



FAC1602

May/June 2018

ELEMENTARY FINANCIAL ACCOUNTING AND REPORTING

Duration 2 Hours

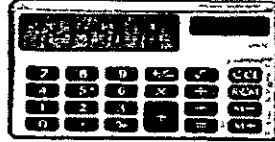
100 Marks

EXAMINATION PANEL AS APPOINTED BY THE DEPARTMENT

Use of a non-programmable pocket calculator is permissible

Closed book examination

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

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This paper comprises 7 pages

PLEASE NOTE.

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

PROPOSED TIMETABLE
 (try not to deviate from this)

QUESTION	SUBJECT	MARKS	TIME IN MINUTES
1	Close corporations Calculation of profit for the year, Preparation of statement of changes in net investment of members, Preparation of the statement of financial position	36	43
2	Change in the ownership structure of a partnership Journal entries to record changes in the ownership structure, Calculation of new profit sharing ratio	24	29
3	Statement of cash flows Preparation of the cash generated from operations section	22	26
4	Preparation of a note on property, plant and equipment	18	22
	TOTAL	100	120

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QUESTION 1 (36 marks)(43 minutes)

Ndabazabantu CC is a trading entity, which is operating at Bridge City mall, KwaMashu Ndaba and Zabantu are the only members of the corporation. They have an equal interest in the corporation and distribute profits accordingly. The financial year-end of the CC is the last day of February.

The bookkeeper of Ndabazabantu CC prepared the following list of balances as at 28 February 2018:

	R
Member's contribution Ndaba (1 March 2017)	100 000
Member's contribution Zabantu (1 March 2017)	100 000
Retained earnings (1 March 2017)	134 100
Loan from member Ndaba (1 March 2017)	18 000
Loan from member Zabantu (1 March 2017)	24 000
Trade receivables control	1 500
Bank (favourable)	136 360
Trade payables control	4 000
SARS (Income tax) (Dr)	10 450
Inventory	60 000
Long-term loan (Second Bank)	35 000
Land and buildings at cost	249 800
Equipment at cost	15 000
Furniture and fittings at cost	45 000
Accumulated depreciation Equipment (1 March 2017)	5 000
Accumulated depreciation Furniture and fittings (1 March 2017)	13 500

Additional information

- 1 Before the information below was taken into account, the bookkeeper calculated the profit before tax for the year ended 28 February 2018 as R84 510
- 1.1 The depreciation for the current financial year must still be accounted for as follows
 - Equipment R2 700
 - Furniture and fittings R9 000
- 1.2 On 28 February 2018, a debtor owing the business R400 was declared insolvent. It was decided to write this amount, R400, as irrecoverable. On the same date, a cash payment amounting to R850 was received from a debtor that was written off as irrecoverable during the financial year 2017. The R850 is still to be recorded in the books of the CC.
- 1.3 The actual normal income tax for the current financial year was calculated as R24 500 and must still be recorded.
- 2 On 28 February 2018 the members decided to make a total profit distribution of R40 000. Ndaba's portion thereof must be added to the loan which she advanced to the CC. Zabantu's portion must be paid to her in cash on 1 March 2018.
- 3 The long-term loan from Second Bank is secured by a mortgage over the land and buildings, and will be repayable in five (5) equal annual instalments as from 1 October 2018.
- 4 The loans from the members are repayable on 1 April 2019.

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QUESTION 1 (continued)**REQUIRED.**

	Marks
(a) Calculate the profit or loss for the year ended 28 February 2018 of Ndabazabantu CC	3
(b) Prepare the statement of changes in net investment of members of Ndabazabantu CC for the year ended 28 February 2018. The total column need NOT be disclosed	9
(c) Prepare the statement of financial position of Ndabazabantu CC as at 28 February 2018	24
	[36]
<p>Please note</p> <p>Your answer must comply with the provisions of the Close Corporations Act 1984, and the requirements of International Financial Reporting Standards (IFRS)</p> <p>Notes to the annual financial statements and comparative figures are NOT required</p> <p>Round off all amounts to the nearest Rand</p> <p>All calculations MUST be shown</p>	

[TURN OVER]

QUESTION 2 (24 marks)(29 minutes)

Daffo and her best friend, Dils, are in a partnership, trading as Daffodils Florists, they share in the profits/losses of the partnership in the ratio of 2/3 respectively. Recently they signed a huge bouquet delivery contract with the manager of the office blocks across the street. They urgently needed an additional partner to join the partnership who could assist with the preparation of the deliveries and provide additional capital to help sustain the growth of the business. Rose, a friend to Daffo, offered to join the partnership. On 31 March 2018, the following was extracted from the books of Daffodils Florists:

Extract from the statement of financial position

	R
Capital Daffo	39 400
Capital Dils	59 100
Current account Daffo (Cr)	28 100
Current account Dils (Cr)	8 400
Delivery vehicle at carrying amount	85 500
Equipment at carrying amount	9 500
Trade and other payables	40 000
Inventory Flowers and other consumables	22 000
Trade and other receivables	28 000
Bank	30 000

