



Department of Commercial Accounting

Financial Accounting Aspects IV

SUBJECT CODES: BFR41-2

Last Assessment Opportunity

Date: 09 June 2016

Time: 3 hours

Marks: 100

Assessors: MF Mamadi
Moderators: L Khumalo (Internal)
M Mpetshwa (External)

INSTRUCTIONS:

- This paper consists of **7** pages (including the cover page).
- Answer all questions. Show all calculations and workings clearly.
- Start each question on a new page in your answer book.
- Silent, non-programmable calculators may be used.
- Where applicable, round all calculations to two decimal places, unless stipulated otherwise.

Question	Topic	Marks	Time
1	Accounting concepts	17	31 minutes
2	Basic accounting equation	20	36 minutes
3	General Journals and AFS	39	70 minutes
4	Analysis of financial statements	24	43 minutes
		100	180 minutes

QUESTION 1

(17 Marks)

Question 1

Part A

Deli (Pty) Ltd prepares its financial statements except statement of cash flow using accrual basis of accounting.

Required:

What does the accrual basis of accounting mean? (3)

Part B

The directors of **Deli (Pty) Ltd** have realized that the accountant they have employed may lack understanding of some basic accounting concepts.

Deli (Pty) Ltd recently purchased office furniture, on credit for R15 000 from Computer Store and the amount is payable within 6 months. The directors have asked you to **identify** the elements of the financial statements that are relevant to the transaction and provide the **definitions** of the elements identified. (9)

Part C

Required:

List the five (5) items of information that need to be presented/disclosed prominently in the annual financial statements of **Deli (Pty) Ltd**.

(5)

[17]

QUESTION 2

(20 Marks)

Mr E Kobe runs a business, Kobe Traders. The following transactions took place during May 2016.

1. Purchased goods to the value of R18 000 on credit from Morena Ltd. Each item costs R500.
2. Sold goods (ten items) on credit to Mr Thopola, R6 000.
3. Paid commission on the goods sold to Mr Thopola, R60.
4. Issued a credit note to Mr Thopola for damaged goods (two items) returned by him, R1 200.
5. Bought stationery for office use and paid with EFT, R500.
6. Mr Thopola paid R4 800 by EFT to settle his account.
7. Paid the city council for water and electricity by cheque, R750.

REQUIRED:

Use the table below to show the effect of the transactions above on the accounting equation. You must redraw this table in your answer sheet. Show all relevant calculations.

e.g Paid R3 000 for wages with a business cheque.

Transaction number	Assets	=	Equity	+	Liabilities
e.g	Bank -3 000		Wages -3 000		0

[20]

QUESTION 3

(39 marks)

Ecoweb-Solutions is in the business of providing mobile telephone operators with network monitoring services. The financial year end of the Ecoweb-Solutions is the end of February every year. The following totals and balances were extracted from the financial records of Ecoweb-Solutions.

ECOWEB-SOLUTIONS		
EXTRACT OF TOTALS AND BALANCES AS AT 29 FEBRUARY 2016		
	Debit amount	Credit amount
Financial position section		
Capital		300 000
Drawings	100 000	
Land and Buildings	450 000	
Long-term loan		350 000
Vehicle at cost price	70 000	
Accumulated Depreciation: Vehicle		20 000
Computer equipment at cost price	76 000	
Accumulated Depreciation: Equipment		10 000
Bank		21 000
Petty Cash	5 000	
Trade Payables		75 000
Trade Receivables	50 000	
Nominal accounts section		
Revenue from network services		522 000
Network monitoring costs	300 000	
Travel expenses	50 000	
Interest on long term loan	28 000	
Salaries	120 000	
Insurance	44 000	
Stationery	5 000	

Additional information

- Depreciation needs to be provided for as follows:
Vehicle at 20% on the straight-line method and
Computer equipment over 3 years.
- A debtor owing R5 500 must be written off. The debtor was declared insolvent.

QUESTION 3 cont...**REQUIRED:**

3.1	Record the General Journal Entries for the transactions given under the additional information. NO JOURNAL NARRATIONS REQUIRED	11
3.2	Prepare a statement of profit or loss and other comprehensive income for Ecoweb-Solutions for the year ended 29 February 2016.(Show your workings in brackets and round off your answer)	18
3.2	Prepare the assets section of the Statement of Financial Position for the year ended 29 February 2016. (Show your workings in brackets and round off your answer)	10

[39]

QUESTION 4

(24 Marks)

The following statement of financial performance and the extract from the statement of profit or loss and other comprehensive income were prepared by bookkeeper of FAC Ltd for the financial year ended 29 February 2016:

	2016	
	R	
Sales		180 000
Credit	20 000	
Cash	160 000	
Opening inventory	77 000	
Add Purchases		
-Cash	45 000	
-Credit	70 000	
	192 000	
Less: Closing inventory	(80 000)	
Cost of sales		112 000
Gross profit		68 000
Add: Other income		90 000
Less: Interest on loan		(19 000)
Less: Salaries, wages and other expenses		(120 000)
Profit for the year		19 000
Current assets		250 000
Inventory	80 000	
Trade receivables	115 000	
Cash and cash equivalents	55 000	
Current liabilities		73 000
Trade payables	73 000	

QUESTION 4 cont...**REQUIRED:**

4.1 Using the descriptions given below, provide the correct name for the ratio described AND then calculate the ratio based on the information provided above.

Structure your answer as demonstrated in the following table:

No.	Ratio name	Formula	Calculation	Result

- a) A ratio that measures the ability of the enterprise to meet its short-term debt obligations.
- b) A ratio that measures the time the business takes to pay back amounts owing to accounts payable.
- c) A ratio that measures the time the business takes to collect amounts owing from trade debtors.
- d) A ratio that measures the ability of the business to meet its short-term debt obligations but excludes inventory.
- e) A ratio that measures the mark-up percentage of goods sold, i.e. after covering cost of sales, how much of the sales remain to cover other costs.
- f) A ratio that measures how many times inventory is sold.
- g) A ratio that measures the number of days that inventory is expected to be held by the business before it is sold.

[24]

Total [100]
