

## MEMORANDUM

### QUESTION 1 (25 marks)(30 minutes)

(A)

#### EXTENSA PANNEL BEATERS STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2014

	N O T E	R
Revenue		514 980
Other income		10 050
Credit losses recovered		6 000
Interest received on current account		2 610
Interest income: Loans and receivables: Fixed deposit		440
Profit on sale of equipment		1 000
Distribution, administrative and other expenses		(588 610)
Credit losses (19 360 + 1 400)		20 760
Depreciation		66 150
Advertising expenses (20 800 – (20 800/ 13 months))		19 200
Water and electricity (82 320 – 20 800)		61 520
Salaries and wages		247 200
General expenses (141 340 – 63 900)		77 440
Cleaning expenses		15 000
Telephone expenses		46 320
Insurance expenses		1 200
Property rates		33 820
Finance costs		(18 240)
Interest on long-term loan		18 240
<b>Loss for the year</b>		<b>(81 820)</b>
<b>Other comprehensive income for the year</b>		<b>-</b>
<b>Total comprehensive loss for the year</b>		<b>(81 820)</b>

#### Calculations:

**1) Fixed Deposit at Platinum Bank:**

$$44\,000 \times 6\% \times 2/12 = R440$$

**2) Interest on long term loan**

$$[(216\,000 \times 10/9 \times 8\%) \times 6/12] + [(216\,000 \times 8\%) \times 6/12]$$

**3) Depreciation**

	R
Vehicles (50 400 – 24 000)	26 400
Equipment (59 750 + 28 000 – 48 000-2 250)	<u>37 500</u>
	<b>63 900</b>
Disposed (given)	<u>2 250</u>
	<b><u>66 150</u></b>

**4) Profit on sale of equipment**

	R
Selling price/ trade in value	3 000
Less carrying value	2 000
-Cost	<u>30 000</u>
-Accumulated depreciation (2 250 + 25 750)	<u>(28 000)</u>
Profit	<u>1 000</u>

(B)

**Extensa Pannel Beaters**  
**GEANERAL LEDGER**  
Current account: Etienne

Dr			Cr		
2014		<b>R</b>	2013		<b>R</b>
Aug 31	Salary	72 000	Sept 1	Balance b/d	<b>100 000</b>
				(28 000 + 72 000)	
	Appropriation	154 224	2014	Interest on current acc	15 000
	Balance c/d	58 332	Aug 31	(R100 000 x 15%)	
				Salary (R10 000 x 12)	120 000
				Bonus	
				(R120 000 x 50%)	60 000

**Calculations**

1. Profit share/appropriation  
 $(-79\ 560 - 15\ 000 + 9\ 000 - 240\ 000 - 60\ 000) \times 2/5 = 154\ 224$

SHADED AREA NOT REQUIRED

**QUESTION 2 (29 marks)(35 minutes)**

**(A)**

**JABULANI FASTLINES CC  
NOTES FOR THE YEAR ENDED 31 DECEMBER 2013**

Property, plant and equipment

	Aircrafts	Vehicles	Furniture and Equipment	Total
	R	R	R	R
Carrying amount: Beginning of year	2 800 000	1 560 000	39 375	2 839 375
Cost	<b>3 500 000</b>	<b>1 800 000</b>	<b>45 000</b>	<b>3 545 000</b>
Accumulated depreciation	(700 000)	(240 000)	(5 625)	(705 625)
Additions	<b>1 550 000</b>	-	-	3 350 000
Disposals	(1 225 000) <sup>2</sup>	-	-	(1 225 000)
Depreciation for the period/year	(654 167) <sup>1</sup>	(360 000) <sup>4</sup>	(5 906) <sup>6</sup>	(900 072)
Carrying amount: End of period/year	2 470 833	1 200 000	33 469	4 064 302
Cost	<b>3 300 000</b>	<b>1 800 000</b>	<b>45 000</b>	<b>5 145 000</b>
Accumulated depreciation	(829 167) <sup>3</sup>	(600 000) <sup>5</sup>	(11 531) <sup>7</sup>	(1 080 698)

**CALCULATIONS:**

1

$$\begin{aligned}
 \text{Sold} &= R1\,750\,000 \times 20\% \times 6/12 &= R175\,000 \\
 \text{Remaining} &= R175\,000 \times 20\% &= R350\,000 \\
 \text{New} &= R1\,550\,000 \times 20\% \times 5/12 &= \underline{R129\,167} \\
 &&= \underline{R654\,167}
 \end{aligned}$$

$$2 \quad R1\,750\,000 - R175\,000 - R350\,000 = R1\,225\,000$$

$$3 \quad R(700\,000 + 654\,167 - 175\,000 - 35\,000) = R829\,167$$

$$4 \quad R1\,800\,000 \times 20\% = R360\,000$$

$$5 \quad R240\,000 + 360\,000 = R600\,000$$

$$6 \quad R[(45\,000 - 5\,625) \times 15\%] = R5\,905$$

$$7 \quad R5\,625 + R5\,905 = R11\,531$$

(B)

**JABULANI FASTLINES CC**  
**STATEMENT OF CHANGES IN NET INVESTMENT OF MEMBERS FOR THE YEAR ENDED**  
**31 DECEMBER 2013**

