

CLOSE CORPORATIONS

SPECIFIC OUTCOMES

Understand the nature and formation of a close corporation.

Prepare the final ledger accounts of a close corporation, given certain adjustments.

Prepare the following detailed financial statements of a CC.

Income statement

Balance sheet

INTRODUCTION

An additional form of business ownership was introduced into South African law since 1 January 1984 when the Close Corporations Act (no. 69 of 1984) as amended, was passed by parliament. The aim of this Act is to create an enterprise form as a legal entity which would be less complex and easier to administrate than a limited company. As a result a close corporation is less expensive to operate.

A close corporation must have at least one and not more than ten members. Only natural persons may become members of a close corporation. The interest of any member in a corporation is expressed as a percentage. The contributions by members need not be in the same proportion as member's percentage interests. It is the members' interest, and not their contributions, which determines the proportion in which profits and losses are to be shared. After incorporation, a new member may acquire an interest in the corporation by purchase from an existing members or by making an additional contribution.

SPECIAL CHARACTERISTICS OF CLOSE CORPORATIONS

- 1. Instituting** Corporations may only be instituted by the Close Corporations Act.
- 2. Number of members** One or more members may form a close corporation with a maximum of ten members.
- 3. Individuality** A close corporation is a legal person and is treated and considered as such, separately from its members.
- 4. Members' contribution** The members' interest in a close corporation corresponds to

shareholders' equity in the case of a company. The components of members' interest are:

- Contributions by members
- Accumulated profit

5. Members' liability

Members enjoy protection against liability by the business concerned. Members can nevertheless lose this protection if they do not comply with the basic regulations stipulated in the Close Corporations Act.

6. Transfer of rights

A member can transfer his rights in the event of death or insolvency, because a person cannot become a member of a close corporation without authorisation by the other members. Therefore, transferability of rights is limited.

7. Annual audit

No annual audit is prescribed or compulsory. The report of the accounting officer may in a very limited sense be regarded as fulfilling the function of the auditor's report.

GENERAL LEDGER ACCOUNTS

LEDGER ACCOUNTS PECULIAR TO CLOSE CORPORATIONS

1. Members' contribution
2. Accumulated profit
3. SARS (Income tax)
4. Distribution payable to members
5. Loan **from** members
6. Loan **to** members
7. Income tax
8. Distribution to members
9. Interest on loan from a member
10. Interest on loan to a member
11. Appropriation account

FORMATS

1. - E +

| Dr | | Members' contribution | | | | | | Cr |
|--------|-------------|-----------------------|-----|---------|---------------|-----|-----|----|
| 20.2 | | | | 20.2 | | | | |
| Dec 31 | Bank (3) | CPJ | XX | Jan 1 | Balance (1) | b/d | XX | |
| Dec 31 | Balance (4) | c/d | XXX | June 30 | Bank (2) | CRJ | XX | |
| | | | | Nov 30 | Equipment (2) | GJ | XX | |
| | | | XXX | | | | XXX | |
| | | | | 20.3 | | | | |
| | | | | Jan 1 | Balance (4) | b/d | XXX | |

Explanations of the above

- (1) This represents the members' contribution at the beginning of the financial year.
- (2) This represents contributions made by members in the form of either money, tangible assets or services rendered.
- (3) This represents a contribution withdrawn by a member.
- (4) This represents the members' contribution at the end of the financial year.

2. - E +

| Dr | | Accumulated profit | | | | | | Cr |
|--------|-------------------|--------------------|-----|-------|-------------------|-----|-----|----|
| 20.2 | | | | 20.2 | | | | |
| Dec 31 | Appropriation (2) | GJ | XX | Jan 1 | Balance (1) | b/d | XX | |
| | Balance | c/d | XXX | | Appropriation (3) | GJ | XX | |
| | | | XXX | | | | XXX | |
| | | | | 20.3 | | | | |
| | | | | Jan 1 | Balance | b/d | xxx | |

Explanations of the above

- (1) This represents that part of the profit which was not appropriated in the form of distributions to members during the previous financial year.
- (2) This represents the accumulated profit, at the beginning of the accounting period, transferred to the appropriation account.
- (3) This represents the profit retained by the close corporation at the end of the current accounting period. The accumulated profit for the year will be the net profit after tax *less* the distribution to members. The accumulated profit at the end of the accounting period represents the current year's accumulated profit amount *plus* the accumulated profit at the beginning of the financial period.

3. - L +

| Dr | | South African Revenue Services (SARS): Income tax | | | | | | Cr |
|------|--|---|--|------|--|--|--|----|
| 20.2 | | | | 20.2 | | | | |

| | | | | | | | | | |
|---------|---------|-----|-----|-----|--------|------------|-----|-----|-----|
| Jan 31 | Bank | (2) | CPJ | xx | Jan 1 | Balance | (1) | b/d | xx |
| June 30 | Bank | (3) | CPJ | xx | Dec 31 | Income tax | (5) | GJ | xx |
| Dec 30 | Bank | (4) | CPJ | xx | | | | | |
| Dec 31 | Balance | (6) | c/d | xx | | | | | |
| | | | | xxx | | | | | xxx |
| | | | | | 20.3 | | | | |
| | | | | | Jan 1 | Balance | (6) | b/d | xx |

Explanations of the above

- (1) This represents the amount owing to SARS at the beginning of the financial year.
- (2) This represents the payment to SARS of the amount owing at the beginning of the financial year. This payment is made after the tax assessment is received and it brings the balance in the account to zero.
- (3) This represents the first provisional tax payment made to SARS. This amount is based on ± half of the estimated profits for the current year and is made six months after the beginning of the accounting period.
- (4) This represents the second provisional tax payment made to SARS at the end of the accounting period.
- (5) This represents the corporation's liability for the full amount of income tax based on its profit at the end of the accounting period.
- (6) This represents the amount owing **to** SARS in respect of the under-payment of income tax.

Please Note!! A debit balance represents the amount owing **by** SARS in respect of an over-payment of income tax.

| | | | | | | | | | |
|-----------|------|--|-----|-------|-------|---------|-----|-----------|----|
| 4. | | | | - L + | | | | | |
| Dr | | Distribution payable to members | | | | | | Cr | |
| 20.2 | | | | 20.2 | | | | | |
| Jan 31 | Bank | (2) | CPJ | xx | Jan 1 | Balance | (1) | b/d | xx |

| | | | | | | | | |
|---------|---------|-----|-----|-----|---------|-------------------------|-----|--------|
| June 30 | Bank | (4) | CPJ | xx | June 10 | Distribution to members | | |
| | | | | | | (interim) | (3) | GJ xx |
| | | | | | Dec 30 | Distribution to members | | |
| Dec 31 | Balance | (6) | c/d | xx | | (final) | (5) | GJ xx |
| | | | | xxx | | | | xxx |
| | | | | | 20.3 | | | |
| | | | | | Jan 1 | Balance | (6) | b/d xx |

Explanations of the above

- (1) This represents the amount owing to the members. (Final distribution declared at the end of the previous accounting period).
- (2) This represents the payment to the members of the amount owing at the beginning of the financial year and brings the balance in the account to zero.
- (3) This represents the interim distribution declared, but not yet paid, to the members during the accounting period.
- (4) This represents the payment of the interim distribution owing to the members. This brings the balance in the account to zero.
- (5) This represents the final distribution of profit declared to the members at the end of the accounting period. *Note: A final distribution of profit can only be declared once the interim distribution has been paid.*
- (6) This represents the amount owing to the members at the end of the financial year for the final distribution declared but not yet paid.

