



FAC1602

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

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This paper comprises 7 pages

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- 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	Close corporations Calculation of profit for the year, Preparation of statement of changes in net investment of members, Preparation of the statement of financial position	36	43
2	Change in the ownership structure of a partnership Journal entries to record changes in the ownership structure, Calculation of new profit sharing ratio	24	29
3	Statement of cash flows Preparation of the cash generated from operations section	22	26
4	Preparation of a note on property, plant and equipment	18	22
	TOTAL	100	120

[TURN OVER]

QUESTION 1 (36 marks)(43 minutes)

Ndabazabantu CC is a trading entity, which is operating at Bridge City mall, KwaMashu Ndaba and Zabantu are the only members of the corporation. They have an equal interest in the corporation and distribute profits accordingly. The financial year-end of the CC is the last day of February.

The bookkeeper of Ndabazabantu CC prepared the following list of balances as at 28 February 2018:

	R
Member's contribution Ndaba (1 March 2017)	100 000
Member's contribution Zabantu (1 March 2017)	100 000
Retained earnings (1 March 2017)	134 100
Loan from member Ndaba (1 March 2017)	18 000
Loan from member Zabantu (1 March 2017)	24 000
Trade receivables control	1 500
Bank (favourable)	136 360
Trade payables control	4 000
SARS (Income tax) (Dr)	10 450
Inventory	60 000
Long-term loan (Second Bank)	35 000
Land and buildings at cost	249 800
Equipment at cost	15 000
Furniture and fittings at cost	45 000
Accumulated depreciation Equipment (1 March 2017)	5 000
Accumulated depreciation Furniture and fittings (1 March 2017)	13 500

Additional information

- 1 Before the information below was taken into account, the bookkeeper calculated the profit before tax for the year ended 28 February 2018 as R84 510.
 - 1.1 The depreciation for the current financial year must still be accounted for as follows:
 - Equipment R2 700
 - Furniture and fittings R9 000
 - 1.2 On 28 February 2018, a debtor owing the business R400 was declared insolvent. It was decided to write this amount, R400, as irrecoverable. On the same date, a cash payment amounting to R850 was received from a debtor that was written off as irrecoverable during the financial year 2017. The R850 is still to be recorded in the books of the CC.
 - 1.3 The actual normal income tax for the current financial year was calculated as R24 500 and must still be recorded.
- 2 On 28 February 2018 the members decided to make a total profit distribution of R40 000. Ndaba's portion thereof must be added to the loan which she advanced to the CC. Zabantu's portion must be paid to her in cash on 1 March 2018.
- 3 The long-term loan from Second Bank is secured by a mortgage over the land and buildings, and will be repayable in five (5) equal annual instalments as from 1 October 2018.
- 4 The loans from the members are repayable on 1 April 2019.

[TURN OVER]

QUESTION 1 (continued)**REQUIRED.**

	Marks
(a) Calculate the profit or loss for the year ended 28 February 2018 of Ndabazabantu CC	3
(b) Prepare the statement of changes in net investment of members of Ndabazabantu CC for the year ended 28 February 2018. The total column need NOT be disclosed	9
(c) Prepare the statement of financial position of Ndabazabantu CC as at 28 February 2018	24
	[36]
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 2 (24 marks)(29 minutes)

Daffo and her best friend, Dils, are in a partnership, trading as Daffodils Florists, they share in the profits/losses of the partnership in the ratio of 2/3 respectively. Recently they signed a huge bouquet delivery contract with the manager of the office blocks across the street. They urgently needed an additional partner to join the partnership who could assist with the preparation of the deliveries and provide additional capital to help sustain the growth of the business. Rose, a friend to Daffo, offered to join the partnership. On 31 March 2018, the following was extracted from the books of Daffodils Florists:

Extract from the statement of financial position

	R
Capital Daffo	39 400
Capital Dils	59 100
Current account Daffo (Cr)	28 100
Current account Dils (Cr)	8 400
Delivery vehicle at carrying amount	85 500
Equipment at carrying amount	9 500
Trade and other payables	40 000
Inventory Flowers and other consumables	22 000
Trade and other receivables	28 000
Bank	30 000

Additional information:

- The agreement was concluded to the effect that Rose would pay R67 000 in cash for a one-third interest in the net assets (equity) and a third interest in the profits or losses of the new partnership. Daffo and Dils agreed to each relinquish a portion of their interest in the profits or losses of Daffodils Florists to Rose according to their profit-sharing ratio of 2/3 respectively.
- On 1 April 2018, Rose paid R67 500 into the bank account of the partnership, and the new partnership started to trade as Daffodils & Roses Florists. Daffo, Dils and Rose decided to keep their capital account balances in the same ratio as their profit-sharing ratio. Any refunds or contributions to the capital accounts of the partners must be made in cash.

REQUIRED

	Marks
(a) Prepare the journal entries on 31 March 2018, in the general journal of Daffodils Florists to prepare for the admission of Rose as a partner, and to record the dissolution of Daffodils Florists. (Apply the legal perspective)	16
(b) Calculate the new profit sharing ratio of Daffo, Dils and Rose	8
	[24]

Please note:

Narrations to journal entries are not required

Round off all amounts to the nearest Rand

All calculations **MUST** be shown

[TURN OVER]

QUESTION 3 (22 marks)(26 minutes)

Mr AK Bhagwandas is a sole proprietor, operating a business entity trading as Bhagwandas Outfitters. The following information was taken from the accounting records and financial statements of the business at 28 February 2018, the end of the financial year.

Statement of financial position accounts at 28 February.

	2018	2017
	R	R
Land and buildings at cost	188 000	188 000
Equipment at cost	54 000	42 000
Accumulated depreciation Equipment	39 950	21 200
Capital Mr Bhagwandas	306 850	230 800
Trade receivables control (trade debtors)	179 410	173 600
Allowance for credit losses	15 000	12 000
Bank	130 000	–
Inventory	20 000	25 000
Long-term loan	155 000	115 000
Trade payables control	53 000	43 000
Bank (overdraft)	–	7 000
Water and electricity prepaid	850	1 100
Accrued interest expense	2 200	700
Accrued insurance expense	260	–

Relevant information applicable to the statement of profit or loss and other comprehensive income for the year ended 28 February 2018

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

Additional information

- All sales of inventory were on credit.
- All purchases of inventory were on credit and R153 000 was paid to the trade creditors during the financial year.
- Mr Bhagwandas withdrew R68 100 in cash during the current financial year.

[TURN OVER]

QUESTION 3 (continued)**REQUIRED**

	Marks
<p>Prepare the CASH FLOWS FROM OPERATING ACTIVITIES section of the statement of cash flows of Bhagwandas Outfitters for the year ended 28 February 2018. The cash generated from/(used in) operations must be disclosed according to the direct method.</p>	<p style="text-align: center;">22</p> <p style="text-align: center;">[22]</p>
<p>Please note.</p> <p>Your answer must comply with the requirements of International Financial Reporting Standards (IFRS), appropriate to the business of a sole proprietor.</p> <p>Notes to the annual financial statements and comparative figures are NOT required.</p> <p>Round off all amounts to the nearest Rand.</p> <p>All calculations MUST be shown.</p>	

[TURN OVER]

QUESTION 4 (18 marks)(22 minutes)

The following information is extracted from the accounting records of Botshelo CC

Balances as at 28 February 2018

	R
Members contributions	471 400
Retained earnings	138 600
Loans from members	40 000
Land and buildings at cost (1 March 2017)	950 000
Equipment at cost (1 March 2017)	250 000
Vehicles at cost (1 March 2017)	270 000
Fixed deposit ABASA Bank	50 000
Trading inventory	10 000
Long-term loan Zonke Bank	750 000
Accumulated depreciation Equipment (1 March 2017)	50 000
Accumulated depreciation Vehicles (1 March 2017)	80 000

Additional information

- 1 Provision must still be made for depreciation as follows
 - Equipment At 20% per annum according to the diminishing balance method.
 - Vehicles At 25% according to the straight-line method
- 2 On 31 October 2017, a computer equipment with a cost price of R15 000 was sold on credit for R1 000. On 1 March 2017, the accumulated depreciation thereon was R7 500. This transaction must still be recorded.

