

## COMPANY REPORTING

(65 marks; 30 minutes)

### 4.1 INCOME STATEMENT

You are provided with information relating to Samora Sports Limited. The company sells sports equipment and repairs equipment for their customers.

#### REQUIRED:

Prepare the Income Statement for the year ended 30 June 2008 after taking all the adjustments and additional information into account.

(50)

#### INFORMATION:

1. **Figures extracted from the Pre-Adjustment Trial Balance on 30 June 2008:**

Ordinary share capital (R5 par value)	R 1 200 000
Fixed deposit	160 000
Trading stock	215 000
Debtors control	39 090
Equipment (for office and shop)	224 000
Accumulated depreciation on office and shop equipment	130 000
Mortgage loan from Credbank	281 200
Sales	1 703 200
Debtors allowances	17 000
Cost of sales	?
Service fee income (in respect of repair services)	297 140
Rent income	105 000
Interest income	11 200
Salaries and wages	234 750
Employers' contributions to Pension Fund and UIF	53 200
Audit fees	30 000
Directors fees	230 000
Consumable stores	51 100
Bank charges	5 240
Sundry expenses	?

2. **Adjustments and additional information:**

The auditors have identified the following errors or omissions:

- 2.1 The auditors are owed a further R28 000 after completing the audit.
- 2.2 Bank charges of R310 reflected on the June 2008 bank statement have not yet been entered in the books.
- 2.3 A credit note issued to a debtor, A Mona, dated 28 June 2008 was not recorded in the books. The credit note was for:
  - Goods returned by A Mona, R 6 200 (the cost was R4 800)
  - Price reduction on unsatisfactory repair of a tennis racket, R540

- 2.4 The stock count on 30 June 2008 revealed the following on hand:
- Trading stock, R202 000
  - Consumable stores, R900
- 2.5 An employee was left out of the Salaries Journal for June 2008. The details from his pay-slip were:

Gross salary	R6 000
PAYE deduction (18%)	(1 080)
Pension deduction (7,5%)	(450)
UIF	(60)
Net salary	<u>R4 410</u>

The business contributions were:

- Pension Fund: 10,5% of gross salary
  - UIF: Rand-for-rand basis
- 2.6 The tenant paid the July and August rent in June 2008. The rent was increased by R700 per month on 1 January 2008.
- 2.7 Provide for depreciation on office and shop equipment at 10% p.a. on the diminishing-balance method. Note that new shop equipment costing R30 000 was purchased half-way through the financial year (this was properly recorded).
- 2.8 Interest on the loan was capitalised. The loan statement from Credbank on 30 June 2008 reflects the following:

<b>CREDBANK</b>	
<i>Loan statement on 30 June 2008</i>	
Balance on 1 July 2007	R332 800
Interest charged	?
Monthly payments to Credbank in terms of the loan agreement (12 months x R4 300)	R 51 600
Balance on 30 June 2008	R326 000

The interest expense for the year has not yet been entered in the books.

- 2.9 Use the following percentages to calculate the missing figures:
- Mark-up % achieved: 60% on cost
  - Operating profit on sales: 20%
  - Income tax rate: 30% of net profit

**COMPANY REPORTING**  
**minutes)**

**(65 marks; 30**

**4.1 SAMORA SPORTS LIMITED**  
**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

Sales	
Cost of sales	
Gross profit	
Other income	
Service fee income	
Rent income	
Operating expenses	
Salaries and wages	
Employer's contributions	
Audit fees	
Director's fees	
Consumable stores	
Bank charges	
Sundry expenses	
Operating profit	
Net profit before tax	
Income tax	
Net profit after tax	