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**SUBMIT TO:** Ms Dorah Gumbi  
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**Complete the following and submit with the attached examination papers:**

**1. FACULTY CONTACT INFORMATION**

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**2. FILE FORMAT (Please mark)**

MS Word	<input checked="" type="checkbox"/> <b>PDF</b>	
<input type="checkbox"/> OTHER (Specify)		

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### 3. FILE NAMES

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## FACULTY OF MANAGEMENT

### JUNE 2014 ASSESSMENT

**DEPARTMENT**

Hospitality Management

<b><u>MODULE</u></b>	HOSPITALITY FINANCIAL MANAGEMENT III
<b><u>CODE</u></b>	HFM 32-1
<b><u>DATE</u></b>	06 JUNE 2014
<b><u>DURATION</u></b>	2 HOURS
<b><u>TIME</u></b>	14:00-16:00
<b><u>TOTAL MARKS</u></b>	120
<b><u>EXAMINER</u></b>	M MASANABO
<b><u>EXTERNAL MODERATOR</u></b>	NT Mashile CA (SA) (Wits University)
<b><u>NUMBER OF PAGES</u></b>	6 (Including answer sheet)

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#### **INSTRUCTIONS TO CANDIDATES:**

CALCULATORS ARE PERMITTED.(ONLY ONE PER LEARNER)

Read the questions carefully and answer only what is asked.

Number your answers clearly.

Write neatly and legibly.

Structure your answers by using appropriate headings and sub-headings.

The general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.

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**REQUIREMENTS** : ONE ACCOUNTING ANSWER BOOK

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#### **INSTRUCTIONS TO LEARNERS:**

1. ANSWER ALL QUESTIONS.
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**QUESTION 1****Analysis and interpretation of Financial Statements****( A single sheet of folio paper )**

The following balances were found in the books of Greenside Hotel at the end of two consecutive accounting periods, after the Financial Statements have been prepared.

	<b><u>2014</u></b>	<b><u>2013</u></b>
Sales (Credit Sales = 75 % of total sales)	1 000 000	750 000
Cost of Sales	456 875	231 875
Administration expenses	150 000	125 000
Salaries	76 250	81 250
Rent income	15 000	15 750
Capital	825 625	750 000
Land and Buildings	425 000	375 000
Equipment	137 500	150 000
Accumulated depreciation- equipment	43 750	31 250
Trading stock	226 250	206 250
Debtors control	132 500	112 500
Bank	4 750	47 963
Cash float	1 250	1 250
Fixed deposit	75 000	62 500
Prepaid expenses	4 250	5 250
Creditors control	181 250	113 125
Mortgage bond	62 500	75 000
Income received in advance	3 375	1 875
SARS (Vat)	1 813Cr	1 500Cr

**REQUIRED:**

Use the given information to do the following calculations:

- 1.1 Gross profit percentage on turnover for both years. (3)
- 1.2 Net profit percentage on turnover for both years (3)
- 1.3 Acid test ratio for both years. (5)
- 1.4 Return on owners equity for both years. (3)
- 1.5 Turnover rate of trading stock for 2014. (3)
- 1.6 Debtors collection period for 2014. (3)
- 1.7 Solvency ratio for 2014 (2)
- 1.8 Comment on : (a) 1.3 (b) 1.4 (c) 1.6. (3)

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**QUESTION 2****(65 Marks)**

The given balances were taken from the books of Sam & Co. Ltd.

**BALANCES ON 31 MARCH 2014**

Land and Buildings	2 490 000	Preference share capital	500 000
Equipment	209 000	Ordinary share capital	2 800 000
Vehicles	286 000	General reserve	320 000
Investment: Hotel Ltd (Listed)	10 000	Retained profit (01/04/13)	435 370
Trading Stock	2 014 000	Turnover	8 744 500
Debtors	997 360	Loan: ABC Bank (15%p.a)	200 000
Bank	182 700	Accounts payable	664 730
Patents	8 500	Provision for bad debts	12 000
Cost of sales	5 246 700	Accumulated depreciation on vehicles	63 000
Bad debts	21 200	Accumulated depreciation on equipment	28 000
Sundry expenses	17 360	Interest received	1 500
Income tax paid	530 000	Nationalisation of assets	20 000
Salaries	876 900		
Admin costs	301 880		
Audit fees	10 000		
Selling Expenses	420 600		
Directors' fees	43 000		
Motor Expenses	83 400		
Preference dividends paid	22 500		
Preliminary expenses	18 000		
	<b>13 789 100</b>		<b>13 789 100</b>

