

**Monyetla Project – Accounting Gr 12**

**Lesson 2: Companies: Adjustments, Income Statement and Notes**

**ACTIVITY 1: ADAMS LIMITED**

**COMPANIES – INCOME STATEMENT AND NOTES**

**(62 marks; 50 minutes)**

**ADAMS LIMITED**

**INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2017**

Sales (6 300 000 ✓ – 23 000 ✓ – 70 000 ✓)	6 207 000	✓
Cost of sales (2 900 000 ✓ – 45 000 ✓)	(2 855 000)	✓
<b>Gross profit</b> <b>7</b>	<b>3 352 000</b>	
Other operating income	105 490	
Rent income ( <b>108 000</b> – 8 800 ✓✓)	99 200	✓
Provision for bad debts adjustment	1 700	✓✓
Profit on sale of asset (245 000 – 206 150 – 43 440)	4 590	✓✓
<b>Gross operating income</b> <b>8</b>	<b>3 457 490</b>	✓
Operating expenses	(2 713 530)	
Auditors fee	<b>38 900</b>	
Directors fee ( <b>805 000</b> + 35 000 ✓✓)	840 000	✓
Salaries ( <b>1 200 000</b> + 23 300 ✓✓)	1 223 300	✓
Pension fund contribution ( <b>32 400</b> + 3 800 ✓)	36 200	✓
Consumable goods (21 800 – 5 800)	16 000	✓✓
Bank charges (7 300 + 860)	8 160	✓✓
Discount allowed (6 300 ✓ – 30 ✓)	6 270	✓
Bad debts	<b>16 800</b>	
Trading stock deficit (1 510 000 – 1 450 000)	60 000	✓✓
Depreciation (36 750 ✓ + 383 250 ✓ + 46 400 ✓ + 1 500 ✓) <b>22</b>	467 900	✓
<b>Operating profit</b>	<b>743 960</b>	✓
Interest income	2 300	✓
<b>Operating profit before interest expense</b>	<b>746 260</b>	✓
Interest expense	(45 600)	✓
<b>Net profit before tax</b>	<b>700 660</b>	✓
Income tax	(210 198)	✓
<b>Net profit for the year</b> <b>6</b>	<b>490 462</b>	

*Foreign items max (-2)*

**NOTE TO THE BALANCE SHEET OF ADAMS LIMITED**

**TRADE AND OTHER PAYABLES**

Trade creditors (660 000 ✓ – 45 000 ✓ + 7 100 ✓)	622 100	✓
Accrued expenses see IS – Directors fees	35 000	✓
Deferred income see IS – Rent income	8 800	✓✓
Pension Fund (45 800 ✓ + 1 900 ✓ + 3 800 ✓)	51 500	✓
SARS (PAYE) (64 100 ✓ + 2 800 ✓)	66 900	✓
Creditors for salaries	18 600	✓
SARS (Income tax) (210 198 – 120 000)	90 198	✓✓
Shareholders for dividends (1 670 000 x 25 c)	417 500	✓✓
	<b>1 310 598</b>	

TOTAL MARKS		62
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<b>ACTIVITY 2: JIMMY LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS OF JIMMY LTD ON  
29 FEBRUARY 2020**

**ORDINARY SHARE CAPITAL**

<b>AUTHORISED</b>		
400 000 ordinary shares		
<b>ISSUED</b>		
300 000	Ordinary shares in issue on 1 March 2019	1 275 000
(20 000)	shares repurchased during the year at R4,25 ✓✓ each	(85 000) ✓ <b>one part correct</b>
40 000	shares issued during the year at R7 each	280 000 ✓✓
✓ 320 000	Ordinary shares in issue on 29 February 2020	<b>operation</b> 1 470 000 ✓

7
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**RETAINED INCOME**

Balance on 1 March 2019	28 900
Net profit after tax <b>See Income Statement</b>	288 000 ✓
Shares repurchased (20 000 ✓ x 1,75 ✓) <b>OR</b> (120 000 ✓ – 85 000 ✓) <b>see OSC</b>	(35 000) ✓
<b>Dividends on ordinary shares</b>	(94 000) ✓
Interim dividends paid (300 000 ✓ x 0,10)	<b>one part correct</b> 30 000 ✓
Final dividends declared (280 000 ✓ x 0,20)	<b>one part correct</b> 56 000 ✓
<b>Balance on 29 February 2020</b> <b>Operation, one part correct</b>	<b>195 900</b> ✓

10
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## JIMMY LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED  
29 FEBRUARY 2020

