SCHOOL OF ACCOUNTING SCIENCES

DEPARTMENT OF FINANCIAL ACCOUNTING

GROUP FINANCIAL REPORTING

TUTORIAL LETTER 101/2009 FOR ACN304W

IMPORTANT INFORMATION : READ NOW

Dear Student

PLEASE READ THE DEPARTMENTAL TUTORIAL LETTER ACTALL-4/301/2009 IN CONJUNCTION WITH THIS TUTORIAL LETTER. TAKE CARE THAT YOU HAVE THESE TUTORIAL LETTERS AVAILABLE AT ALL TIMES AS FREQUENT REFERENCE WILL BE MADE TO THEM.

Students registering at the UNISA Regional offices must please note that tutorial letter ACTALL-4/301/2009, setting out all administrative arrangements for this module, will be despatched to you from the main campus in Pretoria on the same day that you register. It should reach you within a couple of days after registration.

All the tutorial letters are available on the internet. Documents on the internet can be accessed via the UNISA website, after registering as a myUnisa user. Documents are in Acrobat Reader format.

Access can be obtained as follows:

1. Enter your user id and password.
2. Select the relevant course code (e.g. ACN304W).
3. Select the option “Official study material”.
4. A table with all the study material will appear.
5. Select the relevant tutorial letter and click on it to open the file.
   (The tutorial letter will appear as follows: (101_2009_3_E.pdf)

PLEASE NOTE:
SUBMISSION OF ASSIGNMENT 01 IS A PREREQUISITE FOR ADMISSION TO THE EXAMS.
ASSIGNMENT 01 TOGETHER WITH ASSIGNMENT 02 WILL CONSTITUTE 10% OF YOUR FINAL MARK FOR THIS MODULE.

CONTENTS

PLEASE NOTE: SUBMISSION OF ASSIGNMENT 01 IS A PREREQUISITE FOR ADMISSION TO THE EXAMS. ASSIGNMENT 01 TOGETHER WITH ASSIGNMENT 02 WILL CONSTITUTE 10% OF YOUR FINAL MARK FOR THIS MODULE.

1. INTRODUCTION

We have pleasure in welcoming you as a student of this module: **Group Financial Reporting**. We hope that you will find your studies stimulating this year and that your efforts will be successful.

2. TUTORIAL MATTER

2.1 Supplied by UNISA

The Department of Despatch should supply you with the following tutorial matter for this module:

- Tutorial letters

Note: Some of this tutorial matter may not be available when you register. Tutorial matter that is not available when you register will be posted to you as soon as possible.

Inventory letter
When you register, you will receive an inventory letter containing information about your tutorial matter. See also the booklet entitled **UNISA: Services and Procedures** (which you received with your tutorial matter) for any other information required.

PLEASE NOTE: Your lecturers cannot assist you with missing study material. Please contact the UNISA Contact Centre at 0861 670 411 (RSA only), or +27 11 670 9000 (international calls) in this regard.

2.2 Internet

If you have access to the Internet, you can view the tutorial letters for the modules for which you are registered on the University's online campus, *myUnisa*, at http://my.unisa.ac.za

2.3 Prescribed literature

There is no study guide for this module. Study units will be included in tutorial letters. The tutorial letters as such are not exhaustive for purposes of tuition, and it is essential that you have at your disposal the following prescribed books:

1. **Group Statements** (both volumes) - latest edition, by Cilliers, HS, and Mans, KN. Butterworths, Durban. This work is referred to in the tutorial letters as ***Group Statements***.

Please consult the list of official booksellers and their addresses at the end of this tutorial letter as well as in the brochure: ***UNISA: Services and Procedures*****.**

If you have any difficulties obtaining books from these bookshops, please contact the Registrar as soon as possible at telephone number 012 429 4152 or the Contact Centre at 0861 670 411.

STUDENTS ARE REQUIRED TO USE A NON-PROGRAMMABLE FINANCIAL CALCULATOR FOR THIS MODULE.

3. SUGGESTED APPROACH TO STUDYING THIS MODULE

Firstly work through the relevant sections of the tutorial letters pertaining to the assignment to be attempted. Ensure that you **understand** the work and do the examples on your own, without looking at the answers. Compare your answer to the one in the guide and pinpoint where you made mistakes. Restudy the relevant section and ensure that you now understand the solution to the example. If you still do not understand, write the page reference and the problem on your "queries list" so that you can phone one of the lecturers for an explanation.

Before attempting an assignment, ensure that you have prepared the work up to an examination standard. **Only thereafter** should you attempt answering the assignment questions under examination conditions, i.e. in the time allowed.

The assignment must in effect constitute your first revision of the study material which you have studied. In other words, the assignment should not serve as a checklist of the work required to be studied for the completion of the assignment, but should, when the assignment is attempted, serve as a **test of the knowledge** that you have acquired by studying the work.

When you receive the suggested solution, compare your attempt (**done in the time allowed)** to the solution and determine the differences. In respect of every error, determine why the error was made i.e. careless reading of the question, lack of knowledge, question not answered, carelessness in the answering of the question, unable to complete the question due to time, calculations not shown, etc. You have now revised the work for a second time and you have been exposed to the type of errors that you are prone to make and can therefore work on correcting them.

If you persevere with this proposed approach to studying this module, you will reap the benefit of sustained practice in answering questions and will undoubtedly enjoy success in the examination.

PLEASE NOTE:

SA NORMAL TAX RATE FOR COMPANIES:
From 1 March 2008 the tax rate for companies is 28%.

4. PLAGIARISM

Plagiarism is the act of taking words, ideas and thoughts of others and passing them off as your own. It is a form of theft which involves a number of dishonest academic activities.

The *Disciplinary Code for Students* (2004) is given to all students at registration. Students are advised to study the Code, especially Sections 2.1.13 and 2.1.4 (2004:3-4). Kindly read the University's *Policy on Copyright Infringement and Plagiarism* as well.

5. PARTICULARS REGARDING ASSIGNMENTS

PLEASE NOTE:
SUBMISSION OF ASSIGNMENT 01 IS A PREREQUISITE FOR ADMISSION TO THE EXAMS.
ASSIGNMENT 01 AND ASSIGNMENT 02 WILL CONSTITUTE 10% OF YOUR FINAL MARK FOR THIS MODULE.

5.1. Compulsory assignments

The Management of the University has taken a decision to introduce compulsory assignments to be submitted in all modules by set due dates. Submission of **compulsory assignment 01** by its due date will give a student admission to the examination in the particular module. **Compulsory assignment 02** does not have to be submitted for admission to the exam but will count towards the final mark of the module.

The marks obtained for **compulsory assignment 01 and compulsory assignment 02** together will contribute towards 10% of the final mark of this module.

Students require a **final mark** of 50% to pass a module. This final mark is calculated as follows:

(10% x average mark obtained for compulsory assignments) + (90% x mark obtained in the examination)

Example:

	Average compulsory assignments mark	Contribution to final mark at 10%	Exam mark contribution required to pass (50% minus assignment mark contribution)	Minimum exam mark required to pass
Student 1	100%	10%	40%	44%
Student 2	70%	7%	43%	48%
Student 3	50%	5%	45%	50%
Student 4	30%	3%	47%	52%
Student 5	20%	2%	48%	53%
Student 6	10%	1%	49%	54%
Student 7	0%	0%	50%	56%

Please ensure that the compulsory assignments reach the University **before the due dates - late submission of assignment 01 will result in you not being admitted to the examination.** Please refer to 5.4 "Due dates" of this tutorial letter.

PLEASE NOTE:
IF YOU DO NOT SUBMIT THE COMPULSORY ASSIGNMENTS, YOU WILL NOT BE ADMITTED TO THE EXAMINATION. NO LATE ASSIGNMENTS WILL BE ACCEPTED.

5.2 Non-compulsory assignment

The non-compulsory assignment (Assignment 03) for this module is attached as Annexure E. This assignment does not have to be submitted by students for admission to the examination for this module. It is recommended that students attempt this assignment and submit it to be marked. When the assignment is attempted it serves as a **test of the knowledge** that you have acquired by studying the work.

5.3 Assignments form an integral part of the tutorial matter

Assignments and tutorial letters form an integral part of the tutorial matter and must also be studied for examination purposes.

It is in your own interest to complete all assignments (even if you do not have to submit them) as:

- the assignments provide practice which is essential in your study of this module; and
- valuable revision material is contained in the assignments.

Please note that it is not possible to cover every aspect of the study material in the assignments.

Assignment 3 is non-compulsory and need not be submitted for admission to the exams.

5.4 Due dates

The five assignments for this module are attached to this tutorial letter as follows: -

Annexure	Assignment number	Unique number	Due date
A	Compulsory 01/2009 – FIRST SEMESTER	654010	20 February 2009
B	Compulsory 02/2009 – FIRST SEMESTER	878536	27 March 2009
C	Compulsory 01/2009 – SECOND SEMESTER	898334	07 August 2009
D	Compulsory 02/2009 – SECOND SEMESTER	851081	04 September 2009
E	Non-compulsory 03/2009 – FIRST SEMESTER	n/a	30 April 2009
E	Non-compulsory 03/2009 – SECOND SEMESTER	n/a	30 September 2009

Your answers to the assignments must be addressed to the **Registrar** (**not** to the lecturers concerned) and **must reach the University not later than the dates specified above.**

PLEASE NOTE:

THAT SUBMISSION OF ASSIGNMENT 01 IS A PREREQUISITE FOR ADMISSION TO THE EXAMS AND ASSIGNMENTS 01 AND 02 CONSTITUTE 10% OF YOUR FINAL MARK FOR THIS MODULE.

5.5 Finality of the due dates

The receipt of assignments after the due date disrupts our marking programme and as the uncontrolled submission of assignments furthermore creates administrative problems no extension will be granted for the submission of assignments.

NO EXTENSION OF TIME WILL BE GRANTED FOR THE SUBMISSION OF ASSIGNMENTS.
NO CORRESPONDENCE OR TELEPHONE CONVERSATION WILL BE CONDUCTED REGARDING THE LATE SUBMISSION OF ASSIGNMENTS.

5.6 Submission of assignments

(a) Students may submit written assignments and assignments done on mark-reading sheets either by post or electronically via myUnisa. Assignments may **not** be submitted by fax or e-mail.

(b) Full information and requirements regarding the handling of assignments appear in the brochure: **Services and Procedures** which you have received together with your tutorial matter.

(c) All the pages of your assignment must be numbered sequentially and a table of contents, set out as follows, must be included as the first page of your assignment (**not on the assignment cover**):

Question number	Page number
1	1
2	3
etc	etc

(d) To submit an assignment **via myUnisa**:
- Go to myUnisa
- Log in with your student number and password
- Select the module from the orange bar
- Click on "Assignments" in the left menu
- Click on the assignment number you want to submit
- Follow the instructions.

(e) **Assignments received after the due date will <u>not</u> be marked.**

The assignments should be posted at least 10 days before the due date of the assignment to reach the university by the due date.

This is only a guideline. Foreign students and students in areas with irregular postal services must allow additional time for possible postal delays.

5.7 Marking of assignments

Compulsory assignment 01 and 02:

The compulsory assignments will be marked in full and count 10% toward the final mark of this module.

Non-compulsory assignment 03:

Please note that it is the policy of this Department not to mark the whole assignment. Depending on the length and degree of difficulty of an assignment **only one or two questions or parts of questions may be marked**. Your mark for the whole assignment will therefore be the mark you obtain for the specific section(s) marked. For more detail please refer to the relevant paragraph of Departmental Tutorial Letter ACTALL-4/301/2009

5.8 Enquiries

Specify the module code and assignment number in all enquiries about assignments. Enquiries about assignments (whether they were received by the University, what mark was awarded, when they were returned to you, etc) should be addressed to the UNISA Contact centre.

6. ADMISSION TO EXAMINATIONS

YOU ARE REQUIRED TO SUBMIT ASSIGNMENT 01 <u>ON OR BEFORE THE DUE DATE</u> TO OBTAIN ADMISSION TO THE EXAMINATION.

PLEASE NOTE:
THE COMPULSORY ASSIGNMENTS (ASSIGNMENT 01 AND ASSIGNMENT 02) CONSTITUTES 10% OF YOUR FINAL MARK. THE MARK OBTAINED BY YOU IN THE EXAMINATION WILL DETERMINE THE REMAINING 90% OF YOUR FINAL MARK FOR THIS MODULE.

7. STUDY PROGRAMME

Experience has shown that students often fail to plan their studies properly so as to achieve specific study goals at predetermined dates. This leads to a haphazard approach to their studies and the use of ineffective study techniques.

NB: Those of you who register late should endeavour to put in effort in order to make up the lost time.

STUDY PROGRAMME: ACN304W - 2009

SEMESTER 1

Assignment no:	**Suggested period in which to complete study unit/s**	**Study units**	**Date on which assignment must be posted***	**Due date**
01 Compulsory (Annexure A)	08/01/2009 to 11/02/2009	**1** (tutorial 102/3/2009)	13/2/2009	20/2/2009
02 Compulsory (Annexure B)	14/02/2009 to 19/03/2009	**1,3,4** (tutorial 102/3/2009 and 103/3/2009)	20/3/2009	27/3/2009
03 Non-compulsory (Annexure E)	21/03/2009 to 14/04/2009	**1 – 6** (tutorial 102/3/2009, 103/3/2009 and 104/3/2009)	15/4/2009	30/4/2009
From 16/4/2009		Revision of all study units		

SEMESTER 2

Assignment no:	**Suggested period in which to complete study unit/s**	**Study units**	**Date on which assignment must be posted***	**Due date**
01 Compulsory (Annexure C)	10/06/2009 to 30/07/2009	**1** (tutorial 102/3/2009)	31/07/2009	07/08/2009
02 Compulsory (Annexure D)	01/08/2009 to 26/08/2009	**1,3,4** (tutorial 102/3/2009 and 103/3/2009)	27/08/2009	04/09/2009
03 Non-compulsory (Annexure E)	28/08/2009 to 19/09/2009	**1 – 6** (tutorial 102/3/2009, 103/3/2009 and 104/3/2009)	20/09/2009	30/09/2009
From 21/09/2009		Revision of all study units		

*NB: ***This is only a guideline***. Foreign students and students in areas with irregular postal services must allow additional time for possible postal delays.

We feel that at this point a word of warning would not be amiss. Please do not allow yourself to get behind with your study programme. Regaining of lost time is seldom achieved.

8. COMMUNICATION WITH THE UNIVERSITY

If you need to contact the University about matters not related to the content of this module, please consult the publication *UNISA: Services and Procedures* that you received with your study material. This booklet contains information on how to contact the University (e.g. to whom you can write for different queries, important telephone and fax numbers, addresses and details of the times certain facilities are open).

Always have your student number at hand when you contact the University.