REQUIRED

	Marks
Prepare a note on property, plant and equipment of Botshelo CC for the year ended 28 February 2018. The total column is NOT required.	18
	[18]
Please note:	
Your answer must comply with the provisions of the Close Corporations Act, No 69 of 1984, as amended, and the requirements of International Financial Reporting Standards (IFRS)	
Round off all amounts to the nearest Rand	
All calculations MUST be shown	



**FAC1602
SECOND PAPER**

May/June 2018

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FAC1602 SECOND PAPER

May/June 2018

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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

[TURN OVER]

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

[TURN OVER]

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 R26 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.

[TURN OVER]

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 Woza 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.

[TURN OVER]

QUESTION 3 (continued)

REQUIRED

Prepare the statement of financial position of Tyaks CC as at 30 June 2018	Marks 22
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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 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	

Question 1 (36 marks) (43 minutes)

a) Total comprehensive income

Profit before tax	84 510
Depreciation (2 700 + 9 000)	(11 700)
Credit losses	(400)
Credit losses recovered	850
Tax expense	<u>(24 500)</u>
Profit for the year	48 760
Other comprehensive income	<u>0</u>
Total comprehensive income	<u><u>48 760</u></u>

b) Ndabazabantu CC

Statement of changes in net investment for the year ended 28 February 2018

	Members' contributions	Retained earnings	Loans from members	Loans to members	Total
Balances: 1 Mar 2016	200 000	134 100	42 000	0	376 100
Total comprehensive income					
Profit for the year		48 760			48 760
Other comprehensive income					
Distributions		(40 000)	20 000		(20 000)
Balances: 28 Feb 2017	200 000	142 860	62 000	0	404 860
Non-current liability (40%)			62 000		
Current liability (60%)					

1. $100\ 000 + 100\ 000 = 200\ 000$

2. $18\ 000 + 24\ 000 = 42\ 000$

c) Ndabazabantu CC

Statement of financial position as at 28 February 2018

Assets

Non-current assets	279 600
Property, plant and equipment	279 600
(249 800 + 15 000 + 45 000 - 5 000 - 13 500 - 2 700 - 9 000)	
Current assets	198 310
Inventory	60 000
Trade and other receivables (1 500 - 400)	1 100
Cash and cash equivalents (136 360 + 850)	137 210
Total assets	<u><u>477 910</u></u>

Equity and liabilities

Owners' equity	342 860
Members contributions	200 000
Retained earnings	142 860
Non-current liabilities	90 000
Loans from members	62 000
Long-term loan (Second Bank) (35 000 - 7 000)	28 000
Current liabilities	45 050
Trade and other payables (4 000)	4 000
SARS (Income tax payable) (24 500 - 10 450)	14 050
Short-term portion of long-term loan (35 000/5)	7 000
Distributions payable (40 000/2)	20 000
Total equity and liabilities	<u>477 910</u>

Question 2 (24 marks) (29 minutes)

a)	Current account: Daffo	28 100	
	Current account: Dils	8 400	
	Capital: Daffo		28 100
	Capital: Dils		8 400
	Transferral	175 000	
	Delivery vehicle		85 500
	Equipment		9 500
	Inventory		22 000
	Trade and other receivables		28 000
	Bank		30 000
	Goodwill		0
	Capital: Daffo (39 400 + 28 100)	67 500	
	Capital: Dils (59 100 + 8 400)	67 500	
	Trade and other payables	40 000	
	Transferral		175 000

