

Monyetla Project – Accounting Gr 12 (2022)

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

ACTIVITY 1: BROGAM LTD (40 marks; 32 minutes)

COMPANIES – LEDGER ACCOUNTS

GENERAL LEDGER OF BROGAM LTD

Ordinary Share Capital

2018	May	31	Bank (46 000 x 405 c)	✓	CPJ	186 300	✓✓✓	2017	Jul	1	Balance	b/d	1 185 000	
	Jun	30	Balance		c/d	1 514 700		2018	Jan	1	Bank (120 000 x 430 c)	✓	CRJ	516 000
						1 701 000								1 701 000
									Jul	1	Balance	b/d		1 514 700

[8]

Average price of the shares: R1 701 000 / 420 000 shares = 405 cents/R4,05

R6,40 → **R4,05** per share will be subtracted from the Ordinary Share capital account
 → **R2,35** per share must be subtracted from Retained Income at the beginning of the year.

Retained Income

2018	May	31	Bank (46 000 x 235 c)	✓	CPJ	108 100	✓✓✓	2017	Jul	1	Balance	b/d	670 000	
	Jun	30	Appropriation account	✓	GJ	561 900	✓							
						670 000							670 000	
								2018	Jun	30	Appropriation account	✓	GJ	772 900

[8]

SARS (Income Tax)

2017	Jul	1	Balance		b/d	8 800		2017	Jul	25	Bank	✓	CRJ	8 800
	Dec	31	Bank	✓	CPJ	102 000	✓	2018	Jun	30	Income tax (604 800 x 28/72)	✓	GJ	235 200
2018	Jun	30	Bank	✓	CPJ	110 200	✓							
			Balance		b/d	23 000								
						244 000			Jul	1	Balance	b/d		23 000

[10]

Net income/profit after tax = Net profit *minus* tax assessment
 = 100% - 28% = 72% = R604 800

Thus: **Net profit before tax** = $72\% \times X = R604\,800$
 $X = R604\,800 \times 100/72$
 $= R840\,000$

Therefore: **Tax assessment** = $28\% \times R840\,000 / R840\,000 - R604\,800$
 $= R235\,200$

Dividends on Ordinary Shares

2017 Dec	31	Bank (300 000 x 44 c)	✓	CPJ	✓✓ 132 000	2018 Jun	30	Appropriation account	✓	GJ	✓ 393 800
2018 Jun	30	Shareholders for dividends (374 000 x 70 c)	✓	GJ	✓✓ 261 800						
					393 800						393 800

[8]

Timeline of shares and dividends:

1 July 2017	300 000 shares in issue	300 000 shares	
31 December 2017	Paid interim dividends	300 000 x 44c	= R132 000
1 January 2018	120 000 shares issued	300 000 + 120 000 = 420 000 shares	
31 May 2018	46 000 shares repurchased	420 000 – 46 000 = 374 000 shares	
30 June 2018	Declared final dividends	374 000 x 70c	= R261 800

Appropriation account

2018 Jun	30	Income tax	GJ	✓ 235 200	2018 Jun	30	Profit and Loss (604 800 x 100/72)	GJ	✓✓ 840 000
		Dividends on ordinary shares	GJ	✓ 393 800			Retained income	GJ	✓ 561 900
		Retained income	GJ	✓ 772 900					
				1 401 900					1 401 900

[6]

Dates in ledger accounts wrong (-1)

TOTAL MARKS		40
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Retained Income and Appropriation accounts as per New Era textbook:

Retained Income

2018 May	31	Bank (46 000 x 235 c) ✓	CPJ	✓✓✓ 108 100	2017 Jul	1	Balance	b/d	670 000
					2018 Jun	30	Appropriation account ✓	GJ	✓ 211 000
Jun	30	Balance	c/d	772 900					
				881 000					881 000
					Jul	1	Balance	b/d	✓ 772 900

[8]

Appropriation account

2018 Jun	30	Income tax	GJ	✓ 235 200	2018 Jun	30	Profit and Loss ✓ (604 800 x 100/72)	GJ	✓✓ 840 000
		Dividends on ordinary shares	GJ	✓ 393 800					
		Retained income	GJ	✓ 211 000					
				840 000					840 000

