



ACN201Q RAC201E

October/November 2009

FINANCIAL ACCOUNTING FOR COMPANIES (ACCOUNTING 201)

Duration 2 Hours

100 Marks

EXAMINERS

FIRST

MR GJ STEYN

MRS MC MOLATE

MS N PASSIER

SECOND

PROF D SCHEEPERS

Use of a non-programmable pocket calculator is permissible

This paper consists of 7 pages

N B

- 1 This paper consists of FOUR (4) questions
- 2 All questions must be answered
- 3 Basic workings, where applicable, must be shown
- 4 Ensure that you are handed the correct examination answer book (blue colour for accounting) by the invigilator
- 5 Each question attempted must be commenced on a new (separate) page

6 PROPOSED TIMETABLE

Question No	Subject	Marks	Time in minutes
1	Company Financial Statements - Statement of comprehensive income	35	42
2	Statement of changes in equity	25	30
3	Company Financial Statements - Statement of financial position	30	36
4	Theory	10	12
		100	120

[TURN OVER]

QUESTION 1 (35 marks) (42 minutes)

The following balances were extracted from the books of Cook It Limited for the financial year ended 28 February 2009

	R
Total sales	10 500 000
Cost of sales	4 200 000
Administrative expenses	3 255 000
Bank charges	18 000
Salaries and wages	3 000 000
Advertising	165 000
Auditors' remuneration	
- Fees for audit	60 000
- Expenses	12 000
Distribution cost	402 000
Other operating expenses (including finance cost and depreciation)	555 000
Other operating income	57 000
Provisional tax paid	520 000
Preliminary expenses	11 000
Equipment at carrying amount (1 March 2008)	72 000
Motor vehicles at cost (1 March 2008)	360 000
Accumulated depreciation Motor vehicles (1 March 2008)	90 000
Investments at fair value (1 March 2008)	120 000
Long-term loan (Cr)	120 000
Income tax expense	608 130
Proceeds on sale of motor vehicle	127 500
Trade and other receivables	78 000
Inventories and work in process	121 000
Bank overdraft	45 000
Ordinary share capital	432 000
Cumulative preference share capital	200 000
Share premium	28 000
Proceeds of 80 000 ordinary shares issued on 31 January 2009	56 000
Capital redemption reserve fund (1 March 2008)	50 000
Retained earnings (1 March 2008)	80 000
Share issue expenses	5 000
Land at cost	600 000
Buildings at cost	3 000 000
Accumulated depreciation Buildings (1 March 2008)	30 000
Loan to Bake Limited	90 000

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QUESTION 1 (continued)**Additional information:**

1 Other operating income consists of

	R
Dividends received from the following companies	
- Bake Limited	18 000
- Dough Limited	22 500
- Sugar (Pty) Limited	7 500
Interest received from Bake Limited	9 000
	57 000

2 Included under salaries and wages of Cook It Ltd are the following payments to top management

	R
2 1 Salaries	
- Managing director - Mr A	360 000
- Chairman of the directory - Mr B	180 000
- Marketing manager - Mr C	270 000
- Financial director - Mr D	300 000
Travelling allowance - Managing director	18 000
Entertainment allowance - Marketing manager	9 000
Pension payments	
- Managing director	36 000
- Chairman	18 000

The directors were paid R7 500 each for attending directors' meetings

2 2 The following remuneration was paid by the subsidiary of Cook It Ltd

	R
Managing director - Mr B	200 000
Chairman - Mr E	100 000
Marketing director - Mr C	150 000
Financial manager - Mr D	100 000

The directors received R5 000 each for attending directors' meetings

3 The non-current assets are depreciated at the following rates and methods

Motor vehicles	-	20% per annum using the reducing balance method
Equipment	-	20% per annum using the straight-line method

One of the motor vehicles with a carrying amount of R120 000 on 29 February 2008 was sold on 31 August 2008. This vehicle was purchased on 1 March 2006.

All the equipment was purchased on 1 March 2006 and no sales or purchases of equipment occurred since then.