5.

| | | | | | | | | |
|-----------|---------------------------|-------|-----|------|-------|---------|-------------|--|
| | | - L + | | | | | | |
| Dr | Loan from a member | | | | | | Cr | |
| 20.2 | | | | 20.2 | | | | |
| June 30 | Bank | (2) | CPJ | xx | Jan 1 | Bank | (1) CRJ xxx | |
| Dec 31 | Balance | (3) | c/d | xxx | | | | |
| | | | | xxx | | | xxx | |
| | | | | | 20.3 | | | |
| | | | | | Jan 1 | Balance | b/d xxx | |

Explanations of the above

- (1) This represents the money borrowed by the close corporation from a member to finance business activities. The interest paid on the loan is an expense.

(2) This represents the partially repayment of the loan by the close corporation.

(3) This represents the amount owing at the end of the financial year.

| 6. | | + A - | | | | | | | |
|-------|----------|-------|-----|------------------|-------------|-----|-----|----|--|
| Dr | | | | Loan to a member | | | | Cr | |
| 20.2 | | | | 20.2 | | | | | |
| Jan 1 | Bank (1) | CPJ | xxx | June 30 | Bank (2) | CRJ | xx | | |
| | | | | Dec 31 | Balance (3) | c/d | xxx | | |
| | | | xxx | | | | xxx | | |
| 20.3 | | | | | | | | | |
| Jan 1 | Balance | b/d | xxx | | | | | | |

Explanations of the above

(1) This represents the loan granted to a member by the close corporation. The interest received on the loan is an income.

(2) This represents the partially repayment of the loan by the member.

(3) This represents the amount owing by the member at the end of the financial year.

| 7. | | - E + | | | | | | | |
|--------|----------|-------|----|--|---------------------|----|----|----|--|
| Dr | | | | Interest on loan from a member (expense) | | | | Cr | |
| 20.2 | | | | 20.2 | | | | | |
| Dec 31 | Bank (1) | CPJ | xx | Dec 31 | Profit and Loss (2) | GJ | xx | | |
| | | | | | | | | | |

Explanation of the above

(1) This represents the interest on the loan from a member, at x% pa, paid by the close corporation.

(2) This represents the closing transfer to the profit and loss account at the end of the financial year.

| 8. | | - E + | | | | | | | |
|--------|---------------------|-------|----|---------------------------------------|----------|-----|----|----|--|
| Dr | | | | Interest on loan to a member (income) | | | | Cr | |
| 20.2 | | | | 20.2 | | | | | |
| Dec 31 | Profit and loss (2) | GJ | xx | Dec 31 | Bank (1) | CRJ | xx | | |
| | | | | | | | | | |

Explanations of the above

- (1) This represents the interest on the loan to a member, at x% pa, paid by the member to the close corporation.
- (2) This represents the closing transfer to the profit and loss account at the end of the financial year.

9.

| | | - E + | | | | | |
|--------|-----------------------|------------|----|--------|-------------------|----|----|
| Dr | | Income Tax | | | | Cr | |
| 20.2 | | | | 20.2 | | | |
| Dec 31 | SARS (Income Tax) (1) | GJ | xx | Dec 31 | Appropriation (2) | GJ | xx |
| | | | | | | | |

Explanations of the above

- (1) This represents the close corporations liability for tax based on its profits and any allowances which the tax legislation permits.
- (2) This represents the closing transfer of the calculated income tax at the end of the financial year.

10.

| | | - L + | | | | | |
|---------|--|-------------------------|-----|--------|-------------------|----|-----|
| Dr | | Distribution to members | | | | Cr | |
| 20.2 | | | | 20.2 | | | |
| June 10 | Distribution payable to members (1) | GJ | xx | Dec 31 | Appropriation (3) | GJ | xxx |
| Dec 31 | Distribution payable to members (2) | GJ | xx | | | | |
| | | | xxx | | | | xxx |

Explanation of the above

- (1) This represents the interim distribution declared, but not yet paid, to the members during the year.
- (2) This represents the final distribution made to members but which has not yet been paid at the end of the financial year.
- (3) This represents the distributions to members for the year (interim and final) transferred to the appropriation account.

11.

| - E + | |
|-------|--|
|-------|--|

| Dr | | | | Appropriation account | | | | Cr | | | |
|--------|-----------------|--|-------|-----------------------|---------------------|--|-------|----|--|--|-----|
| 20.1 | | | | 20.1 | | | | | | | |
| Dec 31 | Income tax (2) | | GJ xx | Dec 31 | Profit and loss (1) | | GJ xx | | | | |
| | Distribution to | | | | (Net profit) | | | | | | |
| | members (3) | | GJ xx | | Accumulated (4) | | GJ xx | | | | |
| | Accumulated (5) | | GJ xx | | profit (beginning) | | | | | | |
| | profit (end) | | | | | | | | | | |
| | | | xxx | | | | | | | | xxx |

Explanations of the above

- (1) This represents the net profit before tax at the end of the year.
- (2) This represents the income tax charged for the year.
- (3) This represents the interim and final distribution to members for the year.
- (4) This represents the accumulated profit at the beginning of the year.
- (5) This represents the accumulated profit at the end of the year.

ACTIVITY 1

INSTRUCTION

Use the relevant information and transactions of Bafana CC, with members Bafa and Fana, to analyse the following transactions, according to the headings provided, for the accounting period 1 March 20.1 to 28 February 20.2. Each member has 50% interest in the close corporation.

TRANSACTIONS

20.1

- March 1 After registration of the close corporation each member made a cash contribution of R50 000.
- April 10 Fana increase his contribution in the form of a vehicle valued at R17 500.
- June 30 Bafana CC needed R60 000 for extensions and borrowed this amount from Fana at 17% interest per annum, payable half-yearly.
- Aug 28 After six months of trading in the first financial year, the accounting officer calculated that the corporation had to pay R20 500 provisional income tax to SARS. Issued a cheque to SARS for the amount due.
- Aug 31 Paid Bafa, who is in full time service of the close corporation, R18 000 salary for the first six months of the financial year.
- Sept 30 The corporation gave a loan of R12 000 to Bafa at 10% interest per annum, payable quarterly.
- Dec 30 Issued a cheque to Fana being the interest on the loan.
- Dec 31 Received R2 300 from Bafa, R2 000 as part payment of the loan to him and R300 as the first three months interest.
- Feb 20 The accounting officer estimated the corporations profit for the year and calculated that a second provision tax payment of R13 500 was due. Issued a cheque for the amount due.
- Feb 28 The final ledger accounts are prepared and show a net profit of R120 000.

