Tutorial letter 101/3/2016

General Financial Reporting

FAC3701

Semesters 1 and 2

Department of Financial Accounting

IMPORTANT INFORMATION:

Please activate your *my*Unisa and myLife email addresses and ensure you have regular access to the *my*Unisa module site FAC3701 as well as to your group site.

Note: This is an online module, and therefore your module is available on *my*Unisa. However, in order to support you in your learning process, you will also receive some study materials in printed format.

BAR CODE

Learn without limits.

Open Rubric

UNISA university of south africa

CONTENTS

1 INTRODUCTION

Dear Student

We are pleased to welcome you to FAC3701 – General Financial Reporting and trust that you will find it both interesting and rewarding. We will do our best to make your study of this module successful. You will be well on your way to success if you start studying early in the semester and resolve to do the assignments properly.

You will receive a number of tutorial letters during the semester. A tutorial letter is our way of communicating with you about teaching, learning and assessment.

This tutorial letter also contains important information about the scheme of work, resources and assignments for this module. We urge you to read it carefully and to keep it at hand when working through the study material, preparing the assignments, preparing for the examination and addressing questions to your lecturers.

In this tutorial letter 101, you will find the assignments as well as instructions on the preparation and submission of the assignments. It also provides all the information you need with regards to the prescribed study material and other resources and how to obtain them. Please study this information carefully and make sure that you obtain the prescribed material as soon as possible.

Right from the start we would like to point out that **you must read all the tutorial letters** you receive during the semester **immediately and carefully**, as they contain important information.

Please note:

Because this is a fully online module, you need to use *my*Unisa to study and complete the learning activities for this module. You need to visit the module site on *my*Unisa for FAC3701 frequently. The module site for the module is:
FAC3701-16-S1 for first semester students; and
FAC3701-16-S2 for second semester students.

Because this is a fully online module, you need to go online to see your study material and read what to do for the module. Go to the following website: https://my.unisa.ac.za and login with your student number and password. You will see FAC3701 in the row of modules in the orange blocks at the top of the webpage. You can also check in the 'more-tab' if you cannot find it in the orange blocks. Click on the module you want to open.

We trust that you will enjoy this module and wish you all the best!

2 FORMAT OF FAC3701

2.1 Fully online

Please note that this module is offered fully online.

All study material for this module will be available on *my*Unisa. It is thus very important that you register on *my*Unisa and access the module site on a regular basis. You must be registered on *my*Unisa to be able to access your learning material, submit your assignments, gain access to various learning resources, "chat" to your lecturer and fellow students about your studies and the challenges that you might encounter and to participate in online discussion forums. Importantly, *my*Unisa contains the **Learning Units** tool from which you will only be able to access the study material for this module if you have registered and have access to *my*Unisa.

2.2 Printed materials

Because we want you to be successful in this online module, we also provide you with some of the study material in printed format. This will allow you to read the study material, even if you are not online.

In addition to this tutorial letter you will receive a printed copy of the online study material from *my*Unisa. While these printed materials may appear slightly different from the online study material, they are exactly the same and have been duplicated from the online *my*Unisa website.

Remember, the printed support material are a back-up to everything that is found online, on *my*Unisa. **In other words, you should NOT wait for the printed support material to arrive to start studying.**

Please consult with the publication myStudies@Unisa for more information on the activation of your myLife email address as well as how to obtain access to the *my*Unisa module site.

You will receive the following tutorial letters for this module (which will also be available online):

Tutorial letter	Content
MO 001	Learning Units (This will replace the study guide for this module)
101	Important information, including compulsory assignments
102	Learning unit 8 – Fair value measurement
103	Basic and integrated questions with suggested solutions
201	Suggested solution to compulsory assignment 01
202	Suggested solution to compulsory assignment 02

PLEASE NOTE: If any additional tutorial letters, except the above-mentioned, are posted to you, an announcement to inform you thereof will be made via *my*Unisa.

3 PURPOSE OF AND OUTCOMES FOR FAC3701

3.1 Purpose

The purpose of this module is to provide learners with knowledge and skills to enable them to prepare a set of financial statements of companies in accordance with International Financial Reporting Standards with specific reference to:

- Income Taxes (IAS 12 and FRG 1)
- Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8)
- Conceptual Framework for Financial Reporting 2010
- Preface to International Financial Reporting Standards
- Presentation of Financial Statements (IAS 1)
- Events after the reporting period (IAS 10)
- Provisions, Contingent Liabilities and Contingent Assets (IAS 37)
- Fair value measurement (IFRS 13)
- Revenue from contracts with customers (IFRS 15)

3.2 Outcomes

Learning outcome 1

Learners should be able to calculate deferred tax and disclose deferred and current tax of companies in the annual financial statements in compliance with International Financial Reporting Standards.

Learners should be able to:
- calculate the current tax expense of a company;
- explain the difference between exempt and temporary differences;
- calculate deferred tax of a company by using the statement of financial position approach; and
- disclose deferred and current tax properly in the annual financial statements of companies in accordance with International Financial Reporting Standards.

Learning outcome 2

Learners should be able to calculate, select and disclose the effects of accounting policies, changes in accounting estimates and errors in accordance with the requirements of International Financial Reporting Standards.

Learners should be able to:
- define accounting policies, change in accounting estimates and errors as stipulated in *IAS 8*;
- determine whether an error in the preparation of the financial statements of prior periods discovered in the current year should be reported as an error or not;
- determine whether an adjustment as a result of the revision of an estimate should be accounted for as a change in accounting estimate or as a change in accounting policy; and
- record a change in accounting estimate, a change in accounting policy, as well as the correction of an error accurately in the financial statements in accordance with International Financial Reporting Standards.

Learning outcome 3

Learners will be able to prepare financial statements according to the objectives and concepts which underlie the preparation and presentation of financial statements.

Learners should be able to:
- define the purpose and status of the *Conceptual Framework for Financial Reporting 2010* and the objectives behind the preparation of the *Conceptual Framework for Financial Reporting 2010*;
- define the objectives and assumptions which underlie the preparation and presentation of annual financial statements;
- list the qualitative and quantitative characteristics of annual financial statements;
- define and measure the elements of the annual financial statements;
- identify the elements of the annual financial statements; and
- give advice on the recognition of an item in the financial statements as an asset, liability, income and expense.

Learning outcome 4

Learners should understand the scope and authority of International Financial Reporting Standards as well as the accounting standard setting process.

Learners should be able to:
- define the objectives of the IASB;
- define the scope and authority of International Financial Reporting Standards;
- understand the legal requirements for International Financial Reporting Standards; and
- understand the harmonisation of International Financial Reporting Standards.

Learning outcome 5

Learners should be able to prepare general purpose financial statements using the structure and contents of *IAS 1* in order to improve comparability with the entity's own financial statements of previous periods and with financial statements of other entities.

Learners should be able to:
- state the purpose of, and responsibility for, preparing financial statements;
- explain and describe the overall considerations to be taken into account during the preparation of the financial statements; and
- prepare a comprehensive set of financial statements from given information in accordance with the requirements of *IAS 1*

Learning outcome 6

Learners should be able to identify events after the reporting date and disclose them in the financial statements of the company in terms of the requirements of International Financial Reporting Standards.

Learners should be able to:
- identify events after the reporting date;
- record events after the reporting date accurately in the annual financial statements according to International Financial Reporting Standards; and
- determine when to adjust financial statements for events after the reporting date.

Learning outcome 7

Learners should be able to recognise, measure and disclose provisions, contingent liabilities and contingent assets in the annual financial statements of a company.

Learners should be able to:
- define provisions, contingent assets and contingent liabilities in detail;
- determine if an item should be accounted for as a provision, contingent liability or as a contingent asset; and
- record a provision, contingent liability and contingent asset accurately in the annual financial statements to enable users to understand the nature, timing and amounts of provisions, contingent liabilities and contingent assets.

Learning outcome 8

Learners should be able to define, measure and disclose fair value measurements in the financial statements of a company.

Learners should be able to:
- define the fair value measurement concepts;
- calculate the fair value accurately; and
- disclose fair value items in the annual financial statements of companies in compliance with International Financial Reporting Standards.

Learning outcome 9

Learners should be able to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Learners should be able to:

- recognise revenue to depict the transfer of promised goods or services to customers/clients in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services; and
- disclose revenue in the annual financial statements of companies in compliance with International Financial Reporting Standards.

4 LECTURERS AND CONTACT DETAILS

4.1 Lecturers

You may contact your lecturers by post, e-mail, telephone or on *my*Unisa.

Lecturers	Office number
Mrs R Horn	AJH 2-48
Mrs L Labuschagne	AJH 2-49
Mr Y Mohamed	AJH 2-51
Mr J Riekert	AJH 2-42

Personal Appointment

Please make an appointment, in advance, with your lecturer should you wish to see them personally with specific problem areas in your studies. Lecturers are available from 07:45 to 16:00 on weekdays.

