UNIVERSITY OF JOHANNESBURG

DEPARTMENT OF ACCOUNTANCY

ACCOUNTING B – 2016

[REK0B01/ ACC0BB1]

FINAL ASSESSMENT OPPORTUNITY: 25 NOVEMBER 2016

Assessor: Mr DP Basson **Time:** 2 hours

Ms JD Napo

Moderator: Ms Z Patel **Marks:** 90

- THE ASSESSMENT OPPORTUNITY PAPER CONSISTS OF 3 QUESTION AND 6 PAGES (front page included).
- YOU MUST ANSWER ALL THE QUESTIONS
- START EVERY NEW QUESTION AT THE TOP OF A PAGE
- WRITE IN BLUE OR BLACK INK – NO PENCIL
- A NON-PROGRAMMABLE, SILENT CALCUTATOR MAY BE USED
- CROSS OUT OPEN SPACES AND EMPTY PAGES
- NO PENCIL OR TIPPEX MAY BE USED
- PLEASE ANSWER IN THE CORRECT COLOR BOOK AS INDICATED AT TOP OF EACH QUESTION

QUESTION	TOPIC		MARKS	TIME
1.	Partnerships	(Blue book)	30	40 minutes
2.	Companies	(Green book)	35	47 minutes
3.	Budget	(Orange book)	25	33 minutes
			90	120 minutes

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QUESTION 1 (BLUE BOOK) **30 MARKS/ 40 minutes**

Eve, Keba and Ben are in a partnership and share profits or losses in the ratio 3:2:1. They decided to dissolve their partnership on 30 November 2015. On that date the following statement of financial position was prepared:

EXTRACT OF TRIAL BALANCE AS AT 30 NOVEMBER 2016		
	DEBIT	**CREDIT**
	R	**R**
Capital: Eve		84 000
Keba		56 000
Ben		33 000
Current accounts: Eve		13 200
Keba	8 400	
Ben		12 300
Trade and other payables		15 000
Land and buildings	90 000	
Furniture	15 000	
Vehicles	60 000	
Goodwill	12 000	
Inventories	8 500	
Trade and other receivables	6 400	
Cash and cash equivalents	13 200	
	205 100	205 100

ADDITIONAL INFORMATION

1) The assets of the partnership were realised at the following amounts:

Vehicles	55 500
Land and buildings	103 400
Inventories	6 200
Trade receivables	6 000
Furniture	17 200

2) The trade payables were paid R13 200 in full settlement of their accounts.

3) Realisation costs amounted to R1 200.

4) The partnership agreement stipulates that in the event of a shortfall on a partner's capital account, the shortfall amount be divided in profit sharing ratio between the other partners.

5) The balances on the partners' capital accounts will be settled by EFT.

REQUIRED

Prepare the following accounts in the general ledger of the partnership:

a) Realisation account (8)

b) Partners' capital accounts (in column form) (10)

c) Bank account (12)

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QUESTION 2 (GREEN BOOK) **35 MARKS / 47 minutes**

The following statement of financial position of Eike Manufacturers Limited as at 30 September 2016 is submitted to you:

	Info	R	R
Land and buildings	4	1 780 000	
Less: 16% Mortgage bond	3	(240 000)	1 540 000
Machinery at carrying amount	5		504 000
Office equipment at carrying amount	6		59 625
Investment of 10 000 ordinary shares in Trieng (Pty) Ltd	8		60 000
Inventories	9		195 000
Receivables	10	180 700	
Less: Payables	11	106 200	74 500
Bank and petty cash			36 000
			2 469 125
Share capital	1		935 000
Retained earnings beginning of year			362 500
Profit before tax for the year	2		351 625
General reserve	2		880 000
Brand names at carrying amount	7		(60 000)
			2 469 125

ADDITIONAL INFORMATION:

1. Eike Manufacturers Limited was incorporated on 1 October 2011 with an authorised share capital of 200 000 ordinary shares and 100 000 10% preference shares without par value. All the preference shares were issued for a total of R110 000, but only 150 000 of the ordinary shares were issued at R5.50 per share. Preference shares are part of equity. No shares were issued during the current reporting period.

