



University of Fort Hare
Together in Excellence

NKUHLU DEPARTMENT OF ACCOUNTING

GENERAL ACCOUNTING 1B

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

EXAMINATION	NOVEMBER 2018	150 MARKS
		180 MINUTES

Assessors: Mrs C Birkholtz
Mr D Harbottle

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	46	55
3	Cash flow and Financial Analysis	65	78
4	Partnerships	24	29
	TOTAL	150	180

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

	QUESTION 1: REQUIRED	Marks
1	Provide reasons why a company issuing shares to the public would consider using an underwriter and name the costs involved.	3
2	A company needs additional cash for a new project. Name two ways of raising cash (other than through normal trading activities i.e. sales).	2
3	Provide the formula used to calculate Net Margin for a company .	3
4	List 2 items that should be detailed in a partnership agreement	4
5	Name the Companies general ledger account that you would close the following off to:	
5.1	Preliminary costs	1
5.2	Ordinary dividends	1
5.3	Salaries and wages expense	1

QUESTION 2: COMPANIES**46 marks (55 minutes)**

GenStor Limited is a retailer selling FMCG (fast moving consumer goods) to the public. It is time to prepare financial reports for the year ended 31 December 2017.

The following is an extract of the Trial Balance at 31 December 2017. Certain transactions still need to be recorded before final profit calculations can be made and reported (refer to additional information below).

	Debit	Credit
Gross profit		300 000
Interest received : bank account		950
Dividend received: listed company		2 200
Sundry expenses	232 350	
Depreciation: motor vehicles	24 000	
Depreciation: equipment	10 000	
Interest on overdue account	350	
Interest on loan	12 000	
Preliminary costs	1 800	

Additional information:

1. Revenue for the year ended 31 December 2017 totals R800 000.
2. The following transactions still need to be recorded:
 - Preliminary costs are to be written off.
 - Tax expense for the year has been calculated to be R5 900.
 - Preference dividend of R1 900 on redeemable preference shares has been approved on 31 December 2017 to be paid in January 2018.
 - The director's recommend an ordinary dividend of 2c per share approved on 31 December 2017 to be paid in January. There are 100 000 issued ordinary shares on 31 December 2017.
3. Balance on retained earnings at 1 January 2017 R98 000.

QUESTION 2: COMPANIES**46 marks (55 minutes)**

4. Sundry expenses are made up of the following:

Sundry expenses	
Lease expenses: copiers	12 000
Audit fee for 2017	3 300
Audit expenses (flights, accommodation)	1 400
Salaries and wages	95 000
Salaries: executive directors	48 000
Loss on sale of asset	650
Meeting fees: executive directors	2 000
Meeting fees: non-executive directors	4 000
Other expenses	66 000
Total per Trial Balance above	232 350

QUESTION 2: COMPANIES continued**46 marks (55 minutes)**

	QUESTION 2: REQUIRED	Marks
1	Prepare journal entries for the transactions listed in item 2 above. Closing entries are NOT required.	9
2	Prepare the Statement of Comprehensive Income for the year ended 31 December 2017. (Show workings for amounts).	11
3	And the following notes to the financial statements:	
3.1	Revenue	1
3.2	Other income	3
3.3	Operating expenses (show detailed workings)	14
3.4	Finance costs	3
3.5	Taxation	1
3.6	Retained earnings	4

QUESTION 3: CASH FLOW & FINANCIAL ANALYSIS

65 marks (78 minutes)

You are the accountant at Bradlyn Limited and need to prepare the Statement of Cash Flows for the year ended 31 December 2017 and also calculate financial ratios using the following information:

Bradlyn Limited

Statement of Financial Position

At 31 December 2017

	2017 Rand	2016 Rand
ASSETS		
<u>Non-current assets</u>	213 000	132 000
Property, plant and equipment	168 000	132 000
Investments	45 000	0
<u>Current assets</u>	339 500	258 000
Inventory	22 400	18 000
Trade receivables	5 800	4 500
Bank	311 300	235 500
	<u>552 500</u>	<u>390 000</u>
EQUITY AND LIABILITIES		
<u>Capital and reserves</u>	445 900	365 000
Share capital	350 000	300 000
Retained earnings	95 900	65 000
<u>Non-current liabilities</u>		
Loan	67 500	0
<u>Current liabilities</u>	39 100	25 000
Accounts payable	12 500	14 400
Current portion of loan	7 500	0
SARS current tax payable	14 000	7 400
Shareholders for dividends	5 100	3 200
	<u>552 500</u>	<u>390 000</u>
Vehicles	168 000	132 000
Cost	270 000	220 000
<u>Less: Accumulated depreciation</u>	102 000	88 000
Property plant and equipment	<u>168 000</u>	<u>132 000</u>

QUESTION 3: CASH FLOW & FINANCIAL ANALYSIS continued

65 marks (78 minutes)

Additional information:

1. Proceeds from a loan were received during the year and repayments will commence from January 2018.
2. The company purchased an investment for cash during the year.
3. There was an issue of shares during the year for cash.
4. The following information is from the Income Statement:
 - Profit before tax R50 000
 - Tax expense R14 000
5. Ordinary dividend approved by the directors R5 100.
6. A vehicle that cost R100 000 was sold for cash proceeds of R55 000 yielding a loss on sale of R5 000. A replacement vehicle was bought on the same day for cash.

	PART A: CASH FLOW 50 MARKS	Marks
1	Prepare the Statement of Cash Flows of Bradlyn Limited for the year ended 31 December 2017 (28 marks) and show detailed workings (20 marks).	48

QUESTION 3 CONTINUED ON NEXT PAGE

QUESTION 3 CASH FLOW & FINANCIAL ANALYSIS continued**65 marks (78 minutes)**

	PART B: FINANCIAL ANALYSIS 18 MARKS	Marks
1	Calculate the following ratios for the year ended 31 December 2017 for Bradlyn Limited:	
1.1	Current ratio	4
1.2	Debt ratio	5
1.3	Debt equity ratio	4
1.4	Return on assets Round to one decimal point and record the formula before showing detailed workings.	4

QUESTION 4: PARTNERSHIPS**24 marks (29 minutes)**

Zeeran and Zipho have separate businesses and provide time management and motivational skills training to companies. Lately they have come up against each other in several tenders where they have lost to a new competitor. They have met and decided to form a partnership and believe with their combined experience they will be able to win new business. They will call their partnership ZZ Life Coaching which will be in operation from 1 October 2018. The partnership will use the existing accounting records of Zeeran. Profits and losses will be shared equally.

Zeeran's records as at 30 September:

Trial Balances at 30 September 2018	Zeeran	
	Debit	Credit
Accounts Receivable	2 500	
Motor vehicle cost	150 000	
Accumulated depreciation: motor vehicle		60 000
Office equipment cost	10 000	
Accumulated depreciation: office equipment		2 000
Bank	33 000	
Accounts payable		2 750
Capital		130 750
	195 500	195 500

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

Accounts receivable	2 000
Motor vehicle	80 000
Office equipment	7 500

The following are the records of Zipho:

Trial Balances at 30 September 2018	Zipho	
	Debit	Credit
Land and Buildings	200 000	
Accounts Receivable	8 000	
Furniture and fittings, cost	40 000	
Accumulated depreciation: furniture and fittings		8 000
Inventory	800	
Bank	40 090	
Accounts payable		890
Capital		280 000
	288 890	288 890

QUESTION 4: PARTNERSHIPS**24 marks (29 minutes)**

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

Land and Buildings	230 000
Accounts Receivable	7 500
Inventory	600

	QUESTION 4 REQUIRED	Marks
1	Prepare Journal Entries, without narrations, to record the formation of the new partnership (reminder: use Zeeran's existing accounting records).	24

END OF EXAM