

SCHOOL OF ACCOUNTING SCIENCES

DEPARTMENT OF FINANCIAL ACCOUNTING

**ACCOUNTING 2, MODULE FAC2601
FINANCIAL ACCOUNTING FOR COMPANIES**

**TUTORIAL LETTER 101/3/2011 FOR FAC2601
(FIRST AND SECOND SEMESTER)**

Dear Student

START YOUR STUDIES BY FIRST WORKING THROUGH THIS TUTORIAL LETTER

PLEASE STUDY THIS TUTORIAL LETTER IN CONJUNCTION WITH THE DEPARTMENTAL BROCHURE (TUTORIAL LETTER ACTALL-4/301/2011). TAKE CARE THAT YOU HAVE BOTH TUTORIAL LETTERS AVAILABLE AT ALL TIMES AS FREQUENT REFERENCE WILL BE MADE TO THEM

PLEASE TAKE NOTE ABOUT THE CHANGES IN THE STUDY CONTENT OF THE MODULE, FAC2601.

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1. **INTRODUCTION**

We are pleased to welcome you to this module, FAC2601 of the Accounting 2 course, and hope that you will find it both interesting and rewarding. We will do our best to make your study of this module successful. You will be well on your way to success if you start studying early in the semester and resolve to do the assignment(s) properly.

The semester that you register for will be indicated on your registration papers when you register. Ensure that you are registered for the correct semester as you are obliged to write the examination for that semester (**first** or **second** semester). The examination for the first semester will be during May and the examination for the second semester will be during October.

You will receive a number of tutorial letters during the semester. A tutorial letter is our way of communicating with you about teaching, learning and assessment.

This tutorial letter contains important information about the scheme of work, resources and assignments for this module. We urge you to read it carefully and to keep it at hand when working through the study material, preparing the assignment(s), preparing for the examination and addressing questions to your lecturers.

Please read Tutorial Letter 301 in combination with this tutorial letter as it gives you an idea of generally important information when studying at a distance and within a particular college.

In this tutorial letter (101), you will find the assignments and assessment criteria as well as instructions on the preparation and submission of the assignments. It also provides all the information you need with regard to the prescribed study material and other resources and how to obtain them. Please study this information carefully and make sure that you obtain the prescribed material as soon as possible.

We have also included certain general and administrative information about this module. Please study this section of the tutorial letter carefully. *This can be included in Tutorial Letter 301, which is specific to each college.*

Right from the start we would like to point out that **you must read all the tutorial letters** you receive during the semester **immediately and carefully**, as they always contain important and sometimes urgent information.

Should you be faced with specific subject content problems in your studies, please do not hesitate to consult us by letter, e-mail, telephone or personally (by appointment).

We hope that you will enjoy this module and wish you all the best!

2. THE PURPOSE OF THIS MODULE

2.1 Welcome to the FAC2601 module of your studies with the Department of Financial Accounting of Unisa.

The purpose of this module is to provide learners with knowledge and skills to enable them to draw up the annual financial statements of companies in accordance with the requirements of the Companies Act and certain statements of Generally Accepted Accounting Practice.

2.2 Please refer to your study guide for the evaluation criteria for each study unit.

3. COMMUNICATION WITH YOUR LECTURERS

3.1 Written correspondence

Address all correspondence to:

FOR ATTENTION: (Name of lecturer or module number)
The Head of the Department
Department of Financial Accounting
P O Box 392
UNISA
0003

PLEASE NOTE: Letters to lecturers may NOT be enclosed with or inserted into assignments.

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 *My studies @ Unisa* that you received with your study material. This brochure 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 channelled to the correct department. The details are as follows:

- Calls (RSA only) 086 167 0411
- 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

Always quote your student number, the name of the course as well as the course code in all correspondence to the University.

3.2 Telephonically and e-mail

The addresses for communication with the University appear in the brochure: **My studies @ Unisa** which you have received together with your tutorial matter.

You may contact your lecturers in the following ways:

Mr G J Steyn:

By telephone: (012) 429-4343
Room 4-53, AJH vd Walt building

Miss C S Grondt:

By telephone: (012) 429-4931
Room 4-78, AJH vd Walt building

Mr F Montgomery:

By telephone: (012) 429-4537
Room 4-54, AJH vd Walt building

Mr C Mkefa:

By telephone: (012) 429-4843
Room 4-68, AJH vd Walt building

E-mail address for **SEMESTER 1 and 2:** fac2601@unisa.ac.za

The following member of staff may be contacted when in need of any administration assistance in the department:

Mrs D Kruger
By telephone (012) 429-4596
Room 4-71, AJH vd Walt Building

Department of Financial Accounting: Fax number: (012) 429-3424
University of South Africa
P O Box 392
UNISA
0003

Ensure that your return addresses/numbers are included in your enquiries. Always have your student number at hand when contacting the University.

All queries that are not of a purely administrative nature **but** are **about the content of this module** should be directed to the lecturers. Please have your study material with you when you contact us.

3.3 Personal visits

To avoid any disappointment, make an appointment with a lecturer as they may not always be readily available due to other commitments.

3.4 Registration and examination changes

The e-mail address for REGISTRATION and EXAMINATION changes is:
econ@unisa.ac.za

Refer all your registration and examination queries (student related problems) to the above e-mail address.

4. **STUDENT SUPPORT SYSTEM**

For information on the various student support systems and services available at Unisa (e.g. student counselling, tutorial classes, language support), please consult the publication *My studies @ Unisa*, which you received with your study material.

4.1 Contact with fellow students

4.1.1 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

Please contact the Unisa Contact Centre at 0861 670 411.

4.1.2 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 *My studies @ Unisa*, which you received with your study material, for more information on *myUnisa*.

5. **STUDY MATERIAL**

The tutorial matter for this module consists of the following:

5.1 Supplied by UNISA

- One study guide.
- A number of tutorial letters which you will receive during the semester.

This tutorial matter will not necessarily be available at the time of registration. Such tutorial matter will be dispatched to students as it becomes available (for instance, feedback on assignments).

If you have access to the internet, you can view the study guides and tutorial letters for the modules for which you are registered on the university's online campus, *myUnisa*, at <http://my.unisa.ac.za>.

Please Note: Your lecturers cannot help you with missing study material. Please contact Unisa Contact Centre at 0861670411 (RSA only) or +27116709000 (international calls).

When you enrolled, you received, in addition to the available tutorial matter, an "INVENTORY FOR THE CURRENT ACADEMIC SEMESTER". Check the tutorial matter you have received against this inventory. You should have received all the items specified in the inventory unless there is an explicit statement to the contrary (eg out of stock). If any of the items are missing, follow the instructions on the back of the inventory.

Use only the telephone number given in the inventory for enquiries about missing tutorial matter.

Please take note:

The examination papers of previous semesters are not available to students.

5.2 Prescribed literature

The prescribed book for this module is:

Introduction to IFRS (latest edition) by Vorster et al, Lexis Nexis, Durban, 2008 (www.lexisnexis.co.za).

Please consult the list of official booksellers and their addresses in the information brochure, **My studies @ Unisa** which you have received together with your tutorial matter.

If you have any difficulties with obtaining books from these book shops or for more information contact the Prescribed book section at the following e-mail: vospresc@unisa.ac.za.

Should you have any difficulties obtaining books from the official booksellers, please contact the Registrar (Academic) at telephone number 012 429-4152 as soon as possible or the **Contact Centre** at 0861 670 411.

PLEASE NOTE: It is required of you to have a financial pocket calculator for this module. Please refer to the study guide.

5.3 Plagiarism

Do not copy the assignment solutions of fellow students!!

Plagiarism (copying) is the act of taking word, 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 2.1.14 (2004:3-4). Kindly read the University's *Policy on Copyright Infringement and Plagiarism* as well.

6. STUDY PROCESS

Your studies should progress smoothly if you work as follows:

- 6.1 Read as far as ANNEXURE A of this tutorial letter.
- 6.2 Work through ANNEXURE A (Assumed knowledge) and study the contents if necessary.
- 6.3 Study the relevant study units of the Study Guide for assignment 01, (use the suggested study programme in ANNEXURE B).

- 6.4 Do the first exercise (for each study unit) in the Study Guide, without referring to the solution. Mark your answer in conjunction with the solution in the Study Guide. Ascertain why, when, where, how your answer differs from that of the solution. If you do not get more than 70% for the exercise (use your own marking scheme), do the next exercise and mark it. Study the study unit again. Do the previous exercise(s) again until you get at least 70% per exercise. This may require much more time, but it will ensure that you know and understand the contents of the study material.
- 6.5 Complete the compulsory *assignment 01* (make a copy for yourself) and send it to UNISA for marking. This will ensure admission to the examination. The submission of *assignment 02* is also compulsory and has a 5% effect on the examination marks but no effect on admission. *Assignment 01* and *02* can also be submitted via myUnisa.

To submit an assignment **via myUnisa**:

- Go to myUnisa.
 - Log in with your student number and password.
 - Select the module from the orange bar (FAC2601).
 - Click on assignments in the left menu.
 - Click on the assignment number you want to submit.
 - Follow the instructions.
- 6.6 After completing/submitting assignment 01, carry on with the study programme. Do not wait for the suggested solution or for the return of the marked assignment. Remember: **time is limited!** *The suggested solutions of all the assignments are dispatched to all the students irrespective of whether you have submitted the assignments for marking.*
- 6.7 Mark your assignment by using the suggested solution which will be dispatched to you on the due date. The solutions will also be placed on the myUnisa system of UNISA's webpage (www.unisa.ac.za). If your answer differs from the suggested solution, make sure that you understand the reason why – contact a lecturer if you are stuck.
- 6.8 **General remarks**

PLEASE NOTE: Enquiries about assignments (e.g. whether or not the university has received your assignment or the date on which an assignment was returned to you) must be directed to the Unisa Contact Centre at 0861 670 411 (RSA only), or +27 11 670 9000 (international calls). You might also find information on myUnisa. 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 under the myUnisa heading on the screen. This should take you to the myUnisa website. You can also go there directly by typing in <http://my.unisa.ac.za>.

Assignments should be addressed to

The Registrar
PO Box 392
UNISA
0003

You 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 email. For detailed information and requirements as far as assignments are concerned, see the brochure *My studies @ Unisa*, which you received with your study material.

7. **IMPORTANT INFORMATION REGARDING ANNEXURES**

ANNEXURE A deals with assumed knowledge. Before starting to work through the Study Guide, first acquaint yourself with the contents of ANNEXURE A.

