FAC2601 EXAM PACK

EXAM REVISION PACK 2015

Written by **Class of 2015**

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Welcome

If you are reading this message then you are doing **(FAC2601)** with UNISA. These are being compiled by our Together We Pass team for our students who are registered for FAC2601 this term, and will be built upon year on year to create the best set of questions, with suggested solutions, with the possibility of including hints and tips in the future.

Please note that this is not the exam scope, but this document will work as supplementary study material which will help you prepare for the coming exams. It's work in progress and we will make changes and amendments to the document as we progress.

Good luck this term, and we look forward to working with you!

Our contact details should you need help:

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QUESTION 1

Gold Limited acquired 60 000 of the ordinary shares in Silver Limited on 1 March 2013. On this date Silver Limited had retained earnings of R15 000 and the carrying amounts of the assets and liabilities were equal to the fair values.

The following represent the abridged trial balances of Gold Limited and Silver Limited at 28 February 2015:

	Gold Ltd	Silver Ltd
Debits	**R**	**R**
Land and buildings	31 500	90 000 -
Machinery and equipment		10 000
Investment in Silver Limited at fair value (cost price: R160 000) Bank	160 000	-
Trade and other receivables	153 500	-
Inventories	-	65 000
Taxation	500	112 000
Dividends paid	10 500	10 000
	9 000	8 000
	365 000	295 000
Credits		
Ordinary share capital (R2 shares)		
Retained earnings	150 000	160 000
Revaluation surplus Trade	31 500	34 000
and other payables Bank	21 200	-
Profit before tax	125 600	23 750
Dividends received	-	48 250
	30 700	29 000
	6 000	-
	365 000	295 000

REQUIRED:

Draft the consolidated financial statements of Gold Limited and its subsidiary Silver Limited at 28 February 2015. Notes to the financial statements are not required. Show all calculations

QUESTION 2

The following balances were taken from the books of Rams Limited and its subsidiary Alo Limited on 31 December 2014:

	Rams Ltd	Alo Ltd
	R	**R**
Ordinary share capital - R5 shares	200 000	150 000
Revaluation of land and buildings	220 000	100 000
Distributable reserve - Retained earnings	266 000	174 000
Long-term loan - Rams Limited	-400	100 000
Property, plant and equipment	000	500 000
Investment in Alo Limited		
- 22 500 ordinary shares -	280 000	-
loan	112 000	-
Trade and other payables	201 000	116 000
Trade and other receivables	35 000	56 000
Inventories	60 000	84 000

Additional information

1. Rams Limited acquired its interest in Alo Limited on 1 January 2008, on which date Alo Limited had retained earnings of R106 000. The carrying amounts of the assets and liabilities were equal to the fair values, except the value of the land and buildings which was deemed to be R100 000 more than the cost thereof. The accounting records were adjusted accordingly.

2. Since Rams Limited acquired its interest in Alo Limited, Alo Limited has purchased all its inventories from Rams Limited. On 1 January 2014 Alo Limited had R60 000 inventories on hand. Rams Limited sells all its inventories at cost plus 20%. Inventories to the value of R12 000 was on its way to Alo Limited at 31 December 2014.

3. The following decisions taken by the directors of the companies must still be accounted for:

   - R5 000 interest payable by Alo Limited to Rams Limited

   - A dividend of 10c per share must be declared by both companies on 31 December 2014. No entry in this regard was passed by any of the companies.

REQUIRED:

Draft the consolidated statement of financial position of Rams Limited and its subsidiary at 31 December 2014 in accordance with the requirements of the Companies Act, and Generally Accepted Accounting Practice. Ignore taxation on unrealised profits and/or losses as well as capital gains tax. Comparative figures and notes are not required.

Show the consolidated journal entry at 31 December 2014 to eliminate the intercompany transactions regarding the inventory.

QUESTION 3

The following represented the abridged statements of financial position of Cape Limited and its subsidiary:

STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2015

	Cape Ltd R	Port Ltd R
ASSETS		
Property at valuation	450 000	140 000
Plant at carrying amount	124 000	152 000
Investment in Port Ltd – 37 500 ordinary shares at fair value (cost price R180 000)	180 000	-
Loan - Cape Ltd	-	40 000
Inventory	100 000	140 000
Bank - Chili Bank	80 000	-
Trade and other receivables	10 000	48 000
Total assets	944 000	520 000
EQUITY AND LIABILITIES		
Ordinary shares of R2 each	400 000	100 000
Revaluation of property	100 000	-
Retained earnings	192 000	164 000
Long-term borrowings	200 000	164 000
Loan - Port Ltd	20 000	-
Other	180 000	164 000
Trade and other payables	52 000	22 000
Bank overdraft - Chili Bank	-	70 000
Total equity and liabilities	944 000	520 000

Additional information

1. Cape Ltd acquired its interest in Port Ltd on 1 March 2012. At that date the retained earnings of Port Ltd amounted to R64 000. On that date the property of Port Ltd was revalued at R200 000. The books were not adjusted accordingly and no purchases or sale of property took place since that date.

2. On 26 February 2015Cape Ltd mailed a cheque of R20 000 to Port Ltd. Port Ltd received the cheque on 6 March 2015.

3. Cape Ltd sold a machine to Port Ltd on 31 August 2014 at a profit of R20 000. The group provides for depreciation at 20% per annum according to the straight-line method.

4. The companies declared and paid the following dividends during the current year:

Cape Limited
Ordinary dividends on 28 February 2015 - 10c per share
Ordinary dividends on 30 June 2014 - 5c per share

Port Limited
Ordinary dividends on 28 February 2015 - 5c per share.

5. Cape Ltd guarantees the bank overdraft of Port Ltd for an unlimited amount.

REQUIRED:

Draft the consolidated statement of financial position of Cape Ltd and its subsidiary at 28 February 2015 according to the requirements of the Companies Act, and Generally Accepted Accounting Practice. Ignore comparative figures and the taxation effect on unrealised profits and/or losses as well as capital gains tax.

Do the consolidated journal entries at 28 February 2015 to eliminate the profit and depreciation associated with the sale of the machine.

QUESTION 4

ABC Limited purchased 160 000 ordinary shares and 4 000 cumulative preference shares in TWP Limited on 1 January 2012. On that date the balances on TWP Limited's retained earnings and share premium amounted to R75 000 and R5 000 respectively. Each share in TWP Limited has one vote.

On 31 December 2015 the following balances appeared in the books of both companies:

	ABC Limited		TWP Limited	
	Dr	Cr	Dr	Cr
	R	R	R	R
Ordinary share capital (50c shares)		500 000		100 000
Share premium		15 000		5 000
Capital redemption reserve fund		10 000		-
Retained earnings		175 000		126 000
Loan - ABC Limited		-		15 000
10% Cumulative preference share capital (R1 shares)		100 000		10 000
Land and buildings	330 000		160 000	
Equipment	220 000		110 000	
Accumulated depreciation - equipment		90 000		22 000
Investment in TWP Ltd at fair value				
- Ordinary shares (cost price R166 000)	166 000		-	
- Preference shares (cost price R4 000)	4 000		-	
- Loan	31 000		-	
Inventory	120 000		60 000	
Trade and other receivables	56 000		22 000	
Dividends payable – ordinary shares		25 000		20 000
Trade and other payables		52 000		30 000
Bank	40 000			24 000
	967 000	967 000	352 000	352 000

Additional information

1. At acquisition ABC Limited valued the land and buildings of TWP Limited at R180 000. No entry was made in respect of this in the books of TWP Limited. No purchases of land and buildings by TWP Limited took place since that date.

2. Since acquisition TWP Limited purchased all its inventory from ABC Limited at cost plus 20%. On 31 December 2014 TWP Limited's inventory on hand amounted to R84 000.

3. On 1 January 2013 ABC Limited purchased equipment from TWP Limited at cost price plus 10% for an amount of R220 000. Both companies depreciate equipment at 10% per annum on cost.

4. At 1 January 2014 the preference dividends of TWP Limited for the previous two years were in arrears. All arrear preference dividends were paid in cash on 31 December 2015. The ordinary dividends receivable from TWP Limited was debited against the loan account in the books of ABC Limited.

REQUIRED:

Draft the consolidated statement of financial position of ABC Limited and its subsidiary at 31 December 2015 to comply with the requirements of the Companies Act, and Generally Accepted Accounting Practice. Ignore comparative figures, notes, taxation on unrealised profits and/or losses and capital gains tax. Clearly show all workings.

Do the consolidated journal entries at 31 December 2015 to eliminate the unrealised profits on inventory and intercompany sales.

QUESTION 5

The following are the abridged financial statements of Delta Limited and its subsidiary Fox Limited for the 20.0 and 20.1 financial years:

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Delta Limited		Fox Limited	
	20.1	**20.0**	**20.1**	**20.0**
ASSETS	**R**	**R**	**R**	**R**
Property, plant and equipment	500 000	450 000	240 000	250 000
Investment in Fox Ltd at fair value - 150 000 ordinary shares (cost price R160 000)	160 000	160 000	-	-
Inventory	50 000	20 000	32 000	10 000
Trade and other receivables	20 000	15 000	48 500	18 000
Bank	11 500	5 000	-	-
Loan - Fox Ltd	10 000	-	-	-
	751 500	650 000	320 500	278 000
EQUITY AND LIABILITIES				
Share capital - ordinary shares of R1 each	500 000	500 000	200 000	200 000
Retained earnings	191 500	100 000	98 500	50 000
Trade and other payables	60 000	50 000	10 000	20 000
Bank overdraft	-	-	2 000	8 000
Loan - Delta Ltd	-	-	10 000	-
	751 500	650 000	320 500	278 000

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	Delta Limited		Fox Limited	
	20.1	**20.0**	**20.1**	**20.0**
	R	**R**	**R**	**R**
Revenue	400 000	300 000	130 000	100 000
Cost of sales	(240 000)	(180 000)	(40 000)	(25 000)
Gross profit	160 000	120 000	90 000	75 000
Other income	1 500	-	-	-
Finance costs	-	-	(1 500)	-
Profit before tax	161 500	120 000	88 500	75 000
Income tax expense	(70 000)	(50 000)	(40 000)	(30 000)
PROFIT FOR THE YEAR	91 500	70 000	48 500	45 000
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	91 500	70 000	48 500	45 000

EXTRACT FROM THE STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

	Retained earnings		Retained earnings	
	Delta Limited		Fox Limited	
	20.1	20.0	20.1	20.0
	R	R	R	R
Balance - beginning of year	100 000	30 000	50 000	5 000
Total comprehensive income for the year	91 500	70 000	48 500	45 000
Balance - end of year	191 500	100 000	98 500	50 000

Additional information

1. Delta Limited acquired its interest in Fox Limited on 1 January 20.0.

2. Issued capital remained unchanged for the past 2 years.

3. Intercompany sales:

   Delta Limited to Fox Limited at profit margin of 25% on selling price:
   20.0 - R10 000
   20.1 - R20 000

4. Fox Limited had the following inventory, purchased from Delta Limited, at: 31 December 20.0 - R2 000
   31 December 20.1 - R5 000

   On 31 December 20.1 Fox Limited decreased the value of its inventory purchased from Delta Limited, to the net realisable value of R4 500.

5. Fox Limited obtained the loan from Delta Limited on 1 January 20.1 at an interest rate of 15% per annum (fair interest rate). The capital is payable annually in arrears.

6. Delta Limited guarantees the bank overdraft of Fox Limited, although their accounts are kept at separate banks.

REQUIRED:

Draft the consolidated statement of comprehensive income and consolidated statement of changes in equity of Delta Limited and its subsidiary Fox Limited for the year ended 31 December 20.1 in compliance with the requirements of the Companies Act and Generally Accepted Accounting Practice.

Ignore taxation on unrealised profits and/or losses and comparative figures.

QUESTION 6

A Limited became a subsidiary of B Limited on 1 April 20.2. The following are the trial balances of B Limited and A Limited at 30 September 20.2:

	B Limited R	A Limited R
Credits		
Share capital		
- Ordinary shares of R2 each	250 000	150 000
- 10% Preference shares of 50c each	80 000	20 000
7,5% Debentures	100 000	60 000
Long-term loan		
- Safe Bank (from 1 January 20.2)	-	100 000
Retained earnings - 1 October 20.1	950 000	380 000
Sales	1 106 000	940 000
Interest received - Debentures	-	1 500
- Financial institutions	-	6 000
Trade and other payables	107 750	75 000
Dividends payable -		
Ordinary shares	15 000	7 500
- Preference shares	16 000	2 000
Bank	25 000	-
Accumulated depreciation	150 000	80 000
	2 799 750	1 822 000
Debits		
Property, plant and equipment	773 500	650 000
Inventories	220 000	160 000
Cost of sales	740 000	564 000
Administrative expenses	65 000	48 000
Depreciation	30 000	20 000
Staff costs	160 000	100 000
Interest paid - Debentures -	7 500	4 500
Overdraft	3 000	-
Income tax @ 30%	60 000	59 925
Trade and other receivables	311 244	135 575
Bank	-	40 000
Dividends declared - 30 September 20.2	16 750	-
Investment in A Limited at fair value		
- 45 000 Ordinary shares (cost price R397 756)	397 756	-
- 18 000 10% Preference shares (cost price R15 000)	15 000	-
Investment in B Limited at fair value		
- 7,5% Debentures (since 1 April 20.2)	-	40 000
	2 799 750	1 822 000

Additional information

1. The sales of A Limited for the year was earned as follows:

   - during the first three months of the financial year, 40% of the sales figure - for the next three months, 15% of the sales figure
   - for the rest of the financial year (the remaining six months), 45% of the sales figure

   A Limited maintain a gross profit percentage of 40%. All other income and expenditure were received and spent evenly throughout the year. Income tax must be apportioned according to the profit before tax for that period.

2. A Limited applied for a loan at Safe Bank Limited and it was granted at an interest rate of 15% per annum (fair interest rate) for a period of 5 years. The interest for the year ended 30 September 20.2 is not recorded yet.

3. Cheques to pay the outstanding dividends (declared 30 September 20.1) were sent to the shareholders by both of the companies but not recorded in the records yet.

B Ltd:	Ordinary shareholders	R6 250
	Preference shareholders	R8 000
A Ltd:	Ordinary shareholders	R7 500
	Preference shareholders	R2 000

4. A Limited has decided to declare dividends for the year ended 30 September 20.2 and the amount for dividends to the ordinary shareholders is decided on R7 500. This transaction was not taken into account by both companies when the trial balances were drafted.

5. No guarantee was given by the subsidiary for the overdraft of the parent's bank account.

6. Ignore any tax implications.

REQUIRED:

Draft the consolidated annual financial statements of B Limited and its subsidiary for the year ended 30 September 20.2. Your answer must comply with the requirements of the Companies Act, and Generally Accepted Accounting Practice. Include only the post-acquisition profit after tax in the profit after tax of the group. Notes to the financial statements are not required. Do all calculations to the nearest Rand.

QUESTION 7

On 1 January 2010 Game Ltd purchased ordinary shares in Auto Ltd. At that stage Auto Ltd's shareholders' interest was compiled as follows:

	R
R1 ordinary shares	200 000
Retained earnings	30 000

Game Limited paid an amount of R4 000 to Auto Limited in order to gain control over Auto Limited's operations. The remaining difference between cost price and reserves is attributable to a revaluation of Auto Limited's land and buildings, which took place on date of acquisition. The revaluation was not recorded in Auto Limited's records.

The condensed statements of comprehensive income of the two companies for the year ended 30 June 2014 were as follows:

	Game Ltd	Auto Ltd
	R	R
Revenue	400 000	255 000
Cost of sales	(248 000)	(153 000)
Gross profit	152 000	102 000
Income received – dividend	8 000	(24 000)
Administrative expenses	(40 000)	(8 000)
Depreciation	(20 000)	
Finance cost	(20 000)	(10 000)
Profit before tax	80 000	60 000
Income tax expense	(40 000)	(30 000)
PROFIT FOR THE YEAR	40 000	30 000
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	40 000	30 000

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Ordinary share capital		Retained earnings		Total	
	Game Ltd	Auto Ltd	Game Ltd	Auto Ltd	Game Ltd	Auto Ltd
	R	R	R	R	R	R
Balance on 30 June 2013	430 000	200 000	58 000	75 000	488 000	275 000
Total comprehensive income for the year			40 000	30 000	40 000	30 000
Dividend paid			(8 000)	(5 000)	(8 000)	(5 000)
Balance on 30 June 2014	430 000	200 000	90 000	100 000	520 000	300 000

On 30 June 2014 the following items appeared in the statement of financial position of the two companies:

	Game Ltd	Auto Ltd
ASSETS	**R**	**R**
Non-current assets	540 000	298 000
Property, plant and equipment	320 000	298 000
Land and buildings at cost	210 000	150 000
Plant	110 000	148 000
Cost price	160 000	180 000
Accumulated depreciation	(50 000)	(32 000)
Investment in Auto Limited 180 000 shares at fair value (cost price R220 000)	220 000	-
Current assets	125 000	95 000
Trade and other receivables	30 000	12 000
Inventories	95 000	83 000
Total assets	665 000	393 000
EQUITY AND LIABILITIES		
Total equity	520 000	300 000
Share capital	430 000	200 000
Retained earnings	90 000	100 000
Non-current liabilities		
Long-term loan	45 000	23 000
Current liabilities		
Trade and other payables	100 000	70 000
Total equity and liabilities	665 000	393 000

Additional information

1. Included in Game Limited's plant is a machine sold on 1 July 2012 by Auto Limited to Game Limited. Auto Limited made a profit of R20 000 on this transaction. Plant is depreciated at 10% per annum on cost price.

2. Since April 2010 Game Limited purchases some of its inventories from Auto Limited at the normal selling price, determined by Auto Limited at cost price plus 25%. In respect of the year ended 30 June 2014 sales from Auto Limited to Game Limited amounted to R200 000.

3. At 30 June 2013 the inventories on hand of Game Limited were valued at R60 000.

4. Opening and closing inventories of Game Limited were purchased from Auto Limited.

REQUIRED:

Draft the consolidated financial statements of Game Limited and its subsidiary for the financial year ended 30 June 2014 according to the requirements of the Companies Act, and Generally Accepted Accounting Practice. Ignore comparative figures, taxation on unrealised profits and/or losses and capital gains tax. Show all calculations.

