FAC 2602 EXAM PACK

EXAM REVISION PACK 2015

Written by **Class of 2015**

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Welcome

If you are reading this message then you are doing **(FAC 2602)** with UNISA. These are being compiled by our Together We Pass team for our students who are registered for FAC 2602 this term, and will be built upon year on year to create the best set of questions, with suggested solutions, with the possibility of including hints and tips in the future.

Please note that this is not the exam scope, but this document will work as supplementary study material which will help you prepare for the coming exams. It’s work in progress and we will make changes and amendments to the document as we progress.

Good luck this term, and we look forward to working with you!

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SECTION A: MULTIPLE CHOICE QUESTIONS

QUESTION 1

At date of incorporation of ABC Limited (1 July 2012), XYZ Limited acquired 80 000 ordinary shares of 50c each in ABC Limited.

The following represented the trial balances of XYZ Limited and ABC Limited at 30 June 2014:

	XYZ Limited	ABC Limited
	R	R
Credits		
Ordinary shares of 50c each	200 000	50 000
Retained earnings	70 000	55 000
Trade and other payables	90 000	50 000
Accumulated depreciation	86 000	64 000
Revaluation of land and buildings	50 000	24 000
Interest bearing borrowing - XYZ Limited	-	100 000
Bank overdraft - Waterfall Bank	100 000	-
	596 000	343 000
Debits		
Land and buildings at valuation	200 000	67 000
Plant and equipment at cost price	110 000	170 000
Trade and other receivables	20 000	26 000
Bank - Rapids Bank	-	46 000
Inventories	68 000	34 000
Loan - ABC Limited	150 000	-
Investment in ABC Limited at fair value (cost price R48 000)	48 000	-
	596 000	343 000

Additional information

1. Since XYZ Limited acquired its interest in ABC Limited, XYZ Limited has purchased all its inventories from ABC Limited. ABC Limited sells all its inventories at cost plus 25%. On 30 June 2013 XYZ Limited had R80 000 inventories on hand.

2. XYZ Limited posted a cheque of R50 000 to ABC Limited on 25 June 2014. The cheque got lost in the post and the cheque was cancelled.

3. ABC Limited bought a machine from XYZ Limited on 30 June 2014. XYZ Limited made a profit of R30 000 on the sale. Both companies depreciate plant and equipment at 20% on the straight-line method.

REQUIRED:

After taking the abovementioned information into account, answer the following multiple choice questions (choose only A, B, C or D) concerning the consolidated statement of financial position of XYZ Limited and its subsidiary for the financial year ended 30 June 2014 in compliance with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice. Ignore taxation on unrealised profits and/or losses as well as capital gains tax.

1. Ordinary share capital in the consolidated statement of financial position amounts to:

   A. R200 000
   B. R250 000
   C. R240 000
   D. None of the above.

2. Revaluation reserve of land and buildings in the consolidated statement of financial position amounts to:

   A. R69 200
   B. R74 000
   C. R50 000
   D. None of the above.

3. Unrealised profit adjustment on closing inventories in the analysis of shareholders' equity of ABC Limited amounts to:

   A. R16 000
   B. R13 600
   C. R 6 800
   D. None of the above.

4. Retained earnings in the consolidated statement of financial position amount to:

   A. R103 120
   B. R 84 000
   C. R114 000
   D. None of the above.

5. Non-controlling interest in the consolidated statement of financial position amounts to:

   A. R21 000
   B. R25 800
   C. R23 080
   D. None of the above.

6. Land and buildings in the consolidated statement of financial position amount to:

   A. R291 000
   B. R267 000
   C. R253 600
   D. None of the above.

7. Plant and equipment in the consolidated statement of financial position amount to:

   A. R130 000
   B. R108 800
   C. R100 000
   D. None of the above.

8. Trade and other receivables in the consolidated statement of financial position amount to:

   A. R 40 800
   B. R 96 000
   C. R146 000
   D. None of the above.

9. Inventories in the consolidated statement of financial position amount to:

   A. R102 000
   B. R 81 600
   C. R 95 200
   D. None of the above.

10. Cash and cash equivalents/bank overdraft in the consolidated statement of financial position amount to:

    A. Bank overdraft R54 000
    B. Cash and cash equivalents R46 000, Bank overdraft R100 000
    C. Cash and cash equivalents R46 000, Bank overdraft R50 000
    D. None of the above.

11. Trade and other payables in the consolidated statement of financial position amount to:

    A. R130 000
    B. R140 000
    C. R190 000
    D. None of the above.

12. Investment in ABC Limited in the consolidated statement of financial position amounts to:

    A. Nil
    B. R48 000
    C. R 8 000
    D. None of the above.

13. Goodwill in the consolidated statement of financial position amounts to:

    A. R 8 000
    B. R90 000
    C. Nil
    D. None of the above.

14. Long-term borrowing - XYZ Limited in the consolidated statement of financial position amounts to:

    A. R100 000
    B. R150 000
    C. R 80 000
    D. None of the above.

QUESTION 2

The following balances appeared in the books of Telisha Limited for the financial year ended 30 June:

	2006 R	2005 R
Property, plant and equipment	4 175 000	2 500 000
Investments	700 000	550 000
Inventory	50 000	63 000
Trade and other receivables	300 000	250 000
Prepaid expenses	8 000	10 000
Dividends receivable	15 000	-
Cash and cash equivalents	-	85 000
Cost of sales	700 000	480 000
Administrative expenses	175 000	120 000
Distribution expenses	100 000	95 000
Other expenses (including depreciation)	450 000	85 000
Finance cost	20 000	20 000
Income tax expense	166 000	133 000
Dividends declared and paid	250 000	50 000
	7 109 000	4 441 000
Ordinary share capital of R1 each	2 500 000	1 500 000
Share premium	380 000	400 000
Surplus on revaluation of land	150 000	100 000
Retained earnings beginning of year	405 000	143 000
10% Long-term loan	180 000	200 000
Deferred tax	8 000	8 000
Accumulated depreciation: Property, plant and equipment	803 000	700 000
Short-term portion of long-term loan	20 000	-
Tax payable	65 000	60 000
Dividends payable	125 000	50 000
Trade and other payables	200 000	35 000
Accrued interest on long-term loan	5 000	-
Bank overdraft	428 000	-
Sales (credit)	1 750 000	1 200 000
Profit on sale of equipment	15 000	-
Income from investments - Dividends	75 000	45 000
	7 109 000	4 441 000

Additional information

1. On 1 May 2006 the company issued capitalisation shares at par to the ordinary shareholders in the ratio of 1 share for every 5 shares held. The share premium account was utilised for this purpose.

2. On 1 June 2006 ordinary shares were issued to the public at a premium of 40%.

3. During the financial year the following changes took place in non-current assets:

	Total	Land	Buildings	Equipment
	R	R	R	R
Carrying amount beginning of year	1 800 000	800 000	150 000	850 000
Cost	2 500 000	800 000	200 000	1 500 000
Accumulated depreciation	(700 000)	-	(50 000)	(650 000)
Purchases at cost	2 125 000	-	-	2 125 000
Disposals at carrying amount	(200 000)	-	-	(200 000)
Revaluation during year	50 000	50 000	-	-
Depreciation for the year	(403 000)	-	(3 000)	(400 000)
Carrying amount end of year	3 372 000	850 000	147 000	2 375 000
Cost/Valuation	4 175 000	850 000	200 000	3 125 000
Accumulated depreciation	(803 000)	-	(53 000)	(750 000)

R1 000 000 of the purchases of plant and equipment represent replacements of equipment disposed of.

4. The long-term loan was incurred on 1 January 2000 and the capital portion is repayable in ten equal annual instalments starting on 31 July 2006.

5. New investments were purchased during the year.

REQUIRED:

After taking the abovementioned information into account, answer the following multiple choice questions (choose only A, B, C or D) concerning the statement of cash flows prepared on the direct method of Telisha Limited for the financial year ended 30 June 2006. **You are not required to do the statement of cash flows.**

1. Cash receipts from customers amount to:
   (A) R1 800 000
   (B) R1 700 000
   (C) R1 702 000
   (D) Not one of the above

2. Cash payments to suppliers and employees amount to:
   (A) R 842 000
   (B) R1 245 000
   (C) R 827 000
   (D) Not one of the above

3. The change in working capital represents a:
   (A) Cash outflow of R130 000
   (B) Cash inflow of R180 000
   (C) Cash outflow of R180 000
   (D) Not one of the above

4. Dividends received amount to:
   (A) R60 000
   (B) R75 000
   (C) R90 000
   (D) Not one of the above

5. Interest paid amounts to:
   (A) R25 000
   (B) R15 000
   (C) R20 000
   (D) Not one of the above

6. Dividends paid amount to:
   (A) R325 000
   (B) R250 000
   (C) R175 000
   (D) Not one of the above

7. Normal tax paid amounts to:
   (A) R161 000
   (B) R166 000
   (C) R171 000
   (D) Not one of the above

8. Replacement of equipment amounts to:
   (A) R2 125 000
   (B) R1 000 000
   (C) R1 925 000
   (D) Not one of the above

9. Additions to equipment amount to:
   (A) R1 125 000
   (B) R2 125 000
   (C) R1 175 000
   (D) Not one of the above

10. The proceeds on sale of equipment amount to:
   (A) R200 000
   (B) R185 000
   (C) R215 000
   (D) Not one of the above

11. The change in investments represents a:
   (A) Cash inflow of R150 000
   (B) Cash outflow of R150 000
   (C) Cash outflow of R700 000
   (D) Not one of the above

12. The issue of ordinary shares represent a:
   (A) Cash inflow of R1 000 000
   (B) Cash inflow of R700 000
   (C) Cash inflow of R980 000
   (D) Not one of the above

QUESTION 3

The following balances appear in the books of Billy Limited for the financial year ended 31 December:

	2007 R	2006 R
Property, plant and equipment	1 095 000	695 000
Investments	23 500	15 000
Inventory	80 000	63 000
Trade receivables	65 500	60 000
Prepaid expenses	1 200	4 000
Dividends receivable	3 250	-
Bank	-	13 000
	1 268 450	850 000
Ordinary share capital of R2 each	500 000	200 000
Share premium	12 500	5 000
10% Debentures of R100 each	100 000	125 000
Surplus on revaluation of land	100 000	30 000
Retained earnings	217 500	255 000
18% Long-term loan	20 000	25 000
Deferred taxation	12 000	15 000
Accumulated depreciation: Property, plant and equipment	125 000	100 000
Tax payable	39 000	34 000
Dividends payable	20 000	20 000
Trade payables	68 500	41 000
Accrued interest on long-term loan	2 250	-
Bank overdraft	51 700	-
	1 268 450	850 000

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 R	2006 R
Revenue	1 160 000	588 000
Cost of sales	(400 000)	(200 000)
Gross profit	760 000	388 000
Expenses	(704 500)	(338 250)
Directors' remuneration	60 000	30 000
Salaries and wages	200 000	125 000
Administrative expenses	150 000	75 000
Auditors' remuneration	105 000	38 000
Depreciation	165 000	55 000
Loss on sale of plant and equipment	10 000	1 500
Finance charges	14 500	13 750
Other income		
Dividends on investment	5 000	9 000
Profit before tax	60 500	58 750
Income tax expense	(13 000)	(22 000)
- Current year	16 000	21 000
- Deferred	(3 000)	1 000
Profit for the year	47 500	36 750
Other comprehensive income	-	-
Total comprehensive income for the year	47 500	36 750

EXTRACT FROM THE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007:

	Ordinary share capital R	Share premium R	Surplus on revaluation of land R	Retained earnings R
Balance 1/1/2007	200 000	5 000	30 000	255 000
Surplus on revaluation of land			70 000	
Ordinary shares issued on 1/2/2007	250 000	12 500		
Capitalisation shares issued on 28/2/2007	50 000	(5 000)		(45 000)
Total comprehensive income for the year				47 500
Ordinary dividends				
- Interim paid				(20 000)
- Final declared				(20 000)
Balance 31/12/2007	500 000	12 500	100 000	217 500

The following additional information is available:

1. Equipment which originally cost R250 000 and on which R140 000 depreciation has been written off, was sold. It was replaced with new equipment costing R200 000. Additional equipment were also purchased to increase the production capacity of the company.
2. The debentures were redeemed at par on 31 December 2006.
3. The long-term loan was incurred on 1 January 2001 and the capital portion is repayable in five equal annual instalments starting on 31 December 2007.
4. Revenue consists of cash sales amounting to R740 000 (2006 : R134 000) and credit sales of R420 000 (2006 : R454 000).

REQUIRED:

After taking the abovementioned information into account, answer the following multiple choice questions (**choose only A, B, C or D**) concerning the statement of cash flows of BillyLimited for the year ended 31 December 2007. You are not required to draft the statement cash flows. Answer this question on ordinary assignment paper (not mark-reading sheet).

1. Cash receipts from customers amount to:
   (A) R1 154 500
   (B) R1 165 500
   (C) R414 500
   (D) Not one of the above

2. Cash payments to suppliers and employees amount to:
   (A) R386 700
   (B) R904 500
   (C) R901 700
   (D) Not one of the above

3. Cash generated from operations amount to:
   (A) R237 200
   (B) R252 800
   (C) R250 000
   (D) Not one of the above

4. Interest paid amounts to:
   (A) R14 500
   (B) R12 250
   (C) R16 750
   (D) Not one of the above

5. Dividends received amount to:
   (A) R5 000
   (B) R3 250
   (C) R1 750
   (D) Not one of the above

6. Dividends paid amount to:
   (A) R40 000
   (B) R20 000
   (C) Nil
   (D) Not one of the above

7. Tax paid amounts to:
   (A) R11 000
   (B) R8 000
   (C) R13 000
   (D) Not one of the above

8. Replacement of equipment amounts to:
   (A) R110 000
   (B) R200 000
   (C) R90 000
   (D) Not one of the above

9. Additions to equipment amount to:
   (A) R450 000
   (B) R580 000
   (C) R380 000
   (D) Not one of the above

10. The proceeds on sale of equipment amount to:
   (A) R110 000
   (B) R100 000
   (C) R120 000
   (D) Not one of the above

11. The change in investments represents a:
   (A) Cash inflow of R8 500
   (B) Cash inflow of R3 250
   (C) Cash outflow of R8 500
   (D) Not one of the above

12. The change in working capital is a:
   (A) Cash outflow of R7 800
   (B) Cash inflow of R5 000
   (C) Cash outflow of R5 000
   (D) Not one of the above

13. The redemption of debentures represents a:
   (A) Cash outflow of R25 000
   (B) Cash outflow of R10 000
   (C) Cash inflow of R25 000
   (D) Not one of the above

14. The issue of ordinary shares represent a:
   (A) Cash inflow of R300 000
   (B) Cash inflow of R262 500
   (C) Cash inflow of R303 000
   (D) Not one of the above

15. The change in the 18% long-term loan represents a:
   (A) Cash inflow of R5 000
   (B) No cash flow
   (C) Cash outflow of R5 000
   (D) Not one of the above

QUESTION 4

Do the necessary calculations to answer the following questions..

Do all calculations to the nearest R1 or 1 decimal place, except where indicated otherwise.

(a) The present value of an annuity of R2 000 per annum for 6 years at 8% compounded interest per annum is:

A. R 1 260
B. R14 672
C. R 9 246
D. None of the above.

(b) The effective rate of interest when the nominal rate of interest is 18% per annum and interest is compounded monthly is:

A. 15,0%
B. 19,6%
C. 12,7%
D. None of the above.

(c) R2 000 will increase to R4 178 after 6½ years at a rate of:

A. 14%
B. 12%
C. 18%
D. None of the above.

(d) Lizzie must repay his study loan on 30 November 2012. He will have to repay R40 000. His best friend who won the Lotto decided to repay the loan on his behalf on 30 November 2009. The interest rate on the loan is 16% and interest is compounded quarterly. The amount that Lizzie's friend has to pay now, if calculations are done to the nearest R100, is:

A. R25 600
B. R22 100
C. R25 000
D. None of the above.

(e) An amount of R1 000 is invested annually at the end of each year for 3 years at 10% compound interest per annum. The compound amount of the ordinary annuity which is repayable at the end of the term is:

A. R2 487
B. R3 310
C. R3 300
D. None of the above.

(f) The expected earnings of Cliff (Pty) Ltd are as follows:

	R
Year ended 30 June 2010	100 000
Year ended 30 June 2011	110 000
Year ended 30 June 2012	121 000
Annually thereafter	133 100

A fair rate of return for the ordinaryshareholders of Cliff (Pty) Ltd is 30%. The value of the ordinary shares of Cliff (Pty) Ltd at 1 July 2009 is:

A. R398 934,00
B. R257 635,50
C. R398 943,00
D. None of the above.

(g) The expected earnings of Dell (Pty) Ltd are estimated at R250 000 for the year ended
30 September 2010. A fair rate of return for the ordinary shareholders is 30% and a fair earnings yield is 20%. The value of the ordinary shares of Dell (Pty) Ltd at 1 October 2009 according to the earnings yield method is:

A. R1 250 000
B. R 781 250
C. R 208 250
D. None of the above.

(h) Pious decides to save for her daughter's higher education, and every year, from the child's first birthday onward, puts away R1 200. If she receives 10% interest per annum, what amount will be available on her daughter's eighteenth birthday?

(Round off to the nearest Rand.)

A. R66 900
B. R54 719
C. R49 561
D. None of the above.

(i) What will the effective rate of interest be when the nominal rate of interest is 16% per annum and interest is compounded

SECTION B: STRUCTURED QUESTIONS

QUESTION 1

JB Limited acquired 60 000 of the ordinary shares in XZ Limited on 1 March 2012. On this date XZ Limited had retained earnings of R15 000 and the carrying amounts of the assets and liabilities were equal to the fair values.