Calculations

1. Goodwill:

Cap: Daffo = 39 400 + 28 100 = 67 500

Cap: Dils = 59 100 + 8 400 = 67 500

Cap: Rose = **(Errata in question: Use R67 500 not R67 000)** 67 500

202 500

Fair value of business as a whole: 202 500

67 500 x 3/1 =

Goodwill = 202 500 - 202 500 = 0

b) New profit sharing ratio:	Daffo	Dils	Rose
	$3/5 - (3/5 \times 1/3)$	$2/5 - (2/5 \times 1/3)$	$0 + 1/3$
	$= 2/5$	$= 4/15$	$= 1/3$
	$= 6/15$		$= 5/15$

New ratio: Daffo: Dils: Rose = 6 : 4 : 5

Question 3 (22 marks) (26 minutes)

Bhagwandas Outfitters

Statement of cash flows for the year ended 28 February 2018

Cash flows from operating activities

Cash paid to suppliers and employees (1)	418 190
Cash flows from operating activities (2*)	<u>(234 590)</u>
Cash generated from operations	183 600
Interest paid (16 000 + 700 - 2 200)	(14 500)
Drawings	<u>(68 100)</u>
Net cash flows from operating activities	<u><u>101 000</u></u>

Calculations:

(1) Sales	425 500
Credit loss	(4 500)
Net Debtors (open)	161 600
(173 600 - 12 000)	
(close)	(164 410)
(179 410 - 15 000)	
	<u><u>418 190</u></u>

(2) Cash paid to creditors (given)	153 000
Admin expenses	20 000
Insurance expense	12 280
Salaries & Wages	45 100
Water and electricity	4 720
Accrued Insurance (open)	0
(close)	(260)
Prepaid W&E (open)	(1 100)
(close)	<u>850</u>
	<u><u>234 590</u></u>

(2) *Also correct, yet the answer differs	
Purchases	155 000
Admin expenses	20 000
Insurance expense	12 280
Salaries & Wages	45 100
Water and electricity	4 720
Creditors (open)	43 000
(close)	(53 000)
Accrued Insurance (open)	0
(close)	(260)
Prepaid W&E (open)	(1 100)
(close)	<u>850</u>
	<u><u>226 590</u></u>

Question 4 (18 marks) (22 minutes)

Note: Property, plant and equipment	Land & buildings	Equipment	Vehicles
Carrying amount: 1/3/2017	950 000	200 000	190 000
Cost price	950 000	250 000	270 000
Accumulated depreciation		(50 000)	(80 000)
Depreciation		(39 500)	(67 500)
Additions			
Disposals		(6 500)	
Cost price		(15 000)	
Accumulated depreciation		8 500	
Carrying amount: 28/2/2018	950 000	154 000	122 500
Cost price	950 000	235 000	270 000
Accumulated depreciation		(81 000)	(147 500)

Calculations:

Depreciation:

Sold equipment: 1/3/2017 - 31/10-2017: $(15\ 000 - 7\ 500) \times 20\% \times 8/12 = 1\ 000$

AD: $7\ 500 + 1\ 000 = 8\ 500$

Old equipment: 1/3/2017 - 28/2/2018: CP: $250\ 000 - 15\ 000 = 235\ 000$

AD: $50\ 000 - 7\ 500 = (42\ 500)$

$(235\ 000 - 42\ 500) \times 20\% = 38\ 700$

Vehicles: 1/3/2017 - 28/2/2018: $270\ 000 \times 25\% = 67\ 500$

Question 1 (36 marks) (43 minutes)

Buntu Traders

Statement of profit or loss and other comprehensive income for the year ended 28 February 2018

