

# Topic 1: Basic Accounting concepts (revision)

## Activity 1

1. A
2. B
3. C
4. B
5. B
6. C

## Activity 2

- 1.1 0%
- 1.2 exempt
- 1.3 15%
- 1.4 exempt
- 1.5 15%

2

Purchase price (incl. VAT)	Mark-up	Selling Price (excl. VAT)	Input VAT	Output VAT
R22 800	$33\frac{1}{3}\%$	R30 400	R2 947,00	R4 560,00
R17 100	48%	R25 308	R2 230,43	R3 795,75

## Activity 3

Transaction	Input VAT	Output VAT
1. Paid advertising account, R684	R112,70	
2. Sold goods to Marianne for R7 752		R1 011,13
3. Bought trading stock, R2 565 (excl.)	R384,75	

## Activity 4

Transaction	Effect on VAT payable
<i>Example: Sold goods to Amanda, R1 200 (cost of sales R960)</i>	+
Returned goods to HG Wholesalers as they were not to order, R230	-
James, a debtor, was declared insolvent and his debt of R400 must be written off as irrecoverable	-
Bought goods on credit from BB Suppliers, R2 860	-
Sold goods to Bongani for R3 160. Issued invoice 54	+
Tammy settled her account of R540. Allowed a discount of R90	-

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### Activity 5

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1. VAT is paid to SARS when payment is received for goods sold, that is, VAT is paid upon receipt of money.
2. Input VAT is the VAT that a VAT vendor can claim back from SARS. It is the VAT a vendor pays when making purchases.  
Output VAT is the VAT payable to SARS based on the sales that a business made.
3. 
$$\frac{100 + 60}{100} \times 130 = R208 \times 115\% = R39,20$$
4. Output VAT – Input VAT = VAT payable to SARS  
 $R451,20 - R282,00 = R169,20$   
  
or  
 $R1\ 880 \times 60\% \times 15\% = R169,20$

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### Activity 6

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1. The business pays VAT to SARS upon issuing an invoice.
2.
  - (a) R10
  - (b) R960
  - (c) 42
  - (d) R367,80 (15% VAT on total: R400 + R960 + R1 092)
- 3.1 True
- 3.2 False
- 3.3 False
4. Any two of the following:
  - Invoices from suppliers should be checked to ensure that each invoice is valid, that the correct VAT rates apply, and that it does not contain zero-rated items.
  - Only valid VAT invoices should be issued.
  - VAT should be calculated accurately.
  - All transactions involving VAT should be recorded promptly and accurately.
  - All VAT input and output should be accounted for.
  - The VAT 201 form must be completed accurately.
  - VAT payments must be done on time.