Name

## QUESTION 1: VAT AND RECONCILIATION (30 marks; 20 minutes)

### 1.1 CONCEPTS

**REQUIRED:**

Choose a description from COLUMN B that matches the term in COLUMN A. Write only the letter (A–D) next to the question number (1.1.1–1.1.3) in the ANSWER BOOK, for example 1.1.4. E.

| COLUMN A | COLUMN B |
|---|---|
| 1.1.1 School fees | A VAT received by the trader for the sale of merchandise |
| 1.1.2 Output VAT | B an example of a VAT-exempt item |
| 1.1.3 VAT vendor | C VAT is included in the selling price |
| | D a business with an annual turnover of more than R1 000 000 |

(3 x 1) (3)

### 1.2 VALUE-ADDED TAX (VAT)

Thanda Traders is a VAT-registered business. All items are subject to VAT at 14%.

**REQUIRED:**

1.2.1 Calculate the amount of VAT either receivable from or payable to SARS on 31 July 2016. Indicate whether this amount is receivable or payable. (9)

1.2.2 The owner wants to change the VAT amount on bad debts from R840 to R4 200. Give ONE reason why you would disagree with him. (2)

**INFORMATION:**

The following transactions relate to Thanda Traders for the VAT period ended 31 July 2016:

| | | |
|---|---|---|
| A | Balance owing by SARS on 1 July 2016 | R16 800 |
| B | Purchase of trading stock (VAT exclusive) | R825 000 |
| C | Cash and credit sales (VAT inclusive) | R1 539 000 |
| D | VAT on discount received from suppliers | R1 120 |
| E | VAT on bad debts written off | R840 |

LIVEWORKSHEETS

1.3 **BANK RECONCILIATION**

The following information relates to Sizwe Traders for July 2016.

**REQUIRED:**

1.3.1 Calculate the correct balance of the Bank Account in the General Ledger on 31 July 2016. State if this balance is favourable or unfavourable. (8)

1.3.2 Prepare the Bank Reconciliation Statement on 31 July 2016. (6)

1.3.3 **Refer to Information C.**
Explain ONE internal control measure that the business should implement to ensure that this will not happen in the future. (2)

**INFORMATION:**

**A.** Extract from the Bank Reconciliation Statement on 30 June 2016:

| | |
|---|---|
| Favourable balance as per Bank Statement | R42 555 |
| Outstanding deposit: (dated 11 June 2016) | R37 800 |
| Outstanding cheques: | |
| No. 186 (dated 22 January 2016) | R450 |
| No. 305 (dated 30 August 2016) | R8 400 |

**B.** The balance in the Bank Account was provisionally calculated as a favourable balance of R16 785 on 31 July 2016, before taking into account the items listed below.

**C.** Cheque No. 186 does not appear on the Bank Statement for July 2016.

**D.** The following items appeared only on the July Bank Statement:

- Interest earned on favourable bank balance, R285
- Bank charges, R950
- Unidentified debit order of R1 950. The bank promised to correct this error on the August 2016 Bank Statement.

**E.** Cheque No. 374 appeared correctly on the Bank Statement as R8 450. The Cash Journal shows it as R4 850.

**F.** The outstanding deposit of R37 800 does not appear on the Bank Statement for July 2016. An investigation revealed that this money was never deposited. The cashier has disappeared.

**G.** The following entries were only in the Cash Journals for July 2016:

- A deposit of R27 180 made on 31 July 2016
- Cheque No. 401 (dated 18 July 2016), R18 600

**H.** The balance on the Bank Statement on 31 July 2016 is the missing figure.



LIVEWORKSHEETS

QUESTION 1

1.1 CONCEPTS

| | |
|---|---|
| 1.1.1 | |
| 1.1.2 | |
| 1.1.3 | |

1.2 VALUE-ADDED TAX (VAT)

1.2.1 Calculate the amount of VAT either receivable from or payable to SARS on 31 July 2016.

Receivable/Payable: _____

1.2.2 The owner wants to change the VAT amount on bad debts from R840 to R4 200. Give ONE reason why you would disagree with him.

LIVEWORKSHEETS

## 1.3 BANK RECONCILIATION

1.3.1 Calculate the correct balance of the Bank Account in the General Ledger on 31 July 2016.

| | |
|---|---|
| Provisional Bank balance | R16 785 |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| Correct Bank balance | |

Favourable/Unfavourable: _____

LIVEWORKSHEETS

1.3.2 Bank Reconciliation Statement as at 31 July 2016

| | | |
|---|---|---|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

1.3.3 Explain ONE internal control measure that the business should implement to ensure that this will not happen in the future.

LIVEWORKSHEETS