



FACULTY/COLLEGE	College of Business and Economics
SCHOOL	School of Economics
DEPARTMENT	Commercial Accounting
CAMPUS(ES)	SWC
MODULE NAME	Financial Accounting
MODULE CODE	FAC11B1
SEMESTER	Second
ASSESSMENT OPPORTUNITY, MONTH AND YEAR	Final Summative Assessment Opportunity November 2019

ASSESSMENT DATE		SESSION	
ASSESSOR(S)	Ms. Marike Carter, Mr. Vusi Shandu and Mr. Husain Coovadia		
MODERATOR(S)	Mr. Kabelo Morake		
DURATION	3 hours (180 min)	TOTAL MARKS	100

NUMBER OF PAGES OF QUESTION PAPER (Including cover page)	
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INFORMATION/INSTRUCTIONS:

- This is a closed-book assessment.
- There are 6 questions.
- Read the questions carefully and answer only what is required.
- Number your answers clearly and correctly as per the question paper.
- Write neatly and legibly on both sides of the paper in the answer book, starting on the first page. Show all workings.

DETAILS

Question 1
Question 2
Question 3
Question 4
Question 5
Question 6

MARKS

27
16
27
12
7
11
100

TIME

49 minutes
32 minutes
49 minutes
18 minutes
12 minutes
20 minutes
180 minutes

QUESTION ONE

Section A

8 MARKS

Choose the correct answer for the following questions below regarding partnerships:

- 1.1 When you are closing off interest on drawings, you will:
- DR interest on drawings and CR current account
 - DR current account and CR interest on drawings
 - DR interest on drawings and CR appropriation account
 - DR appropriation account and CR interest on drawings
- 1.2 When you are closing off operating income like rent income, you will:
- DR rent income and CR trading account
 - DR trading account and CR rent income
 - DR rent income and CR profit or loss
 - DR profit or loss and CR rent income
- 1.3 When a partner contributes cash to the business
- Assets will increase and equity will decrease
 - Equity will increase and equity will decrease
 - Assets will decrease and equity will increase
 - Assets will increase and equity will increase
- 1.4 When you are recording a partner's bonus, you will:
- DR bonus and CR current account
 - DR current account and CR bonus
 - DR bonus and CR appropriation account
 - DR bonus and CR bank
- 1.5 When you are closing off sales, you will:
- DR sales and CR profit or loss
 - DR profit or loss and CR sales
 - DR trading account and CR sales
 - DR sales and CR trading account
- 1.6 If the remaining profit is a profit then you will:
- DR profit or loss and CR appropriation account
 - DR appropriation account and CR profit or loss
 - DR current account and CR appropriation account
 - DR appropriation account and CR current account
- 1.7 Which one is **NOT** an advantage of a partnership
- There is access to more capital
 - Competition can be eliminated if sole traders selling the same product join to form a partnership
 - It is not a separate legal entity
 - None of the above
 - e.
- 1.8 Which item will **NOT** appear in the appropriation account

- a. Interest on capital
- b. Drawings
- c. Bonus
- d. None of the above

Section B**19 MARKS**

Khaya and FM have been operating as partners of Cool Tunes providing recording services since 1 July 2018. Below is an extract from the trial balance of the partnership after six months of trading and before taking the partnership agreement below into account.

Account		DR	CR
5300/000	Capital: Khaya		50 000
5301/000	Capital: FM		30 000
5600/000	Drawings: Khaya	15 000	

The partnership agreement contains the following terms and conditions:

1. **Only** Khaya will earn interest on capital at 8% per annum.
2. Partners are charged interest on drawings at 9% per annum. Khaya took drawings of R10 000 on 1 September 2018 and an additional drawings of R5 000 on 30 October 2018.
3. Khaya and FM will share profit and losses according to their capital contributions.
4. Net Profit for the year was R120 000 as at 31 December 2018.

REQUIRED:

1.9	Record the partnership agreement in the general journal of Cool Tunes partnership for the period ended 31 December 2018.	5 Marks
1.10	Close off the partnership agreement in the general journal of Cool Tunes partnership for the period ended 31 December 2018.	4 Marks
1.11	Calculate the remaining profit.	2 Marks
1.12	Prepare the current account of Khaya in the general ledger of Cool Tunes partnership for the period ended 31 December 2018.	5 Marks
1.13	Calculate the total equity of Cool Tunes partnership at 31 December 2018.	3 Marks

QUESTION TWO**16 MARKS**

Stapiya, Stapura and Staputapu are in a partnership called Star Partners sharing profits and losses equally. Each partner has contributed R150 000 and their current accounts were (60 000), (45 000) and (36 000) respectively.

1. Staputapu is leaving the partnership to pursue other interests overseas.
2. The assets of the partnership consist of the following amongst others, land and building R230 000. Its fair value is R180 000.
3. A vehicle with a carrying value of R62 400 (Cost R78 000, Accumulated depreciation R15 600). The cost of the vehicle is fairly valued.
4. Goodwill is R90 000 and must not be shown in the books of the partnership.
5. The partnership has a small amount of cash in the bank and plan to raise a bank overdraft to pay Staputapu. In addition, he is to take the vehicle of the partnership as it has sentimental value for him.
6. The remaining partners wish to keep their old ratio.

