

QUESTION 1: COMPANY FINANCIAL STATEMENTS**(55 marks; 45 minutes)**

The information was extracted from books of KAMZA LTD. The financial year ended 30 June 2025.

REQUIRED:

- 1.1 **Refer to Information B:** Calculate the correct net profit after tax for the financial year ended 30 June 2025. Indicate a + for increase and a – for decrease. (14)
- 1.2 Prepare the Retained Income Note on 30 June 2025. (11)
- 1.3 Prepare the Statement of Financial Position (Balance Sheet) on 30 June 2025. Where notes are NOT required, workings must be shown to earn part marks. (28)
- 1.4 Explain why the shareholders of the shares re-purchased on 31 May 2025 do not qualify for final dividends. State ONE point. (2)

INFORMATION:

- A.** List of balances/totals on 30 June 2025:

BALANCE SHEET ACCOUNTS SECTION	
Ordinary share capital	R6 686 400
Retained income (1 July 2024)	2 700 000
Mortgage loan: De Val Bank	314 640
Fixed assets	10 340 000
Trading stock	230 280
Debtors' control	379 200
Directors' Fees	1 998 750
Provision for bad debts (1 July 2024)	13 680
Cash and cash equivalents	Balancing figure
SARS: Income tax (provisional tax payments)	870 000
Income receivable (accrued)	5 200
Creditors' control	313 200

- B.** Net profit before tax of R2 992 320 was determined BEFORE taking into account the following information:
- (i) Trading stock on 30 June 2025 was valued at R243 840.
 - (ii) Provision for bad debts must be adjusted to R10 800.
 - (iii) Rent for July 2025, R3 360, has been received.
 - (iv) An annual insurance premium of R7 200 was paid for the period 1 April 2025 to 31 March 2026.
 - (v) The company had two directors on 1 July 2024, the beginning of the financial year. They both earned the same monthly directors' fees and were paid in full. A third director, Jeremy, was employed on 1 November 2024, earning a monthly fee of 25% less than the other directors. Jeremy was paid up to 31 July 2025.
 - (vi) The auditor discovered that loss on the disposal of equipment, R8 160, was incorrectly shown as a profit.
 - (vii) Income tax amounts to R900 000 for the year.

C. Dividends and shares:

- (i) Interim dividends of R720 000 were paid on 31 December 2024.
- (ii) The directors declared a final dividend of 22 cents per share on 30 June 2025 on all shares issued to date. Shares repurchased on 31 May 2025 do not qualify for final dividends.

(iii) Share capital:

1 July 2024	3 600 000 shares were in issue.
15 August 2024	1 200 000 new shares were issued at R1,70 each.
31 May 2025	24 000 shares were repurchased at R2,50 each from an existing shareholder. This has not been recorded.

- D.** A debtor's debit balance of R1 000 in the Debtors' Ledger must still be transferred to his account in the Creditors' Ledger.
- E.** The mortgage loan from De Val Bank was obtained on 1 April 2024. This will be repaid for 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 2024. All other loan repayments have been made. Interest is not capitalized and has been correctly recorded.