Telephonic enquiries

You can contact your lecturers telephonically, by making use of the module contact number provided below. An available lecturer will take your call and assist you as promptly as they can.

The module telephone number is: (012) 429 4266

E-mail

You can also communicate with the lecturers via e-mail. Please make use of the following **e-mail address** which is specific to the FAC3701 module to ensure a prompt reply:

Semester 1 **FAC3701-16-S1@unisa.ac.za**

Semester 2 **FAC3701-16-S2@unisa.ac.za**

Due to the high volumes of e-mails received by lecturers from students, it is not always possible to reply to these e-mails immediately. Please be patient as your e-mails will be attended to as soon as possible.

***my*Unisa**

You can also communicate with the lecturers via myUnisa.

Online address: http://my.unisa.ac.za

Postal Address:
Name of lecturer
University of South Africa
P O Box 392
Unisa
0003

4.2 Department and College

The Department of Financial Accounting is situated on the main campus on the second floor of the AJH van der Walt Building.

The contact numbers of the department of Financial Accounting are as follows:

- Telephone: (012) 429 4459 (departmental secretary).
- Fax: (012) 429 3335 (marked for a specific lecturer's attention).

College Information Coordinator

Jabulani Chauke: (012) 429 2982
Ms. Christine Tuge: (012) 429 2233

E-mail: CASenquiries-Undergraduate@unisa.ac.za

College Information Hub

(012) 429 4211

Ensure that your student number, return address and telephone numbers are included with your enquiries. Always have your student number at hand when contacting the University.

4.3 University

You can contact Unisa as follows:

Unisa website (http://www.unisa.ac.za & http://mobi.unisa.ac.za)

All study-related information is now available on the new Unisa corporate website in both web and mobi formats.

***my*Unisa** (https://my.unisa.ac.za/portal & https://my.unisa.ac.za/portal/pda)

Students can access their own information via the *my*Unisa website or mobi site.

E-mail (info@unisa.ac.za)

Students may send an e-mail to info@unisa.ac.za for information on how to contact Unisa via e-mail.

SMS (32695 - only for students in South Africa)

Students may send an SMS to 32695 for more information on how to contact Unisa via SMS. The sender will receive an auto response SMS with the various SMS options. The cost to the student is R1,00 per SMS

Fax (012) 429 4150.

Students will be able to fax their enquiries to (012) 429 4150. Enquiries will be distributed to and processed by the relevant department.

Students can find general Unisa contact details in the publication **myStudies@Unisa**.

Always have your student number at hand when contacting the University.

5 RESOURCES FOR FAC3701

5.1 Prescribed books

The study material as such are not exhaustive for purposes of tuition, and it is essential that you have at your disposal the following prescribed book:

Koppeschaar, ZR, et al 2014. ***Descriptive Accounting***. 19th ed. LexisNexis: Durban.

Please refer to the list of official booksellers and their addresses in the publication **myStudies@Unisa**.Prescribed books can be obtained from the University's official booksellers. Should you have any difficulties obtaining books from the official booksellers, please contact the Prescribed Book Section as soon as possible at telephone number (012) 429 4152 or e-mail vospresc@unisa.ac.za

STUDENTS ARE REQUIRED TO USE A NON-PROGRAMMABLE FINANCIAL CALCULATOR FOR THIS MODULE. (REFER TO POINT 11.5 FOR FURTHER INFORMATION)

5.2 Recommended books

There are no recommended books for this module.

5.3 Electronic reserves (e-reserves)

There are no electronic reserves for this module.

6 STUDENT SUPPORT SERVICES FOR FAC3701

Important information appears in your **myStudies@Unisa** publication.

6.1 Tutor assistance

A tutor is a qualified professional appointed by the university to assist and support students in their journey to graduateness / successful completion of their qualifications.

Effective tutor assistance help you to:

- take responsibility for your own learning ;
- develop analytical skills;
- develop skills in teamwork and cooperative learning; and
- develop listening, communication, presentation and debating skills.

Types of tutor assistance

- Face-to-face tutoring
- E-tutor support

6.1.1 Face to face tutors

A face-to-face tutorial is an organised session where students and tutors meet regularly at a common venue and at scheduled times to discuss and solve problems with the contents of their study material e.g. principles, suggested solutions etc. A face-to-face tutorial has a number of advantages, namely:

- It provides you with great opportunities to interact with your tutors and other students and get a better understanding of the course content.

- It encourages you to actively participate in the tutorial sessions.
- It helps you to build relationships with other students.

What is the role of learners in face to face tutorials?

If students want to benefit from tutorials, they must participate effectively by meeting the following requirements:

- prepare adequately for tutorials;
- attend regularly and be punctual;
- encourage fellow students to attend tutorials regularly; and
- cooperate with tutors.

Where can I go to if I want to attend face to face tutorials?

Tutorials are available at Unisa Regional Learning Centres throughout the country. Please visit the *my*Unisa website under "Additional Resources" for contact details of the centre nearest to you. You can contact the regional centre to find out if there are tutorials at that specific centre for this module.

How to join face to face tutorials.

- At the Unisa regional learning centre, a tutorial officer will help you to complete the Tutorial enrolment form.
- Tutorials take place during the week in the evenings and Saturday mornings – look for the tutorials of your modules on the timetable at the centre notice boards or on the Unisa regional website.
- You will be notified through SMS about the starting date of your tutorial session/s.
- Tutorials are free.

Students who are interested in tutor assistance can obtain the telephone numbers and details of the learning centres from the myStudies@Unisa publication.

6.1.2 E-tutor support

E-tutoring is an organised session where students and e-tutors interact regularly, online. The teaching and learning platform is *my*Unisa. Tools such as online discussion forums are used to facilitate teaching and learning.

E-tutoring has a number of advantages:

- The use of the *my*Unisa platform provides you with an opportunity to interact with your e-tutor and fellow students online, using the various tools available.
- Compared to face-to-face tutors your e-tutor is accessible for longer periods, each day of the week.
- It helps to develop technical skills required for an online environment.

You will be allocated an e-tutor for each module you have registered for (Provided the module has e-tutoring). You will then be notified by sms about the details of your e-tutor as soon as you have been allocated one. Your e-tutor will contact you on your mylife e-mail for details of the tutorials. Most Unisa learning centres have computer lab facilities from where you can access *my*Unisa. Provision is also made through the establishment of telecentres. Alternatively, you will need a device with Internet connection, e.g. Laptop, tablet/iPad, smartphone, etc.

A group of 200 students is linked to one e-tutor. Students in a group are able to interact and learn from one another. Each group has their own separate site on *my*Unisa. These sites are numbered and you will receive your group number by email and SMS. **Don't be confused!** You will now have two sites for those modules with online tutoring, i.e. the main module site and the group module site.

In the main module site you will find the official study material files that you can download. You should also submit your assignments here. The primary lecturer of the module may from time to time communicate with the entire class through this site.

The group module site is where you can interact with your tutor and other group members. You can also participate in discussions, post academic-related queries and receive specific tutor support.

6.2 Contact with fellow students

6.2.1 Study groups

Many students have found that they benefit from joining a study group consisting of students that are enrolled for the same module(s). It is advisable to have contact with fellow students. One way to do this is to form study groups. The addresses of students in your area may be obtained from the following department:

Directorate: Student Administration and Registration
PO Box 392
UNISA
0003

6.2.2 *my*Unisa

If you have access to a computer that is linked to the internet, you can quickly access resources and information at the university. The *my*Unisa learning management system is Unisa's online campus that will help you to communicate with your lecturers, with other students and with the administrative departments of Unisa – all through the computer and the internet.

To go to the *my*Unisa website, start at the main Unisa website, http://www.unisa.ac.za, and then click on the "Login to *my*Unisa" link on the right-hand side of the screen. This should take you to the *my*Unisa website. You can also go there directly by typing in http://my.unisa.ac.za.

Please consult the publication **myStudies@Unisa*,*** for more information on *my*Unisa.

6.2.3 Group discussions

Further communication regarding discussion classes will follow in a tutorial letter or an announcement on *my*Unisa during the semester.

6.3 Unisa library services information

6.3.1 Unisa library login

You will be required to provide your login details, i.e. your student number and your *my*Unisa password, in order to access the library's online resources and services. This will enable you to:

- view or print your electronic course material;
- request library material;
- view and renew your library material; and
- use the library's e-resources.

6.3.2 Requesting books from the library

Students are expected to purchase their own copies of the **prescribed books.** A limited number of copies are housed in the Unisa Libraries, subject to each branch library's lending regulations. Problems experienced in obtaining copies from booksellers should be directed to the Prescribed Book section at e-mail vospresc@unisa.ac.za or telephone +27 12 429 4152.

6.3.3 Electronic book requests

The preferred way of requesting **recommended or additional books** is **online** via the library's catalogue. Go to http://oasis.unisa.ac.za

or via *my*Unisa, go to http://my.unisa.ac.za > Login > Library > Library catalogue,

or for mobile access (AirPAC), go to http://oasis.unisa.ac.za/airpac.

