Unit 2 Control tests and memoranda

Control test 1

Marks: 100 **Time: 1 hour**

Instructions

- You are provided with a question paper and an answer book.
- Answer all questions.
- Use the formats provided in order to reflect your answers.
- Workings must be shown in order to achieve part-marks.
- Non-programmable calculators may be used.

Company Financial Statements

Question 1 Balance Sheet, Notes and ratio analysis **[82]**

Zidani Limited's financial year ends annually on 30 June.

Required

1.1 Compile the LOAN account. (8)
1.2 Use the information below and complete the Balance Sheet on 30 June 2.14. (44)
1.3 Complete the Notes for Tangible assets. (20)
1.4 On 30 June 2.14, Zidani Limited shares are sold at R10.00 per share on the JSE. Do you think the shares would be worth selling? Give one reason for your answer. (4)
1.5 Show the cash effects on financing activities. (6)

Information

1 Ordinary share capital and premium
The authorised share capital comprises of 400 000 ordinary shares 150 000 shares were issued on 1 July 2.11 at R5.00 per share. 20 000 new shares were issued on 1 September 2.13 at R8.50 per share.

2 Appropriation account
The APPROPRIATION ACCOUNT is as follows in the General Ledger:

Dr **APPROPRIATION ACCOUNT** **Cr**

2.14					20.14				
Jun	30	Income tax		248 000	Jun	30	Profit and loss		278 000
		Dividends on ordinary shares		180 000			Retained income		600 000
		Retained income		450 000					
				878 000					878 000

3 Non-current liabilities

The loan from ALOT Bank reflected the following:

	R
Balance beginning of year	400 000
Repayments including interest on loan at 17,5%	(190 000)
Interest capitalised	?
Balance at the end of year	280 000

It is expected to pay R120 000 of the loan the next financial year.

4 Tangible assets
Land and buildings is valued at R506 000. Additional land for R100 000 was purchased during the year. The cost price of vehicles at the beginning of the year was R600 000 and accumulated depreciation was R180 000. A new vehicle of R200 000 was purchased on 1 April 2.14. A vehicle with the cost price of

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R100 000 and accumulated depreciation of R80 000 was sold on 30 June 2.14. The carrying value of vehicles at the end of the year is R516 000.

5 Dividends on ordinary shares
The Directors declared a dividend of 30 cents per share on 30 June 2.14.

6 Other Post-adjustment Trial Balances

	R
Fixed Asset: A LOT Bank	400 000
Cash float	4 000
Creditors control	145 000
Bank overdraft	75 000
SARS (Income tax) (Cr)	9 000

7 Financial indicators

Current ratio	1,27 : 1
Asset test ratio	0,6 : 1

8 Net asset value
The net asset value per ordinary share is 1 653.0 cents per share.

Question 2 Corporate governance [18]

Audit opinion (To the shareholders):

In our opinion, the Financial Statements fairly present, in all material respects, the financial position of the company and the group at 30 June 2.14 and the results of their operations and cash flows for the year then ended in accordance with IFRS, and in the manner required by the Companies Act in South Africa.

Bronx & Son
Charted Accountants (SA)
Registered Accountants and Auditors
Pinetown, 25 July 2.14.

2.1 What is the purpose of an independent audit report and who is it addressed to? (4)
2.2 Explain why it is important for the independent auditor to be a member of a professional body. Give TWO reasons (4)
2.3 Give ONE reason why you would be satisfied with this audit opinion. (3)
2.4 The Auditor's Report refers to IFRS. Explain why auditors have to take IFRS into account in expressing their opinion? (6)
2.5 State the auditor's name. (1)

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