

# Department of Commercial Accounting Financial Accounting 1B FAC11B1

# FINAL ASSESSMENT OPPORTUNITY

## **NOVEMBER 2016**

## Time: 3 hours

Marks: 100

Assessors: Mr H. Coovadia, Ms. M. Carter, Mr. M Mamadi, Ms L. Nzama

Moderator: Mr N Ebrahim

## INSTRUCTIONS:

- This paper consists of 10 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	Торіс	Marks	Time
1	Introduction to Partnerships	25	45 minutes
2	Business Transactions	25	45 minutes
3	Retirement/ Admission of a partner	25	45 minutes
4	Financial Statements	25	45 minutes
		100	180 minutes

#### (25 MARKS)

Account		DR	CR
5300/000	Capital: Karabo		70 000
5301/000	Capital: Archie		50 000
5320/000	Current account: Karabo		35 000
5321/000	Current account: Archie	22 000	
5600/000	Drawings: Karabo	6 000	
7700/000	Inventory	155 800	
1000/000	Sales		90 000
2000/000	Cost of Sales	29 019	
3050/000	Advertising & Promotions	1 581	
3650/000	Electricity & Water	3 768	
4200/000	Printing & Stationery	2 000	
4400/000	Salaries & Wages	23 456	
4600/000	Telephone & Fax	1 376	
		245 000	245 000

Karabo and Archie have been operating as partners selling books for the past two years. Below is the trial balance of the partnership for the year ended 30 September 2016.

#### The partnership agreement contains the following terms and conditions:

- 1. Partners will earn interest on capital at 8% per annum.
- 2. Partners will be charged interest on drawings at 15% per annum. Interest rate on drawings increase every 6 months, on 1 March 2016 an increase of 0.5% was charged.
- 3. Karabo and Archie earn salaries of R35 000 and R25 000 every 6 months respectively and their salaries are earned through allocation of profit.
- 4. Karabo and Archie will share profit and losses in 3:2 ratio.
- 5. Net Profit was R28 800 as at 30 September 2016.

## **REQUIRED:**

1.1	Record transactions with partners in the general journal for the year ended 30 September 2016. (Narrations are required)	10 Marks
1.2	Prepare the appropriation account general ledger for the year ended 30 September 2016	9 Marks
1.3	Prepare the current account general ledger for Karabo for the year ended 30 September 2016.	6 Marks

#### (25 MARKS)

Bio Partners is located in Johannesburg CBD. Bio Partners is a medical center that provides a range of medical services to patients and is a registered VAT vendor. Bio Partners also operates a pharmacy on its premises that dispenses medication to patients. The following transactions took place for the year ended 31 December 2015.

1) Bio Partners received the following document relating to the pharmacy:

Sage Technology Par 102 Western Services				Supplier Invo	lice			
	2191		2191					16/12/15
Educational No: Sage Pastel PO Box 781893 Sandton 2146			Page			1		
South Africa			Document No		PI	NA10001		
			Deliver to					
Medpharm(Pty)Ltd PO BOX 327 Wits								
2026								
Account Your Reference	Т	ax Exempt	Tax Reference	e Sales Cod	e			
MEDPAR 1234		Ν				Exclusive		
Code Descrip	tion	Quan	tity Unit	Unit Price Disc	:% T	ax Nett Price		
GLOVES Gloves		50	0.0	20.00	14.00	10 000.00		
HEARTMONITOR HEART NEEDLES Needle	MONITOR s	20 7 0	.00 00.	30 000.00 0.30	14.00 14.00	0% 600 000.00 0% 2 100.00		
SYRINGE Syringe	•	10	.00	2.00	14.00	0% 20 000.00		
				Sub Total		632 100.00		
				Discount @	0.00%	0.00		
Received in good order				Amount Excl Ta	ix	_		
and a second of the second of				Тах				
Signed	Date			Total				

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 Bio partnership performed 42 surgical procedures for the month of December. All surgical procedures have a mark-up of 30% on cost & all procedures were on credit. A summary of the surgical procedures performed are as follows:

Procedure	Total Cost Price for "Bio Partners" per procedure (incl VAT)
Heart surgery	R 320 000
Brain surgery	R 689 000
General surgery	R 416 000

- 3) Due to medical malpractice (negligence), Bio Partners were fined R 500 000. The case was heard in the Johannesburg high court and the verdict by the judge stipulated that Bio Partners must pay 60% of the value they were originally fined. The lawyer's fees totaled R 300 000(incl VAT). Both payments were made on 23<sup>rd</sup> December 2016 but not recorded.
- 4) Mr. Z a patient of Bio Partners, queried an amount outstanding after receiving a statement on 30 November 2015. Further investigation revealed that the accountant did not record the payment made by Mr. Z. He settled 30% of the outstanding amount. The following is a breakdown of the age analysis on 30 November 2015.

