

MCQ's

1. d	2. c	3. b	4. a
5. c	6. d	7. a	8. b
9. d	10. b	11. c	12. d
13. b	14. d	15. c	16. b
17. c	18. d	19. c	20. a
21. b	22. a	23. b	24. b
25. c	26. b	27. a	28. c
29. d	30. c	31. c	32. d
33. c	34. a	35. a	36. d
37. d	38. b	39. c	40. c
41. a	42. b	43. c	44. d
45. b	46.	47.	48.

CASE STUDIES In draft format – must still be made pretty

TAX

AMLA CRICKET GEAR CC

(a) UIF Calc

Member Salary - 195,000 but limited to a maximum of 12,478 per month x 12 months =	1 mark	149,736
Learner Salaries – exempt	½ mark	
Other Remuneration	½ mark	400,000
		549,736
Company Contribution (1%)	1 mark	R5,497.36

(b) SDL Calc

Members Salary	½ mark	195,000
Learner Salaries, exempt	½ mark	
Other Remuneration	½ mark	400,000
		595,000
Company Contribution (1%)	½ mark	R5,950

(c) Contributions to UIF is limited to the maximum earnings ceiling **1 mark**

Learners are excluded from UIF and SDL deductions and contributions **1 mark**

(d) Salaries Paid to learners

Ntini (R3000x9months)	27,000	
Ntini - Completion of a learnership of longer than 12 months		
Lesser of Annual Equivalent or R30000, i.e. (12 x 3000 = 36000)		
	R30,000	3 marks

- (e) Turnover test – Turnover must be less than R14m, excluding capital gains

Not an employment company

All the members of the CC must be natural persons

No other members interest or shares held, other than listed shares, for the whole year

entity's investment income plus income from the rendering of a personal service less than 20% of gross income, including capital gains

4 marks

(f)	Profit before tax	R259,493.00	½ mark
	Less: Employer Contributions (UIF, SDL)	(R 11,447.36)	1 mark
	Less: Exempt Income – SETA Grants	(R 50,000.00)	1 mark
	Investment Income	(R 43,093.00)	½ mark
	Taxable Income before Learnership Allowances (s12(H))	R154,952.64	
	Learner Allowances	(R102,000.00)	½ mark
	Taxable Income for the year	R52,952.64	1 mark
	Tax Payable – SBC (R0 – R54,000)	0%	1 mark
	Tax Payable	R0.00	½ mark

- (g) If vehicle is purchased in name of CC, then

(1) The vehicle is depreciable (wear 'n tear allowance) in the hands of the CC at 20%p.a = R28,000 for 5 years

(2) Finance Charges of R34,627 is tax deductible over the 5 years

(3) A fringe benefit accrues to Mr. Amla, for the length of the time he uses the vehicle, at 4% of the deemed value, which includes VAT from 1 March 2011, of R5,600 per month.

(4) The Fringe benefit means PAYE on (5600*80%=4480) is raised every month at Mr Amla's marginal tax rate, and paid over to SARS every month with the filing of the EMP201.

(5) Mr Amla may claim some of the tax back, provided he maintains proof of business expenditure, presumably in a logbook. On submission of his tax return, Mr. Amla could claim the ratio of business kilometres travelled over the total mileage against the fringe benefit calculated, to potentially qualify for a tax refund

1 mark per fact
Maximum 5 marks

FINANCIAL ACCOUNTING: CASE STUDY

KHOISANI TRADING CC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 28 FEBRUARY 2010

CASH RECEIVED FROM CUSTOMERS	(4765+893+1287)	4371	1 ½ marks
		-	
CASH PAID TO SUPPLIERS AND EMPLOYEES		3446	4 ½ marks
	(-2736-1265-438+592+70-120+732+34+32-110-53+421-605)		
CASH GENERATED FROM OPERATIONS		925	½ mark
INTEREST PAID	(134+16-21)	-139	1 ½ marks
TAXATION PAID	(176+76-98)	-154	1 ½ marks
CASH GENERATED FROM OPERATING ACTIVITIES		632	½ mark
CASH FLOWS FROM INVESTING ACTIVITIES			
ACQUISITION OF PROPERTIES		-684	2 marks
PROCEEDS ON DISPOSAL OF PROPERTIES	(-963+429+150-80)	220	1 mark
ACQUISITION OF MACHINERY AND EQUIPMENT	(-3913+1683+3298-	-856	2 ½ marks
PROCEEDS ON DISPOSAL OF MACHINERY	1053-732+102)	241	1 mark
		-	
		1079	½ mark
CASH FLOWS FROM FINANCING ACTIVITIES			
INCREASE IN LONG-TERM LOANS	(450-290)	160	1 mark
INCREASE IN SHORT-TERM LOANS	(120-70)	50	1 mark
		210	½ mark
MOVEMENT IN BANK BALANCE FOR THE YEAR		-237	½ mark
BALANCE OF CASH AND CASH EQUIVALENT AT BEGINNING		271	½ mark
BALANCE OF CASH AND CASH EQUIVALENT AT END OF YEAR		34	½ mark

NOTES TO THE CASH FLOW STATEMENT - 28 FEBRUARY 2010

1. RECONCILIATION OF CASH GENERATED FROM OPERATIONS

PROFIT BEFORE TAXATION	Given	630	½ mark
NON-TRADE TRANSACTIONS:			
INTEREST PAID	Given	134	½ mark
NON-CASH TRANSACTIONS:			
DOUBTFUL DEBTS	Given	34	½ mark
DEPRECIATION	Given	732	½ mark
LOSS ON VALUATION OF INVENTORY	Given	32	½ mark

