Part (g)	Prepare the journal entries required to account for all of the transactions relating to the machinery bought from Zungu as well as the loan obtained from Kermit in the individual financial statements of Kekana for FY2017 • Ignore VAT, current taxation and deferred taxation • Do not prepare closing journal entries				Marks
Date	**Description**		**Dr.**	**Cr.**	
			ZAR	**ZAR**	
	Hedging and machine				
1/03/2017	**Journal 1**				
	Deposit / Prepayment	SoFP	59 040		1
	Bank	SoFP		59 040	
	Deposit paid upfront to Zungu – [USD 4 500 x 13,12 = ZAR 59 040]				1
1/05/2017	**Journal 2**				
	Derivative asset / FEC-asset	SoFP	1 365		1
	Cash flow hedge reserve	OCI		1 365	1
	[Movement in forward rate = 13,56 – 13,43 = 0,13 x USD 10 500 = ZAR 1 365]				1
	Test for ineffective portion: [Movement in spot rate = 13,27 – 13,12 = 0,15 x USD 10 500 = ZAR 1 575] *Accounting for cash flow hedge on transaction date*				1
1/05/2017	**Journal 3**				
	Manufacturing machinery	SoFP	139 335		1
	Foreign accounts payable	SoFP		139 335	
	Machinery recognised on transaction date for unpaid amount *[USD 15 000 – USD 4 500 = USD 10 500 x 13,27 = ZAR 139 335]*				1
1/05/2017	**Journal 4**				
	Manufacturing machinery	SoFP	59 040		
	Deposit/Prepayment	SoFP		59 040	1P
	Reallocation of deposit to cost of machinery purchased				
1/05/2017	**Journal 5**				
	Cash flow hedge reserve	Equity	1 365		1C
	Manufacturing machinery	SoFP		1 365	1C
	Basis adjustment transferring reserve to machinery				
10/05/2017	**Journal 6**				
	Manufacturing machinery	SoFP	19 000		1
	Manufacturing machinery	SoFP	25 000		1
	Marketing / Other expenses	P/L	30 000		1
	Bank	SoFP		74 000	
	Payment of import duties on machinery [ZAR 19 000], raw material and labour costs [ZAR 25 000], marketing expenses [ZAR 30 000]				

30/06/2017	**Journal 7**				
	Foreign exchange loss	P/L	5 040		1
	Foreign accounts payable	SoFP		5 040	
	Re-measurement of hedged item to spot rate on 30 June 2017 [13,75 – 13,27 = 0,48 x USD 10 500 = ZAR 5 040]				1C
30/06/2017	**Journal 8**				
	Derivative asset / FEC-asset	SoFP	1 995		1
	Foreign exchange gain	P/L		1 995	
	Re-measurement of FEC derivative to spot on 30 June 2017 [13,75 – 13,56 = 0,19 x USD 10 500 = ZAR 1 995]				1C
30/06/2017	**Journal 9**				
	Foreign accounts payable	SoFP	144 375		1C
	Derivative asset / FEC-asset	SoFP		3 360	1C
	Bank	SoFP		141 015	1C
	[USD 10 500 x 13,75 = ZAR 144 375 OR ZAR 139 335 + ZAR 5 040]				
	[ZAR 1 365 + ZAR 1 995 = ZAR 3 360]				
	[USD 10 500 x 13,43 = ZAR 141 015]				
	Settlement of FEC derivative and foreign payable				
31/12/2017	**Journal 10**				
	Depreciation expense	P/L	17 574		1C
	Accumulated depreciation	SoFP		17 574	
	Depreciation on new machinery *[59 040 + 139 335 + 19 000 + 25 000 – 1 365 = 241 010]* *[241 010 / 8 x 7/12 = 17 574]*				1P 1P
	<u>Foreign loan</u>				
01/05/2017	**Journal 11**				
	Bank	SoFP	106 160		
	Intercompany loan	SoFP		106 160	1
	Recognition of foreign loan [USD 8 000 x 13,27 = ZAR 106 160]				1
31/12/2017	**Journal 12**				
	Interest expense	P/L	717		
	Intercompany loan/Accrued interest expense	SoFP		717	1
	Interest for the period [USD8000 x 1% x 8/12 = USD 53,33] [USD 53,33 x 13,45 = ZAR 717]				1P 1P
31/12/2017	**Journal 13**				
	Foreign currency loss	P/L	2 809		1C
	Accrued interest expense	SoFP		9	1P
	Intercompany loan	SoFP		2 800	1P
	Forex on loan from Kermit *[(USD 8000 x 13,62 = ZAR 108 960 – ZAR* 106 160 = ZAR 2 800) (USD 53.33 x 13,62 – ZAR 717 = ZAR 9)]				
				Available	**32**
				Communication skills – presentation and layout	**1**
				Maximum Total for part (g)	**28**

Part (h) Calculate the deferred tax balances in Kekana's individual financial statements as at 31 December 2016 and 2017

For the purposes of this required only, assume as at 31 December 2017 that the tax base relating to –

- **the machinery bought from Zungu is ZAR200 000; and**
- **the loan is ZAR106 160**

Ignore VAT

Deferred tax 31 December 2016	CV	TB	TD	DT Dr / (Cr)
Office building from Jali	26 250 000 **(1)**	19 500 000 **(1)**	682 500	Initial Recognition Exemption **(1)**
				-
Deferred tax 31 December 2017				
Imported machinery – Part (g)	223 436 **(1C)**	200 000	23 436	(6 562) **(1C)**
Kermit loan - Part (g)	109 686	106 886		
- Intercompany loan [106 160 + 2 800] - Part (g)	108 960 **(1C)**	106 160	2 800	784 **(1C)**
- Interest accrual [717 + 9] - Part (g)	726 **(1C)**	726 **(1)**	-	-
				(5 778)
Calculation 1				
Office building from Jali				
Fair value at 1 Jan 2016	30 000 000			
Useful life	/ 8 Years			
Depreciation for the year	3 750 000			
Carrying value 31/12/2016	26 250 000			
Tax base	*19 500 000*	*Due to section 42 roll-over provision applying*		
			Available	**9**
			Maximum Total for part (h)	**8**