QUESTION 1

Mokete's financial year ends on 31 August. He provided the following information for the year ended 31 August 2019. The annual insurance is M2000. Part of the business premises are rented out of M3600 per annum.

	1 September 2018	31 August 2019
	M	M
Rent receivables	1000 (prepaid)	50 (owing)
Insurance	560 (owing)	800 (prepaid)

During the year, the following transactions took place:

1 November 2018 received M1 100 cheque from the tenant
27 February 2019 paid M2010 by cheque for insurance
28 March 2019 received a cheque of M1 450 from the tenant
29 June 2019 paid M1 350 by cheque for insurance

Prepare the rent receivable and insurance accounts for the year ended 31 August 2019. Balance the accounts and show any transfer to the income statement.

(ii) Mokete's Insurance Account

(ii) Name the section of the statement of financial position on 31 August 2019 in which the balances of the above accounts would appear.

(b)(i) Mokete received the following bank statement on 30 June 2019.

Bank Statement

Date 2019	Details	Withdrawals M	Deposits M	Balance M
June 1	Balance			611 Dr
5	Tsosane	85		696 Dr
9	Cash (sales)		1201	505 Cr
20	Mapotlo	91		414 Cr
21	Nthethe	637		223 Dr
24	Sms Supermarket		777	554 Cr
28	Bank charges	114		796 Dr
29	Insurance	1350		910 Dr
30	Interest		38	872 Dr

The cash book for the month ended 30 June 2019 was as follows:

Cash Book (bank account)

2019	M	2019	M
9 June Sales	1201	1 June Balance b/d	611
20 June SMS Supermarket	777	3 June Tsosane	85
24 June Molise	70	16 June Mapotlo	91
26 June Kepa	34	19 June Nthethe	637
		25 June Mokoetje	56
		28 June Bank Charges	114
30 June Balance c/d	862	29 June Insurance	1350
	2944		2944
		1 July Balance b/d	862

QUESTION 2

Poleliso is a trader, her financial year ends on 30 September. On 1 January 2016, she bought a new motor vehicle costing M195 000, with the estimated life span of 10 years and residual value of M45 000. A replacement motor vehicle was bought from Tee and Tee (Pty) Ltd on the same date for M100 000. The business uses the straight line method of depreciation which id charged for every month of ownership.

(a) Prepare the following accounts in the ledger of Poleliso's business for the four years ended 30 September 2019. Where necessary balance the accounts at the end of the period.

(ii) Provision for depreciation of motor vehicle account

Motor vehicle disposal account

[4]

(b) Mention and explain two accounting principles upon which the provision and reporting of depreciation are based.

(c) **(i)** State two causes of depreciation on non-current assets

(ii) Which method of depreciation for the calculation of depreciation on the non-current assets below:

QUESTION 3

(a) The balances below are extracted from the books of Thaba Bosiu Trading on 30 September 2019.

	M
Capital	59 600
Purchases	45 000
Revenue	99 000
Rent	11 100
Drawings	12 100
Returns outwards	1 800
Salaries and wages	5 900
Trade receivables	20 700
Trade payables	15 900
General expenses	4 500
Cash at bank	8 100
Motor vehicle at cost	55 000
Inventory at 1 Oct 2018	31 300

Prov for dep: Motor V. 1 Oct. 2018	15 900
Provision for doubtful debts on 1 Oct 2018	1 500

(a) From a list of balances given above, prepare a trial balance on 30 September 2019.

EXPECTED RESPONSE

Thaba Bosiu Trading

Trial Balance as at 30 September 2019

Capital		59 600	
Purchases	45 000		
Revenue		99 000 **(1)**	
Rent and Insurance	11 100		
Drawings	12 100		
Returns outwards		1 800	
Trade and wages	5 900		
Trade receivables	20 700 **(1)**		
Trade payables		15 900	
General expenses	4 500		
Bank	8 100		
Motor vehicle	55 000		
Inventory	31 300		
Provision for depreciation: M Vehicle		15 900 **(1)**	
Provision for doubtful debts		1 500 **(1)**	
	193 700	193 700 **(1 for both totals)**	**[5]**

After having prepared the trial balance, the following additional information was discovered.

Additional information on 30 September 2019:

1) Inventory at 30 September 2019 was valued at M16 500
2) M400 was owing for general expenses on 30 September 2019
3) Rent for the warehouse of M600 was paid for the year ended 31 January 2020
4) The provision for doubtful debts is to be increased by M400
5) The bank statement for the month ended 30 September 2019, included bank charges of M300 which were not recorded in the books.
6) Motor vehicles are to be depreciated at 20% per annum on cost.

(b) Prepare an income statement for the year ended 30 September 2019

(c) State one difference between trading business and service business

QUESTION 4

LMK (Pty) Ltd provided the following information

On 1 October 2018:	M
4% Debenture	50 000
Equity and reserves:	
400 000 ordinary shares of 0.50 each	
General reserve	48 000
Retained earnings	18 000

For the year ended 30 September 2019:

Issue of additional 200 000 ordinary shares of M0.50 each	
Payment of final divided on ordinary shares for the previous year	10 200
Payment of interim dividend on ordinary shares for the current year	8 810
Transfer to the general reserve	12 000
Revenue	180 200
Profit for the year (before debenture interest)	28 920

(a) Prepare the statement of changes in equity for the year ended 30 September 2019.
(b) Suggest two reasons why reserves are important to a limited company
(c) Explain the meaning of the following terms in limited companies
- **(i)** Equity
- **(ii)** Limited liability

(d) State two ways in which a company may take advantage of retained profits
(e) State two characteristics of debentures

QUESTION 5

The following is the summarised statement of financial position of Leseli for the year ended 31 December 2018.

	M	M
Non-current assets	590 000	
Current assets	160 000	
	750 000	
Long term loan		180 000
Current liabilities		55 000
Equity		515 000
		750 000

The following additional information is also available:

1. | | |
   |---|---|
   | Opening Inventory | M 155 000 |
   | Closing Inventory | M 95 000 |
   | Total expenses | M 60 000 |
   | Profit for the year | M 150 000 |
2. The rate of Inventory turnover was 4 times

(a) Calculate the following to **one** decimal place
- **(i)** Cost of sales
- **(ii)** Gross Profit mark-up
- **(iii)** Profit for the year as a percentage of turnover *(to two decimal place)*

(b) **(i)** Leseli's business rate of inventory was 7 times on 31 December 2017.
Suggest two possible reasons for the fall in the ratio on 31 December 2018.

(ii) Explain the importance of the rate of inventory turnover to Leseli's business.

(c) **(i)** calculate Leseli's working capital ratio *(to one decimal place)*
- **(i)** Suggest **three** ways to improve working capital