ANNEXURE B is a suggested study programme for each semester.

Students often fail to plan their studies properly in order to achieve specific study goals at predetermined dates. This leads to a haphazard approach to their studies and the use of ineffective study techniques.

To assist you in this regard, a study programme is given. This programme indicates the dates on which certain sections of the study material as well as assignments should be completed in order to meet all due dates.

The study programme is based on the following assumptions:

- That study will commence either on 25 January for the first semester or 11 July for the second semester and that the course should be completed timeously leaving sufficient time for revision.
- That you should study more or less 8 hours per week per module (FAC2601). We are of the opinion that this is within your reach.

We are convinced that, if you adhere to this programme, you should be able to master the subject. It is very important that the subject matter covered in the study units should be mastered and not just skimmed. If you happen to register late or fall behind with this programme, extra effort on your part will be necessary.

ANNEXURE C: ASSIGNMENT 01 (COMPULSORY) FIRST SEMESTER

ANNEXURE D: ASSIGNMENT 01 (COMPULSORY) SECOND SEMESTER

FOR STUDENTS TO FULLY BENEFIT FROM OUR FORMATIVE TUITION AND ASSESSMENT THE MANAGEMENT OF THE UNIVERSITY DECIDED TO INTRODUCE COMPULSORY ASSIGNMENTS IN ALL MODULES FOR 2011.

YOU ARE THEREFORE REQUIRED TO SUBMIT THE FIRST COMPULSORY ASSIGNMENT (ASSIGNMENT 01) TO OBTAIN ADMISSION TO THE EXAMINATION.

IMPORTANT

1. **PLEASE ENSURE THAT THE ASSIGNMENTS REACH THE UNIVERSITY BEFORE THE DUE DATE.**
2. **LATE SUBMISSION OF ASSIGNMENT 01 WILL RESULT IN YOU NOT BEING ADMITTED TO THE EXAMINATION.**
3. **ASSIGNMENT ENQUIRIES REGARDING THE SUBMISSION OF ASSIGNMENTS MUST BE DIRECTED TO THE ASSIGNMENT SECTION AT assign@unisa.ac.za.**

ANNEXURE E: ASSIGNMENT 02 (COMPULSORY) FIRST SEMESTER.

ANNEXURE F: ASSIGNMENT 02 (COMPULSORY) SECOND SEMESTER.

ANNEXURE G: ASSIGNMENT 03 (NOT COMPULSORY) BOTH SEMESTERS.
This assignment must not be submitted to UNISA for marking.

8. IMPORTANT INFORMATION REGARDING ASSIGNMENTS

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

ASSIGNMENTS MAY NOT BE SUBMITTED BY FAX OR E-MAIL

- Study material on which assignments are based is given in ANNEXURE B.
- Work carefully through the relevant tutorial matter before you tackle the assignment.
- Calculate your answers for the multiple-choice questions of assignments 01 and 02 on a separate piece of paper. Use a mark reading sheet to complete assignments 01 and 02 and submit the assignments. Ensure that you use the **correct UNIQUE NUMBER** allocated for the particular assignment and semester. This assignment can also be submitted via myUnisa.

Remember:

- there is only **one** correct answer to each question, and
- all questions are equal in value.
- **No bar code** should be attached to the mark reading sheet.
- Assignments must not reach us later than the dates specified in ANNEXURE B.
- Assignments must under no circumstances contain any correspondence.
- Specify the module code (FAC2601) and assignment number (01 or 02) in all enquiries regarding assignments handed in for marking.

9. COMPULSORY ASSIGNMENTS AND CONTRIBUTION TO FINAL MARK

9.1 Assignments (Assignment 01 and 02)

There are 3 assignments for this module.

- **Assignment 01** is a multiple choice assignment that is **compulsory** and contributes 5% towards your year mark. **If you do not submit this assignment you will not be admitted to the examination.**
- **Assignment 02** is a multiple choice assignment that is also **compulsory** and contributes 5% towards your year mark.
- **Assignment 03** is a long question assignment. This assignment must not be submitted to UNISA for marking because it does not count any marks.

Please keep copies of your submitted assignments and if submitted through myUnisa, proof that you submitted the assignment.

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

(5% x mark obtained for compulsory assignment 01) + (5% x mark obtained for compulsory assignment 02) + (90% x mark obtained in the examination).

Sub minimum requirements

A sub minimum of 40% in the examination is required.

Paragraph 4.13 of the Assessment Policy provides that the final mark of a student is a combination of the year mark and the examination mark, in the ratio as explained above. In case where a student does not obtain the required sub minimum of 40% in the examination, the year mark does not count. The final mark is the examination mark obtained.

Results of supplementary examination

In terms of paragraph 4.19 of the Assessment Policy the year mark, previously obtained will not contribute to results of students writing supplementary examinations. The final mark is the supplementary examination mark.

Please ensure that the first compulsory assignment reaches the University **before the due date - late submission of the assignment will result in you not being admitted to the examination.**

Also refer to paragraph 3 of Tutorial Letter ACTALL-4/301/2011.

9.2 Assessment

The assessment of FAC2601 consists of a year mark from the **two compulsory assignments** (10%), plus the **mark** obtained from a 2 hour examination (90%).

Take note: Assignment 01 is **compulsory**. It is marked electronically and contributes 5% towards the final mark. Assignment 02 is also **compulsory**. It is also marked electronically and also contributes 5% towards the year mark.

The electronic (computerised) marking of the assignments relies totally on the use of mark reading sheets. An assignment can only be marked if a mark reading sheet is submitted. Students can also use the internet to submit the assignments. (Refer to the section on myUnisa).

IMPORTANT INFORMATION: FIRST SEMESTER 2011 (examination in May)

Assignment number	Format	Compulsory/ Non-compulsory	Unique number	Due date	Contribution towards final mark
1	Multiple choice	Compulsory	334259	14/03/2011	5%
2	Multiple choice	Compulsory	303852	11/04/2011	5%
3	Long questions	Non-compulsory	-	25/04/2011	0%
Exam	Long questions	Compulsory	-	See exam time table	90%

SECOND SEMESTER 2011 (examination in October)

Assignment number	Format	Compulsory/ Non-compulsory	Unique number	Due date	Mark reading sheet
1	Multiple choice	Compulsory	215908	22/08/2011	5%
2	Multiple choice	Compulsory	213112	19/09/2011	5%
3	Long questions	Non-compulsory	-	03/10/2011	0%
Exam	Long questions	Compulsory	-	See exam time table	90%

10. EXAMINATION ADMISSION REQUIREMENTS

The submission of Assignment 01 is a requirement to be **admitted to the examination**.

It will, however, be to your own advantage to complete all the assignments, as:

- the assignments provide practice which is essential in your study of Accounting,
- valuable revision material is contained in the assignments and ensure that you work throughout the semester, and
- the type of questions in assignment 03 and the study guide are usually representative of the type of questions which you can expect in the examination.

11. INFORMATION REGARDING THE EXAMINATION

At the end of the semester you will be required to write a **two hour** examination.

Start every question on a new (separate) page.

When answering a question, always read what is required before reading through all the information. This will enable you to know immediately what information is needed to answer the question. If you read through the question in its entirety without knowing what is required, you will have to reread the information and waste time in this manner.

If you obtain between 40% and 49% as a **final** mark, you will be allowed to write a supplementary examination. The supplementary examination will be written at the end of the following semester. To pass this supplementary examination, you must obtain at least 50% in the examination itself. This means that if you qualify for a supplementary exam in May 2011 you will write the FAC2601 second semester paper in October 2011. Students who qualify for a supplementary examination in October 2011 will write this paper in May 2012. A student may, however, write only one supplementary examination per enrolment.

If you qualify for a supplementary examination, no further study material will be supplied to you during the following semester. You must not submit any assignments. All supplementary students may still contact their lecturers if they have any queries or problems.

Due to various reasons the lecturers cannot send, fax or e-mail previous year's exam papers or assignments and solutions and we would appreciate it if you will not contact us in this regard.

You are advised to consult the time-table timeously in order to plan your final revision programme accordingly. Please start early to avoid cramming at the last moment.

Ensure that you have received all assignment solutions at least two weeks before the examination. No solutions will be faxed to students in the 14 days prior to the examination. Solutions are available on myUnisa system of UNISA's webpage.

12. LEARNING CENTRES

Student support is provided at the learning centres. Consult this year's (2011) issue of "My studies @ Unisa" for more details.

13. GENERAL

In spite of the care taken to ensure that study guides, assignments, and solutions are comprehensible and free from errors and omissions, discrepancies may occur. Should you come across such matters, or matters which are not clearly expressed, kindly let us know to enable us to make the necessary corrections.

With best wishes

Mr G J Steyn
Miss C S Grondt
Mr F Montgomery
Mr C Mkefa

LECTURERS: ACCOUNTING 2 - FAC2601

ANNEXURE A: ASSUMED KNOWLEDGE

It is assumed that students have knowledge to do some elementary calculations. Some of these are discussed in the following paragraphs, in order to help those students who wish to acquaint themselves with the relevant subjects.

1. Basic calculations

To calculate a percentage of an amount or number

e.g. 13% of R3 900.

The 13% actually means 13 out of 100, or $13 \div 100$; and the word "of" means "multiply by".

Therefore: 13% of R3 900 can be read:

$13 \div 100 \times R3\ 900 = R507,00$ or, when using a pocket calculator: $3\ 900 \times .13 = 507.00$. (By using the factor of ".13", you have already divided the 13 by 100. All percentages can be used in this manner.)

To relate the price of a number of items to a single item

e.g. R39,52 paid for 13 items, one item will cost $R39,52 \div 13 = R3,04$. This amount can then be used to calculate the price of another number of articles of the same calibre, e.g. 27 items will cost $27 \times R3,04 = R82,08$.

2. Interest

Interest is in effect the payment for the use of somebody else's money and is therefore the "price" of money or a finance cost.

Interest can be receivable (e.g. interest on investments) or it can be payable (e.g. interest on loans, bonds or debentures). To calculate interest, one needs:

The amount involved,

The interest rate at which it is invested/borrowed, and

The period for which it is invested/borrowed.

Whenever a period is involved, students can consider using a "time-line" which may help in the calculation. A time-line can be prepared as follows:

(a) Information:

Amount invested (or borrowed) R12 000
Interest rate 10,5%
Period: 1 May 20.1 to 31 December 20.1 = 8 months.

