eduresourceza.com

Downloaded from eduresourceza.com

GRADE 12

Accounting

SELF STUDY GUIDE

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION

Paper 1

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

TABLE OF CONTENTS

1. INTRODUCTION	2
2. HOW SHOULD WE USE THIS STUDY GUIDE?	3
3. STATEMENT OF FINANCIAL POSITION	4
3.1 KEY CONCEPTS	4
3.2 STRUCTURE OF THE STATEMENT OF FINANCIAL POSITION	7
3.3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)	9
4. CONSOLIDATION ACTIVITIES	36
5. ANSWER BOOK	47
6. SUGGESTED ANSWERS AND MARKING GUIDELINES	60
7. EXAMINATION GUIDANCE (SPECIFIC TO STATEMENT OF FINANCIAL POSITION)	74
8. GENERAL STUDY AND EXAMINATION TIPS	75
9. ACKNOWLEDGEMENTS	76

eduresourceza.com

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

1. INTRODUCTION

The declaration of COVID-19 as a global pandemic by the World Health Organisation led to the disruption of effective teaching and learning in many schools in South Africa. The majority of learners in various grades spent less time in class due to the phased-in approach and rotational/ alternate attendance system that was implemented by various provinces. Consequently, the majority of schools were not able to complete all the relevant content designed for specific grades in accordance with the Curriculum and Assessment Policy Statements in most subjects.

As part of mitigating against the impact of COVID-19 on the current Grade 12, the Department of Basic Education (DBE) worked in collaboration with subject specialists from various Provincial Education Departments (PEDs) developed this Self-Study Guide. The Study Guide covers those topics, skills and concepts that are located in Grade 12, that are critical to lay the foundation for Grade 12. The main aim is to close the pre-existing content gaps in order to strengthen the mastery of subject knowledge in Grade 12. More importantly, the Study Guide will engender the attitudes in the learners to learning independently while mastering the core cross-cutting concepts.

eduresourceza.com

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

2. HOW SHOULD WE USE THIS STUDY GUIDE?

1. This study guide addresses content and offer strategies to understand the preparation of the Statement of Financial position, in a piecemeal approach, with consolidation activities to conclude.
2. The explanations and activities are intended to supplement the work you may have covered in class or have gained from textbooks.
3. They proceed from the short, simple focused examples to more complex calculations and interpretation of information.
4. It is important to allocate sufficient time to:
   - Carefully read the explanations provided and underline or highlight key concepts, difficult vocabulary, important dates and relevant amounts.
   - Interrogate the worked example to gain an understanding of the message being conveyed or the sequence of events being illustrated.
5. Attempt the activities on your own; make constant reference to the explanatory notes, but avoid referring to the suggested answers before completing an activity.
6. Compare your answers to the suggested answers attached, and do your corrections using a different colour ink. Note that you will learn more by discovering your weaknesses (when you get things wrong), and making an effort to understand why your thinking was out of line with what was expected.
7. The activities provided may not be sufficient to perfect your skills. Always refer to similar questions from past examination papers for this purpose. Repetitive practice is always valuable.
8. Become familiar with the use of Answer Books and prepared writing material as this is the trend with all Accounting examinations.

PRE-AMBLE:

- The Statement of Financial Position is covered in Term 1, under Financial Statements of Companies.
- It will feature in the Accounting P1 (Financial Reporting and Evaluation).
- Recent trends on this topic focus mainly on preparation of the complete Statement of Financial Position and specific notes, assessment can also focus at the preparation of Statement of Comprehensive Income and a section of the Statement of Financial position.
- Missing amounts can also be calculated using the financial indicators relevant to the Statement of Financial Position.
- Statement of Financial Position can be integrated with the “Interpretation of Financial Statements, Auditing or Corporate Governance and all this these integrated topics are assessed in a separate Question.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

3. STATEMENT OF FINANCIAL POSITION

A BASIC EXPLANATION

The **Balance Sheet is a Financial Statement** that is usually prepared at the end of the accounting period (a financial year) to show the financial position of a business in terms of its assets, liabilities and equity.

A list of commonly used concepts with explanations is provided below. You are advised to compile a list of additional concepts relating to Balance Sheet.

3.1 KEY CONCEPTS

CONCEPT	EXPLANATION
Assets	These are business possessions used to generate profit and are classified into two categories, namely Non-current Assets and Current Assets.
Non-current Assets	These are not intended for resale and they last for a long period, more than a year. Examples are Land and buildings, equipment etc.
Current Assets	These are liquid and include assets that can be easily converted into cash within a short period of time (within a year), e.g. cash and cash equivalents, inventories and trade and other receivables.
Liabilities	These are amounts owed by a person or business to another. They are classified into two categories namely, Non-current Liabilities and Current Liabilities.
Non-current Liabilities	Are long-term debts repayable beyond the period of one year, example is a mortgage loan.
Current Liabilities	Are short-term debts repayable within a period of 12 months e.g. trade and other payables and current portion of loan.
Shareholders' Equity	Total amount attributable to shareholders, it consist of ordinary share capital and retained income.
Ordinary shares	A type of shares that entitle the owners to dividends that vary in amount according to the profits made by the business.
Authorised share capital	The maximum number of shares a company may sell according to the company's Memorandum of Incorporation.
Issued share capital	The number of shares that have been sold to the public.
Retained Income	A portion of the profit after tax that has not been paid out to the shareholders in dividends but kept (retained) for future growth of the company.
Income tax	Tax levied by the government (SARS) on income earned by individuals or companies.
SARS	The government department to whom the company must pay income tax on the profits and VAT when due.
Dividends	Profits shared amongst the shareholders in proportion to the number of shares held, it is normally expressed as cents per share
Interim	Dividends paid to the shareholders during the financial year.
Final	Dividends declared (recommended) to the shareholders at the end of the financial year.
Shareholders for dividends	The amount owing to shareholders for dividends declared but not yet paid.
Short term loan	The portion of long term debt that is payable within a period of one year, in the next financial year.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

PRIOR KNOWLEDGE ***(Content you would have covered in previous Grades)***

- General Ledger and Accounting Equation
- Balance Sheet accounts and Nominal accounts (Trial Balance)
- An understanding of the Income Statement and adjustments
- Balance Sheet of a sole trader and Balance sheet of a partnership

The Statement of Financial Position and the Balance Sheet will be used interchangeably throughout this study guide.

A REFLECTION OF THE YEAR-END CYCLE OF ACTIVITIES

PRE-ADJUSTMENT TRIAL BALANCE → **ADJUSTMENTS** → **POST – ADJUSTMENT TRIAL BALANCE** → **CLOSING TRANSFERS** → **FINANCIAL STATEMENTS**

STATEMENT OF COMPREHENSIVE INCOME
(Income Statement)

EXPENSES		INCOME
• Cost of sales • Rent expense • Salaries and wages • Packing material • Insurance • Discount allowed • Telephone • Loss on sale of asset • Depreciation • Trading stock deficit • Provision for bad debts adjustments (increase) • Audit fees • Directors fees	**Operating expenses and income**	• Sales • Rent Income • Discount received • Bad debts recovered • Profit on sale of asset • Trading stock surplus • Provision for bade debts adjustment (decrease)
• Interest on loan • Interest on bank overdraft • Interest on overdue accounts of creditors	**Financing**	• Interest on fixed deposit • Interest on current account • Interest on overdue accounts of debtors

Net profit before taxation **LESS** taxation **EQUAL** to net profit after tax

STATEMENT OF FINANCIAL POSITION
(Balance Sheet)

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

BASELINE ACTIVITY

REQUIRED

Provide a list of accounts that will be recorded in the Balance Sheet ,use the following structure to classify:

Assets	Liabilities	Equity

SUGGESTED ANSWER

Assets	Liabilities	Equity
• Tangible assets • Fixed deposit • Inventories • Trade and other receivables • Cash and cash equivalents	• Loan • Trade and other payables • Shareholders for dividends • Short term loan • SARS - income tax • Bank overdraft	• Ordinary share capital • Retained income

CLASSIFICATION OF BALANCE SHEET ACCOUNTS			
Non- Current Assets	**Current Assets**	**Shareholder's Equity**	**Current Liabilities**
Tangible Assets o Land and Buildings o Vehicles o Equipment **Financial Assets** o Fixed Deposit	**Inventory** o Trading stock o Consumable stores on hand **Trade and other receivables** o Debtors Control o Provision for bad debts **##** o Accrued income o Prepaid expenses o SARS –Income Tax *** **Cash and cash equivalents** o Bank o Petty cash o Cash float o Fixed deposit (receivable within 12 months)	o Ordinary share capital *** o Retained Income *** **Non-Current Liabilities** o Long term loan	**Trade and other payables** o Creditors Control o Accrued expenses o Income received in advance / Deferred income o SARS –Income Tax *** o Shareholders for dividends *** o Short term loan (payable within 12 months) **Bank Overdraft**
	## this account will reduce the Debtors Control		***** New items**

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

3.2 STRUCTURE OF THE STATEMENT OF FINANCIAL POSITION

The content progression and content overlap across the FET phase is illustrated in the table below:

EQUITY SECTION OF THE BALANCE SHEET								
Grade 10			**Grade 11**			**Grade 12**		
Owner's Equity		xxxx	**Partners' Equity**		xxxx	**Shareholders' Equity**		xxxx
Capital	7	xxxx	Capital Accounts	7	xxxx	Ordinary Share Capital	7	xxxx
			Current Accounts	8	xxxx	Retained Income	8	xxxx

FORMAT OF COMPANIES STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)		
	Notes	**R**
ASSETS		
NON-CURRENT ASSETS		**xxxxx**
Tangible/ Fixed assets	3	xxxx
Financial assets		
Fixed deposits		xxxx
CURRENT ASSETS		**xxxxx**
Inventories	4	xxx
Trade and other debtors	5	xxx
Cash and cash equivalents **(Include fixed deposit maturing in 12 months)**	6	xxx
TOTAL ASSETS		**XXXXX**
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES / SHAREHOLDERS' EQUITY		**xxx**
Ordinary share capital	7	xxx
Retained income	8	xx
NON-CURRENT LIABILITIES		**xxxx**
Mortgage bond **(repaid over a long period ,longer than 12 months)**		xxx
CURRENT LIABILITIES		**xx**
Trade and other creditors	9	x
Bank overdraft		x
Short-term loans ***(portion of long term loan payable within 12 months)***		xx
TOTAL EQUITY AND LIABILITIES		**XX**

New items
- Ordinary Share capital
- Retained Income

Creditors include SARS-income tax payable and Shareholders for dividends

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

Relationship between the Balance Sheet and the Accounting Equation

Balance Sheet			Basic Accounting Equation		
Non-Current Assets	EQUAL TO	Equity	**Assets =**	**Equity +**	**Liabilities**
PLUS		**PLUS**			
Current Assets		Liabilities			

Note the following :

Assets		Equity		Liabilities	
Debit	**Credit**	**Debit**	**Credit**	**Debit**	**Credit**
Increase **+**	Reduce **-**	Reduce **-**	Increase **+**	Reduce **-**	Increase **+**
		When equity and liabilities: o **Increase they are CREDITED** o **Reduce they are DEBITED**			

eduresourceza.com

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

3.3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

3.3.1 ORDINARY SHARE CAPITAL AND RETAINED INCOME NOTES

Ordinary Share Capital			
xxx	Ordinary shares at beginning of year	xxx	If shares are repurchased BEFORE an additional issue, use the opening balance to calculate the average share price.
xxx	Shares issued during the year at Rx	xxx	If shares are repurchased AFTER the issue: $\frac{\textit{Value of shares at beginning PLUS issued}}{\textit{Number of shares at beg Plus issued}}$ = Average price
(xxx)	Shares repurchased at average price	(xxx)	Shares repurchased are recorded at the average share price (below the price paid for shares).
xxx	Ordinary shares in issue at end of year	xxx	The closing balance can also be used to calculate the average share price, if the repurchase is the last transaction for the year.
↑	**Number of shares**	↑	**Value of shares**

Retained Income		
Balance at the beginning of the year	xxx	Retained income balance at the beginning of the year (closing balance of the previous year)
Net profit after tax	xxx	Net profit after tax as it appears on the Income Statement
Repurchase of shares	(xxx)	Amount paid above **AVERAGE PRICE** for the repurchased shares
Ordinary share dividends	(xxx)	Interim **PLUS** final dividends
- paid	xxx	Interim dividends **PAID** during the year
- recommended	xxx	Final dividends **DECLARED** but not paid / dividends owed to shareholders
Balance at the end of the year	xxx	This balance is transferred to the Balance sheet
ALL the bracketed figures reduce the retained income.		

