



FACULTY/COLLEGE	College of Business and Economics
SCHOOL	School of Accounting
DEPARTMENT	Accountancy
CAMPUS(ES)	APK
MODULE NAME	Accounting B
MODULE CODE	ACC0BB1/REK0B01
SEMESTER	Second
ASSESSMENT OPPORTUNITY, MONTH AND YEAR	Final Summative Assessment Opportunity November 2019

ASSESSMENT DATE	25 November 2019	SESSION	08:30 – 10:30
ASSESSOR(S)	Mr DP Basson Mrs K Heathcote		
MODERATOR(S)	Mr N Dlamini		
DURATION	2 hours (120 min)	TOTAL MARKS	90

NUMBER OF PAGES OF QUESTION PAPER (Including cover page)	7
---	---

INFORMATION/INSTRUCTIONS:

- This is a closed-book assessment.
- There are 3 questions. **Answer all the questions**
- Read the questions carefully and answer only what is required.
- Start every new question in the correct colour book
- Write neatly and legibly on both sides of the paper in the answer book, starting on the first page. Cross out open spaces and empty pages.
- Write in blue or black ink – **No pencil or tippex may be used**
- A non-programmable, silent calculator may be used

QUESTION	TOPIC		MARKS	TIME
1.	Partnerships	Blue book	30	40 minutes
2.	Companies	Green book	30	40 minutes
3.	Cash Budgets	Red Book	30	40 minutes
			<u>90</u>	<u>120 minutes</u>

QUESTION 1 (Blue book)**(30 MARKS)**

Jabu, Kristin and Louise are students and partners in Knockoff Traders. The three partners are best friends and travel to Bangkok in Thailand every three months to buy clothing merchandise which they then sell for a significant profit at local flea markets.

The partnership owns amongst others a delivery vehicle, display shelves used at markets and the clothing inventory. The partners use their profits to fund their studies and also to pay for their travelling expenses overseas.

Jabu, Kristin and Louise share profits and losses in the ratio 4:3:1, and the partnership is not registered for VAT (i.e. you may ignore VAT).

On 31 December 2018, the partners decided to dissolve the partnership, as they had all obtained their degrees and found employment for the 2019 year, and did not have to sell clothes for additional income anymore.

The original partnership agreement stipulated that should there be a shortfall on a partner's account upon dissolution, he/she shall be responsible to pay in the amount owing to the partnership. Any amounts owing to the partners after the dissolution will be settled via EFT (electronic fund transfer) using the BABSA Bank banking application through which the partnership manages its bank account with BABSA Bank.

Jabu maintains the accounting records of the partnership, and provided you with the following information. He had accounting at school, but studied Engineering and is having difficulty with how to dissolve the partnership, and has requested your help.

KNOCKOFF TRADERS		
Statement of financial position at 31 December 2018		
	R	R
ASSETS		
Non-current assets		
Vehicle		100 000
Equipment (shelving)		16 000
Goodwill		4 000
Total non-current assets		120 000
Current assets		
Inventories (clothing)		23 000
Cash and cash equivalents (BABSA Bank)		27 000
Total current assets		50 000
Total assets		170 000
EQUITY AND LIABILITIES		
Equity		
Capital		80 000
Jabu	40 000	
Kristin	30 000	
Louise	10 000	
Current accounts		70 000
Jabu	80 000	
Kristin	28 000	
Louise	(38 000)	
Total equity		150 000
Non-current liabilities		
Loan from BABSA Bank		20 000
Total equity and liabilities		170 000

Additional information

1. Accounting fees of R5 000 were paid to you, which is what you invoiced the partnership to give effect to the dissolution of the partnership according to the agreement.
2. The loan from BABSA Bank was settled upon dissolution, however the bank charged a R1 000 penalty to Knockoff Traders (which was paid), as the amount was settled early, which was not in line with the initial loan agreement with the bank.
3. Teskom (supplier of the hand-held device through which credit card payments are made by customers at markets), refunded a deposit (which was expensed in 2016) to the partnership when the device was returned to Teskom. This deposit that was refunded should be recognised as an income, and amounted to R2 000.
3. The assets of the partnership realised the following amounts on auction:

Vehicle	R90 000
Equipment	R29 000
Inventories	R40 000

REQUIRED

Prepare the following ledger accounts to give effect to the dissolution of Knockoff Traders Partnership:

- Realisation account (9)
- Capital accounts in column form (11)
- Bank account (10)

QUESTION 2 (Green book)**(30 MARKS)**

Sansung Limited was registered as a company in South Africa in 1998. The memorandum of incorporation indicates that the authorised capital is 2 000 000 shares in total, of which 250 000 are 10% preference shares, and 400 000 are 8% cumulative preference shares. The remainder of the authorised shares, are ordinary shares.

You work for Nkonki Accountants Incorporated as a junior accountant. Your firm is assisting Sansung Ltd with the finalisation of the annual financial statements. You have been asked to assist in the process for the financial year ended 30 June 2019. Below, relevant balances as they appear in the trial balance and additional information is provided to you.