The income tax for the accounting period amounts R54 000.

The members have decided to distribute R45 000. The payments will be made at the end of March 20.2.

Show the closing transfers and calculate the accumulated profit.

ACTIVITY 1

ANSWER SHEET

| GENERAL LEDGER | | | |
|----------------|-----------------|------------------|--------|
| DATE | ACCOUNT DEBITED | ACCOUNT CREDITED | AMOUNT |
| | | | R |

Use the given information and draw up the following accounts in the general ledger of Orlando Stores CC for the period 1 March 20.8 to 28 February 20.9. Balance or close off the accounts on 28 February 20.9.

Members' contribution
 Accumulated profit
 SARS (income tax)
 Distribution payable to members
 Income tax
 Distribution to members
 Appropriation account

Balances on 1 March 20.8

| | |
|------------------------|----------|
| Members' contributions | R100 000 |
| Accumulated profit | ? |
| SARS (income tax) | 11 000 |

TRANSACTIONS

20.8

Mrch 10 Received the tax assessment and paid the amount due to SARS by cheque.

April 5 Jabu paid R15 000 with a personal cheque for a computer delivered to the business and requested that the money should not be paid to him, but rather added to his members' contribution.

Aug 31 A cheque was issued to SARS for provisional income tax, R47 000.

The members decided to pay an interim distribution of R6 000 per member by cheque.

Dec 31 Baloyi, a bookkeeper, rendered services to the advantage of the CC. The value of his service is estimated at R5 000 and must be regarded as a further members' contribution.

20.9

Feb 25 Issued a cheque to SARS as a second payment of provisional income tax, R51 000.

Feb 28 The net profit as calculated in the Profit and loss account, after all adjustments were considered, amounted to R220 000.

The total amount for income tax payable for the accounting period amounted to R95 000.

The members decided to distribute 80% of the net profit after tax.

ACTIVITY 2

ANSWER SHEET

GENERAL LEDGER OF ORLANDO STORES CC

Balance sheet accounts section

| Dr | | Members' contribution | | | | Cr | |
|----|--|-----------------------|--|---------|-------------------|-----|--|
| | | | | 20.8 | | | |
| | | | | March 1 | Balance | b/d | |
| | | | | April 5 | Equipment | GJ | |
| | | | | Dec 31 | Services rendered | GJ | |
| | | | | | | | |
| | | | | | | | |

| Dr | | Accumulated profit | | | | Cr | |
|--------|---------------|--------------------|--|---------|---------------|-----|--|
| 20.9 | | | | 20.8 | | | |
| Feb 28 | Appropriation | GJ | | March 1 | Balance | b/d | |
| | Balance | c/d | | 20.9 | | | |
| | | | | Feb 28 | Appropriation | GJ | |
| | | | | | | | |
| | | | | March 1 | Balance | b/d | |

| Dr | | SARS (Income tax) | | | | Cr | |
|----------|---------|-------------------|--|---------|------------|-----|--|
| 20.8 | | | | 20.8 | | | |
| March 10 | Bank | CPJ | | March 1 | Balance | b/d | |
| Sept 1 | Bank | CPJ | | 20.9 | | | |
| 20.9 | | | | Feb 28 | Income tax | GJ | |
| Feb 25 | Bank | CPJ | | | Balance | c/d | |
| | | | | | | | |
| March 1 | Balance | b/d | | | | | |

| Dr | | Distribution payable to members | | | | Cr | |
|--------|---------|---------------------------------|--|---------|-----------------|-----|--|
| 20.8 | | | | 20.8 | | | |
| Aug 31 | Bank | CPJ | | Aug 31 | Distribution to | | |
| 20.9 | | | | | members | GJ | |
| Feb 28 | Balance | c/d | | 20.9 | | | |
| | | | | Feb 28 | Distribution to | | |
| | | | | | members | GJ | |
| | | | | | | | |
| | | | | March 1 | Balance | b/d | |

Nominal accounts section

| Dr | | Income tax | | | | Cr | |
|--------|-------------------|------------|--|--------|---------------|----|--|
| 20.9 | | | | 20.9 | | | |
| Feb 28 | SARS (Income Tax) | GJ | | Feb 28 | Appropriation | GJ | |
| | | | | | | | |

| Dr | | Distribution to members | | | | Cr | |
|--------|----------------------|-------------------------|--|--------|---------------|----|--|
| 20.8 | | | | 20.9 | | | |
| Aug 31 | Distribution payable | GJ | | Feb 28 | Appropriation | GJ | |
| | to members (interim) | | | | | | |
| Feb 28 | Distribution payable | | | | | | |
| | to members (final) | GJ | | | | | |
| | | | | | | | |

| Dr | | Appropriation | | | | Cr | |
|--------|--------------------|---------------|--|--------|---------------------|----|--|
| 20.9 | | | | 20.9 | | | |
| Feb 28 | Income tax | GJ | | Feb 28 | Profit and loss | GJ | |
| | Distribution to | | | | (Net profit) | | |
| | members (Int + F) | GJ | | | Accumulated profit | GJ | |
| | Accumulated profit | GJ | | | (beginning of year) | | |
| | (end of year) | | | | | | |
| | | | | | | | |

INCOME STATEMENT

FORMAT

| XY CC | | | |
|---|------|---|------|
| INCOME STATEMENT FOR THE YEAR ENDED | | | |
| | Note | R | R |
| Sales | | | xxx |
| Cost of sales | | | (xx) |
| Gross profit | | | xxx |

| | | | |
|---|-----|----|------|
| Other operating income | | | xxx |
| (example) Rent income | | xx | |
| Rent income: Member X | | xx | |
| Profit on sale of asset | | xx | |
| *Provision for bad debts adjustment (decrease) | | xx | |
| Bad debts recovered | | xx | |
| Gross operating income | | | xxx |
| Operating expenses | | | (xx) |
| (example) Rent expense | | xx | |
| Rent expense: Member Y | | xx | |
| Loss on sale of asset | | xx | |
| *Provision for bad debts adjustment (increase) | | | |
| Salary: Member X | | | |
| Salary: Member Y | | | |
| Depreciation | | xx | |
| Remuneration: Accounting officer | | xx | |
| Loss on stock theft | | xx | |
| Operating profit | | | xxx |
| Interest income | (1) | | xx |
| Profit before financing cost (or interest expense) | | | xxx |
| Finance cost (interest expense) | (2) | | (xx) |
| Profit before tax | | | xxx |
| Taxation | | | (xx) |
| Net profit for the period | (9) | | xxx |

