

QUESTION 1

FIND ME LTD

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

	R
Revenue	5 210 000
Cost Of Sales (55%)	<u>(2 865 000)</u>
Gross Profit (45%)	2 344 500
Other Operating Income (25 000 + 24 000(C4)+86 000)	135 000
Administrative Expenses	(1 312 000)
Distribution Costs	(218 000)
Other Operating Expenses (390 000 – 13 500 – 15 750)	(360 750)
Finance Costs (13 500+15 750) C2	<u>(29 250)</u>
Profit Before Tax	559 500
Income Tax	<u>(161 000)</u>
Profit for the year	398 500
Other Comprehensive Income	
Mark-to-Market Adjustment ([R11 x 10 000] – 80 000)	30 000
Revaluation Adjustment (950k-750k)	<u>200 000</u>
Total Comprehensive Income	<u><u>628 500</u></u>

2. 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 into account, amongst others:

Income	
Revenue:	
Total Sales (5 472 000 + 570 000 x 30% + 114 000 x 60%) x 100/114	5 010 000
Subscription Fees (285 000 x 12/15 x 100/114)	200 000
Income From Subsidiaries:	
- Dividends	33 000
- Interest	16 000
Income From Listed investments	
- Dividends	37 000
Fair Value adjustments on Financial Assets (50 000 x 0.50)	25 000
Profit on Sale of Equipment (C4)	24 000
Expenses	
Salaries and Wages	1 000 000
Directors' Remuneration	
Executive Directors	
- Emoluments	637 000
- Pensions	75 000
- Less: Paid by Subsidiaries	<u>(170 000)</u>
Total Paid by the company	542 000

Non – Executive Directors	
- Emoluments	178 000
- Pensions	36 000
- Less: Paid by the subsidiary	-
Total Paid by the company	214 000
Depreciation (25 000 (C3) + 12 000(C4) + 25 500 (C4))	62 500
Auditors' Remunerations	
- Audit Fees	140 000
- Expenses	50 000

Calculations

1. Directors' Remuneration

Executive	Non-Executive
Mr Adam = 220 000 + 21 000 + 8 000 + 170 000*	Mr Bruce = 170 000 + 8000
Mr Dave = 210 000 + 8000	
Pensions = 75 000	Pensions = 36 000
Total Emoluments = 637 000	Total Emoluments = 178 000
*Paid by Subs = 170 000	

2. Finance Costs

8 Instalments

2 Paid

6 Left

Therefore: $180\,000 / 6 = 30\,000$ equal payments

Interest after payment: $180\,000 \times 15\% \times 6/12 = 13\,500$ (31 Aug 2012 – 28 Feb 2013)

Interest before payment: $(180\,000 + 30\,000) \times 15\% \times 6/12 = 15\,750$ (1 Mar – 31 Aug 2012)

3. Motor Vehicles

CA 28 Feb 2013 = 75 000

20% p.a. therefore Useful life = 5 years

At 28 Feb 2013 vehicles are 2 years old.

Therefore the remaining useful life is 3 years

Depreciation is straight line, therefore equal every year:

$75\,000 / 3\text{yrs} = 25\,000$ depreciation.

4. Equipment

Asset Sold = $80\,000 \times 20\% \times 9/12 = 12\,000$ depreciation

CA = $80\,000 - 12\,000 = 68\,000$

Profit = Proceeds – CA

= $92\,000 - 68\,000$

= 24 000 profit.

Other equipment:

Cost = 260 000

Acc Depr = (90 000)

CA = 170 000

Less Asset sold (68 000)

Remaining Equipment 102 000

CA (Y/E) = CA (B.O.Y) x (100%-depr Rate)

$102\,000 = \text{CA (B.O.Y)} \times 80\%$

CA (B.O.Y) = $102\,000 / 80\%$

CA (B.O.Y) = 127 500

Therefore Depreciation = $127\,500 - 102\,000 = 25\,500$

QUESTION 2

JOKER LTD

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

Assets	R
Non-current Assets	
Property Plant and Equipment	4 324 875
Investment in Subsidiary	45 000
Current Assets	
Inventory	723 000
Trade and Other Receivables	358 000
Total Assets	5 450 875

b) Notes to the Financial Statements of Joker Ltd 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	900 000	-	2 040 000	470 000
- Accumulated Depreciation	-	-	(340 000)	(170 000)
Additions	-	1 650 000	-	75 000
Disposals	-	-	-	(31 250)
Revaluations	200 000	-	-	-
Depreciation	-	(182 000)	(170 000)	(116 875)
Depreciation Capitalised	-	170 000	(170 000)	(116 875)
Carrying Amount 30 June 2012	1 100 000	1 638 000	1 360 000	226 875
- Cost	1 100 000	1 820 000	2 040 000	455 000
- Accumulated Depreciation	-	(182 000)	(680 000)	(228 125)

Buildings consist of a factory building and are situated on Erf 342, Mbombela.

