FAC2601/ep/ag

EXAMPACK

FINANCIAL ACCOUNTING FOR COMPANIES: FAC2601

LUCIANO SCHOOL OF LAW & SOCIAL SCIENCES [LSLSS]

Authored by: levision kamanga

Contents

OCTOBER / NOVEMBER 2013 2
OCTOBER / NOVEMBER 2011 18
MAY / JUNE 2012 21
OCTOBER – NOVEMBER 2012 32
MAY / JUNE 2013 44
MAY / JUNE 2014 59

OCTOBER / NOVEMBER 2013

SOLUTION 1(a) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

KINGSWOOD LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	R
Revenue	2400 000
Cost of sales (70% x 2 400 000)	1680 000
Gross Profit (30% x 2 400 000)	720 000
Other Income (9275 + 500) W1	9775
Administration expenses	(411150)
Other expenses w2	(43950)
Finance costs w3	(10500)
Profit before tax	264175
Income tax expenses	(47500)
Profit for the year	216 675
Other comprehensive Income	
Revaluation surplus on buildings (w4)	112 000
Gain on financial assets at fair value through other comprehensive income (1.25-1) x 50 000	12500
Total comprehensive income for the year	**341175**
Profit for the year attributable to – owners	**216675**
Total comprehensive income for the year attributable to - owners	**341175**

NOTES OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. Profit before tax
   Profit before tax includes the following

	R
Revenue	2400 000
Income from investment in subsidiary :Legends Ltd	
- finance income (30 000 x 9% x $^{10}/_{12}$)	2250
- Dividend income	450
Listed investment : Shamrock Ltd	
- Dividends received (50 000 shares x 10c)	5000
Finance income (350 + 325)	675
Profit on sale at machinery (2500 – 2000)	500
Expenses	
Finance costs (600 + 9900 (w2b))	10500
Credit losses written off	750
Auditors remuneration	7000
- Audit fees	6000
- Travel expenses	1000
Directors remuneration:	
Executive	155 000
Emoluments (w5)	170 000
Pension for executive director	50 000
Paid by subsidiary	(65 000)
Non – executive	65 000
Emoluments (w6)	190 000
Paid by subsidiary	(125 000)
Depreciation 8100 (2b) + 12 000	20 100
2. Income tax expense	**R**
SA Normal tax current	47 500

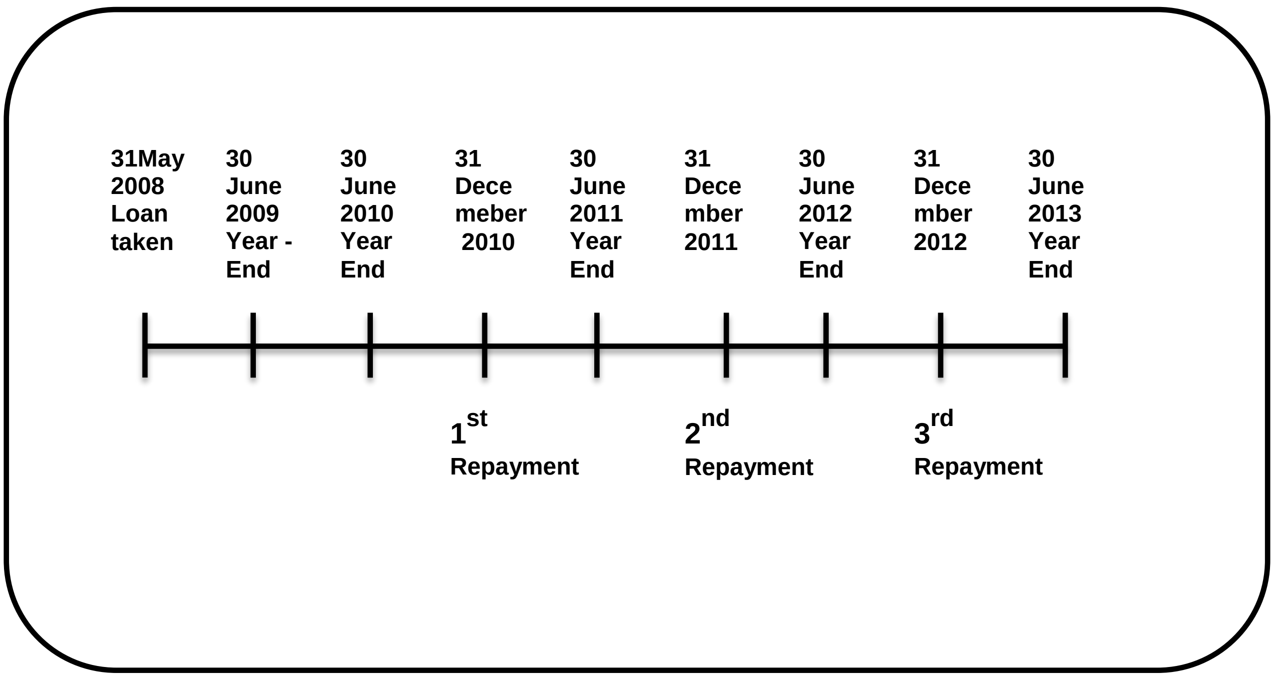
CALCULATIONS

W1 Other income (shown)	9275
Profit on realization of machinery (2500 – 2 000)	500
	9775

W2 Other Expenses

	R
Total as per draft	34350
Interest paid – long - term loan (finance charge) (a)	(9900)
Interest paid – bank overdraft (finance charge)	(600)
Depreciation : Machinery and Equipment (b)	8100
Depreciation : Buildings (600 000 ÷ 50)	12000
Adjusted Total	**43950**

(a) Timeline



This means 3 equal repayments had been made by the end of the financial year ending 30 June 2013, reaming with 5(8-3) instalments totaling R75 000

Amount per instalment = R75 000 ÷ 5
= R15 000

At 1 July 2012 (year start) Loan = R75 000 + R15 000 (Repaid 31 Dec 2012)
=R90 000

:Interest (1 July 2012 – 31 Dec 2012) : 90 000 x 12% x $6/_{12}$	5400
Interest (1 Jan 2013 – 30 June 2013) ; 75 000 x 12% x $6/_{12}$	4500
	9900

(b) Machinery and Equipment Depreciation

	R
Cost (01/07/2012)	80 000
Cost of machinery sold	5000
Cost of Remaining Machinery and Equipment	**75000**
Accumulated Depreciation (01/07/2012)	37500
Accumulated Depreciation on machinery sold (5000 – 2000)*	3000
Accumulated Depreciation of remaining Machinery and Equipment	**34500**

Depreciation = (cost of Remaining – Accumulated Depreciation of Remaining assets) x 20%
= (75000-34 500) x 20%
= 8100

W3 Finance Costs

	R
Interest paid : long term loan W2(a)	9900
Interest paid – bank overdraft	600
Finance charges	**10 500**

W4 Revaluation Surplus on Buildings

	R
Cost	600 000
Accumulated Depreciation : 150 000+12 000(this year's depreciation)	162 000
Carrying amount 30 June 2013	**438 000**

	R
Net replacement value (30 June 2013)	550 000

Carrying amount (30 June 2013)	(438 000)
Revaluation surplus	**112 000**

WS Executive Directors' Emoluments	**R**
Salary	100 000
Meeting compensation (1250 x 4)	5 000
Remuneration for Mr. Alex paid by subsidiary	65 000
	170 000

The salaries should be clearly be distinguished between those for executive and non – executive directors. In this particular question the only current executive director is Mr. Alex as specified. The status is determined by the director's role in the parent company, that is, Alex is an executive director in the parent company for which we are preparing the financial statement whilst Mr. Chad is a non – executive director in the parent company although he I an executive director for the subsidiary.

W6 Non – Executive Director's Emoluments	**R**
Salary	60 000
Meeting compensation (1250 x 4)	5000
Remuneration for Mr. Chad paid by subsidiary	125 000
	190 000

NOTES

Cost of Sales

Sales – Cost of Sales	= Gross Profit
100% - x	= 30%
100% - 30%	= x
70%	= x

: Cost of Sales = 70% of Sales

Profit on realization of machinery

Profit = Selling Price - Carrying amount upon sale.

Other Expenses

Interest expenses should be shown separately as finance charges.

Auditors Fees

- On the noes to the finical statements, a clear distinction should be made between audit expenses incurred for audit work and audit expenses for other activities other tan audit work.

Directors Remuneration

- A clear distinction should be made between benefits paid to executive and those paid to non – executive directors.
- Normally, finance directors, human resources directors, production directors, marketing directors e.t.c are ordinary employees of the entity who do not need to be disclosed under directors' remuneration unless there are instructions to the contrary.

SOLUTION 1 (b): STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	10% cumulative Preference share capital	Returned Earnings	Revaluation Surplus	Mark – to market reserve
	R	**R**	**R**	**R**	**R**
Opening balance: 1 July 2012	550 000[1]	160 000[2]	210 000	-	-
Ordinary share issue - 31 August 2012 (25 000 x 2)	50 000				
Preference share issue: 31 December 2012 (10 000 x 150)		15 000			
Capitalisation issue - 29 June 2013	105 000[3]		(105 000)		
Dividends declared: ordinary			(54000)[4]		
: preference			(32750)[5]		
Total Comprehensive income			216675	112 000	12500
	705 000	**175 000**	**234925**	**112 000**	**12500**

2. Preference Share Capital Opening Balance

	R
Closing balance	175 000
Issued 31 December 2012 (10 000 x 1.50)	(15 000)

Opening balance	**160 000**

3.	**Capitalisation issue – 29 June 2013**	**R**
	Value of shares prior to capitalisation	R600 000
	Value per share	R2
	No. of shares prior to capitalization (600 000 ÷ 2)	300 000 shares
	Value per share on capitalisation	R1.75
	Total capitalization (300 000 x $\frac{1}{5}$ x 1.75)	105 000
4.	**Ordinary Dividend**	
	Ordinary shares prior to capitalisation (see W3)	300 000
	Capitalization $^1/_5$ x 300 000	60 000
		360 000shares
	Dividend per share	15c
	Total ordinary dividend (360 000 x 0.15)	54 000
5.	**Preference Dividend**	
	Dividend on opening balance 160 000 (w2) x 10% x 2	32000
	Dividend on shares issued 31 December 2012 (10 000 x R1.50X 10% X $\frac{6}{12}$)	750
	Total preference dividend	**32750**

NOTES

Capitalisation Issue

This refers to the issue of shares to existing shares for free. The amounts are added to the ordinary share capital and deducted from reserves. In this particular case the only reserve available was the retained earnings.

Dividends

- The dividend on ordinary shares is only paid for the current year even though no dividend was paid in the previous financial year. Dividends not declared are not carried over to future periods for ordinary shares.
- Dividends on ordinary shares are paid in full for all the shares on the shareholders register on the date when the dividend is declared. As such, the same dividend if 15c per shares will be paid to the opening ordinary shares, ordinary shares issued on 31 August 2012 and the captalisation shares.
- The captalisation shares rank for dividends since the decision to issue capitalization shares was made before the declaration of the dividend.
- Cumulative preference shareholders will be paid dividends for two years for opening shares since no dividend was declared in the previous year.

- The preference shares issued on 31 December will receive their dividend on a pro-rata basis.
- Unlike ordinary shares, preference dividend is paid on pro-rata basis. As such, these shares will only receive a dividend for 6 months (January to June 2013).
- The totals Comprehensive Income come from the Statement of Profit or Loss and Other Comprehensive Income. The profit for the year is added to the retained earnings, the revaluation is added to the revaluation surplus whilst the gain on financial assets at fair value through other comprehensive income is added to the mark – to market reserve.