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

EXAMPLE 1

JOZI LIMITED

You are presented with information from the records of Jozi Limited. The financial year-end is 28 February 2021

Prepare the following notes to the Balance Sheet:

- Share capital
- Retained income

INFORMATION

A The authorised share capital consists of 750 000 ordinary shares. On 1 March 2020, only 60% of the shares were in issue.

B **Information extracted from financial records of Jozi Limited:**

	28 Feb 2021	**29 Feb 2020**
Ordinary share capital	**?**	3 215 000
Retained income	**?**	322 500
Total ordinary shareholders' equity	**?**	3 537 500
Interim dividends paid on 31 August 2020	270 000	
Net profit after tax	812 700	

ADDITIONAL INFORMATION

- On 1 November 2020, the company issued a further 80 000 shares at R9, 50 per share.
- On 28 February 2021, the directors decided to repurchase 75 000 ordinary shares from the estate of a shareholder who had died. This shareholder had originally purchased his shares on the JSE at various times and at different prices. A repurchase price of R10, 40 was accepted as a fair price.
- On 27 February 2021, a final dividend of 40 cents per share was declared. All shares, including the new shares issued and repurchased, qualify for final dividends.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

WORKED EXAMPLE 1

ORDINARY SHARE CAPITAL
AUTHORISED SHARE CAPITAL

750 000 ordinary shares

ISSUED SHARE CAPITAL

450 000	Ordinary shares on 1 March 2020	3 215 000
80 000	Ordinary shares issued during the year	760 000
(75 000)	Ordinary shares repurchased (75 000x7.50)	(562 500)
455 000	Ordinary shares in issue on 28 February 2021	3 412 500

Shares issued at beginning : 750 000 x 60% = 450 000	**Repurchased shares:** R3 215 000 + R760 000 = R7.50 450 000 + 80 000	**Average share price:** **ADD** the issued shares during the year to the opening balance
Shares issued in November : 80 000 x 9.5 =760 000		

NOTE:
- The shares bought will be recorded in the above note at an average price of R7.50
- The difference of R2.90 will be recorded in the Retained income note (R10.40 – R7.50)

RETAINED INCOME

Balance on 1 March 2020	**322 500**	
10.40 - 7.50 Funds used for share buyback (75 000 X 2.90)	(217 500)	This figure should be in brackets. Reduces RI
Net profit after tax	812 700	
Ordinary share dividends	(482 000)	Dividends reduce the retained income
• Interim dividends	270 000	**Paid** during the year
• Final dividends (530 000 x 40 cents)	212 000	**Declared**-will be recorded under current liabilities
Balance on 28 February 2021	435 700	

NOTE: The final dividends are paid to all the shares (issued and bought back)

Calculations : 450 000 + 80 000 = 530 000

OR

455 000 +75 000 = 530 000

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

EXAMPLE 2

2.1 POOBIE LTD

You are provided with information for the financial year ended 28 February 2021.

REQUIRED:

Complete the following notes to the Balance Sheet (Statement of Financial Position) on 28 February 2021, the financial year-end:

2.1.1 Notes to the Balance Sheet (Statement of Financial Position) for:

- Ordinary share capital
- Retained income

INFORMATION:

A. Balances/Totals for February:

	2021	2020
Ordinary share capital	8 960 000	6 020 000
Retained income	?	434 000
Fixed assets at book value	9 823 405	
Loan: Protea Bank	**?**	360 000
SARS: Income tax (Dr)	11 340	

B. Additional information

Share capital and dividends:

Authorised share capital: 2 000 000 ordinary shares

1 March 2020	1 000 000 of the shares were in issue.
31 April 2020	Interim dividends paid: 35 cents per share.
1 May 2020	New shares issued at a price of R5 per share.
31 January 2021	100 000 shares were repurchased at 25% above the average share price. These shares qualify for final dividends. The relevant entries have not been made in this respect.
28 February 2021	**NOTE**: Only 80% of shares were in issue. A final dividend of 10 cents per share was declared.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

WORKED EXAMPLE 2

ORDINARY SHARE CAPITAL

AUTHORISED SHARE CAPITAL

2 000 000 ordinary shares

ISSUED SHARE CAPITAL

1 000 000	Ordinary shares at the beginning	6 020 000
700 000	Ordinary shares at R5	3 500 000
(100 000)	Repurchase of shares at R5,60	(560 000)
1 600 000	**Ordinary shares on 28 February 2021**	**8 960 000**

- Number of issued shares at end of year is 2000 000 x 80% = 1 600 000
- Average share price is R8 960 000 ÷ 1 600 000 = R5.60
- Number of shares issued is: 1 600 000 + 100 000 -1 000 000 = 700 000
- **BOTTOM UP** calculations –change the signs as you move upward, the sign for 1 600 000 shares **WILL NOT CHANGE.**
- The T Account can also be used to determine the shares issued

RETAINED INCOME

Balance on 1 March 2020	**434 000**
Net profit after tax	**850 000**
Repurchase of shares **(100 000 x 1,40) OR (560 000 x 25/100)**	(140 000)
Ordinary share dividends	(520 000)
Paid **(1 000 000 x 35/100)**	350 000
Recommended **(1 700 000 x 10/100)**	170 000
Balance on 28 February 2021	624 000

- **INTERIM DIVIDENDS-** used 1000 000 shares in issue at the beginning of year, movement in shares took place in May.
- Shares are bought at 25% above i.e., R5.60 x 25 % = R1.40
  - The actual cash paid for each share is R5.60 + R1.40 = R7.00
    [This amount will be recorded in the Cash flow statement]
    OR
  - R5.60 x 125/100 = R7.00

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

ACTIVITY 1

STONEY LTD

The information below was extracted from the accounting records of Stoney Ltd on 28 February 2021

REQUIRED:

1.1 Prepare the following notes to the Financial Statements for the year ended 28 February 2021:

- Ordinary Share Capital
- Retained Income

INFORMATION:

A. Balances

The balances for 2021 were extracted from the accounting records before the adjustments and additional information were taken into account**:**

	28 February 2021	29 February 2020
Balance Sheet accounts section		
Ordinary share capital	R?	R1 275 000
Retained income	?	28 900

B. Figures extracted from the financial records on 28 February 2021

	R
Depreciation	78 350
Income tax paid	112 000
Money received from the issue of new shares	220 000
Payment for shares repurchased	120 000

C. Share capital and dividends

- Stoney Ltd has an authorised share capital of 400 000 shares.
- 300 000 shares were in issue on 1 March 2020.
- 20 000 shares were repurchased on 1 October 2020 from the estate of a deceased shareholder.
- 40 000 new shares were issued on 28 February 2021.These shareholders do not qualify for final dividends.
- An interim dividend of 10 cents per share was paid on 28 August 2020.
- A final dividend of 20 cents per share was declared on 28 February 2021.

D. Income tax was calculated at 28% of the net profit for the year.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

3.3.2 TRADE AND OTHER PAYABLES NOTE

Trade and other payables	
Trade creditors	The balance of creditors at the end of year amongst others will be affected by **TRANSFER** of creditors to debtors or **TRANSFER** from debtors to creditors.
Accrued expenses/payable expenses	Expenses **ADDED** in the Income statement
Income received in advance (deferred)	**DEDUCTED** from income statement –not relevant to current year
Creditors for salaries	Gross Wages **LESS** deductions
SARS (PAYE)	**DEDUCTED** from the salaries or gross wages
Pension Fund	Pension **DEDUCTED** from employees' salaries **PLUS** employers' contribution.
Medical Aid Fund	Medical fund deducted from employees' salaries **PLUS** employers contribution.
Shareholders for dividends	Dividends declared at end of year and is still due.
SARS (income tax)	Amount owing to SARS at end of year. **Refer to ledger below.**
Short term loan / Current portion of loan	Portion of loan **DEDUCTED** from Long term loan

GENERAL LEDGER

SARS – Income Tax Account

2020 Mar	20	Bank	CPJ	9 000	2020 Mar	01	Balance	b/d	9 000
2020 Aug	31	Bank	CPJ	125 000	2021 Feb	28	Income Tax	GJ	375 000
2021 Feb	15	Bank	CPJ	200 000					
	30	Balance	c/d	**50 000**					
				384 000					384 000
					2021 Mar	1	Balance	b/d	**50 000**

- This amount will be recorded in the Balance Sheet **OR** under Trade and other payables
- A debit balance of SARS-Income tax will be recorded under trade and other receivables

NOTE : The figures above are used to illustrate the different transactions that affect this account over the financial period.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

ACTIVITY 2

PHESWA LTD

You are presented with information from the records of Pheswa Ltd. The financial year- end was 28 February 2021.

REQUIRED:

2.1 Prepare the following notes to the Balance Sheet:

2.1.1 Ordinary share capital (11)

2.1.2 Retained income (14)

2.1.3 Trade and other payables (9)

INFORMATION:

A. List of balances extracted on 28 February 2021, unless otherwise stated:

Ordinary share capital (1 March 2020)	R4 022 000
Retained income (1 March 2020)	413 220
Inventories (Trading Stock)	442 700
Debtors' Control	305 240
Creditors' Control	219 400
Bank overdraft	57 480
Fixed deposit (R60 000 matures on 30 June 2021)	230 000
Long term loan	946 500
SARS: Income tax (provisional income tax payments)	147 770
Accrued expenses	16 490
Income received in advance	8 880

B. Share capital and dividends:

- The authorised share capital comprised 1 200 000 ordinary shares.
- On 1 March 2020, 60% of the shares were in issue.
- On 30 June 2020, the directors issued a further 200 000 at R6, 80 each.
- On 31 August 2020, in interim dividend of 13 cents per share was paid to all shareholders on the share register.
- On 31 October 2020, 100 000 ordinary shares were repurchased at R7, 00 per share. These shareholders did not qualify for final dividends.
- A final dividend of 27 cents per share was declared on 28 February 2021.

C. Net profit and income tax

- The net profit before tax amounted to R535 000.
- The provisional tax payments did not cover the total income tax for the year. An amount of R12 730 was still due to SARS.

