

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:

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		220 000
Drawings	35 500	
Loan XB Lenders		37 400
Bank overdraft		36 240
Fixed deposit: Absa (6.5 % p.a.)	18 000	
Fixed deposit: Nedbank (5% p.a.)	15 000	
Cash float	900	
Land and buildings	146 500	
Trading stock	92 500	
Debtors control	73 500	
Creditors control		45 000
SARS (PAYE)		460
Provision for bad debts		3 300
Equipment	100 000	
Accumulated depreciation on equipment		35 000
Creditors for salaries and wages		4 100
Nominal accounts section		
Sales		969 000
Cost of sales	680 000	
Pension contributions	5 300	
Bank charges	3 700	
Stationery	6 500	
Salaries and wages	164 500	
Rent income		18 000
Advertising	4 500	
Bad debts	1 600	
Sundry expenses	26 200	
Interest on fixed deposit (Nedbank)		875
Commission income		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.	
9. 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.
10. 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.
11. The debtors' account of D. Gilks, R600, must be written off and the provision for bad debts must be adjusted to R3 000.
12. Interest on overdraft for February 20.8, R570, has not been entered.

**GRADE 11 TEST ON ADJUSTMENTS
MEMO**

FINANCIAL STATEMENTS

(80 marks; 48 minutes)

BB SPAZA

INCOME STATEMENT FOR YEAR ENDED 28 FEBRUARY 20.8

	Note		
Sales [969 000]		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)

2.1 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)

2.2 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 income ✓	✓195 (5)
Expenses prepaid ✓	✓1 350 (1)
	☑ 73 445

(13)

2.3 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)

- $2\,700 \times \frac{3}{6} = R1\,350$
- Can be shown separately as repairs
- Equipment sold: $(10\,000 - 7\,600) \times 20\% \times \frac{9}{12} = R360$
 New equipment: $4\,000 \times 20\% \times \frac{3}{12} = R200$
 Old equipment: $(65\,000 - 2\,400) \times 20\% = R12\,520$
- $10\,000 - (7\,600 + 360) = R2\,040$ Book value
 $2\,040 - 2\,000$ (selling price) = R40 loss on sale
- $18\,000 \times 6.5\% \times \frac{2}{12} = R195$
- $15\,000 \times 5\% \times \frac{2}{12}$ (March and April) = R125
- $50\,000 - 12\,600 - 44\,000 = R6\,600$

**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**

	Note	
Sales		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		

NOTES TO THE FINANCIAL STATEMENTS ON 28 FEBRUARY 20.9

2.1 Tangible assets / Fixed assets

	Land & Buildings	Equipment
Carrying value at beginning of year		
Cost		
Accumulated depreciation		
<u>Movements</u>		
Additions at cost		
Disposals at carrying value		
Depreciation for the year		
Carrying value at end of year		
Cost		
Accumulated depreciation		

(19)

2.2 Trade and other receivables

<u>Trade and other receivables</u>	
Net trade debtors:	
Trade debtors [73 500	
Provision for bad debts [3 300	

(13)

2.3 Trade and other payables

Creditors control	45 000

(13)