



**Western Cape  
Government**

Education

**Directorate: Curriculum FET**

---

# **TELEMATICS 2018**

## **ACCOUNTING Grade 12**

Dear Grade 12 Accounting learner

Welcome to the Telematics project. This programme will support your revision and study programme in preparation for your final Grade 12 Accounting examination. This is an opportunity for you to consolidate what you have been taught in class. Please make use of this opportunity by attending each session. The presenters will not necessarily address all the content areas – they will however focus on important aspects within the different topics in order to improve your understanding thereof.

**In order to succeed in Accounting, you need to take heed of the following:**

- Start working from day one
- Pay careful attention in class to ensure that you understand
- Complete Accounting homework/exercises daily. PRACTICE...PRACTICE...PRACTICE
- Work neatly and accurately
- Show calculations in brackets
- Read instructions to questions/activities carefully to ensure you know what is being asked
- Complete tasks, assessment activities and tests diligently as if preparing for your final examination
- Use past examination papers and tests for revision
- Refine your examination preparation: when you revise, choose questions that will extend you in your weaker areas. Use the time allocations provided in the question to judge whether you are completing the question in the time available.

All the best with your Grade 12 school year. Focus on your final goal - to pass Accounting!

Mrs. Elmaree Eksteen

Senior Curriculum Planner: Accounting

**ACCOUNTING TIME TABLE – GRADE 12 2018**

<b>Date</b>	<b>Topic</b>	<b><i>This lesson will deal with:</i></b>
Monday 12 February 15:00 – 16:00	<b>Companies</b>	<ul style="list-style-type: none"> <li>▪ Transactions unique to companies in the General Ledger:               <ul style="list-style-type: none"> <li>○ Issue of shares</li> <li>○ Buy-back of shares</li> <li>○ Provisional tax payments</li> <li>○ Interim and final dividends</li> </ul> </li> <li>▪ Preparation of final accounts</li> </ul>
Monday 19 February 16:00 – 17:00	<b>Companies</b>	<ul style="list-style-type: none"> <li>▪ Preparation of Income Statement</li> <li>▪ Preparation of Balance Sheet and notes</li> </ul>
Tuesday 6 March 16:00 – 17:00	<b>Companies</b>	<ul style="list-style-type: none"> <li>▪ The purpose of preparing a Cash Flow Statement</li> <li>▪ Where to find the information in order to prepare a Cash Flow Statement</li> <li>▪ The three types of activities reflected in a Cash Flow Statement</li> <li>▪ How to prepare sections of a Cash Flow Statement</li> <li>▪ How to use the information in a Cash Flow Statement</li> </ul>