2. The following must be provided for on 30 September 2016:

   2.1 Preference dividends and a **final** ordinary dividend of 50c per share were declared.

   2.2 Total income tax to the amount of R105 000 (calculated correctly) on the company's profit for the year.

   2.3 R25 000 must be transferred to the general reserve.

3. The mortgage loan was incurred in 2014 at Volksbank on the condition that it is repayable in twelve equal instalments commencing 1 April 2017. The interest rate was adjusted on 1 April 2016 from 15% per year to 16% per year. All interest was already provided and paid for.

4. Land and buildings were acquired in 2011 and serve as security for the mortgage loan. A valuer revalued land and buildings on 1 July 2013 at R1 780 000 (replacement value).

5. The company launched a modernisation program in 2015 and all the machinery were replaced on 1 April 2015 with new machinery at a cost of R700 000.
   Depreciation has already been written off at 20% per annum on the declining-balance method.

6. The cost of office equipment on 1 October 2015 amounts to R120 000 and with an accumulated depreciation of R72 000. Depreciation was written off for the current year at 10% per year on the straight-line method and amounted to R13 125. Office equipment with a cost of R30 000 and accumulated depreciation of R9 750 on date of the sale was sold on 31 December 2015 for R27 500. On 1 January 2016 new equipment was bought for R45 000. All the relevant transactions were accounted for.

7. R10 000 in respect of brand names is amortised annually on the straight line method. The original cost amounted to R100 000. Amortisation for this year has been written off already.

8. The directors' valuation of the investment in Trieng (Pty) Ltd 30 September 2016 amounts to R75 000 (30 September 2015 – R60 000).

9. Inventories on hand consist of merchandise worth R195 000.

10. Receivables were made up as follows:

Trade receivables	R90 700
Provisional tax paid	45 000
Ordinary **interim** dividend paid to shareholders	45 000
	180 700

11. Payables were made up as follows:

Trade payables	R100 500
Allowance for bad debts	5 700
	106 200

REQUIRED:

a) Prepare the statement of changes in equity of Eike Manufacturers Limited for the period ended 30 September 2016 (11)

b) Prepare only the following notes to the statement of financial position of Eike Manufacturers Limited as at 30 September 2016 to comply with the requirements of the Companies Act and International Financial Reporting Standards.
   The following notes must also be disclosed:
   1. Property, Plant and equipment
   2. Financial assets
   3. Share capital
   4. Long-term borrowings (24)

Note: No statement of financial position is required (only the above required notes)
Eike Manufacturers Limited is NOT registered for VAT purposes.

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QUESTION 3 (ORANGE BOOK) **25 MARKS / 33 minutes**

You obtain the following information from Wheeler Traders:

1. Balances on 30 June 2016

Vehicles	- Cost	R450 000
	- Accumulated depreciation	150 000
Inventories		104 000
Receivables		33 000
Cash		18 000
Payables		72 160

2. Sales

June (actual)	R55 000
July (estimated)	66 000
August (estimated)	77 000
September (estimated)	55 000

   40% of sales are cash sales and credit sales are collected in the month following the sales.

3. Purchases

May (actual)	R52 800
June (actual)	61 600
July (estimated)	44 000
August (estimated)	35 200
September (estimated)	44 000

   All purchases are on credit. Payables are paid as follows:
   80% in the month following the month of purchases and
   20% in the following month.

4. Salaries amount to R3 000 per month and is paid monthly.

5. According to the contract, rent of R2 750 per month is payable on the first day of every month and will annual increase with 10% on anniversary date which is 1 September of each year.

6. A delivery van with a cost of R30 000 will be purchased on credit on 31 July 2016. A deposit of R8 000 is payable on 31 July and a capital instalment of R1 000 are payable on the last day of each month from 31 August together with interest of 18% per year.

   Depreciation on vehicles must be written off and 20% per year on the cost.

7. The annual insurance premium of R 3 250 on the delivery van will be paid on 1 August 2016.

REQUIRED:

Prepare the cash budget for the period 1 July to 30 September 2016 (balanced monthly).(25)