DEPARTMENT OF FINANCIAL ACCOUNTING

FAC1601: FINANCIAL ACCOUNTING REPORTING 1

FAC1601 QUESTION BANK
(SEMESTER 1 & SEMESTER 2)

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CONTENTS

ANNEXURE A: MAY/JUNE 2010 EXAMINATION

UNIVERSITY EXAMINATIONS

UNIVERSITEITSEKSAMENS

UNISA university of south africa

FAC1601
ACN102N
RAC102C

May/June 2010

ACCOUNTING REPORTING

Duration : 2 Hours

100 Marks

EXAMINERS :

FIRST : MRS ES DE KLERK, MR RN NGCOBO, MS AM MEYER, MRS A REHWINKEL, MR M HLONGOANE

SECOND : PROF JS JANSEN VAN RENSBURG

Use of a non-programmable pocket calculator is permissible.

This paper comprises 8 pages.

PLEASE NOTE:

1. Ensure that you are writing the correct examination paper.
2. Ensure that you are handed the correct examination answer book (BLUE) by the invigilator.
3. All questions must be answered.
4. Basic calculations, where applicable, must be shown.
5. Each question must be commenced on a new (separate) page.
6. Please do not answer the paper in pencil.

PROPOSED TIMETABLE

(try not to deviate from this)

Question	Subject	Marks	Time in minutes
1	Statement of profit or loss and other comprehensive income and partial current account: Partnership	25	30
2	Change in the ownership structure of a partnership: Valuation account, capital account and calculation of profit-sharing ratio	16	20
3	Statement of cash flows – CASH FLOWS FROM OPERATING ACTIVITIES-section: Close corporation	21	25
4	General journal entries pertaining to the issue of shares and dividends payable: Company	17	20
5	Branch inventory account	21	25
	TOTAL	100	120

QUESTION 1 (25 marks)(30 minutes)

Amanda and Sphindile are in a partnership trading as A&S Supermarket. The following information pertains to the partnership:

1. List of balances as at 31 December 2009

	R
Capital: Amanda (1 January 2009)	350 000
Capital: Sphindile (1 January 2009)	250 000
Current account: Amanda (1 January 2009) (cr)	60 000
Current account: Sphindile (1 January 2009) (dr)	40 000
Land and buildings at cost	494 000
Vehicles at cost	198 000
Accumulated depreciation: Vehicles (1 January 2009)	42 000
Debtors control	145 560
Creditors control	106 300
Bank (dr)	26 582
Fixed deposit: Third National Bank	19 000
Drawings: Amanda	64 800
Drawings: Sphindile	43 200
Loan to Sphindile	40 800
Loan from Amanda	170 000
Allowance for credit losses	2 500
Sales	650 000
Purchases	304 000
Inventory (merchandise) (1 January 2009)	70 800
Salaries and wages	132 960
Water and electricity	4 700
Interest expense: Loan from Amanda	5 400
Settlement discount granted	3 800
Interest income: Fixed deposit	1 710
Stationery consumed	5 000
Telephone expenses	26 208
Insurance on purchases	4 500
Freight on sales	3 200

2. Partnership agreement:

The partnership agreement stipulates the following:

2.1 The partners Amanda and Sphindile share the profits or losses in the ratio of 3:2 respectively.

2.2 Interest at 10% per annum is allowed on the opening balances of the partners' capital accounts.

2.3 Amanda is entitled to a 10% commission on sales.

3. Year-end adjustments:

3.1 Inventory on hand at 31 December 2009:

	R
Merchandise	83 000
Stationery (stationery purchased is recorded in the stationery consumed account)	850

QUESTION 1 (continued)

3.2 On 30 September 2009, a delivery vehicle was purchased for R85 000 cash. All the necessary entries were made in the books.

3.3 Depreciation must be provided on vehicles at 10% per annum according to the straight-line method.

3.4 The loan from Amanda was obtained on 1 September 2007 at 5% interest per annum. The loan will be repaid in five equal annual instalments, starting from 31 December 2010. The interest must be paid to Amanda annually.

3.5 During the financial year Sphindile was granted an interest free loan which she agreed to settle in full on 30 June 2010.

3.6 The water and electricity account of R400 for December 2009 was received on 10 January 2010.

3.7 A debtor owing the business R5 560 has for the past financial year defaulted on his payments and his account must be written off as irrecoverable. The allowance for credit losses must be adjusted to R3 200.

3.8 During the financial year R40 000 was paid to Amanda as commission on sales. These payments were recorded in the salaries and wages account.

3.9 The fixed deposit at Third National Bank was made on 1 January 2008 for a period of 5 years at 9% interest per annum. The interest is receivable at the end of each borrowing year.

REQUIRED:

1.1 Prepare the statement of profit or loss and other comprehensive income of A&S Supermarket for the year ended 31 December 2009. Your answer must comply with the requirements of International Financial Reporting Standards (IFRS) appropriate to the business of the partnership (notes and comparative figures are not required). (20)

1.2 Prepare the current account of Amanda in the general ledger of A&S Supermarket for the year ended 31 December 2009. **The profit/loss for the year need not be appropriated and do not balance the account.** Each entry must disclose the correct contra ledger account. (5)

[25]

NB: Show all calculations.

<u>QUESTION 2</u> (16 marks)(20 minutes)

Chris, Brown and Rehanna were in a partnership trading as R&B Entertainment, and shared the profits and losses of the partnership in the ratio of 5:3:2 respectively. Due to claims of a disproportionate allocation of royalties earned from the hit *Umbrero*, which consequently led to a war of words amongst the partners, Rehanna decided to quit the partnership. The last date that she acted as a partner was 30 April 2010, the end of the financial year of the partnership. Chris and Brown decided to continue with the business activities of the partnership and formed a new partnership on 1 May 2010. Chris and Brown agreed to take over Rehanna's profit share equally.

The following information pertains to R&B Entertainment:

1. Balances as at 30 April 2010

	R
Land and buildings	280 000
Furniture and equipment	45 000
Accumulated depreciation: Furniture and equipment	15 000
Debtors control (royalties receivable)	37 500
Bank (dr)	6 000
Capital: Chris	76 000
Capital: Brown	73 600
Capital: Rehanna	60 400
Current account: Chris (dr)	7 400
Current account: Brown (cr)	21 600
Current account: Rehanna (cr)	19 800
Asset replacement reserve	78 000
Creditors control	31 500

2. <u>Additional information</u>:

In preparation for the retirement of Rehanna on 30 April 2010, the following information must be taken into account:

2.1 The land and buildings were valued at R350 000.

2.2 The partners were advised that the royalties due to them were understated by R50 000.

2.3 As a result of the popularity of the *Umbrero* song, the partners resolved that goodwill must be set at R50 000.

2.4 The partners agreed that Rehanna could take a fashionable set of microphones of the partnership with a carrying amount of R5 700 as partial payment of her account and that the outstanding balance on her account will be settled in cash at 31 May 2010.

REQUIRED:

2.1 Prepare the valuation account, properly closed off, in the general ledger of R&B Entertainment. (5)

2.2 Prepare the capital account of Rehanna, properly closed off, in the general ledger of R&B Entertainment for the year ended 30 April 2010. (7)

2.3 Calculate the profit-sharing ratio of Chris and Brown on 1 May 2010. (4)

[16]

NB: Show all calculations.

<u>QUESTION 3</u> (21 marks)(25 minutes)

GOLDEN GLOBE CC
List of balances as at 28 February

	2010 **R**	**2009** **R**
Land and buildings at cost	320 000	300 000
Equipment at cost	64 000	76 000
Accumulated depreciation: Equipment	22 300	12 800
Members' contributions	350 000	302 000
Retained earnings	363 253	346 800
Asset replacement reserve	10 000	–
Inventory	82 300	94 700
Debtors control (trade debtors)	320 000	298 000
Allowance for credit losses	1 000	–
Bank (dr)	123 189	–
Long-term loan	49 960	–
Creditors control (trade creditors)	103 200	86 000
Accrued expense (rent)	2 800	–
Prepaid expense (water and electricity)	3 700	1 300
Bank overdraft	–	16 400
Accrued interest expense	1 249	–
SARS (income tax) (cr)	5 027	4 600
Distribution to members payable	4 400	1 400

<u>Additional information</u>:

1. Extract from the statement of profit or loss and other comprehensive income of Golden Globe CC for the year ended 28 February 2010:

	R
Revenue	451 000
Cost of sales (refer to paragraph 4 below)	122 400
Dividend income	11 100
Administrative expenses	40 000
Rent expenses	14 560
Water and electricity	9 400
Credit losses	3 000
Depreciation: Equipment	21 100
Salaries and wages	190 000
Interest on long-term loan	4 996
Profit before tax	68 244
Income tax expense	19 791

2. Extract from the statement of changes in net investment of members for the year ended 28 February 2010:

	R
Distribution to members	22 000
Transfer to asset replacement reserve	10 000

3. All purchases and sales are made on credit.

4. The cash paid to the trade creditors in respect of purchases of trading inventory during the 2010-financial year amounted to R92 800.

QUESTION 3 (continued)

5. Equipment with a cost price of R12 000, purchased for cash on 28 February 2009, could not be put into operation because of a technical fault and was consequently returned to the supplier. The supplier was unable to provide a replacement or to repair the equipment. A full cash refund was made by the supplier to Golden Globe CC on 2 March 2009.

REQUIRED:

Prepare the CASH FLOWS FROM OPERATING ACTIVITIES-section of the statement of cash flows of Golden Globe CC for the year ended 28 February 2010 to comply with the requirements of International Financial Reporting Standards (IFRS), appropriate to the business of the close corporation. The cash generated from or used in operations-section must be disclosed according to the DIRECT METHOD. Comparative figures and notes are not required.

NB: Show all calculations.

QUESTION 4 (17 marks)(20 minutes)

Ezweni Limited was registered on 1 March 2008 with the following authorised share capital:

300 000 no par value ordinary shares
100 000 9% preference shares

On 5 March 2008 the company offered 100 000 ordinary shares at a consideration of R200 000 to the incorporators of the company. The whole offering was taken up and paid for by the incorporators on 15 March 2008.

On 3 April 2008, the company offered 45 000 ordinary shares at a consideration of R135 000 and 10 000 9% preference shares at a consideration of R35 000 for subscription to the public. Applications for 50 000 ordinary shares and 10 000 9% preferences shares were received by 7 June 2008. On the same date the shares were allotted and the unsuccessful applicants repaid. The company paid R2 500 in respect of share issue expenses on 9 June 2008.

Since its registration Ezweni Ltd has been making reasonable profits. At an annual general meeting held on 31 January 2010, it was decided that a dividend of 12 cents per share on the ordinary shares will be declared on 28 February 2010.

REQUIRED:

4.1 Record the transactions pertaining to the application for, and the issue of shares in the general journal of Ezweni Ltd for the period 3 April 2008 to 9 June 2008. (13)

4.2 Record the transactions regarding all the dividends payable in the general journal of Ezweni Ltd on 28 February 2010. (4)

Narrations can be omitted.

[17]

NB: Show all calculations.

<u>QUESTION 5</u> (21 marks)(25 minutes)

The following information pertains to the head office and the branch of Fostha CC:

1. <u>Branch inventory on hand (selling price)</u>:

	R
1 January 2009	2 600
31 December 2009	2 500

2. <u>Transactions during the year ended 31 December 2009</u>:

	R
Inventory sent to branch (selling price)	78 100
Sales by the branch:	
Cash sales	35 800
Credit sales	28 800
Returns to head office (cost price)	3 700
Cash received from branch debtors	5 600
Settlement discount granted to branch debtors	500
Inventory stolen at the branch (selling price)	3 750
Sundry expenses of the branch paid by head office	9 250

3. <u>Additional information</u>:

3.1 All inventory is purchased by the head office and supplied to the branch at selling price, which is cost price plus 25%.

3.2 Due to the current economic downturn, there has been a significant decline in sales at the branch. As a result, the head office has allowed the branch to sell certain products at selling price less 30%. The net proceeds of the products sold at discount amounted to R4 200. This amount is included in the above cash sales figure of R35 800.

3.3 During the year a burglary took place at the branch and R700 in cash (in respect of cash sales) was stolen. No entries regarding the burglary were made in the books.

3.4 Inventory invoiced to the branch at R2 800 included in the above amount of R78 100 pertaining to inventory sent to branch at selling price was in transit at 31 December 2009, and therefore not included in the branch's inventory on hand of R2 500 at 31 December 2009.

REQUIRED:

Prepare the branch inventory account (at selling price) in the general ledger of the head office of Fostha CC for the year ended 31 December 2009. Each entry must disclose the correct contra account. Balance the account properly.

NB: Show all calculations.

ANNEXURE B: OCTOBER/NOVEMBER 2010 EXAMINATION

UNIVERSITY EXAMINATIONS

UNIVERSITEITSEKSAMENS

UNISA university of south africa

FAC1601
RAC102C

October/November 2010

ACCOUNTING REPORTING

Duration : 2 Hours

100 Marks

EXAMINERS :

FIRST : MRS ES DE KLERK, MR RN NGCOBO, MS AM MEYER, MRS A REHWINKEL, MR M HLONGOANE

SECOND : PROF JS JANSEN VAN RENSBURG

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PROPOSED TIMETABLE
(try not to deviate from this)

Question	Subject	Marks	Time in minutes
1	Partnership: Statement of changes in equity	25	30
2	Partnership: Liquidation and capital accounts	17	20
3	Close corporation: Statement of financial position	29	35
4	Close corporation: Section of statement of cash flows	17	20
5	Analysis and interpretation: Ratio calculations	12	15
	TOTAL	100	120

<u>QUESTION 1</u> (25 marks)(30 minutes)

The following information pertains to the partnership of Phuza and Khemisi, trading as PK Pharmacy:

List of balances as at 30 June 2010, before the relevant additional information was taken into account:

	R
Capital: Phuza	100 000
Capital: Khemisi	100 000
Current account: Phuza (1 July 2009) (Dr)	14 080
Current account: Khemisi (1 July 2009) (Cr)	43 520
Long-term loan	79 080
Furniture and equipment at cost	270 000
Accumulated depreciation: Furniture and equipment	48 600
Drawings: Phuza	30 360
Drawings: Khemisi	29 320
Inventory	234 360
Debtors control	321 000
Allowance for credit losses	16 568
Creditors control	131 160
Bank (overdraft)	18 600
Profit or loss account (Cr)	361 592

<u>Additional information</u>:

1. On 1 January 2010 Phuza contributed a further R40 000 as capital to the partnership. This transaction was correctly recorded.

2. The partnership agreement stipulates that:

2.1 The partners are entitled to the following salaries:

Phuza: R65 000 per annum
Khemisi: R65 000 per annum

2.2 Interest on capital must be provided for at 12% per annum.

2.3 Interest on the current accounts of the partners must be provided for at 5% per annum, calculated on the opening balances.

2.4 The partners share in the profits or losses equally.

3. During the financial year R65 000 and R50 000 were paid as salaries to Phuza and Khemisi respectively. These amounts were erroneously debited to the debtors control account. The bank account was correctly credited.

REQUIRED:

Prepare the statement of changes in equity for the year ended 30 June 2010 of PK Pharmacy, to comply with the requirements of International Financial Reporting Standards (IFRS), appropriate to the business of the partnership. Omit the total column of this statement. Comparative figures and notes to the statement are not required.

NB: Show all calculations.

<u>QUESTION 2</u> (17 marks)(20 minutes)

George and Lisa are in a partnership, selling office furniture. They are trading as GL Office Furniture, and share equally in the profits or losses of the partnership. Due to the economic downfall and the steady decline in customers, they decided to liquidate the partnership simultaneously as from 1 September 2010.