**BALANCE SHEET
AND
NOTES TO FINANCIAL STATEMENTS**

FORMATS

| | | | |
|-------------------------------|-------------|----------|----------|
| XY CC | | | |
| BALANCE SHEET AT | | | |
| | Note | R | R |
| ASSETS | | | |

| | | | |
|--|------|-----|-----|
| Non-current assets | | | XXX |
| Tangible assets | (3) | XXX | |
| Loan to members | (4) | XXX | |
| Financial assets | | | |
| Fixed deposits (maturation period more than 12 months) | | XXX | |
| | | | |
| Current assets | | | XXX |
| Inventories | (5) | XXX | |
| Trade and other receivables | (6) | XXX | |
| Cash and cash equivalents | (7) | XXX | |
| Total assets | | | XXX |
| | | | |
| EQUITY AND LIABILITIES | | | |
| Members funds | | | XXX |
| Members contributions | (8) | XXX | |
| Accumulated profit | (9) | XXX | |
| | | | |
| Non-current liabilities | | | XXX |
| Mortgage bond (not payable within 12 months) | | XXX | |
| Loans from members | (10) | XXX | |
| | | | |
| Current liabilities | | | XXX |
| Trade and other payables | (11) | XXX | |
| Bank overdraft (if any) | | | |
| Short term loans | | XXX | |
| Total equity and liabilities | | | XXX |
| | | | |

| | | | | |
|---|----------|----------|----------|----------|
| XY CC | | | | |
| NOTES TO FINANCIAL STATEMENTS | | | | |
| | R | R | R | R |
| 1. Interest income | | | | |
| from loans to members | | | | XX |
| from investments (e.g. fixed deposit) | | | | XX |
| from overdue debtors | | | | XX |
| from current accounts | | | | XX |
| | | | | XXX |
| | | | | |
| 2. Interest expense (financial cost) | | | | |
| on loans to members | | | | XX |
| on mortgage bond | | | | XX |
| on bank overdraft | | | | XX |

| | | | | |
|--|---------------------------|-----------------|------------------|--------------|
| on overdue creditors | | | | XX |
| | | | | XXX |
| 3. Tangible assets | Land and Buildings | Vehicles | Equipment | Total |
| Cost price | XXX | XXX | XXX | XXX |
| Accumulated depreciation | - | (XX) | (XX) | (XX) |
| Carrying value (last date of previous year) | XXX | XXX | XXX | XXX |
| Movements | | | | |
| Additions at cost | XXX | | XXX | XXX |
| Disposals at carrying value | | (XXX) | | (XXX) |
| Depreciation for the year | | (XX) | (XX) | (XX) |
| Carrying value (closing date) | XXX | XXX | XXX | XXX |
| Cost price | XXX | XXX | XXX | XXX |
| Accumulated depreciation | - | (XX) | (XX) | (XX) |
| 4. Loans to members | | | X | Y |
| Balance (last date of previous year) | | | XXX | XXX |
| Repayments during the year | | | (X) | (X) |
| New loans | | | XX | XX |
| Balance (last date of current year) | | | XXX | XXX |
| Interest at xx% per annum are charged on these loans | | | | |
| 5. Inventories | | | | |
| Trading stock | | | | XXX |
| Consumable stores on hand (e.g. stationery on hand) | | | | XXX |
| | | | | XXX |

| | | | | |
|---|--|--|--|----------|
| | | | | R |
| 6. Trade and other receivables | | | | |
| Trade debtors | | | | XXX |
| Provision for bad debts | | | | (XX) |
| Net trade debtors | | | | XXX |
| Accrued income (Income receivable) | | | | XXX |
| Prepaid expenses | | | | XXX |
| *SARS (income tax) (debit balance) | | | | XXX |
| Insurance company | | | | XXX |
| Deposit: Water and electricity | | | | XXX |
| | | | | XXX |
| 7. Cash and cash equivalents | | | | |
| Fixed deposit (maturing within 12 months) | | | | XXX |

| | |
|--|------|
| Savings account | XXX |
| Bank (favourable) (+ post dated cheques issued) | XXX |
| Cash float | XXX |
| Petty cash | XXX |
| | XXX |
| 8. Members' contributions | |
| Members' contributions: (last date of previous year) | XXX |
| New contributions made during the year | XXX |
| Contributions withdrawn during the year | (xx) |
| Members' contributions: (closing date) | XXX |
| 9. Accumulated profit | |
| Accumulated profit (last date of previous year) | XXX |
| Net profit (loss) for the year / period | XXX |
| Distribution to members | XXX |
| Accumulated profit (closing date) | XXX |
| 10. Loans from members | |
| Balance (last date of previous year) | XXX |
| Repayments during the year | (xx) |
| New loans | XXX |
| Balance (closing date) | XXX |

| | R | R |
|--|----|-----|
| 11. Trade and other payables | | |
| Trade creditors | | XXX |
| Accrued expenses (expenses payable) | | XXX |
| Income received in advance (deferred income) | | XXX |
| SARS: | | XXX |
| *Income tax (credit balance) | xx | |
| PAYE | xx | |
| Creditors for salaries | | XXX |
| Creditors for wages | | XXX |
| Pension fund | | XXX |
| Medical fund | | XXX |
| Unemployment insurance fund | | XXX |
| Deposit: Rent income | | XXX |
| Distribution payable to members | | XXX |
| | | XXX |

| 12. Transactions with members | X | Y |
|--|----------|----------|
| Profit before taxation is shown after the following transactions with members: | | |
| Rent | xx | xx |
| Interest paid | xx | xx |
| Members' remuneration (salaries) | xx | xx |
| | xxx | xxx |
| Interest received | (xx) | (xx) |
| | xxx | xxx |
| | | |

ACTIVITY 3

The given information was obtained from the books of Joco CC, with partner Jomo and Cosmo, on 30 April 20.1, the last day of the financial year.

INSTRUCTION

- 3.1 Prepare the trading, profit and loss and appropriation account for the year ended 30 April 20.1.
- 3.2 Prepare the income statement of Joco CC for the year ended 30 April 20.1.
- 3.3 Prepare the balance sheet of Joco CC for the year ended 30 April 20.1.

