

MAY/JUNE 2008
QUESTION 1 (25 marks) (30 minutes)

On 1 March 2007 Doll and Msa formed a partnership, Doll-Msa Traders, to supply designer curtains to various outlets countrywide.

At the end of the first financial year the bookkeeper prepared the following trial balance:

DOLL-MSA TRADERS
TRIAL BALANCE AS AT 29 FEBRUARY 2008

	Debit	Credit
	R	R
Marketing expenses	4 750	
Water and electricity	29 550	
Bank	79 040	
Capital: Doll		240 000
Capital: Msa		120 000
Rates and taxes	14 180	
Interest on long-term	5 400	
Current account: Msa (training allowance)	25 000	
Creditors control		39 850
Debtors control	48 650	
General expenses	7 270	
Long-term loan		90 000
Vehicles at cost	110 000	
Equipment at cost	90 000	
Land and buildings at cost	150 000	
Purchases	247 810	
Telephone expenses	21 100	
Salaries and wages	103 000	
Sales		445 700
	935 550	935 550

Additional Information

1. Year-end adjustments:
 - 1.1 On 29 February 2008 the inventory on hand amounted to R23 400.
 - 1.2 The long-term loan was obtained from Equity Bank on 31 March at an interest rate of 12% per annum, payable half-yearly. The first interest payment was made on 1 October 2007. The capital amount of the loan must be repaid on 31 March 2010. The loan was acquired to purchase equipment.
 - 1.3 Doll and Msa each withdrew R30 000 of their salaries, which were debited to the salaries and wages account.
 - 1.4 An invoice for delivery expenses in respect of purchases, R4 400, received from Linda Transport Services on 29 February 2008, has not yet been entered in the accounting records of the entity.
 - 1.5 On 18 February 2008 Msa went overseas to attend an interior designing course. She received an allowance of R25 000 before she left. The amount was debited to her current account. Upon her return on 26 February 2008 she presented all her expense vouchers, totalling R23 250. The partners agreed that this amount must be classified as training expenses for the partnership. She used the outstanding balance to buy presents for her children.

May/ June 2008

QUESTION 2 (20 marks) (24 minutes)

Zizamele CC is an empowerment entity which was established in January 2006 to take part in the construction of RDP houses at Ethekekwini and the surrounding areas. The following information pertains to Zizamele CC at 31 December 2007, the end of the financial year.

ZIZAMELE CC

TRIAL BALANCE AS AT 31 DECEMBER 2007

	Debit	Credit
	R	R
Members' contribution: R Zulu		200 000
Members' contribution: N Mzobe		270 000
Asset replacement reserve – 1 January 2007		100 000
Retained earnings – 1 January 2007		75 000
Mortgage loan		225 000
Land and buildings at cost	720 000	
Machinery at cost	400 000	
Vehicles at cost	150 000	
Accumulated depreciation: Machinery		80 000
Accumulated depreciation: Vehicles		54 000
Inventory	50 000	
Debtors control	64 200	
Creditors control		20 750
Accrued expenses (interest on mortgage loan)		11 250
Bank overdraft		2 000
SARS/Receiver of Revenue (income tax)		25 200
Distribution to members	50 000	
Profit and loss (profit for the period before taking additional information 4.2.2 into account)		371 000
	1 434 200	1 434 200

Additional Information

1. The mortgage loan was obtained on 1 July 2007 from Aloe Bank, the date on which the land and buildings were purchased, at 10% interest per annum. The loan is secured by a mortgage over land and buildings and is repayable in five equal instalments, starting on 1 July 2008. The interest on the loan was correctly recorded and closed off to the profit and loss account.
2. During a meeting held on 28 December 2007, the members approved that R60 000 of the profit for the period must be transferred to the asset replacement reserve.
3. On 30 September 2007, R Zulu, one of the members, made an additional capital contribution to the CC by transferring a vehicle with a carrying amount of R90 000 to Zizamele CC. On 1 October 2007 Mr Careless, the bookkeeper was dismissed due to his incompetence. As a result no entries were made to record this transaction.
4. Depreciation (except for 4.2.2) was provided for as follows:
 - 4.1 Machinery at 10% per annum according to the straight-line method.
 - 4.2 Vehicles:
 - 4.2.1 Vehicles at 20% per annum according to the diminishing-balance method.
 - 4.2.2 The only depreciation still to be provided for is the depreciation pertaining to the vehicle that was acquired from R Zulu.

1.6 Depreciation is provided for as follows:

Equipment at 25% per annum on cost (purchased on 1 April 2007)

Vehicles at 15% per annum on the diminished balance (purchased on 1 March 2007)

2. Terms of the partnership agreement:

2.1 The partners Doll and Msa share profits and losses in the ratio of 2:1 respectively.

2.2 No drawing accounts are to be opened in the books of the partnership. All transactions between a partner and the partnership (including drawings) must be entered in the respective partner's current account.

2.3 Interest at 5% per annum must be allowed on the closing balance of a partner's capital account.

2.4 Msa must act as the sales manager at a commission of 5% on the sales, calculated at the end of each financial year.

2.5 In addition to the commission payable to Msa, each partner is entitled to a monthly salary of R5 000.

REQUIRED

Prepare the following in respect of Doll-Msa Traders:

1.1 ~~Statement of profit and loss and other comprehensive income for the year ended 29 February 2008 to comply with the requirements of IFRS appropriate to the business of the partnership~~
(notes and comparative figures are not required). (17)

1.2 The current account of Msa in the general ledger. **The profit/loss for the period need not be appropriated and do not balance the account.** Each entry must disclose the correct contra ledger account. (8)

[25]

NB: Show all calculations.