Do the consolidated journal entries at 30 June 2014 to eliminate the transactions associated with the sale of the assets and inventory.

QUESTION 8

The following balances appeared in the books of Johnson Limited for the financial year ended:

	28 Feb 2015 R	29 Feb 2014 R
Property, plant and equipment	1 575 000	800 000
Investments	198 000 16	15 000
Preliminary expenses	500 182	24 000
Inventory	000 192	69 000
Trade receivables	500	250 000
Prepaid administration expenses	2 000	4 000
Dividends receivable	12 000	-
Bank	-	55 000
	2 178 000	1 217 000
Ordinary share capital of R1 each	1 000 000 -	400 000
Share premium	80 000	10 000
10% Debentures of R200 each	275 000	150 000
Surplus on revaluation of land	335 500	75 000
Retained earnings	30 000 5	325 000
18% Long-term loan	000 175	40 000
Deferred tax	000 10	12 000
Accumulated depreciation: Property, plant and equipment	000 14	100 000
Short-term portion of long-term loan	000 50	10 000
Tax payable	000 25	34 000
Dividends payable	000 178	20 000
Trade payables	500	41 000
Bank overdraft	2 178 000	-
		1 217 000

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2015: 2015 2014

	R	R
Revenue	1 100 000	588 000
Cost of sales	(400 000)	(200 000)
Gross profit	700 000	388 000
Expenses	(578 000)	(342 000)
Directors' remuneration	50 000	30 000
Distribution expenses	150 000	125 000
Administrative expenses	100 000	75 000
Auditors' remuneration	60 000	38 000
Depreciation	195 000	55 000
Finance charges	23 000	19 000
Other income	42 000	9 000
Profit on sale of plant and equipment	30 000	-
Dividends on investments	12 000	9 000
Profit before tax	164 000	55 000
Income tax expense	(56 000)	(22 000)
- Current year -	63 000	21 000
Deferred	(7 000)	1 000
PROFIT FOR THE YEAR	108 000	33 000
OTHER COMPREHENSIVE INCOME	200 000	75 000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	308 000	108 000

The following additional information is available:

1.1 500 000 Ordinary shares were issued to the public at a premium of 10% on 1 April 2014.

1.2 The company issued capitalisation shares at par to the ordinary shareholders on 30 June 2014 in the ratio of 1 ordinary share for every 9 ordinary shares held. The share premium account were utilised for this purpose.

1.3 R7 500 of the preliminary expenses was written off against retained earnings on 28 February 2015 and an ordinary dividend of 5 cents per share was declared.

2. The following changes in property, plant and equipment took place:

	Land **R**	**Plant and equipment** **R**
Carrying amount beginning of year	400 000	300 000
Cost	400 000	400 000
Accumulated depreciation	-	(100 000)
Purchases at cost	75 000	800 000
Disposals at carrying amount	-	(180 000)
Revaluations during the year	200 000	-
Depreciation for the year	-	(195 000)
Carrying amount end of year	675 000	725 000
Valuation/Cost	675 000	900 000
Accumulated depreciation	-	(175 000)

R500 000 of the purchases of property, plant and equipment represent replacements of assets disposed of.

3. The debentures were redeemed at par on 1 March 2014.

4. The long-term loan was incurred on 1 January 2010and the capital portion is repayable in five equal annual instalments starting on 30 June 2014.

5. New investments were purchased during the year.

6. Revenue consists of cash sales amounting to R400 000 (2014 : R134 000) and credit sales of R700 000 (2014 : R454 000).

REQUIRED:

Draw up the Statement of Cash Flows of Johnson Limited for the financial year ended 28 February 2015 according to the direct method. Your answer must comply with Generally Accepted Accounting Practice. Show the following calculations:

1. Cash receipts from customers
2. Cash payments to suppliers and employees
3. Dividends paid
4. Tax paid

QUESTION 8

The following information was obtained from the books of Lex Limited for the financial year ended 31 December 2014:

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	R
Profit before tax	178 000
Income tax expense	(53 000)
Profit for the year	125 000
Other comprehensive income	-
Total comprehensive income for the year	125 000

EXTRACT FROM THE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Retained earnings
	R
Balance beginning of year	92 000
Total comprehensive income for the year	125 000
Preference dividends	(24 000)
Transfer to replacement reserve	(5 000)
Ordinary dividends – 31 December	(20 000)
Balance end of year	168 000

The following information in respect of the issued share capital is also available:

		R
2013		
January 1	Ordinary shares of R2 each	80 000
	10% Cumulative preference shares of R2 each	80 000
June 30	The company issued 20 000 ordinary shares at R2,50 each.	
2014		
March 31	The company made a rights issue of 2 ordinary shares at par for every 3 ordinary shares held at fair value.	
July 31	Capitalisation shares were issued at par in the ratio of 1 ordinary share for every 4 ordinary shares held. The share premium and capital redemption reserve fund were utilised for this purpose.	

REQUIRED:

Calculate and disclose basic earnings and dividends per share in the annual financial statements of Lex Limited for the year ended 31 December 2014 in compliance with Generally Accepted Accounting Practice. Ignore comparative figures. Show all calculations.

QUESTION 9

The following information were taken from the books of TWP Limited for the year ended 30 June 2014:

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014 R

Revenue	1 040 000
Cost of sales	(500 000)
Gross profit	540 000
Expenses	(100 000)
Profit before tax	440 000
Income tax expense	(120 000)
Profit for the year	320 000 -
Other comprehensive income	320 000
Total comprehensive income	

AN EXTRACT FROM THE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014:

	Retained earnings R
Balance 1 July 2012	40 000
Total comprehensive income for the year	100 000
Transfer from asset replacement reserve	28 000
Balance 30 June 2013	168 000
Total comprehensive income for the year	320 000
Transfer to asset replacement reserve	(30 000)
Cumulative preference dividends	(48 000)
Non-cumulative preference dividends	(20 000)
Ordinary dividends – 30 June 2014	(60 000)
Balance 30 June 2014	330 000

The following information in respect of the issued share capital is also available:

2012

July 1 — 800 000 Ordinary shares of 50c each
200 000 12% Cumulative preference shares of R1 each
100 000 10% Non-cumulative preference shares of R2 each

2013

September 30 — A rights issue was made of 1 ordinary share at par for every 4 ordinary shares held. The rights issue was made at a value less than the fair market value of 80c per share for which the shares could have been issued.

2014

April 30 — Capitalisation shares were issued in the ratio of 1 ordinary share at par for every 5 ordinary shares held. The share premium account was utilised for this purpose.

REQUIRED:

Calculate and disclose basic earnings and dividends per share in the annual financial statements of TWP Limited for the year ended 30 June 2014 in compliance with Generally Accepted Accounting Practice. Comparative figures are required. Ignore headline earnings, but clearly show all calculations.

QUESTION 10

The following information was extracted from the financial statements of Romans Limited for the year ended 31 December 2014:

EXTRACT FROM THE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014:

	2014 R	2013 R
Profit before tax	1 008 000	358 000
Income tax expense	(408 000)	(149 000)
PROFIT FOR THE YEAR	600 000	209 000 -
OTHER COMPREHENSIVE INCOME	-	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	600 000	209 000

EXTRACT FROM THE STATEMENT OF CHANGES IN EQUITY FOR THE TWO YEARS ENDED 31 DECEMBER 2014:

	Retained earnings R
Balance at 31 December 2012	301 000
Total comprehenisve income for the year	209 000
Balance at 31 December 2013	510 000
Total comprehenisive income for the year	600 000
Dividends paid	
Preference - 10% cumulative	(40 000)
Preference - 8%	(12 000)
Ordinary	(50 000)
Capitalisation issue	(200 000)
Balance at 31 December 2014	808 000

Additional information

1. Romans Limited issued 200 000 10% cumulative preference shares of R1 each, 150 000 8% preference shares of R1 each and 600 000 ordinary shares of R1 each, on incorporation.

2. On 1 March 2014 Romans Limited made a capitalisation issue of one share for every three shares held.

3. Included in profit before tax is the following:

	2014 R	2013 R
Depreciation	25 000	15 000 -
Profit on sale of plant (tax deductible)		96 000
Loss on sale of equipment (tax deductible)	98 000	-
Write down of inventory to net realisable value	40 000	-

4. The tax rate was 28% for both 2014 and 2013.

REQUIRED:

Calculate and disclose basic earnings per share and headline earnings per share in the financial statements of Romans Limited for the year ended 31 December 2014. Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice. Notes and comparative figures are required.

QUESTION 11

The preliminary Statement of Comprehensive Income before taking into account any additional information of Salsa Limited, a dealer in motor vehicles for the year ended 28 February 19.7 is as follows:

	19.7 R
Income	
Sales of motor vehicles	1 780 000
Dividends received (unlisted)	13 500
	1 793 500
Expenses	(1 414 300)
Advertising	9 000
Cleaning	4 500
Commission paid to sales staff	23 600
Depreciation: workshop equipment	11 200
Depreciation: office equipment	15 000
Operating lease - premises	49 000
Initial payment	9 000
Payments for the year	40 000
Printing and stationery	11 000
Purchases: consumables	66 000
Purchases: motor vehicles	1 068 000
Salaries and wages	72 000
Loss on a litigation settlement (tax deductible)	85 000
PROFIT FOR THE YEAR	379 200
OTHER COMPREHENISIVE INCOME	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	379 200

Additional information

1. Salsa Limited entered into an operating lease agreement for the premises they are presently occupying. The lease agreement was entered into on 1 July 19.6. The terms of the lease are as follows:

   Initial payment
   R9 000 Instalment per month
   R5 000 Duration of the lease 3 years

2. Salsa Limited paid commission of R7 200 to enter into the lease agreement.

3. The SA Normal tax rate is 29%. Salsa Limited's taxable income for the year ended 28 February 19.7 is R125 100.

REQUIRED:

Prepare the notes to the annual financial statements of Salsa Limited for the year ended 28 February 19.7. Your answer must comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice. The accounting policy notes are **not** required.

QUESTION 12

The following details relate to a machine acquired by ABC Ltd in terms of a finance lease agreement:

- Date of commencement of agreement – 1 July 2014
- Cash price – R180 000
- Lease period is 3 year
- Payments of R43 500 are payable half-yearly in arrears.

The machine was available for use and put into use on 1 July 2014. Depreciation is written off at 20% per annum on cost.

The company's financial year ends on 30 June.

REQUIRED:

a) Calculate the nominal interest rate per year (4)
b) Prepare an amortisation table (11)
c) Journalise all relevant transactions (cash transactions included) over the lease period.
Journal narrations are not required.

QUESTION 13

Tours Travel Limited, a newly established car rental company based in Cape Town, entered into a finance lease agreement to acquire two new limousines which will make up their entire current limousine fleet. The following information is available:

Contract date	1 January 2015
Total cash price of the vehicles	R1 600 000
Deposit	20% of cash price
Instalments - half yearly in arrears	R228 050
Date of first instalment	30 June 2015
Lease period Nominal	4 years
interest rate Effective	17,25% (fixed rate) per annum
interest rate	17,99% per annum
Total scrap value of the vehicles	R200 000
Estimated useful life	5 years

Tours Travel Limited paid commission of R16 000 to enter into the lease agreement.

The two limousines were docked at Cape Town harbour on 2 January 2015 and put into immediate use. Depreciation is written off over their expected useful lives according to the straight-line method.

Assume a SA Normal tax rate of 29%.

Tours Travel Limited's profit before tax, before taking the lease into account, amounted to R950 000 for 2015.

Classic Bank financed the deal and provided you with the following **correct** amortisation table:

Date	**Interest R**	**Capital R**	**Instalments R**	**Outstanding balance R**
01/01/2015	-110	-117	-228	1 280 000
30/06/2015	400 100	650 127	050 228	1 162 350
31/12/2015	253	797 138	050 228	1 034 553
30/06/20.2	89 230	820 150	050 228	895 733
31/12/20.2	77 257	793 163	050 228	744 940
30/06/20.3	64 251	799 177	050 228	581 141
31/12/20.3	50 123	927 193	050 228	403 214
30/06/20.4	34 777	273 209	050 228	209 941
31/12/20.4	18 109	941	050	-

REQUIRED:

Disclose all the relevant notes concerning the lease in the annual financial statements of Tours Travel Limited for the year ended 31 December 2015. Your answer must comply with the requirements of the Companies Act, and Generally Accepted Accounting Practice.

Ignore the accounting policy notes, comparative figures and VAT implications. Do all calculations to the nearest Rand.

QUESTION 14

20.1 The following represents the trial balance of Venus (Pty) Ltd at 30 September 19.9:

	Dr	Cr
	R	R
Ordinary shares of R1 each		10 000
Retained earnings		75 000
Land and buildings at cost	80 000	
Interest bearing borrowing		100 000
Listed investments at cost	60 000	
Cash on hand	45 000	
	185 000	185 000

Additional information

1. The property was valued at R120 000.

2. The listed investments consist of:

   40 000 shares in Mars Limited trading at 160c per share (minority holding) 20 000 shares in Moon Limited trading at 120c per share (minority holding)

3. The interest bearing borrowing is repayable after 5 years. The interest is calculated at 18% per annum. The fair rate of return is 20%. Interest is paid at the end of each year.

4. Ignore all taxation implications.

REQUIRED:

Calculate the value of 1 ordinary share in Venus (Pty) Ltd at 30 September 19.9. Use the intrinsic value method. (8)

20.2 Assume you invest R20 000 on 1 November 19.9. The interest rate is 18% per annum and interest is compounded quarterly in arrears.

REQUIRED:

Calculate the value of the investment at 31 October 20.4. (3)

20.3 Assume you invest R5 000 per annum for 5 years at the end of each year at 15% compound interest per annum.

REQUIRED:

Calculate the present value of the investment. (3)

20.4 Assume you invest R2 500 now at a nominal interest rate of 15% per annum. Interest is payable monthly in arrears.

REQUIRED:

How long will it take to double the investment?

QUESTION 15

This question consists of 8 independent sub-questions. Answers must be calculated correct to two-tenths (2/10) of a percent (%). Show all your workings and formulae.

21.1 Determine the present value of an annuity of R30 000, received at the end of each period for ten periods, at a discount rate of 10% per period. (3)

21.2 Determine the future value of an amount of R40 000, invested at the end of each period for 10 periods, at an interest rate of 10% per period. (3)

21.3 Determine the effective interest rate for a building society savings account which bears interest at a nominal rate of 5% per annum, compounded monthly. (3)

21.4 Determine the nominal interest rate for a loan which bears interest at an effective rate of 7% per annum, if interest is compounded half-yearly. (3)

21.5 At what rate of interest would an investment be tripled over a period of 12 years? (4)

21.6 Calculate the effective rate of interest when the nominal rate of interest is 18% p. a. and interest is compounded quarterly. (3)

21.7 An amount of R2 000 is invested at a nominal interest rate of 18% p.a., interest payable monthly in arrears. How long will it take to triple the amount invested? (4)

21.8 Calculate at what rate of interest will R3 000 increase to R9 435 after 6 years and 9 months (4)

QUESTION 16

22.1 The shares of both Jared Ltd and Pro Ltd are quoted on a Stock Exchange.

On 28 February 2011 the following information was applicable to the two companies:

- Issued share capital
  Jared: 400 000 ordinary shares of R1,50 each Pro:
  50 000 ordinary shares of R1,00 each

- Closing price
  Jared: R2,85
  Pro: R1,40

On 1 March 2011 the directors of both companies issue a joint statement which provides *inter alia* that:

(a) The shareholders of Jared receive the right to subscribe for one R1,00 share in Pro at R1,20 for every four shares held in Jared.

(b) The shareholders of Pro receive the right to subscribe for 2 Pro R1,00 shares at R1,20 per share for each share held.

(c) The listing of both companies be suspended until such time as the arrangement is approved by a special meeting of shareholders.

It is expected that the arrangement will be approved and that all the shares will be taken up.

What is the value of one Pro share after the issue of the shares? (4)

22.2 Use the information in question 22.1 and assume that the value of one Pro share after the issue will be R1,48.

What will the new opening price of one Pro share with rights after the joint statement but before the shares are issued be? (4)

22.3 A person wishes to have R100 000 at the end of 10 years.

How much must he invest at the end of each year (at 15% per annum) for the amounts to accrue to R100 000? (Ignore taxation). (3)

22.4 A person borrows R4 000 for 4 years at 16% interest and undertakes to repay this debt in three equal payments of R1 000 at the end of years 1, 2 and 3 and a final payment at the end of year 4. What will the amount of the final payment be? (Ignore taxation). (5)

22.5 Name the valuation method for a majority interest to be used and calculate the value of an ordinary share of First Ltd, based on the following information:

Nominal value per share	100 cents
Expected future dividend per share	20 cents
Expected future earnings per share	36 cents
Fair dividend yield	16%
Valuation date	28/2/2015

(2)

22.6 Second Ltd supplied the following information regarding its redeemable preference shares:

Nominal value per share	200 cents
Preference dividend rate	14% p.a.
Annual dividend date Fair	28 February
rate of return	12% p.a. 15%
Redeemable at a premium of	28/2/20.4
Redeemable on (5 years from date of valuation)	

REQUIRED:

Calculate the value of one redeemable preference share on 1 March 2015. (7)

22.7 The following relates to debentures issued by Third Ltd:

Fair rate of return	12% R20
Nominal value	000 10%
Interest rate	31 December
Date of interest payment	31/12/2015
Redeemable in four equal annual instalments commencing on	

REQUIRED:

Calculate the value of the above debentures at 1 January 2015. (Ignore taxation) (8)

22.8 The following represents the trial balance of Fourth Ltd, an investment company, on 28 February 2015:

	R Dr/(Cr)
Land and buildings at cost	300 000
Listed investments at cost	67 500
Savings account	15 000 5
Bank	000
200 000 ordinary shares of R1 each	(200 000)
15 000 12% preference shares of 50c each	(7 500)
Mortgage bond (interest free)	(180 000)

Additional information

1. The land and buildings are worth R550 000 and the market value of the listed investment is R80 000.

2. The mortgage bond is redeemable in 8 years time and a fair rate of return is 18%.

3. The preference shares are non-redeemable and a fair dividend yield is 15%.

REQUIRED:

Determine the value of Fourth Ltd at 28 February 2015 using the intrinsic value method

QUESTION 17

The following list of balances on 31 December 19.9 appeared in the books of All Limited:

	R
Inventories	240 000
Loans	110 000
Trade and other receivables	36 000
Trade and other payables	25 000
Provisional tax payments	30 000
Dividends payable	5 000
Deferred taxation (Cr)	2 000
Bank (Dr)	75 000
Retained earnings (31/12/19.9)	120 000
Long-term loan	150 000
Land at valuation	400 000
Buildings at cost	420 000
Machinery and equipment at cost	250 000
Motor vehicles at cost (31/12/19.8 - R280 000)	310 000
Accumulated depreciation (31/12/19.9)	
- Machinery and equipment	55 000
- Motor vehicles (31/12/19.8 - R80 000)	119 500
Investments	136 000

Additional information:

1. Inventory is valued at the lower of cost or net realisable value.

2. Inventory consists of:

	R
- Raw material	100 000
- Finished products	50 000
- Consumables	30 000
- Work in progress	60 000

3. The long-term loan was incurred on 31 August 19.3 at an interest rate of 20% per annum and the capital portion is repayable in five equal annual instalments of R30 000 each beginning on 28 February 19.7. The loan is secured by a first mortgage bond over land and buildings.

