



University of Fort Hare  
*Together in Excellence*

**NKUHLU DEPARTMENT OF ACCOUNTING**

**GENERAL ACCOUNTING 1B**

East London Campus Code: ACG121E  
Alice Campus Code: ACG 121

<b>EXAMINATION</b>	<b>NOVEMBER 2019</b>	<b>150 MARKS</b>
		<b>180 MINUTES</b>

**Assessors:** Mrs C Birkholtz  
Mr D Harbottle

**Moderator:** Mr M Bomba  
Mrs L Mtshwelo

**INSTRUCTIONS:**

1. Pencils are not allowed
2. Silent, non-programmable calculators are allowed
3. Scratch out open spaces and empty pages
4. All the examination rules of the UFH will apply during this assessment.

<b>Question</b>	<b>Topics covered</b>	<b>Marks</b>	<b>Minutes</b>
1	Theory	15	18
2	Companies	50	60
3	Cash flow and Financial Analysis	68	82
4	Partnerships	17	20
	<b>TOTAL</b>	<b>150</b>	<b>180</b>

**QUESTION 1: THEORY****15 marks (18 minutes)**

	<b>QUESTION 1: REQUIRED</b>	<b>Marks</b>
1	Provide a definition for issued share capital.	3
2	Explain why depreciation is adjusted for in the Statement of Cash Flows.	2
3	Provide the formula used to calculate Gross Margin for a <b>company</b> .	3
4	Name 2 advantages of using the partnership form of business.	4
5	Name the Companies general ledger account that you would close the following off to:	
5.1	Share issue costs	1
5.2	Redeemable preference dividend	1
5.3	Depreciation expense	1

**QUESTION 2: COMPANIES****50 marks (60 minutes)**

BenTron Limited manufactures and sells component parts required in the assembly of motor vehicles. BenTron won the tender in January 2018 and commenced operations after a share issue. You are the Financial Manager and are required to prepare the Financial Statements after recording the transactions listed in number 1 below. The following is a list of all income and expenses for the year ended 31 December 2018.

	Debit	Credit
Revenue		950 000
Cost of Sales	570 000	
Profit on sale of asset		3 000
Interest received : bank account		300
Dividend received: ABE Limited		1 600
Miscellaneous expenses	104 200	
Depreciation: motor vehicles	30 000	
Depreciation: furniture	8 000	
Interest on supplier account	125	
Interest on loan	7 000	
Preliminary costs	1 200	
Salaries and wages	208 000	

Additional information:

- The following transactions still need to be recorded as journal entries together with the corresponding closing entry before the Statement of Comprehensive Income may be prepared:
  - The finance clerk has calculated tax expense for 2018 to be R5 100.
  - Preliminary costs are to be written off in full against profits. The company was formed at the beginning of the year and is now recording profits.
  - The director's recommend an ordinary dividend of 5c per share approved on 28 December 2018 to be paid first business day January 2019. There are 50 000 issued ordinary shares on 28 December 2018.
  - Preference dividend of R1 000 on redeemable preference shares has been approved on 31 December 2018 to be paid first business day January 2019.
- ABE Limited is a company listed on the JSE. Dividends are received from this company.

**QUESTION 2: COMPANIES continued****50 marks (60 minutes)**

3. Miscellaneous expenses are made up of the following:

<b>Miscellaneous expenses</b>	
Management fees	7 000
PWC: Audit fee	5 000
PWC: Audit expenses	2 200
Lease expenses: equipment	50 000
Other expenses	40 000
<b>Total per Trial Balance above</b>	<b>104 200</b>

4. Salaries and wages are made up of the following:

<b>Salaries and wages</b>	
Salary: Finance Director	50 000
Salary: Sales Director	50 000
Meeting fees: executive directors	3 000
Meeting fees: non-executive directors	5 000
Other salaries and wages	100 000
<b>Total per Trial Balance above</b>	<b>208 000</b>

	<b>QUESTION 2: REQUIRED</b>	<b>Marks</b>
1	Prepare journal entries for the transactions listed in item 1 above including closing entries for these transactions.	15
2	Prepare the Statement of Comprehensive Income for the year ended 31 December 2018. (Show workings for amounts).	11
3	And prepare the following notes to the financial statements:	
3.1	Revenue	1
3.2	Other income	4
3.3	Operating expenses (include detailed workings)	15
3.4	Finance costs	3
3.5	Taxation	1