The following represent the abridged trial balances of JB Limited and XZ Limited at 28 February 2014:

	JB Ltd	XZ Ltd
Debits	**R**	**R**
Land and buildings	31 500	90 000
Machinery and equipment	-	10 000
Investment in XZ Limited at fair value	160 000	-
Bank	153 500	-
Trade and other receivables	-	65 000
Inventories	500	112 000
Taxation	10 500	10 000
Dividends paid	9 000	8 000
	365 000	295 000
Credits		
Ordinary share capital (R2 shares)	150 000	160 000
Retained earnings	31 500	34 000
Non-distributable reserve	21 200	-
Trade and other payables	125 600	23 750
Bank	-	48 250
Profit before tax	30 700	29 000
Dividends received	6 000	-
	365 000	295 000

Additional information

Assume cost equals fair value.

REQUIRED:

Draft the consolidated financial statements of JB Limited and its subsidiary XZ Limited at 28 February 2014. Notes to the financial statements are not required. Show all calculations.

QUESTION 2

The following balances were taken from the books of Lion Limited and its subsidiary Puma Limited on 31 December 2014:

	Lion Ltd	**Puma Ltd**
	R	**R**
Ordinary share capital - R5 shares	200 000	150 000
Revaluation of land and buildings	220 000	100 000
Distributable reserve - Retained earnings	266 000	174 000
Long-term loan - Lion Limited	-	100 000
Property, plant and equipment	400 000	500 000
Investment in Puma Limited		
- 22 500 ordinary shares	280 000	-
- loan	112 000	-
Trade and other payables	201 000	116 000
Trade and other receivables	35 000	56 000
Inventories	60 000	84 000

Additional information

1. Lion Limited acquired its interest in Puma Limited on 1 January 2013, on which date Puma Limited had retained earnings of R106 000. The carrying amounts of the assets and liabilities were equal to the fair values, except the value of the land and buildings which was deemed to be R100 000 more than the cost thereof. The accounting records were adjusted accordingly.

2. Since Lion Limited acquired its interest in Puma Limited, Puma Limited has purchased all its inventories from Lion Limited. On 1 January 2014 Puma Limited had R60 000 inventories on hand. Lion Limited sells all its inventories at cost plus 20%. Inventories to the value of R12 000 was on its way to Puma Limited at 31 December 2014.

3. Assume cost equals fair value.

4. The following decisions taken by the directors of the companies must still be accounted for:

   - R5 000 interest payable by Puma Limited to Lion Limited

   - A dividend of 10c per share must be declared by both companies on 31 December 2014. No entry in this regard was passed by any of the companies.

REQUIRED:

Draft the consolidated statement of financial position of Lion Limited and its subsidiary at 31 December 2014 in accordance with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice. Ignore taxation on unrealised profits and/or losses as well as capital gains tax. Comparative figures and notes are not required.

Show the consolidated journal entry at 31 December 2014 to eliminate the inter company transactions regarding the inventory.

QUESTION 3

The following represented the abridged statements of financial position of Kimberly Limited and its subsidiary:

STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2012

	Kimberly Ltd	Canivaal Ltd
	R	R
ASSETS		
Property at valuation	450 000	140 000
Plant at carrying amount	124 000	152 000
Investment in Canivaal Ltd – 37 500 ordinary shares at fair value (cost price R180 000)	180 000	-
Loan - Kimberly Ltd	-	40 000
Inventory	100 000	140 000
Bank - Chili Bank	80 000	-
Trade and other receivables	10 000	48 000
Total assets	944 000	520 000
EQUITY AND LIABILITIES		
Ordinary shares of R2 each	400 000	100 000
Revaluation of property	100 000	-
Retained earnings	192 000	164 000
Long-term borrowings	200 000	164 000
Loan - Canivaal Ltd	20 000	-
Other	180 000	164 000
Trade and other payables	52 000	22 000
Bank overdraft - Chili Bank	-	70 000
Total equity and liabilities	944 000	520 000

Additional information

1. Kimberly Ltd acquired its interest in Canivaal Ltd on 1 March 2009. At that date the retained earnings of Canivaal Ltd amounted to R64 000. On that date the property of Canivaal Ltd was revalued at R200 000. The books were not adjusted accordingly and no purchases or sale of property took place since that date. Assume cost equals fair value.

2. On 26 February 2011 Kimberly Ltd mailed a cheque of R20 000 to Canivaal Ltd. Canivaal Ltd received the cheque on 6 March 2012.

3. Kimberly Ltd sold a machine to Canivaal Ltd on 31 August 2014 at a profit of R20 000. The group provides for depreciation at 20% per annum according to the straight-line method.

4. The companies declared and paid the following dividends during the current year:

Kimberly Limited
Ordinary dividends on 28 February 2012 - 10c per share
Ordinary dividends on 30 June 2014 - 5c per share

Canivaal Limited
Ordinary dividends on 28 February 2012 - 5c per share.

5. Kimberly Ltd guarantees the bank overdraft of Canivaal Ltd for an unlimited amount.

REQUIRED:

Draft the consolidated statement of financial position of Kimberly Ltd and its subsidiary at 28 February 2012 according to the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice. Ignore comparative figures and the taxation effect on unrealised profits and/or losses as well as capital gains tax.

Do the consolidated journal entries at 28 February 2012 to eliminate the profit and depreciation associated with the sale of the machine.

QUESTION 4

Belly Limited purchased 160 000 ordinary shares and 4 000 cumulative preference shares in Banny Limited on 1 January 2011. On that date the balances on Banny Limited's retained earnings and share premium amounted to R75 000 and R5 000 respectively. Each share in Banny Limited has one vote.

On 31 December 2014 the following balances appeared in the books of both companies:

	Belly Limited		Banny Limited	
	Dr	**Cr**	**Dr**	**Cr**
	R	**R**	**R**	**R**
Ordinary share capital (50c shares)		500 000		100 000
Share premium		15 000		5 000
Capital redemption reserve fund		10 000		-
Retained earnings		175 000		126 000
Loan - Belly Limited		-		15 000
10% Cumulative preference share capital (R1 shares)		100 000		10 000
Land and buildings	330 000		160 000	
Equipment	220 000		110 000	
Accumulated depreciation - equipment		90 000		22 000
Investment in Banny Ltd at fair value				
- Ordinary shares (cost price R166 000)	166 000		-	
- Preference shares (cost price R4 000)	4 000		-	
- Loan	31 000		-	
Inventory	120 000		60 000	
Trade and other receivables	56 000		22 000	
Dividends payable – ordinary shares		25 000		20 000
Trade and other payables		52 000		30 000
Bank	40 000			24 000
	967 000	967 000	352 000	352 000

Additional information

1. At acquisition Belly Limited valued the land and buildings of Banny Limited at R180 000. No entry was made in respect of this in the books of Banny Limited. No purchases of land and buildings by Banny Limited took place since that date.

2. Since acquisition Banny Limited purchased all its inventory from Belly Limited at cost plus 20%. On 31 December 2013 Banny Limited's inventory on hand amounted to R84 000.

3. On 1 January 2012 Belly Limited purchased equipment from Banny Limited at cost price plus 10% for an amount of R220 000. Both companies depreciate equipment at 10% per annum on cost.

4. At 1 January 2013 the preference dividends of Banny Limited for the previous two years were in arrears. All arrear preference dividends were paid in cash on 31 December 2014. The ordinary dividends receivable from Banny Limited was debited against the loan account in the books of Belly Limited.

REQUIRED:

Draft the consolidated statement of financial position of Belly Limited and its subsidiary at 31 December 2014 to comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice. Ignore comparative figures, notes, taxation on unrealised profits and/or losses and capital gains tax. Clearly show all workings.

Do the consolidated journal entries at 31 December 2014 to eliminate the unrealised profits on inventory and intercompany sales.

QUESTION 5

The following are the abridged financial statements of Forbes Limited and its subsidiary Baines Limited for the 2013 and 2014 financial years:

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Forbes Limited		Baines Limited	
	2014	2013	2014	2013
ASSETS	R	R	R	R
Property, plant and equipment	500 000	450 000	240 000	250 000
Investment in Baines Ltd at fair value - 150 000 ordinary shares (cost price R160 000)	160 000	160 000	-	-
Inventory	50 000	20 000	32 000	10 000
Trade and other receivables	20 000	15 000	48 500	18 000
Bank	11 500	5 000	-	-
Loan - Baines Ltd	10 000	-	-	-
	751 500	650 000	320 500	278 000
EQUITY AND LIABILITIES				
Share capital - ordinary shares of R1 each	500 000	500 000	200 000	200 000
Retained earnings	191 500	100 000	98 500	50 000
Trade and other payables	60 000	50 000	10 000	20 000
Bank overdraft	-	-	2 000	8 000
Loan - Forbes Ltd	-	-	10 000	-
	751 500	650 000	320 500	278 000

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	Forbes Limited		Baines Limited	
	2014	2013	2014	2013
	R	R	R	R
Revenue	400 000	300 000	130 000	100 000
Cost of sales	(240 000)	(180 000)	(40 000)	(25 000)
Gross profit	160 000	120 000	90 000	75 000
Other income	1 500	-	-	-
Finance costs	-	-	(1 500)	-
Profit before tax	161 500	120 000	88 500	75 000
Income tax expense	(70 000)	(50 000)	(40 000)	(30 000)
PROFIT FOR THE YEAR	91 500	70 000	48 500	45 000
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	91 500	70 000	48 500	48 500

EXTRACT FROM THE STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

	Retained earnings		Retained earnings	
	Forbes Limited		Baines Limited	
	2014	2013	2014	2013
	R	R	R	R
Balance - beginning of year	100 000	30 000	50 000	5 000
Total comprehensive income for the year	91 500	70 000	48 500	45 000
Balance - end of year	191 500	100 000	98 500	50 000

Additional information

1. Forbes Limited acquired its interest in Baines Limited on 1 January 2013.

2. Issued capital remained unchanged for the past 2 years.

3. Intercompany sales:

   Forbes Limited to Baines Limited at profit margin of 25% on selling price:
   20.0 - R10 000
   20.1 - R20 000

4. Baines Limited had the following inventory, purchased from Forbes Limited, at:
   31 December 2013 - R2 000
   31 December 2014 - R5 000

   On 31 December 2014 Baines Limited decreased the value of its inventory purchased from Forbes Limited, to the net realisable value of R4 500.

5. Baines Limited obtained the loan from Forbes Limited on 1 January 2014 at an interest rate of 15% per annum (fair interest rate). The capital is payable annually in arrears.

6. Forbes Limited guarantees the bank overdraft of Baines Limited, although their accounts are kept at separate banks.

REQUIRED:

Draft the consolidated statement of comprehensive income and consolidated statement of changes in equity of Forbes Limited and its subsidiary Baines Limited for the year ended 31 December 2014 in compliance with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice.

Ignore taxation on unrealised profits and/or losses and comparative figures.

QUESTION 6

The following represent the abridged financial statements of Ane Limited and Abe Limited:

STATEMENTS OF FINANCIAL POSITIONS AS AT 31 DECEMBER 2011

	Ane Ltd	Abe Ltd
ASSETS	**R**	**R**
Non-current assets	570 000	300 000
Property, plant and equipment	240 000	300 000
Investment in Abe Ltd at fair value - 192 000 ordinary shares (cost price R330 000)	330 000	-
Current assets	390 000	390 000
Inventory	135 000	165 000
Trade and other receivables	255 000	225 000
Total assets	960 000	690 000
EQUITY AND LIABILITIES		
Total equity	675 000	600 000
Issued capital - ordinary shares of R1 each	300 000	240 000
Retained earnings	375 000	360 000
Non-current liabilities		
Long-term loan	75 000	-
Current liabilities		
Trade and other payables	210 000	90 000
Total equity and liabilities	960 000	690 000

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	Ane Ltd	Abe Ltd
	R	**R**
Gross profit	270 000	420 000
Dividend received from subsidiary	96 000	-
Profit before tax	366 000	420 000
Income tax expense	(108 000)	(120 000)
PROFIT FOR THE YEAR	258 000	300 000
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	258 000	300 000

EXTRACT FROM THE STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital		Retained Earnings	
	Ane Ltd	**Abe Ltd**	**Ane Ltd**	**Abe Ltd**
	R	**R**	**R**	**R**
Balance on 31 December 2010	300 000	240 000	225 000	180 000
Total comprehensive income for the year			258 000	300 000
Ordinary dividend			(108 000)	(120 000)
Balance on 31 December 2011	300 000	240 000	375 000	360 000

Additional information

1. On 1 January 2007, the date on which Ane Limited acquired its interest in Abe Limited, Abe Limited's share capital and reserves were as follows:

	R
Issued ordinary share capital	240 000
Retained earnings	135 000

2. Assume cost equals fair value.

3. Abe Limited purchases some of its inventory from Ane Limited since 1 January 2011. Ane Limited supplies the inventories at cost plus 50% mark-up. Inventory on hand of Abe Limited, purchased from A Limited, amounted to R90 000 on 31 December 2011.

REQUIRED:

Draft the consolidated statement of comprehensive income and consolidated statement of changes in equity of Ane Limited and its subsidiary Abe Limited for the year ended 31 December 2011 in compliance with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice.

Ignore taxation on unrealised profits and/or losses and comparative figures.

QUESTION 7

Ane Limited became a subsidiary of Abe Limited on 1 April 2014. The following are the trial balances of Abe Limited and Ane Limited at 30 September 2014:

	Abe Limited	A Limited
	R	R
Credits		
Share capital		
- Ordinary shares of R2 each	250 000	150 000
- 10% Preference shares of 50c each	80 000	20 000
7,5% Debentures	100 000	60 000
Long-term loan		
- Safe Bank (from 1 January 2014)	-	100 000
Retained earnings - 1 October 2013	950 000	380 000
Sales	1 106 000	940 000
Interest received - Debentures	-	1 500
- Financial institutions	-	6 000
Trade and other payables	107 750	75 000
Dividends payable		
- Ordinary shares	15 000	7 500
- Preference shares	16 000	2 000
Bank	25 000	-
Accumulated depreciation	150 000	80 000
	2 799 750	1 822 000
Debits		
Property, plant and equipment	773 500	650 000
Inventories	220 000	160 000
Cost of sales	740 000	564 000
Administrative expenses	65 000	48 000
Depreciation	30 000	20 000
Staff costs	160 000	100 000
Interest paid - Debentures	7 500	4 500
- Overdraft	3 000	-
Income tax @ 30%	60 000	59 925
Trade and other receivables	311 244	135 575
Bank	-	40 000
Dividends declared - 30 September 2014	16 750	-
Investment in Ane Limitedat fair value		
- 45 000 Ordinary shares (cost price R397 756)	397 756	-
- 18 000 10% Preference shares (cost price R15 000)	15 000	-
Investment in Abe Limited at fair value		
- 7,5% Debentures (since 1 April 2014)	-	40 000
	2 799 750	1 822 000

Additional information

1. The sales of Ane Limited for the year was earned as follows:

   - during the first three months of the financial year, 40% of the sales figure
   - for the next three months, 15% of the sales figure
   - for the rest of the financial year (the remaining six months), 45% of the sales figure

   Ane Limited maintain a gross profit percentage of 40%. All other income and expenditure were received and spent evenly throughout the year. Income tax must be apportioned according to the profit before tax for that period.

2. Ane Limitedapplied for a loan at Safe Bank Limited and it was granted at an interest rate of 15% per annum (fair interest rate) for a period of 5 years. The interest for the year ended 30 September 2014 is not recorded yet.

3. Cheques to pay the outstanding dividends (declared 30 September 2013) were sent to the shareholders by both of the companies but not recorded in the records yet.

Abe Ltd:	Ordinary shareholders	R6 250
	Preference shareholders	R8 000
Ane Ltd:	Ordinary shareholders	R7 500
	Preference shareholders	R2 000

4. Ane Limited has decided to declare dividends for the year ended 30 September 2014 and the amount for dividends to the ordinary shareholders is decided on R7 500. This transaction was not taken into account by both companies when the trial balances were drafted.

5. No guarantee was given by the subsidiary for the overdraft of the parent's bank account.

6. Ignore any tax implications.

REQUIRED:

Draft the consolidated annual financial statements of Abe Limited and its subsidiary for the year ended 30 September 2014. Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice. Include only the post-acquisition profit after tax in the profit after tax of the group. Notes to the financial statements are not required. Do all calculations to the nearest Rand.

QUESTION 8

The following represent the abridged balance sheets of ABC Limited and its subsidiary XYZ Limited:

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014	**ABC LIMITED R**	**XYZ LIMITED R**
ASSETS		
Property at cost/valuation	750 000	400 000
Machinery	340 000	190 000
At cost	500 000	240 000
Accumulated depreciation	(160 000)	(50 000)
Plant at carrying amount	680 000	370 000
Investments in XYZ Limited		
80 000 ordinary shares at fair value (cost price R650 000)	650 000	-
25 000 12% cumulative preference shares at fair value (cost price R40 000)	40 000	-
9% debentures (since 2012)	50 000	-
unsecured loan at fair value	80 000	-
Current account - ABC Limited	-	75 000
Inventory	170 000	150 000
Trade and other receivables	220 000	260 000
Bills receivable - XYZ Limited	20 000	-
Bank - Alpha Bank	30 000	-
	3 030 000	1 445 000
EQUITY AND LIABILITIES		
Ordinary shares of R5 each	-	500 000
Ordinary shares of R2 each	900 000	-
12% Cumulative preference shares of 75c each	-	75 000
Revaluation of property	-	150 000
Retained earnings	1 816 750	306 000
Interest bearing borrowings	64 750	170 000
9%Debentures	-	100 000
Loan ABC Limited	-	70 000
Current account - XYZ Limited	64 750	-
Tradeandotherpayables	220 000	140 000
Bills payable - ABC Limited	-	25 000
Bank overdraft - Alpha Bank	-	60 000
Shareholders for dividends - ordinary shares	28 500	10 000
- preference shares (current year)	-	9 000
	3 030 000	1 445 000

Additional information

1. ABC Limited acquired its interest in XYZ Limited on 1 July 2011. At that date the retained earnings of XYZ Limited amounted to R120 000. On the same day the property of XYZ Limited, which had a carrying amount of R250 000, was revalued at R350 000.

