QUESTION 13 *[Memo p108; Ex Bk p15]*

Ledger, Analysis, Fixed assets note, Ethics

(60 marks; 45 minutes)

PART A [43]

The information below relates to Yenzo Retailers.

REQUIRED:

|  |  |  |
| --- | --- | --- |
| 13.1 | Prepare the following ledger accounts. Accounts must be balanced/closed off on 30 June 20.9. |  |
|  |  |  |
|  | 13.1.1 Equipment | (9) |
|  | 13.1.2 Accumulated depreciation on equipment | (13) |
|  | 13.1.3 Asset disposal | (9) |
|  |  |  |
| 13.2 | Answer the questions which follow. | (12) |

INFORMATION:

Information from the accounting records:

|  |  |  |
| --- | --- | --- |
|  | Debit | Credit |
| Equipment (30:06:20.9) | 150 000 |  |
| Accumulated depreciation on  equipment (1:07:20.8) |  | 32 500 |

Note:

* Depreciation on equipment is calculated at 15% p.a. on cost.
* Old equipment was sold for R3 000 cash on 28 February 20.9. This equipment was originally purchased for R9 800. The accumulated depreciation on this equipment on 1 July 20.8 was R5 100. Only the Equipment account was updated with this transaction. No other entries were made.
* More equipment costing R25 000 was purchased for cash on 31 August 20.8. This has been recorded.
* Additional printing equipment was purchased on credit on 30 June 20.9 for R8 000. This has also been recorded.

13.2 QUESTIONS:

|  |  |  |
| --- | --- | --- |
| 13.2.1 | Provide TWO possible reasons for disposing off an asset. | (2) |
|  |  |  |
| 13.2.2 | An asset can be sold for cash or on credit. Name TWO other ways in which an asset can be disposed off. | (2) |
|  |  |  |
| 13.2.3 | Fixed assets can be depreciated using the fixed instalment method. Name ONE other method of calculating depreciation. | (1) |
|  |  |  |
| 13.2.4 | The owner of Yenzo Retailers recently discovered that some of his drivers are using the business vehicles for their personal use. |  |
|  |  |  |
|  | (a) Should the owner be concerned about this? Explain why. | (3) |
|  | (b) Provide TWO control measures that the owner can put in place to exercise better control over the use of the vehicles. | (4) |

PART B [17]

Sandile is the newly appointed bookkeeper of Trident Traders. She is not sure as to how to complete the Fixed/Tangible assets note for the year ended 28 February 20.9. She requested your help.

REQUIRED:

|  |  |  |
| --- | --- | --- |
| 13.3 | Use the information supplied to complete the Fixed/Tangible asset note on 28 February 20.9. | (12) |
|  |  |  |
| 13.4 | Answer the questions which follow. | (5) |

INFORMATION:

* Cost price of vehicles on 1 March 20.8: R250 000.
* Carrying value of vehicles on 1 March 20.8: R128 000.
* No entry had been made for an old vehicle which was sold on 1 September 20.8. The details of this transaction are as follows:
  + - Cost price: R98 000
    - Carrying value on 1 March 20.8: R40 000
    - Selling price: R32 500
  + A new vehicle will be purchased during March 20.9 for R135 000.
  + The depreciation rate on vehicles is 20% p.a. according to the diminishing balance method.

13.4 QUESTIONS:

|  |  |  |
| --- | --- | --- |
| 13.4.1 | Calculate the total accumulated depreciation on the vehicle sold on 1 September 20.8. | (2) |
|  |  |  |
| 13.4.2 | Calculate the profit or loss on the vehicle sold. | (3) |

QUESTION 13 *[Study Guide p17; Memo p108]*

Ledger, Analysis, Fixed assets note, Ethics

(60 marks; 45 minutes)

PART A [43]