4. Loans consist of the following:

	R
- Loan to Tram Limited	20 000

This loan was granted on 30 June 19.9 at an interest rate of 15% per annum and no security was provided.

- Loan to parent Tol Ltd	90 000

The loan was granted on 1 January 19.5 at an interest rate of 12% per annum and Tol Ltd provided security. The loan fluctuated between R70 000 and R100 000 during the year. No fixed terms of repayment was agreed upon.

5. Land and buildings are owner occupied and are situated on erf 10, Sunnyside, Pretoria and comprises a factory building and a shopping centre. The land was acquired on 1 March 19.4 for R240 000 and was revalued for the first time during April 19.9 by Mr Pal, a sworn appraiser. Buildings were erected during October 19.9. It was completed on 31 October 19.9 at a cost of R420 000. No depreciation is written off on land, but it is company policy to revalue land every three years at replacement value.

6. Other non-current assets are depreciated at the following rates and methods:

   Machinery and equipment - 15% per annum using the straight line method.
   Motor vehicles - 25% per annum using the reducing balance method.
   Buildings - 2% per annum using the reducing balance method.

7. The only other transaction regarding non-current assets apart from the transaction in note 5 is the following:

   On 2 January 19.9 a motor vehicle which originally cost R40 000 and on which depreciation of R24 000 was already written of, was traded in on a new vehicle costing R70 000.

8. Investments consist of the following:

- 60 000 Ordinary shares in Tram Ltd at a cost of R60 000. The issued share capital of Tram Ltd consists of 80 000 ordinary shares. Each share has one vote. The market value of the investment was R60 000 on 31 December 19.9.

- 20 000 Preference shares in Trok Ltd purchased for speculative purposes. The issued share capital of Trok Ltd consists of 200 000 ordinary shares and 40 000 preference shares. Each ordinary share has one vote. The shares of Trok Ltd are traded on the Johannesburg Stock Exchange and the market value of the preference shares on 31 December 19.9 amounted to R2,30 per share.

- 30 000 Ordinary shares in Lorry (Pty) Ltd. The issued share capital of Lorry (Pty) Ltd consists of 400 000 ordinary shares. Each share has one vote. The directors value the shares at R1,00 each. These shares are classified as assets at fair value through other comprehensive income (not held for trading).

9. The accountant neglected to make provision for tax for the current year amounting to R60 000.

REQUIRED:

Prepare the “Asset” section of the statement of financial position of All Ltd at 31 December 19.9, as well as the relevant notes, to comply with the requirements of the Companies Act,No 71 of 2008. Ignore comparative figures and the accounting policy note.

QUESTION 18

The following balances were taken from the financial records of Sams Ltd at 28 February 2015:

	R
Share capital - 250 000 ordinary shares	480 000
100 000 8% Preference shares	200 000
Reserve for increased replacement value of non-current assets	6 000
Share issue expenses	1 000
Retained earnings (1/3/2014)	80 500
Loan from McDonald Ltd	80 000
10% Long-term loan	45 000
Land at cost	772 500
Trade and other payables	52 000
Bank overdraft	14 000
Profit after tax (year ended 28/2/2015)	121 500
Fair value adjustment (Cr)	2 000

Adjustment was done on financial asset at fair value through other comprehensive income (not held for trading)

Additional information:

1. Sams Ltd was incorporated on 1 March 2012 with an authorised share capital of:

- 400 000 Ordinary shares
- 120 000 8% Preference shares.

2. The long-term loan is secured by a bond over land and the capital portion is repayable in 10 equal annual instalments from 1 December 2014.

3. The loan from McDonald Ltd is unsecured and interest is payable at the rate of 15% per annum. The loan was acquired on 30 June 2014 and is repayable in a single instalment on 1 July 2017

4. Included in profit after tax is a fair value adjustment (profit) amounting to R1 000 in respect of held for trading investment in shares.

The following information **must** still be taken into account in the order that it occurred:

1. On 28 February 2015 20 000 ordinary shares were issued at R1,25 each. No entries have been recorded as yet.

2. On 28 February 2015 the directors decided to make a capitalisation issue to ordinary shareholders on the basis of one share for every six ordinary shares held at R1,00 each out of profits.

3. Land is revalued by an appraiser, Mr Worthy, on 28 February 2015 at R800 000 according to the replacement basis.

4. The reserve for increased replacement value of non-current assets, must be decreased to R4 000.

5. A final ordinary dividend of 8 cents per share is declared to all shareholders registered on 26 February 2015.

6. The directors decided to write off share issue expenses against retained income.

7. On 28 February 2015 McDonald Ltd informed Sams Ltd that the interest payment on the loan is still outstanding. After an investigation into the matter Sams Ltd confirmed that the payment is still outstanding. The two parties reached an agreement that the payment will take place on 1 March 2015.

REQUIRED:

Prepare the “Equity and liabilities” section (including the relevant notes) of the statement of financial position of Sams Ltd at 28 February 2015 as well as the statement of changes in equity for the financial year ended 28 February 2015 to comply with the requirements of the Companies Act, No 71 of 2008. Ignore the accounting policy note and comparative figures.

QUESTION 19

The following information was taken, amongst others, from the books of Sun Limited, a listed company, for the financial year ended 30 June 20.0:

	R
Ordinary share capital (Issued at 50c)	1 000 000
12% Long-term loan	190 000
10% Preference shares	300 000
Retained earnings (1/7/19.9)	380 000
Machinery and equipment at cost (1/7/19.9)	160 000
Accumulated depreciation	
- Machinery and equipment (1/7/19.9)	75 000
Revenue (turnover)	3 500 000
Other income	8 550
Other expenses (refer note 6 and 9)	31 960
Administrative expenses	410 650
Investments at cost	245 000
Loan granted to Moon Limited	60 000
Income tax expense	263 421

Additional information:

1. The 12% long-term loan was incurred on 1 January 20.0.

2. Investments consist of:

- 100 000 Ordinary shares in Star Limited, purchased at R2 each. Star Limited's total issued ordinary share capital consists of 1 000 000 shares. Star Limited's shares are traded on the Johannesburg Securities Exchange and the price on 30 June 20.0 was R2.50 each. This investment was designated as at fair value through other comprehensive income (not held for trading).

- 30 000 Ordinary shares in Moon Limited at a cost of R45 000. Moon Limited's total issued ordinary share capital consists of 50 000 shares. Moon Limited's shares trade on the Johannesburg Securities Exchange and the price on 30 June 20.0 was R2 each.

3. The loan to Moon Limited was granted on 1 July 19.9 at an interest rate of 10% per annum.

4. Sun Limited maintained a gross profit percentage of 40% on sales during the year.

5. Administrative expenses consist of the following:

	R
• Directors' remuneration - executive directors	180 000
• Auditors' remuneration	
- Travelling expenses	350
- Fee for audit	12 000
• Accountant's salary	60 000
• Wages	150 000
• Telephone	3 000
• Water and electricity	4 200
• Stationery	1 100

6. Other expenses consist of the following:

▪ Interest paid		
- Long-term loan		11 000
- Bank overdraft	660	
▪ Credit losses written off	1 300	
▪ Sundry expenses		19 000

7. Other income consist of the following:

▪ Dividends received		
- Star Limited		1 200
- Moon Limited	800	
▪ Interest received		
- Current account 800		
- Trade and other receivables	1 750	
- Moon Limited	6 000	
▪ Profit on sale of machinery	1 000	

8. The following must still be provided for:

- Depreciation on machinery and equipment at 20% per annum on the carrying amount. Machinery with a cost of R10 000 and a carrying amount of R4 000 was sold on 2 July 19.9 for R5 000. Depreciation is regarded as an operating expense.

9. Decisions taken and approved at an annual general meeting held on 29 June 20.0 but not yet executed:

- An ordinary dividend of 5c per share was declared.

- A asset replacement reserve of R20 000 must be created out of retained earnings.

REQUIRED:

Prepare the statement of profit or loss and other comprehensive income, statement of changes in equity and relevant notes of Sun Limited for the year ended 30 June 20.0 in accordance with the provisions of the Companies Act, No 71 of 2008. Ignore comparative figures and the note on accounting policy.

QUESTION 20

Players Limited entered into the following transactions in the ordinary shares and options to ordinary shares of Jacey Limited, a company listed on the JSE Securities Exchange. Players Limited's financial year ends on 31 December.

20.6

2 January	Purchased	6 000 ordinary shares at 150 cents
15 February	Sold	2 000 ordinary shares at 160 cents
19 March	Purchased	4 000 ordinary shares at 156 cents
3 April	Sold	2 000 ordinary shares at 164 cents
15 April	Received	one bonus ordinary share in Jacey Limited for every five ordinary shares held on 10 April
18 May	Purchased	4 000 ordinary shares at 135 cents
23 June	Sold	3 200 ordinary shares at 133 cents
11 August	Purchased	1 000 ordinary shares at 140 cents
1 September	Received	from Jacey Limited an option to subscribe for one ordinary share at 80 cents for every four ordinary shares held on 25 August 20.6. On 31 August 20.6 the closing price per ordinary share was R1,45.
15 October	Sold	4 000 ordinary shares at 130 cents
30 October	Sold	500 options to ordinary shares at 48 cents
6 November	Purchased	1 000 options to ordinary shares at 45 cents
10 December	Sold	2 050 options to ordinary shares at 48 cents
30 December	Converted	500 options to ordinary shares to ordinary shares

Additional information:

1. Investment transactions are accounted for using the first-in-first-out method.
2. Options to ordinary shares in Jacey Limited expire on 31 December 20.6.
3. The closing price for an ordinary share in Jacey Limited on the JSE Securities Exchange on 31 December 20.6 is 126 cents.
4. Options to shares are not acquired for hedging purposes.

REQUIRED:

Prepare the share and option accounts in respect of the investments in Jacey Limited in the general ledger of Players Limited for the year ended 31 December 20.6. All general ledger accounts prepared must be properly closed off.

QUESTION 21

The following balances were extracted from the books of Rox Limited at 29 February 2015:

		R
Revenue (sales) (Including VAT @ 14%)		6 840 000
Cost of sales (Including VAT @ 14%)		2 280 000
Non-distributable reserve (1/3/2014)		100 000
Retained earnings (1/3/2014)		450 000
Investments at cost		310 000
Dividends paid	- Preference shares	28 000
	- Ordinary shares	40 000
Provisional tax paid		600 000
Dividends received	- Thakalaka Limited	2 800
Distribution costs		665 000
Trade and other receivables		755 000
Trade and other payables		433 500
Administrative expenses		
Rent paid		180 000
Salaries and wages		575 000
Stationery		14 500
Auditors' remuneration		19 000
Credit losses		90 000
Interest paid		8 800
Sales returns (Including VAT @ 14%)		228 000
Equipment at carrying amount (1/3/2014)		360 000
Other expenses (including depreciation)		200 000

Additional information:

1. Thakalaka Ltd is a listed company.

2. The company was incorporated on 1 March 2012 and all equipment was purchased on 1 March 2012. The company provides for depreciation at 20% per annum according to the straight-line method.

3. Auditors' remuneration consists of the following:

	R
Travelling expenses	5 000
Fee for audit	14 000

4. Included under salaries are the following amounts paid to directors:

Amount paid to chairman	10 000
Amount paid to managing director - salary	160 000
Amount paid to financial director - salary	70 000
Travelling expenses reimbursed to managing director	2 300
Travelling allowance paid to chairman	5 000
Amount paid to managing and financial directors for attending directors' meetings	30 000

5. It was decided to declare a final dividend of R120 000 on 29 February 2015.

6. Normal tax of R573 356 must still be provided for.

7. Credit losses written off over the previous years amounted to:

	R
2014	15 000
2013	14 300

8. Investments consist of the following:

8.1 120 000 Ordinary shares in Quattro Limited at a cost of R200 000. The issued share capital of Quattro Limited consists of 200 000 ordinary shares of R1 each. Each share has one vote. The market value of the investment was R200 000 on 29 February 2015.

8.2 20 000 Preference shares in Thakalaka Limited at a cost of R2 each. The issued share capital of Thakalaka Limited consists of 30 000 ordinary shares of R5 each and 30 000 preference shares of R2 each. Each share has one vote. The shares of Thakalaka Limited are traded on the Johannesburg Securities Exchange and the market value of the preference shares on 29 February 2015 amounted to R3 each. These shares are designated as not held for trading.

8.3 70 000 Ordinary shares in Sugar Limited at a cost of R70 000. The issued share capital of Sugar Limited consists of 4 000 000 ordinary shares of R1 each. Each share has one vote. The shares of Sugar Limited are traded on the Johannesburg Securities Exchange and the market value on 29 February 2015 amounted to R2 each. This investment is regarded as an investment held for trading in the books of Rox Limited.

REQUIRED:

Prepare the statement of comprehensive income and applicable notes of Rox Limited for the year ended 29 February 2015. Your answer should comply with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice. (Ignore the note on accounting policy, comparative figures and the statement of changes in equity.)

QUESTION 22

The following information represents an extract from the trial balance of Stuttgart Limited at 31 December 19.9.

	R
Revenue (sales)	5 414 000
Cost of sales	4 060 200
Dividends received	17 900
Interest received	3 500
Other expenses:	
- Loss on disposal of motor vehicle	8 500
- Auditor's remuneration - for audit	10 800
- Salaries and wages	863 500
- Sundry expenses	101 600
- Municipal charges	1 380
Interest paid to Frankfurt (Pty) Ltd	9 300
Furniture and equipment:	
- Cost	63 500
- Accumulated depreciation (1/1/19.9)	21 200
Retained earnings (1/1/19.9)	783 400
Dividends paid to ordinary shareholders	110 000
Machinery at cost	150 000
Sales returns	400

Additional information:

1. Dividends received consist of the following:
   - R2 300 from Frankfurt (Pty) Ltd
   - R7 600 from Manheim Ltd
   - R8 000 from Koblenz Ltd

2. Investments consist of the following:

   - 9 000 Ordinary shares in Koblenz Limited purchased at R9 000 for speculation purposes. The issued share capital of Koblenz Limited consists of 200 000 ordinary shares of R1,00 each. Each share has one vote. These shares are traded on the Johannesburg Stock Exchange and the fair value of the shares was R2,00 each on 31 December 19.9.

   - 30 000 Ordinary shares of R1,00 each in Manheim Limited at a cost of R40 000. The issued share capital of Manheim Limited consists of 40 000 ordinary shares of R1,00 each. Each share has one vote. These shares are traded on the Johannesburg Stock Exchange and the market value was R40 000 on 31 December 19.9.

   - 7 000 Preference shares of R2,00 each in Frankfurt (Pty) Ltd purchased for R15 000. The issued preference share capital of Frankfurt (Pty) Ltd consists of 10 000 shares. The directors valued the shares at R2,50 each on 31 December 19.9. These shares are classified as an investment not held for trading.

3. Stuttgart Ltd charges Manheim Ltd a management fee of R1 000 per month. This fee must still be provided for the year ended 31 December 19.9.

4. Sundry expenses include amongst other the following:

	R
Travelling allowance - Mr Wolfgang	4 800
Entertainment expenses - Mr Ludwig	260
Pension fund contribution - Mr Karl	6 400
Auditors' travelling expenses	150

5. Salaries and wages include the following remuneration:

Mr F Heinrich - Financial director	72 000
Mr D Wolfgang - Chairman of the Board of Directors	90 000
Mr G Ludwig - Marketing director	60 000
Mr D Karl - General manager	66 000
Mr C Axel - Retired chairman of the Board of Directors (pension)	24 000
Mr C Boris - Non-executive director (loss of office on 1/1/19.9)	10 000
Directors' fees at R5 000 per director per annum	15 000
	337 000

6. Mr Heinrich is a director of Manheim Ltd and received R5 000 per annum for attending directors meetings.

7. Tax for the current year to the amount of R97 045 must still be provided for.

8. On 1 October 19.9 the company purchased machinery to the value of R150 000.

9. The company's policy is to depreciate non-current assets as follows:
   Furniture and fittings at 10% per annum - reducing balance method
   Machinery at 20% per annum - reducing balance method.
   No depreciation has been provided for the current year and no furniture and fittings were purchased during the current year.

10. Koblenz Ltd is a listed company with an issued ordinary share capital of R23 000 000. A dividend of 10 cents per ordinary share was paid to its shareholders on 31 August 19.9.

11. The interest income was received from Manheim Ltd.

12. A reserve for replacement of assets to the amount of R20 000 must still be created.

REQUIRED:

1. The statement of comprehensive income and relevant notes of Stuttgart Ltd for the year ended 31 December 19.9 in compliance with the requirements of the Companies Act, 1973 and Generally Accepted Accounting Practice. Comparative figures and accounting policy note are not required.