Note: Original amounts and adjustments must be shown in brackets!!

| JOCO CC | | |
|---|-------|--------|
| PRE-ADJUSTMENT TRIAL BALANCE ON 30 APRIL 20.1 | Debit | Credit |
| | | |

| Balance sheet accounts section | R | R |
|---|----------------|----------------|
| Members' contributions | | 130 000 |
| Accumulated profit | | 21 400 |
| Loan from Jomo | | 20 000 |
| Loan to Cosmo | 10 000 | |
| Mortgage bond: Buca Bank (18% pa) | | 25 000 |
| Land and buildings (at cost) | 137 000 | |
| Vehicles (at cost) | 158 000 | |
| Accumulated depreciation on vehicles (1 May 20.0) | | 52 500 |
| Trading stock | 51 168 | |
| Debtors control | 43 900 | |
| Provision for bad debts | | 2 750 |
| Creditors control | | 31 000 |
| Bank | 50 800 | |
| SARS (income tax) | 23 000 | |
| Nominal accounts section | | |
| Sales | | 698 230 |
| Cost of sales | 276 492 | |
| Debtors allowances | 18 230 | |
| Bad debts recovered | | 249 |
| Salaries and wages | 117 620 | |
| Salary: Cosmo | 50 000 | |
| Remuneration: Accounting officer | 16 569 | |
| Discount received | | 1 230 |
| Bad debts | 620 | |
| Interest on mortgage bond | 4 000 | |
| Interest on overdraft | 6 500 | |
| Packing material | 4 130 | |
| Rent income | | 7 700 |
| Sundry expenses | 22 030 | |
| | 990 059 | 990 059 |

Adjustments and information to take into account on 30 April 20.1

1. The rent for April 20.1 is still outstanding.
2. The loan to Cosmo was awarded to him on 1 February 20.1 at 12% pa interest. Provide for outstanding interest.
3. Inventory lists showed the following on hand: Trading stock, R51 500
Packing material, R330
4. Received 50 cents in the rand from the estate of T Tico (a debtor) for his account of R220. The balance must be written off. No entry has been made.
5. Mortgage bond repayments of R5 000 to Buca Bank are made annually on 1 October. There was no change in interest rate during the financial year.
6. An amount of R300 which had already been written off, was entered in the debtors control account by mistake, when M Morgan made the payment this month.

7. Adjust the provision for bad debts to 5% of debtors.
8. On 31 July 20.0 a delivery vehicle was involved in an accident and was written off as scrap by the insurance company. The insurance paid out the current market value R19 500 to Joco CC. The delivery vehicle was bought on 1 November 19.8 for R35 000. No transactions has been recorded in the books.
9. Provision for depreciation is to be calculated as follows:
On vehicles at 20% pa according to the diminishing balance method:
Take into account that a new delivery vehicle costing R60 000 was bought on 1 April 20.1. This transaction has already been recorded in the books.
10. Interest on loan (12% pa) is payable to Jomo in respect of the loan he made to the Corporation. The loan was negotiated on 1 April 20.1.
11. A salary cheque for R5 000 of member Cosmo was posted to the salaries and wages account by mistake.
12. Income tax payable for the year amounted to R64 031.
13. Net profit of R60 000, is distributed amongst the members according to each member's interest, Jomo 60% and Cosmo 40%.

ACTIVITY 3

ANSWER SHEET

3.1 GENERAL LEDGER OF JOCO CC

| Dr | | Trading account | | | | Cr |
|----------|-----------------|-----------------|----------|-------|----|----|
| 20.1 | | | 20.1 | | | |
| April 30 | Cost of sales | GJ | April 30 | Sales | GJ | |
| | Profit and loss | GJ | | | | |
| | (Gross Profit) | | | | | |
| | | | | | | |

| Dr | | Profit and loss account | | | | Cr |
|----------|------------------|-------------------------|----------|-----------------|--|----|
| 20.1 | | | 20.1 | | | |
| April 30 | Packing material | | April 30 | Trading account | | |
| | | | | (Gross Profit) | | |
| | Bad debts | | | Rent income | | |
| | | | | | | |

| | | | | | |
|--|----------------------------------|--|--|------------------------------------|--|
| | Interest on mortgage bond | | | Interest on loan: Cosmo | |
| | | | | Trading stock surplus | |
| | Loss on sale of asset | | | | |
| | | | | Bad debts recovered | |
| | Depreciation | | | | |
| | | | | Provision for bad debts adjustment | |
| | Interest on loan: Jomo | | | | |
| | Salaries and Wages | | | Discount received | |
| | | | | | |
| | Salary: Cosmo | | | | |
| | | | | | |
| | Remuneration: Accounting officer | | | | |
| | Interest on overdraft | | | | |
| | Sundry expenses | | | | |
| | Appropriation (Net profit) | | | | |
| | | | | | |

| Dr | | Appropriation account | | Cr | |
|----------|-------------------------|-----------------------|----------|------------------------------|--|
| 20.1 | | | 20.1 | | |
| April 30 | Income tax | | April 30 | Profit and loss (Net profit) | |
| | Distribution to members | | | Accumulated profit | |
| | Accumulated profit | | | (beginning of year) | |
| | (end of year) | | | | |
| | | | | | |

3.2

| JOCO CC | | | |
|---|------|---|---|
| INCOME STATEMENT FOR THE YEAR ENDED 30 APRIL 20.1 | | | |
| | Note | R | R |
| Sales | | | |
| Cost of sales | | | |
| Gross profit | | | |
| Other operating income | | | |
| Rent income | | | |
| Trading stock surplus | | | |
| Discount received | | | |
| Provision for bad debts adjustment | | | |
| Bad debts recovered | | | |
| Gross operating income | | | |
| Operating expenses | | | |
| Packing material | | | |
| Bad debts | | | |

| | | | |
|-------------------------------------|-----|--|--|
| Loss on sale of asset | | | |
| Salaries and wages | | | |
| Salary: Cosmo | | | |
| Remuneration: Accounting officer | | | |
| Depreciation | | | |
| Sundry expenses | | | |
| Operating profit | | | |
| Interest income | (1) | | |
| Profit before financing cost | | | |
| Financing cost | (2) | | |
| Profit before tax | | | |
| Taxation | | | |
| Net profit for the period | (9) | | |
| | | | |

| | | | |
|---------------------------------------|-------------|----------|----------|
| JOCO CC | | | |
| BALANCE SHEET ON 30 APRIL 20.1 | | | |
| | Note | R | R |
| ASSETS | | | |
| Non-current assets | | | |
| Tangible assets | (3) | | |
| Loan to members | (4) | | |
| Current assets | | | |
| Inventories | (5) | | |
| Trade and other receivables | (6) | | |
| Cash and cash equivalents | (7) | | |
| Total assets | | | |
| EQUITY AND LIABILITIES | | | |
| Members Funds | | | |
| Members contributions | (8) | | |
| Accumulated profit | (9) | | |

| | | | |
|-------------------------------------|------|--|--|
| | | | |
| Non-current liabilities | | | |
| Mortgage bond | | | |
| Loans from members | (10) | | |
| | | | |
| Current Liabilities | | | |
| Trade and other payables | (11) | | |
| Short term loans | | | |
| Total equity and liabilities | | | |
| | | | |

| | |
|--------------------------------------|----------|
| JOCO CC | |
| NOTES TO FINANCIAL STATEMENTS | |
| | R |
| 1. Interest income | |
| from loans to members | |
| | |

