

MODULE 12

VALUE ADDED TAX

TASK 12.1 Baseline Assessment: Matching of columns

| COLUMN 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

| No. | Details | Amounts | | | Owed to/by SARS | |
|--------|--|---------------|-----|---------------|-----------------|------------|
| | | 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 SARS FOR VAT | |

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

| No. | Details | Amounts | | | Owed to/by SARS | |
|----------------|--|----------------|----------------|----------------|-----------------|---------------|
| | | 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 | | | |

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|----------------|--|--|-------------|---------------|-----------------------------|--|
| 12.4.12 | Debtors return goods which they did not order. | | R420 | | | |
| 12.4.13 | Hari writes off bad debts. | | R525 | | | |
| 12.4.14 | Hari draws trading stock for personal use. | | R450 | | | |
| | | | | TOTALS | | |
| | | | | | OWED BY SARS FOR VAT | |

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

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

| Dr | | | | VAT CONTROL | | | | B | | | | Cr | | | |
|------|----|--|--|-------------|--|--|--|------|--|--|--|----|--|--|--|
| 20.8 | | | | | | | | 20.8 | | | | | | | |
| Aug | 31 | | | | | | | Aug | | | | | | | |
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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 | | | | B | | | | Cr | | | |
|------|----|--|--|-------------|--|--|--|------|--|--|--|----|--|--|--|
| 20.3 | | | | | | | | 20.3 | | | | | | | |
| May | 31 | | | | | | | May | | | | | | | |
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| June | 1 | | | | | | | | | | | | | | |
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TASK 12.10 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 |
| | B | | | | |

Cash Payments Journal:

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

Petty Cash Payments Journal:

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

Debtors Journal:

| Debtors control | VAT Output | Sales | Cost of sales |
|-----------------|------------|-------|---------------|
| | | | 37 380 |
| | B | | |

Debtors Allowances Journal:

| Debtors control | VAT Output | Debtors allowances | Cost of sales |
|-----------------|------------|--------------------|---------------|
| | | 4 900 | |
| | B | | |

Creditors Journal:

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

Creditors Allowances Journal:

| Creditors control | VAT Input | Trading stock | Equipment | Consumables | Sundry accounts |
|-------------------|-----------|---------------|-----------|-------------|-----------------|
| | | 1 800 | 0 | 0 | 0 |
| | B | | | | |

12.10.2 General Journal entries:

GJ

| Doc | D | Details | Fol | Dr | Cr | Debtors control | | Creditors control | |
|-----|----|---|-----|-------|-----|-----------------|----|-------------------|----|
| | | | | | | 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 | | | | | | | |
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**GENERAL LEDGER OF REDBERRY STORES
BALANCE SHEET ACCOUNTS SECTION**

| Dr | | | | VAT OUTPUT | | | | B | | Cr |
|------|----|--|--|------------|----|--|--|---|--|----|
| 20.9 | | | | 20.9 | | | | | | |
| Jan | 31 | | | Jan | 1 | | | | | |
| | | | | | 31 | | | | | |
| | | | | | | | | | | |
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| | | | | VAT INPUT | | | | B | | |
|------|----|--|--|-----------|----|--|--|---|--|--|
| 20.9 | | | | 20.9 | | | | | | |
| Jan | 1 | | | Jan | 31 | | | | | |
| | 31 | | | | | | | | | |
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VAT CONTROL ACCOUNT

B

| | | | | | | | | | |
|------|----|--|--|--|------|----|--|--|--|
| 20.9 | | | | | 20.9 | | | | |
| Jan | 31 | | | | Jan | 31 | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | Feb | 1 | | | |
| | | | | | | | | | |

OR

VAT CONTROL ACCOUNT

B

| | | | | | | | | | |
|------|----|--|--|--|------|----|--|--|--|
| 20.9 | | | | | 20.9 | | | | |
| Jan | 31 | | | | Jan | 1 | | | |
| | | | | | | 31 | | | |
| | | | | | | | | | |
| | | | | | Feb | 1 | | | |
| | | | | | | | | | |

TASK 12.11  **Transaction analysis**

| No. | Journal | General Ledger | | Amount |
|-----|---------|----------------|----------------|--------|
| | | Account debit | Account credit | |
| 1. | | | | |
| 2. | | | | |
| 3. | | | | |
| 4. | | | | |
| 5. | | | | |
| 6. | | | | |
| 7. | | | | |
| 8. | | | | |

(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. | | | |