



University of Fort Hare
Together in Excellence

NKUHLU DEPARTMENT OF ACCOUNTING

GENERAL ACCOUNTING 1B

East London Campus Code: ACG121E

Alice Campus Code: ACG 121

SUPPLEMENTARY		150 MARKS
EXAMINATION	JANUARY 2019	180 MINUTES

Assessors: Mrs C Birkholtz
Mr D Harbottle

****TO BE HANDED IN AFTER EXAM**
NOT TO BE KEPT BY STUDENTS**

Moderator: Mr M Bomba

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.

Question	Topics covered	Marks	Minutes
1	Theory	15	18
2	Companies	52	62
3	Cash flow and Financial Analysis	58	70
4	Partnerships	25	30
	TOTAL	150	180

QUESTION 1: THEORY

15 marks (18 minutes)

	QUESTION 1: REQUIRED	Marks
1	Name the general ledger account that you would close the following off to:	
1.1	Profit for the year (a company)	1
1.2	Underwriter's commission	1
2	Casio Limited paid the following to their auditors for the year: audit fee R50 000, flights R3 500, travel R2 000, accommodation R4 500 and special VAT project R15 000. Show how will this be recorded in the Notes to the Statement of Comprehensive Income.	5
3	Is this company a private or public company: Rhino Limited	1
4	Provide the formula used to calculate Current Ratio.	3
5	Name 2 advantages of the partnership form of business.	4

QUESTION 2: COMPANIES

52 marks (62 minutes)

You are the accountant at Tabbex Limited and your bookkeeper presented you with the following list of incomes and expenses and asked you to help her prepare a Statement of Comprehensive Income for the year ended 30 June 2018 (in accordance with International Financial Reporting Standards).

	Debit	Credit
Sales		520 000
Cost of Sales	240 000	
Dividend income: Dean Limited		5 500
Dividend income: MAC (Pty) Ltd		2 900
Interest income: MAC (Pty) Ltd		1 600
Profit on sale of vehicle		800
Interest on bank overdraft	6 600	
Interest on mortgage	8 800	
Interest on loan	1 100	
Auditor's remuneration - audit fee	7 500	
Depreciation	3 900	
Salaries and wages	98 000	
Lights and water	23 000	
Advertising	900	

Additional information:

1. Dean Limited is a listed company and MAC (Pty) Ltd is not listed.
2. Depreciation for the year above of R3 900 is on vehicles R2 400 and computer equipment R1 600.
3. Included in salaries and wages above is the following related to the directors:
 - R15 000 salary for managing director
 - R2 500 fees paid to executive directors
 - R1 500 fees paid to non-executive directors
4. The following year-end accruals have been approved by the Board but not yet recorded:
 - Tax expense for 2018 R33 000
 - Ordinary dividend R15 000
 - Redeemable preference dividend R7 000
5. The opening balance for retained earnings at 1 July 2017 is R88 000.

QUESTION 2: COMPANIES continued**52 marks (62 minutes)**

	QUESTION 2: REQUIRED	Marks
1	Prepare journal entries for the accruals in Item 4 above and also the closing entries for these journal entries.	12
2	Prepare the Statement of Comprehensive Income for the year ended 30 June 2018. (Show workings for amounts).	17
3	And the following notes to the financial statements:	
3.1	Revenue	1
3.2	Other income	6
3.3	Operating expenses (show detailed workings)	6
3.4	Finance costs	5
3.5	Taxation	1
3.6	Retained earnings	4

QUESTION 3: CASH FLOW & FINANCIAL ANALYSIS

58 marks (70 minutes)

Complete both Part A and Part BPart A

You are the accountant at Pearly Limited and need to prepare the Statement of Cash Flows for the year ended 31 December 2018. You have the Trial Balance to work from:

	2018	2018	2017	2017
	Debit	Credit	Debit	Credit
Trade receivables	66 000		73 000	
Inventories	34 000		30 000	
Trade payables		32 000		30 000
Prepaid expenses	1 200		1 000	
Accrued expenses		5 500		6 500
Share capital		150 000		125 000
Retained earnings		150 000		150 000
Bank	72 800		44 500	
Sales		120 000		
Cost of sales	80 000			
Finance costs	2 500			
Dividends received		9 000		
Depreciation	13 000			
Loan		50 000		56 000
SARS tax payable		18 500		14 000
Interest received		1 500		
Administration expenses	8 500			
Selling expenses	4 000			
Motor vehicles cost	61 000		45 000	
Motor vehicles accumulated depreciation		25 000		12 000
Tax expense	18 500			
Land and buildings	200 000		200 000	
	561 500	561 500	393 500	393 500

Additional information:

- Shares were issued during the year for cash.
- There was a vehicle purchased during the year. None were sold.

	PART A: CASH FLOW 43 MARKS	Marks
1	Prepare the Statement of Cash Flows of Pearly Limited for the year ended 31 December 2018 (33 marks) and show detailed workings (10 marks).	43

QUESTION 3: CASH FLOW & FINANCIAL ANALYSIS continued

58 marks (70 minutes)

PART B: FINANCIAL ANALYSIS 15 MARKS		Marks
1	Calculate the following ratios for the year ended 31 December 2018 for Pearly Limited:	
1.1	Acid test ratio (quick ratio)	5
1.2	Gross margin	5
1.3	Net Margin	5
	Round to one decimal point and record the formula before showing detailed workings.	

QUESTION 4: PARTNERSHIPS

25 marks (30 minutes)

AB Trading (Andile and Bathande share profits equally) is merging with Zintle's business to form a new partnership called ABZ Partnership effective 1 November 2017. The new partnership will use the accounting records of AB Trading. The new partnership agreement stipulates that goodwill is not to be recognised as an asset in the ledger of the new partnership and the new profit sharing ratio will be 2:2:1. The following is the Trial Balance of AB Trading:

Trial Balance at 1 November 2017	AB trading	
	Debit	Credit
Land and buildings	500 000	
Accounts Receivable	13 000	
Motor vehicles, cost	250 000	
Accumulated depreciation: vehicles		75 000
Equipment, cost	80 000	
Accumulated depreciation: equipment		38 000
Bank	18 000	
Accounts payable		30 000
Capital: Andile		374 000
Capital: Bathande		374 000
Goodwill	30 000	
	891 000	891 000

Information:

- The assets and liabilities of AB Trading were agreed to be fairly valued except for the following:
 - Land and Buildings R600 000
 - Motor vehicles R150 000
 - Goodwill R50 000
- Zintle's assets and liabilities are considered to be fairly valued and comprise the following:
 - Bank R33 000
 - Goodwill R3 000
 - Motor vehicle cost R150 000; accumulated depreciation R15 000
 - Accounts payable R9 000

	QUESTION 4 REQUIRED	Marks
1	Prepare Journal Entries, without narrations, to record the formation of the new partnership (reminder: use existing accounting records of AB Partnership).	25

END OF EXAM