SOLUTION 2: STATEMENT OF FINANCIAL POSITION (ASSET SECTION)

PINNACLE PTY LTD
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012
ASSETS

NON – CURRENT ASSETS	4107920
Property, Plant and Equipment(note 1) (1200 000 +1518920 +514500 +504 000+288 000)	
Financial assets – Fair value through other comprehensive	4025420
Income (7500x 6)	45000
Financial asset – at cost	37 500
CURRENT ASSETS	1549050
Inventories (210 000+(300 000 – 8%) + 75 000)	561 000
Financial assets – fair value through Profit and Loss (10 500 x 4.50)	47250
Trade and other receivables	940800
	5656970

NOTES

- **Financial assets** – fair value through other comprehensive income refers to the Preference shares in Groose Valley Limited.
- Financial asset at cost refers to the loan given to Arabella (Pty) Ltd and it also has to be stated that the loan is secured by a first mortgage bond over the company's fixed property. This is a non - current asset since the loan is only repayable after more than 12 months on 31 December 2016.
- Inventories are supposed to be recorded at the lower of cost and net realisable value in compliance with IAS2 (International Accounting Standard 2). As such raw materials and finished goods are recorded at cost since the cost is lower than the net realizable value whist work in progress is recorded at net realizable value which is lower than cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

PROPERTY, PLANT AND EQUIPMENT

	Land	**Office Building**	**Motor Vehicles**	**Machinery**	**Furniture and fitting**
Carrying amount – 1 January 2012	570 000	-	630 000	444 000	360 000
Cost / valuation	570 000	-	1050 000[1]	720 000	450 000[2(a)]
Accumulated Depreciation	-	-	(420 000)	(276 000)	(90000)
Revaluation	630 000[8]				
Additions	-	1440 000	135 000	225 000	-
Depreciation capitalised	-	84000[3]	-	-	-
Depreciation	-	(5080)[4]	(214 500)[5]	(165 000)[6]	(72 000)[7]
Disposal	-	-	(36000)		
cost	-		90 000		
Accumulated Dep: 45000+9000			(54 000)		
Carrying amt at end of year	1200 000	1518920	514500	504 000[13]	288 000
Cost/ valuation	1200 000	1524000[4]	1095 000[9]	945 000[11]	450 000
Accumulated Depreciation	-	(5080)[4]	580 500[10]	(441 000)[12]	(162 000)[4]

CALCULATIONS

	R
1. **Motor vehicle s cost / valuation amount** – 1 January 2012	630 000
Accumulated Depreciation – 31/12/2011	420 000
Accumulated Depreciation – 31/12/2011	**1 050 000**

2. Furniture and Fittings

All Furniture was bought on 1 January 2011, meaning that by 31/12/2012, the furniture had been used for 2 years.

Cost – 1 January 2011	x
Dep Year 1 (20% x x)	$(0.2x)$
Carrying amount – 1 January 2012	$0.8x$
Dep Yea 2 (20% x 0.8x) (Note :reducing balance)	$(0.16x)$
Carrying amount – 31 December 2012	$\mathbf{0.64x}$

Carrying amount - 31 December 2012   288 000 (given

$: \frac{0.64x}{0.64} = \frac{288\,000}{0.64}$

(2a) x = 450 000   (cost)

2(b)   **Accumulated Depreciation**

Cost x 20%   = 450 000 x 0.2
= 90 000

3. Depreciation Capitalised
(720 000 / 60) x 7 = 84 000
Assumption: old machinery used in the construction of building

4. Depreciation : Office Buildings

Total costs (780 000 + 210 000 + 450 000)	1 440 000
Depreciation captalised (W3)	84 000
	1524000

Depreciation: 2% straight-line
= 1524 000 X 2% X $^{2}/_{12}$ = 5080

5. Depreciation : Motor Vehicles

	R
Existing vehicles bought prior to this year (1050 000 – 90 000) ÷ 5	192 000
Sold vehicle (90 000 ÷ 5 x $^{6}/_{12}$)	9 000
New vehicle (135 000 ÷ 5 x $^{6}/_{12}$)	13 500
Total Depreciation	**214 500**

6. Depreciation : Machinery

	R
Old (720 000 x $^{12}/_{60}$)	144 000
New (225 000 - 15 000) x $^{6}/_{60}$	21 000
Total Depreciation	**165 000**

7. Depreciation : Furniture and Fittings
Carrying amount at start – carrying Amt at end
360 000 – 288 000 = **72 000**

8. Revaluation of Land

Revaluation of Land = 1 200 000 – 570 000
= 630 000

9.	**Cost of Motor Vehicles at end of year**	**R**
	Cost at beginning of year (W1)	1050 000
	Cost of new vehicle	135 000
	Cost of vehicle written off	(90 000)
	Cost at end of year	**1095 000**

10.	**Accumulated Depreciation at end of year : Motor Vehicles**	**R**
	Accumulated Depreciation at beginning of year	420 000
	Depreciation for the year	214 500
	Depreciation on motor vehicle written off (45000 + 9000))	(54 000)
		580 500

11.	**Cost of Machinery at end of year**	**R**
	Cost at beginning of year	720 000
	Cost of new machinery	225 000
	Cost at end of year	**945 000**

12.	**Accumulated Depreciation of Machinery at end of year**	**R**
	Accumulated Depreciation at beginning of year	276 000
	Depreciation for the year	165 000[6]
	Accumulated Depreciation at end of year	**441 000**

13.	**Carrying Amount of Machinery at end of year**	**R**
	Cost at end of year (W11)	945 000
	Accumulated Depreciation at end of year (W12)	441 000
	Carrying amount at end of year	**504 000**

14.	**Accumulated Depreciation of Furniture and fittings at end of year**	**R**
	Accumulated depreciation at beginning of year	90 000
	Depreciation for the year (W7)	72 000
	Accumulated Depreciation end of year	**162 000**

Land an d buildings are situated at erf 179, Woodmed, with an office building thereon. The land was revalued on 31 December 2012 at net replacement value by Mrs. B. Bronk, an independent sworn appraiser.

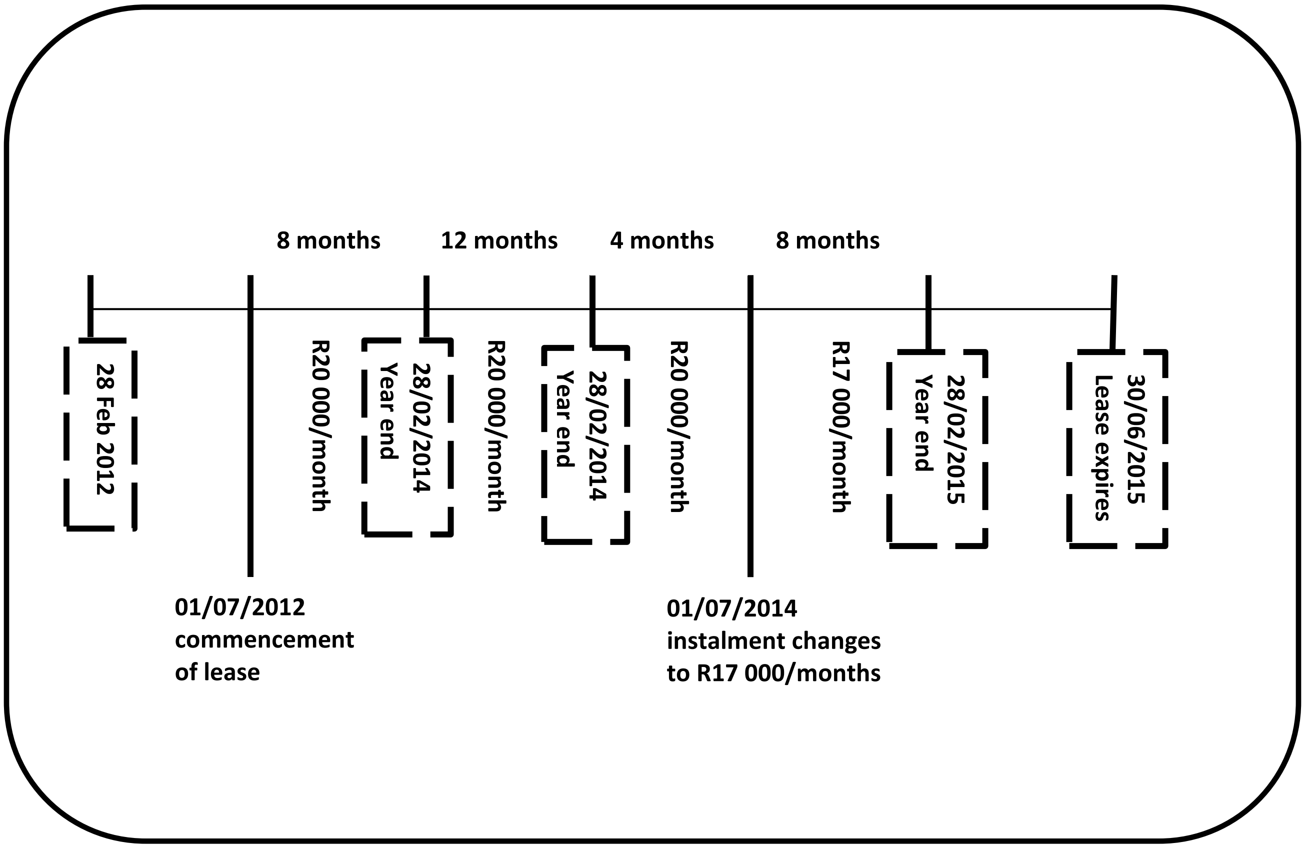
Financial assets – fair value through profit or loss refers to the Ordinary Shares in Wild Coast Limited which are held for speculative purposes.
Investments are recorded at fair value as determined at financial year end.

SOLUTION 3(a): LEASES
GENERAL JOURNAL

		DR R	CR R
	Year ended 28 February 2013		
J1	Operating lease instalments : Machinery (8 x 20 000) 8months (July 2012 – February 2013	160 000	
	Bank		160 000
	Lease payments paid at R20 000 per month from July 2012 - February 2013		
J2	Deferred lease payments	8 000	
	Operating Lease instalments : Machinery (C1)		8 000
	Lease instalments equalized over the lease term		
	Year ended 28 February 2014		
J3	Operating lease instalments (20 000 x 12)	240 000	
	Bank		240 000
	Lease payments paid at R20 000 per month from March 2013 – February 2014		
J4	Deferred lease payments (C2)	12 000	
	Operating lease instalments: Machinery		12 000
	Lease instalments equalized over the lease term		
	Year ended 28 February 2015		
J5	Operating lease instalments : Machinery (20 000 x 4) + (17000 x 8)	216 000	
	Bank		216 000
	Lease payments paid at R20 000 per month from March 2014 - June 2014 and R17 000 / month from July 2014 – February 2015		
J6	Operating lease instalments: Machinery (c3)	12 000	
	Deferred lease payments		12 000
	Lease instalments equalized over the lease term		

CALCULATIONS

Timeline



Equalisation of Lease

Months 1 – 24: 20 000 x 24	=	480 000
25 – 36:17 000 x 12	=	<u>204 000</u>
		684 000
Total Months		36
Equalisation (648 000 ÷ 36)		19 000

C1 Deferred Lease Payments: Year ended 28 February 2013

	R
Lease instalments 20 000 x 8	160 000
Equalised lease instalments (19 000 x 8)	(152 000)
Deferred Lease instalments	**8 000**

C2 Deferred Lease payments : Year ended 28 February 2014

	R
Lease instalments (20 000 x 12)	240 000
Equalized lease instalments (19 000 x 12)	(228 000)
Deferred Lease instalments	**12 000**

C3 Deferred Lease Payments year ended 28/02/2015

	R
Lease instalments (20 000 x 4) + (17 000 x 8)	216 000
Equalized lease instalments (19 000 x 12)	(228 000)
Transferred from deferred lease instalments	**(12 000)**

NOTES

- In an operating lease, the lease payments are equalized over the lease term even though the instalments can be different. During the years when equalized instalments are less than the actual instalments made, the difference is debited to the deferred lease instalments account and credited to the operating lease expenses account.
- During the years when actual instalments are less than the equalized instalments, the difference is debited to the operating lease expenses and credited to the deferred lease expenses.

