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| **QUESTION 3: BALANCE SHEET**  **(65 marks; 40 minutes)** |

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| You are presented with information from the records of Vijay Limited. The financial year-end is 28 February 2014. | | | | | |  |
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| **REQUIRED:** | | | | | |  |
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| 3.1 | | Prepare the following notes to the Balance Sheet: | | | |  |
|  | |  |  | | |  |
|  | | 3.1.1 | Share capital | | | (9) |
|  | | 3.1.2 | Retained income | | | (11) |
|  | |  | | | |  |
| 3.2 | | Prepare the Balance Sheet (Statement of Financial Position) on 28 February 2014. Where notes are not required, show ALL workings in brackets. | | | | (26) |
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| **INFORMATION:** | | | |
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| **A.** | The authorised share capital consists of 750 000 ordinary shares.  On 1 March 2013, only 60% of the shares were in issue. | | |
|  |  | | |
| **B.** | The following amounts were extracted from the records: | | |
|  |  | **28 Feb. 2014** | **28 Feb. 2013** |
|  | Ordinary share capital | **?** | 3 215 000 |
|  | Retained income | **?** | 322 500 |
|  | Total ordinary shareholders' equity | **?** | 3 537 500 |
|  | Fixed assets (carrying value) | **?** |  |
|  | Fixed deposit: Sam Bank | 650 000 |  |
|  | Loan: William Bank | 482 600 |  |
|  | Inventories | 275 400 |  |
|  | Debtors' Control | 243 500 |  |
|  | Creditors' Control | 62 460 |  |
|  | Cash in the bank and petty cash | 336 600 |  |
|  | Income received in advance (Rent) | 12 120 |  |
|  | Prepaid expenses (Insurance) | 7 600 |  |
|  | Provisional income tax payments | 299 980 |  |
|  | Interim dividends | 270 000 |  |

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| **C.** | On 1 November 2013, the company issued a further 80 000 shares at R9,50 per share. |
|  |  |
| **D.** | On 28 February 2014, the directors decided to repurchase 75 000 ordinary shares from the estate of a shareholder who had died. This shareholder had originally purchased his shares on the JSE at various times and at different prices. A repurchase price of R10,40 was accepted as being a fair price. |
|  |  |
| **E.** | On 27 February 2014, a final dividend of 40 cents per share was declared.  All shares, including the new shares issued and repurchased, qualify for final dividends. |
|  |  |
| **F.** | The loan statement from William Bank received on 28 February 2014 reflected interest capitalised at R81 400. This was not recorded in the books.  The business expects to settle 20% of the outstanding balance in the next financial year. |
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| **G.** | After all the above adjustments were taken into account the net profit before tax was calculated to be R1 161 000. The income tax is calculated at 30% of net income before tax. |

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| **QUESTION 3** |

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| **3.1** | **3.1.1** | **SHARE CAPITAL** | | | | |  | | |  |
|  |  | | | | | |  | | |  |
|  | **AUTHORISED SHARE CAPITAL** | | | | | |  | | |  |
|  | **750 000 ordinary shares** | | | | | | | | |  |
|  |  | |  |  | | | | | |  |
|  | **ISSUED SHARE CAPITAL** | | |  | | | | | |  |
|  | \_\_\_\_\_\_\_\_ | | **Ordinary shares in issue on 1 March 2013** |  | | | | |  | |  | | --- | |  | | **9** | |
|  | **80 000** | | **Ordinary shares issued during the year** |  | | | | |  |
|  | **(75 000)** | | **Ordinary shares re-purchased**  **(average price of** \_\_\_\_\_\_\_) |  | | | | |  |
|  | \_\_\_\_\_\_\_\_ | | **Ordinary shares in issue on 28 February 2014** |  | | | | | |
|  |  |  | |  | | | | | |  |
|  | **3.1.2** | **RETAINED INCOME** | |  | | | | | |  |
|  | **Balance on 1 March 2013** | | | | **322 500** | | | | |  |
|  |  | | | |  | | |  | | |  | | --- | |  | | **11** | |
|  |  | | | |  | | |  | |
|  | **Ordinary share dividends** | | | |  | | |  | |
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|  | **Balance on 28 February 2014** | | | |  | | | | |
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| **3.2** | **VIJAY LIMITED** | | |  | | | |
|  | **BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) ON 28 FEBRUARY 2014** | | | | | | |
|  |  | | |  | | | |
|  | **ASSETS** | | | | | | |
|  | **Non-current assets** | | | |  | |  |
|  |  | |  | |  | |  |
|  |  | | **Financial asset: Fixed deposit** | | **650 000** | |  |
|  |  | | | |  | |  |
|  | **Current assets** | | | |  | |  |
|  |  | **Inventories** | | | **275 400** | |  |
|  |  | **Trade and other receivables** | | |  | |  |
|  |  | **Cash and cash equivalents** | | | **336 600** | |  |
|  |  | | | |  | |  |
|  | **TOTAL ASSETS** | | | |  | |  |
|  |  | | | |  | |  |
|  | **EQUITY AND LIABILITIES** | | | | | | |
|  |  | | | |  |  | |
|  | **Shareholders' equity** | | | |  |  | |
|  |  |  | | |  |  | |
|  |  |  | | |  |  | |
|  |  |  | | |  |  | |
|  | **Non-current liabilities** | | | |  |  | |
|  |  |  | | |  |  | |
|  |  |  | | |  |  | |
|  | **Current liabilities** | | | |  |  | |
|  |  |  | | |  |  | |
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|  |  |  | | |  |  | |
|  |  |  | | |  |  | |
|  | **TOTAL EQUITY AND LIABILITIES** | | | |  |  | |

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|  |
| **26** |