# QUESTION 1: FIXED ASSETS AND STATEMENT OF COMPREHENSIVE INCOME

**(60 marks; 45 minutes)**

The information relates to Robbie Ltd for the financial year ended 28 February 2021.

# REQUIRED:

* 1. **Refer to INFORMATION B(a) for fixed assets.**

Calculate the following:

* + 1. The missing amounts denoted by (i) to (iii) on the Fixed Asset Note (11)
		2. Profit/Loss on the sale of equipment on 1 October 2020 (2)

# Refer to INFORMATION B(e) for trading stock.

Calculate the trading stock deficit. (4)

* 1. Prepare the Statement of Comprehensive Income for the financial year ended

28 February 2021. (43)

# INFORMATION:

1. **Extract from the Pre-adjustment Trial Balance on 28 February 2021:**

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|  | **R** |
| Mortgage loan: Sufi Bank | 1 005 500 |
| Debtors' control | 123 000 |
| Trading stock | **?** |
| Provision for bad debts (1 March 2020) | 7 030 |
| Sales | **?** |
| Cost of sales | 6 966 000 |
| Salaries and wages | 1 468 120 |
| Directors' fees | 3 330 000 |
| Audit fees | 91 000 |
| Repairs | 476 000 |
| Rent income | 173 000 |
| Interest income | 25 000 |
| Interest on loan | **?** |
| Bad debts | 19 200 |
| Advertising | 25 680 |
| Sundry expenses | 452 310 |
| Ordinary share dividends | 86 400 |

1. **Adjustments and additional information:**
	1. **Fixed assets:**

**Vehicles:**

* + - The business owns two vehicles on 28 February 2021. The second vehicle was purchased on 1 November 2020.
		- Vehicles are depreciated at 15% p.a. on cost.

# Equipment:

* + - Depreciation is 20% p.a. on the diminishing-balance method.
		- Unused equipment was sold for R40 000 on 1 October 2020. Accumulated depreciation on the equipment sold was R36 600 on 1 March 2020.

# Extract of the Fixed Asset Note:

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|  | **VEHICLES** | **EQUIPMENT** |
| Cost (1 Mar. 2020) | 460 000 | 360 000 |
| Accumulated depreciation (1 Mar. 2020) | (396 750) | (187 595) |
| **CARRYING VALUE (1 March 2020)** | **(i)** | **172 405** |
| Additions (at cost) | 510 000 | 0 |
| Disposals (at carrying value) | 0 | **(iii)** |
| Depreciation | **(ii)** | (31 281) |
| **CARRYING VALUE (28 February 2021)** |  |  |
| Cost (28 Feb. 2021) | 970 000 | 285 000 |
| Accumulated depreciation (28 Feb. 2021) |  |  |

* 1. The business maintains a mark-up of 120% on cost. Note that trade discounts of R648 000 were granted to special customers.
	2. The account of debtor B Melta, R800, must be written off.
	3. Provision for bad debts must be adjusted to 5% of outstanding debtors.
	4. Trading stock is valued on the weighted-average method. The Ledger Account and records reflect that 280 units should be on hand. However, the physical stock count reflects only 262 units on hand. The stock records are as follows:

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| --- | --- | --- | --- |
|  | **UNITS** | **UNIT PRICE** | **TOTAL** |
| Stock at beginning of year | 200 | R3 600 | R720 000 |
| Purchased during the year | 1 840 | R4 100 | R7 544 000 |
| Returns: damaged units | 40 | R4 100 | R164 000 |
| Available for sale | 2 000 |  | R8 100 000 |
| Stock units per records | 280 | **?** | **?** |

* 1. 30% of the audit fees is still outstanding.
	2. The monthly rent income did not change during the year. During February 2021 the tenant paid R9 000 for repairs to the premises, and deducted this from his rent for February 2021. Repairs are the responsibility of the company, and this was not recorded. The rent for March 2021 was received in advance.
	3. The company has four directors earning the same fee. One director resigned on 31 May 2020 and received his fees up to this date. Another director is still owed fees for January and February 2021.
	4. Advertising consists of a contract with a newspaper for the entire financial year. Payments are monthly, however instalments were paid for 11 months only. **NOTE:** The monthly rate decreased by R240 from 1 November 2020.
	5. The net profit after tax was accurately calculated at R1 054 000. The income tax rate is 32%.

**60**

QUESTION 1

1.1.1

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| **(i) Calculate: Carrying value of the vehicle on hand on 1 March 2020** |
| **Workings** | **Answer** |
|  |  |
| **(ii) Calculate: Depreciation on vehicles for the year** |
| **Workings** | **Answer** |
|  |  |
| **(iii) Calculate: Carrying value of equipment sold** |
| **Workings** | **Answer** |
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| **4** |

1.1.2

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| **Calculate: Profit/Loss on the sale of equipment** |
| **Workings** | **Answer** |
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| **2** |

1.2

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| **Calculate: Trading stock deficit** |
| **Workings** | **Answer** |
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| **4** |

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| **1.3** | **STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED** **28 FEBRUARY 2021** |  |  |
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| **Sales**   |  |  |
| **Cost of sales**  | **(6 966 000)** |  |
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| **Other income**  |  |  |
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|  |  |  |
| **Gross operating profit**  |  |  |
| **Operating expenses**  |  |  |
| **Salaries and wages** | **1 468 120** |  |
| **Depreciation**  |  |  |
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| **Sundry expenses**  | **452 310** |  |
| **Operating profit**  |  |  |
|  |  |  |
| **Profit before interest expense**  |  |  |
| **Interest expense**  |  |  |
| **Net profit before tax**  |  |  |
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| **Net profit after tax**  | **1 054 000** |  |

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| **43** |

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