1 May 20.1	31 Dec 20.1	
Period: 8 mths Interest rate: 10.5%		

Total period = 8 months (or $2/3$ of a year = 0,6667 yr).

(b) Information:

Amount invested (or borrowed) R12 000
Interest rate 10,5%
Period: 1 May 20.0 to 31 December 20.1 = 1 yr, 8 months (or 20 mths).

1 May 20.0	31 Dec 20.0 1 Jan 20.1	31 Dec 20.1
Period: 8 mths Interest rate: 10.5%	Period: 12 mths (= 1 yr) Interest rate: 10,5%	

Total period = 20 months (or 1 and $2/3$ of a year = 1,6667 yr).

Examples:

1. Period shorter than one year:

Amount invested (or borrowed)	R12 000
Interest rate	10.5%
Period: 1 May 20.0 to Dec 20.1 = 8 months	

Calculation of interest:

	$R12\ 000 \times 10.5 \div 12 =$	<u>R 840.00</u>
<u>OR:</u>	$R12\ 000 \times 0,105 \times 8 \div 12 =$	<u>R 840.00</u>
<u>OR:</u>	$R12\ 000 \times 0,105 \times 2 \div 3 =$	<u>R 840.00</u>
<u>OR:</u>	$R12\ 000 \times 0,105 \times 0,6667 =$	<u>R 840.00</u>

2. Period longer than one year:

Amount invested (or borrowed)	R12 000
Interest rate	10.5%
Period: 1 May 20.0 to 31 Dec 20.1	= 1 yr, 8 mths (or 20 mths)

Calculation of interest:

	$R12\ 000 \times 10,5 \div 100 \times 20 \div 12 =$	<u>R2 100.00</u>
<u>OR:</u>	$R12\ 000 \times 0,105 \times 20 \div 12 =$	<u>R2 100.00</u>
<u>OR:</u>	$R12\ 000 \times 0,105 \times 5 \div 3 =$	<u>R2 100.00</u>
<u>OR:</u>	$R12\ 000 \times 0,105 \times 1,6667 =$	<u>R2 100.00</u>

3. Profits

In the case of the calculation of profits a period is not involved; therefore no time-line is necessary. In this case the amount and the percentage are the key factors.

Examples:

- 3
- Profits:

- 3.1 Profit on cost price:

Cost price	R23 000
Profit on cost price	25%
<u>To calculate:</u> Selling price	

Calculation of selling price:

$R23\ 000 + (R23\ 000 \times 25 \div 100)$	
$= R23\ 000 + R5\ 750$	<u>R28 750</u>

<u>OR:</u> $R23\ 000 + (R23\ 000 \times 0,25)$	
$= R23\ 000 + R5\ 750$	<u>R28 750</u>

<u>OR:</u> $R23\ 000 \times 1,25$	<u>R28 750</u>
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The rationale behind the last calculation is that , if the cost price is R1,00 the profit will be R0,25, and the selling price will be R1,25.

Therefore: if the cost price is R23 000, the selling price will be R23 000 x 1,25.

3.2 Profit on selling price:

Selling price	R23 000
Profit on <u>selling price</u>	25%
<u>To calculate:</u> Cost price	

Calculation of cost price:

$$\begin{aligned}
 & R23\,000 - (R23\,000 \times 25 \div 100) \\
 & = R23\,000 - R\,5\,750 \qquad \qquad \qquad \underline{R17\,250} \\
 \text{OR: } & R23\,000 - (R23\,000 \times 0,25) \\
 & = R23\,000 - R5\,750 \qquad \qquad \qquad \underline{R17\,250} \\
 \text{OR: } & R23\,000 \times 0,75 \qquad \qquad \qquad \underline{R17\,250}
 \end{aligned}$$

In this case the calculation of the last amount is not as simple as in the previous case. One must reason a little: The selling price of R23 000 includes a profit of 25%, therefore, if the selling price is R1,00, and the profit is R0,25, the cost price (which is less than the selling price) will be R0,75. Thus, to calculate the cost price: If the selling price is R23 000, the cost price will be $R23\,000 \times 0,75$.

3.3 Selling price is given but the percentage profit is on cost price:

Selling price	R23 000
Profit on cost price	25%
<u>To calculate:</u> Cost price	

Calculation of cost price:

$$\begin{aligned}
 & R23\,000 - (R23\,000 \times 25 \div 125) \\
 & = R23\,000 - R4\,600 \qquad \qquad \qquad \underline{R18\,400} \\
 \text{OR: } & R23\,000 - (R23\,000 \times 0,20) \\
 & = R23\,000 - R4\,600 \qquad \qquad \qquad \underline{R18\,400} \\
 \text{OR: } & R23\,000 \div 1,25 \text{ (note: divided by)} \qquad \qquad \underline{R18\,400}
 \end{aligned}$$

The calculation of the last amount is reasoned as follows: The selling price of R23 000 includes a profit of 25% on cost price, therefore, if the selling price is R1,25 and the profit is R0,25, the cost price (which is less than the selling price) will be R1,00. Thus, to calculate the cost price: If the selling price is R23 000, the cost price will be $R23\,000 \div 1,25$.

To sum up:

Cost price		1,00		
Profit	x	1,25	<u>0,25</u>	÷
Selling price			<u>1,25</u>	

Given the cost price and you have to calculate the selling price (which is more than cost price) multiply cost price with 1,25 (if the percentage is 25%).

Given the selling price and you must calculate the cost price, (which is less than selling price) divide the selling price with 1,25 (if the percentage is 25%).

4. Ratios

4.1 Percentage as a ratio:

A percentage can also be regarded as a ratio, a ratio to 100. This means that a ratio of 15% actually means 15 out of 100 or 15:100. If a student obtained 43 marks out of 60, his ratio will be 43 to 60 (indicated as 43:60), or

$$43 \div 60 \times 100 = 71,7\% \text{ (or 71,7 out of 100 or 71,7:100).}$$

By dividing the values both sides of the colon by 100, you get a ratio of 0,717:1 (refer to par 4.2 below).

Similarly, if the sales of an entity is R245 000, and the gross profit on these sales is R147 000, the percentage gross profit is:

$R147\ 000 \div R245\ 000 \times 100 = 60\%$. Without doing a complicated calculation, one can immediately say that the cost price is 40% (= 100% - 60%). This 40% can also be calculated as follows:

$$R245\ 000 - R147\ 000 [= R98\ 000] \div R\ 245\ 000 \times 100 = 40\%.$$

ANNEXURE B: PROPOSED STUDY PROGRAMME FOR 2011

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.

We are of the opinion that the restructuring of the module content into shorter study units which should be completed in accordance with a well-planned programme, will greatly assist students in making a success of their studies.

We assume the following:

That your studies should commence towards the middle of January (first semester) and June (second semester) and that the full module should be completed by approximately the end of April (first semester) and September (second semester). This will leave sufficient time for revision.

STUDY PROGRAMME: FIRST SEMESTER - 2011

Assignment	Date	Study unit	Due date
01	15/01/2011 to 11/03/2011	1 – 8	14/03/2011
02	15/03/2011 to 08/04/2011	5 – 12	11/04/2011
03	12/04/2011 to 23/04/2011	1 – 12	25/04/2011

STUDY PROGRAMME: SECOND SEMESTER - 2011

Assignment	Date	Study unit	Due date
01	18/06/2011 to 20/08/2011	1 – 8	22/08/2011
02	23/08/2011 to 17/09/2011	8 – 12	19/09/2011
03	20/09/2011 to 01/10/2011	1 – 12	03/10/2011

***N.B. 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 juncture a word of warning would not be amiss. Please do not allow yourself to get behind with you study programme. Regaining of lost time is seldom achieved. Those of you who register late should endeavour to put in additional time in order to make up the time lost.

**ANNEXURE C: ASSIGNMENT 01:
FIRST SEMESTER**

**THIS ASSIGNMENT IS COMPULSORY
FOR EXAMINATION ADMISSION AND CONTRIBUTES
5% TOWARDS YOUR FINAL MARK**

STUDENTS REGISTERED:

- **FOR THE FIRST SEMESTER**
Due date: 14/03/2011
Unique Number: 334259

ANNEXURE C: ASSIGNMENT 01/2011

DUE DATE: First semester - 14/03/2011

UNIQUE NUMBER: FIRST SEMESTER: 334259

DOT NOT SUBMIT ASSIGNMENTS BY MEANS OF FAX OR E-MAIL

- NB:**
1. This assignment must be answered on a mark reading sheet or can be submitted via myUnisa. This assignment is marked electronically, therefore the **strict adherence** to the due date.
 2. Before answering this assignment please read paragraphs 8 to 10 of this tutorial letter.
 3. This assignment covers study units 1 – 8 and comprises 10 multiple choice questions.
 4. **NO EXTENSION WILL BE GRANTED FOR THE LATE SUBMISSION OF THIS ASSIGNMENT AND NO CORRESPONDENCE OR TELEPHONE CONVERSATIONS WILL BE CONDUCTED IN THIS REGARD.**
 5. **IMPORTANT ASPECTS REGARDING MULTIPLE-CHOICE ASSIGNMENTS**
 - A mark-reading sheet is required for answering assignment 01. Before completing the mark-reading sheet please see the instructions contained in this year's issue of "My studies @ Unisa". Read these instructions CAREFULLY and follow them EXACTLY to avoid mistakes.
 - Work carefully through the relevant tutorial matter before you tackle the assignment.
 - Calculate your answer on a separate piece of paper before you complete the mark reading sheet.

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 you student number correctly.
- Fill in the assignment number correctly.
- Fill in the **unique** assignment number for the specific semester correctly. Every assignment which is marked by the computer is given a unique number. The number contains information on the course code and assignment number. When the computer reads the mark-reading sheet with, say, the unique number 334259, 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 correction fluid,
- submit answers on a written sheet of paper, or
- try to repair a torn mark-reading sheet with sticky tape - use another one.

FIRST SEMESTER 2011**ASSIGNMENT 1 (20 marks) (24 minutes)**

Answer the following multiple choice questions. Indicate your choice by only selecting 1, 2, 3 or 4 for each question answered.

1. Which one of the following options does not describe income according to the Accounting Framework?
 1. Decreases of assets.
 2. The increases in economic benefits during the accounting period.
 3. Decreases of liabilities.
 4. An increase in equity, excluding contributions from owners.

