



UNIVERSITY
OF
JOHANNESBURG

DEPARTMENT OF ACCOUNTANCY

FINANCIAL REPORTING, ANALYSIS AND MANAGEMENT A

[FRAM 311/ FRAM0A1]

FINAL ASSESSMENT OPPORTUNITY: 28 MAY 2016

Assessor: Mr DP Basson
Ms D Napo

Time: 3 hours

Moderator: Mrs S Osman

Marks: 110

- THE ASSESSMENT OPPORTUNITY PAPER CONSISTS OF 5 QUESTION AND 8 PAGES (front page included).
- YOU MUST ANSWER ALL THE QUESTIONS
- WRITE IN BLUE OR BLACK INK – NO PENCIL
- A NON-PROGRAMMABLE, SILENT CALCULATOR MAY BE USED
- CROSS OUT OPEN SPACES AND EMPTY PAGES
- NO PENCIL OR TIPPEX MAY BE USED
- PLEASE ANSWER IN THE CORRECT COLOR BOOK AS INDICATED AT TOP OF EACH QUESTION

QUESTION	TOPIC		MARKS	TIME
1	Theory	(Blue book)	12	20 minutes
2	VAT Journals	(Green book)	20	33 minutes
3	Bank reconciliation	(Purple book)	19	31 minutes
4	Financial Statements & Notes	(Red book)	31	50 minutes
5	Receivables & Payables	(Yellow book)	<u>28</u>	<u>46 minutes</u>
			<u>110</u>	<u>180 minutes</u>

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QUESTION 1 (Blue book)

[12 MARKS]

The Conceptual Framework provides valuable information for the accountant with regard to the definition of the various elements and general features of financial statements.

REQUIRED:

- a) Financial statements comprises of five elements.
- Define the element "Asset" according to Conceptual Framework (4)
 - Define the element "Liability" according to Conceptual Framework. (4)
- b) Qualitative characteristics are the attributes that make the information provided in financial reports useful to users. "Qualitative characteristics are classified as either being fundamental or enhancing qualitative characteristics (Conceptual Framework par 1 QC5)."
- List the four enhancing qualitative characteristics (4)

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QUESTION 2 (Green Book)

(20 MARKS)

Tuffstuff Traders concluded the following transactions during March 2016:

1. Sell inventory on credit to J Smit for R5 472 and granted R342 trade discount.
2. S de Beer, who owes Tuffstuff Traders R1 026, is insolvent. His account should be written off as irrecoverable.
3. The owner pays his child's school fees of R684 with a business cheque.
4. Purchase merchandise for cash, R 51 300.
5. Paid R2 280 for the function for employees (entertainment).
6. Paid R1 710 for water and electricity.
7. Received R3 420 from N Bosch on his account.
8. Purchased a passenger vehicle from Auto Motors for R165 300 on credit and a R20 000 deposit was paid.

REQUIRED:

Journalise the above transactions in the General journal of Tuffstuff Traders for March 2016.
(20)

Please note: Tuffstuff Traders is registered for VAT
Tuffstuff Traders make use of the periodic inventory system in determining its profit.
Narrations are NOT required.

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QUESTION 3 (Purple Book)

(19 MARKS)

The following information was obtained from the financial records of Sunshine Cleaners.

Favourable bank balance according to bank account on 1 March 2016, R3 200.

The totals of the receipts and payments journal until 30 March 2016 were as follows:

Receipts journal	R20 100
Payments journal	R18 400

Outstanding transactions on 31 March 2016:

1. Receive R500 cash from Advert in settlement of a debt, previously written off as irrecoverable.
2. Pay for repairs to the equipment, R350.
3. Pay R2 500 to VDS Finance as an instalment on a motor vehicle bought on credit.
4. Cash sales of merchandise, R1 100.

ADDITIONAL INFORMATION:

A comparison of the cash receipts and the cash payments journal with the bank statement on 31 March 2016 revealed the following differences:

1. Overdraft bank balance according to bank statement on 31 March 2016, R1 800.
2. The following amounts were on the bank statement.
 - A cheque deposited on 8 February 2016 was dishonoured, marked "RD". This cheque for R850 was deposited by A Coetzer as payment on his account.
 - Debit order for insurance premium, beneficiary Outthere Insurers, R650.
 - Bank charges, R88.
 - Cheque no. 7542, drawer Sun Dealers, R5 202.
3. The deposit of R1 600 on 31 March does not appear in the bank statement.
4. A deposit of R990 in the bank statement. This deposit was for the owner's private bank account.
5. A list of outstanding cheques was compiled on 31 March.