May/ June 2008

QUESTION 3 (21 marks) (25 minutes)

Paintson and Wareing are in a partnership, selling paint and hardware and trading as Paintware Stores; they share in the profits/losses of the partnership in the ratio of 3:2 respectively. Due to a steady decline in their profits and customers, they decided to liquidate the partnership simultaneously on 1 April 2008. The assets were to be sold at a public auction on that date.

On 31 March 2008 the following trial balance was prepared:

	Debit	Credit
	R	R
Land and buildings at cost	240 000	
Equipment at cost	122 400	
Accumulated depreciation: Equipment		24 000
Goodwill	135 600	
Inventory	54 000	
Debtors control	92 000	
Bank	4 000	
Capital: Paintson		150 000
Capital: Wareing		100 000
Current account: Paintson	5 000	
Current account: Wareing		13 000
Mortgage loan		200 000
Creditors control		166 000
	653 000	653 000

Additional Information

On 1 April 2008 the following transactions took place:

1. The land and buildings were sold for R450 500 at the auction.
2. The inventory was sold for R60 130 at the auction.
3. A laptop with a carrying amount of R7 000 was taken over by Paintson at a mutually agreed upon amount of R6 000. The remaining equipment was sold for R93 400 at the auction.
4. The auction fees of R10 000 was paid to the auctioneer.
5. Except for one insolvent debtor, who's debt was R2 000, all the debtors settled their accounts and received a discount of 5% on their outstanding balances.
6. The mortgage loan was paid in full.
7. All the creditors were paid and a discount of 10% was received on these settlements.
8. Wareing paid R5 000 for a farewell party out of the funds of the partnership.

REQUIRED

Prepare the liquidation account, properly closed off, in the general ledger of Paintware Stores at 1 April 2008. Each entry must disclose the correct contra ledger account.

NB: Show all calculations.

REQUIRED

- 2.1 Calculate the retained earnings of Zizamele CC as at 31 December 2007. (6)
- 2.2 Prepare only the EQUITY AND LIABILITIES-section of the Statement of Financial Position of Zizamele CC as at 31 December 2007 to comply with the provisions of the Close Corporations Act, No 69 of 1984, and the requirements of IFRS. Notes and comparative figures are not required. (14)
- [20]

NB: Show all calculations.

May/ June 2008

QUESTION 4 (20 marks) (24 minutes)

1. The following balances, pertaining to 30 April, were taken from the financial records of Beads Galore CC:

	2008 R	2007 R
Land and buildings at cost	410 000	355 000
Equipment at carrying amount	94 000	89 000
Vehicles at carrying amount	140 200	200 000
Inventory	76 500	64 000
Debtors control	11 200	9 000
SARS (income tax) (cr)/income tax payable	7 800	9 600
Long-term loan (BEE bank)	100 000	120 000
Member's contribution: B Chetty	100 000	100 000
Members' contribution: W Moni	100 000	100 000
Member's contribution: A Palmer	-	45 000
Long-term loan (A Palmer)	30 000	-
Bank (overdraft)	550	-
Bank (Dr)	-	250

2. The following information was taken from the income statement for the financial year ended 30 April 2008:

	R
Revenue	425 000
Depreciation (equipment R7 200, vehicles R12 800)	20 000
Profit on sale of vehicle	7 250
Loss on equipment written off	2 000
Income tax expense	17 800
Interest on long-term loan (BEE Bank – not capitalised)	9 800

3. On 30 April 2008 a total amount of R22 000 was apportioned to the members from the profits of the CC. This amount was paid in cash on this date.
4. The cash paid to the suppliers and employees for the 2008 financial year amounted to R322 250.
5. During the financial year A Palmer discontinued his membership and immigrated to Australia. A Palmer agreed that the CC repay his member's contribution in 3 equal instalments. The balance of his member's contribution account was closed off to a long-term loan account. The first repayment on the loan account was made on 31 January 2008.
6. The following transactions took place in respect of property, plant and equipment:
- 6.1 A vehicle was sold for cash during the financial year. At the date of the sale the carrying amount of this vehicle was R47 000. No other vehicles were bought or sold during the financial year.
- 6.2 Redundant equipment was written off during the financial year and replaced with new equipment which was purchased for cash. No further equipment was sold or purchased during the financial year.
- 6.3 Additional buildings were constructed and paid for in cash.

REQUIRED

Prepare ONLY the CASH FLOWS FROM INVESTING ACTIVITIES and the CASH FLOWS FROM FINANCING ACTIVITIES-sections of the statement of cash flows of Beads Galore CC for the year ended 30 April 2008, to comply with the requirements of IFRS, appropriate to the business of the close corporation. Notes and comparative figures are not required.

NB: Show all calculations.

May/ June 2008

QUESTION 5 (14 marks) (17 minutes)

Mango Ltd was registered on 1 April 2005 with an authorised share capital of 50 000 ordinary shares. During May 2005 the company issued 10 000 shares, at R10 to the founders of the company. During July 2005, 15 000 shares were issued to the public at R10 per share.