SOLUTION 3(b): LEASES

Input on financial calculator

PV = R380 677, N = 3 years x 2 = 6 , PMT = R75 000

FV = 0 i = 5%

Amotisation Table

Date	Opening balance Outstanding	Interest	Capital	Instalments
31/08/2012	380677	19034[1]	55966[4]	75 000
28/02/2013	324711[2]	16236[3]	58764[5]	75 000
31/08/2013	265947[6]	13297[7]	61703[8]	75 000
28/02/2014	204244[9]	10212[10]	64788[11]	75 000
31/08/2014	139456[12]	6973[13]	68027[14]	75 000
28/02/2015	71429[15]	3571	77429	75 000
		69 323	**380 677**	**450 000**

1. 38 0677 x 5% = 19 034
2. 38 0677 + 19034 – 75000 = 324 711
3. 32 4711 x 5% = 16236
4. 75 000 – 19034 = 55 966
5. 75 000 – 16 236 = 58 764
6. 324711 + 16236 – 75 000 = 265 947

7. 265947 x 5% = 13 297
8. 75 000 – 13 297 = 61703
9. 265 947 + 13 297 – 75 000 = 204 244
10. 204 244 x 5% = 10 212
11. 75 000 – 10 212 = 64 788
12. 204 244 + 10 212 - 75 000 = 139 456
13. 139 456 x 0.05 = 6973
14. 75 000 – 6973 = 68 027
15. 139 456 + 6973 – 75 000 = 71 429
16. 75 000 – 71 429 = 3571

Year ended 28 February 2013

Total Liability	=	265 947
Long –term portion	=	139 456
Current – portion of liability		= 61 703 + 64 788
		= 126 491
Interest expense		=19034 + 16236
		= 35270

OCTOBER / NOVEMBER 2011

SOLUTION 1(a)

STATEMENT OF COMPREHENSIVE INCOME

PROTEA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Notes	R
Revenue		3200 000
Cost of Sales (balancing figure)		1920 000
Gross profit (40% x 3200 000)		1280 000
Administration expenses		(820 650)
Other Income (W1)		19550
Other expenses W2		(118 950)
Finance costs (24 750 + 1200)		(25 950)

Profit before tax	1	334 000
Income tax expense	2	(95 000)
Profit for the year		239 000
Other Comprehensive Income		310 000
Revaluation Suplus (1 100 000 – (1 200 000 – 300 000 – 60 000)		260 000
Gains on fair valuation (2.50 – 2) x 100 000		50 000
Total Comprehensive Income		**549 000**

NOTES TO THE FINANCIAL STATEMENTS

1. **Profit before tax**

Profit before tax is disclosed after taking the following into account:	
Income	
Revenue consists of:	
Continuing operations - turnover	3200 000
Profit on sale of non – current assets (5000-4000)	1000
Income from subsidiary :	3900
Dividends	900
Interest (60 000 x 10% x $^{6}/_{12}$)	3000
Income from other financial assets:	
Listed investments available asset through other comprehensive Income:	
Dividends (0.05 x 100 000)	5 000
Expenses	
Directors Remuneration	425 000
Executive Directors:	
-emoluments (200 000 + 2500 +130 000)	332 500
Pension	100 000
	432 500
Less-paid by subsidiary	(130 000)
Total paid by company	**302 500**
Non - Executive Directors	
-emoluments (120 000+2500 + 250 000)	372 500

-less – paid by subsidiary	(250 000)
Total paid by company	**122 500**
Auditors remuneration	12 350
-audit fees	12 000
-expenses	350
Credit losses written off	15000
2. Income tax expense	
SA normal tax – current year	95 000

Other Income
Given + Profit on sale of non-current assets
18 550 + (5 000 – 4 000)

W2 Other Expenses	**R**
Given	68 700
Interest paid – long term loan $\left[\left(150\ 000+\frac{150\ 000}{5}\right)\right]$ x 15% x $\frac{6}{12}$ + 15% X $\frac{6}{12}$	(24 750)
Interest paid – bank overdraft	(1200)
Depreciation : machinery 20% x $[(160\ 000-10\ 000)-(75\ 000-6\ 000)(10\ 000-4\ 000)]$	16 200
Buildings (1200 000 /20)	60 000
	118 950

PROTEA LTD
SOLUTION 1(b)
Statement of changes in Equity
Statement of changes in Equity for the year ended 30 June 2010

	No par Value Ordinary Shares	Par Value Ordinary Shares	Share Premium	10% Cumulative Preference Shares	Retained Earnings	Revaluation Reserve	Mark-to Market Reserve	Total
Balance 1 July 2009	-	1100 000[1]	35 000[2]	330 000[3]	420 000	-	-	1885 000
Ordinary shares issued	-	100 000[4]	15 000[5]	-	-	-	-	115 000
Total comprehensive Income	-	-	-	-	239 000	260 000	50 000	549 000
Preference Shares Issued	-	-	-	20 000	-	-	-	20 000
Capitalisation Shares		300 000[6]	-	-	(300 000)	-	-	-
Ordinary Dividend					(37500)[7]			(37500)
Preference Dividend					(67 000)[8]			(67000)
Conversion to no par		(1500 000)	(50 000)	-	-	-	-	-
	1550 000	-	-	350 000	254 500	260 000	50 000	2464500

Calculations

1. (1200 000 – (50 000 x (2.00) = 1 100 000
2. 50 000 – (50 000 x 0.3) = 35 000
3. 350 000 – 20 000 = 330 000
4. 50 000 x 2 = 100 000
5. 50 000 x 0.3 = 15 000
6. (1100 000 + 100 000) x $\frac{1}{4}$ = 300 000
7. (1100 000 + 100 000 + 300 000) ÷ x 0.05 = 37 500
8. 330 000 x 10% x 2 + (20 000 x 10% x $^{6}/_{12}$) = 67 000
9. 1100 000 + 100 000 + 300 000 + 35 000 + 15 000 = 1 550 000
10. 1100 000+ 100 000+300 000 = 1500 000

MAY / JUNE 2012

SOLUTION 1: LEASES
GENERAL JOURNAL

	DR R	CR R
Year Ended 28 February 2010		
Operating lease expenses (3000 x 12)	36 000	
Bank		36 000

Deferred lease payments (W1)	5400	
Operating lease expenses		5400
Year Ended 28 February 2011	41400	
Operating lease expenses (3450 x 12)		41400
Bank		
Deferred lease expenses (W2)	10800	
Operating lease expenses		10800
Year Ended 29 February 2012		
Operating lease expenses (1200 x 12)	14 400	
Bank		14 400
Operating lease expenses	16 200	
Deferred lease expenses		16 200

Calculations

12 months	12 months	12 months
R3000/month	**(3000x1.15)=R3450/ month**	**R1200/month**

Lease Equalisation

1 – 12 (3000 x 12)	R36 000
13 – 24 (3450 x 12)	R41 400
25 – 36 (1200 x 12)	R14 400
Total Lease Payments	R91 800
Period of lease	36 months
Equilisation (91 800 ÷ 36)	R2550
W1 Deferred lease Expenses: Year Ended 28 February 2010	**R**
Lease payments made (3000 x 12)	36 000
Equalized lease payments (2550 x 12)	(30 600)
Deferred lease payments	**5400**

W2 Deferred lease expenses: Year Ended 28 February 2011	
	R
Lease payments made (3450 x 12)	41400
Equalized lease payments	(30600)
	10 800
W3 Deferred lease expenses: Year Ended 28 February 2012	**R**
Lease payments made (1200 x 12)	14 400
Equalized lease payments	(30600)
	16200

SOLUTION 2 : STATEMENT OF FINANCIAL POSITION AND RELEVANT NOTES

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

	R
NON - CURRENT ASSETS	2557000
Property, plant and Equipment	2539000
Other Financial Assets (13 000 + 5000)	18000
CURRENT ASSETS	665 500
Inventories (100 000 x 95% + 30 000 + 20 000 x 95%)	144 000
Trade and other receivables (557 000 – 35 500)	521 500
TOTAL ASSETS	**3222 500**
EQUITY AND LIABILITIES	
EQUITY	2868009
Share Capital	200 000
Retained Earnings	2533 009
Other components of Equity (c5)	135 000
LIABILITIES	354 491
NON CURRENT LIABILITIES	39149
Finance lease liability	39149
CURRENT LIABILITIES	315342
Current Portion of lease liability (16914 +17928)	34842
Accrued lease premium (c6)	9600
Dividends payable (c4)	900
Other Financial Liabilities	270 000
	3222 500

NOTES TO THE FINANCIAL STATEMENTS AS A 28 FEBRUARY 2010

1. PROPERTY,PLANT AND EQUIPMENT

	Land	Factory Building	Furniture and Fittings	Machinery	Total
	R	R	R	R	R
Carrying Amount – 1March 2009	800 000	1400 000	300 000 [2]	-	2500 000
Cost	800 000	1500 000	400 000 [2]	-	2700 000
Accumulated Depreciation	(-)	(100 000) [1]	100 000 [2]	-	200 000
Additions	-	-	-	105 000	105 000
Revaluation	-	130 000 [3]	-	-	130 000
Depreciation for the year	-	100 000 [1]	75000 [2]	21000 [4]	196000
Carrying Amount – 28 February 2010	800 000	1430 000	225 000	84000	2539000
Cost/valuation	800 000	1430 000	400 000	105 000	2735 000

Accumulated Depreciation	-	-	(175 000)3	(21 000)	196 000

The factory building is situated on erf 235, Midrand. The factory building was revalued by Mr. J. Wrong, a sworn appraiser on 28 February 2010 at net replacement value.

NB: The office building is held under an operating lease, as such it should not be part of the Property, Plant and Equipment of the company.

2.	Total liability under finance lease	73991
	Less: Current portion (16914+17928)	(34 842)
	Long – term portion	39149

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 a 6 bi-annual instalments at R21 353 each.

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

	R
FUTURE MINIMUM LEASE PAYMENTS	
-Not later than 1 year	42706
-Later than 1 year but not later than 5	42706
Less finance cost (4439+3425+2349+1209)	(11422)
Present value	73990
-Not later than 1 year (16914+17928)	34842
-Later than 1 year but not later than 5(19004+20144)	39148

CALCULATION

C1.	Cost	1500 000
	Useful life	15 years
	Yearly Deprecation	1500 000 ÷ 15 = 100 000

NB: If the building was exactly 2 years old t year – end it means at the beginning of the year it was 1year old which makes the accumulated depreciation at the beginning of the year R100 000.

C2. Furniture and Fittings

	R
Carrying amount 28/02/2010	225 000
Depreciation – year - ended 28/02/2010 $\left({}^{25}/_{75}\ x\ 225\ 000\right)$	75 000
Carrying amount 28/02/2009	300 000
Depreciation – year – ended 28/02/2009(300 000 x ${}^{5}/_{75}$	100 000
Cost – 1 March 2008	**400 000**
Carrying amount beginning of year	100%
Depreciation for the year	(25%)
: Carrying amount end of year	**75%**

C3. Revaluation

	R
cost	1500 000
Depreciation (100 000 (c1) x 2)	200 000
Carrying amount on date of revaluation	**1 300 000**

Revaluation = Net replacement Value – carrying Amount
= 1430 000 – 1300 000
= 130 000

C4. Depreciation - Machinery
105 000 ÷ 5 = 21 000

C3. Accumulated Depreciation - 28 February 2010: Furniture and Fittings

	R
Accumulated Depreciation at beginning of year	100 000
Depreciation for the year	75 000
	175 000

C4. Retained Earnings

	R
Retained earnings – 01/03/2009	500 000
Profit after tax	2033 909
Ordinary dividend (0.05 x 18 000)	(900)
Retained earnings – 28/02/2010	**2533 009**

C5. Other components of Equity

	R
Revaluation (c3)	130 000
Mark – to market reserve	5000
Other components of equity	**135 000**

The mark to market reserve emanated from the fair value adjustment gain of shares or investment in J and B (Pty) Ltd classified as not – held – for - trading.