2. The statement of changes in equity for the year ended 31 December 19.9. Show **only** the following columns:
   - Replacement reserve
   - Retained earnings
   - Mark to market reserve

QUESTION 23

The following is an extract from the trial balance of Cape Limited at 31 August 2014:

	R
Ordinary share capital	1 000 000
Retained earnings (1/9/2013)	465 000
15% Redeemable preference shares of R1 each	400 000
Motor vehicle at carrying amount	30 625
(Cost R239 200 and accumulated depreciation R208 575)	
Equipment at cost	152 000
Accumulated depreciation –	
Equipment (R22 500 at 1/9/2013)	31 950
Land at cost	160 000
Buildings at cost	340 000
Accumulated depreciation - Buildings	102 000
Revenue	9 400 000
Other income	82 875
Other expenses (including depreciation)	980 000
Administration expenses	2 491 000
Sales returns	1 200 000
Distribution costs	750 000
Profit on sale of other financial assets (shares)	40 000

Additional information:

1. Investments consists of:

   60 000 Ordinary shares of R2 each in Bobbin Ltd. Bobbin Ltd's total issued ordinary share capital consists of 100 000 shares. Bobbin Ltd's shares are traded on the Johannesburg Securities Exchange.

   40 000 Ordinary shares of R1 each in Sunbake Ltd. Sunbake Ltd's issued share capital consists of 300 000 shares.

2. Cape Ltd maintained a gross profit percentage of 60% on sales during the year.

3. The key personnel are as follows:

	Cape Ltd	**Bobbin Ltd**
Chairmen	Mr Pin	Mrs Swart
Directors	Messrs Blue, Pink	Messrs White, Green
Marketing managers	Mrs Henk	Mr Harris
Financial directors	Mr Dye	Mr Good
Managing directors	Mr White	Mrs Purple
Company secretaries	Mr Green	Mr Orange

   During the current financial year the abovementioned directors of Cape Ltd and Bobbin Ltd each attended four directors meetings. The directors of Cape Ltd received R700 per meeting and the directors of Bobbin Ltd R350 per meeting.

4. Included in the salaries paid during the year are the following amounts:

	Cape Ltd	Bobbin Ltd
	R	R
Marketing managers	110 000	90 000
Financial directors	140 000	120 000
Managing directors	160 000	140 000
Company secretaries	85 000	70 000

5. Messrs Dye and Good each received an entertainment allowance of R15 000 per annum.

6. On 1 December 2013 equipment with an original cost price of R60 000 and accumulated depreciation of R9 000 at the beginning of the year, was sold at its carrying amount and replaced with a new machine at a cost of R62 000.

7. On 28 February 2014 a motor vehicle which originally cost R25 000 and on which depreciation of R21 875 has already been written off up to that date, was traded in for R6 000 on a new vehicle with a cost price of R35 000. All motor vehicles were purchased on 1 September 2010.

8. The following rates of depreciation are applicable:

Equipment	15% Reducing balance method
Motor vehicles	25% Straight-line method
Buildings	5% Straight-line method

9. Administration expenses include the following:

	R
Credit losses	130 000
Stationery	45 000
Salaries and wages	2 000 000
Fees paid to the auditor	
- For travelling expenses	46 000
- For audit work done	220 000
Interest paid	50 000

10. Other income consists of the following:

	R
Dividends received	
- Bobbin Ltd	35 000
- Sunbake Ltd	20 000
Interest received	
- Debtors	15 000
- Sunbake Ltd	10 000
Profit on sale of motor vehicle	2 875

11. The redeemable preference shares are redeemable on 31 December 2014 and is thus regarded as a liability for the company.

12. Normal tax of R197 925 must still be provided for.

13. Credit losses written off over the previous two years amounted to:

	R
2013	15 000
2012	14 300

14. Cape's land was revalued on 30 June 2014 by Mr. Lion, a sworn appraiser, at replacement value of R200 000.

REQUIRED:

Prepare the statement of comprehensive income and applicable notes of Cape Limited for the financial year ended 31 August 2014. Your answer should comply with the requirements of the Companies Act, 1973 as amended, and Generally Accepted Accounting Practice. (Ignore the note on accounting policy, comparative figures and the statement of changes in equity.)

QUESTION 24

The following information is available in respect of a machine acquired by Webb Ltd from Ellis Ltd, in terms of an operating lease:

The cash price of the machine was R90 000.

The lease term is from 1 March 2009 to 28 February 2012.

The monthly lease payment is R3 000 per month for the first 12 months, where after it will be increased by 15% for the next 12 months, and thereafter decreased to R1 200 per month for the remaining period.

The supplier has guaranteed that the machine will produce 1 000 000 products per year throughout the lease term.

The lease agreement stipulated that the company could not enter into any other lease agreements without authorisation by the lessor.

REQUIRED:

Show **all** the journal entries **per year for the duration of the lease agreement** of Webb Ltd for the years ended 28 February. Show dates and calculations. Ignore income tax implications and journal narrations.

QUESTION 25

The following information was obtained from the books of Jameson (Pty) Ltd on 28 February 2010:

	R
Share capital	200 000
Retained earnings (01/03/2009)	500 000
Land at cost	800 000
Factory building at cost *(note 4)*	1 500 000
Accumulated depreciation:	
- Factory building (28/02/2010) *(note 4)*	200 000
Furniture and fittings at carrying amount (28/02/2010) *(note 5)*	225 000
Investments at cost *(note 7)*	13 000
Inventory at cost *(note 6)*	150 000
Trade and other receivables	557 000
Provision for credit losses	35 500
Bank overdraft	270 000

Additional information:

The financial director also provided the following information:

1. Profit after tax for the year was R2 033 909. This is after all necessary adjustments have been recorded.
2. The office buildings are leased by Jameson (Pty) Ltd in terms of an operating lease:

   The lease term is 6 years. The lease payments are R11 500 per month for the first 2 years and R12 700 per month for the remaining period. The lease commenced on the 1 March 2009.

3. Jameson (Pty) Ltd entered into a lease agreement with Daniels (Pty) Ltd on 1 March 2009 for a new machine. The lease was classified as a finance lease. The interest rate was 12% per annum. The machine had a cash selling price of R105 000 at the commencement of the lease. Lease payments were made bi-annually in arrears over a period of 3 years. The company provides for depreciation according to the straight-line method over the useful life of the asset, which is considered to be 5 years.

The amortisation schedule calculated by the financial manager was as follows:

Date	Payment	Interest	Capital	Outstanding balance
	R	R	R	R
01/03/2009				105 000
31/08/2009	- 21 353	- 6 300	- 15 053	89 947
28/02/2010	- 21 353	- 5 397	- 15 956	73 991
31/08/2010	- 21 353	- 4 439	- 16 914	57 077
28/02/2011	- 21 353	- 3 425	- 17 928	39 149
31/08/2011	- 21 353	- 2 349	- 19 004	20 144
28/02/2012	- 21 353	- 1 209	- 20 144	0

4. The factory of Jameson (Pty) Ltd is situated on erf 235, Midrand and is owner occupied. The factory building was revalued by a sworn appraiser, Mr. J Wrong, on 28 February 2010 at net replacement value of R 1 430 000 (excluding the land). The factory is depreciated on the straight-line method over 15 years. The factory was exactly 2 years old at year end.

5. All the furniture and fittings was purchased on 1 March 2008. The company provides for depreciation on furniture and fittings at 25% per annum on the reducing balance method. No sale of furniture and fittings occurred since date of purchase.

6. Closing inventories on hand for the year ended 28 February 2010 consisted of:

	R
Raw material at cost	100 000
Work in progress at cost	30 000
Finished goods	20 000
	150 000

Due to the current economic situation the net realisable value of the raw material and finished goods were 5% lower than the cost price thereof, while the net realisable value of work in progress exceeded the cost by R7 000.

7. Investments consist of the following:

6 000 Ordinary shares of R2,00 each in J&B (Pty) Ltd purchased for R12 000. Transaction costs amounted to R1 000. J&B (Pty) Limited issued 60 000 ordinary shares during the year. The fair value adjustment gain at year end was R5 000, but has not yet been recorded in the accounting records. These shares are classified as an investment not-held-for-trading.

8. The company declared a dividend of 5c per share on 28 February 2010. These dividends were paid on 31 March 2010. The total issued share capital of Jameson (Pty) Ltd at year end consisted of 18 000 ordinary shares. The authorised share capital of Jameson (Pty) Ltd consisted of 30 000 ordinary shares.

REQUIRED:

Prepare the Statement of Financial Position **and only** the following notes of Jameson (Pty)
Limited on 28 February 2010:

- Property, plant & equipment (PPE)
- Finance lease obligation

Ignore comparative figures and the accounting policy note. Show all calculations. The Statement of Financial Position and notes must meet the requirements of the Companies Act and Generally Accepted Accounting Practice.

QUESTION 26

The following information was obtained from the books of Polo Limited, a listed company, for the financial year ended 30 June 2010:

	R
Loan to Prada Ltd (*note 9*)	165 000
Investments at cost (*note 8*)	202 000
11% Long-term loan from Levi Ltd (*note 2*)	90 000
Land at cost	100 000
Buildings at cost	1 654 000
Plant and machinery at carrying amount (01/07/2009)	1 457 500
Furniture and equipment at carrying amount (01/07/2009)	310 000
Accumulated depreciation:	
- Plant and machinery (01/07/2009)	1 192 500
- Furniture and equipment (01/07/2009)	110 000
Income/Revenue (**Incl VAT @ 14%**)	3 306 000
Other income (*note 3*)	41 575
Administrative expenses (*note 4 + 5*)	772 600
Other expenses (*note 6*)	68 700
Income tax expense (assume correct)	4 800

Additional information:

1. Polo Limited maintains an annual gross profit percentage of 35%.

2. The 11% long term loan from Levi Limited originated on 1 July 2005. The capital is repayable in 8 equal annual instalments starting 30 November 2007. Interest on the loan is payable bi-annually on 30 November and 30 June each year.

3. The following are, amongst others, already included in "**other income**":

   Interest received:
   - Prada Limited
   - Bank account
   - Trade and other receivables

   Dividends received:
   - Armani Limited
   - Guess Limited (*refer note 8*)
   - Guess Limited declared and paid a dividend of 10c per share during the year.

4. “**Administrative expenses**” consists of the following:

	R
Salaries and wages	750 000
Stationery	1 100
Telephone	2 700
Auditors’ remuneration – travelling expenses	3 100
Auditors’ remuneration - audit fees	11 500
Water and electricity	4 200

5. Key personnel of Polo Limited and its subsidiary are as follows:

	Polo Ltd	**Subsidiary**
Chairman of the board	Mr C	Mr A
Marketing manager..	Mr B	-
Executive director	Mr A	Mr C
Financial director	-	Mr B

5.1 **Salaries and wages** of Polo Limited include the following remuneration that was paid to senior key personnel:

	R
Mr A	300 000
Mr B	250 000
Mr C	200 000

Each of the directors also received a total compensation of R3 200 for meetings attended during the year.

5.2 The following directors’ remuneration was paid by the subsidiary of Polo Limited:

	R
Mr A	230 000
Mr B	200 000
Mr C	180 000

5.3 A pension of R75 000 was paid to Mrs H. (She is the widow of a former executive director of Polo Limited.)

6. The following are already included in “**other expenses**”:

	R
Interest paid - long-term loan (*note 2*)	?
Sundry expenses	1 900
Credit losses written off	3 100
Interest paid - bank overdraft	4 200

7. The following depreciation must still be accounted for:

7.1 All the machinery was purchased on 31 March 2008 for R2 500 000. Installation costs amounted to R150 000. The company provides for depreciation on machinery at 20% per annum on the straight-line method. During the current financial year all the machinery was withdrawn from the production process for a period of 9 months and used in the construction of the buildings. No sales or purchases transactions of machinery took place during the current financial year. The following direct costs relating to the buildings was debited to buildings:

Labour .... R 554 000
Material.. R1 100 000

7.2 Buildings are written off over a period of 25 years according to the straight-line method. The construction of the buildings was completed during the year and it was taken into use on 1 April 2010.

7.3 On 31 March 2010, furniture and equipment with a cost price of R80 000 and accumulated depreciation of R35 000 at the beginning of the financial year, was traded in at a loss of R4 500 as part payment for new equipment costing R75 000. Furniture and equipment are depreciated at 10% per annum on the straight-line method.

Depreciation is calculated to the nearest Rand.

8. **Investments** consist of the following:

8.1 10 000 Ordinary shares in Armani Limited purchased at a cost price of R42 000. The total issued share capital of Armani Limited consist of 70 000 ordinary shares. Armani Limited's shares were trading on the Johannesburg Securities Exchange at a price of R5,50 each on 30 June 2010.These shares form part of Polo Ltd's share trading portfolio.

8.2 80 000 Ordinary shares in Guess Limited purchased at R2 each. The total issued share capital of Guess Limited consists of 750 000 ordinary shares. Guess Limited's shares were trading on the Johannesburg Securities Exchange and the price on 30 June 2010 was R2,70 each. This investment was designated as not-held-for-trading.

8.3 No entry has yet been made in respect of the revaluation of the above-mentioned investments.

9. The 15% long-term loan was made **to** Prada Ltd on 1 September 2009. No capital has been paid back at year end. Polo Ltd owns 5 000 out of the total issued share capital of 7 000 of Prada Ltd.

REQUIRED:

Prepare the Statement of Comprehensive Income **and** the profit before tax note of Polo Limited for the year ended 30 June 2010 in compliance with the requirements of the Companies Act and Generally Accepted Accounting Practice.

Ignore comparative figures and the note on accounting policies. Show all calculations.

I hope you found these questions useful. We see it as a LIVING DOCUMENT, that will be continuously updated every term to add more and more insight into each subject. The best set of notes written collaboratively over the years.

QUESTION 27

The following information was obtained from the books of Malemone Limited at 31 March 2012:

	R
Share capital - Ordinary shares	1 200 000
- 10% Cumulative preference shares	850 000
Retained earnings 1 April 2011	351 000
Office building at cost 31 March 2012	350 000
Accumulated depreciation - office building 31 March 2012	70 000
Investment in Maraisane Limited	300 000
Mark-to-market reserve	100 000
Capital Redemption Reserve Fund	450 000

Additional information

1. Malemone Limited was incorporated on 1 April 2009 with an authorised share capital of:
   - 500 000 Ordinary no par value shares
   - 300 000 10% Cumulative no par value preference shares.

2. 300 000 Ordinary shares were issued at R4 each at incorporation. On 1 July 2009, 100 000 cumulative preference shares were issued at R7,48 each.

   On 1 August 2011 Malemone Limited issued 12 000 10% cumulative preference shares at R8.50 per share.

3. The following transactions relating to the equity of the company must still be recorded in the current financial year:

3.1 100 000 Ordinary shares were issued on 5 April 2011 at R5 each. Share issue expenses amounted to R1 000. The share issue expenses must be written off against retained earnings.

3.2 On 1 May 2011, a capitalisation issue was made of one (1) new ordinary share for every five (5) ordinary shares held at R7,50 per share. This must be done in such a way as to have the minimum effect on all distributable reserves.

3.3 Total comprehensive income for the year, after the correct depreciation has been calculated and taken into account, but before the revaluation of office buildings, was R536 700.

4. An office building was acquired on 1 April 2009 for R350 000. It was depreciated at
10% per annum on the straight line method.

The company has decided to revalue the office building at the beginning of the year on the gross replacement basis. The cost of a similar building on 2 April 2011 was determined to be R375 000.

This revaluation has not yet been recorded.

5. On 1 October 2010, Malemone Limited purchased 50 000 ordinary shares from
Maraisane Limited. The investment was designated as a financial asset not-held-for-trading, at a cost price of R4 per share. Maraisane Limited has an issued ordinary share capital of 500 000 ordinary shares.

The market value of ordinary shares in Maraisane Limited on the Johannesburg
Securities Exchange was subsequently as follows:

31 March 2011	R6 per share
31 March 2012	R7 per share

Current year revaluation of this investment has not yet been recorded.

6. On 20 March 2012, a final dividend of 12c per share was declared on ordinary shares.

No dividends were declared and paid during the previous financial year due to the fact that no profit was earned.

REQUIRED:

Prepare the Statement of Changes in Equity of Malemone Limited for the year ended 31 March 2012 in compliance with the requirements of the Companies Act and Generally Accepted Accounting Practice.

Ignore comparative figures. Show all calculations.

QUESTION 1

GOLD LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2015

	R
Profit before tax (30 700^ + 29 000^)	59 700
Income tax expense (10 500^ + 10 000^)	(20 500)
Profit for the year	39 200
Other comprehensive income	-
Total comprehensive income for the year	39 200

Profit attributable to:	
Owners of the parent	34 450
Non-controlling interest	4 750 ! ^
	39 200

Total comprehensive income attributable to:	
Owners of the parent	34 450
Non-controlling interest	4 750
	39 200

GOLD LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 28 FEBRUARY 2015

	Attributable to owners of the parent				Non-controlling interest	Total equity
	Share capital	**Revaluation surplus**	**Retained earnings**	**Total**		
	R	**R**	**R**	**R**	**R**	**R**
Balance 28 Febr 2014	150 000 ^	21 200 ^	45 750 (a)	216 950	48 500 (b)	265 450
Total comprehensive income for the year			34 450 ^	34 450	4 750 ^	39 200
Dividends paid			(9 000)	(9 000)	(2 000) ▪▪^	(11 000)
Balance 28 Febr 2015	150 000	21 200	71 200	242 400	51 250	293 650

(a) (31 500^ + 14 250# ^)
(b) (43 750$^ + 4 750%^)

QUESTION 1 (continued)

GOLD LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 28 FEBRUARY 2015

	R	
ASSETS		
Non-current assets	160 250	
Property, plant and equipment	131 500	
- Land and buildings (31 500^ + 90 000^)	121 500	
- Machinery and equipment	10 000	^
Goodwill	28 750	^
Current assets	331 000	
Inventory (500^ + 112 000^)	112 500	
Trade and other receivables	65 000	^
Cash and cash equivalents	153 500	^
Total assets	491 250	
EQUITY AND LIABILITIES		
Total equity	293 650	
Equity attributable to owners of the parent	242 400	
Share capital	150 000	^
Other components of equity	21 200	^
Retained earnings	71 200	^
Non-controlling interest	51 250	^
Current liabilities	197 600	
Trade and other payables (125 600^ + 23 750^)	149 350	
Bank overdraft	48 250	^
Total equity and liabilities	491 250	

QUESTION 1 (continued)

Calculation

Analysis of ordinary shareholders' equity of Silver Limited

		Total	**Gold Limited**		**Non-controlling interest**
			At acquisition	**Since acquisition**	
			(75%) *		**(25%)**
At acquisition		**R**	**R**	**R**	**R**
Ordinary share capital		160 000	120 000 ^		40 000 ^
Retained earnings		15 000	11 250 ^		3 750 ^
		175 000	131 250		43 750 $
Investment in Silver Limited			160 000 ^		
Goodwill			28 750 ^		
Since acquisition to beginning of current year					
Retained earnings (34 000^ - 15 000^)		19 000		14 250 #	4 750 %
Current year					
Profit before tax	29 000^				
Income tax expense	(10 000)^	19 000		14 250	4 750 !
Ordinary dividends		(8 000) ^		(6 000)	(2 000)
		205 000		22 500	51 250

* $\frac{160\,000}{2}$ = 80 000 shares ! $\frac{60\,000}{80\,000}$ is a 75% interest.