13.1 GENERAL LEDGER OF YENZO RETAILERS

BALANCE SHEET ACCOUNTS SECTION

13.1.1 Dr Equipment B Cr (9)

|  |  |  |  |  |  |  |  |  |  |
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13.1.2 Dr Accumulated depreciation on equipment B (13) Cr

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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NOMINAL ACCOUNTS SECTION

13.1.3 Asset disposal N (9)

|  |  |  |  |  |  |  |  |  |  |
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| --- | --- | --- |
| 13.2.1 | Identify TWO possible reasons for disposing off an asset. | (2) |
|  | | |
|  | | |
|  | | |
|  | | |
| 13.2.2 | Name TWO other ways in which an asset can be disposed off. | (2) |
|  | | |
|  | | |
| 13.2.3 | Name ONE method of calculating depreciation. | (1) |
|  | | |
| 13.2.4 | (a) Should the owner be concerned about this? Explain why. | (3) |
| YES / NO | | |
|  | | |
|  | | |
|  | | |
|  | (b) Provide TWO control measures that the owner can put in place to exercise better control over the use of the vehicles. | (4) |
|  | | |
|  | | |
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|  | | |

PART B [17]

13.3 NOTE TO THE FINANCIAL STATEMENTS ON 28 FEBRUARY 20.9

TANGIBLE/FIXED ASSETS (12)

|  |  |
| --- | --- |
|  | Vehicles |
| Carrying value at beginning of year |  |
| Cost |  |
| Accumulated depreciation |  |
| Movements |  |
| Additions at cost |  |
| Disposals at carrying value |  |
| Depreciation for the year |  |
| Carrying value at end of year |  |
| Cost |  |
| Accumulated depreciation |  |

|  |  |  |
| --- | --- | --- |
| 13.4.1 | Calculate the total accumulated depreciation on the vehicle sold on 1 September 20.8. | (2) |
|  | | |
|  | | |
|  | | |
| 13.4.2 | Calculate the profit or loss on the vehicle sold. | (3) |
|  | | |
|  | | |
|  | | |

QUESTION 13 *[**Study Guide p17; Ex Bk p15]*

Ledger, Analysis, Fixed assets note, Ethics

(60 marks; 45 minutes)

PART A [43]

13.1 GENERAL LEDGER OF YENZO RETAILERS

BALANCE SHEET ACCOUNTS SECTION

13.1.1 Dr Equipment B (9) Cr

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20.8  July | 1 | Balance\* | b/d | ✓✓126 800 | 20.9  Feb | 28 | Asset disposal✓ | GJ | ✓9 800 |
| Aug | 31 | Bank | CPJ | ✓25 000 | June | 30 | Balance *(Given)* | c/d | ✓150 000 |
| 20.9  June | 30 | Creditors control✓ | CJ | ✓8 000 |  |  |  |  |  |
|  |  |  |  | 159 800 |  |  |  |  | 159 800 |
| July | 1 | Balance | b/d | 🗹150 000 |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

\*(9 800 + 150 000) – (25 000 + 8 000)

13.1.2 Accumulated depreciation on equipment B (13)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20.9Feb | 28 | Asset disposal✓③ | GJ | 🗹6 080 | 20.8  July | 1 | Balance | b/d | ✓32 500 |
| June | 30 | Balance | c/d | ✓✓48 075 | 20.9  Feb | 28 | Depreciation①✓ | GJ | ✓✓980 |
|  |  |  |  |  | June | 30 | Depreciation②✓ | GJ | 🗹20 675 |
|  |  |  |  |  |  |  | (17 550✓ + 3 125✓) |  |  |
|  |  |  |  | 54 155 |  |  |  |  | 54 155 |
|  |  |  |  |  | July | 1 | Balance | b/d | 🗹48 075 |
|  |  |  |  |  |  |  |  |  |  |

