



Department of Commercial Accounting

**Financial Accounting 1B
FAC11B1**

FINAL REPLACEMENT ASSESSMENT OPPORTUNITY

DECEMBER 2014

Time: 3 hours

Marks: 100

Assessors: Mrs M. Carter, Mr H Coovadia, Mr V. Shandu, Mrs T. Rafube.

Moderator: Mr M Karodia

INSTRUCTIONS:

- This paper consists of **8** pages (including the cover page).
- Answer all questions. Show all calculations and workings clearly.
- Start each question on a new page.
- Silent, non-programmable calculators may be used.
- Where applicable, round all calculations to two decimal places, unless stipulated otherwise.
- The use of a pencil in answering the question paper will lead to the answer booklet being void.

Question	Topic	Marks	Time
1	Introduction to partnership	25	45 minutes
2	Business transactions	25	45 minutes
3	Admission / Retirement of a partner	25	45 minutes
4	Partnership Financial Statements	25	45 minutes
		100	180 minutes

QUESTION 1

(25 MARKS)

Snow, Hail and Slush are partners in an auditing firm, called SHS. They prepare accounts annually on 28 February. The following information was made available to you, according to the partnership agreement.

1. Capital contributed and current accounts of partners on 1 March 2013:

	Capital accounts	Current accounts
Snow	750 000	387 500 (Dr)
Hail	500 000	255 000 (Dr)
Slush	125 000	330 000 (Cr)

2. The following must be taken into account when appropriation profits and losses:

- Snow and Hail receive a salary of R400 000 each, annually at the end of the year. Slush receives an annual salary of R575 000. The partners' salary form part of the distribution of profits.
- Slush is to receive a bonus of 5% of the remaining profits after providing for salaries, transfer to/ from reserves and all interests.
- The partners earn interest on capital at 6% per annum on the closing balances of the capital accounts.
- Interest on current account is calculated at 10% per annum on the opening balances.
- Interest on drawings is calculated at 5% per year on the closing balance.
- Profits and losses must be divided in the ratio 6:3:1.

ADDITIONAL INFORMATION:

1. Net profit for the year ended 28 February 2014, amounted to R5 462 500.
2. R112 500 of the profit for the year must be transferred to the asset replacement reserve before any distribution is made to the partners. The opening balance on this account on 1 March 2013 was R 57 500.
3. On 1 September 2013, Slush deposited R 125 000 in the bank account of SHS Partners as an additional capital contribution.
4. In the current year the closing balances of the drawings accounts were as follows: Snow R75 000, Hail R50 000, Slush R100 000.

REQUIRED:

1.1	Prepare the statement of changes in equity and the current account of partner Snow for the ended 28 February 2014	(25)
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QUESTION 2

(25 MARKS)

Peter and Pan formed a partnership called PeterPan Cleaning Agency a few years back. They share profits/losses in 3:1 ratio. PeterPan is a registered **Vat vendor**. You have been appointed the accountant for PeterPan and the following information is provided to you:

Trail Balance Period Ending 31 December 2013

	<u>Debits</u>	<u>Credits</u>
1000 (Sales)		50 000
4741 (Water and electricity)	3 500	
4740 (Salaries)	6 000	
4700 (Rent expense)	7 350	
5300 (Capital: Peter)		50 000
5301 (Capital: Pan)		35 000
5320 (Current account: Peter)	14 850	
5321 (Current account: Pan)		19 520
5600 (Drawings: Peter)	3 000	
7100>010 (Trade Receivables)	20 250	
8420 Bank	114 070	
9100 (Payables Control)		14 500
Totals	169 020	169 020

- 1) Process the following transaction – All sales of PeterPan are on credit.

<p style="text-align: right;">Sage Technology Park 102 Western Services Road Gallo Manor Ext 6 2191</p> <p>Educational No: Sage Pastel PO Box 781893 Sandton 2146 South Africa</p>	<p style="text-align: center;">Tax Invoice</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Date</td> <td style="width: 50%;">01/10/13</td> </tr> <tr> <td>Page</td> <td>1</td> </tr> <tr> <td>Document No</td> <td>IN100004</td> </tr> </table>	Date	01/10/13	Page	1	Document No	IN100004																		
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<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">Account</td> <td style="width: 20%;">Your Reference</td> <td style="width: 10%;">Tax Exempt</td> <td style="width: 20%;">Tax Reference</td> <td style="width: 30%;">Sales Code</td> </tr> <tr> <td>OFF001</td> <td></td> <td>N</td> <td>4123456789</td> <td>Inclusive</td> </tr> </table>		Account	Your Reference	Tax Exempt	Tax Reference	Sales Code	OFF001		N	4123456789	Inclusive														
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<p style="text-align: right;">Settlement terms: 2.5% within 30 days from period end 32 662.50 until 30/04/13</p> <p>Received in good order</p> <p>Signed _____ Date _____</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Sub Total</td> <td style="width: 30%;">29 385.97</td> </tr> <tr> <td>Discount @ 0.00%</td> <td>0.00</td> </tr> <tr> <td>Amount Excl Tax</td> <td>29 385.97</td> </tr> <tr> <td>Tax</td> <td>4 114.03</td> </tr> <tr> <td>Total</td> <td>33 500.00</td> </tr> </table>	Sub Total	29 385.97	Discount @ 0.00%	0.00	Amount Excl Tax	29 385.97	Tax	4 114.03	Total	33 500.00														
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Additional Information