C6. Accrued lease premium

	R
Lease payments 1st 2yrs (11 500 x 2 x 12)	276 000
Lease payments last 4years (6-2) : 12 700 x 4 x 12	609 600
Total lease payments	885 600
Lease period	6yrs
Lese premium per yr (885 600 ÷ 6)	147 600
Lease instilments 1st yr (11500 x 12)	(138 000)
accrual	**9600**

NOTES

Inventories are recorded at the lower of cost and net realizable value in compliance with IAS2. Raw materials and finished goods should be recorded at 95% of cost (100-5) since they were reported to have a net realizable value which 155% lower than the cost price.
Work in progress should be recorded at cost, since the cost is lower than the net realizable value.
The non – current liability for the financial liability is the closing balance on 28/02/11 (end of next financial year) because this is the amount that will be repaid after more than a year.
The current portion of the lease liability is represented by the capital repayments that are to be made in the financial year ending 28/02/11

SOLUTION 3: STATEMENT OF COMPREHENSIVE INCOE PROFIT BEFORE TAX NOTE

POLO LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	R
Revenue (3306 000 x $^{100}/_{114}$)	2900 000
Cost of sales (balancing figure)	(1 885 000)
Gross profit (35% x 2 900 000)	1015 000

Other Income (W1)	54 575
Administrative expenses	(772 600)
Other expenses (W2)	(253165)
Finance costs (10725 (W2a) + 4200)	(14925)
Profit before tax	28 885
Income tax expense	(4800)
Profit for the year	24 085
Other comprehensive income	
Gain on fair valuation of investments	
Not – held – for – trading (2.70 x 2) x 80 000	56 000
Total Comprehensive Income	**80085**

Notes for the year ended 30 June 2010

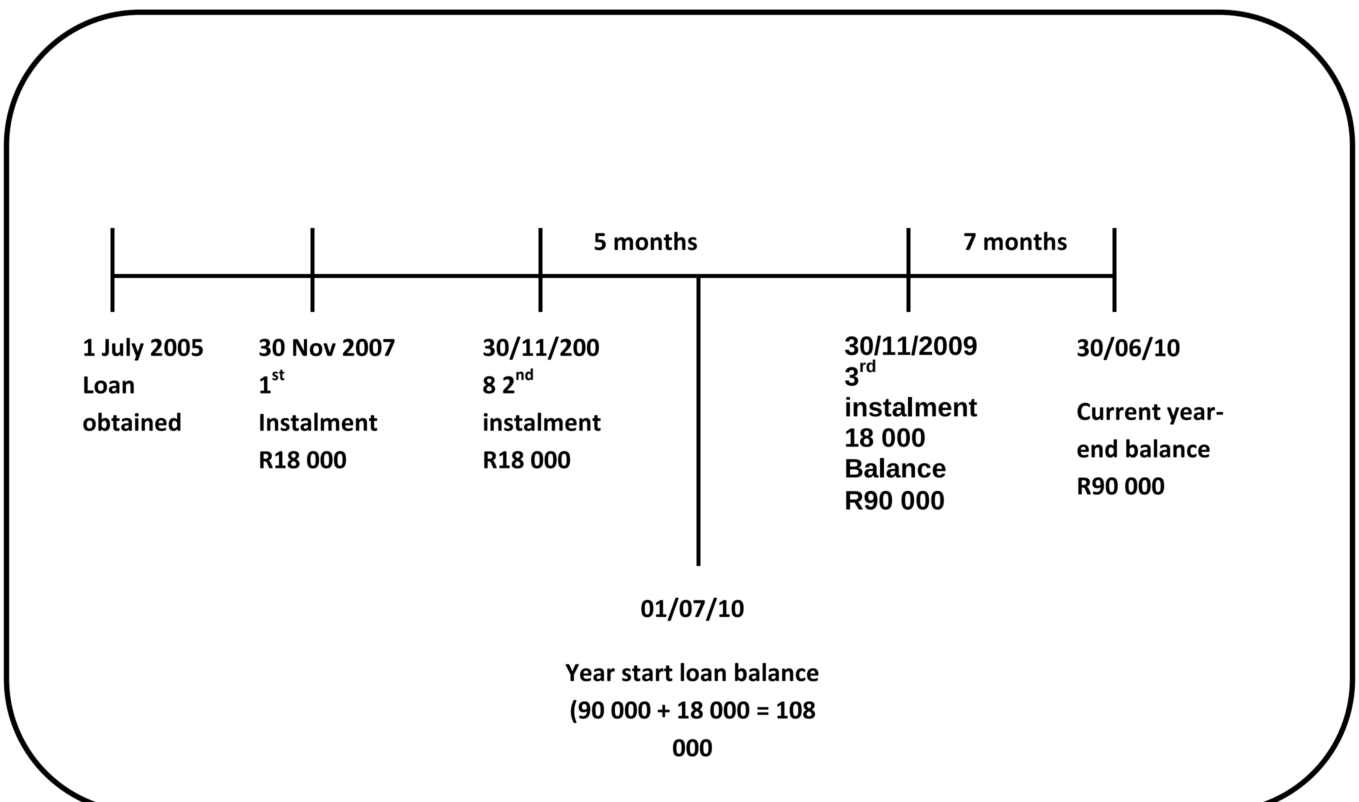
1.	Profit before tax	**R**
	Profit before tax is disclosed after taking the following disclosable items into account amongst others.	
	Income	
	Revenue consists of :	
	Continuing operations - turnover	2 900 000
	fair value adjustment – financial asset at fair value through profit or loss	13 000
	Income from other Financial Assets	
	Listed investments – financial assets at fair value through profit or loss	
	Dividends received (4700+(80 000 x 10c))	12700
	Income from subsidiary:	
	-interest received 165 000 x 15% x $^{10}/_{12}$	20625
	Expenses	
	Credit Losses	3100
	Depreciation on non – current c2 assets (132 500 + 20515 + 41875)	194890
	Loss on the sale of non – current assets	4500
	Directors Remuneration	
	Executive Directors	
	-emoluments (300 000 + 3200 + 230 000)	533 200
	-pension	75 000
		608 200
	-Paid by subsidiary	(230 000)
	Total paid by company	**378 200**
	Non- Executive Directors:	
	-emoluments (200 000 + 180 000 + 3200)	383 200
	-paid by subsidiary	(180 000)

Total paid by company	**203 200**
Auditors remuneration	14600
-Audit expenses	11500
-Expenses	3100

	Other Income	**R**
W1	Other income (already given)	41575
	Fair value adjustment through profit or loss:	13 000
	(10 000 x 5.50 – 42 000)	**54575**
	Total)Other Income)	

W2	**Other Expenses**	**R**
	Given	68700
	Interest paid – Long – term loan (a)	(4200)
	Interest paid – bank overdraft	132 500
	Depreciation : machinery (2500 000 + 150 000)x 20% x $^{3}/_{12}$	20515
	Buildings (b)	41875
	Furniture and Equipment (c)	4500
	Loss on sale of non – current assets	**253165**

(a) Interest paid – long term loan



		R
(a)	Loan amount remaining	90 000
	Remaining instalments(8 -3)	5
	Value per instalment (90 000 ÷ 5)	**18 000**

Interest = (108 000 x 11% x $^5/_{12}$) + (90 000 x 11% x $^7/_{12}$)

= 10 725

		R
(b)	Depreciation - Buildings	554 000
	Cost of Building - Labour	1100 000
	Material	
	Depreciation capitalized (2500 000 + 150 000) x 20% x $^9/_{12}$	397 500
		2051500
	Depreciation 2051500 ÷ 25 x $^3/_{12}$	20515

(c)	Depreciation – Furniture and Fittings	
	Accumulated Depreciation at beginning of year	110 000
	Carrying amount at beginning of year	310 000
	Cost of assets at beginning of year	**420 000**
	Depreciation :old and existing assets) : (420 000 - 80 000) x 10%	34 000
	Sold asset 80000 x 10% x $\frac{9}{12}$ (July 2009 - March 2010)	6000
	: new equipment (75 000 x 10% x $\frac{3}{12}$) April 2010 - June 2010	1875
		41 875

NOTES

Depreciation on machinery is separated into two parts. The portion for the 9 months when the machinery was withdrawn from the production process to construct buildings is added to the cost of the buildings. The portion for the remaining three months when the machinery was used in the production process is added on other expenses.

SOLUTION 4: STATEMENT OF CHANGES IN EQUITY
MALEMONE LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2012

	Revaluation Reserve	Ordinary Share Capital	10% Cumulative Preference Shares	Retained Earnings	Mark –to Market Reserve	Capital Redemption Reserve	Total
	R	R	R	R	R	R	R
Balance 1 April 2011	-	1200000[1]	748 000[2]	351 000	100 000	450 000	2849 000
Issue of 10% Cumulative Preference Shares (12000 x 8.50)			102 000				102 000
Total Comprehensive Income	20 000[4]			536700	50000[5]		606700
Issue of ordinary shares(100 000 x5)		500 000					500 000
Share issue expenses written off				(1000)			(1000)
Capitalisation issue		600 000[3]		(150 000)		(450 000)	-
Dividends: ordinary				(57600)[6]			-
preference				(156400)[7]			(156400)
	20 000	2300 000	850 000	522 700	150 000	-	3842700

CALCULATIONS

1. 300 000 X 4 = 1 200 000
2. 100 000 X 7.48 = 748 000
3. (300 000 + 100 000) X $\frac{1}{5}$ X 7.50 = 600 000
4. $[375\,000 - (375\,000\ X\ 10\%\ X\ 2)]$ - $[350\,000 - (350\,000\ X\ 10\%\ X\ 2)]$ = 20 000
5. (7− 6) X 50 000 = 50 000

6. $(300\ 000 + 100\ 000 + \left(400\ 000\ X\ \frac{1}{5}\right))$ X 0.12 = 57600
7. $(748\ 000\ X\ 10\%\ X\ 2) + 102\ 000\ X\ 10\%\ X\ \frac{8}{12}\ = 156\ 400$

OCTOBER – NOVEMBER 2012

SOLUTION 1: STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

LIGHT BULB LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 29 FEBRUARY 2012

	R
Revenue (4560 000 x $\frac{100}{114}$)	4 000 000
Cost of sales 60% x 4000 000 (100 – 40% Gross Profit)	(2400 000)
Gross Profit (40% x 4 000 000)	

Other income (c1)	1600 000
Administrative expenses	75 500
Distribution expenses	(1103 000)
Other expenses (c2)	(134 000)
Finance costs c2(a)	(205 050)
Profit before tax	(4950)
Income tax expense	228 500
Profit for the year	(64 000)
Other Comprehensive Income	164 500
Total Comprehensive Income	-
	164500

NOTES

In compliance with International Accounting Standard 1 (IAS1), the interest expense should be disclosed separately on the face of the Statement of Profit or Loss and other Comprehensive Income independent of other expenses.

2. LIGHT BULB LIMITED
NOTES FOR THE YEAR – ENDED 28 FEBRUARY 2012

Profit before tax is calculated after taking the following among others into account:

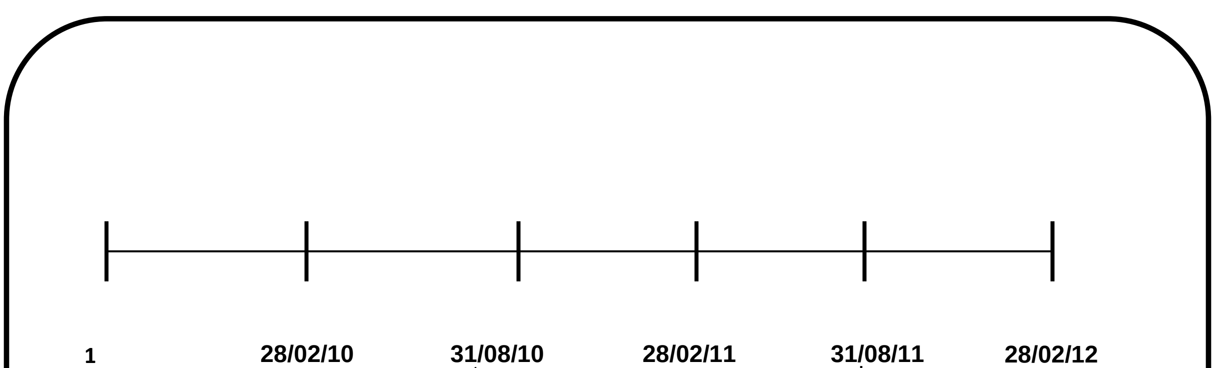
Income	**R**
Revenue : sales	4000 000
Fair value adjustment – financial asset as fair	
Value through profit or loss (c1)	50 000
Profit on sale of non – current assets (1a)	6500
Income from subsidiary :	9000
-Dividends	6000
-Interest	3000
Income from other financial assets	
Listed investments – financial asset at fair value	
Through profit or Loss	
-Dividends	10 000
Expenses	
Depreciation on non – current assets(c3)	29 500
Remuneration	
Directors remuneration	
Executive Directors	
-Emoluments (c4)	286 000
-Pension (financial director)	12 000
	298 000
-Paid by subsidiary	(55 000)

