

Monyetla Project – Accounting Gr 12 (2022)

Lesson 2: Companies: Selling and buying of shares – Notes 7 & 8

ACTIVITY 1: MANI LTD (20 marks; 16 minutes)

NOTES TO THE BALANCE SHEET OF MANI LTD

NOTE 7: ORDINARY SHARE CAPITAL

AUTHORISED		
Number of ordinary authorised shares: 1 200 000 shares		
ISSUED		
800 000	Ordinary shares in issue on 1 July 2019	7 600 000
200 000 ✓✓	Ordinary shares issued during the year at R9,80 ✓	1 960 000 ✓
(120 000) ✓	Ordinary shares bought back at R9,56 ✓✓	(1 147 200) ✓
880 000 ✓	Ordinary shares in issue on 30 June 2020	8 412 800 ✓

[10]

Average price = $(R7\,600\,000 + R1\,960\,000) / 1\,000\,000 = \mathbf{R9,56}$

R10 → **R9,56 per share** will be subtracted from the Ordinary Share capital account
 → **R0,44 per share** must be subtracted from Retained Income at the beginning of the year.

NOTE 8: RETAINED INCOME

Balance beginning of the year	221 800 ✓
Net profit after tax (1 048 000 – 314 400)	733 600 ✓✓
Buy back shares (120 000 ✓ x R0,44 ✓) ✓ must add up to R10 with OSC	(52 800) ✓
Dividends	(514 000) ✓
Paid	250 000 ✓
Recommended	264 000 ✓✓
Balance end of the year	388 600

[10]

TOTAL MARKS	20
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ACTIVITY 2: MANI LTD**(20 marks; 16 minutes)****NOTES TO THE BALANCE SHEET OF MANI LTD****NOTE 7: ORDINARY SHARE CAPITAL**

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Number of ordinary authorised shares: 1 200 000 shares		
ISSUED		
800 000 ✓	Ordinary shares in issue on 1 July 2019	7 600 000 ✓
200 000 ✓✓	Ordinary shares issued during the year at R9,80 ✓	1 960 000 ✓
(120 000) ✓	Ordinary shares bought back at R9,56 ✓✓	(1 147 200) ✓
880 000	Ordinary shares in issue on 30 June 2020	8 412 800

[10]

Average price = $R8\,412\,800 / 880\,000 = R9,56\dots$ Use the **end balances to calculate the average price**, because the last action was to buy back shares.

R10

- **R9,56 per share** will be subtracted from the Ordinary Share capital account
- **R0,44 per share** must be subtracted from Retained Income at the beginning of the year.

NOTE 8: RETAINED INCOME

Balance beginning of the year	221 800 ✓
Net profit after tax (1 048 000 – 314 400)	733 600 ✓✓
Buy back shares (120 000 ✓ x R0,44 ✓) ✓ must add up to R10 with OSC	(52 800) ✓
Dividends	(514 000) ✓
Paid	250 000 ✓
Recommended	264 000 ✓✓
Balance end of the year	388 600

[10]

TOTAL MARKS		20
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ACTIVITY 3: MANI LTD**(20 marks; 16 minutes)****NOTES TO THE BALANCE SHEET OF MANI LTD****NOTE 7: ORDINARY SHARE CAPITAL**

AUTHORISED		
Number of ordinary authorised shares: 1 200 000 shares		
ISSUED		
800 000	Ordinary shares in issue on 1 July 2019	7 600 000
(120 000) ✓	Ordinary shares bought back at R9,50 ✓✓	(1 140 000) ✓
200 000 ✓✓	Ordinary shares issued during the year at R9,80 ✓	1 960 000 ✓
880 000 ✓	Ordinary shares in issue on 30 June 2020	8 420 000 ✓

[10]

Average price = $R7\,600\,000 / 800\,000 = \mathbf{R9,50}$ **R10**

- **R9,50 per share** will be subtracted from the Ordinary Share capital account
- **R0,50 per share** must be subtracted from Retained Income at the beginning of the year.

NOTE 8: RETAINED INCOME

Balance beginning of the year	221 800
Net profit after tax (1 048 000 – 314 400)	733 600 ✓✓
Buy back shares (120 000 ✓ x R0,50 ✓) ✓ must add up to R10 with OSC	(60 000) ✓
Dividends	(514 000) ✓
Paid	250 000 ✓
Recommended	264 000 ✓✓
Balance end of the year	381 400 ✓

[10]