On 31 August 2010 the following list of balances was obtained from the accounting records of GL Office Furniture:

	R
Furniture and equipment at cost	55 600
Motor vehicle at cost	46 200
Accumulated depreciation: Furniture and equipment	27 800
Accumulated depreciation: Motor vehicle	18 480
Asset replacement reserve	4 000
Goodwill	3 000
Creditors control	3 600
Inventory	22 000
Debtors control	24 900
Capital: George	50 000
Capital: Lisa	50 000
Current account: George (Cr)	1 010
Current account: Lisa (Cr)	3 010
Bank (Dr)	6 200

<u>Additional information</u>:

During September 2010 the following transactions took place:

1. The furniture and equipment were sold for R42 000, cash.
2. The motor vehicle was taken over by Lisa at an agreed value of R41 000.
3. All the creditors were paid and a settlement discount of R360 was received.
4. The inventory was sold for R19 000, cash.
5. A debtor with an outstanding balance of R4 200 was declared insolvent. His account must be written off. A 10% settlement discount was offered to all the other debtors if they paid their accounts before 30 September 2010. All of them settled their accounts accordingly.
6. Liquidation costs, amounting to R6 500, were paid.

REQUIRED:

Prepare the following accounts for September 2010, <u>properly closed off</u>, in the general ledger of GL Office Furniture:

2.1 The liquidation account. (13)

2.2 The capital account of Lisa, including the final settlement of the account. (4)
[17]

NB: Show all calculations.

QUESTION 3 (29 marks)(35 minutes)

The following information pertains to Riverland CC:

List of balances as at 28 February 2010:

	R
Member's contribution: A Showers	210 000
Member's contribution: J Sparrow	140 000
Member's contribution: R Willow	70 000
Land and buildings at cost	400 000
Furniture and equipment at cost	375 000
Accumulated depreciation: Furniture and equipment	62 320
Debtors control	111 820
Creditors control	31 540
Bank (overdraft)	25 120
Investment at fair value (1 March 2009)	130 000
Long-term loan (Last National Bank)	60 000
Allowance for credit losses	3 000
Retained earnings (1 March 2009)	295 180
SARS (income tax) (Dr)	115 200
Loan to A Showers	50 000
Loan from R Willow	70 000
Distribution to member: A Showers	40 000
Distribution to member: J Sparrow	26 000
Distribution to member: R Willow	14 000
Inventory	147 400
Accrued expenses	6 800
Prepaid expenses	5 920

Additional information:

1. The investment consists of 130 000 ordinary shares of R1 each in Good Company Ltd.

2. The profit before tax was calculated as R441 380 before the valuation of the investment for the current financial year was taken into account. On 28 February 2010 the fair value of the shares was R143 000.

3. During the financial year A Showers experienced personal financial difficulties, resulting in the CC granting her a loan of R50 000 on 31 August 2009. The loan is immediately callable.

4. The long-term loan from Last National Bank is secured by the land and buildings and repayable on 1 March 2015.

5. The loan from R Willow is unsecured and interest free. An amount of R35 000 is repayable on 1 March 2010. The outstanding balance is repayable on 1 March 2012.

6. The income tax assessment, received from SARS on 15 March 2010, indicated that the actual normal income tax for the 2010 financial year amounted to R127 886.

7. Provide for a further total profit distribution of R42 000 to the members. This amount is payable to them on 1 March 2010.

QUESTION 3 (continued)

REQUIRED:

Prepare the statement of financial position of Riverland CC as at 28 February 2010. Your answer must comply with the provisions of the Close Corporations Act, No. 69 of 1984, and with the requirements of International Financial Reporting Standards (IFRS), where appropriate to the business of the CC. Comparative figures and notes to the statement are not required.

NB: Show all calculations.

<u>QUESTION 4</u> (17 marks)(20 minutes)

The following information pertains to Ntando CC:

1. Accounts pertaining to the statement of financial position:

	31 Dec 2009	31 Dec 2008
	R	**R**
Member's contribution: Eunice	172 000	158 200
Member's contribution: Pinky	120 000	100 000
Retained earnings	246 100	220 000
Long-term loan	40 000	80 000
Creditors control (trade creditors)	38 800	26 000
Accrued interest	2 000	–
Bank (Cr)	–	300
Land and buildings at cost	340 000	340 000
Machinery at cost	105 000	124 000
Furniture and fittings at cost	87 900	67 300
Investments (at cost)	–	25 200
Accumulated depreciation: Machinery	27 000	18 000
Accumulated depreciation: Furniture and fittings	27 200	10 000
Bank (Dr)	85 400	–
Debtors control (trade debtors)	37 400	50 000
Prepaid expenses (wages)	500	2 600
Inventory	67 000	50 000
Distribution to members payable	26 800	–
SARS (income tax) (Cr)	23 300	46 600

2. Items disclosed on the statement of profit or loss and other comprehensive income for the year ended 31 December 2009:

	R
Revenue	800 000
Cost of sales.	450 000
Profit on sale of non-current assets: Furniture and fittings	2 000
Dividend income: Financial assets at fair value through profit or loss: Held for trading: Listed investments	3 000
Distribution expenses	87 400
Administrative expenses	78 000
Depreciation	63 600
Loss on sale of non-current asset: Machine	8 000
Interest expense	7 300
Profit before tax	110 700
Income tax expense	31 000

<u>Additional information</u>:

On 20 December 2009 a distribution of R26 800 to each of the members were recorded. On 21 December 2009 a portion thereof was paid to them in cash. The outstanding balance is payable on 2 January 2010.

<u>QUESTION 4</u> (continued)

REQUIRED:

4.1 Prepare the cash flows from operating activities-section of the statement of cash flows of Ntando CC for the year ended 31 December 2009, **UP TO THE CASH GENERATED FROM/(USED IN) OPERATIONS**. Apply the **INDIRECT METHOD**. Your answer must comply with the requirements of International Financial Reporting Standards (IFRS), appropriate to the business of the CC. Comparative figures and notes to the statement are not required. (13)

4.2 Calculate the income tax paid during the 2009 financial year. (3)

4.3 Calculate the distribution to members paid during the 2009 financial year. (1)
[17]

NB: Show all calculations.

QUESTION 5 (12 marks)(15 minutes)

The following information was extracted from the financial statements of Thabo CC for the financial year ended 28 February 2010:

Statement of profit or loss and other comprehensive income information for the year ended 28 February 2010:

	R
Profit for the year	13 400
Income tax expense	1 420
Cost of sales	149 000
Gross profit	245 100
Profit on sale of non-current asset: Equipment	5 200
Purchases	162 300

Statement of financial position information as at 28 February:

	2010 R	**2009 R**
Inventories	38 000	24 700
Trade receivables	36 000	32 000
Cash and cash equivalents	24 000	31 200
Member's contribution	64 000	103 000
Retained earnings	13 000	9 000
Other components of equity	7 000	9 000
Trade and other payables (trade creditors)	40 000	42 000
Current portion of loan from member	2 000	2 000
Current tax payable	6 900	3 490

Additional information:

50% of all purchases for the year ended 28 February 2010 were on credit.

REQUIRED:

Calculate the following ratios on 28 February 2010 for Thabo CC. Assume 365 days in a year.

5.1 Profit margin (4)

5.2 Acid test ratio (4)

5.3 Trade payables payment (settlement) period (4)
[12]

NB: Show all calculations.

ANNEXURE C: MAY/JUNE 2011 EXAMINATION

UNIVERSITY EXAMINATIONS

UNIVERSITEITSEKSAMENS

UNISA university of south africa

FAC1601
RAC102C

May/June 2011

FINANCIAL ACCOUNTING REPORTING

Duration : 2 Hours

100 Marks

EXAMINERS :

FIRST : MR RN NGCOBO, MS AM MEYER, MR J VAN STADEN, MR A STEYN, MR M HLONGOANE, MRS FM OSMAN, MR A EYSELE

SECOND : PROF JS JANSEN VAN RENSBURG

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PROPOSED TIMETABLE

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Question	Subject	Marks	Time in Minutes
1	Partnerships: Statement of financial position and note on property, plant and equipment	30	36
2	Changes in the ownership structure of partnerships: Admission of a new partner	20	24
3	Close corporations: Statement of profit or loss and other comprehensive income	20	24
4	Statement of cash flows: Investing and financing activities	21	25
5	Companies: Issue of capitalisation shares	9	11
	TOTAL	100	120

<u>QUESTION 1</u> (30 marks) (36 minutes)

The following information was obtained from the accounting records of T Super and B Man, trading as Superman Traders:

1. Balances as at 28 February 2011:

	R
Profit for the year (before depreciation)	574 420
Asset replacement reserve (1 March 2010)	30 000
Capital: T Super	775 000
Capital: B Man	775 000
Current account: T Super (Dr - 1 March 2010)	9 750
Current account: B Man (Cr - 1 March 2010)	4 340
Drawings: T Super	10 000
Drawings: B Man	7 630
Long-term loan: US Bank	660 000
Inventories	835 600
Debtors control	288 850
Creditors control	159 650
Land and buildings	1 500 000
Equipment at cost	280 000
Accumulated depreciation: Equipment (30 November 2010)	80 000
Vehicles at cost	170 000
Accumulated depreciation: Vehicles(1 March 2010)	24 000
Bank (Cr)	15 130
Allowance for credit losses	3 600
Allowance for settlement discount	5 250
Depreciation (Equipment as at 30 November 2010)	1 860
Prepaid expenses (Insurance)	2 700

2. <u>Additional information:</u>

2.1 Land and buildings consists of:

Land - Erf 529 Midrand, bought on 1 March 2008 for R900 000.
Building - The building was erected during the year at a total cost of R600 000 and was only occupied on 1 January 2011.

2.2 On 30 November 2010 equipment with a cost price of R35 000 was sold at a loss of R3 000. At that date, the accumulated depreciation on the equipment sold amounted to R12 060. All the transactions regarding the sale were recorded correctly.

2.3 Depreciation must still be provided for as follows:

Buildings: 2% per annum on the straight line method.
Equipment: 10% per annum on the diminished balance method.
Vehicles: 20% per annum according to the straight line method.

2.4 Inventories consist of:

Merchandise, R830 000
Stationery, R5 600

<u>QUESTION 1</u> (continued)

2.5 The long-term loan was acquired on 1 May 2009 from US Bank and bears interest at a rate of 12% per annum. The loan is secured by a first mortgage over land and is repayable in 5 equal instalments as from 1 January 2012.

2.6 An amount of R10 000 must be transferred to the asset replacement reserve.

2.7 The remainder of the total comprehensive income for the year must be distributed between the partners in their profit sharing ratio.

REQUIRED:

With regard to Superman Traders:

1.1 Prepare the statement of financial position as at 28 February 2011. (13)

1.2 Prepare ONLY the note in respect of property, plant and equipment. The total column can be omitted. (17)

Your answer must comply with the requirements of International Financial Reporting Standards (IFRS), appropriate to the business of the partnership. Comparative figures are not required.

[30]

NB: Show all calculations.

QUESTION 2 (20 marks) (24 minutes)

Manamela and Tsebe are in partnership trading as MaTshebe Catering Services, with a profit sharing ratio of 3:2 respectively. Moshe made an offer to join the partnership which was duly accepted by Manamela and Tsebe. The bookkeeper of the partnership is still battling to pass the module FAC1601 and has no clue on how to prepare accounts necessary to admit a partner to the partnership. The partners have approach you to assist in the preparation of accounts to admit Moshe. The following information is extracted from the accounting records of the partnership on 30 September 2010, the end of the financial year:

	R
Capital: Manamela	140 000
Capital: Tsebe	130 000
Current account: Manamela (Dr)	30 000
Current account: Tsebe	35 000
Asset replacement reserve	71 400
Vehicles at cost	125 000
Accumulated depreciation: Vehicle	31 000
Furniture and equipment at cost	128 000
Accumulated depreciation: Furniture and equipment	27 600
Inventory	64 000
Bank	88 000

Additional information:

1. The partners agreed that Moshe will join the partnership on 1 October 2010 and that the new partnership will trade as MMT Catering Services. Manamela and Tsebe further decided that they would relinquish a third of interest in the profits/losses to Moshe in the ratio of 6:4 respectively. Moshe would contribute a vehicle worth R150 000, catering equipment worth R15 000 and R40 000 cash and thereby acquire a third interest in the equity of the new partnership.

2. In preparation of Moshe's admission an appraiser made the following valuation on 1 October 2010:

Furniture and equipment	R96 400
Vehicles	R80 000
Inventory	R44 000

REQUIRED:

2.1 Calculate the goodwill acquired in MaTsebe Catering Services. (6)

2.2 Prepare the valuation account, properly closed off, in the general ledger of MaTshebe Catering Services as at 30 September 2010. (9)

2.3 Calculate the new profit sharing ratio for Manamela, Tsebe and Moshe. (5)

[20]

NB: Show all calculations.

<u>QUESTION 3</u> (20 marks) (24 minutes)

Retief and Elizabeth are the only members of Shoe Fever CC. They each hold an equal share in the close corporation. You have been appointed by Shoe Fever CC as the accounting officer for the year ended 28 February 2011 and the following list of balances were presented to you.

1. Balances as at 28 February 2011:

	R
Member's contribution: Retief	150 000
Member's contribution: Elizabeth	200 000
Loan from Retief	50 000
SARS (Dr)	5 200
Allowance for credit losses	2 000
Inventory	60 000
Long-term loan: Mercy Bank	112 000
Accrued expenses	5 400
Prepaid expenses	4 100
Sales	540 000
Purchases	199 000
Delivery expenses (in respect of sales)	4 920
Depreciation	4 320
Rent income	5 450
Sales returns	19 000
Purchase returns	4 150
Salaries and wages	236 410
Land and buildings at cost	480 000
Debtors control	33 000
Interest on loan from member	2 000
Telephone expenses	6 400
Stationery consumed	3 300
Water and electricity	7 150
Insurance expenses	3 900
Advertising expenses	4 300

2. <u>Additional information:</u>

2.1 Inventory on hand on 1 March 2010 amounted to R23 000.

2.2 Interest on the long-term loan from Mercy Bank at 15% per annum must still be accounted for. The long-term loan was obtained on 1 March 2009 and is secured by a first mortgage over land and buildings. The long-term loan is repayable in four equal instalments as from 1 March 2011.

2.3 Mr Searl, a debtor who owes Shoe Fever CC R3 000 was declared insolvent and his debt must be written off as irrecoverable.

2.4 The allowance for credit losses must be adjusted to R3 000.

2.5 The loan from Retief bears interest at a rate of 10% per annum. The loan is repayable in five equal instalments as from 1 June 2011.

QUESTION 3 (continued)

2.6 Insurance expenses include an amount of R300 relating to the insurance premium for March 2011.

2.7 Retief and Elizabeth are entitled to a monthly salary of R5 000 each. The salaries were paid during the year and are included in salaries and wages.

2.8 The income tax for the year amounted to R26 376 and must still be recorded.

REQUIRED:

Prepare the statement of profit or loss and other comprehensive income for the year ended 28 February 2011 in respect of Shoe Fever CC to comply with the provisions of the Close Corporations Act, No 69 of 1984, and the requirements of International Financial Reporting Standards (IFRS). (Comparative figures are not required.)

NB: Show all calculations.

<u>QUESTION 4</u> (21 marks) (25 minutes)

1. On 28 February the following balances were taken from the books of Lloyd Close Corporation:

	2011 **R**	**2010** **R**
Member's contributions	1 400 000	900 000
Land and buildings at valuation (2011)/at cost (2010)	792 000	360 000
Equipment at cost	216 000	169 200
Vehicles at cost	360 000	352 800
Investment at fair value	212 400	189 000
Inventory	172 800	115 200
Trade debtors	20 160	23 400
Prepaid expenses (wages prepaid)	1 360	2 400
Dividends receivable	4 500	1 800
Bank (favourable balance)	21 960	219 600
Surplus on valuation of land and buildings	144 000	-
Long-term loan	256 900	533 400

2. The following transactions took place in respect of property, plant and equipment:

2.1 During the financial year ended 28 February 2011 the close corporation purchased additional land and buildings for cash. Following an upsurge in the property prices, the members of the corporation decided to reassess the value of land and buildings. An assessment by a sworn appraiser revealed that the fair value of land and buildings was R144 000 higher than the amount reflected in the books of the corporation. An adjustment to record the revaluation has already been made in the books of the corporation. No land and buildings was sold during the year.

