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| **QUESTION 1 FINANCIAL STATEMENT (42 marks; 30 minutes)**  The financial year of NORTH Traders ends on 31 December 2019.  **REQUIRED** | | |  |
|  |  |  |  |
| 1.1 | Prepare the Income Statement for the year ended 28 February 2019. | | (42) |

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| **INFORMATION** | | |
| **1. PRE-ADJUSTMENT TRIAL BALANCE ON 31 DECEMBER 2019** | | |
| **BALANCE SHEET SECTION** | **Debit** | **Credit** |
| Capital |  | 2 122 800 |
| Drawings | 569 491 |  |
| Land and Buildings | 120 000 |  |
| Vehicles | 476 000 |  |
| Equipment (at cost) | 230 000 |  |
| Accumulated depreciation on vehicles |  | 89 600 |
| Accumulated depreciation on equipment |  | 86 000 |
| Loan : E.C. Bank |  | 410 000 |
| Fixed Deposit : E.C. Bank (10% p.a.) | 150 000 |  |
| Trading stock | 70 000 |  |
| Debtors control | 55 500 |  |
| Provision for bad debts |  | 2 400 |
| Bank | 61 048 |  |
| Petty cash | 350 |  |
| Creditors control |  | 25 621 |
| **NOMINAL ACCOUNTS SECTION** |  |  |
| Sales |  | 720 000 |
| Cost of sales | 400 000 |  |
| Debtors allowances | 13 800 |  |
| Rent income |  | 46 400 |
| Salaries and wages | 164 000 |  |
| Employer’s contribution | 10 800 |  |
| Bad debts | 3 200 |  |
| Utilities | 8 900 |  |
| Discount allowed | 430 |  |
| Telephone | 7 800 |  |
| Insurance | 8 800 |  |
| Packing material | 8 206 |  |
| Bank charges | 846 |  |
| Interest on Fixed deposit |  | 13 750 |
|  | **3 439 171** | **3 439 171** |

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| **1. ADJUSTMENTS AND ADDITIONAL INFORMATION** | | | | | | | | | | |
| 1 | A debtor, Fader, returned damaged goods with a selling price of R4 200. The mark-up was 60% on cost. This transaction has not been recorded. | | | | | | | | | |
|  |  | | | | | | | | | |
| 2 | Packing material costing R5 350, was used during the accounting period. | | | | | | | | | |
|  |  | | | | | | | | | |
| 3 | On 31 December 2019, physical stock count revealed that trading stock to the value of R64 700 was on hand. | | | | | | | | | |
|  |  | | | | | | | | | |
| 4 | The tenant has paid rent until 30 November 2019. The rent was increased by 10% from 1 June 2019. | | | | | | | | | |
|  |  | | | | | | | | | |
| 5 | The utilities account for December 2019 has not been paid, R1 100. | | | | | | | | | |
|  |  | | | | | | | | | |
| 6 | Received R600 from the insolvent estate of M Mthethwa, 40 cents of every rand must be written off. | | | | | | | | | |
| 7 | **The Bank statement from Pat Bank reflected the following**: | | | | | | | | | |
|  |  | | | | | | | | | |
|  | * Bank charges R250 | | | | | | | | | |
|  | * Interest on current account | | | | | R150 | | | | |
|  | * Unpaid cheque of R350 which was received in settlement of R380. | | | | | | | | | |
|  |  | | | | | | | | | |
| 8 | Provision for bad debts must be adjusted to R2 200. | | | | | | | | | |
|  |  | | | | | | | | | |
| 9 | Insurance includes a premium of R2 400 paid for the period 1 August 2019 to  31 July 2019. | | | | | | | | | |
|  |  | | | | | | | | | |
| 10 | One employee is omitted in the Salaries Journal for December 2019 | | | | | | | | | |
|  |  | | **Net Salary** | **Deductions** | **Employers Contributions** | | **Gross salary** | |  | |
|  |  | | R9 200 | R2 400 | R350 | | ? | |  | |
|  |  | | | | | | | | | |
| 11 | Received the loan statement from the E.C. Bank | | | | | | | | | |
|  |  | Balance on 01 January 2019 | | | | | | R 270 000 | |  | |
|  |  | Capitalised interest | | | | | | ? | |  | |
|  |  | Repayments during the year including interest | | | | | | 70 000 | |  | |
|  |  | Balance on 31 December 2019 | | | | | | 215 000 | |  | |
|  |  | | | | | | | | | |
| 12 | Depreciation on Tangible assets was R15 000 for the year. | | | | | | | | | |
|  |  | | | | | | | | | |
| 13 | Interest on fixed deposit for December 2019 was not recorded. Interest on fixed deposit is not capitalised. | | | | | | | | | |

**ANSWER BOOK**

**Question 1**

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| **2.1** | **INCOME STATEMENT OF NORTH TRADERS FOR THE YEAR ENDED 31 DECEMBER 2019** | | |
| Sales (**720 000** | |  |  |  | |  | | --- | |  | | **42** | |
| Cost of sales ( **400 000** - 2625✓) | |  |  |  |
| **Gross Profit** c | |  |  |  |
| **Other Operating Income** | |  |  |  |
| Rent income | |  |  |  |
| Increase in provision for bad debts (2 400 -2 200) | |  |  |  |
| **Gross Operating income** | |  |  |  |
| **Operating Expenses** | |  |  |  |
| Packing material | |  |  |  |
| Utilities | |  |  |  |
| Bad debts ( | |  |  |  |
| Bank charges | |  |  |  |
| Discount allowed | |  |  |  |
| Telephone | |  |  |  |
| Insurance | |  |  |  |
| Salaries and wages | |  |  |  |
| Employers contribution | |  |  |  |
| Depreciation | |  |  |  |
|  | |  |  |  |
| **Operating Profit** | |  |  |  |
| Interest income | |  |  |  |
| **Profit Before Interest Expense** | |  |  |  |
| Interest expense | |  |  |  |
| **Net Profit for the year** | |  |  |  |