**QUESTION 3: CASH FLOW & FINANCIAL ANALYSIS****68 marks (82 minutes)**

You are the accountant at Star Limited. The Board meetings has been scheduled and you are required to present the Statement of Cash Flows for the year ended 31 December 2018 and also certain financial ratios. The Board will discuss the ratios; you only need to calculate them. You have the following financial information available:

Star LimitedStatement of Financial PositionAt 31 December 2018

	2018 Rand	2017 Rand
<b>ASSETS</b>		
<u>Non-current assets</u>	611 000	469 000
Property, plant and equipment	572 000	444 000
Investments	39 000	25 000
<u>Current assets</u>	47 900	116 600
Inventory	35 000	31 200
Trade receivables	8 000	10 800
Bank	4 900	74 600
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	658 900	585 600
<b>EQUITY AND LIABILITIES</b>		
<u>Capital and reserves</u>	548 000	475 000
Share capital	400 000	375 000
Retained earnings	148 000	100 000
<u>Non-current liabilities</u>		
Loan	36 500	60 000
<u>Current liabilities</u>	74 400	50 600
Accounts payable	4 900	7 000
Current portion of loan	19 500	20 000
SARS current tax payable	40 000	18 000
Shareholders for dividends	10 000	5 600
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	658 900	585 600
Land and buildings	380 000	300 000
Vehicles	192 000	144 000
Cost	315 000	240 000
<u>Less: Accumulated depreciation</u>	123 000	96 000
	<hr/>	<hr/>
Property plant and equipment	572 000	444 000

**QUESTION 3: CASH FLOW & FINANCIAL ANALYSIS continued****68 marks (82 minutes)**Additional information:

1. An additional investment was bought during the year for cash.
2. The loan repayment during the year was greater than the current portion due. No new loans were raised during the year.
3. A new small property next to the current building was bought during the year for cash.
4. Shares were issued during the year for cash proceeds.
5. A vehicle was sold for cash proceeds of R55 000 yielding a profit on sale of R1 000. The cost of the vehicle sold was R90 000. A replacement vehicle was bought for cash during the year.
6. Profit before tax R98 000 and tax expense R40 000.
7. Ordinary dividend approved by the directors R10 000.

	<b>PART A: CASH FLOW 50 MARKS</b>	<b>Marks</b>
1	Prepare the Statement of Cash Flows of Star Limited for the year ended 31 December 2018 ( <b>30 marks</b> ) and show detailed workings ( <b>20 marks</b> ).	50

**QUESTION 3 CONTINUED ON NEXT PAGE**

**QUESTION 3 CASH FLOW & FINANCIAL ANALYSIS continued**

68 marks (82 minutes)

	<b>PART B: FINANCIAL ANALYSIS 18 MARKS</b>	<b>Marks</b>
1	Calculate the following ratios for the year ended 31 December 2018 for Star Limited:	
1.1	Acid test (quick) ratio	5
1.2	Debt ratio	5
1.3	Debt equity ratio	4
1.4	Return on equity	4
	Round to one decimal point and record the formula before showing detailed workings.	

**QUESTION 4: PARTNERSHIPS****17 marks (20 minutes)**

Thabo and Miya both run successful events planning businesses. They have decided to form a partnership with the belief that they will be even more successful together. The partnership is formed on 1 July 2019 and will use new accounting records. Profits and losses will be shared equally.

Trial Balances at 1 July 2019	Thabo	
	Debit	Credit
Motor vehicle, cost	250 000	
Accumulated depreciation: motor vehicle		125 000
Accounts Receivable	15 000	
Bank	17 500	
Accounts payable		7 500
Capital		150 000
	282 500	282 500

The above values for assets and liabilities of Thabo were agreed to be fairly valued except for the following:

Fair values as agreed	
Motor vehicle	100 000
Accounts Receivable	13 000

Trial Balances at 1 July 2019	Miya	
	Debit	Credit
Office equipment cost	50 000	
Accumulated depreciation: office equipment		20 000
Bank	78 000	
Accounts receivable	22 000	
Capital		130 000
	150 000	150 000

The above values for assets and liabilities of Miya were agreed to be fairly valued except for Accounts Receivable which is fairly valued at R20 000.

	QUESTION 4 REQUIRED	Marks
1	Prepare Journal Entries, without narrations, to record the formation of the new partnership (reminder: use new accounting records).	17

**END OF EXAM**