Western Cape Government

CURRICULUM FET

ACCOUNTING

TUTOR BOOK

TERM ONE 2025

Back on Track

BACK ON TRACK PROGRAMME

GRADE 12

Western Cape Government

QUALITY EDUCATION

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TOPIC: COMPANIES: NEW TRANSACTIONS, ORDINARY SHARE CAPITAL NOTE AND RETAINDED INCOME NOTE

DATE: 1 MARCH 2025

BASELINE ACTIVITY

CONCEPTS ON COMPANY FINANCIAL STATEMENTS: Match the term in Column A to the explanation in Column B in the answer book (e.g., 1. B).

COLUMN A		COLUMN B	
1.	Issue price of shares	**A**	Issued shares that have been repurchased by the company from shareholders.
2.	Retained Income	**B**	Paid by the company to SARS on its annual profits.
3.	Dividends	**C**	Expenses that must be paid at year-end.
4.	Income tax	**D**	Income that has been received at year-end, but relates to the next financial year
5.	Buy back of shares	**E**	A portion of the profits after tax that are not paid out to the shareholders but kept for future financial growth or expansion of the company.
6.	Shareholders	**F**	Consumable stores not used at year-end, i.e., Stationery.
7.	Income received in advance	**G**	Expenses that have been paid in advance at year-end but relates to the next financial year.
8.	Provision for bad debts	**H**	The price per share paid by shareholders.
9.	Consumable stores on hand	**I**	They are the owners of the company.
10.	Accrued expenses	**J**	That portion of the profits (after tax) which has been approved to be shared amongst the shareholders.
		K	Risk that debtors won't pay their accounts.
		L	Income that must be received at year-end.

COMPANIES: NEW TRANSACTIONS

ACTIVITY 1: ISSUING OF SHARES

You are provided with the information relating to AR Limited. The financial year ends 30 June 2024. The company has an authorised share capital of 1 250 000 ordinary shares. 60% of the authorised shares had been in issue on 1 July 2023.

REQUIRED:

1.1 Complete the Ordinary share capital account in the General Ledger.

1.2 Show the effect on the Accounting equation for transaction 1.
Note: The business has a favourable bank balance.

1.3 Prepare the Ordinary share capital note on 30 June 2024.

1.4 Calculate the following on 30 June 2024:

a) Average share price

b) Net asset value

INFORMATION:

A. **Post Closing Trial balance on 30 June 2023:**

	R
Ordinary share capital	1 500 000
Retained income	450 000

B. **TRANSACTIONS AND ADJUSTMENTS:**

- On 30 April 2024, the company sold 250 000 shares to the public at R3 per share.
- The net profit after tax was R320 000.

C. **FINANCIAL INDICATOR ON 30 JUNE 2023:**

Net asset value	260 c

ACTIVITY 2: BUYING BACK SHARES

You are provided with the information relating to Fixit Limited. The financial year ends yearly 30 June. The company has an authorised share capital of 300 000 ordinary shares. The company has 200 000 shares in issue on 1 July 2023.

REQUIRED:

2.1 Complete the Ordinary share capital and the Retained income account in the General Ledger.

2.2 Show the effect on the Accounting equation for transaction 1.
Note: The business has a favourable bank balance.

2.3 Prepare the Ordinary share capital note and the Retained income note in the Statement of Financial Position.

2.4 Indicate which amount will appear in the Cash Flow Statement.

2.5 Calculate the following on 30 June 2024:

a) Average share price

b) Net asset value

INFORMATION:

A. **Post Closing Trial balance on 30 June 2023:**

	R
Ordinary share capital	1 000 000
Retained income	260 000

B. **TRANSACTIONS AND ADJUSTMENTS:**

- The directors agreed to buy-back 50 000 ordinary shares from the estate of a deceased shareholder on 1 May 2024 for 620c
- The net profit after tax was R180 000

C. **FINANCIAL INDICATOR ON 30 JUNE 2023:**

Net asset value	360 c

ACTIVITY 3: DIVIDENDS PER SHARE

The company has an Authorised share capital of 500 000 ordinary shares.
On 1 March 2024, 300 000 shares were in issue.

REQUIRED:

3.1 Complete the Dividends on ordinary shares and Shareholders for dividends in the General Ledger account.

3.2 Show the effect on the Accounting equation for the following:
- The interim dividends paid on 31 August 2024.
- Final dividends recommended on 28 February 2025.