2.2 On 30 November 2010 the close corporation purchased additional equipment for R43 200, cash. On the same date redundant equipment with a cost price of R10 800 and accumulated depreciation of R6 480 was sold for cash at carrying amount. The replacement equipment was purchased for cash.

2.3 On 15 August 2010 a new delivery van was purchased at a cost price of R108 000 and partially financed by a trade-in of the old delivery van for R7 200. The old delivery van had a cost price of R90 000, and on the date of the trade-in the carrying amount of the old van amounted to R10 000. On 16 August 2010 the outstanding amount on the new delivery van was paid for in cash. No other vehicles were purchased or sold during the financial year.

3. The investment consists of shares in Khulubuse (Pty) Ltd.

4. During the financial year ended 28 February 2011 Mr Mpisane was admitted as a new member of the close corporation. Mr Mpisane contributed specialised equipment, valued at R125 000 and this contribution was regarded as capital contribution by the corporation. All the other additions to equipment were paid for in cash.

<u>QUESTION 4</u> (continued)

5. The CC acquired loans from its members. The transactions pertaining to these loans during the financial year are as follows:

	Elvis (Dr)/Cr R	Lu-lu (Dr)/Cr R	Mpisane (Dr)/Cr R
Balances at 1 March 2010	72 000	36 000	-
Advances during the year	9 000	-	21 600
Repayments during the year	-	(10 800)	-
Interest capitalised	12 960	6 480	-
Balances at 28 February 2011	93 960	31 680	21 600

The loans bear interest at 18% per annum on the opening balances of each financial year and are unsecured.

REQUIRED:

Prepare ONLY the CASH FLOWS FROM INVESTING ACTIVITIES AND THE CASH FLOWS FROM FINANCING ACTIVITIES-sections of the statement of cash flows of Lloyd CC for the year ended 28 February 2011. Your answer must comply with the requirements of International Financial Reporting Standards (IFRS), appropriate to the business of the close corporation. Comparative figures are not required.

NB: Show all calculations.

<u>QUESTION 5</u> (9 marks) (11 minutes)

On 1 May 2007, Emtien Ltd was incorporated with an authorised share capital of 500 000 ordinary shares and 300 000 9% preference shares.

The following information was extracted from the financial records of Emtien Ltd for the financial year ended 30 June 2010:

	R
Share capital: Ordinary shares	305 000
Share capital: 9% Preference shares	135 000
Retained earnings	500 000
Long term loan	800 000
Bank	1 000 000

Since its incorporation, Emtien Ltd has recorded the following transactions with regard to the issuing of shares:

- On 15 May 2007, 10 000 ordinary shares were issued to the incorporators at a consideration of R30 000
- On 30 May 2007, 50 000 ordinary shares and 20 000 9% preference shares were issued to the public at a consideration of R175 000 and R120 000 respectively.
- On 30 April 2008, 10 000 9% preference shares were issued at a consideration of R55 000
- On 30 April 2009, 40 000 ordinary shares was issued at a consideration of R100 000.

On 31 December 2010, the directors approved a capitalisation issue of 2 shares for every 5 ordinary shares held. The board of the company deemed that a fair consideration for the ordinary shares would be R140 000.

REQUIRED:

5.1 Calculate the number of ordinary shares to be issued. (3)

5.2 Record the issue of the capitalisation shares in the general journal of Emtien Ltd. (6)

[9]

NB: Show all calculations.

ANNEXURE D: OCTOBER/NOVEMBER 2011 EXAMINATION

UNIVERSITY EXAMINATIONS

UNIVERSITEITSEKSAMENS

UNISA university of south africa

FAC1601
RAC102C

October/November 2011

FINANCIAL ACCOUNTING REPORTING

Duration : 2 Hours

100 Marks

EXAMINERS :

FIRST : MR A EYSELE, MR RN NGCOBO, MR J VAN STADEN, MR MT HLONGOANE, MS FM OSMAN

SECOND : PROF JS JANSEN VAN RENSBURG

Use of a non-programmable pocket calculator is permissible.

This paper comprises 13 pages.

PLEASE NOTE:

1. Ensure that you are writing the correct examination paper.
2. Ensure that you are handed the correct examination answer book (BLUE) by the invigilator.
3. All questions must be answered.
4. Basic calculations, where applicable, must be shown.
5. Each question must be commenced on a new (separate) page.
6. Please do not answer the paper in pencil.

PROPOSED TIMETABLE

Try not to deviate from this.

Question	Subject	Marks	Time in Minutes
1	Partnerships: Statement of profit or loss and other comprehensive income	24	29
2	Partnerships: Liquidation of a partnership	18	21
3	Close corporations: Calculation of retained earnings Close corporations: Statement of financial position	29	35
4	Close corporations: Statement of cash flows	20	24
5	Time value of money: (Tables included as an annexure)	9	11
	TOTAL	100	120

<u>QUESTION 1</u> (24 marks) (29 minutes)

Go4Gold Trading is a partnership with Hilda and Gabby as partners. The information below pertains to the business activities of the partnership for the year ended 31 August 2011.

GO4GOLD TRADING
BALANCES AS AT 31 AUGUST 2011

	R
Capital: Hilda	282 500
Capital: Gabby	144 000
Land and buildings at cost	180 000
Vehicles at cost	144 000
Accumulated depreciation: Vehicles (1 September 2010)	12 000
Equipment at cost	130 000
Accumulated depreciation: Equipment (1 September 2010)	24 000
Long-term loan	108 000
Bank	94 840
Creditors control	47 070
Debtors control	59 680
Sales	536 820
Purchases	302 530
Salaries and wages	123 600
Interest on long-term loan	4 320
General expenses	38 720
Water and electricity	41 160
Depreciation (28 February 2011)	75
Settlement discount received	2 400
Settlement discount granted	2 000
Credit losses recovered	3 000
Telephone expenses	23 160
Allowance for settlement discount granted	1 305
Property rates	17 010

Additional information:

Abstract from terms of the partnership agreement:

1. Interest on capital is calculated at a rate of 10% per annum on opening balances of the capital accounts.

2. Each partner is entitled to a monthly salary of R5 000 per month.

3. Hilda and Gabby share profits and losses in the ratio of 2:3 respectively.

Year-end adjustments:

1. On 31 August 2011, salaries for services rendered according to the partnership agreement were paid to the partners as follows:

   Hilda: R36 000
   Gabby: R38 000

   Both these amounts were debited to the salaries and wages account.

<u>QUESTION 1</u> (continued)

2. The only transaction involving equipment occurred on 28 February 2011 when equipment with a cost price of R15 000 and accumulated depreciation of R14 000 on 1 September 2010, was traded in for a new one. The new machine was purchased at a cost of R25 000 and the supplier thereof allowed R1 500 as a trade-in value on the old equipment and the difference was paid in cash.

3. Depreciation is to be provided for as follows:

   Vehicles: 20% per annum according to the straight-line method
   Equipment: 15% per annum according to the diminishing balance method.

4. The long-term loan was obtained from Casha Bank on 1 March 2011 at an interest of 12% per annum, payable on 30 June of every year. The capital amount of the loan must be repaid on 1 September 2012.

6. Included in the amount of water and electricity is R10 400 relating to advertising expenses paid during the year. Advertising expenses are payable in advance in equal amounts and the September 2011 payment is included in this figure.

7. An invoice for an amount of R5 280 relating to delivery expenses in respect of purchases delivered on 31 August 2011 was received on 2 September 2011.

8. On 31 August 2011 the inventory on hand amounted to R28 080.

Required:

Prepare the statement of profit or loss and other comprehensive income of Go4Gold Trading for the year ended 31 August 2011 to comply with the requirements of International Financial Reporting Standards (IFRS), appropriate to the business of the partnership. Notes and comparative figures are <u>NOT</u> required.

NB: Show all calculations.

<u>QUESTION 2</u> (18 marks) (21 minutes)

Bob, Morgan and Arthur were in partnership trading as Zimbabwe Chartered Accountants. The partners conducted their business in South Africa and shared profits/losses in the ratio of 5:3:2. Since the formation of the partnership, Bob and Morgan have been struggling to agree on matters affecting the day to day operations of the business. The partners have consequently agreed to dissolve the partnership piecemeal as from 1 October 2011.

The following information is extracted from the accounting records of the partnership on 30 September 2011:

	R
Capital: Bob	130 000
Capital: Morgan	100 000
Capital: Arthur	80 000
Asset replacement reserve	20 000
Property, plant and equipment	202 000
Investments: Shangai Limited	100 000
Loan from Morgan	12 000
Long-term loan	80 000
Fees receivable (Debtors)	105 000
Bank (Dr)	15 000

Additional information:

1. The partners agreed to distribute the cash received from the sale of assets immediately in such a way that, while maximum distribution was to be made to the partners, under no circumstances would a partner be required to refund to the partnership any amount he had received.

2. The partner's loan account is to be transferred to his capital account.

3. The partnership had taken out an insurance policy on the life of the partners. The surrender value of the policy is currently R25 000 and is to be paid to the partnership on 8 October 2011.

4. The partnership reached an agreement with all its clients (debtors) that if fees owing are settled before 31 October 2011, a discount of 10% will be granted. On 10 October 2011, 80% of clients had settled their accounts.

5. The assets were sold for cash as follows:

		Carrying amount	Proceeds
12 October 2011	Furniture and equipment	R130 000	R130 000
18 October 2011	Investments	R100 000	R110 000
20 October 2011	Furniture and equipment	R 50 000	R 60 000

Required:

Record the liquidation of Zimbabwe Chartered Accountants in columnar format according to the loss-absorption capacity method from 1 October 2011 to 12 October 2011.

NB: Show all calculations

<u>QUESTION 3</u> (29 marks) (35 minutes)

A Dolittle and B Dalley are the only members of Efficiency Consultants CC. They have an equal interest in the corporation and distribute profits accordingly. On 28 February 2011, the financial year-end of the close corporation, the bookkeeper presented the following information, to the accounting officer, who is also required to prepare the financial statements of Efficiency Consultants CC.

LIST OF BALANCES AS AT 28 FEBRUARY 2011:

	R
Member's contribution: A Dolittle	120 000
Member's contribution: B Dalley	95 000
Land and buildings at cost	747 000
Equipment at cost	120 000
Loan from member: A Dolittle	93 800
Loan to member: B Dalley	70 500
Inventory	99 312
Debtors control	35 600
Creditors control	25 100
Bank (Dr)	48 100
Petty cash	2 800
Mortgage	232 000
Investments at cost	295 000
Allowance for settlement discount granted	1 500
Retained earnings (1 March 2010)	472 000
Interim profit distribution paid to members	42 000
Accumulated depreciation on equipment	24 000
Income received in advance	14 660
Prepaid expenses	5 048
Allowance for credit losses	5 000
SARS (income tax) (Dr)	116 600
Profit before tax (before taking any applicable additional information into account)	498 900

Additional information:

1. A debtor owing the business R3 000 immigrated to Australia without making any arrangements to settle his debt. Efforts to trace him have been unsuccessful and it was decided to write off his debt as irrecoverable. The allowance for credit losses must be adjusted to R4 700.

2. The income tax for the financial year ended 28 February 2011 amounted to R126 500 and must still be recorded.

3. The loan from A Dolittle was obtained on 28 February 2010. Interest is calculated at 8% per annum and must still be taken into account for the current financial period. The loan is unsecured and fully repayable on 1 June 2011.

4. On 20 February 2011, the members decided that an amount of R44 800 must be equally distributed to them on 28 February 2011 as a further profit distribution. It was further agreed that 50% of this profit distribution will not be paid out in cash, but will remain in the close corporation as loans from members. All loans from members will be repaid in full on 28 February 2013.

5. In order to consolidate his minor debts, B Dalley requested a loan from the close corporation. The loan was advanced to him on 31 December 2010 at an agreed interest rate of 10% per annum. The interest on this loan is capitalised and the interest for the current financial year must still be accounted for. The loan is unsecured and immediately callable.

6. Investments consist of:

   50 000 ordinary shares in Sushi Ltd, purchased on 1 March 2009 for R4 each. On 28 February 2011 Sushi Ltd declared a dividend of 20 cents per share, payable on 15 March 2011. On 28 February 2011, the fair value of shares held in Sushi Ltd was determined at R5 per share.

   100 000 ordinary shares in Kwasa-Kwasa (Pty) Ltd purchased at a cost of R95 000 on 28 February 2011.

Required:

With regards to Efficiency Consultants CC:

3.1 Calculate the retained earnings as at 28 February 2011. (8)

3.2 Prepare the statement of financial position as at 28 February 2011. (21)

Your answer must comply with the provisions of the Close Corporation Act, No 69 of 1984, as well as the requirements of International Financial Reporting Standards (IFRS). Notes and comparative figures are <u>NOT</u> required.

[29]

NB: Show all calculations.

QUESTION 4 (20 marks) (24 minutes)

The following information relates to Fleetwood CC:

1. Balances of the statement of financial position as at 31 August 2011:

	2011	2010
	R	R
Land and buildings at cost	665 000	450 500
Machinery at cost	427 720	349 700
Investment at cost	118 000	-
Loans to members	35 000	49 500
Inventory	34 260	20 320
Debtors control	63 136	62 500
Prepaid water and electricity	-	10 400
Accrued rental income	6 800	-
Bank	115 174	170 000
	1 465 090	1 112 920
Members' contributions	833 000	730 400
Retained earnings	150 820	53 800
Long-term loan	185 000	134 000
Accumulated depreciation: Machinery	106 290	45 600
Allowance for credit losses	3 700	3 000
Accrued water and electricity	4 400	-
Distribution to members payable	51 000	73 400
Creditors control	90 080	45 520
Current tax payable	40 800	27 200
	1 465 090	1 112 920

2. Balances of the statement of profit or loss and other comprehensive income for the year ended 31 August 2011:

	R
Sales	599 760
Cost of sales	280 500
Rental income	13 600
Investment income: Dividend received	10 200
Interest expense	8 500
Income tax expense	136 816
Credit losses	5 700
Water and electricity	34 334
Depreciation	60 690

Additional information:

1. All inventories are purchased and sold on credit.

2. No machinery were scrapped or sold during the 2011 financial year. In response to the increasing demand for products of the CC, the members deemed it necessary to purchase an additional machine to improve productive capacity. One of the members of the CC decided to obtain a loan in his personal capacity from his bank. He used the proceeds of the loan to acquire the required machine at a cost of R45 000. The machine was brought into use by the CC on 2 January 2011. This was recorded as capital contribution in the books of the CC. All other machinery was purchased for cash.

<u>QUESTION 4</u> (continued)

3. Investments consist of the following:

Fixed deposit at Casta Bank	R58 000
30 000 R2 Ordinary shares at Midrand Limited	R60 000

Required:

Prepare only the CASH FLOWS FROM OPERATING ACTIVITIES section of the statement of cash flows of Fleetwood CC for the year ended 31 August 2011 to comply with the requirements of International Financial Reporting Standards (IFRS), appropriate to the business of the close corporation. The cash generated from or used in operations must be disclosed according to the DIRECT METHOD. Comparative figures are not required.

NB: Show all calculations.

<u>QUESTION 5</u> (9 marks) (11 minutes)

Mr Siphiwe Tshabalala wants to register his daughter Jabu, currently 15 years of age, for a BCompt degree at UNISA in 4 years time. The duration of the course is 3 years. The estimated cost of the first year of study including textbooks is R35 700 and must be paid by Mr Tshabalala. The rest of the years of study will be funded by a bursary from SAFA.

Mr Tshabalala is concerned whether he will have enough funds available to enrol his daughter for the first year of study and has approached his lifelong friend, Mr Bakkies Botha for advice. The following are the investment options suggested by Mr Botha:

- Invest in an ordinary annuity by way of a monthly contribution;
- Invest money, currently available in a savings account, in an investment account.