<b>Sales</b>		<b>1 800 000</b>	
<b>Cost of sales</b> 100/180)	(1 800 000 x	(1 000 000)	✓✓
<b>Gross profit</b>	<b>Operation 3</b>	800 000	☑
<b>Other operating income</b>	<b>Operation</b>	21 710	☑
[1 750 x 10] [1 925 x 2] → <b>do not show calculations</b> Rent Income (17 500 ✓ + 3 850 ✓)		21 350	☑*
Provision for bad debts adjustment		360	✓✓
<b>Gross operating income</b>	<b>7</b>	821 710	☑
<b>Operating expenses</b>	<b>Gross oper income – Operating profit</b>	(425 710)	☑
Consumable stores		2 750	✓
Salaries and wages (128 450 ✓ + 2 700 ✓)		131 150	☑*
Director's fees (67 350 ✓ + 30 000 ✓ + 30 000 ✓)		127 350	☑*
Audit fees (5 720 x 100/40)		14 300	✓✓
Advertising (62 545 ✓ – 28 800 ✓✓)		33 745	☑*
Bad debts (2 900 + 600)		3 500	✓✓
Loss due to water damage (38 000 – 34 000)		4 000	✓✓#
Trading stock deficit		23 400	✓#
Depreciation		78 350	✓
Sundry expenses	<b>missing figure – any amount</b>	7 165	☑
<b>Operating profit</b>	(1 800 000 x 22%) <b>24</b>	396 000	✓✓
Interest income		13 180	✓
<b>Net profit before interest expense</b>	<b>Operation</b>	409 180	☑
Interest expense (76 500 – 12 500 – 73 180)		(9 180)	✓✓
<b>Net profit before tax</b>	<b>Operation</b>	400 000	☑
Income tax (19 500 ✓ + 64 650 ✓ + 27 850 ✓)		(112 000)	☑*
<b>Net profit after tax</b>	<b>Operation 10</b>	288 000	☑

Foreign items -1 (max -2)

\*one part correct  
# can be combined

44

TOTAL MARKS

61

<b>ACTIVITY 3: KHUMALO FASHIONS LIMITED</b>
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**COMPANIES – INCOME STATEMENT AND BALANCE SHEET (55 marks; 44 minutes)**

**KHUMALO FASHIONS LIMITED  
INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2019**

<b>Sales</b>		<b>1 225 700</b>
Cost of sales (1 225 700 x 100/140 √)		(875 500) √✓
<b>Gross profit</b>	<b>operation 4</b>	<b>350 200</b> ✓
<b>Other operating income</b>		<b>112 560</b>
<b>Commission income (89 200 – 640 √√) [89 200 ✓]</b>	<b>operation</b>	<b>88 560</b> ✓
Rent income (6 000 x 4)		24 000 √√
<b>Gross operating income</b>	<b>operation 6</b>	<b>462 760</b> ✓
<b>Operating expenses</b>		<b>(156 335)</b>
<b>Bank charges (3 260 + 340)</b>		<b>3 600</b> √√
<b>Bad debts (5 600 + 800)</b>		<b>6 400</b> √√
<b>Discount allowed (2 940 – 400 √)</b>	<b>operation</b>	<b>2 540</b> ✓
<b>Stationery (3 860 + 100 √ – 280 √) [280 x]</b>	<b>one part correct</b>	<b>3 680</b> ✓
<b>Insurance (14 250 – 2 400 √√)</b>	<b>operation</b>	<b>11 850</b> ✓
<b>Directors fees (50 000 + 60 000) [86 000 x]</b>		<b>110 000</b> √√
<b>Sundry expenses</b>	<b>balancing figure, one part correct</b>	<b>10 145</b> ✓
Loss due to damaged stock (4 800 √ – 1 680 √)	<b>operation</b>	<b>3 120</b> ✓
Trading stock deficit		3 200 √
Provision for bad debts adjustment (3 800 – 2 000)		1 800 √√
<b>Operating profit (1 225 700 x 25%)</b>	<b>22</b>	<b>306 425</b> √
<b>Interest income (11 350 + 670)</b>		<b>12 020</b> √√
<b>Profit before interest expense</b>	<b>operation</b>	<b>318 445</b> ✓
Interest expense (150 000 + 750 000 – 844 205)	<b>No brackets x</b>	(55 795) √√
<b>Profit before tax</b>	<b>operation</b>	<b>262 650</b> ✓
Income tax	<b>No brackets x</b>	(78 795) √
<b>Net profit for the year</b>	<b>operation 8</b>	<b>183 855</b> ✓

## BALANCE SHEET OF KHUMALO FASHIONS LIMITED ON 28 FEBRUARY 2019

<b>EQUITY AND LIABILITIES</b>		
<b>Ordinary shareholder's equity</b>		<b>2 053 260</b> ✓
Ordinary share capital		1 840 000 ✓
Retained income	<b>3</b>	213 260 ✓
<b>Non-current liabilities</b>		<b>630 000</b>
Loan from director (750 000 ✓ – 120 000 ✓) [750 000x]	<b>3</b>	630 000 ☑
<b>Current liabilities</b>		<b>210 890</b>
Trade and other payables (33 650 + 640 ☑ [Commission income] + 60 000 ☑ [Directors fees] – 24 000 ☑ [Rent income] <span style="background-color: yellow;">one part correct</span> )		70 290 ☑
SARS (Income tax) (78 795 – 74 195)		4 600 ✓✓
Short term loan		120 000 ✓
Shareholders for dividends		16 000 ✓
<b>TOTAL EQUITY AND LIABILITIES</b>	<span style="background-color: yellow;">operation</span> <b>9</b>	<b>2 894 150</b> ☑

*SARS (Income tax), Short term loan and Shareholders for dividends can be part of Trade and other payables*

15

<b>TOTAL MARKS</b>		<b>55</b>
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