Note: Please note that the analysis contains three different periods, namely at acquisition, since acquisition to beginning of current year and current year. This is because we have to do the statement of financial position, the statement of comprehensive income and the statement of changes in equity. The current year figures help you to do the statement of comprehensive income.

QUESTION 2

RAMS LIMITED AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014

	R	
ASSETS		
Non-current assets	913 000	
Property, plant and equipment (400 000^ + 500 000^)	900 000	
Goodwill&	13 000	
Current assets	231 000	
Trade and other receivables (35 000^ + 56 000^)	91 000	
Inventory (60 000^ + 84 000^ + 12 000^ - 16 000^)	140 000	
Total assets	1 144 000	
EQUITY AND LIABILITIES		
Total equity	822 250	
Equity attributable to owners of the parent	718 250	
Share capital	200 000	^
Other components of equity	220 000	^
Retained earnings (Calculation 2)	298 250	
Non-controlling interest#	104 000	&
Current liabilities	321 750	
Trade and other payables (201 000^ + 116 000^)	317 000	
Dividends payable (4 000^ + 750^)	4 750	
Total equity and liabilities	1 144 000	

Journal entries

	Dr	Cr
	R	R
Retained earnings (Rams Ltd)	16 000 ^	
& Inventory (Alo Ltd) &		16 000 ^
Elimination of unrealised intercompany profit in closing inventory of Alo Ltd		

QUESTION 2 (continued)

Calculations

1. Analysis of ordinary shareholders' equity of Alo Limited

	Total	Rams Limited: At acquisition	Rams Limited: Since acquisition	Non-controlling Interest
		75%*		25%
	R	R	R	R
At acquisition				
Share capital	150 000	112 500 ^		37 500 ^
Retained earnings	106 000	79 500 ^		26 500 ^
Revaluation reserve	100 000	75 000 ^		25 000 ^
	356 000	267 000		89 000
Investment in Alo Limited		280 000 ^		
Goodwill		13 000 ^		
Since acquisition to end of current year				
Retained earnings	63 000		47 250	15 750
- Given				
- At acquisition				
- Interest				
Dividends [(150 000/5) x 10c]	(3 000) &		(2 250)	(750)
	416 000		45 000 %	104 000

* $\frac{150\,000}{5}$ = 30 000 ∴ $\frac{22\,500}{30\,000}$ is a 75% interest

2. Retained earnings

	R	
Rams Limited	253 250	
Given	266 000	^
Interest receivable	5 000	^
Dividends receivable	2 250	^
Dividends declared [(200 000/5) x 10c]	(4 000)	&
Unrealised profit in closing inventory [(84 000 + 12 000) x $\frac{}{120}$]	(16 000)	&
Alo Limited	45 000	%&
	298 250	

SOLUTION: QUESTION 3

CAPE LIMITED AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2015

	Calcu-lation	R
ASSETS		
Non-current assets		920 000
Property, plant and equipment	2	908 000
Goodwill	1	12 000
Current assets		328 000
Inventories (100 000^ + 140 000^)		240 000
Trade and other receivables (10 000^ + 48 000^)		58 000
Cash and cash equivalents (80 000^ - 70 000^ + 20 000^)		30 000
Total assets		1 248 000
EQUITY AND LIABILITIES		
Total equity		830 000
Equity attributable to owners of the parent		749 000
Share capital		400 000^
Other components of equity		100 000^
Retained earnings	3	249 000
Non-controlling interest	1	81 000&
Total liabilities		418 000
Non-current liabilities		
Long-term borrowings (180 000^ + 164 000^)		344 000
Current liabilities		
Trade and other payables (52 000^ + 22 000^)		74 000
Total equity and liabilities		1 248 000

Calculations

1. **Analysis of ordinary shareholders' equity of Port Ltd**

	Total	Cape Limited - 75% At acquisition	Cape Limited - 75% Since acquisition	Non-controlling interest 25%
At acquisition	**R**	**R**	**R**	**R**
Share capital	100 000	75 000 ^		25 000
Retained earnings	64 000	48 000 ^		16 000
Revaluation of property (200 000 – 140 000)	60 000	45 000 &		15 000
	224 000	168 000		56 000
Investment in Port Limited		180 000 &		
Goodwill		12 000		
Since acquisition to end of current year				
Retained earnings (164 000^ - 64 000^)	100 000		75 000	25 000
	324 000		75 000	81 000

2. **Property, plant and equipment**

	R
Property Cape Limited	450 000 ^
Port Limited (140 000^ + 60 000 revaluation^) **Plant**	200 000
Cape Limited	
Port Limited (152 000^ - 20 000 profit^ + 2 000 depreciation^)	124 000 ^
	134 000
	908 000

3. **Retained earnings**

Cape Limited	
Profit on sale of machine	192 000 ^
Depreciation adjustment (20 000 x $^{6}/_{12}$ x 20%)	(20 000) ^
Port Limited	2 000 &^
	75 000 ^
	249 000

SOLUTION: QUESTION 4

ABC LIMITED AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Calcu-lation	R
ASSETS		
Non-current assets		720 000
Property, plant and equipment	3	714 000
Goodwill	1	6 000 &
Current assets		288 000
Inventories [120 000^ + 60 000^ - ($^{20}/_{120}$ x 60 000&)]		170 000
Trade and other receivables (56 000^ + 22 000^)		78 000
Cash and cash equivalents		40 000 ^
Total assets		1 008 000
EQUITY AND LIABILITIES		
Total equity		873 000
Equity attributable to owners of the parent		819 600
Share capital (500 000 + 100 000 + 15 000)		615 000 &^
Other components of equity		10 000 ^
Retained earnings	4	194 600 ^
Non-controlling interest (47 400& + 6 000 &)	1 + 2	53 400
Current liabilities		135 000
Trade and other payables (52 000^ + 30 000^)		82 000
Bank overdraft		24 000 ^
Dividends payable (25 000^ + 20 000^ - 16 000&)		29 000
Total equity and liabilities		1 008 000

Calculations

1. Analysis of ordinary shareholders' equity of TWP Limited

	Total	ABC Limited - 80% At acquisition	ABC Limited - 80% Since acquisition	Non-controlling interest 20%
Ordinary shares	**R**	**R**	**R**	**R**
At acquisition				
Share capital (160 000 x 50c)	100 000	80 000 ^		20 000
Share premium	5 000	4 000 ^		1 000
Retained earnings	75 000	60 000 ^		15 000
Revaluation of property (180 000 - 160 000)	20 000	16 000		4 000
	200 000	160 000		40 000
Investment in TWP Ltd		166 000		
Goodwill		6 000		
Since acquisition to end of current year				
Retained earnings	37 000		29 600	7 400
Since acquisition (126 000^ - 75 000^)	51 000			
Profit on sale of equipment ($^{10}/_{110}$ x 220 000)	(20 000) &			
Depreciation adjustment (10% x 20 000 x 3 years)	6			
	237 000		29 600	47 400

2. Analysis of preference shareholders' equity of TWP Limited

	Total	ABC Limited - 40% At acquisition	ABC Limited - 40% Since acquisition	Non-controlling interest 60%
Preference shares	**R**	**R**	**R**	**R**
Share capital	10 000	4 000 ^		6 000
Investment in TWP Limited		4 000 ^		
Goodwill		NIL		

3. Property, plant and equipment

		R
Land and buildings (330 000^ + 160 000^ + 20 000^)		510 000
Equipment	- at cost (220 000^ - 20 000^ + 110 000^)	310 000
	- accumulated depreciation (90 000^ - 6 000^ + 22 000^)	(106 000)
		714 000

4. Retained earnings

ABC Limited	- per trial balance	175 000	^
	unrealised profit in closing inventories ($^{20}/_{120}$ x 60 000)	(10 000)	&
TWP Limited	- per analysis	29 600	^
		194 600	

5. Journal entries

31 December 2015	**Dr**	**Cr**
	R	**R**
Cost of sales - ABC Ltd	10 000 &	
Inventory - TWP Ltd		10 000 &
Elimination of unrealised profits in closing inventory of TWP Ltd.		
	R	**R**
Retained earnings - ABC Ltd	14 000 &	
Cost of sales - ABC Ltd		14 000 &
Elimination of unrealised profits in opening inventory of TWP Ltd		

SOLUTION: QUESTION 5

DELTA LIMITED AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 20.1

	R	
Revenue (Calculation 1)	510 000	
Cost of sales (Calculation 2)	(260 250)	
Gross profit	249 750	
Other expenses	(500)	&
Profit before tax	249 250	
Income tax expense (70 000^ + 40 000^)	(110 000)	
PROFIT FOR THE YEAR	139 250	
OTHER COMPREHENSIVE INCOME	-	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	139 250	

Profit attributable to:		
Owners of the parent(139 250 - 12 125)	127 125	&
Non-controlling interest	12 125	&
	139 250	
Total comprehensive income attributable to:	127 125	
Owners of the parent	12 125	
Non-controlling interest	139 250	

DELTA LIMITED AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 20.1

	Attributable to owners of the parent			**Non-controlling interest**	**Total equity**
	Share capital	**Retained earnings**	**Total**		
	R	**R**	**R**	**R**	**R**
Balance - beginning of year	500 000 ^	#133 250	633 250	*62 500	695 750
Total comprehensive income for the year		127 125^	127 125	12 125^	139 250
Balance - end of year	500 000	260 375	760 375	74 625	835 000

Calculation 4

* Calculation 3 (51 250 ^ + 11 250 ^)

Calculations

1. **Revenue**

	R	
Delta Limited	400 000	^
Fox Limited	130 000	^
Intercompany sales	(20 000)	^
	510 000	

2. **Cost of sales**

	R	
Delta Limited	240 000	^
Fox Limited	40 000	^
Intercompany sales	(20 000)	^
Unrealised profit in opening inventory (25/100 x 2 000)	(500)	&
Unrealised profit in closing inventory	750	
- (25/100 x 5 000)	1 250	&^
- Decreasing value of inventory to net realisable value (5 000 - 4 500)	(500)	&
	260 250	

3. **Analysis of ordinary shareholders' equity of Fox Limited**

	Total	Delta Limited		Non-controlling interest
		At acquisition	Since acquisition	
		75%		25%
	R	R	R	R
At acquisition				
Share capital	200 000	150 000		50 000
Retained earnings	5 000	3 750		1 250
	205 000	153 750		51 250
Investment in Fox Limited		160 000		
Goodwill		6 250		
Since acquisition to beginning of current year				
Retained earnings	45 000		33 750	11 250
Beginning of year	50 000			
At acquisition	(5 000)			
Current year				
Profit for the year	48 500		36 375	12 125
	298 500		70 125	74 625

4. **Retained earnings beginning of year**

	R	
Delta Limited	99 500	
- Beginning of year	100 000	^
- Unrealised profit in opening inventory (25/100 x 2 000)	(500)	^
Fox Limited	33 750	&
Retained earnings beginning of year	133 250	

SOLUTION: QUESTION 6

B LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 20.2

	R	
ASSETS		
Non-current assets	1 228 940	
Property, plant and equipment (773 500^ + 650 000^ - 80 000^ - 150 000^)	1 193 500	
Goodwill	35 440	
Current assets	857 319	
Trade and other receivables (311 244^ + 135 575^)	446 819	
Cash and cash equivalents (40 000^ - 7 500 dividends^ - 2 000 dividends^)	30 500	
Inventory (220 000^ + 160 000^)	380 000	
Total assets	2 086 259	
EQUITY AND LIABILITIES		
Total equity	1 612 159	
Equity attributable to owners of the parent	1 337 029	
Share capital (250 000 + 80 000)	330 000	^
Retained earnings	1 007 029	^
Non-controlling interest (264 130 + 11 000)	275 130	&
Total liabilities	474 100	
Non-current liabilities	220 000	
7,5% Debentures (100 000^ + 60 000^ - 40 000^)	120 000	
Long-term loan	100 000	^
Current liabilities	254 100	
Trade and other payables (107 750^ + 75 000^ + 11 250 interest^)	194 000	
Dividends payable (15 000^ + 16 000^ - 6 250^ - 8 000^ + 3 000^ + 1 100^)	20 850	
Bank overdraft (25 000^ + 6 250^ + 8 000^)	39 250	
Total equity and liabilities	2 086 259	

B LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 20.2

	Notes		
Revenue (1 106 000^ + 423 000^)		1 529 000	
Cost of sales (740 000^ + 253 800^)		(993 800)	
Gross profit		535 200	
Other income		3 000	&
Administrative expenses (30 000^ + 10 000^ + 65 000^ + 24 000^ + 160 000^ + 50 000^)		(339 000)	
Finance costs (7 500^ - 1 500^ + 3 000^ + 2 250^ + 7 500^)		(18 750)	
Profit before tax	1	180 450	
Income tax expense (60 000^ + 23 985^)		(83 985)	
PROFIT FOR THE YEAR		96 465	
OTHER COMPREHENSIVE INCOME		-	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		96 465	
Profit attributable to:			
Owners of the parent (96 465 - 22 686)		73 779	&
Non-controlling interest (22 386 - 800 + 1 100)		22 686	&
		96 465	
Total comprehensive income attributable to:		73 779	
Owners of the parent		22 686	
Non-controlling interest		96 465	

B LIMITED AND ITS SUBSIDIARY
NOTES FOR THE YEAR ENDED 30 SEPTEMBER 20.2

1. Profit before tax
Included in profit before tax are the following items:

Income	
Interest received from financial institutions	3 000
Expenses	
Depreciation (30 000 + 10 000)	40 000
Staff cost (160 000 + 50 000)	210 000
Interest paid - debentures (7 500 + 2 250 - 1 500)	8 250
- bank	3 000
- Safe Bank	7 500

B LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 20.2

	Attributable to owners of the parent						
	Ordinary share capital	**10% Prefe-rence shares**	**Retained earnings**		**Total**	**Non-controlling interest**	**Total equity**
	R	**R**	**R**		**R**	**R**	**R**
Balance at 30 Sept 20.1	250 000^	80 000^	950 000	^	1 280 000	-	1 280 000
Equity on date of acquisition						256 544 &	256 544
Total comprehensive income for the year			73 779	^	73 779	22 686 ^	96 465
Ordinary dividends declared			(8 750)	&	(8 750)	(3 000) &	(11 750)
Preference dividends declared			(8 000)	&	(8 000)	(1 100) &	(9 100)
Balance at 30 Sept 20.2	250 000	80 000	1 007 029		1 337 029	275 130	1 612 159

Calculations

1. Analysis of ordinary shareholders' equity of A Limited

	Total	**B Limited - 60%**		**Non-controlling interest 40%**
		At acquisition	**Since acquisition**	
At acquisition	**R**	**R**	**R**	**R**
Share capital	150 000	90 000 ^		60 000
Retained earnings 1/10/20.1	380 000	228 000 ^		152 000
Profit for the year 1/10/20.1 - 31/3/20.2 (76 143& + 7 717&)	83 860 %	50 316 ^		33 544
	613 860	368 316		245 544
Investment in A Limited		397 756 ^		
Goodwill		29 440		
Current year				
Profit for the year	55 965 #		33 579	22 386
Dividends				
- Preference dividends	(2 000) ^		(1 200)	(800)
- Ordinary dividends	(7 500) ^		(4 500)	(3 000)
	660 325		27 879	264 130

2. Analysis of preference shareholders' equity of A Limited

	Total	B Limited - 45% At acquisition	B Limited - 45% Since acquisition	Non-controlling interest 55%
	R	R	R	R
At acquisition				
Share capital	20 000	9 000 ^		11 000
Investment in A Limited		15 000 ^		
Goodwill		6 000		
Current year				
Profit attributable to preference shares	2 000		900	1 100
Dividends declared	(2 000)		(900)	(1 100)
	20 000		-	11 000

3. Allocation of comprehensive income items.

	Total		1/10/20.1 - 31/12/20.1 (3 months)		1/1/20.2 - 31/3/20.2 (3 months)		1/4/20.2 - 30/9/20.2 (6 months)	
	R		R		R		R	
Sales	940 000	#	376 000	(40%)&	141 000	(15%)&	423 000	(45%)&
Cost of sales 60%	(564 000)		(225 600)	&	(84 600)	&	(253 800)	&
Gross profit 40%	376 000		150 400		56 400		169 200	
Administrative expenses	(48 000)		(12 000)	^	(12 000)	^	(24 000)	^
Depreciation	(20 000)		(5 000)	^	(5 000)	^	(10 000)	^
Staff costs	(100 000)		(25 000)	^	(25 000)	^	(50 000)	^
Profit from operations	208 000		108 400		14 400		85 200	
Interest paid debentures	(4 500)		(1 125)	^	(1 125)	^	(2 250)	^
Interest paid Safe Bank (100 000 x 15% x 9/12)	(11 250)		-		(3 750)	&	(7 500)	&
Interest received								
- Financial institutions	6 000		1 500	^	1 500	^	3 000	^
- Debentures	1 500						1 500	^
Profit before tax	199 750		108 775		11 025		79 950	
Income tax expense	(59 925)		(32 632)	&	(3 308)	&	(23 985)	&
PROFIT FOR THE YEAR	139 825		76 143	%	7 717	%	55 965	#
OTHER COMPREHENSIVE INCOME	-		-		-		-	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	139 825		76 143		7 717		55 965	

