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| **GRADE 11 TEST ON ADJUSTMENTS** |
|  | **FOR MORE TESTS AND TASKS REFER TO THE GRADE 11 STUDY GUIDE** |  |

# FINANCIAL STATEMENTS (80 marks; 48 minutes)

You are provided with information relating to BB Spaza, which is owned by Mrs Buthalezi.

# Required:

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| --- | --- | --- |
| 1. | Prepare the Income Statement for the year ended 28 February 20.8. | (35) |
| 2. | Prepare the following notes to the Financial Statements: |  |
|  | 2.1 Fixed assets | (19) |
|  | 2.2 Trade and other receivables | (13) |
|  | 2.3 Trade and other payables | (13) |

**TRIAL BALANCE OF BB SPAZA AS AT 28 FEBRUARY 20.8**

|  |  |  |
| --- | --- | --- |
| **Balance Sheet accounts section** | **Debit** | **Credit** |
| Capital (220000 |  | 220 000 |
| Drawings (35500 | 35 500 |  |
| Loan XB Lenders (37400 |  | 37 400 |
| Bank overdraft 36240 |  | 36 240 |
| Fixed deposit: Absa (6.5 % p.a.) (18000 | 18 000 |  |
| Fixed deposit: Nedbank (5% p.a.) (15000 | 15 000 |  |
| Cash float (900 | 900 |  |
| Land and buildings (146500 | 146 500 |  |
| Trading stock (92500 | 92 500 |  |
| Debtors control (73500 | 73 500 |  |
| Creditors control (45000 |  | 45 000 |
| SARS (PAYE) (460 |  | 460 |
| Provision for bad debts (3300 |  | 3 300 |
| Equipment (100000 | 100 000 |  |
| Accumulated depreciation on equipment (35000 |  | 35 000 |
| Creditors for salaries and wages (4100 |  | 4 100 |
| **Nominal accounts section** |  | 969 000 |
| Sales (969000 |
| Cost of sales(680000 | 680 000 |  |
| Pension contributions (5300 | 5 300 |  |
| Bank charges(3700 | 3 700 |  |
| Stationery(6500 | 6 500 |  |
| Salaries and wages(164500 | 164 500 |  |
| Rent income(18000 |  | 18 000 |
| Advertising(4500 | 4 500 |  |
| Bad debts(1600 | 1 600 |  |
| Sundry expenses(26200 | 26 200 |  |
| Interest on fixed deposit (Nedbank)(875 |  | 875 |
| Commission income(4825 |  | 4 825 |
|  | **1 374 200** | **1 374 200** |

**Adjustments and other information:**

1. Ms Buthelezi took trading stock for personal use. The price tag on the goods reflected R2 250. The mark- up is 50% on cost. As yet no entry has been made in respect of this.
2. On 28 February 20.8 inventories were counted and the following were valued at cost: Merchandise R90 000; Stationery R750. Make the necessary adjustments.
3. In December 20.7 an amount of R28 200 was paid to Woza CC to extend the building (R26 000) and to repair the roof (R2 200). The entire amount was debited to Land and buildings in error.
4. A new filing cabinet for the office costing R4 000 was purchased on 1 December 20.7 and was in error debited to the sundry expenses account. Correct the error.
5. In addition old office equipment was sold on credit for R2 000 on 1 December 20.7. This equipment originally cost R10 000 and the accumulated depreciation on it at 28 February 20.7 was R7 600. The bookkeeper has made no entry for this transaction. The business depreciates equipment at 20% on diminishing balance. Make the necessary adjustments to record the disposal and to bring depreciation for the year into account.
6. The fixed deposit at Absa was made on 1 January 20.8 and will mature on 31 December 20.8. No interest has yet been received. Interest on this investment is not capitalised.
7. According to the fixed deposit statement interest on the fixed deposit at Nedbank has already been received for the period 1 February 20.8 to 30 April 20.8. This fixed deposit will mature on 30 June 20.8. Interest on this investment is not capitalised.
8. Interest on the loan is capitalised but has not yet been entered. The loan statement from XB Lenders reflects:

|  |  |
| --- | --- |
| Balance on 1 March 20.7 | R50 000 |
| Loan repayments during the year (R1 050 x 12) | R12 600 |
| Balance on 28 February 20.8 | R44 000 |
| Over the next financial year the loan will reduce by R6 000. |