In order to expand the business, the board of directors decided on 15 January 2008 to offer 10 000 of the unissued shares to the public at the current trading price of R15 per share. On 1 February 2008 the directors appointed SAA Bank as the underwriter of the share issue at a commission of 4% which had to be settled by 15 March 2008.

On 29 February 2008, the closing date for the applications, 9 500 applications were received from the public. The final settlement between Mango Ltd and SAA Bank was recorded on 15 March 2008.

REQUIRED

Record all of the above transactions pertaining to the issue of the shares in the general journal of Mango Ltd for the period 1 February 2008 to 15 March 2008

Narrations can be omitted.

NB: Show all calculations.

OCT/ NOV 2008

QUESTION 1 (25 marks) (30 minutes)

Kim and Tim are the members of Contacts Factory CC. The following information pertains to the business activities of the close corporation for the year ended 30 April 2008:

1. Pre-adjustment balances as at 30 April 2008:

	R
Member's contribution : Kim	122 000
Member's contribution: Tim	122 000
Land and buildings at cost	100 000
Equipment at cost	89 000
Vehicles at cost	108 000
Accumulated depreciation: Equipment (1 May 2007)	16 910
Long-term loan	50 000
Inventory	38 520
Debtors control	35 800
Creditors control	20 054
Bank (dr)	12 700
Retained loss (1 May 2007)	28 760
Sales	566 160
Cost of sales	210 234
Settlement discount granted	7 250
Water and electricity	22 890
Salaries and wages	48 700
Telephone expenses	9 870
Salaries to members	120 000
Remuneration: Accounting officer	14 000
Insurance expense	20 000
SARS (income tax) (dr)	10 400
Interim profit distribution	15 000
Interest on long-term loan	6 000

2. Additional Information

2.1 The long-term loan was acquired from SA Bank on 2 January 2007. Interest is payable annually on 31 December at a rate of 18% per annum. The capital portion of the loan is repayable on 31 December 2009.

2.2 The land and buildings consist of a shop and offices on stand 57A, Sea Side. The land and buildings serve as security for the long-term loan from SA Bank.

2.3 A second-hand delivery vehicle with a cost price of R108 000 was purchased on 2 January 2008. No other non-current assets were bought or sold during the financial year.

2.4 Depreciation must be provided for as follows:

- 2.4.1 Equipment at 10% per annum on the diminishing balance method.
- 2.4.2 Vehicles at 20% per annum on the straight line method.

2.5 A debtor who is recorded in the books of the CC has been liquidated. On 28 April 2008 Contacts Factory CC was informed that they will receive R0,50 in the rand of the R12 000 owed by the debtor on 30 June 2008. The members decided to write the irrecoverable amount off in the current financial year. This entry must be recorded.

2.6 On 1 May 2007 the CC acquired and paid for the insurance that had to be paid annually in advance. Additional insurance to the amount of R6 000, also to be paid annually in advance, was acquired and paid for on 2 January 2008.

2.7 The SA normal tax for the year amounted to R25 460 and must still be recorded.

REQUIRED

Prepare the following in respect of Contacts Factory CC to comply with the provisions of the Close Corporations Act, No 69 of 1984, and the requirements of IFRS. Comparative figures are not required.

- | | | |
|-----|--|------|
| 1.1 | Statement of profit and loss and other comprehensive income for the year ended 30 April 2008 | (18) |
| 1.2 | The property, plant and equipment note for the year ended 30 April 2008.
The total column can be omitted. | (7) |
| | | [25] |

NB: Show all calculations.

October/ November 2008

QUESTION 2 (20 marks) (24 minutes)

So, Be and It are in a partnership, trading as So-Be-It Traders. So, Be and It share in the profits/losses of the partnership in the ratio 5:3:2 respectively.

So wants to retire from the partnership on 30 June 2009 and the partners decided to admit Good to the partnership on 1 July 2008 so as to enable him to get acquainted with the business before So retires. The profit-sharing ratio between So, Be, It and Good will be 2:1:1:1 respectively. The new partnership will trade as So-Be-It-Good Traders.

Good will pay R20 000 cash and contribute equipment to the value of R30 000 for his 1/5 interest in the fair value of the net assets of the new partnership.

The Statement of Financial Position of So-Be-It Traders as at 30 June 2008, the end of the financial year and immediately prior to the recording of the valuation adjustments in preparation for the change in ownership structure of the partnership, is as follows:

SO-BE-IT-TRADERS

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2008

ASSETS	R
Non-current assets	110 000
Property, plant and equipment (land and buildings, R80 000; equipment, R30 000)	110 000
Current assets	90 000
Inventories (merchandise)	65 000
Cash and cash equivalents	25 000
Total assets	200 000
EQUITY AND LIABILITIES	
Total equity	170 000
Capital (So:R60 000; Be: R40 000; It: R20 000)	120 000
Asset replacement reserve	50 000
Total liabilities	30 000
Current liabilities	30 000
Trade and other payables (creditors control)	30 000
Total equity and liabilities	200 000

In preparation of the change in the ownership structure of So-Be-It Traders, the following valuations were made on 30 June 2008:

1. Inventory, R55 000
2. Land and buildings, R120 000

REQUIRED

- 2.1 Prepare and close off the valuation account in the general ledger of So-Be-It Traders on 30 June 2008. Each entry must disclose the correct contra ledger account. (8)
- 2.2 Calculate the goodwill of So-Be-It Traders on 30 June 2008. (7)
- 2.3 Prepare and balance the capital account of So in the general ledger of So-Be-It Traders on 30 June 2008. Each entry must disclose the correct contra ledger account. (5)