2. The authorised share capital is:
 1. The total amount of shares issued to shareholders
 2. The total amount paid up by shareholders
 3. The maximum amount mentioned in the memorandum of association
 4. The same as the ordinary share capital

3. According to section 98(4) of the Companies Act, the capital redemption reserve fund may be applied for:
 1. The issuing of fully paid-up capitalisation shares
 2. For writing off preliminary expenses of the company
 3. The payment of a premium in the case of the acquisition of shares in terms of article 85
 4. Answer 1 and 3

4. The objective of financial statements is:
 1. To provide useful information regarding financial statements to users.
 2. To enable the users of financial statements to make useful economic decisions.
 3. To provide information about the financial position, performance and the change in the financial position of the entity.
 4. All of the above.

5. Revenue attributable to instalment sales (excluding interest) is recognised:
 1. When the buyer makes a final payment
 2. On date of sale
 3. When a significant deposit is received
 4. None of the above

6. ABC Limited issued 2 000 redeemable preference shares on 1 January 2002. The shares are redeemable in cash at the option of the holder. If the options are not exercised, the shares will be redeemable on 31 December 2012. How will you disclose the preference shares in the financial statements of ABC Limited on 29 February 2008?
 1. Financial long term liability.
 2. Equity.
 3. Contingent liability.
 4. None of the above.

ASSIGNMENT 1 (continued)

7. Income from franchise fees is recognised:
 1. On a straight-line basis over the period of the agreement
 2. At the end of one agreement
 3. On a basis that reflects the purpose for which the fees were charged
 4. When the cash is received
8. Income from lay away sales is recognised:
 1. When the buyer makes a final payment or a significant deposit is received
 2. When the order is placed
 3. On a straight-line basis over the period of the agreement
 4. As soon as the good are delivered

DCB Limited entered into the following speculative share transactions with LSS Limited, a company whose shares are listed on the JSE Securities Exchange.

2009

- | | | |
|------|----|---|
| July | 15 | Purchased 2 000 ordinary shares at R4,30 each. |
| Aug | 21 | Purchased 500 ordinary shares at R4,40 each. |
| Oct | 1 | Sold 1 500 ordinary shares at R4,48 each. |
| Nov | 11 | LSS Limited had a capitalisation issue of one ordinary share for each ordinary share held on 15 October 2009. |
| Dec | 31 | Purchased 3 000 ordinary shares at R3,78 each. |

2010

- | | | |
|-----|---|---|
| Feb | 1 | LSS Limited had a rights issue of one ordinary share for every four ordinary shares held on 25 January 2010 at R3,20 each. On 31 January 2010 each ordinary share traded on the JSE Securities Exchange at R3,80. The options expire on 30 June 2010. |
|-----|---|---|

Additional information:

1. DCB Limited values its investments in accordance with the weighted average method.
2. Options acquired by DCB Limited are not acquired for hedging purposes.

REQUIRED:

Answer the following multiple choice questions. Indicate your choice by only selecting 1, 2, 3 or 4 for each question answered.

9. The weighted average price per share after the purchases on 1 October 2009 was:
 1. R4,35
 2. R4,08
 3. R4,44
 4. Not one of the above

ASSIGNMENT 1 (continued)

10. How will you classify the investment in LSS Limited in the books of DCB Limited?
1. Financial asset (equity instrument) Not held for trading (previously available-for-sale).
 2. Financial asset held-to-maturity.
 3. Financial asset at fair value through profit or loss.
 4. Not one of the above.

**ANNEXURE D: ASSIGNMENT 01:
SECOND SEMESTER**

**THIS ASSIGNMENT IS COMPULSORY
FOR EXAMINATION ADMISSION AND CONTRIBUTES
5% TOWARDS YOUR FINAL MARK**

STUDENTS REGISTERED:

- **FOR THE SECOND SEMESTER**
Due date: 22/08/2011
Unique Number: 215908

ANNEXURE D: ASSIGNMENT 01/2011

DUE DATE: Second semester - 22/08/2011

UNIQUE NUMBER: SECOND SEMESTER: 215908

DOT NOT SUBMIT ASSIGNMENTS BY MEANS OF FAX OR E-MAIL

- NB:**
1. This assignment must be answered on a mark reading sheet or can be submitted via myUnisa. This assignment is marked electronically, therefore the **strict adherence** to the due date.
 2. Before answering this assignment please read paragraphs 8 to 10 of this tutorial letter.
 3. This assignment covers study units 1 – 8 and comprises 10 multiple choice questions.
 4. **NO EXTENSION WILL BE GRANTED FOR THE LATE SUBMISSION OF THIS ASSIGNMENT AND NO CORRESPONDENCE OR TELEPHONE CONVERSATIONS WILL BE CONDUCTED IN THIS REGARD.**
 5. **IMPORTANT ASPECTS REGARDING MULTIPLE-CHOICE ASSIGNMENTS**
 - A mark-reading sheet is required for answering assignment 01. Before completing the mark-reading sheet please see the instructions contained in this year's issue of "My studies @ Unisa". Read these instructions CAREFULLY and follow them EXACTLY to avoid mistakes.
 - Work carefully through the relevant tutorial matter before you tackle the assignment.
 - Calculate your answer on a separate piece of paper before you complete the mark reading sheet.

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 you student number correctly.
- Fill in the assignment number correctly.
- Fill in the **unique** assignment number for the specific semester correctly. Every assignment which is marked by the computer is given a unique number. The number contains information on the course code and assignment number. When the computer reads the mark-reading sheet with, say, the unique number 215908, 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 correction fluid,
- submit answers on a written sheet of paper, or
- try to repair a torn mark-reading sheet with sticky tape - use another one.

SECOND SEMESTER 2011**ASSIGNMENT 1 (20 marks) (24 minutes)**

Answer the following multiple choice questions. Indicate your choice by only selecting 1, 2, 3 or 4 for each question answered.

1. Which of the following statements are true?
 1. Expenses are a decrease in economic benefits during the accounting period.
 2. Expenses take a form of out flows or depletion of income.
 3. Expenses result in decrease in liabilities.
 4. Not one of the above.

2. Shares which are entitled to arrear dividends out of future profits are known as:
 1. Redeemable preference shares
 2. Participating preference shares
 3. Cumulative preference shares
 4. Ordinary shares

3. Shares issued during a rights issue represent:
 1. Shares issued to new shareholders at a payment
 2. Shares issued to existing shareholders at no payment
 3. Shares issued to new shareholders at no payment
 4. Shares issued to existing shareholders at a payment

4. Revenue on subscriptions is recognised:
 1. When the cash is received
 2. At the end of the subscription agreement
 3. On a straight-line basis over the period of the agreement
 4. At the beginning of the agreement

5. Revenue on tuition fees is recognised:
 1. Over the period of instruction
 2. At the beginning of the tuition period
 3. At the end of the tuition period
 4. When the cash is received

6. Revenue on real estate sales is recognised when:
 1. Legal title passes to the buyer
 2. The purchase price is settled in full
 3. A significant deposit is received
 4. After signing all purchase documents by both parties

ASSIGNMENT 1 (continued)

ABC Limited entered into the following speculative share transactions with XYZ Limited, a company whose shares are listed on the JSE Securities Exchange.

2005

- | | | |
|------|---|---|
| July | 1 | Purchased 2 000 ordinary shares at R2,30 each. |
| Aug | 1 | Purchased 500 ordinary shares at R2,40 each. |
| Oct | 1 | Sold 1 500 ordinary shares at R2,48 each. |
| Nov | 1 | XYZ Limited had a capitalisation issue of one ordinary share for each ordinary share held on 15 October 2005. |
| Dec | 1 | Purchased 3 000 ordinary shares at R1,78 each. |

2006

- | | | |
|-----|---|---|
| Feb | 1 | XYZ Limited had a rights issue of one ordinary share for every four ordinary shares held on 25 January 2006 at R1,20 each. On 31 January 2006 each ordinary share traded on the JSE Securities Exchange at R1,80. The options expire on 30 June 2006. |
|-----|---|---|

Additional information:

1. ABC Limited values its investments in accordance with the weighted average method.
2. Options acquired by ABC Limited are not acquired for hedging purposes.

REQUIRED:

Answer the following multiple choice questions. Indicate your choice by only selecting 1, 2, 3 or 4 for each question answered.

7. The weighted average price per share after the purchases on 1 August 2005 was:
 1. R2,40
 2. R2,32
 3. R2,35
 4. Not one of the above

8. How will you classify the investment in XYZ Limited in the books of ABC Limited?
 1. Financial asset held-to-maturity.
 2. Financial asset (equity instrument) Not held for trading (previously available-for-sale).
 3. Financial asset at fair value through profit or loss.
 4. Not one of the above.

9. Which of the following does not represent a qualitative characteristic of the Accounting Framework?
 1. Accrual.
 2. Understandability.
 3. Relevance.
 4. Reliability.

ASSIGNMENT 1 (continued)

10. The fundamental accounting concept that transactions are accounted for when they occur and not when cash is received or paid, is known as:
1. Relevance
 2. Matching
 3. Going concern
 4. Accrual

**ANNEXURE E: ASSIGNMENT 02:
FIRST SEMESTER**

**THIS ASSIGNMENT IS COMPULSORY AND
COUNTS 5% TOWARDS YOUR FINAL MARK**

STUDENTS REGISTERED:

- **FOR THE FIRST SEMESTER**
Due date: 11/04/2011
Unique Number: 303852

ANNEXURE E: ASSIGNMENT 02/2011**DUE DATE: First semester - 11/04/2011****UNIQUE NUMBER: FIRST SEMESTER: 303852****DOT NOT SUBMIT ASSIGNMENTS BY MEANS OF FAX OR E-MAIL**

- NB:**
1. This assignment must be answered on a mark reading sheet or can be submitted via myUnisa. This assignment is marked electronically, therefore the **strict adherence** to the due date.
 2. Before answering this assignment please read paragraphs 8 to 10 of this tutorial letter.
 3. This assignment covers study units 5 – 12 and comprises 10 multiple choice questions.
 4. **NO EXTENSION WILL BE GRANTED FOR THE LATE SUBMISSION OF THIS ASSIGNMENT AND NO CORRESPONDENCE OR TELEPHONE CONVERSATIONS WILL BE CONDUCTED IN THIS REGARD.**
 5. **IMPORTANT ASPECTS REGARDING MULTIPLE-CHOICE ASSIGNMENTS**
 - A mark-reading sheet is required for answering assignment 01. Before completing the mark-reading sheet please see the instructions contained in this year's issue of "My studies @ Unisa". Read these instructions CAREFULLY and follow them EXACTLY to avoid mistakes.
 - Work carefully through the relevant tutorial matter before you tackle the assignment.
 - Calculate your answer on a separate piece of paper before you complete the mark reading sheet.