6.3.4 Telephonic book requests

This can be done by dialing +27 12 429 3133. Please supply the reservation order number (RON).

6.3.5 Postal book requests

Books may also be requested by completing a library book **request card** for each book.

These should be mailed to:

The Head: Request Services
Department of Library Services
PO Box 392
Pretoria 0003

or faxed to +27 12 429 8128.

Enquiries about requested books should be addressed to bib-circ@unisa.ac.za. Note requests should not be sent to this email address.

Telephonic enquiries can be made at +27 12 429 3133/3134. An after-hour voicemail service is also available at these numbers.

7 STUDY PLAN FOR FAC3701

7.1 Suggested study approach

Firstly work through the relevant sections of tutorial letter MO 001 pertaining to the assignment to be attempted. Ensure that you **understand** the work and do the examples on your own, without looking at the answers. Compare your answer to the one in the guide and pinpoint where you made mistakes. Restudy the relevant section and ensure that you now understand the solution to the example. If you still do not understand, write the page reference and the problem on your "queries list" so that you can phone one of the lecturers for an explanation.

Before attempting an assignment, ensure that you have prepared the work up to an examination standard. **Only thereafter** should you attempt answering the assignment questions under examination conditions, i.e. in the time allowed and sittings of two hours at a time.

The assignment must in effect constitute your first revision of the study material which you have studied. In other words, the assignment should not serve as a checklist of the work required to be studied for the completion of the assignment, but should, when the assignment is attempted, serve as a **test of the knowledge** that you have acquired by studying the work.

Take the suggested solution and compare your attempt which was answered **in the time allowed,** to the solution and determine the differences. In respect of every error, determine why the error was made i.e. careless reading of the question, lack of knowledge, question not answered, carelessness in the answering of the question, unable to complete the question due to time, calculations not shown, etc. You have now revised the work for a second time and you have been exposed to the type of errors that you are prone to make and can therefore work on correcting them.

If you persevere with this proposed approach to studying this module, you will reap the benefit of sustained practice in answering questions and will enjoy success in the examination.

7.2 Study programme

Use your publication **myStudies@Unisa** for general time management and planning skills.

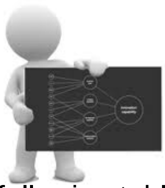
Experience has shown that students often fail to plan their studies properly so as to achieve specific study goals at predetermined dates. This leads to a haphazard approach to their studies and the use of ineffective study techniques.

We assume the following:

Studies should commence in January (first semester) and July (second semester) and that the full module should be completed by approximately the end of April (first semester) and August (second semester). This will leave sufficient time for revision.

NB: Those of you who register late should endeavour to put in extra effort in order to make up the lost time.

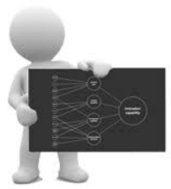
The table that follows can be used as a **guideline** on how to plan your study for FAC3701. If you submit your assignment online, submit it on or before the closing date, allowing you additional study time.



<u>SEMESTER 1</u>

The following table is a suggested study programme for completing the syllabus for this module:

Week	Learning unit	Week commences on	Assignment no	Due date
1 – 3	Income taxes (IAS 12, FRG 1)	18 January		
4 – 5	Accounting policies, changes in accounting estimates and errors (IAS 8)	8 February		
6	The Conceptual Framework for Financial Reporting 2010 and Preface to International Financial Reporting Standards	22 February	01	26 February
7	Presentation of financial statements (IAS 1)	29 February		
8	Events after the reporting period (IAS 10)	7 March	02	11 March
9	Provisions, contingent liabilities and contingent assets (IAS 37)	14 March		
10	Fair value measurement (IFRS 13)	21 March		
11	Revenue from contracts with customers (IFRS 15)	28 March		
12 – 13	Revision of all learning units	4 April		



SEMESTER 2

The following table is a suggested study programme for completing the syllabus for this module:

Week	Learning unit	Week commences on:	Assignment no	Due date
1 – 3	Income taxes (IAS 12, FRG 1)	27 June		
4 – 5	Accounting policies, changes in accounting estimates and errors (IAS 8)	18 July		
6	The Conceptual Framework for Financial Reporting 2010 and Preface to International Financial Reporting Standards	1 August	01	5 August
7	Presentation of financial statements (IAS 1)	8 August		
8	Events after the reporting period (IAS 10)	15 August	02	26 August
9	Provisions, contingent liabilities and contingent assets (IAS 37)	22 August		
10	Fair value measurement (IFRS 13)	29 August		
11	Revenue from contracts with customers (IFRS 15)	5 September		
12 – 13	Revision of all learning units	12 September		

We feel that at this point a word of warning would not be amiss. Please do not allow yourself to get behind with your study programme. Regaining of lost time is seldom achieved.

8 PRACTICAL WORK AND WORK-INTEGRATED LEARNING FOR FAC3701

There are no practicals for this module.

9 ASSESSMENT

9.1 Assessment plan

The Management of the University has taken a decision to introduce compulsory assignments to be submitted in all modules by set due dates. Submission of compulsory assignment 01 by its due date will give a student admission to the examination in the particular module and the marks obtained for both compulsory assignments 01 and 02 will contribute towards the final mark for that module.

Please note that the assignment questions for the first and second semester are different and the assignments have different unique numbers.

A final mark of 50% is required from students to pass a module. This final mark is calculated as follows:

(20% x mark obtained for both compulsory assignments) + (80% x mark obtained in the examination)

Example:

	Assignment mark (assignment 01 and assignment 02)	Contribution to final mark at 20%	Exam mark contribution required to pass (50% minus assignment mark contribution)	Minimum exam mark required to pass
Student 1	100%	20%	*32%	*40%
Student 2	70%	14%	36%	45%
Student 3	50%	10%	40%	50%
Student 4	30%	6%	44%	55%
Student 5	20%	4%	46%	58%
Student 6	10%	2%	48%	60%
Student 7	0%	0%	50%	63%

* A subminimum of 40% for the exam is required and therefore your minimum contribution is 32%.

Please ensure that the compulsory assignments reaches the University **before the due dates - late submission of the assignments will result in you not being admitted to the examination.**

Please refer to section 9.2.2 of this tutorial letter for the respective due dates.

Sub minimum requirements

A sub minimum of 40% in the examination is required.

Paragraph 5.4 of the Assessment Policy provides that the final mark of a student is a combination of the year mark and the examination mark, in the ratio as explained above. In case where a student does not obtain the required sub minimum of 40% in the examination, the year mark does not count. The final mark then is the examination mark obtained.

Results of supplementary examination: In terms of paragraph 5.7 of the Assessment Policy the year mark which was previously obtained (i.e. the assignment marks obtained in the semester the student was initially registered), **will contribute** to the final mark of the students who wrote the supplementary examination.

9.2 General assignment numbers

Assignments are numbered consecutively per module, starting from 01.

9.2.1 Unique assignment numbers

Each assignment has its **own unique assignment number**. The following are the unique assignment numbers:

SEMESTER 1			SEMESTER 2		
Assignment	**Type**	**Unique number**	**Assignment**	**Type**	**Unique number**
Assignment 1	Written	779942	Assignment 1	Written	844971
Assignment 2	MCQ	551941	Assignment 2	MCQ	787476

9.2.2 Due dates for assignments

SUBMISSION OF ASSIGNMENT 01 IS COMPULSORY TO OBTAIN EXAMINATION ADMISSION. PLEASE NOTE THAT ONLY CERTAIN SUBSECTIONS OF ASSIGNMENT 01 WILL BE MARKED. ASSIGNMENT 01 AND ASSIGNMENT 02 TOGETHER WILL COUNT 20% TOWARDS YOUR FINAL MARK FOR THIS MODULE.

Assignment number	Unique number	Due date
Compulsory 01/2016 – FIRST SEMESTER	779942	26 February 2016
Compulsory 02/2016 – FIRST SEMESTER	551941	11 March 2016
Compulsory 01/2016 – SECOND SEMESTER	844971	5 August 2016
Compulsory 02/2016 – SECOND SEMESTER	787476	26 August 2016

9.2.3 Finality of due dates

The receipt of assignments after the due date disrupts our marking programme and as the uncontrolled submission of assignments furthermore creates administrative problems no extension will be granted for the submission of assignments.

IMPORTANT: IF THE COMPULSORY ASSIGNMENT 01 IS RECEIVED AFTER THE DUE DATE, YOU WILL NOT OBTAIN ADMISSION TO THE EXAMINATION.

9.3 Submission of assignments

(a) Students may submit written assignments and MCQ assignments either by post, Mobile phone or electronically via *my*Unisa, **but preferably via *my*Unisa**. Assignments may **not be submitted by fax or e-mail.**

(b) For detailed information on assignments please refer to the publication **myStudies@Unisa**.

