



UNIVERSITY  
OF  
JOHANNESBURG

<b><u>FACULTY</u></b>	: College of Business and Economics
<b><u>DEPARTMENT</u></b>	: Department of Commercial Accounting
<b><u>CAMPUS</u></b>	: APB
<b><u>MODULE</u></b>	: BGF44B4 & CFM44B2 ADVANCED MARKETING FINANCE & COST AND FINANCIAL MANAGEMENT FOR NON-FINANCIAL SPECIALISTS
<b><u>SEMESTER</u></b>	: First
<b><u>EXAM</u></b>	: Supplementary Summative Assessment Opportunity

**DATE** : July 2019

**SESSION** :

**ASSESSOR** : Mrs I M Baigrie

**INTERNAL**

**MODERATOR** : Mrs N Madliwa

**EXTERNAL**

**MODERATOR** : Mrs S Jooste

**DURATION** : 3 HOURS

**MARKS** : 100

**INSTRUCTIONS:**

- This paper consists of 10 pages (including the cover page).
- Answer all questions in INK in the answer books provided.
- Show all calculations and workings clearly.
- Silent, non-programmable calculators may be used.
- Where applicable, round all calculations to the nearest Rand, unless stipulated otherwise.

Question	Topic	Marks	Time
1	Theory	6	11 minutes
2	Current Assets	10	18 minutes
3	Financial Statements	37	67 minutes
4	Equity and Shares	14	25 minutes
5	Business Financing	12	21 minutes
6	Financial Statement Analysis	21	38 minutes
		<u>100</u>	<u>180 minutes</u>

**QUESTION 1****(6 MARKS)**

- 1.1 Indicate what the two fundamental qualitative characteristics of useful financial information are as indicated in the Conceptual Framework for Financial Reporting. (2)
- 1.2 Use your own words to describe what the difference is between solvency and liquidity. (2)
- 1.3 What is meant by the accrual concept in relation to the financial statements of a small business? (1)
- 1.4 Name two possible external users of financial statements? (1)

**[6]**

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**QUESTION 2****(10 MARKS)**

- 2.1 Describe the main differences between the perpetual and the periodic inventory systems. (2)
- 2.2 Asenati Enterprises (Pty) Ltd had sales for the reporting period to 30 June 2019 of R980 000. Their gross profit percentage for the period was 30%. Calculate their gross profit for the year ending 30 June 2019. (3)
- 2.3 Celiwe's Kitchen (Pty) Ltd had sales for the reporting period to 30 June 2019 of R720 000 and used a mark-up on cost of 25% during the reporting period. Calculate their gross profit for the year ending 30 June 2019. (2)
- 2.4 Eshowe Enterprises (Pty) Ltd had the following amounts in their trial balance to 30 June 2019. What were their purchases for this period?

Inventory 01/07/2018	649 000
Purchases	???
Purchase returns	14 500
Sales	1 230 000
Sales returns	89 600
Cost of sales	R890 000
Inventory 30/06/2019	488 000

(3)

**All questions exclude VAT.****[10]**

**QUESTION 3****(37 MARKS)**

The bookkeeper of TerraBrands (Proprietary) Limited has requested your assistance in the preparation of the financial statements for the reporting period to 30 June 2019. The bookkeeper has provided you with the following pre-adjustments trial balance for the year ended 30 June 2019, and has asked for your assistance in the preparation of the adjusting entries and the financial statements:

Account #	Account Name	Debit	Credit
1010	Sales		880 000
1050	Rental income		74 580
2010	Cost of Sales	355 000	
3010	Salaries and wages	202 000	
3020	Petrol	69 400	
3025	Vehicle repairs	18 200	
3030	Bank charges	4 050	
3035	Telephone expenses	26 400	
3040	Office expenses	22 800	
3050	Depreciation expense		
3060	Interest expense	24 750	
3090	Tax expense		
4010	Share capital class A		280 000
4020	Retained earnings		637 120
4040	Dividends declared	36 000	
5010	Motor vehicles	740 000	
5020	Equipment	240 000	
5030	Investment property	221 000	
5040	Telephones and computers	120 000	
6010	Accumulated depreciation Vehicles		121 500
6020	Accumulated depreciation equipment		66 600
6040	Accum depn telephones & computers		54 000
7010	Inventory	137 500	
7030	Trade receivables	128 300	
7040	Bank	154 600	
8010	Loan: ABBA Bank		270 000
9010	Trade payables		80 200
9020	Dividends payable		36 000
9030	Tax payable		
		<b>2 500 000</b>	<b>2 500 000</b>

**Additional Information:**

- TerraBrands (Proprietary) Limited is not VAT registered and uses the perpetual inventory system to calculate their cost of sales and to value the closing balance of inventory for the period.

