

### Question 1 of 2024

Jola Clothing Ltd makes and sells fashionable clothing. You have been provided with an extract of the financial statements and must answer specific questions. Ignore VAT.

Jola Clothing Ltd

Extract from the Statement of financial position as of 31 December 2011

EQUITY AND LIABILITIES	2011	2010
Equity	<b>120,600,000</b>	<b>79,600,000</b>
Share capital: Class A	12 000 000	10 000 000
Share capital: Class B	2 800 000	1 500 000
Revaluation surplus	1 800 000	1 100 000
Retained earnings	104 000 000	67 000 000
Liabilities	<b>180 454 000</b>	<b>21 812 000</b>
Long-term loan ( 15%)	80 000 000	20 000 000
Debentures	100 000 000	1 000 000
Trade payables	450 000	800 000
Bank overdraft	4 000	12 000

#### Notes:

An extract of the authorized and issued share capital of the company as of 31 December 2011:

Authorised share capital

- 15 000 000 Class A shares
- 300,000 Class B shares, no voting rights, and the right to a fixed distribution of 10% on the face value of R5 per share before Class A distribution.

Issued share capital

- 12 000 000 Class A shares,
- 200 000 Class B shares.

The Class B shares issued during 2011 were issued at an issue price of R15.

The share issue costs relating to the class B shares issued in 2011 amounted to R50 000, and the share issue costs on Class A shares incurred in 2011 amounted to R500 000. There were 10,000,000 Class A shares in issue at the beginning of the 2011 financial year. No share issue costs were incurred when the class A shares were first issued five years ago.

The directors declared class A dividends of 10 cents per share on 31 December 2011. This was the only class A dividend declaration during the year. Class B dividends were also declared in 2011.

**YOU ARE REQUIRED TO:**

- Calculate the net asset value of Jola Clothing Ltd at 31 December 2011. **(1 Mark)**
- Prepare the Journal entries for the class B share issue in 2011. Assume that the closing date for applications was the 15 September 2011 and shares were issued on 01 November 2011. The share issue was 20% over-subscribed. However, the directors decided not to issue over-subscribed shares. **(5 Marks)**
- Prepare the dividends: Class A and dividends: Class B accounts in the general ledger for the year that ended 31 December 2011. Closing entries should be shown. **(3 Marks)**
- Calculate the profit after taxation for the year ended 31 December 2011. **(3 Marks)**
- Calculate the Income Tax Expense that would appear in the statement of comprehensive income of Jola Clothing Ltd at 31 December 2011. Assume that taxable income is equal to profit before tax. Tax rate is 27% in SA for companies. **(3 Marks)**