2.1	Record the transactions in the general ledger of Star Partners. <ul style="list-style-type: none">- Land and building Account.- Revaluation Account.- Goodwill Account.- Capital: Staputapu Account.	16 Marks
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QUESTION THREE**27 MARKS**

Batman and Spiderman are in a partnership. They share profits and losses in a 1:1 ratio. Below is the pre-adjustment trial balance for the period ended December 2018.

Account		DR	CR
20001	Capital: Spiderman		394,920
20002	Capital: Batman		438,273
20003	Current account: Spiderman	999,746	
20004	Current account: Batman		142,366
20005	Drawings: Spiderman	54,779	
20006	Drawings: Batman	84,934	
20007	Land and buildings	2,779,521	
20008	Equipment cost	647,326	
20009	Accumulated Depreciation: Equipment		465,466
20010	Inventory	646,666	
20011	Receivables Control Account	545,435	
20012	Allowance for bad debt		64,835
20013	Bank		32,638
20014	Payables Control Account		546,466
20015	Vat / Tax Control Account	65,464	
100001	Sales		5,646,756
100002	Cost of Sales	2,113,123	
100003	Rent Expense	82,347	
100009	Interest Income		74,927
100004	Advertising	23,213	
100005	Electricity & Water	325,346	
100006	Interest Expense	13,000	
100007	Salaries & Wages	232,134	
100008	Telephone	21,412	
20016	Long term loan: ABC Bank 10% p.a		500,000
		8,306,647	8,306,647

Adjustments:

1. The interest expense account relates to the loan from ABC Bank. The loan was taken on 1 July 2018.
2. The allowance for bad debts must be adjusted to R 50 000.
3. The accountant incorrectly recorded a cash payment of R30 000(incl VAT) to the electricity and water account. Upon further investigation it was noted that this amount was not paid however the expense for R 30 000 was incurred.
4. Interest was received and recorded for the period 1 Jan 2018 until 28 February 2019.

REQUIRED:

3.1	Prepare the General Journal entries for the adjustment transactions stated above. Show calculations where necessary.	(5 MARKS)
3.2	Prepare the statement of profit or loss (income statement) after adjustments for the partnership for the period ending December 2018 Show calculations where necessary.	(8 MARKS)
3.3	Prepare the statement of financial position (balance sheet) for the partnership for the period ending December 2018 Show calculations where necessary.	(14 MARKS)

QUESTION FOUR**12 MARKS**

Answer the following question with regard to Property, Plant and Equipment

- 1) What is the definition of Property plant and equipment?
- 2) Name three costs that are included in the cost price of PPE?
- 3) Equipment was purchased for cash to the value of R 500 000(incl VAT) on 1 June 2018. All parties to the transaction are registered VAT vendors. The following additional costs were incurred. Import duties R 60 000 and transport to bring the equipment to the current location for use R 70 000(ex VAT). What will the initial recognition value of the equipment be on 1 June 2018?
- 4) Provide the journal entry to record the above transaction.
- 5) The equipment discussed in point 3 and 4 above will be depreciated at 10% p.a on diminishing balance method. The year end for the entity is 31 December 2018. Calculate and provide the journal entries for the deprecation.

QUESTION FIVE**7 MARKS**

Fanta & Sprite provide installation of solar geyser services and are NOT registered for VAT. Fanta and Sprite signed a 2 year contract with Coke on 1 March 2018 to install solar geyser to a number of complexes. The total contract over the 2 year period is R4 000 000 and they expect to make a 60% profit. Coke paid Fanta and Sprite the full amount in March 2018 when the contract was signed. At the end of February 2019 the installation was 40% complete and costs incurred on credit were R800 000.

REQUIRED:

5.1	Prepare the general journal of Fanta & Sprite for the month of March 2018. Narrations are not required.	2 Marks
5.2	Prepare the general journal of Fanta & Sprite for the year ended February 2019. Narrations are not required.	4 Marks
5.3	What element is deferred revenue?	1 Mark

QUESTION SIX**11 MARKS**

1. Scapegoat Limited was incorporated on 1 March 2017 with the following authorised share capital:
100 000 Class A shares at R1
90 000 Class B shares at R7.50
2. During the year ended 2017 the company had issued the following shares
50 000 Class A shares at R5.50 and,
30 000 Class B shares at par.
3. On 1 March 2018 the company advertised and offered the following shares to the members of the public: 50 000 Class A shares at R8.00 and, 40 000 Class B shares at par
4. The public subscribed to the following share;
75 000 Class A shares at R8.00 and
45 000 Class B shares at par.
5. The company decided on the following
 - To refund the over-subscribed Class A shares.
 - To keep and allocate all the class B shares subscribed.
6. The share issue costs amounted to 5% of the total shares subscribed.

REQUIRED:

6.1	Record the transactions in the general journal of Scapegoat Limited as at 31 March 2018	11 Marks
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