Please note that all administrative enquiries should be directed to the **UNISA Contact Centre.** Enquiries will then be channeled to the correct department. The details are as follows:

- Calls (RSA only) 0861 670 411
- International Calls +27 11 670 9000
- Fax number (RSA) 012 429 4150
- Fax number (international) +27 12 429 4150
  E-mail study-info@unisa.ac.za

The Department of Financial Accounting is situated on the main campus on the fourth floor of the AJH van der Walt Building.

You may contact your lecturers in the following ways:

	Telephone number	E-mail address	Office number
Mrs K Papageorgiou	(012) 429-4439	papagk@unisa.ac.za	AJH 4-72
Mrs L Labuschagne	(012) 429-4694	labusl@unisa.ac.za	AJH 4-69
Mrs A Ayob	(012) 429-3943	ayoba@unisa.ac.za	AJH 4-76
Ms Lawrence (secretary)	(012) 429 4326		AJH 4-80

8.1 AVAILABILITY OF LECTURERS

Telephonically

We are available for telephone enquiries from 8:00 to 13:00 on weekdays.

During examinations, lecturers are telephonically available 3 days before the examination date between 8:00 and 16:00.

Personal visits

To avoid any disappointment, **make an appointment** with a lecturer as they are not always readily available.

E-mail

You can also communicate with the lecturers via e-mail. Please note that feedback will not necessarily be given via e-mail, thus it is important to give your student number, telephone number, fax number, e-mail address and postal address. Due to the high volumes of emails received by lecturers from students it is not always possible to reply to these emails immediately. Please be patient as your emails will be attended to as soon as possible.

Fax

The fax number for the Department of Financial Accounting is (012) 429-3424 (marked for a specific lecturer's attention).

Ensure that your student number, return address and telephone numbers are included with your enquiries. Always have your student number at hand when contacting the University.

8.2 ENQUIRIES REGARDING LEARNING CENTRES

Students who are interested in tutor assistance can obtain the telephone numbers and details from the followings learning centres:

REGION: PHYSICAL ADDRESS	CONTACT DETAILS: TUTORIAL SERVICES
UNISA POLOKWANE Tutorial Services Office 23A Lindros Mare' Street Polokwane, 0742	Ms S Harman ☎ (015) 290-3443 e-mail: sharman@unisa.ac.za **and** Mr M Rakoma ☎ (015) 290-3443 e-mail: mrakoma@unisa.ac.za Fax: (015) 291 5486
UNISA NELSPRUIT Tutorial Services Office Standard Bank Centre: **1st Floor** 31 Brown Street, Nelspruit, 1201	Ms K Rankapole ☎ (013) 290 3417 Fax: (013) 291 5486 e-mail: krankapo@unisa.ac.za
UNISA THUTONG (Sunnyside) Tutorial Services Office 12 Harmony Building UNISA Sunnyside Campus Cnr Walker & Joubert streets	Ms M Ntuli ☎ (012) 484-1191 Fax: (012) 484-1194 e-mail: ntulichs@unisa.ac.za
UNISA JOHANNESBURG Tutorial Services Office Old JSE Annekes Building 1 Kerk Street,Johannesburg, 2000	Mrs C Dayel ☎ (011) 630-4514 e-mail: dayelc@unisa.ac.za **and** Ms M Makola ☎ (011) 630-4507 e-mail: Mmakola@unisa.ac.za
UNISA FLORIDA Tutorial Services Office Cnr Christiaan de Wet/Pioneer Ave. F-Block Florida	Ms K Leburu ☎ (011) 471-3978 Fax: (011) 471-3490 e-mail: leburukm@unisa.ac.za
UNISA BENONI 90 General Building Elston Ave. Benoni, 1501	Mr H Mothudi ☎ (011) 421-6593 Fax (011) 421-6574 e-mail: hmothudi@unisa.ac.za
UNISA DURBAN Tutorial Services Office UNISA Kwazulu Natal 230 Stalwart Simelane Street Durban, 4001	Mr D Maharaj ☎ (031) 335-1751/49 Fax: (031) 337-2026 e-mail: mahardp@unisa.ac.za **Richards Bay, Empangeni & Mbizana: contact Mr Maharaj**
UNISA PIETERMARITZBURG Tutorial Services Office 1 Langalibalele Str Pietermaritzburg, 3201	Mrs P Shezi ☎ (033) 355-1723 e-mail: Pshezi@UNISA.ac.za Fax: (033) 394-3626 **and** Mr M Mkhize ☎ (033) 355-1711 Fax: (033) 394-5779
UNISA NEWCASTLE Tutorial Services Office Cnr Sutherland and Harding Street Newcastle, 2940	Mrs Ticia Stoop ☎ 034 312-4048/54/45 **and** Mr Simphiwe Masango 072 744 3830 ***Or e-mail Pietermaritzburg*** e-mail: Pshezi@unisa.ac.za
UNISA PAROW Tutorial Services Office 15 Jean Simonis Street Parow, 7499	Mr AJ Munonde ☎ (021) 936-4121 Fax: (021) 936-4124 e-mail: jmunonde@unisa.ac.za **Retreat, Crawford, Worcester, Paarl and Saldanha: contact Mr Munonde**

REGION: PHYSICAL ADDRESS	CONTACT DETAILS: TUTORIAL SERVICES
UNISA EAST LONDON Tutorial Services Office 10 St Lukes Road Southernwood, East London, 5201	Ms N Kenqu ☎ (043) 743 9246 Fax: 043 743 9273 e-mail: kenqun@unisa.ac.za
UNISA PORT ELIZABETH Tutorial Services Office Cnr Hurd Street & 76 5th Avenue Newton Park; Port Elizabeth, 6045	Ms N Lallie ☎ (041) 365 6650/6645 Fax: 041 365 6656 e-mail: nomes@unisa.ac.za
UNISA MAFIKENG Tutorial Services Office 29 Main Street Opposite ABSA Bank, Mafikeng Mafikeng, 2745	Prof S Shole ☎: (018) 381-6617/7318 Fax: (018) 381-7926 e-mail: sholejss@unisa.ac.za
UNISA RUSTENBURG Tutorial Services Office Forum Building (1st Floor) Cnr. OR Tambo & Steen Street Rustenburg, 0300	Mr M Khorombi ☎ (014) 594 8800/8856 Fax: (014) 594-8863/086 518 5508 mkhoro@unisa.ac.za
UNISA POTCHEFSTROOM Tutorial Services Office 20 Auret Street Potchefstroom, 2531	Mr J Matsietsa ☎ (018) 294 3362/41 Fax: (018) 297-2107 e-mail: matsij@unisa.ac.za
UNISA KIMBERLEY Tutorial Services Office Shop 3 – Liberty Life Building Chapel Street, Kimberley, 8301	Mrs M Louw ☎ (053) 832 6391 Fax: 0865187125 e-mail: mmlouw@unisa.ac.za
UNISA BLOEMFONTEIN Tutorial Services Office NRE House 161 Zastron Street Bloemfontein, 9301	Ms P Hoffmeester ☎ (051) 430-4353 Fax: (051) 430-3822 e-mail: Phoffmees@unisa.ac.za
UNISA KROONSTAD Tutorial Services Office NFS Building 1st floor 36 Brand Street, Kroonstad, 9500	Mr S Nhlapo ☎ (056) 213-2053/4 Fax: (056) 213-1867 e-mail: snhlapo@unisa.ac.za
UNISA: The Directorate of Tutorial Services, Discussion Classes and Work Integrated Learning **(TSDL)** **AJH Building** **Room 1-10 or 1-13** **MUCKLENEUK CAMPUS**	MM Molatlhegi ☎ (012) 429-3512 e-mail: molatmm@unisa.ac.za **or** S Mamadisa ☎ (012) 429-3538 e-mail: mamads@unisa.ac.za Fax: (012) 429-8565/8522 Email fax: 086 531 0872

8.3 CONTACT WITH FELLOW STUDENTS

Study groups

It is advisable to have contact with fellow students. One way to do this is to form study groups. The addresses of students in your area may be obtained from the following department:

Directorate: Student Administration and Registration
PO Box 392
UNISA
0003

You may also contact the UNISA Contact Centre 0861 670 411.

myUnisa

If you have access to a computer that is linked to the internet, you can quickly access resources and information at the University. The *myUnisa* learning management system is UNISA's online campus that will help you to communicate with your lecturers, with other students and with the administrative departments of UNISA – all through the computer and the internet.

To go to the *myUnisa* website, start at the main UNISA website, http://www.unisa.ac.za, and then click on the “Login to *myUnisa*” link on the right-hand side of the screen. This should take you to the *myUnisa* website. You can also go there directly by typing in http://my.unisa.ac.za.

Please consult the publication *UNISA: Services and Procedures* which you received with your study material for more information on *myUnisa*.

9. GENERAL

In spite of care taken to ensure that tutorial letters, assignments and suggested solutions are comprehensible and free from errors, omissions and discrepancies may occur.

Should you come across such matters, or matters which are not clearly expressed, kindly let us know to enable us to effect the necessary corrections.

We trust that you will have a pleasant year of study and wish you every success therein.

Yours faithfully

LECTURERS : FINANCIAL ACCOUNTING III (ACN304W)

ANNEXURE A

ASSIGNMENT 01 FOR ACN304W (compulsory for the first semester)

SUBMISSION OF ASSIGNMENT 01 IS COMPULSORY TO OBTAIN EXAMINATION ADMISSION. ASSIGNMENT 01 AND ASSIGNMENT 02 TOGETHER WILL COUNT 10% TOWARDS YOUR FINAL MARK FOR THIS MODULE.

SEMESTER 1

UNIQUE NUMBER:

ACN304W: 654010

DUE DATE: 20 FEBRUARY 2009

PLEASE NOTE:

1. This assignment consists of 10 multiple choice questions. Questions 1 - 10 of this assignment must be answered on a mark-reading sheet. Before completing the mark-reading sheet, please refer to the instructions contained in this year's issue of "*UNISA: Services and Procedures*". Read these instructions CAREFULLY and follow them exactly to avoid mistakes.
2. This assignment covers **study unit 1(included in tutorial letter 102/3/2009)**. Carefully work through the relevant tutorial matter before you tackle the assignment.
3. **NO EXTENSION WILL BE GRANTED FOR THE LATE SUBMISSION OF THIS ASSIGNMENT AND NO CORRESPONDENCE OR TELEPHONE CONVERSATIONS WILL BE CONDUCTED IN THIS REGARD.**
4. **THIS ASSIGNMENT MAY BE SUBMITTED ELECTRONICALLY VIA myUNISA.**

REMEMBER:

There is only one correct answer to each question.
All questions are equal in value.
Only mark-reading sheets provided, may be used.
Colour in the correct block with a HB pencil.
Fill in your student number correctly.
Fill in the assignment number correctly.
Fill in the unique number of the assignment **for the specific module and semester** correctly. Every assignment which is marked by the computer is given a unique number. The number contains information on the module code and assignment number. When the computer reads the mark-reading sheet with, say, the unique number 103039, it "knows" that it is Assignment 01 for that specific module.
Send **only** your mark-reading sheet to the Assignment Section in the appropriate envelope.
Make sure that you have enough mark-reading sheets.

DO NOT:

- make more than one mark per question,
- tear or fold the mark-reading sheet,
- staple the mark-reading sheet to another piece of paper,
- colour outside the block,
- colour in the block with a pen,
- make corrections with Tippex;
- submit answers on a written sheet of paper, or
- try to repair a torn mark-reading sheet with sticky tape - use another one.

MULTIPLE CHOICE QUESTIONS

Note:
In all questions you may assume that the profit for the year is equal to the total comprehensive income for the year, unless otherwise stated.

The following information relates **only** to questions 1 to 3:

The following balances were extracted from the trial balances of Gems Limited and Aqua Limited for the year ended 31 December 20.8:

	Gems Limited Dr/(Cr) R	**Aqua Limited Dr/(Cr) R**
Investment in Aqua Limited at fair value	225 000	-
Dividends paid – 31 December 20.8	100 000	50 000
Inventories	120 000	95 400
Loan to Aqua Limited	250 000	-
Share capital – R1 ordinary shares	(500 000)	(100 000)
Retained earnings – 1 January 20.8	(400 000)	(321 000)
Mark-to-market reserve	(25 800)	-
Deferred tax on mark-to-market reserve	(4 200)	-
Long-term borrowings	(300 000)	(250 000)
Profit for the year	(342 000)	(124 000)

Additional information

On 1 January 20.6, Gems Limited acquired an 80% interest in Aqua Limited. At the date of acquisition the retained earnings of Aqua Limited amounted to R180 000.

At the above acquisition date the fair value of all the identifiable assets, liabilities and contingent liabilities were considered to be equal to the carrying amounts thereof.

Gems Limited made a loan of R250 000 to Aqua Limited on 1 January 20.8. Gems Limited charges interest of 10% per annum on the loan. No interest paid or received was outstanding at the end of the current year. The loan is repayable in 4 annual instalments from 1 January 20.11

During the current year Aqua Limited sold inventories to Gems Limited at a mark-up of 25% on cost. At the end of the current year Gems Limited still had R70 000 inventories on hand that were purchased from Aqua Limited.

The total sales of Aqua Limited to Gems for the year ended 31 December 20.8 amounted to R150 000.

The S.A Normal tax rate is 28%. You can assume that the tax rate remained unchanged at 28%.

The fair value of available-for-sale financial assets is equal to the cost price thereof unless otherwise stated.

Goodwill was tested for impairment at 31 December 20.8 and it was found to be impaired by R5 000. The company uses the proportionate method to calculate goodwill.

1. The amount that will be disclosed as **non-controlling interest** in the consolidated statement of financial position of the Gems Limited Group as at 31 December 20.8 is:

(1) R96 200
(2) R99 000
(3) R96 984
(4) R96 480
(5) None of the above.

2. The amount that will be disclosed as **long-term borrowings** in the consolidated statement of financial position of the Gems Limited Group as at 31 December 20.8 will be:

(1) R300 000
(2) R550 000
(3) R187 500
(4) R500 000
(5) None of the above.

3. The amount that will be disclosed as **goodwill** in the consolidated statement of financial position of the Gems Limited Group as at 31 December 20.8 will be:

(1) R24 000
(2) R24 800
(3) R29 000
(4) R19 800
(5) None of the above.

The following information relates **only** to questions 4 and 5:

Venue Limited acquired an 80% interest in Action Limited on 1 January 20.6. During the current year Venue Limited purchased inventories from Action Limited to the value of R450 000(20.7: R410 000). On 31 July 20.8 Venue Limited had 40% (20.7: 45%) of the inventory purchased from Action Limited on hand. Action Limited sells the inventories to Venue Limited at a mark-up of 20% on selling price.

The following figures were extracted from the two company's trial balances as at 31 July 20.8:

	Venue Limited Dr/(Cr) R	**Action Limited Dr/(Cr) R**
Sales	(1 250 000)	(1 100 000)
Cost of sales	937 500	825 000
Inventories	562 500	495 000

4. The amount that will be disclosed as **cost of sales** in the consolidated statement of comprehensive income of the Venue Limited Group for the year ended 31 July 20.8 will be:

(1) R1 313 400
(2) R1 312 500
(3) R1 311 600
(4) R1 311 750
(5) None of the above.

