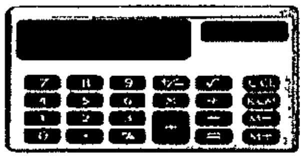
UNIVERSITY EXAMINATIONS



UNIVERSITEITSEKSAMENS

UNISA university of south africa

FAC2601
RFA2601

May/June 2011

FINANCIAL ACCOUNTING FOR COMPANIES

Duration 2 Hours 100 Marks

EXAMINERS ·

FIRST	MR GJ STEYN	MS N PASSIER
	MR F MONTGOMERY	MR CM MKEFA
	MR CJ ELS	MS CS GRONDT
SECOND	PROF D SCHEEPERS	
EXTERNAL	MS J FRIEDRICHS (PRETORIA - UP)	

Use of a non-programmable pocket calculator is permissible.

This paper consists of 6 pages

<u>**N.B.**</u>:

1 This paper consists of FOUR (4) questions

2 All questions must be answered

3 Basic workings, where applicable, must be shown

4 Ensure that you are handed the correct examination answer book (blue colour for accounting) by the invigilator

5 Each question attempted must be commenced on a <u>new</u> (separate) page

6 **PROPOSED TIMETABLE:**

Question No	Subject	Marks	Time in minutes
1	Statement of comprehensive income	43	52
2	Statement of financial position – assets	25	30
3	Statement of financial position – liabilities	18	21
CHOICE QUESTION			
4 1	Finance leases – ***only 2011 registrations***	14	17
OR			
4 2	Statement of changes in equity – ***only supplementary students***	14	17
		100	**120**

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Use the information below to answer question 1 to 3.

The following information was extracted from the books of One Shot Limited for the year ended 28 February 2011

	R
Land at cost (Refer note 3)	200 000
Buildings at cost (Refer note 3)	1 800 000
Long term loans	
Lost it (Pty) Ltd (Refer note 5)	200 000
Abe Limited	60 000
Trade- and other receivebles	172 000
Inventory – raw materials	16 000
Inventory – finished goods	484 000
Inventory – work-in-progress	40 000
Machinery and equipment at cost (Refer note 9)	320 000
Delivery vehicles at cost (Refer note 8)	340 000
Proceeds from sale of delivery vehicle during the year	76 000
Accumulated depreciation on 28 February 2011	
Delivery vehicles (Refer note 8)	?
Machinery and equipment (Refer note 9)	160 000
Buildings (Refer note 3)	?
Short term loans to personnel (uninsured and interest free)	18 000
Cash in bank	33 000
Investments (Refer note 4)	344 000
Provisional tax payments	32 400
12% Debentures of R100 each issued during the year (secured by a first mortgage over land and buildings and is redeemable on 31 March 2014)	400 000
Dividends received	
Babe Limited	3 600
Cringe (Pty) Ltd	1 600
Interest received	
Abe Limited	5 000
Ordinary share capital (Refer notes 1 and 2)	2 000 000
10% Non-cumulative preference share capital	220 000
12% Cumulative preference share capital	180 000
Proceeds from 10 000 10% Non-cumulative preference shares issued at par value on 31 August 2010	?
Proceeds from 200 000 ordinary par value shares issued on 31 May 2010	420 000
Share issue expenses in respect of above mentioned shares issued	12 000
Preliminary expenses	6 000
Debenture issue expenses	8 000
Trade- and other payables	143 000
Retained earnings 1 March 2010	787 600
Income (VAT included at 14%)	20 520 000
VAT on income paid to SARS (Refer note 11)	2 020 000
Distribution costs	107 200
Administrative expenses (before adjustments – refer note 6)	6 776 400

Additional information

1 One Shot Limited was incorporated with an authorised share capital of

1 600 000 Ordinary shares of R2 each
200 000 10% Non-cumulative preference shares of R5 each
100 000 12% Cumulative preference shares of R4 each

2 On 1 March 2010 the directors of One Shot Limited decided on the following which must still be accounted for in the following order

2 1 To make a capitalisation issue to ordinary shareholders in the ratio of one share for every ten ordinary shares held The capitalisation issue must be made out of retained earnings

2 2 Write off all share issue costs, preliminary expenses and debenture issue expenses with the minimum effect on distributable reserves on 28 February 2011

3 1 The existing land (owner occupied and situated at erf 90, Riviera) was purchased on 1 March 2007 for R200 000 Buildings at a cost of R1 800 000 were completed on 2 March 2010 On 31 August 2010 the land and buildings were revalued by a sworn appraiser, Mr Smit, for R400 000 and R2 400 000 respectively according to the gross replacement basis The economical life of the buildings remain unchanged

3 2 Buildings are depreciated at 2% per annum on the straight-line basis and still needs to be accounted for