After careful consideration Mr Tshabalala has made the following investments decisions:

- Mr Tshabalala will contribute R3 500 on a monthly basis towards an ordinary annuity;
- Mr Tshabalala will invest R10 000 he earned as a bonus on scoring a goal against Mexico in the opening match of the 2010 World Cup. The R10 000 is currently available in his savings account.

Required

5.1 Calculate the amount that will be received by Mr Tshabalala in 4 years time if he invests the funds currently available in his savings account at an interest rate of 8% per annum compounded quarterly.	(4)
5.2 Taking into account the result obtained in 5.1 above; calculate an amount that must be invested monthly for 4 years, to yield the remaining balance towards the study fees of Mr Tshabalala's daughter. The investment will be made at Soccer Bank at an interest rate of 12% compounded half yearly.	(5)
	[9]

NB: Show all calculations.

ANNEXURE E: MAY/JUNE 2012 EXAMINATION

UNIVERSITY EXAMINATIONS

UNIVERSITEITSEKSAMENS

FAC1601

May/June 2012

FINANCIAL ACCOUNTING REPORTING

Duration : 2 Hours

100 Marks

EXAMINERS :

FIRST :	MR A EYSELE	MR MT HLONGOANE
	MR RN NGCOBO	MRS B NTOYANTO
	MS FM OSMAN	MR J VAN STADEN
SECOND :	PROF JS JANSEN VAN RENSBURG	

Use of a non-programmable pocket calculator is permissible.

This examination question paper remains the property of the University of South Africa and may not be removed from the examination venue.

This paper comprises 7 pages.

PLEASE NOTE:

1. Ensure that you are writing the correct examination paper.
2. Ensure that you are handed the correct examination answer book (BLUE) by the invigilator.
3. All questions must be answered.
4. Basic calculations, where applicable, must be shown.
5. Each question must be commenced on a new (separate) page.
6. Please do not answer the paper in pencil.

PROPOSED TIMETABLE

Try not to deviate from this.

Question	Subject	Marks	Time in Minutes
1	Partnerships: Calculation of total comprehensive income Partnerships: Statement of changes in equity	30	36
2	Partnerships: Liquidation of a partnership	25	30
3	Close corporations: Statement of financial position	26	31
4	Statement of cash flows: Operating activities section	19	23
	TOTAL	100	120

<u>QUESTION 1</u> (30 marks) (36 minutes)

The following information is taken from the accounting records of B&B Travel, a partnership with Bok and Bafana as partners, at 29 February 2012 – the financial year end of the partnership.

B&B TRAVEL
BALANCES AS AT 29 FEBRUARY 2012

	R
Capital: Bok	200 000
Capital: Bafana	300 000
Current account: Bok (Dr)	15 000
Current account: Bafana (Cr)	9 000
Drawings: Bok	75 000
Drawings: Bafana	82 000
Asset replacement reserve	61 000
Land and buildings at cost	800 000
Vehicles at cost	401 000
Accumulated depreciation: Vehicles (1 March 2011)	40 000
Mortgage	121 500
Long-term loan from Bafana	50 000
Bank overdraft	58 000
Creditors control	75 000
Debtors control	78 000
Profit for the year (before year-end adjustments)	536 500

Additional information:

Abstract from terms of the partnership agreement:

1. Each partner is entitled to an annual salary of R60 000.

2. Interest of 5% per annum is to be allowed on the opening balances of the partners' capital and current accounts.

Year-end adjustments:

1. The long-term loan from Bafana was acquired on 1 January 2012. Interest is calculated at 12% per annum and must be paid on 30 June of every year.

2. During the year Bafana received R12 000 as an entertainment allowance which was correctly debited to his drawings account. Bafana used the allowance to buy four private suite tickets to a soccer match at Orlando stadium at a cost of R2 000 per ticket. All of the tickets were awarded to clients of B&B Travel.

3. Due to cultural differences that nearly split the partnership into two factions, the partners decided to go for a cultural diversity programme. Each partner received R10 000 from the partnership to pay for the programme. These amounts were incorrectly included in the salaries paid to the partners during the year.

<u>QUESTION 1</u> (continued)

4. Provision must still be made for depreciation on vehicles at 25% per annum according to the diminishing-balance method.

5. The accountant of the partnership inadvertently forgot to record the sale of a vehicle costing R60 000. The vehicle was sold for R30 000 on 1 December 2011. On 1 March 2011 this vehicle had an accumulated depreciation amounting to R24 000.

6. The partners decided that an amount of R16 000 from the comprehensive income must be transferred to the asset replacement reserve.

REQUIRED:

With regard to B&B Travel:

1.1 Calculate the total comprehensive income for the year ended 29 February 2012. (12)

1.2 Prepare the statement of changes in equity for the year ended 29 February 2012. (18)

Your answer must comply with the requirements of International Financial Reporting Standards (IFRS) appropriate to the business of the partnership. Notes and comparative figures are <u>NOT</u> required.

NB: Show all calculations. **[30]**

QUESTION 2 (25 marks) (30 minutes)

Sylvester and Kgothatso are in partnership, trading as SK Confectioners and sharing profits/losses of the partnership equally. The partners decided to liquidate the partnership piecemeal as from 1 May 2012 and to repay the creditors in full with a once off payment as soon as sufficient cash is received from the liquidation of assets. The partners further agreed that interim repayment will be made to them as cash becomes available in such a way that, while maximum distribution was to be made to the partners, under no circumstances would a partner be required to refund to the partnership any amount he had received.

The following information is extracted from the accounting records of the partnership on 30 April 2012:

	R
Capital: Sylvester	220 000
Capital: Kgothatso	250 000
Current account: Sylvester (Dr)	43 000
Current account: Kgothatso	20 000
Land and buildings at cost	330 000
Equipment at cost	92 000
Accumulated depreciation: Equipment	8 000
Goodwill	15 000
Inventory	28 000
Creditors control	20 000
Bank (Dr)	10 000

Additional information:

1. On 2 May 2012 the partners took a decision to donate inventory with a cost price of R18 000 to a local charity and the rest was sold on the same day for R9 000 cash.

2. The partners negotiated a settlement discount of 10% with their creditor. The creditor agreed on condition that the account is settled on or before 10 May 2012. The due date for payment was met by the partnership.

3. On 8 May 2012 equipment was sold at a public auction at a profit of R21 000 cash. The auctioneers fee amounted to R5 000.

4. The partners received an offer for the purchase of the land and buildings for R350 000. The offer was accepted by both partners on 10 May 2012.

REQUIRED:

Record the liquidation of SK Confectioners in columnar format according to the loss absorption capacity method from 1 May 2012 to 10 May 2012.

NB: Show all calculations

<u>QUESTION 3</u> (26 marks) (31 minutes)

Tabane and Malebye are the only members of MCD Traders CC. On 29 February 2012, the financial year-end of the close corporation, the bookkeeper presented the following information together with additional information to you as the accounting officer of the corporation:

MCD TRADERS CC
LIST OF BALANCES AS AT 29 FEBRUARY 2012:

	R
Member's contribution: Tabane	220 000
Member's contribution: Malebye	325 000
Retained earnings (1 March 2011)	250 000
Asset replacement reserve	123 000
Loan from member: Tabane	105 000
Loan to member: Malebye	75 000
Land and buildings at cost	750 000
Equipment at cost	247 500
Accumulated depreciation: Equipment	93 480
Investments at cost	137 000
Inventory (29 February 2012)	55 000
Debtors control	102 765
Creditors control	47 240
Bank (Dr)	37 000
Petty cash	1 050
Mortgage	232 000
Allowance for settlement discount granted	1 500
Interim profit distribution paid to members	42 000
Income received in advance	5 280
Prepaid expenses	10 200
Allowance for credit losses	5 000
SARS (income tax) (Dr)	55 600
Profit for the year	105 615

Additional information:

1. A debtor owing the business R2 000 is under debt review and it is unclear whether he will be able to settle his account with MCD Traders CC. The members decided to write off his debt as irrecoverable and the transaction must still be recorded.

2. On 29 February 2012 a trade debtor who owes MCD Traders CC R4 000, is entitled to a 10% settlement discount provided the debtor settles his account on 10 March 2012.

3. The income tax for the financial year ended 29 February 2012 amounted to R53 800 and must still be recorded.

4. The loan to Malebye was granted on 31 October 2011. Interest is calculated at 10% per annum and is capitalised at the end of the financial period. The loan is unsecured and immediately callable.

QUESTION 3 (continued)

5. Investments consist of:

   - 40 000 ordinary shares in Mento Ltd, purchased on 1 March 2009 for R60 000. On 29 February 2012 the fair value of shares held in Mento Ltd was determined at R80 000.

   - 15 000 ordinary shares in Rooid (Pty) Ltd purchased at a cost of R29 000. On 29 February 2012, the members of MCD Traders CC valued these shares at R33 750.

   - Fixed deposit of R48 000 at Stanb Bank made on 31 December 2007 for 60 months at 12% interest per annum.

REQUIRED:

Prepare the statement of financial position of MCD Traders CC as at 29 February 2012.

Your answer must comply with the provisions of the Close Corporation Act, No 69 of 1984, as well as the requirements of International Financial Reporting Standards (IFRS). Comparative figures and notes are NOT required.

NB: Show all calculations.

QUESTION 4 (19 marks) (23 minutes)

The following information relates to Softtec CC:

Statement of financial position information as at 29 February 2012:

	2012 R	2011 R
Members' contributions	530 000	500 000
Retained earnings	715 063	447 900
Asset replacement reserve	120 000	90 000
Land and buildings at cost	750 000	500 000
Furniture and equipment at cost	190 000	250 000
Accumulated depreciation: Furniture and equipment	38 000	15 000
Loans to member: Y Soft	210 000	250 000
Mortgage	70 000	210 000
Debtors control	49 500	52 000
Creditors control	30 000	20 500
Allowance for credit losses	6 000	4 800
Allowance for settlement discount granted	1 200	-
Bank (Dr)	32 563	24 000
Listed investment at fair value	210 000	180 000
Interest payable	9 300	7 100
Current tax receivable	18 000	-
Inventory	51 500	42 300
Dividends receivable	15 500	10 000
Distribution payable to members	7 500	13 000

Extract of items disclosed in the statement of profit or loss and other comprehensive income for the year ended 29 February 2012:

	R
Rental income	18 500
Gain on financial assets at fair value through profit or loss	20 000
Loss on sale of furniture and equipment	10 000
Investment income: Dividend received	10 200
Interest expense	8 500
Depreciation	34 000
Income tax expense	148 700

Additional information

1. Distribution paid to members (in cash) during the year amounted to R55 500.

REQUIRED:

Prepare the cash flows from operating activities-section of the statement of cash flows of Softtec CC for the year ended 29 February 2012, **UP TO THE CASH GENERATED FROM/(USED IN) OPERATIONS**. Apply the **INDIRECT METHOD**. Your answer must comply with the requirements of International Financial Reporting Standards (IFRS), appropriate to the business of the CC. Comparative figures and notes to the statement are not required.

NB: Show all calculations.

ANNEXURE F: OCTOBER/NOVEMBER 2012 EXAMINATION

UNIVERSITY EXAMINATIONS

UNIVERSITEITSEKSAMENS

UNISA university of south africa

FAC1601
RFA1601

October/November 2012

FINANCIAL ACCOUNTING REPORTING

Duration : 2 Hours

100 Marks

EXAMINERS :

FIRST : MR A EYSELE, MRS B NTOYANTO, MR J VAN STADEN, MR MT HLONGOANE, MS FM OSMAN

SECOND : MR RN NGCOBO

Use of a non-programmable pocket calculator is permissible.

Closed book examination.

This examination question paper remains the property of the University of South Africa and may not be removed from the examination venue.

This paper comprises 9 pages.

PLEASE NOTE:

1. Ensure that you are writing the correct examination paper.
2. Ensure that you are handed the correct examination answer book (BLUE) by the invigilator.
3. All questions must be answered.
4. Basic calculations, where applicable, must be shown.
5. Each question must be commenced on a new (separate) page.
6. Please do not answer the paper in pencil.

PROPOSED TIMETABLE

Try not to deviate from this.

Question	Subject	Marks	Time in Minutes
1	Partnership: Statement of financial position (Equity and liabilities section)	19	23
2	Close Corporations: Calculation of total comprehensive income Statement of changes in net investment of members	27	32
3	Statement of cash flows: Preparation of the cash generated from operating activities section Preparation of the cash flows from investing activities section	24	29
4	Analysis and interpretation of financial statements: Profitability ratios	14	17
5	Branches: Branch inventory account	16	19
	TOTAL	100	120

QUESTION 1 (19 Marks) (23 Minutes)

Billy and Kid decided to start a business, trading as Outlaw Traders. The following information pertains to the business activities of the partnership for the year ended 30 June 2012:

1. Trial balance as at 30 June 2012:

	R
Capital: Billy	150 000
Capital: Kid	150 000
Current Account: Billy (Cr; 1 July 2011)	11 100
Current Account: Kid (Dr; 1 July 2011)	8 700
Drawings: Billy	71 500
Drawings: Kid	87 300
Asset replacement reserve	45 000
Mortgage	150 000
Long-term loan: Billy	40 000
Creditors control	30 000
Bank (Cr)	13 500
Land and buildings at cost	620 000
Equipment at cost	86 000
Vehicles at cost	98 500
Accumulated depreciation: Equipment	25 900
Accumulated depreciation: Vehicles	50 000
Inventory	10 000
Debtors control	22 000
Allowance for credit losses	1 750
Petty cash	500
Profit for the year	337 250

2. Terms of the partnership agreement:

2.1 Interest is calculated at 10% per annum on the opening balances of the partners' capital and current accounts

2.2 Both partners are entitled to a salary of R70 000 per annum

3. Additional information:

3.1 The long-term loan from Lincoln Bank was acquired on 1 July 2011 and bears interest at a rate of 10% per annum. The loan is secured by a first mortgage over land and buildings and is repayable in equal instalments over 10 years. The first repayment is due 2 July 2012.

3.2 Billy granted an unsecured loan to the partnership on 1 May 2012. According to the terms of the loan agreement, interest at 15% per annum will be charged and is payable in December of every year. The total amount of the loan will be repaid in full on 30 April 2015.

3.3 On 30 June 2012, a cheque was made out to Jesse James Computers Ltd for R12 000. This payment was for the rental of a server from 1 July 2012 to 30 June 2013. The transaction must still be recorded in the books of the entity.

3.4 During the year each partner received R55 000 as a salary and these amounts were debited to salaries and wages of the partnership.

REQUIRED

Prepare the **EQUITY AND LIABILITIES** section of the statement of financial position of Outlaw Traders as at 30 June 2012. Your answer must comply with the requirements of International Financial Reporting Standards (IFRS) appropriate to the business of the partnership. Notes and comparative figures are NOT required.

NB: Show all calculations.

<u>QUESTION 2</u> (27 Marks) (32 Minutes)

Dumi and Sani are the only members of Dumisani CC. They have an equal interest in the corporation and distribute profits accordingly. On 29 February 2012, the financial year-end of the close corporation, the bookkeeper presented the following information, to the accounting officer, who is also required to prepare the financial statements of Dumisani CC.

LIST OF BALANCES AS AT 29 FEBRUARY 2012:

	R
Member's contribution: Dumi	215 000
Member's contribution: Sani	125 000
Equipment at cost	330 000
Loan to member: Dumi	70 000
Loan to member: Sani	35 000
Loan from member: Dumi	105 000
Debtors control	35 600
Asset replacement reserve	80 000
Bank (Dr)	48 100
Gross profit	922 000
Mortgage	232 000
Investment in Voda Ltd at fair value	400 000
Allowance for settlement discount granted	1 500
Retained earnings (1 March 2011)	577 000
Interim profit distribution paid to members	40 000
Accumulated depreciation on equipment	24 000
Prepaid expenses	5 048
Allowance for credit losses	5 000
SARS (Income tax) (Dr)	116 600
General expenses (before taking any applicable additional information into account)	629 000

Additional information:

1. On 31 January 2012 Dumi made an additional cash capital contribution of R80 000 to the corporation.

2. An additional amount of R2 000 owed by a debtor of the business must be written off as irrecoverable. The allowance for credit losses must be adjusted to R4 050.

