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| **QUESTION 1 FINANCIAL STATEMENT (42 marks; 30 minutes)**The financial year of NORTH Traders ends on 31 December 2019.**REQUIRED** |  |
|  |  |  |  |
| 1.1 | Prepare the Income Statement for the year ended 28 February 2019. | (42) |

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| **INFORMATION** |
| **1. PRE-ADJUSTMENT TRIAL BALANCE ON 31 DECEMBER 2019** |
| **BALANCE SHEET SECTION** | **Debit** | **Credit** |
| Capital |  | 2 122 800 |
| Drawings | 569 491 |  |
| Land and Buildings | 120 000 |  |
| Vehicles | 476 000 |  |
| Equipment (at cost) | 230 000 |  |
| Accumulated depreciation on vehicles |  | 89 600 |
| Accumulated depreciation on equipment |  | 86 000 |
| Loan : E.C. Bank  |  | 410 000 |
| Fixed Deposit : E.C. Bank (10% p.a.)  | 150 000 |  |
| Trading stock | 70 000 |  |
| Debtors control  | 55 500 |  |
| Provision for bad debts |  | 2 400 |
| Bank | 61 048 |  |
| Petty cash | 350 |  |
| Creditors control |  | 25 621 |
| **NOMINAL ACCOUNTS SECTION** |  |  |
| Sales |  | 720 000 |
| Cost of sales | 400 000 |  |
| Debtors allowances | 13 800 |  |
| Rent income |  | 46 400 |
| Salaries and wages | 164 000 |  |
| Employer’s contribution  | 10 800 |  |
| Bad debts  | 3 200 |  |
| Utilities | 8 900 |  |
| Discount allowed | 430 |  |
| Telephone | 7 800 |  |
| Insurance  | 8 800 |  |
| Packing material | 8 206 |  |
| Bank charges | 846 |  |
| Interest on Fixed deposit |  | 13 750 |
|  | **3 439 171** | **3 439 171** |

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| **1. ADJUSTMENTS AND ADDITIONAL INFORMATION** |
| 1 | A debtor, Fader, returned damaged goods with a selling price of R4 200. The mark-up was 60% on cost. This transaction has not been recorded. |
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| 2 | Packing material costing R5 350, was used during the accounting period. |
|  |  |
| 3 | On 31 December 2019, physical stock count revealed that trading stock to the value of R64 700 was on hand. |
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| 4 | The tenant has paid rent until 30 November 2019. The rent was increased by 10% from 1 June 2019. |
|  |  |
| 5 | The utilities account for December 2019 has not been paid, R1 100. |
|  |  |
| 6 | Received R600 from the insolvent estate of M Mthethwa, 40 cents of every rand must be written off. |
| 7 | **The Bank statement from Pat Bank reflected the following**: |
|  |  |
|  | * Bank charges R250
 |
|  | * Interest on current account
 | R150 |
|  | * Unpaid cheque of R350 which was received in settlement of R380.
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|  |  |
| 8 | Provision for bad debts must be adjusted to R2 200. |
|  |  |
| 9 | Insurance includes a premium of R2 400 paid for the period 1 August 2019 to 31 July 2019. |
|  |  |
| 10 | One employee is omitted in the Salaries Journal for December 2019 |
|  |  | **Net Salary** | **Deductions** | **Employers Contributions** | **Gross salary** |  |
|  |  | R9 200 | R2 400 | R350 | ? |  |
|  |  |
| 11 | Received the loan statement from the E.C. Bank |
|  |  | Balance on 01 January 2019 |  R 270 000 |  |
|  |  | Capitalised interest |  ? |  |
|  |  | Repayments during the year including interest |  70 000 |  |
|  |  | Balance on 31 December 2019 |  215 000 |  |
|  |  |
| 12 | Depreciation on Tangible assets was R15 000 for the year. |
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| 13 | Interest on fixed deposit for December 2019 was not recorded. Interest on fixed deposit is not capitalised.  |

**ANSWER BOOK**

**Question 1**

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| **2.1** | **INCOME STATEMENT OF NORTH TRADERS FOR THE YEAR ENDED 31 DECEMBER 2019** |
| Sales (**720 000**  |  |  |  |

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|  |
| **42** |

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| Cost of sales ( **400 000** - 2625✓) |  |  |  |
|  **Gross Profit** c |  |  |  |
| **Other Operating Income**  |  |  |  |
| Rent income  |  |  |  |
| Increase in provision for bad debts (2 400 -2 200) |  |  |  |
| **Gross Operating income**  |  |  |  |
| **Operating Expenses**  |  |  |  |
| Packing material  |  |  |  |
| Utilities  |  |  |  |
| Bad debts ( |  |  |  |
| Bank charges  |  |  |  |
| Discount allowed  |  |  |  |
| Telephone |  |  |  |
| Insurance  |  |  |  |
| Salaries and wages  |  |  |  |
| Employers contribution |  |  |  |
| Depreciation |  |  |  |
|  |  |  |  |
| **Operating Profit**  |  |  |  |
| Interest income  |  |  |  |
| **Profit Before Interest Expense**  |  |  |  |
| Interest expense  |  |  |  |
| **Net Profit for the year**  |  |  |  |