   It is company policy to revalue XYZ Limited's property on 30 June every second year. Since 1 July 2011 XYZ Limited has not purchased or sold any property. At the date of acquisition, consider the carrying amount of all the other assets and liabilities of XYZ Limited to be equal to the fair value thereof.

2. No dividend was declared or paid by XYZ Limited during the period 1 July 2010 and 30 June 2011.

3. Assume each ordinary share carries one vote.

4. It is group policy to show goodwill at cost in the financial statements. Assume the cost of all other assets and liabilities equal to their respective fair value.

5. Since September 2011, XYZ Limited purchases all its inventories from ABC Limited at the normal selling price, determined by ABC Limited, which is cost plus 20%.

6. XYZ Limited sold a machine to ABC Limited on 1 January 2013 at a profit of R25 000. The group provides for depreciation at 20% per annum according to the reducing balance method.

7. ABC Limited discounted R5 000 of the bills receivable from XYZ Limited at the bank before the expiry date of 31 July 2014.

8. On 29 June 2014 XYZ Limited repaid R10 000 of the existing loan from ABC Limited. ABC Limited received the repayment on 7 July 2014.

9. The parent guarentees the overdraft of the subsidiary's bank account.

REQUIRED:

Draft the consolidated Statement of Financial Position of ABC Limited and its subsidiary as at 30 June 2014 according to the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice. Ignore comparative figures and the taxation effect on unrealised profits and/or losses as well as capital gains tax. Do all calculations to the nearest Rand.

QUESTION 9

On 1 January 2010 W Mass Ltd purchased ordinary shares in B&B Ltd. At that stage B&B Ltd's shareholders' interest was compiled as follows:

	R
R1 ordinary shares	200 000
Retained earnings	30 000

W Mass Limited paid an amount of R4 000 to B&B Limited in order to gain control over B&B Limited's operations. The remaining difference between cost price and reserves is attributable to a revaluation of B&B Limited's land and buildings, which took place on date of acquisition. The revaluation was not recorded in B&B Limited's records.

The condensed statements of comprehensive income of the two companies for the year ended 30 June 2014 were as follows:

	W Mass Ltd	B&B Ltd
	R	R
Revenue	400 000	255 000
Cost of sales	(248 000)	(153 000)
Gross profit	152 000	102 000
Income received – dividend	8 000	(24 000)
Administrative expenses	(40 000)	(8 000)
Depreciation	(20 000)	
Finance cost	(20 000)	(10 000)
Profit before tax	80 000	60 000
Income tax expense	(40 000)	(30 000)
PROFIT FOR THE YEAR	40 000	30 000
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	40 000	30 000

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Ordinary share capital		Retained earnings		Total	
	W Mass Ltd	B&B Ltd	W Mass Ltd	B&B Ltd	W Mass Ltd	B&B Ltd
	R	R	R	R	R	R
Balance on 30 June 2013	430 000	200 000	58 000	75 000	488 000	275 000
Total comprehensive income for the year			40 000	30 000	40 000	30 000
Dividend paid			(8 000)	(5 000)	(8 000)	(5 000)
Balance on 30 June 2014	430 000	200 000	90 000	100 000	520 000	300 000

On 30 June 2014 the following items appeared in the statement of financial position of the two companies:

	W Mass Ltd	B&B Ltd
ASSETS	**R**	**R**
Non-current assets	540 000	298 000
Property, plant and equipment	320 000	298 000
Land and buildings at cost	210 000	150 000
Plant	110 000	148 000
Cost price	160 000	180 000
Accumulated depreciation	(50 000)	(32 000)
Investment in B&B Limited		
180 000 shares at fair value (cost price R220 000)	220 000	-
Current assets	125 000	95 000
Trade and other receivables	30 000	12 000
Inventories	95 000	83 000
Total assets	665 000	393 000
EQUITY AND LIABILITIES		
Total equity	520 000	300 000
Share capital	430 000	200 000
Retained earnings	90 000	100 000
Non-current liabilities		
Long-term loan	45 000	23 000
Current liabilities		
Trade and other payables	100 000	70 000
Total equity and liabilities	665 000	393 000

Additional information

1. Included in W Mass Limited's plant is a machine sold on 1 July 2012 by B&B Limited to W Mass Limited. B&B Limited made a profit of R20 000 on this transaction. Plant is depreciated at 10% per annum on cost price.
2. Since April 2010 W Mass Limited purchases some of its inventories from B&B Limited at the normal selling price, determined by B&B Limited at cost price plus 25%. In respect of the year ended 30 June 2014 sales from B&B Limited to W Mass Limited amounted to R200 000.
3. At 30 June 2013 the inventories on hand of W Mass Limited were valued at R60 000.
4. Opening and closing inventories of W Mass Limited were purchased from B&B Limited.

REQUIRED:

Draft the consolidated financial statements of W Mass Limited and its subsidiary for the financial year ended 30 June 2014 according to the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice. Ignore comparative figures, taxation on unrealised profits and/or losses and capital gains tax. Show all calculations.

Do the consolidated journal entries at 30 June 2014 to eliminate the transactions associated with the sale of the assets and inventory.

QUESTION 10

The following balances appeared in the books of D-day Limited for the financial year ended:

	28 Feb 2009	29 Feb 2008
	R	R
Property, plant and equipment	1 575 000	800 000
Investments	198 000	15 000
Preliminary expenses	16 500	24 000
Inventory	182 000	69 000
Trade receivables	192 500	250 000
Prepaid administration expenses	2 000	4 000
Dividends receivable	12 000	-
Bank	-	55 000
	2 178 000	1 217 000
Ordinary share capital of R1 each	1 000 000	400 000
Share premium	-	10 000
10% Debentures of R200 each	80 000	150 000
Surplus on revaluation of land	275 000	75 000
Retained earnings	335 500	325 000
18% Long-term loan	30 000	40 000
Deferred tax	5 000	12 000
Accumulated depreciation: Property, plant and equipment	175 000	100 000
Short-term portion of long-term loan	10 000	10 000
Tax payable	14 000	34 000
Dividends payable	50 000	20 000
Trade payables	25 000	41 000
Bank overdraft	178 500	-
	2 178 000	1 217 000

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2009:

	2009	2008
	R	R
Revenue	1 100 000	588 000
Cost of sales	(400 000)	(200 000)
Gross profit	700 000	388 000
Expenses	(578 000)	(342 000)
Directors' remuneration	50 000	30 000
Distribution expenses	150 000	125 000
Administrative expenses	100 000	75 000
Auditors' remuneration	60 000	38 000
Depreciation	195 000	55 000
Finance charges	23 000	19 000
Other income	42 000	9 000
Profit on sale of plant and equipment	30 000	-
Dividends on investments	12 000	9 000
Profit before tax	164 000	55 000
Income tax expense	(56 000)	(22 000)
- Current year	63 000	21 000
- Deferred	(7 000)	1 000
PROFIT FOR THE YEAR	108 000	33 000
OTHER COMPREHENSIVE INCOME	200 000	75 000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	308 000	108 000

The following additional information is available:

1.1 500 000 Ordinary shares were issued to the public at a premium of 10% on 1 April 2008.

1.2 The company issued capitalisation shares at par to the ordinary shareholders on 30 June 2008 in the ratio of 1 ordinary share for every 9 ordinary shares held. The share premium account were utilised for this purpose.

1.3 R7 500 of the preliminary expenses was written off against retained earnings on 28 February 2009 and an ordinary dividend of 5 cents per share was declared.

2. The following changes in property, plant and equipment took place:

	Land	Plant and equipment
	R	R
Carrying amount beginning of year	400 000	300 000
Cost	400 000	400 000
Accumulated depreciation	-	(100 000)
Purchases at cost	75 000	800 000
Disposals at carrying amount	-	(180 000)
Revaluations during the year	200 000	-
Depreciation for the year	-	(195 000)
Carrying amount end of year	675 000	725 000
Valuation/Cost	675 000	900 000
Accumulated depreciation	-	(175 000)

R500 000 of the purchases of property, plant and equipment represent replacements of assets disposed of.

3. The debentures were redeemed at par on 1 March 2008.

4. The long-term loan was incurred on 1 January 2014 and the capital portion is repayable in five equal annual instalments starting on 30 June 2008.

5. New investments were purchased during the year.

6. Revenue consists of cash sales amounting to R400 000 (2008 : R134 000) and credit sales of R700 000 (2008 : R454 000).

REQUIRED:

Draw up the Statement of Cash Flows of D-day Limited for the financial year ended 28 February 2009 according to the direct method. Your answer must comply with Generally Accepted Accounting Practice. Show the following calculations:

1. Cash receipts from customers
2. Cash payments to suppliers and employees
3. Dividends paid
4. Tax paid

QUESTION 11

The following information was obtained from the books of Fans Limited for the financial year ended 31 December 2006:

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2006

	R
Profit before tax	178 000
Income tax expense	(53 000)
Profit for the year	125 000
Other comprehensive income	-
Total comprehensive income for the year	125 000

EXTRACT FROM THE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

	Retained earnings
	R
Balance beginning of year	92 000
Total comprehensive income for the year	125 000
Preference dividends	(24 000)
Transfer to replacement reserve	(5 000)
Ordinary dividends – 31 December	(20 000)
Balance end of year	168 000

The following information in respect of the issued share capital is also available:

		R
2005		
January 1	Ordinary shares of R2 each	80 000
	10% Cumulative preference shares of R2 each	80 000
June 30	The company issued 20 000 ordinary shares at R2,50 each.	
2006		
March 31	The company made a rights issue of 2 ordinary shares at par for every 3 ordinary shares held at fair value.	
July 31	Capitalisation shares were issued at par in the ratio of 1 ordinary share for every 4 ordinary shares held. The share premium and capital redemption reserve fund were utilised for this purpose.	

REQUIRED:

Calculate and disclose basic earnings and dividends per share in the annual financial statements of Fans Limited for the year ended 31 December 2006 in compliance with Generally Accepted Accounting Practice. Ignore comparative figures. Show all calculations.

QUESTION 12

The following information were taken from the books of GIGO Limited for the year ended 30 June 2008:

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2008

	R
Revenue	1 040 000
Cost of sales	(500 000)
Gross profit	540 000
Expenses	(100 000)
Profit before tax	440 000
Income tax expense	(120 000)
Profit for the year	320 000
Other comprehensive income	-
Total comprehensive income	320 000

AN EXTRACT FROM THE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008:

	Retained earnings R
Balance 1 July 2006	40 000
Total comprehensive income for the year	100 000
Transfer from asset replacement reserve	28 000
Balance 30 June 2007	168 000
Total comprehensive income for the year	320 000
Transfer to asset replacement reserve	(30 000)
Cumulative preference dividends	(48 000)
Non-cumulative preference dividends	(20 000)
Ordinary dividends – 30 June 2008	(60 000)
Balance 30 June 2008	330 000

The following information in respect of the issued share capital is also available:

2006

July 1 — 800 000 Ordinary shares of 50c each
200 000 12% Cumulative preference shares of R1 each
100 000 10% Non-cumulative preference shares of R2 each

2007

September 30 — A rights issue was made of 1 ordinary share at par for every 4 ordinary shares held. The rights issue was made at a value less than the fair market value of 80c per share for which the shares could have been issued.

2008

April 30 — Capitalisation shares were issued in the ratio of 1 ordinary share at par for every 5 ordinary shares held. The share premium account was utilised for this purpose.

REQUIRED:

Calculate and disclose basic earnings and dividends per share in the annual financial statements of GIGO Limited for the year ended 30 June 2008 in compliance with Generally Accepted Accounting Practice. Comparative figures are required. Ignore headline earnings, but clearly show all calculations.

QUESTION 13

The following information was extracted from the financial statements of Lewis Limited for the year ended 31 December 2014:

EXTRACT FROM THE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014:

	2014 R	2003 R
Profit before tax	1 008 000	358 000
Income tax expense	(408 000)	(149 000)
PROFIT FOR THE YEAR	600 000	209 000
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	600 000	209 000

EXTRACT FROM THE STATEMENT OF CHANGES IN EQUITY FOR THE TWO YEARS ENDED 31 DECEMBER 2014:

	Retained earnings R
Balance at 31 December 2002	301 000
Total comprehenisve income for the year	209 000
Balance at 31 December 2003	510 000
Total comprehenisive income for the year	600 000
Dividends paid	
Preference - 10% cumulative	(40 000)
Preference - 8%	(12 000)
Ordinary	(50 000)
Capitalisation issue	(200 000)
Balance at 31 December 2014	808 000

Additional information

1. Lewis Limited issued 200 000 10% cumulative preference shares of R1 each, 150 000 8% preference shares of R1 each and 600 000 ordinary shares of R1 each, on incorporation.

2. On 1 March 2014 Lewis Limited made a capitalisation issue of one share for every three shares held.

3. Included in profit before tax is the following:

	2004 R	2003 R
Depreciation	25 000	15 000
Profit on sale of plant (tax deductible)	-	96 000
Loss on sale of equipment (tax deductible)	98 000	-
Write down of inventory to net realisable value	40 000	-

4. The tax rate was 28% for both 2014 and 2003.

REQUIRED:

Calculate and disclose basic earnings per share and headline earnings per share in the financial statements of Lewis Limited for the year ended 31 December 2014. Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice. Notes and comparative figures are required.

QUESTION 14

The preliminary Statement of Comprehensive Income before taking into account any additional information of Zebar Limited, a dealer in motor vehicles for the year ended 28 February 2005 is as follows:

	2005
	R
Income	
Sales of motor vehicles	1 780 000
Dividends received (unlisted)	13 500
	1 793 500
Expenses	(1 414 300)
Advertising	9 000
Cleaning	4 500
Commission paid to sales staff	23 600
Depreciation: workshop equipment	11 200
Depreciation: office equipment	15 000
Operating lease - premises	49 000
Initial payment	9 000
Payments for the year	40 000
Printing and stationery	11 000
Purchases: consumables	66 000
Purchases: motor vehicles	1 068 000
Salaries and wages	72 000
Loss on a litigation settlement (tax deductible)	85 000
PROFIT FOR THE YEAR	379 200
OTHER COMPREHENISIVE INCOME	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	379 200

Additional information

1. Zebar Limited entered into an operating lease agreement for the premises they are presently occupying. The lease agreement was entered into on 1 July 2014. The terms of the lease are as follows:

Initial payment	R9 000
Instalment per month	R5 000
Duration of the lease	3 years

2. Zebar Limited paid commission of R7 200 to enter into the lease agreement.

3. The SA Normal tax rate is 29%. Zebar Limited's taxable income for the year ended 28 February 2005 is R125 100.

REQUIRED:

Prepare the notes to the annual financial statements of Zebar Limited for the year ended 28 February 2005. Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice. The accounting policy notes are **not** required.

QUESTION 15

The following details relate to a machine acquired by Merlin Ltd in terms of a finance lease agreement:

- Date of commencement of agreement – 1 July 2011
- Cash price – R180 000
- Lease period is 3 year
- Payments of R43 500 are payable half-yearly in arrears.

The machine was available for use and put into use on 1 July 2011. Depreciation is written off at 20% per annum on cost.

The company's financial year ends on 30 June.

REQUIRED:

a) Calculate the nominal interest rate per year (4)
b) Prepare an amortisation table (11)
c) Journalise all relevant transactions (cash transactions included) over the lease period. Journal narrations are not required. (15)

QUESTION 16

NRC Travel Limited, a newly established car rental company based in Cape Town, entered into a finance lease agreement to acquire two new limousines which will make up their entire current limousine fleet. The following information is available:

Contract date	1 January 2009
Total cash price of the vehicles	R1 600 000
Deposit	20% of cash price
Instalments - half yearly in arrears	R228 050
Date of first instalment	30 June 2009
Lease period	4 years
Nominal interest rate	17,25% (fixed rate) per annum
Effective interest rate	17,99% per annum
Total scrap value of the vehicles	R200 000
Estimated useful life	5 years

NRC Travel Limited paid commission of R16 000 to enter into the lease agreement.

The two limousines were docked at Cape Town harbour on 2 January 2009 and put into immediate use. Depreciation is written off over their expected useful lives according to the straight-line method.

Assume a SA Normal tax rate of 29%.

NRC Travel Limited's profit before tax, before taking the lease into account, amounted to R950 000 for 2009.

Classic Bank financed the deal and provided you with the following **correct** amortisation table:

Date	Interest R	Capital R	Instalments R	Outstanding balance R
01/01/2009	-	-	-	1 280 000
30/06/2009	110 400	117 650	228 050	1 162 350
31/12/2009	100 253	127 797	228 050	1 034 553
30/06/2010	89 230	138 820	228 050	895 733
31/12/2010	77 257	150 793	228 050	744 940
30/06/2011	64 251	163 799	228 050	581 141
31/12/2011	50 123	177 927	228 050	403 214
30/06/2012	34 777	193 273	228 050	209 941
31/12/2012	18 109	209 941	228 050	-

REQUIRED:

Disclose all the relevant notes concerning the lease in the annual financial statements of NRC Travel Limited for the year ended 31 December 2009. Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice.

Ignore the accounting policy notes, comparative figures and VAT implications. Do all calculations to the nearest Rand.

QUESTION 17

17.1 The following represents the trial balance of BBQ (Pty) Ltd at 30 September 2007:

	Dr	Cr
	R	R
Ordinary shares of R1 each		10 000
Retained earnings		75 000
Land and buildings at cost	80 000	
Interest bearing borrowing		100 000
Listed investments at cost	60 000	
Cash on hand	45 000	
	185 000	185 000

Additional information

1. The property was valued at R120 000.

2. The listed investments consist of:

   40 000 shares in Mars Limited trading at 160c per share (minority holding)
   20 000 shares in Moon Limited trading at 120c per share (minority holding)

3. The interest bearing borrowing is repayable after 5 years. The interest is calculated at 18% per annum. The fair rate of return is 20%. Interest is paid at the end of each year.