D. 20% of the long term loan is payable in the next 12 months.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

3.3.3 TANGIBLE ASSETS AND TRADE AND OTHER RECEIVABLES

Tangible Assets			
	Land and Buildings	**Vehicles**	**Equipment**
Carrying value at beginning (H)	**xxx**	**xxx**	**xxx**
Cost **(A)**	xxx	xxx	xxx
Accumulated depreciation **(B)**	(xxx)	(xxx)	(xxx)
Movements			
Additions at cost **(C)**	xxx	xxx	xxx
Disposals at carrying value **(D)**	(xxx)	(xxx)	(xxx)
Depreciation for the year **(E)**		(xxx)	(xxx)
Carrying value at end of year (I)	**xxx**	**xxx**	**xxx**
Cost **(F)**	xxx	xxx	xxx
Accumulated depreciation **(G)**		(xxx)	(xxx)

H = A – B
Cost **LESS** Acc Depreciation equals to Carrying Value

Asset disposed @ Carrying value = Cost Price **LESS** Accumulated depreciation

F = A + C - Cost price of Asset disposed **OR** Cost at beginning **PLUS** additions **LESS** Cost price of asset disposed

G = (B + E) **LESS** Accumulated depreciation on asset sold

Trade and other receivables		
Trade debtors	xxx	**Refer to explanation on trade and other payables (3.3.2) and the information provided below (NOTE).**
Provision for bad debts	(xxx)	Debtors from balance(s) **LESS OR PLUS** adjustments affecting debtors multiplied by a percentage provided.
Net trade debtors	xxx	Balance of debtors **REDUCED** by provision for bad debts
Accrued income	xxx	Accrued income is also **ADDED** in the Income statement
Prepaid expenses	xxx	These amounts are **DEDUCTED** in the Income statement
SARS (income tax) (Dr)	xxx	Amount owed by SARS at the end of the year .Refer to the note on trade and other payables

NOTE :

- Adjustments on goods returned will reduce debtors balance
- Goods sold will increase the debtors balance
- Transfer of debtors with credit balances will increase the debtors balance
- Bad debts written off will reduce the debtors balance

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

EXAMPLE 3 –TANGIBLE ASSETS

REQUIRED

You are presented with information from the records of Fanyana Ltd. The financial year ends on 28 February 2021.

3.1.1 Calculate depreciation on the following assets:

- Equipment (16)
- Vehicles

3.1.2 Calculate the profit or loss on sale of an asset (5)

3.1.3 Complete the note on tangible assets (20)

INFORMATION A

TANGIBLE ASSETS

	Land and Buildings	Equipment	Vehicles
Carrying Value on 01-03-2020	800 000	50 000	?
Cost	800 000	400 000	300 000
Accumulated Depreciation	-	(350 000)	?

INFORMATION B

EQUIPMENT

- Fanyana Ltd has two ovens that were bought for R 200 000 each. Accumulated depreciation on these ovens on 1 March 2020 was R 350 000.The business has had these ovens for more than five years, and they are expected to be used productively for another three years.
- A new oven was bought on credit from Diane Suppliers for R250 000 on 1 December 2020.
- Depreciation on equipment is calculated at 15% p.a. on cost price.

VEHICLES

- A van (Isuzu 225), bought on 1 March 2018 for R300 000, was sold for R220 000 cash on 1 September 2020.
- Two Hino 365 vans were bought on 31 May 2020 for R 325 000 each. The funds were transferred electronically to the motor dealer.
- Depreciation is calculated at 20% p.a. on the carrying value.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

WORKED EXAMPLE 3

CALCULATIONS FOR DEPRECIATION	
Old Equipment	**New Equipment**
50 000 – (R1 x 2) = 49 998	250 000 x 15% x 3/12 = 9 375

Vehicles

Sold:

Year one
300 000 x 20% = 60 000

Year two
(300 000 – 60 000) x 20% = 48 000
240 000

Year three
(300 000 - 60 000 - 48 000) x 6/12 x 20% = 19 200
192 000

New :

(325 000 x 2) x 9/12 x 20% = 97 500
650 000

Calculation for profit or loss on sale of an asset

300 000 – **(60 000 + 48 000 + 19 200)** - **220 000** = **47 200**			
Cost price	**Accumulated depreciation**	**Cash sales**	**Profit on sale of asset**

OR

Asset Disposal Account			
Vehicle	300 000	Acc Depreciation on Vehicles **(60 000+48 000+19 200)**	127 200
Profit on sale of an asset	47 200	Bank	220 000
	347 200		347 200

STRATEGY

- Old equipment –always check the **cost price** and **accumulated depreciation**, if amounts or closer to each other, the depreciation calculated is likely to exceed the carrying value.
- The accumulated depreciation of assets must not exceed the cost price of an asset or the **current depreciation** must not exceed the **carrying value.**
- Always verify the calculations before subtracting the **residual value of R1**
- Separate the calculations for :New assets ,old assets and sold asset **(SON)**

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

NOTE ON TANGIBLE ASSETS – 28 FEBRUARY 2021			
	Land and Buildings	**Vehicles**	**Equipment**
Carrying value (01 March 2020)	**800 000**	192 000	**50 000**
Cost	**800 000**	**300 000**	**400 000**
Accumulated depreciation		(108 000)	**(350 000)**
MOVEMENTS			
Additions at cost	200 000	650 000	250 000
Disposal at carrying value (300 000 -127 200)	-	A (172 800)	-
Depreciation	-	B (116 700)	C (59 373) Check depreciation
Carrying value (28 February 2021)	1 000 000	552 500	240 627
Cost	1 000 000	D 650 000	650 000
Accumulated depreciation	-	E (97 500)	F (409 373)

CALCULATIONS

A. 300 000 – (60 000+48 000+19 200) = 172 800
127 200
Cost LESS accumulated depreciation EQUALS to carrying value

B. 19 200 + 97 500 = 116 700 (current depreciation)

C. 49 998 + 9 375 + 59 373 (current depreciation)

D. 300 000 + 650 000 -300 000 = 650 000 (Bal at beginning PLUS new LESS sold)

E. (60 000 + 48 000 + 19 200 + 97 500) – (60 000 + 48 000 +19 200) = 97 500

108 000 116 700 127 200 (Accumulated depreciation of asset sold)

F. 350 000 + 59 373 = 409 373

STRATEGY

- Before you calculate the depreciation check the difference between cost and accumulated depreciation or the carrying value.
- A small balance of carrying value or the cost price that is closer to accumulated depreciation is a sign that our asset is about to be fully depreciated.
- Always check the number of assets that are about to be fully depreciated ,for one asset the residual value will be R1 ,but if there are three assets your residual value will be R3 (R1 x3).
- Asset disposed at carrying value: the calculation is cost price less accumulated depreciation at beginning of year and current depreciation affecting the asset disposed.
- If there are missing figures from the note use the **BOTTOM UP** calculation approach, as suggested in your note for share capital (example 2).

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

ACTIVITY 3

The following information relates to Jama Limited on 30 June 2020. The business uses the perpetual inventory system.

REQUIRED:

Prepare the Notes to the Statement of Financial Position (Balance Sheet) for:

- Tangible Assets
- Trade and other receivables

Extract from the accounting records on 30 June 2020:

	Debit	Credit
Land and Buildings (carrying value) - 1 July 2019	1 500 000	
Vehicles at cost - 1 July 2019	980 000	
Vehicles at carrying value - 1 July 2019	185 000	
Equipment at cost - 1 July 2019	500 000	
Accumulated depreciation on Equipment - 1 July 2019		210 000
Debtors' control	138 500	
Provision for bad debts		7 850
Equipment traded-in (trade-in value)	65 050	
Rent income		191 100
Advertising	22 950	
Repairs	510 340	

Adjustments and additional information:

A. On 10 October 2019, N. Kokolo, a debtor, returned goods. A credit note for R2 100 (cost price, R1 200) was issued to her. No entries were made for the return of goods and the goods were returned to stock.

B. Provision for bad debts must be increased to R10 000.

C. The monthly rent was increased by R700 from 1 March 2020. The tenant paid R3 500 for repairs to premises and he deducted the amount from the rent that he paid in May 2020. Repairs were not recorded and the rent for June 2020 has not yet been received.

D. Advertising contract for the 9 months ending 30 September 2020 was signed and paid on 1 January 2020.

E. An amount of R750 received from a debtor whose account had previously been written off as bad was recorded in Debtors Control.

F. A debtor with a credit balance of R1 700 must be transferred to the Creditors' Ledger.

G. An additional storeroom was built during the year and the full amount has been

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

debited to repairs. An invoice for R400 000 was received.

H. A new vehicle was bought on credit for R590 000 on 1 March 2020. A tracking device was installed costing R10 000. This was only recorded under Creditors control.

I. On 30 June 2020, equipment which was bought for R200 000 was traded-in against new equipment which cost R240 000 at a loss of R15 000.

J. Depreciation is calculated as follows:

- On vehicles at 20% p.a. on cost
- On Equipment at 25% on diminishing balance method

eduresourceza.com

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

3.3.4 STATEMENT OF FINANCIAL POSITION

EXAMPLE 4

SASA LTD

You are presented with the Balance sheet of SASA LTD, fill in the missing amounts to complete this financial statement.

BALANCE SHEET FOR THE YEAR ENDED 28 FEBRUARY 2021		
ASSETS	***Notes***	
NON-CURRENT ASSETS		**4 980 000**
Fixed/tangible assets	**3**	
Financial assets		**160 000**
CURRENT ASSETS		**1 820 000**
Inventories	**4**	**956 000**
Trade and other receivables	**5**	
Cash and cash equivalents	**6**	**2 500**
TOTAL ASSETS		
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	**7**	
Retained income	**8**	**218 200**
NON-CURRENT LIABILITIES		
Mortgage Loan (740 000)		
CURRENT LIABILITIES		**921 800**
Trade and other payables	**9**	
Bank overdraft		**45 300**
Current portion of loan		**148 000**
		6 800 000

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

WORKED EXAMPLE 4

BALANCE SHEET FOR THE YEAR ENDED 28 FEBRUARY 2021		
ASSETS	***Notes***	
NON-CURRENT ASSETS		**4 980 000**
Fixed/tangible assets (4 980 000 - 160 000)	**3**	**4 820 000**
Financial assets		**160 000**
CURRENT ASSETS		**1 820 000**
Inventories	**4**	**956 000**
Trade and other receivables (1 820 000 - 956 000 - 2 500)	**5**	**861 500**
Cash and cash equivalents	**6**	**2 500**
TOTAL ASSETS		**6 800 000**
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		**5 286 200**
Share capital (5 286 200 – 218 200)	**7**	**5 068 000**
Retained income	**8**	**218 200**
NON-CURRENT LIABILITIES		592 000
Mortgage Loan **(740 000 – 148 000)**		592 000
CURRENT LIABILITIES		**921 800**
Trade and other payables (921 800 - 45 300 -148 000)	**9**	**728 500**
Bank overdraft		**45 300**
Current portion of loan		**148 000**
		6 800 000

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

STRATEGY AND CALCULATIONS

- The total assets are equal to equity and liabilities, the given amount for equity and liabilities will be recorded as total assets.
- Alternative calculation for total assets in this activity is current assets plus non-current assets **(4 980 000 + 1 820 000) = 6 800 000**
- To determine the amount for long term loan, subtract 148 000 of short term loan from the total mortgage loan of 740 000.
- If the short term loan was not provided the following calculation could have been used :
  740 000 – 592 000 = 148 000
- If you were given the short term loan (148 000) and 592 000 payable over a long period the calculation for the total mortgage loan would be :
  592 000 + 148 000 = 740 000
- To calculate your share capital, you need to first determine the shareholders equity as indicated:
  - **SUBTRACT** non-current liabilities and current liabilities from the total equity and liabilities. **(6 800 000 - 921 800 - 592 000) = 5 286 200**
- To determine the share capital, deduct Retained income from Shareholders equity **(check the equity section of the Balance sheet)**

EXAMPLE 5

DELUHLAZO LTD

You are provided with information for the financial year ended 28 February 2021.

REQUIRED:

Complete the Statement of Financial Position (Balance Sheet) for the year ended 28 February 2021. (Show workings in brackets).