To submit an assignment via *my*Unisa:

- Go to *my*Unisa.
- Log in with your student number and password.
- Select the module.
- Click on “Assignments” in the menu on the left-hand side of the screen.
- Click on the assignment number you wish to submit.
- Follow the instructions.

(c) **Assignments received after the due date will not be marked.**

PLEASE NOTE:

It is important that you keep a copy of your submitted assignment as well as the submission reference number, to facilitate enquiries at a later date.

9.4 Importance of working through questions

Please note that it is not possible to cover every aspect of the tutorial matter in the assignments only.

Assignment questions, self-assessment questions and additional questions form an integral part of the study material and must also be studied for examination purposes.

It is in your own interest to work through all the above mentioned questions as:

- the practice of questions will improve your knowledge of accounting;
- your speed will increase when answering questions; and
- it will provide practice which is essential in your preparation for the exam.

9.5 Plagiarism

Plagiarism is the act of taking words, ideas and thoughts of others and passing them off as your own. It is a form of theft which involves a number of dishonest academic activities.

The disciplinary code for students is given to all students at registration. Students are advised to study the code. Kindly read the University Policy on Copyright Infringement and Plagiarism as well.

You are not allowed to copy another student's assignment. The University will take stern actions against such students. We urge you once again to refrain from such malpractices. Although students may work together when preparing for assignments, each student must prepare and submit his or her own individual assignment.

10 OTHER ASSESSMENT METHODS

No other assessment methods are currently used for this module.

11 EXAMINATION

Use your publication **myStudies@Unisa** for general examination guidelines and examination preparation guidelines.

It should be mentioned that you will write one examination paper for this module.

11.1 Examination admission

SUBMISSION OF ASSIGNMENT 01 IS COMPULSORY TO OBTAIN EXAMINATION ADMISSION. ONLY STUDENTS THAT COMPLY WITH THIS REQUIREMENT WILL BE ADMITTED TO THE EXAMINATION OF FAC3701. ASSIGNMENT 01 AND ASSIGNMENT 02 TOGETHER WILL COUNT 20% TOWARDS YOUR FINAL MARK FOR THIS MODULE.

Please note: The compulsory assignments (assignment 01 and 02) count 20% towards your final mark. The mark obtained by you in the examination will determine the remaining 80% of your final mark for this module.

11.2 Examination period

During the module time-frame of the respective semester, the Examination Section will provide you with information regarding the examination in general, examination venues, examination dates and examination times.

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11.3 Previous examination papers

The University Rules (paragraph 32) have been amended to specifically provide that the University will not make previous years examination papers and memorandums and so-called “model answers” of previous examination papers available to students.

11.4 Information on the examination

To help you in your preparation for the examination you will receive an exam letter as an annexure to a tutorial letter. This letter will include information that will explain the format of the examination paper and general advice the lecturers want to share with students.

11.5 Calculator policy

Candidates may only use silent, electronic, battery-driven pocket calculators subject to the following conditions:

- Calculators must be cordless, and may **not** have print-out facilities or alpha keys,
- Any financial calculator will be allowed as the following table of present values will **not** be provided:
    - Tables of present value factors for various interest rates for varying periods
    - Tables of future value factors for various interest rates for varying periods
- The calculator function on mobile telephones or any electronic device (i.e. laptops and /or any Smart phone) may **not** be used, and
- Candidates may **not** share a calculator with another candidate in the examination room.

12 FREQUENTLY ASKED QUESTIONS

The publication **myStudies@Unisa** contains an A-Z guide of the most relevant study information.

13 SOURCES CONSULTED

None.

14 CONCLUSION

We would like to encourage you to approach your studies with enthusiasm. Remember, success can only be achieved by hard work and perseverance. We wish you a pleasant study period.

ANNEXURE A: COMPULSORY ASSIGNMENT 01 (WRITTEN) - FIRST SEMESTER

ANNEXURE B: COMPULSORY ASSIGNMENT 02 (MCQ) - FIRST SEMESTER

ANNEXURE C: COMPULSORY ASSIGNMENT 01 (WRITTEN) - SECOND SEMESTER

ANNEXURE D: COMPULSORY ASSIGNMENT 02 (MCQ) - SECOND SEMESTER

ANNEXURE A: ASSIGNMENT 01 FOR FAC3701 (COMPULSORY FOR FIRST SEMESTER REGISTRATION)

SUBMISSION OF ASSIGNMENT 01 IS COMPULSORY TO OBTAIN EXAMINATION ADMISSION. ASSIGNMENT 01 WILL CONTRIBUTE 15% TOWARDS YOUR FINAL MARK.

SEMESTER 1

UNIQUE NUMBER: 779942

DUE DATE: 26 February 2016

PLEASE NOTE:

1. This assignment consists of only one (1) question with subsections.
2. All subsections of this question must be answered.
3. All calculations must be shown.
4. Please follow the instructions in the required part of the question carefully to ensure that you obtain the maximum marks for the subsection of the question.
5. This assignment covers learning unit 1 of tutorial letter MO 001. Work carefully through the relevant tutorial matter before you attempt the assignment. **Please note that only certain subsections of this question will be marked.**
6. **No extension will be granted for the late submission of this assignment and no correspondence or telephone conversations will be conducted in this regard.**
7. Please follow the instructions for the submission of the written assignment carefully.

INSTRUCTIONS FOR SUBMISSION OF WRITTEN ASSIGNMENTS

Written assignments can be submitted as follows:

- mailed by using ordinary post using the envelope supplied; or
- placed in the assignment envelope in a UNISA assignment post box; or
- electronically submitted via *my*Unisa.

➢ **THE PREFERRED METHOD OF SUBMISSION IS ELECTRONICALLY VIA *MY*UNISA.**

PLEASE NOTE:

- If you electronically submit the written assignment via *my*Unisa the file must be converted to or scanned in **PDF-format**.
- The assignment must be scanned and submitted as **only one** PDF file. The PDF file must not be a "read only" file.
- **Any format other than PDF will not be accepted by *my*Unisa**
- Written assignments can ONLY be submitted **ONCE** on *my*Unisa. No corrections to your assignment can be done after submission.

<u>ASSIGNMENT 01</u> (First semester)(50 marks)

<u>WRITTEN ASSIGNMENT</u>

ClassiC Ltd is a manufacturer of ladies clothing. The following information relates to ClassiC Ltd for the financial year ended 31 December 2015:

1. Profit before tax
   The profit before tax of ClassiC Ltd **after** taking into account all the information below, amounted to R1 150 000 for the year ended 31 December 2015. The following items are included in profit before tax:

	R
Income received from Canada	200 000
The income received by ClassiC Ltd from Canada is not taxable in South Africa in terms of a double taxation agreement. ClassiC Ltd paid foreign taxes on this income amounting to R42 000.	
Dividends received from unlisted investment	80 000
Directors' remuneration	25 000
Interest paid on bank overdraft	23 000
Fines paid to the Metro police	6 000
Interest paid on late submission of VAT return (not tax deductible)	12 000
Lease payments (refer 4)	19 800
Lease penalty (refer 5)	80 000

2. The balance of the allowance for credit losses in the statement of financial position of ClassiC Ltd at 31 December 2014 and 31 December 2015 amounted to R65 000 and R60 000 respectively.

   Only 25% of the allowance for credit losses is allowed as a deduction for tax purposes. Actual credit losses incurred are written off directly to the statement of profit or loss and other comprehensive income and not against the allowance for credit losses.

3. ClassiC Ltd owns a delivery vehicle used on a daily basis for the delivering of goods. The details of the delivery vehicle on 31 December 2014 are as follows:

	Cost	**Carrying amount**	**Tax base**
	R	**R**	**R**
Delivery vehicle	240 000	196 000	180 000

   On the date of acquisition of the delivery vehicle, it was estimated that the delivery vehicle will have a useful life of 5 years and a residual value of R20 000. The SA Revenue Service allows a tax allowance of 4 years according to the straight-line method on delivery vehicles in terms of Section 11(e) of the Income Tax Act.

4. On 30 September 2015, ClassiC Ltd sold a knitting machine and replaced it by leasing a new, more advanced, knitting machine. Details of the knitting machine sold and the subsequent lease agreement of the new, more advanced, knitting machine are as follows:

Cost	R45 000
Carrying amount – 1 January 2015	R36 000
Selling price	R30 000
Tax base – 1 January 2015	R18 000
Depreciation rate	10% per annum straight-line

   The SA Revenue Service allows a section 12C deduction in terms of the Income Tax Act on the knitting machine. The allowance is a 40% deduction in the first year the knitting machine is put into use and thereafter a 20% deduction per annum, not apportioned for part of a year. Subsequent to the sale of the above knitting machine, a four year lease agreement was concluded with Singar Ltd to

ASSIGNMENT 01 (first semester)(continued)

lease a more advanced industrial knitting machine from 1 October 2015. In terms of the lease agreement, the lease payments for the knitting machine amounts to R79 200 per annum, payable 12 months in advance.

