

Moneytla Project – Accounting Gr 12 (2022)

Lesson 3: Companies: Adjustments to the Financial Statements

ACTIVITY 1: KHUMALO FASHIONS LTD

The following information was taken from the books of Khumalo Fashions Ltd. The financial year ended on 28 February 2019.

REQUIRED:

Calculate the amounts that will appear in the Post-Adjustment Trial Balance as well as part of the Income Statement on 28 February 2019.

INFORMATION:

Extract from the Pre-Adjustment Trial Balance on 28 February 2019

	Debit	Credit
Balance Sheet accounts		
Trading stock	108 200	
Debtors control	17 400	
Provision for bad debts (1 Mar 2018)		2 000
Creditors control		28 200
SARS (Income tax) – provisional payments	285 000	
SARS (PAYE)		23 300
Pension Fund		17 800
Unemployment Insurance Fund (UIF)		16 240
Nominal accounts		
Sales		1 225 700
Cost of sales	?	
Rent income		86 700
Commission income		19 200
Salaries and wages	812 000	
Pension contribution	10 680	
UIF contribution	8 120	
Insurance	21 000	
Bad debts	5 600	
Stationery	3 860	

Additional information and adjustments:

1. Goods are sold at a profit mark-up percentage of 40%.
2. A creditor with a debit balance of R7 200 in the Creditors Ledger must be transferred to his account in the Debtors Ledger.
3. A debtor with an outstanding debt of R800 must be written off.
4. The provision for bad debts must be adjusted to 5% of the outstanding debtors.
5. Dresses to the value of R7 800 were damaged in transit. The insurance will cover 65% of the loss and will make a payment during March 2019. The balance is the business' loss.
6. A physical stocktake on 28 February 2019 showed:
 - Stationery on hand, R280
 - Trading stock of R3 200 could not be accounted for during the stocktake.
7. The salary of an employee on leave during February 2019, must still be recorded.

Deductions = R7 460			Pension contribution	UIF contribution	Net salary
PAYE	Pension Fund	UIF			
R3 840	R1 698	R1 922	R2 547	R1 922	R15 600

8. Rent income for March and April 2019 has already been received. The monthly rent was increased by 15% as of 1 February 2019.
9. Insurance premiums were paid until 31 January 2019. Take into account that the premium was decreased by R250 per month from 1 October 2018.
10. Commission on certain old stock was calculated at R1 600 being 10% of the sale items. This must be adjusted to 6% due to the nature of the goods sold.
11. Income tax of R341 688 was accurately calculated at 30% of the net profit before tax.

ACTIVITY 2: MONEY STAR LIMITED

You are provided with information relating to Money Star Limited for the financial year ended 31 May 2016.

REQUIRED:

Calculate the amounts for Directors fees and Rent income in the Post-Adjustment Trial Balance on 31 May 2016.

INFORMATION:

Extract from the Pre-Adjustment Trial Balance on 31 May 2016

	Debit	Credit
Nominal accounts		
Director's fees	120 000	

The company has 2 directors, G Khumalo and R Makini.

Makini has not received his full fees because of rent due by him to the company. No entry has been made for the rent yet.

Since 1 February 2016, Makini had rented part of the company property for personal use. The monthly rent of R6 000 must be offset against the director's fees owed to him.