**TELEMATICS TEACHING 2018****OVERVIEW OF COMPANIES**

		<b>You must be able to:</b>	<b>Important things to remember:</b>
A	Transactions unique to companies <ul style="list-style-type: none"> <li>▪ Issuing of shares at issue price</li> <li>▪ Buying back of shares</li> <li>▪ Income tax</li> <li>▪ Dividends</li> <li>▪ Directors fees</li> <li>▪ Audit fees</li> </ul>	<ul style="list-style-type: none"> <li>▪ Record transactions in the journals</li> <li>▪ Prepare general ledger accounts</li> <li>▪ Use the information when preparing the financial statements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Know the difference between authorised and issued share capital</li> <li>▪ Know how to calculate <b>average</b> share price</li> </ul>
	Other transactions <ul style="list-style-type: none"> <li>▪ Purchase of fixed assets</li> <li>▪ Disposal of fixed assets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Calculate and record depreciation</li> <li>▪ Prepare Asset disposal account</li> <li>▪ Prepare Fixed asset note</li> <li>▪ Record appropriately in Cash Flow Statement</li> </ul>	<ul style="list-style-type: none"> <li>▪ Know format of Fixed asset note</li> <li>▪ Know Asset disposal account</li> </ul>
B	Preparation of final accounts and financial statements <ul style="list-style-type: none"> <li>▪ Appropriation account</li> <li>▪ Income Statement</li> <li>▪ Balance Sheet with notes</li> <li>▪ Cash Flow Statement</li> </ul>	Preparation of a/an: <ul style="list-style-type: none"> <li>▪ Appropriation account</li> <li>▪ Income Statement with adjustments</li> <li>▪ Balance Sheet</li> <li>▪ Notes to the Balance Sheet (fixed assets, trade and other receivables, ordinary share capital, retained income, trade and other payables)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Know the <b>formats</b></li> <li>▪ Show all your <b>workings</b></li> </ul>
C	Analysis and interpretation of financial statements	<ul style="list-style-type: none"> <li>▪ Calculate financial indicators</li> <li>▪ Analyse and interpret financial indicators <ul style="list-style-type: none"> <li>○ Compare financial indicators over two years</li> <li>○ Compare financial indicators of two companies.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Understand which financial indicators are used when interpreting which aspect</li> <li>▪ When interpreting financial indicators remember to mention the financial indicator, quote the actual figures / percentages/ ratios for both years / both companies (depending on the question); and to give an explanation.</li> </ul>
D	Audit reports	<ul style="list-style-type: none"> <li>▪ Analyse audit reports</li> </ul>	<ul style="list-style-type: none"> <li>▪ Understand the different audit reports (unqualified, qualified, disclaimer)</li> <li>▪ Understand the difference between an internal auditor and an independent auditor</li> </ul>

**ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS**

<b>Questions asked by users of financial statements</b>		<b>Category</b>	<b>Financial indicators</b>	<b>How to calculate</b>
<b>1</b>	Is the company efficient in its normal operating activities?	Profitability	Mark-up % OR % Gross profit on cost of sales	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
			% Gross profit on sales	
			% Operating expenses on sales	
			% Operating profit on sales	
			% Net profit after tax on sales	
<b>2</b>	Can the company pay off all its debts comfortably?	Solvency	Solvency ratio	
<b>3</b>	Can the company pay of its short term/ immediate debts comfortably?	Liquidity	Current ratio	
			Acid test ratio	
			Stock turnover rate	
			Stock holding period	
			Debtors' average collection period	
			Creditors' average payment period	
<b>4</b>	Are the shareholders earning a fair amount in relation to their investment?	Return	% Return on shareholders' equity (ROSHE)	
			Earnings per share (EPS)	
			Dividends per share (DPS)	
			Net asset value per share (NAV)	
<b>5</b>	To what extent is the company financed by loans in comparison to own capital?	Financial risk/ gearing	Debt-equity ratio	
			% Return on total capital employed (ROTSHE)	

**ACTIVITY 1      Company ledger accounts, Notes to financial statements****CONCEPTS**

- 1.1 Give ONE concept for each statement below by choosing a concept from the list below. Write only the the concept next to the question number (1.1.1 - 1.1.6) in the ANSWER BOOK.

operating profit; prepaid expense; working capital; issued share capital;  
financial asset; directors' report; cash and cash equivalents; accrued expense;  
authorised share capital; audit report

- 1.1.1 The total difference between current assets and current liabilities.
- 1.1.2 The published explanation of a company's activities and future plans.
- 1.1.3 A fixed deposit which will not mature in the next financial year.
- 1.1.4 The telephone account that will only be paid in the next financial year.
- 1.1.5 It reflects the opinion on the reliability of the financial statements.
- 1.1.6 The total number of shares that is registered in the Memorandum of Incorporation.

**LEDGER ACCOUNTS; NOTES TO BALANCE SHEET**

The information below relates to Echo Stores Ltd for the year ended 28 February 2017.

The company was registered with an authorised share capital of 1 000 000 shares. 600 000 of these shares were in issue on 1 March 2016, the beginning of the current financial year.

**REQUIRED:**

- 1.2 Prepare the following accounts in the General Ledger:

- Ordinary share capital
- Retained income
- SARS (income tax)
- Ordinary share dividends
- Appropriation account

Close of all these accounts correctly at the end of the year.