[TURN OVER]

QUESTION 1 (continued)

- 4 Investments consist of the following
- 4 1 30 000 Ordinary shares in Bake Limited at fair value of R60 000. The issued share capital of Bake Limited consists of 40 000 ordinary shares of R1 each. Each share has one vote. These shares are traded on the Johannesburg Securities Exchange and the market value was R2 each on 28 February 2009.
- 4 2 25 000 Ordinary shares of 50c each in Dough Limited at fair value of R50 000. The issued share capital of Dough Limited consists of 250 000 ordinary shares. Each share has one vote. These shares are traded on the Johannesburg Securities Exchange and the market value on 28 February 2009 was R4 per share. This investment is classified as held for trading at fair value through profit or loss.
- 4 3 10 000 Ordinary shares in Sugar (Pty) Limited at fair value of R10 000. The issued share capital of Sugar (Pty) Limited consists of 80 000 ordinary shares of R1 each. The directors valued the shares at R20 000 on 28 February 2009. These shares are designated as available-for-sale.
- 5 Cook It Limited was incorporated with an authorised share capital of 950 000 Ordinary shares of 60c each, 300 000 10% Cumulative preference shares of R2 each, 200 000 5% Redeemable preference shares of R1 each.
- 6 The company did not issue any preference shares during the previous financial year. On 30 November 2008 25 000 cumulative preference shares were issued at a premium of 10c per share.
- 7 The following decisions were made by the directors on 28 February 2009 and **must still be recorded in the following order:**
- 7 1 Capitalisation shares must be issued to the ordinary shareholders in the ratio of one ordinary share at par for every 8 ordinary shares held. This issue should be done in such a way as to have the minimum effect on distributable reserves. The capital redemption reserve fund must firstly be utilised for this purpose. After the capitalisation issue an ordinary dividend of 10c per share was declared. This decision was made due to the fact that the company did not declare any dividends during the previous financial year.
- 7 2 Share issue expenses must be written off in such a way to have the minimum effect on distributable reserves.
- 7 3 The ordinary shares must be converted into no par value shares.
- 7 4 Preliminary expenses must be written off with the minimum effect on distributable reserves.

[TURN OVER]

QUESTION 1 (continued)

- 8 Land and buildings are situated on erf X10, Brits, and consist of an office block. The land was revalued at replacement value on 30 November 2008 for R1 000 000 by Mr West, a sworn appraiser, but no entry has as yet been passed in the books to record this. Buildings, which are owner occupied, are depreciated at 2% per annum according to the straight-line method.
- 9 The long-term loan was incurred on 1 January 2002 and the capital portion is repayable in five equal annual instalments starting 31 August 2006. Interest, which is the company's only finance cost, is calculated at 15% per annum and was paid at the end of the financial year. The loan is secured by a first mortgage bond over fixed property.

REQUIRED

- 1 Prepare the Statement of comprehensive income of Cook It Limited for the financial year ended 28 February 2009 in compliance with the requirements of the Companies Act, 1973 as amended and Generally Accepted Accounting Practice. Ignore comparative figures and notes. Show all calculations.
- 2 Show the note on profit before tax for the Statement of comprehensive income of Cook It Limited for the financial year ended 28 February 2009 according to the requirements of the Companies Act, 1973 as amended and Generally Accepted Accounting Practice.

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VRAAG 2 (25 punte) (30 minute)**GEVRA:**

Gebruik die inligting in **Vraag 1** om die Staat van veranderinge in ekwiteit van Cook It Beperk op te stel vir die finansiële jaar geëindig 28 Februarie 2009 om te voldoen aan die vereistes van die Maatskappywet, 1973 soos gewysig, en Algemeen Aanvaarde Rekeningkundige Praktyk. Ignoreer vergelykende syfers. Toon alle berekeninge.

VRAAG 3 (30 punte) (36 minute)**GEVRA:**

- 3.1 Gebruik die inligting in **Vraag 1** om die "bate"-afdeling van die Staat van finansiële posisie (balansstaat) van Cook It Beperk op 28 Februarie 2009 op te stel. Ignoreer vergelykende syfers en toon slegs die aantekening oor eiendom, aanleg en toerusting. Toon alle berekeninge.
- 3.2 Gebruik bogenoemde inligting en openbaar die aantekening ten opsigte van die langtermyn lening op 28 Februarie 2009. Ignoreer vergelykende syfers.

U antwoord moet voldoen aan die vereistes van die Maatskappywet, 1973 soos gewysig, en Algemeen Aanvaarde Rekeningkundige Praktyk.

VRAAG 4 (10 punte) (12 minute)

- 1 Definieer 'n waardedalingsverlies (impairment loss) in terme van IAS 36 (AC 128) (2)
- 2 Aan watter voorwaardes moet 'n item voldoen om as 'n voorsiening erken te word in terme van IAS 37 (AC 130)? (2)
- 3 Definieer gebeure na verslagdoeningstydperk en noem die twee tipes gebeure in terme van IAS 10 (AC 107) (4)
- 4 Definieer beleggingseiendom in terme van IAS 40 (AC 135) (2)

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