5. The amount that will be disclosed as **inventories** in the consolidated statement of financial position of the Venue Limited Group as at 31 July 20.8 will be:

(1) R1 056 600
(2) R1 058 400
(3) R1 021 500
(4) R1 027 500
(5) None of the above.

The following information relates **only** to question 6:

Power Limited has had a 70% interest in Energy Limited since 20.5. On 1 October 20.8 Power Limited sold a vehicle to Energy Limited for R210 000. The vehicle was originally purchased by Power Limited on 1 January 20.6 for R260 000. Both the companies have a policy to depreciate vehicles using the straight line basis at 20% per annum. The carrying amount of the total vehicles in the financial statements of Power Limited and Energy Limited were R550 000 and R620 000 respectively at year end. The financial year end of both companies is 31 December.

6. The **carrying amount** of vehicles that will be included in property, plant and equipment in the consolidated statement of financial position of the Power Limited Group as at 31 December 20.8 will be:

(1) R1 081 650
(2) R910 000
(3) R1 120 000
(4) R1 071 150
(5) None of the above.

The following information relates **only** to question 7:

Cola Limited owns 60% interest in Pepsi Limited. On 1 July 20.8 Pepsi Limited sold machinery to Cola Limited at a profit of R50 000. Both companies depreciate machinery on the straight-line basis over five years. Cola Limited sold inventory to Pepsi Limited during the year at a profit of R24 000. Half of this inventory was still on hand at year end. Assume a tax rate of 28%.

7. The amount that will be disclosed as **deferred tax** in the consolidated statement of financial position of the Cola Limited Group as at 31 December 20.8 will be:

(1) R14 560 liability
(2) R14 560 asset
(3) R15 960 asset
(4) R15 960 liability
(5) None of the above.

The following information relates **only** to question 8:

On 1 January 20.8, Smart Limited acquired an 80% interest in Play Limited for R360 000. At that date the equity of Play Limited was made up as follows:

	R
Share capital	100 000
Retained earnings	212 000

On the date of acquisition land and buildings of the subsidiary were valued as follows:

	Carrying amount	**Fair value**
	R	**R**
Land	200 000	220 000
Factory buildings	400 000	550 000

The group uses the proportionate method to account for goodwill. You may assume a SA Normal tax rate of 28%.

8. The amount of **goodwill** or **gain from bargain purchase** arising at the date of acquisition will be:

(1) R6 560 **gain from bargain purchase**
(2) R25 600 **gain from bargain purchase**
(3) R12 480 **goodwill**
(4) R10 240 **goodwill**
(5) None of the above.

The following information relates **only** to question 9:

JFK Limited acquired an 80% interest in KC Limited on 1 March 20.8. On this date the carrying amount of the net assets of KC Limited amounted to R1000 000. At the above acquisition date the fair values of all the identifiable assets, liabilities and contingent liabilities were considered to be equal to the carrying amounts of these items with the exception of fixed property which had a fair value of R325 000 and a carrying amount of R250 000.

9. The value of the **fixed property** that will be included in property, plant and equipment in the consolidated statement of financial position of the JFK Limited Group as at 31 December 20.8 will be:

(1) R325 000
(2) R250 000
(3) R75 000
(4) R575 000
(5) None of the above.

The following information relates **only** to question 10:

Matrix Limited acquired 60% interest in Fundi Limited on 1 January 20.8. During the current year Fundi Limited purchased inventories from Matrix Limited at a mark up of 20% on selling price. Sales to Fundi Limited by Matrix Limited amounted to R700 000 for the current year. Inventories on hand that were purchased by Fundi Limited from Matrix Limited amounted to R182 500 on 31 December 20.8. The inventory of R182 500 was written down to a net realisable value of R170 000 by Fundi Limited on 31 December 20.8.

The following balances appeared in the trial balances of Matrix Limited and Fundi Limited on 31 December 20.8:

	Matrix Limited	**Fundi Limited**
	R	**R**
Inventories	650 000	725 000

10. The amount that will be disclosed as **inventories** in the consolidated statement of financial position of the Matrix Limited Group as at 31 December 20.8 will be:

(1) R1 338 500
(2) R1 362 500
(3) R1 357 083
(4) R1 351 000
(5) None of the above.

ANNEXURE B

ASSIGNMENT 02 FOR ACN304W (compulsory for the first semester)

SUBMISSION OF ASSIGNMENT 01 IS COMPULSORY TO OBTAIN EXAMINATION ADMISSION. ASSIGNMENT 01 AND ASSIGNMENT 02 TOGETHER WILL COUNT 10% TOWARDS YOUR FINAL MARK FOR THIS MODULE.

SEMESTER 1

UNIQUE NUMBER:

ACN304W: 878536

DUE DATE: 27 MARCH 2009

PLEASE NOTE:

1. This assignment consists of 10 multiple choice questions. Questions 1 - 10 of this assignment must be answered on a mark-reading sheet. Before completing the mark-reading sheet, please refer to the instructions contained in this year's issue of "*UNISA: Services and Procedures*". Read these instructions CAREFULLY and follow them exactly to avoid mistakes.
2. This assignment covers **study units 1, 3 and 4 (included in tutorial letter 102/3/2009 and 103/3/2009).** Carefully work through the relevant tutorial matter before you tackle the assignment.
3. **NO EXTENSION WILL BE GRANTED FOR THE LATE SUBMISSION OF THIS ASSIGNMENT AND NO CORRESPONDENCE OR TELEPHONE CONVERSATIONS WILL BE CONDUCTED IN THIS REGARD.**
4. **THIS ASSIGNMENT MAY BE SUBMITTED ELECTRONICALLY VIA myUNISA.**

REMEMBER:

There is only one correct answer to each question.
All questions are equal in value.
Only mark-reading sheets provided, may be used.
Colour in the correct block with a HB pencil.
Fill in your student number correctly.
Fill in the assignment number correctly.
Fill in the unique number of the assignment **for the specific module and semester** correctly. Every assignment which is marked by the computer is given a unique number. The number contains information on the module code and assignment number. When the computer reads the mark-reading sheet with, say, the unique number 103039, it "knows" that it is Assignment 01 for that specific module.
Send **only** your mark-reading sheet to the Assignment Section in the appropriate envelope.
Make sure that you have enough mark-reading sheets.

DO NOT:

- make more than one mark per question,
- tear or fold the mark-reading sheet,
- staple the mark-reading sheet to another piece of paper,
- colour outside the block,
- colour in the block with a pen,
- make corrections with Tippex;
- submit answers on a written sheet of paper, or
- try to repair a torn mark-reading sheet with sticky tape - use another one.

MULTIPLE CHOICE QUESTIONS

Note:
In all questions you may assume that the profit for the year is equal to the total comprehensive income for the year, unless otherwise stated.

The following information relates to questions 1 to 7:

The following are the trial balances of Hellenic Limited, Euro Limited and Greco Limited for the year ended 31 December 20.7:

	Hellenic Limited Dr/(Cr) R	**Euro Limited Dr/(Cr) R**	**Greco Limited Dr/(Cr) R**
Property, plant and equipment	421 000	400 000	360 000
Investment in Euro Limited			
- Shares at fair value	160 000	-	-
Investment in Greco Limited			
- Shares at fair value	43 000	-	-
Inventories	74 708	62 500	65 800
Cash and cash equivalents	110 000	55 000	35 000
Other expenses	121 608	35 300	12 500
Income tax expense	63 950	29 820	28 924
Dividends paid – 30 June 20.7	30 000	20 000	10 000
Loan to Greco Limited	200 000	-	-
Share capital – R1 ordinary shares	(400 000)	(100 000)	(50 000)
Retained earnings – 1 January 20.7	(220 000)	(310 000)	(100 800)
Mark-to-market reserve	(17 200)	-	-
Deferred tax on mark-to-market reserve	(2 800)	-	-
Long-term borrowings	(120 000)	-	(200 000)
Gross profit	(325 000)	(106 800)	(125 800)
Other income	(25 000)	(35 000)	-
Dividends received	(18 500)	-	-
Trade and other payables	(95 766)	(50 820)	(35 624)
	-	-	-

Additional information:

On 1 January 20.4 Hellenic Limited acquired 80% of the issued share capital of Euro Limited. The retained earnings of Euro Limited on 1 January 20.4 was R120 000.

Hellenic Limited acquired a 25% interest in a jointly controlled entity, Greco Limited on 1 January 20.3. The retained earnings of Greco Limited on 1 January 20.3 amounted to R35 000.

At both the above acquisition dates the fair values of all the identifiable assets, liabilities and contingent liabilities were considered to be equal to the carrying amounts of these items.

Hellenic Limited made a loan of R200 000 to Greco Limited on 1 July 20.7. Hellenic Limited charges interest of 10% per annum on the loan. The interest paid to Hellenic Limited has been included in other income of Hellenic Limited and other expenses of Greco Limited. The loan is repayable in 4 annual instalments from 1 July 20.10.

Hellenic Limited declared a final dividend of R50 000 on 31 December 20.7, payable to all registered shareholders of Hellenic Limited on 31 January 20.8. The annual general meeting of Hellenic Limited will be held on 1 March 20.8.

In all the companies each share carries one vote.

The SA Normal tax rate is 28%. You can assume that the tax rate has remained unchanged at 28%.

The fair value of available-for-sale financial assets is equal to the cost price thereof unless otherwise stated.

The mark-to-market reserve in the books of Hellenic Limited arose from the revaluation of its investment in Euro Limited to its fair value.

At the end of the current year goodwill was assessed for impairment and it was found that the goodwill in Greco Limited was impaired by R5 000. The company uses the proportionate method to calculate goodwill.

1. The amount that will be disclosed as **goodwill** in the consolidated statement of financial position of the Hellenic Limited Group as at 31 December 20.7 will be:

(1) R21 750
(2) R16 750
(3) R57 750
(4) R52 750
(5) None of the above.

2. The amount that will be disclosed as **other expenses** in the consolidated statement of comprehensive income of the Hellenic Limited Group for the year ended 31 December 20.7 is:

(1) R165 033
(2) R169 408
(3) R174 408
(4) R162 533
(5) None of the above

3. The amount that will be disclosed as **other income** in the consolidated statement of comprehensive income of the Hellenic Limited Group for the year ended 31 December 20.7 is:

(1) R24 000
(2) R60 000
(3) R40 000
(4) R57 500
(5) None of the above

4. The amount that will be disclosed as **opening retained earnings** as at 1 January 20.7 in the consolidated statement of changes in equity of the Hellenic Limited Group for the year ended 31 December 20.7 is:

(1) R372 000
(2) R424 450
(3) R388 450
(4) R352 450
(5) None of the above.

5. The amount that will be disclosed as **non-controlling interest** in the consolidated statement of comprehensive income of the Hellenic Limited Group for the year ended 31 December 20.7 is:

(1) R21 094
(2) R15 336
(3) R8 336
(4) R36 430
(5) None of the above.

6. What will the amount be of the **dividends paid** in the total equity column of the consolidated statement of changes in equity of the Hellenic Limited Group for the year ended 31 December 20.7:

(1) R36 500
(2) R84 000
(3) R34 000
(4) R86 500
(5) None of the above.

7. The amount that will be disclosed as **long-term borrowings** in the consolidated statement of financial position of the Hellenic Limited Group as at 31 December 20.7 will be:

(1) R170 000
(2) R120 000
(3) R320 000
(4) R270 000
(5) None of the above.

The following information relates **only** to questions 8 to 10.

Use the trial balance and additional information given in the question to answer the following questions. The transactions mentioned hereafter relate **ONLY** to question 8 to 10 and must **not** be included in calculating your answers to questions 1 to 7.

During the current year Hellenic Limited purchased inventories from Euro Limited at a mark-up of 25% on cost. At the end of the current year Hellenic Limited still had R50 000 inventories on hand that were purchased from Euro Limited.

The total sales of Euro Limited to Hellenic Limited for the year ended 31 December 20.7 amounted to R136 000.

8. The amount that will be disclosed as **inventories** in the consolidated statement of financial position of the Hellenic Limited Group as at 31 December 20.7 is:

(1) R153 658
(2) R143 658
(3) R163 658
(4) R141 158
(5) None of the above.

9. The amount that will be disclosed as **income tax expense** in the consolidated statement of comprehensive income of the Hellenic Limited Group for the year ended 31 December 20.7 is:

(1) R101 001
(2) R98 201
(3) R103 801
(4) R97 501
(5) None of the above.

10. The amount that will be disclosed as **non-controlling interest** in the consolidated statement of comprehensive income of the Hellenic Limited Group for the year ended 31 December 20.7 is:

(1) R8 336
(2) R15 336
(3) R13 896
(4) R34 990
(5) None of the above.

ANNEXURE C

ASSIGNMENT 01 FOR ACN304W (compulsory for the second semester)

SUBMISSION OF ASSIGNMENT 01 IS COMPULSORY TO OBTAIN EXAMINATION ADMISSION. ASSIGNMENT 01 AND ASSIGNMENT 02 TOGETHER WILL COUNT 10% TOWARDS YOUR FINAL MARK FOR THIS MODULE.

SEMESTER 2

UNIQUE NUMBER:

ACN304W: 898334

DUE DATE: 07 AUGUST 2009

PLEASE NOTE:

1. This assignment consists of 10 multiple choice questions. Questions 1 - 10 of this assignment must be answered on a mark-reading sheet. Before completing the mark-reading sheet, please refer to the instructions contained in this year's issue of "*UNISA: Services and Procedures*". Read these instructions CAREFULLY and follow them exactly to avoid mistakes.
2. This assignment covers **study unit 1 (included in tutorial letter 102/3/2009).** Carefully work through the relevant tutorial matter before you tackle the assignment.
3. **NO EXTENSION WILL BE GRANTED FOR THE LATE SUBMISSION OF THIS ASSIGNMENT AND NO CORRESPONDENCE OR TELEPHONE CONVERSATIONS WILL BE CONDUCTED IN THIS REGARD.**
4. **THIS ASSIGNMENT MAY BE SUBMITTED ELECTRONICALLY VIA myUNISA.**

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Fill in the assignment number correctly.
Fill in the unique number of the assignment **for the specific module and semester** correctly. Every assignment which is marked by the computer is given a unique number. The number contains information on the module code and assignment number. When the computer reads the mark-reading sheet with, say, the unique number 103039, it "knows" that it is Assignment 01 for that specific module.
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- colour outside the block,
- colour in the block with a pen,
- make corrections with Tippex;
- submit answers on a written sheet of paper, or
- try to repair a torn mark-reading sheet with sticky tape - use another one.

MULTIPLE CHOICE QUESTIONS

Note:
In all questions you may assume that the profit for the year is equal to the total comprehensive income for the year, unless otherwise stated.

