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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**  |  |
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|  | The information relates to the financial year ended 28 February 2022. |  |
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|  | **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) |
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|  | **INFORMATION:** |  |
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|  | **A.** | **Extract from the accounting records on 28 February:**  |  |
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| **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 |  |

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|  | **B.**  | **Share capital and dividends:**  |  |
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| **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. |

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|  | **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.
 |  |
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|  | **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: |  |
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| --- | --- |
| Current ratio  | 1,6 **:** 1 |
| Debt-equity ratio | 0,4 **:** 1 |

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|  | **H.** | The loan from XY Loans will be reduced by a capital portion of R228 000 in the 2023 financial year.  |  |
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|  |  |  | **45** |

**QUESTION 1**

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| **1.1** | **1.1.1** |  |

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| **1.1.2** |  |
| **1.1.3** |  |
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**1.2 PRUDENCE LTD**

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| **1.2.1** | **ORDINARY SHARE CAPITAL**  |  |
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| **7** |

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|  |  |  |
|  |  | **7 954 000** |
|  |  |  |
|  | **RETAINED INCOME** |  |
|  | **Balance on 1 March 2021** |  |

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| **7** |

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| **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** |  |  |
|  |  |  |

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|  |
| **28** |

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|  | **CURRENT LIABILITIES**  |  |
|  | **Trade and other payables** |  |
|  |  |  |
|  |  |  |
|  | **Bank overdraft**  |  |
|  |  |  |
|  | **TOTAL EQUITY AND LIABILITIES**  |  |

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