



UNIVERSITY
OF
JOHANNESBURG

DEPARTMENT OF ACCOUNTANCY

ACCOUNTING B – 2015

[REK0B01/ ACC0BB1]

FINAL ASSESSMENT OPPORTUNITY: 9 NOVEMBER 2015

Assessor: Mr DP Basson
Ms S Osman

Time: 2 hours

Moderator: Ms Z Patel

Marks: 90

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| <ul style="list-style-type: none">• THE ASSESSMENT OPPORTUNITY PAPER CONSISTS OF 3 QUESTION AND 8 PAGES (front page included).• YOU MUST ANSWER ALL THE QUESTIONS• START EVERY NEW QUESTION AT THE TOP OF A PAGE• WRITE IN BLUE OR BLACK INK – NO PENCIL• A NON-PROGRAMMABLE, SILENT CALCUTATOR 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 |
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QUESTION	TOPIC		MARKS	TIME
1.	Partnerships	(Blue book)	25	33 minutes
2.	Companies	(Green book)	35	47 minutes
3.	Budget	(Orange book)	30	40 minutes
			<hr/> 90	<hr/> 120 minutes

QUESTION 1 (Blue book)

(25 MARKS)

Donald, Smith and Nel are in partnership and share profits or losses in the ratio 5:3:2. On 30 June 2015, the end of the reporting period of the partnership, the following is submitted to you:

DONALD, SMITH, NEL		
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015		
	R	R
ASSETS		
NON-CURRENT ASSETS		835 000
Land and buildings	350 000	
Furniture	225 000	
Equipment	200 000	
Goodwill	60 000	
CURRENT ASSETS		315 000
Inventories	125 000	
Trade and other receivables	95 000	
Cash and Cash Equivalents	95 000	
TOTAL ASSETS		1 150 000
EQUITY AND LIABILITIES		
EQUITY		1 000 000
Capital : Donald	500 000	
: Smith	300 000	
: Nel	200 000	
Current account : Donald	50 000	
: Smith	75 000	
: Nel	(25 000)	
LIABILITIES		50 000
CURRENT LIABILITIES		
Trade and other payables	50 000	
TOTAL EQUITY AND LIABILITIES		1 150 000

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ADDITIONAL INFORMATION:

On 1 July 2015 Nel decided to withdraw from the partnership. For the purposes of Nel's withdrawal the partners agreed on the following:

1. Goodwill is valued at R58 000, but must not appear in the records of the new partnership.
2. The following assets have been revalued at the respective amounts:

Land and buildings	405 000
Furniture	250 000
Equipment	197 000
Trade and other receivables	90 000
3. Donald and Smith will share profits and losses in future in the ratio 2:3.
4. The balance on Nel's capital account will be paid by electronic transfer.

REQUIRED:

Prepare the capital accounts of the partners in column form.

(25)

This question consists of two independent parts:

PART A

QUESTION 2(A) (Green book)

(11 MARKS)

Ally Limited has been formed on 1 July 2014 with an authorised share capital of:

100 000 ordinary shares
50 000 8% preference shares

ADDITIONAL INFORMATION:

1. The founders of the company applied and paid for 40 000 ordinary shares at R1.50 per share. The shares were allocated to them.
2. On 1 January 2015 a further 40 000 ordinary shares were offered to the public at R1.50 each. Application and payments were received for 60 000 shares. The 40 000 shares were allotted and all unsuccessful applicants were refunded.
3. 50 000 8% preference shares of R1 each were offered to the public. Subscriptions were received for 50 000 8% preference shares and all the shares were allotted.

