

# Monyetla Project – Accounting Gr 11

## Lesson 2: Asset disposal and Fixed assets

### QUESTION 1: TOP CAT CATERING

(50 marks, 40 minutes)

1.1

<b>FIXED ASSET REGISTER OF TOP CAT CATERING</b>			
Asset: Vehicle no 2		Reg no: RZS 423 GP	
Date purchased: 1 September 2011		Date sold: 30 September 2014	
Cost price: R120 000		Selling price: ?	
Depreciation: 20% per annum on cost			
Date	Depreciation	Accumulated depreciation	Carrying value
31/12/2011	$20/100 \times 120\,000 \times 4/12 = 8\,000$ ✓✓	R8 000	R112 000 ✓
31/12/2012	$20/100 \times 120\,000 = 24\,000$ ✓	R32 000 ✓	R88 000 ✓
31/12/2013	$20/100 \times 120\,000 = 24\,000$ ✓	R56 000 ✓	R64 000 ✓
30/09/2014	$20/100 \times 120\,000 \times 9/12 = 18\,000$ ✓✓	R74 000 ✓	R46 000 ✓

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1.2

### GENERAL LEDGER OF TOP CAT CATERING

#### Vehicles

2014 Jan	1	Balance	b/d	210 000	✓	2014 Sep	30	Asset disposal ✓	GJ	120 000	✓
Apr	1	Creditors control ✓	CJ	155 000	✓✓	Dec	31	Balance	c/d	245 000	
				<b>365 000</b>						<b>365 000</b>	
2015 Jan	1	Balance	b/d	245 000	✓						
		✓ Dates									

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#### Accumulated depreciation on vehicles

2014 Sep	30	Asset disposal ✓	GJ	74 000	✓✓	2014 Jan	1	Balance	b/d	128 000	✓
Dec	31	Balance	c/d	113 250		Sep	30	Depreciation ✓	GJ	18 000	✓
				<b>187 250</b>		Dec	31	Depreciation ✓	GJ	41 250	✓✓
										<b>187 250</b>	
		✓ Dates				2015 Jan	1	Balance	b/d	113 250	✓

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## Asset Disposal

2014 Sep	√ 30	Vehicles √	GJ	√ 120 000	2014 Sep	30	Accumulated depreciation on vehicles √	GJ	√ 74 000
		Profit on sale of asset √	GJ	√ 5 000			Debtors control √	GJ	√ 51 000
				<b>125 000</b>					<b>125 000</b>

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## 1.3 NOTES TO THE FINANCIAL STATEMENTS

<b>Tangible Assets</b>	<b>Vehicles</b>
Carrying value beginning of the year	82 000 √
Cost	<b>210 000</b>
Accumulated depreciation	<b>(128 000)</b>
Movements	
Addition at cost	155 000 √
Disposal at carrying value (120 000 – 74 000)	46 000 <input checked="" type="checkbox"/>
Depreciation for the year (18 000 <input checked="" type="checkbox"/> + 41 250 <input checked="" type="checkbox"/> )	(59 250) <input checked="" type="checkbox"/>
Carrying value end of the year	<b>131 751</b>
Cost (210 000 – 120 000 + 155 000)	245 000
Accumulated depreciation (128 000 + 59 250 – 74 000)	(113 250) <input checked="" type="checkbox"/>

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**Calculations:**Step 6: Depreciation end of the yearOLD:  $20/100 \times R90\,000 = R18\,000$ NEW:  $20/100 \times R155\,000 \times 9/12 = R23\,250 = R41\,250$ 

TOTAL MARKS		<b>50</b>
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## Lesson 2: Asset disposal and Fixed assets

## QUESTION 2: JL TRADERS

(18 marks, 15 minutes)

## NOTE: PROPERTY, PLANT AND EQUIPMENT

	Vehicles	Equipment
<b>Carrying value beginning of year</b>	<b>255 000</b> ✓	<b>17 000</b> ☑
Cost	340 000 ✓	37 000 ✓
Accumulated depreciation	(85 000) ✓	(20 000) ✓
<b>Movements</b>		
Addition at cost	100 000 ✓	33 000 ✓
Disposal at carrying value (65 000 – 27 000)	(38 000) ✓✓	0
Depreciation	(28 000) ✓	(8 000) ✓
<b>Carrying value end of year</b> <i>Must add up</i>	<b>289 000</b> ☑	<b>42 000</b> ✓
Cost (340 000 + 100 000 – 65 000)	375 000 ☑	70 000 ✓
Accumulated depreciation (85 000 + 28 000 – 27 000)	(86 000) ☑	(28 000) ✓

**Calculations:**

Step 1: Cost price = R65 000

Step 2: Additional depreciation = ? (*not necessary to know*)

Step 3: Accumulated depreciation = R27 000

Carrying value = R65 000 – R27 000 = R38 000

Step 4: Selling price = R38 000 + R3 000 = R41 000

Step 5: Profit = R3 000

TOTAL MARKS		18
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## Lesson 2: Asset disposal and Fixed assets

### QUESTION 3: MINDEW LIMITED

(21 marks, 17 minutes)