- 1.3 Prepare the following notes to the financial statements on 28 February 2017:

- Ordinary share capital
- Retained income

**INFORMATION:**

A. Balances in the ledger on:

	<b>28 February 2017</b>	<b>28 February 2016</b>
	<b>R</b>	<b>R</b>
Ordinary share capital	?	2 100 000
Retained income	?	737 100
SARS (income tax)	5 000 (dr)	8 500 (cr)

B. **Income tax**

- On 5 March 2016 the amount due to SARS was paid by cheque.
- Provisional income tax was paid to SARS for the year in two equal instalments on 1 September 2016 and 24 February 2017 respectively.
- Income tax for the financial year amounted to 30% of the net profit before tax.

C. **Shares**

- On 31 August 2016 all the unissued shares were issued at 500 cents per share.
- On 30 November 2016 the directors repurchased 120 000 shares at 620 cents per share from a retired shareholder. This shareholder originally purchased his shares on the JSE at various times and at different prices over the past years.

D. **Dividends**

- On 31 August 2016 interim dividends of 25 cents per share were paid to shareholders. The new shares do not qualify for the interim dividends. (see C above)
- A final dividend of 42 cents per share was declared on 28 February 2017. Only shareholders on record will receive final dividends.

E. The company made a net profit before tax of R1 475 000 for the financial year.

**ACTIVITY 2 Company transactions**

The SARS (income tax) account of Springs Ltd was drawn up for the financial year ended 28 February 2016.

**REQUIRED:**

- 2.1 Supply a reason for the debit entry on 25 March 2015.
- 2.2 Give a possible transaction for the debit entry on 31 August 2015.
- 2.3 What was the total income tax expense of Springs Ltd for the current financial year?
- 2.4 Calculate the balance of the SARS (income tax) account on 28 February 2016. Show your workings.
- 2.5 Refer to the balance calculated in Question 2.4 above. Indicate whether this balance is a current asset or a current liability. Supply a reason for your choice.
- 2.6 Show the effect on the accounting equation of the transactions on 28 February 2016 for R55 000 and R75 500. Complete the table in the answer book. (Accept the bank balance as positive.)

**INFORMATION:**

GENERAL LEDGER OF SPRINGS LTD BALANCE SHEET SECTION							
Dr				SARS (Income Tax)			
				Cr			
2015 March	25	Bank	12 000	2015 March	1	Balance	12 000
2015 Aug	31	Bank	30 000	2016 Feb	28	Income Tax	75 500
2016 Feb	27	Bank	55 000				

The purpose of preparing an Income Statement	
The purpose of preparing a Balance Sheet	



Figure 1  
Scan this QR code for  
the formats of  
financial statements

### **ACTIVITY 3 Company Income Statement**

You are provided with information relating to Alex Ltd. The company sells clothes and renders tailor and sewing services to customers. Their financial year ends on 30 June each year.

#### **REQUIRED:**

##### **3.1 Refer to Information B:**

Calculate the following with regards to the vehicle sold:

- 3.1.1 Cost
- 3.1.2 Accumulated depreciation
- 3.1.3 Carrying value

3.2 Prepare the Income Statement (Statement of Comprehensive Income) for the year ended on 30 June 2017.

3.3 Prepare the Fixed /Tangible assets note to the financial statements on 30 June 2017.

#### **INFORMATION:**

##### **A. Extract from the Pre-Adjustment Trial Balance on 30 June 2017**

<b>Balance sheet accounts section</b>	<b>R</b>
Land and Buildings	10 200 000
Vehicles	810 000
Accumulated depreciation on vehicles	?
Mortgage loan: Kay Bank	652 000
Trading stock	325 000
<b>Nominal accounts section</b>	
Sales	2 892 200
Cost of sales	1 492 200
Debtors' allowances	52 000
Fee income (tailor and sewing fees)	145 400
Interest income	3 500
Rent income	172 500
Salaries and wages	288 050
Audit fees	50 000
Directors' fees	375 000
Consumable stores	104 700
Bank charges	6 720
Profit on sale of asset	?