**Question 3 continued....**

- TerraBrands (Proprietary) Limited rent out a portion of their investment property to a garden landscaper. The lease agreement commenced on 1 March 2017 at an initial monthly rental of R6 000. The agreement contains an annual increase of 10% on 1 March each year.
- Depreciation on non-current assets still needs to be calculated. Items are depreciated as follows:
  - Motor vehicles are depreciated over five years on a straight line basis to a residual value of 10% of purchase price.
  - A new motor vehicle was purchased on 1 January 2019 for R180 000. The purchase price is included in the closing balance given. The other motor vehicles were purchased prior to 1 January 2018.
  - Equipment is depreciated on a reducing balance basis at 15% per annum. No equipment was purchased or sold during this reporting period.
  - Computers and telephones are depreciated on a straight line basis to a zero residual value at 30% per annum. No telephones or computers were purchased or sold this year.
- Investment property is neither depreciated nor revalued.
- TerraBrands (Proprietary) Limited took a R270 000 loan from ABBA Bank on 1 June 2018. Interest on this loan is payable monthly at 10% per annum. The full capital is repayable on 1 June 2021.
- TerraBrands (Proprietary) Limited issued 10 000 new shares to their senior management on 1 January 2019 at a cost of R4.00 a share in place of a December bonus. These shares were paid for in full and are included in the share capital balance shown in the trial balance. No share issue costs were incurred.
- Tax for the period needs to be calculated at 28% of net profit before tax.

**REQUIRED**

- 3.1 Prepare the statement of profit or loss for TerraBrands (Proprietary) Limited for the reporting period to 30 June 2019. (18)
- 3.2 Prepare the statement of changes in equity for TerraBrands (Proprietary) Limited for the reporting period to 30 June 2019. (7)
- 3.3 Prepare the assets section of the statement of financial position for TerraBrands (Proprietary) Limited as at 30 June 2019. (12)

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**[37]**

**QUESTION 4****(14 MARKS)**

Didima Fashions (Proprietary) Limited has a shop in Mopanya Mall, Soweto. On 30 June 2019 they had the following balances in their statement of financial position:

	<b>2019</b>	<b>2018</b>
Share capital	285 000	200 000
Retained earnings	895 000	840 000
	<b>1 180 000</b>	<b>1 040 000</b>

On 1 July 2018 Didima Fashions had 100 000 Class A shares in issue. During January 2019 they had a public share offer of another 20 000 shares, which were offered to staff and customers at R5.00 a share, significantly below the market value. Staff and customers were delighted at this opportunity to invest in this destination fashion store and all shares were purchased at the price offered and issued on 20 January 2019. Share issue costs were kept to a minimum through direct marketing and should be written off against the share proceeds.

On 1 May 2019 the directors declared a dividend to all Class A shareholders of 60 cents per share which was paid to all Class A shareholders on 31 May 2019.

**REQUIRED:**

- 4.1 Calculate the proceeds of the share issue on 20 January 2019 prior to deducting the share issue costs. (2)
- 4.2 Calculate the share issue costs incurred for the share offer in January 2019. (2)
- 4.3 Calculate the total dividend payable to Class A shareholders on 31 May 2019. (2)
- 4.4 Prepare the statement of changes in equity for Didima Fashions (Proprietary) Limited for the reporting period to 30 June 2019. (8)

**[14]**

**QUESTION 5****(12 MARKS)**

Entle Enterprises wanted to expand their business across Gauteng and Limpopo. They approached Zedbank for a R440 000 loan to purchase a new lift hoist. The loan was granted on 1 March 2019 and Entle Enterprises took delivery of the lift hoist on the same date. The loan (capital plus interest) is repayable at R8 000 per month, payable on the last day of every month. Zedbank charged Fikile Enterprises interest at 12% per annum, compounded monthly. The lift hoist was considered to have a useful life of six years and was expected to have a residual value of R80 000 at the end of its useful life.

**REQUIRED**

- 5.1 Calculate the depreciation expense for the lift hoist for the reporting period to 30 June 2019. (3)
- 5.2 Calculate the carrying value of the lift hoist on 30 June 2019. (2)
- 5.3 Use the format below to calculate the balance outstanding on the loan from Zedbank as at 30 June 2019, assuming all monthly payments were made timeously on the last day of every month since inception:

Month	Opening balance	Interest	Payment	Closing balance
March 2019				
April 2019				
May 2019				
June 2019				

(7)

**[12]**

**QUESTION 6****(21 MARKS)**

Please refer to extract from the Dischem Pharmacies Limited's group financial statements attached to this question paper and answer the following questions (round all percentages and ratios to two decimal places):