1. Advertising includes an amount of R2 700 paid for six advertisements in the Daily News newspaper. By 28 February 20.8 only three of these adverts had appeared in the newspaper.
2. The Salaries Journal for February 20.8 has not yet been posted to the General Ledger. Neither the amount due to SARS for PAYE nor the amount due to the Pension Fund has yet been finalised or paid. Totals in the Salaries Journal:

Gross salaries R15 500; PAYE deduction R4 360; Pension deduction R1 720;

The business contributes on a Rand-for-Rand basis to the pension fund.

1. The debtors’ account of D. Gilks, R600, must be written off and the provision for bad debts must be adjusted to R3 000.
2. Interest on overdraft for February 20.8, R570, has not been entered.

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|   | Asset |   | Disposal |   |
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# FINANCIAL STATEMENTS (80 marks; 48 minutes)

**BB SPAZA**

**INCOME STATEMENT FOR YEAR ENDED 28 FEBRUARY 20.8**

|  |  |  |  |
| --- | --- | --- | --- |
| Sales [969 000] | **Note** | 969 000 |  |
| Cost of sales [680 000] |  | (680 000) |  |
| **Gross profit** |  | 289 000 |  |
| **Other operating income** |  | 23 125 |  |
| Rent Income [18 000] |  | 18 000 |  |
| Commission income [4 825] |  | 4 825 |  |
| **Provision for bad debts adjustment** |  | 300 |  |
| **Gross operating income** |  | 312 125 |  |
| **Operating expenses** |  | (240 340) |  |
| Pension contributions [5 300 **+ 1 720**] |  | 7 020 |  |
| Bank charges [3 700] |  | 3 700 |  |
| Stationery [6 500 **– 750**] |  | 5 750 |  |
| Salaries and wages [164 500 **+ 15 500**] |  | 180 000 |  |
| Advertising [4 500 **– 1 350 (1)**] |  | 3 150 |  |
| Bad debt [1 600 **+ 600**] |  | 2 200 |  |
| Sundry expenses [26 200 **+ 2 200 (2) - 4 000**] |  | 24 400 |  |
| Trading stock deficit [**92 500 – 1 500 – 90 000**] |  | 1 000 |  |
| **Depreciation** [**360 + 12 520 + 200**] (3) |  | 13 080 |  |
| **Loss on sale of asset** [**10 000 – 7960 – 2 000**] (4) |  | 40 |  |
| **Operating profit / ~~loss~~** |  | 71 785 |  |
| Interest income [875 **+ 195 (5) – 125 (6)**] |  | 945 |  |
| **Profit / ~~loss~~ before interest expense/financing cost** |  | 72 730 |  |
| Interest expense/financing cost [6 600 (7) **+ 570**] |  | (7 170) |  |
| **Net profit / ~~loss~~ for the year** |  | **65 560** |  |

**(35)**

* 1. **Tangible assets / Fixed assets**

|  |  |  |
| --- | --- | --- |
|  | **Land & Buildings** | **Equipment** |
| Carrying value at beginning of year | 118 300 |  | **65 000** |  |
| Cost 144 300 – 26 000 | 118 300 | 100 000 |  |
| Accumulated depreciation | - | (35 000) |  |
| **Movements** | 26 000 | (11 120) |
| Additions at cost | 26 000 |  | **4 000** |  |
| Disposals at carrying value (4) | - | **(2 040)** |  |
| Depreciation for the year [360 + 12 520 + 200] (3) | - | **(13 080)** |  |
| Carrying value at end of year | **144 300** |  | 53 880 |  |
| Cost 146 500 – 2 200 (2) | 144 300 | 94 000 |  |
| Accumulated depreciation | 0 | (40 120) |  |