Additional information:

- The agreement was concluded to the effect that Rose would pay R67 000 in cash for a one-third interest in the net assets (equity) and a third interest in the profits or losses of the new partnership. Daffo and Dils agreed to each relinquish a portion of their interest in the profits or losses of Daffodils Florists to Rose according to their profit-sharing ratio of 2/3 respectively.
- On 1 April 2018, Rose paid R67 500 into the bank account of the partnership, and the new partnership started to trade as Daffodils & Roses Florists. Daffo, Dils and Rose decided to keep their capital account balances in the same ratio as their profit-sharing ratio. Any refunds or contributions to the capital accounts of the partners must be made in cash.

REQUIRED

	Marks
(a) Prepare the journal entries on 31 March 2018, in the general journal of Daffodils Florists to prepare for the admission of Rose as a partner, and to record the dissolution of Daffodils Florists. (Apply the legal perspective)	16
(b) Calculate the new profit sharing ratio of Daffo, Dils and Rose	8
	[24]
Please note:	
Narrations to journal entries are not required	
Round off all amounts to the nearest Rand	
All calculations MUST be shown	

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QUESTION 3 (22 marks)(26 minutes)

Mr AK Bhagwandas is a sole proprietor, operating a business entity trading as Bhagwandas Outfitters. The following information was taken from the accounting records and financial statements of the business at 28 February 2018, the end of the financial year.

Statement of financial position accounts at 28 February.

	2018	2017
	R	R
Land and buildings at cost	188 000	188 000
Equipment at cost	54 000	42 000
Accumulated depreciation Equipment	39 950	21 200
Capital Mr Bhagwandas	306 850	230 800
Trade receivables control (trade debtors)	179 410	173 600
Allowance for credit losses	15 000	12 000
Bank	130 000	–
Inventory	20 000	25 000
Long-term loan	155 000	115 000
Trade payables control	53 000	43 000
Bank (overdraft)	–	7 000
Water and electricity prepaid	850	1 100
Accrued interest expense	2 200	700
Accrued insurance expense	260	–

Relevant information applicable to the statement of profit or loss and other comprehensive income for the year ended 28 February 2018

	R
Administrative expenses	20 000
Interest on long-term loan	16 000
Credit losses	4 500
Insurance expense	12 280
Salaries and wages	45 100
Sales	425 500
Depreciation	18 750
Water and electricity	4 720
Purchases	155 000

Additional information

- All sales of inventory were on credit.
- All purchases of inventory were on credit and R153 000 was paid to the trade creditors during the financial year.
- Mr Bhagwandas withdrew R68 100 in cash during the current financial year.

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QUESTION 3 (continued)**REQUIRED**

	Marks
<p>Prepare the CASH FLOWS FROM OPERATING ACTIVITIES section of the statement of cash flows of Bhagwandas Outfitters for the year ended 28 February 2018. The cash generated from/(used in) operations must be disclosed according to the direct method.</p>	<p style="text-align: center;">22</p> <p style="text-align: center;">[22]</p>
<p>Please note.</p> <p>Your answer must comply with the requirements of International Financial Reporting Standards (IFRS), appropriate to the business of a sole proprietor.</p> <p>Notes to the annual financial statements and comparative figures are NOT required.</p> <p>Round off all amounts to the nearest Rand.</p> <p>All calculations MUST be shown.</p>	

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QUESTION 4 (18 marks)(22 minutes)

The following information is extracted from the accounting records of Botshelo CC

Balances as at 28 February 2018

	R
Members contributions	471 400
Retained earnings	138 600
Loans from members	40 000
Land and buildings at cost (1 March 2017)	950 000
Equipment at cost (1 March 2017)	250 000
Vehicles at cost (1 March 2017)	270 000
Fixed deposit ABASA Bank	50 000
Trading inventory	10 000
Long-term loan Zonke Bank	750 000
Accumulated depreciation Equipment (1 March 2017)	50 000
Accumulated depreciation Vehicles (1 March 2017)	80 000

Additional information

- 1 Provision must still be made for depreciation as follows
 - Equipment At 20% per annum according to the diminishing balance method,
 - Vehicles At 25% according to the straight-line method

- 2 On 31 October 2017, a computer equipment with a cost price of R15 000 was sold on credit for R1 000 On 1 March 2017, the accumulated depreciation thereon was R7 500 This transaction must still be recorded

REQUIRED

	Marks
Prepare a note on property, plant and equipment of Botshelo CC for the year ended 28 February 2018 The total column is NOT required	18
	[18]
<p>Please note:</p> <p>Your answer must comply with the provisions of the Close Corporations Act, No 69 of 1984, as amended, and the requirements of International Financial Reporting Standards (IFRS)</p> <p>Round off all amounts to the nearest Rand</p> <p>All calculations MUST be shown</p>	