**ADDITIONAL INFORMATION:**

1. The authorized capital is: 1 000 000 12% Preference Shares and 8 500 000 Ordinary shares.
2. 600 000 ordinary shares worth R1 800 000 were issued during the current financial year.
3. 50 000 preference shares worth R200 000 were issued during the current financial year.
4. The total number of shares issued to date is 720 000 ordinary shares and 65 000 preference shares.

**ADJUSTMENTS**

1. Depreciate vehicles by 25%p.a. on cost and equipment by 20%p.a. on cost.
2. Included in salaries are directors' salaries of R300 000.
3. The provision for bad debts should be adjusted to 1,5% of outstanding debtors.
4. Write off patents for R2 500
5. Interest of R16 000 on the loan is included in selling expenses
6. Taxation for the year is R650 000.

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7. Land and buildings must be revaluated to R 2 700 000.
8. The directors declared :
  - final ordinary dividend of 95c per share and
  - the final preference dividend.

**REQUIRED:**

From the information and adjustments above you are required to prepare the following:

1. Statement of Comprehensive Income for the year ended 31 March 2014. (7)
2. Statement of changes in equity for the year ended 31 March 2014 (15)
3. Statement of Financial Position as at 31 March 2014 (18)

\* Only the following notes must be shown :

**# Statement of Comprehensive Income:**

1. Operating income (6)  
 NB: Please show your calculations how you determine the amount of operating Income before disclosable items (5)
2. Taxation (3)
3. Extraordinary items (1)

**# Statement of Financial Position:**

1. Tangible assets (6)
2. Intangible assets (1)
3. Capital & Reserves: (Authorised share capital) (2)
4. Interest bearing liabilities (1)

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**QUESTION:3**

Prepare a Cash Budget for the months July, August and September based on the following information:

Cash Balance	1 July 2014	90 000
Estimated Sales	May	70 000
	June	72 000
	July	76 000
	August	60 000
	September	68 000
Estimated purchases	April	35 000
	May	30 000
	June	32 000
	July	24 000
	August	28 000
	September	40 000
Estimated expenses	May	10 000
	June	12 000
	July	8 000
	August	20 000
	September	24 000
Rent payable	18 July	24 000
Rates payable	21 August	1 600
Accounts receivable	05 September	8 000
Estimated wages	July	16 000
	August	30% of sales
	September	35% of sales

**NOTE:**

The following information . which has not yet been considered above needs to be taken into account:

1. 50% of sales are collected during the month of sales, 40% the following month and the rest the month after.
2. All purchases are made on credit. 80% of purchases accounts are settled on the 25<sup>th</sup> of the month following the purchases; 15% the following month and the rest thereafter.

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**TOTAL : 120 marks**

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## ANSWER SHEET:

## QUESTION:2

Sam & Co. LtdSTATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 APRIL 2014.

	Issued Share Capital		Distributable Reserves			Total
	Ordinary Shares	12 % Preference Shares	Non-Distributable Reserves	General Reserve	Accumulated Profits	
Balance on 01/05 /2013						
Net profit for the year						
Transfer to Non distributable Reserves:						
Transfer to General Reserve				(            )		
Issued ordinary Shares.						
Issued preference Shares.						
Preference dividends:						
- Paid					(            )	(            )
- Recommended/declared					(            )	(            )
Ordinary dividends :						
- Paid					(            )	(            )
- Recommended/declared					(            )	(            )
<b>Balance on 30 / 04 / 2014</b>						

Dividends per Share

=

Cents