4. Ignore all taxation implications.

REQUIRED:

Calculate the value of 1 ordinary share in BBQ (Pty) Ltd at 30 September 2007. Use the intrinsic value method. (8)

17.2 Assume you invest R20 000 on 1 November 2007. The interest rate is 18% per annum and interest is compounded quarterly in arrears.

REQUIRED:

Calculate the value of the investment at 31 October 2012. (3)

17.3 Assume you invest R5 000 per annum for 5 years at the end of each year at 15% compound interest per annum.

REQUIRED:

Calculate the present value of the investment. (3)

17.4 Assume you invest R2 500 now at a nominal interest rate of 15% per annum. Interest is payable monthly in arrears.

REQUIRED:

How long will it take to double the investment? (4)

QUESTION 18

This question consists of 8 independent sub -questions. Answers must be calculated correct to two-tenths (2/10) of a percent (%). Show all your workings and formulae.

21.1 Determine the present value of an annuity of R30 000, received at the end of each period for ten periods, at a discount rate of 10% per period. (3)

21.2 Determine the future value of an amount of R40 000, invested at the end of each period for 10 periods, at an interest rate of 10% per period. (3)

21.3 Determine the effective interest rate for a building society savings account which bears interest at a nominal rate of 5% per annum, compounded monthly. (3)

21.4 Determine the nominal interest rate for a loan which bears interest at an effective rate of 7% per annum, if interest is compounded half-yearly. (3)

21.5 At what rate of interest would an investment be tripled over a period of 12 years? (4)

21.6 Calculate the effective rate of interest when the nominal rate of interest is 18% p. a. and interest is compounded quarterly. (3)

21.7 An amount of R2 000 is invested at a nominal interest rate of 18% p.a., interest payable monthly in arrears. How long will it take to triple the amount invested? (4)

21.8 Calculate at what rate of interest will R3 000 increase to R9 435 after 6 years and 9 months (4)

QUESTION 19

22.1 The shares of both Pelagias Ltd and Bowler Ltd are quoted on a Stock Exchange. On

28 February 2001 the following information was applicable to the two companies:

- Issued share capital
  Pelagias: 400 000 ordinary shares of R1,50 each Bowler: 50 000 ordinary shares of R1,00 each

- Closing price
  Pelagias: R2,85
  Bowler: R1,40

On 1 March 2001 the directors of both companies issue a joint statement which provides *inter alia* that:

(a) The shareholders of Pelagias receive the right to subscribe for one R1,00 share in Bowler at R1,20 for every four shares held in Pelagias.

(b) The shareholders of Bowler receive the right to subscribe for 2 Bowler R1,00 shares at R1,20 per share for each share held.

(c) The listing of both companies be suspended until such time as the arrangement is approved by a special meeting of shareholders.

It is expected that the arrangement will be approved and that all the shares will be taken up.

What is the value of one Bowler share after the issue of the shares? (4)

22.2 Use the information in QUESTION 12.1 and assume that the value of one Bowler share after the issue will be R1,48.

What will the new opening price of one Bowler share with rights after the joint statement but before the shares are issued be? (4)

22.3 A person wishes to have R100 000 at the end of 10 years.

How much must he invest at the end of each year (at 15% per annum) for the amounts to accrue to R100 000? (Ignore taxation). (3)

22.4 A person borrows R4 000 for 4 years at 16% interest and undertakes to repay this debt in three equal payments of R1 000 at the end of years 1, 2 and 3 and a final payment at the end of year 4.
What will the amount of the final payment be? (Ignore taxation). (5)

22.5 Name the valuation method for a majority interest to be used and calculate the value of an ordinary share of VLC, based on the following information:

Nominal value per share	100 cents
Expected future dividend per share	20 cents
Expected future earnings per share	36 cents
Fair dividend yield	16%
Valuation date	28/2/2007

(2)

22.6 VB Ltdsupplied the following information regarding its redeemable preference shares:

Nominal value per share	200 cents
Preference dividend rate	14% p.a.
Annual dividend date	28 February
Fair rate of return	12% p.a.
Redeemable at a premium of	15%
Redeemable on (5 years from date of valuation)	28/2/2012

REQUIRED:

Calculate the value of one redeemable preference share on 1 March 2007. (7)

22.7 The following relates to debentures issued by Swiss Ltd:

Fair rate of return	12%
Nominal value	R20 000
Interest rate	10%
Date of interest payment	31 December
Redeemable in four equal annual instalments commencing on	31/12/2007

REQUIRED:

Calculate the value of the above debentures at 1 January 2007. (Ignore taxation) (8)

22.8 The following represents the trial balance of Melbar Ltd, an investment company, on 28 February 2007:

	R Dr/(Cr)
Land and buildings at cost	300 000
Listed investments at cost	67 500
Savings account	15 000
Bank	5 000
200 000 ordinary shares of R1 each	(200 000)
15 000 12% preference shares of 50c each	(7 500)
Mortgage bond (interest free)	(180 000)

Additional information

1. The land and buildings are worth R550 000 and the market value of the listed investment is R80 000.
2. The mortgage bond is redeemable in 8 years time and a fair rate of return is 18%.
3. The preference shares are non-redeemable and a fair dividend yield is 15%.

REQUIRED:

Determine the value of Melbar Ltd at 28 February 2007 using the intrinsic value method

(7)

QUESTION 20

The following are the trial balances of M&C Ltd and Busy Bee Ltd at 31 December 2006:

	Mickey Ltd R	Busy Bee Ltd R
Credits		
Share capital – ordinary shares		
(500 000 M&C Ltd shares; 200 000 Busy Bee Ltd shares)	500 000	200 000
Long-term borrowings – Diznee Development Bank	150 000	90 000
Loan account – M&C Ltd	-	80 000
Retained earnings – 1 January 2006	650 000	125 000
Sales	3 000 000	1 440 000
Other income	31 100	2 850
Trade and other payables	106 200	60 000
Accumulated depreciation	250 000	105 000
	4 687 300	2 102 850
Debits		
Property, plant and equipment	1 035 000	500 000
Inventories	340 000	200 000
Cost of sales	2 100 000	864 000
Administrative expenses	125 000	60 000
Depreciation	90 000	48 000
Staff costs	200 000	124 100
Interest paid – Diznee Development Bank	13 500	12 000
Interest paid – M&C Ltd	-	2 750
Income tax expense	140 728	92 960
Trade and other receivables	81 072	109 040
Bank – Goofy Bank	62 000	70 000
Dividends paid – 15 December 2006	50 000	20 000
Investment in Busy Bee Ltd at fair value		
150 000 ordinary shares (cost price R360 000)	360 000	-
Loan account – Busy Bee Ltd	90 000	-
	4 687 300	2 102 850

Additional information:

1. M&C Ltd and Busy Bee Ltd have enjoyed a good working relationship for a number of years. Busy Bee Ltd has historically always purchased some of its inventory from M&C Ltd, and in reward for such loyalty, M&C Ltd has sold inventory to Busy Bee Ltd at favourable prices of cost plus 20%. In order to strengthen their relationship, M&C Ltd acquired 150 000 shares in Busy Bee Ltd on 1 May 2006.

2. All income and expenses of M&C Ltd and Busy Bee Ltd were earned evenly throughout the year, except where otherwise stated.

3. Total sales of M&C Ltd to Busy Bee Ltd for the 2006 financial year amounted to R800 000, of which R300 000 was between 1 January 2006 and 30 April 2006.

   Of the closing inventory of R200 000 in the accounting records of Busy Bee Ltd at year-end, the accountant calculated that R110 000 was in relation to inventory purchased from M&C Ltd
   since 1 May 2006. On 31 December 2006 M&C Ltd invoiced and processed a sale of inventory to Busy Bee Ltd of R10 000. Busy Bee Ltd only received this inventory on 2 January 2007, and had not yet processed this transaction in its financial records.

   The value of the opening inventory in the accounting records of Busy Bee Ltd at 1 January 2006 was R150 000. The inventory of Busy Bee Ltd at 1 May 2006 was valued at R110 000, but none of these items were bought from M&C Ltd.

4. The sales of Busy Bee Ltd were earned evenly. Busy Bee Ltd maintains an overall average gross profit margin of 40%.

5. Busy Bee Ltd borrowed R50 000 from M&C Ltd on 1 July 2006 to fund the purchase of machinery and borrowed a further R30 000 on 1 December 2006 to fund general expenses. The loans are repayable on 30 June 2007 and 30 November 2007 respectively and bear interest at 10% per annum payable monthly in arrears.. Busy Bee Ltd paid the total interest on the R50 000 loan to M&C Ltd on time, but only despatched a cheque on 31 December 2006 for the interest on the R30 000 loan. M&C Ltd received this cheque on 5 January 2007 and only then accounted for that interest.

6. Busy Bee Ltd had borrowed R60 000 from Diznee Development Bank in the previous year and borrowed an additional R30 000 on 1 May 2006. Interest at a rate of 15% per annum is applicable on both these loans and is payable monthly in arrears.

7. The depreciation on the machinery which was acquired on 1 July 2006 (see no. 5 above) was calculated at a rate of 15% per annum according to the reducing balance method. There were no other purchases or sales of property, plant and equipment during the year.

8. Since 1 May 2006 Busy Bee Ltd has paid a monthly administration fee of R1 500 to M&C Ltd. The accountant of Busy Bee Ltd has included these payments as part of “administrative expenses”.

9. Included in the staff costs of Busy Bee Ltd is an amount of R28 100 for bonuses paid to staff on 15 December 2006.

10. Other income consists of:

	Mickey Ltd R	Donald Ltd R
Interest received from Goofy Bank	1 600	2 850
Dividends received from Busy Bee Ltd	?	-
Interest received on loan to Busy Bee Ltd	?	-
Administration fees received from Busy Bee Ltd	?	-

11. Assume a taxation rate of 28% and that all income is taxable and expenses are tax deductible. Income tax must be apportioned according to the profit before tax for the period. Ignore any other tax implications.

REQUIRED:

Draft the consolidated statement of profit or loss and other comprehensive income of the M&C Ltd Group for the year ended 31 December 2006, in accordance with International Financial Reporting Standards

Notes and pro forma consolidated journal entries to the financial statements **<u>are not required</u>**.

Do all calculations to the nearest Rand.

QUESTION 21

The following balances were extracted from the accounting records of Doring Ltd and Fiona Ltd on 31 August 2007:

	Doring Ltd R	Fiona Ltd R
Share capital – ordinary shares		
(50 000 Doring Ltd shares; 20 000 Fiona Ltd shares)	250 000	100 000
Cumulative preference shares – (100 000 8%)	-	100 000
Revaluation surplus	180 000	120 000
Retained earnings	199 000	122 000
Long-term borrowing – Doring Ltd	-	50 000
Land and buildings at valuation	300 000	600 000
Machinery at carrying amount	255 000	150 000
Investments in Fiona Ltd :		
15 000 Ordinary shares at fair value	220 000	-
(cost R220 000)	52 000	-
40 000 8% Cumulative preference shares at fair value		
(cost R52 000)	50 000	-
Loan	178 000	108 000
Trade and other payables	55 000	64 000
Trade and other receivables	90 000	77 000
Inventories		

Additional information:

1. Doring Ltd acquired its interest in Fiona Ltd on 1 September 2005 on which date Fiona Ltd had retained earnings of R62 000. The preference dividends of Fiona Ltd were two years in arrears at the date of acquisition.

   The carrying amounts of the assets and liabilities of Fiona Ltd were equal to their fair values at acqui-sition, except for the value of the land and buildings which was deemed to be R120 000 more than the cost thereof. The revaluation was accounted for in the accounting records of Vrosti Ltd on 1 September 2005.

2. Doring Ltd purchased Machine A with a carrying amount of R40 000 from Fiona Ltd on 1 December 2005 at a profit margin of 25%.. On 1 March 2007 Doring Ltd bought a similar machine (Machine B) with a carrying amount of R20 000 from Fiona Ltd for R22 000. It is the policy of the group to depreciate machinery over five years using the straight-line-method.

3. Included in the statement of changes in equity of Fiona Ltd for the year ended 31 August 2007 were the following items:

	R
Preference dividends paid (2006 – R16 000)	16 000
Ordinary dividends paid (2006 – R Nil)	10 000

REQUIRED:

After taking the abovementioned information into account, draft the following pro forma consolidation journal entries of the Doring Ltd Group for the **year ended 31 August 2007**:

12. Elimination of owner‟s equity at acquisition for both ordinary and preference shares.

13. Elimination of unrealised profits on the sale of the machines.

14. Elimination of the depreciation associated with the sale of the machines.

15. Elimination of the intragroup dividends.

Narrations are required. Indicate clearly to which company each account refers.

Ignore the taxation effect on unrealised profits and/or losses as well as

capital gains tax. All calculations must be shown.

SOLUTIONS : SECTION A
QUESTION 1 (SOLUTION)

1. A	6. B	11. B
2. A	7. C	12. A
3. B	8. D	13. A
4. D	9. D	14. D
5. C	10. C	

(2 marks each)

QUESTION 1 (SOLUTION) (continued)

Calculation

Analysis of ordinary shareholders' equity of ABC Limited

	Total	XYZ Limited At acquisition	XYZ Limited Since acquisition	Non-controlling interest
		80%		20%
	R	R	R	R
At acquisition				
Share capital	50 000	40 000		10 000
	50 000	40 000		10 000
Investment in ABC Limited		48 000		
Goodwill		8 000		
Since acquisition to end of current year				
Retained earnings	41 400		33 120 RE	8 280
Closing balance	55 000			
Unrealised profit (25/125 x 68 000)	(13 600)			
Revaluation of land and buildings	24 000		19 200 OCE	4 800
	115 400		33 120 RE 19 200 OCE	23 080

QUESTION 1 (SOLUTION) (continued)

XYZ LIMITED AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2014

ASSETS	**R**
Non-current assets	375 000
Property at valuation(200 000 + 67 000)	267 000
Plant and equipment at carrying amount [(110 000 + 170 000 - 30 000) - (86 000 + 64 000)]	100 000
Goodwill	8 000
Current assets	180 400
Inventories (68 000 - 13 600 + 34 000)	88 400
Trade and other receivables (20 000 + 26 000)	46 000
Cash and cash equivalents	46 000
Total assets	555 400
EQUITY AND LIABILITIES	
Total equity	365 400
Equity attributable to equity holders of the parent	342 320
Share capital	200 000
Other components of equity (50 000 + 19 200)	69 200
Retained earnings (70 000 - 30 000 + 33 120)	73 120
Non-controlling interest	23 080
Current liabilities	190 000
Trade and other payables (90 000 + 50 000)	140 000
Bank overdraft (100 000 - 50 000)	50 000
Total equity and liabilities	555 400

SOLUTION: QUESTION 2

ANSWERS

1. B
2. A
3. D
4. A
5. B
6. C
7. A
8. B
9. A
10. C
11. B
12. C

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

TELISHA LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2006 R

		R
Cash flow from operating activities		
Cash receipts from customers (calculation 1)	1 700 000	
Cash payments to suppliers and employees (calculation	(842 000)	
2) Cash generated by operations	858 000	
Dividends received (75 000 – 15	60 000	
000) Interest paid (20 000 – 5 000)	(15 000)	
Dividends paid (calculation 3)	(175 000)	
Normal tax paid (calculation 4)	(161 000)	
Net cash inflow from operating activities		567 000
Cash flow from investing activities		
Investment to maintain production capacity	(1 000 000)	
Replacement of equipment (given)	(1 000 000)	
Investment to expand production capacity	(1 125 000)	
Additions to equipment (calculation 5)	(1 125 000)	
Proceeds on sale of non-current asset (200 000 + 15	215 000	
000) Purchase of investments (700 000 – 550 000)	(150 000)	
Net cash outflow from investing activities		(2 060 000)
Cash flow from financing activities		
Proceeds on issue of shares (700 000 + 280	980 000	
000) Net cash inflow from financing activities		980 000
Net decrease in cash and cash equivalents		(513 000)
Cash and cash equivalents beginning of		85 000
year Cash and cash equivalents end of year		(428 000)

Calculations

1. Cash received from customers

Trade and other receivables

		R			R
Balance	b/d	250 000	Bank*		1 700 000
Sales		1 750 000	Balance	c/d	300 000
		2 000 000			2 000 000

*Balancing figure

SOLUTION: QUESTION 2 (continued)

2. Cash payments to suppliers and employees

Trade and other payables, inventory and expenses

		R			R
Balance – inventory	b/d	63 000	Balance – creditors	b/d	35 000
Balance – prepaid expenses	b/d	10 000	Cost of sales		700 000
Bank*		842 000	Distribution expenses		100 000
Balance – creditors	c/d	200 000	Administrative expenses		175 000
			Other expenses (450 000 - 403 000)		47 000
			Balance - inventory	c/d	50 000
			Balance – prepaid expenses	c/d	8 000
		1 115 000			1 115 000

*Balancing figure

3. Dividends paid

	R
Unpaid amounts at beginning of year	50 000
Amounts debited against profit	250 000
Unpaid amounts at end of year	(125 000)
	175 000

4. Tax paid

Unpaid amounts at beginning of year	60 000
Amounts debited against profit	166 000
Unpaid amounts at end of year	(65 000)
	161 000

5. Property, plant and equipment at carrying amount

	R		R
Balance	1 800 000	Sales at carrying amount	200 000
b/d	50 000	Depreciation	403 000
Revaluation	1 000 000	Balance	c/d 3 372 000
Replacement	1 125 000		
Additions*			
	3 975 000		3 975 000

*Balancing figure

6. Change in working capital

	R
Decrease in inventory	13 000
Increase in trade receivables	(50 000)
Decrease in prepaid	2 000
expenses Increase in trade	165 000
payables Cash inflow	130 000

