REVISING COMPANIES LEDGER ACCOUNTS 13 AUGUST 2014

Lesson Description

In this lesson we:

- Focus on Company Ledger Accounts

Summary

New Accounts that Affect Companies

- Income Tax
- Ordinary Share Dividends
- Shareholders For Dividends
- Sars (Income Tax)
- Ordinary Share Capital
- Retained Income
- Appropriation

Test Yourself

Question 1

Legal persona means that:
Choose the **incorrect** statement
(A) A company can be sued
(B) A company cannot enter into legal contracts
(C) In the eyes of the law the company is regarded as a person
(D) None of the above

Question 2

The word LTD in the name of a company means that
(A) The directors are limited
(B) The shareholders are limited
(C) The liability of the directors are limited
(D) The liability of the company is limited

Question 3

Which two components will make up Shareholders Equity?
(A) Assets +Liabilities
(B) Ordinary Share Capital +Liabilities
(C) Ordinary share Capital+ Retained Income
(D) None of the above

Question 4

The buy Back of shares at higher than the Average price will RESULT the following double entry:
(A) Debit Ordinary Share Capital Credit Bank
(B) Debit Retained Income: Credit Bank
(C) Debit Ordinary Share Capital and Retained Income: Credit Bank
(D) Debit Ordinary Share Capital and Retained Income: Credit Shareholders

Question 5

The net profit AFTER tax Amounted to R 2 100 000.The tax at a rate of 30% for the year would amount to:

(A) 630 000
(B) 900 000
(C) 3 000 000
(D) 90 000

Improve your Skills

Question 1

Wacko limited

Required:

Use the following information to prepare the following accounts in the ledger of Wacko Ltd.for the accounting period ended 31 October 2013.

- Ordinary share capital
- Retained Income
- SARS(income tax)
- Shareholders for dividends
- Income Tax
- Ordinary Share Dividends
- Appropriation Account

Information:

1 November 2012	The following balances appeared in the ledger Ordinary Share capital(1 600 000 shares) Retained Income SARS: Income Tax (CREDIT) Shareholders for dividends	 R3 200 000 R640 000 R11 000 R140 000

1 November 2012	The company issued a further 900 000 ordinary shares at R3 each. The proceeds of the issue were banked.
20 November 2012	SARS and shareholders were paid the amounts due to them.
30 April 2013	The company paid provisional tax of R230 000and interim dividends of 15 cents per share. This was applicable to all shareholders.
31 October 2013	At the end of the accounting period, the company made a second provisional tax payment of R180 000 and the directors declared a final dividend of 22 cents per share. This was applicable to all shareholders.
	The directors decided to buy back 200 000 shares from a shareholder, C.Crawford, at R2, 80 per share. A cheque was issued to her.
	The audit was completed. The net income before tax for the year ended 31 October 2013 was calculated at R1 300 000.Income tax is calculated at 30% of the net profit before tax.

Answer Book

Question 1

GENERAL LEDGER OF WACKO LIMITED

BALANCE SHEET ACCOUNTS SECTION

DR				ORDINARY SHARE CAPITAL				B1	CR

DR				RETAINED INCOME				B2	CR

DR				SARS - INCOME TAX				B3	CR

DR				SHAREHOLDERS FOR DIVIDENDS				B4	CR

NOMINAL ACCOUNTS SECTION

DR				INCOME TAX				N21	CR

DR		ORDINARY SHARE DIVIDENDS					N22		CR

FINAL ACCOUNTS SECTION

DR		APPROPRIATION ACCOUNT					F3		CR