SOLUTION: QUESTION 7

GAME LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	R	
ASSETS		
Non-current assets	616 000	
Property, plant and equipment		
Land and buildings at valuation (210 000^ + 150 000^ + 10 000^{2}^)	370 000	
Plant at carrying amount (110 000^ + 148 000^ - 20 000^ + 4 000^)	242 000	
Goodwill	4 000	^
Current assets	201 000	
Inventories (95 000^ + 83 000^ - 19 000^)	159 000	
Trade and other receivables (30 000^ + 12 000^)	42 000	
Total assets	817 000	
EQUITY AND LIABILITIES		
Total equity	579 000	
Equity attributable to owners of the parent	551 500	
Share capital	430 000	^
Retained earnings	121 500	^
Non-controlling interest	27 500	^
Total liabilities	238 000	
Non-current liabilities		
Long-term loan (45 000^ + 23 000^)	68 000	
Current liabilities		
Trade and other payables (100 000^ + 70 000^)	170 000	
Total equity and liabilities	817 000	

GAME LIMITED AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	R
Revenue (400 000^ + 255 000^ - 200 000^)	455 000
Cost of sales (248 000^ + 153 000^ - 200 000^ - 12 000^ + 19 000^)	(208 000)
Gross profit	247 000
Other income (8 000^ - 4 500^)	3 500
Administrative expenses (40 000^ + 24 000^ + 20 000^ + 8 000^ - 2 000^)	(90 000)
Finance cost (20 000^ + 10 000^)	(30 000)
Profit before tax	130 500
Income tax expense (40 000^ + 30 000^)	(70 000)
PROFIT FOR THE YEAR	60 500
OTHER COMPREHENSIVE INCOME	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	60 500
Profit attributable to:	
Owners of the parent (60 500 - 2 500)	58 000 ^
Non-controlling interest (Calculation 1)	2 500 ^
	60 500
Total comprehensive income attributable to:	58 000
Owners of the parent	2 500
Non-controlling interest	60 500

GAME LIMITED AND ITS SUBSIDIARY

NOTES FOR THE YEAR ENDED 30 JUNE 2014

	R
1. Profit before tax	
Included in profit before tax are the following items:	
Income	
Dividends received	3 500
Expenses	
Depreciation (20 000 + 8 000 - 2 000)	26 000

GAME LIMITED AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Attributable to owners of the parent				Non-controlling interest		Total equity
	Ordinary share capital	Retained earnings		Total			
	R	R		R	R		R
Balance at 30 June 2013	430 000^	71 500*	^	501 500	25 500	&	527 000
Total comprehensive income for the year		58 000	&	58 000	2 500	^	60 500
Dividend paid		(8 000)		(8 000)	(500)	&	(8 500)
Balance at 30 June 2014	430 000	121 500		551 500	27 500		579 000

* 58 000^ + 13 500^

Calculation

1. Analysis of ordinary shareholders' equity of Auto Limited

	Total	Game Limited		Non-controlling interest
		At acquisition	Since acquisition	
		90%		10%
	R	R	R	R
At acquisition				
Share capital	200 000	180 000 ^		20 000
Revaluation reserve	10 000[2]	9 000[1] ^		1 000
Retained earnings	30 000	27 000 ^		3 000
	240 000	216 000		24 000
Investment in Auto Limited		220 000 ^		
Goodwill		4 000		
Since acquisition to beginning of current year (1/1/2010 - 30/6/2013)				
Retained earnings	15 000		13 500	1 500
Retained earnings beginning of year	75 000 ^			
Retained earnings at acquisition	(30 000) ^			
Unrealised profit in machinery	(20 000) ^			
Depreciation 2013	2 000[3] ^			
Unrealised profit in opening inventories	(12 000[4]) ^			
Current year				
Profit for the year	25 000		22 500	2 500
Profit	30 000 ^			
Unrealised profit in opening inventories	12 000[4] ^			
Unrealised profit in closing inventories	(19 000[5]) ^			
Depreciation 2014	2 000[3] ^			
Dividends	(5 000) ^		(4 500)	(500)
	275 000		31 500	27 500

References 1 - 5 appear on next page.

1 Goodwill = 4 000 (given)
Cost of investment = 220 000 (given)
90% of at acquisition = 220 000 - 4 000
= 216 000

216 000 - 180 000 (share capital) - 27 000 (retained earnings)
= 9 000 (90%)

2 $\frac{9\ 000}{90\%}$ = 10 000 revaluation reserve

3 20 000 x 10%

4 60 000 x $^{25}/_{125}$

5 95 000 x $/_{125}$

2. **Journal entries**

30 June 2014	**Dr**	**Cr**
	R	**R**
Retained earnings - Auto Ltd	12 000 &	
Cost of sales - Auto Ltd		12 000 &
Elimination of unrealised intercompany profit included in opening inventory of Game Ltd (60 000 x $^{25}/_{125}$)		
Retained earnings - Auto Ltd	20 000 &	
Machinery - Game Ltd		20 000 &
Elimination of intercompany profit of Auto Limited's sale of machine to Game Ltd.		
Cost of sales - Auto Ltd	19 000 &	
Inventory - Game Ltd		19 000 &
Elimination of unrealised intercompany profit included in closing inventory of Game Ltd (95 000 x $^{25}/_{125}$)		
Accumulated depreciation - Game Ltd	4 000 &	
Depreciation - Auto Ltd		2 000 &
Retained earnings - Auto Ltd		2 000 &
Reversal of depreciation charged on inter-company profit		

SOLUTION: QUESTION 7

JOHNSON LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 28 FEBRUARY 2015

	R	R
Cash flow from operating activities		
Cash receipts from customers (calculation 1)	1 157 500	
Cash payments to suppliers and employees (calculation 2)	(887 000)	
Cash generated from operations	270 500	
Interest paid	&(23 000)	
Dividends paid (calculation 3)	(20 000)	
Normal tax paid (calculation 4)	(83 000)	
Net cash inflow from operating activities		144 500
Cash flow from investing activities		
Investment to maintain production capacity	(500 000)	
Replacement of property, plant and equitment (calculation 5)	&(500 000)	
Investment to expand production capacity	(375 000)	
Additions to property, plant and equipment (calculation 5)	&&(375 000)	
Proceeds from sale of property, plant and equipment (180 000 + 30 000)	&&210 000	
Purchase of investments (198 000 - 15 000)	&&(183 000)	
Net cash outflow from investing activities		(848 000)
Cash flow from financing activities		
Proceeds on issue of shares (500 000 + 50 000)	&&550 000	
Redemption of debentures	&(70 000)	
Repayment of long-term loan (50 000 - 40 000)	&&(10 000)	
Net cash inflow from financing activities		470 000
Net decrease in cash and cash equivalents		(233 500)
Cash and cash equivalents beginning of year		&55 000
Cash and cash equivalents end of year		&(178 500)

JOHNSON LIMITED

Calculations

1. Cash received from customers

Trade and other receivables

		R			R
Balance	b/d	^250 000	Bank*		1 157 500
Sales		^1 100 000	Balance	c/d	^192 500
		1 350 000			1 350 000

*Balancing figure

2. Cash payments to suppliers and employees

Trade and other payables, inventory and expenses

		R			R
Balance - inventory	b/d	^69 000	Balance - creditors	b/d	^41 000
Balance – prepaid expenses	b/d	^4 000	Cost of sales		^400 000
Bank*		887 000	Distribution expenses		^150 000
Balance - creditors	c/d	^25 000	Directors' remuneration		^ 50 000
			Administrative expenses		^100 000
			Auditor's remuneration		^60 000
			Balance - inventore	c/d	^182 000
			Balance – prepaid expenses	c/d	^2 000
		985 000			985 000

*Balancing figure

3. Dividends paid

	R
Unpaid amounts at beginning of year	^20 000
Amounts debited against profit	^ 50 000
Unpaid amounts at end of year	^(50 000)
	20 000

4. Tax paid

Unpaid amounts at beginning of year	^34 000
Amounts debited against profit	^63 000
Unpaid amounts at end of year	^(14 000)
	83 000

5. Property, plant and equipment at carrying amount

		R			R
Balance	b/d	700 000	Sales at carrying amount		180 000
Revaluation		200 000	Depreciation		195 000
Replacement		500 000	Balance	c/d	1 400 000
Additions*		375 000			
		1 775 000			1 775 000

*R75 000 + 800 000 - 500 000

QUESTION 8

1. Calculations

1.1 Earnings

	201 4 R
Profit for the period	&125 000
Preference dividends (10% x R80 000 for 1 year)	&(8 000)
	117 000

1.2 Weighted number of shares

	Total	2014
Balance on 1 January 2013 Issued on 30 June	^40 000 ^20 000	^40 000 ^20 000
	60 000	60 000
Rights issue on 31 March 2014 (60 000/3 x 2) (40 000 x 9/12)	^40 000	^30 000
	100 000	90 000
Capitalisation issue on 31 July 2014 (100 000/4) (90 000/4)	^25 000	^22 500
	125 000	112 500

1.3 Dividends

Given	R20 000
Issued shares at date of dividend declaration	125 000

1.4 Basic earnings and dividends per share

Basic earnings per share (R117 000 / 112 500 shares)	&104c
Dividends per share (R20 000 / 125 000 shares)	&16c

2. Disclosure

2.1 On the face of the statement of comprehensive income:

	2014
Basic earnings per share	^104c

On the face of the statement of changes in equity:

Dividends per share	^16c

2.2 Part of the notes:

Basic earnings per share

The calculation of basic earnings per share is based on earnings of R117 000 (2013: Rxxx)^ and a weighted average of 112 500^ ordinary shares after a capitalisation issue on 31 July 2014 (2013: xxxx shares).&

Reconciliation of amounts used to calculate basic earnings per share with amounts in the statement of comprehensive income

	2014 R
Earnings - basic earnings per share	^117 000
Cumulative preference dividends	^8 000
Profit per statement of comprehensive income	125 000

SOLUTION: QUESTION 9

Calculations

1. Earnings

	2014 R	2013 R
Profit for the year	^320 000	^100 000
Cumulative preference dividends	&(24 000)	&(24 000)
Non-cumulative preference dividends	&(20 000)	&-
	276 000	76 000

2. Weighted number of shares

	Total	2014	2013
Balance on 1 July 2013	800 000		
Rights issue on 30 Sep 2013	200 000		
	1 000 000		
(800 000 x 1,08 x 3/12)		&216 000	
(800 000 x 1,08)			&864 000
(1 000 000 x 9/12)		&750 000	
Sub total	1 000 000	966 000	864 000

Theoretical ex-rights value per share
Fair value of all outstanding shares + Total amount received from exercise of rights / number of shares outstanding prior to the exercise + number of shares issued in the exercise

$$\frac{(R0,80 \times 800\ 000 \text{ shares})+(R0,50 \times 200\ 000)}{800\ 000 + 200\ 000}$$

= ,74

Adjustment factor:

$$\frac{\text{Fair value per share prior to the exercise of rights}}{\text{Theoretical ex-rights value per share}}$$

= ,80 / ,74
= 1,08

	Total	2014	2013
Capitalisation issue on 30 April 2014			
(1 000 000 / 5)	200 000		
(966 000 / 5)		&193 200	
(864 000 / 5)			&172 800
	1 200 000	1 159 200	1 036 800

3. Dividends

	2014	2013
Given	R60 000	-
Issued shares at date of dividend declaration	1 200 000	

4. Basic earnings and dividends per share

Basic earnings per share		
(R276 000 / 1 159 200)	&23,8c	
(R76 000 / 1 036 800)		& 7,33c
Dividends per share		
(R60 000 / 1 200 000)	& 5c	&Nil

Disclosure

1. **On the face of the statement of comprehensive income:**&

	2014	2013
Basic earnings per share	23,8c	7,33c

On the face of statement of changes in equity:

Dividends per share	5c	Nil

2. Part of the notes:

Basic earnings per share&

The calculation of earnings per share is based on earnings of R276 000^ (2013: R76 000^) and a weighted average of 1 159 200^ ordinary shares after an adjustment for the rights issue and a capitalisation issue on 30 April 2014& (2013: 1 036 800^).

Reconciliation of amounts used to calculate basic earnings per share with amounts the statement of comprehensive income.

	2014 R	2013 R
Earnings – basic earnings per share	^276 000	^76 000
Cumulative preference dividend	^24 000	^24 000
Non-cumulative preference dividend	^20 000	^-
Profit per statement of comprehensive income	320 000	100 000

SOLUTION: QUESTION 10

Disclosure

ROMANS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 2013 R R	
Total comprehenisive income for the year&	600 000	209 000
Basic earnings per ordinary share^	71,0 c	23,6 c
Headline earnings per share^	79,82c	14,99 c

ROMANS LIMITED

NOTES FOR THE YEAR ENDED 31 DECEMBER 2014

Earnings per share&

The calculation of basic earnings per share is based on earnings of R568 000 (2013 R189 000^) and a weighted average of 800 000 (2013 800 000^) ordinary shares in issue during the year after a capitalisation issue on 1 March 2014.&

Reconciliation of amounts used to calculate basic earnings per share with amounts in statement of comprehensive income&

	2014 2013 R R	
Basic earnings	^568 000	^189 000
10% Cumulative preference dividends	^20 000	^20 000
8% Preference dividends	^12 000	^-
Profit for the year per statement of comprehenisive income	600 000	209 000

The calculation of headline earnings per share is based on earnings of R638 560 (2013 R119 880^) and a weighted average of 800 000 (2013 800 000^) ordinary shares in issue during the year after a capitalisation issue on 1 March 2014.&

Reconciliation between earnings and headline earnings

2014	Profit before tax R	Tax R	Profit for the year R
Profit	^1 008 000[1]	^(408 000)	600 000
Preference dividend	^(32 000)[2]	^-	(32 000)
Earnings	976 000	(408 000)	568 000
Adjustments			
Loss on sale of equipment	&98 000	&(27 440)[3]	70 560
Headline earnings	1 074 000	(435 440)	638 560

2013	Profit before tax R	Tax R	Profit for the period R
Profit	^358 000	^(149 000)	209 000
Preference dividend	^(20 000)[4]	^-	(20 000)
Earnings	338 000	(149 000)	189 000
Adjustments			
Profit on sale of plant	(^96 000)	^26 880[5]	(69 120)
Headline earnings	242 000	(122 120)	119 880

[1] 600 000 + 408 000 = 1 008 000
[2] 12 000 + (200 000 x 10%) = 32 000
[3] 98 000 x 28% = 27 440
[4] 200 000 x 10% = 20 000
[5] 96 000 x 28% = 26 880

Calculations

1. Earnings	2014 R	2013 R
Profit per statement of comprehensive income	^600 000	^209 000
10% Cumulative preference dividends	^(20 000)	^(20 000)
8% Preference dividends	&(12 000)	&-
Basic earnings	568 000	189 000
Loss on sale of equipment after tax	^ 70 560	^-
Profit on sale of plant after tax	^-	^(69 120)
Headline earnings	638 560	119 880

2. Weighted average number of shares

	2014 Total	2014 Weighted	2013 Weighted
Beginning of the year	600 000	^600 000	^600 000
Capitalisation issue (1)	200 000	^200 000	^200 000
	800 000	800 000	800 000

(1) 600 000/3 = 200 000

3. Basic earnings per share	&71,0c[1]	&23,6c[2]
Headline earnings per share	&79,82c	&14,99c[4]

[1] 568 000/800 000
[2] 189 000/800 000
[3] 638 560/800 000
[4] 119 880/800 000

SOLUTION: QUESTION 11

SALSA LIMITED

NOTES FOR THE YEAR ENDED 28 FEBRUARY 19.7

3. Profit before tax is stated after taking the following items into account:^

	R
Income	
Income from:	
- Sale of motor vehicles	^1 780 000
Other income:	
- Dividends received from an unlisted investment	^13 500
Expenses	
Depreciation (11 200 + 15 000)	&26 200
Operating lease payments: Buildings (1)	42 000
Loss on litigation settlement	^85 000

4. Income tax expense^

	R
Current tax expense (3)	&36 279

5. Commission prepayment^

	R
Commission prepaid in terms of an operating lease agreement (2)	5 600
Less: Current portion to be expensed in statement of comprehensive income (7 200 / 3)	o &(2 400)
	3 200

6. Operating lease agreement^

The company entered into an operating lease agreement for the premises they are presently occupying. The lease agreement was entered into on 1 July 19.6 for a 3 year period.&

The payment terms are:

Initial payment	R9 000 initially^
36 monthly instalments	R5 000 per month^

The future minimum lease payments are:

	Up to 1 year	**1 to 5 years**
	R	**R**
	&60 000%	&80 000#

% 5 000 x 12 = 60 000
# 5 000 x 16 = 80 000

Calculations

1. Operating lease - building

	R
Initial payment	^9 000
Instalments (5 000 x 36)	&180 000
	189 000
Equalisation of lease payments (189 000/36)	&5 250
Lease payments for the year (5 250 x 8)	&42 000

2. Commission prepayment

	R
Commission paid	^7 200
Expensed through income statement (7 200 x $^{8}/_{36}$)	&(1 600)
Prepaid portion	5 600