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

INFORMATION:

A. Balances/Totals for February:

	2021	2020
Ordinary share capital	8 960 000	6 020 000
Retained income	624 000	434 000
Fixed assets at book value	9 823 405	
Loan: Protea Bank	?	360 000
Fixed deposit	?	
Trading stock	75 680	
Debtors control	45 100	
Creditors control	285 000	
Petty cash	2 500	
Cash float	8 900	
Accrued expenses	7 850	
Accrued income	4 700	
Provision for bad debts	5 150	
Bank overdraft	792 000	
SARS: Income tax (Dr)	11 340	
Interim dividends paid	350 000	

B. Additional information to be used to complete the statement of financial position (Balance sheet):

(a) **Share capital and dividends:**

- The company has an authorised share capital of 2 000 000 ordinary shares
- 100 000 shares were repurchased on 31 January 2021, these shares qualify for final dividends.
- On 28 February 2021, 80% of shares were in issue.
- A final dividend of 10 cents per share was declared.

(b) **Consumable stores:**
Consumable stores amounted to R9 500 and only 75% were used.

(c) **Fixed deposit:**
The interest on the fixed deposit was R112 500 for the financial year ended 28 February 2021. The fixed deposit was invested on 1 June 2020 at Ivory Bank at 12, 5% interest p.a. Interest is not capitalised.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

(d) **Debtors:**
A debtor with a credit balance of R5 450 is to be transferred to the creditors' ledger.

(e) **Loan: Protea Bank**
- Interest on loan is capitalised. Interest for the year ended 28 February 2021 was R36 000.
- Fixed monthly repayments excluding interest is R2 500.
- R30 000 is expected to be settled during the next financial year.

(f) **Income tax for 2021:**
- The correct net profit after tax is R850 000.

WORKED EXAMPLE 5

BALANCE SHEET OF DELUHLAZO LTD ON 28 FEBRUARY 2021

ASSETS	
NON-CURRENT ASSETS	11 023 405
Fixed assets	9 823 405
Fixed deposit **(112 500 x 100/12,5 x 12/9)**	1 200 000
CURRENT ASSETS	150 895
Inventory **(75 680 + 2 375)**	78 055
Trade and other receivables **(45 100 – 5 150 + 4 700 + 11 340 + 5 450)**	61 440
Cash and cash equivalents **(2 500 + 8 900)**	11 400
TOTAL ASSETS	11 174 300
EQUITY AND LIABILITIES	
SHAREHOLDERS' EQUITY	9 584 000
Ordinary share capital	8 960 000
Retained income	624 000
NON-CURRENT LIABILITIES	300 000
Loan **(360 000 - 30 000 – 30 000)** **2 500 x 12**	300 000
CURRENT LIABILITIES	1 290 300
Trade and other payables **(285 000 + 7 850 + 5 450)**	298 300
Shareholders for dividends	170 000
Current portion of loan	30 000
Bank overdraft	792 000

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

TOTAL EQUITY AND LIABILITIES	11 174 300

Strategy and calculations

- Basic formula to calculate the interest on fixed deposit is :

Fixed deposit $\times \frac{12.5}{100} \times \frac{9}{12} = 112\ 500$

Note :The amount invested is unknown

The calculation for amount invested is :

112 500 $\times \frac{100}{12.5} \times \frac{12}{9} = 1\ 200\ 000$

The denominator will be a numerator **except** for 112 500 (interest amount)

- If a debtor with a credit balance is transferred to creditor's ledger it is always advisable to use the T account to indicate the effect of transferred funds.

DR	Debtors' Account	CR
Transfer to creditors 5 450	**Balance**	**5 450**

The debtors will increase by 5 450

DR	Creditors' Account	CR
	Transfer to creditors	**5 450**

The creditors will increase by 5 450

- Final dividends are calculated as follows:

Number of shares issued at the end of year **multiplied** by 80% **plus** number of shares bought back **multiplied** by dividend per share

(2 000 000 x 80%) + 100 000 x 0.10 = 170 000
1 600 000

- To calculate the closing balance on the long term loan ,you need to deduct only the capital repayment (exclude interest) from the opening balance .The calculation is:
360 000 – (2 500 x 12) = 330 000
30 000
  - When you are given the loan statement it is advisable to use the Loan Account or do bottom up and top down calculations to determine the interest, capital repayment and balances.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

3.3.5 STATEMENT OF FINANCIAL POSITION AND FINANCIAL INDICATORS

In grade 12 the Statement of Financial Position is integrated with the financial indicators, most of the indicators integrated are covered in grade 10 and 11.

In order to improve understanding of this section you need to master the format of the Balance Sheet and the calculations of figures recorded in the Balance Sheet. The financial indicators will be covered extensively in booklet number three.

BASELINE ASSESSMENT

REQUIRED
Identify the financial indicators denoted by letter A - D from the information provided below:

INFORMATION

FORMULA SHEET **EXTRACTED FROM GRADE 12 ACCOUNTING FINANCIAL INDICATORS**	
Total assets **:** Total liabilities **(A)**	Current assets **:** Current liabilities **(B)**
(Current assets – Inventories) **:** Current liabilities **(C)**	Non-current liabilities **:** Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) **:** Current liabilities **(D)**	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	

EXPECTED ANSWER

A. Solvency ratio
B. Current ratio
C. Acid test ratio
D. Acid test ratio

In this manual you will be expected to use financial indicators to determine certain figures that must be recorded in the Balance sheet.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

Financial indicators that are relevant to calculation of missing figures from the financial information or the Balance Sheet:

Financial Indicators	Formulae	Answer expressed as :	Source of information
Solvency ratio	Total assets : Total liabilities	Ratio x : 1	Balance Sheet
Current ratio	Current assets : Current liabilities	Ratio x : 1	Balance Sheet
Acid test ratio	Current assets - inventories : Current liabilities	Ratio x : 1	Balance Sheet
Debt-equity ratio (gearing)	Non-current liabilities : Shareholders' equity	Ratio x : 1	Balance Sheet
Net Asset value per share	$\frac{\text{Shareholders' Equity}}{\text{Number of shares issued}} \times \frac{100}{1}$	Cents	B/S, Note 7 and 8

NOTE :

- The first three indicators are covered in grade 10 and 11.
- Debt equity ratio is covered in grade 11, the only difference is that grade 11 content focus at partners' equity and in grade 12 the focus is shareholders equity (retained income plus share capital) is used to determine the ratio.
- Net asset value per share will be covered in booklet three. The information or figures used to calculate the indicator is obtainable from the Share capital and Retained income note.

Ratios/Financial indicators that are important for Balance Sheet calculations

Calculate the value of current assets using the following information:

Current Ratio	2:1
Current liabilities	200 000
Current Assets	?

Easy calculation for Current Assets is: *R200 000 x 2 = R400 000*

OR

2 = x (Current assets - unknown)
1= 200 000 (Current liabilities)
Cross multiply :1 x X = X and 200 000 x 2 = 400 000
X = 400 000

If Assets were given you would say :
2 = 400 000 (Current assets)
1= x (Current liabilities - unknown)
Cross multiply :2 x X = 2X and 400 000 x 1 = 400 000
$\frac{2X}{2} = \frac{400\,000}{2}$
X = 200 000

OR

400 000 ÷ 2 = 200 000

NOTE : the above steps will assist you to calculate the:

- **Stock** figure using the **Acid test ratio**
- **Shareholders' equity** or the **loan** figure using the **Debt equity ratio**
- **Net asset value per share** - to calculate the **Retained income or Share capital**

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

EXAMPLE 6

Extract from the Pre-adjusted Trial Balance on 28 February 2021		
	Debit	**Credit**
Balance sheet section		
Trade debtors	?	
Inventories	90 000	
Bank	120 000	
Trade creditors		400 000

Financial indicator	
Current ratio	2 : 1

REQUIRED:

1. Calculate the Current Assets
2. Complete the Current Assets section of the Balance Sheet

WORKED EXAMPLE

NOTE: current assets are twice the amount of current liabilities
Current liabilities = 400 000 (1)
Current asset = Unknown (2)

$400\,000 \times \frac{2}{1} = 800\,000$

Extract of the Balance sheet		
Current assets	**Current liabilities x 2**	800 000
Trade debtors	balancing figure	**590 000**
Inventories		90 000
Bank		120 000
Current liabilities		400 000
Trade creditors		400 000

Use 800 000 (current assets) to calculate the current liabilities
$800\,000 \times \frac{1}{2}$ **OR** $800\,000 \div 2 = 400\,000$

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

EXAMPLE 7

Extract of Pre-adjusted Trial Balance on 28 February 2021:		
	Debit	**Credit**
Balance sheet section		
Ordinary share capital		4 000 000
Retained income		800 000
Loan: Poobie Bank		?

Financial indicator	
Debt: Equity ratio	0,1 : 1

REQUIRED:

1. Complete the Equity and Liabilities section of the Balance Sheet

WORKED EXAMPLE

NOTE: Shareholders equity = (Retained income + Ordinary share capital)
4 000 000 + 800 000
= 4 800 000

Loan = 0,1 (unknown figure)
Equity = 1 (known)

$4\,800\,000 \times \frac{0,1}{1} = 480\,000$ Loan

NOTE: $\frac{\text{Unknown}}{\text{Known}}$ (Always a numerator) (Always a denominator)

Extract of the Balance sheet	
Equity & Liabilities	
Ordinary shareholders' equity	4 800 000
Ordinary share capital	4 000 000
Retained income	800 000
Non-current liabilities	
Loan: Poobie Bank	**480 000**

NOTE: the following calculation would be applied in the calculation of Shareholders equity:

$480\,000 \times \frac{1}{0,1} = 4\,800\,000$ shareholders' equity

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

EXAMPLE 8

Extract from the Pre-adjusted Trial Balance on 28 February 2021:		
	Debit	**Credit**
Balance sheet section		
Ordinary share capital		5 200 000
Retained income		?

Note: The Share Capital comprised of 800 000 ordinary shares.

Financial indicator	
Net asset value per share	700 cents

REQUIRED:

1. Complete the Ordinary Shareholders' Equity section of the Balance Sheet.

WORKED EXAMPLE

Net asset value per share is : Shareholders Equity/Number of Shares = x cents

$$\frac{X \text{ (unknown)}}{800\,000} = 700 \text{ cents} \quad (\text{equals to } R7.00)$$

$$\frac{x}{800\,000} = R7.00$$

$$\frac{x}{\cancel{800\,000}} \times \cancel{800}\,000 = R7.00 \times 800\,000 \qquad \text{OR} \qquad R7.00 \times 800\,000$$

$$X = 5\,600\,000$$

Extract of the Balance sheet	
Equity and Liabilities	
Ordinary shareholders' equity	**5 600 000**
Ordinary share capital	5 200 000
Retained income (5 600 000 – 5 200 000) balancing figure	**400 000**

NOTE: To calculate the number of shares:

Shareholders' equity ÷ NAV
5 600 000 ÷ R7.00
= 800 000

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

EXAMPLE 9

NTOKOZO LTD

The information below relates to Ntokozo Ltd. The financial year ended on 28 February 2021.

REQUIRED

Calculate the following amounts for the year ended 29 February 2021:

A. Current assets
B. Inventory
C. Cash and cash equivalents

INFORMATION:

A. List of balances extracted from the accounting records of Sicwetsha Ltd on 28 February 2021

	R
Retained income (28 Feb 2021)	2345 000
Fixed assets at carrying value (28 Feb 2021)	12 208 400
Long term loan (28 Feb 2021)	735 000
Trading stock (balancing figure)	?
Trade and other receivables	345 000
Bank (favourable)	?
Creditors' control	478 000
Accrued expenses (expenses payable)	12 000
SARS: Income tax (provisional tax payments)	1 012 000

B. Inventory (calculations)

= Current Ratio less **Acid Test Ratio**

Formula = Current Assets x $\frac{\text{Inventory (ratio)}}{\text{Current Assets (ratio)}}$.