Extract of the trial balance of Sansung Limited at the financial year ended			
	Note	30 June 2018	30 June 2019
		R	R
Land and buildings	1	1 000 000	1 200 000
Investment in Appel Limited: 20 000 ordinary shares (at fair value)		20 000	21 000
Investment in Nokio (Pty) Ltd: 10 000 ordinary shares (at fair value)		50 000	48 000
Mortgage bond from BABSA Bank	1	350 000	300 000
Surplus on revaluation of land and buildings	1	320 000	?
Retained earnings	3	800 000	?
Ordinary share capital (500 000 shares at 30 June 2018)	2	500 000	?
10% Preference shares (100 000 shares at 30 June 2018)	2	400 000	?
8% Cumulative preference shares (200 000 shares at 30 June 2018)	2	600 000	?

Additional information notes as they relate to the balances above

1. Land and buildings represent the office building of Sansung Ltd in Waverley, and was purchased in 2001. At each financial year end, the fair value is determined, and revalued where appropriate. The latest revaluation was performed on 30 June 2019, where the value increased.

The land and buildings were purchased with the assistance of BABSA Bank, who provided a mortgage bond for its purchase. The land and buildings thus serve as security over this mortgage bond. The bond carries annual interest of 10%. It is repayable in equal instalments of R50 000 (capital + interest) per year, payable on 1 January each year.

2. In February 2019, 200 000 ordinary shares were presented for purchase to the public. All were taken up within three days, to the value of R300 000. There was no change in preference – or cumulative preference shares issued for/during the period ended 30 June 2019.

An ordinary dividend was declared by Sansung Ltd on 30 June 2019 of 30c per issued ordinary share at 30 June 2019. All dividend needs to be provided for.

3. Profit before tax for Sansung Ltd has been correctly calculated as R130 000, and appears as such in the statement of comprehensive income for the period ended 30 June 2019. Income tax of R25 000 has however not been recognised yet, and should be provided for.

REQUIRED

- (a) Prepare and present the statement of changes in equity for Sansung Ltd for the period ended 30 June 2019. (10)
- (b) Provide the following notes to the financial statements for Sansung Ltd for the period ended 30 June 2019:
- Financial Assets (6)
 - Share capital (NB - include Reconciliation of shares issued) (10)
 - Long term borrowings (4)

PLEASE NOTE

- Sansung Ltd are NOT registered for VAT purposes.

QUESTION 3 (Red book)**[30 MARKS]**

Spares Online Pty Ltd operates a motor spares entity in Johannesburg. Management expect that the cash requirements for the next three months from September 2019 to November 2019 will exceed the normal requirements. A monthly cash budget is necessary to identify possible cash needs up to the end of November from the information and projections, which have been made available. Spares Online Pty Ltd have an overdraft facility of R100 000 interest free.

INFORMATION:

1. The following balances appeared, amongst others, in the statement of financial position of Spares Online Pty Ltd, for the year ended on 31 August 2019:

	R
Issued share capital (400 000 ordinary shares)	800 000
Equipment	300 000
20% Mortgage bond	400 000
Bank overdraft	40 990
Receivables	227 920
SA Revenue Services (Income tax)	175 640

2. Sales

	R
June 2019 (actual)	264 000
July 2019 (actual)	334 400
August 2019 (actual)	281 600
September 2019 (budgeted)	385 000
October 2019 (budgeted)	506 000
November 2019 (budgeted)	528 000

Sales take place as follows:

- Cash sales, 30%
- Credit sales, 70 %

3. Credit sales are normally to be collected as follows:

- 20% during the month of sales
- 50% in the next month
- 30% in the month following the next month

4. Purchases:

	R
August 2019 (actual)	140 800
September 2019 (budgeted)	165 000
October 2019 (budgeted)	242 000
November 2019 (budgeted)	264 000

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.

5. The company will issue 10 000 additional 8% redeemable preference shares on 1 September 2019 from existing shareholders at R2, 50 per share. All monies will be received and shares allocated during October 2019.
6. Employees will receive the following remuneration
 - Salaries to various employees will amount to R11 000 per month. An increase of 11% is planned for November 2019.
 - Two percent commission on cash sales. Commission on cash sales are paid on the last day of each month for that month.
 - Total bonus of R52 500 is due to staff in November 2019.
7. Sundry expenses amounted to R217 160 for the year ended 31 August 2019. Included in the amount of R217 160 is depreciation of R35 000.
8. Additional equipment amounting to R132 000 will be purchased during September 2019. The amount must be paid in three equal instalments starting from the end of October 2019 to the end of December 2019. No interest will be charge because of the three month repayment agreement.
9. Income tax is payable in September each year.
10. Expected cash received of R6 000 as repayment of a loan to an employee due in November 2019.

REQUIRED:

Prepare a cash budget of Spares Online Pty Ltd for the months September, October and November 2019. The budgeted bank balance at the end of each month must be shown. (30)

Please note: Spares Online Pty Ltd is NOT registered for VAT purposes.