

FAC2601 – October/ November 2010 SOLUTION:

Question one

1. Games Manufacturers Ltd

Statement of comprehensive income for the year ended 30 September 2010

	<u>Note</u>	R
Revenue (c1)		2 097 000
Cost of sales		(1 572 750)
Gross profit (2097 000 x 25%)		524 250
Other income (c2)		419 900
Distribution expenses		(17 530)
Administrative expenses		(4 300)
Other expenses (13 400+ 596 000 + 36 500 + 8 750)		(654 650)
Finance costs (54000 x 15 % x11/12) + (36000 x 15% x 1/12)		(7 875)
Profit before tax	1	259 795
Income tax expense		(72 742)
Profit for the year		187 053
Other comprehensive income		548 000
Gain on available for sale financial assets		48 000
Gains on property revaluation		500 000
Total comprehensive income for the year		753 053

2. Notes to the statement of comprehensive income

1. Profit before tax

Revenue

Revenue consists of:

Sale of goods ((798 000 + 1 140 000) x 100/114) – (34 200 x 10% x 100/114)	1 697 000
Services rendered (456 000 x 100/114)	400 000

Income from subsidiary

Interest received	11 540
Interest received	8 360
Fair value adjustment	50 000

Expenses

Directors remuneration

Executive directors

Emoluments (140 000 + 6000)	146 000
Pension (7.5% x 140 000)	10 500
Less: paid by subsidiary	-
Total paid by company	156 500

Non – executive directors

Emoluments (230 000 + (7.5% x 230 000) + 4000)	251 250
Less: paid by subsidiary	-
Total paid by company	251 250

<u>Auditors remuneration</u>	
Auditors remuneration	2 000
Consulting fees	7 820
Travel costs	3 580
Depreciation (36 500 + (75000 x 20% x 7/12))	45 250

Workings:

1. Revenue:	
Credit sales (798 000- 3420)	794 580
Cash sales	1140 000
Services rendered	456 000
Less vat	(293 580)
	<u>2 097 000</u>

1. Other income:	
Rental income (399 000 - 14%)	350 000
Interest received from Chris	11 540
Fair value adjustment	50 000
Interest	8 360
	<u>419 900</u>

Question 2

Be Aware Ltd

Statement of changes in equity for the year ended 30 June 2010

	Ordinary share capital	Stated capital	12% cumulative preference shares	Share premium	10% redeemable preference shares	Reserve for replacement of non current assets	Capital redemption reserve fund	Retained earnings	Mark to market reserve	Total
Balances – 1 July 2009	216 000	-	75 000	36 000	20 000	10 000	60 000	40 000	-	
Total comprehensive income for the year (200 000 + 30 000)								230 000	20 000	
12% cumulative preference shares issued			25 000	250						
Ordinary shares issued	24 000			4 000						
Capitalisation shares issued	60 000						(60 000)			
Share issue expenses written off				(8 0000)						
Transfer to reserve						35 000		(35 000)		
Conversion of par value into no par value shares	(300 000)	332 250		(32 250)						
Dividends paid								(25 000)		
- ordinary dividends (250 000 x 10c)								(19 500)		
- Cumulative preference dividends (75000 x 12 % x 2) + (25000 x 12% x 6/12)								(2 000)		
- Redeemable preference dividends (20000 x 10%)										
Balances – 30 June 2010	-	332 250	100 000	-	20 000	45 000	-	188 500	20 000	

Workings:

Share capital:

	Shares	R	Premium
Issued at incorporation	100 000	120 000	20 000
30 June 2008	80 000	96 000	16 000
Issued – 31 Dec 2009	20 000	24 000	4 000
Capitalisation shares issued	50 000	60 000	

Question 3

Maklik Ltd

Note

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Statement of financial position at 30 June 2010

Assets

Non- current assets

Property plant and equipment	1	962 000
Investment in subsidiary	2	280 000
Available for sale financial asset	3	350 000

Current assets

Other financial assets	3	100 000
Trade receivables	3	393 000
Inventory	4	850 000
Cash and cash equivalents		60 000

Total assets

Notes to the statement of financial position

1. Property, plant and equipment

	Land	Machinery	Furniture and equipment	Total
Carrying amount – 1 July 2009	100 000	720 000	200 000	
Cost	100 000	800 000	400 000	
Accumulated depreciation		(80 000)	(200 000)	
Revaluation	100 000	-	-	
Depreciation		(108 000)	(39 000)	
Depreciation capitalised		36 000	-	
Additions			80 000	
Disposals at carrying amount			(55 000)	
Carrying amount – 30 June 2010	200 000	576 000	186 000	
Cost	200 000	800 000	380 000	
Accumulated depreciation		(224 000)	(194 000)	

Land consists of Erf 200, Nelspruit and was valued on the 30 June 2010 by Mr Ken a sworn appraiser.

2. Investment in subsidiary

Shares at cost	200 000
Loan to subsidiary	<u>80 000</u>
	280 000

3. Other financial assets

Non- current financial assets

Available for sale financial asset (70 000 x 5)	350 000
70 000 ordinary shares in Sun Ltd at fair value	

Current financial assets

Trade receivables	375 000
Dividends receivable	18 000

393 000

Listed investments – held at fair value through profit and loss	
20 000 12% preference shares in Tops Ltd at fair value (20 000 x 5)	100 000

4. Inventory

Inventory consists of:

Raw materials (200 000 – 10%)	180 000
Work in progress	500 000
Finished goods (150000 + 20000)	170 000
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	850 000
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