= 3 538 600 x $\frac{0,5}{1,3}$

= 1 361 000

C. Cash and Cash Equivalents

= Current Assets – (inventory + Trade and other receivables)

= 3 538 600 – (1 361 000 + 345 000)

1 706 000

= 1 832 600

D. Dividends

A final dividend of 50 cents per share was declared, 3 520 000 shares were in issue .All the shares qualified for dividends.

E. The following financial indicators were calculated after all adjustments had been taken into account:

Current ratio	1,3 : 1
Acid-test ratio	0,8 : 1

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

SUGGESTED ANSWER AND STRATEGY

A Current assets

Current Ratio is : 1,3 : 1

- Calculate the value of current liabilities first by taking into account the information and adjustments provided in the activity.
- **Calculations:**

Current Liabilities	
Creditors Control	478 000
Accrued expenses	12 000
Short term loan	420 000
Shareholders for dividends (3 520 000 x 50 cents)	1 760 000
SARS – Income tax (3 800 000 x 28%) - 1 012 000	52 000
	2 722 000

Current Liabilities = 2 722 000
Current assets = unknown

∴ 1 = 2 722 000 (known)
1,3 = x (unknown)

$$\frac{2\,722\,000 \times \text{unknown}}{\text{known}}$$

$$2\,722\,000 \times \frac{1{,}3}{1} = 3\,538\,600 \quad \text{Current assets}$$

B Inventory

Current ratio less current liabilities
1,3 – 0,8 = 0,5 (Inventory)

$$\text{Formula} = \frac{\text{current assets x inventory} \quad \text{(unknown)}}{\text{Current assets} \quad \text{(known)}}$$

$$3\,538\,600 \times \frac{0.5}{1.3} = 1\,361\,000 \text{ (Inventory)}$$

C Cash and cash equivalents or Bank :

Total Assets – (inventory + trade and other receivables) = Bank

3 538 600 - (1 361 000 + 345 000) = 1 832 600
1 706 000

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

4. CONSOLIDATION ACTIVITIES

ACTIVITY 4 : STATEMENT OF FINANCIAL POSITION & SHARE CAPITAL NOTE

BABI LTD

The information provided is for the year ended on 31 August 2020.

REQUIRED:

4.1 Complete the Ordinary Share Capital Note. (9)

4.2 Complete the Statement of Financial Position (Balance Sheet) on 31 August 2020. (21)

INFORMATION:

A. The following were extracted from the records on 1 March 2020.

Fixed Asset (carrying value)	R 8 121 000
Fixed Deposit: Zako Bank	830 200
Inventory **(Refer to Information C)**	**?**
Trade and other receivables (balancing figure)	**?**
Bank (favourable)	864 800
Cash float	3 000
SARS Income Tax (Provisional tax)	560 000
Ordinary Share Capital	**?**
Retained Income	14 960
Loan: Tambo Bank	**?**
Trade and other payables	463 840

B. Share capital and dividends:

- Authorised shares consists of 3 000 000 shares.
- On 1 September 2019, there were 1 800 000 shares in issue.
- On 1 July 2020, the company repurchased 120 000 shares at R7, 20 each, which was 20% above the average share price. These shares do not qualify for final dividends.
- 20% of unissued shares on 1 September 2019 were issued at R6, 60 per share on 25 August 2020.
- A final dividend of 22 cents per share was declared on 31 August 2020.

C. Inventory:

The business sells satellite decoders.

Closing stock of 1260 units must be valued using the first-in-first-out method. Two batches of stock were purchased during the year. There were no missing items.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

	NUMBER OF UNITS	COST PRICE PER UNIT	TOTAL COSTS R
Opening stock	1 500	R1 600	2 400 000
Purchases:			
Batch 1 (Nov. 2019)	1 800	R1 750	3 150 000
Batch 2 (June 2020)	1 200	R1 950	2 340 000

D. Loan Statement from Tambo Bank

Balance 1 September 2019	1 840 000
Capitalised interest for the year	130 800
Annual Repayment (Including Interest)	307 200

The capital portion for the repayment of the loan in the next financial year remains the same as the current financial year.

E. Amount owed to SARS on 31 August 2020 is a balancing figure.

30

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

ACTIVITY 5 **2018 DBE MATERIAL Adapted**

You are provided with information relating to JOB Taylor Ltd for the year ended 28 February 2021.

REQUIRED:

5.1 Complete the Retained Income Note to the Balance Sheet or Statement of Financial Position. (10)

5.2 Complete the Balance Sheet (Statement of Financial Position) on 28 February 2021. (Show workings in brackets). (40)

INFORMATION:

A. Extract from the Pre-adjustment Trial Balance on 28 February 2021.

	Debit	Credit
Ordinary share capital (900 000 shares)		R 4 050 000
Retained income (1 March 2016)		345 000
Loan: Vivian Bank (1 March 2016)		750 000
Fixed assets at cost	R 4 350 000	
Accumulated depreciation		650 520
Trading stock	258 740	
Debtors Control	195 000	
Provision for bad debts		4 000
Fixed deposit: Santa Bank	**?**	
Bank	464 000	
Creditors' Control		101 000
SARS (Income tax)	364 000	
Rent Income		80 150

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

B. Additional information:

(i) **Share Capital**

600 000	Shares were in issued at the beginning of the current financial year (Average Share Price; R4, 00).
300 000	Additional shares were issued on 1 May 2020 at R5, 50 per share.
75 000	On 28 February 2021, shares were bought back from a shareholder for R450 000. This transaction **was not** recorded yet. They are entitled to a final dividend.

(ii) **Loan agreement with Vivian Bank:**

Opening balance: 1 March 2020.	R 750 000
Repayment during the year, including interest	192 300
Closing balance: 28 February 2021	615 000

- The interest on loan is capitalised.
- R125 000 of the loan will be paid in the next financial year.

(iii) **Dividends:**

- An interim dividend of R240 000 was paid on 31 August 2020.
- A final dividend of 28 cents per share was declared on 28 February 2021 and must still be brought into account.

(iv) **The following adjustments must be taken into consideration for the drafting of the Balance Sheet only:**

- Audit fees still outstanding on 28 February 2021, R19 000.
- A debtor owing R6 500 was declared insolvent, was not recorded.
- The provision for bad debt must increase by R1 500.
- Consumable stores on hand, R2 180.
- The rent for February 2021 was not received yet. Note that the rent was increase by 15% on 1 November 2020.

(v) **SARS (income tax):**

- Income tax for the year is calculated at 28% of the net profit.
- Net profit before tax (after all adjustments) amounted toR1 250 000.

65

Downloaded from eduresourceza.com

 Downloaded from eduresourceza.com

FIXED ASSETS AND BALANCE SHEET

The following information relates to Odette Ltd. The financial year ended on 28 February 2021.

REQUIRED:

6.1 **Refer to Information B.**
Calculate the missing amounts denoted by **(a)** to **(e)**. (22)

6.2 Complete the Balance Sheet (Statement of Financial Position) on 28 February 2021. Show workings. (37)

INFORMATION:

A. Amounts extracted from the records on 28 February 2021:

Balance Sheet accounts section	**R**
Ordinary share capital	**?**
Retained income (28 February 2021)	520 000
Fixed assets (carrying value)	**?**
Loan from Beque Bank	284 000
Trading stock	408 880
Net trade debtors	67 200
Fixed deposit: Elze Bank	**?**
Bank (favourable)	**?**
SARS: Income tax (provisional payments)	209 000
Creditors' control	184 000
Nominal accounts section (pre-adjustment amounts)	
Insurance	30 200
Rent income	108 450
Electricity	42 000

B. Fixed assets:

	LAND AND BUILDINGS	**VEHICLES**	**EQUIPMENT**	**TOTAL**
Cost		350 000	460 000	
Accumulated depreciation		(315 000)		
Carrying value (01/03/2020)	**(a)**	35 000		
Movements:				
Additions	325 000	422 550	0	
Disposals	0	0	**(d)**	
Depreciation		**(b)**	(13 766)	
Carrying value (28/02/2021)	2 550 000	**(c)**	50 994	**(e)**
Cost		772 550	340 000	
Accumulated depreciation				

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

- Depreciation on vehicles is calculated at 20% p.a. on cost.
- The company has two vehicles on 28 February 2021. One of these vehicles was purchased on 1 September 2020.
- Extract from the Fixed Assets Register in respect of equipment sold:

Fridge (Model X3)
Date purchased: 1 March 2018
Date sold: 31 December 2020 **Sold for:** R81 250

Depreciation rate: 10% p.a. (diminishing-balance method)

	COST	DEPRECIATION	BOOK VALUE
28 February 2019	R120 000	R12 000	R108 000
29 February 2020		?	?
31 December 2020		?	?

C. The electricity account for February 2021, R5 600, was still outstanding.

D. The provision for bad debts must be increased by R270.

E. An additional insurance policy was taken out on 1 November 2021. The annual premium of R10 200 was paid and recorded.

F. The rent for February 2021 has not been received yet. The rent increased by 15% on 1 July 2020.

G. Net profit after tax, R518 000, was calculated after taking into account all the adjustments above. Income tax is 30% of the net profit.

H. 75% of the authorised share capital of 900 000 shares was in issue. The directors declared a final dividend of 24 cents per share on 28 February 2021.

I. Extract from Beque Bank loan statement:

Balance on 1 March 2020	R376 000
Instalments (including interest)	R92 000
Interest capitalised	R48 000
Balance on 28 February 2021	?

NOTE:
- Interest has not been entered in the books.
- R50 000 of the loan balance will be settled in the next financial year.

J. The net asset value per share on 28 February 2021 is 620 cents.

K. The current ratio is 2, 1: 1 on 28 February 2021.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

ACTIVITY 7: BALANCE SHEET **2018 NSC NOV Adapted**

7.1 Choose a description from COLUMN B that matches the term in COLUMN A. Write only the letter (A–E) next to the question number (7.1.1– 7.1.5) in the ANSWER BOOK.

COLUMN A	COLUMN B
7.1.1 Income Statement	A an explanation of the operations of the company during a financial year
7.1.2 Balance Sheet	B reflects whether or not the shareholders can rely on the financial statements
7.1.3 Cash Flow Statement	C reflects the profit/loss of the company for the year
7.1.4 Directors' report	D reflects the effect of the operating, financing and investing activities on the cash resources
7.1.5 Independent audit report	E reflects the net worth of the company

(5 x 1) (5)

7.2 **ORBIT LTD**

Refer to the information from the records of Orbit Ltd for the financial year ended 30 June 2021.

REQUIRED:

7.2.1 Prepare the following notes to the Balance Sheet:

(a) Ordinary share capital (8)

(b) Retained income (11)

7.2.2 Complete the Balance Sheet on 30 June 2021. Where notes are not required, show ALL workings in brackets. (28)

7.2.3 The CFO (chief financial officer), Barry Wright, has convinced the company to buy back a further 400 000 shares from his close relative during the next financial year. Barry currently owns 1 904 400 shares in this company, which is 46% of the issued shares.

As a shareholder, explain your concern regarding the proposed buy-back of shares. Provide calculations to support your concern. (6)

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

INFORMATION:

A. Extract from the books on 30 June 2021:

Fixed/Tangible assets (carrying value)	**?**
Fixed deposit: Morocco Bank	380 000
Ordinary share capital (1 July 2020)	3 150 000
Retained income (1 July 2020)	874 000
Bank (favourable)	250 700
Loan: Helping Bank	302 400
Trading stock	478 000
Debtors' control	317 000
Creditors' control	239 800
Income received in advance	6 600
SARS: Income tax (provisional payments)	390 000
Dividends on ordinary shares (interim dividends)	630 000

B. Share capital:

- The business has an authorised share capital of 6 000 000 shares.
- 70% of the shares were in issue on 1 July 2020.
- 60 000 ordinary shares were repurchased from a disgruntled shareholder on 1 December 2020. The company paid R3,50 per share. This was paid and recorded on 1 December 2020.

