

## Monyetla Project – Accounting Gr 12 (2022)

### Lesson 4: Correct net profit and Loans

#### ACTIVITY 1: PRIDONA LIMITED

The following information relates to Pridona Limited, a company with an authorised share capital of 5 000 000 ordinary shares.

#### REQUIRED:

- 1.1 **Refer to Information B.** Calculate the correct net profit after tax for the year ended 30 June 2015. Indicate a + for an increase and a – or brackets for a decrease. (13)
- 1.2 **Refer to information C.** Calculate the amounts for the Non-current Liabilities and Current Liabilities in the Balance Sheet on 30 June 2015.

#### INFORMATION:

- A. List of balances/totals on 30 June 2015:

<b>Balance sheet accounts section</b>	
Ordinary share capital	R5 600 000
Retained income (1 July 2014)	2 700 000
Mortgage loan: Custom Bank	262 200
Fixed assets	8 950 000
Trading stock	203 200
Debtors control	316 000
Provision for bad debts (1 July 2014)	11 400
Creditors control	261 000

- B. Net profit before tax of R2 493 600 was determined BEFORE taking into account the following information:
- (i) Trading stock on 30 June 2015 was valued at R191 900.
  - (ii) Provision for bad debts must be adjusted to R9 000.
  - (iii) Rent for July 2015, R2 800, had been received in advance.
  - (iv) An annual insurance premium of R6 000 was paid for the period 1 April 2015 to 31 March 2016.
  - (v) The auditor discovered that the profit on disposal of a vehicle, R6 800, was incorrectly shown as a loss.
  - (vi) Income tax amounts to R750 000 for the year.
- C. The mortgage loan from Custom Bank was obtained on 1 April 2014. This will be repaid over 6 years. A fixed loan repayment (excluding interest) is made at the end of each month. The first monthly loan repayment was made on 30 April 2014. All other loan repayments have been made.

Interest is not capitalised and has been correctly recorded.

<b>ACTIVITY 2: KHUMALO FASHIONS LTD</b>
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The following information was taken from the books of Khumalo Fashions Ltd. The financial year ended on 28 February 2019.

**REQUIRED:**

- 2.1 Calculate the amount for Interest on loan in the Income Statement for the year ended 28 February 2019.
- 2.2 **Refer to the information B.** Calculate the Non-current Liabilities and Current Liabilities in the Balance Sheet on 28 February 2019.

**INFORMATION:****A. BALANCES ON 28 FEBRUARY 2019**

<b>Balance Sheet accounts</b>	<b>R</b>
Ordinary Share Capital	1 840 000
Retained Income	213 260
Loan from director	750 000
SARS (Income tax)	Debit 74 195

**Additional information and adjustments:****B. Loan from director**

- The balance on the loan on 1 March 2018 was R836 500.
- Interest on the loan is capitalised.
- Payments made during the year, including interest, were R150 000.
- A loan repayment of R120 000 will be made on 1 July 2019.

<b>ACTIVITY 3: GANDHI LTD</b>
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You are provided with information from the records of Gandhi Ltd for the financial year ended 28 February 2017.

**REQUIRED:**

- 3.1 Calculate the amount for Interest on loan in the Income Statement for the year ended 28 February 2017.
- 3.2 **Refer to information B.** Calculate the Non-current Liabilities and Current Liabilities in the Balance Sheet on 28 February 2017.

**INFORMATION:**

- A. List of balances/totals on 28 February 2017:

<b>BALANCE SHEET ACCOUNTS SECTION</b>	
Ordinary share capital	?
Retained income	?
Loan: Anca Bank	433 500
<b>NOMINAL ACCOUNTS SECTION</b>	
Interest on loan	?

- B. Interest on the loan is capitalised, but no entry has been made in the books. A monthly instalment of R5 200 (including interest) is paid. This was taken into account. The loan statement showed a closing balance of R487 000.

The company plans to increase their loan repayments in order to settle 20% of the loan balance in the next financial year.

<b>ACTIVITY 4: GIJIMA LTD</b>
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You are provided with information taken from the financial records of Gijima Ltd at the end of the financial year, 28 February 2014.

**REQUIRED:**

**Refer to information B and C.** Calculate the Non-current Liabilities and Current Liabilities in the Balance Sheet on 28 February 2014.

**INFORMATION:**

**A. The following balances appeared in the books on 28 February 2014:**

	R
Ordinary share capital	2 451 000
Retained income	676 500
Mortgage loan: OMS Bank (12% p.a.)	?

**B. Financial indicators for the year ended 28 February 2014**

Debt / equity ratio	0,16 : 1
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**C. Mortgage Loan**

The company took out a mortgage loan from OMS Bank on 1 July 2013. The loan is repayable in five equal annual instalments at the end of June each year.

Interest is not capitalised and has been correctly recorded.