

# FAC1601 ASSIGNMENT 1

FOR SEMESTER 1 2025

Kindly note that questions may differ and therefore the document can be used as a guideline!!

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**Question 1**Answer saved  
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**Question text**

When a sole proprietor withdraws money from the business for personal use, it is recorded as an increase in equity.



True



False

**Question 2**Answer saved  
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**Question text**

Khanyisile and Tinyiko are business partners in Ride4Yours, a partnership business based in Malelane that manufactures specialised helmets for motorcycle riders. The business prides itself on using eco-friendly materials, making their helmets not only durable but also safe and sustainable for the environment.

Khanyisile is passionate about motorcycle riding, while Tinyiko is an advocate for sustainability and green business solutions. Together, they aim to position Ride4Yours as a leading brand in the motorcycle safety industry.

The following information pertains to the business activities as of February 28, 2025:

**Extract of given amounts as at 28 February 2025:**

	<b>R</b>
<i>Land and buildings at cost</i>	1,276,300
<i>Machinery at cost</i>	941,400
<i>Accumulated depreciation: Machinery</i>	354,900
<i>Vehicles at cost</i>	716,700
<i>Accumulated depreciation: Vehicles</i>	354,900
<i>Inventory (1 March 2024)</i>	214,400
<i>Bank (positive balance)</i>	994,900
<i>Trade receivables control</i>	548,000
<i>Trade payables control</i>	430,400
<i>Long-term loan (Mbombela Bank)</i>	1,338,600
<i>Capital: Khanyisile</i>	361,700
<i>Capital: Tinyiko</i>	368,400
<i>Drawings: Khanyisile</i>	95,700
<i>Drawings: Tinyiko</i>	94,300

<i>Interest on loan</i>	?
<i>Depreciation</i>	129,300
<i>Delivery cost on sales</i>	61,200
<i>Water and electricity</i>	103,200
<i>Purchases</i>	2,027,100
<i>Security expenses</i>	32,500
<i>Salaries and wages</i>	474,600
<i>Delivery cost on purchases</i>	27,900
<i>Bank charges</i>	16,800
<i>Sales</i>	3,126,800
<i>Stationery consumed</i>	27,200
<i>Settlement discount received</i>	41,700
<i>Settlement discount granted</i>	27,400

### **Additional information:**

#### **1.1 Partnership agreement:**

- 1.1.1 An annual interest rate of 12% is applied to the capital account balances.
- 1.1.2 Khanyisile and Tinyiko agreed to share profits and losses equally.
- 1.1.3 Each partner has a monthly salary entitlement of R12,000.

#### **2 Year-end adjustments:**

- 2.1. The security expenses billed to the business every month include a R700 monthly fee for security at Tinyiko's private house. The security bill amounting to R2 900 for February 2025 has not yet been accounted for.
- 2.2. The long-term loan with Mbombela Bank secured by land and buildings, bearing a 11.4% annual interest rate, was secured on June 1, 2024, with interest payments due semi-annually at the end of December and May.
- 2.3. During the year, 3 helmets valued at R5 500 each were borrowed to Khanyisile's friends for a weekend ride as part of marketing campaign. After the weekend, Khanyisile decided to take two of the helmets for her personal use for weekend rides. This adjustment is yet to be made.
- 2.4. The inventory's value was calculated to be R209 000 as of February 28, 2025.
- 2.5. Khanyisile withdrew his salary from March-2024 to December-2024, whilst Tinyiko withdrew her salary for only 8 months of the financial year. The total amounts paid was debited to the salaries and wages account.

### **REQUIRED:**

What is the correct amount that must be disclosed as **finance costs** in the statement of profit or loss and other comprehensive income of Ride4Yours for the year ended 28 February 2025?

**Instructions:**

1. Round off all your answers to the nearest rand (eg: 50.56 = 51)
2. Don't use any special characters (&) and don't use bold in your answer.
3. Do not use any abbreviations.
4. Do not use brackets () to indicate a negative amount, instead use the minus sign “-“, e.g. (50) will be indicated as -50.

Answer:

88777

**• Interest on the long-term loan (Mbombela Bank):**

The loan amount is **R1338600**, with an **interest rate of 11.4% per annum**, and interest is paid semi-annually in **December** and **May**.

Since the loan was secured on **June 1, 2024**, the interest for the period **June 1, 2024 to February 28, 2025** needs to be calculated for the **8 months** between June and February.

The annual interest amount is calculated as follows:

$$1338600 \times 11.4\% = 152004.40$$

To find the interest for 8 months:

$$\text{Interest for 8 months} = 812 \times 152004.40 = 101336.27$$

We will round this to **R101336**.

**• Interest on capital accounts:**

An **annual interest rate of 12%** is applied to both Khanyisile and Tinyiko's capital balances.

- Khanyisile's capital = **R361700**  $361700 \times 12\% = 43404$
- Tinyiko's capital = **R368400**  $368400 \times 12\% = 44208$

The total interest on capital accounts:

$$43404 + 44208 = 87612 + 44,208 = 87612 + 44208 = 87612$$

**• Total finance costs:**

To calculate the total finance costs, we add the interest on the long-term loan and the interest on the capital accounts:

101336+87612=188948

### Question 3

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#### Question text

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Capital: Khanyisile	361,700
Capital: Tinyiko	368,400
Drawings: Khanyisile	95,400
Drawings: Tinyiko	94,300
Interest on loan	?
Depreciation	129,300
Delivery cost on sales	61,200
Water and electricity	103,200
Purchases	2,027,100
Security expenses	32,200
Salaries and wages	474,600
Delivery cost on purchases	27,900
Bank charges	16,800

Sales	3,126,800
Stationery consumed	27,200
Settlement discount received	41,400
Settlement discount granted	27,100

**Additional information:**

**1.1 Partnership agreement:**

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**REQUIRED:**

What is the correct amount that must be disclosed as **cost of sales** in the statement of profit or loss and other comprehensive income of Ride4Yours for the year ended 28 February 2025?

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Answer:

### Substituting the values:

Cost of Sales=214400+2027100+27900-209000

= 214400 + 2027100+27900 - 209000

=2060400

#### Question 4

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#### Question text

Interest on capital is always paid at a repo rate in a partnership, even if not specified in the agreement.



True



False

#### Question 5

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