3. On 1 August 2011 Dumisani CC concluded a contract for an insurance policy. The policy was incepted on 1 September 2011 at a premium of R800 per month. During the year a total of R5 600 was paid by the corporation as insurance premiums. To date no entries have been made in the books of the business regarding the payment of premiums.

4. The members decided that for the 2012 financial year, interest must be recorded on the loan accounts to members at a rate of 10% per annum. This interest must be calculated on the balances of any existing loans. On 31 August 2011, an additional loan of R20 000 was advanced to Sani and recorded in the books. Interest on the loans to members is capitalised.

5. Interest on loan from Dumi bears an interest at a rate of 15% per annum and payable on 31 July every year. The loan is unsecured and 20% thereof must be repaid on 1 August 2012.

6. In view of favourable business conditions, the members decided to adjust the allowance for settlement discount granted to R2 000 and to transfer R20 000 of the retained earnings to the asset replacement reserve.

<u>QUESTION 2</u> (continued)

7. The investment in Voda Ltd consists of 80 000 shares purchased on 1 March 2010 at R4,50 per share. On 28 February 2012, Voda Ltd declared a dividend of 30 cents per share was paid on 20 March 2012.

8. On 20 February 2012, the members decided that an amount of R80 000 must be equally distributed to them as a profit distribution.

9. The income tax assessment for 2011/2012 was received on 5 March 2012 indicating a balance of R20 600 due to Dumisani CC.

REQUIRED:

With regard to Dumisani CC:

2.1 Calculate the total comprehensive income for the year ended 29 February 2012. (13)

2.2 Prepare the statement of changes in net investment of members for the year ended 29 February 2012. (14)

Your answer must comply with the requirements of International Financial Reporting Standards (IFRS) appropriate to the business of the close corporation. Notes and comparative figures are <u>NOT</u> required.

NB: Show all calculations. **[27]**

<u>QUESTION 3</u> (24 marks) (29 minutes)

The accounting officer of Grootslang Builders Warehouse CC has managed to prepare correctly all the financial statements and notes thereof, with the exception of the statement of cash flows for the financial year ended 2012.

The following items are extracted from the financial statements and presented to you:

	2012 29 February	**2011 28 February**
	R	**R**
Property, plant and equipment	2 800 000	235 000
Investment at fair value	200 000	-
Trade debtors	180 000	35 000
Inventories	45 000	?
Cash and cash equivalents (Dr)	3 000	13 000
Members' contributions	570 000	233 500
Retained earnings	446 000	78 000
Loans from members	229 000	150 000
Loans to members	128 000	189 000
Mortgage	1 950 000	-
SARS (Cr)	116 000	22 500

The note pertaining to property, plant and equipment for the year ended 29 February 2012 is follows:

	Land and buildings	**Equip-ment**	**Vehicle**
	R	**R**	**R**
Carrying amount at 1 March 2011	-	191 000	44 000
Cost price	-	212 000	50 000
Accumulated depreciation	-	(21 000)	(6 000)
Additions during the year	2 500 000	9 000	180 000
Disposals during the year	-	-	(44 000)
Depreciation for the year	-	(44 000)	(36 000)
Carrying amount at 29 February 2012	2 500 000	156 000	144 000
Cost price	2 500 000	221 000	180 000
Accumulated depreciation	-	(65 000)	(36 000)

You have also obtained the following information in respect of the corporation. (All transactions were correctly recorded):

1. The profit before tax for the year ended 29 February was R489 000.

2. Interest:

   - The loans from the members bear an interest at a rate of 10% per annum. The interest for the 2012 financial year was paid in cash to the members.
   - The interest expense in respect of the mortgage loan for the 2012 financial year amounted to R99 600. According to the loan agreement, the interest was capitalised.

<u>QUESTION 3</u> (continued)

3. Inventory records of the business revealed that during the year an amount of R250 000 was spent on purchases and the cost of sales amounted to R217 000.

4. The income tax expense was disclosed as R121 000 in the statement of profit or loss and other comprehensive income for the year ended 29 February 2012.

5. An additional amount of loan from members was received on 31 August 2011.

6. The vehicle of the business was stolen on 1 March 2011. During the financial year, the insurance company paid the carrying amount of the stolen vehicle out in cash to the CC. The close corporation purchased a new vehicle in cash to replace the stolen vehicle.

7. The CC purchased a new building during the year. It was paid for with a cash payment from the CC's own resources and a mortgage from Grootvlei Bank. The proceeds of the mortgage were paid directly to the estate agent.

8. The additions to the computer equipment were paid for in cash.

9. Investment consists of 100 000 shares in Ginger Ltd. On 29 February 2012 Ginger Ltd declared a dividend of 12 cents per share payable on 15 March 2012. The fair value of the investment is equal to the cost price thereof.

REQUIRED:

Prepare the **CASH FLOWS FROM OPERATING ACTIVITIES** and **CASH FLOWS FROM INVESTING ACTIVITIES** sections of the statement of cash flows of Grootslang Builders Warehouse CC for the year ended 29 February 2012. The cash generated from/(used in) operations must be disclosed according to the **INDIRECT METHOD.**

Your answer must comply with the requirements of International Financial Reporting Standards (IFRS) appropriate to the business of the close corporation. Notes and comparative figures are <u>NOT</u> required.

NB: Show all calculations. **[24]**

<u>QUESTION 4</u> (14 Marks) (17 Minutes)

NuLan CC an information technology business entity. Mr Chris Balls, the accounting officer of NuLan CC, has asked you to prepare a report on the profitability of the corporation. The report is to be incorporated in the annual financial report of the corporation.

The following is information is extracted from the accounting records of NuLan CC as at 29 February 2012, the end of the financial year:

	R
Members' contributions: Num	100 000
Members' contributions: Lan	80 000
Land and buildings	568 500
Asset replacement reserve	25 000
Loan to member: Num	30 000
Retained earnings (1 March 2011)	98 000
Equipment at cost	195 000
Accumulated depreciation: Equipment	25 000
Long-term loan	150 000
Debtors control	50 000
Creditors control	20 000
Sales	350 000
Allowance for settlement discount granted	4 500
Profit for the year	90 000

Additional information

1. The corporation is taxed at a rate of 28%.

2. The long-term loan was obtained on 31 July 2011 and bears interest at a rate of 12% per annum.

3. The loan to Num is interest free and repayable in full on 30 November 2012.

4. The following are some of the ratios as at 28 February 2011:

   - Return on equity 25%
   - Return on total assets 18%
   - Profit margin 21%
   - Financial leverage 1.5

REQUIRED:

With regard to NuLan CC; calculate and interpret the following ratios as at 29 February 2012:

4.1 Return on equity (4½)

4.2 Return on total assets (7)

4.3 Financial leverage and leverage effect (2½)

[14]

NB: Show all calculations.

<u>QUESTION 5</u> (16 marks) (19 minutes)

The following information pertains to the head office and the branch of Langa and Sons.

Branch inventory on hand at selling price:

	R
1 January 2011	29 700
31 December 2011	41 585

Transactions of the branch for the year ended 31 December 2011:

	R
Inventory transferred to the branch (selling price)	220 000
Cash sales at the branch	196 350
Cash receipts from branch debtors	82 242
Settlement discount granted to branch debtors	1 898
Branch administrative expenses paid by head office	13 932
Damaged inventory written off (at cost)	2 000

Additional information

1. Inventory is purchased by the head office and supplied to the East London branch at selling price, which is cost price plus 25%.

2. During June 2011 inventory with a selling price of R1 875 was stolen at the branch. No entries have been made to record this theft.

3. The branch held a clearance sale during April 2011. Inventory was sold at selling price less 30%. The proceeds of the sale amounted to R42 000 and were included in the cash sales amount, R196 350 above.

REQUIRED:

Prepare the branch inventory account in the general ledger of the head office of Langa and Sons for the year ended 31 December 2011. Each entry must indicate the correct contra ledger account. Balance the account properly.

NB: Show all calculations.

ANNEXURE G: MAY/JUNE 2010 MEMORANDUM

QUESTION 1 **(25 marks)**

A&S SUPERMARKET^
STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009^

		R
Revenue R(650 000✓ - 3 800✓)	^	(2) 646 200
Cost of sales	^	(296 300)
Inventory – 1 January 2009		^70 800
Purchases		^304 000
Insurance on purchases		^4 500
		379 300
Inventory – 31 December 2009		^(83 000)
Gross profit	^	349 900
Other income	^	1710
Interest income: Loans and receivables: Fixed deposit		^1710
		351 610
Distribution, administrative and other expenses	^	(151 303)
Depreciation ①		(3)13 425
Water and electricity R(4 700 + 400)		✓5 100
Credit losses R(5 560 + 700)		✓6 260
Salaries and wages R(132 960 – 40 000)		✓92 960
Stationery consumed R(5 000 – 850)		✓4 150
Telephone expense		✓26 208
Freight on sales		✓3 200
		200 307
Finance costs	^	(8 500)
Interest on loan (R170 000 x 5%)		✓8 500
Profit for the year	^	191 807
Other comprehensive income for the year	^	-
Total comprehensive income for the year	^	191807

[20]

Calculation ①: Depreciation on vehicles

R(11 300 ❶ + 2 125 ❷) = R13 425

❶ **In possession for the whole year**

R(198 000^ – 85 000^) = R113 000 x 10%^ = R11 300

❷ **Purchased during the year**

R(85 000^ x 10%^) x 3/12^ = R2 125

QUESTION 1 **(continued)**

1.2

A&S SUPERMARKET

GEANERAL LEDGER

Dr Current account: Amanda Cr

2009		R	2009		R
Dec 31	Drawings^ R(64 800 + 40 000)	✓104 800	Jan 1	Balance b/d	^60 000
	Balance c/d	95 871	Dec 31	Interest on capital^ (R350 000 x 10%)	✓35 000
				Commission^ (R650 000 x 10%)	✓65 000
				Appropriation account	40 671
		200 671			200 671
			2010		
			Jan 1	Balance b/d	95 871

(5)

[25]

QUESTION 2 (16 marks)

2.1

R&B Entertainment
GENERAL LEDGER

Dr Valuation account Cr

2010		**R**	2010		**R**
Apr 30	Capital account: Chris**^**	**(^)**60 000	Apr 30	Land and buildings**^** ①	**(^)**70 000
	Capital account: Brown**^**	**(^)**36 000		Debtors control**^** (NB: not Goodwill then no marks)	**^**50 000
	Capital account: Rehanna**^**	**(^)**24 000			
		120 000			120 000

(5)

① **Land and buildings**

R(350 000 – 280 000) = R70 000^ This is a calculation, if shown on the dr side then (^) for the calculation. Remember to apply progressive marking. If L&B and Debtors are on the debit side and the student show the allocation to the capital account on the credit side you must award the marks so as not to penalise him twice for the same mistake.

2.2

Dr Capital account: Rehanna Cr

2010		**R**	2010		**R**
Apr 30	Furniture and equipment at cost**^** (microphones taken)	**^**5 700	Apr 30	Balance**^** b/d	**^**60 400
				Current account**^**	**^**19 800
	Loan: Rehanna**^**	**(^)**124 100		Asset replacement reserve**^**②	**^**15 600
				Goodwill**^**③	**^**10 000
				Valuation account**^**	**(^)**24 000
		129 800			129 800

(7)

② R78 000 x 2/10 = R15 600. This is a calculation, if shown on the dr side then (^) for the calculation.

③ R50 000 x 2/10 = R10 000^. This is a calculation, if shown on the dr side then (^) for the calculation.

2.3 Calculation of the profit-sharing ratio of Chris and Brown on 1 May 2010:

$^{5}/_{10}$**^** + ($^{1}/_{2}$ **^** x $^{2}/_{10}$**^**) = $^{10}/_{20}$ + $^{2}/_{20}$ = $^{12}/_{20}$ = $^{3}/_{5}$**^**

$^{3}/_{10}$**^** + ($^{1}/_{2}$ **^** x $^{2}/_{10}$**^**) = $^{6}/_{20}$ + $^{2}/_{20}$ = $^{8}/_{20}$ = $^{2}/_{5}$**^**

New profit-sharing ratio of Chris and Brown is 3:2 respectively.

There must be a calculation. It need not be exactly the same as this. If there is no calculation shown and the answer is 3:2 or 4:6 then award only ^ per answer with ¼ for 2.3.

(4)

[16]

<u>QUESTION 3</u> (21 marks)

GOLDEN GLOBE CC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 28 FEBRUARY 2010

	R		R
CASH FLOWS FROM OPERATING ACTIVITIES ^			
Cash receipts from customers ① ^	427 000	(5)	
Cash paid to suppliers and employees ② ^	(346 360)	(5)	
Cash generated from operations	80 640		
Dividends received	11 100	✓	
Interest paid R(4 996 ✓ – 1 249 ✓)	(3 747)	(2)	
Income tax paid R(19 791 ✓ + 4 600 ✓ – 5 027 ✓)	(19 364)	(3)	
Distributions to members R(22 000 ✓ + 1 400 ✓ – 4 400 ✓)	(19 000)	(3)	
Net cash from operating activities ^			49 629
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to land and buildings	(20 000)		
Refund on the returned equipment	12 000		
Net cash used in investing activities			(8 000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from members contributions R(350 000 – 302 000)	48 000		
Proceeds from long-term loan	49 960		
Net cash from financing activities			97 960
Net increase in cash and cash equivalents			139 589
Cash and cash equivalents at the beginning of year			(16 400)
Cash and cash equivalents at end of year			123 189

(21)

① **Cash receipts from customers**

	R
Debtors control – 28 February 2009	✓ 298 000
Credit sales	✓ 451 000
Credit losses R(3 000 – 1 000)	✓✓ (2 000)
Debtors control – 28 February 2010	✓ (320 000)
Cash received from customers	427 000

[OR]

Dr Debtors control Cr

		R		R
Balance	b/d	✓ 298 000	Bank	427 000
Sales		✓ 451 000	Credit losses R(3 000 – 1 000)	✓✓2 000
			Balance c/d	✓320 000
		749 000		749 000
Balance	b/d	320 000		

(5)

② **Cash paid to suppliers and employees**

	R
Creditors	^ 92 800
Administrative expenses	✓ 40 000
Rent expense R(14 560 ^ – 2 800 ^)	11 760
Water and electricity R(9 400 ^ – 1 300 ^ + 3 700 ^)	11 800
Salaries and wages	✓ 190 000
	346 360

(5)

QUESTION 4 (17 marks)

4.1
EZWENI LIMITED
GENERAL JOURNAL

2008		**R**	**R**
Apr 3	Bank**^**	**^**185 000	
	Application and allotment: Ordinary shares**^** ①		✓**^**150 000
	Application and allotment: 9% Preference shares**^**		**^**35 000
	Receipt of application money from the public		
June 7	Application and allotment: Ordinary shares**^**	**^**150 000	
	Share capital: Ordinary shares**^**		**^**135 000
	Bank**^** ②		**^**15 000
	Allotment of 45 000 ordinary shares		
	Application and allotment: 9% Preference shares✓	✓35 000	
	Share capital: 9% Preference shares✓		✓35 000
	Allotment of 10 000 9% preference shares at a premium of R1,00 each		
June 7	Share issue expenses**^**	**^**2 500	
	Bank**^**		**^**2 500
	Share issue expenses paid		

(13)

4.2

2010			
Feb 28	Preference dividends**^** ③	✓3 150	
	Ordinary dividends**^** ④	✓17 400	
	Dividends payable**^**		**^**20 550
	Dividends declared		

(4)
[17]

The contra accounts must be 100% correct for marks to be awarded.
Narrations not asked.