**B. Adjustments and additional information:****1. Fixed/Tangible Assets**

Balances on 1 July 2016:

Land and Buildings	11 000 000
Vehicles	900 000
Accumulated depreciation on vehicles	387 600

- A vehicle, bought on 1 July 2015, was sold for cash at a profit of R5 000 on 31 December 2016.
  - A new vehicle was bought for R200 000 on 30 June 2017.
  - Depreciation on vehicles is written off at 20% p.a. on diminishing balance.
2. A credit note for R900 was issued on 28 June 2017 to debtor, B. Jones, for poor sewing services rendered to her. The transaction was not recorded.
  3. The tenant owes the rent for June 2017. Rent was increased by R1 500 per month on 1 January 2017.
  4. Audit fees of R23 000 was payable to the auditors after receiving their report.
  5. The physical stock count on 30 June 2017 showed the following on hand:
    - Trading stock, R315 000
    - Consumable stores, R4 000
  6. An employee who recently resigned, was erroneously included in the Salaries Journal for June 2017. Details of her pay-slip were:

Net salary	18 375
Deductions: PAYE	4 500
Pension	1 875
UIF	250

The company contributes as follows:

- Pension Fund: 10% of gross salary
- UIF: Rand-for-rand basis

**NOTE:** These contributions are debited to Salaries and Wages.

7. Details of the loan statement received from Kay Bank on 30 June 2017:

Balance on 1 July 2016	665 000
Payments made during the year	103 200
Balance on 30 June 2017	652 000

- The interest for the year must be capitalized.
  - A capital amount of R50 000 will be paid towards the loan in the next financial year.
8. Income tax for the year was calculated at 30% of the net profit before tax.

## **ACTIVITY 4 Fixed Assets, Balance Sheet**

The information below relates to Bayview Ltd. Their financial year ended on 28 February 2017.

### **REQUIRED:**

#### **4.1 Refer to Information B**

Calculate the missing amounts denoted by **(a)** to **(e)**.

#### **4.2 Complete the Balance Sheet (Statement of Financial Position) on 28 February 2017. Show workings in brackets.**

### **INFORMATION:**

#### **A Amounts extracted from the records on 28 February 2017:**

<b>Balance sheet accounts section</b>	<b>R</b>
Ordinary share capital	?
Retained income (28 February 2017)	420 000
Fixed assets (carrying value)	?
Loan from JB Bank	384 000
Trading stock	406 000
Consumables on hand	2 880
Net trade debtors	67 200
Fixed deposit: LZ Bank	?
Bank (favourable)	?
SARS (income tax) (provisional payments)	209 000
Creditors' control	219 000
<b>Nominal accounts section (pre-adjustment amounts)</b>	
Insurance	30 200
Rent income	108 450
Electricity	42 000

#### **B Fixed assets:**

	<b>LAND AND BUILDINGS</b>	<b>VEHICLES</b>	<b>EQUIPMENT</b>	<b>TOTAL</b>
Cost		350 000	460 000	
Accumulated depreciation		(315 000)		
Carrying value (1/3/2016)	<b>(a)</b>	35 000		
Movements:				
Additions	325 000	422 550	0	
Disposals		0	<b>(d)</b>	
Depreciation		<b>(b)</b>	(13 766)	
Carrying value (28/2/2017)	2 550 000	<b>(c)</b>	50 994	<b>(e)</b>
Cost			340 000	
Accumulated depreciation				

- Depreciation on vehicles is calculated at 20% p.a. on cost.
- The company has two vehicles on 28 February 2017. One of these vehicles was purchased on 1 September 2016.
- Extract from the fixed asset register in respect of equipment sold:

<b>Fridge (Model F2)</b>			
<b>Date purchased:</b>	1 March 2014		
<b>Date sold:</b>	31 December 2016	<b>Sold for:</b>	R81 250
<b>Depreciation rate:</b>	10% p.a. (diminishing-balance method)		
	<b>COST</b>	<b>DEPRECIATION</b>	<b>CARRYING VALUE</b>
28 February 2015	R120 000	R12 000	R108 000
29 February 2016		?	?
31 December 2016		?	?

