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| **ACCOUNTING GRADE 12 TEST 2 SELF-STUDY (LOCKDOWN)**  **COMPANY FINANCIAL STATEMENTS & AUDIT REPORT**  **QUESTION 1: COMPANY FINANCIAL STATEMENTS AND AUDIT REPORT**  **(65 marks; 40 minutes)** |  |

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| 1.1 | **CONCEPTS** |
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|  | Match the concepts in Column A with the descriptions in Column B. Write only the letter (A – E) next to the question number (1.1.1 – 1.1.5) in the Answer Book. |

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|  |  | (5) |

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| **COLUMN A** | | **COLUMN B** | |
| 1.1.1 | Income Statement | A | This is an annual document which explains the performance of the company and the major decisions that were taken. |
| 1.1.2 | Balance Sheet | B | This reflects the funds which have come into a company (or have been utilised by it) through its operating, investing or financing activities. |
| 1.1.3 | Cash Flow Statement | C | This reflects the profit or loss earned as a result of the operations of the company for a year. |
| 1.1.4 | Directors’ Report | D | This is an opinion issued on whether or not the financial statements can be relied upon. |
| 1.1.5 | Independent Auditors’ Report | E | This reflects the assets, liabilities and net worth (equity) of the company. |

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| 1.2 | **ISTAIN LIMITED** | |  |
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|  | The following information relates to Istain Limited. The financial year ended on 29 February 2020. | |  |
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|  | **REQUIRED:** | |  |
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|  | 1.2.1 | Refer to Information B.  Calculate the Net Profit after Tax. | (10) |
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|  | 1.2.2 | Prepare the following notes to the Balance Sheet (Statement of Financial Position) for the year ended 28 February 2020. |  |
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|  |  | * Ordinary Share Capital | (9) |
|  |  | * Retained Income | (10) |
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|  | 1.2.3 | Prepare the Balance Sheet (Statement of Financial Position) for the year ended 29 February 2020. | (31) |

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| **INFORMATION:** | | |  |
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| **A.** | **Extract of a list of Balances/Totals on 29 February 2020** | |  |
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|  | |  |  | | --- | --- | | **Balance Sheet Accounts Section** | **R** | | Ordinary share capital | ? | | Retained income (1 March 2019) | 540 000 | | Land and Buildings | 5 002 000 | | Equipment (1 March 2019) | 700 000 | | Accumulated depreciation on equipment (1 March 2019) | 263 750 | | Fixed Deposit: Bikitsha Bank | 260 000 | | Trade and other receivables | 696 000 | | Cash float | 12 000 | | Loan: Bikitsha Bank | 1 140 000 | | Creditors’ Control | 294 600 | | Bank Overdraft | 52 000 | | SARS: Income Tax | 300 000 | | **Nominal Accounts Section** |  | | Rent income | 177 600 | | Dividends on ordinary shares | 96 000 | | |  |
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| **B.** | **Net Profit for the year** | |  |
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|  | The Internal Auditor found that the following adjustments were NOT taken into account when the Net Profit before Tax, R1 024 400 was calculated. | |  |
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|  |  | * The telephone account, R3 000 for February 2020 was not yet paid. |  |
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|  |  | * Insurance amount of R4 500 was prepaid. |  |
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|  |  | * Rent Income for March and April 2020 was already received. The rent was increased on 1 September 2019 by 10%. The Rent Income account showed an amount of R177 600 in the General Ledger. |  |
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|  |  | * Stationery of R500 was on hand on 29 February 2020. |  |
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|  |  | * The Income Tax for the year is calculated at 28% of net profit before tax. |  |
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| **C.** | **Shares and Dividends** |  |

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|  | (i) | Authorised share capital comprises 400 000 ordinary shares. |
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|  | (ii) | On 1 March 2019: 160 000 shares for R4 000 000 were in issue. |
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|  | (iii) | On 31 August 2019: The directors decided to buy back 50 000 shares from the family of a deceased shareholder, at R30 per share. These shares are NOT entitled to final dividends. |
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|  | (iv) | On 1 January 2020: 100 000 shares were issued at R17,50 each. |
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|  | (v) | The directors declared a final dividend of 80 cents per share on 29 February 2020. |
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| **D.** | **Fixed Assets** | |  | |
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|  | (i) | Equipment, R250 000 was purchased on 1 December 2019. No equipment was sold during the year. |  | |
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|  | (ii) | The depreciation account was debited with a total amount of R76 250 for the year. |  | |
| **E.** | **Non-current Liabilities** | |
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|  | The loan statement from Bikitsha Bank reflected the following: | |  |
|  |  | |  |  | | --- | --- | | Balance at beginning of financial year | R1 500 000 | | Repayments during the year | R? | | Interest capitalised | R157 500 | | Balance at end of financial year | R1 140 000 | |  |
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|  | The capital portion of the repayment of the loan for the next financial year remains the same as the current financial year. | |  |

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