QUESTION 3

ANSWERS

1. A
2. C
3. B
4. B
5. C
6. A
7. A
8. B
9. C
10. B
11. C
12. D
13. A
14. B
15. C

MARKING PLAN	Marks
15 x 2 each	30

QUESTION 3 (continued)

BILLYLIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2007

	R	R
Cash flow from operating activities		
Cash receipts from customers (calculation 1)	1 154 500	
Cash payments to suppliers and employees (calculation 2)	(901 700)	
Cash generated from operations	252 800	
Interest paid (calculation 5)	(12 250)	
Dividends received (5 000 - 3 250)	1 750	
Dividends paid (calculation 3)	(40 000)	
Normal tax paid (calculation 4)	(11 000)	
Net cash inflow from operating activities		191 300
Cash flow from investing activities		
Investment to maintain production capacity	(200 000)	
Replacement of equipment (calculation 6)	200 000	
Investment to expand production capacity	(380 000)	
Additions to equipment (calculation 6)	380 000	
Proceeds from sale of equipment [(250 000 - 140 000) - 10 000]	100 000	
Purchase of investments (23 500 - 15 000)	(8 500)	
Net cash outflow from investing activities		(488 500)
Cash flow from financing activities		
Proceeds on issue of shares (250 000 + 12 500)	262 500	
Redemption of debentures (125 000 - 100 000)	(25 000)	
Repayment of long-term loan (25 000 - 20 000)	(5 000)	
Net cash inflow from financing activities		232 500
Net decrease in cash and cash equivalents		(64 700)
Cash and cash equivalents beginning of year		13 000
Cash and cash equivalents end of year		(51 700)

QUESTION 3 (continued)

Calculations

1. Cash received from customers

Debtors

		R			R
Balance	b/d	60 000	Bank*		1 154 500
Sales		1 160 000	Balance	c/d	65 500
		1 220 000			1 220 000

*Balancing figure

2. Cash payments to suppliers and employees

Creditors, inventory and expenses

		R			R
Balance - inventory	b/d	63 000	Balance - creditors	b/d	41 000
Balance - prepaid expenses	b/d	4 000	Cost of sales		400 000
Bank*		901 700	Salaries and wages		200 000
Balance – creditors	c/d	68 500	Directors' remuneration		60 000
			Administrative expenses		150 000
			Auditors' remuneration		105 000
			Balance - inventory	c/d	80 000
			Balance - prepaid expenses	c/d	1 200
		1 037 200			1 037 200

*Balancing figure

3. Dividends paid

Unpaid amounts at beginning of year	20 000
Amounts debited against profit	40 000
Unpaid amounts at end of year	(20 000)
	40 000

4. Tax paid

	R
Unpaid amounts at beginning of year	34 000
Amounts debited against profit	16 000
Unpaid amounts at end of year	(39 000)
	11 000

QUESTION 3 (continued)

5. Interest paid

Unpaid amounts at beginning of year	-
Amounts debited against profit	14 500
Unpaid amounts at end of year	(2 250)
	12 250

6. Property, plant and equipment at carrying amount

		R			R
Balance (695 000 - 100 000)	b/d	595 000	Sales at carrying amount		110 000
Revaluation		70 000	(250 000 - 140 000)		
Replacement		200 000	Depreciation		165 000
Additions*		380 000	Balance	c/d	970 000
			(1 095 000 - 125 000)		
		1 245 000			1 245 000

*Balancing figure

QUESTION 4

(a) FV = ?

n = 6 years
i = 8%
Ann = 2 000 per year
PV = ?
= R9 245,76

Answer: C ✓✓✓

(b) $S = P(1 + i)^n$

$= 100(1 + 0{,}015)^{12}$

$= 100\,(1{,}015)^{12}$

= 19,56%

= 19,6%

Answer: B ✓✓✓

Financial calculator:

n = 12
i = 1,5% (18%/12)
PV = -100
PMT = 0
FV = ?
= 119,56
∴ = 119,56 – 100
= 19,56%

(c) $S = P(1 + i)^n$

$4\,178 = 2\,000\,(1 + i)^{6.5}$

$4\,178/2\,000 = (1 + i)^{6.5}$

$(2{,}089)^{1/6.5} = (1 + i)$

= 12%

Answer: B ✓✓✓

Financial calculator:

n = 6,5
PV = -2 000
PMT = 0
FV = 4 178
i = ?
= 12%

(d) FV = -R40 000

PMT = 0

i = 4% (16%/4)

n = 12 (3 x 4)

PV = ?

= R24 983,88

Answer: C ✓✓✓

QUESTION 4 (continued)

(e) n = 3

i = 10%

PV = 0

PMT = -1 000

FV = ?

= R3 310

Answer: B ✓✓✓

(f) Use present value of future income at a fair rate of return for ordinary shares

		R
R100 000 x 0,769	=	76 900
R110 000 x 0,592	=	65 120
R121 000 x 0,455	=	55 055
$\frac{R133\ 100^{*}}{0,3}$ x 0,455 =		201 868
		398 943

$$* \frac{\text{Expected future earnings } (E_1)}{\text{Earnings yield (k)}} \times \text{PV factor}$$

Answer: C ✓✓✓

(g) Dell (Pty) Ltd

Market value of share

$$= \frac{\text{Expected earnings at the end of the first year}}{\text{Fair dividend yield}}$$

= R250 000/0,20

= R1 250 000

Answer: A ✓✓✓

QUESTION 4 (continued)

(h) Future value

Formula = $S = 1\,200\, s_{\overline{18}\rceil}\ 0{,}10$

$= 1\,200\,[(1 + i)^n - 1/i]$

$= 1\,200\,[(1{,}10^{18} - 1)/0{,}10]$

$= 1\,200\,(5{,}5599173 - 1)/0{,}10]$

$=$ R54 719,01

$=$ R54 719

Answer: B ✓✓✓

(i) $S = P(1 + i)^n$

$= 100\,(1 + 0{,}04)^4$

$= 116{,}98585 - 100$

$= 16{,}99\%$

Answer: D ✓✓✓

SECTION B
QUESTION 1 (SOLUTION)

JB LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2014

	R
Profit before tax (30 700^ + 29 000^)	59 700
Income tax expense (10 500^ + 10 000^)	(20 500)
Profit for the year	39 200
Other comprehensive income	-
Total comprehensive income for the year	39 200
Profit attributable to:	
Owners of the parent	34 450
Non-controlling interest	4 750 ♑^
	39 200
Total comprehensive income attributable to:	
Owners of the parent	34 450
Non – controlling interest	4 750
	39 200

JB LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 28 FEBRUARY 2014

	Attributable to owners of the parent						
	Share capital	**Non-distri-butable reserve**	**Retained earnings**		**Total**	**Non-controlling interest**	**Total equity**
	R	**R**	**R**		**R**	**R**	**R**
Balance 28 Febr 2013	150 000 ^	21 200 ^	45 750	(a)	216 950	48 500 (b)	265 450
Total comprehensive income for the year			34 450	^	34 450	4 750 ^	39 200
Dividends paid			(9 000)		(9 000)	(2 000) ♐^	(11 000)
Balance 28 Febr 2014	150 000	21 200	71 200		242 400	51 250	293 650

(a) (31 500^ + 14 250♎ ^)
(b) (43 750♏^ + 4 750♍^)

QUESTION 1 (continued)

JB LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 28 FEBRUARY 2014

	R
ASSETS	
Non-current assets	160 250
Property, plant and equipment	131 500
- Land and buildings (31 500^ + 90 000^)	121 500
- Machinery and equipment	10 000^
Goodwill	28 750^
Current assets	331 000
Inventory (500^ + 112 000^)	112 500
Trade and other receivables	65 000^
Cash and cash equivalents	153 500^
Total assets	491 250
EQUITY AND LIABILITIES	
Total equity	293 650
Equity attributable to owners of the parent	242 400
Share capital	150 000^
Other components of equity	21 200^
Retained earnings	71 200^
Non-controlling interest	51 250^
Current liabilities	197 600
Trade and other payables (125 600^ + 23 750^)	149 350
Bank overdraft	48 250^
Total equity and liabilities	491 250

QUESTION 1 (continued)

Calculation

Analysis of ordinary shareholders' equity of XZ Limited

			JB Limited		
		Total	**At acquisition**	**Since acquisition**	**Non-controlling interest**
			(75%) *		**(25%)**
At acquisition		**R**	**R**	**R**	**R**
Ordinary share capital		160 000	120 000 ^		40 000 ^
Retained earnings		15 000	11 250 ^		3 750 ^
		175 000	131 250		43 750 ♏
Investment in XZ Limited			160 000 ^		
Goodwill			28 750 ^		
Since acquisition to beginning of current year					
Retained earnings (34 000^ - 15 000^)		19 000		14 250 ♎	4 750 ♍
Current year					
Profit before tax	29 000^				
Income tax expense	(10 000)^	19 000		14 250	4 750 ♑
Ordinary dividends		(8 000) ^		(6 000)	(2 000) ♐
		205 000		22 500	51 250

$* \ \frac{160\ 000}{2} = 80\ 000$ shares $\therefore \ \frac{60\ 000}{80\ 000}$ is a 75% interest.

Note: Please note that the analysis contains three different periods, namely at acquisition, since acquisition to beginning of current year and current year. This is because we have to do the balance sheet, the income statement and the statement of changes in equity. The current year figures help you to do the income statement.

QUESTION 2

LION LIMITED AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2009

	R	
ASSETS		
Non-current assets	913 000	
Property, plant and equipment (400 000^ + 500 000^)	900 000	
Goodwill	13 000	
Current assets	231 000	
Trade and other receivables (35 000^ + 56 000^)	91 000	
Inventory (60 000^ + 84 000^ + 12 000^ - 16 000^)	140 000	
Total assets	1 144 000	
EQUITY AND LIABILITIES		
Total equity	822 250	
Equity attributable to equity holders of the parent	718 250	
Share capital - Ordinary shares of R5 each	200 000	^
Other components of equity	220 000	^
Retained earnings (Calculation 2)	298 250	
Non-controlling interest	104 000	
Current liabilities	321 750	
Trade and other payables (201 000^ + 116 000^)	317 000	
Dividends payable (4 000^ + 750^)	4 750	
Total equity and liabilities	1 144 000	

Journal entries

	Dr	Cr
	R	R
Retained earnings (Lion Ltd)	16 000 ^	
Inventory (Puma Ltd)		16 000 ^
Elimination of unrealised intercompany profit in closing inventory of Puma Ltd		

QUESTION 2 (continued)

Calculations

1. Analysis of shareholders' equity of Puma Limited

	Total	Lion Limited At acquisition	Lion Limited Since acquisition	Non-controlling Interest
		75%*		25%
	R	R	R	R
At acquisition				
Share capital	150 000	112 500 ^		37 500 ^
Retained earnings	106 000	79 500 ^		26 500 ^
Revaluation reserve	100 000	75 000 ^		25 000 ^
	356 000	267 000		89 000
Investment in Puma Limited		280 000 ^		
Goodwill		13 000 ^		
Since acquisition to end of current year				
Retained earnings	63 000		47 250	15 750
- Given	174 000 ^			
- At acquisition	(106 000) ^			
	68 000			
- Interest	(5 000) ^			
Dividends [(150 000/5) x 10c]	(3 000)		(2 250)	(750)
	416 000		45 000	104 000

* $\frac{150\ 000}{5} = 30\ 000 \therefore \frac{22\ 500}{30\ 000}$ is a 75% interest

2. Retained earnings

	R
Lion Limited	253 250
Given	266 000^
Interest receivable	5 000^
Dividends receivable	2 250^
Dividends declared [(200 000/5) x 10c]	(4 000)
Unrealised profit in closing inventory $[(84\ 000 + 12\ 000) \times \frac{20}{120}]$	(16 000)

45 000
298 250

QUESTION 3 (SOLUTION)

KIMBERLY LIMITED AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2012

	Calcu-lation	R
ASSETS		
Non-current assets		920 000
Property, plant and equipment	2	908 000
Goodwill	1	12 000
Current assets		328 000
Inventories (100 000^ + 140 000^)		240 000
Trade and other receivables (10 000^ + 48 000^)		58 000
Cash and cash equivalents (80 000^ - 70 000^ + 20 000^)		30 000
Total assets		1 248 000
EQUITY AND LIABILITIES		
Total equity		830 000
Equity attributable to owners of the parent		749 000
Issued capital - ordinary shares of R2 each		400 000^
Other components of equity		100 000^
Retained earnings	3	249 000
Non-controlling interest	1	81 000
Total liabilities		418 000
Non-current liabilities		
Long-term borrowings (180 000^ + 164 000^)		344 000
Current liabilities		
Trade and other payables (52 000^ + 22 000^)		74 000
Total equity and liabilities		1 248 000

QUESTION 3 (SOLUTION) (continued)

Calculations

1. **Analysis of ordinary shareholders' equity of Canivaal Ltd**

	Total	Kimberly Limited - 75% At acquisition	Kimberly Limited - 75% Since acquisition	Non-controlling interest 25%
At acquisition	R	R	R	R
Share capital	100 000	75 000 ^		25 000
Retained earnings	64 000	48 000 ^		16 000
Revaluation of property (200 000 – 140 000)	60 000	45 000		15 000
	224 000	168 000		56 000
Investment in Canivaal Limited		180 000		
Goodwill		12 000		
Since acquisition to end of current year				
Retained earnings (164 000^ - 64 000^)	100 000		75 000	25 000
	324 000		75 000	81 000

2. **Property, plant and equipment**

	R	
Property		
Kimberly Limited	450 000	^
Canivaal Limited (140 000^ + 60 000 revaluation^)	200 000	
Plant		
Kimberly Limited	124 000	^
Canivaal Limited (152 000^ - 20 000 profit^ + 2 000 depreciation^)	134 000	
	908 000	

3. **Retained earnings**

Kimberly Limited	192 000	^
Profit on sale of machine	(20 000)	^
Depreciation adjustment (20 000 x $^{6}/_{12}$ x 20%)	2 000	^
Canivaal Limited	75 000	^
	249 000	

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

4. **Journal entries**

28 February 2012	**Dr**	**Cr**
	R	**R**
Retained earnings - Kimberly Ltd	20 000	
Plant - Canivaal Ltd		20 000
Elimination of intercompany profit on sale of plant		
Accumulated depreciation - Canivaal Ltd	2 000	
Depreciation - Kimberly Ltd		2 000
Reversal of depreciation charged on inter-company profit		

QUESTION 4

BELLY LIMITED AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Calcu-lation	R
ASSETS		
Non-current assets		720 000
Property, plant and equipment	3	714 000
Goodwill	1	6 000
Current assets		288 000
Inventories [120 000^ + 60 000^ - ($^{20}/_{120}$ x 60 000)]		170 000
Trade and other receivables (56 000^ + 22 000^)		78 000
Cash and cash equivalents		40 000^
Total assets		1 008 000
EQUITY AND LIABILITIES		
Total equity		873 000
Equity attributable to owners of the parent		819 600
Share capital (500 000 + 100 000)		600 000
Share premium		15 000^
Other components of equity		10 000^
Retained earnings	4	194 600^
Non-controlling interest (47 400 + 6 000)	1 + 2	53 400
Current liabilities		135 000
Trade and other payables (52 000^ + 30 000^)		82 000
Bank overdraft		24 000^
Dividends payable (25 000^ + 20 000^ - 16 000)		29 000
Total equity and liabilities		1 008 000

SOLUTION: QUESTION 4 (continued)

Calculations

1. Analysis of ordinary shareholders' equity of Banny Limited

	Total	Belly Limited - 80% At acquisition	Belly Limited - 80% Since acquisition	Non-controlling interest 20%
Ordinary shares	**R**	**R**	**R**	**R**
At acquisition				
Share capital (160 000 x 50c)	100 000	80 000 ^		20 000
Share premium	5 000	4 000 ^		1 000
Retained earnings	75 000	60 000 ^		15 000
Revaluation of property (180 000 - 160 000)	20 000	16 000		4 000
	200 000	160 000		40 000
Investment in Banny Ltd		166 000		
Goodwill		6 000		
Since acquisition to end of current year				
Retained earnings	37 000		29 600	7 400
Since acquisition (126 000^ - 75 000^)	51 000			
Profit on sale of equipment ($^{10}/_{110}$ x 220 000)	(20 000)			
Depreciation adjustment (10% x 20 000 x 3 years)	6 000			
	237 000		29 600	47 400

2. Analysis of preference shareholders' equity of Banny Limited

	Total	Belly Limited - 40% At acquisition	Belly Limited - 40% Since acquisition	Non-controlling interest 60%
	R	**R**	**R**	**R**
Preference shares				
Share capital	10 000	4 000 ^		6 000
Investment in Banny Limited		4 000 ^		
Goodwill		NIL		

QUESTION 4 (SOLUTION) (continued)

3. Property, plant and equipment

	R
Land and buildings (330 000^ + 160 000^ + 20 000^)	510 000
Equipment - at cost (220 000^ - 20 000^ + 110 000^)	310 000
- accumulated depreciation (90 000^ - 6 000^ + 22 000^)	(106 000)
	714 000

4. Retained earnings

Belly Limited -	per trial balance	175 000 ^
	unrealised profit in closing inventories ($^{20}/_{120}$ x 60 000)	(10 000)
Banny Limited	- per analysis	29 600 ^
		194 600

5. Journal entries

31 December 2014

	Dr	Cr
	R	R
Cost of sales - Belly Ltd	10 000	
Inventory - Banny Ltd		10 000
Elimination of unrealised profits in closing inventory of Banny Ltd.		
	R	R
Retained earnings - Belly Ltd	14 000	
Cost of sales - Belly Ltd		14 000
Elimination of unrealised profits in opening inventory of Banny Ltd		

QUESTION 5 (SOLUTION)