- C. The electricity account for February 2017, R5 600, was still outstanding.
- D. The provision for bad debts must be increased by R270.
- E. An additional insurance policy was taken out on 1 November 2016. The annual premium of R10 200 was paid and recorded.
- F. The rent for February 2017 has not been received yet. The rent increased by 15% on 1 July 2016.
- G. Net profit after tax, R518 000, was calculated after all the adjustments above were taken into account. Income tax is 30% of the net profit.
- H. 75% of the authorised share capital of 900 000 shares was in issue. The directors declared a final dividend of 24 cents per share on 28 February 2017.
- I. Extract from the loan statement from JB Bank:

Balance on 1 March 2016	R476 000
Instalments (including interest)	R92 000
Interest capitalised	R48 000
Balance on 28 February 2017	?

**NOTE:**

- Interest has not been entered in the books.
  - R50 000 of the loan balance will be settled in the next financial year.
- J. The net asset value per share on 28 February 2017 was 600 cents.
- K. The current ratio was 2,1 : 1 on 28 February 2017.

<b>The purpose of preparing a Cash Flow Statement</b>	
<b>The three types of activities reflected in a Cash Flow Statement</b>	

### **ACTIVITY 5    Cash flow statement and analysis**

The information below relates to Woolly Limited, a company listed on the JSE. Their financial year ends 30 April each year.

#### **REQUIRED:**

- 5.1 Prepare the note for Cash generated from operations.
- 5.2 Complete the sections from the Cash Flow Statement for:
  - Cash effects of operating activities
  - Cash effects of financing activities
- 5.3 **Refer to Information D.**  
Calculate the financial indicators on 30 April 2017:
  - Debt-equity ratio
  - Return on average shareholders' equity
- 5.4 You are a shareholder in Woolly Ltd. Indicate whether you will be satisfied with the dividends, earnings and returns that you earned. Explain, quoting the relevant financial indicators (ratios / percentages, etc.) to support your answer.
- 5.5 Comment on the financial gearing of Woolly Ltd. Explain, quoting appropriate financial indicators (ratios / percentages, etc.) to support your answer.

#### **INFORMATION:**

##### **A.    Extract from the Income Statement on 30 April 2017:**

Interest expense (all interest due has been paid)	R104 000
Depreciation	R207 300
Income tax	R151 200
Net profit after tax	R388 800

**B. Extract from the Balance Sheet on 30 April:**

	<b>2017</b>	<b>2016</b>
Shareholders' equity	1 564 000	1 286 000
Investments	320 000	200 000
Inventories	575 000	650 000
Proceeds from sale of fixed assets	145 000	
Trade and other receivables	269 000	233 000
SARS (income tax) (Dr in both years)	7 300	11 600
Cash and cash equivalents	3 000	105 000
Proceeds of shares issued during the year	576 000	
Mortgage loan: KC Bank	900 000	800 000
Trade and other payables	372 000	404 000
Shareholders for dividends	273 000	224 000
Bank overdraft	142 000	

**C. Shares and dividends**

- 300 000 shares were repurchased on 28 February 2017 at 95 cents per share.
- Interim dividends were paid on 1 October 2016, R128 000.
- Final dividends were declared on 30 April 2017.