The following information relates **only** to question 1 and 2:

The following balances appeared in the trial balances of Fido Limited and Dido Limited for the year ended 31 December 20.8:

	Fido Limited Dr/(Cr) R	**Dido Limited Dr/(Cr) R**
Investment in Dido Limited at fair value	230 000	-
Inventories	174 000	115 500
Share capital – R1 ordinary shares	(200 000)	(100 000)
Retained earnings – 1 January 20.8	(550 000)	(275 000)
Profit for the year	(258 900)	(250 500)

Additional information

On 1 January 20.5, Fido Limited acquired an 80% interest in Dido Limited. At the date of acquisition the retained earnings of Dido Limited amounted to R107 500.

At the above acquisition date the fair value of all the identifiable assets, liabilities and contingent liabilities were considered to be equal to the carrying amounts of these items with the exception of a building which had a fair value of R500 000 and a carrying amount of R425 000. This revaluation was not recorded in the books of Dido Limited.

During the current year, Dido Limited sold the building that was revalued to a third party for R510 000. The profit on the sale of the building is included in the profit for the year of Dido Limited.

During the current year Dido Limited sold inventories to Fido Limited at a mark-up of 20% on selling price. Fido Limited purchases all its inventories from Dido Limited.

You may ignore all tax implications.

The fair value of available-for-sale financial assts is equal to the cost price thereof unless otherwise stated.

The company uses the proportionate method to calculate goodwill.

1. The amount that will be disclosed as **non-controlling interest** in the consolidated statement of comprehensive income of the Fido Limited Group for the year ended 31 December 20.8 is:

(1) R28 140
(2) R11 140
(3) R35 100
(4) R43 140
(5) None of the above.

2. The amount that will be disclosed as **goodwill** or **gain from bargain purchase** in the consolidated statement of financial position of the Fido Limited Group as at 31 December 20.8 is:

(1) R4 000 goodwill
(2) R4 000 gain from bargain purchase
(3) R64 000 gain from bargain purchase
(4) R52 500 goodwill
(5) None of the above.

The following information relates **only** to questions 3 and 4:

Sunset Limited acquired an 80% interest in Horizon Limited on 1 March 20.6. During the current year Horizon Limited purchased inventories from Sunset Limited to the value of R550 000. (20.7: R510 000). On 28 February 20.8 Horizon Limited had R192 500 (20.7: R204 000) of the inventory purchased from Sunset Limited on hand. Sunset Limited sells the inventories to Horizon Limited at a mark-up of 20% on selling price.

The following balances were extracted from the two companies trial balances as at 28 February 20.8:

	Sunset Limited Dr/(Cr) R	**Horizon Limited Dr/(Cr) R**
Gross profit	(238 000)	(134 500)
Inventories	249 900	172 725

3. The amount that will be disclosed as **gross profit** in the consolidated statement of comprehensive income of the Sunset Limited Group for the year ended 28 February 20.8 will be:

(1) R332 500
(2) R370 200
(3) R334 800
(4) R370 583
(5) None of the above.

4. The amount that will be disclosed as **inventories** in the consolidated statement of financial position of the Sunset Limited Group as at 28 February 20.8 will be:

(1) R384 125
(2) R420 325
(3) R424 925
(4) R390 542
(5) None of the above.

The following information relates **only** to question 5

The following balances appeared in the financial statements of Cosmo Limited and Elle Limited for the year ended 31 December 20.8:

	Cosmo Limited Dr/(Cr) R	**Elle Limited Dr/(Cr) R**
Property, plant and equipment	720 000	885 000
Accumulated depreciation	(208 000)	(290 000)
	512 000	595 000

Cosmo Limited acquired 80% interest in Elle Limited on 1 January 20.6. Elle Limited purchased equipment from Cosmo Limited for R340 000 on 1 July 20.8. The equipment had originally been purchased by Cosmo Limited for R460 000 on 1 January 20.7. The group has a policy to depreciate equipment over 4 years on the straight-line basis.

5. The **carrying amount** of equipment that will be included in property, plant and equipment in the consolidated statement of financial position of the Cosmo Limited Group as at 31 December 20.8 will be:

(1) R1 061 063
(2) R847 000
(3) R987 000
(4) R1 018 563
(5) None of the above.

The following information relates **only** to question 6:

Coco Limited purchased a 60% interest in Jungle Limited for R190 000 on 1 January 20.6. On 31 December 20.8 the fair value of the investment in Jungle Limited was R230 000. On 1 April 20.8 Jungle Limited sold furniture to Coco Limited at a profit of R68 000. Both companies depreciate furniture on the straight-line basis over eight years which is in line with the wear and tear allowance allowed by the Receiver of Revenue. Jungle Limited purchased R150 000 inventories from Coco Limited during the current year at a profit of R60 000. 40% of the inventories purchased by Jungle Limited from Coco Limited
were still on hand at year end.

6. The amount that will be disclosed as **deferred tax** in the consolidated statement of financial position of the Coco Limited Group as at 31 December 20.8 will be:

(1) R23 380 asset
(2) R23 975 asset
(3) R28 980 liability
(4) R29 575 liability
(5) None of the above.

The following information relates **only** to question 7:

On 1 January 20.7, Techno Limited acquired 80% of the issued share capital of Mobile Limited which consisted of 100 000 R1 ordinary shares. Techno Limited and Mobile Limited paid an interim dividend of R80 000 and R60 000 respectively on 1 May 20.7. Mobile Limited declared a final dividend of R50 000 on 31 December 20.7 payable to all registered shareholders of Mobile Limited on 31 January 20.8. The annual general meeting of Mobile Limited was scheduled for 1 March 20.8. No other dividends were declared or paid during the current year

7. What will the amount be of the **dividends paid** in the total equity column of the consolidated statement of changes in equity of the Techno Limited Group for the year ended 31 December 20.7:

(1) R190 000
(2) R92 000
(3) R102 000
(4) R80 000
(5) None of the above.

The following information relates **only** to question 8:

Mario Limited holds an 80% interest in Luigi Limited. Included in the bills receivable of Mario Limited are bills amounting to R50 000, which have been accepted by Luigi Limited. Mario Limited however discounted R15 000 of these bills from Luigi Limited that have not yet matured at year end at the bank.

The following balances appeared in the financial statements of Mario Limited and Luigi Limited for the year end 31 December 20.8:

	Mario Limited Dr/(Cr) R	**Luigi Limited Dr/(Cr) R**
Bills receivable	80 000	45 000

8. The amount that will be disclosed as **bills receivable** in the consolidated statement of financial position of the Mario Limited Group as at 31 December 20.8 will be:

(1) R80 000
(2) R125 000
(3) R75 000
(4) R90 000
(5) None of the above.

The following information relates **only** to question 9:

Mecca Limited owns a 70% interest in Medina Limited. Medina Limited declared and paid a dividend three months before year-end.

9. What effect will this dividend have on the **retained earnings and non-controlling interest** in the consolidated statement of financial position of the Mecca Limited group as at the end of the current year?

(1) No effect on retained earnings or non-controlling interest.
(2) No effect on retained earnings and a decrease in non-controlling interest.
(3) Decrease in retained earnings and non-controlling interest.
(4) Decrease in retained earnings and no effect on non-controlling interest.
(5) None of the above.

The following information relates **only** to question 10:

Pasta Limited acquired an 80% interest in Macaroni Limited on 1 January 20.1 for R50 000. On 31 July 20.4 Macaroni Limited acquired a 5% interest in Penne Limited for R40 000. You may assume a SA Normal tax rate of 28%.

The following balances appeared in the financial statements of Pasta Limited and Macaroni Limited for the year ended 31 December 20.8:

	Pasta Limited Dr/(Cr) R	**Macaroni Limited Dr/(Cr) R**
Investment in Macaroni Limited at fair value	60 000	-
Investment in Penne Limited at fair value	-	45 000

10. The amount that will be disclosed as **mark-to-market reserve** in the consolidated statement of financial position of the Pasta Limited Group as at 31 December 20.8 will be:

(1) R10 000
(2) R15 000
(3) R3 440
(4) R4 300
(5) None of the above.

<u>ANNEXURE D</u>

ASSIGNMENT 02 FOR ACN304W (compulsory for the second semester)

SUBMISSION OF ASSIGNMENT 01 IS COMPULSORY TO OBTAIN EXAMINATION ADMISSION. ASSIGNMENT 01 <u>AND</u> ASSIGNMENT 02 TOGETHER WILL COUNT 10% TOWARDS YOUR FINAL MARK FOR THIS MODULE.

<u>SEMESTER 2</u>

UNIQUE NUMBER:

ACN304W: 851081

DUE DATE: 04 SEPTEMBER 2009

PLEASE NOTE:

1. This assignment consists of 10 multiple choice questions. Questions 1 - 10 of this assignment must be answered on a mark-reading sheet. Before completing the mark-reading sheet, please refer to the instructions contained in this year's issue of "*UNISA: Services and Procedures*". Read these instructions CAREFULLY and follow them exactly to avoid mistakes.
2. This assignment covers **study units 1, 3 and 4 (included in tutorial letter 102/3/2009 and 103/3/2009).** Carefully work through the relevant tutorial matter before you tackle the assignment.
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MULTIPLE CHOICE QUESTIONS

Note:
In all questions you may assume that the profit for the year is equal to the total comprehensive income for the year, unless otherwise stated.

The following information relates to questions 1 to 6:

The following are the trial balances of Sweet Limited and Sour Limited for the year ended 31 December 20.7:

	Sweet Limited R	Sour Limited R
Debits		
Property, plant and equipment	624 000	1 090 000
Investments:		
Sour Limited – 160 000 R1 ordinary shares at fair value	390 000	-
Spicy Limited – 50 000 R1 ordinary shares at fair value	100 000	-
Inventories	150 000	170 000
Loan to Sour Limited	100 000	-
Cost of sales	800 000	600 000
Other expenses	190 000	225 000
Income tax expense	180 000	115 000
Ordinary dividends paid	100 000	-
	2 634 000	2 200 000
Credits		
Share capital - R1 ordinary shares	470 000	200 000
Mark-to-market reserve	8 600	-
Retained earnings – 1 January 20.7	300 000	400 000
Loan from Sweet Limited	-	100 000
Trade and other payables	230 000	300 000
Deferred tax	1 400	-
Other income	24 000	-
Revenue	1 600 000	1 200 000
	2 634 000	2 200 000

Additional information:

Sweet Limited acquired its shares in Sour Limited on 1 January 20.0. The retained earnings of Sour Limited amounted to R130 000 at that date. On the date of acquisition the fair value of the land of Sour Limited was R160 000 higher than the carrying value thereof.

At the above acquisition date the fair values of all the remaining identifiable assets, liabilities and contingent liabilities were considered to be equal to the carrying amounts thereof.

On 1 January 20.0 Sweet Limited made a loan to Sour Limited of R100 000. Interest on this loan is payable at 15% per annum and the loan is to be repayable in full on 31 December 20.8.

On 1 January 20.6 Sweet Limited acquired 25% of the equity of Spicy Limited. At that date the retained earnings of Spicy Limited amounted to R60 000. The fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date of Spicy Limited were considered to be equal to the carrying values of these items. Sweet Limited has exercised significant influence over the operating policies of

Spicy Limited since the date of acquisition. The cost price of the investment in Spicy Limited is deemed to be equal to the fair value thereof.

The trial balance of Spicy Limited for the year ended 31 December 20.7 is as follows:

	R
Debits	
Property, plant and equipment	350 000
Inventories	188 400
Income tax expense	61 600
Other expenses	500 000
	1 100 000
Credits	
Share capital – R1 ordinary shares	200 000
Retained earnings – 1 January 20.7	100 000
Trade and other payables	80 000
Gross profit	720 000
	1 100 000

The mark-to-market reserve in the books of Sweet Limited arose from the revaluation of its investment in Sour Limited to its fair value.

Goodwill was considered to be impaired at 31 December 20.7 by R1 000. The group uses the proportionate method to recognise goodwill.

The SA Normal tax rate is 28%.

Each share carries one vote.

Sweet Limited classified its investments in Sour Limited and Spicy Limited as available-for-sale financial assets.

1. The amount that will be disclosed as **goodwill** in the consolidated statement of financial position of the Sweet Limited Group as at 31 December 20.7 will be:

(1) R116 000
(2) R115 000
(3) R5 920
(4) R4 920
(5) None of the above.

2. The amount that will be disclosed as **share of profit from associate** in the consolidated statement of comprehensive income of the Sweet Limited Group for the year ended 31 December 20.7 will be:

(1) R158 400
(2) R39 600
(3) R55 000
(4) R220 000
(5) None of the above.

3. The amount that will be disclosed as **investment in associate** in the consolidated statement of financial position of the Sweet Limited Group as at 31 December 20.7 will be:

(1) R110 000
(2) R149 600
(3) R100 000
(4) R10 000
(5) None of the above.

4. The amount that will be disclosed as **other expenses** in the consolidated statement of comprehensive income of the Sweet Limited Group for the year ended 31 December 20.7 will be:

(1) R190 000
(2) R415 000
(3) R401 000
(4) R399 000
(5) None of the above.

5. The total comprehensive income attributable to **non-controlling interest** that will be disclosed in the consolidated statement of comprehensive income of the Sweet Limited Group for the year ended 31 December 20.7 will be:

(1) R52 000
(2) R49 000
(3) R91 600
(4) R39 600
(5) None of the above.

6. The amount that will be disclosed as **opening retained earnings** in the consolidated statement of changes in equity of the Sweet Limited Group for the year ended 31 December 20.7 will be:

(1) R300 000
(2) R216 000
(3) R526 000
(4) R516 000
(5) None of the above.

The following information relates **only** to questions 7 to 10:

Use the trial balance and additional information given in the question to answer the following questions. The transactions mentioned hereafter relate **ONLY** to questions 7 to 10 and must not be included in calculating your answers to questions 1 to 6.

On 1 January 20.7 Sweet Limited purchased equipment for R80 000. The equipment was not adequate for the production needs of Sweet Limited thus Sweet Limited sold the above-mentioned equipment to Sour Limited on the same date for R120 000. Both companies depreciate equipment at 10% per annum using the straight-line method.

Sour Limited sold inventories to Sweet Limited since June 20.7 at cost plus 20%. Included in inventories on 31 December 20.7 of Sweet Limited were inventories on hand of R30 000 that were purchased from Sour Limited.

7. The amount that will be disclosed as **inventories** in the consolidated statement of financial position of the Sweet Limited Group as at 31 December 20.7 will be:

(1) R314 000
(2) R315 000
(3) R503 400
(4) R320 000
(5) None of the above.

8. The amount that will be disclosed as **property, plant and equipment** in the consolidated statement of financial position of the Sweet Limited Group as at 31 December 20.7 will be:

(1) R624 000
(2) R1 678 000
(3) R1 801 500
(4) R1 838 000
(5) None of the above.