Note: The business has a favourable bank balance.

3.3 What amount would be shown in the Statement of Financial Position in respect of dividends on 28 February 2025.
Indicate where in the Statement of Financial Position it would appear.

3.4 What is the total outflow of cash for dividends paid during the current financial year?

INFORMATION:

A. **Post closing Trial Balance on 29 February 2024:**

	R
Shareholders for dividends	150 000

B. **TRANSACTIONS AND ADJUSTMENTS:**

31 March 2024 Paid the amount due to shareholders

1 June 2024 The remainder of the shares were issued at 250c per share. These shares DO NOT qualify for the interim dividends paid on 31 August 2024.

31 August 2024 After 6 months of trading, a dividend of 60c per share was declared and paid.

28 February 2025 A dividend of 65c per share was declared. These dividends will only be paid in the next financial year.

ACTIVITY 4: INCOME TAX

REQUIRED:

4.1 Complete the following General Ledger account:

- SARS: Income Tax
- Income tax

4.2 Show the effect on the Accounting equation for the following:

- The 1st provisional tax payment
- The total Income tax expense

Note: The business has a favourable bank balance.

4.3 What amount would be shown in the Statement of Financial Position for SARS: Income Tax on 30 June 2024.
Indicate if this will be shown as a Current asset or Current Liability.

4.4 What is the total outflow of cash for Income tax paid during the current financial year?

INFORMATION:

A. **The following opening balance appeared in the Ledger of AR Limited on 1 July 2023:**

	R
SARS (Income Tax)	4 800 (Cr)

B. **TRANSACTIONS AND ADJUSTMENTS:**

- Amount owing to SARS the previous year was paid on 30 July 2023.
- The first provisional tax payment of R60 000 were paid on 31 December 2023.
- A second provisional tax payment of R65 000 was made on 30 June 2024.
- The audited financial statements showed a taxable profit of R475 200 for the year. The tax rate is 28%.

ACTIVITY 5: INCOME TAX

REQUIRED:

5.1 Complete the following General Ledger account:
- SARS: Income Tax
- Income tax

5.2 Show the effect on the Accounting equation for the following:
- The 1st provisional tax payment
- The total Income tax expense

Note: The business has a favourable bank balance.

5.3 What amount would be shown in the Statement of Financial Position for SARS: Income Tax on 28 February 2025.
Indicate if this will be shown as a Current asset or Current Liability.

5.4 What is the total outflow of cash for Income tax paid during the current financial year?

INFORMATION:

A. **The following opening balance appeared in the Ledger of AR Limited on 1 March 2024:**

	R
SARS (Income Tax)	18 000 (Cr)

B. **TRANSACTIONS AND ADJUSTMENTS:**

- The amount owed to SARS was paid on 20 March 2024.
- The first provisional tax payment of R250 000 were paid on 31 August 2024.
- A second provisional tax payment of R250 000 was made on 28 February 2025.
- AR Limited were owed R8 000 by SARS the year ended 28 February 2025. Income tax must be brought into account.

ACTIVITY 6: ORDINARY SHARE CAPITAL AND RETAINED INCOME NOTES

ZOLANI LTD

Information relating to the financial year ending 30 June 2024 is given.

REQUIRED:

6.1 Do the note for **Ordinary share capital** and the **Retained Income** note for the year ending 30 June 2024.

6.2 Complete the Shareholders' equity section of the Statement of Financial Position on 30 June 2024.

INFORMATION:

A. **Extract from the Statement of Comprehensive Income on 30 June 2024:**

Net profit before tax	R810 000
Income tax	R243 000

B. **Extract from the Statement of Financial Position and notes on 30 June 2024:**

	2024	**2023**
Shareholders for dividends	290 000	230 000
Ordinary share capital	?	5 600 000
Retained Income		490 000

C. **Share capital:**

- 1 July 2023: Issued share capital consists of 800 000 ordinary shares.
- 1 October 2023: Additional 200 000 shares issued at R9.80 per share.
- 31 March 2024: 120 000 shares bought back at R10 per share. The average price was R7,56.
- 30 June 2024: Closing balance consists of 880 000 ordinary shares.

D. **Dividends:**

- Total dividends for the year amount to R514 000.
- An interim dividend was paid on 1 December 2023 and a final dividend was declared on 30 June 2024.