**D. Financial indicators for the past two years:**

	<b>2017</b>	<b>2016</b>
Debt-equity ratio	?	0,7 : 1
Net asset value per share	74,5 cents	79 cents
Earnings per share	19,9 cents	12,5 cents
Dividends per share	21 cents	12 cents
Return on shareholders' equity	?	19,6%
Return on total capital employed	24,5%	17,1%
Interest rate on loans	14%	14%

*Figure 2*

Scan this QR code for a  
short video on the analysis  
of financial statements

**ACTIVITY 6 Cash Flow statement**

The following information relates to Brave Ltd for the financial year ended 31 October 2017.

**REQUIRED:**

Complete the Cash Flow Statement for the year ended 31 October 2017. Some of the figures have already been entered in the ANSWER BOOK.

**INFORMATION:****A. Extract from the Income Statement for the year ended 31 October 2017:**

Depreciation	154 000
Interest on loan	336 000
Net profit before tax	1 938 600
Income tax	560 000
Net profit after tax	1 378 600

**B. Extract from the Balance Sheet on 31 October:**

	Average R	2017 R	2016 R
Fixed assets at carrying value		10 041 000	8 878 000
Fixed deposit: Grand Bank		760 000	1 000 000
Non-current liability: Loan from Eden Bank	2 625 000	2 450 000	2 800 000
Current assets		1 186 600	1 191 200
Current liabilities		1 236 000	1 359 200
Ordinary shareholders' equity	7 605 800	8 301 600	6 910 000
Retained income		1 021 600	960 000
Ordinary share capital		7 280 000	5 950 000

**C. Figures extracted from the Notes to the Balance Sheet on 31 October:**

	2017 R	2016 R
Shareholders for dividends	656 000	595 000
SARS (Income tax)	28 500 (dr)	41 750 (cr)
Debtors' control	527 000	816 200
Creditors' control	580 000	374 000
Bank	174 500 (dr)	348 450 (cr)
Petty cash	5 000	3 000
Trading stock	451 600	372 000

**D. Share capital**

- The authorised share capital of the company is 5 000 000 shares.
- 700 000 shares were in issue on 31 October 2016, the last day of the previous financial year.
- 120 000 new shares were issued on 1 November 2016, the beginning of the current financial year.
- 20 000 shares were repurchased on 31 October 2017 at R15,50 each. The average issue price of the shares on the date of repurchase was R9,10 per share. These shares qualify for final dividends.

**E. Dividends**

The directors paid an interim dividend of R533 000 on 28 May 2017.

**F. Fixed assets**

- Extensions to the building were undertaken at a cost of R1 360 000 during the financial year. No other fixed assets were purchased.
- Equipment was sold at carrying value during the financial year.

## **ACTIVITY 7     Cash flow statement and interpretation**

The information below relates to Fiso Ltd for the financial year ended 31 August 2017.

### **REQUIRED:**

- 7.1 Prepare the Ordinary share capital note to the Balance Sheet on 31 August 2017.
- 7.2 Complete the Cash Flow Statement by inserting only the details and figures indicated by the question marks (?).
- 7.3 Calculate the following financial indicators on 31 August 2017:
  - Percentage operating profit on sales
  - Debt-equity ratio
- 7.4 Calculate the dividends per share (DPS) of a shareholder who owned the same number of shares for the entire financial period.
- 7.5 Rashif, a new shareholder, bought 30 000 shares on 1 May 2017. He expected the company to distribute at least 80% of its earnings as it did in 2016.
  - Rashif is unhappy with the dividend pay-out policy for 2017. Provide a calculation to support his opinion.
  - Explain TWO points to support Fiso Ltd's decision regarding dividends for 2017.