9. The amount that will be disclosed as **cost of sales** in the consolidated statement of comprehensive income of the Sweet Limited Group for the year ended 31 December 20.7 will be:

(1) R1 400 000
(2) R1 244 000
(3) R1 395 000
(4) R1 245 000
(5) None of the above.

10. The amount that will be disclosed as **income tax expense** in the consolidated statement of comprehensive income of the Sweet Limited Group for the year ended 31 December 20.7 will be:

(1) R283 240
(2) R283 800
(3) R284 920
(4) R283 520
(5) None of the above.

ANNEXURE E

ASSIGNMENT 03 FOR ACN304W (FOR BOTH THE FIRST AND SECOND SEMESTERS)

SEMESTER 1

DUE DATE: 30 APRIL 2009

SEMESTER 2

DUE DATE: 30 SEPTEMBER 2009

This assignment is compiled as follows:

QUESTION NUMBER	SUBJECT	MARKS	TIME (Minutes)
1	Horizontal group	42	50
2	Vertical group	51	62
3	Complex group	36	43
4	Mixed group	40	48
5	Insolvent subsidiary	31	37
6	Insolvent subsidiary	24	29
7	Group with associate	52	62
8	Associate	29	35
9	Joint venture	44	53
10	Joint venture	33	40
11	Changes in ownership	36	43
12	Changes in ownership	31	37
13	Change in ownership	34	40
14	Change in ownership	31	37
15	Consolidated statement of cash flows	30	36
16	Consolidated statement of cash flows	28	34

<u>QUESTION 1</u> (42 marks)(50 minutes)

The following are the trial balances of Dune Limited, Crow Limited and Berry Limited for the year ended 31 March 20.3:

	Dune Limited Dr/(Cr) R	**Crow Limited Dr/(Cr) R**	**Berry Limited Dr/(Cr) R**
Share capital – R1 ordinary shares	(100 000)	(50 000)	(25 000)
Mark-to-market reserve	(8 600)	(4 300)	-
Retained earnings - 31 March 20.2	(870 000)	(249 000)	(260 000)
Deferred tax	(1 400)	(700)	-
Revenue	(840 000)	(248 000)	(190 000)
Management fee received from Crow Limited	(10 000)	-	-
Interest received	(8 000)	(2 500)	-
Dividends received	(10 800)	(4 000)	-
Cost of sales	504 000	149 000	85 500
Management fee paid to Dune Limited	-	10 000	-
Interest paid	-	5 000	-
Other expenses	88 000	25 000	45 000
Income tax expense	79 800	18 450	17 255
Dividends paid - 31 March 20.3	6 400	6 000	10 000
Bank, inventories and trade receivables	263 100	50 050	51 000
Trade and other payables	(85 000)	(120 000)	(113 755)
Investment in Crow Limited at fair value	325 000	-	-
Investment in Berry Limited at fair value	205 500	-	-
Investment in Sand Limited at fair value (5% interest purchased on 1 April 20.2)	-	45 000	-
Property, plant and equipment	462 000	370 000	380 000
	-	-	-

Additional information

1. Dune Limited acquired 40 000 ordinary shares in Crow Limited on 1 April 20.1 when the retained earnings of Crow Limited amounted to R349 000 and there were 50 000 ordinary shares in issue. The assets and liabilities of Crow Limited were fairly valued at date of acquisition. The cost price of the investment was considered to be equivalent to its fair value.

2. Dune Limited acquired 15 000 ordinary shares in Berry Limited on 1 April 20.2. The assets and liabilities of Berry Limited were fairly valued at date of acquisition except for the value attached to land and buildings. A sworn appraiser valued the land and buildings at R300 000. This was R50 000 above the original cost price thereof. The land and buildings are not depreciated.

3. Available-for-sale financial assets are accounted for in terms of accounting standard IAS 32 (AC 125).

4. During the year ended 31 March 20.3 Crow Limited sold inventory to Dune Limited for R18 000. The inventory was still on hand at 31 March 20.3. Crow Limited sold the inventory to Dune Limited at cost plus 20%.

5. During the year ended 31 March 20.3 Crow Limited paid R5 000 interest to Dune Limited. The interest was charged on a short-term loan from Dune Limited to Crow Limited that was repaid by the end of the financial year.

QUESTION 1 (continued)

6. The SA normal tax rate is 28%. You may assume the tax rate has been 28% since 1 April 20.1.

7. Assume that each share carries one vote.

8. The mark-to-market reserve in the books of Dune Limited arose from the revaluation of its investment in Berry Limited to its fair value.

9. The group uses the proportionate method to recognise goodwill.

REQUIRED

(a) Discuss the appropriate accounting treatment if a **gain from bargain purchase** arises as a result of the acquisition of an interest in a subsidiary during the current year. (2)

(b) Prepare the consolidated annual financial statements of the Dune Limited Group for the year ended 31 March 20.3. (40)

Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice.

Notes to the consolidated annual financial statements and comparative figures are **not** required.

Calculations are to be done to the nearest R1.

QUESTION 2 (51 marks) (62 minutes)

The following trial balances of Bonn Limited, Sydney Limited and York Limited are provided for the year ended 31 December 20.3:

	Bonn Limited R	Sydney Limited R	York Limited R
Credits			
Share capital - R1 ordinary shares	40 000	36 000	24 000
Share premium	8 000	12 000	-
Retained earnings - 1 January 20.3	216 000	68 300	40 800
Mark-to-market reserve - 31 December 20.3	8 600	-	-
Deferred tax	1 400	-	-
Revenue	165 000	124 000	148 000
Other income	24 000	6 300	-
Long-term borrowings	17 750	40 600	4 000
	480 750	287 200	216 800
Debits			
Property, plant and equipment	237 000	82 000	72 500
Investments:			
- Sydney Limited at fair value	75 000	-	-
- York Limited at fair value	-	35 000	-
Loan to York Limited	4 000	-	-
Cost of sales	60 000	88 000	70 000
Finance costs	2 500	2 000	5 000
Other expenses	15 000	20 000	22 000
Dividends paid - ordinary	6 000	5 000	9 000
Income tax expense	26 250	4 200	14 790
Trade receivables	32 000	14 000	8 000
Inventories	23 000	37 000	15 510
	480 750	287 200	216 800

Additional information

1. Bonn Limited acquired 80% of the ordinary shares in Sydney Limited on 1 July 20.2 and paid R65 000 for the investment. At that date the equity of Sydney Limited was as follows:

	R
Share capital - R1 ordinary shares	36 000
Share premium	12 000
Retained earnings	11 000

2. Sydney Limited acquired 16 800 ordinary shares in York Limited on 1 January 20.3 and paid R35 000 for the investment. On the date of acquisition the fair value of the assets and liabilities of York Limited was as follows:

	Carrying value R	Fair value R
Property, plant and equipment	45 000	45 000
Inventories	25 000	20 000
Trade receivables	18 000	8 000

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

3. Bonn Limited sold machinery to Sydney Limited on 1 July 20.3 for R45 000. The sale was made at cost plus 20%. Sydney Limited depreciates machinery at 20% per annum on the straight-line method. This is the same policy as used by the SA Revenue Service.

4. At 31 December 20.3 the directors of Bonn Limited decided that the goodwill of Sydney Limited had been impaired by R10 000.

5. The SA normal tax rate is 28%. You may assume the tax rate has been 28% since 1 July 20.2.

6. The group uses the proportionate method to recognise goodwill.

REQUIRED

Prepare the following for the Bonn Limited Group for the year ended 31 December 20.3:

(a) the consolidation journals; and
(b) the consolidated annual financial statements.

Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice.

Notes to the consolidated annual financial statements and comparative figures are **not** required.

All calculations are to be done to the nearest R1. (51)

<u>QUESTION 3</u> (36 marks)(43 minutes)

The following are the audited statements of financial position of Summer Limited, Sun Limited and Fun Limited as at 28 February 20.6:

	Summer Limited R	Sun Limited R	Fun Limited R
ASSETS			
Non-current assets	285 000	142 400	35 405
Property, plant and equipment	132 000	122 400	35 405
Investment in Sun Limited at fair value	135 000	-	-
Investment in Fun Limited at fair value	-	20 000	-
Investment in Beach Limited at fair value	18 000	-	-
Current assets	23 000	20 800	-
Cash and cash equivalents	23 000	20 800	-
Total assets	308 000	163 200	35 405
EQUITY AND LIABILITIES			
Total equity	281 800	163 200	35 405
Share capital – R1 ordinary shares	60 000	100 000	30 000
Retained earnings	196 000	63 200	5 405
Mark-to-market reserve	25 800	-	-
Total liabilities	26 200	-	-
Non-current liabilities	4 200	-	-
Deferred tax	4 200	-	-
Current liabilities	22 000	-	-
Short-term loan	22 000	-	-
Total equity and liabilities	308 000	163 200	35 405

Additional information

1. Summer Limited acquired 90 000 ordinary shares in Sun Limited on 1 March 20.3 when the retained earnings of Sun Limited were R10 500.

2. Sun Limited acquired 24 000 ordinary shares in Fun Limited on 1 March 20.5.

3. At both the above acquisition dates there were no unidentified assets, liabilities or contingent liabilities and the fair values of all assets, liabilities and contingent liabilities were confirmed to be equal the carrying amounts thereof.

4. The profit for the current year per the audited statements of comprehensive income of the entities were as follows:

	R
Summer Limited	33 400
Sun Limited	10 508
Fun Limited	22 305

QUESTION 3 (continued)

5. On 1 March 20.5, Sun Limited sold machinery with a carrying amount of R22 000 to Summer Limited for R31 000. On this date the estimated remaining useful life of the machine was 3 years. The entities' policy is to provide for depreciation over the expected useful life of machinery using the straight-line method which is consistent with the wear and tear allowances of the South African Revenue Service.

6. On 1 March 20.5 Summer Limited invested in a joint venture, Beach Limited, and acquired a 25% interest in the joint venture.

   The following is the trial balance of Beach Limited on 28 February 20.6:

	R
Property, plant and equipment	70 000
Short-term loan to Summer Limited	22 000
Cash and cash equivalents	6 600
Share capital – R1 ordinary shares	(50 000)
Retained earnings – 1 March 20.5	(32 900)
Profit for the year	(15 700)
	-

   The short-term loan was made to Summer Limited on 1 May 20.5 and is interest free. The loan is repayable in full on 30 April 20.6.

   The fair values of all assets, liabilities and contingent liabilities of Beach Limited were confirmed to be equal to the carrying amounts thereof on 1 March 20.5.

7. The mark-to-market reserve relates to the revaluation of the investment in Sun Limited to fair value. The fair value of available-for-sale financial assets is equal to the cost price thereof unless otherwise stated.

8. At the end of the current financial year, it was assessed that goodwill in Sun Limited was impaired by R510. Goodwill in all the other entities was not considered to be impaired at year end. The group uses the proportionate method to recognise goodwill.

9. The SA Normal tax rate is 28% and in all the entities, each share carries one vote.

REQUIRED

1. Prepare **only** the **EQUITY AND LIABILITIES** section of the consolidated statement of financial position of the Summer Limited Group as at 28 February 20.6.

2. Calculate the following amounts that will be disclosed in the consolidated statement of financial position of the Summer Limited Group as at 28 February 20.6:

- Goodwill
- Deferred tax (specify if the amount is a deferred tax asset or liability)

Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice.

Notes to the consolidated annual financial statements and comparative figures are **not** required.

All calculations must be done to the nearest Rand.

QUESTION 4 (40 marks)(48 minutes)

The following are the trial balances of Bodie Limited, Cox Limited and Young Limited for the year ended 28 February 20.6:

	Bodie Limited R	Cox Limited R	Young Limited R
Credits			
Share capital - R1 ordinary shares	250 000	100 000	50 000
Mark-to-market reserve	49 880	-	-
Retained earnings - 1 March 20.5	320 000	245 000	67 500
Loan from Bodie Limited	-	100 000	50 000
Accumulated depreciation - Equipment	10 000	18 000	-
Deferred tax on mark-to-market reserve	8 120	-	-
Gross profit	122 350	81 450	190 000
Other income	8 000	-	-
Interest received	15 000	-	-
Dividends received	21 500	7 000	-
Trade and other payables	12 000	5 000	-
	816 850	556 450	357 500
Debits			
Land and buildings at carrying amount	240 000	360 000	193 000
Equipment at cost price	50 000	100 000	-
Investments:			
- Cox Limited			
Shares at fair value (cost R160 000)	200 000	-	-
Loan	100 000	-	-
- Young Limited			
Shares at fair value (cost R32 000)	50 000	-	-
Loan	50 000	-	-
Sundry investment	-	20 000	-
Inventories	17 495	20 015	94 000
Other expenses	22 500	10 000	5 000
Income tax expense	36 855	21 435	55 500
Dividends paid - 28 February 20.6	50 000	25 000	10 000
	816 850	556 450	357 500

Additional information

1. Bodie Limited acquired 70% of the issued share capital of Cox Limited on 1 March 20.3. The retained earnings of Cox Limited were R120 000 on date of acquisition. On this date the equipment of Cox Limited was revalued according to the net replacement value basis. This resulted in an increase in the carrying amount of the asset of R9 000 on the revaluation date.

   The fair values of all the identifiable assets, liabilities and contingent liabilities at the acquisition date, except for the above, were considered to be equal to the carrying amounts of these items.

2. Bodie Limited sold equipment with a carrying amount of R65 000 to Cox Limited on 1 March 20.5 for R73 000. It is the policy of the group to write off depreciation on equipment at 10% per year on the cost price.

QUESTION 4 (continued)

3. Bodie Limited acquired a 40% interest in a jointly controlled entity, Young Limited, on 1 March 20.1. The retained earnings on the date of acquisition of Young Limited amounted to R30 000.

   The fair values of all the identifiable assets, liabilities and contingent liabilities at the acquisition date were considered to be equal to the carrying amounts of these items.

4. The interest paid (included in other expenses) by Cox Limited and Young Limited reflected in the trial balance is in respect of intercompany loans.

5. The group's investments are classified as available-for-sale financial assets.

6. Goodwill was considered to be impaired by R527 as at 28 February 20.6. The group uses the proportionate method to recognise goodwill.

7. In all the relevant companies each share carries one vote.

8. The SA Normal tax rate is 28%.

9. The accountant prepared the following analysis and journals for consolidation purposes. Assume that these are correct. Additional information 2, 4, 5 and 6 have not been taken into consideration by the accountant in his consolidation working papers.