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 you student number correctly.
- Fill in the assignment number correctly.
- Fill in the **unique** assignment number for the specific semester correctly. Every assignment which is marked by the computer is given a unique number. The number contains information on the course code and assignment number. When the computer reads the mark-reading sheet with, say, the unique number 303852, it "knows" that it is Assignment 02 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 correction fluid,
- submit answers on a written sheet of paper, or
- try to repair a torn mark-reading sheet with sticky tape - use another one.

FIRST SEMESTER 2011**ASSIGNMENT 2 (20 marks) (24 minutes)**

Answer the following multiple choice questions. Indicate your choice by only selecting 1, 2, 3 or 4 for each question answered.

1. Which one of the following costs is NOT regarded as a directly attributable cost of an item of property, plant and equipment?
 1. Cost of advertising and promotional activities.
 2. Professional fees.
 3. Cost of site preparation.
 4. None of the above.

2. Profits and losses arising through fair value adjustments of financial assets classified as fair value through profit and loss are recognised as follows:
 1. Directly in equity
 2. In profit or loss
 3. 1 and 2
 4. No adjustment is made in the financial records

Answers in questions 3 to 5 must be calculated to the nearest second decimal place.

3. Which one of the following amounts represent the present value of an annuity of R30 000, received at the end of each period for ten periods, at a discount rate of 10% per period?
 1. R184 337
 2. R186 666
 3. R300 000
 4. R330 000

4. Which one of the following amounts represent the future value of an amount of R40 000, invested at the end of each period for ten periods, at an interest rate of 10% per period?
 1. R400 000
 2. R360 000
 3. R637 497
 4. R655 454

5. At what rate of interest will R350 increase to R420 after two years and three months, if interest is compounded annually?
 1. 9.44%
 2. 8.89%
 3. 20%
 4. 8.44%

ASSIGNMENT 2 (continued)

6. Which of the following will be classified as an operating lease according to IAS 17 (AC 105)?
 1. Ownership is not transferred to the lessee at the end of the lease agreement.
 2. Lease agreement is normally shorter than the economic useful life of the asset.
 3. The lessee does not normally have the option to purchase the asset.
 4. All of the above.

7. Which of the following statements are false?
 1. Net realisable value is an entity-specific amount realised from the sale of inventories in the ordinary course of business by that entity.
 2. Inventory is held for sale in the ordinary course of business.
 3. Inventory is measured at lower of cost and net realisable value.
 4. None of the above.

8. Revenue attributable to instalment sales (excluding interest) is recognised:
 1. When the buyer makes a final payment
 2. When a significant deposit is received
 3. None of the above
 4. 1 or 2

9. Which one of the following is not a cost formula of inventory according to IAS 2 (AC 108)?
 1. Weighted average costs.
 2. Specific identification.
 3. First-in, first-out (FIFO).
 4. Last-in, first-out (LIFO).

10. Which of the following is true according to IAS 16?
 1. Property, plant and equipment (PPE) must initially be measured at residual value.
 2. The cost relating to the opening of a facility can be capitalised against the cost of the asset.
 3. An item of PPE is recognised as an asset if it is probable that economic benefits will flow and costs can be measured reliably.
 4. All of the above.

**ANNEXURE F: ASSIGNMENT 02:
SECOND SEMESTER**

**THIS ASSIGNMENT IS COMPULSORY AND
COUNTS 5% TOWARDS YOUR FINAL MARK**

STUDENTS REGISTERED:

- **FOR THE SECOND SEMESTER**
Due date: 19/09/2011
Unique Number: 213112

ANNEXURE F: ASSIGNMENT 02/2011

DUE DATE: Second semester - 19/09/2011

UNIQUE NUMBER: SECOND SEMESTER: 213112

DOT NOT SUBMIT ASSIGNMENTS BY MEANS OF FAX OR E-MAIL

- NB:**
1. This assignment must be answered on a mark reading sheet or can be submitted via myUnisa. This assignment is marked electronically, therefore the **strict adherence** to the due date.
 2. Before answering this assignment please read paragraphs 8 to 10 of this tutorial letter.
 3. This assignment covers study units 8 – 12 and comprises 10 multiple choice questions.
 4. **NO EXTENSION WILL BE GRANTED FOR THE LATE SUBMISSION OF THIS ASSIGNMENT AND NO CORRESPONDENCE OR TELEPHONE CONVERSATIONS WILL BE CONDUCTED IN THIS REGARD.**
 5. **IMPORTANT ASPECTS REGARDING MULTIPLE-CHOICE ASSIGNMENTS**
 - A mark-reading sheet is required for answering assignment 02. Before completing the mark-reading sheet please see the instructions contained in this year's issue of "My studies @ Unisa". Read these instructions CAREFULLY and follow them EXACTLY to avoid mistakes.
 - Work carefully through the relevant tutorial matter before you tackle the assignment.
 - Calculate your answer on a separate piece of paper before you complete the mark reading sheet.

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 you student number correctly.
- Fill in the assignment number correctly.
- Fill in the **unique** assignment number for the specific semester correctly. Every assignment which is marked by the computer is given a unique number. The number contains information on the course code and assignment number. When the computer reads the mark-reading sheet with, say, the unique number 213112, it "knows" that it is Assignment 02 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 correction fluid,
- submit answers on a written sheet of paper, or
- try to repair a torn mark-reading sheet with sticky tape - use another one.

SECOND SEMESTER 2011**ASSIGNMENT 2 (20 marks) (24 minutes)**

Answer the following multiple choice questions. Indicate your choice by only selecting 1, 2, 3 or 4 for each question answered.

1. Which of the following is not a requirement according to IAS 32 (AC 25) for the presentation of financial instruments in the financial statements?
 1. Classification of financial instruments under assets, liabilities and equity.
 2. The measurement of financial instruments on the cost price thereof.
 3. The classification of related interest, dividends, losses and profits driven through their classification in the statement of financial position.
 4. The circumstances in which financial assets and financial liabilities should be off-set.

2. Which of the following statements i.r.o. leases are false?
 1. To determine if a lease agreement is an operating lease or a finance lease, the substance of the agreement must be considered and not the legal form thereof.
 2. The duration of the finance lease is normally equal to the economic life of the asset.
 3. A lease agreement of land will normally be classified as a finance lease.
 4. None of the above.

3. A new assessment of net realisable value (NRV) of inventory is made in each financial year. Which one of the following does not indicate that a possible NRV adjustment is not required?
 1. Increases in selling prices.
 2. Wholly or partially obsolete inventory.
 3. Damaged inventories.
 4. Increases in selling costs.

4. The historical cost of inventories includes:
 1. Purchasing cost
 2. Conversion cost
 3. Selling expenses
 4. Answer 1 and 2 above

5. On 31 March 2008 a motor vehicle with an original cost of R100 000 and on which accumulated depreciation of R40 000 was written off at the beginning of the financial year, was traded in at a loss of R7 000. Motor vehicles are depreciated at 20% per annum according to the straight-line method. The financial year ends on 30 June 2008. Calculate the total depreciation for the current year.
 1. R20 000
 2. R55 000
 3. R60 000
 4. R15 000

6. Which one of the following according to IAS 2 (AC 108) is included from the purchasing cost of inventory?
 1. Transport and handling cost.
 2. Purchase price of finished goods of raw materials.
 3. Answer 1 and 2.
 4. None of the above.

ASSIGNMENT 2 (continued)

Answers in questions 7 to 9 must be calculated to the nearest second decimal place.

7. Assume you invest R20 000 on 1 November 19.9. The interest rate is 18% per annum and interest is compounded quarterly in arrears. Which one of the following amounts represent the value of the investment at 31 October 20.4?
 1. R 40 000
 2. R 48 234
 3. R 36 000
 4. R 80 000

8. Assume you invest R5 000 per annum for 5 years at the end of each year at 15% compound interest per annum. Which one of the following amounts represent the present value of the investment?
 1. R 25 861
 2. R 35 762
 3. R 53 758
 4. R 16 761

9. Which one of the following amounts represents the present value of an annuity of R30 000, received at the end of each period for ten periods, at a discount rate of 10% per period?
 1. R185 338
 2. R184 337
 3. R 63 705
 4. R169 738

10. Which of the following will be classified as a finance lease according to IAS 17 (AC 105)?
 1. Ownership transferred to the lessee at the end of the lease term.
 2. Lease term represents most of the economic life of the asset.
 3. The lessee has the option to purchase the asset.
 4. All of the above.

**ANNEXURE G: ASSIGNMENT 03:
FIRST AND SECOND SEMESTER**

**THIS ASSIGNMENT IS NOT COMPULSORY
AND DOES NOT COUNT ANY MARKS**

STUDENTS REGISTERED:

- **FOR THE FIRST SEMESTER**
Due date: 25/04/2011

- **FOR THE SECOND SEMESTER**
Due date: 03/10/2011

QUESTION	SUBJECT	MARKS	MINUTES
1	Share transactions	10	12
2	Statement of comprehensive income and notes	30	36
3	Statement of comprehensive income and notes	25	30
4	Statement of changes in equity	20	24
5	Statement of changes in equity	26	32
6	Statement of financial position and notes	24	28
7	Statement of financial position and notes	30	36
8	Statement of changes in equity	26	32
9 - 12	Property, Plant and Equipment (PPE) (Study unit 9)	26	31
13	Financial Instruments (Study unit 8)	8	10
14 - 16	Property, Plant and Equipment (PPE) (Study unit 9)	32	38
17 - 23	Revenue (Study unit 5)	35	42
24	Operating Lease (Study unit 11)	18	22
25	Finance Lease (Study unit 11)	35	42
26	Finance Lease (Study unit 11)	16	19
27	Time value of money	44	53
28	Time value of money	25	30
		430	517

QUESTION 1 (10 marks) (12 minutes)

Answer the following questions:

- 1.1 Explain how the balances on the following accounts originate:
 - Capital redemption reserve fund
 - Share premium
 - Stated capital
- 1.2 For what purposes may the share premium account be applied under Section 76(3) of the Companies Act, 1973?
- 1.3 For what purposes may the capital redemption reserve fund be applied under section 98(4) of the Companies Act, 1973?
- 1.4 For what purposes may the stated capital account be applied under Section 77(3) of the Companies Act, 1973?