	<b>Members' contributions</b>	<b>Retained earnings</b>	<b>Loans from members</b>	<b>Loans to members</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Balances at 1 Jan 2013	200①	502 335	0	0	502 535
Total comprehensive income for the year		1 038 327②			1 038 327
Members' contributions	300 000				300 000
Loans to members				(40 000)	(40 000)
Interest on loans to members				(2 400)	(2 400)
Distribution to members		(160 000)	160 000		(0)
Balances at 31 Dec 2013	300 200	1 380 662	160 000	(42 400)	1 798 462

① 100 + 100 = R200

② Profit for the year	R2 300 000
Depreciation for the year (refer to (A) above)	R(900 072)
Interest income (R40 000 x 12% x 6/12)	R 2 400
Income tax expense	<u>R(364 000)</u>
Total comprehensive income for the year	<u>R1 038 327</u>

**QUESTION 3 (14 marks)****PART A  
BELLA SWANN LIMITED****(A)****General journal**

		<b>R</b>	<b>R</b>
20.13			
Sept 30	Retained earnings	220 000	
	Share Capital: 12% preference shares		120 000
	Share Capital: Ordinary shares <i>Issue of capitalisation shares</i>		100 000

**(B)****General Journal**

		<b>R</b>	<b>R</b>
20.14			
April 30	Preference dividends ②	36 900	
	Ordinary dividends (450 000① x R0.25 )	112 500	
	Dividends payable		149 400
	<i>Declaration of preference and ordinary dividends</i>		
May 20	Dividends payable^	149 400	
	Bank^		149 400
	<i>Payment of dividends to ordinary and preference shareholders</i>		

(11)

**Calculation**

## ① Ordinary Shares

Opening balance (1/5/20.13)	250 000
Capitalisation issue (250 000 x 2/ 5 )	100 000
Share issue (01/11/20.13)	<u>100 000</u>
	<u>450 000</u>

## ② Preference Shares

	<b>R</b>
Opening Balance 200 000 x 12% =	24 000
Cap issue 120 000 x 12% x 7/12 =	8 400
Share issue 75 000 x 12% x 6/12 =	<u>4 500</u>
	<u>36 900</u>

**QUESTION 4 (18 marks)****CHILLY BILLY CATERERS****STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014**

	R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipt from customers	① 536 000
Cash paid to suppliers and employees	② (389 200)
Cash generated from operations	146 800
Interest paid R(10 000 – 5 000)	(5 000)
Drawings	③ (241 500)
<i>Net cash from operating activities</i>	<i>(99 700)</i>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from the sale of land and buildings R(880 000 – 750 000 + 20 000)	150 000
Investment in property, plant and equipment to expand operating capacity – additions to equipment R(55 000 + 20 000 - 50 000)	(25 000)
Acquisition of loans and receivables: Bites (Pty) Ltd	(75 000)
<i>Net cash from investing activities</i>	<i>50 000</i>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from capital contribution by Chilly R(500 000 - 450 000)	50 000
<i>Net cash from financing activities</i>	<i>50 000</i>
<b>Net increase in cash and cash equivalents</b>	<b>300</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>85 000</b>
<b>Cash and cash equivalents at end of year</b>	<b>85 300</b>

**Calculations:**

$$\textcircled{1} \quad R[(185\,000 + 600\,000 - 101\,000) + (24\,000 - 4\,000)] = R536\,000$$

$$\textcircled{2} \quad R[(25\,000 - 20\,000 + 300\,000 + 62\,000 - 45\,000) + R\,25\,000 + R(33\,000 + 5\,500 + 3\,700)] = R389\,200$$

$$\textcircled{3} \quad R[(10\,000 + 100\,000 + 4\,500 + 23\,250 - 24\,250) + R(8\,500 + 100\,000 + 5\,000 + 23\,250 - 8\,750)] = R241\,500$$

**QUESTION 5** (14 marks)

<b>Dr</b>		<b>Branch inventory account</b>		<b>Cr</b>	
2013 Oct 1	Balance b/d	R 66 000	2014 Sept 31	Branch debtors: Credit sales	R 315 800
	Inventory to branch ① (Deliveries at cost)	138 800		Branch expense:  (Damaged inventory at cost)	5 000
	Branch adjustment (Mark-up on deliveries)②	34 700		Branch adjustment: (Mark- up on damaged inventory) ③	1 250
	Branch adjustment (Inventory surplus)	146 464		Branch adjustment: (Mark down on sales) ④	15 143
				Branch expense: (Mark- up on cost) ⑤	7 571
				Balance c/d	41 200
		385 964			385 964
2014 Oct 1	Balance b/d	41 200			

① Deliveries at cost:  
 $R173\,500 \times 100/125 = R138\,800$

② Mark-up on deliveries:  
 $R173\,500 \times 25/125 = R34\,700$

③ Mark-up on damaged inventory:  
 $R5\,000 \times 25/100 = R1\,250$

④ Mark-down on sales:  
 $R(53\,000 \div 70\%) = 75\,714 \times 25/125 = R15\,143$

⑤ Mark-down on cost:  
 $R[75\,714 \times 100/125] - R53\,000 = R7\,571$