MODULE 12 VALUE ADDED TAX

TASK 12.1 Baseline Assessment: Matching of columns

COL	UMN A	COLUMN B
1.	VAT inclusive	
2.	VAT vendor	
3.	Input tax	
4.	VAT invoice	
5.	VAT exclusive	
6.	Zero rated supplies	
7.	Bi-monthly payments	
8.	Invoice basis	
9.	Output tax	
10.	Receipts basis	

TASK 12.2 **≇** Basic calculations

NO.	VAT EXCLUSIVE AMOUNT	VAT AMOUNT	VAT INCLUSIVE AMOUNT
1.	R400,00		
2.	R700,00		
3.	R360,00		
4.			R780,00
5.			R1 240,00
6.			R290,00
7.		R44,40	
8.		R122,00	
9.		R210,00	

TASK 12.3 **≇** Helen's Health Shop: Calculation of amount owed to / by SARS

			Amounts	Owed to/by SARS		
No.	Details	Excluding VAT	VAT	Including VAT	VAT Input	VAT Output
12.3.1	Helen buys trading stock on credit from suppliers.	R30 000				
12.3.2	Helen sells goods for cash.	R20 000				
12.3.3	Helen sells goods on credit.	R24 000				

12.3.4	Helen returns stock that she had bought on credit.			R1 840		
12.3.5	Helen buys equipment for the business on credit.		R825			
12.3.6	Debtors return goods which they did not order.		R180			
12.3.7	Helen writes off bad debts.	R600				
12.3.8	Helen draws trading stock for personal use.		R150			
				TOTALS		
					OWED TO SA	ARS FOR VAT

TASK 12.4 **≇** Hari's Hardware Shop: Calculation of amount owed to / by SARS

			Amounts	Owed to	by SARS	
No.	Details	Excluding VAT	VAT	Including VAT	VAT Input	VAT Output
12.4.1	Amounts brought forward from previous month.				R2 415	R5 865
12.4.2	Hari buys trading stock for cash from suppliers.	R15 000				
12.4.3	Hari buys trading stock on credit from suppliers.	R42 000				
12.4.4	Hari sells goods for cash.	R18 000				
12.4.5	Hari sells goods on credit.	R33 000				
12.4.6	Hari's creditors grant him trade discount on stock that he had earlier bought on credit.			R4 600		
12.4.7	Hari buys stationery on credit for the business.			R1 725		
12.4.8	Hari grants cash discount to debtors on settlement of their debts.			R1 955		
12.4.9	Hari receives cash discount from creditors on settlement of his accounts.			R1 035		
12.4.10	Hari reverses cash discount on a dishonoured cheque.			R287,50		
12.4.11	Hari buys a delivery vehicle for the business by cheque.		R16 500			

12.4.12	order.	R420			
12.4.13	Hari writes off bad debts.	R525			
12.4.14	Hari draws trading stock for personal use.	R450			
			TOTALS		
				OWED <u>BY</u>	SARS FOR AT

TASK 12.5 Muzi's Music: Entries directly in the VAT Control account

GENERAL LEDGER OF MUZI'S MUSIC SHOP BALANCE SHEET ACCOUNTS SECTION

				BALANCE SHEET ACCOUNTS SECTION									
Dr			NTROL	OL B		В	C	Cr					
20.8					20.8								
20.8 Aug	31				Aug								
······································													
						•				_			
					Sept								
					ОСРС								
	1		1			1			1				

TASK 12.6 **#** ★ Kally's Computer Shop: Entries directly in the VAT Control account

GENERAL LEDGER OF KALLY'S COMPUTER SHOP BALANCE SHEET ACCOUNTS SECTION

Dr		VAT CONTROL				В		Cr		
20.3 May	31				20.3 May					
June	1									
June	<u> </u>									

TASK 12.7 Shaun's Shoe Shop: Entries directly in the VAT **Control account**

GENERAL LEDGER OF SHAUN'S SHOE SHOP BALANCE SHEET ACCOUNTS SECTION

Dr			VAT CO	NTROL	-	В	Cr	
20.4 April	30			20.4 Apr				
				May	1			

TASK 12.8 **≇♦♦♦** Fixx Furniture Shop: Entries directly in the VAT **Control account**

GENERAL LEDGER OF SHAUN'S SHOE SHOP BALANCE SHEET ACCOUNTS SECTION

Dr			VAT CONTROL			В	Cr
20.6 Oct	31			20.6 Oct	1		
					31		
Nov	1						

TASK 12.9 ♠

Ekshay Fashions: Ledger accounts

GENERAL LEDGER OF EKSHAY FASHIONS BALANCE SHEET ACCOUNTS SECTION

Dr		BALANCE SHEE	T OUTPU		В	Cr
20.9			20.9			
July	31		July	1		
				31		
				J1		
			A = TAIDIIT		_	
20.0		V	AT INPUT		<u>B</u>	
20.9 July	1		20.9 July	31		
July			July	31		
	31					
Dr		VAT CON	NTROL AC	COUNT	В	Cr
20.9			20.9			
July	31		July	31		
			Aug	1		
OR Dr		V A*	T CONTRO	N	В	Cr
20.9		VA		<u> </u>	<u> </u>	
July	31		20.9 July	1		
				31		
						1
			=			
			Aug	1		

Redberry Stores: Calculations, Journal entries, VAT control account

12.10.1

Cash Receipts Journal:

Bank	VAT Output	Sales	Cost of sales	Fee income	Sundry accounts
	12 000,00			16 600,00	0
	В				

Cash Payments Journal:

		Trading	Equip-	Station	Creditors control		Sundry	
Bank	VAT Input	Trading stock	Equip- ment	Station- ery	Payments	Discount received	accounts	
		48 330	8 090	2 480	19 860	0	2 900[1]	
	В							

