

|  |  |
| --- | --- |
| **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)** |  |

|  |  |
| --- | --- |
| 1.1 | **CONCEPTS** |
|  |  |
|  | 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. |

|  |  |  |
| --- | --- | --- |
|  |  | (5) |

|  |  |
| --- | --- |
| **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. |

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

|  |  |
| --- | --- |
| **INFORMATION:** |  |
|  |  |  |
| **A.** | **Extract of a list of Balances/Totals on 29 February 2020** |  |
|  |  |  |
|  |

|  |  |
| --- | --- |
| **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 |

 |  |
|  |  |  |
| **B.** | **Net Profit for the year** |  |
|  |  |  |
|  | The Internal Auditor found that the following adjustments were NOT taken into account when the Net Profit before Tax, R1 024 400 was calculated. |  |
|  |  |  |  |
|  |  | * The telephone account, R3 000 for February 2020 was not yet paid.
 |  |
|  |  |  |  |
|  |  | * Insurance amount of R4 500 was prepaid.
 |  |
|  |  |  |  |
|  |  | * 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.
 |  |
|  |  |  |  |
|  |  | * Stationery of R500 was on hand on 29 February 2020.
 |  |
|  |  |  |  |
|  |  | * The Income Tax for the year is calculated at 28% of net profit before tax.
 |  |
|  |  |  |  |

|  |  |  |
| --- | --- | --- |
| **C.** | **Shares and Dividends** |  |

|  |  |  |
| --- | --- | --- |
|  | (i) | Authorised share capital comprises 400 000 ordinary shares. |
|  |  |  |
|  | (ii) | On 1 March 2019: 160 000 shares for R4 000 000 were in issue. |
|  |  |  |
|  | (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. |
|  |  |  |
|  | (iv) | On 1 January 2020: 100 000 shares were issued at R17,50 each. |
|  |  |  |
|  | (v) | The directors declared a final dividend of 80 cents per share on 29 February 2020. |
|  |  |  |
| **D.** | **Fixed Assets** |  |
|  |  |  |  |
|  | (i) | Equipment, R250 000 was purchased on 1 December 2019. No equipment was sold during the year.  |  |
|  |  |  |  |
|  | (ii) | The depreciation account was debited with a total amount of R76 250 for the year. |  |
| **E.** | **Non-current Liabilities** |
|  |  |  |
|  | 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 |

 |  |
|  |  |  |  |
|  | The capital portion of the repayment of the loan for the next financial year remains the same as the current financial year. |  |

|  |  |  |
| --- | --- | --- |
|  |  | **65** |