3. Income tax expense

	R

Taxable income (given)	125 100
Current tax expense @ 29%	36 279

QUESTION 12

a) The nominal rate is calculated on a financial calculator

PV = 180 000&
FV = 0
n = 6 (2 x 3)&
PMT = -43 500&

Comp i = 11,77338% per half year
= 23,54676% nominal interest rate per year&

b) Amortisation table

	Instalment R	Interest R	Capital R	Balance R
Cash price	-	-	-	&180 000
Instalment 1	^43 500	^21 192	^22 308	157 692
Instalment 2	^43 500	^18 566	^24 934	132 758
Instalment 3	^43 500	^15 630	^27 870	104 888
Instalment 4	^43 500	^12 349	^31 151	73 737
Instalment 5	^43 500	^8 681	^34 819	38 918
Instalment 6	^43 500	^4 582	^38 918	-
	261 000	81 000	180 000	&Nil

c) Journal entries

		Dr R	Cr R
20.4			
Jun 30	Property, plant and equipment^	^180 000	
	Lease liability^		^180 000
	Finance charges^	&39 758	
	Lease liability^	&47 242	
	Bank^		&87 000
	Depreciation^	^36 000	
	Accumulated depreciation^		^36 000
20.5			
Jun 30	Finance charges^	&27 979	
	Lease liability^	&59 021	
	Bank^		87 000
	Depreciation	36 000	
	Accumulated depreciation		36 000
20.6			
Jun 30	Finance charges^	&13 263	
	Lease liability^	&73 737	
	Bank^		87 000
	Depreciation	36 000	
	Accumulated depreciation		36 000

SOLUTION: QUESTION 13

TOURS TRAVEL LIMITED

NOTES FOR THE YEAR ENDED 31 DECEMBER 2015

2. Profit before tax^

Profit before tax is stated after taking the following into account:

	R
Depreciation [(1 600 000 + 16 000 - 200 000)/5]	&&283 200
Interest paid on lease agreement (110 400 + 100 253)	&210 653

3. Income tax expense^

	R
Current tax expense (1)	&45 791

4. Property, plant and equipment^

	R
Leased assets: Limousines	
Additions (1 600 000 + 16 000)	&1 616 000
Depreciation	&(283 200)
Carrying amount at 31 December 2015	1 332 800
Cost price	1 616 000
Accumulated depreciation	(283 200)

The limousines serve as security for a finance lease agreement. (Refer note 5)^

5. Long-term borrowing^

	R
Long-term borrowing under finance lease agreement	744 940
Total borrowing (refer to amortisation table)	1 034 553
Current portion payable within 12 months transferred to current liabilities (138 820 + 150 793)	&(289 613)

The above liability is secured by a finance lease agreement over leased^ vehicles (refer note 4). The effective interest rate is 17,99%^ per annum. The loan is repayable in 8 equal bi-annual instalments of R228 050^ payable in arrears, commencing on 30 June 2015.^

Reconciliation between the total minimum lease payments at 31 December 2015 and their present value:

	Up to 1 year R	1 - 5 years R	Total R
Amount at balance sheet date	&456 100 %	&912 200 $	1 368 300
Finance cost	&(166 487)#	&(167 260)¨	(333 747)
Present value	289 613	744 940	1 034 553

% 228 050 x 2 = 456 100
# 89 230 + 77 257= 166 487
$ 228 050 x 4= 912 200
¨ 64 251 + 50 123 + 34 777 + 18 109 = 167 260

Calculation

1. Current tax expense

	R
Profit before tax and lease (given)	^950 000
Lease payments allowed as a deduction (320 000 (deposit) + 228 050 + 228 050)	&^(776 100)
Commission paid allowed as deduction	^(16 000)
	157 900
Current tax expense @ 29%	45 791

SOLUTION: QUESTION 14

20.1 Value of Venus Ltd

		R	
Land and buildings at valuation		120 000	^
Listed investments	- Mars : 40 000 x 160c	64 000	&
	- Moon : 20 000 x 120c	24 000	&
Cash on hand		45 000	^
		253 000	
Interest bearing borrowing		(94 019)	
PV of capital	: i = 20, n = 5, FV = - 100 000, PMT = 0	40 188	&&
PV of interest	: i = 20, n = 5, PMT = 18 000, FV = 0	53 831	&&
Total value		158 981	

One share $= \frac{158\,981}{10\,000}$

$= R15{,}90$

20.2 PV = 20 000
i = 18 ÷ 4 = 4,5
n = 5 x 4 = 20
PMT = 0
FV = ?
= R48 234&&&

SOLUTION:

20.3 PMT = 5 000
n = 5
i = 15
FV = 0
PV = ?
= R16 761&&&

20.4 PV = -2 500
i = 15 ÷ 12 = 1,25
FV = 2 500 x2 = 5 000 PMT = 0
n = ?
= 55,8 months&&&&

SOLUTION: QUESTION 15

21.1 PMT= 30 000
n = 10
i = 10
FV = 0
PV = ?
= R184 337&&&

21.2 PMT= -40 000
n = 10
i = 10
PV = 0
FV = ?
= R637 497&&&

21.3 PV = 100
i = 5 ÷ 12 = 0,42
n = 12
PMT = 0
FV = ?
= 105,16 - 100 = 5,16%&&&

21.4 PV = -100
FV = 107
n = 2
PMT = 0
i = ?
= 3,44 x 2 = 6,88%&&&

21.5 PV = -1 000
FV = 3 000
n = 12
PMT = 0
i = ?
= 9,59%&&&&

21.6 PV = 100
i = 18 ÷ 4 = 4,50
n = 4
PMT = 0
FV = ?
= 119,25 - 100 = 19,25%&&&

21.7 PV = -2 000
FV = 6 000
i = $18 \div 12 = 1{,}50$
PMT = 0
n = ?
= 73,79 months&&&&

21.8 PV = -3 000
FV = 9 435
n = $6^{9}/_{12} = 6{,}75$
PMT = 0
i = ?
= 18,5%&&&&

SOLUTION: QUESTION 16

		R		R
22.1	Current share capital plus reserves	1,40 x 50 000	=	70 000&
	Issued to Jared shareholders (400 000)	1,20 x 100 000	=	120 000&
	Issued to Pro shareholders (50 000 x 2)	1,20 x 100 000	=	120 000&
		250 000		310 000

Value of one share after issue

$\frac{R310\ 000}{250\ 000}$ = R1,24 &

		R
22.2	New value of one Pro share	1,48 &
	Issue price	(1,20)&
	Surplus per share	0,28

! Additional value per current Pro share =
R0,28 x 2
= R0,56 &

! 1 current Pro share plus rights =
R1,48 + R0,56
= R2,04 &

22.3 FV = 100 000
n = 10
i = 15
PV = 0
PMT = ?
= R4 925,21&&&

22.4 **Step 1**

n = 3
i = 16
PV = 4 000
PMT = -1 000
FV = ?
= R2 737,98

Step 2

n = 1
i = 16
PV = 2 737,98
PMT = 0
FV = ?
= R3 176,06&&&&&

22.5 Earnings yield method (controlling interest)

Vo = E1^/K^

= 0,36^/0,16^

= 225c

22.6 Dividends

Present value of (200 x 14%) per annum for
5 years @ 12%
PMT = 28, i = 12, n = 5, FV = 0, PV = ? 100,93&&&

Capital
Present value of (200 + 15%) after 5 years @ 12%
FV = 230, i = 12, n = 5 PMT = 0, PV = ? 130,51&&&

Value on 1 March 2015 of one redeemable preference share 231,44&

22.7 Present value of debentures at 1 January 2015

Present value of capital sum

PMT = 5 000
n = 4
i = 12
FV = 0
PV = ?
= 15 186,75&&&&

Present value of interest

Year end	FV Interest	n	i	Present value
	R			R
31/12/2015 (R20 000 x 10%)	2 000 ^	1	12%	1 785,71 &
31/12/20.0 (R15 000 x 10%)	1 500 ^	2	12%	1 195,79 &
31/12/20.1 (R10 000 x 10%)	1 000 ^	3	12%	711,78 &
31/12/20.2 (R 5 000 x 10%)	500 ^	4	12%	317,76 &
				4 011,04

Present value of debentures (15 186,75 + 4 011,04) 19 197,79

Year 1	Year 2	Year 3	Year 4
n = 1	n = 2	n = 3	n = 4
i = 12%	i = 12%	i = 12%	i = 12%
PMT = 0	PMT = 0	PMT = 0	PMT = 0
FV = 2 000	FV = 1 500	FV = 1 000	FV = 500
PV = ?	PV = ?	PV = ?	PV = ?
= 1 785,71	= 1 195,79	= 711,78	= 317,76

22.8 **FOURTH LTD**

Intrinsic value method:

	Value at 28/2/2015	Carrying value
	R	R
Land and buildings	&550 000	300 000
Listed investments	& 80 000	67 500
Savings account	^ 15 000	15 000
Bank	^ 5 000	5 000
Preference shares (a)	(6 000)	(7 500)
Mortgage bond (b)	(47 880)	(180 000)
Total value of Fourth Ltd	596 120	200 000

Value of one share = R596 120/200 000 shares

= R2,981

Calculations

(a) Preference shares

Po = Dps/Kps &

$= \frac{(15\ 000 \times 12\% \times 50c)}{0,15}$ &

= 900/0,15

= 6 000

(b) Mortgage bond

n	=	8
i	=	18%
PMT	=	0
FV	=	-180 000
PV	=	?
	=	R47 886,87&&

SOLUTION17

ALL LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 19.9

ASSETS	**Notes**	**R**
Non-current assets		1 404 100
Property, plant and equipment	1	1 204 100
Investment in subsidiary	2	80 000
Financial assets at fair value through other comprehensive income (not held for trading)	4	30 000
Loan to parent	3	90 000
Current assets		397 000
Financial asset at fair value through profit or loss	4	46 000
Inventories	5	240 000
Trade and other receivables		36 000
Cash and cash equivalents		75 000
Total assets		1 801 100

ALL LIMITED
NOTES AT 31 DECEMBER 19.9

1. Property, plant and equipment

	Land	**Buildings**	**Machinery and equipment**	**Motor vehicles**	**Total**
	R	**R**	**R**	**R**	**R**
Carrying amount 1/1/19.9	240 000	-	232 500	200 000	672 500
Cost/valuation	240 000	-	250 000	280 000	770 000
Accumulated depreciation	-	-	♎ (17 500)	(80 000)	(97 500)
Revaluation	160 000	-	-	-	160 000
Additions at cost	-	420 000	-	70 000	490 000
Disposals at carrying amount	-	-	-	(16 000)	(16 000)
Depreciation	-	(1 400)	♍ (37 500)	♏ (63 500)	(102 400)
Carrying amount 31/12/19.9	400 000	418 600	195 000	190 500	1 204 100
Valuation/Cost	400 000	420 000	250 000	310 000	1 380 000
Accumulated depreciation	-	♐ (1 400)	(55 000)	(119 500)	(175 900)

♍ 15% x R250 000
♎ Balancing figure
♏ 25% x R(280 000 - 40 000 + 70 000) - (80 000 - 24 000)
♐ 2% x R420 000 x 2/12

Land and buildings comprise erf 10 Sunnyside, Pretoria with a factory building on it. The land was revalued during 19.9 at replacement value by mr Pal, a sworn appraiser. A first bond over land serve as security for the long-term loan.

	R
2. Investment in subsidiary	80 000
Shares at cost	60 000
Loan to subsidiary	20 000

3. Loan to parent

Secured loan	90 000

The loan was granted to Tol Limited on 1 January 19.5. Highest outstanding balance during the year - R100 000. No fixed terms of repayment was agreed upon and interest is calculated at 12% per annum.

4. Financial assets

Non-current assets	
Unlisted	30 000
30 000 Ordinary shares in Lorry (Pty) Ltd at fair value	
Current assets	
Listed	46 000
20 000 Preference shares in Trok Ltd at fair value	

5. Inventory	240 000
Raw materials	100 000
Finished goods	50 000
Consumables	30 000
Work in progress	60 000

SOLUTION18

SAMS LTD
STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2015

EQUITY AND LIABILITIES	**Notes**	**R**
Total equity		898 500
Share capital	1	750 000
Other reserves	2	33 500
Retained earnings		115 000
Non-current liabilities		120 000
Long-term loan	3	120 000
Current liabilities		101 000
Trade and other payables (52 000 + 8 000)		60 000
Current portion of long-term loan		5 000
Dividends payable (20 000 + 16 000)		36 000
Total equity and liabilities		1 119 500

SAMS LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 28 FEBRUARY 2015

	Share capital	**8% Preference share capital**	**Surplus on revaluation of non-current assets**	**Reserve for increased replacement cost of non-current assets**	**Mark to market reserve**	**Retained earnings**	**Total**
	R	**R**	**R**	**R**	**R**	**R**	**R**
Balance: 1 March 2014	480 000	200 000	-	6 000	-	80 500	766 500
Total comprehensive income for the year	-	-	27 500	-	2 000	113 500	143 000
Ordinary shares issued	25 000	-	-	-	-	-	25 000
Capitalisation shares issued	45 000	-	-	-	-	(45 000)	-
Share issue expenses written-off	-	-	-	-	-	(1 000)	(1 000)
Transfer to retained earnings	-	-	-	(2 000)	-	2 000	-
Dividends declared (3)	-	-	-	-	-	(20 000)	(20 000)
- Ordinary dividends	-	-	-	-	-	(16 000)	(16 000)
- Preference dividends	550 000	200 000	27 500	4 000	2 000	114 000	897 500

SAMS LTD

NOTES AT 28 FEBRUARY 2015

1. Share capital

	R
Authorised	
400 000 Ordinary shares	
120 000 8% Preference shares	
Issued	
315 000 Ordinary shares	
- (calculation 2)	550 000
100 000 8% Preference shares	200 000
	750 000

During the accounting period 20 000 ordinary shares were issued at R1,25 per share.

2. Other reserves

Reserves consist of:	
Non-distributable reserve	29 500
Surplus on revaluation of non-current asset	27 500
Mark to market reserve	2 000
Distributable reserve	4 000
Reserve for increased replacement cost of non-current assets	4 000
	33 500

3. Non-current liabilities

	R
Long-term loan	
Secured	
Amount outstanding	
Short term portion	45 000
	(5 000)
	40 000

The loan bears interest at 10% per annum and is repayable in 10 equal annual instalments of R5 000 each as from 1 December 2014 and is secured by a bond over land (refer to note ....).

Unsecured

Amount outstanding	80 000

The 15% loan is repayable on 1 July 2017

Calculations

1. Profit for the year (adjusted)

Profit (given)	121 500
Interest paid (15% x 8/12 x 80 000)	(8 000)
	113 500

2. Ordinary share capital

	Number of shares	R
Balance	250 000	480 000
Issued on 27/2/2015 (20 000 x R1,25)	20 000	25 000
Capitalisation (270 000/6 x R1)	45 000	45 000
	315 000	550 000

3. Dividends

Ordinary	250 000 x 8c	20 000
Preference	R200 000 x 8%	16 000

SOLUTION19

SUN LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 20.0

	Notes	R
Revenue		3 500 000
Cost of sales (60% x 3 500 000)		(2 100 000)
Gross profit (40% x 3 500 000)		1 400 000
Other income (800 + 1 750 + 1 000 + 6 800 + 1 200)		11 550
Administrative expenses		(410 650)
Other expenses (31 960 + 16 200 - 11 000 - 660)		(36 500)
Finance cost (11 400 + 660)		(12 060)
Profit before tax	1	952 340
Income tax expense	2	(263 421)
Profit for the year		688 919
Other comprehensive income for the year		
Gain on not held for trading financial asset		50 000
Total comprehensive income for the year		738 919
Profit attributable to:		
Owners		688 919
Total comprehensive income attributable to:		
Owners		738 919

SUN LIMITED

NOTES FOR THE YEAR ENDED 30 JUNE 20.0

1. Profit before tax

Profit before tax is disclosed after taking the following items into account, amongst others:

	R
Income:	
Revenue consists of sale of goods	3 500 000
Profit on sale of non-current assets	1 000
Income from subsidiary	6 800
- Dividends received	800
- Interest received	6 000
Income from other financial assets	
- Listed investment - Dividends	1 200
Expenses:	
Directors' remuneration	180 000
- Executive director	
Auditors' remuneration	12 350
- Fee for audit	12 000
- Travelling expenses	350
Depreciation	16 200

2 Income tax expense

SA Normal tax - current year	263 421

Calculation

Depreciation

(Cost - Accumulated depreciation) x 20%
R(160 000 - 10 000) - R(75 000 - 6 000) x 20%
R(150 000 - 69 000) x 20%
R81 000 x 20%
= R16 200

SUN LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 20.0

	10% Preference share capital	Ordinary share capital	Asset replacement reserve	Mark to market reserve	Retained earnings	Total
	R	R	R	R	R	R
Balance - beginning of year	300 000	1 000 000	-	-	380 000	1 680 000
Transfer to asset replacement reserve			20 000		(20 000)	-
Total comprehensive income for the year				50 000	688 919	738 919
Dividends						
- Ordinary shares (2 000 000 x 5c)					(100 000)	(100 000)
- Preference shares (10% x R300 000)					(30 000)	(30 000)
Balance - end of year	300 000	1 000 000	20 000	50 000	918 919	2 288 919