4 Investments consist of the following

		R
4 1	Abe Limited	
	40 000 Ordinary shares of R3 each	120 000
	The authorised share capital of Abe Limited is 100 000 shares of which 60 000 were issued The directors' valuation for the investment on 28 February 2011 was R120 000	
4 2	Babe Limited – listed on the Johannesburg Securities Exchange (bought for speculative purposes)	
	4 000 Ordinary shares of R40 each	160 000
	Market value on 28 February 2011 was R50 per share	
4 3	Cringe (Pty) Ltd (designated as not available-for-sale)	
	800 Ordinary shares of R80 each	64 000
	The directors' valuation for the investment on 28 February 2011 amounts to R80 000	
		344 000

4 4 In previous years the fair value of the above mentioned investments equalled their cost price No entries in respect of the above mentioned investments' valuations were recorded

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5 The unsecured long-term loan from Lost it (Pty) Ltd originated on 1 March 2010 and is repayable in five equal annual instalments starting from 31 August 2010 Interest for the current year at the current rate of 10% must still be provided for and is payable on 5 March 2011 One Shot Limited uses settlement date accounting to account for it's financial instruments

6 The following expenses amongst others is included in administrative expenses

	R
Auditors' remuneration (including R4 200 travelling costs)	9 000
Travelling and entertainment allowance of managing director	13 600
Directors' remuneration for attendance of meetings	
- Managing director	7 200
- Non-executive director	7 200
(An additional R8 000 was paid by the subsidiary to the managing director for the attendance of meetings)	
Salaries (including R280 000 paid to the managing director, as well as the companies' pension fund contributions of 5% on gross salaries)	800 000
Bank charges	2 800
Interest on overdraft	27 600
Interest on debentures	32 000
Depretiation – machinery and equipment	?

7 Normal company tax of R76 000 must still be provided for On 28 February 2011 the directors declared a dividend of 5c per ordinary share that must still be provided for No dividends were declared or paid during the previous year

8 One Shot Limited sold its only delivery vehicle on 31 May 2010 The original cost price of the delivery vehicle was R140 000 and was purchased originally on 1 September 2007 The delivery vehicle was replaced on the same date with a new delivery vehicle It is One Shot Limited's policy to write off depreciation on the delivery vehicle at 20% per annum on the straight-line method Depreciation for the year must still be provided for

9 It is One Shot Limited's policy to write off depreciation on machinery and equipment at 20% per annum according to the diminishing balance method No purchase or sale of machinery took place during the year

10 One Shot Limited maintained a gross profit percentage of 40% during the year

11 VAT on income for January and February 2011 has not yet been paid Ignore input VAT for purposes of this question

QUESTION 1 (43 marks) (52 minutes)

REQUIRED:

Prepare the Statement of Comprehensive Income and the relevant notes of One Shot Limited for the year ended 28 February 2011 according to the requirements of the Companies Act and Generally Accepted Accounting Practice (Ignore accounting policy notes and comparative figures Show all calculations)

QUESTION 2 (25 marks) (30 minutes)

REQUIRED:

Prepare the "asset" side of the Statement of Financial Position and the relevant notes of One Shot Limited at 28 February 2011 according to the requirements of the Companies Act and Generally Accepted Accounting Practice (Ignore comparative figures and accounting policy notes Show all calculations)

QUESTION 3 (18 marks) (21 minutes)

REQUIRED:

Prepare the "liabilities" side of the Statement of Financial Position and the relevant notes of One Shot Limited at 28 February 2011 according to the requirements of the Companies Act and Generally Accepted Accounting Practice (Ignore comparative figures and accounting policy notes Show all calculations)

QUESTION 4

THIS IS A CHOICE QUESTION OF WHICH ONLY 4.1 OR 4.2 HAS TO BE ANSWERED

QUESTION 4.1 (14 marks) (17 minutes) – ONLY 2011 REGISTERED STUDENTS

The following information is applicable to a machine acquired by Frankan Ltd in terms of a finance lease agreement

Commencement date - 1 July 2007
Cash price - R360 000
Lease term - 4 years
Lease payment of R70 000, paid half yearly in arrears

The machine was available and brought into use on 1 July 2007 The machine will be written off over its economical useful life of 5 years according to the straightline method The financial year end of the company is 30 June

REQUIRED:

a) Prepare an amortisation table up and until 30 June 2008 (Round off to the nearest rand) (4)

Assume the following
1 Annual nominal rate 22,04%
2 Effective rate 11,02%

b) Show all the journal entries for the year ended 30 June 2008 in the books of Frankan Ltd (narrations not required) (10)

OR

QUESTION 4.2 (14 marks) (17 minutes)

THIS QUESTION MUST ONLY BE ANSWERED BY STUDENTS WRITING A SUPPLEMENTARY EXAMINATION

REQUIRED:

Prepare the Statement of changes in equity of One Shot Limited for the financial year ended 28 February 2011 according to the requirements of the Companies Act and Generally Accepted Accounting Practice Show all calculations