QUESTION 2 (30 marks) (36 minutes)

The following balances were extracted from the books of Vula Limited for the financial year ended 28 February 2006:

	R
Revenue	12 000 000
Cost of sales	5 000 000
Other operating income	245 000
Distribution cost	1 200 000
Administrative expenses	3 000 000
Other operating expenses (including finance cost)	1 025 000
Retained earnings (1 March 2005)	5 000 000
Land at valuation (1 March 2005)	2 000 000
Buildings at cost	1 800 000
Plant and machinery at cost (purchased on 1 March 2004)	3 500 000
Furniture and equipment at cost (purchased on 1 September 2004)	700 000
Accumulated depreciation	
- Buildings	198 000
- Plant and machinery	1 050 000
- Furniture and equipment	101 500
Investments	390 000
Loan to Bolo Limited	600 000
Long-term loan	1 600 000
Income tax expense	585 800

Additional information:

1. Investments consist of the following:
 - 40 000 Ordinary shares in Stud Limited at a cost of R120 000. The issued share capital of Stud Limited consists of 400 000 ordinary shares of R1 each. Each share has one vote. These shares are traded on the JSE Securities Exchange and the market value of the shares was R3 each on 28 February 2006.

QUESTION 2 (continued)

- 30 000 Ordinary shares in Bolo Limited at a cost of R150 000. The issued share capital of Bolo Limited consists of 40 000 ordinary shares of R1 each. Each share has one vote. These shares are traded on the JSE Securities Exchange and the market value was R150 000 on 28 February 2006.
- 20 000 Ordinary shares in Max (Pty) Limited at a cost of R120 000. The issued share capital of Max (Pty) Limited consists of 200 000 ordinary shares of R1 each. The directors valued the shares at R6 each on 28 February 2006.

2. Other operating income consists of:

	R
- dividends received from Bolo Limited	90 000
- interest received on loan to Bolo Limited	45 000
- dividends received from Max (Pty) Ltd	60 000
- dividends received from Stud Limited	40 000
- profit on sale of non-current asset	10 000

3. Administrative expenses consist of:

	R
Printing and stationery	800 000
General expenses	300 000
Salaries and wages	1 200 000
Telephone	610 000
Auditors' remuneration	
- Fees for audit	75 000
- Expenses	15 000

4. Key personnel of Vula Limited and Bolo Limited are as follows:

	Vula Ltd	Bolo Ltd
Chairman	A	G
Managing director	B	A
Marketing director	C	-
Directors	D and E	F and I
Accountant	F	J
Financial director	G	E
Marketing manager	H	K

5. The following salaries were paid during the year:

	Vula Ltd	Bolo Ltd
	R	R
Managing director	300 000	200 000
Marketing director	180 000	160 000
Financial director	250 000	200 000
Accountant	190 000	150 000
Marketing manager	200 000	120 000
Other	80 000	60 000

6. General expenses include amongst others the following:

6.1 Entertainment allowances of R24 000 and R12 000 paid to the managing directors of Vula Ltd and Bolo Ltd respectively for the current financial year.

QUESTION 2 (continued)

- 6.2 During the financial year the directors of Vula Ltd and Bolo Ltd each attended four board meetings. The directors of Vula Ltd and Bolo Ltd received R1 000 and R800 each per meeting. The chairmen of the two companies received an additional R750 and R500 respectively per meeting.
7. Other operating expenses include depreciation for the current financial year as well as a loss on sale of a non-current asset of R14 000.
8. The non-current assets are depreciated at the following rates:
- | | |
|-------------------------|---|
| Buildings | Expected useful economic life of 50 years |
| Plant and machinery | 15% per annum using the straight-line method |
| Furniture and equipment | 10% per annum using the reducing balance method |
9. The loan to Bolo Limited was made on 1 June 2005 at an interest rate of 10% per annum.
10. The long-term loan was incurred on 31 May 2001 and the capital portion is repayable in ten equal annual instalments starting 31 August 2004. Interest, calculated at 15% per annum, is payable bi-annually on 31 August and 28 February each year.

REQUIRED:

Prepare the statement of comprehensive income of Vula Limited for the financial year ended 28 February 2006 in compliance with the requirements of Generally Accepted Accounting Practice.

Only show the note on profit before tax.

Ignore comparative figures and the statement of changes in equity. Show calculations.

QUESTION 3 (25 marks) (30 minutes)

The following balances were extracted from the books of Last Resort Limited for the financial year ended 29 February 2008:

	R
Total sales (including VAT at 14%)	7 980 000
VAT paid.....	840 000
Cost of sales.....	2 800 000
Administrative expenses	
Bank charges	12 000
Salaries and wages.....	2 000 000
Advertising.....	110 000
Auditors' remuneration	
- Fees for audit	40 000
- Expenses	8 000
Distribution cost.....	268 000
Other operating expenses (including finance cost and depreciation).....	370 000
Other operating income.....	38 000
Provisional tax paid	480 000
Proceeds on sale of motor vehicle	85 000
Preliminary expenses.....	7 500
Equipment at carrying amount	48 000
Motor vehicles at cost.....	240 000
Accumulated depreciation: Motor vehicles.....	60 000
Investments.....	370 000
Long-term loan (Cr).....	90 000
Income tax expense	421 950

Additional information:

- VAT for January and February 2008 will be paid on 25 March 2008.
- Included under salaries and wages are the following payments to top management:

	R
Salaries	
- Managing director	240 000
- Chairman of the directory	120 000
- Marketing manager.....	180 000
- Financial director	200 000
Travelling allowance – Managing director.....	12 000
Entertainment allowance – Marketing manager.....	6 000
Pension payments	
- Managing director	24 000
- Chairman	12 000

The top management were paid R5 000 each for attending directors' meetings.

- 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 is calculated at 15% per annum and is payable at the end of each financial year.

QUESTION 3 (continued)

4. Other operating income consists of:

	R
Dividends received from the following companies:	
- Only Resort (Pty) Limited.....	12 000
- Smart Resort Limited.....	20 000
Interest received from Only Resort (Pty) Limited.....	6 000
	38 000

The issued ordinary share capital of Only Resorts (Pty) Ltd is R40 000 in shares of R2 each. Last Resort Limited owns 12 000 shares in Only Resort (Pty) Ltd.

Last Resort Limited owns 100 000 of the 2 400 000 issued shares in Smart Resort Limited purchased for R250 000. The shares of Smart Resort Limited are traded on the JSE Securities Exchange and the market value per share was R2,50 each on 28 February 2007. The market value on 29 February 2008 was R3 per share and no adjustments has yet been made regarding the increased market value.

5. 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 R80 000 on 28 February 2007 was sold on 31 August 2007.

All the equipment was purchased on 1 March 2005 and no sales or purchases of equipment occurred since then.

REQUIRED:

1. Prepare the statement of comprehensive income of Last Resort Limited for the financial year ended 29 February 2008 in compliance with the requirements of Generally Accepted Accounting Practice. Ignore comparative figures. Show all calculations (13)
2. Show the note on profit before tax for the statement of comprehensive income of Last Resort Limited for the financial year ended 29 February 2008 according to the requirements of Generally Accepted Accounting Practice. (12)

QUESTION 4 (20 marks) (24 minutes)

The following information appear, inter alia, in the books of Vision Limited on 28 February 2006

	R
Land and buildings at valuation.....	3 000 000
Stated capital – ordinary shares.....	1 500 000
10% Cumulative preference shares.....	300 000
12% Non-cumulative preference shares.....	550 000
Share premium.....	50 000
Share issue expenses.....	25 000
Capital redemption reserve fund (1 March 2005).....	180 000
Surplus on revaluation of non-current assets.....	500 000
Reserve for increased replacement cost of non-current assets.....	250 000
15% Long-term liability.....	1 400 000
Retained earnings (1 March 2005).....	350 000
Profit for the year.....	800 000

Additional information:

1. Land and buildings are situated on erf ZZ2, Durban, and consist of a factory building and an office block. The property was revalued at replacement value on 30 November 2005 for R4 000 000 by Mr Value, a sworn appraiser, but no entry has as yet been passed in the books to record this.
2. Vision Limited was incorporated with an authorised share capital of:
 - 2 000 000 Ordinary no-par value shares
 - 500 000 10% Cumulative preference shares of R1,50 each
 - 300 000 12% Non-cumulative preference shares of R2 each
 - 300 000 14% Redeemable preference shares of R1 each
3. The issued share capital of Vision Limited consists of:
 - 1 200 000 Ordinary shares
 - 200 000 10% Cumulative preference shares issued at a premium during 2002
 - 275 000 12% Non-cumulative preference shares issued at par on 31 May 2003
4. The following decisions were made by the directors on 28 February 2006 and must still be recorded in the following order:
 - 4.1 Capitalisation shares must be issued to the ordinary shareholders in the ratio of one ordinary share at R1,25 for every 6 ordinary shares held. This must be done in such a way as to have the minimum effect on distributable reserves.
 - 4.2 Share issue expenses must be written off in such a way as to leave the maximum amount of distributable reserves.
 - 4.3 The reserve for increased replacement cost of non-current assets must be increased to R340 000.
 - 4.4 An ordinary dividend of 10c per share was declared. No dividends were declared by the company during the previous financial year.
5. The long-term liability was incurred in 2000 and the capital portion is repayable in 15 equal annual instalments starting 1 January 2006.

REQUIRED:

Prepare the statement of changes in equity of Vision Limited for the financial year ended 28 February 2006 according to Generally Accepted Accounting Practice. Show calculations.

QUESTION 5 (26 marks) (32 minutes)

The following information appears, amongst others, in the books of Trio Limited on 30 June 2006:

	R
Ordinary share capital (1 July 2005)	432 000
Cumulative preference share capital	200 000
Share premium	28 000
Reserve for replacement of non-current assets (1 July 2005)	20 000
Capital redemption reserve fund (1 July 2005)	60 000
Proceeds of 40 000 ordinary shares issued on 31 March 2006	56 000
Retained earnings (1 July 2005)	80 000
Profit for the year	200 000
12% Long-term loan	80 000
Land at cost	100 000
Buildings at cost	500 000
Machinery at carrying amount	225 000
Furniture and equipment at cost	100 000
Accumulated depreciation	
- Buildings	30 000
- Furniture and equipment	42 600
Inventory	80 200
Share issue expenses	16 000
Trade and other receivables	65 400
Cash and cash equivalents	71 000
Investments	120 000

Additional information:

1. Trio Limited was incorporated with an authorised share capital of:
 - 800 000 Ordinary shares of R1,20 each
 - 250 000 12% Cumulative preference shares of R4 each
 - 100 000 5% Redeemable preference shares of R1 each
2. The company did not issue any preference shares during the previous financial year, but on 1 January 2006 12 500 cumulative preference shares were issued at R4,08 each.
3. The following decisions were made by the directors on 30 June 2006 and must still be recorded **in the following order**:
 - 3.1 Capitalisation shares must be issued to the ordinary shareholders in the ratio of one ordinary share at par for every 8 ordinary shares held. The capital redemption reserve fund must be utilised for this purpose. After the capitalisation issue an ordinary dividend of 20c per share was declared. This decision was made because the company did not declare any dividends during the previous financial year.
 - 3.2 Share issue expenses must be written off against the share premium account.
 - 3.3 Reserve for replacement of non-current assets must be increased with R70 000.
 - 3.4 The ordinary shares must be converted into no par value shares.
4. The long-term loan was incurred during 2000 and the capital portion is repayable in five equal annual instalments starting 30 April 2006. The loan is secured by a first mortgage over fixed property.