| | | | |
|---------------------------------------|------------------|-----------------|--------------|
| | R | R | R |
| 2. Interest expense | | | |
| on loans to members | | | |
| on mortgage bond | | | |
| on bank overdraft | | | |
| | | | |
| | | | |
| 3. Tangible assets | Land and | Vehicles | Total |
| | buildings | | |
| Cost price | | | |
| Accumulated depreciation | | | |
| Carrying value (30 April 20.0) | | | |
| Movements | | | |
| Additions at cost | | | |
| Disposals at carrying value | | | |
| Depreciation for the year | | | |
| Carrying value (30 April 20.1) | | | |
| Cost price | | | |
| Accumulated depreciation | | | |

| | | | |
|--|--|--|--|
| | | | |
| 4. Loans to members | | | |
| Balance (30 April 20.0) | | | |
| Repayments during the year | | | |
| New loans | | | |
| Balance (30 April 20.1) | | | |
| Interest at 12% per annum are charged on these loans | | | |
| | | | |
| 5. Inventories | | | |
| Trading stock | | | |
| Consumable stores on hand | | | |
| | | | |
| | | | |

| | | | |
|---|--|---|---|
| | | R | R |
| 6. Trade and other receivables | | | |
| Trade debtors | | | |
| Provision for bad debts | | | |
| Net trade debtors | | | |
| Accrued income | | | |
| | | | |
| | | | |
| 7. Cash and cash equivalents | | | |
| Bank | | | |
| | | | |
| 8. Members' contributions | | | |
| Members' contributions: (30 April 20.0) | | | |
| New contributions made during the year | | | |
| Contributions withdrawn during the year | | | |
| Members' contributions: (30 April 20.1) | | | |
| | | | |
| 9. Accumulated profit | | | |
| Accumulated profit on 30 April 20.0 | | | |
| Net profit (loss) for the year | | | |

| | | |
|----------------------------------|--|---|
| Distribution to members | | |
| Accumulated profit 30 April 20.1 | | |
| 10. Loans from members | | |
| Balance | | - |
| Repayments during the year | | - |
| New loans | | |
| Balance | | |
| | | |

| | | |
|---|-------------|--------------|
| | R | R |
| 11. Trade and other payables | | |
| Trade creditors | | |
| Accrued expenses | | |
| SARS (income tax) | | |
| Distribution payable to members | | |
| | | |
| 12. Transactions with members: | Jomo | Cosmo |
| <i>Profit before taxation is shown after the following transactions with members:</i> | | |
| Rent | | |
| Interest paid | | |
| Members' remuneration (salaries) | | |
| | | |
| Interest received | | |
| | | |

CLOSE CORPORATIONS

ACTIVITY 1

SOLUTION

GENERAL LEDGER

| DATE | ACCOUNT DEBITED | ACCOUNT CREDITED | AMOUNT |
|----------|----------------------------------|-----------------------------|---------|
| | | | R |
| Marc 1 | Bank (R50 000 x 2) | Members' contribution | 100 000 |
| April 10 | Vehicles | Members' contribution | 17 500 |
| June 30 | Bank | Loan from Fana | 60 000 |
| Aug 28 | SARS (income tax) | Bank | 20 500 |
| Aug 31 | Salary: Bafa | Bank | 18 000 |
| Sept 30 | Loan to Bafa | Bank | 12 000 |
| Dec 30 | Interest on loan: Fana (expense) | Bank (R60 000 x 17% x 6/12) | 5 100 |
| Dec 31 | Bank | Loan to Bafa | 2 000 |

| | | | |
|--------|--|---------------------------------|---------|
| | Bank | Interest on loan: Bafa (income) | 300 |
| Feb 20 | SARS (income tax) | Bank | 13 500 |
| Feb 28 | Adjustments and closing transfers | | |
| | Profit and Loss | Appropriation account | 120 000 |
| | Income tax | SARS (income tax) | 54 000 |
| | Distribution to members | Distribution payable to members | 45 000 |
| | Appropriation account | Income tax | 54 000 |
| | Appropriation account | Distribution to members | 45 000 |
| | Appropriation account | Accumulated profit | *21 000 |

*R120 000 - R54 000 - R45 000 = R21 000

(net profit - taxation - distribution = accumulated profit)

ACTIVITY 2

SOLUTION

GENERAL LEDGER OF ORLANDO STORES CC

Balance sheet accounts section

| Dr | | Members' contribution | | | | Cr | |
|----|--|-----------------------|--|---------|-------------------|-----|---------|
| | | | | 20.8 | | | |
| | | | | Mrch 1 | Balance | b/d | 100 000 |
| | | | | April 5 | Equipment | GJ | 15 000 |
| | | | | Dec 31 | Services rendered | GJ | 5 000 |
| | | | | | | | 120 000 |

| Dr | | Accumulated profit | | | | Cr | |
|--------|---------------|--------------------|----------------|---------|---------------|-----|----------------|
| 20.9 | | | | 20.8 | | | |
| Feb 28 | Appropriation | GJ | 88 000 | March 1 | Balance | b/d | 88 000 |
| | Balance | c/d | 101 000 | 20.9 | | | |
| | | | | Feb 28 | Appropriation | GJ | 101 000 |
| | | | 189 000 | | | | 189 000 |

| | | | | | | | |
|--|--|--|--|---------|---------|-----|---------|
| | | | | 20.9 | | | |
| | | | | March 1 | Balance | b/d | 101 000 |

| Dr | | | | SARS (income tax) | | | | Cr | | | |
|----------|---------|-----|----------------|-------------------|------------|-----|--------|----|--|--|----------------|
| 20.8 | | | | 20.8 | | | | | | | |
| March 10 | Bank | CPJ | 11 000 | March 1 | Balance | b/d | 11 000 | | | | |
| Aug 31 | Bank | CPJ | 47 000 | 20.9 | | | | | | | |
| 20.9 | | | | Feb 28 | Income tax | GJ | 95 000 | | | | |
| Feb 25 | Bank | CPJ | 51 000 | | Balance | c/d | 3 000 | | | | |
| | | | 109 000 | | | | | | | | 109 000 |
| March 1 | Balance | b/d | 3 000 | | | | | | | | |

| Dr | | | | Distribution payable to members | | | | Cr | | | |
|--------|---------|-----|----------------|---------------------------------|-------------------|-----|---------|----|--|--|----------------|
| 20.8 | | | | 20.8 | | | | | | | |
| Aug 31 | Bank | CPJ | 12 000 | Aug 31 | Distribution to | | | | | | |
| 20.9 | | | | | members (interim) | GJ | 12 000 | | | | |
| Feb 28 | Balance | c/d | 100 000 | 20.9 | | | | | | | |
| | | | | Feb 28 | Distribution to | | | | | | |
| | | | | | members (final) | GJ | 100 000 | | | | |
| | | | 112 000 | | | | | | | | 112 000 |
| | | | | March 1 | Balance | b/d | 100 000 | | | | |