Calculations:

① **Application ordinary shares**
135 000^/45 000^ x 50 000^ = R150 000

② **Repayment**
R(150 000 – 135 000) = R15 000

③ **Preference dividends**
R35 000^ x 9%^ = R3 150

④ **Ordinary dividends**

Issued to incorporators	=	100 000
Issued to public	=	45 000
		145 000
145 000^ x R0,12^	=	R17 400

QUESTION 5

FOSTHA CC (Head office)
General ledger

Dr Branch inventory (at selling price) Cr

2009		R	2009		R
Jan 1	Balance b/d	^2 600	Dec 31	Bank (Cash sales) ^	^35 800
Dec 31	Inventory to branch ^ (Deliveries at cost) ①	✓62 480		Branch debtors control ^ (Credit sales)	^28 800
	Branch adjustment ^ (Mark-up on deliveries)②	✓15 620		Inventory to branch ^ (Returns at cost)	^3 700
	Branch adjustment ^ (Inventory surplus) ③	✓75		Branch adjustment (Mark-up on returns) ④ ^	✓925
				Branch expense ^ (Inventory stolen at cost) ⑤	✓3 000
				Branch adjustment (Mark-up on inventory stolen) ⑥ ^	✓750
				Branch adjustment ^ (Mark-down on sales) ⑦	✓^1 200
				Branch expense ^ (Mark-down on cost) ⑧	✓^600
				Branch expense (Cash stolen) ^	✓700
				Balance (Inventory in transit) ^ c/d	^2 800
		80 775		Balance (Closing inventory)	^2 500
2010					
Jan 1	Balance (Inventory in transit) ^ b/d	^2 800			
	Balance (Opening inventory)	^2 500			80 775

(21)

Calculations:

① **Inventory to branch (deliveries at cost)**

R78 100 x 100/125 (or) 1,25) = R62 480
(Alternative calculations also acceptable)

② **Branch adjustment (Mark-up on deliveries)**

R78 100 – 62480) = R15 620
(Alternative calculations also acceptable)

③ **Branch adjustment (Inventory surplus)**
R80 775 – R(2 600 + 62 480 + 15 620) = R75

④ **Branch adjustment (Mark-up on returns)**

R3 700 x 25% = R925

⑦ **Branch adjustment (Mark-down on sales)**

Selling price before discount
= Mark-down price x 100/70
= R4 200 x 100/70
= R6 000

Mark-down: R(6 000 – 4 200) = R 1 800
Cost price = R6 000 x 100/125 = R4 800
Mark-up on CP:
R(6 000^^ – 4 800^) = R1 200

Mark-down is greater than the mark-up; therefore: apportion R1 200 of the R1 800 to the branch Adjustment

QUESTION 5 (continued)

⑤ **Branch expense (Inventory stolen at cost)**

R3 750 x 100/125 (or) 1,25) = R3 000

⑥ **Branch adjustment (Mark-up on inventory stolen)**

R(3 750 – 3 000) = R750

⑧ **Branch expense (Mark-down on cost)**

In calculation ⑦ R1 200 of the mark-down of R1 800 was apportioned to the branch adjustment account.

The remaining R600^ (R1 800^ – R1 200^) must be apportioned to the branch expense account. [OR: R(4 800^ – 4 200^ = 600^]

ANNEXURE H: OCTOBER/NOVEMBER 2010 MEMORANDUM

QUESTION 1 (25 marks)

PK Pharmacy ^
Statement of changes in equity for the year ended 30 June 2010 ^

	Capital		Current accounts		Appropriation
	Phuza	**Khemisi**	**Phuza**	**Khemisi**	
	R	**R**	**R**	**R**	**R**
Balances at 1 July 2009	✓✓ 60 000	✓ 100 000	✓ (14 080)	✓ 43 520	
Capital contribution	✓ 40 000				
Total comprehensive income for the year					✓ 361 592
Salaries to partners			✓ 65 000	✓ 65 000	✓ (130 000)
Interest on capital ①			✓✓ 9 600	✓ 12 000	✓ (21 600)
Interest on current accounts ②			✓ (704)	✓ 2 176	✓ (1 472)
Partners' share of total comprehensive income ③			✓ 104 260	✓ 104 260	✓ (208 520)
Drawings ④			✓✓ (95 360)	✓✓ (79 320)	
Balances at 30 June 2010	100 000	100 000	68 716	147 636	–

Calculations

① Interest on capital

Phuza: (12% **^**x R60 000**^**) + [(12% x R40 000) **^** x 6/12 **^**] = R(7 200 + 2 400) = R9 600
Khemisi: 12% **^** x R100 000 **^** = R12 000

② Interest on current accounts

Phuza: 5% **^** x R14 080 **^** = R704
Khemisi: 5% **^** x R43 520 **^** = R2 176

③ Partners share of total comprehensive income

R(361 592 - 130 000 - 21 600 - 1 472) = R208 520

Phuza: 50% **^** x R208 520 **^** = R104 260
Khemisi: 50% **^** x R208 520 **^** = R104 260

④ Drawings

Phuza: R(30 360 ✓ + 65 000 ✓) = R95 360
Khemisi: R(29 320 ✓ + 50 000 ✓) = R79 320

QUESTION 2 (17 marks)

2.1

GL OFFICE FURNITURE
GENERAL LEDGER

Dr **Liquidation account** **Cr**

2010		R	2010		R
Sept 1	Furniture and fittings at cost	^55 600	Sept 1	Accumulated depreciation: Office furniture	^27 800
	Motor vehicle at cost	^46 200		Accumulated depreciation: Motor vehicle	^18 480
	Inventory	^22 000		Creditors control	^3 600
	Debtors control	^24 900		Bank (Office furniture) ^	^42 000
	Bank (Creditors control) ^ ①	^^3 240		Capital: Lisa ^ (Motor vehicle)	^41 000
	Bank (Liquidation costs) ^	^6 500		Bank (Inventory) ^	^19 000
	Capital: Lisa ^③	^6 035		Bank (Debtors control) ^ ②	✓^18 630
	Capital: George ^ ③	^6 035			
		170 510			170 510

(13)

Calculations

① Bank (Creditors control)

R(3 600 **^** – R360 **^**) = R3 240

② Bank (Debtors control)

R(24 900 **^** – 4 200 **^**) x 90% **^** = R18 630

③ Capital: Lisa and Capital: George

R(170 510 – 158 440) x 1/2 = R6 035

2.2

GL OFFICE FURNITURE
GENERAL LEDGER

Dr **Capital: Lisa** **Cr**

2010		R	2010		R
Sept 1	Goodwill ①	^ 1 500	Sept 1	Balance b/d	^ 50 000
	Liquidation account	^ 41 000		Asset replacement reserve ②	^ 2 000
	Bank ^	^ 18 545		Current account: Lisa	^ 3 010
				Liquidation account	^ 6 035
		61 045			61 045

(4)

QUESTION 2 (continued)

Calculations

① **Goodwill**

R3 000 x ½ = R1 500

② **Asset replacement reserve**

R4 000 x ½ = R2 000

[17]

QUESTION 3 (29 marks)

Riverland CC ^
Statement of financial position as at 28 February 2010 ^

ASSETS	**R**
Non-current assets	712 680
Property, plant and equipment **^** ①	✓✓✓712 680
Current assets	455 140
Inventories	✓147 400
Trade receivables ②	✓✓108 820
Prepayments	✓5 920
Other financial assets **^** ③	✓✓193 000
Total assets ^	1 167 820
EQUITY AND LIABILITIES	
Total equity	919 674
Members' contributions ④	✓✓✓420 000
Retained earnings ⑤	**(4)** 499 674
Total liabilities	248 146
Non-current liabilities	95 000
Long-term borrowings ⑥	✓✓95 000
Current liabilities	153 146
Trade and other payables **^** ⑦	✓✓38 340
Current portion of loan from member	✓35 000
Other financial liabilities **^**	✓25 120
Distribution to members payable	✓42 000
Current tax payable ⑧	✓✓12 686
Total equity and liabilities ^	1 167 820

Calculations

① Property, plant and equipment

Land and buildings at cost + (Furniture and equipment at cost – Accumulated depreciation: Furniture and equipment)

R[400 000 ✓ + (375 000 ✓ – 62 320 ✓)] = R712 680

② Trade receivables

Debtors control - Allowance for credit losses
R(111 820 ✓ – 3 000 ✓) = R108 820

③ Other financial assets

Investment at fair value + Loan to A Showers

R(143 000 ✓ + 50 000 ✓) = R193 000

④ Members' contributions

R(210 000 ✓ + 140 000 ✓ + 70 000 ✓) = R420 000

QUESTION 3 (continued)

⑤ Retained earnings

Retained earnings (beginning of year) + Profit before tax + Gain on financial assets at fair value through profit or loss: Held for trading – Income tax expense – Interim profit distributions – Additional profit distribution

R(295 180 **^** + 441 380 **^** + 13 000 **^** – 127 886 **^** - 40 000 **^** - 26 000 **^** - 14 000 **^** - 42 000 **^**)
= R499 674

⑥ Long-term borrowings

Long-term loan + Loan from R Willow
R[60 000 ✓ + (70 000 **^** – 35 000 **^**)] = R95 000

⑦ Trade and other payables

Creditors control + Accrued expenses
R(31 540 ✓ + 6 800 ✓) = R38 340

⑧ Current tax payable

Tax assessment - SARS (Income tax) (Dr)
R(127 886 ✓ – 115 200 ✓) = R12 686

QUESTION 4 (17 marks)

4.1

Ntando CC
Statement of cash flows for the year ended 31 December 2009

	R	R
CASH FLOWS FROM OPERATING ACTIVITIES ^		
Profit before tax	✓ 110 700	
Adjustments for:		
Interest expense	✓ 7 300	
Loss on sale of machinery	✓ 8 000	
Depreciation	✓ 63 600	
Dividend income	✓ (3 000)	
Profit on sale of furniture	✓ (2 000)	
	184 600	
Increase in creditors control R(38 800 **^** – 26 000 **^**)	✓^ 12 800	
Decrease in debtors control R(50 000 **^** – 37 400 **^**)	✓^ 12 600	
Decrease in prepaid expenses R(2 600 **^** – 500 **^**)	✓^ 2 100	
Increase in inventory R(67 000 **^** – 50 000 **^**)	✓^ (17 000)	
Cash generated from operations ^	195 100	
SHADED AREA NOT REQUIRED:		
Dividends received	3 000	
Interest paid R(7 300 – 2 000)	(5 300)	
Income tax paid R(31 000 + 46 600 – 23 300)	(54 300)	
Distribution to members paid [(R26 800 x 2) - R26 800]	(26 800)	
Net cash from operating activities		111 700
CASH FLOWS FROM INVESTING ACTIVITIES *		
Investments in property, plant and equipment to maintain operating capacity		
Replacement of property, plant and equipment	(88 000)	
Proceeds from the sale of property, plant and equipment	43 000	
Proceeds from the sale of investments	25 200	
Net cash used in investing activities		(19 800)
CASH FLOWS FROM FINANCING ACTIVITIES *		
Proceeds from members' contributions	33 800	
Repayments of long-term borrowings R(80 000 – 40 000)	(40 000)	
Net cash used in financing activities		(6 200)
Net increase in cash and cash equivalents		85 700
Cash and cash equivalents at beginning of year		(300)
Cash and cash equivalents at end of year		85 400

(13)

QUESTION 4 (continued)

4.2 Income tax paid R(31 000 ✓ + 46 600 ✓– 23 300 ✓) = R54 300 (3)

4.3 Distribution to members paid [(R26 800 x 2) **^** − R26 800 **^**] = R26 800 (1)

[17]

*** Additional information required for the preparation of the investing and financing activities sections**

1. The investments were sold for R25 200, cash.

2. During the current financial year a machine with a carrying amount of R51 000 was sold at a loss of R8 000 and replaced with a new machine with a cost price of R60 000. The new machine was paid in cash. The quote for the installation fees for the new machine amounted to R2 000, and this amount was paid after the installation was finalised.

3. Furniture and fittings with a cost price of R14 400 was traded in for R9 000 on new furniture costing R35 000. On the date of the trade-in of the furniture and fittings, accumulated depreciation of R7 400 was recorded in the realisation account. The outstanding balance of the new furniture was paid in cash.

4. During the financial year the members contributed cash to the close corporation.

QUESTION 5 (12 marks)

5.1 Profit margin

$$\frac{\text{Profit before tax}}{\text{Sales}} \text{ x } \frac{100}{1}$$

$$= \frac{\text{R}(13\,400\text{^^} + 1\,420\text{^})}{\text{R}(245\,100\text{^^} + 149\,000\text{^^})} \text{ x } \frac{100\text{^}}{1}$$

$$= \frac{\text{R}14\,820}{\text{R}394\,100} \text{ x } \frac{100}{1}$$

= 3,76%

(4)

5.2 Acid test ratio

$$\frac{\text{Current assets less inventory}}{\text{Current liabilities}}$$

$$= \frac{\text{R}[(36\,000\text{^} + 24\,000\text{^} + 38\,000\text{^}) - \text{R}38\,000\text{^}]}{\text{R}(40\,000\text{^} + 2\,000\text{^} + 6\,900\text{^})} \text{ OR } \frac{\text{R}(36\,000\text{^^} + 24\,000\text{^^})}{\text{R}(40\,000\text{^} + 2\,000\text{^} + 6\,900\text{^})}$$

$$= \frac{\text{R}60\,000}{\text{R}48\,900}$$

= 1,23:1**^** (4)

5.3 Trade payables payment (settlement) period

$$\frac{\text{Average trade payables x }365}{\text{Credit purchases}}$$

$$= \frac{[\text{R}(40\,000\text{^} + 42\,000\text{^}) \div 2\text{^}] \text{ x } 365\text{^}}{\text{R}162\,300\text{^^} \text{ x } .5\text{^}}$$

$$= \frac{\text{R}14\,965\,000}{\text{R}81\,150}$$

= 184,41 days

≈ 184 days**^** (4)

[12]

ANNEXURE I: MAY/JUNE 2011 MEMORANDUM

QUESTION 1 (30 marks)(34 minutes)

1.1 SUPERMANN TRADERS ^
STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2011 ^

ASSETS	NOTE	R
Non-current assets		1 790 000
Property, plant and equipment	1	^1 790 000
Current assets		1 118 300
Inventories		^835 600
Trade receivables R(288 850^ – 3 600^ – 5 250^)		✓^280 000
Prepayments		^2 700
Total assets		2 908 300
EQUITY AND LIABILITIES		
Total equity		2 073 520
Capital R(775 000^ + 775 000^)		✓1 550 000
Current accounts ①		**(4)** 483 520
Other components of equity R(30 000^ + 10 000^)		✓40 000
Total liabilities		834 780
Non-current liabilities		528 000
Long-term borrowings R[(660 000^ – (660 000 ÷ 5) ^]		✓528 000
Current liabilities		306 780
Trade and other payables R(3 000^ + 156 650^)		✓159 650
Current portion of long-term borrowings		^132 000
Other financial liabilities		^15 130
Total equity and liabilities		2 908 300

(13)

① Current accounts

	T Super R	B Mann R
Balance – 1 March 2010	^ (9 750)	^4 340
Drawings	^ (10 000)	^ (7 630)
Share of total comprehensive income R[(574 420^ - 57 860^ – 10 000^) ÷ 2^]	✓253 280	✓253 280
	233 530	249 990

QUESTION 1 (continued)