QUESTION 5 (continued)

5. Land and buildings are situated on erf 3510, George, and consist of an office block. The land was revalued at replacement value on 31 October 2005 for R150 000 by Mr Black, a sworn appraiser, but no entry has as yet been passed in the books to record this. Buildings are depreciated at 2% per annum according to the straight-line method.
6. All the machinery was purchased on 1 July 2004. The company provides for depreciation on machinery at 25% per annum on the diminishing balance method. No sale of machinery occurred since date of purchase.
7. Furniture and equipment is depreciated on the straight-line method over a period of 5 years. On 31 March 2006 an old computer which originally cost R5 000 and on which R3 000 accumulated depreciation was written off at the beginning of the financial year, was traded in for a new computer at a cost of R15 000. The new computer has an estimated scrap value of R3 000, while the remaining furniture and equipment have no residual value.
8. Investments consist of the following:
 - 8.1 15 000 Ordinary shares in Reds Limited at a cost of R60 000. The issued share capital of Reds Limited consists of 20 000 ordinary shares of R1 each. Each share has one vote. These shares are traded on the Johannesburg Securities Exchange and the market value was R4 each on 30 June 2006.
 - 8.2 50 000 Ordinary shares of R1 each in Bulls Limited at a cost of R50 000. The issued share capital of Bulls Limited consists of 750 000 ordinary shares. Each share has one vote. These shares are traded on the Johannesburg Securities Exchange and the market value on 30 June 2006 was R1 per share.
 - 8.3 10 000 Ordinary shares in Blue (Pty) Limited at a cost of R10 000. The issued share capital of Blue (Pty) Limited consists of 100 000 ordinary shares of R1 each. The directors valued the shares at par on 30 June 2006.

All the above investments were designated as financial assets held at fair value through profit or loss, except for the investment in the subsidiary.

REQUIRED:

Prepare the statement of changes in equity of Trio Limited for the financial year ended 30 June 2006 according to the requirements of Generally Accepted Accounting Practice. Ignore comparative figures. Show all calculations.

QUESTION 6 (24 marks) (28 minutes)**REQUIRED:**

Use the information given in question 5 to do the following in the books of Trio Limited:

- 6.1 The note relating to the long-term liability at 30 June 2006.
- 6.2 The note on property, plant and equipment at 30 June 2006.
- 6.3 The asset section of the statement of financial position as at 30 June 2006.

Your answers must comply with the requirements of Generally Accepted Accounting Practice. Ignore comparative figures, but show all calculations.

QUESTION 7 (30 marks) (36 minutes)

The following balances were extracted from the books of Purco Limited at 30 June 2006:

	R
Land at cost.....	1 000 000
Buildings at cost	1 878 400
Plant and machinery at carrying amount (1 July 2005).....	2 432 000
Furniture and equipment at carrying amount (1 July 2005).....	400 000
Accumulated depreciation	
- Plant and machinery (1 July 2005).....	768 000
- Furniture and equipment (1 July 2005)	200 000
Investments	400 000
Provisional tax payments	80 000
Bank overdraft.....	675 000
Ordinary share capital	3 000 000
6% Cumulative preference share capital.....	500 000
8% Non-cumulative preference share capital.....	300 000
Capital redemption reserve fund	600 000
Retained earnings (1 July 2005)	800 000
Share premium.....	100 000
Preliminary expenses	30 000
Share issue expenses	12 000
10% Long-term loan	1 000 000
Profit (for the current year) before tax and depreciation.....	1 000 000
Loan to Quattro Ltd (repayable 30 June 2010)	150 000
Trade and other receivables.....	748 500
Inventories.....	950 000
Trade and other payables	133 400

Additional information:

1. The authorised share capital of the company is as follows:
 - 2 500 000 Ordinary shares of R2 each
 - 1 000 000 10% Redeemable preference shares of R1 each
 - 1 500 000 6% Cumulative preference shares of R1 each
 - 1 500 000 8% Non-cumulative preference shares of 50c each

QUESTION 7 (continued)

2. The issued share capital of the company is as follows:
 - 1 500 000 Ordinary shares issued at a premium
 - 500 000 6% Cumulative preference shares issued at a premium on 1 July 2000
 - 600 000 8% Non-cumulative preference shares issued at par on 1 April 2006
3. 500 000 Ordinary shares were issued on 31 March 2006 at a premium of 10c per share.
4. The following transactions have not yet been recorded and should be done in this order:
 - 4.1 Land was revalued on 1 May 2006 at replacement value for R1 500 000 by Mr Value, a sworn appraiser.
 - 4.2 Tax for the current year amounts to R161 150.
 - 4.3 Preliminary and share issue expenses must be written off in such a way as to leave the maximum amount on distributable reserves.
 - 4.4 A capitalisation issue must be done of one ordinary share at par for every ten ordinary shares held. This transaction should also be done in such a way as to have the minimum effect on distributable reserves.
 - 4.5 Ordinary dividends of 5 cents per share were declared on 30 June 2006. No dividends were declared or paid by the company during the previous financial year.
5. The following information regarding property, plant and equipment is available:
 - 5.1 All the machinery was purchased on 31 March 2004 for R3 000 000. Installation costs amounted to R200 000. The company provides for depreciation on machinery at 20% per annum on the reducing balance method. During the current financial year all the machinery was withdrawn from the production process for a period of 3 months and used in the construction of the buildings. No sales or purchases transactions took place during the current financial year. The following direct cost relating to the buildings was debited to buildings:

Labour	R 678 400
Material	R1 200 000
 - 5.2 Land and buildings, consisting of factory buildings and offices in Sunward Park, Erf 323, are owner occupied. The building was completed on 2 January 2006 and is depreciated at 2% per annum using the straight-line method.
 - 5.3 On 31 March 2006 furniture and equipment with a cost price of R100 000, that had been depreciated by R40 000 up to the beginning of the financial year, was traded in at a loss of R5 000 as part payment for new equipment costing R80 000. Furniture and equipment are depreciated at 10% per annum on the straight-line method.
6. Investments consist of the following:
 - 6.1 120 000 Ordinary shares in Quattro Limited at a cost of R200 000. The issued share capital of Quattro Limited consists of 200 000 ordinary shares of R1 each. Each share has one vote. The market value of the investment was R200 000 on 30 June 2006.

QUESTION 7 (continued)

- 6.2 20 000 Preference shares in Thakalaka Limited at a cost of R60 000. The issued share capital of Thakalaka Limited consists of 30 000 ordinary shares of R5 each and 30 000 preference shares of R2 each. Each share has one vote. The shares of Thakalaka Limited are traded on the Johannesburg Securities Exchange and the market value of the preference shares on 30 June 2006 amounted to R3 each. These shares were acquired principally for the purpose of selling or repurchasing it in the near term.
- 6.3 70 000 Ordinary shares in Sugar Limited at a cost of R140 000. The issued share capital of Sugar Limited consists of 4 000 000 ordinary shares of R1 each. Each share has one vote. The shares of Sugar Limited are traded on the Johannesburg Securities Exchange and the market value on 30 June 2006 amounted to R2 each. This investment is regarded as an investment held for trading in the books of Purco Limited.
7. Inventories at 30 June 2006 consisted of:

	R
Raw materials.....	300 000
Work in progress	400 000
Finished goods.....	250 000

REQUIRED:

Prepare the "Asset" section of the statement of financial position, as well as the relevant notes of Purco Limited as at 30 June 2006 to comply with the requirements of Generally Accepted Accounting Practice. Ignore comparative figures and the note on accounting policy. Show all calculations.

QUESTION 8 (26 marks) (32 minutes)**REQUIRED:**

Use the information given in **question 7** to prepare the statement of changes in equity of Purco Limited for the year ended 30 June 2006 to comply with the requirements of Generally Accepted Accounting Practice. Show all calculations.

QUESTION 9 - 12 (26 marks) (31 minutes)

9. What are the elements of the cost of an asset (PPE item) in terms of IAS 16 (AC 123)? (6)
10. Give four examples of costs that are not costs of a PPE-item. (6)
11. Give two examples of the derecognition of the carrying amount of a PPE-item and describe the accounting treatment of such a loss or profit as prescribed in IAS 16 (AC 123). (4)
12. Give a short description of the following under revaluation methods in order to comply with IAS 16 (AC 123):
- (a) Change in accounting policy (2)
 - (b) Residual value (2)
 - (c) Estimated useful life (2)
 - (d) Determination of replacement value (4)

QUESTION 13 (8 marks) (10 minutes)

Describe two methods how the gain or loss arising from a change in the fair value (market value) of a financial asset shall be recognised and give the journal entry of each method.

QUESTION 14 (10 marks) (12 minutes)

The following information applies to the machinery of X Limited:

Cost price of equipment (purchased 1 January 20.0)	R100 000
Accumulated depreciation on 31 December 20.1	R20 000
Expected useful life (straight-line method)	10 years
Financial year end	31 December

At the beginning of 20.2 the equipment was revalued at a net replacement value of R120 000.

REQUIRED:

Journalise the revaluation of the machinery in the records of X Limited according to the net replacement value basis in accordance with IAS 16(AC 123).35.

QUESTION 15 (10 marks) (12 minutes)

The following information relating to assets are supplied to you:

	R
Cost of asset (purchased 01/01/20.1)	100 000
Accumulated depreciation on 31/12/20.4	(40 000)
Carrying amount 31/12/20.4	<u>60 000</u>
Expected useful life (straight-line method)	10 years
The net replacement value is	R 90 000

It is company policy to revalue assets on the net replacement value basis.