Total paid by company	**243 000**
Non – Executive Directors	
-Emoluments for service as director (c5)	62500
Pension	6000
Total paid by company	**68500**
Auditors' remuneration	24 000
Audit fees	20 000
-expenses	4 000
Lease Expenses	25 000
Lease Payments	32 500
Deferred Lease Payment (32500 – 25 000 (2b)	(7500)

CALCULATIONS

1.	**Other Income**	**R**
	Provisional income (given)	19 000
	Gain on fair valuation through profit or Loss (4-3) x 50 000	50 000
	Profit on realization of non – current assets (a)	6500
	Other Income	**75 500**
(a)	**Profit on Realisation of non – current assets**	**R**
	Proceeds of Sale	42 500
	Carrying amount on date of sale (31 August 2011)	36 000
	Carrying amount at beginning of year (1 March 2011)	40 000
	Depreciation for the year (20% x 40 000 x $\frac{6}{12}$) : March to August	(4000)
	Profit on realization of non – current assets	**65 00**
2.	**Other Operating Expenses**	
	Other operating expenses(including finance cost and depreciation)	185000
	Finance cost (a)	(4950)
	Operating lease expenses (b)	25 000
		205050

(a) Timeline



	Total Loan Remaining	45 000
	Total instalments	7
	Instalments already made	2
	Remaining Instalments(7-2)	5
	Instalment Amount 45 000 ÷ 5	9000
	Interest	**R**
	March 2011 – Agust 2011 (45 000 + 9 000) x 10% x $^{6}/_{12}$	2700
	September 2011 – February 2012 (45 000 x 10% x $^{6}/_{12}$)	2250
	Total Interest	**4950**
(b)	**Operating Lease Expenses**	**R**
	Lease payments Months 1 – 24 (6500 x 24)	156 000
	Months 25 – 48 (35 00 x 24)	84 000
		240 000
	Lease period	48 months
	Equalisation of lease payments (240 000 ÷ 48)	5 000
	Lease expense for year (5000 x 5 months) (October 2011 to February 2012)	25 000
C3	**Depreciation**	**R**
	Motor Vehicles (a)	17 500
	Equipment (b)	12 000
		29 500
(a)	**Depreciation : Motor Vehicles**	
	Carrying amount at end of year (120 000 – 30 000)	90 000
	Carrying amount of asset sold (40 000 – 4000 (c1a)	36 000
	Carrying amount of remaining Motor Vehicles	**54 000**

	Depreciation for the year (20/80 x 54000): existing	13 500
	Depreciation on sold Motor Vehicle (c 1 a)	4 000
		17 500
(b)	Depreciation : Equipment	
	Life of assets (1 March 2009 - 29 February 2012)	3 years
	Depreciation rate	20%
	Useful Life (100% ÷ 20%)	5years
	Remaining useful Life (5 -3)	2 years
	Carrying amount - 29 February 2012	R24 000
	Yearly Depreciation (24 000 ÷ 2)	R12 000
C4	**Executive Directors Emoluments**	**R**
	Financial director – salary	120 000
	-fees for attending meetings(625x4)	2500
	-as chairman of Live Smart (Pty)	55 000
	Managing Director – salary	100 000
	-travelling allowance	6000
	Fees for attending meetings (625 x 4)	2500
	Total emoluments	**286 000**

The two executive directors are the financial director and the managing director. These are day to day employees of the parent company (Light Bulb Limited).

		R
C5.	**Non – Executive Directors Emoluments**	
	Chairman of the board – salaries	60 000
	- Fees for attending meetings(625 x 4)	2500
		62500

The non- executive director in this case is the chairman of the board of the parent company (Light Bulb Limited. The marketing manager is an ordinary employee of the company.

Audit Fees

- Audit fees should be disclosed separately under the profit before tax note and a clear distinction should be made between audit fees and other audit expenses.

SOLUTION 2: STATEMENT OF CHANGES IN EQUITY

SHAKE – IT LIMITED

STAEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 29 FEBRUARY 2012

	Ordinary share capital	10% Cumulative Preference shares	12% Non – Cumulative Preference Shares	Retained Earnings	Revaluation Reserve	Mark-to Market Reserve
Balance as at 1 March 2011	**1 500 000**	**300 000**	**450 000**[1]	**800 000**	**250 000**	**40 000**
Total Comprehensive Income:						
-Profit for the year (c2)				**2186100**		
-Other Comprehensive Income (c2)					**500 000**	**22 500**
Issue of ordinary Share Capital	**400 000**					
Issue of 12% Non – Cumulative Reference Shares			**100 000**[1]			
Capitalisation Shares	**285 000**[3]			**(285 000)**		
Dividends proposed :						
Ordinary				**(114 000)**[4]		
Preference				**(120 000)**[5]		
	2185 000	**300 000**	**550 000**	**2467100**	**750 000**	**62 500**

CALCULATIONS

1. 12% Non – Cumulative Preference Shares – Balance as at 1 March 2011

	R
Balance as at 29 February 2012	550 000
Issued 1 September 2011 (25 000 x 4)	(100 000)
Balance as at 1 March 2011	**450 000**

2. STATEMENT OF PROFIT OR LOSS AND OTHER INCOME FOR THE YEAR ENDED 29 FEBRUARY 2012

	R
Gross Profit for the year	4000 000
Other Income	100 000
Administrative expenses	(800 000)
Distribution expenses	(80 000)
Other expenses	(120 000)
Finance costs (15% x 900 000 x $^{8}/_{12}$) (July 2011 - February 2012)	(90 000)
Profit before tax	3 010 000
Income tax expense	(823 900)
Profit for the year	2186100
Other Comprehensive Income:	522 500
-Revaluation surplus (2 500 000 – 2 000 000)	500 000
-Fair value adjustment through other comprehensive income ((1500x95) – 120 000)	22 500
Total Comprehensive Income	**2708 600**

3. Capitalization Issue

Balance 1 March 2011 (1500 000 ÷ 2)	750 000 shares
Issued 31 October 2011	200 000shares
	950 000 shares
No. of Shares prior to Capitalisation ($\frac{1}{5}$ x 950 000)	190 000 shares
Capitalization value per share	R1.50
Total Capitalisation (190 000 x R1.50)	R285 000

Capitalization shares are shares issued to existing shareholders for free usually in proportion to current shareholding. The amounts are deducted from reserve. In this case, this amount is deducted on retained earned earnings and added to ordinary share capital.

4. Ordinary Dividend

No. of Shares prior to capitalization (c3)	950 000 shares
No. of Shares on capitalization (c3)	190 000 shares
Total number of Share in issue	1140 000 shares
Dividend per share	R0.10
Ordinary Dividend (1140 000 x R0.10)	R114 000

5. Preference Dividend

	R
Dividend on 10% Cumulative Preference Shares (300 000 x 10% x 2)	60 000
Dividend on 12% Non – Cumulative Preference Shares:	

Opening balance (c1) : 450 000 x 12%	54 000
Issued 1 September 2011(a) (100 000 x 12% x $^{6}/_{12}$)	6 000
Total Preference Dividend	**120 000**

- The ordinary dividend is paid on all the shares in issue on the date of declaration. Since the declaration was done after the capitalistion issue, the ordinay dividend is calculated based on the number of shares after the capitalization.
- The preference dividend is paid on a pro-rata basis, that is, shares rank for dividends beginning on the date at their issue. As such , the 12% Non – Cumulative Preference Shares issued on 1 September 2011 will only receive a dividend for 6 months (1 September 2011 to 29 February 2012). All other preference shares in issue from the beginning of the year rank for a full year's dividend.
- Cumulative preference shares will receive a dividend for two years including the dividend not declared for the previous financial year. Any unpaid dividend for cumulative preference shares are carried forward to future periods.
- Ordinary shares and non- cumulative preference shares will only be entitled to the dividend for the current year, that is, any dividends not declared or paid out in the previous financial year are lost or they do not accrue.

SOLUTION 3: LEASES

BIG – MAC LIMITED

1. GENERAL JOURNAL : YEAR – ENDED 31 DECEMBER 2011

	DR	CR
Machinery (520 000 + 25 000)	545 000	
Bank		25 000
Lease Liability		520 000
Capiatlisation of leased assets and lease liability with initial direct costs capitalized to the asset		
Lease Liability (39874 +40472+41079 + 41 695)	163120	
Finance cost (7800 +7202+6595+5979)	27576	
Bank 947674 x 4)		190 696
Lease payments made during the year accounted for between repayment of capital amount (lease liability) and finance costs (interest)		
Depreciation (545 000 ÷ 4)	136 250	
Accumulated depreciation : Machinery		136250
Depreciation on machinery held under finance lease for the current financial year.		

2. **STATEMENT OF FINANCIAL POSITION (EXTRACT) AS AT 31 DECEMBER 2011**

EQUITY AND LIABILITIES	**R**
NON-CURRENT LIABILITIES	
Finance Lease Liability	183 752
CURRENT LIABILITIES	
Current portion of finance lease liability (356 881 – 183 752)	173129

NOTES

The financial lease liability due in the next twelve months is regarded as a current liability. This is the total of the capital section for 2012 financial year (42320 +42955 + 43600 + 44254) or the difference between the closing balance in 2012 (December) and the closing balance in 2011 (December).
The financial lease liability due after more than 12months represents a non- current liability. This is the balance at the end of 2012(December).

NOTES

- All the initial direct costs incurred in order to obtain a lease are added to the cost of the asset, for example. Legal costs for obtaining the lease, payments done to middlemen who negotiated on behalf of the firm.
- The capital section in the armortisation table represents repayment of the initial or capital cost of the finance lease and this should be debited to the lease liability account in the relevant periods.
- The interest section in the armotisation table represents finance charge which should be debited to the interest expense account.
- The total instalment (capital plus interest) is credited to the bank account.

SOLUTION 4 STATEMENT OF FINANCIAL POSITION

APPLE (PTY) LTD

STATEMENT OF FINANCIAL POSITION (EXTRACT) AS AT 31 DECEMBER 2011

	R
ASSETS	
NON-CURRENT ASSETS	
Property, Plant and equipment (see note):800 000 +1000 000 +343 000 +264 000+328 000	2780 000
Financial Assets (W12)	2735 000
	45 000

CURRENT ASSETS	1033300
Inventories (W13)	380500
Trade and other receivables	627 200
Prepaid lease expenses	4600
Other financial assets (3x7000)	21000
Total Assets	**3813300**

N.B The other financial assets included water under current assets represent the investment in Jones Ltd held for speculative purposes.

NOTES TO THE FINANCIAL STATEMENTS

1. PROPERTY, PLNT AND EQUIPMENT

	Land	Buildings	Motor Vehicles	Crane	Machinery
	R	R	R	R	R
Carrying amount – 1 January 2011	**380 000**	**-**	**420 000**	**360 000**	**240 000**
Cost / valuation	**380 000**	**-**	**700 000[1]**	**480 000**	**360 000**
Accumulated Depreciation	**(-)**	**-**	**(280 000)**	**(120 000)**	**(120 000)**
Additions	**-**	**960 000**	**90 000[2]**	**-**	**150 000**
Depreciation capitalized	**-**	**40 000[3]**	**-**	**-**	**-**
Revaluation (80 000-380 000)	**420 000**	**-**	**-**	**-**	**-**
Depreciation for the year	**-**	**-**	**(143 000)[4]**	**(96 000)[5]**	**(62 000)[6]**
Disposals at carrying amount			**(24 000)**		
Cost			**60 000**		
Accumulated Depreciation (30 000 + 6000 (w4))			**(36000)**		
Carrying amount at end of year	**800 000**	**1 000 000**	**343 000**	**264 000**	**328 000**
Cost / Valuation	**800 000**	**1 000 000**	**730 000[7]**	**480 000**	**510 000[10]**
Accumulated Depreciation	**-**	**-**	**(387000[8])**	**(216 000)[9]**	**(182 000)[11]**

Land and buildings are situated at erf 135, Midrand.