REQUIRED:

Journalise the above mentioned transactions in the general journal for the reporting period ended 30 June 2015 (11)

PART B:

QUESTION 2(B) (Green book)

(24 MARKS)

FEDCON LIMITED			
Statement of profit or loss for the year ended 30 September 2015			
	Note	R	R
Sales			1 850 000
Sales		1 900 000	
Sales returns		(50 000)	
		<hr/>	
Cost of sales			(680 000)
Opening inventories		180 000	
Purchases		725 000	
		<hr/>	
		905 000	
Closing inventories		(225 000)	
		<hr/>	
Gross profit			1 170 000
Other income			48 700
Rent income		16 000	
Dividends income	1	18 000	
Interest income	1	7 500	
Profit on sale of machinery		2 500	
Profit on sale of shares		4 700	
		<hr/>	
Expenses			(758 000)
Salaries and wages	2	350 000	
Salary: Managing director Mr. Wright		180 000	
Petrol	2	45 000	
Water and electricity		28 000	
Bad debts		6 000	
Auditors' fees		43 000	
Loss on sale of vehicles		6 500	
Loss on re-measurement of investment		3 500	
Interest expense		4 000	
Depreciation	3	32 000	
Rent of buildings		57 000	
Donations		3 000	
		<hr/>	
			460 700
Income tax expense			(133 000)
			<hr/>
			327 700
Ordinary dividends	4	30 000	
Preference dividends	4	18 000	(48 000)
		<hr/>	
Profit for the year			<u>279 700</u>

ADDITIONAL INFORMATION:

1. Dividends and interest are received from

	R
Elegance Ltd	8 000
Team (Pty) Ltd	10 000
Interest is received from Elegance Ltd	7 500

2. Included in the salaries and wages is R72 000 that was paid to the non-executive director, Mr Bester, while R5 000 of the fuel expenses was for the fuel of Mr Bester to attend the meetings.

3. Depreciation for the reporting period amounted to R20 000 for vehicles and R12 000 for machinery.

4. The issued share capital of the company on the reporting date consisted of:

1 000 000 ordinary shares of R0.50 each
300 000 redeemable 6% preference shares of R1 each.

REQUIRED:

Prepare the statement of comprehensive income of Fedcon Ltd for the reporting period ended 30 September 2015. The statement as well as the notes must comply with the minimum requirements of the Companies Act, and International Financial Reporting Standards (IFRS). (24)

Please note: All the notes to the statement of comprehensive income are required.

QUESTION 3 (Orange book)

(30 MARKS)

John Wilson intends on starting a business called Wilson Traders, on 1 September 2015. He carried out an investigation in this regard but is not sure whether his cash will be sufficient for the functioning of his business. He requests your advice in respect of the business and supplies you with the following information:

1. A loan of R200 000 at an interest rate of 9% per year will be obtained from Africa Bank on 1 September 2015. The loan is repayable at R8 000 monthly at the end of each month plus the monthly interest.
2. The estimated sales to 28 February 2016 will be R1 300 000 and will take place as follows:

September	R176 000
October	198 000
November	254 000
December	188 000
January	264 000
February	220 000

It is expected that 20% of all sales will be for cash and the balance on credit. According to information from this industrial sector, receivables pay their accounts as follows:

10% in the month of sales
60% in the month following the month of sales
25% in the next month
5% is normally irrecoverable and is written off at the end of the month in which the last payment was received.

3. Purchases for the first three months will be:

September	R267 000
October	110 500
November	55 000

All purchases will be on credit. Fifty percent of payables will be paid during the month of purchases to get 10% discount and the balance of the payables will be paid in the month following the month of purchases.

4. Employees will receive the following remuneration at the end of each month:
Salaries R12 000
Two percent commission on cash sales. Commission on cash sales are paid on the last day of each month for that month.
5. Other operating expenses amount to 10% of total sales and are payable monthly.
6. Mr. Wilson has overdraft facilities of R100 000. Interest on the overdraft will be charged at 12% per year on the balance as at the beginning of the month.

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REQUIRED:

Prepare the cash budget, for Wilson Traders, for the three months September, October and November 2015. (30)

Please note: Wilson Traders is NOT registered for VAT purposes.