

Zoom In Accounting Grade 12

ACTIVITY 4 Big Buy Limited

You are presented with information from the records of Big Buy Limited. The financial year-end is 28 February 2020.

Required

- 1 Prepare the following notes to the Balance Sheet:
Ordinary share capital
Retained income
- 2 Prepare the Balance Sheet on 28 February 2020. Where notes are not required, show ALL your working in brackets.

Information

- ✦ The authorised share capital consists of 750 000 ordinary shares. On 1 March 2019, only 60% off all shares were in issue.
- ✦ The following amounts were extracted from the records:

	28 February 2020	28 February 2019
Ordinary share capital	?	3 215 000
Retained income	?	322 500
Total ordinary Shareholders' Equity	?	3 537 500
Fixed assets (carrying value)	?	
Fixed deposit: Sam Bank	650 000	
Loan: William Bank	482 600	
Inventory	275 400	
Debtors control	243 500	
Creditors control	62 460	
Cash in bank and petty cash	336 600	
Income received in advance (rent)	12 120	
Prepaid expenses (insurance)	7 600	
Provisional income tax payments	299 980	
Interim dividends paid on 31 August 2015	270 000	

- ✦ On 1 November 2019, the company issued a further 80 000 shares at R9,50 per share.
- ✦ On 28 February 2020, the directors decided to repurchase 75 000 ordinary shares from the estate of a shareholder who had died. This shareholder had originally purchased his shares on the JSE Limited at various times and at different prices. A repurchase price of R10,40 was accepted as being a fair price.
- ✦ On 27 February 2020, a final dividend of 40c per share was declared. All shares, including the new shares issued and repurchased, qualify for final dividends.
- ✦ The loan statement from William Bank received on 28 February 2020 reflected interest capitalised at R81 400. This was not recorded in the books. The business expects to settle 20% of the outstanding balance in the next financial year.
- ✦ After all the above adjustments were taken into account, the net profit before tax is R1 161 000. The income tax is calculated at 30% of the net income before tax.