C. A final dividend of 22 cents per share was declared on 30 June 2021. Only shares in the share register qualify for final dividends.

D. The following adjustments have not been taken into account yet:

- Provision for bad debts is set at 5% of the outstanding debtors.
- Insurance included an annual premium of R31 800, paid for the period 1 October 2020 to 30 September 2021.

E. The loan statement from Helping Bank reflected the following:

Balance on 1 July 2020	R480 000
Repayments during financial year (including interest)	R177 600
Interest capitalised	R57 600
Balance on 30 June 2021	**?**

R40 000 of the loan will be paid back in the next financial year.

F. Income tax for the year amounted to R408 800. This was calculated at 28% of the corrected net profit.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

ACTIVITY 8 **(2019 NSC NOV ADAPTED)**

BALANCE SHEET

8.1 Choose an explanation in COLUMN B that matches the term in COLUMN A. Write only the letters (A–E) next to the question numbers (8.1.1 to 8.1.5) in the ANSWER BOOK.

COLUMN A	COLUMN B
8.1.1 Internal auditor	A appointed by shareholders to manage a company
8.1.2 Memorandum of incorporation (MOI)	B the body responsible for registration of all companies
8.1.3 Limited liability	C employed by a company to ensure good internal control procedures
8.1.4 Director	D indicates that a company has a legal personality of its own
8.1.5 Companies and Intellectual Property Commission (CIPC)	E the document that establishes the rules and procedures of a company

(5 x 1) (5)

8.2 **VISIV LTD**

The financial year ended on 28 February 2019.

REQUIRED:

8.2.1 Calculate:

- Amounts for **(i)** and **(ii)** in the Fixed Assets Register (5)
- Profit/Loss on sale of asset (2)
- Fixed assets carrying value on 28 February 2019 (4)

8.2.2 Calculate the correct net profit **after tax** for the year ended 28 February 2019. Indicate (+) for increase and (–) for decrease. (9)

8.2.3 Refer to Information A–H. Prepare the following on 28 February 2019:

- Retained Income Note (9)
- Statement of Financial Position (Balance Sheet). (27)

NOTE: Show workings. Certain figures are provided in the ANSWER BOOK.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

INFORMATION:

A. Fixed assets:

A delivery vehicle was sold on 31 October 2018 but no entries were made to record this transaction.

Details of vehicle sold:

Delivery Vehicle X43 **Date purchased:** 1 March 2016 **Date sold:** 31 October 2018 **Sold for:** R195 000 (cash) **Depreciation rate:** 25% p.a. (diminishing-balance method)			
	COST	**DEPRECIATION**	**CARRYING VALUE**
28 February 2017	R400 000	R100 000	R300 000
28 February 2018		75 000	225 000
31 October 2018		**(i)**	**(ii)**

B. List of balances/totals on 28 February 2019 (before taking into account all adjustments below):

Ordinary share capital	R8 152 000
Retained income (1 March 2018)	865 300
Mortgage loan: Prati Bank	1 758 000
Fixed assets (carrying value)	10 190 000
Fixed deposit: Prati Bank (balancing figure)	**?**
Trading stock	1 102 000
Net trade debtors	1 090 000
Bank (favourable)	**?**
SARS: Income tax (provisional tax payments)	155 000
Creditors' control	1 981 800

C. Net profit before tax, R822 700, was calculated **before** correcting the following:

- Provision for bad debts must be increased by R65 000.
- R9 800 of an advertising contract applies to the next financial year.
- A tenant paid rent of R334 000 for the period 1 March 2018 to 31 March 2019. Rent was increased by R3 000 per month from 1 January 2019.
- Depreciation and profit/loss on the vehicle sold must be recorded.
- A further R43 000 is owed for income tax.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

D. Ordinary shares:

DATE	DETAILS
1 March 2018	2 000 000 shares in issue; total book value R7 600 000
31 May 2018	360 000 shares repurchased at R4,10 each
1 October 2018	800 000 new shares issued
28 February 2019	2 440 000 shares in issue

E. Dividends:

- Interim dividends were paid in September 2018, R295 200.
- Final dividends of 20c per share were declared on 28 February 2019.

F. A creditor with a debit balance of R7 600 must be transferred to the Debtors' Ledger.

G. After processing all adjustments:

- The current ratio is 0, 8: 1.
- The current liabilities totalled R2 900 000.
- The current portion of the loan is the balancing figure.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

5. ANSWER BOOK

ACTIVITY 1

1.1 STONEY LTD

NOTES TO THE FINANCIAL STATEMENTS ON 28 FEBRUARY 2021

ORDINARY SHARE CAPITAL

AUTHORISED			
400 000 ordinary shares			
ISSUED			
300 000	**Ordinary shares in issue on 1 March 2020**	**1 275 000**	
	Ordinary shares in issue on 28 February 2021		**8**

RETAINED INCOME

Balance at the beginning of the year	**28 900**	
Dividends on ordinary shares		
Balance at the end of the year		**10**

ACTIVITY 2

PHESWA LTD

2.1.1

Ordinary Share Capital		
	Ordinary shares on 1 March 2020	**4 022 000**

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

2.1.2

Retained income	
Opening balance	
Ordinary share dividends	
Closing balance	

2.1.3

Trade and other payables	

eduresourceza.com

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

ACTIVITY 3

TANGIBLE ASSETS

	LAND AND BUILDINGS	VEHICLES	EQUIPMENT
Carrying value (1 March 2019)			
Cost			
Accumulated depreciation			
Movements			
Additions at cost			
Disposals at carrying value			
Depreciation for the year			
Carrying value (30 June 2020)			
Cost			
Accumulated depreciation			

TRADE AND OTHER RECEIVABLES	

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

ACTIVITY 4

4.1 Share Capital

Authorised Share Capital: 3 000 000 ordinary shares			
Issued Share capital:			
1 800 000	**Shares in issue at beginning of year**		
(120 000)			
	Shares in issue at the end of the year		**9**

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

4.2 STATEMENT OF FINANCIAL POSITION ON 31 AUGUST 2020

NON-CURRENT ASSET		
Fixed assets	**8 121 000**	
Financial assets	**830 200**	
CURRENT ASSETS		
TOTAL ASSETS		
EQUITY AND LIABILITIES		
SHAREHOLDER EQUITY		
Ordinary share capital		
Retained income	**14 960**	
NON-CURRENT LIABILITIES		
CURRENT LIABILITIES	**1 097 840**	
Trade and other payables	**463 840**	
TOTAL EQUITY AND LIABILITIES		**21**

TOTAL MARKS
……./30

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

ACTIVITY 5

5.1 RETAINED INCOME NOTE

Balance at the beginning of the year	**345 000**	
		10
Interim dividend	**240 000**	

5.2 BALANCE SHEET/STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2021

ASSETS	
Non-current assets	
Fixed assets	
Financial assets	
Current assets	
Inventory	
Trade and other receivables	
Cash + cash equivalents	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
Shareholder's equity	
Ordinary share capital	
Retained income	
Non-current liabilities	
Loan: Vivian Bank	
Current liabilities	
Trade and other payables	
Shareholders for dividends	
Current portion of loan	
TOTAL EQUITY AND LIABILITIES	

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

ACTIVITY 6

6.1

(a)	Calculate the carrying value of Land and Buildings on 1 March 2020.	2
(b)	Calculate the total depreciation on Vehicles on 28 February 2021.	6
(c)	Calculate the carrying value of Vehicles on 28 February 2021.	4
(d)	Calculate the carrying value of Equipment sold on 31 December 2020.	6
(e)	Calculate the total carrying value of Fixed Assets on 28 February 2021.	4

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

6.2 BALANCE SHEET OF ODETTE LTD ON 1 JULY 2020

ASSETS		
NON-CURRENT ASSETS		
CURRENT ASSETS		
Inventory	**408 880**	
Trade and other receivables		
Cash and cash equivalents		
TOTAL ASSETS		
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Ordinary share capital		
Retained income	**520 000**	
NON-CURRENT LIABILITIES		
CURRENT LIABILITIES		
TOTAL EQUITY AND LIABILITIES		**37**

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

QUESTION 7

7.1

7.1.1		
7.1.2		
7.1.3		
7.1.4		
7.1.5		
		5

7.2 ORBIT LTD

7.2.1

(a) ORDINARY SHARE CAPITAL

Authorised			
6 000 000 shares			
Issued			
			8

(b) RETAINED INCOME

Balance on 1 July 2020	874 000	
Ordinary share dividends		
Balance on 30 June 2021		11

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

7.2.2 ORBIT LTD
BALANCE SHEET ON 30 JUNE 2021

ASSETS		
NON-CURRENT ASSETS		
Fixed/Tangible Assets		
Fixed deposit	**380 000**	
CURRENT ASSETS		
Inventory	**478 000**	
TOTAL ASSETS		
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Ordinary share capital		
Retained income		
NON-CURRENT LIABILITIES		
Loan: Helping Bank		
CURRENT LIABILITIES		
Trade and other payables		
TOTAL EQUITY AND LIABILITIES		**28**

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

ACTIVITY 8

8.1

8.1.1		
8.1.2		
8.1.3		
8.1.4		
8.1.5		5

8.2 VISIV LTD

8.2.1

(i) Calculate: Depreciation for the current year		
Workings	Answer	
(ii) Calculate: Carrying value of vehicle sold		
Workings	Answer	
		5
Calculate: Profit/Loss on sale of asset		
Workings	Answer	
		2
Calculate: Fixed assets carrying value on 28 February 2019		
Workings	Answer	
		4

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

8.2.2 Calculate the correct net profit after tax for the year ended 28 February 2019. Indicate (+) for increase and (–) for decrease.