PROFIT ON DISPOSAL OF PROPERTY	Given	-110	½ mark
PROFIT ON DISPOSAL OF MACHINERY	Given	-53	½ mark
CASH GENERATED BEFORE WORKING CAPITAL		<u>1399</u>	
MOVEMENT IN WORKING CAPITAL:			
INCREASE IN INVENTORY-	(-605+421)	-184	½ mark
INCREASE IN TRADE DEBTORS	(-1287+893)	-394	½ mark
INCREASE IN TRADE CREDITORS	(592-438-120+70)	<u>104</u>	1 mark
		<u><u>925</u></u>	½ mark

Layout, Format, Appropriate Headings and
Presentation

max 4 marks
max 30 marks

AUDITING

(a) Cash Receipts Controls [Procedures]:

1. Segregation of duties that allows errors and fraud to be process undetected
 - segregate the maintenance of receipt books, the processing of cash receipt payments and banking of receipts
 - Cash paying parents must be encouraged to insist on official cash receipts
2. Cancellation of official receipts should be authorized by school management other than the direct staff who are responsible for receipts
 - Cash receipts must be personalized and numerated
 - All cash banked must be referenced to a receipt sequence
 - Cash receipts should not be used as petty cash or to effect cash disbursements
 - discrepancies should be investigated and followed up
3. A regular monthly check should be done for accuracy by a person independent of the person processing receipts
 - Test the receipt books in issue
 - Allow only one or two receipt books at any given point in time
 - Receipt Books to be handed to the responsible staff members for exclusive use
 - SGB Treasurer must call for receipt books in unpredictable time lapses and record number sequences and estimated amounts
4. Safeguarding and banking
 - Banking should be done regularly
 - Cash Accumulation must be discouraged
 - Promote Internet Banking and other non-cash handling banking services
 - Cash must be kept in the school vault
 - No person must be allowed to take cash home, and if it is necessary only with due notice and authorization
5. Increase the number of internal check
 - perform regular and independent reviews throughout the system

[1 mark for each valid statement]

[max: 8 marks]

(b) Verifying the Provision for Bad Debts

- Discuss with management about the reasons for the provision
- Assess the reasonability of the information provided by management
- Assess the validity of the basis for increasing the provision
- Review the payment history of the debtors over the financial period
- Review the debtors late payment history
- Review the volume of payment reminders sent out to debtors
- Review the attorney's files for debtors communications
- Perform an analytical review of debtors
- Review the debtor system [approval of debtors and collections]
- Test check subsequent payments from high risk debtors

- Review debtors composition Contact debtors directly to confirm balances [high risk debtors]
- Review debtors in comparison to economic conditions
- Review bad debts for the current period

[1 mark for each valid statement]

[max: 7 marks]

MANAGEMENT ACCOUNTING: CASE STUDY

(a) Amount of current assets:

Current ratio = Current assets/Current liabilities

Current assets = (Current liabilities)(Current ratio) = R468,750(1.2) = R562,500

3 marks

Next, find the accounts receivables:

DSO = AR/(Sales/365)

AR = DSO(Sales)(1/365) = (40)(R1,500,000)(1/365) = R164,384.

2 marks

Next, find the inventories:

Inventory turnover = Sales/Inventory

Inventory = Sales/(Inventory turnover) = R1,500,000/4.8 = R312,500.

2 marks

Finally, find the amount of cash:

Cash on Hand = Current assets - AR - Inventory - Cash at Bank

Cash on Hand = R562,500 - R164,384 - R312,500 - R14,689

Cash on Hand = R70,927.

3 marks

:

(b) Initial Deposits, Rent and Lease costs to be paid by Lithuli

$(2 \times 6,000) + (6,000 \times 1.14) + 2,000 = R20,840$ to be paid to Rygate

Leasehold Improvements = R18,500

Cash buffer for rental policy requirement $(3 \times 6,000 \times 1.14) = R20,520$

Rygate's Cash requirement is $(20,840 + 18,500 + 20,520) = R59,860$

As Lithuli Fashions have cash at bank and on hand of $(14,689 + 70,927) R85,616$

exceeding Rygate's requirements of R59,860, the lease agreement will be entered into

4 marks

(c) 1 Find your loan information. You will need the interest rate, the loan amount and the number of required loan payments. R6,500,000 loan has a 10 percent interest rate. The borrower has to make 48 payments to pay the loan off.

2 Divide the interest rate by 12. This is the interest rate per month. Thus, 10 percent divided by 12 equals 0.008333333.

3 Add one to the interest rate per month. Raise the sum to the power of the negative amount of loan payments needed on the loan. Thus, 1 plus 0.008333333 equals 1.008333333. Then 1.008333333 to the power of -48 equals 0.671432.

4 Subtract the number calculated in Step 3 from 1. Thus, 1 minus 0.671432 equals 0.328568

5 Multiply the interest rate per month by the loan amount. Thus, R6,500,000 times 0.008333333 equals R54,166.66.

6 Divide the number calculated in Step 5 from the number calculated in Step 4 to determine the monthly installment payment. Thus, R54,166.66 divided by 0.328568 equals a monthly installment of R164,856.77.

7 Divide by 100 tenants equals R1,648.57

Lithuli Fashions CC will have to pay a levy of R1,648.57 per month **6 marks**