NOMINAL ACCOUNTS SECTION

13.1.3 Asset disposal N (9)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20.9Feb | 28 | Equipment✓ | GJ | ✓9 800 | 20.9  Feb | 28 | Acc dep on equip.✓ | GJ | ✓✓6 080 |
|  |  |  |  |  |  |  | [5 100 + 980]③ |  |  |
|  |  |  |  |  |  |  | Bank✓ | CRJ | ✓3 000 |
|  |  |  |  |  |  |  | Loss on sale of asset✓ | GJ | 🗹720 |
|  |  |  |  | 9 800 |  |  |  |  | 9 800 |
|  |  |  |  |  |  |  |  |  |  |

① 9 800 x 15% x 8/12 = R980

② [126 800 – 9 800 x 15%] + [25 000 x 15% x 10/12]

= 17 550 + 3 125 = R20 675

③ 5 100 + 980 = R6 080

|  |  |  |
| --- | --- | --- |
| 13.2.1 | Identify TWO possible reasons for disposing off an asset. | (2) |
| *Any 2 valid reasons * | | |
| Old, high running costs, under-utilised, obsolete, etc. | | |
|  | | |
| 13.2.2 | Name TWO other ways in which an asset can be disposed off. | (2) |
| *Any 2 ways * | | |
| Donation; Trade-in; Scrapped / Taken over by the proprietor for personal use. | | |
|  | | |
| 13.2.3 | Name ONE other method of calculating depreciation. | (1) |
| Diminishing balance method.✓ | | |
|  | | |
| 13.2.4 | (a) Should the owner be concerned about this? Explain why. | (3) |
| Yes.✓ | | |
| Vehicle is not available for business use, maintenance and repairs are being done by the business, lifespan of vehicle is shortened.✓✓ | | |
| *Any other appropriate answer.* | | |
|  | | |
|  | (b) Provide TWO control measures that the owner can put in place to exercise better control over the use of the vehicles. | (4) |
| *Any 2 measures* ** | | |
| Install tracking devices. | | |
| Signing in and out of vehicles. | | |
| Keys to be handed in. | | |
| Keep a logbook. | | |
| *Any other appropriate answer.* | | |
|  | | |

PART B [17]

13.3 NOTE TO THE FINANCIAL STATEMENTS ON 28 FEBRUARY 20.9

TANGIBLE/FIXED ASSETS (12)

|  |  |  |
| --- | --- | --- |
|  | Vehicles |  |
| Carrying value at beginning of year | 128 000 |  |
| Cost | 250 000 |  |
| Accumulated depreciation | (122 000) |  |
| Movements | (57 600) |  |
| Additions at cost | 0 |  |
| Disposals at carrying value①(98 000 – 62 000) | (36 000) |  |
| Depreciation for the year②(4 000 + 17 600) | (21 600) | 🗹 |
| Carrying value at end of year | 70 400 | 🗹 |
| Cost | 152 000 |  |
| Accumulated depreciation  (122 000 + 21 600 – 62 000) | (81 600) | 🗹 |

① 98 000 – 40 000 = 58 000 + 4 000 = R62 000 (total accumulated depreciation on equipment sold)

98 000 – 62 000 = R36 000

OR 40 000 (carrying value) x 20% x 6/12 = R4 000 (current depreciation)

40 000 – 4 000 = R36 000

② [250 000 – 98 000] – [122 000 – 58 000] x 20%

[152 000 – 64 000] x 20%

88 000 x 20% = R17 600

Total: 17 600 + 4 000 = R21 600

|  |  |  |
| --- | --- | --- |
| 13.4.1 | Calculate the total accumulated depreciation on the vehicle sold on 1 September 20.8. | (2) |
| 98 000 – 40 000 = R58 000 | | |
| 58 000 + 4 000 = R62 000✓🗹 | | |
|  | | |
| 13.4.2 | Calculate the profit or loss on the vehicle sold. | (3) |
| 98 000 – 62 000 *(see 4.1.1)* = R36 000 | | |
| 36 000 – 32 500 = R3 500🗹✓ [loss✓] | | |
|  | | |