COMPANIES – BALANCE SHEET 02 MAY 2013

Lesson Description

In this lesson we:

- Focus on year end adjustments relating specifically to a Balance Sheet

Questions

Question 1

(Adapted from Nov 2010, NSC, Question 4)

COMPANY CONCEPTS, FINANCIAL STATEMENTS, RATIOS AND AUDIT REPORTS

Matching Items – Company Concepts

The information below was extracted from the financial records of Modjaji Limited.

REQUIRED:

a.) Concepts relating to companies are listed in COLUMN A and explanations are listed in COLUMN B. Choose an explanation from COLUMN B that matches a concept in COLUMN A.

COLUMN A		COLUMN B	
i.	Historical cost	A	the liability of shareholders is limited to the amount of capital invested in the company
ii.	Going concern	B	assets are recorded at the original purchase price unless otherwise stated
iii.	International Financial Reporting Standards (IFRS)	C	the ethical and responsible manner in which a company is managed and directed by its major stakeholders, including directors and shareholders
iv.	Good corporate governance	D	financial statements are prepared on the assumption that the company will continue operating for the foreseeable future
v.	Limited liability	E	guidelines for the preparation of financial statements of companies to ensure a degree of consistency

(5 x 2) (10)

b.) Prepare the Appropriation Account in the General Ledger of Modjaji Limited. (9)

c.) Prepare the Balance Sheet on 28 February 2010.
(ALL workings must be shown in brackets – **the notes are NOT required**.) (37)

Information

1. The following balances/totals appeared in the General Ledger on 28 February 2010:

BALANCE SHEET ACCOUNTS SECTION	
Ordinary share capital	R1 750 000
Share premium	50 000
Retained income (1 March 2009)	26 000
Long-term loan: Oka Lenders	235 200
Fixed assets at carrying value (1 March 2009)	2 106 500
Trading stock	61 200
Debtors' control	52 000
Provision for bad debts (1 March 2009)	2 500
Creditors' control	81 300
Bank – debit	54 500
Cash float	12 500
Fixed deposit at Leakage Bank (matures in 2013)	80 000
Deposit: Water and electricity	1 100
SARS: Income tax **– debit**	95 000
ML Pension Fund	11 500
NOMINAL ACCOUNTS SECTION	
Ordinary share dividends (interim)	80 000
FINAL ACCOUNTS SECTION	
Trading account (gross profit)	459 000
Profit and Loss Account (net profit)	344 000

2. The company has an authorised share capital of 2 000 000 shares with a par value of R2 each.

3. The following adjustments must still be considered:
   3.1 The directors declared a final dividend of 10 cents per share on 28 February 2010.
   3.2 The assessment received from SARS reflects income tax of R103 200 for the financial year.

4. The net profit of R344 000 was arrived at after the following items were taken into account:

   ƒ Packaging material on hand on 28 February 2010, R4 600
   ƒ Provision for bad debts at 5% of net debtors
   ƒ Insurance prepaid, R1 000
   ƒ Depreciation on fixed assets, R32 400
   ƒ An adjustment to the Rent Income Account
   (The total on the Rent Income Account was R101 500 which included rent for March and April 2010 – rent was increased by R900 from 1 October 2009.)

5. The loan from Oka Lenders was originally received on 1 September 2008. The loan is to be repaid in equal monthly instalments over 5 years. The first instalment was paid on 30 September 2008.

Answer Sheet

Question 1

a.)

COLUMN A	COLUMN B
i.	
ii.	
iii.	
iv.	
v.	

b.)

APPROPRIATION ACCOUNT

2010 Feb.	28			2010 Feb.	28	**Profit and loss**	**344 000**

c.)

MODJAJI LIMITED

BALANCE SHEET AS AT 28 FEBRUARY 2010

ASSETS	
Non-current assets	
Current assets	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
Ordinary shareholders' equity	
Non-current liabilities	
Current liabilities	
TOTAL EQUITY AND LIABILITIES	