5. A few years ago, ClassiC Ltd entered into a lease agreement for premises that expires at the end of 2017. However, on 30 November 2015 ClassiC Ltd decided to vacate these premises and relocated its operations to bigger premises. The lessor instituted a claim against ClassiC Ltd for the early termination of the lease agreement. On 31 December 2015, the lawyers of ClassiC Ltd advised them that the company will most probably be liable to pay a settlement penalty of R80 000 to the lessor. On 31 December 2015 ClassiC Ltd made a provision for the settlement penalty in their annual financial statements. The SA Revenue Service will allow the settlement penalty as a deduction for tax purposes only when it is actually paid.

6. You can assume that all the above transactions were correctly recorded in the accounting records of ClassiC Ltd in terms of International Financial Reporting Standards.

7. ClassiC Ltd declared a cash dividend of R220 000 on 31 December 2014. All the shareholders of ClassiC Ltd are natural persons. The dividend as well as the dividend tax was paid in cash on 31 January 2015. The payment of the dividends and dividend tax have not yet been recorded in the accounting records of ClassiC Ltd for the year ended 31 December 2015. The dividend tax rate is 15%.

8. The SA normal tax rate changed from 29% in 2014 to 28% in 2015. The tax assessment for the 2014 financial year showed an assessed loss of R120 000, which is in agreement with the accounting records of ClassiC Ltd.

   ClassiC Ltd made the following provisional tax payments for the year ended 31 December 2015:

	R
1st Provisional tax payment – 30 June 2015	90 000
2nd Provisional tax payment – 31 December 2015	85 000

9. Deferred tax is provided for on all temporary differences, using the statement of financial position approach. There are no other exempt or temporary differences except those mentioned in the question. There is certainty beyond reasonable doubt that the company will have sufficient taxable profit in future against which any deductible temporary differences can be utilised. The deferred tax asset balance on 31 December 2014, **which you can assume to be correct,** amounted to R39 078.

10. Assume all amounts are material.

REQUIRED:

a) Calculate the current tax due to the SA Revenue Service in the statement of financial position of ClassiC Ltd for the year ended 31 December 2015, according to the requirements of *IAS 12, Income taxes*.

   All calculations must be shown.
   All calculations are to be done to the nearest Rand. (17½)

b) Calculate the deferred tax movement (including the tax rate adjustment) in the statement of profit or loss and other comprehensive income of ClassiC Ltd for the year ended 31 December 2015, **using the statement of financial position approach,** according to the requirements of *IAS 12, Income taxes***.** Indicate in your answer if it is a debit or credit movement in the statement of profit or loss and other comprehensive income.

All calculations must be shown.
All calculations are to be done to the nearest Rand. (7½)

c) Prepare the journal entries for the current tax expense (calculated in a) and deferred tax expense (calculated in b) in the accounting records of ClassiC Ltd for the year ended 31 December 2015.

Journal narrations are **not** required.
No abbreviations for general ledger account names in your journal may be used.
Indicate in your journals if it is a statement of financial position (SFP) or statement of profit or loss and other comprehensive income (P/L) general ledger account. (3)

d) Prepare the necessary journal entry for information **(7)** above, in the accounting records of ClassiC Ltd for the year ended 31 December 2015.

Your answer must comply with the requirements of International Financial Reporting Standards (IFRS).

All calculations are to be done to the nearest Rand.
Journal narrations are **not** required.
No abbreviations for general ledger account names in your journal may be used.
Indicate in your journal if it is a statement of financial position (SFP) or statement of profit or loss and other comprehensive income (P/L) general ledger account. (3½)

e) Disclose the income tax expense note, **including the tax rate reconciliation (using R-values only)**, and the deferred tax note to the annual financial statements of ClassiC Ltd for the year ended 31 December 2015, according to the requirements of *IAS 12, Income taxes.*

No comparative figures are required.
All calculations are to be done to the nearest Rand. (18½)

[50]

ANNEXURE B: ASSIGNMENT 02 FOR FAC3701 (COMPULSORY FOR FIRST SEMESTER REGISTRATION)

ASSIGNMENT 02 WILL CONTRIBUTE 5% TOWARDS YOUR FINAL MARK.

SEMESTER 1

UNIQUE NUMBER: 551941

DUE DATE: 11 March 2016

PLEASE NOTE:

1. This assignment consists of 10 multiple choice questions.
2. This assignment covers learning units 2 and 3 of tutorial letter MO 001. Work carefully through the relevant tutorial matter before you attempt the assignment.
3. No extension will be granted for the late submission of this assignment and no correspondence or telephone conversations will be conducted in this regard.
4. It is preferred that the assignment is submitted via *my*Unisa

INSTRUCTIONS FOR SUBMISSION ON MARK-READING SHEETS:

Only mark-reading sheets provided may be used.
Colour in the correct block with a HB pencil.
Fill in your student number correctly.
Fill in the assignment number correctly
Fill in the unique number of the assignment **for the specific module and semester** correctly. Every assignment which is marked by the computer is given a unique number. The number contains information on the module code and assignment number. When the computer reads the mark-reading sheet with, say, the unique number 103039, it "identifies" that it is Assignment 01 for that specific module.
Answer each numbered question at the relevant answer number.
Send **only** your mark-reading sheet to the Assignment Section in the appropriate envelope

DO NOT:

Make more than one mark per question;
tear or fold the mark-reading sheet;
staple the mark-reading sheet to another piece of paper;
colour outside the block;
colour in the block with a pen;
make corrections with Tippex;
submit answers on written sheet of paper, or
try to repair a torn mark-reading sheet with sticky tape – use another one.

ASSIGNMENT 02 (First semester)(20 marks)

Questions 1 – 10 relate to the annual financial statements of Glow Ltd that complies with the requirements of the International Financial Reporting Standards. Each question has only one correct answer.

Glow Ltd is a wholesaler of fruit juices which is primarily used in weight loss programmes. The following is an extract from the trial balance of Glow Ltd at 31 December 2015:

	Additional information	**Dr R**	**Cr R**
Machinery – Machine Delta – cost	1	950 000	
Accumulated depreciation – Machine Delta	1		475 000
Accounts payable			915 000
Sales			2 350 000
Cost of sales	2	1 295 000	
Salaries and wages	3	721 250	
Accounts receivable		277 000	
Inventory	2	95 000	

Additional information

1. Machine Delta is used to package all the fruit juices sold by Glow Ltd. Machine Delta was acquired on 1 January 2014. Machine Delta is depreciated according to the straight-line method at 25% per annum with no residual value, which is similar to the policy applied by the SA Revenue Service. After a review of the draft annual financial statements for the year ended 31 December 2015, the directors decided to change the depreciation rate of Machine Delta to 5% per annum according to the straight-line method and the residual value to R50 000. This will give a more realistic reflection of the annual pattern of economic benefits derived from Machine Delta. Depreciation on Machine Delta for the current year, provided according to the straight-line method at 25% per annum, has already been recorded in the accounting records of Glow Ltd for the year ended 31 December 2015. The effect of the change in the depreciation rate and residual value has **not** yet been recorded in the accounting records of Glow Ltd for the year ended 31 December 2015. The carrying amount of Machine Delta on 31 December 2014 amounted to R712 500.

2. During the current financial year the directors of Glow Ltd decided to change the accounting policy in respect of the valuation of inventory, in order to comply with International Financial Reporting Standards (IFRS). Inventory previously valued according to the weighted average method, is now valued according to the first-in, first-out method. The new method of inventory valuation has not yet been recorded in the accounting records of Glow Ltd for the year ended 31 December 2015.

   The value of inventory according to the different valuation methods is as follows:

	31 December 2015 R	**31 December 2014 R**	**31 December 2013 R**
First-in, first-out method	110 000	172 000	120 000
Weighted average method	(95 000)	(140 000)	(85 000)
Difference	15 000	32 000	35 000
Tax effect @ 28%	(4 200)	(8 960)	(9 800)
	10 800	23 040	25 200

<u>ASSIGNMENT 02</u> (first semester)(continued)

The SA Revenue Service will **not** reopen the previous years' tax assessments and the new method of inventory valuation will **not** be accepted by the SA Revenue Service.

3. During the current year's audit it was discovered that performance bonuses of R120 900 paid to staff in the customer service department during the financial year ended 31 December 2014, were incorrectly debited to the accounts receivable account of Glow Ltd. The salaries and wages account in the statement of profit or loss and other comprehensive income of Glow Ltd for the financial year ended 31 December 2014 amounted to R810 000. The tax effect of the above misallocation is considered material and the SA Revenue Service indicated that they will reopen the tax assessment for the financial year ended 31 December 2014 regarding this matter.

4. Due to the expansion of Glow Ltd's warehouse facilities, warehouse racking was acquired on 20 December 2015, which will only be put into use on 1 January 2016.

5. The company provides for deferred tax on all temporary differences using the statement of financial position approach. There are no other exempt or temporary differences except those mentioned in the question. There is certainty beyond any reasonable doubt, that the company will have sufficient taxable profit in future against which any deductible temporary differences can be utilised.