October/ November 2008

QUESTION 3 (19 marks) (24 minutes)

Phat and Joe are in a partnership, trading as Phat-Joe Outfitters. The following information was taken from the accounting records and financial statements of the partnership at 30 June 2008, the end of the financial year:

1. Statement of Financial Position accounts at 30 June:

	2008	2007
	R	R
Land and buildings at cost	188 000	188 000
Equipment at cost	54 000	42 000
Accumulated depreciation: Equipment	39 950	21 200
Capital: Phat	100 000	100 000
Capital: Joe	100 000	100 000
Current account: Phat (cr)	68 050	30 000
Current account: Joe (cr)	38 800	800
Debtors control (trade debtors)	179 410	173 600
Allowance for credit losses	15 000	12 000
Bank	130 000	-
Inventory	20 000	25 000
Long-term loan	155 000	115 000
Creditors control	53 000	43 000
Bank (overdraft)	-	7 000
Water and electricity prepaid	850	1 100
Accrued interest expense	2 200	700
Accrued insurance expense	260	-

2. Relevant information disclosed in the Statement of profit and loss and other comprehensive income for the year ended 30 June 2008

	R
Administrative expenses	20 000
Interest on long-term loan	16 000
Credit losses	4 500
Insurance expense	12 280
Salaries and wages	45 100
Sales	425 500
Depreciation	18 750
Water and electricity	4 720
Purchases	155 000

3. Additional Information

3.1 All sales of inventory were on credit.

3.2 All purchases of inventory were on credit and R153 000 was paid to the trade creditors during the financial year.

3.3 The partners withdrew the following amounts in cash during the financial year:

- Phat: R34 025
- Joe: R34 075

REQUIRED

Prepare ONLY the CASH FLOWS FROM OPERATING ACTIVITIES – section of the Statement of Cash Flows of Phat-Joe Outfitters, according the DIRECT METHOD, for the year ended 30 June 2008, to comply with the requirements of IFRS, appropriate to the business of the partnership. Notes and comparative figures are not required.

NB: Show all calculations.

October/ November 2008
QUESTION 4 (18 marks) (21 minutes)

Sawubona CC is a business entity trading with fruit and vegetables. It has a network of branches in Durban and the surrounding areas. The head office of Sawubona CC supplies all of its branches with inventory and invoices the branches at selling price, which is at cost plus 25%. The following information pertains to the Yebo branch for the year ended 30 September 2008:

	R
Inventory on hand at 1 October 2007, at selling price	7 200
Debtors control at 1 October 2007	4 630
Inventory sent to branch during the year, at cost price	86 400
Cash sales	52 750
Credit sales	36 380
Cash received from debtors	29 210
Settlement discount granted to debtors	4 600
Credit losses	1 640
Rent expense	6 000
Salaries and wages	8 000
Administrative expenses	1 500

Additional Information

1. Inventory on hand at 30 September 2008, at selling price, was R23 100.
2. The Yebo branch manager informed the head office that:
 - 2.1 Inventory with a selling price of R1 080 was stolen during the year.
 - 2.2 Inventory that was about to reach the sell-by-date was sold at a discount of 50% during September. The R1 200 proceeds of the sale are included in the cash sales figure of R52 750.
3. After all the above was taken into account, the head office calculated an inventory shortage of R690 at the Yebo branch.

REQUIRED

Prepare the branch inventory account of the Yebo branch, at selling price, properly balanced, in the general ledger of the head office of Sawubona CC at 30 September 2008. Each entry must indicate the correct contra ledger account.

NB: Show all calculations.

October/ November 2008

QUESTION 5 (18 marks) (21 minutes)

Oak Furnishers CC, a manufacturing entity, has applied for a loan from a bank to finance the purchase of a factory building. The bank manager has requested certain financial ratios as part of the information required to determine whether Oak Furnishers CC is eligible for a loan.

B Brown, the only member of the CC, requested you to assist him in calculating these ratios. He supplied you with the following information that pertains to Oak Furnishers CC:

1. Statement of Financial Position information as at 31 August 2008:

	R
Members' contribution	185 000
Retained earnings (1 September 2007)	29 600
Long-term loan	72 000
Financial assets (fixed deposit)	43 000
Property, plant and equipment	249 300
Inventory	24 000
Trade receivables (debtors control)	36 500
Prepayments	3 200
Trade and other payables (creditors control)	21 700
Other financial liabilities (bank overdraft)	2 700

2. Selected information from the Statement of profit and loss and other comprehensive income for the year ended 31 August 2008:

	R
Sales	21 040
Interest on long-term loan	6 000
Gross profit	160 760
Profit before tax	63 380
Profit for the period	45 000
Income tax expense	18 380

3. Additional Information

3.1 On 31 August 2008 a profit distribution of R30 000 was made to the member.

3.2 The balance of the inventory account at 1 September 2007 was R26 000.

3.3 Some of the ratios that were calculated for the 2007 financial year are as follows:

- Inventory turnover rate 2.5 times
- Current ratio 2,17:1
- Debt-equity ratio 48,7%

3.4 Industry standards as at 31 August 2008:

- Current ratio 2:1
- Acid test ratio 1:1

REQUIRED

Note: All the formulas must be given and your answer rounded off to 2 decimals.