CALCULATIONS

1. Cost / Valuation- 1 January 2011 : Motor Vehicles

	R
Carrying amount - 1 January 2011	420 000
Accumulated Depreciation – 1 January 2011	280 000
Cost – 1 January 2011	**700 000**

2. Additions: Motor Vehicles

   R102 600 X $^{100}/_{114}$ = R90 000

VAT inclusive Price	114
VAT	(14)
VAT exclusive price	**100**

The cost of assets is recoded in the asset account excluding VAT.

3. Depreciation capitalized
   R480 000 ÷ 60 X 5 = R40 000

4. Depreciation : Motor Vehicles

	R
Old Remaining Assets (700 000 (w1) – 60 000) x 0.2	128 000
Sold assets (60 000 x 0.2 x $\frac{6}{12}$) January – June 2011	6000
New vehicle (90 000 (w2) x 0.2 x $\frac{6}{12}$) July – Dec 2011	9000
Total Depreciation	**143 000**

5. Depreciation : Crane

   R480 000 ÷ 60 X 12 = R96 000

6. Depreciation: Machinery

	R
Old Machinery (360 000 – 120 000) x 20%	48 000
New Machinery (150 000 – 10 000) x 20% x $^{6}/_{12}$	14 000

	Total Depreciation	**62 000**
7.	**Cost/valuation at end of year : Motor Vehicles**	**R**
	Cost – 1 January 2011	700 000
	Additions	90 000
	Disposals at cost	(60 000)
	Cost – 31 December 2011	**730 000**
8.	**Accumulated Depreciation at end of Year : Motor Vehicles**	**R**
	accumulated Depreciation - 1 January 2011	280 000
	Depreciation for the year	143 000
	Depreciation on disposals	(36 000)
	Accumulated Depreciation – 31 December 2011	**387 000**
9.	**Accumulated Depreciation – 31 December 2011 : Crane**	**R**
	Accumulated Depreciation at the beginning of year	120 000
	Depreciation for the year	96 000
	Accumulated Depreciation at end of year	**216 000**
10.	Cost – 31 December 2011: Machinery and Equipment	
	Cost - January 2011	360 000
	Additions	150 000
		510 000
11.	**Accumulated Depreciation – 31 December 2011: Machinery and Equipment**	**R**
	Accumulated Depreciation – 1 January 2011	120 000
	Depreciation for the year	62 000
		182 000

Buildings

In compliance to International Accounting Standards, non - current assets are depreciated from the date when the asset is ready for use. This asset was completed on 31 December 2011; such no depreciation is provided for the current financial year.

		R
W12	**Financial Assets – Non - Current**	20 000
	Investment in Blake Limited (5000 x 4)	25 000
	Loan to shaik (Pty) Ltd	

Financial Assets	**45 000**

The investment included are only those through other comprehensive income

W13 Inventories	**R**
Raw materials (140 000 x 0.95)	133 000
Work in progress	200 000
Finished goods (50 000 x (0.95)	47 500
	380 500

MAY / JUNE 2013

SOLUTION1 : STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FIND – ME LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2013

	R

Revenue (c1)	5210 000
Cost of sales (55% x 5210 000	(2865 500
Gross profit	2344 500
Other operating income	135 000
Administrative expenses	(1312 000)
Distribution costs	(218 000)
Other operating expenses (c3)	(360 750)
Finance costs (c4)	(29 250)
Profit before tax	559 500
Income tax for the year	(161 000)
Profit for the year	398 500
Other comprehensive income	
Gain on fair valuation through other comprehensive	230 000
Income (11 x 10 000 – 80 000)	30 000
Revaluation Adjustment (950 000 – 750 000)	200 000
Total comprehensive Income	**628 500**

CALCULATIONS

1. Revenue

	R
Normal sales to clients (5472 000 x $^{100}/_{114}$)	4800 000
Lay away stock – substantial deposit received : (30% x 570 000 x 100/114)	150 000
Subscription fees (285 000 x 12/15 x 100/114)	200 000
Consignment stock (60% x 114 000 x 100/114)	60 000
	5210 000

2. Other Operating income

	R
Dividends received – Hide – me Ltd	33 000
- Jump – to Ltd	37 000
Interest received from Hide – me Ltd	16 000
Gain on fair valuation through Profit and Loss – Jump – to Ltd (4.00 – 3.50) x 50 000	25 000
Profit on realization of Equipment (w3)	24 000
	135 000

W3 Profit on Realisation of Equipment

	R
Proceeds on realization	92000
Carrying amount on realization -	(68000)
Carrying amount : 29 February 2012	80 000
Depreciation year ended 28 February 2013 (20% x 80 000 x $^{9}/_{12}$)	12 000
	24 000

NB. During the current financial period, the equipment sold will only be depreciated from the beginning of financial year (1 March 2012) up to the date of sale (30 November 2012), which is a 9 months.

C3. Other Operating Expenses

	R
Total (given)	390 000
Finance costs (c4)	(29250)
Other operating expenses	**360 750**

C4. Finance Costs

	R
Total Loan Remaining	180 000
Instalments	8
Instalments made (31 August 2011 , 31 August 2012)	2
Instalments Remaining	6
: Instalment Amount (180 000 ÷ 6)	30 000

Calculation of Interest	**R**
Interest (1 March 2012 – 31 August 2012) (180 000+30 000x5%x 6/12)	15 750
(1 September 2012 – 28 February 2013) 180 000 x 15% x 6/12)	13 500
Total finance charges	**29 250**

Note: the interest is paid bi – annually on 31 August and 28 February and annual instalments of R30 000 are made on 31 August every year. At the end of the financial year, the loan was R180 000, after making an instalment of R30 000 on 31 August 2012. This means the loan was R210 000 (R180 000 + R30 000) from the beginning of the year up to 31 August 2012. It was then R180 000 from 1 September 2012 up to the end of financial year.

NOTES

Recognition of revenue

a) In accordance to IAS 18: Revenue, the following should be complied with in terms of recognition of revenue for the items included:

b) (Lay away sales: revenue is recognized when the buyer makes the final payment or when significant deposit is received. In this case, only 30% of lay away ales should be recognized as thee represent sales for which a substantial deposit was received in advance and the items are ready for delivery.

c) Subscription fees are recognized on a straight – line basis over the period of this agreement. in this case we recognize only the subscription s for the period 1 March 2012 - 28 February 2013 (end of financial year).
d) Consignment stick: these are recognized when the goods have been sold by the recipient to a third party.
e) In this case 40% of these inventories were unsold. The 60% will be recognized as revenue.
f) The revenue includes VAT at 14% to calculated revenue excluding VAT we multiply by 100/114.
g) Revenue should be recognized excluding VAT.

Gain on Fair Valuation

The gain on fair valuation on the shares in Jump – to Ltd is added to other income in the Statement of Profit or Loss as these shares are held for speculative purposes.
The gain on fair valuation on the shares in Find – Me – Ltd is included under other comprehensive income as stated on the question.

FIND – ME Ltd

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2013

1. Profit before tax

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

Income	**R**
Revenue: Total sales c1 (4800 000 + 150 000 + 60 000)	5010 000
Subscription fees (c1 above)	200 000
Income from subsidiaries (Hide – me Ltd)	
- Dividends	33 000
-Interest	16 000
Income from other financial assets	

Listed Investments - financial assets at fair	
Value through profit or loss (Jump – to Ltd)	
-dividends	37 000
Fair value adjustment – financial asset at fair value through, profit or loss	25 000
Profit on sale on non – current assets above (W3)	24 000
Expenses	
Depreciation on non – current assets (c1)	62 500
Directors remuneration	
Executive directors, Total paid by company	542 000
-Emoluments (c2)	637 000
-Pensions	75 000
-Less paid by subsidiary	(170 000)
Non - Executive directors	
-Emoluments (c3)	178 000
-Pension	36 000
Total	**214 000**
Auditors Remuneration	190 000
-Audit Fees	140 000
-Expenses	50 000

NOTES

Income from subsidiaries should be disclosed separately from the income in other investments such as associates. In this case, only the investment in Hide – me Ltd represents a subsidiary as Find – me Ltd has a 60% interest. A subsidiary is a company in which the parent owns 50% + 1 shares and above.

Directors Remuneration

The directors' remuneration should be disclosed on the profit before tax note. This remuneration should be clearly distinguished between the remuneration paid to executive and the one paid to non – executive directors.

The executive directors are those who carry out the day to day managerial duties whilst the non – executive directors are not part of the day – to day employees of the company.

Auditors Remuneration

Auditors' remuneration should be clearly disclosed on the profit before tax note, distinguishing between fees paid for audit work and the fees for all other expenses.

C1	**Depreciation**	**R**
	Equipment (a)	37 500
	Motor Vehicles (b)	25 000
		62 500
(a)	Depreciation : Equipment	**R**
	Cost – 28 February 2013	260 000
	Accumulated Depreciation 28 February 2013	(90 000)
	Carrying amount – 28 February 2013	170 000
	Carrying amount of asset sold (80 000 – 12 000 (W3 above)	(68 000)
	Carrying amount of remaining assets	**102 000**
	Depreciation on remaining assets (102 000 x $^{20}/_{80}$)	25 500
	Depreciation on asset sold (W3 above)	12 000
	Depreciation for the year on equipment	**37 500**
(b)	**Depreciation : Motor Vehicles**	**R**
	Carrying amount – 28 February 2013	
	Years assets used)1 March 2011 – 28 February 2013)	
	Remaining useful life (5 – 2)	3
	Yearly depreciation (75 000 ÷ 3)	25 000
C2	The two executive directors are Mr. Adam (Managing Director and Mr. Dave : Marketing Director	
	Emoluments	**R**
	Mr. Adam : Salary	220 000
	Entertainment allowance	21 000

	Allowance for meetings (2 000 x 4)	8 000
	Salary - subsidiary	170 000
	Mr. Dave : Salary	210 000
	Allowance for meetings (2000 x 4)	8 000
		637 000
C3	Non – Executive Directors' Emoluments	**R**
	Mr. Bruce - Salary	170 000
	Allowance for meetings (2000 x 4)	8000
	Total Emoluments	**178 000**

NB. The Non - Executive Director is MR. Bruce (Chairman of the Board). Mr. Chris (Finance Manager) is an ordinary employee of the company whose benefits need not be disclosed here. Expenditure for the reimbursement of travelling costs for Mr. Adam is a normal expense for the company and therefore does not need to be shown as directors' remuneration.

SOLUTION 2: STATEMENT OF FINANCIAL POSITION

(a) Joker Ltd

(b) STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012 (EXTRACT)

ASSETS	**R**
NON – CURRENT ASSETS	
Property , Plant and Equipment (b) (11 00 000 + 1801 800 + 1360 000	4533 675
+226875)	4488 675
Investment in Subsidiary	45 000
CURRENT ASSETS	1081000
Inventories (180 000 + (400 000 x 92%) + 175 000)	723 000
Trade and other Receivables (411 000 – 53 000)	358 000
TOTAL ASSETS	**5614 675**

NOTES

- The investment was made in a subsidiary as the shares held are more than 50% (15 000/22 000 x 100 = 68%) and this makes this investment a non - current asset.
- Inventories should be recoded at the lower of cost and net realizable value in compliance with International Accounting Standard 2. As such, raw materials and work in progress should be recorded at costs this is lower than net realizable value but finished goods should be recorded at net realizable value is it is lower than cot by 8% hence the 92% factor(100 - 8)
- From trade and other receivables, we deduct the new provision for credit losses (R53 000)rather than the old one. (R37 000).