### **INFORMATION:**

#### **A.     Information from the Income Statement for the financial year ended 31 August 2017.**

Sales	R8 652 000
Operating expenses	1 760 000
Depreciation	320 000
Operating profit	697 000
Income tax	187 770
Net profit after tax	438 130



**B. Information from the Balance Sheet on 31 August:**

	<b>2017</b> <b>R</b>	<b>2016</b> <b>R</b>
Fixed assets (carrying value)	6 177 000	4 975 000
Loan: Century Bank	985 000	450 000
Current assets	619 600	663 300
Current liabilities	490 000	614 300
Shareholders' equity	5 542 000	?
Ordinary share capital	5 292 000	?
Retained income	250 000	147 30
Cash and cash equivalents	23 400	2 500
Bank overdraft	-	65 100
Shareholders for dividends	168 000	120 000
SARS (income tax)	11 800 (cr)	2 400 (dr)

**C. Share capital and dividends**

- The authorised share capital comprises of 1 200 000 ordinary shares.
- 900 000 ordinary shares were in issue on 1 September 2016.
- The company issued 150 000 ordinary shares at R6,30 per share on 1 May 2017.
- 70 000 ordinary shares were repurchased from shareholders on 30 August 2017. A cheque for R437 500 was issued for these shares. These shareholders qualify for final dividends.
- Interim dividends of R108 000 was paid on 1 February 2017.
- A final dividend was declared on 30 August 2017.

**D. Fixed assets**

Transactions during the current financial year:

- Old equipment was sold for cash at the carrying value of R324 000.
- Additional equipment and delivery vehicles were purchased.

**E. Some financial indicators on 31 August 2017**

	<b>2017</b>	<b>2016</b>
Debt-equity ratio	?	0,1 : 1
Earnings per share	45 cents	50 cents
Dividends per share	?	41 cents
Dividend pay-out rate	?	82%



**Western Cape  
Government**

Education

**Directorate: Curriculum FET**

---

**TELEMATICS 2018**

**WORKBOOK**

**ACCOUNTING**  
**Grade 12**

**ACTIVITY 1****1.1 CONCEPTS**

<b>1.1.1</b>	
<b>1.1.2</b>	
<b>1.1.3</b>	
<b>1.1.4</b>	
<b>1.1.5</b>	
<b>1.1.6</b>	

**1.2****GENERAL LEDGER OF ECHO STORES LTD****ORDINARY SHARE CAPITAL**


**RETAINED INCOME**


SARS (INCOME TAX)


ORDINARY SHARE DIVIDENDS


APPROPRIATION ACCOUNT

2017 Feb	28			2017 Feb	28		

**1.3 NOTES TO THE FINANCIAL STATEMENTS ON 28 FEBRUARY 2017****ORDINARY SHARE CAPITAL****AUTHORISED**

--

**ISSUED**


**RETAINED INCOME**

<b>Balance at the beginning of the year</b>	<b>737 100</b>
<b>Balance at the end of the year</b>	

**ACTIVITY 2**

2.1 Supply a reason for the debit entry on 25 March 2015.

2.2 Give a possible transaction for the debit entry on 31 August 2015.

2.3 What was the total income tax expense of Springs Ltd for the current financial year?

2.4 Calculate the balance of SARS (income tax) on 28 February 2016. Show your workings.

2.5 Refer to the balance calculated in Question 2.4 above. Indicate whether this amount is a Current Asset or a Current Liability. Supply a reason.

CHOICE:

REASON:

2.6	Account debited	Account credited	Amount	Assets	Owners' equity	Liabilities

**ACTIVITY 3****3.1 Calculate the following with regards to the vehicle sold:**

<b>3.1.1</b>	<b>Cost</b>	
<b>3.1.2</b>	<b>Accumulated depreciation</b>	
<b>3.1.3</b>	<b>Carrying value</b>	

**3.2 INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**

R

<b>Cost of sales</b>	<b>(1 492 200)</b>
<b>Other operating income</b>	
<b>Fee Income</b>	
<b>Gross operating income</b>	
<b>Operating expenses</b>	
<b>Salaries and wages</b>	
<b>Audit fees</b>	
<b>Operating profit</b>	<b>781 500</b>
<b>Net profit after tax</b>	



## 3.3

<b>FIXED / TANGIBLE ASSETS</b>	<b>LAND AND BUILDING</b>	<b>VEHICLES</b>
<b>CARRYING VALUE (beginning of year)</b>	<b>11 000 000</b>	
<b>Cost</b>	<b>11 000 000</b>	<b>900 000</b>
<b>Accumulated Depreciation</b>	<b>0</b>	<b>(387 600)</b>
<b>Movements:</b>		
<b>CARRYING VALUE (end of year)</b>	<b>10 200 000</b>	
<b>Cost</b>	<b>10 200 000</b>	<b>810 000</b>
<b>Accumulated Depreciation</b>	<b>0</b>	

**ACTIVITY 4****4.1 Calculate the following:**

(a) Carrying value of Land and Buildings on 1 March 2016.