Workings	Answer	
Incorrect net profit before tax	822 700	
Correct net profit after tax		9

8.2.3 RETAINED INCOME NOTE:

Balance at beginning	865 300	
Ordinary share dividends		
Balance at end		9

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

VISIV LTD STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) ON 28 FEBRUARY 2019		
ASSETS		
Non-current assets		
Fixed assets		
Fixed deposit		
Current assets		
Inventories	**1 102 000**	
Cash and cash equivalents		
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Ordinary shareholders' equity		
Ordinary share capital	**8 152 000**	
Non-current liabilities		
Current liabilities	**2 900 000**	
Current portion of loan		
TOTAL EQUITY AND LIABILITIES		**27**

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

6. SUGGESTED ANSWERS AND MARKING GUIDELINES

1.1 STONEY LTD

NOTES TO THE FINANCIAL STATEMENTS ON 28 FEBRUARY 2021

ORDINARY SHARE CAPITAL

AUTHORISED			
400 000 ordinary shares			
ISSUED			
300 000	**Ordinary shares in issue on 1 March 2020**	**1 275 000**	
(20 000)	shares repurchased during the year (x R4,25 ✓✓)	(85 000) ☑	
40 000	shares issued during the year	220 000 ✓✓	
✓ ✓ 320 000	**Ordinary shares in issue on 28 February 2021**	operation 1 410 000 ☑	**8**

RETAINED INCOME

Balance at the beginning of the year	**28 900**	
Net profit after tax (112 000 x 72/28)	288 000 ☑	
Shares repurchased (120 000 ✓ - 85 000 ☑ see OSC)	(35 000) ☑	
Dividends on ordinary shares	(86 000) ☑	
Interim dividends paid (300 000 ✓ x 0,10)	one part correct 30 000 ☑	
Final dividends declared (280 000 ✓ x 0,20)	one part correct 56 000 ☑	
Balance at the end of the year Operation, one part correct	195 900 ☑	**10**

- ASP R1 275 000/300 000 = *R4,25
- Alternative calculation for shares repurchased (above average price)
  R120 000 /20 0000 = R6.00
  R6.00 – R4.25 = R1.75
  20 000 X R1.75 = R35 000

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

ACTIVITY 2

2.1.1

Ordinary Share Capital		
720 000	Ordinary shares on 1 March 2020	4 022 000
200 000	Shares issued at R6,80 each	1 360 000
(100 000)	Shares repurchased (ASP: R5,85)	(585 000)
820 000	**Ordinary shares on 28 February 2021**	**4 797 000**

2.1.2

Retained income	
Opening balance	413 220
Net profit after tax **(535 000 - *160 500)**	374 500
Funds used to repurchase shares **(100 000 x (1,15)** (R7,00 - ASP (see 2.1.1)	(115 000)
Ordinary share dividends	(341 000)
Interim dividend **(920 000 x 13 cents)**	119 600
Final dividend **(820 000 x 27 cents)**	221 400
Closing balance	**331 720**

2.1.3

Trade and other payables	
Creditors control	219 400
Accrued expenses	16 490
Income received in advance	8 880
SARS: income tax	12 730
Shareholders for dividends see 2.1.2	221 400
Short-term loan (20% of 946 500)	189 300
	668 200

***Income tax : 147 770 + 12 730 =160 500**

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

ACTIVITY 3

TANGIBLE ASSETS

	LAND AND BUILDINGS	VEHICLES	EQUIPMENT	WORKINGS
Carrying value (1 March 2019)	**1500 000**	**185 000**	**290 000**	**A**
Cost	1 500 000	980 000	500 000	**200 000 less 119 950**
Accumulated depreciation	-	(795 000)	(210 000)	**B**
Movements	**400 000**	**375 001**	**87 450**	**290 000 X 25%**
Additions at cost	400 000	600 000	240 000	**C**
Disposals at carrying value	-	0	**A (80 050)**	**500 000 Plus 240 000 Less 200 000**
Depreciation for the year	-	(224 999)	**B (72 500)**	
Carrying value (30 June 2020)	**1 900 000**	**560 001**	**377 450**	**D**
Cost	1 900 000	1 580 000	**C 540 000**	**210 000 + 72 500 - 119 950**
Accumulated depreciation	**-**	(1 019 999)	**D (162 550)**	

TRADE AND OTHER RECEIVABLES

		Workings - rent income
Debtors control (138 500 - 2 100 + 750 + 1 700) **check the T Account**	138 850	
Provision for bad debts (7 850 + 2 150)	(10 000)	**191 100 – (700 x 3)**
Net Trade debtors	128 850	**189 000 + 3 500** **192 500 ÷ 11**
Accrued income	18 200	**17 500 + 700**
Prepaid expense (22 950/9) x 3	7 650	**= 18 200**
	154 700	

NOTES AND STRATEGY

DR	**Debtors' Account**		**CR**	R1 700 will be added to debtors control
Transfer to creditors	**1 700**	**Balance**	**1 700**	

- **Provision for bad debts –** R2 150 (R10 000 -7 850) will be recorded in the Income Statement under expenses because the **provision has increased.**

- **Depreciation on vehicles :** New asset - 600 000 x 20% x 4/12 = 400 000
  Old assets : R185 000 – R1 = R184 999
  400 000 + 184 999 = 224 999

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

Asset Disposal				
Equipment	200 000	Accumulated Depreciation	**119 950**	200 000-15 000-65 050 =119 950
		Creditors Control	65 050	
		Loss on sale of an asset	15 000	

ACTIVITY 4

4.1 Share Capital

Authorised Share Capital: 3 000 000 ordinary shares

Issued Share capital:

1 800 000	**Shares in issue at beginning of year** *x R6,00 ** (has to be ASP)*	10 800 000 ☑	
(120 000)	Shares repurchased at ASP of R6 ✓✓ per share 7,20 / 1,2	(720 000) ☑*	
240 000 ✓ ✓	Additional shares issued during the year at R6,60 per share	1 584 000 ☑*	
1 920 000 ☑	**Shares in issue at the end of the year** operation **do not accept if R7,20 or more	11 664 000 ☑ *one part correct	9

Number of Shares issued during the year

300 000 – 1 800 000 = 1 200 000
1 200 000 X 20% = 240 000

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

4.2 STATEMENT OF FINANCIAL POSITION ON 31 AUGUST 2020

NON-CURRENT ASSETS		8 951 200 ✓	
Fixed assets		**8 121 000**	
Financial assets		**830 200**	
CURRENT ASSETS	TA - NCA	5 312 800 ☑	
Inventories	(60 x 1 750) two marks (2 340 000✓+ 105 000✓✓)	2 445 000 *☑	
Trade and other receivables	Balancing figure	2 000 000 ☑	
Cash and cash equivalents	864 800 + 3 000	867 800 *☑ ✓	
TOTAL ASSETS	**See TE+L**	14 264 000 ☑	10

EQUITY AND LIABILITIES			
SHAREHOLDER EQUITY	Operation	11 678 960 ☑	
Ordinary share capital	See 4.1	11 664 000 ☑	
Retained income		**14 960**	
NON-CURRENT LIABILITIES		1 487 200	
Loan: Tambo Bank	(1 840 000+130 800-307 200) two marks 1 663 600✓☑ – 176 400✓	1 487 200 *☑	6
CURRENT LIABILITIES		**1 097 840**	
Trade and other payables		**463 840**	
Current Portion of Loan	See loan above	176 400 ☑	
SARS (Income tax)	Balancing figure	35 200 ☑	
Shareholders for Dividends	See 4.1 1 920 000 x 22c	422 400 *☑ ✓	**21**
TOTAL EQUITY AND LIABILITIES	operation	14 264 000 ☑ *One part correct	
Short term loan: 307 200 – 130 800 = 176 400			5

TOTAL MARKS

30

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

ACTIVITY 5

5.1 RETAINED INCOME NOTE

Balance at the beginning of the year	**345 000**		
Net profit after tax (1 250 000 x 72%)	900 000	✓✓	
Re-purchase of shares (75 000 ✓x R1,50)✓✓ OR (450 000 (1 mark) – 337 500 (2 marks)	(112 500)	☑	
Ordinary share dividends	(492 000)		
Interim dividend	**240 000**		
Final dividend (900 000✓x 28c)✓	252 000	✓	**10**
Balance at the end of the year	640 500	☑	

5.2 BALANCE SHEET/STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2021

ASSETS			
Non-current assets **balancing figure**	4 860 030	☑	
Fixed assets (4 350 000✓– 650 520✓)	3 699 480	✓	
Financial assets	1 160 550	☑	5
Current assets	479 970	☑	
Inventory (258 740✓+ 2 180✓)	260 920	✓	
Trade and other receivables **364 000- 350 000** 195 000✓ - 6 500 ✓ - 5 500✓✓+8 050✓✓+14 000✓✓	205 050	☑	
Cash + cash equivalents (464 000 ✓– 450 000☑) **see buy back of OSC**	14 000	☑	
TOTAL ASSETS **same as TE+L**	5 340 000	☑	17
EQUITY AND LIABILITIES			
Shareholder's equity	4 353 000	☑	
Ordinary share capital **450 000 – 112 500** (4 050 000 ✓– 337 500 ✓✓)	3 712 500	☑	
Retained income **see 5.1**	640 500	☑	6
Non-current liabilities	490 000		
Loan: Vivian Bank **750 000** + 57 300 ✓✓– 192 300 ✓– 125 000✓)	490 000	☑	5
Current liabilities	497 000	☑	
Trade and other payables (101 000✓ + 19 000✓	120 000	✓	**40**
Shareholders for dividends **see 5.1**	252 000	☑	
Current portion of loan	125 000	☑	
TOTAL EQUITY AND LIABILITIES	5 340 000	☑	7

***Trade and other payables can combine the elements under current liabilities.**

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

ACTIVITY 6

6.1

(a) **Calculate the carrying value of Land and Buildings on 1 March 2020.**

2 550 000 – 325 000 = 2 225 000 ✓✓

2

(b) **Calculate the total depreciation on vehicles on 28 February 2021.**
(Allocate the marks to correct workings even if subtotals not shown)

New:
422 550 x 20/100 x 6/12 = 42 255 ✓✓

Old: one mark
350 000 x 20/100 = 70 000 but can only write off R34 999 ✓✓✓
(350 000 – 315 000) = 35 000–1 = 34 999
42 255 + 34 999 = 77 254 ☑ one part correct

6

(c) **Calculate the carrying value of Vehicles on 28 February 2021.**

see (b) above one part correct
35 000 ✓ + 422 550 ✓ – 77 254 ☑ = 380 296 ☑

OR

one mark one mark one method mark
772 550 – (315 000 + 77 254 **see (b) above** = 380 296
392 254 two marks

4

(d) **Calculate the carrying value of Equipment sold on 31 December 2020.**

30 900 four marks 18 900 three marks
22 800 two marks
120 000 ✓ – (12 000 ✓+ 10 800 ✓ + 8 100 ✓✓) = 89 100 ☑ one part correct
108 000 two marks

OR

1 mark 1 mark 1 mark 2 marks one method mark
120 000 – 12 000 – 10 800 – 8 100 = 89 100

6

(e) **Calculate the total carrying value of fixed assets on 28 February 2021.**

see (c) above one part correct
2 550 000 ✓ + 380 296 ☑ + 50 994 ✓ = 2 981 290 ☑

4

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

6.2 BALANCE SHEET OF ODETTE LTD ON 30 JUNE 2021

	ASSETS		
	NON CURRENT ASSETS (TA – CA)	4 010 940	☑
	Fixed assets **See (6.1 e)**	2 981 290	☑
3	Financial assets (Fixed Deposit) (Non-current assets – Fixed assets)	1 029 650	☑
	CURRENT ASSETS (CL X 2,1)	870 660	☑☑
	Inventory	**408 880**	
	Trade and other receivables 67 200 ✓ – 270 ✓✓ + 6 800✓✓ +10 350 ✓✓	84 080	☑
	Cash and cash equivalents **(870 660- 408 880 - 84 080)**	377 700	☑
12	**TOTAL ASSETS** (Shareholders equity plus total liabilities)	4 881 600	☑
	EQUITY AND LIABILITIES		
	SHAREHOLDERS EQUITY 675 000 ✓ x 620 c ✓ 900 000 x 75%	4 185 000	☑
	Ordinary share capital (Shareholder's Equity – **520 000**)	3 665 000	☑
4	**Retained income**	**520 000**	
	NON-CURRENT LIABILITIES	282 000	
4	Loan: Beque Bank **376 000–92 000** 284 000✓ + 48 000✓ – 50 000✓ **332 000 two marks**	282 000	☑*
	CURRENT LIABILITIES	414 600	☑*
	# Trade and other payables 184 000✓ + 5 600✓	189 600	☑*
	## SARS: Income tax 222 000 ✓✓ – 209 000 ✓ 518 000 x 30/70	13 000	☑*
	See no. of shares in SHE Shareholders for dividends (675 000 ☑ x 0,24✓)	162 000	☑*
	Current portion of loan	50 000	✓
14	**TOTAL EQUITY AND LIABILITIES**	4 881 600	☑*