5.1 Calculate the following ratios on 31 August 2008:

- | | | |
|--------|------------------|-----|
| 5.1.1. | Return on equity | (5) |
| 5.1.2. | Profit margin | (3) |

5.2 Calculate the inventory turnover rate on 31 August 2008 and interpret the ratio in relation to the previous year's ratio. (4)

5.3 Calculate the current ratio on 31 August 2008 and interpret the ratio in relation to the previous year's ratio and industry standard. (6)
[18]

NB: Show all calculations.

MAY/ JUNE 2009

QUESTION 1 (25 marks) (30 minutes)

You have recently been appointed as the accounting officer of Springbok CC and the following list of balances was presented to you:

SPRINGBOK CC

1. Balances as at 28 February 2009

	R
Member's contribution: S Spring	174 000
Member's contribution: B Bok	116 000
Retained earnings (1 March 2008)	269 000
Land and buildings at cost	380 000
Plant and machinery at cost	860 000
Asset replacement reserve	80 000
Accumulated depreciation: Plant and machinery (1 March 2008)	220 000
Savings account	12 400
Sales	850 000
Purchases	305 000
Inventory (1 March 2008)	55 000
Freight on sales	2 500
Credit losses	1 100
Salaries to members	55 000
Allowance for credit losses	4 500
Settlement discount granted	5 000
SARS (income tax) (dr)	34 000
Stationery consumed	1 360
Insurance expense	6 100
Water and electricity	5 900
Debtors control	23 650
Creditors control	15 800
Administrative expenses	6 700
Bank (cr)	75 000
Distribution to members (interim)	25 350
Remuneration: Accounting officer	16 010
Advertising expenses	11 100
Forfeited settlement discount granted	1 250
Interest income	620

2. Additional Information

- 2.1 Inventory on hand on 28 February 2009 amounted to R43 000.
- 2.2 Mr Scrum, Half, a debtor who owes R3 150 was liquidated during the year. The members decided to write this amount off as irrecoverable.
- 2.3 The allowance for credit losses must be adjusted to R2 050.
- 2.4 Depreciation must be provided for at 10% per annum on the cost of plant and machinery. There were no sales of plant, but during the financial year a machine, with a cost of R30 000 and accumulated depreciation of R12 000 on 1 March 2008, was damaged beyond repair on 1 February 2009. It was decided to write the machine off on this date. No entries have been made to record this transaction.
- 2.5 The interest income represents interest on the savings account. No interest was outstanding on this account on 28 February 2009.
- 2.6 Spring and Bok are entitled to an annual salary of R60 000 each.

- 2.7 The members decided to distribute a further R20 180 of the profits equally between them.
- 2.8 The final income tax assessment was received on 25 April 2009 reflecting a balance of R38 072 owing by Springbok CC to SARS.

REQUIRED

Prepare the Statement of profit and loss and other comprehensive income (income statement) for the year ended 28 February 2009 in respect of Springbok CC to comply with the provisions of the Close Corporations Act, No 69 of 1984, and the requirements of IFRS (comparative figures are not required).

NB: Show all calculations.

Piecemeal Liquidation

*Joel 3/10
Santana 3/10
2/10*

May/ June 2009

QUESTION 2 (20 marks) (24 minutes)

Joel, Santana and Safa are in partnership, trading as Pro-2010 Soccer World Cup. The partnership was established solely to provide training camps to Bafana-Bafana. The partners share in the profits and losses in the ratio of 5:3:2 respectively. The following balances pertaining to the partnership appeared in the accounting records at 31 March 2009:

**PRO-2010 SOCCER WORLD CUP
BALANCES AS AT 31 MARCH 2009**

	R
Land and buildings at cost	375 000
Motor vehicles at cost	160 000
Accumulated depreciation: Motor vehicles	40 000
Goodwill	30 000
Capital: Joel	260 000
Capital: Santana	156 000
Capital: Safa	104 000
Current account: Joel (1 April 2008) (cr)	4 000
Current account: Santana (1 April 2008) (dr)	6 000
Current account: Safa (1 April 2008) (cr)	5 000
Bank (dr)	54 150
Creditors control	56 150

Due to the failure of Bafana-Bafana to qualify for the CAF soccer tournament to be held in Angola in 2010 and the subsequent loss of income thereon, the partners decided to dissolve the partnership piecemeal, as from 1 April 2009. The partners agreed that as soon as cash becomes available from the liquidation of assets, the proceeds must be distributed to the partners in such a manner that no partner will have to refund money to the partnership.

On 10 April 2009, the motor vehicle auctioned for R100 000 cash. On the same day an offer for the purchase of the land and buildings was also received. The partners accepted the offer and the registration process at the Deeds office was put into process on 11 April 2009.

REQUIRED

- 2.1 Record the liquidation of Pro-2010 Soccer World Cup in columnar format according to the loss-absorption capacity method from 31 March 2009 to 10 April 2009. *(NB)* **(16)**
- 2.2 Calculate the first interim repayment of the available cash to the partners on 10 April 2009. **(4)**

3/10 A-D

[20]

NB: Show all calculations.