   The SA normal tax rate has remained unchanged at 28% for the past few years.

   Assume all amounts are material.

MULTIPLE CHOICE QUESTIONS:

These questions can be answered online. Log onto *my*Unisa and choose the FAC3701 module tab and access the assignment tool. Click on the submit action next to assignment 02. Remember each question has only one correct answer.

<u>QUESTION 1</u>

The carrying amount of machine Delta, after taking into account the change in depreciation rate and residual value, at **31 December 2015**, according to the requirements of *IAS 8, Accounting policies, changes in accounting estimates and errors,* amounts to:

1. R902 500
2. R676 875
3. R900 000
4. R679 375
5. R905 000 (2)

<u>QUESTION 2</u>

The tax base of Machine Delta at **31 December 2015** amounts to:

1. R475 000
2. R500 000
3. R860 000
4. R905 000
5. R712 500 (2)

<u>ASSIGNMENT 02</u> (first semester)(continued)

<u>QUESTION 3</u>

Due to the change in estimate for Machine Delta, the following have to be disclosed in the notes to the annual financial statements of Glow Ltd for the year ended 31 December 2015, according to the requirements of *IAS 8, Accounting policies, changes in accounting estimates and errors*:

a. The nature of the change.
b. The amount of the change in the depreciation expense of machinery for the current year.
c. The amount of the change in the depreciation expense of machinery for the prior year.
d. The amount of the change in depreciation expense of machinery for future periods (if practicable to estimate) or else a statement that the future effects are impracticable to estimate.

The correct answer is:

1. a, b and d only.
2. b, c and d only.
3. a, c and d only.
4. a, b and c only.
5. a, b, c and d. (2)

<u>QUESTION 4</u>

The change in the inventory valuation method from the weighted average method to the first-in, first-out method will have the following effect on cost of sales in the statement of profit or loss and other comprehensive income of Glow Ltd for the year ended **31 December 2015**, according to the requirements of *IAS 8 – Accounting policies, changes in accounting estimates and errors:*

1. Increase in cost of sales amounting to R17 000.
2. Increase in cost of sales amounting to R20 000
3. Increase in cost of sales amounting to R35 000
4. Decrease in cost of sales amounting to R3 000
5. Increase in cost of sales amounting to R3 000 (2)

<u>QUESTION 5</u>

The change in the inventory valuation method from the weighted average method to the first-in, first-out method will have the following effect on cost of sales in the statement of profit or loss and other comprehensive income of Glow Ltd for the year ended **31 December 2014**, according to the requirements of *IAS 8 – Accounting policies, changes in accounting estimates and errors:*

1. Decrease in cost of sales amounting to R17 000
2. Increase in cost of sales amounting to R3 000
3. Increase in cost of sales amounting to R32 000
4. Increase in cost of sales amounting to R15 000
5. Increase in cost of sales amounting to R47 000 (2)

<u>QUESTION 6</u>

The carrying amount and tax base of inventory in the calculation of the deferred tax balance of Glow Ltd on **31 December 2014**, according to the requirements of *IAS 12 – Income taxes,* amount to:

1. Carrying amount: R172 000 Tax base: R140 000
2. Carrying amount: R120 000 Tax base: R85 000
3. Carrying amount: R140 000 Tax base: R172 000
4. Carrying amount: R110 000 Tax base: R95 000
5. Carrying amount: R15 000 Tax base: R32 000 (2)

<u>ASSIGNMENT 02</u> (first semester)(continued)

QUESTION 7

The carrying amount and tax base of inventory in the calculation of the deferred tax balance of Glow Ltd on **31 December 2015**, according to the requirements of *IAS 12, Income taxes,* amount to:

1. Carrying amount: R15 000 Tax base: R32 000
2. Carrying amount: R172 000 Tax base: R110 000
3. Carrying amount: R110 000 Tax base: R95 000
4. Carrying amount: R172 000 Tax base: R140 000
5. Carrying amount: R10 800 Tax base: R15 000 (2)

QUESTION 8

As a result of the change in inventory valuation method from the weighted average method to the first-in, first-out method the comparative amount of inventory on 31 December 2013, that will be disclosed in the statement of financial position of Glow Ltd at **31 December 2015,** according to the requirements of International Financial Reporting Standards, is as follows:

1. R85 000
2. R3 000
3. R35 000
4. R120 000
5. The inventory on 31 December 2013 will not be disclosed as a comparative (2)

QUESTION 9

Assuming that the comparative period can be re-opened for purposes of recording this journal, the following journal should be recorded in the accounting records of Glow Ltd for the year ended **31 December 2014**, to correct the misallocation of performance bonuses, according to the requirements of *IAS 8, Accounting policies, changes in accounting estimates and errors:*

		Dr R	**Cr R**
1.	Salaries and wages (P/L)	810 000	
	South African Revenue Service (SFP)		583 200
	Current tax expense (P/L)		226 800
2.	Salaries and wages (P/L)	120 900	
	South African Revenue Service (SFP)	33 852	
	Accounts receivable (SFP)		120 900
	Current tax expense (P/L)		33 852
3.	Accounts receivable (SFP)	120 900	
	Current tax expense (P/L)	33 852	
	Salaries and wages (P/L)		120 900
	South African Revenue Service (SFP)		33 852

ASSIGNMENT 02 (first semester)(continued)

4.	Salaries and wages (P/L)	842 150	
	South African Revenue Service (SFP)	235 802	
	Current tax expense (P/L)		235 802
	Accounts receivable (SFP)		842 150
5.	Retained earnings (SFP)	87 048	
	South African Revenue Service (SFP)	33 852	
	Accounts receivable (SFP)		120 900

(2)

QUESTION 10

Which of the following measurement basis could be used to account for the warehouse racking acquired on 20 December 2015, in the annual financial statements of Glow Ltd for the year ended 31 December 2015, according to the *Conceptual Framework for Financial Reporting 2010?*

a. Historical cost basis.
b. Current cost basis.
c. Market value basis.
d. Present value basis.
e. Realizable value basis.
f. Inflationary value basis.
g. Future value basis.

The correct answer is:

1. c, d, e and g only.
2. a, b and c only.
3. b, c, d and g only.
4. a, b, d and e only.
5. a, b, e and f only. (2)

ANNEXURE C: ASSIGNMENT 01 FOR FAC3701 (COMPULSORY FOR SECOND SEMESTER REGISTRATION)

SUBMISSION OF ASSIGNMENT 01 IS COMPULSORY TO OBTAIN EXAMINATION ADMISSION. ASSIGNMENT 01 WILL CONTRIBUTE 15% TOWARDS YOUR FINAL MARK.

<u>SEMESTER 2</u>

UNIQUE NUMBER: 844971

DUE DATE: 5 August 2016

PLEASE NOTE:

1. This assignment consists of only one (1) question with subsections.

2. All subsections of this question must be answered.

3. All calculations must be shown.

4. Please follow the instructions in the required part of the question carefully to ensure that you obtain the maximum marks for the subsection of the question.

5. This assignment covers learning unit 1 of tutorial letter MO 001. Work carefully through the relevant tutorial matter before you attempt the assignment. **Please note that only certain subsections of this question will be marked.**

6. **No extension will be granted for the late submission of this assignment and no correspondence or telephone conversations will be conducted in this regard.**

7. Please follow the instructions for the submission of the written assignment carefully.

<u>INSTRUCTIONS FOR SUBMISSION OF WRITTEN ASSIGNMENTS</u>

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- placed in the assignment envelope in a UNISA assignment post box; or
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➢ **THE PREFERRED METHOD OF SUBMISSION IS ELECTRONICALLY VIA *MY*UNISA.**

PLEASE NOTE:
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- The assignment must be scanned and submitted as **only one** PDF file. The PDF file must not be a "read only" file.
- **Any format other than PDF will not be accepted by *my*Unisa**
- Written assignments can ONLY be submitted **ONCE** on *my*Unisa. No corrections to your assignment can be done after submission.

<u>ASSIGNMENT 01</u> (Second semester)(50 marks)

<u>WRITTEN ASSIGNMENT</u>

Colours Ltd, a listed company on the Johannesburg Securities Exchange, is a retailer and manufacturer of quality homeware and home decorating items.

The following is an extract of the trial balance of Colours Ltd for the year ended 29 February 2016, which you can assume to be correct:

	Additional information	**Dr/(Cr) R**
Machinery at cost	1	1 536 000
Accumulated depreciation – machinery	1	(906 854)
Land at cost	2	400 000
Trade receivables	3	102 000
Rent received in advance in respect of March 2016	2	(20 000)

Additional information:

1. During May 2015, the directors of Colours Ltd decided to sell a machine, originally acquired on 30 June 2013 at a cost of R114 000. This machine was used to print decorative wallpaper, for the upgrade of the Last National Bank's regional branches. On 31 May 2015, the machine was sold for R125 000. On the date of sale the carrying amount and tax base of the machine amounted to R75 088 and R45 600 respectively. The tax base of the remaining machinery on 29 February 2016 amounted to R307 200. Depreciation on machinery is written off at 20% per annum according to the reducing balance method. The SA Revenue Service allows a tax allowance on machinery at 20% per annum, not apportioned for a portion of a year, according to the straight-line method in terms of Section 12C of the Income Tax Act. The depreciation and tax allowance on both the remaining and the sold machinery, for the year ended 29 February 2016 amounted to R161 238 and R330 000 respectively. No other machinery were acquired or sold during the year. All the transactions relating to machinery have already been correctly recorded in the accounting records of Colours Ltd for the year ended 29 February 2016.

