

- 1.1 Choose the description from COLUMN B that matches the concept in COLUMN A. Write only the letter (A–D) next to the question numbers (1.1.1 to 1.1.4) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.1.1	Statement of Comprehensive Income (Income statement)	A	The owner's equity (net worth) of a company, its assets and liabilities, at the end of the financial year
1.1.2	Statement of Financial Position (Balance Sheet)	B	An opinion expressed on the fair presentation of the figures in the financial year
1.1.3	Cash Flow Statements	C	The net profit or loss of a company for a financial year
1.1.4	Independent Auditor's Report	D	The effect of the operating, financing and investing activities on the money possessed by the business

(4)

## 1.2 GLOBAL TRADING LTD

The information relates to Global Trading Limited, and the financial year ended on 30 June 2022. The business uses the perpetual (continuous) inventory system.

### REQUIRED:

- 1.2.1 Calculate the correct net profit after tax for the year ended 30 June 2022. Indicate a + for an increase and a – for a decrease. (22)
- 1.2.2 Prepare the Ordinary Share Capital Note on 30 June 2022. (7)
- 1.2.3 Prepare the Retained Income Note on 30 June 2022. (8)
- 1.2.4 Complete the Equities and Liabilities section of the Statement of Financial Position (Balance Sheet) on 30 June 2022. (19)

**INFORMATION:**

**A. List of balances/totals on 30 June 2022:**

<b>BALANCE SHEET ACCOUNTS SECTION</b>	
Ordinary Share Capital	6 775 000
Retained income (1 July 2021)	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 2021)	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 taking into account the following information:

- i. Provision for bad debts must be adjusted to R7 800.
- ii. An invoice was issued on 30 June 2022 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 2022, 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 2022, 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 2022 to 31 October 2022.
- ix. Income tax amounts to R333 564 for the year.

**C. Dividends and shares:**

- i. Interim dividends of R110 000 were paid on 31 December 2021.
- ii. Share capital

1 July 2021	3 000 000 shares were issued (R3 900 000).
30 September 2021	250 000 shares were repurchased at R2,50 each from an existing shareholder (R625 000). It has been recorded.
30 June 2022	1 000 000 new shares were issued at R3,20 each. It has been recorded.

- iii. The directors declared a final dividend of 10 cents per share on 30 June 2022. Shares issued on 30 June 2022 do not qualify for final dividends.
- D.** A creditors' debit balance of R2 600 in the Creditors' Ledger must still be transferred to his account in the Debtors' Ledger.
- E.** The company wants to pay off R9 250 per month on their loan in the next financial year.