ACTIVITY 7: ORDINARY SHARE CAPITAL AND RETAINED INCOME NOTES

TEMBISO LTD.

You are provided with information for the financial year ended 28 February 2025.

REQUIRED:

7.1 Complete the following for the year ending 28 February 2025:

Notes to the Statement of Financial Position for:
- Ordinary share capital
- Retained Income

7.2 Complete the Shareholders' equity section of the Statement of Financial Position on 28 February 2025.

INFORMATION:

A. **Balances/Totals on 28/29 February:**

	2025	**2024**
Ordinary share capital	8 816 000	6 976 000
Retained Income	384 600	376 600

B. **Adjustments and additional information:**

Income tax for 2025:

- R31 300 is still owed to SARS.
- The correct net profit after tax is R959 400.

Share capital and dividends:

Authorized share capital: 1 600 000 ordinary shares

1 March 2024	80% of the shares have already been issued.
1 May 2024	300 000 shares were bought back at R465 000 more than the average share price.
31 August 2024	Interim dividends paid: 30 cents per share.
31 October 2024	Additional shares were issued.
28 February 2025	Final dividends have been declared.

ACTIVITY 8: ORDINARY SHARE CAPITAL AND RETAINED INCOME NOTES

FREEZA LIMITED

You are provided with information for the financial year ended 28 February 2025.

REQUIRED:

8.1 Complete the following for the year ending 28 February 2025:

Notes to the Statement of Financial Position for:
- Ordinary share capital
- Retained Income

8.2 Complete the Shareholders' equity section of the Statement of Financial Position on 28 February 2025.

INFORMATION:

A. **Share capital**

The authorized share capital consists of 2 000 000 ordinary shares.	
1 March 2024	700 000 shares were issued.
1 June 2024	200 000 new shares were issued at R14.00 each.
26 February 2025	60 000 shares were bought back at R13.00 per share.
28 February 2025	Share capital amounts to R5 418 000

B. **Dividends:**

- An interim dividend of R268 000 was paid on 31 August 2024. It is recorded correctly.
- A final dividend of 70 cents per share; was declared on 28 February 2025 and will be paid after the AGM in April 2025.

C. **Net profit and tax:**

- The correct net profit before tax for the year ended 28 February 2025 was calculated as R2 500 000 after all the adjustments were made.

- No entry has been made for the income tax at the rate of 30% of the net profit.

INFORMAL ASSESSMENT: ORDINARY SHARE CAPITAL AND RETAINED INCOME NOTES

MEKAYRO LTD.

You are provided with information from Mekayro Limited for the financial year ending 28 February 2025

REQUIRED:

9.1 Complete the following for the year ending 28 February 2025:

Notes to the Statement of Financial Position for:
- Ordinary share capital
- Retained Income

9.2 Complete the Shareholders' equity section of the Statement of Financial Position on 28 February 2025.

INFORMATION:

A. **Extract of information from the Statement of Comprehensive Income on 28 February 2025**

Net profit after tax	3 250 800
Income tax	1 393 200

Extract from the Statement of Financial Position as on 28/29 February:

B.

	2025	**2024**
Equity and liabilities		
Shareholders' equity	?	?
Ordinary share capital	24 510 000	?
Retained Income	?	1 370 000
Current liabilities		
Trade and other payables	122 300	321 700
SARS (Income Tax)	200 000	0
Shareholders for dividends	?	2 137 500

C. **Shares and Dividends**

- Additional shares were issued on 30 August 2024.
- Shares were bought back from certain shareholders at R9.00 per share during October 2024.
- An interim dividend was paid on 31 July 2024.

TOPIC 2: STATEMENT OF COMPREHENSIVE INCOME

15 MARCH 2025

BASELINE ASSESSMENT: YEAR-END ADJUSTMENTS

REQUIRED:

Complete the table below by calculating the adjusted amounts to be entered into the Statement of Comprehensive Income. The financial year for Luzuko Traders ends on 30 June 2024.