2. On 30 June 2015, Colours Ltd acquired a stand for R400 000 which is rented out to Big Markets Ltd, a company that organises weekly arts, crafts and farmers markets. This stand is accounted for according to the cost model. Rent received from Big Markets Ltd for the year ended 29 February 2016 amounted to R180 000, including R20 000 for rent relating to the wine festival to be held in March 2016. The SA Revenue Service does not allow a tax allowance on land.

3. On 28 February 2015, the balance of the trade receivables account and the allowance for credit losses account in the general ledger of Colours Ltd amounted to R134 000 and R41 500 respectively. Colours Ltd did not make an allowance for credit losses for the current financial year as the company made significant changes to their credit policy which is being strictly enforced. The SA Revenue Service allows 25% of the allowance for credit losses as a tax deduction.

The profit before tax of Colours Ltd for the year ended 29 February 2016 amounted to R519 900, including the following:

- Dividends received in respect of a 5% investment acquired in a South African listed lighting design company, Lite Africa Ltd, in 2013. Lite Africa Ltd declared a final dividend of R500 000 to all registered shareholders on 31 December 2015, payable on 1 March 2016.

<u>ASSIGNMENT 01</u> (second semester)(continued)

- Income received from Namibia, which is not taxable in the Republic of South Africa in terms of a double taxation agreement. Colours Ltd received R32 000 **after** foreign tax of R8 000 has been deducted and paid over.

- Legal fees amounting to R13 300. The legal fees are not deductible for tax purposes.

You can assume that all the above transactions were correctly recorded in the accounting records of Colours Ltd, in terms of International Financial Reporting Standards.

The first and second provisional tax payments made during the current financial year in respect of the 2016 tax year, which have not yet been recorded in the accounting records of Colours Ltd, amounted to R20 200 and R30 000 respectively. Colours Ltd had an assessed tax loss of R75 000 for the year ended 28 February 2015, which the company is in agreement with. The SA normal tax rate changed from 29% in 2015 to 28% in 2016. The capital gains tax inclusion rate is 66,6%.

The company provides for deferred tax on all temporary differences using the statement of financial position approach. There are no other exempt or temporary differences except those mentioned in the question. The company will have sufficient taxable profit in future against which any unused tax losses can be utilised.

Assume all amounts to be material.

REQUIRED:

a) Calculate the current tax due to the SA Revenue Service as it would appear in the statement of financial position of Colours Ltd for the year ended 29 February 2016, according to the requirements of *IAS 12, Income taxes*.

All calculations must be shown.
All calculations are to be done to the nearest Rand. (12½)

b) Prepare the journal entries to record the current tax expense and the provisional tax payments made in the accounting records of Colours Ltd for the year ended 29 February 2016.

No journal narrations are required.
All calculations must be shown.
No abbreviations for general ledger account names are to be used in your journals.
Indicate in your journal if it is a statement of financial position (SFP) or a statement of profit or loss and other comprehensive income (P/L) general ledger account. (3)

c) After calculating the deferred tax balance of Colours Ltd on both 28 February 2015 and 29 February 2016, using the statement of financial position approach, disclose the deferred tax note to the annual financial statements of Colours Ltd for the year ended 29 February 2016, according to the requirements of *IAS 12, Income taxes*.

No accounting policy notes are required.
Comparative figures **are required**.
All calculations must be shown.
All calculations are to be done to the nearest Rand. (16)

<u>ASSIGNMENT 01</u> (second semester)(continued)

d) Prepare the journal entry to record the deferred tax expense (including the rate adjustment) in the accounting records of Colours Ltd for the year ended 29 February 2016.

No journal narrations are required.
All calculations must be shown.
No abbreviations for general ledger account names are to be used in your journal.
Indicate in your journal if it is a statement of financial position (SFP) or a statement of profit or loss and other comprehensive income (P/L) general ledger account. (2)

e) Disclose the income tax expense note, **including the tax rate reconciliation using the R-values only**, to the annual financial statements of Colours Ltd for the year ended 29 February 2016, according to the requirements of *IAS 12, Income taxes*.

No accounting policy notes are required.
No comparative figures are required.
All calculations must be shown.
All calculations are to be done to the nearest Rand. (14½)

f) Discuss the deferred tax implications relating to the stand, according to the requirements of *IAS 12, Income taxes*. (2)

[50]

ANNEXURE D: ASSIGNMENT 02 FOR FAC3701 (COMPULSORY FOR SECOND SEMESTER REGISTRATION)

ASSIGNMENT 02 COUNTS 5% OF YOUR FINAL MARK.

SEMESTER 2

UNIQUE NUMBER: 787476

DUE DATE: 26 August 2016

PLEASE NOTE:

1. This assignment consists of 10 multiple choice questions.
2. This assignment covers learning unit 2 to 3 of tutorial letter MO 001. Work carefully through the relevant tutorial matter before you attempt the assignment.
3. No extension will be granted for the late submission of this assignment and no correspondence or telephone conversations will be conducted in this regard.
4. It is preferred that the assignment is submitted via *my*Unisa

INSTRUCTIONS FOR SUBMISSION ON MARK-READING SHEETS:

Only mark-reading sheets provided may be used.
Colour in the correct block with a HB pencil.
Fill in your student number correctly.
Fill in the assignment number correctly
Fill in the unique number of the assignment **for the specific module and semester** correctly. Every assignment which is marked by the computer is given a unique number. The number contains information on the module code and assignment number. When the computer reads the mark-reading sheet with, say, the unique number 103039, it "identifies" that it is Assignment 01 for that specific module.
Answer each numbered question at the relevant answer number.
Send **only** your mark-reading sheet to the Assignment Section in the appropriate envelope.

DO NOT:

Make more than one mark per question;
tear or fold the mark-reading sheet;
staple the mark reading sheet to another piece of paper;
colour outside the block;
colour in the block with a pen;
make corrections with Tippex;
submit answers on written sheet of paper, or
try to repair a torn mark-reading sheet with sticky tape - use another one.

ASSIGNMENT 02 (Second semester)(20 marks)

Questions 1 – 10 relate to the annual financial statements of Royal Ltd that complies with the requirements of the International Financial Reporting Standards. Each question has only one correct answer.

Royal Ltd is a manufacturer and retailer of ice cream products and dry ice. The profit before tax of Royal Ltd for the years ended 28 February 2015 and 28 February 2014, **before** taking into account the information below, amounted to R940 000 and R1 500 000 respectively.

1. Share capital

The issued share capital of Royal Ltd consists of:

	R
500 000 ordinary shares	500 000
200 000 10% redeemable preference shares	200 000
	700 000

The 200 000 redeemable preference shares were issued on 1 March 2014 and are compulsory redeemable on 28 February 2017. On 28 February 2015 an amount of R20 000 preference dividends were declared and paid to all preference shareholders.

2. Inventory

After the draft financial statements for the year ended 28 February 2015 had been prepared, the directors changed the inventory valuation method from the weighted average method to the first-in, first-out method. This will result in a fairer presentation of the financial position and operating results of the company due to fluctuations in inventory prices.

The value of inventory based on the different valuation methods was as follows:

	Weighted average method R	First-in, first-out method R	Difference R
29 February 2012	138 000	250 000	112 000
28 February 2013	340 000	480 000	140 000
28 February 2014	560 000	688 000	128 000
28 February 2015	380 000	440 000	60 000

The SA Revenue Service indicated that they will accept the new inventory valuation method from the current year but they will **not** re-open any prior year tax assessments. This change in the inventory valuation method has **not** yet been accounted for in the accounting records of Royal Ltd for the year ended 28 February 2015.

3. Delivery trucks

Royal Ltd has a fleet of delivery trucks, acquired on 1 March 2013, at a cost of R1 800 000, which are used to transport ice cream products and dry ice to various retail outlets. After the operations manager did a physical inspection of the delivery trucks during February 2015, to determine their roadworthiness, he indicated that the remaining useful life of these delivery trucks on 28 February 2015 are actually only 2 years, due to the fact that the trucks are used to their full capacity. The financial director therefore decided to change the depreciation method for these delivery trucks for the current year from the reducing balance method at 20% per annum to the straight-line method. Based on the operations manager's assessment of the delivery trucks, the financial director also changed the residual value of the delivery trucks from R100 000 to R20 000 to reflect the increased usage of the delivery trucks.

