

**FAC1602
SECOND PAPER**

May/June 2018

ELEMENTARY FINANCIAL ACCOUNTING AND REPORTING

Duration 2 Hours

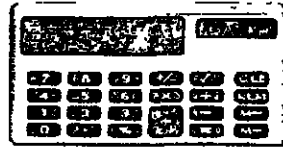
100 Marks

EXAMINATION PANEL AS APPOINTED BY THE DEPARTMENT

Use of a non programmable pocket calculator is permissible

Closed book examination

This examination question paper remains the property of the University of South Africa and may not be removed from the examination venue



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This paper comprises (8) pages

PLEASE NOTE

- 1 Ensure that you are writing the correct examination paper
- 2 Ensure that you are handed the correct examination answer book (BLUE) by the invigilator
- 3 All questions must be answered
- 4 Basic calculations where applicable must be shown
- 5 Each question must be commenced on a new (separate) page
- 6 Please do not answer the paper in pencil

PROPOSED TIMETABLE

Try not to deviate from this

QUESTION	SUBJECT	MARKS	TIME IN MINUTES
1	Partnerships Statement of profit or loss and other comprehensive income	36	43
2	Statement of cash flows Close corporations	24	29
3	Close corporations Statement of financial position	22	26
4	Changes in the ownership structure of partnerships Calculation of goodwill acquired	18	22
	TOTAL	100	120

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QUESTION 1 (36 marks)(43 minutes)

Buntu Traders is a partnership with Buzani and Kubawo as partners. The following information pertains to the business activities of the partnership for the year ended 28 February 2018

Extract of balances as at 28 February 2018

	R
Capital Buzani	200 000
Capital Kubawo	130 000
Current Account Buzani (Cr) (1 March 2017)	30 000
Current Account Kubawo (Dr) (1 March 2017)	5 000
Drawings Buzani	4 800
Drawings Kubawo	3 200
Trade payables control	56 300
Bank	36 617
Land and buildings at cost	253 000
Equipment at cost	94 000
Vehicle at cost	98 000
Accumulated depreciation Equipment (1 March 2017)	29 400
Accumulated depreciation Vehicles (1 March 2017)	12 250
Inventory (1 March 2017)	15 500
Trade receivables control	20 500
Petty cash	1 500
Investment at fair value	88 000
Loan to Buzani	99 000
Loan from Kubawo	98 000
Sales	649 000
Purchases	320 000
Salaries	132 000
Profit on sale of equipment	2 250
Loss on fair value adjustment Listed investment	12 000
Interest on loan to Buzani	9 075
Interest on loan from Kubawo	2 450
Water and electricity	4 700
Settlement discount granted	3 800
Stationary	5 000
Telephone expense	6 208
Insurance	8 000
Freight on sales	3 200

Additional information

1 Terms of the partnership agreement

- 1.1 The partners Buzani and Kubawo share profits/losses in the ratio of 2:1 respectively
- 1.2 Both partners are entitled to a salary of R5 000 per month

2 Year end adjustments

- 2.1 Buzani and Kubawo are the only staff members of Buntu Traders
- 2.2 On 28 February 2018 the inventory on hand amounted to R10 000

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QUESTION 1 (continued)

- 2.3 Depreciation is to be provided as follows
Vehicles 25% per annum according to the straight balance method
Equipment 10% per annum according to the diminishing balance method
- 2.4 Depreciation on sold equipment amounts to R250

REQUIRED

	Marks
Prepare the statement of profit or loss and other comprehensive income of Buntu Traders for the year ended 28 February 2018	36
Please note	
Your answer must comply with the requirements of the International Financial Reporting Standards (IFRS) appropriate to the business of a partnership	
Notes to the annual financial statements and comparative figures are not required	
Round off all amounts to the nearest Rand	
All calculations must be shown	

QUESTION 2 (24 marks)(29 minutes)

The following information pertains to Bayeke Consulting CC

Extract of accounts pertaining to the statement of financial position as at 31 December

	2017	2016
	R	R
Member s contribution Bathini	230 000	180 000
Member s contribution Asinandaba	170 000	120 000
Retained earnings	310 025	250 000
Long term loan	80 000	65 000
Trade payables	42 500	35 000
Accrued interest expense	4 000	-
Bank (Cr)	-	300
Land and buildings at cost	540 000	450 000
Vehicles at cost	190 000	95 000
Furniture at cost	50 000	48 000
Investments at cost	-	70 000
Accumulated depreciation Vehicles	40 000	32 000
Accumulated depreciation Furniture	10 000	8 800
Bank (Dr)	45 000	-
Trade receivables	42 500	52 500
Prepaid expenses (wages)	5 000	3 600
Inventory	74 025	52 000
Distribution to members payable	30 000	10 000
Income tax payable	30 000	70 000

Items disclosed in the statement of profit or loss and other comprehensive income for the year ended 31 December 2017

	R
Revenue	950 000
Cost of sales	500 000
Profit on sale of non current assets Furniture	5 000
Dividend income Listed investments	525
Marketing expenses	100 000
Administrative expenses (including salaries and wages)	115 000
Depreciation	72 500
Loss on sale of asset Vehicle	500
Interest expense	8 000
Profit before tax	159 525
Income tax expense	45 900

Additional information

- On 20 December 2017 a total profit distribution amounting to R25 800 to the members was recorded. On 21 December 2017 a portion thereof was paid in cash to the members. The remaining balance will be paid to the members on 2 January 2018.
- On 31 October 2017 a vehicle with a cost price of R60 000 and accumulated depreciation of R50 000 (on 1 January 2017) was sold for cash.