May/ June 2009

QUESTION 3 (17 marks) (20 minutes)

The following information pertains to Dr J Jones, a dentist:

1. Statement of financial position (Statement of financial position) information as at

	28 Feb 2009	29 Feb 2008
	R	R
Capital: J Jones	205 000	146 000
Creditors control (trade creditors)	33 000	22 300
Mortgage: NJ Bank	234 000	134 000
Bank (overdraft)	35 365	-
Land and buildings at cost	350 000	150 000
Equipment at cost	114 000	114 000
Accumulated depreciation: Equipment	31 635	17 100
Bank (dr)	-	22 000
Debtors control (trade debtors)	52 600	25 400
Prepayment (interest on mortgage)	2 400	-
Inventory	20 000	8 000

2. Additional Information

- 2.1 The capital account of J Jones for the year ended 28 February 2009 is as follows:

General ledger Capital: J Jones							
Dr				Cr			
2009 Feb 28	Drawings Balance	c/d	R	2008 Mar 1	Balance	b/d	R
			89 000				146 000
			205 000				
			294 000		Feb 28		148 000
					Profit or loss account		294 000
					2009 Mar 1		205 000
					Balance	b/d	

- 2.2 During December 2008, Dr Jone relocated his practice to a new office complex; the building he occupied was sold for R250 000 cash with which he repaid the mortgage on the old office complex. A new mortgage was acquired from NJ Bank for the full value of the new office complex.
- 2.3 Interest on the mortgage amounted to R45 000 for the financial year ending 28 February 2009. Interest is payable in cash on a monthly basis in advance.

REQUIRED

Prepare ONLY the CASH FLOWS FROM OPERATING ACTIVITIES- section of the statement of cash flows (cash flow statement) of Dr J Jones for the year ended 28 February 2009 according to the INDIRECT METHOD. Your answer must comply with the requirements of IFRS, appropriate to the business of the sole trader. Comparative figures and notes are not required.

NB: Show all calculations.

May/ June 2009

QUESTION 4 (18 marks) (22 minutes)

On 1 April 2007 IDT Techno Ltd was registered with an authorised share capital of 200 000 ordinary shares. The founders of the company subscribed to 20% of the shares at R5 and paid for it in full.

On 15 September 2008 IDT Techno Ltd offered 50 000 of the authorised share capital to the public at R7,50 per share. IDT Techno Ltd appointed Internet Bank as the underwriter of the share issue at a commission of 5%. By 1 November 2008, the closing date for the applications, 70 000 shares were applied for. On 15 November 2008 all of the offered shares were allocated by the board of directors, the cash of the unsuccessful applicants were repaid and the underwriter's account was settled in full.

During a board meeting of IDT Techno Ltd on 1 March 2009, the directors decided to issue capitalisation shares at R5 in the ratio of one capitalisation share for every three ordinary shares held by the shareholders on 28 February 2009. The directors decided that the issue of the capitalisation shares have a minimum effect on the retained earnings. On 28 February 2009 the balance on the retained earnings account amounted to R175 230.

REQUIRED

- 4.1 Record the issue of the shares and the related transactions in the general journal of IDT Technologies for the period 15 September 2008 until 15 November 2008. (13)
- 4.2 Record the issue of the capitalisation shares in the general journal of IDT Techno Ltd on 1 March 2009. (5)
- [18]

NB: Show all calculations.

May/ June 2009

QUESTION 5 (20 marks) (24 minutes)

The following information was extracted from the accounting records of Lerato CC for the financial year ended 31 December 2008.

1. Selected income and expense items for the year ended 31 December 2008:

	R
Sales	1 000 000
Gross profit	250 000
Total expenses	120 000
Total comprehensive income/profit for the period	66 000

2. Statement of financial position (Statement of financial position) information as at 31 December 2008:

	2008	2007
	R	R
Property, plant and equipment	900 000	1 000 000
Financial assets (fixed deposit)	100 000	-
Inventories	95 000	80 000
Trade receivables	80 000	65 000
Cash and cash equivalents	25 000	-
	<u>1 200 000</u>	<u>1 145 000</u>
Members' contributions	160 000	160 000
Retained earnings	620 000	535 000
Long-term borrowings	300 000	300 000
Trade and other payables	110 000	100 000
Current tax payable	10 000	15 000
Other financial liabilities (bank overdraft)		35 000
	<u>1 200 000</u>	<u>1 145 000</u>

3. Additional Information

3.1 Finance costs and income tax expenses for the year amounted to R20 000 and R44 000 respectively.

3.2 Some of the ratio's that were calculated for the 2007 financial year are as follows:

- Current ratio 0,97:1
- Acid test ratio 0,43:1

3.3 Industry standards as at 31 December 2008:

- Current ratio 2:1
- Acid test ratio 1:1

REQUIRED

Note: All the formulas must be given and round answers off to 2 decimals.

- 5.1 Calculate the following ratios for 2008: (3)
- 5.1.1 Gross profit percentage (5)
- 5.1.2 Return on total assets
- 5.2 Calculate and interpret the following ratios in relation to the previous year's ratio: (6)
- 5.2.1 Current ratio (6)
- 5.2.2 Acid test ratio

OCT/ NOV 2009

QUESTION 1 (22 marks) (26 minutes)

The following information relates to Mor-Lind Corporation:

1. Balances as at 30 September 2009:

	R
Member's contribution: R Morwesi	60 000
Member's contribution: M Lindiwe	40 000
Land and buildings at cost	373 500
Vehicles at cost	270 000
Loan from member – R Morwesi	46 900
Loan to member – M Lindiwe	35 250
Inventory	49 656
Debtors control	265 300
Creditors control	252 050
Bank (dr)	36 200
Mortgage	95 000
Investment (fixed deposit at Third National Bank)	57 500
Retained earnings (1 October 2008)	315 000
Interim profit distribution paid to members	21 000
Accumulated depreciation on vehicles (1 October 2008)	97 200
Income received in advance	7 330
Prepaid expenses	2 500
Allowance for credit losses	24 515
SARS (income tax)	58 548
Profit before tax (before taking any applicable additional information into account)	231 459

2. **Additional Information**

- 2.1 The mortgage was obtained on 31 December 2008 from Cti Bank at 20% interest per annum. The interest, payable at the end of each month, has been paid and recorded correctly up to date. 15% of the mortgage is payable on 1 January 2010.
- 2.2 Depreciation on vehicles is calculated at 20% per annum on the diminished balance and must still be brought into account for the current year.
- 2.3 The normal income tax for the financial year amounted to R86 500.
- 2.4 A further profit distribution of R11 200 must be made to each member.
- 2.5 M Lindiwe is entitled to a salary of R15 000 per annum for her specialised services rendered to the business. It was agreed that the salary will not be paid to her but will be used as a part settlement of her loan account. This transaction must still be brought into account. The balance on the loan account is repayable on 28 February 2011.
- 2.6 The loan from R Morwesi was acquired on 1 October 2008 for a period of 10 years. Interest at 17,5% per annum must be capitalised at the end of each year. The interest has been recorded for the current year.

REQUIRED

With regard to Mor-Lind CC:

- 1.1 Prepare ONLY the EQUITY AND LIABILITIES –section of the statement of financial position as at 30 September 2009.

(18)

- 1.2 Prepare ONLY the note in respect of property, plant and equipment. The total column can be omitted.

(4)

Your answer must comply with the provisions of the Close Corporation Act, No 69 of 1984, as well as the requirements of IFRS. Comparative figures are not required.

[22]

NB: Show all calculations.

October/ November 2009

QUESTION 2 (19 marks) (23 minutes)

The following information relates to Wideband Traders, a partnership established on 01 March 2008 by J Smith and W Brown:

1. Balances as at 28 February 2009:

	R
Capital: J Smith (fixed)	180 000
Capital: W Brown (fixed)	96 000
Land and buildings at cost	450 000
Equipment at cost	155 000
Accumulated depreciation on Equipment	15 500
Bank (dr)	69 125
Debtors control	75 700
Inventory (1 March 2008)	6 000
Long term loan: IT Bank	360 000
Creditors control	29 975
Sales	635 290
Purchases	402 620
Drawings: J Smith	36 000
Drawings: W Brown	39 000
Settlement discount received	8 360
Delivery cost on sales	1 520
Bank charges	3 780
Depreciation	15 500
Telephone expenses	16 800
Water and electricity	17 520
Salaries and wages	35 180
Stationery consumed	1 330

2. Additional Information

2.1 Year-end adjustments:

2.1.1 On 1 March 2008 one of the partners contributed R6 000 worth of inventory as part of his capital contribution. At 28 February 2009 the value of inventory on hand amounted to R12 500.

2.1.2 The partners decided to create an allowance for credit losses of R5 550. This is to make provision for a debtor who is in the process of being liquidated.

2.1.3 The land and buildings consist of an office on stand 184 in Midrand Business Park and serves as security for the long-term loan from IT Bank. The loan was obtained on 1 March 2008 at 12% interest per annum. The interest is payable annually and must still be provided for.

2.1.4 The telephone account for February 2009 of R 1 740 was received late and must still be recorded.

2.2 Terms of the partnership agreement:

2.2.1 J Smith and W Brown share profits and losses in the ratio of 2:1 respectively.

2.2.2 Interest at 10% per annum is to be allowed on the balances of the capital accounts.

2.2.3 Each partner is entitled to a salary of R3 000 per month. One of the partners is overseas at the moment and he has already taken his salary for March 2009. This transaction has been recorded.

REQUIRED

Prepare the Statement of profit and loss and other comprehensive income of Widebank Traders for the year ended 28 February 2009 to comply with the requirements of IFRS, appropriate to the business of the partnership. Notes and comparative figures are not required.

NB: Show all calculations.

October/ November 2009

QUESTION 3 (20 marks) (24 minutes)

1. The following information pertains to Allshoes CC:

	2009 R	2008 R
<u>Credit balances as at 30 June:</u>		
Member's contribution: F Jensen	175 000	150 000
Member's contribution: M Baloyi	225 000	225 000
Creditors control (trade creditors)	20 080	19 700
Long term loan (Handy Bank)	20 000	70 000
Bank (overdraft)	81 710	17 710
Retained earnings	20 230	7 890
Distribution to members payable	-	25 500
Loan (AR money lenders) (short-term)	30 000	-
Current tax payable	2 450	1 100
	574 470	516 900
<u>Debit balances as at 30 June:</u>		
Land and buildings at cost	189 000	210 000
Vehicles at carrying amount	171 050	168 800
Equipment at carrying amount	101 000	98 000
Fixed deposit	25 000	-
Debtors control (trade debtors)	13 720	15 800
Inventory	29 700	24 300
Investment (Big IT Ltd)	45 000	-
	574 470	516 900

2. Selected item from the Statement of profit and loss and other comprehensive income of Allshoes CC for the year ended 30 June 2009:

	R
Loss on vehicle written off	6 000
Profit on sale of land	37 000
Depreciation (equipment)	7 200
Depreciation (vehicles)	17 200
Interest on loans	5 500
Interest on overdraft	3 000
Income tax expense	4 800

3. Additional Information

- 3.1 It was decided not to distribute any profit to the members during the current financial year.
- 3.2 The fixed deposit and additional member's contribution was made in cash.
- 3.3 Interest on the loans is not capitalised.
- 3.4 The following transactions in respect of property, plant and equipment took place during the current financial year.
 - 3.4.1 Due to cash flow difficulties, the members of the CC decided to auction the vacant land that was previously purchased for business expansion purposes. The transaction was concluded with the preferred bidder and the cash was received and deposited into business' bank account.
 - 3.4.2 A Vehicle of the CC was involved in an accident on 31 March 2009 and was damaged beyond repair. The carrying value of the vehicle on 31 March 2009 was R60 550. A new vehicle was purchased on 1 April 2009 to replace the damaged vehicle. An insurance settlement was received on 30 April 2009. No other vehicles were bought or sold during the current financial year.
 - 3.4.3 The new equipment was purchased for cash; no equipment was sold during the year.



REQUIRED

Prepare **ONLY** the CASH FLOWS FROM INVESTING ACTIVITIES AND THE CASH FLOWS FROM FINANCING ACTIVITIES – sections of the statement of cash flows of Allshoes CC for the year ended 30 June 2009. Your answer must comply with the requirements of IFRS, appropriate to the business of the close corporation. Comparative figures are not required.

NB: Show all calculations.

October/ November 2009

QUESTION 4 (20 marks) (24 minutes)

O Phinda and P Futhi are in partnership trading as Phinda-Futhi Entertainment. The partners share profit and losses in the ratio of 3:2 respectively. Because of the current economic downturn, the partners decide to dissolve the partnership on 1 September 2009. The accountant of the partnership does not know how to prepare the accounts to liquidate the partnership and has requested you to assist him.

The following list of balances was extracted from the accounting records of the partnership on 31 August 2009, the end of the financial year:

	R
Furniture and equipment at cost	120 000
Accumulated depreciation: Furniture and equipment (1 September 2008)	23 000
Capital: O Phinda	150 000
Capital: P Futhi	200 000
Current account: O Phinda (dr)	14 350
Current account: P Futhi (cr)	11 650
Goodwill	50 000
Debtors control	88 000
Creditors control	46 200
Bank (Dr)	130 500
Allowance for credit losses	8 000
Drawings: O Phinda	28 800
Drawings: P Futhi	19 200

Additional Information

1. Depreciation on furniture and equipment of R12 000 for the current financial year was only debited to the depreciation account.
2. The furniture and equipment was sold for cash at a profit of R10 000 on 11 September 2009.
3. By 25 September 2009 all the debtor's accounts were settled at a discount of 10%.
4. On 29 September 2009 the creditors' accounts were settled in full.
5. On 30 September 2009 the partnership paid R12 500 to settle the account for your services rendered.

REQUIRED

Prepare the following accounts in the general ledger of Phinda-Futhi Entertainment.

- 4.1 The liquidation account, properly balanced at 30 September 2009. (14)
 - 4.2 The capital account of O Phinda for September 2009. The account need not be balanced. (6)
- [20]**

NB: Show all calculations.

October/ November 2009
QUESTION 5 (19 marks) (23 minutes)

Delta Ltd was registered on 1 March 2007 as a company with an authorised share capital of 400 000 ordinary shares. On registration 40 000 of the shares have been issued to the founders of the company at R3.

During November 2008 market research was conducted that indicated the company has a growth opportunity in a new market.

The directors of the company decided to use the opportunity and to raise the necessary capital by issuing additional shares. On 15 March 2009 80 000 ordinary shares were offered to the public at R3,50 per share. The full public issue was underwritten by Socko Underwritten by Socko Underwriters Ltd for a 2% underwriter's commission.

By the closing date of 15 April 2009, applications for 60 000 shares were received. All the shares were allotted on 20 April 2009.

On 23 April 2009 share issue expenses of R20 000 was paid and the transaction with the underwriter was concluded.

REQUIRED

Record the issue of the shares and the related transactions in the general journal of Delta Ltd for the period 15 March 2009 until 23 April 2009. Narrations can be omitted.

NB: Show all calculations.

October/ November 2009

QUESTION 5 (19 marks) (23 minutes)

Delta Ltd was registered on 1 March 2007 as a company with an authorised share capital of 400 000 ordinary shares. On registration 40 000 of the shares have been issued to the founders of the company at R3.

During November 2008 market research was conducted that indicated the company has a growth opportunity in a new market.

The directors of the company decided to use the opportunity and to raise the necessary capital by issuing additional shares. On 15 March 2009 80 000 ordinary shares were offered to the public at R3,50 per share. The full public issue was underwritten by Socko Underwritten by Socko Underwriters Ltd for a 2% underwriter's commission.

By the closing date of 15 April 2009, applications for 60 000 shares were received. All the shares were allotted on 20 April 2009.

On 23 April 2009 share issue expenses of R20 000 was paid and the transaction with the underwriter was concluded.

REQUIRED

Record the issue of the shares and the related transactions in the general journal of Delta Ltd for the period 15 March 2009 until 23 April 2009. Narrations can be omitted.

NB: Show all calculations.