(b) Total depreciation on vehicles on 28 February 2017.

(c) Carrying value of Vehicles on 28 February 2017.

(d) Carrying value of Equipment sold on 31 December 2016.

(e) Total carrying value of fixed assets on 28 February 2017.

**4.2 BAYVIEW LTD  
BALANCE SHEET ON 28 FEBRUARY 2017**

<b>ASSETS</b>	
<b>NON-CURRENT ASSETS</b>	
Fixed/Tangible Assets	
<b>CURRENT ASSETS</b>	
Inventory	
<b>TOTAL ASSETS</b>	
<b>EQUITY AND LIABILITIES</b>	
<b>SHAREHOLDERS' EQUITY</b>	
Ordinary share capital	
Retained income	420 000
<b>NON-CURRENT LIABILITIES</b>	
Loan: JB Bank	
<b>CURRENT LIABILITIES</b>	
Trade and other payables	
<b>TOTAL EQUITY AND LIABILITIES</b>	

**ACTIVITY 5****5.1 CASH GENERATED FROM OPERATIONS**

Net profit before income tax	
Depreciation	207 300
Interest Expense	104 000
Operating profit before changes in working capital	
Cash effects of changes in working capital	
Cash generated from operations	

**5.2 WOOLLY LTD****EXTRACT FROM CASH FLOW STATEMENT FOR YEAR ENDED 30 APRIL 2017**

<b>CASH EFFECTS FROM OPERATING ACTIVITIES</b>	<b>255 400</b>
Cash generated from operations	

<b>CASH EFFECTS FROM FINANCING ACTIVITIES</b>	<b>391 000</b>

**5.3.1 Calculate the debt / equity ratio on 30 April 2017.**

5.3.2

**Calculate the return on average shareholders' equity on 30 April 2017.**

5.4

**You are a shareholder in Woolly Ltd. Indicate whether you will be satisfied with the dividends, earnings and returns that you earned. Explain, quoting the relevant financial indicators (ratios / percentages, etc.) to support your answer.**

**Opinion:**

**Dividends:**

**Earnings:**

**Returns:**

5.5

**Comment on the financial gearing of Woolly Ltd. Explain, quoting appropriate financial indicators (ratios / percentages, etc.) to support your answer.**

**ACTIVITY 6****CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2017**

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Cash generated from operations	<b>2 844 200</b>
Interest paid	<b>(336 000)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Purchases of fixed assets	<b>(1 360 000)</b>
Change in investments	<b>240 000</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>179 500</b>

**ACTIVITY 7****7.1 ORDINARY SHARE CAPITAL****AUTHORISED**

--

**ISSUED**

	ordinary shares in issue on 31 August 2017	5 292 000

**7.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2017**

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Cash generated from operations	
Interest paid	
Dividends paid	
Income tax paid	?
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Purchases of fixed assets	?
?	?
Change in investments	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
?	?
?	?
Change in long term loans/non-current liabilities	
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	?
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	?
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	?

7.3.1

**Calculate the percentage operating profit on sales.**

7.3.2

**Calculate the debt-equity ratio.**

7.4

**Calculate the dividends per share (DPS) of a shareholder who owned the same number of shares for the entire financial period.**

7.5

**Rashif is unhappy with the dividend pay-out policy for 2017. Provide a calculation to support his opinion.**

**Explain TWO points to support Fiso Ltd's decision regarding dividends for 2017.**