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REQUIRED

	Marks
(a) Prepare the cash flows from operating activities section of the statement of cash flows of Bayeke Consulting CC for the year ended 31 December 2017. Apply the DIRECT METHOD	20
(b) Calculate the amount that must be disclosed as proceeds from the sale of a vehicle under the section cash from investing activities in the statement of cash flows of Bayeke Consulting CC for the year ended 31 December 2017	4
	[24]

Please note

Your answer must comply with the provisions of the Close Corporations Act 1984 and the requirements of International Financial Reporting Standards (IFRS)

Notes to the annual financial statements **and** comparative figures are **NOT** required

Round off all amounts to the nearest Rand

All calculations **MUST** be shown

[TURN OVER]

QUESTION 3 (22 marks)(26 minutes)

Soso and Sam are the members of Tyaks CC. The following information pertains to the business activities of the close corporation for the year ended 30 June 2018.

Extract from balances as at 30 June 2018

	R
Member's contribution - Soso	122 000
Member's contribution - Sam	122 000
Land and buildings at cost	100 000
Equipment at cost	89 000
Vehicles at cost	108 000
Accumulated depreciation - Equipment	24 119
Accumulated depreciation - Vehicles	7 200
Long term loan	50 000
Inventory	38 520
Trade receivables control	35 800
Trade payables control	20 054
Bank (Dr)	12 700
Retained loss (1 July 2017)	28 760
Retained earnings (30 June 2018)	58 587
SARS (income tax) (Dr)	10 400
Interim profit distribution	15 000

Additional information

- 1 The long term loan was acquired from Sinda Bank on 2 July 2017. The capital portion of the loan is repayable in annual instalments of R8 000, with the last instalment of R10 000. The first instalment is payable on 31 December 2018.
- 2 During the year the CC made a loan advance of R38 000 to Sam. According to the loan agreement, the loan is interest free and is fully repayable on 31 December 2018.
- 3 A second hand delivery vehicle with a cost price of R108 000 was purchased on 2 March 2018. No other non-current assets were purchased or sold during the financial year.
- 4 Depreciation has been provided for as follows:
 - Equipment – R7 209
 - Vehicles – R7 200
- 5 On 2 January 2018 the CC concluded an insurance contract with Wozza Insure. According to the contract, the premium is payable annually in advance. An amount of R6 000 was paid as an annual premium. This transaction is still to be recorded in the books of the CC.
- 6 On 30 June 2018 the CC purchased 37 000 shares in Badz Ltd at R5 per share, being the market value on that date. These shares will be sold on 31 December 2018.

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QUESTION 3 (continued)

REQUIRED

Prepare the statement of financial position of Tyaks CC as at 30 June 2018	Marks 22
Please note Your answer must comply with the provisions of the Close Corporations Act 1984 and the requirements of International Financial Reporting Standards (IFRS) Notes to the annual financial statements and comparative figures are NOT required Round off all amounts to the nearest Rand All calculations MUST be shown	

QUESTION 4 (18 marks)(22 minutes)

Sipho and Bafo are partners in Kumnandi Traders sharing profits and losses in the ratio of 3:2 respectively. On 31 December 2017 the partners were approached by Vuyo with a proposal to join the partnership. The partners agreed that Vuyo will be admitted to the partnership on 1 January 2018.

The following is an extract from the accounting records of Kumnandi Traders on 31 December 2018 the end of the financial year

	R
Capital Sipho	120 000
Capital Bafo	90 000
Current account Sipho (Cr)	30 000
Current account Bafo (Cr)	20 000
Bank (favourable)	80 000
Mortgage	180 000
Land and buildings	550 000
Trade receivables control	70 000
Vehicles at cost (1 January 2017)	120 000
Accumulated depreciation Vehicles	60 000
Inventory	50 000
Trade payables	150 000

In preparation for the admission of Vuyo the following occurred

- The fair value of land and buildings was determined at R680 000
- The partners noticed that a debtor with a balance of R20 000 had defaulted on repayments for 3 consecutive months. The partners resolved that this account be deemed as a doubtful debt and must be written off as irrecoverable.
- Following an inspection partners confirmed that inventory is worth R30 000 due to some damaged stock.
- On 1 August 2018 Vuyo was admitted to the partnership and contributed cash of R75 000 and equipment worth R15 000 for a 20% share of profits in Kumnandi Traders. The profit sharing ratio for Sipho, Bafo and Vuyo was changed to 5:3:2 respectively.

REQUIRED

	Marks
Calculate the goodwill acquired (amount) upon admission of Vuyo in Kumnandi Traders	18
Please note	
Round off all amounts to the nearest Rand	
All calculations MUST be shown	