Analysis of shareholders' equity of Cox Limited

	100%	**Bodie Limited 70%**		**30%**
	Total R	**At R**	**Since R**	**NCI R**
At acquisition				
Share capital	100 000	70 000		30 000
Revaluation reserve (9 000 x 72%)	6 480	4 536		1 944
Retained earnings	120 000	84 000		36 000
	226 480	158 536		67 944
Investment in Cox Limited at cost price		(160 000)		
Goodwill		(1 464)		
Since acquisition				
Retained earnings	123 704		86 592	37 111
Retained earnings (245 000 - 120 000)	125 000			
Depreciation on revaluation (9 000 x 10% x 2 years)	(1 800)			
Tax effect (1 800 x 28%)	504			
				105 055
Current year				
Profit for the year	56 367		39 457	16 910
Profit for the year - Cox Limited (81 450 - 21 435 - 10 000 + 7 000)	57 015			
Depreciation on revaluation (9 000 x 10%)	(900)			
Tax effect (900 x 28%)	252			
Dividends paid	(25 000)		(17 500)	(7 500)
	381 551		108 549	114 465

QUESTION 4 (continued)

Analysis of shareholders' equity of Young Limited

	40%	Bodie Limited 40%	
	Total R	**At R**	**Since R**
At acquisition			
Share capital	50 000	20 000	
Retained earnings	30 000	12 000	
	80 000	32 000	
Investment in Young Limited		(32 000)	
Goodwill		-	
Since acquisition			
Retained earnings (67 500 - 30 000)	37 500		15 000
Current year			
Profit for the year (190 000 - 55 500 - 5 000)	129 500		51 800
Dividends paid	(10 000)		(4 000)
	237 000		62 800

Journals

		Dr R	Cr R	NCI R
J1	Equipment	9 000		
	Revaluation reserve (9 000 x 72%)		6 480	
	Deferred tax (9 000 x 28%)		2 520	
	Revaluation of equipment at acquisition			
J2	Mark-to-market reserve	49 880		
	Deferred tax ((40 000 + 18 000) x 50% x 28%)	8 120		
	Investment in Cox Limited (200 000 – 160 000)		40 000	
	Investment in Young Limited (50 000 – 32 000)		18 000	
	Write back of mark-to-market reserve			
J3	Share capital	100 000		
	Retained earnings	120 000		
	Revaluation reserve (J1)	6 480		
	Goodwill	1 464		
	Non-controlling interest(SFP) ((100 000 + 120 000 + 6 480) x 30%)		67 944	67 944
	Investment in Cox Limited (200 000 - 40 000 (J2))		160 000	
	Elimination of shareholders' equity at acquisition of Cox Limited			

QUESTION 4 (continued)		**Dr R**	**Cr R**	**NCI R**
J4	Retained earnings	1 800		
	Accumulated depreciation		1 800	
	Excess depreciation on revaluation of equipment (9 000 x 10% x 2 years)			
J5	Deferred tax (SFP)	504		
	Retained earnings		504	
	Tax effect of excess depreciation (1 800 x 28%)			
J6	Retained earnings ((245 000 - 120 000 - 1 800(J4) + 504(J5)) x 30%)	37 111		
	Non-controlling interest (SFP)		37 111	37 111
	Non-controlling interest in retained earnings since acquisition			
				105 055
J7	Depreciation	900		
	Accumulated depreciation		900	
	Depreciation on revaluation reserve (9 000 x 10%)			
J8	Deferred tax (SFP)	252		
	Deferred tax (SCI)		252	
	Tax effect on depreciation (900 x 28%)			
J9	Non-controlling interest (SCI)	16 910		
	Non-controlling interest (SFP)		16 910	16 910
	Non-controlling interest in profit for the year ((81 450 - 21 435 - 10 000 + 7 000 - 900(J7) + 252(J8)) x 30%)			
J10	Dividends received	17 500		
	Non-controlling interest (SFP)	7 500		(7 500)
	Dividends paid		25 000	
	Elimination of intercompany dividends and recording of non-controlling interest therein			
J11	Property, plant and equipment (193 000 x 40%)	77 200		
	Inventories (94 000 x 40%)	37 600		
	Other expenses (5 000 x 40%)	2 000		
	Income tax expense (55 500 x 40%)	22 200		
	Dividends received from Young Limited (10 000 x 40%)	4 000		
	Retained earnings ((67 500 – 30 000) x 40%)		15 000	
	Loan from Bodie Limited (50 000 x 40%)		20 000	
	Gross profit (190 000 x 40%)		76 000	
	Investment in Young Limited		32 000	
	Accounting for interest in joint venture			
				114 465

QUESTION 4 (continued)

REQUIRED

Prepare the consolidated annual financial statements of the Bodie Limited Group for the year ended 28 February 20.6. Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice.

The following notes are required:

- Interest in joint venture;
- Goodwill.

Ignore comparative figures.

Round off all calculations to the nearest Rand.

(May/June 2006 exam adapted)

QUESTION 5 (31 marks)(37 minutes)

The following are extracts from the financial statements of In Limited, Sol Limited and Vent Limited for the year ended 31 December 20.3:

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 20.3

	In Limited R	Sol Limited R	Vent Limited R
ASSETS			
Non-current assets	221 025	75 000	25 000
Property, plant and equipment	180 000	73 000	25 000
Investments			
- Sol Limited at fair value	29 025	-	-
- Loan to Sol Limited	12 000	-	-
- Vent Limited at fair value	-	1 000	-
- Loan to Vent Limited at carrying value	-	1 000	-
Current assets	24 975	26 000	9 500
Trade receivables	24 975	26 000	9 500
Total assets	246 000	101 000	34 500
EQUITY AND LIABILITIES			
Total equity	167 000	65 600	21 500
Share capital - R1 ordinary shares	24 000	30 000	7 000
- 10% R1 cumulative preference shares	-	-	10 000
Retained earnings	143 000	35 600	4 500
Total liabilities	79 000	35 400	13 000
Non-current liabilities	69 000	12 000	10 000
Borrowing from parent	-	12 000	10 000
Long-term borrowing	69 000	-	-
Current liabilities	10 000	23 400	3 000
Trade and other payables	10 000	23 400	3 000
Total equity and liabilities	246 000	101 000	34 500

EXTRACT FROM THE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 20.3

	In Limited R	Sol Limited R	Vent Limited R
Profit for the year	56 000	23 400	17 500
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	56 000	23 400	17 500

QUESTION 5 (continued)

EXTRACT FROM THE STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 20.3

	In Limited R	Sol Limited R	Vent Limited R
Retained earnings			
Balance at 1 January 20.3	110 000	12 200	(12 000)
Changes in equity for 20.3			
Total comprehensive income for the year	(23 000)	-	-
Ordinary dividends paid	-	-	(1 000)
Preference dividends paid	56 000	23 400	(17 500)
Balance at 31 December 20.3	143 000	35 600	4 500

Additional information

1. Sol Limited acquired 5 600 ordinary shares in Vent Limited on 1 January 19.9 for R3 000 when the accumulated loss amounted to R20 000. There were no other reserves at this date and there have been no changes in share capital since that date.

2. During 20.0 Sol Limited wrote down its investment and loan to Vent Limited.

3. At 1 January 19.9 the preference dividends of Vent Limited were in arrears for three years. All preference dividends in arrears were paid during 20.0 and since 20.0 the preference dividends have been paid annually.

4. In Limited acquired 22 500 ordinary shares in Sol Limited on 1 January 19.8 for R29 025 when the retained earnings of Sol Limited amounted to R8 700.

5. At both the above acquisition dates there were no unidentified assets, liabilities or contingent liabilities and the fair value of all assets, liabilities and contingent liabilities was confirmed to be equal to the carrying values thereof, except for property of Vent Limited for which the fair value was considered to be R4 000 more than its carrying value.

6. The value of goodwill was tested for impairment at the end of 20.3 and it was determined that goodwill had no (Rnil) value at this date. The group uses the proportionate method to recognise goodwill.

7. Assume that each share carries one vote.

REQUIRED

(a) Define the term “vertical group”. (3)

(b) Prepare the consolidated statement of comprehensive income and consolidated statement of changes in equity of the In Limited Group for the year ended 31 December 20.3. (28)

Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice.

Notes to the consolidated annual financial statements and comparative figures are **not** required.

Ignore all tax implications.

All calculations are to be done to the nearest R1. (May 2004 exam - Adapted)

<u>QUESTION 6</u> (24 marks)(29 minutes)

The following are the abridged trial balances of Vision Limited and Star Limited for the year ended 31 December 20.0:

	Vision Limited Dr/(Cr) R	Star Limited Dr/(Cr) R
Investment in Star Limited at fair value	1 000	-
Property, plant and equipment at carrying value	150 000	100 000
Inventories	50 000	25 000
Trade receivables	49 000	30 000
Share capital - R1 ordinary shares	(20 000)	(10 000)
(Retained earnings)/Accumulated loss - 31 December 19.9	(180 000)	40 000
Borrowing from Vision Limited	-	(80 000)
Trade and other payables	(45 000)	(35 000)
Profit for the year	(5 000)	(70 000)
	-	-

Additional information

1. Vision Limited purchased 80% of the share capital of Star Limited on 1 January 19.8 when Star Limited had an accumulated loss of R100 000 and no other reserves. The fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date of Star Limited was considered to be equal to the carrying values of these items.

2. On 31 December 19.8, due to the poor financial position of Star Limited, Vision Limited wrote the loan of R80 000 to Star Limited off against retained earnings in its own financial records.

3. The share capital of both companies has remained unchanged since incorporation of the companies.

4. Goodwill in Star Limited is considered to be impaired by R41 000 at year end. Adjustments to the carrying value of goodwill have no tax effect. The group uses the proportionate method to recognise goodwill.

5. The fair value of the available-for-sale financial assets is equal to the original cost price thereof.

6. Each share carries one vote.

REQUIRED

Prepare the following for Vision Limited Group for the year ended 31 December 20.0:

(a) the consolidated journals;
(b) the consolidated statement of changes in equity; and
(c) the consolidated statement of financial position.

Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice.

Only the note on Goodwill is required and comparative figures are **not** required.

All calculations are to be done to the nearest R1. (24)

<u>QUESTION 7</u> (52 marks)(62 minutes)

The following are the trial balances of Bilbo Limited, a manufacturer of equipment and Baggins Limited, a supplier of electrical components, for the year ended 31 December 20.2:

	Bilbo Limited R	**Baggins Limited R**
Debits		
Property, plant and equipment	312 000	545 000
Investments:		
- Baggins Limited - 80 000 R1 ordinary shares at fair value	195 000	-
- Frodo Limited - 25 000 R1 ordinary shares at fair value	50 000	-
Inventories	75 000	85 000
Loan to Baggins Limited	50 000	-
Cost of sales	400 000	300 000
Other expenses	95 000	100 000
Finance costs	-	7 500
Income tax expense	90 000	57 500
Preference dividends paid	-	5 000
Ordinary dividends paid	50 000	-
	1 317 000	1 100 000
Credits		
Share capital		
- R1 ordinary shares	235 000	100 000
- 10% R1 cumulative preference shares	-	50 000
Mark-to-market reserve	4 300	-
Revaluation reserve	-	95 000
Retained earnings - 1 January 20.2	150 000	200 000
Borrowing from Bilbo Limited	-	50 000
Trade and other payables	115 000	5 000
Deferred tax	700	-
Other income	12 000	-
Revenue	800 000	600 000
	1 317 000	1 100 000

Additional information

1. Bilbo Limited acquired its shares in Baggins Limited on 1 January 20.0 for R190 000. The retained earnings of Baggins Limited amounted to R90 000 at that date. On the date of acquisition the fair value of the factory buildings of Baggins Limited was R80 000 higher than the carrying value thereof. The remaining useful life of the factory buildings is 20 years. Baggins Limited has made no entries regarding this revaluation in its accounting records. The fair value of the remaining identifiable assets, liabilities and contingent liabilities at the acquisition date of Baggins Limited was considered to be equal to the carrying values of these items. There were no unidentified assets, liabilities and contingent liabilities and it can be assumed that the fair value of the identifiable assets, liabilities and contingent liabilities has been reassessed and are reasonable.

   On the date of acquisition the preference dividends in respect of the year ended 31 December 19.9 had not been provided for, nor been paid. These dividends were paid during 20.0 and since then all preference dividends have been paid in the relevant year.

<u>QUESTION 7</u> (continued)

On the date of the acquisition of shares Bilbo Limited made a loan to Baggins Limited of R50 000. Interest on this loan is payable at 15% per annum and the loan is to be repaid on 31 December 20.3.

2. Bilbo Limited acquired 25% of the equity of Frodo Limited on 1 January 20.1 for R50 000. At that date the retained earnings of Frodo Limited amounted to R60 000. The fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date of Frodo Limited was considered to be equal to the carrying values of these items. Bilbo Limited has exercised significant influence over the operating policies of Frodo Limited since the date of acquisition. The cost price of this investment in Frodo Limited is deemed to be equal to the fair value thereof.

   The trial balance of Frodo Limited for the year ended 31 December 20.2 is as follows:

	R
Debits	
Property, plant and equipment	150 000
Inventories	20 000
Other expenses	380 000
	550 000
Credits	
Share capital - R1 ordinary shares	100 000
Retained earnings - 1 January 20.2	50 000
Trade and other payables	40 000
Gross profit	360 000
	550 000

3. On 1 January 20.2 Bilbo Limited sold equipment with a cost price of R80 000 to Baggins Limited for R120 000. Baggins Limited depreciates equipment at 10% per annum on the straight-line method.

4. Baggins Limited has sold inventory to Bilbo Limited since June 20.2 at cost plus 20%. Total sales for the year to Bilbo Limited amounted to R100 000. Included in the inventory on hand at year end of Bilbo Limited was inventory bought from Baggins Limited to the amount of R30 000.

5. The revaluation reserve in the books of Baggins Limited arose on 1 January 20.2 when Baggins Limited revalued all of its factory buildings at R100 000 higher than the carrying value thereof. At that date the remaining useful life of the buildings were considered to be 20 years. It is the policy of Baggins Limited to realise the revaluation surplus as the factory buildings are used.

6. Goodwill was not considered to be impaired at 31 December 20.2. The group uses the proportionate method to recognise goodwill.

7. The SA normal tax rate is 28%. You may assume the tax rate has been 28% since 1 April 19.9.

8. Each share carries one vote.

9. Bilbo Limited classified its investments in Baggins Limited and Frodo Limited as available-for-sale financial assets.

10. The accounting policy of Bilbo Limited for the recognition of gains and losses on the subsequent re-measurement of available-for-sale financial assets is to transfer them to equity.

QUESTION 7 (continued)

REQUIRED

(a) Define the following terms:

(i) Associate. (2)
(ii) Significant influence. (2)

(b) Prepare the consolidated annual financial statements of the Bilbo Limited Group for the year ended 31 December 20.2. (48)

Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice.

Ignore the tax implications of the revaluation of factory buildings.

Comparative figures are **not** required.

Only the note regarding gains and losses of business combinations that were affected during current or previous years, are required.

All calculations are to be done to the nearest R1.