**(19)**

* 1. **Trade and other receivables**

|  |  |
| --- | --- |
| **Trade and other receivables**Net trade debtors: | 71 900 |
| Trade debtors [73 500 + 2 000 **– 600****]** | 74 900 |
| Provision for bad debts [3 300 **– 300**] |   (3 000) |
| **Accrued incom**e | * 195 (5)
 |
| **Expenses prepaid** | * 1 350 (1)
 |
|  | **73 445** |

**(13)**

* 1. **Trade and other payables**

|  |  |
| --- | --- |
| Creditors control | 45 000 |
| **Income received in advance** | * 125 (6)
 |
| **Current portion of loan** | * 6 000
 |
| **SARS (PAYE) [460 + 4 360]** | 4 820 |
| **Pension Fund [620 + 1 720 + 1 720]** | 4 060 |
| **Creditors for salaries [4 100 + 9 420]** | 13 520 |
|  | **73 525** |

**(13)**

1. 2 700 X 3/6 = R1 350

1. Can be shown separately as repairs

3. Equipment sold: (10 000 – 7 600) X 20% X 9/12 = R360 New equipment: 4 000 X 20% X 3/12 = R200

Old equipment: (65 000 – 2 400) X 20% = R12 520

4. 10 000 – (7600 + 360) = R2 040 Book value

2 040 – 2 000 (selling price) = R40 loss on sale

5. 18 000 X 6.5% X 2/12 = R195

6. 15 000 X 5% X 2/12 (March and April) = R125

7. 50 000 – 12 600 – 44 000 = R6 600

**GRADE 11 TEST ON ADJUSTMENTS ANSWER BOOK**

# FINANCIAL STATEMENTS (80 marks; 48 minutes)

**1 BB SPAZA**

**INCOME STATEMENT FOR YEAR ENDED 28 FEBRUARY 20.9**

|  |  |  |
| --- | --- | --- |
| Sales | **Note** | 969 000 |
| Cost of sales |  | (680 000) |
| **Gross profit** |  |  |
| **Other operating income** |  |  |
| Rent income |  | 18 000 |
| Commission income |  | 5 325 |
|  |  |  |
| **Gross operating income** |  |  |
| **Operating expenses** |  |  |
| Pension contributions [5 300 |  |  |
| Bank charges |  | 3 700 |
| Stationery [6 500 |  |  |
| Salaries and wages [164 500 |  |  |
| Advertising [4 500 |  |  |
| Bad debt [1 600 |  |  |
| Sundry expenses [26 200 |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
| **Operating profit** |  |  |
| Interest income [875 |  |  |
| **Profit before interest expense/financing cost** |  |  |
| Interest expense/financing cost [6 600 |  |  |
| **Net profit for the year** |  |  |

**(35)**

**NOTES TO THE FINANCIAL STATEMENTS ON 28 FEBRUARY 20.9**

* 1. **Tangible assets / Fixed assets**

|  |  |  |
| --- | --- | --- |
|  | **Land & Buildings** | **Equipment** |
| Carrying value at beginning of year |  |  |
| Cost |  |  |
| Accumulated depreciation |  |  |
| **Movements** |  |  |
| Additions at cost |  |  |
| Disposals at carrying value |  |  |
| Depreciation for the year |  |  |
| Carrying value at end of year |  |  |
| Cost |  |  |
| Accumulated depreciation |  |  |

**(19)**

* 1. **Trade and other receivables**

|  |  |
| --- | --- |
| **Trade and other receivables** |  |
| Net trade debtors: |
| Trade debtors [73 500 |  |
| Provision for bad debts [3 300 |  |
|  |  |
|  |  |
|  |  |

**(13)**

* 1. **Trade and other payables**

|  |  |
| --- | --- |
| Creditors control | 45 000 |
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**(13)**