Petty Cash Payments Journal:

Petty cash	VAT Input	Trading stock	Consum- ables	Casual wages	Sundry expenses	Sundry accounts
2 840		900	180		140	-
	В					

Debtors Journal:

Debtors control	VAT Output	Sales	Cost of sales	
			37 380	
	В			

Debtors Allowances Journal:

Debtors control	VAT Output	Debtors allowances	Cost of sales		
		4 900			
	В				

Creditors Journal:

Creditors control	VAT Input	Trading stock	Equipment	Consumables	Sundry accounts
34 960			4 320	1 400	0
	В				

Creditors Allowances Journal:

Creditors control	VAT Input	Trading stock	Equipment	Consumables	Sundry accounts	
		1 800	0	0	0	
	В					

12.10.2 General Journal entries:

GJ

Doc	D	Details	Fol	Dr	Cr	Deb con	tors trol	Cred con	itors trol
						Dr	Cr	Dr	Cr
14	31	Drawings		1 265					
		VAT Output							
		Trading stock							
•••••		Stock taken by proprietor for							
		private use							
15		A. Straggler		124		124			
		Interest on overdue a/c			124				
		Interest charged on overdue account							
		_							

GENERAL LEDGER OF REDBERRY STORES BALANCE SHEET ACCOUNTS SECTION

Dr		VA	T OUTPUT	В	Cr
20.9 Jan			20.9		
Jan	31		Jan 1		
			31		
				<u> </u>	

_				INPUT	•	В		
20.9				20.9				
Jan	1	 		Jan	31			
	31	 						
			-					

	VAT CONTROL ACCOUNT B									
20.9					20.9					
Jan	31				Jan	31				
					Feb	1				

OR			VAT CONTR	OL ACCOUNT			В	
20.9				20.9				
Jan	31			Jan	1			
					31			
				Feb	1			

TASK 12.11 **#**♦♦ Transaction analysis

No.	Jaures	Gei	neral Ledger	A
NO.	Journal	Account debit	Account credit	Amount
1.				
2.				
۷.				
3.				
4.				
5.				
6.				
7.				
8.				

9.			
10.			

TASK 12.12 **#** ★ Mary Traders: Interpretation, Theory

12.12.1	What doe	s VAT stand for?		
12.12.2	Why does	Mary Traders ha	ve to be regist	tered for VAT?
12.12.3	What is the	he difference bet	ween VAT Inpu	ut and Output?
VAT Inpu				•
VAT Out				
VAI Out	put:			
12.12.4	Evolain t	ne meaning of ea	ch of the follow	wing:
12.12.7	Standa		cir or the rollov	wing.
	• Stanua	IIU VAI		
	• Zero-ra	ated VAT		
	· Leio it	ittu vai		
	• VAT ex	emnted		
	· VAI CA	Cilipted		
12.12.5	Use the in	nformation given	below to calcu	ulate the amount owed to SARS or the amount
				usiness owes SARS or whether SARS owes the
	business.			ionicos ovico oración vincinci oraco ovico inc
	Businessi			
VA	T Input	VAT Output	Workings	
	Liiput	VAI Output	Workings	
		<u> </u>	=	

12.12.6	The owner of Mary Traders has told the accountant to write off more bad debts than there actually are, each year.							
	(a) Why do you think the owner has suggested this course of action? Explain briefly.							
	prierry.							
	(b) The accountant is not prepared to do this. Briefly explain why you think he feels like this by discussing two points.							
•								
TASK	12.13 Willow Traders: Interpretation, Theory							
12.13.1	Willow Traders does not have to register as a VAT vendor in terms of the law. Briefly explain why you think the business has registered.							
	explain why you timin the business has registered.							
Reason:								
12.13.2								
	amount owed by SARS. Indicate whether the business owes SARS or SARS owes the business.							
VAT	Input VAT Output Explanation / Workings							
12.13.3	SARS encourages all their VAT vendors to submit their VAT returns by e-filing. (a) What do you understand by e-filing?							
	(2)							
	(b) How can SARS guarantee security if using e-filing?							

(c) What is the advantage to the business for using e-filing?					

12.13.4

STATEMENT		TRUE/ FALSE	REASON WHY FALSE
1.	VAT is levied at 10% p.a.		
2.	It is compulsory by law that all businesses have to register as a VAT vendor.		
3.	VAT charged on services given is charged to VAT Input.		
4.	VAT paid on trading stock bought is charged to VAT Input.		
5.	Fresh fruit is exempted from VAT.		
6.	VAT is levied on petrol.		
7.	Interest earned from the bank is subject to VAT.		
8.	All VAT is collected by the Department of Labour.		
9.	The VAT period is based on one month.		
10.	VAT Input and VAT Output accounts are closed off to the Trading account.		
11.	The receipt basis is the preferred method of VAT collection.		

TASK 12.14 **#**♦♦♦ Ethics and control

No.	Problem	Solution
1.		
2.		
3.		
4.		

5.	
6.	
7.	
8.	

CHECKLIST:

Skills	Yes – proficient	Requires more attention	Complete
Understands how VAT works.			
Can calculate the amount of VAT if the price			
quoted is exclusive.			
Can calculate the amount of VAT if the price			
quoted is inclusive.			
Understands the difference between invoice			
and receipt base for the payment of VAT.			
Appreciates the penalties attached to fraud and			
evasion.			
Understands the need to adapt journals to			
accommodate VAT.			
Can record VAT transactions in the General			
Ledger.			
Understands the need for full disclosure and			
proper record keeping.			
Can discuss ethical issues relating to VAT.			