

Control test I memorandum

Marks: 100

Time: 1 hour

1.1

GENERAL LEDGER OF ZIDANI LIMITED
BALANCE SHEET ACCOUNTS SECTION

Dr					LOAN: A LOT BANK					B9	Cr
2.14 Jun	30	Bank✓ Balance			✓190 000 ✓280 000 470 000	2.13 Jul	1	Balance	b/d	✓ 400 000	
			c/d			2.14 Jun	30	Interest on loan✓		✓ 70 000	
										470 000	
						2.14 Jul	1	Balance	b/d	✓ 280 000	

(8)

1.2 BALANCE SHEET OF ZIDANI LIMITED AT 30 JUNE 2.14

ASSETS	Notes	R
Non-current assets		✓1 422 000
Tangible assets	3	✓✓1 022 000
Financial assets		✓✓400 000
Current assets		✓✓✓508 000
Inventories (R508 000 – R236 000 – R4 000)	4	✓✓✓✓268 000
Trade & other receivables (0,6 × R400 000 – R4 000)	5	✓✓✓✓236 000
Cash & cash equivalents	6	✓✓4 000
TOTAL ASSETS		✓✓1 930 000
EQUITY & LIABILITIES		
Shareholders' Equity		✓1 370 000
Share capital (150 000 × R5) + (20 000 × R8.50)	7	✓✓✓✓✓920 000
Retained income	8	✓✓450 000
Non-current liabilities		✓160 000
Loan from A LOT Bank (R280 000 – R120 000)		✓✓✓160 000
Current liabilities		✓400 000
Trade & other payables (0,3 × R170 000 + R145 000 + R9 000)	9	✓✓✓✓✓205 000
Bank overdraft		✓✓75 000
Current portion of loan		✓✓120 000
TOTAL EQUITY & LIABILITIES		✓✓1 930 000

44 marks

1.3

Notes to Balance Sheet on 30 June 2.14

ZIDANI LIMITED

Tangible assets	Land and buildings	Vehicles	Total
Carrying value 30 June 2.13	✓406 000	✓✓420 000	826 000
Cost	✓406 000	✓600 000	1 006 000
Accumulated depreciation		✓(180 000)	(180 000)
Movement	100 000	96 000	196 000
Additions at cost	✓100 000	✓200 000	300 000
Disposal at carrying value		✓✓(20 000)	(20 000)
Depreciation for the year		✓✓✓*(84 000)	(84 000)
Carrying value 30 June 2.14	✓506 000	✓516 000	1 022 000
Cost	✓506 000	✓✓700 000	1 206 000
Accumulated depreciation		✓✓(184 000)	(184 000)

* Balancing figure (20)

1.4 Yes ✓

The net asset value is R16.53. Paying R10.00 for the share make senses as it is less than the asset value of the share✓✓✓

(4)

1.5 CASH FLOW STATEMENT OF ZIDANI LIMITED ON 30 JUNE 2.14

Cash effects from financing activities		✓✓50 000
Proceeds of shares issued		✓✓170 000
Long-term loans received/(repaid)		✓✓(120 000)

(6)

2.1 Purpose:

To report on the company's financial records and determine whether there is a fair presentation of facts. If policies are consistent with the previous year's policies applied.✓✓✓

Addressed to: Shareholders ✓

2.2 Any Two answers ✓✓✓✓

- To ensure that readers of financial statements have confidence in his opinion.
- Assurance to the public that he/she is well trained on an on-going basis.
- Disciplinary actions if negligent in performing duties.
- Aware of latest trends e.g. IFRS, Companies Act, King Code.
- Act in ethical manner (integrity, observe code of conduct).
- To benchmark quality of work.

2.3 Possible responses, e.g. ✓✓✓✓

- The auditors stated that they are satisfied with all aspects of the financial reporting by the Directors/company.
- This is a standard report. One cannot expect better (fairly presented).
- No negative comments reported. If the auditor detected any irregular actions he would state it in the report.
- Complies with IFRS and Companies Act.
- The auditors did not state if the report is qualified or withheld.

2.4 Requirement by auditing standards as the IFRS sets standards for preparation of financial statements. This enables financial statements of different companies in South Africa to be compared with other South African companies and other companies across the world. ✓✓✓✓✓✓

2.5 Bronx & Son✓

18 marks