

Name

QUESTION 1: VAT AND RECONCILIATION (35 marks; 20 minutes)

1.1

CONCEPTS

REQUIRED:

Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (1.1.1 to 1.1.4) in the ANSWER BOOK.

1.1.1

Output VAT is collected by a business when goods are sold.

1.1.2

The calculation of salaries does not take VAT into account.

1.1.3

A credit balance on the Bank Statement indicates an unfavorable balance.

1.1.4

Recording bank charges separately from interest on an overdraft is an application of the materiality concept. (4 x 1)

(4)

1.2

VALUE-ADDED TAX (VAT)

The information relates to Long hill Traders for the VAT period ended 30 April 2019. The VAT rate of 15% applies to all goods and services.

REQUIRED:

Calculate the amount receivable from or payable to SARS for VAT on 30 April 2019. Indicate whether the amount is receivable or payable.

(11)

INFORMATION:

A.

Amount owed to SARS on 1 April 2019, R15 890

B.

VAT transactions for April 2019:

DETAILS	EXCLUDING VAT (R)	VAT AMOUNT (R)	INCLUDING VAT (R)
Returns by debtors		1 470	
Drawings by owner		3 075	
Debtors' accounts written off	8 700		10 005
Total purchases (cash and credit)	224 000		
Total sales			396 750

QUESTION 1

1.1

1.1.1	
1.1.2	
1.1.3	
1.1.4	

1.2

Calculate the amount receivable from or payable to SARS for VAT on 30 April 2019.

Workings	Answer

Receivable/Payable:

1.3 BANK RECONCILIATION

The following information relates to Thandeka Traders for May 2019.

REQUIRED:

- 1.3.1 Calculate the correct Bank Account balance on 31 May 2019. Indicate whether this is favourable or unfavourable.
- 1.3.2 Prepare the Bank Reconciliation Statement on 31 May 2019. The bank statement balance is the missing figure.
- 1.3.3 **Refer to Information B(iii).**

State TWO internal control measures that the business can use to ensure that this will not happen in the future.

INFORMATION:

- A. Before the bank statement was received, the Bank Account showed a favourable balance of R19 400 on 31 May 2019.
- B. Extract from the Bank Reconciliation Statement on 30 April 2019:

Outstanding deposit (dated 23 April 2019):	R31 560
Outstanding payments:	
Cheque 654 (dated 23 November 2018)	R2 350
EFT (electronic funds transfer)	R15 400
Cheque 705 (dated 30 June 2019)	R9 450

NOTE:

- (i) Cheque 654 does not appear in the May Bank Statement.
 - (ii) The EFT payment of R15 400 appears in the May Bank Statement.
 - (iii) The outstanding deposit of R31 560 does not appear in the May Bank Statement. An investigation shows that this is cash paid by a debtor and has never been deposited. The amount must be written off.
- C. The following items must also be taken into account:
- (i) Items appearing in the May Bank Statement but not in the journals:
 - Bank charges, R1 060
 - A deposit of R4 500 made by another business. The bank will correct this error in June 2019.
 - Interest on favourable balance, R313
 - (ii) Items appearing in the journals but not in the May Bank Statement:
 - A deposit of R21 343 made on 31 May 2019
 - Cheque 797 (dated 15 June 2019), R14 350
 - (iii) An EFT payment appeared correctly in the Bank Statement as R5 678. The Cash Journal shows this EFT as R6 578.

1.3 BANK RECONCILIATION

1.3.1 Calculate the correct Bank Account balance on 31 May 2019.

Provisional Bank balance R19 400

Favourable/Unfavourable:

1.3.2 Bank Reconciliation Statement on 31 May 2019

		DEBIT	CREDIT

1.3.3 State TWO internal control measures that the business can use to ensure that this will not happen in the future.