FORBES LIMITED AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	R
Revenue (Calculation 1)	510 000
Cost of sales (Calculation 2)	(260 250)
Gross profit	249 750
Other expenses	(500)
Profit before tax	249 250
Income tax expense (70 000^ + 40 000^)	(110 000)
PROFIT FOR THE YEAR	139 250
OTHER COMPREHENSIVE INCOME	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	139 250
Profit attributable to:	
Owners (139 250 - 12 125)	127 125
Non-controlling interest	12 125
	139 250
Total comprehensive income attributable to: Owners	127 125
Non-controlling interest	12 125
	139 250

FORBES LIMITED AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to owners of the parent			Non-controlling interest	Total equity
	Share capital	Retained earnings	Total		
	R	R	R	R	R
Balance - beginning of year	500 000 ^	#133 250	633 250	*62 500	695 750
Total comprehensive income for the year		127 125^	127 125	12 125^	139 250
Balance - end of year	500 000	260 375	760 375	74 625	835 000

\# Calculation 4

* Calculation 3 (51 250 ^ + 11 250 ^)

QUESTION 5(SOLUTION) (continued)

Calculations

1. **Revenue**

	R	
Forbes Limited	400 000	^
Baines Limited	130 000	^
Intercompany sales	(20 000)	^
	510 000	

2. **Cost of sales**

	R
Forbes Limited	240 000 ^
Baines Limited	40 000 ^
Intercompany sales	(20 000) ^
Unrealised profit in opening inventory (25/100 x 2 000)	(500)
Unrealised profit in closing inventory	750
- (25/100 x 5 000)	1 250 ^
- Decreasing value of inventory to net realisable value (5 000 - 4 500)	(500)
	260 250

3. **Analysis of ordinary shareholders' equity of Baines Limited**

	Total	Forbes Limited		Non-controlling interest
		At acquisition	Since acquisition	
		75%		25%
	R	R	R	R
At acquisition				
Share capital	200 000	150 000		50 000
Retained earnings	5 000	3 750		1 250
	205 000	153 750		51 250
Investment in Baines Limited		160 000		
Goodwill		6 250		
Since acquisition to beginning of current year				
Retained earnings	45 000		33 750	11 250
Beginning of year	50 000			
At acquisition	(5 000)			
Current year				
Profit for the year	48 500		36 375	12 125
	298 500		70 125	74 625

QUESTION 5 (SOLUTION) (continued)

4. **Retained earnings beginning of year**

	R
Forbes Limited	99 500
- Beginning of year	100 000 ^
- Unrealised profit in opening inventory (25/100 x 2 000)	(500) ^
Baines Limited	33 750
Retained earnings beginning of year	133 250

<u>QUESTION 6 (SOLUTION)</u>

ANE LIMITED AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	R
Profit before tax (Calculation 1)	660 000
Income tax expense (108 000^ + 120 000^)	(228 000)
PROFIT FOR THE YEAR	432 000
OTHER COMPREHENSIVE INCOME	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	432 000
Profit attributable to:	
Owners of the parent (432 000 - 60 000)	372 000
Non-controlling interest	60 000
	432 000
Total comprehensive income attributable to	372 000
Owners of the parent	60 000
Non-controlling interest	432 000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	Attributable to owners of the parent			Non-controlling interest	Total equity
	Share capital	Retained earnings	Total		
	R	R	R	R	R
Balance - beginning of year	300 000 ^	#261 000	561 000	84 000	645 000
Total comprehensive income for the year		372 000 ^	372 000	60 000 ^	432 000
Ordinary dividend		(108 000)^	(108 000)	(24 000) ^	(132 000)
Balance - end of year	300 000	525 000	825 000	120 000	945 000

225 000 + 36 000

QUESTION 6(SOLUTION) (continued)

Calculations

1. **Profit before tax**

	R	
A Limited	270 000	^
Abe Limited	420 000	^
Unrealised profit in closing inventory (50/150 x 90 000)	(30 000)	^
	660 000	

2. **Analysis of ordinary shareholders' equity of Abe Limited**

	Total	A Limited At acquisition	A Limited Since acquisition	Non-controlling interest
		80%		20%
	R	R	R	R
At acquisition				
Share capital	240 000	192 000		48 000
Retained earnings	135 000	108 000		27 000
	375 000	300 000		75 000
Investment in Abe Limited		330 000		
Goodwill		30 000		
Since acquisition to beginning of current year				
Retained earnings	45 000		36 000	9 000
Beginning of year	180 000			
At acquisition	(135 000)			
Current year				
Profit for the year	300 000		240 000	60 000
Dividend paid	(120 000)		(96 000)	(24 000)
	600 000		180 000	120 000

QUESTION 7 (SOLUTION)

ABE LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

ASSETS	**R**
Non-current assets	1 228 940
Property, plant and equipment (773 500^ + 650 000^ - 80 000^ - 150 000^)	1 193 500
Goodwill	35 440
Current assets	857 319
Trade and other receivables (311 244^ + 135 575^)	446 819
Cash and cash equivalents (40 000^ - 7 500 dividends^ - 2 000 dividends^)	30 500
Inventory (220 000^ + 160 000^)	380 000
Total assets	2 086 259
EQUITY AND LIABILITIES	
Total equity	1 612 159
Equity attributable to owners of the parent	1 337 029
Share capital (250 000 + 80 000)	330 000^
Retained earnings	1 007 029^
Non-controlling interest (264 130 + 11 000)	275 130
Total liabilities	474 100
Non-current liabilities	220 000
7,5% Debentures (100 000^ + 60 000^ - 40 000^)	120 000
Long-term loan	100 000^
Current liabilities	254 100
Trade and other payables (107 750^ + 75 000^ + 11 250 interest^)	194 000
Dividends payable (15 000^ + 16 000^ - 6 250^ - 8 000^ + 3 000^ + 1 100^)	20 850
Bank overdraft (25 000^ + 6 250^ + 8 000^)	39 250
Total equity and liabilities	2 086 259

QUESTION 7 (SOLUTION)(continued)

ABE LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Notes	R
Revenue (1 106 000^ + 423 000^)		1 529 000
Cost of sales (740 000^ + 253 800^)		(993 800)
Gross profit		535 200
Other income		3 000
Administrative expenses (30 000^ + 10 000^ + 65 000^ + 24 000^ + 160 000^ + 50 000^)		(339 000)
Finance costs (7 500^ - 1 500^ + 3 000^ + 2 250^ + 7 500^)		(18 750)
Profit before tax	1	180 450
Income tax expense (60 000^ + 23 985^)		(83 985)
PROFIT FOR THE YEAR		96 465
OTHER COMPREHENSIVE INCOME		-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		96 465
Profit attributable to:		
Owners of the parent (96 465 - 22 686)		73 779
Non-controlling interest (22 386 - 800 + 1 100)		22 686
		96 465
Total comprehensive income attributable to:		73 779
Owners of the aren't		22 686
Non-controlling interest		96 465

ABE LIMITED AND ITS SUBSIDIARY
NOTES FOR THE YEAR ENDED 30 SEPTEMBER 2014

1. Profit before tax

Included in profit before tax are the following items:

Income	
Interest received from financial institutions	3 000
Expenses	
Depreciation (30 000 + 10 000)	40 000
Staff cost (160 000 + 50 000)	210 000
Interest paid - debentures (7 500 + 2 250 - 1 500)	8 250
- bank	3 000
- Safe Bank	7 500

QUESTION 7 (SOLUTION)(continued)

ABE LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Attributable to owners of the parent					
	Ordinary share capital	10% Preference shares	Retained earnings	Total	Non-controlling interest	Total equity
	R	R	R	R	R	R
Balance at 30 Sept 2013	250 000^	80 000^	950 000 ^	1 280 000	-	1 280 000
Equity on date of acquisition					256 544 ♑	256 544
Total comprehensive income for the year			73 779 ^	73 779	22 686 ^	96 465
Ordinary dividends declared			(8 750) ♑	(8 750)	(3 000) ♑	(11 750)
Preference dividends declared			(8 000) ♑	(8 000)	(1 100) ♑	(9 100)
Balance at 30 Sept 2014	250 000	80 000	1 007 029	1 337 029	275 130	1 612 159

Calculations

1. Analysis of ordinary shareholders' equity of Ane Limited

	Total	Abe Limited - 60%		Non-controlling interest 40%
		At acquisition	Since acquisition	
At acquisition	R	R	R	R
Share capital	150 000	90 000 ^		60 000
Retained earnings 1/10/2013	380 000	228 000 ^		152 000
Profit for the year 1/10/2013 - 31/3/2014 (76 143♑ + 7 717♑)	83 860 ♍	50 316 ^		33 544
	613 860	368 316		245 544
Investment in A Limited		397 756 ^		
Goodwill		29 440		
Current year				
Profit for the year	55 965 ♎		33 579	22 386
Dividends				
- Preference dividends	(2 000) ^		(1 200)	(800)
- Ordinary dividends	(7 500) ^		(4 500)	(3 000)
	660 325		27 879	264 130

QUESTION 7 (SOLUTION)(continued)

2. Analysis of preference shareholders’ equity of Ane Limited

	Total	Abe Limited - 45% At acquisition	Abe Limited - 45% Since acquisition	Non-controlling interest 55%
At acquisition	R	R	R	R
Share capital	20 000	9 000 ^		11 000
Investment in A Limited		15 000 ^		
Goodwill		6 000		
Current year				
Profit attributable to preference shares	2 000		900	1 100
Dividends declared	(2 000)		(900)	(1 100)
	20 000		-	11 000

3. Allocation of comprehensive income items.

	Total		1/10/2013 - 31/12/2013 (3 months)		1/1/2014 - 31/3/2014 (3 months)		1/4/2014 - 30/9/2014 (6 months)	
	R		R		R		R	
Sales	940 000	♎	376 000	(40%)	141 000	(15%)	423 000	(45%)
Cost of sales 60%	(564 000)		(225 600)		(84 600)		(253 800)	
Gross profit 40%	376 000		150 400		56 400		169 200	
Administrative expenses	(48 000)		(12 000)	^	(12 000)	^	(24 000)	^
Depreciation	(20 000)		(5 000)	^	(5 000)	^	(10 000)	^
Staff costs	(100 000)		(25 000)	^	(25 000)	^	(50 000)	^
Profit from operations	208 000		108 400		14 400		85 200	
Interest paid debentures	(4 500)		(1 125)	^	(1 125)	^	(2 250)	^
Interest paid Safe Bank (100 000 x 15% x 9/12)	(11 250)		-		(3 750)		(7 500)	
Interest received								
- Financial institutions	6 000		1 500	^	1 500	^	3 000	^
- Debentures	1 500						1 500	^
Profit before tax	199 750		108 775		11 025		79 950	
Income tax expense	(59 925)		(32 632)		(3 308)		(23 985)	
PROFIT FOR THE YEAR	139 825		76 143	♍	7 717	♍	55 965	♎
OTHER COMPREHENSIVE INCOME	-		-		-		-	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	139 825		76 143		7 717		55 965	

QUESTION 8 (continued)

ABC LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

ASSETS	**R**
Non-current assets	2 812 200
Property, plant and equipment [(750 000^ + 400 000^) + (680 000^ + 370 000^)] + [(500 000^ + 240 000^ - 25 000^) - (160 000^ + 50 000^ - 7 000^)]	2 712 000
Goodwill (81 200 + 19 000)^	100 200
Current assets	775 000
Inventory [(170 000^ + 150 000^) - (150 000 x $^{20}/_{120}$)]	295 000
Trade and other receivables (220 000^ + 260 000^)	480 000
Total assets	3 587 200
EQUITY AND LIABILITIES	
Total equity	3 114 950
Equity attributable to owners of the parent	2 871 100
Share capital	^900 000
Other components of equity	40 000
Retained earnings [(1 816 750^ - 25 000^) + (141 600^ - 2 250^)]	1 931 100
Non-controlling interest (187 600 + 56 250)	243 850
Total liabilities	472 250
Non-current liabilities	
9% Debentures (100 000^ - 50 000^)	50 000
Current liabilities	422 250
Trade and other payables [(220 000^ + 140 000^) + (25 000^ - 20 000^)]	365 000
Bank overdraft [60 000^ - (30 000^ + 10 000^)]	20 000
Dividends payable [28 500^ + (10 000 x 20%)^ + (9 000 x 75%)]	37 250
Total equity and liabilities	3 587 200

QUESTION 8 (continued)

Calculations

1. Analysis of ordinary shareholders' equity of XYZ Limited

Ordinary shares

Ordinary shares	**Total**	**ABC Limited 80% At acquisition**	**ABC Limited 80% Since acquisition**	**Non-controlling interest 20%**
At acquisition	**R**	**R**	**R**	**R**
Share capital	500 000	^400 000		100 000
Revaluation reserve (350 000 - 250 000)	100 000	^80 000		20 000
Retained earnings	111 000	88 800		22 200
Given	^120 000			
Preference dividend	^(9 000)			
	711 000	568 800		142 200
Investment in XYZ Ltd		^650 000		
Goodwill		^81 200		
Since acquisition to end of current year				
Retained earnings	177 000		141 600	35 400
Given (306 000^ - 111 000^)	195 000			
Intercompany profit	(25 000)			
Depreciation	7 000			
Revaluation reserve (400 000 - 350 000)/ (150 000 – 100 000)	50 000		40 000	10 000
	938 000		40 000 OCE 141 600 RE	187 600

QUESTION 8 (continued)

Cumulative preference shares

Preference shares	Total	ABC Limited 25% At Acquisition	ABC Limited 25% Since acquisition	Non-controlling interest 75%
	R	R	R	R
At acquisition				
Share capital	75 000	^18 750		56 250
Arrear preference dividend	9 000	^2 250		6 750
	84 000	21 000		63 000
Investment in XYZ Ltd		^40 000		
Goodwill		^19 000		
Since acquisition to end of current year				
Arrear dividend paid	(9 000)		(2 250)	(6 750)
Profit attributable to preference shares	27 000		6 750	20 250
Preference dividend paid	(27 000)		(6 750)	(20 250)
	75 000		(2 250)	56 250

2. Depreciation

	R
Profit on sale of machine	25 000
Depreciation - 1/1/2013 - 30/6/2013 (25 000 x 20% x $^{6}/_{12}$)	(2 500)
Carrying amount - 30/6/2013	22 500
Depreciation - 1/7/2013 - 30/6/2014 (22 500 x 20%)	(4 500)
	18 000

Depreciation up to 30 June 2014 for which an adjustment has to be made

(2 500 + 4 500) 7 000

SOLUTION: QUESTION 9

W MASS LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	R	
ASSETS		
Non-current assets	616 000	
Property, plant and equipment		
Land and buildings at valuation (210 000^ + 150 000^ + 10 000✓^)	370 000	
Plant at carrying amount (110 000^ + 148 000^ - 20 000^ + 4 000^)	242 000	
Goodwill	4 000	^
Current assets	201 000	
Inventories (95 000^ + 83 000^ - 19 000^)	159 000	
Trade and other receivables (30 000^ + 12 000^)	42 000	
Total assets	817 000	
EQUITY AND LIABILITIES		
Total equity	579 000	
Equity attributable to owners of the parent	551 500	
Share capital	430 000	^
Retained earnings	121 500	^
Non-controlling interest	27 500	^
Total liabilities	238 000	
Non-current liabilities		
Long-term loan (45 000^ + 23 000^)	68 000	
Current liabilities		
Trade and other payables (100 000^ + 70 000^)	170 000	
Total equity and liabilities	817 000	

SOLUTION: QUESTION 9 (continued)

W MASS LIMITED AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	R
Revenue (400 000^ + 255 000^ - 200 000^)	455 000
Cost of sales (248 000^ + 153 000^ - 200 000^ - 12 000^ + 19 000^)	(208 000)
Gross profit	247 000
Other income (8 000^ - 4 500^)	3 500
Administrative expenses (40 000^ + 24 000^ + 20 000^ + 8 000^ - 2 000^)	(90 000)
Finance cost (20 000^ + 10 000^)	(30 000)
Profit before tax	130 500
Income tax expense (40 000^ + 30 000^)	(70 000)
PROFIT FOR THE YEAR	60 500
OTHER COMPREHENSIVE INCOME	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	60 500
Profit attributable to:	
Owners of the parent (60 500 - 2 500)	58 000 ^
Non-controlling interest (Calculation 1)	2 500 ^
	60 500
Total comprehensive income attributable to:	58 000
Owners of the parent	2 500
Non-controlling interest	60 500

QUESTION 9 (continued)

W MASS LIMITED AND ITS SUBSIDIARY

NOTES FOR THE YEAR ENDED 30 JUNE 2014

1. Profit before tax	**R**
Included in profit before tax are the following items:	
Income	
Dividends received	3 500
Expenses	
Depreciation (20 000 + 8 000 - 2 000)	26 000

W MASS LIMITED AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Attributable to owners of the parent			**Non-controlling interest**		**Total equity**
	Ordinary share capital	**Retained earnings**	**Total**			
	R	**R**	**R**	**R**		**R**
Balance at 30 June 2013	430 000^	71 500* ^	501 500	25 500		527 000
Total comprehensive income for the year		58 000	58 000	2 500	^	60 500
Dividend paid		(8 000)	(8 000)	(500)		(8 500)
Balance at 30 June 2014	430 000	121 500	551 500	27 500		579 000

* 58 000^ + 13 500^

QUESTION 9 (continued)

Calculation

1. Analysis of ordinary shareholders' equity of B&B Limited

	Total	W Mass Limited		Non-controlling interest
		At acquisition	Since acquisition	
		90%		10%
	R	R	R	R
At acquisition				
Share capital	200 000	180 000 ^		20 000
Revaluation reserve	10 000[2]	9 000[1] ^		1 000
Retained earnings	30 000	27 000 ^		3 000
	240 000	216 000		24 000
Investment in B&B Limited		220 000 ^		
Goodwill		4 000		
Since acquisition to beginning of current year (1/1/2010 - 30/6/2013)				
Retained earnings	15 000		13 500	1 500
Retained earnings beginning of year	75 000 ^			
Retained earnings at acquisition	(30 000) ^			
Unrealised profit in machinery	(20 000) ^			
Depreciation 2013	2 000[3] ^			
Unrealised profit in opening inventories	(12 000[4]) ^			
Current year				
Profit for the year	25 000		22 500	2 500
Profit	30 000 ^			
Unrealised profit in opening inventories	12 000[4] ^			
Unrealised profit in closing inventories	(19 000[5]) ^			
Depreciation 2014	2 000[3] ^			
Dividends	(5 000) ^		(4 500)	(500)
	275 000		31 500	27 500

References 1 - 5 appear on next page.