<u>QUESTION 8</u> (29 marks)(35 minutes) (Associate)

The following represents the trial balances of Flower Limited Group and Power Limited for the year ended 31 December 20.5:

	Flower Limited Group Dr/(Cr) R	Power Limited Dr/(Cr) R
Property, plant and equipment	440 000	54 000
Investment in Power Limited – 40 000 ordinary shares at cost	50 000	-
Investment in Power Limited – 10 000 preference shares at cost	10 000	-
Inventories	250 000	47 000
Trade receivables	50 000	54 300
Cash and cash equivalents	82 600	35 000
Income tax expense	120 000	43 500
Dividends paid – ordinary shares	50 000	30 000
Dividends paid – preference shares	-	1 200
Share capital – R1 ordinary shares	(400 000)	(100 000)
6% R1 non-redeemable preference shares	-	(20 000)
(Retained earnings)/Accumulated loss – 1 January 20.5	(140 000)	135 000
Gross profit	(400 000)	(280 000)
Dividends received from Power Limited	(12 600)	-
Non-controlling interest (SFP) – 1 January 20.5	(100 000)	-
	-	-

Additional information

1. On 1 January 20.0 Flower Limited acquired 40% of the issued share capital of Power Limited when the retained earnings of Power Limited was R25 000.

   At that stage all the assets and liabilities of Flower Limited were deemed to be fairly valued.

   On the same date Flower Limited acquired a 50% interest in the 6% non-redeemable preference share capital of Power Limited.

   Since that date Flower Limited exercised significant influence over the financial and operating policy decisions of Power Limited.

2. Since 1 January 20.4 Flower Limited purchased all its inventories from Power Limited at a margin of 25% on cost price. Flower Limited's inventories on 31 December 20.4 were R12 000 and on 31 December 20.5, R250 000.

3. R42 000 of the profit for the year ended 31 December 20.5 is attributable to minority shareholders of Flower Limited. No dividends were paid by the subsidiary in the current year.

4. Flower Limited's policy is to account for associates using the equity method.

5. Assume that each share carries one vote.

6. The SA Normal tax rate is 28%.

QUESTION 8 (continued)

REQUIRED

Prepare the consolidated annual financial statements of the Flower Limited Group for the year ended 31 December 20.5. Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice.

Only the following note in respect of the associate is required:

- Share of profit of associate.

Ignore all comparative figures.

Round off all amounts to the nearest R1.

(May/June 2006 exam)

QUESTION 9 (44 marks)(53 minutes)

Fly Limited acquired a 40% interest in By Limited on 2 January 20.2. In accordance with a contractual arrangement Fly Limited, together with another venturer, exercises joint control over the economic activities of By Limited. Fly Limited classified the investment in By Limited as an available-for-sale financial asset and recognises the fair value adjustments in equity. The cost price of the investment in preference shares of By Limited is deemed to be equal to the fair value thereof.

The trial balances of the above-mentioned enterprises for the year ended 31 December 20.2 are as follows:

	Fly Limited R	By Limited R
Credits		
Revenue	185 500	160 000
Other income	6 980	-
Management fees received	6 000	-
Trade and other payables	62 520	4 800
Borrowing - Fly Limited	-	18 000
Long-term borrowings	127 000	-
Share capital - R1 ordinary shares	20 000	20 000
Share capital -12% R1 preference shares	-	10 000
Mark-to-market reserve	2 580	-
Retained earnings - 1 January 20.2	50 000	10 000
Deferred tax	420	-
	461 000	222 800
Debits		
Property, plant and equipment	150 000	66 000
Loan - By Limited	18 000	-
Investment in By Limited - 8 000 R1 ordinary shares at fair value (cost price R15 000)	18 000	-
Investment in By Limited - 2 000 R1 preference shares at fair value (cost price R2 000)	2 000	-
Other investments	20 000	-
Inventories	118 500	51 425
Cost of sales	88 000	61 200
Other expenses	13 000	15 100
Interest paid on loan	-	1 575
Income tax expense	28 500	24 300
Interim ordinary dividends paid	5 000	2 000
Preference dividends paid	-	1 200
	461 000	222 800

Additional information

1. During the year By Limited sold inventory of R13 000 to Fly Limited at a mark-up of 25% on cost price. At 31 December 20.2 Fly Limited had inventory to the value of R5 000 on hand which was bought from By Limited.

2. Included in other expenses of By Limited are management fees of R6 000 that were paid to Fly Limited.

<u>QUESTION 9</u> (continued)

3. Fly Limited made a loan to By Limited on 1 June 20.2. The inter-company loan carries interest at 15% per year. The loan must be repaid in full on 31 December 20.6.

4. At acquisition date no unidentified assets, liabilities or contingent liabilities existed and the fair value of all assets, liabilities and contingent liabilities was confirmed to be equal to the carrying values thereof.

5. The value of goodwill was tested for impairment at the end of 20.2 and it was not found to be impaired. The group uses the proportionate method to recognise goodwill.

6. The current year's preference dividends were paid and provided for in the accounting records of both Fly Limited and By Limited.

7. The SA normal tax rate is 28%. You may assume the tax rate has been 28% since 1 January 20.2.

8. Other income consists of interest income of R4 500 and dividend income of R2 480.

REQUIRED

(a) Define the following terms:

(i) joint venture; (2)
(ii) joint control; and (3)
(iii) proportionate consolidation. (6)

(b) Prepare the following for Fly Limited for the year ended 31 December 20.2 according to the proportionate consolidation method using the **LINE-BY-LINE** basis:

(i) the consolidated statement of comprehensive income; and
(ii) the consolidated statement of financial position. (33)

Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice.

Notes to the consolidated annual financial statements and comparative figures are **not** required.

All calculations are to be done to the nearest R1.

QUESTION 10 **(33 marks)(40 minutes)**

The following are the abridged financial statements of Publisher Limited, Fiction Limited and Non-fiction Limited for the year ended 31 December 20.4:

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 20.4

	Publisher Limited R	Fiction Limited R	Non-fiction Limited R
Revenue	36 000	16 500	24 000
Cost of sales	(18 000)	(7 800)	(12 000)
Gross profit	18 000	8 700	12 000
Other expenses	(4 090)	(4 000)	(1 800)
Other income	4 100	-	-
Dividends received from Non-fiction Limited:			
- ordinary	2 000	-	-
- preference	900	-	-
Dividends received from Fiction Limited:			
- ordinary	1 200	-	-
Finance costs	(910)	(300)	(1 500)
Profit before tax	17 100	4 400	8 700
Income tax expense	(5 200)	(1 250)	(3 520)
Profit for the year	11 900	3 150	5 180
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	11 900	3 150	5 180
Total comprehensive income attributable to:			
Owners of the parent	11 300	3 150	5 180
Non-controlling interest	600	-	-
	11 900	3 150	5 180

EXTRACT FROM THE STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 20.4

	Publisher Limited R	Fiction Limited R	Non-fiction Limited R
Retained earnings			
Balance at 1 January 20.3	4 100	-	-
Changes in equity for 20.3			
Ordinary dividends paid	(5 000)	(2 000)	(4 000)
Preference dividends paid	-	-	(900)
Total comprehensive income for the year	11 300	3 150	5 180
Balance at 31 December 20.4	10 400	1 150	280

QUESTION 10 (continued)

STATEMENT OF FINANCIAL POSITIONS AS AT 31 DECEMBER 20.4

	Publisher Limited R	Fiction Limited R	Non-fiction Limited R
ASSETS			
Non-current assets	22 900	7 500	14 000
Property, plant and equipment	10 500	7 500	14 000
Investment in Fiction Limited:			
- 2 400 R1 ordinary shares at fair value	2 400	-	-
Investment in Non-fiction Limited:			
- 2 500 R1 ordinary shares at fair value	2 500	-	-
- 7 500 12% R1 preference shares at fair value	7 500	-	-
Current assets	8 000	4 600	6 380
Trade receivables	1 200	-	-
Inventories	6 800	4 600	6 380
Total assets	30 900	12 100	20 380
EQUITY AND LIABILITIES			
Total equity	23 900	5 150	12 780
Equity attributable to owners of the parent	20 400	5 150	12 780
Share capital - R1 ordinary shares	10 000	4 000	5 000
Share capital - 12% R1 preference shares	-	-	7 500
Retained earnings	10 400	1 150	280
Non-controlling interest	3 500	-	-
Total liabilities	7 000	6 950	7 600
Non-current liabilities	-	2 000	7 600
Long-term borrowing	-	2 000	7 600
Current liabilities	7 000	4 950	-
Trade and other payables	7 000	4 950	-
Total equity and liabilities	30 900	12 100	20 380

Additional information

1. Publisher Limited acquired a 60% interest in Fiction Limited on incorporation of Fiction Limited on 1 January 20.4. Fiction Limited specialises in the publishing of fiction material. The fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date of Fiction Limited was considered to be equal to the carrying value of these items.

QUESTION 10 (continued)

The abridged statement of financial position of Fiction Limited at 1 January 20.4 was as follows:

Assets	**R**
Non-current assets	3 500
Property, plant and equipment	3 500
Current assets	1 500
Inventories	1 500
Total assets	5 000
Equity and liabilities	
Total equity	4 000
Share capital	4 000
Total liabilities	1 000
Non-current liabilities	1 000
Long-term borrowing	1 000
Total equity and liabilities	5 000

2. The cost price of the investments in shares is considered to be equivalent to the fair value thereof.

3. Publisher Limited acquired its interest in Non-fiction Limited on 1 January 20.4. In terms of a contractual agreement with the other venturer, Publisher Limited exercises joint control over the economic activities of Non-fiction Limited. Non-fiction Limited publishes only non-fiction literature. The fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date of Non-fiction Limited was considered to be equal to the carrying value of these items.

The abridged statement of financial position of Non-fiction Limited at 1 January 20.4 was as follows:

Assets	**R**
Non-current assets	2 500
Property, plant and equipment	2 000
Investments	500
Current assets	3 450
Inventories	1 800
Trade receivables	1 650
Total assets	5 950
Equity and liabilities	
Total equity	5 000
Share capital	5 000
Total liabilities	950
Current liabilities	950
Trade and other payables	950
Total equity and liabilities	5 950

QUESTION 10 (continued)

4. During the current year Non-fiction Limited sold inventory to Publisher Limited. The details of these intercompany inventory sales are as follows:

   - Profit mark-up of 40% on selling price
   - Total intercompany sales for 20.4 amounted to R2 000
   - Closing inventory on hand of Publisher Limited which was purchased from Non-fiction Limited amounted to R750

5. In the event that the fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost price of the business combination, it can be assumed that the fair values of the identifiable assets, liabilities and contingent liabilities have been reassessed and are reasonable. Goodwill was not considered to be impaired at 31 December 20.4. The group uses the proportionate method to recognise goodwill.

6. The SA normal tax rate is 28%. You may assume the tax rate has been 28% since 1 January 20.4.

7. Assume that each share carries one vote.

REQUIRED

(a) Prepare the consolidation journals for the year ended 31 December 20.4.

(b) Prepare the following statements for the Publisher Limited Group for the year ended 31 December 20.4:

   (i) the consolidated statement of comprehensive income;
   (ii) **only** the retained earnings section of the consolidated statement of changes in equity;
   (iii) the consolidated statement of financial position. (33)

Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice.

Notes to the consolidated annual financial statements and comparative figures are **not** required.

All calculations are to be done to the nearest R1.
(May 2004 exam - Adapted)

<u>QUESTION 11</u> (36 marks)(43 minutes)

The following are the trial balances of Accounting Limited and Debit Limited for the year ended 28 February 20.6:

	Accounting Limited Group R	Debit Limited R
Property, plant and equipment	45 500	33 000
Investment in Debit Limited at fair value		
- 8 000 shares purchased on 01/01/20.1	12 000	-
- 5 000 shares purchased on 30/06/20.5	9 000	-
Inventories	134 500	30 100
Non-controlling interest (statement of comprehensive income)	4 500	-
Income tax expense	2 700	950
Dividend paid on 28/02/20.6	10 000	1 000
Share capital – R1 shares	(100 000)	(20 000)
Retained earnings – 01/03/20.5	(50 000)	(5 000)
Mark-to-market reserve	(2 150)	-
Non-controlling interest (statement of financial position) – 01/03/20.5	(50 000)	-
Gross profit	(10 000)	(6 950)
Dividends received	(650)	-
Deferred tax	(450)	-
Deferred tax on mark-to-market reserve	(350)	-
Trade and other payables	(4 600)	(33 100)
	-	-

Additional information

1. Accounting Limited acquired 8 000 shares in Debit Limited on the incorporation of Debit Limited on 1 January 20.1.

2. Accounting Limited purchased a further 5 000 shares from minority shareholders on 30 June 20.5.

3. On both the above acquisition dates the assets and liabilities of Debit Limited were regarded as fairly valued and there were no contingent liabilities that were not accounted for.

4. Assume a SA Normal tax rate of 28% for the current year and all preceding years.

5. The fair value of available-for-sale financial assets is equal to the cost price thereof, unless stated otherwise.

6. Each share carries one vote.

7. Accounting Limited accounts for associates using the equity method.

8. The income and expenses of both entities were earned evenly throughout the year.

QUESTION 11 (continued)

9. The mark-to-market reserve resulted from the revaluation of the investment in Debit Limited by Accounting Limited. The mark-to-market reserve relates to the two acquisition transactions (refer additional information 1 and 2) as follows:

	Investment revalued by R
First acquisition of shares on 1 January 20.1	2 000
Second acquisition of shares on 30 June 20.5	500
	2 500
	(350)
Deferred tax on first acquisition of shares	(280)
Deferred tax on second acquisition of shares	(70)
Mark-to-market reserve as per trial balance	2 150

10. Accounting Limited has purchased inventories from Debit Limited since 20.5 at a profit mark-up of 35% on the cost price.

    Closing inventories of Accounting Limited purchased from Debit Limited were as follows:

	R
28/02/20.5	4 650
28/02/20.6	2 300

11. Goodwill was not considered to be impaired at year-end. The group uses the proportionate method to recognise goodwill.

REQUIRED

Prepare the following for the Accounting Limited Group for the year ended 28 February 20.6:

- only the **ASSET** section of the consolidated statement of financial position;
- the consolidated statement of comprehensive income; and
- the consolidated statement of changes in equity.

Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice.

Notes to the consolidated annual financial statements and comparative figures are **not** required.

All calculations must be done to the nearest Rand.

<u>QUESTION 12</u> (31 marks)(37 minutes)

The following are the trial balances of Pan Limited Group San Limited for the year ended 31 December 20.3:

	Pan Limited R	San Limited R
Debits		
Property, plant and equipment	963 000	1 069 000
Investment in San Limited at fair value	431 250	-
Other investments	118 000	-
Loan to San Limited	120 000	-
Trade receivables	142 650	187 220
Interest paid	10 000	18 000
Income tax expense	229 100	197 780
Dividend paid – 31 December 20.3	80 000	25 000
	2 094 000	1 497 000
Credits		
Share capital - R2 ordinary shares	500 000	220 000
Share premium	-	65 000
Retained earnings - 31 December 20.2	610 000	350 000
Mark-to-market reserve	8 600	-
Long-term liability	140 000	-
Long-term liability - Pan Limited	-	110 000
Deferred tax	1 400	-
Trade and other payables	16 250	24 000
Payable to Pan Limited	-	28 000
Gross profit	800 000	700 000
Dividend received	17 750	-
	2 094 000	1 497 000

Additional information

1. Pan Limited acquired 60% of the share capital of San Limited on 1 February 20.2. The following information is relevant to the acquisition:

   - At that date a portion of land that was stated in the records of San Limited at R400 000 was revalued by a sworn appraiser by 25% more. The revaluation was not recorded in the records of San Limited. This is the only item of San Limited of which the fair value is not equal to its carrying amount at the date of acquisition.

