

REVISING ADJUSTMENTS FOR BALANCE SHEET

28 AUGUST 2014



Lesson Description

In this lesson we:

- Focus on year-end adjustments and completing the balance sheet
- Focus on retained income and ordinary share capital note



Test Yourself

Read the information below and answer the questions which follow:

The business's financial year ends on 28 February 2015.

CC Ltd traded in one of their vehicles on the 1 September 2014 for R20 000. The new vehicle costs R200 000. The cost price of the vehicle sold was R120 000 and the accumulated depreciation on the 1 March 2014 was R55 000. The business depreciates vehicles at 10% p.a. on the cost price method.

Question 1

The amount that will be added to Trade and other payables note is:-

- a) R200 000
- b) R180 000
- c) R220 000
- d) None of the above

Question 2

The amount of additional depreciation that needs to be written off for the disposal is

- a) R12 000
- b) R0
- c) R6 000
- d) None of the above

Question 3

The carrying value disclosed in the Tangible asset note for Disposal of Asset is

- a) R145 000
- b) R65 000
- c) R59 000
- d) None of the above

Question 4

Tangible assets such as vehicles and equipment are disclosed in the Balance Sheet at

- a) Historical cost
- b) Carrying value/book value
- c) Not disclosed at all
- d) None of the above

Question 5

Depreciation on the new vehicles at the end of the financial year will amount to :

- R10 000
- R20 000
- R18 000
- None of the above



Improve your Skills

Question 1

REQUIRED

- Complete the following notes
 - Ordinary share capital
 - Retained Income
 - Trade and other Payables
- Balance Sheet as at 28 February 2014

The information below was taken from the accounting records of Vaish Ltd. The financial year ends on 28 February 2014.

INFORMATION

EXTRACT FROM THE GENERAL LEDGER – 28 FEBRUARY 2014

Ordinary share capital	?
Retained income (1 March 2013)	37 500
Mortgage Bond: Temba Bank	70 000
Land and Buildings	346 700
Equipment	48 000
Accumulated depreciation on equipment	36 000
Debtors control	38 380
Trading stock	63 240
Bank (dr)	12 050
Petty cash	150
Provision for bad debts	3 080
Creditors control	97 700
SARS (Income tax) (dr)	59 540
SARS (Paye)	5 680
Medical Aid Fund	1 040
Profit & Loss (net profit before tax)	29 271

ADDITIONAL INFORMATION AND ADJUSTMENTS

- The Net Profit before tax of R29 271 was calculated **after** taking into account the adjustments below.
- Ordinary share capital comprises of the following:
 - Balance as at 1 March 2013 R200 000 (100 000 shares)
 - On 1 September 2013 a further 100 000 shares were issued at R2,50 each.
 - On 1 February 2014 the company bought back 50 000 shares at R2,50 each.
- The income tax assessment for the year amounted to R18 417.

notes for...

4. The directors declared a final dividend of R12 000. No interim dividends were paid during the year.
 5. A lawyer's letter was received from a debtor, Mr Stoney, informing the company that he was insolvent and would be paying 70c in the rand. He owed the business R780. The bad debt must be written off. The business received payment from the estate. The accountant recorded the bad debt but the other accounts still need to be adjusted.
 6. R. Stansel a debtor, returned stock she purchased from the business. The stock originally had a selling price of R8 000 but a 10% trade discount had been granted. The cost price was R3 900. The stock was returned to the supplier who issued the business with a credit note. Adjust accordingly.
 7. The accountant forgot to pay the cleaner his wage for the last week of February 2014. Details of his weekly wage are as follows:
 - Gross wage R900
 - Medical aid deductions R76
 - PAYE R225
- The business contributes on a rand-for-rand basis to the Medical Aid Fund.
8. Rent has been received for March 2014. The rent increased by R200 per month on 1 December 2013. The total rent received amounted to R11 200, Adjust accordingly.
 9. A debtor with a credit balance of R67 as at 28 February 2014 needs to be transferred to the creditor's ledger.
 10. Included in the February 2014 Cash Payment's Journal was a cheque payable to a creditor, M. Malepa. The cheque was dated 31 March 2014 and was for R2 300.
 11. The provision for bad debts must be adjusted to R2 849.
 12. A stock count at year-end revealed trading stock of R61 800. (this included all returns of stock)
 13. R10 000 of the mortgage loan is repaid annually on 1 July each year. All interest has been correctly recorded.

Answer Book

Question 1

1.1

a.)

ORDINARY SHARE CAPITAL NOTE

Issued	
Issued at the beg of the year	
Additional shares issued during the year @	
Bought back during the year	
Issued at the end of the year	

b.)

RETAINED INCOME NOTE

Balance at the beginning of the year (37 500	
Net profit after tax (29 271)	
Buy back during the year	
Ordinary share dividend	
Paid	
Recommended	
Balance at the end of the year	

c.)

TRADE AND OTHER PAYABLES

Trade creditors (97 700	
Sars – paye (5 680	
Medical aid fund (1 040	
Creditors for salary	
Income received in advance	
Shareholders for dividends	

1.2

BALANCE SHEET – VAISH LTD – 28 FEBRUARY 2014

ASSETS		
NON-CURRENT ASSETS		
TANGIBLE ASSETS		402 630
CURRENT ASSETS		
Inventory (63 240		
Trade and other receivables (38 380		
Cash and cash equivalent(12050+150		
TOTAL ASSETS		XXXXXXXXXXXX
EQUITY AND LIABILITIES		
ORDINARY SHAREHOLDER'S EQUITY		
Ordinary share capital		
Retained Income		
NON-CURRENT LIABILITIES		
Loan (70 000		
CURRENT LIABILITIES		
Trade and other payables		
Short term loan		
TOTAL EQUITY AND LIABILITIES		XXXXXXXXXXXX