Revenue (649 000 - 3 800)	645 200
Cost of sales	(325 500)
Inventory (1 Mar 2017)	15 500
Purchases	320 000
Inventory (28 Feb 2018)	(10 000)
Gross profit	319 700
Other income	11 325
Profit on sale of equipment	2 250
Interest on loan to partners	9 075
Distribution admin and other expenses	(70 318)
Salaries	0
Loss on fair value adjustment: Listed investment	12 000
Water and electricity	4 700
Stationery	5 000
Telephone expense	6 208
Insurance	8 000
Freight on sales	3 200
Depreciation	31 210
Finance costs	(2 450)
Interest on loan from partners	2 450
Profit for the year	258 257
Other comprehensive income	0
Total comprehensive income for the year	<u>258 257</u>

Calculations:

Veh: $98\,000 \times 25\% =$	24 500
Equip: $(94\,000 - 29\,400) \times 10\% =$	6 460
Sold equip (given)	<u>250</u>
Total depr:	<u>31 210</u>

Question 2 (24 marks) (29 minutes)

a) Bayede Consulting CC

Statement of cash flows for the year ended 31 December 2017

Cash flows from operating activities

Cash paid to suppliers and employees (1)	960 000
Cash flows from operating activities (2)	<u>(730 925)</u>
Cash generated from operations	229 075
Interest paid (8 000 + 0 - 4 000)	(4 000)
Dividends received	525
Distributions (26 800 + 10 000 - 30 000)	(6 800)
Tax paid (45 900 + 70 000 - 30 000)	<u>(85 900)</u>
Net cash flows from operating activities	<u><u>132 900</u></u>

(1) Sales	950 000	(2) Purchases	522 025
Net Debtors (open)	52 500	(500 000 - 52 000 + 74 025)	
(close)	<u>(42 500)</u>	Marketing expenses	100 000
	<u><u>960 000</u></u>	Admin expenses	115 000
		Creditors (open)	35 000
		(close)	(42 500)
		Prepaid wages (open)	(3 600)
		(close)	<u>5 000</u>
			<u><u>730 925</u></u>

b) Proceeds on sale of vehicle

Cost price	60 000
Accum depr (50 000 + ? No method given)	<u>(50 000)</u>
Carrying amount	10 000
Loss	<u>(500)</u>
Proceeds	<u><u>9 500</u></u>

Question 3 (22 marks) (26 minutes)

Tyaks CC

Statement of financial position as at 30 June 2018

Assets

Non-current assets	265 681
Property, plant and equipment (100 000 + 89 000 + 108 000 - 24 119 - 7 200)	265 681
Current assets	310 720
Inventory	38 520
Trade and other receivables	35 800
Prepayments (6 000 x 6/12)	3 000
SARS (Income tax refund)	10 400
Loans to members	38 000
Other financial assets (37 000 x R5)	185 000
Total assets	576 401

Equity and liabilities

Owners' equity	302 587
Members contributions (122 000 + 122 000)	244 000
Retained earnings (given)	58 587
Non-current liabilities	42 000
Long-term loan (50 000 - 8 000)	42 000
Current liabilities	206 354
Trade and other payables	20 054
Bank overdraft (12 700 - 6 000 - 185 000)	178 300
Short-term portion of long-term loan	8 000
Total equity and liabilities	550 941

This question does not balance, it is out by R25 460.

This question left out the income tax for the year (R25 460) in the additional information.

Which would mean tax payable is R15 060, and then this statement would balance.

Question 4 (18 marks) (22 minutes)

1. Goodwill:

Cap: Sipho (120 000 + 30 000 - 54 000)	96 000
Cap: Bafo (90 000 + 20 000 - 36 000)	74 000
Cap: Vuyo (75 000 + 15 000)	<u>90 000</u>
	260 000

Fair value of business as a whole:	450 000
90 000/ 0.2 (20%)	<u> </u>
Goodwill = 202 500 - 202 500 =	<u><u>190 000</u></u>

Calculation:

Valuation			
Land & build	130 000	Debtors	20 000
(680 000 - 550 000)		Inventory	20 000
		(50 000 - 30 000)	
		Loss	90 000
		Cap: Sipho (3/5)	54 000
		Cap: Bafo (2/5)	36 000
	<u>R 130 000</u>		<u>R 130 000</u>