   - The retained earnings at the date of acquisition were R410 000.

   - There were no other reserves.

2. Pan Limited made no adjustment to the fair value of the available-for-sale investment in San Limited for the year ended 31 December 20.3.

QUESTION 12 (continued)

3. On 30 June 20.3 San Limited had a rights issue of 1 share for every 10 shares held at a price of R8.50 per share. The holding company took up only 500 of its rights and the minority shareholders took up 9 500. The operating profit of San Limited was earned evenly throughout the current year.

4. Pan Limited made a long-term loan to San Limited on 1 January 20.3. The loan is repayable in annual instalments of R10 000 on 31 December of each year. The interest of 15% per annum is also payable on 31 December.

5. The group uses the proportionate method to recognise goodwill. Goodwill was not considered to be impaired at the end of the current financial year.

6. The SA normal tax rate is 28%. You may assume the tax rate has been 28% since 1 February 20.2.

7. All shares carry one vote.

REQUIRED

(a) Prepare the consolidation journals for the year ended 31 December 20.3.

(b) Prepare the consolidated annual financial statements of the Pan Limited Group for the year ended 31 December 20.3.

Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice.

Notes to the consolidated annual financial statements and comparative amounts are **not** required.

Calculations are to be done to the nearest Rand. (31)

(October 2004 exam - Adapted)

QUESTION 13 (34 marks) (40 minutes)

The following are the trial balances of Lex Limited and Nex Limited for the year ended 30 June 20.4:

	Lex Limited Dr/(Cr) R	Nex Limited Dr/(Cr) R
Share capital - R2 ordinary shares	(300 000)	(100 000)
Retained earnings - 30 June 20.3	(450 000)	(250 000)
Revaluation reserve	-	(70 000)
Mark-to-market reserve	(21 500)	-
Deferred tax	(3 500)	-
Trade and other payables	(248 900)	(150 000)
Gross profit	(360 000)	(160 000)
Dividends received:		
- Unlisted investments - 30 June 20.4	(12 500)	(10 000)
- Nex Limited	(2 600)	-
Property, plant and equipment	300 000	270 000
Investment in Nex Limited at fair value	220 000	-
Unlisted investments	400 000	250 000
Trade receivables	310 000	167 000
Income tax expense	144 000	48 000
Dividends paid – 30 June 20.4	25 000	5 000
	-	-

Additional information:

1. On 1 January 20.1 Lex Limited acquired 10 000 ordinary shares in Nex Limited for R40 000. On that date the retained earnings of Nex Limited amounted to R120 000 and there were no other reserves.
2. On 1 October 20.3 Lex Limited acquired a further 16 000 ordinary shares in Nex Limited.
3. 60% of the gross profit of Nex Limited was earned during the first 6 months of the current financial year and 40% during the last 6 months of the current financial year.
4. For consolidation purposes investments in another company's equity of less than 20% is accounted for using the cost method. When a shareholding in an investment is 20% or more, it is accounted for using the equity method.
5. The fair values of the identifiable assets, liabilities and contingent liabilities on the date of both the above acquisitions were considered to be equal to the carrying amounts thereof.
6. The SA Normal tax rate is 28%. You may assume that the tax rate has been 28% since 1 January 20.1.
7. Each share carries one vote.

<u>QUESTION 13</u> (continued)

8. The revaluation reserve of Nex Limited arose when the land and buildings were revalued by a sworn appraiser on 1 July 20.2.

9. Lex Limited classified its investments as available-for-sale financial assets and fair value adjustments are accounted for in equity.

10. Goodwill was reassessed on 30 June 20.4 and it was found to be impaired to R5 000. The group uses the proportionate method to recognise goodwill.

REQUIRED

Prepare the following for the Lex Limited Group for the year ended 30 June 20.4:

(a) the consolidated statement of comprehensive income; and

(b) the consolidated statement of changes in equity showing **only** the following columns:

	Share capital R	**Revaluation reserve R**	**Retained earnings R**	**Non-controlling interest R**

Please note: marks will **not** be allocated for total columns and **all** calculations must be shown.

Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice.

Notes to the consolidated annual financial statements and comparative figures are **not** required.

All calculations must be done to the nearest rand.

(Exam May 2005 - Adapted)

<u>QUESTION 14</u> (31 marks)(37 minutes)

The following are the trial balances of Garage Limited and Workshop Limited for the year ended 28 February 20.6:

	Garage Limited R	Workshop Limited R
Debits		
Property, plant and equipment	200 000	150 000
Investment in Workshop Limited at fair value – 40 000 shares	90 000	-
Trade receivables	20 000	34 000
Income tax expense	34 500	30 000
	344 500	214 000
Credits		
Share capital – R1 ordinary shares	50 000	50 000
Mark-to-market reserve	8 600	-
Retained earnings – 1 March 20.5	110 000	75 000
Profit before tax	115 000	85 000
Deferred tax on mark-to-market reserve	1 400	-
Proceeds on sale of 10 000 shares	55 000	-
Trade and other payables	4 500	4 000
	344 500	214 000

Additional information

1. Garage Limited acquired its 40 000 shares in Workshop Limited on 1 March 20.3 when the retained earnings of Workshop Limited amounted to R28 000.

   The fair value of the identifiable assets, liabilities and contingent liabilities were considered to be equal to the carrying amount of these items on 1 March 20.3, except for the following items:

	Fair value R	Carrying amount R
Workshop building	105 000	95 000
Trade receivables	18 000	23 000

2. On 28 February 20.6 Garage Limited sold 10 000 shares in Workshop Limited to minority shareholders.

3. Garage Limited accounts for its investments in subsidiaries as available-for-sale financial assets.

4. The Articles of Association of Garage Limited does not allow the distribution of capital profits.

5. The SA Normal tax rate is 28%.

6. Goodwill was not considered to be impaired at year-end. The group uses the proportionate method to recognise goodwill.

<u>QUESTION 14</u> (continued)

REQUIRED

Prepare the following for the Garage Limited Group for the year ended 28 February 20.6:

- the consolidated statement of financial position; (12)
  the consolidated statement of comprehensive income; (9½)

- the consolidated statement of changes in equity showing **only** the following columns: (9½)

Share capital R	**Non-distributable reserve R**	**Retained earnings R**	**Non-controlling interest R**

Please note: Marks will **not** be allocated for total columns.

Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice.

Show all calculations.

Ignore comparative figures.

Round off all calculations to the nearest R1.

(May/June 2006 exam)

QUESTION 15 (30 marks)(36 minutes)

The following represents the abridged consolidated annual financial statements of Artists Limited Group:

ARTISTS LIMITED GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 20.4

	20.4 R	20.3 R
ASSETS		
Non-current assets	134 245	116 700
Intangible assets at fair value (refer to note 8)	129 565	116 700
Goodwill	4 680	-
Current assets	10 600	9 800
Inventory	3 600	5 500
Trade receivables	4 500	2 700
Cash and cash equivalents	2 500	1 600
Total assets	144 845	126 500
EQUITY AND LIABILITIES		
Total equity	119 051	97 780
Equity attributable to owners of the parent	105 560	86 780
Share capital	50 000	50 000
Retained earnings	55 560	36 780
Non-controlling interest	13 491	11 000
Total liabilities	25 794	28 720
Non-current liabilities	6 530	3 600
Deferred tax	6 530	3 600
Current liabilities	19 264	25 120
Trade and other payables	13 900	9 800
Taxation payable - SA Revenue Service	5 364	15 320
Total equity and liabilities	144 845	126 500

QUESTION 15 (continued)

ARTISTS LIMITED GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 20.4

	R
Revenue	86 500
Cost of sales	(36 000)
Gross profit	50 500
Other income	12 039
Other expenses	(28 689)
Profit before tax	33 850
Income tax expense	(12 630)
Profit for the year	21 220
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	21 220
Total comprehensive income attributable to:	
Owners of the parent	18 780
Non-controlling interest	2 440
	21 220

ARTISTS LIMITED GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 20.4

	Share capital R	Retained earnings R	Total R	Non-controlling interest R	Total equity R
Balance at 1 January 20.4	50 000	36 780	86 780	11 000	97 780
Changes in equity for 20.4					
Dividends paid				(1 800)	(1 800)
Total comprehensive income for the year		18 780	18 780	2 440	21 220
Subsidiary acquired				2 880	2 880
Disposal of subsidiary				(1 029)	(1 029)
Balance at 31 December 20.4	50 000	55 560	105 560	13 491	119 051

QUESTION 15 (continued)

Additional information

1. The following items were included in the calculation of profit before tax:

	R
Profit on sale of copyrights	1 500
Interest received	800

2. Details of intangible assets (copyrights) sold by the companies in the group during the year are as follows:

	R
Proceeds	3 000
Cost price	1 500

3. On 1 January 20.3 Artists Limited obtained 90% of the issued share capital of Picasso Limited for R17 250.

   On that date the shareholders' interest of Picasso Limited was as follows:

	R
Ordinary shares - R1 each	15 000
Retained earnings	8 000

   On 31 August 20.4 Artists Limited sold its entire interest in Picasso Limited for R19 000. The fair values of the assets and liabilities of Picasso Limited on 31 August 20.4 were as follows:

	R
Inventory	10 700
Cash and cash equivalents	790
Trade and other payables	(1 200)
	10 290

4. On 1 March 20.4 Artists Limited acquired 10 800 shares in Van Gogh Limited for R9 000. At that date the shareholders' interest in Van Gogh Limited was as follows:

	R
Ordinary shares - R1 each	18 000
Retained earnings	11 000

   The fair values of the identifiable assets, liabilities and contingent liabilities of Van Gogh Limited on 1 March 20.4 were as follows:

	R
Intangible assets (copyrights)	5 200
Trade receivables	2 000

5. The fair value of the copyrights at the end of the year was equal to the fair value at the beginning of the year.

6. Copyrights were purchased to expand operations.

7. Goodwill of Van Gogh Limited was not considered to be impaired at year end. The group uses the proportionate method to recognise goodwill.

QUESTION 15 (continued)

8. Intangible assets consist only of copyrights.

9. Artists Limited paid a dividend of R4 000 on 31 December 20.4

10. The SA normal tax rate is 28%. You may assume the tax rate has been 28% since 1 January 20.3.

REQUIRED

(a) List the four elements of a consolidated statement of cash flows. (2)

(b) Prepare the consolidated statement of cash flows of the Artists Limited Group for the year ended 31 December 20.4 using the **DIRECT METHOD**. (21)

(c) Prepare the following **notes** to the consolidated statement of cash flows of Artists Limited Group for the year ended 31 December 20.4:

(i) Acquisition of subsidiary (3)
(ii) Disposal of subsidiary (4)

Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice.

Ignore comparative figures.

All calculations must be done to the nearest rand.

(May 2005 exam - Adapted)

<u>QUESTION 16</u> (28 marks)(34 minutes)

The following represents an extract from the consolidated annual financial statements of Water Limited Group:

WATER LIMITED GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 20.5

	20.5	**20.4**
	R	**R**
ASSETS		
Non-current assets	152 000	124 300
Property, plant and equipment at fair value	150 000	120 000
Goodwill	2 000	4 300
Current assets	195 090	179 800
Inventories	35 600	63 500
Trade receivables	66 000	82 000
Cash and cash equivalents	93 490	34 300
Total assets	347 090	304 100
EQUITY AND LIABILITIES		
Total equity	307 055	271 500
Equity attributable to owners of the parent	267 305	215 000
Share capital	50 000	50 000
Other components of equity	12 825	-
Retained earnings	204 480	165 000
Non-controlling interest	39 750	56 500
Total liabilities	40 035	32 600
Non-current liabilities	12 175	15 000
Deferred tax	2 175	-
Long-term borrowings	10 000	15 000
Current liabilities	27 860	17 600
Trade and other payables	8 500	7 000
Current tax payable	16 860	5 600
Current portion of long-term borrowings	2 500	5 000
Total equity and liabilities	347 090	304 100

QUESTION 16 (continued)

WATER LIMITED GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 20.5

	R
Revenue	96 000
Cost of sales	(54 300)
Gross profit	41 700
Other expenses	(4 400)
Other income (includes interest received of R2 900)	54 900
Finance costs	(5 890)
Profit before tax	86 310
Income tax expense	(26 030)
Profit for the year	60 280
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	60 280
Total comprehensive income attributable to:	
Owners of the parent	47 480
Non-controlling interest	12 800
	60 280

WATER LIMITED GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 20.5

	Share capital R	Re-valuation reserve R	Retained earnings R	Total R	Non-controlling interest	Total equity
Balance at 1 January 20.5	50 000		165 000	215 000	56 500	271 500
Changes in equity for 20.5						
Dividends paid			(8 000)	(8 000)	-	(8 000)
Total comprehensive income for the year			47 480	47 480	12 800	60 280
Revaluation surplus		12 825		12 825	-	12 825
Disposal of subsidiary					(29 550)	(29 550)
Balance at 31 December 20.5	50 000	12 825	204 480	267 305	39 750	307 055

QUESTION 16 (continued)

Additional information

1. On 30 June 20.5 Water Limited sold its shareholding of 70% in Filter Limited and made a profit of R52 000. The profit of R52 000 is included in the other income. The net assets and liabilities of Filter Limited on 30 June 20.5 consisted of the following:

	R
Property, plant and equipment at fair value	80 000
Inventories	15 000
Cash and cash equivalents	2 000
Trade receivables	6 000
Trade and other payables	(4 500)
	98 500

2. The value of the goodwill of the investment in Filter Limited was R1 900 on 30 June 20.5. The group uses the proportionate method to recognise goodwill.

3. No other subsidiaries were sold or purchased during the year.

4. Property, plant and equipment consist only of property. Property is non-depreciable and the purchase of property was to maintain current operations.

5. The revaluation reserve arose as a result of one of the properties being revalued during the current year.

6. Except for the given information no other non-cash flow items existed which could influence the consolidated statement of cash flows.

7. The SA normal tax rate is 28%.

REQUIRED

a) Prepare the consolidated statement of cash flows according to the **DIRECT** method of the Water Limited Group for the year ended 31 December 20.5.

b) Prepare the following note to the consolidated statement of cash flows of the Water Limited Group for the year ended 31 December 20..5:

   - Proceeds on disposal of subsidiary.

Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice.

Comparative figures are not required.

All amounts must be rounded off to the nearest Rand.

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