SOLUTION 20

General ledger of Players Limited

Investment in shares - Jacey Limited

20.6		**Price R**	**Number**	**Amount R**	**20.6**		**Price R**	**Number**	**Amount R**
02/01	Bank	1,50	6 000	9 000	15/02	Bank	1,60	2 000	3 200
15/02	Profit on investment			[1]200		Balancec/d	1,50	4 000	6 000
			6 000	9 200				6 000	9 200
15/02	Balanceb/d	1,50	4 000	6 000	03/04	Bank	1,64	2 000	3 280
19/03	Bank	1,56	4 000	6 240		Balancec/d	1,50	2 000	3 000
03/04	Profit on investment			[2]280		Balancec/d	1,56	4 000	6 240
			8 000	12 520				8 000	12 520
03/04	Balanceb/d	1,50	2 000	3 000	14/04	Balancec/d	1,50	2 000	3 000
	Balanceb/d	1,56	4 000	6 240		Balancec/d	1,56	4 000	6 240
			6 000	9 240				6 000	9 240
15/04	Balanceb/d	1,25	2 400	3 000	23/06	Bank	1,33	3 200	4 256
	Before capitalisation issue	1,50	2 000	3 000		Balancec/d	1,30	4 000	5 200
	Capitalisation issue	-	400	-		Balancec/d	1,35	4 000	5 400
	Balanceb/d	1,30	4 800	6 240					
	Before capitalisation issue	1,56	4 000	6 240					
	Capitalisation issue	-	800	-					
18/04	Bank	1,35	4 000	5 400					
23/06	Profit on investment			[3]216					
			11 200	14 856				11 200	14 856
23/06	Balanceb/d	1,30	4 000	5 200	31/08	Balancec/d	1,45	9 000	13 050
	Balanceb/d	1,35	4 000	5 400					
11/08	Bank	1,40	1 000	1 400					
31/08	Fair value adjustment			[4]1 050					
			9 000	13 050				9 000	13 050
31/08	Balanceb/d	1,45	9 000	13 050	01/09	Options			[5]1 170
						Balancec/d	1,32	9 000	11 880
			9 000	13 050				9 000	13 050
01/09	Balanceb/d	1,32	9 000	11 880	15/10	Bank	1,30	4 000	5 200
						Loss on investment			80
						Balancec/d	1,32	5 000	6 600
			9 000	11 880				9 000	11 880
15/10	Balanceb/d	1,32	5 000	6 600	31/12	Balancec/d	1,26	5 500	6 930
30/12	Options	1,25	500	625		Fair value adjustment			295
			5 500	7 225				5 500	7 225
31/12	Balanceb/d	1,26	5 500	6 930					

Investment in options - Jacey Limited

20.6	Price R	Number	Amount R	20.6	Price R	Number	Amount R
01/09 Investment	0,52	2 250	[5]1 170	30/10 Bank	0,48	500	240
				Balancec/d	0,52	1 750	910
				Loss on investment			[7]20
		2 250	1 170			2 250	1 170
30/10 Balanceb/d	0,52	1 750	910	10/12 Bank	0,48	2 050	984
06/11 Bank	0,45	1 000	450	Loss on investment			[8]61
				Balancec/d	0,45	700	315
		2 750	1 360			2 750	1 360
10/12 Balanceb/d	0,45	700	315	30/12 Investment	1,25	500	[9]625
30/12 Bank			[9]400	Loss on investment	0,45	200	[10]90
		700	715			700	715

Calculations

		R
1.	Proceeds on sale (2 000 x R1,60)	3 200
	Cost of shares sold (2 000 x R1,50)	(3 000)
	Profit on sale	200
2.	Proceeds on sale (2 000 x R1,64)	3 280
	Cost of shares sold (2 000 x R1,50)	(3 000)
	Profit on sale	280
3.	Proceeds on sale (3 200 x R1,33)	4 256
	Cost of shares sold	
	2 400 x R1,25	(3 000)
	800 x R1,30	(1 040)
	Profit on sale	216
4.	Fair value of shares (9 000 x R1,45)	13 050
	Carrying amount of shares (5 200 + 5 400 + 1 400)	(12 000)
	Fair value adjustment needed	1 050

5.

	Number	Amount R
Before rights issue	9 000 x R1,45	13 050
Rights issue (9 000/4)	2 250 x R0,80	1 800
	11 250	14 850

Ex-rights value per share (R14 850/11 250 shares)	1,32
Rights issue price	(0,80)
Rights value	0,52
Value of options/rights (2 250 x R0,52)	1 170
Ex-rights value of shares (9 000 x R1,32)	11 880

6.

Proceeds on sale (4 000 x R1,30)	5 200
Carrying amount of shares sold (4 000 x R1,32)	(5 280)
Loss on sale	(80)

7.

Proceeds on sale (500 x R0,48)	240
Cost of options sold (500 x R0,52)	(260)
Loss on sale	(20)

8.

Proceeds on sale (2 050 x R0,48)	984
Carrying amount of options sold	
(1 750 x R0,52)	(910)
(300 x R0,45)	(135)
Loss on sale	(61)

9. To convert options to shares

Pay cash amount	(R0,80 x 500 options)	400
Transfer option value to investment in shares account	(R0,45 x 500 options)	225
	R1,25 x 500 options	625

10. Options not converted to shares on 31 December have no value and must be written off (200 options x R0,45)	90

11. Fair value of shares (subsequent measurement) (5 500 x R1,26)		6 930
Carrying amount of shares (6 600 + 625)	(7 225)	
Fair value adjustment needed	(295)	

SOLUTION 21

ROX LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 29 FEBRUARY 2015

	Note	R
Revenue (6 000 000 - 200 000)		5 800 000
Cost of sales		(2 000 000)
Gross profit		3 800 000
Other income (2 800 + 70 000)		72 800
Distribution cost		(665 000)
Administrative expenses (calculation 1)		(878 500)
Other expenses		(200 000)
Finance cost		(8 800)
Profit before tax	1	2 120 500
Income tax expense	2	(573 356)
Profit for the year		1 547 144
Other comprehensive income for the year		
Gain on not held for trading financial assets		20 000
Total comprehensive income for the year		1 567 144
Profit attributable to:		
Owners		1 547 144
Total comprehensive income attributable to:		
Owners		1 567 144

)

ROX LIMITED
NOTES FOR THE YEAR ENDED 29 FEBRUARY 2015

1. Profit before tax

Profit before tax after the following had been taken into account, amongst others:

	R
Income	
Revenue consists of sale of goods	5 800 000
Fair value adjustment - Financial asset at fair value through profit and loss	70 000
Income from other financial assets	2 800
Listed investments - dividends	2 800
Expenses	
Depreciation (calculation 2)	120 000
Auditors' remuneration	19 000
- Fee for audit	14 000
- Travelling expenses	5 000
Directors' remuneration	275 000
Executive directors	
- Emoluments (160 000 + 70 000 + 30 000)	260 000
Non-executive directors	
- Emoluments (10 000 + 5 000)	15 000
Significant item	
- Credit losses written off	90 000

2. Income tax expense

SA Normal tax - current year	573 356

Calculations

1. Administrative expenses

R

Rent paid
180 00
0
Salaries and wages
575 00
0
Stationery 14 500 Credit
losses 90 000 Auditors'
remuneration 19 000

878 500

2. Depreciation

Cost of equipment (100/60 x R360 000) 600 000

Depreciation (20% x R600 000) 120 000

SOLUTION 22

STUTTGART LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 19.9

	Notes	R
Revenue (5 414 000 - 400)		5 413 600
Cost of sales		(4 060 200)
Gross profit		1 353 400
Other income (23 100 + 10 300 + 9 000)		42 400
Other expenses (calculation 1)		(997 510)
Finance cost		(9 300)
Profit before tax	1	388 990
Income tax expense	2	(97 045)
Profit for the year		291 945
Other comprehensive income for the year		
Gain on not held for trading financial asset		2 500
Total comprehensive income for the year		294 445
Profit attributable to:		
Owners		291 945
Total comprehensive income attributable to:		
Owners		294 445

STUTTGART LIMITED
NOTES FOR THE YEAR ENDED 31 DECEMBER 19.9

1. Profit before tax

Profit before tax after the following had been taken into account, amongst others:

	R
Income:	
Revenue consists of sale of goods	5 413 600
Fair value adjustment - Financial asset at fair value through profit or loss	9 000
Income from subsidiary	23 100
- Dividends received	7 600
- Interest received	3 500
- Management fees received	12 000
Income from other financial assets	
Dividends received	10 300
- From listed investments	8 000
- From unlisted investments	2 300

	R
Expenses:	
Auditors' remuneration	10 950
- Fee for audit	10 800
- Travelling expenses	150
Depreciation (calculation 1)	11 730
Loss on disposal of non-current asset	8 500
Directors' remuneration (calculation 2)	275 800
Executive directors	142 000
- Emoluments (142 000 + 5 000)	147 000
- Less: Paid by subsidiary	(5 000)
Non-executive directors	133 800
- Emoluments	99 800
- Pension	24 000
- Loss of office	10 000

2. Income tax expense

SA Normal company tax	
- Current year	97 045

STUTTGART LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 19.9

	Reserve for the replacement of assets	Retained earnings	Mark to market reserve
	R	R	R
Balance at beginning of year	-	783 400	-
Total comprehensive income for the year	-	291 945	2 500
Transfer to reserve	20 000	(20 000)	
Dividends declared	-	(110 000)	
Balance at end of year	20 000	945 345	2 500

Calculations

1. Other expenses

	R
Loss on disposal of vehicle	8 500
Auditors' remuneration	10 800
Salaries and wages	863 500
Sundry expenses	101 600
Depreciation	
Furniture and equipment [(63 500 - 21 200) x 10%]	4 230
Machinery (150 000 x 20% x 3/12)	7 500
Municipal charges	1 380
Other expenses	997 510

2. Directors' remuneration

	Executive		Non-executive	
	Stuttgart (parent)	**Manheim (subsidiary)**	**Stuttgart (parent)**	**Manheim (subsidiary)**
Emoluments	**R**	**R**	**R**	**R**
Mr Heinrich				
- Salary	72 000			
- Fees for attending directors' meetings	5 000	5 000		
Mr Ludwig				
- Salary	60 000			
- Fees for attending directors' meetings	5 000			
Mr Wolfgang				
- Salary			90 000	
- Travelling allowance			4 800	
- Fees for attending directors' meetings			5 000	
	142 000	5 000	99 800	-
Pensions				
Mr Axel			24 000	
Loss of office				
Mr Boris			10 000	

SOLUTION 23

CAPE LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2014

	Note	R
Revenue		8 200 000
Cost of sales		(3 280 000)
Gross profit		4 920 000
Other income (82 875 + 40 000)		122 875
Distribution costs		(750 000)
Administrative expenses (2 491 000 - 50 000)		(2 441 000)
Other expenses		(980 000)
Finance cost [(400 000 x 15%) + 50 000]		(110 000)
Profit before tax	1	761 875
Income tax expense	2	(197 925)
Profit for the year		563 950
Other comprehensive income for the year		40 000
Gain on revaluation of land		40 000
Total comprehensive income for the year		603 950
Profit attributable to:		
Owners		563 950
Total comprehensive income attributable to:		
Owners		603 950

CAPE LIMITED
NOTES FOR THE YEAR ENDED 31 AUGUST 2014

		R
1.	**Profit before tax**	
	Profit before tax is shown after the following had been taken into account, amongst others:	
	Income	
	Revenue from sale of goods	8 200 000
	Income from subsidiary	
	- Dividends	35 000
	Income from financial asset	
	Unlisted - dividends	20 000
	- interest	10 000
	Profit on disposal of non-current asset	2 875
	Profit on disposal of financial asset	40 000
	Expenses	
	Auditors' remuneration	266 000
	- Fee for audit	220 000
	- Travelling expense	46 000
	Depreciation (calculation 1)	95 913

Directors' remuneration (calculation 2)	329 000
Executive directors	320 600
- Emoluments	322 000
- Less paid by subsidiary	1 400
Non-executive directors	8 400
- Emoluments	8 400
Significant item	
- Credit losses written off	130 000

2. Income tax expense

SA Normal tax - current	197 925

Calculations

1. Depreciation

1.1 Equipment

	Cost R	**Accumulated depreciation R**
Balance at end of year	152 000	31 950,00
Additions	(62 000)	6 975,00[2]
Depreciation on disposal		1 912,50[1]
Transfer disposal (9 000 + 1 912,50)	60 000	(10 912,50)
Old machine		11 475,00[3]
Balance at beginning of year **(Balancing figure)**	**150 000**	22 500,00

[1]Sold [(60 000 - 9 000) x 15% x 3/12)]	1 912,50
[2]New (62 000 x 9/12 x 15%)	6 975,00
[3]Old [90 000 - (22 500-9 000) x 15%]	11 475,00
	20 362,50

1.2 Buildings

(340 000 x 5%)	**17 000**

1.3 Motor vehicles

New (35 000 x 25% x 6/12)	4 375
Sold (25 000 x 25% x 6/12)	3 125
Old [(239 200 - 35 000) x 25%]	51 050
	58 550

1.4 Total depreciation

(58 550 + 17 000 + 20 362,50)	95 913

2. Directors' remuneration

	Executive		Non-executive	
	Cape Ltd	Bobbin Ltd	Cape Ltd	Bobbin Ltd
	R	R	R	R
Mr Pin - Fees			2 800	
Mr Blue - Fees			2 800	
Mr Pink - Fees			2 800	
Mr Dye				
- Salary	140 000			
- Fees	2 800			
- Entertainment allowance	15 000			
Mr White				
- Salary	160 000			
- Fees	2 800	1 400		
	320 600	1 400	8 400	

SOLUTION 24

Equalisation of operating lease payments:

(3 000 x 12) + [(3 000 x 115%) x 12] + (1 200 x 12) | 36
36 000 + 41 400 + 14 400 | 36
= R2 550 per month

Annual prepayment 1 March 2009 to 28 February 2010:

	R
For 12 months (2 550 x 12)	30 600
Actually paid (3 000 x 12)	36 000
Prepayment per annum	5 400

Annual prepayment 1 March 2010 to 28 February 2011:

	R
For 12 months (2 550 x 12)	30 600
Actually paid (3 450 x 12)	41 400
	10 800

Shortfall 1 March 2011 to 28 February 2012:

	R
For 12 months (2 550 x 12)	30 600
Actually paid (1 200 x 12)	14 400
	16 200

Journal entries

	Dr R	Cr R
Year ended 28 February 2010		
Operating lease expense (SCI)	30 600	
Prepayment (SFP)	5 400	
Bank		36 000
Year ended 28 February 2011		
Operating lease expense (SCI)	30 600	
Prepayment (SFP)	10 800	
Bank		41 400
Year ended 28 February 2012		
Operating lease expense (SCI)	30 600	
Bank		14 400
Prepayment (SFP)		16 200

SOLUTION 25

JAMESON (PTY) LTD
STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2010

	Notes	R
ASSETS		
Non-current assets		2 557 000
Property plant & equipment		2 539 000
Other financial assets		18 000
Current assets		665 500
Inventory		144 000
Trade and other receivables		521 500
Total Assets		3 222 500
EQUITY AND LIABILITIES		
Total equity		2 868 009
Share capital		200 000
Retained earnings		2 533 009
Other components of equity (130 000 + 5 000)		135 000
Non-current liabilities		
Financial lease obligation		39 149
Current liabilities		315 342
Bank overdraft		270 000
Accrued portion of operating lease payment		9 600
Current portion of long term loan		34 842
Dividends payable		900
Total equity and liabilities		3 222 500

JAMESON (PTY) LTD
NOTES ON 28 FEBRUARY 2010

1. PROPERTY, PLANT & EQUIPMENT

	Furniture and fittings	Machinery	Factory buildings	Land	Total
Carrying amount 01/03/2009	300 000	0	1400 000	800 000	2 500 000
Cost price	400 000	0	1500 000	800 000	2 700 000
Accumulative depreciation	(100 000)	0	(100 000)	0	(200 000)
Movements					
Additions	0	105 000	0	0	105 000
Depreciation	(75 000)	(21 000)	(100 000)	0	(196 000)
Revaluation	0	0	130 000	0	130 000
Carrying amount 28/02/2010	225 000	84 000	1430 000	800 000	2 539 000
Cost/Valuation	400 000	105 000	1430 000	800 000	2 735 000
Accumulative depreciation	(175 000)	(21 000)	0	0	(196 000)

Factory buildings are situated on erf 235, Midrand. The factory building were revalued by a sworn appraser, Mr J Wrong on 28 February 2010 according to the net replacement value.

2. Finance lease obligation - long term borrowing

	R
Total liability under finance lease	73 991
Less : Current portion payable within 1 year (16 914 + 17 928)...........................	(34 842)
Long term portion of finance lease liability	39 149

The above liability is secured by finance lease agreements in respect of machinery. The effective interest rate is 12% per year. The full loan is repayable in 6 bi-annual installments of R21 353 each.

Reconciliation between the total minimum lease payments and their present value:
At 28 February 2010

Future minimum lease payments **R**
Not later than 1 year 42 706
Later than 1 year but not later than 5...42 706

Less finance cost (4 439 + 3 425 + 2 349 + 1 209 ....(11 422)

Present value 73 990
Not later than 1 year (16 914 + 17 928) 34 842
Later than 1 year but not later than 5 (19 004 + 20 144)..39 148

Calculations:

1. Operating lease – Office buildings

	R
Payments year 1 – 2: 11 500 x 24 (12 x 2)	276 000
Payments year 3 – 6: 12 700 x 48 (12 x 4)	609 600
	$\boxed{885\ 600}$
Equalise payments: 885 600 ∣6	147 600
Payments made: 11 500 x 12	138 000
	147 600
Accrued Rent	9 600

2. Factory Building:

	R
Depreciation for the year: 1500 000 ∣15	100 000
Cost	1 500 000
Accumulative depreciation	(200 000)
Carrying amount at year end	$\boxed{1\ 300\ 000}$
Gross replacement value at year end	1 430 000
Revaluation: 1 430 000 – 1 300 000	130 000

3. Funiture and fittings:

	R
Carrying amount at year end	225 000
Carrying amount at beginning of the year: 225 000 x 100 ∣75	300 000
Depreciation for the year: 300 000 - 225 000	75 000
Cost price: 300 000 x 100 ∣75	400 000

4. Inventory

Calculate NRV at year end:	R
Raw material @ cost	100 000
NRV: 100 000 x 95%	95 000
Finished goods@cost	20 000
NRV: 20 000 x 95%	19 000

Inventory at year end:

Raw material	95 000
Work in progress	30 000
Finished goods	19 000
Total	144 000

5. Trade and other receivables:

	R
Carrying amount at year end	557 000
Less Provision for credit losses	(35 500)
	521 500

6. Dividends declared:

18 000 shares x 0.05 = 900

7. Investments:

	R
Cost 12 000	
Transaction cost	1 000
Cost price	13 000
Fair value adjustment	5 000
Fairvalue at year end (13 000 + 5 000)	18 000

8. Depreciation on Machinery

105 000 | 5 = 21 000

9. Retained earnings

	R
Opening balance	500 000
Profit for the year	2 033 909
Dividend declared	(900)
Closing balance	2 533 009

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