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| **ACCOUNTING GRADE 12 TEST 4 SELF-STUDY (LOCKDOWN)** **TOPIC : BALANCE SHEET AND NOTES**  |  |

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| **QUESTION 1: BALANCE SHEET AND NOTES (75 marks; 45 minutes)** |
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| You are provided with information relating to Silekwa Limited for the financial year ended 30 June 2019. |  |
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| **REQUIRED:** |  |
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| 1.1 | Complete the note for Tangible (Fixed) Assets. **NOTE:** Some figures have already been entered onto the ANSWER SHEETS. | (23) |
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| 1.2 | Prepare the Retained Income Note. | (12) |
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| 1.3 | Take into account the additional adjustments and prepare the Balance Sheet on 30 June 2019. | (40) |
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|  | **INFORMATION:** |  |
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|  | The following figures were taken from the financial records for the financial year ended 30 June 2019. |  |
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|  |  | **R** |  |
|  | Ordinary share capital (see Information **A**) | 2 400 000 |  |
|  | Retained income (1 July 2018) | 752 000 |  |
|  | Fixed deposit at EC Bank (see Information **E**) | 60 000 |  |
|  | Fixed/tangible assets | 3 881 000 |  |
|  | Debtors’ Control | 44 500 |  |
|  | Creditors’ Control | 25 200 |  |
|  | Creditors for salaries | 12 300 |  |
|  | Provision for bad debts (1 July 2018) | 1 500 |  |
|  | SARS (Income tax – provisional tax payments) | 400 000 |  |
|  | SARS (PAYE) | 6 650 |  |
|  | Bank (favourable balance) | 182 450 |  |
|  | Trading stock | 1 133 360 |  |
|  | Asset disposal (see Information **B** below) | 24 000 (cr) |  |
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|  | **Additional information:** |  |
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|  | **A.** | **Shares:*** There were 700 000 ordinary shares issued at the beginning of the financial year.
* On 1 January 2019, 100 000 ordinary shares were issued to the public at R3,80 cents per share. This has been correctly recorded and is included in the figures.
* On 1 June 2019, 40 000 shares were repurchased from a shareholder at R4,50 per share. A direct transfer was put through from the Bank Account, but no entry has been made in the books.
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|  | **B.** | **Adjustments:** |  |
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|  |  | * A debtor with a credit balance of R500 must be transferred to the Creditors’ Ledger. Provision for bad debts must be adjusted to 3% of debtors.
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|  |  | * Rent has been received for 14 months, R137 640. The rent increased by R930 on 1 January 2019.
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|  |  | * Prepaid expenses in respect of R7 050 for sundry expenses have not been brought into account.
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|  |  | * There were two directors at the start of the accounting period. Directors’ fees of R900 000 have been paid for the first half of the accounting period. On 1 May 2019 a third director was appointed. All three directors earn the same monthly fee. Provide for the outstanding fees owed to the directors.
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|  |  | * A physical stock count on 30 June 2019 reflected the stock on hand as R1 138 960.
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|  |  | * Depreciation on vehicles is calculated at 20% p.a. on the diminishing-balance method. A new vehicle was purchased on

1 May 2019 for R300 000. This has been properly recorded. |  |
|  |  | * Depreciation on equipment is calculated at 10% p.a. on the cost price. Note that equipment with cost price R44 000 was taken over by one of the directors on 30 June 2019 for personal use for R24 000 cash (This has been recorded in the Bank and Asset Disposal Account, no other entries has been made). Accumulated depreciation on 1 July 2018 was R11 000.
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|  |  | * Total income tax for the year amounted to R375 000. **It is 30% of the net profit before tax.**
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|  | **C.** | **Land and building:**Land was purchased for R1 500 000 for future expansion.An amount was also paid to Langley Construction for:* Extension to the existing factory area, R683 000.
* Tiling of the office block, R129 000.
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|  | **D.** | **Dividends:*** An interim dividend of 20 cents per share were paid on

31 December 2018. All shareholders at this date qualify for dividends.* A final dividend of 35 cents per share were declared on

30 June 2019. All shareholders qualify for the final dividend, including those whose shares were repurchased. |  |
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|  | **E.** | **Fixed deposits:**One third of the total fixed deposits mature on 31 August 2019. |  |
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|  | **F.**  | **Loan statement on 30 June 2019:** |  |
|  |  | **EC Bank** |  |
|  |  | Balance on 1 July 2018 | 384 000 |  |
|  |  | Interest charged | 57 600 |  |
|  |  | Monthly instalments in terms of the loan agreement (12 x R8 800) (Instalments include interest). | 105 600 |  |
|  |  | Balance on 30 June 2019 | 336 000 |  |
|  |  |  |  |  |
|  |  |  |  | **75** |