3.1

	WORKINGS	ANSWER
(i)	R610 000	<b>R610 000</b> ✓
(ii)	$33\frac{1}{3} / 100 \times 108\ 000 = R36\ 000$ $R13\ 000 - 1$	<b>R12 999</b> ✓✓
(iii)	OLD: $10/100 \times 1\ 250\ 000 = 125\ 000$ ✓ NEW: $10/100 \times 172\ 500 \times 4/12$ ✓ = 5 750 ✓✓	<b>R130 750</b> ✓ (one part correct)
(iv)	$20/100 \times (176\ 000 - 128\ 000) \times 7/12$ ✓ = 5 600 ✓ Total accumulated depreciation = $128\ 000 + 5\ 600 = R133\ 600$ $R176\ 000$ ✓ - $R133\ 600$ ✓	<b>R42 400</b> ✓ (one part correct)
(v)	$R800\ 000$ ✓ + $R256\ 000$ ✓ - $133\ 600$ ✓	<b>R922 400</b> ✓ (one part correct)

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3.2	<p><b>Explain how the internal auditor should check that fixed assets were not stolen.</b></p> <p>Do a physical count/check of fixed assets and compare it to the Fixed Asset Register. ✓✓</p>	2
3.3	<p><b>As an external auditor, what advice would you give? Provide ONE point.</b></p> <p>The <b>Historical Cost Principle</b> said that fixed assets must be recorded at their original cost price in the Financial Statements. Although the land and buildings are worth more, you cannot show the higher amount or the profit. ✓✓</p> <p>The profit will only be shown once the land and buildings is sold for higher than the original cost price.</p>	2

TOTAL MARKS		36
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## Lesson 2: Asset disposal and Fixed assets

**QUESTION 4: BONAQUA TRADERS****(35 marks, 28 minutes)**

4.1

**GENERAL LEDGER OF BONAQUA TRADERS**

## Asset disposal

2018 May	31	Equipment ✓	2 400 ✓	2018 May	31	Accumulated depreciation on equipment ✓ (1 560 ✓ + 35 ✓)	1 595 ✓
						Creditors control ✓	305 ✓
						Loss on sale of asset ✓	500 ✓
			<b>2 400</b>				<b>2 400</b>
		<i>Dates wrong (-1)</i>					

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4.2 **NOTE: FIXED ASSETS**

	<b>Vehicles</b>	<b>Equipment</b>
<b>Carrying value beginning of year</b>	<b>41 472</b> ✓	<b>17 800</b> ✓
Cost	90 000 ✓	25 000 ✓
Accumulated depreciation	(48 528) ✓✓	(7 200) ✓
<b>Movements</b>		
Addition at cost (E: 18 000 + 3 000)	38 000 ✓	21 000 ✓✓
Disposal at carrying value (2 400 ✓ – 1 595 ✓)	-	(805) ✓
Depreciation [V: 8 294 ✓ + 1 900 ✓] [E: 35 ✓ + 1 696 ✓ + 1 050 ✓ + 100 ✓]	(10 194) ✓	(2 881) ✓
<b>Carrying value end of year</b>	<b>69 278</b>	<b>35 114</b>
Cost (25 000 – 2 400 + 21 000)	128 000 ✓	43 600 ✓
Accumulated depreciation (7 200 + 2 881 – 1 595)	(58 722) ✓	(8 486) ✓

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**Calculations:**Vehicles

Previous years: 1 Jul – 31 Dec 2014:  $20/100 \times 90\,000 \times 6/12 = \mathbf{R9\,000}$

1 Jan – 31 Dec 2015:  $20/100 - (90\,000 - 9\,000) = 16\,200 = \mathbf{R25\,200}$

1 Jan – 31 Dec 2016:  $20/100 - (90\,000 - 25\,200) = 12\,960 = \mathbf{R38\,160}$

1 Jan – 31 Dec 2017:  $20/100 - (90\,000 - 38\,160) = 10\,368 = \mathbf{R48\,528}$

**31 Dec 2018**

OLD:  $20/100 \times (90\,000 - 48\,528) = 8\,294$

NEW:  $20/100 \times 38\,000 \times 3/12 = 1\,900 \quad \quad \quad = \mathbf{R10\,194}$

Equipment**31 May 2018**

Step 1: Cost price = R2 400

**Book value of R840** on the first day of the accounting period was given.

Book value = Carrying value = Cost price – Accumulated depreciation

Therefore, the **Accumulated depreciation** on the first day of the accounting period was:

$$R2\,400 - R840 = R1\,560$$

Step 2: Additional depreciation =  $10/100 \times (2\,400 - 1\,560) \times 5/12 = R35$

Step 3: Accumulated depreciation =  $1\,560 + 35 = R1\,595$

Step 4: Selling price

Step 5: Loss = R500

**31 Dec 2018**

Step 6 : Depreciation on remaining equipment

OLD:  $10/100 \times (22\,600 - 5\,640) = R1\,696$

NEW:  $10/100 \times 18\,000 \times 7/12 = R1\,050$

NEW:  $10/100 \times 3\,000 \times 4/12 = R100 \quad \quad \quad = \mathbf{R2\,846}$

TOTAL MARKS		<b>35</b>
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