Extract from the Pre-adjustment Trial balance on 30 June 2024.	
Vehicles	R3 800 000
Accumulated depreciation on Vehicles	1 464 000
Trading stock	384 200
Provision for bad debts	33 700
Rent Income	129 200
Directors Fees	2 937 500
Packing material	15 750
Advertising	97 350
Telephone	23 700
Audit fees	65 380

Questions and Answer page

	Adjustments and additional information	**Adjustment calculation**	**Account(s) affected in the SOCI**	**Amount entered into the SOCI**
Ex	**Telephone not paid during the current financial year, R2 100.**	**23 700 + 2 100 =**	**Telephone**	**R25 800**

<table>
<tr><td rowspan="2">1.</td><td rowspan="2">The stock count on 30 June revealed:
Trading stock R369 100
Packing material R2 400</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>2.</td><td>A debtor was declared insolvent. His total outstanding debt is R8 500 and 20% of this was received from his insolvent estate. The difference must be written off as a bad debt.</td><td></td><td></td><td></td></tr>
<tr><td>3.</td><td>Adjust the provision for bad debts to R28 500. Identify whether the adjustment will be an income or an expense</td><td></td><td></td><td></td></tr>
<tr><td>4.</td><td>Advertising includes an annual contract of R60 000 which was paid on 1 March 2024.</td><td></td><td></td><td></td></tr>
<tr><td>5.</td><td>A vacant storeroom was rented out from 1 July 2023. On 1 May 2024 the rent was increased by R2 700 per month. The rent for June 2024 is still outstanding.</td><td></td><td></td><td></td></tr>
<tr><td>6.</td><td>The loan statement received from Borrow Bank on 30 June 2024 indicated the following:<table><tr><td>Balance at beginning of financial year</td><td>720 000</td></tr><tr><td>Repayments during financial year</td><td>161 280</td></tr><tr><td>Interest capitalised</td><td>?</td></tr><tr><td>Balance at end of financial year</td><td>576 000</td></tr></table>Calculate the interest capitalised for the year.</td><td></td><td></td><td></td></tr>
</table>

7.	Only 70% of the annual audit fees have been paid.			
8.	Vehicles are depreciated at 20% on the diminishing balance. Take note: A new vehicle was purchased on 1 January 2024 for R800 000.			
9.	Income tax for the financial year was calculated as R504 056. This is 28% of the net profit before tax. Calculate the Net profit after tax.			
10.	The company has four directors who earn the same fee. One director did not receive her directors' fees for June yet.			

ACTIVITY 1: STATEMENT OF COMPREHENSIVE INCOME

The information relates to NATHI LTD for the financial year ended 28 February 2025

REQUIRED:

- Calculate the amounts that will be reflected on the Statement of Comprehensive Income.

INFORMATION:

A. Extract from the Pre-Adjustment trial balance on 28 February 2025:

Loan: VBS Bank	279 000
Debtors control	115 500
Provision for bad debts (1 March 2024)	4 700
Telephone	16 500
Bad debts recovered	11 300
Bad debts	7 400
Audit fees	15 000
Directors' fees	275 500
Rent income	72 655
Advertising	3 360

B. Adjustments and Additional Information:

- The telephone account for February 2025, R1 620, will be paid on 5 March 2025.
- $^2/_3$ of the Audit fees for the current financial year were paid.
- The business has two directors earning the same monthly fee and have received their fees for the year. A third director was appointed on 1 December 2024 on the same fee structure. She received her fee up to 30 April 2025.
- The rent for March 2025 was received and deposited. Note that rent increased by 7% per month from 1 January 2025. The tenant has been occupying the premises since 2021.
- Advertising includes R1 520 for a four-month contract ending on 30 April 2025.
- Received R500 from a debtor whose account was written off during June 2024. This amount was incorrectly credited to the Debtors Control account.
- The provision for bad debts must be adjusted to 4% of debtors.
- The interest on loan was not taken into account. The loan statement reflected a balance of R321 000 still outstanding. Interest is capitalized.

ACTIVITY 2: STATEMENT OF COMPREHENSIVE INCOME *(Eastern Cape - Trial exam 2022)*

The following information relates to City Traders Ltd for the financial year ended on 30 June 2024.

REQUIRED:

Complete the Statement of Comprehensive Income for the year ended 30 June 2024.

INFORMATION:

A **Extract from the Pre-adjustment trial balance on 30 June 2024.**

Sales	6 720 000
Rent Income	153 120
Directors Fees	?
Salaries and Wages	812 000
Employers' contribution	22 080
Advertising	11 650
Audit fees	120 000
Depreciation	340 000
Sundry expenses	432 110

B The Rent Income for July 2024 has already been received. Note that the monthly rent was decreased by 8% p.a. effective from 1 May 2024.