Cheque no. 461	R 750
Cheque no. 462	R1 000
Cheque no. 470	R 200

REQUIRED:

- (a) Prepare the bank account with the outstanding transactions of 31 March 2016 and the additional entries in the ledger. (11)
- (b) Prepare the bank reconciliation statement as at 31 March 2016. (8)

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QUESTION 4 (Red Book)

(31 MARKS)

The following information was taken from the financial records of Smash Traders.

SMASH TRADERS	
Balances as at 29 February 2016	
	R
Capital	290 000
Drawings	55 500
Land and buildings	170 000
Equipment	75 000
Accumulated depreciation on equipment	25 800
Investment: Cent Bank (12% p.a.)	35 000
Mortgage bond (14% p.a.)	28 000
Receivables control	32 500
Payables control	44 000
Allowance for bad debts / credit losses	2 210
Inventories (1 March 2015)	75 100
Bank overdraft	3 340
Petty cash	350
Sales	619 000
Purchases	444 250
Returns (in)	3 000
Returns (out)	4 310
Interest income	1 350
Freight (out)	1 970
Postage	2 000
Repairs	500
Insurance	1 000
Salaries	115 500
Bad debts	1 000
Telephone	4 650
Stationery	690

ADDITIONAL INFORMATION:

1. According to the physical stocktaking, the following items were on hand on 29 February 2016:
 - Inventory R73 550
 - Stationery R 115
2. Allowance for bad debts / credit losses must be decreased with R585.

3. No entry has yet been made for a cheque, which was issued on 29 February 2016 to pay the telephone account for February 2016, R1 380.
4. The amount of the investment, as well as the interest rate at which the investment was made, did not change during the financial year. Check the correctness of the total interest for the reporting period.
5. The mortgage bond was entered into on 1 November 2013, the purchase date of the land and buildings. The loan is repayable in annual instalments of R7 000 on 30 November of each year. Check the correctness of the total interest for the reporting period.
6. Depreciation on equipment must still be provided at 15% p.a. on the straight line method.

REQUIRED:

1. Prepare the statement of profit or loss of Smash Traders for the reporting period ended 29 February 2016 in accordance with the requirements of Statements of Generally Accepted Accounting Practice. (No notes are required) (23)
2. Prepare the note for property, plant and equipment in accordance with the requirements of Statements of Generally Accepted Accounting Practice. (8)

Please note: Smash Traders is not registered for VAT purposes.
Assume any other information necessary.

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QUESTION 5 (Yellow Book)

(28 MARKS)

The following information was obtained from the records of RCT Suppliers.

Balances on 1 April 2016:

Debits	:	Receivables ledger	R30 000
	:	Payables ledger	1 000
Credits	:	Receivables ledger	3 000
	:	Payables ledger	12 000
	:	Allowance for bad debts / credit losses	3 000

Transactions for the month ended 30 April 2016:

1. Total sales for the month amounts to R193 750 of which 80% was credit sales.
2. Total purchases for the month amounts to R146 000 of which R50 000 was cash purchases.
3. Merchandise to the value of R22 000 was returned to RCT Suppliers.
4. Receivables accounts of R 5 500 were written off as irrecoverable.
5. Refunds made to receivables via an EFT (electronic fund transfer) amounts to R4 000.
6. Interest charged to receivables was R6 000.
7. Merchandise to the value of R7 000 was returned by RCT Suppliers.
8. Included in the total credit sales was R6 500 of invoice overstating the sales. (Do a separate entry for this transaction and don't combine it with the original sales transaction.)
9. Total payments made to payables amounts to R83 000.
10. Receipts from receivables amounts to R135 000.
11. Discount received of R3 500 from payables that were not accounted for in the original invoices. (Do a separate entry for this transaction and don't combine it with the original transaction.)
12. Adjust the allowance for bad debts / credit losses to R2 500

Balances on 30 April 2016:

Debits	:	Payables ledger	1 500
Credits	:	Receivables ledger	2 000
	:	Allowance for bad debts / credit losses	2 500

REQUIRED:

a) Prepare the following ledger accounts:

- Receivables control (10)
- Payables control (7)
- Allowance for bad debts / credit losses (3)

b) Present Receivables and Payables on the statement of financial position of RCT Suppliers on 30 April 2016. (8)

Please Note: RCT Suppliers is not registered for VAT purposes.