed for theft, and this amount has to be written off.
- EFT 633 appeared on the May Bank Statement with the correct amount of R4 580. ...

- C.** A comparison of the May 2024 Bank Statement with the Cash Journals revealed the following:
- (i) Bank charges, on the Bank Statement only, amounted to R310.
  - (ii) A debit order for advertising, R1 780, was not recorded in the CPJ and was duplicated on the Bank Statement. The bank will correct the error next month.
  - (iii) The Bank Statement reflected a direct deposit into the business bank account for R25 000. This is an error by the payer. The bank will reverse the entry next month.
  - (iv) Interest on fixed deposit, R1 060, appeared on the statement but not in the journals.
  - (v) A deposit of R17 500 appeared in the CRJ, dated 27 May 2024.
  - (vi) EFT 819 for R11 880 was recorded in the CPJ on 28 May 2024.
- D.** The May 2024 Bank Statement reflected a balance of R?

## 1.2 DEBTORS' RECONCILIATION

Sidney Stores is a general dealer selling groceries for cash and on credit.

### REQUIRED:

Calculate the correct balance for EACH debtor on the list provided. Negative balances must be shown in brackets or with a '-' sign.

(12)

### INFORMATION:

**A. Extract from the debtors' list (before errors and omissions):**

A. Judy	DL1	R27 750
B. Benior	DL2	(400)
C. Oliver	DL3	19 300
D. Fiery	DL4	2 900

**B. Errors and omissions**

- (i) A receipt, R9 000, from Judy was posted in error to the Debtors' Ledger Account of Benior.
- (ii) Goods returned by Fiery, R7 100, appeared correctly in the DAJ. This, however, was posted as R710 to his account in the Debtors' Ledger.
- (iii) An invoice for R3 000 to Oliver was correctly recorded in the DJ. This, however, was erroneously posted as a receipt to his account in the Debtor's Ledger.
- (iv) During a sales promotion at Sidney Stores, Oliver bought goods on credit for R2 400 after being granted a 25% trade discount. However, the bookkeeper entered the gross amount in error to the DJ and posted this accordingly to the Debtor's Ledger.

**QUESTION 2: VAT AND STOCK VALUATION****(40 marks; 30 minutes)****2.1 VAT**

The information relates to Mphati Enterprises owned by partners John, Jacob and Jeremiah. The business is registered for VAT. They buy and sell standard and zero-rated products for cash and on credit. The standard VAT rate is 15%.

**REQUIRED:**

2.1.1 Calculate the VAT amount on the goods sold by the business. (4)

2.1.2 Calculate the amount payable to or receivable from SARS on 30 April 2024. (7)

**INFORMATION:**

A. **Balance:** Amount due by SARS on 1 April 2024: R5 340.

B. **Transactions affecting VAT calculations for April 2024:**

	VAT EXCLUSIVE R	VAT AMOUNT R	VAT INCLUSIVE R
<b>Purchases of stock:</b>	<b>730 000</b>		
• Standard-rate products	548 000	82 200	630 200
• Zero-rated products* see note below	182 000		
Total sales* see note below	839 800		
Debtors' accounts written off			31 510
Discounts received from creditors		4 800	

**\*NOTE:** All the zero-rated goods purchased were sold at 10% below cost during a sales promotion event. This amount is included in the total sales figure. There were no other zero-rated goods sold during April 2024.

## INVENTORY VALUATION

The information relates to Cell Scene Ltd. Nadine is the chief executive officer (CEO). The financial year ended on 29 February 2024.

- Cell Scene Ltd buys and sells two models of cellphones. **CLEO** is more expensive, while **BRUMA** is a basic and cheaper phone.
- All stock is valued using the specific identification valuation method.
- All goods are sold for cash or on credit card.
- There were no units missing during the year due to effective internal control measures.