Nominal accounts section

| Dr | | | | Income tax | | | | Cr | | | |
|--------|-------------------|----|--------|------------|---------------|----|--------|----|--|--|--|
| 20.9 | | | | 20.9 | | | | | | | |
| Feb 28 | SARS (income tax) | GJ | 95 000 | Feb 28 | Appropriation | GJ | 95 000 | | | | |
| | | | | | | | | | | | |

| Dr | | | | Distribution to members | | | | Cr | | | |
|--------|----------------------|-----|-----------------|-------------------------|---------------|----|---------|----|--|--|--|
| 20.8 | | | | 20.9 | | | | | | | |
| Aug 31 | Distribution payable | | | | | | | | | | |
| | to members (interim) | CPJ | 12 000 | Feb 28 | Appropriation | GJ | 112 000 | | | | |
| | Distribution payable | | | | | | | | | | |
| | to members (final) | GJ | *100 000 | | | | | | | | |

| | | | | | | | |
|--|--|--|---------|--|--|--|---------|
| | | | 112 000 | | | | 112 000 |
|--|--|--|---------|--|--|--|---------|

*R220 000 - R95 000 = R125 000 x 80% = **R100 000**

(net profit - taxation = net profit after tax x 80% = final distribution to members)

| Dr | | Appropriation | | | | Cr | |
|--------|--------------------|---------------|----------------|--------|---------------------|----|----------------|
| 20.9 | | | | 20.9 | | | |
| Feb 28 | Income tax | GJ | 95 000 | Feb 28 | Profit and loss | GJ | 220 000 |
| | Distribution to | | | | (Net profit) | | |
| | members | GJ | 112 000 | | Accumulated profit | GJ | 88 000 |
| | Accumulated profit | GJ | 101 000 | | (beginning of year) | | |
| | (end of year) | | | | | | |
| | | | 308 000 | | | | 308 000 |

*interim: R12 000 + final: R100 000 = R112 000

ACTIVITY 3

SOLUTION

3.1 GENERAL LEDGER OF JOCO CC

| Dr | | Trading account | | | | Cr | |
|----------|-----------------|-----------------|----------------|----------|----------------------|----|----------------|
| 20.1 | | | | 20.1 | | | |
| April 30 | Cost of sales | GJ | 276 492 | April 30 | Sales | GJ | 680 000 |
| | Profit and loss | GJ | 403 508 | | (R698 230 - R18 230) | | |
| | (Gross profit) | | | | | | |
| | | | 680 000 | | | | 680 000 |

| Dr | | Profit and loss account | | | | Cr | |
|----------|--------------------------------------|-------------------------|-------|----------|-------------------------|----|----------------|
| 20.1 | | | | 20.1 | | | |
| April 30 | Packing material | | 3 800 | April 30 | Trading account | | 403 508 |
| | (R4 130 - R330) | | | | (Gross profit) | | |
| | Bad debts | | 730 | | Rent income | | 8 400 |
| | (R620 + R110) | | | | (R7 700 + R700) | | |
| | Interest on mortgage bond | | 4 875 | | Interest on loan: Cosmo | | 300 |
| | (R4 000 + R875) | | | | Trading stock surplus | | 332 |
| | Depreciation | | 6 320 | | (R51 500 - R51 168) | | |
| | (R1 260 + *R5 060 [see calculation]) | | | | Bad debts recovered | | 549 |
| | Loss on sale of asset | | 4 440 | | (R249 + R300) | | |
| | (R35 000 - R11 060 - R19 500) | | | | Provision for bad debts | | |

| | | | | | |
|--|----------------------------------|----------------|--|-------------------|----------------|
| | Interest on loan: Jomo | 200 | | adjustment | 551 |
| | Salaries and wages | 112 620 | | Discount received | 1 230 |
| | (R117 620 - R5 000) | | | | |
| | Salary: Cosmo | 55 000 | | | |
| | (R50 000 + R5 000) | | | | |
| | Remuneration: Accounting officer | 16 569 | | | |
| | Interest on overdraft | 6 500 | | | |
| | Sundry expenses | 22 030 | | | |
| | Appropriation acc (net profit) | 181 786 | | | |
| | | 414 870 | | | 414 870 |

| Dr | | Appropriation account | | Cr | |
|----------|-------------------------|-----------------------|----------|------------------------------|----------------|
| 20.1 | | | 20.1 | | |
| April 30 | Income tax | 64 031 | April 30 | Profit and loss (net profit) | 181 786 |
| | Distribution to members | 60 000 | | Accumulated profit | 21 400 |
| | Accumulated profit | 79 155 | | (beginning of year) | |
| | (end of year) | | | | |
| | | 203 186 | | | 203 186 |

3.2

| JOCO CC | | | |
|---|------|-------|------------------|
| INCOME STATEMENT FOR THE YEAR ENDED 30 APRIL 20.1 | | | |
| | Note | R | R |
| Sales (R698 230 - R18 230) | | | 680 000 |
| Cost of sales | | | (276 492) |
| Gross profit | | | 403 508 |
| Other operating income | | | 11 062 |
| Rent income (R7 700 + R700) | | 8 400 | |
| Trading stock surplus (R51 500 - R51 168) | | 332 | |
| Bad debts recovered (R249 + R300) | | 549 | |
| Provision for bad debts adjustment (decrease) | | 551 | |
| Discount received | | 1 230 | |
| Gross operating income | | | 414 570 |
| Operating expenses | | | (221 509) |
| Packing material (R4 130 - R330) | | 3 800 | |
| Bad debts (R620 + R110) | | 730 | |
| Depreciation (R1 260 + *R5 060 [see calculation]) | | 6 320 | |
| Loss on sale of asset (R35 000 - R11 060 - R19 500) | | 4 440 | |

| | | | |
|---|-----|---------|----------------|
| Salaries and wages (R117 620 - R5 000) | | 112 620 | |
| Salary: Cosmo (R50 000 + R5 000) | | 55 000 | |
| Remuneration: Accounting officer | | 16 569 | |
| Sundry expenses | | 22 030 | |
| Operating profit | | | 193 061 |
| Interest income | (1) | | 300 |
| Profit before financing cost | | | 193 361 |
| Financing cost (R200 + R4 875 + R6 500) | (2) | | (11 575) |
| Profit before tax | | | 181 786 |
| Taxation | | | (64 031) |
| Net profit for the period | (9) | | 117 755 |