<u>ASSIGNMENT 02</u> (second semester)(continued)

No depreciation expense for these delivery trucks has yet been recorded in the accounting records of Royal Ltd for the current year. No other delivery trucks were acquired or disposed of since 1 March 2013. The SA Revenue Service allows a tax allowance of 4 years, pro-rata, on the delivery trucks, according to the straight-line method in terms of Section 11(e) of the Income Tax Act.

4. Refrigeration equipment

On 1 March 2013, Royal Ltd purchased refrigeration equipment at a cost of R1 200 000. During the interim audit the auditors discovered that the cost of this refrigeration equipment was expensed as “other expenses” in the accounting records of Royal Ltd for the year ended 28 February 2014, instead of being capitalised. The effect of this incorrect allocation has **not** yet been recorded in the accounting records of Royal Ltd for the year ended 28 February 2015.

Depreciation on refrigeration equipment is provided for at 20% per annum according to the straight-line method. The SA Revenue Service allows a tax allowance of 6 years, pro-rata, on refrigeration equipment in terms of section 11(e) of the Income Tax Act. The SA Revenue Service indicated that they will re-open the previous year’s tax assessment regarding this matter.

5. Tax

The SA normal tax rate has remained unchanged at 28% for the past few years. The taxable income/loss of Royal Ltd, **before** taking the above information into account, amounted to an income of R1 840 000 and a loss of R2 650 000 for the years ended 28 February 2015 and 28 February 2014 respectively. The company provides for deferred tax on all temporary differences using the statement of financial position approach. There are no other exempt or temporary differences except those mentioned in the question. There is certainty beyond any reasonable doubt, that the company will have sufficient taxable profit in future against which any unused tax losses can be utilised.

Assume all amounts to be material.

MULTIPLE CHOICE QUESTIONS:

These questions can be answered online. Log onto *my*Unisa and choose the FAC3701 module tab and access the assignment tool. Click on the submit action next to assignment 02. Remember each question has only one correct answer.

<u>QUESTION 1</u>

The 200 000 10% redeemable preference shares should be recognised as follows in the annual financial statements of Royal Ltd for the year ended 28 February 2015, according to the requirements of the *Conceptual Framework:*

1. Asset of R200 000
2. Liability of R200 000
3. Income of R200 000
4. Expense of R200 000
5. Equity of R200 000 (2)

<u>ASSIGNMENT 02</u> (second semester)(continued)

<u>QUESTION 2</u>

The change in the inventory valuation method from the weighted average method to the first-in, first-out method will have the following effect on cost of sales in the statement of profit or loss and other comprehensive income of Royal Ltd for the year ended **28 February 2014**, according to the requirements of *IAS 8, Accounting policies, changes in accounting estimates and errors*:

1. Decrease in cost of sales amounting to R128 000
2. Decrease in cost of sales amounting to R60 000
3. Increase in cost of sales amounting to R12 000
4. Increase in cost of sales amounting to R8 640
5. Increase in cost of sales amounting to R68 000 (2)

<u>QUESTION 3</u>

The change in the inventory valuation method from the weighted average method to the first-in, first-out method will have the following effect on cost of sales in the statement of profit or loss and other comprehensive income of Royal Ltd for the year ended **28 February 2015**, according to the requirements of *IAS 8, Accounting policies, changes in accounting estimates and errors*:

1. Increase in cost of sales amounting to R48 960
2. Increase in cost of sales amounting to R68 000
3. Decrease in cost of sales amounting to R128 000
4. Decrease in cost of sales amounting to R60 000
5. Increase in cost of sales amounting to R12 000 (2)

<u>QUESTION 4</u>

The carrying amount and tax base of inventory in the calculation of the deferred tax balance of Royal Ltd on **28 February 2014**, according to the requirements of *IAS 12, Income taxes,* amount to:

1. Carrying amount: R688 000 Tax base: R688 000
2. Carrying amount: R560 000 Tax base: R560 000
3. Carrying amount: R560 000 Tax base: R688 000
4. Carrying amount: R688 000 Tax base: R560 000
5. Carrying amount: R688 000 Tax base: R128 000 (2)

<u>QUESTION 5</u>

The carrying amount and tax base of inventory in the calculation of the deferred tax balance of Royal Ltd on **28 February 2015**, according to the requirements of *IAS 12, Income taxes,* amount to:

1. Carrying amount: R380 000 Tax base: R380 000
2. Carrying amount: R440 000 Tax base: R440 000
3. Carrying amount: R380 000 Tax base: R440 000
4. Carrying amount: R440 000 Tax base: R380 000
5. Carrying amount: R440 000 Tax base: R60 000 (2)

<u>ASSIGNMENT 02</u> (second semester)(continued)

QUESTION 6

The change in the inventory valuation method from the weighted average method to the first-in, first-out method will have the following effect on retained earnings of Royal Ltd on 1 March 2013, according to the requirements of *IAS 8, Accounting policies, changes in accounting estimates and errors:*

1. Increase in retained earnings amounting to R181 440
2. Increase in retained earnings amounting to R100 800
3. Increase in retained earnings amounting to R140 000
4. Increase in retained earnings amounting to R112 000
5. Decrease in retained earnings amounting to R20 160 (2)

QUESTION 7

The following, relating to the change in depreciation method and residual value of the delivery trucks, should be disclosed in the annual financial statements of Royal Ltd for the year ended **28 February 2015**, according to the requirements of *IAS 8, Accounting policies, changes in accounting estimates and errors*:

a) The nature of the change
b) The effect of the change in depreciation for delivery trucks in prior periods, if practicable to estimate, otherwise a statement that the prior effect is impracticable to estimate
c) The amount of the change in depreciation for delivery trucks for the current year
d) The effect of the change in depreciation for delivery trucks in future periods, if practicable to estimate, otherwise a statement that the future effect is impracticable to estimate
e) The effect on the current tax expense for the current year resulting from the change in depreciation for delivery trucks

The correct answer is:

1. a, c and d only
2. a, c, d and e only
3. a and b only
4. a, b and c only
5. c only (2)

QUESTION 8

After taking into account the change in depreciation method and residual value, the carrying amount of the delivery trucks of Royal Ltd for the year ended **28 February 2015**, according to the requirements of *IAS 8, Accounting policies, changes in accounting estimates and errors*, amounts to:

1. R1 188 000
2. R980 000
3. R480 000
4. R740 000
5. R1 460 000 (2)

<u>ASSIGNMENT 02</u> (second semester)(continued)

<u>QUESTION 9</u>

The tax base of the delivery trucks of Royal Ltd for the years ended 28 February 2014 and 28 February 2015 respectively, according to the requirements of *IAS 12, Income taxes,* amount to:

1. R1 460 000 (2014) and R980 000 (2015)
2. R1 375 000 (2014) and R950 000 (2015)
3. R1 355 000 (2014) and R910 000 (2015)
4. R1 350 000 (2014) and R1 012 500 (2015)
5. R1 350 000 (2014) and R900 000 (2015) (2)

<u>QUESTION 10</u>

Assuming that the comparative period can be re-opened to correct the refrigeration equipment that was incorrectly expensed, the following journal entry should be recorded in the accounting records of Royal Ltd for the year ended **28 February 2014**, according to the requirements of *IAS 8 - Accounting policies, changes in accounting estimates and errors* :

1.

	Dr	**Cr**
	R	**R**
Refrigeration equipment (SFP)	1 200 000	
Depreciation: refrigeration equipment (P/L)	240 000	
Accumulated depreciation: refrigeration equipment (SFP)		240 000
Other expenses (P/L)		1 200 000
Current tax expense (P/L)	268 800	
Current tax liability (SFP)		268 800

2.

	Dr	**Cr**
	R	**R**
Refrigeration equipment (SFP)	1 200 000	
Accumulated depreciation: refrigeration equipment (SFP)		200 000
Depreciation: refrigeration equipment (P/L)	200 000	
Other expenses (P/L)		1 200 000
Current tax expense (P/L)	257 600	
Deferred tax expense (P/L)	22 400	
Current tax liability (SFP)		257 600
Deferred tax liability (SFP)		22 400

3.

	Dr	**Cr**
	R	**R**
Other expenses (P/L)		1 200 000
Depreciation: refrigeration equipment (P/L)	240 000	
Accumulated depreciation: refrigeration equipment (SFP)		240 000
Refrigeration equipment (SFP)	1 200 000	
Current tax expense (P/L)	280 000	
Deferred tax asset (SFP)	11 200	
Current tax liability (SFP)		280 000
Deferred tax expense (P/L)		11 200

ASSIGNMENT 02 (second semester)(continued)

4.

	Dr R	Cr R
Refrigeration equipment (SFP)	960 000	
Other expenses (P/L)		960 000
Current tax expense (P/L)	268 800	
Current tax liability (SFP)		268 800

5 No journal entry is required in the accounting records of the financial year ended 28 February 2014. The comparative figures for 2014 will remain unchanged. (2)