QUESTION 9 (continued)

1 Goodwill = 4 000 (given)
Cost of investment = 220 000 (given)
90% of at acquisition = 220 000 - 4 000
= 216 000

216 000 - 180 000 (share capital) - 27 000 (retained earnings)
= 9 000 (90%)

2 $\frac{9\ 000}{90\%}$ = 10 000 revaluation reserve

3 20 000 x 10%
4 60 000 x $^{25}/_{125}$
5 95 000 x $^{25}/_{125}$

2. Journal entries

30 June 2014	**Dr R**	**Cr R**
Retained earnings - B&B Ltd	12 000 ✓	
Cost of sales - B&B Ltd		12 000 ✓
Elimination of unrealised intercompany profit included in opening inventory of W Mass Ltd (60 000 x $^{25}/_{125}$)		
Retained earnings - B&B Ltd	20 000 ✓	
Machinery - W Mass Ltd		20 000 ✓
Elimination of intercompany profit of B&B Limited's sale of machine to W Mass Ltd.		
Cost of sales - B&B Ltd	19 000 ✓	
Inventory - W Mass Ltd		19 000 ✓
Elimination of unrealised intercompany profit included in closing inventory of W Mass Ltd (95 000 x $^{25}/_{125}$)		
Accumulated depreciation - W Mass Ltd	4 000 ✓	
Depreciation - B&B Ltd		2 000 ✓
Retained earnings - B&B Ltd		2 000 ✓
Reversal of depreciation charged on inter-company profit		

QUESTION 10

D-DAY LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 28 FEBRUARY 2009

	R	R
Cash flow from operating activities		
Cash receipts from customers (calculation 1)	1 157 500	
Cash payments to suppliers and employees (calculation 2)	(887 000)	
Cash generated from operations	270 500	
Interest paid	(23 000)	
Dividends paid (calculation 3)	(20 000)	
Normal tax paid (calculation 4)	(83 000)	
Net cash inflow from operating activities		144 500
Cash flow from investing activities		
Investment to maintain production capacity	(500 000)	
Replacement of property, plant and equitment (calculation 5)	(500 000)	
Investment to expand production capacity	(375 000)	
Additions to property, plant and equipment (calculation 5)	(375 000)	
Proceeds from sale of property, plant and equipment (180 000 + 30 000)	210 000	
Purchase of investments (198 000 - 15 000)	(183 000)	
Net cash outflow from investing activities		(848 000)
Cash flow from financing activities		
Proceeds on issue of shares (500 000 + 50 000)	550 000	
Redemption of debentures	(70 000)	
Repayment of long-term loan (50 000 - 40 000)	(10 000)	
Net cash inflow from financing activities		470 000
Net decrease in cash and cash equivalents		(233 500)
Cash and cash equivalents beginning of year		55 000
Cash and cash equivalents end of year		(178 500)

D-DAY LIMITED

Calculations

1. Cash received from customers

Trade and other receivables

		R			R
Balance	b/d	^250 000	Bank*		1 157 500
Sales		^1 100 000	Balance	c/d	^192 500
		1 350 000			1 350 000

*Balancing figure

SOLUTION: QUESTION 10 (continued)

2. Cash payments to suppliers and employees

Trade and other payables, inventory and expenses

		R			R
Balance - inventory	b/d	^69 000	Balance - creditors	b/d	^41 000
Balance – prepaid expenses	b/d	^4 000	Cost of sales		^400 000
Bank*		887 000	Distribution expenses		^150 000
Balance - creditors	c/d	^25 000	Directors' remuneration		^ 50 000
			Administrative expenses		^100 000
			Auditor's remuneration		^60 000
			Balance - inventore	c/d	^182 000
			Balance – prepaid expenses	c/d	^2 000
		985 000			985 000

*Balancing figure

3. Dividends paid

	R
Unpaid amounts at beginning of year	^20 000
Amounts debited against profit	^ 50 000
Unpaid amounts at end of year	^(50 000)
	20 000

4. Tax paid

Unpaid amounts at beginning of year	^34 000
Amounts debited against profit	^63 000
Unpaid amounts at end of year	^(14 000)
	83 000

5. Property, plant and equipment at carrying amount

		R			R
Balance	b/d	700 000	Sales at carrying amount		180 000
Revaluation		200 000	Depreciation		195 000
Replacement		500 000	Balance	c/d	1 400 000
Additions*		375 000			
		1 775 000			1 775 000

*R75 000 + 800 000 - 500 000

SOLUTION: QUESTION 2

ANSWERS

13. B
14. A
15. D
16. A
17. B
18. C
19. A
20. B
21. A
22. C
23. B
24. C

SOLUTION: QUESTION 2 (continued)

TELISHA LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2006 R

		R
Cash flow from operating activities		
Cash receipts from customers (calculation 1)	1 700 000	
Cash payments to suppliers and employees (calculation	(842 000)	
2) Cash generated by operations	858 000	
Dividends received (75 000 – 15	60 000	
000) Interest paid (20 000 – 5 000)	(15 000)	
Dividends paid (calculation 3)	(175 000)	
Normal tax paid (calculation 4)	(161 000)	
Net cash inflow from operating activities		567 000
Cash flow from investing activities		
Investment to maintain production capacity	(1 000 000)	
Replacement of equipment (given)	(1 000 000)	
Investment to expand production capacity	(1 125 000)	
Additions to equipment (calculation 5)	(1 125 000)	
Proceeds on sale of non-current asset (200 000 + 15	215 000	
000) Purchase of investments (700 000 – 550 000)	(150 000)	
Net cash outflow from investing activities		(2 060 000)
Cash flow from financing activities		
Proceeds on issue of shares (700 000 + 280	980 000	
000) Net cash inflow from financing activities		980 000
Net decrease in cash and cash equivalents		(513 000)
Cash and cash equivalents beginning of		85 000
year Cash and cash equivalents end of year		(428 000)

Calculations

2. Cash received from customers

Trade and other receivables

		R			R
Balance	b/d	250 000	Bank*		1 700 000
Sales		1 750 000	Balance	c/d	300 000
		2 000 000			2 000 000

*Balancing figure

SOLUTION: QUESTION 2 (continued)

3. Cash payments to suppliers and employees

Trade and other payables, inventory and expenses

		R			R
Balance – inventory	b/d	63 000	Balance – creditors	b/d	35 000
Balance – prepaid expenses	b/d	10 000	Cost of sales		700 000
Bank*		842 000	Distribution expenses		100 000
Balance – creditors	c/d	200 000	Administrative expenses		175 000
			Other expenses (450 000 - 403 000)		47 000
			Balance - inventory	c/d	50 000
			Balance – prepaid expenses	c/d	8 000
		1 115 000			1 115 000

*Balancing figure

3. Dividends paid

	R
Unpaid amounts at beginning of year	50 000
Amounts debited against profit	250 000
Unpaid amounts at end of year	(125 000)
	175 000

4. Tax paid

Unpaid amounts at beginning of year	60 000
Amounts debited against profit	166 000
Unpaid amounts at end of year	(65 000)
	161 000

5. Property, plant and equipment at carrying amount

	R		R
Balance	1 800 000	Sales at carrying amount	200 000
b/d	50 000	Depreciation	403 000
Revaluation	1 000 000	Balance	c/d 3 372 000
Replacement	1 125 000		
Additions*			
	3 975 000		3 975 000

*Balancing figure

7. Change in working capital

	R
Decrease in inventory	13 000
Increase in trade receivables	(50 000)
Decrease in prepaid	2 000
expenses Increase in trade	165 000
payables Cash inflow	130 000

QUESTION 11

1. Calculations

1.1 Earnings

	2006 R
Profit for the period	125 000
Preference dividends (10% x R80 000 for 1 year)	(8 000)
	117 000

1.2 Weighted number of shares	**Total**	**2006**
Balance on 1 January 2005	^40 000	^40 000
Issued on 30 June 2005	^20 000	^20 000
	60 000	60 000
Rights issue on 31 March 2006 (60 000/3 x 2) (40 000 x 9/12)	^40 000	^30 000
	100 000	90 000
Capitalisation issue on 31 July 2006 (100 000/4) (90 000/4)	^25 000	^22 500
	125 000	112 500

1.3 Dividends

Given	R20 000
Issued shares at date of dividend declaration	125 000

1.4 Basic earnings and dividends per share

Basic earnings per share (R117 000 / 112 500 shares)	104c
Dividends per share (R20 000 / 125 000 shares)	16c

2. Disclosure

2.1 On the face of the statement of comprehensive income:

	2006
Basic earnings per share	^104c

On the face of the statement of changes in equity:

Dividends per share	^16c

QUESTION 11 (continued)

2.2 Part of the notes:

Basic earnings per share

The calculation of basic earnings per share is based on earnings of R117 000 (2005: Rxxx)^ and a weighted average of 112 500^ ordinary shares after a capitalisation issue on 31 July 2006 (2005: xxxx shares).

Reconciliation of amounts used to calculate basic earnings per share with amounts in the statement of comprehensive income

	2006 **R**
Earnings - basic earnings per share	^117 000
Cumulative preference dividends	^8 000
Profit per statement of comprehensive income	125 000

SOLUTION: QUESTION 12

Calculations

1. Earnings

	2008	2007
	R	R
Profit for the year	^320 000	^100 000
Cumulative preference dividends	(24 000)	(24 000)
Non-cumulative preference dividends	(20 000)	-
	276 000	76 000

2. Weighted number of shares

	Total	2008	2007
Balance on 1 July 2007	800 000		
Rights issue on 30 Sep 2007 (800 000/4)	200 000		
	1 000 000		
(800 000 x 1,08 x 3/12)		216 000	
(800 000 x 1,08)			864 000
(1 000 000 x 9/12)		750 000	
Sub total	1 000 000	966 000	864 000

Theoretical ex-rights value per share
Fair value of all outstanding shares + Total amount received from exercise of rights / number of shares outstanding prior to the exercise + number of shares issued in the exercise

$$\frac{(R0{,}80 \times 800\,000 \text{ shares})+(R0{,}50 \times 200\,000)}{800\,000 + 200\,000}$$

= ,74

Adjustment factor:

$$\frac{\text{Fair value per share prior to the exercise of rights}}{\text{Theoretical ex-rights value per share}}$$

= ,80 / ,74
= 1,08

	Total	2008	2007
Capitalisation issue on 30 April 2008 (1 000 000 / 5)	200 000		
(966 000 / 5)		193 200	
(864 000 / 5)			172 800
	1 200 000	1 159 200	1 036 800

SOLUTION: QUESTION 12 (continued)

3. Dividends

	2008	2007
Given	R60 000	-
Issued shares at date of dividend declaration	1 200 000	

4. Basic earnings and dividends per share

Basic earnings per share		
(R276 000 / 1 159 200)	23,8c	
(R76 000 / 1 036 800)		7,33c
Dividends per share		
(R60 000 / 1 200 000)	5c	Nil

Disclosure

1. **On the face of the statement of comprehensive income:**

	2008	2007
Basic earnings per share	23,8c	7,33c

On the face of statement of changes in equity:

Dividends per share	5c	Nil

2. Part of the notes:

Basic earnings per share

The calculation of earnings per share is based on earnings of R276 000^ (2007: R76 000^) and a weighted average of 1 159 200^ ordinary shares after an adjustment for the rights issue and a capitalisation issue on 30 April 2008 (2007: 1 036 800^).

Reconciliation of amounts used to calculate basic earnings per share with amounts the statement of comprehensive income

Earnings – basic earnings per share
Cumulative preference dividend
Non-cumulative preference dividend

Profit per statement of comprehensive income

2008	2007
R	R
^276 000	^76 000
^24 000	^24 000
^20 000	^-
320 000	100 000

SOLUTION: QUESTION

13 Disclosure

LEWIS LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 R	2003 R
Total comprehenisive income for the year	600 000	209 000
Basic earnings per ordinary share^	71,0 c	23,6 c
Headline earnings per share^	79,82c	14,99 c

LEWIS LIMITED

NOTES FOR THE YEAR ENDED 31 DECEMBER 2014

Earnings per share

The calculation of basic earnings per share is based on earnings of R568 000 (2003 R189 000^) and a weighted average of 800 000 (2003 800 000^) ordinary shares in issue during the year after a capitalisation issue on 1 March 2014.

Reconciliation of amounts used to calculate basic earnings per share with amounts in statement of comprehensive income

	2014 R	2003 R
Basic earnings	^568 000	^189 000
10% Cumulative preference dividends	^20 000	^20 000
8% Preference dividends	^12 000	^-
Profit for the year per statement of comprehenisive income	600 000	209 000

The calculation of headline earnings per share is based on earnings of R638 560 (2003 R119 880^) and a weighted average of 800 000 (2003 638 560^) ordinary shares in issue during the year after a capitalisation issue on 1 March 2014.

SOLUTION: QUESTION 13 (continued)

Reconciliation between earnings and headline earnings

2014	Profit before tax	Tax	Profit for the year
	R	R	R
Profit	^1 008 000[1]	^(408 000)	600 000
Preference dividend	^(32 000)[2]	^-	(32 000)
Earnings	976 000	(408 000)	568 000
Adjustments			
Loss on sale of equipment	98 000	(27 440)[3]	70 560
Headline earnings	1 074 000	(435 440)	638 560

2003	Profit before tax	Tax	Profit for the period
	R	R	R
Profit	^358 000	^(149 000)	209 000
Preference dividend	^(20 000)[4]	^ -	(20 000)
Earnings	338 000	(149 000)	189 000
Adjustments			
Profit on sale of plant	(^96 000)	^26 880[5]	(69 120)
Headline earnings	242 000	(122 120)	119 880

1 600 000 + 408 000 = 1 008 000
2 12 000 + (200 000 x 10%) = 32 000
3 98 000 x 28% = 27 440
4 200 000 x 10% = 20 000
5 96 000 x 28% = 26 880

Calculations

1. Earnings	2014	2003
	R	R
Profit per statement of comprehensive income	^600 000	^209 000
10% Cumulative preference dividends	^(20 000)	^(20 000)
8% Preference dividends	(12 000)	-
Basic earnings	568 000	189 000
Loss on sale of equipment after tax	^ 70 560	^-
Profit on sale of plant after tax	^-	^(69 120)
Headline earnings	638 560	119 880

SOLUTION: QUESTION 13 (continued)

2. Weighted average number of shares

	2014 Total	**2014 Weighted**	**2003 Weighted**
Beginning of the year	600 000	^600 000	^600 000
Capitalisation issue (1)	200 000	^200 000	^200 000
	800 000	800 000	800 000

(1) 600 000/3 = 200 000

	2014	2003
3. Basic earnings per share	71,0c[1]	23,6c[2]
Headline earnings per share	79,82c	14,99c [4]

1 568 000/800 000
2 189 000/800 000
3 638 560/800 000
4 119 880/800 000

SOLUTION: QUESTION 14

ZEBAR LIMITED

NOTES FOR THE YEAR ENDED 28 FEBRUARY 2005

3. Profit before tax is stated after taking the following items into account:^

	R
Income	
Income from:	
- Sale of motor vehicles	^1 780 000
Other income:	
- Dividends received from an unlisted investment	^13 500
Expenses	
Depreciation (11 200 + 15 000)	26 200
Operating lease payments: Buildings (1)	42 000
Loss on litigation settlement	^85 000

4. Income tax expense^

	R
Current tax expense (3)	36 279

5. Commission prepayment^

	R
Commission prepaid in terms of an operating lease agreement (2)	5 600
Less: Current portion to be expensed in income statement over next 12 months (7 200 / 3)	(2 400)
	3 200

SOLUTION: QUESTION 14 (continued)

6. Operating lease agreement^

The company entered into an operating lease agreement for the premises they are presently occupying. The lease agreement was entered into on 1 July 2014 for a 3 year period.✓

The payment terms are:

Initial payment	R9 000 initially^
36 monthly instalments	R5 000 per month^

The future minimum lease payments are:

	Up to 1 year R	1 to 5 years R
	✓60 000♍	✓80 000♎

♍ 5 000 x 12 = 60 000
♎ 5 000 x 16 = 80 000

Calculations

1. Operating lease - building

	R
Initial payment	^9 000
Instalments (5 000 x 36)	✓180 000
	189 000
Equalisation of lease payments (189 000/36)	✓5 250
Lease payments for the year (5 250 x 8)	✓42 000

2. Commission prepayment

	R
Commission paid	^7 200
Expensed through income statement (7 200 x $^{8}/_{36}$)	✓(1 600)
Prepaid portion	5 600

3. Income tax expense

	R
Taxable income (given)	^125 100
Current tax expense @ 29%	36 279

a) The nominal rate is calculated on a financial calculator

PV = 180 000✓
FV = 0
n = 6 (2 x 3)✓
PMT = -43 500✓

Comp i = 11,77338% per half year
= 23,54676% nominal interest rate per year✓

b) Amortisation table

	Instalment R	Interest R	Capital R	Balance R
Cash price	-	-	-	✓180 000
Instalment 1	^43 500	^21 192	^22 308	157 692
Instalment 2	^43 500	^18 566	^24 934	132 758
Instalment 3	^43 500	^15 630	^27 870	104 888
Instalment 4	^43 500	^12 349	^31 151	73 737
Instalment 5	^43 500	^8 681	^34 819	38 918
Instalment 6	^43 500	^4 582	^38 918	-
	261 000	81 000	180 000	✓Nil