(b)Joker Ltd

NOTES TO THE FNANCIAL STATEMENTS AS AT 30 JUNE 2012

1. PROPERTY , PLANT AND EQUIPMENT

	Land	**Buildings**	**Machinery**	**Furniture and Equipment**
Carrying amount - 1 July 2011	900 000	-	1 700 000	300 000
Cost / valuation	900 000	-	2040 000[1]	470 000[2]
Accumulated Depreciation	-	-	(340 000)	(170 000)
Depreciation Capitalised (w3)	-	170 000	-	-
Additions	-	1650 000[4]	-	75 000
Depreciation for the year	-	(18200)[5]	(340 000)[6]	(116 875)[7]
Revaluation (1100 000 – 900 000)	200 000	-	-	-
disposals	-	-	-	(31250)
Cost/valuation	-	-	-	90 000
Accumulated Depreciation	-	-	-	(58750)[8]
Carrying amount – 30 June 2012	1100 000	1801 800	1360 000	226875
Cost / valuation	1100 000	1820 000[5]	2040 000[1]	455000[9]
Accumulated Depreciation	-	(18200)[5]	(680 000)	(228125)[10]

The land and buildings consist of a factory building and are situated on erf 342, Mbombela

CALCULATION

1. Cost / valuation 1 July 2011 : Machinery

Cost – Accumulated Depreciation = carrying Amount
$\mathcal{X}$ – 340 000 = 1 700 000
$\mathcal{X}$ = 1700 000 + 340 000
= 2040 000

2. Cost/ valuation at 1 July 2011 – Furniture and Equipment
   As on c1 x = 170 000 = 300 000
   $\mathcal{X}$ = 300 000 + 170 000
   = 470 000

3. Depreciation Capitalised – Buildings
   1 700 000 x 20% x 6/12 = 170 000

Depreciation on machinery for the six months during which the machinery was withdrawn from the production process and used in the construction of the entity's buildings should be capitalized. This means this depreciation is added to the cost of constructing the building rather than to compliance in the Statement of Profit or Loss in compliance with International Accounting Standard 16.

4. Additions : Buildings

	R
Labour	675 000
Raw materials	975 000
	1650 000

5. Depreciation Buildings

Total cost = 1650 000 (w4) + 170 000 (w3)
= 1820 000

Depreciation = 1820 000 x 2% x 6/12
= 18 200

Depreciation is only provided from the date the asset is ready for use, in this case , 1 January 2012. Up to year end (1 June 2012), six months depreciation.

6. Depreciation : Machinery
   1700 000 x 20% = 340 000

7.	Depreciation : Furniture and Equipment	**R**
	Depreciation on old existing Equipment (470 000 (w2) – 90 000)x25%	95 000
	Depreciation on sold equipment :90 000x25% x 10/12	18750
	Depreciation on new equipment : 75 000 x 25% x 2/12	3125
	Total depreciation for the year	**116875**

The asset sold is depreciated from the beginning of the year up to the date of sale(1 July 2011 – 30 April 2012 – 10 months) and the new assets are depreciated from the date of purchase to the end of the year (30 April 2012 – 30 June 2012).

8.	Disposals: Furniture and Equipment	**R**
	Cost	90 000
	Accumulated Depreciation 40 000 + 18 750 (w7)	(58 750)
	Carrying amount of assets sold	**31 250**

Assets sold are removed from Property Plant and Equipment at carrying amount on the date of sale.

9.	Cost/valuation at end of year: Furniture and Equipment	**R**
	Cost at beginning of year	470 000
	Cost of new assets	75 000
	Cost of asset sold	(90 000)
	Cost at end of year	**455 000**

10.Accumulated Depreciation at end of year : Furniture and Equipment

	R
Accumulated Depreciation at beginning of year	170 000
Depreciation for the year (w7)	116 875
Depreciation on asset sold w8	(58 750)
Accumulated Depreciation at end of year	**228 125**

SOLUTION 3 : STATEMENNT OF CHANGES IN EQUITY

BULLS – EYE LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	Ordinary share Capital	**10% Cumulative preference Share**	**12% Non-Cumulative Preference share**	**Retained Earnings**	**Revaluation on Reserve**	**Mark- to Market Reserve**

		Capital	Capital			
	R	R	R	R	R	R
Balance at 1 January 2012	950 000	180 000	237 500[1]	510 000	320 000	17 000[2]
Total Comprehensive Income :						
Profit for the year (3)				836 250		
Other comprehensive Income					300 000[3]	13 000
Ordinary shares issued (30/09/2012)	150 000					
12% Non – Cumulative Preference Shares Issued			87500			
Capitalisation issue	165 000[4]			(165 000)		
Ordinary Dividend				(18 1500)[5]		
Preference Dividend				(69 750)		
Preliminary expenses written off				(17 500)		
Balance at 31 January 2012	1265 000	180 000	325 000	912 500	620 000	300 000

CALCULATIONS

1.	Balance at 1 January 2012 : 12% Non – Cumulative Preference Shares	R
	Balance – 31 December 2012	325 000
	Issues 1 July 2012 935 000 x 2.50)	(87 500)
	Balance – 1 January 2012	237 500
2.	Balance at 1 January 2012 : Mark – to – market Reserve	
		R
	Balance – 31 December 2012	30 000
	Fair value adjustment through other comprehensive	
	Income for current year	(13 000)
	Balance – 1 January 2012	17 000

3. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	R
Gross Profit	1500 000
Other income	40 000
Administrative expenses	(320 000)
Distribution expenses	(15 000)
Other operating expenses	(30 000)
Finance cost 9575 000 x 10% x 6/12)	(28 750)
Profit before tax	1146 250
Income tax expense	(310 000)
Profit for the year	836 250

Other Comprehensive income	**313 000**
Fair value adjustment through other comprehensive income	**13000**
Revaluation surplus (1800 000 – 1500 000)	**300 000**
Total Comprehensive Income	**1149 250**

4.	**Capitalization issue**	
	(950 000 + 150 000) x 1/10 x 1.50	
5.	**Ordinary Dividend**	**R**
	Shares in issued – January 2012	**950 000**
	Shares issued 30/09/2012	**150 000**
	Shares prior to capitalization	**1100 000**
	Capitalization shares (1100 000 x 1/10)	**110000**
	Total no. of shares ranking for ordinary dividend	**1210 000**
	Dividend per share	**0.15**
	Total Dividend (1210 000 x 0.15)	**181 500**
		1210 000
6.	**Preference Dividend**	**R**
	Non – cumulative Dividend (237 500 x 12% + 87500 x 12% x 6/12)	**33 750**
	Cumulative preference dividend (180 000 x 10% x 2)	**36 000**
		69 750

NB: The non – cumulative preference share will only receive dividend for the current year. Shares valued at R237 500 will receive a full year's dividend as they were in issue from the beginning of the year whilst share valued at R87 500 will only receive a dividend for 6 months , from date of issue (1 July 2012) to end of year (31 December 2012). The cumulative preference shares will receive a dividend for two years since no dividend was declared last year. When an ordinary dividend is declared, it automatically means that the preference dividend has also been declared because an ordinary dividend cannot be paid out before a preference dividend.
An ordinary dividend is declared on all the shares in the share register on the date of the declaration whilst a preference dividends paid out on a pro – rata basis.

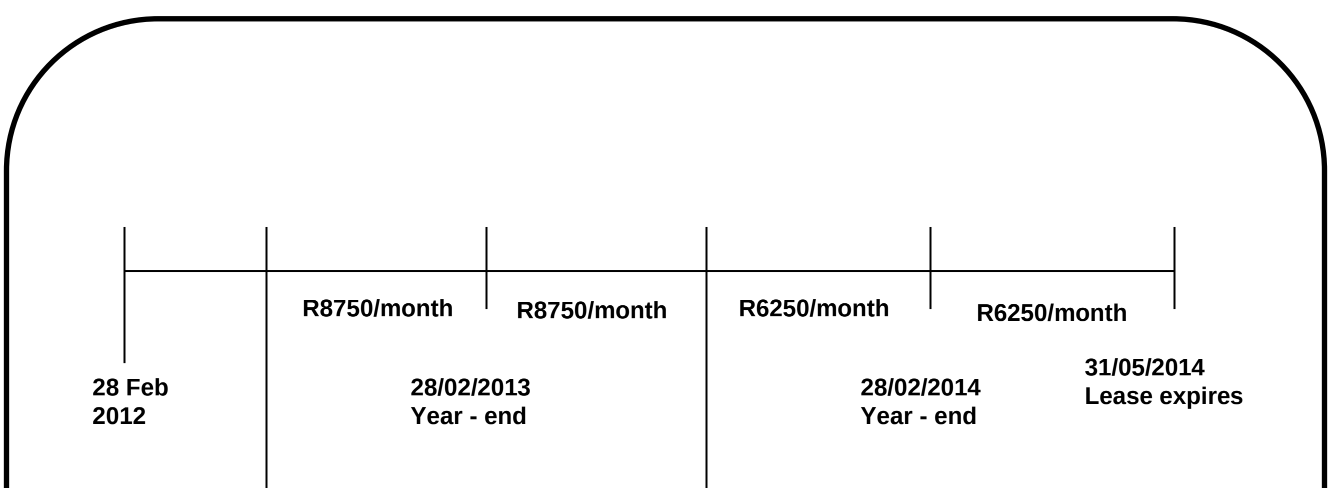
SOLUTION 4 LEASE
GREEN LTD
JOURNAL ENTIRIES

	R	R
Year – ended 28 February 2013		
Operating lease expenses (8750 x 9x2)	157 500	
Bank		157 500
Lease installments paid for the year		

Deferred lease payments (c1)	22500	
Operating lease expenses		22500
Lease instalments equalized over the lease term		
Year - ended 28 February 2014		
Operating lease expenses (8750x3x2) + (6250x9x2)	165 000	
Bank		165 000
Lease instalments paid for the year		
Operating lease expenses (c2)	15 000	
Deferred lease payments		15 000
Lease instalments equalized over the lease term		
Year – ended 28 February 2015		
Operating lease expense (6250 x 3 x 2)	37 500	
Bank		37 500
Lease instalments paid for the year		
Operating lease expenses (c3)	7 500	
Deferred, lease expenses		7 500
Lease instalments equlised over the lease term		

WORKINGS

Timeline



Equalization of lease payments

	Months 1 -12 : 8750 x 12 =	105 000
	13 – 24 : 6250 x 12 =	75 000
		180 000
	Total lease period in months	24
	Equalization (180 000 ÷ 24)	7500
C1	Deferred Lese Payments : Year Ended 28 February 2013	
	Lease instalments (9 x 8750 x 2)	157 500
	Equalized lease instalments (7500 x 9x2)	(135 000)
	Referred Lease instalments	**22 500**
C2	**Deferred lease payments - year ended 28 February 2014**	**R**
	Lease instalments (8750 x 3x2) + (6250 x 9x2)	165 000
	Equalized lease instalments (7500 x 2x12)	(180 000)
	Deferred lease instalments	**(15 000)**
C3.	**Deferred – Lease Payments – year ended 28 February 2015**	**R**
	Lease instalments (6250x3x2)	37 500

Equalized lease instalments (7500 x 3 x2)	(45 000)
Deferred lease instalments	**(7500)**

NOTES

- Lease expenses should be equalized over the lease terms in compliance with International Accounting Standard 17 (IAS17), that is, in the profit or Loss statement, the expenses recolonized on lese should be uniform per period even when the actual instalments change. This is because the difference in payments is merely payment arrangements unrelated to the non-current assets subject of lease.
- When the actual amount paid exceeds the equalized amounts, the excess should be added to deferred lease instalments (prepaid lease expenses, an asset as a debit.
- When the actual amount paid is less than the equalized amounts, the shortage should be deducted from the deferred lease payments as credit.
- At the end of the lease term, the deferred lease expenses will have a balance of nil.