### REQUIRED:

- 2.2 In addition to the two models of cellphones currently being sold, the directors are investigating whether a 3<sup>rd</sup> model, the **LITCHI**, should be imported from the USA. The first batch to be ordered would consist of 300 LITCHI phones. **See Information A.** Calculate the expected cost price of one LITCHI phone in rands per unit. (5)
- 2.3 Calculate the total value of the closing stock of the **CLEO** and **BRUMA** phones on 29 February 2024, using the specific identification method. (6)
- 2.4 Calculate the average stock turnover rate for the **CLEO** phone for 2024. (6)
- 2.5 The directors took decisions to adjust the mark-up % on **CLEO** and **BRUMA** phones for the 2024 financial year. Explain how these decisions impacted on the gross profit and cash flow of the company as well as on the stock turnover rate of each model over the past two years. Quote figures and trends. (8)
- 2.6 If the directors go ahead with the **LITCHI** phones and order a lot more in the future and sell it at a mark-up of 40% on cost, how could this impact on the sales of the **CLEO** and **BRUMA** phones? Explain, quoting figures to support your opinion. (4)

### INFORMATION:

#### A. SUGGESTED IMPORTING OF THE LITCHI PHONES

Unit price in US dollars	\$280
Number of LITCHI phones in first batch ordered	300 units
Exchange rate	\$1,00 = R17,50
Customs duty/taxes to be paid on delivery	12%
Total shipping costs from the USA to South Africa	R303 600

**B. EXTRACT FROM THE STOCK & SALES RECORDS**

	CLEO		BRUMA	
	2024	2023	2024	2023
Units on hand at beginning of year	270	400	200	300
Units purchased	2 265	1 345	2 450	2 440
Units sold during the year	2 180	1 475	1 730	2 540
Units on hand at end of year	?	270	920	200
Value of closing stock at year-end	?	R2 160 000	?	R400 000
Cost price per unit	R8 000	R8 000	R2 500	R2 000
Selling price per unit	R11 200	R12 000	R4 250	R3 000
% mark-up	40%	50%	70%	50%
Total sales	R24 416 000	R17 700 000	R7 352 500	R7 620 000
Gross profit	R6 976 000	R5 900 000	R3 027 500	R2 540 000
Stock turnover rate	?	4,4 times	3,1 times	10,2 times



1.1.3

**Explain TWO important instructions that Scot should give to Kiki to ensure that corruption does not occur with regard to the processing of EFTs.**

<b>POINT 1</b>	
<b>POINT 2</b>	

<b>4</b>

1.2

**EXTRACT: LIST OF DEBTORS**

<b>DEBTORS</b>	<b>WORKINGS</b>	<b>BALANCE</b>
<b>A. Judy</b>	<b>27 750</b>	
<b>B. Benior</b>	<b>(400)</b>	
<b>C. Oliver</b>	<b>19 300</b>	
<b>D. Fiery</b>	<b>2 900</b>	

<b>12</b>

<b>TOTAL MARKS</b>
<b>30</b>

**QUESTION 2**

2.1.1

<b>Calculate the VAT amount on the goods sold by the business.</b>	
<b>WORKINGS</b>	<b>ANSWER</b>

4

2.1.2

<b>Calculate the amount payable to or receivable from SARS on 30 April 2024.</b>	
<b>WORKINGS</b>	<b>ANSWER</b>

7

**INVENTORY VALUATION**

2.2

<b>Calculate the expected cost price of one LITCHI phone in rands per unit.</b>	
<b>WORKINGS</b>	<b>ANSWER</b>

5

2.3

<b>Calculate the total value of the closing stock of the CLEO and BRUMA phones on 29 February 2024, using the specific identification method.</b>		
<b>MODEL</b>	<b>WORKINGS</b>	<b>ANSWER</b>
CLEO		
BRUMA		
<b>TOTAL</b>		

6

2.4

<b>Calculate the average stock turnover rate for the CLEO phone for 2024.</b>	
<b>WORKINGS</b>	<b>ANSWER</b>

6

2.5

<b>The directors took decisions to adjust the mark-up % on CLEO and BRUMA phones for the 2024 financial year. Explain how these decisions impacted on the gross profit and cash flow of the company as well as on the stock turnover rate of each model over the past two years. Quote figures and trends.</b>		
	<b>CLEO</b>	<b>BRUMA</b>
<b>Explanation on gross profit &amp; cash flow</b>		
<b>Explanation on stock-turnover rates</b>		

8

2.6

If the directors go ahead with the LITCHI phones and order a lot more in the future and sell it at a mark-up of 40% on cost, how could this impact on the sales of the CLEO and BRUMA phones? Explain, quoting figures to support your opinion.

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TOTAL MARKS
40