JUNE 2012 EXAMINATION

DATE: 7 JUNE 2012

TIME: 09H00 – 12H00  TOTAL: 100 MARKS

DURATION: 3 HOURS  PASS MARK: 40%

(BUS-AC2)

FINANCIAL ACCOUNTING 2

THIS EXAMINATION PAPER CONSISTS OF 4 QUESTIONS:

ANSWER ALL THE QUESTIONS  (100 MARKS)

INSTRUCTIONS:
1. Read the following instructions carefully before answering the paper, as failure to act upon them will result in a loss of marks.
2. Write your answers in your answer book, which is provided in the exam.
3. Ensure that your name and student number are clearly indicated on your answer book.
4. Write your answers in either blue or black ink in your answer book.
5. Read each question very carefully before you answer it and number your answers exactly as the questions are numbered.
6. Begin with the question for which you think you will get the best marks.
7. Note the mark allocations for each question – give enough facts to earn the marks allocated. Don't waste time by giving more information than required.
8. You are welcome to use diagrams to illustrate your answers.
9. Please write neatly – we cannot mark illegible handwriting.
10. Any student caught cheating will have his or her examination paper and notes confiscated. The College will take disciplinary measures to protect the integrity of these examinations.
11. If there is something wrong with or missing from your exam paper or your answer book, please inform your invigilator immediately. If you do not inform your invigilator about a problem, the College will not be able to rectify it afterwards, and your marks cannot be adjusted to allow for the problem.
12. This paper may be removed from the examination hall after the examination has taken place.

NOTE: YOU MAY USE A NON-PROGRAMMABLE CALCULATOR. AN ACCOUNTING ANSWER BOOK WILL BE PROVIDED.
QUESTION 1

Allan and Adam are partners in the firm AA Traders. They share profits: four-sevenths and three-sevenths respectively. On 1 May 2012, they agree to take on Bennie as a partner and, at that date, the partnership’s balance sheet is as follows:

**ASSETS**
- Land and buildings 6 200
- Plant and machinery 8 600
- Furniture 1 800
- Inventory 11 600
- Debtors 13 200
- Cash 1 200

**LIABILITIES**
- Capital accounts:
  - Adam 19 200
  - Allan 14 400
- Creditors 9 000

The following was agreed upon:

- Bennie to pay R11 200 for share of goodwill, to immediately be withdrawn by Adam and Allan.
- Bennie to bring in R8 000 as share of capital.
- Land, buildings, plant, machinery, furniture and equipment to be reduced by 20%.
- Inventory to be revalued at R17 400 and a provision of 5% to be raised for doubtful debts.
- The proportion of the new partnership to be as follows:
  - Adam 4/9
  - Allan 3/9
  - Bennie 2/9
- Any excess of capitals to be transferred to Adam and Allan's loan accounts opened in their names.

You are required to:

Show the above adjustments as journal entries. [28]


**QUESTION 2**

Anaconda Ltd. invites application on 29 February 2012 for 20 000 shares of R1 at R1,25. Cash is payable in full with application. Applications are received for 30 000 shares. The 20 000 shares to be issued are allotted, and the application money for the other 10 000 shares is returned to the applicants.

You are required to:

(a) Show the applicable journal entry. (9)

(b) Open and complete the applicable general ledger accounts. (18)

(c) Complete the balance sheet at 29 February 2012. (3) [30]

**QUESTION 3**

The following question relates to IAS 18 (the old Accounting Statement AC111), revenue recognition.

XYZ Ltd sells fax machines and the selling price includes an identifiable amount for after sales service support that will be rendered one year after the sale. The expected cost of the service, taking into account a mark-up of 25%, amounts to 20% of the selling price. The sale revenue for the 2011 financial year and the 2012 financial year amounts to R600 000 and R750 000 respectively. Ignore VAT. Assume that the sale occurs at year-end.

Answer the questions that follow, based on the information provided.

(a) Mention the three instances when revenue is recognised in the normal course of business (the above is one example of this). (3 × 2 = 6)

(b) Provide the statement definition for 'revenue'. (6)

(c) When is revenue to be recognised? (3)

(d) Calculate what amount of revenue will be deferred at the end of the 2012 financial year. (5) [20]
QUESTION 4

Manufacture Ltd produces 100 units of a product at a cost of R2 per unit, all of which are transferred to the Trading Account at R2,50 per unit. The selling price is R2,75 per unit and, in the period, 40 units are sold.

You are required to:

Show the relevant figures in the manufacturing and trading accounts and the income statement. [22]