

# Zoom In Accounting Grade 12

## ACTIVITY 1 Priced Right Limited

### Required

Complete the Income Statement of Priced Right Limited for the year ended 31 March 2015.

### Information

Priced Right Ltd.					
PRE-ADJUSTMENT TRIAL BALANCE AS AT 31 MARCH 2015					
Balance Sheet Section	Debit	Credit	Nominal Accounts Section	Debit	Credit
Ordinary share capital		3 375 000	Sales		12 600 000
Retained income (1 April 2014)		837 110	Debtors allowances	174 200	
Land and buildings	2 534 400		Cost of sales	8 964 400	
Equipment	739 200		Rent income		262 080
Vehicles	976 800		Interest on fixed deposit		31 950
Accumulated depreciation on equipment		409 000	Bad debts recovered		2 760
Accumulated depreciation on vehicles		353 700	Insurance	460 000	
Mortgage loan: Freedom Bank		965 400	Directors' fees	1 008 000	
Trading stock	1 146 000		Audit fees	88 500	
Fixed deposit: Bold Bank (8% p.a.)	590 000		Salaries and wages	1 077 930	
Bank	375 700		Packing material	27 700	
Debtors control	475 200		Sundry expenses	76 520	
Creditors control		584 700	Advertising	119 000	
SARS (income tax)	314 100		Bad debts	14 400	
Provision for bad debts		21 600	Ordinary share dividends	281 250	

### Adjustments and additional information

- ✦ The authorised share capital consists of 750 000 ordinary shares.
- ✦ There were 500 000 shares in issue at the beginning of the financial year. A further 125 000 new ordinary shares were issued on 15 July 2014 at 725c each. These shares have been properly recorded.
- ✦ On 31 March 2015, 40 000 shares were repurchased from a shareholder at 920c per share. This entry has not yet been recorded.
- ✦ A physical stocktaking on 31 March 2015 revealed the following inventories on hand:
 

Trading stock	R1 082 400
Packing material	R5 100
- ✦ A debtor who owes the company R38 400 has been declared insolvent. His estate paid 60c in every rand. The remaining balance must be written off as irrecoverable. No entries have been made.
- ✦ Provision for bad debts must be adjusted to 5% of debtors.
- ✦ Make provision for outstanding interest on the fixed deposit. This investment has been in existence for the entire year. Interest is not capitalised.
- ✦ One of the employees was omitted from the Salaries Journal by mistake. Details are as follows:
 

Gross salary	R24 000
PAYE	R5 840
Medical aid deduction	R120

Medical aid contribution      R240

Pension fund deduction      R200

Pension fund contribution    R300

Employers' contributions are added to the Salaries and wages account.

- ✦ Included in insurance is an annual premium of R40 620, paid on 1 July 2014.
- ✦ Rent has been received for 14 months. The rent was increased by 10% on 1 February 2015.
- ✦ Make provision for depreciation as follows:

Vehicles	R62 800
Equipment	R29 660
- ✦ The loan statement received from Freedom Bank on 31 March 2015 reflected the following:

Balance at the beginning of the financial year	R1 350 000
Repayments during the year	R549 600
Interest capitalised	?
Balance at end of the financial year	R965 400
- ✦ A dividend of 60c per share was declared on 31 March 2015. This dividend has not yet been paid or recorded.
- ✦ Income tax for the year amounts to R149 468.