MAY / JUNE 2014

SOLUTION 1 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

ZINGER LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2013

Revenue (7200 000)	7200 000
Cost of sales (missing figure)	(4470 000)
Gross profit	2730 000
Other income (w1)	67813
Other expenses (w2)	(650 500)
Administration expenses (1500 000 + 15 000 + 85 000)	(1600 000)
Distribution costs	(80 000)
Finance charges (7000 + (630 000 + 630 000 ÷9) x 10% x 6/12 + 630 000 x 10% x 6/12)	(73 500)
Profit before tax	393 813
Income tax expense	(125 900)
Profit for the year	267 913
Other Comprehensive Income	232 000
Revaluation 800 000 – (710 000 – 142 000)	232 000
Total Comprehensive Income	499913

NOTES TO THE FINANCIAL STATEMENTS	
Income consists of:	
Continuing operation - turnover	7 200 000
Fair value adjustment – financial; asset through profit or loss	10 000
Profit on sale of non – current assets	3813
Income from subsidiary:	
-dividends	24 000
Income from other financial assets	30 000
Listed investments – financial asset at fair value through profit or loss	
-dividends	15 000
Interest received from debtors	15 000
Expenses	
Depreciation on non – current assets (28350 +91200 +40 000)	159550
Remuneration (Directors	466800
Executive Directors:	
Emoluments : (210 000 x 1050x4+240 000+1050x4	458 400

+525x4)	460 500
Paid by subsidiary (525 x4)	(2100)
Non – executive Directors:	8400
Emoluments (1050x4x2+230 000+525x4)	240 500
Paid by subsidiary (230 000 + 525 x 4)	232 100
Auditor remuneration	100 000
-audit fees	85 000
-expenses	15 000
2. Income tax expense	
SA Normal tax	
Current year	125 900

CALCULATIONS

1. Other Income	54 000
Given	10 000
Gain on financial assets through profit or Loss (2x30 000) – 50 000)	3813
Profit on sale of Motor Vehicle 9000 – (38 000 – 28 063 + 25% x 38 000 x 6/12)	**67 813**

C2 other Expenses

Given	490 950
Depreciation: Equipment [(228 000 – 90 000) – (50 000 – 13 500)] x 15% + (90 000 – 13 500) x 15% x 4/12 + 93 000 x 15% x 8/12)	28 350
: motor Vehicles ((358 800 – 38 000) x 25% + 38 000 x 25% 6/12 + 50 000 x 25% x 6/12	91 200
: Buildings 800 000 x 5%	40 000
	650 500

SOLUTION 2: STATEMENT OF FINANCIAL POSITION
MOONLIGHT (PTY) LIMITED
STATEMENT OF FINACIAL POSITION (EXTRACT) AS AT 31 DECEMBER 2013

	Note	R
ASSETS		
NON – CURRENT ASSETS		3010 800
Property, Plant and Equipment	1	2780 800
Other financial Assets (70 000 + 80 000)	2	150 000
Investment in subsidiary	2	80 000

CURRENT ASSETS		426 500
Inventories	3	326 000
Trade and other receivables	2	95 000
Prepaid lease expenses		5500
TOTAL ASSETS		**3437300**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. **Property, Plant and Equipment**

	Land	Factory Buildings	Motor Vehicles	Plant	Machinery and Equipment	Furniture	Total
Carrying amount - 01 January 2013	**380 000**	**-**	**420 000**	**420 000**	**240 000**	**62 000**	**1522000**
Cost/valuation	**380 000**	**-**	**700 000[1]**	**480 000**	**360 000**	**92000[2]**	**2012000**
Accumulated Depreciation	**(-)**	**-**	**(280 000)**	**(60 000)**	**(120 000)**	**(30 000)**	**(490 000)**
Additions	**-**	**960 000**	**140 000**	**-**	**-**	**28 000**	**1128 000**
Depreciation capitalized (c3)	**-**	**80000[3]**	**-**	**-**	**-**		**80000**
Revaluation	**420000[4]**	**-**	**-**	**-**	**-**		**4200004**
Depreciation	**-**	**(5200)**	**(144 000)[7]**	**(120 000)[5]**	**(48 000)[6]**	**(12 000)[8]**	**(329 200)**
Disposals	**-**	**-**	**(40 000)[10]**	**-**	**-**	**-**	**(40 000)**
Carrying amount 31 December 2013	**800 000**	**1034800**	**376000**	**300 000**	**192 000**	**78 000**	**2780800**
Cost / valuation	**800 000**	**1040000[11]**	**740 000[12]**	**480 000**	**360000**	**120000**	**3540000**
Accumulated Depreciation	**-**	**(5200)**	**(364000)[13]**	**(180000)[4]**	**(168000)15**	**(42000)[16]**	**759200**

The factory buildings are situated on erf 32, Rosslyn consisting of a factory and office buildings. The buildings are owner occupied. The land was revalued on 1 January 2013 at et replacement value by Mr. B. Shaw, a sworn appraiser.

2. Other Financial Assets	397 000
	R
Non – current financial assets	230 000
Financial assets at fair value through other comprehensive income	150 000
-60 000 Ordinary Shares (cost 80 000)	80 000
14 000 Ordinary Shares(56 000)	70 000[18]
Loans and receivables	80 000
-Loan to Raindrop Limited	50 000
Loan to lightning (Pty) Limited	30 000
Current financial assets	167 000
Financial assets at fairvalue through profit or loss	

	Listed investment	
	18 000 Ordinary Shares (cost R36 000)	720 00[17]
	Trade and other receivables (150 000 – 55 000)	95 000
3.	Inventories	**R**
	Raw Materials (140 000 x 50%) + (140 000 x 50% x 80%)	126 000
	Work in progress	200 000
		326 000

CALCULATIONS

1. 420 000 + 280 000 = 700 000
2. 120 000 – 28 000 =
3. (480 000/48 X 8) = 80 000
4. 800 000 – 380 000 = 420 000
5. 480 000 / 48 X 12 = 120 000
6. (240 000 X 20%) = 48 000
7. (700 000 – 100 000) X 20% + (100 000 X 20% X 6/12) + 40 000 X 20% X 6/12 = 144 000
8. (92 000 X 10%) + (28 000 X 10%) = 12 000
9. (960 000+80 000) X 2% X 3/12) = 520
10. 100 000 – 50 000 – (100 000 X 20% X 6/12)
11. 960 000 + 80 000 = 1040 000
12. 700 000 – 100 000+ 140 000 = 740 000
13. 280 000+144 000 – 50 000 – (100 000X20% X 6/12) = 364 000
14. 60 000 + 120 000 = 180 000
15. 120 000 +48 000 = 168 000
16. 30 000+12 000 = 42 000
17. 18 000X4 = 72 000
18. 14 000 X 5 = 70 000

SOLUTION 3: STATEMENT OF CHANGES IN EQUITY

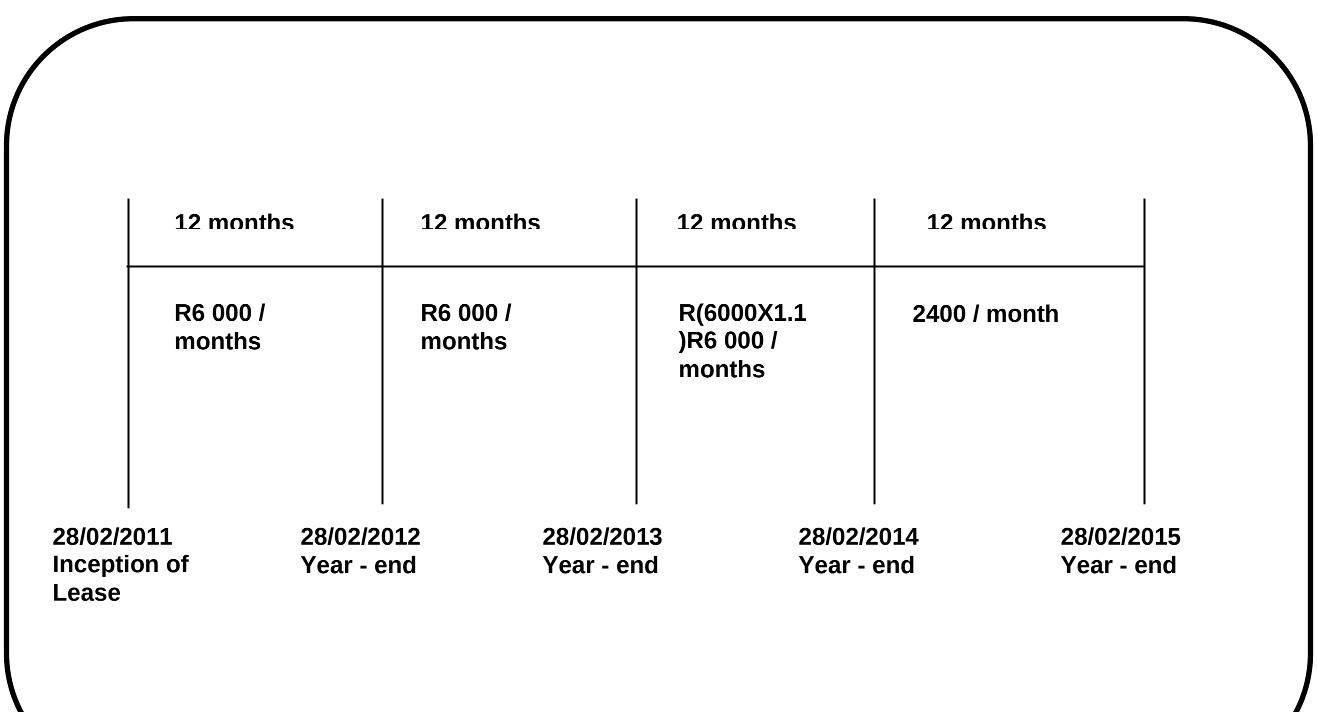
BLACK JACK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2014

	Ordinary Shares Capital	15% Cumulative Preference Shares	Returned Earnings	Revaluation Reserve	Mark - to Market Reserve
Balance – 1 April 2013	4800 000	1400 000[1]	702 000	-	800 000
Issue of 15% cumulative	-	-			
Preference Shares(24000 x 9)	-	216 000	-	-	-
Issue of ordinary Shares	200 000[2]	-	-	-	-
Share issue expenses written off	-		(20000)	-	-
Total Comprehensive Income	-	-	760 000[3]	340 000[4]	200 000[5]
Capitalization issue	640 000[6]	-	(640 000)[6]	-	-
Ordinary dividend (c7)	-	-	(211 200)7	-	-
Preference dividend (8)	-	-	(438900)	-	-
Balance – 31 March 2014	7440 000	1616 000	169900	340 000	1000 000

Assumptions

1. Assumed that the mark – to market reserve for the year (200 000) had not been included in the total comprehensive income on the question paper since the investments had not been revalued upwards by the amount.
2. Revalued buildings will be deprecated at 10% per annum as was the policy prior to revaluation.



		R
	Lease Payments: 1 – 24 months (6000x24)	144 000
	Next 12 months (6600 x12)	79 200
	Last 12 months (2400 x 12)	28 800
	Total lease payments	252 000
	Lease period	48 months
	Equalization of lease payments (252000 ÷ 48)	5250
c1	Deferred lease expenses – year ended 28 February 2012 and 2013	
		R
	Lease payments made (6000 x 12)	72 000
	Equalised lease payments (5250 x 12)	(63 000)
	Deferred lease expenses	**9000**
		R
C2	Deferred lease expenses – year ended 28 February 2014	79 200
	Lease payments (6600 x 12)	(63 000)
	Equalized lease payments (5250 x 12)	**16 200**
	Deferred lease expenses	
C3	Deferred lease expenses – year ended 28 February 2015	R
	Lease payments (2400 x 12)	28 800
	Equalized lease payments	(63 000)
	Deferred lease expenses	**(34200)**

CALCULATIONS

1. 200 000X7 =1400 000
2. 200 000 X 10 = 2 000 000
3. 850 000 – (10% X 900 000) = 760 000
4. 9 00 000 – (700 000 – 140 000) = 340 000
5. (14-12) X 100 000 = 200 000

6. (600 000 + 200 000) X 1/10 X 8 = 640 000
7. [(600 000 + 200000)+ (600 000+2000000) X 1/10] X 0.24 = 211200
8. (1 400 000 X 15% X 2) + (21600 X 15% X 7/12) = 438900

SOLUTION 4: LEASES

BIG – BEN LIMITED

GENERAL JOURNAL

	DR	CR
Year Ended 28 February 2012	**R**	**R**
Operating Lease expenses (6000 x 12)	72 000	
bank		72 000
Deferred lease expenses (c1)	9000	
Operating lease expenses		9000
Year ended 28 February 2013		
Operating lease expenses (6000x12)	72 000	
bank		72 000
Deferred lease expenses (c1)	9000	
Operating lease expenses		9000
Year Ended 28 February 2014	79 200	
Operating lease expenses (6600x12)		79 200
bank		
Deferred lease expenses (c2)	16 200	
Operating lease expenses		16 200

Year Ended 28 February 2015	28 800	
Operating lease expenses (2400 x 12)		28 800
Bank		
Operation lease expenses (c3)	34 200	
Deferred lease expenses		34 200