



CASE STUDY: 2nd SEMESTER 2020

PROGRAMME	Bachelor of Business Administration;
MODULE	<i>Financial Reporting and Analysis</i>
YEAR	<i>One (1)</i>
INTAKE	<i>JAN 2020 semester 2</i>
TOTAL MARKS	20

QUESTION 1**(20 MARKS)**

P. Gumede is the proprietor of PG Stores. He commenced trading on 01 March 2017. At the end of the second year of trading, his bookkeeper resigned unexpectedly and Mr Gumede found that the financial statements for the year ended 28 February 2019 were incomplete.

He requires your assistance in completing them. The pre-adjustment trial balance, adjustments and additional information that were extracted from the accounting records as at 28 February 2019 are presented below.

REQUIRED

Complete the financial statements (that appear after the adjustments and additional information) with the missing amounts and details. The entire statements must be submitted. Where applicable, show your workings in brackets.

Note: The notes to the financial statements and Statement Of Changes In Equity are not required.

INFORMATION**PG STORES****PRE-ADJUSTMENT TRIAL BALANCE AS AT 28 FEBRUARY 2019**

	Debit (R)	Credit (R)
Balance sheet accounts section		
Capital		870 700
Drawings	234 000	
Land and buildings	608 700	
Vehicles at cost	275 000	
Equipment at cost	203 000	
Accumulated depreciation on vehicles		94 000
Accumulated depreciation on equipment		70 000
Trading inventory	140 000	
Debtors control	103 000	
Provision for bad debts		5 000
Bank	4 000	
Cash float	1 500	
Petty cash	500	
Creditors control		60 000
Loan: Tek Bank (12% p.a.)		96 000
Nominal accounts section		
Sales		1 277 000
Cost of sales	700 000	
Sales returns	15 000	
Wages	123 000	
Bank charges	4 000	
Rent income		66 000
Packing materials	37 000	
Advertising	18 000	
Rates	7 000	
Bad debts	2 000	
Discount allowed	1 000	
Discount received		2 000
Stationery	20 000	
Interest on loan	10 000	
Water and electricity	9 000	
Insurance	16 000	
Telephone	9 000	
	2 540 700	2 540 700

ADJUSTMENTS AND ADDITIONAL INFORMATION

1. No entry was made for trading inventory that was taken by the proprietor for his personal use, R2 000.
2. Inventories on 28 February 2019 according to physical stocktaking were as follows:
 - 2.1 Trading inventory R135 000
 - 2.2 Stationery R2 000
3. The telephone account of R1 000 for February 2019 was erroneously paid twice, on 25 February 2019 and 27 February 2019.
4. Rent has been received up to 31 January 2019.
5. A debtor, P. Peter, was declared insolvent. On 28 February 2019, his insolvent estate paid a first and final dividend of 60 cents in the Rand. An amount of R1 800 was received and recorded. The balance of his account must now be written off.
6. The provision for bad debts must be increased by R1 000.
7. The insurance total includes an amount of R7 200 that was paid for the period 01 November 2018 to 31 October 2019.
8. Interest on loan for February 2019 has not yet been paid. Interest is not capitalised.
Note: A repayment of R18 000 (excluding interest) is expected to be made in March 2019 to reduce the loan balance.
9. Depreciation must be brought into account each year as follows:
 - 9.1 On vehicles at 20% per annum using the diminishing balance method.
 - 9.2 On equipment at 15% per annum on cost. **Note:** Equipment with a cost price of R20 000 was purchased and recorded on 01 December 2018.

REFER TO THE INCOMPLETE FINANCIAL STATEMENTS THAT FOLLOW AND FILL IN THE MISSING AMOUNTS AND DETAILS. WHERE APPLICABLE, SHOW YOUR WORKINGS IN BRACKETS.

HIGHLIGHT YOUR ANSWERS FOR THE MISSING AMOUNTS OR SHOW THEM IN BOLD PRINT.

PG STORES**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2019**

	R
Sales	?
Cost of sales	(700 000)
Gross profit	?
Other operating income	?
Rent income	?
Discount received	2 000
Gross operating income	?
Operating expenses	?
Wages	123 000
Bank charges	4 000
Packing materials	37 000
Advertising	18 000
Rates	7 000
Bad debts	?
Discount allowed	1 000
Stationery	?
Water and electricity	9 000
Insurance	?
Telephone	?
	?
	?
	?
	?
Operating profit	?
Interest income	0
Interest expense	?
Net profit for the year	?

PG STORES**STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2019**

ASSETS	R
Non-current assets	?
Property, plant and equipment	?
Current assets	?
Inventories	?
Trade and other receivables	?
Trade debtors	?
Provision for bad debts	?
Prepaid expenses	?
Accrued income	?
Cash and cash equivalents	6 000
Bank	4 000
Cash float	1 500
Petty cash	500
Total assets	?
EQUITY AND LIABILITIES	
Equity	
Capital	?
Non-current liabilities	?
Loan: Tek Bank	?
Current liabilities	?
Trade and other payables	?
Creditors control	60 000
Income received in advance	?
Accrued expenses	?
	?
Total equity and liabilities	?