- 6.1 What is the date of the financial year-end of Dischem Pharmacies Limited? (1)
- 6.2 What was Dischem Pharmacies Limited's gross profit for this reporting period? (1)
- 6.3 What gross profit percentage did Dischem Pharmacies Limited achieve during this reporting period? (2)
- 6.4 What was the net profit percentage for Dischem Pharmacies Limited during this reporting period based on total revenue and profit before tax? (2)
- 6.5 What was Dischem Pharmacies Limited's profit after tax for the reporting period? (1)
- 6.6 Did the group show an increase or decrease in profit for the year compared to the previous reporting period? (1)
- 6.7 Was Dischem Pharmacies Limited solvent at the beginning of this reporting period? How do you know this? (2)
- 6.8 Was Dischem Pharmacies Limited liquid at the end of this reporting period? How do you know this? (2)
- 6.9 What was Dischem Pharmacies Limited's current ratio for this reporting period? (2)
- 6.10 What was Dischem Pharmacies Limited's largest current asset at the end of the reporting period? (1)
- 6.11 What was Dischem Pharmacies Limited's payables payment period for this reporting period? What does this figure tell you about Dischem Pharmacies Limited's policy in relation to its creditors? (4)
- 6.12 What was Dischem Pharmacies Limited's return on equity for this reporting period? What does this figure tell you about Dischem Pharmacies Limited as an investment? Would you buy shares in this group? Why / why not? (2)

**[21]**

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**TOTAL = 100 MARKS**



# Group statement of comprehensive income

FOR THE YEAR ENDED 28 FEBRUARY 2018

	Notes	2018 R'000	2017 R'000
<b>Revenue</b>	7	<b>20 275 054</b>	17 897 313
<b>Turnover</b>	7	<b>19 560 462</b>	17 268 475
<b>Cost of sales</b>		<b>(14 790 890)</b>	(13 059 154)
<b>Gross profit</b>		<b>4 769 572</b>	4 209 321
Other income	7	686 271	604 861
Other expenses	8	(4 330 728)	(3 679 386)
Transaction costs for listing		-	(8 074)
<b>Operating profit</b>	8	<b>1 125 115</b>	1 126 722
Net financing costs		(160 082)	(225 240)
- Finance income	9	28 321	23 977
- Finance costs	9	(188 403)	(249 217)
Share of profit from associates		-	501
<b>Profit before taxation</b>	8	<b>965 033</b>	901 983
Taxation	10	(266 706)	(246 871)
<b>Total comprehensive income for the year, net of tax</b>		<b>698 327</b>	655 112
<b>Profit attributable to:</b>			
- Equity holders of the parent		684 279	612 346
- Non-controlling interests		14 048	42 766
<b>Earnings per share (cents)</b>	11		
- Basic		79.6	75.0
- Diluted		79.6	75.0

# Group statement of financial position

AS AT 28 FEBRUARY 2018

	Notes	2013 R'000	2017 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>1 664 286</b>	<b>1 191 740</b>
Property, plant and equipment	12	1 182 394	995 401
Intangible assets	13	300 461	40 310
Deferred taxation	14	181 431	156 029
<b>Current assets</b>		<b>5 465 123</b>	<b>4 704 921</b>
Inventories	15	3 947 937	3 233 911
Trade and other receivables	16	1 113 313	1 091 901
Loans receivable	17	113 876	72 270
Taxation receivable	28.3	9 998	12 141
Cash and cash equivalents	28.4	279 999	294 698
<b>Total assets</b>		<b>7 129 409</b>	<b>5 896 661</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity and reserves</b>		<b>1 632 057</b>	<b>1 106 902</b>
Share capital	18	6 155 554	6 140 554
Common control reserve		-	(990 991)
Retained profit/(loss)		98 546	(4 042 661)
Other reserves		(4 622 043)	-
<b>Non-controlling interest</b>		<b>55 147</b>	<b>23 581</b>
<b>Total equity</b>		<b>1 687 204</b>	<b>1 130 483</b>
<b>Non-current liabilities</b>		<b>1 385 846</b>	<b>1 522 378</b>
Finance lease liability	19	621 543	622 907
Operating lease obligation	20	213 198	179 162
Contingent consideration	21	54 500	73 309
Loans payable	22	499 605	647 000
<b>Current liabilities</b>		<b>4 053 359</b>	<b>3 243 800</b>
Trade and other payables	23	3 255 259	2 641 215
Employee-related obligations	24	146 014	125 391
Deferred revenue	25	81 292	95 364
Contingent consideration	21	21 749	24 003
Finance lease liability	19	9 943	2 390
Loans payable	22	198 798	173 659
Taxation payable	28.3	32 790	14 719
Bank overdraft	28.4	307 514	167 059
<b>Total equity and liabilities</b>		<b>7 129 409</b>	<b>5 896 661</b>
Net asset value per share (weighted average number of shares)	(cents)	196.17	138.43
Net asset value per share (actual shares at year-end)	(cents)	196.17	131.56