Details r 8 r 4

**QUESTION 7 (20 marks) (24 minutes)**

1 March 05 — 28 Feb 06

The following information appear, inter alia, in the books of Vision Limited on 28 February 2006:

| | R | |
|---|---|---|
| Land and buildings at valuation | 3 000 000 | + 1000 000 |
| Stated capital – ordinary shares → 1200 000 N.P.V | 1 500 000 | |
| 10% Cumulative preference shares – (200 000 × 1.50) | 300 000 | |
| 12% Non-cumulative preference shares 275 000 × 2 | 550 000 | |
| Share premium | 50 000 | |
| Share issue expenses | 25 000 | |
| Capital redemption reserve fund (1 March 2005) | 180 000 | |
| Surplus on revaluation of non-current assets (Reval surplus) BOY | 500 000 | + 1000 000 |
| Reserve for increased replacement cost of non-current assets | 250 000 | |
| 15% Long-term liability | 1 400 000 | |
| Retained earnings (1 March 2005) | 350 000 | |
| Profit for the year | 800 000 | |

**Additional Information**

dr: L+B 1000 000
cr: Reval surplus 1000 000

1. Land and buildings are situated on erf ZZ2, Durban, and consist of a factory building and an office block. The property was revalued at replacement value on 30 November 2005 for R4 000 000 by Mr Value, a sworn appraiser but no entry has as yet been passed in the books to record this.

2. Vision Limited was incorporated with an authorised share capital of:

   2 000 000 Ordinary no-par value shares
   500 000 10% Cumulative preference shares of R1,50 each
   300 000 12% Non-cumulative preference shares of R2 each
   300 000 14% Redeemable preference shares of R1 each

3. The issued share capital of Vision Limited consists of:

   1 200 000 Ordinary shares
   200 000 10% Cumulative preference shares issued at a premium during 2002
   275 000 12% Non-cumulative preference shares issued at par on 31 May 2003 } long ago

4. The following decisions were made by the directors on 28 February 2006 and must still be recorded in the following order

4.1 Capitalisation shares must be issued to the ordinary shareholders in the ratio of one ordinary share at R1,25 for every 6 ordinary shares held. This must be done in such a way as to have the minimum effect on distributable reserves.

4.2 Share issue expenses must be written off in such a way as to leave the maximum amount of distributable reserves.

4.3 The reserve for increased replacement cost of non-current assets must be increased to R340 000.

4.4 An ordinary dividend of 10c per share was declared. No dividends were declared by the company during the previous financial year.

5. The long-term liability was incurred in 2000 and the capital portion is repayable in 15 equal annual instalments starting 1 January 2006.

pref shares → have a preferential right to div ie!
get div 1st
if ord div decl, you MUST assume that
pref have been decl

**REQUIRED**

Prepare the statement of changes in equity of Vision Limited for the financial year ended 28 February 2006 according to the Companies Act, 1973 and Generally Accepted Accounting Practice. Show Calculations.

dr: RE
CR: Res

**Vision Ltd**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 28 FEBRUARY 2008**

| | Shared cap | 10 % Cum pref s/cap | 12 % Non Cum pref s/c | Share prem | CRRP | Surplus on Revaln of N.C.A | Res 4 inc repl of N.C.A | R.E | Total |
|---|---|---|---|---|---|---|---|---|---|
| Balance – 1 March 2005 | 1500 000 | 300 000 | 550 000 | 50 000 | 180 000 | 500 000 | 250 000 | 350 000 | |
| Total comprehensive income for the year | | | | | | 1000 000 | | 800 000 | |
| Capitalisation issue | 250 000 | | | (50 000) | (180 000) | | | (20 000) | |
| Share issue expenses written off<br>Transfer to reserve | (25 000) | | | | | | 90 000 | (90 000) | |
| Dividend paid (2)<br>- ordinary | | | | | | | | (140 000) | |
| - Cumulative preference Dividend | | | | | | | | (60 000) | |
| - Non cumulative preference Dividend | | | | | | | | (66 000) | |
| Balance – 28 February 2006 | 1725 000 | 300 000 | 550 000 | — | — | 1500 000 | 340 000 | 774 000 | |

Workings

1.) St s/cap

| | Number | R |
|---|---|---|
| Bal | 1200 000 | 1500 000 |
| Cap Iss | 200 000 | 250 000 |
| | 1400 000 | |

Cap Iss:
$\frac{1200\,000}{6} \times 1 = 200\,000$ shares
$\times 1.25$
$=$ R 250 000

dr: CRRP 180 000
S/P 50 000
RE 20 000
CR: St S/Cap 250 000

2) Div

ord div: 1400 000 shares × 10c = 140 000

Cum pref div: R 300 000 × 10 % × 2 yrs = 60 000

Non-Cum pref div: R 550 000 × 12 % = 66 000