<u>Item</u>	<u>Cost Price</u>
Wax Gel	R 35
Mops	R 25

- 2) PeterPan received the following payment from Office Rentals

Account - OFF001 - Office Rentals (Pty) Ltd									
Reference	Date								
EFT003	31/10/13								
Discount To Match	Discount Matched	Amount To Match	Amount Matched	Total To Match	Total Matched				
			33 500.00C		33 500.00C				
Invoice	Date	Description	Invoice Amount	Amount Due	Discount	Total Due	Amount	Unpaid	Match
IN100001	28/03/13	Tax Invoice - 7896	1 000.00	1 000.00		1 000.00		1 000.00	<input type="checkbox"/>
IN100004	01/10/13	Tax Invoice	33 500.00	33 500.00		33 500.00	33 500.00		<input checked="" type="checkbox"/>

- 3) Process the following transaction : (The transaction took place in the payment section)

Process Cash Books

Cash Book 01 - 8400/000 Last Bank 602589789 Batch Type Normal batch entry Balance 72 000.00 Close

Payments Receipts

	Per	Date	GCS	Account	R	Reference	Description	Tax	Bank Exclusive	Bank Inclusive	Disc. Tax
1	08-	31/10/13	G	4400/000	N	CC250	Salaries	00 - Tax type	5 700.00	5 700.00	00
2	08-	31/10/13	G	3650/000	N	CC251	Water and Electricity	01 - Vat - Star	2 631.58	3 000.00	00

- 4) Peter withdrew cash from the partnership worth R 7 000 for personal use
- 5) PeterPan expanded its operations over the last few years. The partnership intends to start a delivery service. PeterPan purchased a delivery vehicle for R 80 000(ex VAT). The vehicle was purchased for with a loan from Last Bank.
- 6) XYZ(Pty)Ltd returned 500 rags they had purchased on credit from PeterPan. The markup on cost is 20%. Cost price R 25(ex VAT) per unit.

REQUIRED:

(25 MARKS)

Prepare Journal Entries of PeterPan for the year ended 31 December 2013. **(Journal Narration are required – Show all calculations and round off answers to two decimals)**

QUESTION 3

(25 MARKS)

The following trial balance was extracted from the records of MBN Studios. MBN Studios is a partnership made of B. Molo, M. Bhova and G. Ndidane. They share the profits and losses in accordance with their capital contributions.

Trial Balance

Page
1 of
1

<u>Account</u>	<u>Account Type</u>	<u>Debits</u>	<u>Credits</u>
Balance Sheet			
5300 (Capital:Molo)	Capital		50 000
5301 (Capital:Bhova)	Capital		125 000
5302 (Capital:Ndidane)	Capital		75 000
5400 (Current: Molo)	Capital		26 100
5401 (Current: Bhova)	Capital	11 200	
5402 (Current: Ndidane)	Capital		32 400
6100 (Land & Buildings)	Non-Current Asset	148 000	
6300 (Furniture & Equipment)	Non-Current Asset	71 400	
6400 (Long term loan)	Non-Current Liability		18 100
7100 (Trade Receivables)	Accounts Receivable	24 100	
9100 (Trade Payables)	Accounts Payable		35 400
7400 (Trade inventory)	Current Asset	41 400	
8420 (Bank)	Current Asset	65 900	
Totals		362 000	362 000

Additional Information

- Molo retires from the partnership under the following conditions:
 - He will take Furniture and equipment worth R50 000.
 - The balance, if any, will have to be deposited to his personal bank account.
- Land and buildings are to be revalued upwards by R12 000.
- Goodwill must to be calculated at 10% of the Net Asset Value (NAV) of R297 300 and must not be shown in the books of the partnership.
- The remaining partners will continue to use their capital contributions as a ratio to share profits or losses.

REQUIRED:

1	Calculate the old profit sharing ratio.	(3 Marks)
2	Calculate the value of the Goodwill.	(1½ Marks)
3	Record the revaluation of assets and Goodwill to the General journal of the partnership. (Narrations are required)	(14½ Marks)
4	Prepare the capital account of B. Molo	(6 Marks)

(25 MARKS)

Below are two adjustments that took place in the books of ABC Traders.

[illegible]

SECTION B

Jack and Jill are in a partnership called JJ Traders. They share profits and losses in a 4:3 ratio. Below is the trial balance for the period ended June 2014.

Trial Balance For: June 2014		
	<u>DR</u>	<u>CR</u>
5300 (Capital: Jack)		50 000.00
5301 (Capital: Jill)		40 000.00
5320 (Current account: Jack)	3 250.00	
5321 (Current account: Jill)		4 500.00
6300>010 (Machinery>acc depr)		34 650.00
6300>020 (Machinery>cost)	190 500.00	
7100>010 (Trade Receivables)	38 500.00	
7100>020 (Allowance for doubtful debts)		700.00
8420 Bank	377 200.00	
7112 (Consumables on hand)	12 000.00	
9100 (Payables Control)		14 991.50
9601 (Vat / Tax Control Account)		40 608.50
9200 (Loan payable)		436 000.00
	<u>621 450.00</u>	<u>621 450.00</u>

Additional information:

- The allowance for doubtful debt must be maintained at 3% of trade receivables.
- Depreciation of 20% per annum on the straight-line method must still be provided on machinery for the current financial period.
- Consumables used amounted to R11 000.

REQUIRED:

4.2 Record the above adjustments in the general journal of JJ Traders for the period ended June 2014.

(Narrations are not required) (5.5 marks)

4.3 Redraw the following table in your book and complete all the missing columns; namely **element, financial statement and amount (show calculations where necessary)** (9.5 marks)

No	Account	Element	Financial statement	Amount to go in F/S
1.	Trade payables			
2.	Bad debt			
3.	Trade receivables			
4.	Machinery			
5.	Vat control			
6.	Consumables on hand			

Example:

No	Account	Element	Financial statement	Amount to go in F/S
	Bank	Current asset	SOFP	377 200.00