3.3

| | | | |
|---------------------------------------|-------------|----------|----------------|
| JOCO CC | | | |
| BALANCE SHEET ON 30 APRIL 20.1 | | | |
| | Note | R | R |
| ASSETS | | | |
| Non-current assets | | | 222 240 |
| Tangible assets | (3) | 212 240 | |
| Loan to members | (4) | 10 000 | |
| | | | |
| Current assets | | | 165 021 |
| Inventories | (5) | 51 830 | |
| Trade and other receivables | (6) | 42 781 | |
| Cash and cash equivalents | (7) | 70 410 | |
| Total assets | | | 387 261 |
| EQUITY AND LIABILITIES | | | |
| Members funds | | | 209 155 |
| Members contributions | (8) | 130 000 | |
| Accumulated profit | (9) | 79 155 | |
| | | | |
| Non-current liabilities | | | 40 000 |
| Mortgage bond | | 20 000 | |
| Loans from members | (10) | 20 000 | |
| | | | |
| Current liabilities | | | 138 106 |
| Trade and other payables | (11) | 133 106 | |

| | | | |
|-------------------------------------|--|-------|----------------|
| Short term loan | | 5 000 | |
| Total equity and liabilities | | | 387 261 |
| | | | |

| | | |
|--------------------------------------|--|------------|
| JOCO CC | | |
| NOTES TO FINANCIAL STATEMENTS | | |
| | | R |
| 1. Interest income | | |
| from loans to members | | 300 |
| | | 300 |

| | R | R | R |
|---------------------------------------|------------------|-----------------|----------------|
| 2. Interest expense | | | |
| on loans to members | | | 200 |
| on mortgage bond | | | 4 875 |
| on bank overdraft | | | 6 500 |
| | | | 11 575 |
| 3. Tangible assets | Land and | Vehicles | Total |
| | buildings | | |
| Cost price | 137 000 | 98 000 | 235 000 |
| Accumulated depreciation | - | (52 500) | (52 500) |
| Carrying value (30 April 20.0) | 137 000 | 45 500 | 182 500 |
| Movements | | | |
| Additions at cost | - | 60 000 | 60 000 |
| Disposals at carrying value | - | (23 940) | (23 940) |
| Depreciation for the year | - | (6 320) | (6 320) |
| Carrying value (30 April 20.1) | 137 000 | 75 240 | 212 240 |
| Cost price | 137 000 | 123 000 | 260 000 |
| Accumulated depreciation | - | (47 760) | (47 760) |
| 4. Loans to members | | | |
| Balance (30 April 20.0) | | | - |
| Repayments during the year | | | - |
| New loans | | | 10 000 |
| Balance (30 April 20.1) | | | 10 000 |

| | | | |
|--|--|--|---------------|
| Interest at 12% per annum are charged on these loans | | | |
| 5. Inventories | | | |
| Trading stock (Balance R51 168 + Surplus R332) | | | 51 500 |
| Consumable stores on hand | | | 330 |
| | | | 51 830 |
| | | | |

| | R | R |
|--|---|----------------|
| 6. Trade and other receivables | | |
| Trade debtors (Balance R43 900 + b debts rec/error R300 - payment R110 - b debts R110) | | 43 980 |
| Provision for bad debts (R2 750 - R551) | | (2 199) |
| Net trade debtors | | 41 781 |
| Accrued income (Rent income R700 + Interest on loan: Cosmo R300) | | 1 000 |
| | | 42 781 |
| 7. Cash and cash equivalents | | |
| Bank (Balance R50 800 + debtors payment R110 + asset disposal R19 500) | | 70 410 |
| 8. Members' contributions | | |
| Members' contributions: (30 April 20.0) | | 130 000 |
| New contributions made during the year | | - |
| Contributions withdrawn during the year | | - |
| Members' contributions: (30 April 20.1) | | 130 000 |
| 9. Accumulated profit | | |
| Accumulated profit on (30 April 20.0) | | 21 400 |
| Net profit for the year | | 117 755 |
| Distribution to members | | (60 000) |
| Accumulated profit (30 April 20.1) | | 79 155 |
| 10. Loans from members | | |
| Balance | | - |
| Repayments during the year | | - |
| New loans | | 20 000 |
| Balance | | 20 000 |
| Interest at 12% per annum are charged on these loans | | |

| | | |
|---|--|----------------|
| | | |
| 11. Trade and other payables | | |
| Trade creditors | | 31 000 |
| Accrued expenses (interest on mortgage bond R875 + interest on loan: Jomo R200) | | 1 075 |
| Income received in advance | | - |
| SARS (income tax) (taxation R64 031 - provisional payments R23 000) | | 41 031 |
| Distribution payable to members (final) | | 60 000 |
| | | 133 106 |
| | | |

| | | |
|---|-------------|---------------|
| | R | R |
| 12. Transactions with members: | Jomo | Cosmo |
| <i>Profit before taxation is shown after the following transactions with members:</i> | | |
| Rent | - | - |
| Interest paid | 200 | - |
| Members' remuneration | - | 55 000 |
| | 200 | 55 000 |
| Interest received | - | (300) |
| | 200 | 54 700 |

CALCULATIONS

Adjustment 8 & 9

T-accounts in general ledger

| Vehicles | | | |
|----------|---------|------------|--------|
| Balance | 158 000 | A disposal | 35 000 |

| Accumulated dep on vehicles | | | |
|-----------------------------|--------|--------------|--------|
| A disposal | 11 060 | Balance | 52 500 |
| (9 800 + 1 260) | | Depreciation | 1 260 |
| | | Depreciation | 5 060 |

| Asset disposal | | | |
|----------------|--------|---------|--------|
| Vehicles | 35 000 | Acc dep | 11 060 |
| | | Bank | 19 500 |
| | | Loss | 4 440 |

| Depreciation | | | |
|--------------|-------|-------|-------|
| Acc dep | 1 260 | P & L | 6 320 |
| Acc dep | 5 060 | | |

Adj 8

Calculate depreciation:

| | | | | |
|-----------|----------------------------------|---|---|---------------|
| J 1: | 1 November 19.8 - 30 April 19.9: | $R35\ 000 \times 20\% \times 6/12$ | = | R3 500 |
| J 2: | 1 May 19.9 - 30 April 20.0: | $R35\ 000 - R3\ 500 = R31\ 500 \times 20\%$ | = | <u>R6 300</u> |
| | | | | <u>R9 800</u> |
| Pro-rata: | 1 May 20.0 - 31 July 20.0: | $R35\ 000 - R9\ 800 = R25\ 200 \times 20\% \times 3/12$ | = | <u>R1 260</u> |

Total depreciation on asset disposal = R9 800 + R1 260 = R11 060

Adj 9

Calculate depreciation of remaining vehicles on 30 April 20.1

Old vehicles: $R158\ 000 - (\text{asset disposal}) R35\ 000 - (\text{new vehicle}) R60\ 000 = \underline{\underline{R63\ 000}}$

$R63\ 000 - *R42\ 700 = R20\ 300 \times 20\% = R4\ 060$

(*R52 500 + R1 260 - R11 060 = R42 700)

New vehicle: $R60\ 000 \times 20\% \times 1/12 =$
 Depreciation on 30 April 20..1 $= \underline{\underline{R1\ 000}}$
R5 060