1.2 SUPERMANN TRADERS ^
NOTES FOR THE YEAR ENDED 28 FEBRUARY 2011 ^

1. Property, plant and equipment

	Land and buildings	Equipment	Vehicles	Total
	R	R	R	R
Carrying amount: Beginning of year	900 000	224 800	146 000	1 270 800
Cost	✓900 000	✓315 000[1]	^170 000	1 385 000
Accumulated depreciation	–	✓✓(90 200)[2]	^ (24 000)	(114 200)
Additions	✓600 000	–	-	600 000
Disposals		✓(22 940)[3]	-	(22 940)
Depreciation for the period/year	✓✓(2 000)[4]	✓✓^(21 860)[5]	✓^(34 000)[6]	(57 860)
Carrying amount: End of period/year	1 498 000	180 000	112 000	1 790 000
Cost	^1 500 000	^280 000	^170 000	1 950 000
Accumulated depreciation	^ (2 000)	^(100 000)	^(58 000)	(160 000)

(17)

CALCULATIONS:

1 R(280 000**^** + 35 000**^**) = R315 000

2 R80 000**^** + R(12 060**^** – 1 860**^**) = R90 200

3 R(35 000**^** – 12 060**^**) = R22 940

4 R600 000**^** x 2%**^** x 2/12**^** = R2 000

5 R[(280 000**^** – 80 000**^**) x 10%**^**] + R1 860**^** = R21 860

6 R170 000**^** x 20%**^**= R34 000

<u>QUESTION 2</u> (20 marks)(24 minutes)

2.1 CALCULATION OF GOODWILL:

		R
Capital contribution of Moshe *multiplied* by the inverse of his share:		
	R(150 000^ + 15 000^ + 40 000^) x $^{3}/_{1}$^	✓✓615 000
Capital: Manamela	R(140 000^ - 30 000^ + 42 840^ + 18 000^)	✓ ✓ (170 840)
Tsebe	R(130 000^ + 35 000^ + 28 560^ +12 000^)	✓ ✓ (205 650)
Moshe		^ (205 000)
Goodwill		33 510

($6^{1}/_{2}$)

2.2 MATSEBE CATERING
GENERAL LEDGER

Dr **Valuation account** **Cr**

2010		R	2010		R
Sept 30	Furniture and equipment ^	①✓^4 000	Sept 30	Vehicles^	②✓^14 000
	Capital: Manamela ^	✓18 000		Inventory ^	③✓20 000
	Capital: Tsebe ^	✓12 000			
		34 000			34 000

($8^{1}/_{2}$)

① R96 400^ − R(128 000^ − 27 600^) = R 4 000
② R80 000^ − R(125 000^ − 31 000^) = R14 000
③ R(44 000^ – 64 000^) = R20 000

2.3 NEW PROFIT SHARING RATIO:

Manamela : 3/5^ – (1/3^ x 6/10^) = (3/5 - 6/30) = (18/30 – 6/30) = 12/30 = 6/15^
Tsebe : 2/5^ – (1/3^ x 4/10^) = (2/5 - 4/30) = (12/30 – 4/30) = 8/30 = 4/15^
Moshe : = 5/15✓

(5)

<u>QUESTION 3</u> (20 marks)(24 minutes)

SHOE FEVER CC ^
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2011 ^

	NOTE	R	
Revenue ^ R(540 000^ – 19 000^)		521 000	✓
Cost of sales		(157 850)	
Inventory – 1 March 2010		23 000	^
Purchases R(199 000^ − 4 150✓)		194 850	✓^
		217 850	
Inventory		(60 000)	^
Gross profit ^		363 150	
Other income		5 450	
Rent income		5 450	^
Distribution, administrative and other expenses		(274 400)	
Delivery expenses on sales		4 920	^
Credit losses R[3 000^ + R(3 000^ – 2 000^)]		4 000	✓^
Salaries and wages R236 410^ – [(R5 000^ x 12^) x 2^]		116 410	✓✓
Salaries to members R(5 000^ x 12^) x 2^		120 000	✓^
Depreciation		4 320	^
Telephone expenses		6 400	^
Stationery consumed		3 300	^
Water and electricity		7 150	^
Insurance expenses		3 600	^
Advertising expenses		4 300	^
Finance costs		(21 800)	
Interest on long-term loan		16 800	✓^
Interest on loan from member		5 000	✓
Profit before tax ^		72 400	
Income tax expense		(26 376)	✓
Profit for the year ^		46 024	
Other comprehensive income for the year ^		-	
Total comprehensive income for the year ^		46 024	

(20)

<u>QUESTION 4</u> (21 marks)(25 minutes)

LLOYD CC
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 28 FEBRUARY 2011

CASH FLOWS FROM INVESTING ACTIVITIES ^			
Investment in property, plant and equipment to maintain operating capacity	(115 200)		
Replacement of equipment ①	**(4)** (14 400)	^	
Replacement of vehicle (Delivery van) ②	✓**^** (100 800)	^	
Investment in property, plant and equipment to expand operating capacity	(331 200)		
Additions to land and buildings ③	✓^ (288 000)	^	
Additions to equipment	✓ (43 200)	^	
Acquisition of financial assets at fair value through profit or loss: Available for sale: Unlisted investment - Khulubuse (Pty) Ltd	✓ (23 400)	^	
Proceeds from sale of property, plant and equipment	✓ 4 320		
Sale of equipment	4 320	^	
Net cash used in investing activities ^			(465 480)
CASH FLOWS FROM FINANCING ACTIVITIES^			
Proceeds from members' contributions ④	✓^ 375 000	^	
Proceeds from loans from members ⑤	✓ 30 600	^	
Repayment of loans from members	✓ (10 800)	^	
Repayment of long-term borrowings	✓ (277 500)	^	
Net cash from financing activities ^			117 300

(21)

① R216 000✓ – (R169 200✓ + 43 200✓ – 10 800✓) = R14 400

② R(108 000**^** – 7 200✓) = R100 800

③ R792 000**^** − R(360 000**^** + 144 000**^**) = R288 000

④ R1 400 000**^** − R(900 000**^** + 125 000**^**) = R375 000

⑤ R(9 000**^** + 21 600**^**) = R30 600

<u>QUESTION 5</u> (9 marks)(11 minutes)

1. CALCULATION OF THE NUMBER AND VALUE OF ORDINARY SHARES TO BE ISSUED:

	Shares
Ordinary shares issued on 15 May 2007	10 000
Ordinary shares issued on 30 May 2007	50 000
Ordinary shares issued on 30 April 2009:	40 000
Number of shares in issue before capitalisation issue - 31 December 2010	100 000

Number of capitalisation shares to be issued: 100 000✓^ ÷ 2/5✓^ = 40 000 shares

(3)

2. EMTIEN LTD
GENERAL JOURNAL

2010		**R**	**R**
Dec 31	Retained earnings✓	✓^140 000	
	Stated capital: Ordinary shares✓		✓^140 000
	Capitalisation issue of two shares for every five shares held✓		

(6)

ANNEXURE J: OCTOBER/NOVEMBER 2011 MEMORANDUM

QUESTION 1 (24 marks)

GO4GOLD TRADERS^
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2011^

	R
Revenue^ R(536 820^ – 2 000^)	✓534 820
Cost of sales	(277 330)
Purchases R(302 530^ – 2 400^)	✓300 130
Delivery expenses on purchases	✓5 280
	305 410
Inventory (31 August 2011)	✓(28 080)
Gross profit^	257 490
Other income	3 575
Credit losses recovered	✓3 000
Profit on sale of equipment R1 500^ – R[15 000^ – (14 000^ + 75^)]	✓✓575
Distribution, administration and other expenses	(213 850)
Salaries and wages R[123 600^ – (36 000^ + 38 000^)]	✓49 600
Depreciation R(14 250✓✓^ + 1 875✓^+ 75✓ + 28 800✓)	① **(6)** 45 000
Water and electricity R(41 160^ – 10 400^)	✓30 760
Advertising expenses R10 400^^ – R(10 400^ ÷ 13 months^)	✓✓9 600
Property rates	^17 010
General expenses	^38 720
Telephone expenses	^23 160
Finance costs	(6 480)
Interest on long-term loan R(108 000^ x 12%^) x 6/12^^	✓✓6 480
Profit for the year^	40 735
Other comprehensive income for the year^	-
Total comprehensive income for the year^	40 735

Calculations:

① Depreciation:
Equipment:

Old equipment:	R[(130 000^ – 25 000^) – (24 000^ – 14 000^)] x 15%^ = R14 250
New equipment:	R25 000^ x 15%^ x 6/12^ = R1 875
Disposed equipment:	R75^^ *Given*
Vehicles:	R144 000^ x 20%^ = R28 800

<u>QUESTION 2</u> (18 marks)

ZIMBABWE CHARTERED ACCOUNTANTS
GENERAL LEDGER (SUMMARISED IN COLUMNAR FORMAT)

	Assets	**Bank**	**Liabilities**	**Capital: Bob**	**Capital Morgan**	**Capital: Arthur**
	R	**R**	**R**	**R**	**R**	**R**
Balance at the commencement of liquidation:	① ✓^407 000	^15 000	✓② (92 000)	✓^③ (140 000)	✓^④(106 000)	✓^⑤ (84 000)
Loan: Morgan			^12 000		^(12 000)	
Insurance policy		^25 000		✓(12 500)	✓(7 500)	✓(5 000)
Fees received from clients	✓⑥ (84 000)	✓⑦ 75 600	-	✓4 200	✓2 520	✓1 680
Sale of furniture and equipment	^(130 000)	^130 000				
Settlement of liabilities		^ (80 000)	^80 000			
	193 000	165 600	-	(148 300)	(122 980)	(87 320)

① R(202 000^ + 100 000^ + 105 000^) = R407 000
② R(80 000^ + 12 000^) = R92 000
③ R[130 000^ + R(20 000^ x 5/10^)] = R140 000
④ R[100 000^ + R(20 000^ x 3/10^)] = R106 000
⑤ R[80 000^ + R(20 000^ x 2/10^)] = R84 000
⑥ R(105 000^ x 80%^) = R84 000
⑦ R(84 000^ x 90^%) = R75 600

QUESTION 3 (29 marks)

3.1 Retained earnings as at 28 February 2011:

	R
Profit before adjustments	498 900
Other income:	61 175
Dividend income R0,20^ x 50 000^ shares	✓ 10 000
Gain on financial assets at fair value through profit or loss: Held for trading:	✓ 50 000
Interest income: Loans and receivables: Loans to member R(70 500^ x 10%^ x 2/12^)	✓^ 1 175
Expenses:	(10 204)
Credit losses	✓2 700
Interest on loan from member	✓7 504
Profit before tax	549 871
Income tax expense	✓ (126 500)
Total comprehensive income for the year	423 371
Distribution to members R(42 000^ + 44 800^)	✓ (86 800)
Retained earnings for the year	336 571
Retained earnings – 1 March 2010	^ 472 000
Retained earnings – 28 February 2011	808 571

(8)

3.2

EFFICIENCY CONSULTANTS CC ^

STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2011 ^

	R
ASSETS	
Non-current assets	938 000
Property, plant and equipment R(749 000^ + 120 000^ – 24 000^)	✓^843 000
Financial assets	✓95 000
Current assets	513 335
Inventories	✓99 312
Trade receivables and other receivables R[(35 600 ^ – 3 000 ^ - 4 700 ^^ – 1 500 ^) + 10 000 ^	✓✓✓36 400
Other financial assets R(250 000 ^^ + 70 500 ^ + 1 175 ^^)	✓✓^321 675
Prepayments	✓5 048
Cash and cash equivalents R(48 100 ^ + 2 800 ^)	✓50 900
Total assets ^	1 451 335
EQUITY AND LIABILITIES	
Total equity	1 023 571
Members' contributions R(120 000 ^ + 95 000 ^)	✓215 000
Retained earnings	^808 571
Total liabilities	427 764
Non-current liabilities	254 400
Long-term borrowings R[232 000^ + R(44 800^^ x 50%^)]	✓✓254 400
Current liabilities	173 364
Trade and other payables R(25 100 ^ + 14 660 ^ + 7 504 ^)	✓^47 264
Distribution to members payable R(44 800 ^ x 50% ^)	✓22 400
Current portion of loans from members	✓93 800
Current tax payable R(126 500 ^ – 116 600 ^)	✓9 900
Total equity and liabilities ^	1 451 335

(21)
[29]

<u>QUESTION 4</u> (20 marks)

FLEETWOOD CC ^
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 AUGUST 2011 ^

	R	R
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipt from customers R594 124 ✓✓✓① + R(13 600 ^ – 6 800 ^)	600 924	**(4½)**
Cash paid to suppliers and employees	②(269 414)	**(4½)**
	331 510	
Dividends received	10 200	✓
Interest expense	(8 500)	✓✓
Income tax paid R(27 200 ^ + 136 816 ^ – 40 800 ^)	(123 216)	✓✓
Distribution to members paid R(73 400 ^ – 51 000 ^)	(22 400)	✓^
Acquisition of financial asset at fair value through profit or loss: Held for Trading	(60 000)	✓^
Repayment of loans and receivables: Loan to member R(49 500 ^– 35 000^)	14 500	✓^
Net cash from operating activities ^		142 094
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in property, plant and equipment to expand operating capacity		
Improvement of land and buildings R(665 000 – 450 500)	(214 500)	
Additions to machinery	③(33 020)	
Acquisition of loans and receivables: Fixed deposit	(58 000)	
Net cash used in investing activities		(305 520)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from members' contributions R(833 000 – 45 000) – R730 400	57 600	
Proceeds from long-term borrowing	51 000	
		108 600
Net decrease in cash and cash equivalents		(54 826)
Cash and cash equivalents at beginning of year		170 000
Cash and cash equivalent at end of year		115 174

Calculations:

① R[(62 500 ^ + 599 760 ^– 63 126 ^) – (3 000 ^ + 5 700 ^ – 3 700 ^)] = R594 124

② R[(45 520 ^ + 294 440 ✓^③ – 90 080 ^) + R(34 334 ^ – 10 400 ^ – 4 400 ^)] = R269 414

③ R(280 500 ^ – 20 320 ^ + 34 260 ^) = R294 440

<u>QUESTION 5</u> (9 marks)

5.1 Future value of investment:

Factor as per table:	8% **^^** ÷ 4 **^** = 2% 2% **^** over 16 **^** periods 1.373
Amount at the end (FV):	R10 000 **^** x 1.373 **^^** = R13 730

5.2 Present value of an annuity:

R(35 700 **^** – 13 730 **^**) = R21 970

Factor as per table:	12% **^** ÷ 2 **^** = 6% 6% **^** over 8 **^** periods 9.897
Present value of the annuity:	R21 970 **^** ÷ 9.897 **^** = R2 219.86 R2 219.86 **^** ÷ 6 **^** = R369.98

ANNEXURE K: MAY/JUNE 2012 MEMORANDUM

QUESTION 1 (30 marks)

1.1 Calculation of the total comprehensive income:

		R	
Profit for the year (before year-end adjustments)		536 500	✓
Year end adjustments		(116 250)	
Interest on long-term loan	①	(1 000)	(✓^)
Entertainment allowance		(8 000)	✓✓
Training expenses (Diversity workshop)		(20 000)	✓
Depreciation	②	(88 000)	(4½)
Profit on sale of vehicle	③	750	(✓✓)
Comprehensive income for the year		420 250	

[12]

Calculations:

① Interest on long-term loan:

R50 000**^** x 12%**^** x 2/12**^** = R1 000

② Depreciation:

Sold vehicle: R[(60 000**^** – 24 000**^**) x 25%**^** x 9/12**^** = R6 750
Remaining vehicles: R[(401 000**^** – 60 000**^**) – (40 000**^** – 24 000**^**)] x 25%**^** = R81 250
Total depreciation: R(6 750 + 81 250) = R88 000

③ Profit on sale of vehicle:

R30 000**^** – R[60 000**^** – (24 000**^** + 6 750**^**)] = R750

1.2
B&B TRAVEL ^
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 29 FEBRUARY 2012 ^

	Capital		Current accounts		Asset Replace-mentt reserve	Appro-priation	Total
	Bok	Bafana	Bok	Bafana			
	R	R	R	R		R	R
Balances at 1 March 2011	^200 000	^ 300 000	^ (15 000)	^ 9 000	^61 000		555 000
Total comprehensive income for the year						^ 420 250	418 250
Salaries to partners			✓ 60 000	✓ 60 000		^ (120 000)	
Interest on capital ①			✓ 10 000	✓ 15 000		^ (25 000)	
Interest on current accounts ②			✓ (750)	✓ 450		^ 300	
Drawings			✓(65 000)	✓^ (64 000)			(129 000)
Transfer to asset replacement reserve					✓16 000	^ (16 000	
Partners' share of total comprehenive income ③			✓ 103 820	✓ 155 730		^ (259 550)	
Balances at 30 June 2010	200 000	300 000	93 070	176 180	77 000	-	846 250

[18]

Calculations

① **Interest on capital**

Bok: R200 000^ x 5%^ = R10 000
Bafana: R300 000^ x 5%^ = R15 000

② **Interest on current accounts**

Bok: R15 000^ x 5%^ = R750 (Dr)
Bafana: R 9 000^ x 5%^ = R450 (Cr)

③ **Partners share of total comprehensive income**

Bok: R249 550^ x 2/5^ = R 99 820
Bafana: R249 550^ x 3/5^ = R149 730

④ **Drawings**

Bok: R(75 000^ – 10 000^) = R65 000
Bafana: R(82 000^ – 10 000^ - 8 000^) = R64 000

<u>QUESTION 2</u> (25 marks)

SK CREATIONS
GENERAL LEDGER (SUMMARISED IN COLUMNAR FORMAT)

	Bank	**Land and buildings**	**Equipment**	**Inventory**	**Creditors**	**Capital: Sylvester**	**Capital: Kgotatso**
	R	**R**	**R**	**R**	**R**	**R**	**R**
Balance at the commencement of liquidation:	^10 000	^330 000	^^84 000	^28 000	^ (20 000)	①✓✓(169 500)	②✓✓(262 500)
Liquidation of inventory	^9 000			✓ (28 000)		③✓✓9 500	③✓✓9 500
Sale of equipment	④✓^105 000		✓ (84 000)			✓ (10 500)	✓ (10 500)
Auctioneers fee	✓ (5 000)					✓2 500	✓2 500
Settlement of creditors account	✓^ (18 000)				✓20 000	✓ (1 000)	✓ (1 000)
	101 000	330 000	-	-	-	(169 000)	(262 000)

① R[(220 000^ − 43 000^) - R(15 000^ x 50%^)] = R169 500
② R[(250 000^ + 20 000^) - R(15 000^ x 50%^)] = R262 500
③ R[(18 000^ x 50%)^ + (1 000^ x 50%^)] = R9 500
④ R(92 000^ −8 000^) + R21 000^ = R105 000

QUESTION 3 (26 marks)

MCD TRADERS CC ^
STATEMENT OF FINANCIAL POSITION AS AT 29 FEBRUARY 2012 ^

ASSETS	**R**
Non-current assets	937 770
Property, plant and equipment ^ R(750 000^ + 247 500^ – 93 480^)	✓904 020
Financial assets	✓33 750
Current assets	406 415
Inventories	✓55 000
Trade receivables R(102 765^ – 2 000^^ - 1 900^^^ - 3 000^^)	**(4½)** 95 865
Prepayments	✓10 200
Other financial assets R(60 000^ + 20 000^^ +48 000^ + 75 000^ + 2 500^^)	**(3½)** 205 500
Current tax receivable R(55 600^ – 53 800^)	✓1 800
Cash and cash equivalents R(37 000^ + 1 050^)	✓38 050
Total assets ^	1 344 185
EQUITY AND LIABILITIES	
Total equity	954 665
Members' contributions	✓ 545 000
Retained earnings	① **(3½)** 286 665
Other components of equity	✓ 123 000
Total liabilities	389520
Non-current liabilities	337 000
Long-term borrowings R(232 000 + 105 000)	✓✓337 000
Current liabilities	52 520
Trade and other payables	✓47 240
Income received in advance	✓5 280
Total equity and liabilities ^	1 344 185

*Shaded part not required

(26)

Calculations:

① **Retained earnings**

R(355 615^ – 400^ – 53 800^ + 2 500^ + 20 000^ +4 750^ – 42 000^) = R286 665

QUESTION 4 (19 marks)

SOFTTEL CC^
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 29 FEBRUARY 2012^

		R	R
CASH FLOWS FROM OPERATING ACTIVITIES ^			
Profit before tax	①	**(3½)** 495 863	^
Adjustments for:			
Gain on financial assets		✓ (20 000)	^
Loss on sale of furniture and equipment		✓ 10 000	^
Depreciation		✓ 34 000	^
Dividend income		✓ (10 200)	^
Interest expense		✓ 8 500	^
		518 163	
Decrease in debtors control	②	**(2½)** 4 900	^
Increase in creditors control R(30 000 ^ – 20 000 ^)		✓ 9 500	^
Increase in inventory R(51 500 ^ – 42 300 ^)		✓ (9 200)	^
Cash generated from operations ^		523 363	
SHADED AREA NOT REQUIRED:			
Dividends received R(10 000 + 10 200 – 15 500)		4 700	
Acquisiton of of listed investments		(10 000)	
Repayment of loans and receivables: Loan to member		40 000	
Interest paid R(7 100 + 8 500 – 9 300)		(6 300)	
Income tax paid R(148 700 + 18 000)		(166 700)	
Distribution to members paid		(55 500)	
Net cash from operating activities			329 563
CASH FLOWS FROM INVESTING ACTIVITIES *			
Investments in property, plant and equipment to maintain operating capacity			
Acquisition of property, plant and equipment		(250 000)	
Proceeds from the sale of property, plant and equipment		39 000	
Net cash used in investing activities			(211 000)
CASH FLOWS FROM FINANCING ACTIVITIES *			
Proceeds from members' contributions		30 000	
Repayments of long-term borrowings R(210 000 – 70 000)		(140 000)	
Net cash used in financing activities			(110 000)
Net increase in cash and cash equivalents			8 563
Cash and cash equivalents at beginning of year			24 000
Cash and cash equivalents at end of year			32 563

① **Profit before tax:**
R(715 063^ − 447 900^ + 50 000***** ^^^ + 30 000^ + 148 700^) = R495 863
***** R55 500^ − 13 000^ + 7 500^ = R50 000

② **Decrease in debtors control:**
R[(49 500^ − 6 000^ − 1 200^) − (52 000^ − 48 000^)] = R4 900

(19)

ANNEXURE L: OCTOBER/NOVEMBER 2012 MEMORANDUM

QUESTION 1 (19 Marks)

OUTLAW TRADERS^
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 201^

EQUITY AND LIABILITIES	
Total equity	524 850
Capital R(150 000**^** + 150 000**^**)	✓ 300 000
Current accounts R(108 715 + 71 135)	**(10)** 179 850
Other components of equity	✓ 45 000
Total liabilities	246 500
Non-current liabilities	175 000
Long-term borrowings R[150 000**^** - (150 000**^** ÷ 10yrs**^**)] + R40 000**^**	✓✓175 000
Current liabilities	71 500
Trade and other payables R(30 000**^** + 1 000**^^^**)	✓✓31 000
Current portion of long-term borrowings R150 000**^** ÷ 10yrs**^**	✓15 000
Financial liabilities R(13 500**^** + 12 000**^**)	✓25 500
Total equity and liabilities	771 350

Calculations

Partners' current accounts

	Billy	**Kid**
	R	**R**
Balances at 1 July 2011	^11 100	^ (8 700)
Interest on capital accounts: Billy R150 000**^** x 10%**^**	✓15 000	
Kid R150 000**^** x 10%**^**		✓15 000
Interest on current accounts: Billy R(11 100**^** x 10%**^**)	✓1 110	
Kid R(8 700**^** x 10%**^**)		✓ (870)
Salaries	^70 000	^70 000
Drawings: Billy R(71 500**^** + 55 000**^**)	✓ (126 500)	
Kid R(87 300**^**+ 55 000**^**)		✓ (142 300)
Share of comprehensive income	✓138 005	✓138 005
Balances at 30 June 2012	108 715	71 135

Comprehensive income:

R[337 250 – 1 000 + (55 000 + 55 000)] – R[(15 000 + 15 000 + 1 110 – 870 + 70 000 + 70 000)] = R276 010

Partners' share of total comprehensive income:

Billy: R276 010 x 50% = R138 005

Kid: R276 010 x 50% = R138 005

QUESTION 2 (27 Marks)

2.1 Calculation of the total comprehensive income:

	R	
Gross profit	922 000	✓
Other income	73 500	
Interest income: Loans and receivables: Loans to members	① 9 500	**(3½)**
Gain on financial assets at fair value through profit or loss:		
Held for trading: Listed investment	② 40 000	✓✓
Dividend income: Financial assets at fair value through profit or loss:		
Held for trading: Listed investment R0.30^ x 80 000^	24 000	✓
	995 500	
Distribution, administrative and other expenses	(629 000)	
Adjustments:	(22 100)	
Credit losses R4 050^ - R(5 000^ – 2 000^)	1 050	✓^
Insurance expense R800^ x 6months^	4 800	✓
Interest on loan from member R(105 000^ x 15%^)	15 750	✓
Settlement discount granted R(2 000^ -1 500^)	500	✓
Profit before tax	344 400	
Income tax expense R(116 600^ – 20 600^)	(96 000_	✓
Total comprehensive income for the year	248 400	

(13)

Calculations:

① **Interest on loans to members:**
R[(50 000^^ + 35 000^) x 10%^] + R(20 000^ x 10%^ x 6/12^ = R9 500

② **Gain on financial assets:**
R[(400 000^ ÷ 80 000^) – R4,50^] x 80 000^ = R40 000

QUESTION 2 (continued)

2.2

DUMISANI CC ^
STATEMENT OF CHANGES IN NET INVESTMENT OF MEMBERS FOR THE YEAR ENDED 29 FEBRUARY 2012 ^

	Members' contributions	Retained earnings	Asset Replace-mentt reserve	Loans from members	Loans to members	Total
	R	R	R	R	R	R
Balances at 1 March 2012	✓^260 000①	^577 000	✓60 000②	^ 105 000	✓✓(85 000)	917 000
Total comprehensive income for the year		^248 400				249 000
Members' contributions	✓80 000					80 000
Loans to members					✓ (20 000)	(20 000)
Interest on loans to members					✓ (9 500)	(15 750)
Transfer to asset replacement reserve		✓ (20 000)	✓20 000			
Distribution to members		✓ (80 000) / (120 000)				(80 000)
Balances at 29 February 2012	340 000	725 400	80 000	105 000	(120 750)	1 130 250
Non-current liability R(105 000 x 80%)				^84 000		
Current liability R(105 000 x 20%)				^21 000		

(14)

Calculations

① **Member contributions**
R(215 000^ + 125 000^ – 80 000^) = R260 000

② **Asset replacement reserve**
R(80 000^ – 20 000^) = R60 000

③ **Loans to members**
R(70 000^ + 35 000^ – 20 000^) = R85 000

QUESTION 3 (22 Marks)

3.1 CASH FLOWS FROM OPERATING ACTIVITIES^

	R	R
Profit before tax	^489 000	
Add: Depreciation R(44 000^ + 36 000^)	✓^80 000	
Interest expense	**(4)** 118 550	
Less: Dividend income (100 000^ x R0,12^)	✓^(12 000)	
	675 550	
Increase in trade debtors R(180 000^ – 35 000^)	✓^(145 000)	
Increase in inventories R(45 000^ – 12 000^^^)	✓✓^(33 000)	
Cash generated from operations	497 550	
Interest paid R(118^ 550 – 99 600^)	✓^ (18 950)	
Income tax paid R(22 500^ + 121 000^ – 116 000^)	✓✓ (27 500)	
Acquisition of investment at fair value through profit or loss	✓^(200 000)	
Repayment of loans and receivables: Loans to members R(189 000^ – 128 000^)	✓^61 000	
Net cash from operating activities		312 100

(18½))

Interest expense:
R99 600^ + R(150 000^ x 10%^) + [(229 000^ – 150 000^) x 10%^ x 6/12^] = R118 550

Opening inventory:
R(217 000^ + 45 000^ - 250 000^) = R12 000

3.2 CASH FLOWS FROM INVESTING ACTIVITIES ^

	R	
Investment in property, plant and equipment to maintain operating capacity		
Replacement of vehicle	✓ (180 000)	
Investment in property, plant and equipment to expand operating capacity		
Purchase of land and buildings	✓✓ (649 600)	
Purchase of computer equipment	✓ (9 000)	
Proceeds from stolen vehicle	✓44 000	
Net cash used in investing activities		(794 600)

(5½))

[24]

CALCULATIONS

Purchase of land and buildings:

	R	R
Purchase price of land and buildings		^2 500 000
Balance on mortgage account	^1 950 000	
Less: Interest capitalised	^99 600	1 850 400
Then purchase of land and buildings – outflow		649 600

<u>QUESTION 4</u> (14 Marks)

4.1 Return on equity:

$$\frac{\text{Profit before tax }\wedge}{\text{Total Equity }\wedge} \times 100 = \frac{\text{R90 000} \div 72\%\wedge\wedge}{\text{R393 000❶✓✓}} \times 100 = 31.81\%$$

When compared with year 2011, the return on equity for NuLan **<u>improved</u>** in year 2012 **^**

❶ R(180 000**^** + 25 000**^** + 98 000**^** + 90 000**^**) = R393 000

(4½))

4.2 Return on assets:

$$\frac{\text{Profit before interest and tax }\wedge}{\text{Total Assets }\wedge} \times 100 = \frac{\text{R135 500 ❷ (2½))}}{\text{R813 500 ❸ (3)}} \times 100 = 16.66\%$$

When compared with year 2011, the return on assets for NuLan **<u>deteriorated</u>** in year 2012 **^**

❷ R[(90 000**^** ÷ 72%**^**) + (150 000**^** x 12%**^** x 7/12**^**) = R135 500
❸ R(568 000**^** + 30 000**^** + 195 000**^** – 25 000**^** + 50 000**^** – 4 500**^**) = R813 500

(7)

4.3 Financial leverage:

$$\frac{\text{Return on equity }\wedge}{\text{Return on assets }\wedge} = \frac{31.81\%\wedge}{16.66\%\ \wedge} = 1.91$$

When compared with year 2011, the financial leverage for NuLan **<u>improved</u>** in year 2012 **^**

(2½))

<u>QUESTION 5</u> (16 Marks)

Branch inventory account

Dr		R			R Cr
2011			**2011**		
Jan 1	Balance b/d	^29 700	Dec 31	Bank: Cash sales ^	✓196 350
	Inventory to branch (Deliveries at cost) ^	✓176 000		Branch expense: (Damaged inventory at cost) ^	^2 000
	Branch adjustment (Mark-up on deliveries) ^	✓44 000		Branch adjustment: (Mark-up on damaged inventory) ^	✓500
	Branch adjustment: (Inventory surplus) ^	^610		Branch expense: (Stolen inventory at cost) ^	✓1 500
				Branch adjustment: Mark-up on stolen inventory) ^	✓375
				Branch adjustment: (Mark-down on sales) ^	✓^12 000
				Branch expense: (Mark-down on cost) ^	✓6 000
				Balance c/d	^31 585
		250 310			250 310
2012					
Jan 1	Balance b/d	^31 585			

[17]

Deliveries at cost:
R220 000 **^** x 100/125 **^** = R176 000

Mark-up on deliveries:
R220 000 **^** x 25/125 **^** = R44 000

Mark-up on damaged inventory:
R2 000 **^** x 25/100 **^** = R500

Stolen inventory at cost:
R1 875 **^** x 100/125 **^** = R1 500

Mark-up on stolen inventory:
R1 875 **^** x 25/125 **^** = R375

Mark-down on sales:
R(42 000 **^** ÷ 70% **^**) x 25/125 **^** = R12 000

Mark-down on cost:
R[(42 000 **^** ÷ 70% **^**) x 100/125 **^**] – R42 000 **^** = R6 000