Calculations:

1. Machinery

$$CA = 1\,700\,000 \text{ (1 Jul 2011 – B.o.Y)}$$

$$1\,700\,000 \times 20\% = 340\,000$$

$$6 \text{ months Capitalised} = 340\,000 \times 6/12 = 170\,000$$

$$\text{Cost} = 1\,900\,000 + 140\,000 = 2\,040\,000$$

$$\text{Accumulated Depreciation B.o.Y} = 2\,040\,000 - 1\,700\,000 = 340\,000$$

2. Buildings

$$\text{Additions} = 675\,000 + 975\,000 = 1\,650\,000$$

$$\text{Depreciation Capitalised} = 170\,000 \text{ (C1)}$$

$$\text{Total Cost} = 1\,820\,000$$

$$\text{Depreciation} = 1\,820\,000 \times 2\% \times 6/12 = 182\,000$$

3. Land

$$\text{Reval} = \text{NRV} - \text{CA} = 1\,100\,000 - 900\,000 = 200\,000$$

4. Furniture and Equipment

$$\text{Furniture Sold} = 90\,000 \times 25\% \times 10/12 = 18\,750 \text{ depreciation}$$

$$\text{CA} = 90\,000 - 40\,000 - 18\,750 = 31\,250$$

$$\text{New Asset} = 75\,000 \times 25\% \times 2/12 = 3\,125$$

Old Assets (not sold):

$$\text{CA (BoY)} = 300\,000$$

$$\text{AD (BoY)} = (170\,000)$$

$$\text{Cost} = 470\,000, \text{ Less asset sold (90\,000)} = 380\,000 \text{ unsold assets}$$

$$380\,000 \times 25\% = 95\,000 \text{ depreciation}$$

$$\text{Total Depreciation} = 95\,000 + 3\,125 + 18\,750 = 116\,875$$

$$\text{Closing Cost} = 380\,000 \text{ (unsold)} + 75\,000 \text{ (new)} = 455\,000$$

5. Total PPE = 1 100 000 + 1 638 000 + 1 360 000 + 226 875 = 4 324 875

6. Inventory:

$$\text{Raw Materials} = 180\,000$$

$$\text{Finished Goods} = 368\,000 \text{ (400\,000} \times 92\%)$$

$$\text{Work in Progress} = 175\,000$$

$$\text{Total} = 723\,000$$

7. Trade Receivables:

$$\text{Receivables} = 411\,000$$

$$\text{Cred Losses} = (53\,000)$$

$$\text{Total} = 358\,000$$

QUESTION 3

BULLS-EYE LTD

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

	Ordinary Share Capital	10% Cumulative Preference Share Capital	12% Non-Cumulative Preference Share Capital	Revaluation Reserve	Mark-to-Market Reserve	Retained Earnings
Balance 1 Jan 2012	950 000	180 000	237 500	320 000	17 000	510 000
Changes in Equity						
Total Comprehensive Income						
Profit for the year						836 250
Other Comprehensive Income				300 000	13 000	
Ordinary shares issued	150 000					
Non-cumulative preference shares issued			87 500			
Capitalisation issue	165 000					(165 000)
Dividends						
- Ordinary (C6)						(181 500)
- Preference (C7)						(67 750)
Preliminary expenses written off						(17 500)
Balance 31 December 2012	1 265 000	180 000	325 000	620 000	30 000	914 500

Calculations:

1. Revaluation: $R1\ 800\ 000 - 1\ 500\ 000 = 300\ 000$
2. Non-cumulative pref share issue = $35\ 000 \times 2.50 = 87\ 500$ (1 Jul)
3. Finance Cost: $575\ 000 \times 10\% \times 6/12 = 28\ 750$
4. Mark to market adjustment = 13 000
5. Capitalisation issue:

	No. Of Shares	R value
Old Shares	950 000	950 000
New issue	150 000	150 000
Before Cap Issue	1 100 000	1 100 000
Cap Issue:		
1 100 000 x 1/10	110 000	
X R1.50		165 000
Total After Cap issue	1 210 000	1 265 000

6. Ordinary Dividend = $1\ 210\ 000$ (c5) $\times 15c = R181\ 500$
7. Preference Dividends:
 - Cumulative: $180\ 000 \times 10\% \times 2$ years = 36 000
 - Non-cumulative:
 - New shares = $87\ 500 \times 12\% \times 6/12 = 5\ 250$
 - Old Shares = $(325\ 000 - 87\ 500) \times 12\% = 28\ 500$
 - Total Preference dividends = $36\ 000 + 5\ 250 + 28\ 500 = 69\ 750$

8. Profit for the year:

Gross Profit	1 500 000
Admin expenses	(320 000)
Distribution expenses	(15 000)
Other Operating expenses	(30 000)
Other income	40 000
Finance Cost (c3)	(28 750)
Tax Expense	(310 000)
Net profit	836 250

QUESTION 4:

Operating Lease: Calculations:

$$12 \times 8\,750 = 105\,000$$

$$12 \times 6\,250 = \underline{75\,000}$$

$$180\,000$$

$$\text{Average} = 180\,000 / 24 \text{ months} = 7\,500 \text{ p.m. per machine}$$

Journals

28 Feb 2013

Dr Operating Lease expense (P/L)	135 000	
(7 500 x 2 x 9months)		
Cr Bank (SFP)		157 500
(8 750 x 2 x 9months)		
Dr Operating Lease prepayment	22 500	

28 Feb 2014

Dr Operating Lease expense (P/L)	180 000	
(7 500 x 2 x 12months)		
Cr Bank (SFP)		165 000
(8 750 x 2 x 3months + 6 250 x 2 x 9)		
Cr Operating Lease prepayment		15 000

28 Feb 2015

Dr Operating Lease expense (P/L)	45 000	
(7 500 x 2 x 3months)		
Cr Bank (SFP)		37 500
(6 250 x 2 x 3months)		
Cr Operating Lease prepayment		7 500