#### Customer Age Analysis for Monthly Customers as at 30/11/15

#### Prepared by: Educational Pack

Name	120+ Days	90 Days	60 Days	30 Days	Current	Total Due
MRA	0.00	0.00	0.00	0.00	57 000.00	57 000.00
Address	Pa	Telephone: Fax: Contact: Category: 0 ayment Terms: 0 Mobile Phone:		Currency Credit Price Sales ( Last Amt Email Add	Code: 0 Limit: 0.00 e List: Price List Code: Paid: 0.00 dress:	1
MRC	0.00	0.00	0.00	0.00	0.00	0.00
Address	Pa	Telephone: Fax: Contact: Category: 0 ayment Terms: 0 Mobile Phone:		Currency Credit Prio Sales Last Amt Email Ado	Code: 0 Limit: 0.00 e List: Price List Code: Paid: 0.00 dress:	1
MRZ	0.00	0.00	0.00	0.00	159 600.00	159 600.00
Address	Pa	Telephone: Fax: Contact: Category: 0 ayment Terms: 0 Mobile Phone:		Currency Credit Prio Sales Last Amt Email Add	Code: 0 Limit: 0.00 e List: Price List Code: .Paid: 0.00 dress:	1
MSB	0.00	0.00	0.00	0.00	34 200.00	34 200.00
Address	Pa	Telephone: Fax: Contact: Category: 0 ayment Terms: 0 Mobile Phone:		Currency Credit Prio Sales Last Amt Email Add	Code: 0 Limit: 0.00 e List: Price List Code: Paid: 0.00 dress:	1
Totals : PERCENTAGE :	0.00 0.00%	0.00 0.00%	0.00 0.00%	0.00	250 800.00 100.00%	250 800.00 100.00%
GRAND TOTALS :						250 800.00

----- End of Report -----

# 5) Expenses for the month not recorded including VAT:

Rates and Taxes	R 7 000
Fuel	R 5 000
Telephone	R 4 000

# 6) The following transaction must be recorded. Bio Partners paid the supplier.

Account - MEDPAR - Medpharm(Pty)Ltd												
Reference Date   00000000 31/12/15												
Discount To Match	1	Discount Ma	atched	Amou	unt To Match		Amo	unt Matched	T	otal To Match		Total Matched
	720 594.000					720 594.00D						
Invoice		Date	Descr	iption	Invoice Amo	unt A	Amount Due	Discount	Total Due	Amount	Unpaid	Match
1234		16/12/15	Suppli	ier Invoice	720 594.	.00	720 594.00		720 594.00	720 594.00		✓
12345		16/12/15	Suppli	ier Invoice	771 780.	.00	771 780.00		771 780.00		771 780.00	

7) Bio Partners purchased a new high tech heart transplant machine worth R 1 600 000(incl VAT) on 31 December 2015. Bio Partners paid in cash and received a 5% trade discount.

## **REQUIRED:**

2.1	Prepare the General Journal entries for all the transactions (Show all workings, round off to the nearest rand, journal narrations are <b>NOT</b> required)	25 MARKS
	Example: DR Water and Lights (PL) 500 CR Bank (SFP) 500	

#### Part A

Raymond and Pleasure were in a partnership, sharing the profits and losses of the partnership in the ratio of 3:2 respectively. They formed a new partnership by admitting Bapela as a partner. Bapela obtained a 1/6 share in the profits/losses of the new partnership. Raymond and Pleasure wish to retain their existing profit sharing ratio.

#### REQUIRED.

1	Calculate profit-sharing ratio of the partners in the new partnership. <b>Show Calculations</b> .	4.5 MARKS
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#### Part B

Jan and Gift are in partnership, trading as Jan-G Traders. They share the profits/losses in the ratio of 3:1 respectively. For the purpose of admitting Nno and Kobe to the partnership on 1 May 2015, a goodwill of R75 000 was estimated.