NB: See alternative version to allow for SARS as a T&OR

37

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

ACTIVITY 7

7.1

7.1.1	C	✓
7.1.2	E	✓
7.1.3	D	✓
7.1.4	A	✓
7.1.5	B	✓

5

7.2 ORBIT LTD

7.2.1
(a) ORDINARY SHARE CAPITAL

Authorised		
6 000 000 shares		
Issued		
4 200 000 ✓	Ordinary shares in issue at beginning of year	3 150 000 ✓
(60 000) ✓	Shares repurchased during the year at R0,75✓✓ (ASP) one part correct	*(45 000) ☑*
4 140 000 ✓	Ordinary shares in issue at end of year one part correct, must subtract repurchase	3 105 000 ☑

8

*Do not accept: R210 000 or 60 000 x R3,50

(b) RETAINED INCOME

Balance on 1 July 2020	**874 000**
Net profit after income tax (408 800 ✓ x $^{72}/_{28}$ ✓) OR: 1 460 000 – 408 800	1 051 200 ☑*
Shares repurchased (60 000 x R2,75 ☑) 3,50 – ASP above OR: 210 000 – figure for repurchase in (a)	**(165 000) ☑*
Ordinary share dividends	(1 540 800) ☑*
Interim (paid)	630 000 ✓
Final (recommended) (4 140 000 ✓ x 22 cents ✓ or 0,22 / 22%	910 800 ☑*
Balance on 30 June 2021 *one part correct & repurchase and OSD must be subtracted	219 400 ☑*

11

*One part correct
** do not accept 210 000 or 0;

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

7.2.2 ORBIT LTD
BALANCE SHEET ON 30 JUNE 2021.

ASSETS			
NON-CURRENT ASSETS **TA – CA**		3 822 600	☑
Fixed/Tangible Assets balancing figure		3 442 600	☑
Fixed deposit	2	**380 000**	
CURRENT ASSETS operation		1 037 800	☑
Inventory		**478 000**	
Trade and other receivables 317 000 ✓– 15 850✓✓ + 7 950 ✓✓ one part correct		309 100	☑
Cash and cash equivalents		250 700	✓
TOTAL ASSETS see Total Equity and Liabilities	9	4 860 400	☑
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY operation		3 324 400	☑
Ordinary share capital see 7.2.1	3	3 105 000	☑
Retained income see 7.2.1		219 400	☑
NON-CURRENT LIABILITIES		320 000	
Loan: Helping Bank (360 000 ✓✓– 40 000✓) one part correct 302 400 one mark + 57 600 one mark – 40 000 one mark	4	320 000	☑
CURRENT LIABILITIES operation		1 216 000	☑
Award all marks if all items included in T&OP			
Trade and other payables one part correct (239 800 ✓ + 6 600 ✓)		246 400	☑
Shareholders for dividends see 7.2.1		910 800	☑
SARS: Income tax (408 800 – 390 000) one part correct		18 800	✓ ☑
Current portion of loan see loan		40 000	✓ ✓
TOTAL EQUITY AND LIABILITIES operation	10	4 860 400	☑

28

Misplaced items mark figures but-1 each time (as per Nov 2021)
Foreign entries -1 (max -2)
Presentation / Incorrect or incomplete details -1 (max -2)
SARS may not be shown as a current asset

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

7.2.3 **As a shareholder, explain your concern regarding the proposed buy-back of shares. Provide calculations to support your concern.**

Explanation ✓✓ part-mark for unclear / incomplete answer

Barry wants to increase his % shareholding (without investing in more shares) He will become the majority shareholder which will enable him to influence all decisions taken.

% shareholding of Barry after the share buyback:

1 904 400 ✓/ 3 740 000 ✓✓ x 100 = 50,9%.☑ one part correct; accept 51%
(4 140 000 – 400 000)

6

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

ACTIVITY 8

8.1

8.1.1	C ✓
8.1.2	E ✓
8.1.3	D ✓
8.1.4	A ✓
8.1.5	B ✓

5

8.2 VISIV LTD

8.2.1 Calculate:

(i) Depreciation for the current year	
Workings	**Answer**
225 000 ✓ x 25% x 8/12 ✓	one part correct 37 500 ☑

(ii) Carrying value of vehicle sold	
Workings	**Answer**
✓ ☑ 225 000 – 37 500 see (i) above **OR** 400 000 – 212 500 **100 000 + 75 000 + 37 500**	Two marks 187 500

5

Calculate: Profit/Loss on sale of asset	
Workings	**Answer**
✓ ☑ 195 000 – 187 500 see (ii) above	Two marks 7 500

2

Calculate: Fixed assets carrying value on 28 February 2019	
Workings	**Answer**
✓ ☑ see (i) above ☑ see (ii) above 10 190 000 – 37 500 – 187 500 **225 000 two method marks** **OR:** 10 190 000 – (400 000 – 212 500 + 37 500) **one mark** **one mark** **one mark** **Also accept ledger account format** 10 190 000 | 37 500 187 500 9 965 000	one part correct 9 965 000☑

4

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

8.2.2 **Calculate the correct net profit after tax for the year ended 28 February 2019. Indicate (+) for increase and (–) for decrease.**

Workings		Answer
Incorrect net profit before tax		**822 700**
Provision for bad debts adjustment		(65 000) ✓
Advertising		9 800✓
Rent income [(334 000 – 9000) / 13] + 3 000		(28 000) ✓☑*
Additional depreciation	see 8.2.1 (i)	(37 500) ☑
Profit on sale of asset	see 8.2.1 (ii)	7 500☑
Income tax (155 000 + 43 000)		(198 000) ✓☑*
Correct net profit after tax		511 500 ☑* One part correct

9

8.2.3 **RETAINED INCOME NOTE:**

Balance at beginning		**865 300**
Net profit after tax	**see 8.2.2**	511 500 ☑
Shares repurchased 360 000✓x R0,30✓	**4,10 – 3,80**	(108 000) ✓
Ordinary share dividends		(783 200) ☑*
Interim		295 200 ✓
Final 2 440 000 x R0,20		488 000 ✓☑*
Balance at end check operation; shares repurchased and share dividends must be subtracted		485 600 ☑

9

*one part correct

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

8.2.4

VISIV LTD STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) ON 28 FEBRUARY 2019		
ASSETS		
Non-current assets	**(TA – CA)**	10 624 000☑
Fixed assets	**see 8.2.1**	9 965 000☑
Fixed deposit	**Balancing figure 3**	659 000☑
Current assets	**CL x 0,8**	2 320 000✓✓
Inventories		**1 102 000**
Trade and other receivables (1 090 000✓ – 65 000✓ + 9 800✓ + 7 600✓) **Advertising**		1 042 400☑*
Cash and cash equivalents	Balancing figure	175 600☑
TOTAL ASSETS	**9** **see total equity and liabilities**	12 944 000☑
EQUITY AND LIABILITIES		
Ordinary shareholders' equity operation		8 637 600☑
Ordinary share capital		**8 152 000**
Retained income	See 8.2.3 **2**	485 600☑
Non-current liabilities		1 406 400
Mortgage loan (1 758 000 ✓ – 351 600 ☑) **See CL below**	**3**	1 406 400☑*
Current liabilities		**2 900 000**
Trade and other payables (1 981 800 ✓ + 28 000☑ + 7 600 ✓✓) **Rent income see 8.2.2**		2 017 400☑*
SARS: Income tax (**may be part of T&OP see 8.2.3**)		43 000✓✓
Shareholders for dividends (**may be part of T&OP see 8.2.3**)		488 000☑
Current portion of loan	**Balancing figure 10**	351 600☑
TOTAL EQUITY AND LIABILITIES		12 944 000☑*

27

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

7. EXAMINATION GUIDANCE

1. The Statement of Financial Position is generally tested as an application-type question that involve many calculations for the different amounts for each section.

2. It is also combined with financial indicators, they are used to determine the amounts missing in the Balance sheet.

3. All Accounting questions follow the same layout. The "REQUIRED" is provided first, followed by the "INFORMATION" needed to answer the questions. Some of the information provided may not be required for any calculations. These, we call "distractors". Do not be confused.

4. The sub-questions are repeated in the ANSWER BOOK, to assist with time management. Take note of specific information included in the ANSWER BOOK. If columns or spaces on statements are shaded, this indicates that you are not required to calculate those amounts and those amounts have no bearing on the answers required.

5. You should read the sub-questions carefully and highlight the relevant information such as verbs (what are you expected to do) and key dates to ensure that you use the correct number of months in your calculations.

6. Since all the information is presented separately from what is required, you must be able to identify the specific, relevant information that is needed to answer each sub-question; example, to calculate the amount owed to or receivable from SARS, you will need the income tax amount (on the Income Statement) and the provisional tax paid (from the additional information / Pre-adjustment Trial Balance).

7. Highlight all the amounts you have used, as these may not be used in other calculations.

8. Show all workings, to ensure that maximum part marks can be achieved.

9. Use your answers in following calculations where applicable; method marks will apply in these instances.

10. Do not rely on the answer book for the structure or format of the Balance sheet, the examiner may decide to leave out some of the balance sheet items. Inspect your answer book to identify amounts that are already entered.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

8. GENERAL STUDY AND EXAMINATION TIPS

1. Note that the Accounting content is now split into TWO papers;
   - P1 Financial Reporting and Evaluation 150 marks 2 hours
   - P2 Managerial accounting and internal controls 150 marks 2 hours

2. It is important to be familiar with the specific content for each paper so that you can plan effectively for the examinations. Note that certain topics are relevant to both papers and some topics may be integrated in one question.

3. Obtain many past examination papers, the examination guidelines and exemplar papers to form the basis of your study programme.

4. Prepare a functional study time table and focus on specific topics at different intervals. Align this to time management; exploring short-cuts for calculations, frequently asked predictable questions and recommended responses for interpretive questions.

5. Pay close attention to the language used in past papers such as key vocabulary and action verbs.

6. For calculations, always show all workings – they carry many part marks.

7. Familiarize yourself with the structure and layout of Questions. They follow the same pattern which is: Appetizer, Required, Information.

8. Note that the ANSWER BOOK is a vital part of the Question Paper, as many amounts and details will be included for most Questions. This is a time-saving device. Ensure that you include these amounts in your final answers, where relevant.

9. Always arrive at least 30 minutes before the commencement of the paper. You will then be able to easily take care of all the administration requirements and to make effective use of your 10 minutes reading time.

10. Use the reading time to get a global picture of the paper, and identify where you wish to start (according to your strengths). You already have the ANSWER BOOK to assist in this regard. Simply go to the relevant pages for that Question.

11. You can also answer the sub-questions in any order; always insert what is given, working from the simple to the more challenging.

12. Write legibly and neatly; markers must be clear about your answers.

13. Keep your comments short and to-the-point. The mark allocation is your guide about the expected length of your response.

14. Have your own stationery and a good calculator (even a spare – just in case).

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

ACKNOWLEDGEMENTS

The Department of Basic Education (DBE) gratefully acknowledges the following officials for giving up their valuable time and families, and for contributing their knowledge and expertise to develop this this study guide for the children of our country, under very stringent conditions of COVID-19.

Writers:

Poobie Govender, Mbangwa Shabalala, Beauty Mpanza, Tabile Nobhala, Nosipho Sicwetsha, Vuyisile Deluhlazo and Nomsa Bikitsha.

DBE Subject Specialist: Percy Masango

The development of the Study Guide was managed and coordinated by Ms Cheryl

Weston and Dr Sandy Malapile.

eduresourceza.com

Downloa ceza.com

Downloaded from eduresourceza.com

ISBN : 978-1-4315-3488-3
High Enrolment Self Study Guide Series
This publication is not for sale.
© Copyright Department of Basic Education
www.education.gov.za | Call Centre 0800 202 993

basic education
Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

Downloaded from eduresourceza.com