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| **ACCOUNTING GRADE 12 TEST 3 SELF-STUDY (LOCKDOWN)** **TOPIC : INCOME STATEMENT, NOTES, RATIO ANALYSIS AND AUDIT REPORT**  |  |

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| **QUESTION 1: INCOME STATEMENT, NOTES, RATIO ANALYSIS AND AUDIT REPORT (75 marks; 45 minutes)** |
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| 1.1 | **GOVENDER LTD** |  |
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|  | You are provided with information from the books of Govender Ltd. The financial year ended on 30 June 2019.  |  |
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|  | **REQUIRED:** |  |
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|  | 1.1.1 | Prepare the Income Statement for the year ended 30 June 2019. | (48) |
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|  | 1.1.2 | Prepare the Trade and Other Receivables note.  | (10) |
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|  | 1.1.3 Calculate the following financial indicators on 30 June 2019:  |  |
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|  | * Percentage net profit on turnover
 | (3) |
|  |  |  |
|  | * Debt-equity ratio
 | (4) |
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|  | 1.1.4 The board of directors wants to acquire an additional loan to fund expansions within the company. Comment on why you think this is a good idea or not. Quote TWO financial indicators (with figures) to support your opinion. | (4) |
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|  | **INFORMATION:** |  |
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|  | **Extract from the Pre-adjustment Trial Balance on 30 June 2019:**

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|  | **R** |
| Ordinary share capital | 7 960 000 |
| Retained income  | 540 300 |
| Mortgage Loan: Knowballa Bank (10,5%) | 2 651 460 |
| Fixed assets | ? |
| Fixed deposit: Knowballa Bank | 1 600 000 |
| Debtors Control | 174 250 |
| Creditors Control | 203 200 |
| Provision for bad debts | 11 940 |
| Trading stock | 246 500 |
| SARS (income tax) | 255 700 |
| Sales | 5 590 000 |
| Cost of sales | 4 300 000 |
| Rates and taxes | 69 800 |
| Bad debts | 13 700 |
| Insurance | 21 000 |
| Interest on loan | 251 460 |
| Rent income | 414 000 |
| Salaries and wages | 256 760 |
| Depreciation | 104 700 |
| Interest on fixed deposit | 26 000 |
| Sundry expenses | ? |

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|  | **Additional information and adjustments:** |  |
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|  | The business used a mark-up percentage of 30% on cost. This was maintained for the current financial period. |  |
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|  | **A.** | Rates and taxes for June 2019 is outstanding, R11 800. |  |
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|  | **B.** | Goods with a cost price of R30 000 sold on credit was not recorded. A 15% trade discount was allowed on this sale.  |  |
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|  | **C.** | A debtor returned goods valued at R2 600. These goods were sent back to the supplier. |  |
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|  | **D.** | S. Fada a debtor who owed R15 000 was declared bankrupt. His estate paid 60 cents for every Rand owed. This was recorded. The balance of his account must still be written off as irrecoverable.  |  |
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|  | **E.** | A cheque for R4 350 received from a debtor whose account was previously written off as irrecoverable was not recorded. |  |
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|  | **F.** | Provision for bad debts must be adjusted to 5% of outstanding debtors. |  |
|  | **G.** | Trading stock on hand as per a physical stock count on 30 June 2019 amounted to R251 500. Note that an invoice for R45 000 received from Lolo Traders for goods purchased on credit must still be recorded |  |
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|  | **H.** | Insurance premiums were paid until 31 May 2019. Take into account that the premium was decreased by R250 per month from 1 February 2019. |  |
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|  | **I.** | Rent income included rent for July 2019. Note that rent was increased by 10% from 1 December 2018.  |  |
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|  | **J.** | The fixed deposit was increased by R800 000 on 1 January 2019, at the same rate of 6.5% p.a. Provide for outstanding interest. Interest is not capitalized.  |  |
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|  | **K.** | Income tax for the year amounted to R270 000. |  |

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|  **L.** | **FINANCIAL INDICATORS CALCULATED ON 30 JUNE:** |  |
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|  | **2019** | **2018** |
| Net profit percentage on turnover | ? | 10,9% |
| Debt-equity ratio | ? | 0,4:1 |
| % return on total capital employed | 23,1% | 18,9% |

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| 1.2 | **AUDIT REPORT** |  |
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|  | The following audit report appeared in a local newspaper.  |  |
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|  | **REQUIRED:** |  |
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|  | Explain each audit opinion underlined in the extract below.  | (6) |
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|  | **Gauteng Provincial Government Audit Report 2015/16**The Gauteng Department of Health received another qualified opinion from the Auditor-General. All other departments received unqualified opinions. The province's agencies also received unqualified opinions, except G Fleet, which received a disclaimer.eNCA 1 September 2015  |  |
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|  |  | **75** |