QUESTION 15 (continued)

c) Journal entries

Date	Account	Dr R	Cr R
2012			
Jun 30	Property, plant and equipment^	^180 000	
	Lease liability^		^180 000
	Finance charges^	39 758	
	Lease liability^	47 242	
	Bank^		87 000
	Depreciation^	^36 000	
	Accumulated depreciation^		^36 000
2013			
Jun 30	Finance charges^	27 979	
	Lease liability^	59 021	
	Bank^		87 000
	Depreciation	36 000	
	Accumulated depreciation		36 000
2014			
Jun 30	Finance charges^	13 263	
	Lease liability^	73 737	
	Bank^		87 000
	Depreciation	36 000	
	Accumulated depreciation		36 000

SOLUTION: QUESTION 16

NRC TRAVEL LIMITED

NOTES FOR THE YEAR ENDED 31 DECEMBER 2009

2. Profit before tax^

Profit before tax is stated after taking the following into account:

	R
Depreciation [(1 600 000 + 16 000 - 200 000)/5]	283 200
Interest paid on lease agreement (110 400 + 100 253)	210 653

3. Income tax expense^

	R
Current tax expense (1)	45 791

4. Property, plant and equipment^

	R
Leased assets: Limousines	
Additions (1 600 000 + 16 000)	1 616 000
Depreciation	(283 200)
Carrying amount at 31 December 2009	1 332 800
Cost price	1 616 000
Accumulated depreciation	(283 200)

The limousines serve as security for a finance lease agreement. (Refer note 5)^

5. Long-term borrowing^

	R
Long-term borrowing under finance lease agreement	744 940
Total borrowing (refer to amortisation table)	1 034 553
Current portion payable within 12 months transferred to current liabilities (138 820 + 150 793)	(289613)

The above liability is secured by a finance lease agreement over leased^ vehicles (refer note 4). The effective interest rate is 17,99%^ per annum. The loan is repayable in 8 equal bi-annual instalments of R228 050^ payable in arrears, commencing on 30 June 2009.^

SOLUTION: QUESTION 16 (continued)

Reconciliation between the total minimum lease payments at 31 December 2009 and their present value:

	Up to 1 year	1 - 5 years	Total
	R	R	R
Amount at balance sheet date	456 100 ♍	912 200 ♏	1 368 300
Finance cost	(166 487)♎	(167 260)♐	(333 747)
Present value	289 613	744 940	1 034 553

♍ 228 050 x 2 = 456 100
♎ 89230+77257=166487
♏ 228 050 x 4= 912 200
♐ 64 251 + 50 123 + 34 777 + 18 109 = 167 260

Calculation

1. Current tax expense	**R**
Profit before tax and lease (given)	950 000
Lease payments allowed as a deduction (320 000 (deposit) + 228 050 + 228 050)	776 100
Commission paid allowed as deduction	16 000
	157 900
Current tax expense @ 29%	45 791

SOLUTION: QUESTION 17

20.1 Value of BBQ Ltd

		R
Land and buildings at valuation		120 000 ^
Listed investments	- Mars : 40 000 x 160c	64 000
	- Moon : 20 000 x 120c	24 000
Cash on hand		45 000 ^
		253 000
Interest bearing borrowing		(94 019)
PV of capital	: i = 20, n = 5, FV = - 100 000, PMT = 0	40 188
PV of interest	: i = 20, n = 5, PMT = 18 000, FV = 0	53 831
Total value		158 981

One share $= \dfrac{158\ 981}{10\ 000}$

= R15,90

2010 PV = 20 000

i = 18 | 4 = 4,5

n = 5 x 4 = 20

PMT = 0

FV = ?

= R48 234

SOLUTION: QUESTION 17 (continued)

20.3 PMT = 5 000
n = 5
i = 15
FV = 0
PV = ?
= R16 761✓✓✓

2012 PV = -2 500
i = 15 | 12 = 1,25
FV = 2 500 x 2 = 5 000
PMT = 0
n = ?
= 55,8 months✓✓✓✓

SOLUTION: QUESTION 18

21.1 PMT = 30 000
n = 10
i = 10
FV = 0
PV = ?
= R184 337✓✓✓

21.2 PMT = -40 000
n = 10
i = 10
PV = 0
FV = ?
= R637 497✓✓✓

21.3 PV = 100
i = 5 | 12 = 0,42
n = 12
PMT = 0
FV = ?
= 105,16 - 100 = 5,16%✓✓✓

21.4 PV = -100
FV = 107
n = 2
PMT = 0
i = ?
= 3,44 x 2 = 6,88%✓✓✓

21.5 PV = -1 000
FV = 3 000
n = 12
PMT = 0
i = ?
= 9,59%✓✓✓✓

21.6 PV = 100
i = 18 | 4 = 4,50
n = 4
PMT = 0
FV = ?
= 119,25 - 100 = 19,25%✓✓✓

SOLUTION: QUESTION 18 (continued)

21.7 PV = -2 000
FV = 6 000
i = 18 | 12 = 1,50
PMT = 0
n = ?
= 73,79 months

21.8 PV = -3 000
FV = 9 435
n = $6^{9}/_{12}$ = 6,75
PMT = 0
i = ?
= 18,5%

SOLUTION: QUESTION 19

			R
22.1 Current share capital plus reserves	1,40 x 50 000	=	70 000✓
Issued to Pelagias shareholders $\frac{(400\ 000)}{4}$	1,20 x 100 000	=	120 000✓
Issued to Bowler shareholders (50 000 x 2)	1,20 x 100 000	=	120 000✓
	250 000		310 000

Value of one share after issue

$\frac{R310\ 000}{250\ 000}$ = R1,24 ✓

22.2 New value of one Bowler share

Issue price

Surplus per share

∴ Additional value per current Bowler share

= R0,28 x 2

= R0,56 ✓

∴ 1 current Bowler share plus rights

= R1,48 + R0,56

= R2,04 ✓

22.3 FV = 100 000

n = 10

i = 15

PV = 0

PMT = ?

= R4 925,21✓✓✓

22.4 **Step 1**

n = 3

i = 16

PV = 4 000

PMT = -1 000

FV = ?

= R2 737,98

Step 2

n = 1

i = 16

PV = 2 737,98

PMT = 0

FV = ?

= R3 176,06

SOLUTION: QUESTION 19 (continued)

22.5 **Earnings yield method (controlling interest)**

Vo = E1^ /K^

= 0,36^ /0,16^

= 225c

22.6 **Dividends**

Present value of (200 x 14%) per annum for 5 years @ 12%	
PMT = 28, i = 12, n = 5, FV = 0, PV = ?	100,93
Capital	
Present value of (200 + 15%) after 5 years @ 12%	
FV = 230, i = 12, n = 5 PMT = 0, PV = ?	130,51
Value on 1 March 2007 of one redeemable preference share	231,44

22.7 **Present value of debentures at 1 January 2007**

Present value of capital sum

PMT = 5 000
n = 4
i = 12
FV = 0
PV = ?
= 15 186,75

Present value of interest

Year end	FV Interest		n	i	Present value
	R				R
31/12/2007 (R20 000 x 10%)	2 000	^	1	12%	1 785,71
31/12/2008 (R15 000 x 10%)	1 500	^	2	12%	1 195,79
31/12/2009 (R10 000 x 10%)	1 000	^	3	12%	711,78
31/12/2010 (R 5 000 x 10%)	500	^	4	12%	317,76
					4 011,04

Present value of debentures (15 186,75 + 4 011,04)	19 197,79

SOLUTION: QUESTION 19 (continued)

Year 1	Year 2	Year 3	Year 4
n = 1	n = 2	n = 3	n = 4
i = 12%	i = 12%	i = 12%	i = 12%
PMT = 0	PMT = 0	PMT = 0	PMT = 0
FV = 2 000	FV = 1 500	FV = 1 000	FV = 500
PV = ?	PV = ?	PV = ?	PV = ?
= 1 785,71	= 1 195,79	= 711,78	= 317,76

22.8 **MELBAR LTD**

Intrinsic value method:

		Value at 28/2/2007	Carrying value
		R	**R**
Land and buildings		550 000	300 000
Listed investments		80 000	67 500
Savings account	^	15 000	15 000
Bank	^	5 000	5 000
Preference shares (a)		(6 000)	(7 500)
Mortgage bond (b)		(47 880)	(180 000)
Total value of Melbar Ltd		596 120	200 000

Value of one share = R596 120/200 000 shares
= R2,981

Calculations

(a) Preference shares

Po = Dps/Kps

$$= \frac{(15\ 000 \times 12\% \times 50c)}{0,15}$$

= 900/0,15

= 6 000

(b) Mortgage bond

n = 8
i = 18%
PMT = 0
FV = -180 000
PV = ?
= R47 886,87

QUESTION 20

M&C LTD GROUP

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2006

	R
Revenue (3 000 000 + 960 000 – 500 000)	3 460 000
Cost of sales [2 100 000 + 576 000 – 500 000 + (110 000 + 10 000) x $^{20}/_{120}$]	(2 196 000)
Gross profit	1 264 000
Other income (31 100 + 1 900 – 15 000 (20 000 x 75%) dividends – 2 750 interest + 250 (30 000 x 10% x $^{1}/_{12}$) interest – 12 000 admin) or (1 900 + 1 600)	3 500
Administrative expenses (125 000 + 44 000 admin – 12 000 admin + 90 000 + 33 250 depreciation + 200 000 + 92 100 staff)	(572 350)
Finance costs (13 500 + 9 000 + 2 750 – 2 750)	(22 500)
Profit before tax	672 650
Income tax expense (140 728 + 57 344)	(198 072)
PROFIT FOR THE YEAR	474 578
Other comprehensive income for the year	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	474 578
Total comprehensive income attributable to:	
Owners of the parent (474 578 – 36 864)	437 714
Non-controlling interests [(960 000 – 576 000 + 1 900 – 44 000 – 33 250 – 92 100 – 9 000 – 2 750 – 57 344) x 25%]	36 864
	474 578

M&C LTD GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

	Ordinary share capital R	Retained earnings R	Total R	Non-controlling interests R	Total equity R
Balance at 1/1/2006	500 000	650 000	1 150 000	-	1 150 000
Changes in equity for 2006					
Equity on date of acquisition				104 146	104 146
Total comprehensive income for the year					
Profit for the year		437 714	437 714	36 864	474 578
Dividends paid: Ordinary		(50 000)	(50 000)	(5 000)	(55 000)
Balance at 31/12/2006	500 000	1 037 714	1 537 714	136 010	1 673 724

QUESTION 20 (continued)

Calculations

1. Analysis of owners' equity of Busy Bee Ltd

		M&C Ltd 75%		NCI
Ordinary shares	**Total**	**At**	**Since**	**25%**
	R	**R**	**R**	**R**
At date of acquisition				
Share capital	200 000	150 000		50 000
Retained earnings 1/1/2006	125 000	93 750		31 250
Profit for the period 1/1/2006 to 30/4/2006	91 584 (1)	68 688		22 896
	416 584	312 438		104 146
Equity represented by goodwill – parent	47 562	47 562		-
Consideration and NCI	464 146	360 000		104 146
Since acquisition				
To end of current year				
Profit for the period 1/5/2006 to	147 456 (2)		110 592	36 864
Ordinary dividends	(20 000)		(15 000)	(5 000)
	591 602		95 592	136 010

QUESTION 20 (continued)

2. Allocation of profit or loss and other comprehensive income items

NOTE: If marks were not allocated on the consolidated statement of profit or loss and other comprehensive Income, the part marks were allocated per workings below.

	Total	1/1/2006 - 30/04/2006 (4 months)	1/5/2006 - 31/12/2006 (8 months)
	R	R	R
Sales	1 440 000	480 000	960 000
Cost of sales (60%)	(864 000)	(288 000)	(576 000)
Gross profit (40%)	576 000	192 000	384 000
Other Income			
Interest received – Goofy Bank	2 850	950	1 900
Other expenses			
Administrative expenses	(60 000)	(16 000)	(44 000)
Depreciation	(48 000)	(14 750)	(33 250)
Staff costs	(124 100)	(32 000)	(92 100)
Interest paid – Diznee Bank	(12 000)	(3 000)	(9 000)
Interest paid – M&C Ltd	(2 750)	-	(2 750)
Profit before tax	332 000	127 200	204 800
Income tax expense (28%)	(92 960)	(35 616)	(57 344)
PROFIT FOR THE YEAR	239 040	91 584 ①	147 456 ②
Other comprehensive income for the year	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	239 040	91 584	147 456

Sales:	(1 440 000 x 4/12) = **480 000** (1 440 000 x 8/12) = **960 000**
Cost of sales:	(480 000 x 60%) = **288 000** (960 000 x 60%) = **576 000**
Interest received:	(2 850 x 4/12) = **950** (2 850 x 8/12) = **1 900**
Administrative expenses:	[(60 000 – 12 000) x 4/12] = **16 000** [((60 000 – 12 000) x 8/12) +12 000] = **44 000**
Depreciation:	50 000 x 15% x 6/12 = **3 750** [(48 000 – 3 750) x 4/12] = **14 750** [(48 000 – 3 750) x 8/12 + 3 750] = **33 250**
Staff cost:	[(124 100 – 28 100) x 4/12] = **32 000** [((124 100 – 28 100) x 8/12) + 28 100] = **92 100**
Interest paid – Diznee Bank:	(60 000 x 15% x 4/12) = **3 000** [(60 000 x 15% x 8/12) + (30 000 x 15% x 8/12)] = **9 000**

QUESTION 21

a)	Dr R	Cr R
Share capital – ordinary shares – Fiona Ltd	100 000	
Retained earnings (62 000 – 16 000) – Fiona Ltd	46 000	
Revaluation surplus – Fiona Ltd	120 000	
Goodwill	20 500	
Investment in Fiona Ltd		220 000
Non-controlling interests		66 500
Elimination of owners' equity at acquisition – ordinary shares		
Share capital – preference shares – Fiona Ltd	100 000	
Retained earnings – Fiona Ltd	16 000	
Goodwill	5 600	
Investment in Fiona Ltd		52 000
Non-controlling interests		69 600
Elimination of owners' equity at acquisition – preference shares		

OR

Share capital – ordinary shares – Fiona Ltd	100 000	
Share capital – preference shares – Fiona Ltd	100 000	
Retained earnings – Fiona Ltd (62 000 – 16 000)	46 000	
Retained earnings – Fiona Ltd	16 000	
Revaluation surplus – Fiona Ltd	120 000	
Goodwill (20 500 + 5 600)	26 100	
Investment in Fiona Ltd (220 000 + 52 000)		272 000
Non-controlling interests (66 500 + 69 600)		136 100
Elimination of owners' equity at acquisition – ordinary and preference shares		

b)		
Retained earnings – Fiona Ltd (40 000 x 25%)	10 000	
Plant and machinery/Machinery – Doring Ltd		10 000
Elimination of unrealised profit associated with the sale of machine A		
Profit on sale of machine/Net income – Fiona Ltd (22 000 – 20 000)	2 000	
Plant and machinery/Machinery – Doring Ltd		2 000
Elimination of unrealised profit associated with the sale of machine B on 1 March 2007		

QUESTION 21 (continued)

OR

	Dr R	Cr R
Retained earnings – Fiona Ltd (40 000 x 25%)	10 000	
Profit on sale of machine/Net income – Fiona Ltd (22 000 – 20 000)	2 000	
Plant and machinery/Machinery – Doring Ltd		12 000
Elimination of unrealised <u>profits</u> associated with the sale of <u>machines A and B</u>		
c)		
Accumulated depreciation – Doring Ltd	1 500	
Retained earnings – Fiona Ltd		1 500
Elimination of unrealised <u>depreciation</u> associated with the sale of <u>machine A</u> [(10 000 x 20%) x (9 months/ *12 montha)]*		
Accumulated depreciation – Doring Ltd	2 000	
Depreciation – Fiona Ltd		2 000
Elimination of unrealised <u>depreciation</u> associated with the sale of <u>machine A</u> (10 000 x 20%) for 1 year		
Accumulated depreciation – Doring Ltd	200	
Depreciation – Fiona Ltd		200
Elimination of unrealised <u>depreciation</u> associated with the sale of <u>machine B</u> [(2 000 x 20%*)* x (6 months / 12 months)]		
d)		
Dividends received – Doring Ltd (10 000 x 75%) + (16 000 x 40%)	13 900	
Non-controlling interests (10 000 x 25%) + (16 000 x 60%)	12 100	
Ordinary dividend paid – Fiona Ltd		10 000
Preference dividend paid – Fiona Ltd		16 000
Elimination of intragroup dividends and recording of non-controlling interests		

QUESTION 21 (continued)

Calculations

1. Analysis of ordinary owners' equity of Fiona Ltd

Ordinary shares	**Total**	**Doring Ltd 75%**		**NCI 25%**
		At	**Since**	
	R	**R**	**R**	**R**
At acquisition				
Share capital	100 000	75 000		25 000
Retained earnings	62 000	46 500		15 500
Revaluation surplus	120 000	90 000		30 000
Arrear preference dividends (100 000 x 8% x 2 years)	(16 000)	(12 000)		(4 000)
	266 000	199 500		66 500
Equity represented by goodwill – parent	20 500	20 500		-
Consideration and NCI	286 500	220 000		66 500

2. Analysis of cumulative preference owners' equity of Fiona Ltd

Preference shares	**Total**	**Doring Ltd 40%**		**NCI 60%**
		At	**Since**	
At acquisition	**R**	**R**	**R**	**R**
Share capital	100 000	40 000		60 000
Arrear preference dividends	16 000	6 400		9 600
	116 000	46 400		69 600
Equity represented by goodwill – parent	5 600	5 600		-
Consideration and NCI	121 600	52 000		69 600

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