

Monyetla Project – Accounting Gr 12 (2022)

Lesson 1: Companies: Selling and buying of shares – General Ledger revision

REVISION

The ledger account transactions will take place according to the following **timeline**:

1. **Balances** will be given for the Balance Sheet accounts on the **first day of the year**.

1.1 Ordinary Share Capital (B1)

This is the total value of the shares already issued up to date.	This balance will always be on the credit side.
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1.2 Retained Income (B2)

This is the total amount that was not distributed to shareholders, thus is was kept in the company for future use.	This balance will always be on the credit side.
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1.3 SARS (Income tax)

They must indicate on which side this balance is.

If the balance is on the credit side , the company owes money to SARS because the provisional payments of the previous year was too little.	If the balance is on the debit side , SARS owes money to the company because the provisional payments of the previous year were too much.
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1.4 Shareholders for dividends

This is the amount the company owes to the shareholders, thus the FINAL dividend declared on the last day of the previous year .	This balance will always be on the credit side.
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2. **Paid the amount owed to SARS** (if the balance is on the credit side) **OR Receive a payment from SARS** (if the balance is on the debit side).

The company paid the amount owed to SARS. Journal: CPJ Account debit: SARS (Income tax) Account credit: Bank	If the balance is on the debit side, most of the time SARS will not pay you back. <i>But if they did refund you:</i> Journal: CRJ Account debit: Bank Account credit: SARS (Income tax)
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3. Paid the amount owed to the Shareholders for dividends

<p>The company paid the amount they owed the shareholders for the final dividend declared on the last day of the previous year.</p>	<p>Journal: CPJ Account debit: Shareholders for dividends Account credit: Bank</p>
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4. Somewhere during the year, the company will **issue new shares** and receive the money.

<p>Journal: CRJ Account debit: Bank Account credit: Ordinary Share Capital</p>

5. After six months, the company will **pay a first provisional tax payment to SARS.**

<p>Journal: CPJ Account debit: SARS (Income tax) Account credit: Bank</p>
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6. On the same day, the company will **declare and pay interim dividends** → make sure that you calculate the interim dividends on the correct amount of shares issued at that stage.

<p>Journal: CPJ Account debit: Dividends on ordinary shares Account credit: Bank</p>

7. Somewhere during the year the company will **buy back shares** – most of the time at a higher price than the average selling price.

<p>Journal: CRJ Account debit: Ordinary Share Capital (at average selling price) Account debit: Retained Income (at the difference between the average selling price and the buy-back price) Account credit: Bank</p>
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At the end of the year:

8. The company will **pay a second provisional tax payment to SARS**

<p>Journal: CPJ Account debit: SARS (Income tax) Account credit: Bank</p>
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9. The company will calculate its **net profit** for the accounting period.

<p>Journal: GJ Account debit: Profit and Loss account Account credit: Appropriation account</p>
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10. Study & Master: Close off the Retained Income account to the Appropriation account

<p>Journal: GJ Account debit: Retained Income account Account credit: Appropriation account</p>
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11. The company will receive the **tax assessment** from SARS.

<p>Journal: GJ Account debit: Income tax Account credit: SARS (Income tax)</p>

12. The company will **declare final dividends** → make sure that you calculate the final dividends on the correct amount of shares issued at that stage.

<p>Journal: GJ Account debit: Dividends on ordinary shares Account credit: Shareholders for dividends</p>
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13. Closing transfers.

<p>Journal: GJ Account debit: Appropriation account Account credit: Income tax Account credit: Dividends on ordinary shares</p>
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14. Study & Master: Close off the Appropriation account to Retained Income **on the last day of the year**. This amount will be the new balance of the Retained Income account.

New Era: Close off the Appropriation account to Retained Income **on the last day of the year** and balance the Retained Income account to calculate the new balance.

<p>Journal: GJ Account debit: Appropriation account Account credit: Retained Income</p>
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