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| **QUESTION 1:** | **STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AND NOTES (45 marks; 35 minutes)** |  |  |

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| --- | --- | --- | --- |
| 1.1 | Complete each of the following statements by choosing a word(s) from the list below. Write only the word(s) next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK. | |  |
|  |  | |  |
|  | external auditors; directors; shareholders; internal auditors | |  |
|  |  | |  |
|  | 1.1.1 | The ... are employed by the company to set up and monitor control processes. |  |
|  |  |  |  |
|  | 1.1.2 | … are appointed to give an unbiased opinion on the financial statements. |  |
|  |  |  |  |
|  | 1.1.3 | … are appointed by the owners of the company to perform key management functions. (3 x 1) | (3) |

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| 1.2 **PRUDENCE LTD** | | | | |  | | |
|  | | | | |  | | |
|  | | The information relates to the financial year ended 28 February 2022. | | |  | | |
|  | |  | | |  | | |
|  | | **REQUIRED:** | | |  | | |
|  | |  | |  |  | | |
|  | | 1.2.1 | | Complete the following Notes to the Statement of Financial Position (Balance Sheet): |  | | |
|  | |  | |  |  | | |
|  | |  | | * Ordinary share capital | (7) | | |
|  | |  | | * Retained Income | (7) | | |
|  | |  | |  |  | | |
|  | | 1.2.2 | | Prepare the Statement of Financial Position (Balance Sheet) on 28 February 2022. | (28) | | |
|  | |  | |  |  | | |
|  | | **INFORMATION:** | | |  | | |
|  | |  |  | |  | | |
|  | | **A.** | **Extract from the accounting records on 28 February:** | |  | | |
|  | |  | |  |  |  | | --- | --- | --- | | **Balance Sheet Accounts** | **2022**  **R** | **2021**  **R** | | Fixed deposit | 489 000 | **?** | | Ordinary share capital | 7 954 000 | **?** | | Retained income | 1 196 000 | **?** | | Loan: XY Loans | **?** | **?** | | SARS: Income tax (provisional tax) | 450 000 |  | | Creditors' control | 617 450 |  | | Shareholders for dividends | 213 400 | 162 000 | | Debtors' control | 875 000 |  | | Provision for bad debts | **?** | 23 640 | | Trading stock (balancing figure) | **?** |  | | Petty cash | 5 000 | 5 000 | | Bank overdraft (balancing figure) | **?** |  | | **Nominal accounts** |  |  | | Audit fees | 48 000 |  | | Rent income | 102 400 |  | | |  | | |
|  |  | |  | | |  | |
|  | **B.** | | **Share capital and dividends:** | | |  | |
|  |  | | |  |  | | --- | --- | | **DATE** | **DETAILS** | | 1 March 2021 | 75% of the authorised share capital of 1 200 000 ordinary shares were in issue. | | 30 August 2021 | 80 000 shares were repurchased from a retired shareholder. He was paid 20% (R136 000) above the average share price and would no longer qualify for dividends. | | 31 August 2021 | An interim dividend of 28 cents per share was paid. | | 1 December 2021 | An additional 150 000 shares were issued. | | 28 February 2022 | A final dividend was declared. | | | |  | |
|  |  | |  | | |  | |
|  | **C.** | | Income tax for the year, after taking into account all adjustments, amounted to R438 000. This is 30% of the net profit. | | |  | |
|  |  | |  | | |  | |
|  | **D.** | | The following adjustments are relevant to complete the Statement of Financial Position: | | |  | |
|  |  | | * The provision for bad debts must be increased by R2 610. * Only half the audit fees were paid. The balance will be paid in  March 2022. | | |  | |
|  |  | | * The tenant occupies part of the premises from 1 May 2021. He has not paid the rent for January and February 2022. | | |  | |
|  |  | |  | | |  | |
|  | **E.** | | R240 000 of the fixed deposit will mature on 1 April 2022. | | |  | |
|  |  | |  | | |  | |
|  | **F.** | | A debit balance of R17 950 from the Debtors' Ledger must be transferred to the Creditors' Ledger. | | |  | |
|  |  | |  | | |  | |
|  | **G.** | | The following financial indicators were calculated on 28 February 2022, after all adjustments were processed: | | |  | |
|  |  | | |  |  | | --- | --- | | Current ratio | 1,6 **:** 1 | | Debt-equity ratio | 0,4 **:** 1 | | | |  | |
|  |  | |  | | |  | |
|  | **H.** | | The loan from XY Loans will be reduced by a capital portion of R228 000 in the 2023 financial year. | | |  | |
|  |  | |  | | |  | |
|  |  | |  | | | | **45** |

**QUESTION 1**

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|  |  | |  |
| **1.1** | **1.1.1** |  | |  | | --- | |  | | **3** | |
| **1.1.2** |  |
| **1.1.3** |  |
|  |  | |  |

**1.2 PRUDENCE LTD**

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| --- | --- | --- | --- | --- | --- |
| **1.2.1** | **ORDINARY SHARE CAPITAL** | | | |  |
|  |  |  |  | | |  | | --- | |  | | **7** | |
|  |  |  | |
|  |  |  | |
|  |  | **7 954 000** | |
|  |  | | | |  |
|  | **RETAINED INCOME** | | | |  |
|  | **Balance on 1 March 2021** | | |  | |  | | --- | |  | | **7** | |
|  | | |  |
| **Shares repurchased** | | |  |
| **Ordinary share dividends** | | |  |
|  | | |  |
| **Final dividends** | | | **213 400** |
|  | | |  |
| **Balance on 28 February 2022** | | | **1 196 000** |
|  |  | | | |  |

|  |  |  |  |
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| **1.2.2** | **STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)**  **ON 28 FEBRUARY 2022** | |  |
|  |  | |  |
|  | **ASSETS** |  |  |
|  | **NON-CURRENT ASSETS** |  |  |
|  | **Fixed assets** |  |  |
|  |  |  |  |
|  |  |  |  |
|  | **CURRENT ASSETS** | **2 080 000** |  |
|  | **Inventory** |  |  |
|  | **Trade and other receivables** |  |  |
|  |  |  |  |
|  |  |  |  |
|  | **TOTAL ASSETS** |  |  |
|  |  |  |  |
|  | **EQUITY AND LIABILITIES** |  |  |
|  | **SHAREHOLDERS' EQUITY** | **9 150 000** |  |
|  | **Ordinary share capital** | **7 954 000** |  |
|  | **Retained income** | **1 196 000** |  |
|  |  |  |  |
|  | **NON-CURRENT LIABILITIES** |  |  |
|  |  |  | |  | | --- | |  | | **28** | |
|  |  |  |
|  | **CURRENT LIABILITIES** |  |
|  | **Trade and other payables** |  |
|  |  |  |
|  |  |  |
|  | **Bank overdraft** |  |
|  |  |  |
|  | **TOTAL EQUITY AND LIABILITIES** |  |

|  |
| --- |
| **TOTAL MARKS** |
|  |
| **45** |