C The company has three directors. Two of the directors receive an annual fee of R192 000 each. The third director receive 10% less than the other directors. All three directors received the full amount for the year and the bookkeeper recorded this amount in the salaries and wages account, in error.

The third director however, decided to resign and this was approved on 30 May 2024. He promised to return the fees that he received for the period that he would not be serving the company.

D One employee was omitted from the Salaries journal for June 2024 while she was on maternity leave. Her salary is as follows:

Deductions		**Employer's Contribution**	
PAYE	**Medical Aid**	**Medical Aid**	**Net Salary**
2 050	970	1 920	6 700

E Advertising excludes an amount of R7 500 paid for the period 1 May to 30 September 2024. A fixed rate is applied monthly.

F Interest on investment was received and recorded. This is the balancing figure.

G Loan Statement received, shows interest of R36 000, capitalised.

H Income Tax amounted to R272 700. This is 30% of the net profit.

ACTIVITY 3: FINANCIAL INDICATORS RELATED TO THE STATEMENT OF COMPREHENSIVE INCOME

3.1 Calculate the following financial indicators for the year ended 30 June 2024:

3.1.1 % Operating expenses on Sales

3.1.2 % Gross profit on Cost of sales

Extract from the Statement of Comprehensive Income for the year ended 30 June 2024:

	R
Sales	6 000 000
Cost of sales	4 000 000
Depreciation	56 000
Operating expenses	1 500 000
Net profit before tax	1 400 000
Net profit after tax	980 000

3.2 Calculate the following financial indicators on 28 February 2025:

3.2.1 % Net profit after tax on Sales

3.2.2 % Gross profit on Sales

Extract: Statement of Comprehensive Income on 28 February 2025:

Sales	R 4 050 000
Cost of sales	2 700 000
Depreciation	540 560
Interest expense	246 000
Income tax	253 500
Profit before income tax	845 000

3.3 Calculate the following for the financial year ended 30 June 2024:

3.3.1 The mark-up % achieved for the year

3.3.2 % Net profit after tax on Sales

Extract from Statement of Comprehensive Income for the financial year ended 30 June 2024:

	R
Sales	9 000 000
Cost of sales	5 625 000
Depreciation	380 000
Interest on loan	185 000
Net profit before income tax	1 330 000
Net profit after income tax	931 000

INFORMAL ASSESSMENT: TOPIC 2

STATEMENT OF COMPREHENSIVE INCOME **(25 marks; 20 minutes)**

GLOBAL TRADING LTD

The information relates to Global Trading Limited, and the financial year ended on 30 June 2024. The business uses the perpetual (continuous) inventory system.

REQUIRED:

Calculate the correct net profit after tax for the year ended 30 June 2024. Indicate a **+** for an increase and a **–** for a decrease.

INFORMATION:

A. List of balances/totals on 30 June 2024:

BALANCE SHEET ACCOUNTS SECTION	
Ordinary Share Capital	6 775 000
Retained income (1 July 2023)	1 190 264
Mortgage loan: Custom Bank	354 000
Fixed assets	6 169 000
Fixed deposit: Custom Bank	390 000
Trading stock	817 450
Debtors' control	742 488
Provision for bad debts (1 July 2023)	10 600
SARS: Income tax (provisional payments)	300 000
Creditor's control	166 800
Prepaid expenses	3 350
Income received in advance	5 450

B. The net profit before tax of R1 089 238 was determined BEFORE considering the following information:

i. Provision for bad debts must be adjusted to R7 800.

ii. An invoice was issued on 30 June 2024 for R8 712; a 10% trading discount was allowed. Goods were sold with a mark-up of 60%. No entry has been made to this transaction.

iii. The auditor discovered that the trading stock deficit of R5 600 was a trading stock surplus.

iv. Consumable goods on hand at the end of the financial year amounted to R5 400.

v. Directors' fees paid for the year amounted to R648 000. The company has FIVE directors who receive the same fee. One of the directors asked the company to only pay out his fees for the last six months in July 2024, when he plans to go on an overseas vacation.

vi. BE Builders was paid R120 000 for the construction of a storeroom (R90 000) and repairs to the building (R30 000). The entire amount was debited to land and buildings in error.

vii. Rent for July 2024, R3 300, received in advance.

viii. Advertising includes a six-month contract for R7 200 with the local newspaper. This amount was paid for the period 1 May 2024 to 31 October 2024.

ix. Income tax amounts to R333 564 for the year.