

Monyetla Project – Accounting Gr 11

Lesson 2: Asset disposal and Fixed assets

QUESTION 1: TOP CAT CATERING

(50 marks, 40 minutes)

Mr Aly Cat started his catering business, Top Cat Catering, in 2000. As his business grew, he had to purchase a fleet of delivery vehicles.

REQUIRED

- 1.1 Complete the entries in the Fixed Asset Register in respect of vehicles no 2 on 31 December 2014. (13)
- 1.2 Prepare the following accounts in the General Ledger of Top Cat Catering for the accounting period 1 January 2014 to 31 December 2014:
 - Vehicles (8)
 - Accumulated depreciation on vehicles (12)
 - Asset disposal (10)
- 1.3 Complete the note to Tangible Assets in the Balance Sheet of Top Cat Catering on 31 December 2014. (7)

INFORMATION:

1. The following information was taken from the books of Top Cat Catering on 1 January 2014, the beginning of the new financial year:

Vehicle	Cost	Accumulated depreciation	Carrying value
1) HHS 172 GP	R90 000	R72 000	R18 000
2) RZS 423 GP	R120 000	R56 000	R64 000

2. On 1 April 2014 he purchased a new vehicle (SPV 334 GP) from PB Motors for R155 000. He also paid a cash deposit of 10% on the same day.
3. On 30 September 2014 vehicle no 2 (RZS 423 GP) was sold on credit to C Manthata for R5 000 more than the carrying value on that date.
4. Depreciation on vehicles is provided at 20% per annum on cost.

Lesson 2: Asset disposal and Fixed assets**QUESTION 2: JL TRADERS****(18 marks, 15 minutes)**

The following information was taken from the accounting records of JL Traders, with partners Jessie and Lizzy.

REQUIRED:

Prepare the Property, plant and equipment (Fixed assets) note to the Balance Sheet on 28 February 2018 (18)

INFORMATION:**Extraction from the Trial balance on 28 February 2018**

Capital: Jessie	550 000
Capital: Lizzy	430 000
Current account: Jessie (1 March 2017 – credit)	16 000
Current account: Lizzy (1 March 2017 – debit)	1 200
Mortgage bond: SA Bank	120 000
Drawings: Jessie	90 000
Drawings: Lizzy	150 000
Vehicles (01/03/2017)	340 000
Equipment (28/02/2018)	70 000
Accumulated depreciation on vehicles (01/03/2017)	85 000
Accumulated depreciation on equipment (28/02/2018)	28 000
Bank overdraft	76 000

Information:

- On 1 September 2017 a vehicle to the value of R100 000 was contributed by Jessie as capital, but no entry was made.
- The business bought additional equipment on credit for R33 000 on 28 February 2018. The equipment was received and recorded.
- A vehicle, with cost price R65 000 and accumulated depreciation on the date of sale R27 000, was sold for cash at a profit of R3 000 during the year. No entry was made of this.
- On 28 February 2018, depreciation was written off as follows:
 - on Vehicles, R28 000
 - on Equipment, R8 000

Lesson 2: Asset disposal and Fixed assets**QUESTION 3: MINDEW LIMITED****(21 marks, 17 minutes)**

The financial year-end is 31 May 2018.

REQUIRED:

3.1 Calculate the missing figures indicated by **(i)** to **(v)** in the Fixed Assets note below. (17)

3.2 Explain how the internal auditor should check that fixed assets were not stolen. (2)

3.3 Land and buildings were bought five years ago for R6 million. Property prices have increased by 20% since then. The management of the business want to increase the value of this asset and reflect a profit of R1 200 000 in the Financial Statements.

As an external auditor, what advice would you give? Provide ONE point. (2)

INFORMATION FOR YEAR-END 31 MAY 2018:**A. Land and buildings**

Grant Constructions was paid R882 000 for building new offices (R610 000) and repairing windows (R272 000).

B. Computers

- The three computers were all bought on the same day at R36 000 each
- Depreciation is $33\frac{1}{3}$ % p.a. on cost

C. Equipment

- Additional equipment was purchased on 1 February 2018
- Depreciation is 10% p.a. on cost

D. Vehicles

- Depreciation is 20% p.a. on carrying value
- A vehicle was sold for cash at carrying value on 31 December 2017.

The Fixed Asset Register reflected the following:

Cost	R176 000
Accumulated depreciation (1 June 2017)	R128 000

E. Fixed Assets note

	Land and buildings	Computers	Equipment	Vehicles
Carrying value begin of year	6 000 000	13 000	1 027 500	1 300 000
Cost	6 000 000	108 000	1 250 000	2 100 000
Accumulated depreciation	-	(95 000)	(222 500)	(800 000)
Movements				
Addition at cost	(i)	0	172 500	0
Disposal at carrying value	0	0	0	(iv)
Depreciation	0	(ii)	(iii)	(256 000)
Carrying value end of year				
Cost				
Accumulated depreciation				(v)

Lesson 2: Asset disposal and Fixed assets**QUESTION 4: BONAQUA TRADERS****(35 marks, 28 minutes)**

The following information was extracted from Bonaqua Traders.
Round off all calculations to the nearest rand.

INFORMATION:**Balances on 1 January 2018**

Vehicles	R90 000
Equipment	R25 000
Accumulated depreciation on vehicles	?
Accumulated depreciation on equipment	R7 200

Additional information:**Vehicles:**

- The vehicle on 1 January 2018 consists of a Ford Delivery Vehicle. It was bought on 30 June 2014.
- A new vehicle was bought on 30 September 2018 for R38 000 on credit.
- No vehicles were sold during the current period.
- Vehicles are depreciated at 20% p.a. on the carrying value of the vehicles.
- The year-end balance of the Accumulated depreciation on vehicles account after taking the above into consideration, was calculated at R58 722.

Equipment:

- On 31 May 2018 outdated equipment (cost price R2 400) was traded-in at a loss of R500 for new equipment costing R18 000. The **book value (carrying value)** of the equipment traded-in was **R840** on the first day of the accounting period.
- Additional equipment was purchased on 31 August 2018 for R3 000 cash.
- Equipment is depreciated at 10% p.a. on carrying value.

REQUIRED:

- 4.1 Prepare the Asset disposal account in the General Ledger of Bonaqua Traders for the Equipment sold. (10)
- 4.2 Prepare the note for Fixed Assets to the Balance Sheet of Bonaqua Traders on 31 December 2018. (25)