REQUIRED:

Journalise the revaluation of the asset according to the net replacement value basis in accordance with IAS 16(AC 123).35.

QUESTION 16 (12 marks) (14 minutes)

The **net replacement value** of the following asset is given on **revaluation date (at beginning of financial year)**.

The asset was originally purchased for R180 000 on 1 January 20.2.

Accumulated depreciation on the date of revaluation is R30 000.

The asset is depreciated on the straight-line basis over the expected useful life of 6 years.

The net replacement value of the asset on 1 January 20.3 is R160 000.

REQUIRED:

Journalise the revaluation of the asset according to the net replacement value basis in accordance with IAS 16 (AC 123).

QUESTIONS 17 - 23 (35 marks) (42 minutes)

Answer the following in accordance to IAS 18 (AC 111):

17. What is the definition of revenue? (3)
18. What is disclosable in respect of revenue in financial statements? (4)
19. How will revenue be measured? (2)
20. When will revenue be recognised? (2)

QUESTION 17 - 23 (continued)

21. When will revenue be recognised in accordance with IAS 18 (AC 111) on the sale of goods in the following cases:
- (i) Bill and Hold sales (1)
 - (ii) Goods shipped subject to conditions (3)
 - (iii) Lay away sales (1)
 - (iv) Order when payment is received in advance for goods not presently held in inventory (1)
 - (v) Sale and repurchase agreements (1)
 - (vi) Sales to intermediate parties (1)
 - (vii) Subscriptions (1)
 - (viii) Instalment sales (2)
 - (ix) Real estate sales (1)
22. When will revenue be recognised in accordance with IAS 18 (AC 111) on the rendering of services in the following cases?
- (i) Installation fees (1)
 - (ii) Service fees included in price of product (1)
 - (iii) Advertising commissions (2)
 - (iv) Insurance agency commissions (1)
 - (v) Admission fees (1)
 - (vi) Tuition fees (1)
 - (vii) Initiation, entrance and membership fees (1)
 - (viii) Franchise fees (1)
 - (ix) Development of customized software (1)
23. When is the revenue in respect of license fees and royalties recognised in terms of IAS 18 (AC 111)? (2)

QUESTION 24 (18 marks) (22 minutes)

The preliminary Statement of Comprehensive Income before taking into account any additional information of Salsa Limited, a dealer in motor vehicles for the year ended 28 February 19.7 is as follows:

	19.7 R
Income	
Sales of motor vehicles	1 780 000
Dividends received (unlisted)	13 500
	<hr/> 1 793 500
Expenses	(1 414 300)
Advertising	9 000
Cleaning	4 500
Commission paid to sales staff	23 600
Depreciation – workshop equipment	11 200
Depreciation – office equipment	15 000
Operating lease – premises	49 000
Initial payment	9 000
Payments for the year	40 000
Printing and stationery	11 000
Purchases – consumables	66 000
Purchases – motor vehicles	1 068 000
Salaries and wages	72 000
Loss on a litigation settlement (tax deductible)	85 000
	<hr/> 379 200
PROFIT FOR THE YEAR	379 200
OTHER COMPREHENSIVE INCOME	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<hr/> 379 200 <hr/>

Additional information:

1. Salsa Limited entered into an operating lease agreement for the premises they are presently occupying. The lease agreement was entered into on 1 July 19.6. The terms of the lease are as follows:

Initial payment	R9 000
Instalment per month	R5 000
Duration of the lease	3 years

2. Salsa Limited paid commission of R7 200 to enter into the lease agreement.
3. The SA Normal tax rate is 29%. Salsa Limited's taxable income for the year ended 28 February 19.7 is R125 100.

REQUIRED:

Prepare the notes to the annual financial statements of Salsa Limited for the year ended 28 February 19.7. Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice. The accounting policy notes are **not** required.

QUESTION 25 (35 marks) (42 minutes)

The following details relate to a machine acquired by Melba Ltd in terms of a finance lease agreement:

- Date of commencement of agreement – 1 July 20.3
- Cash price – R180 000
- Lease period is 3 year
- Payments of R43 500 are payable half-yearly in arrears.

The machine was available for use and put into use on 1 July 20.3. Depreciation is written off at 20% per annum on cost.

The company's financial year ends on 30 June.

REQUIRED:

- a) Calculate the nominal interest rate per year.
- b) Prepare an amortisation table.
- c) Journalise all relevant transactions (cash transactions included) over the lease period. Journal narrations are not required.

QUESTION 26 (16 marks) (19 minutes)

Luxury Travel Limited, a newly established car rental company based in Cape Town, entered into a finance lease agreement to acquire two new limousines which will make up their entire current limousine fleet. The following information is available:

Contract date	1 January 20.1
Total cash price of the vehicles	R1 600 000
Deposit	20% of cash price
Instalments – paid half yearly in arrears	R228 050
Date of first instalment	30 June 20.1
Lease period	4 years
Nominal interest rate	17,25% (fixed rate) per annum
Effective interest rate	17,99% per annum
Total scrap value of the vehicles	R200 000
Estimated useful life	5 years

Luxury Travel Limited paid commission of R16 000 to enter into the lease agreement.

The two limousines were docked at Cape Town harbour on 2 January 20.1 and put into immediate use. Depreciation is written off over their expected useful lives according to the straight-line method.

Luxury Travel Limited's profit before tax, before taking the lease into account, amounted to R950 000 for 20.1.

QUESTION 26 (continued)

Classic Bank financed the deal and provided you with the following **correct** amortisation table:

Date	Interest R	Capital R	Instalments R	Outstanding balance R
01/01/20.1	-	-	-	1 280 000
30/06/20.1	110 400	117 650	228 050	1 162 350
31/12/20.1	100 253	127 797	228 050	1 034 553
30/06/20.2	89 230	138 820	228 050	895 733
31/12/20.2	77 257	150 793	228 050	744 940
30/06/20.3	64 251	163 799	228 050	581 141
31/12/20.3	50 123	177 927	228 050	403 214
30/06/20.4	34 777	193 273	228 050	209 941
31/12/20.4	18 109	209 941	228 050	-

REQUIRED:

Disclose all the relevant notes concerning the lease in the annual financial statements of Luxury Travel Limited for the year ended 31 December 20.1. Your answer must comply with the requirements of the Companies Act, and Generally Accepted Accounting Practice.

Ignore the accounting policy notes, comparative figures and all taxation implications. Do all calculations to the nearest Rand.

QUESTION 27 (44 marks) (53 minutes)

This question consists of 13 independent sub-questions. Answers must be calculated correct to two-tenths (2/10) of a percent (%). Show all your workings and formulae.

- 27.1 Determine the present value of an annuity of R30 000, received at the end of each period for ten periods, at a discount rate of 10% per period.
- 27.2 Determine the future value of an amount of R40 000, invested at the end of each period for ten periods, at an interest rate of 10% per period.
- 27.3 Determine the effective interest rate for a building society savings account which bears interest at a nominal rate of 5% per annum, compounded monthly.
- 27.4 Determine the nominal interest rate for a loan which bears interest at an effective rate of 7% per annum, if interest is compounded half-yearly.
- 27.5 At what rate of interest would an investment be tripled over a period of 12 years?
- 27.6 Calculate the effective rate of interest when the nominal rate of interest is 18% p. a. and interest is compounded quarterly.
- 27.7 An amount of R2 000 is invested at a nominal interest rate of 18% p.a., interest payable monthly in arrears. How long will it take to triple the amount invested?
- 27.8 Calculate at what rate of interest will R3 000 increase to R9 435 after 6 years and 9 months.

QUESTION 27 (continued)

27.9 Assume you invest R20 000 on 1 November 19.9. The interest rate is 18% per annum and interest is compounded quarterly in arrears.

REQUIRED:

Calculate the value of the investment at 31 October 20.4.

27.10 Assume you invest R5 000 per annum for 5 years at the end of each year at 15% compound interest per annum.

REQUIRED:

Calculate the present value of the investment.

27.11 Assume you invest R2 500 now at a nominal interest rate of 15% per annum. Interest is payable monthly in arrears.

REQUIRED:

How long will it take to double the investment?

27.12 A person wishes to have R100 000 at the end of 10 years.

How much must he invest at the end of each year (at 15% per annum) for the amounts to accrue to R100 000? (Ignore taxation).

27.13 A person borrows R4 000 for 4 years at 16% interest and undertakes to repay this debt in three equal payments of R1 000 at the end of years 1, 2 and 3 and a final payment at the end of year 4.

What will the amount of the final payment be? (Ignore taxation).

QUESTION 28 (25 marks) (30 minutes)

Do the necessary calculations to answer the following questions (choose only A, B, C, or D).

Do all calculations to the nearest R1 or 1 decimal place, except where indicated otherwise.

(a) The present value of an annuity of R2 000 per annum for 6 years at 8% compounded interest per annum is:

- A. R 1 260
- B. R14 672
- C. R 9 246
- D. None of the above.

(b) The effective rate of interest when the nominal rate of interest is 18% per annum and interest is compounded monthly is:

- A. 15,0%
- B. 19,6%
- C. 12,7%
- D. None of the above.

QUESTION 28 (continued)

- (c) R2 000 will increase to R4 178 after 6½ years at a rate of:
- A. 14%
 - B. 12%
 - C. 18%
 - D. None of the above.
- (d) Buli must repay his study loan on 30 November 20.4. He will have to repay R40 000. His best friend who won the Lotto decided to repay the loan on his behalf on 30 November 20.1. The interest rate on the loan is 16% and interest is compounded quarterly. The amount that Buli's friend has to pay now, if calculations are done to the nearest R100, is:
- A. R25 600
 - B. R22 100
 - C. R25 000
 - D. None of the above.
- (e) An amount of R1 000 is invested annually at the end of each year for 3 years at 10% compound interest per annum. The compound amount of the ordinary annuity which is repayable at the end of the term is:
- A. R2 487
 - B. R3 310
 - C. R3 300
 - D. None of the above.
- (f) Ms Dodo decides to save for her daughter's higher education, and every year, from the child's first birthday onward, puts away R1 200. If she receives 10% interest per annum, what amount will be available on her daughter's eighteenth birthday? (Round off to the nearest Rand.)
- A. R66 900
 - B. R54 719
 - C. R49 561
 - D. None of the above.
- (g) What will the effective rate of interest be when the nominal rate of interest is 16% per annum and interest is compounded quarterly?
- A. 20,250%
 - B. 15,025%
 - C. 16,160%
 - D. None of the above.