The land and buildings with a carrying amount of R3 500 000 were valued at a fair value of R4 000 000, and the furniture and equipment, with a carrying amount of R860 000, were valued at R860 000.

Jan, Gift, Nno and Kobe will share in the profits/losses of the new partnership, which will trade as Kobe Traders, in the ratio of 4:3:2:1 respectively.

#### REQUIRED.

1	Record goodwill in the general journal of <b>Kobe Traders</b> . Journal narration not required.	5 MARKS
2	Record fair value adjustments in the general journal of <b>Jan-G Traders</b> . <b>Journal narration not required.</b>	4.5 MARKS

#### Part C

Gilbert, Albert and Thakadu are in a partnership trading as Thakadu Services. They share in the profits and losses of the partnership in the ratio of 3:2:1 respectively.

On 30 June 2015 the following trial balance was prepared:

# Thakadu Services

#### Trial balance as at 30 June 2016

	Debit	Credit
	R	R
Capital: Gilbert		140 000
Capital: Albert		100 000
Capital: Thakadu		130 000
Long term loan		125 000
Trade payables		17 000
Trade receivables	212 000	
Land and buildings at carrying amount.	258 000	
Equipment at carrying amount	18 000	
Bank	24 000	
	512 000	512 000

## Additional Information.

On 1 July 2016 Albert will retire from partnership.

Land and buildings were valued at R250 000.

Goodwill is estimated at R5 800 and it is recognised as an assets.

All other assets were fairly valued.

The balance on the capital account of Albert will be paid to him in cash on date of his retirement.

# REQUIRED.

1	Record the capital account of Albert in general ledger of Thakadu services.	5 MARKS
2	Record goodwill in general ledger of Thakadu services.	4 MARKS
3	Record payment to Albert in the general journal of Thakadu services. <b>Journal narration not required.</b>	2 MARKS

#### 25 MARKS

Buccaneer and Amakosi are in a partnership called Buckosi partnership. They share profits and losses in a 1:1 ratio. Below is the pre-adjustment trial balance for the period ended February 2016.

Account		DR	CR
5300/000	Capital:Buccaneer		40 000
5301/000	Capital: Amakosi		20 000
5320/000	Current account: Buccaneer		23 000
5321/000	Current account: Amakosi	2 000	
5600/000	Drawings: Buccaneer	7 000	
5601/000	Drawings: Amakosi	3 000	
6250/000	Land and buildings	7 500	
6251/010	Vehicles>cost	150 000	
6251/020	Vehicles>accumulated depreciation		100 000
7700/000	Inventory	21 854	
8000/010	Receivables Control Account	5 750	
8000/020	Allowance for bad debt		400
8400/000	Bank	90 417	
9000/000	Payables Control Account		50 132
9500/000	Vat / Tax Control Account	2 206	
	Nett Profit		?
		141 727	141 727
	Nett Profit	?	
1000/000	Sales		104 342
2000/000	Cost of Sales	47 543	
1100/000	Rent received		26 000
3050/000	Advertising & Promotions	3 471	
3650/000	Electricity & Water	3 038	
4200/000	Printing & Stationery	1 580	
4400/000	Salaries & Wages	19 877	
4600/000	Telephone & Fax	2 638	
		54 342	54 342

#### Adjustments:

- 1. Depreciation of 25% per annum on the diminishing balance method must still be provided on vehicles for the current financial period.
- 2. Rent income amounts to R2 000p/m (excluding VAT).
- 3. A receivable, B. Bafa is insolvent and his debt of R1 064 must be written off.
- 4. Allowance for bad debt must be adjusted to R500.
- 5. The telephone account of R456 (including VAT) is still outstanding.

# **REQUIRED:**

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4.1	Prepare the statement of profit or loss (income statement) after adjustments for Buckosi partnership for the period ending February 2016.	(10 MARKS)
	Show calculations where necessary.	

4.2	Prepare the statement of financial position (balance sheet) of Buckosi partnership for the period ending February 2016.	(15 MARKS)
	Assume the remaining profit in the appropriation account to share between partners is R40 262.	
	Show calculations where necessary.	

Round all amounts to the nearest rand