[6]

ACTIVITY 2: BROGAM LTD**(40 marks; 32 minutes)****COMPANIES – LEDGER ACCOUNTS****GENERAL LEDGER OF BROGAM LTD**

Ordinary Share Capital

2017 Oct	31	Bank (46 000 x 395 c)	✓	CPJ	✓✓✓ 181 700	2017 Jul	1	Balance	b/d	1 185 000
2018 Jun	30	Balance		c/d	1 519 300	2018 Jan	1	Bank (120 000 x 430 c)	✓ CRJ	516 000
					1 701 000					1 701 000
						Jul	1	Balance	b/d	1 519 300

[8]

Average price of the shares: R1 185 000 / 300 000 shares = 395 cents / R3,95

R6,40

R3,95 per share will be subtracted from the Ordinary Share capital account

R2,45 per share must be subtracted from Retained Income at the beginning of the year.

Retained Income

2017 Oct	31	Bank (46 000 x 245 c)	✓	CPJ	✓✓✓ 112 700	2017 Jul	1	Balance	b/d	670 000
Jun	30	Appropriation account	✓	GJ	✓ 557 300					
					670 000					670 000
						2018 Jun	30	Appropriation account	✓ GJ	788 540

[8]

SARS (Income Tax)

2017 Jul	25	Bank	✓	CPJ	✓ 10 800	2017 Jul	1	Balance	b/d	10 800
Dec	31	Bank	✓	CPJ	✓ 120 000	2018 Jun	30	Income tax	✓ GJ	235 200
2018 Jun	30	Bank	✓	CPJ	✓ 127 200			Balance	b/d	12 000
					258 000					25 000
Jul	1	Balance		b/d	✓ 12 000					

[10]

Tax assessment = R235 200

Thus: Net profit before tax = 28% x X = R235 200

X = R235 200 x 100/28

= R840 000

Dividends on Ordinary Shares

2017 Dec	31	Bank (254 000 x 44 c)	✓	CPJ	111 760	✓✓	2018 Jun	30	Appropriation account	✓	GJ	373 560	✓
2018 Jun	30	Shareholders for dividends (374 000 x 70 c)	✓	GJ	261 800	✓✓							
					373 560								373 560

[8]

Timeline of shares and dividends:

1 July 2017	300 000 shares in issue	300 000 shares	
31 October 2017	46 000 shares repurchased	300 000 – 46 000 = 254 000 shares	
31 December 2017	Paid interim dividends	254 000 x 44c	= R111 760
1 January 2018	120 000 shares issued	254 000 + 120 000 = 374 000 shares	
30 June 2018	Declared final dividends	374 000 x 70c	= R261 800

Appropriation account

2018 Jun	30	Income tax	GJ	235 200	✓	2018 Jun	30	Profit and Loss (235 200 x 100/28)	GJ	840 000	✓✓✓
		Dividends on ordinary shares	GJ	373 560	✓			Retained income	GJ	557 300	✓
		Retained income	GJ	788 540	✓						
				1 397 300							1 397 300

[6]

Dates in ledger accounts wrong (-1)

TOTAL MARKS		40
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Retained Income and Appropriation accounts as per New Era textbook:

Retained Income

2018 Oct	31	Bank (46 000 x 245 c) ✓	CPJ	112 700 ✓✓✓	2017 Jul	1	Balance	b/d	670 000
Jun	30	Balance	c/d	788 540	2018 Jun	30	Appropriation account ✓	GJ	231 240 ✓✓
				901 240					901 240 ✓
					Jul	1	Balance	b/d	788 540 ✓

[8]

Appropriation account

2018 Jun	30	Income tax	GJ	235 200 ✓	2018 Jun	30	Profit and Loss ✓ (604 800 x 100/72)	GJ	840 000 ✓✓
		Dividends on ordinary shares	GJ	373 560 ✓					
		Retained income	GJ	231 240 ✓					
				840 000					840 000

[6]