

**QUESTION 1****(30 marks: 45 minutes)**

The year-end pre-adjustment trial balance and additional information of Polar Bear Traders is presented at 31 December 2015:

Polar Bear Traders  
Pre-Adjustment Trial Balance at 31 December 2015

	DR R	CR R
Capital (01/01/15)		352 300
Drawings	4 000	
Mortgage bond (10% p.a.)		25 000
Accounts payable		25 044
Property, at cost	209 000	
Vehicles, at cost less depreciation	191 000	
Fixed deposit in Blondie Bank	53 000	
Accounts receivable	39 875	
Inventory: Merchandise	24 500	
Stationery on hand	6 500	
Bank		7 860
Sales		251 082
Cost of sales	140 227	
Rent income		13 000
Interest income		6 870
Advertising expense	1 421	
Interest expense	1 250	
Bad debts expense	7 983	
Sales returns	2 400	
	R681 156	R681 156

The following additional information must be taken into consideration:

1. Stationery on hand at 31 December 2015 amounted to R450.
2. No depreciation has been recorded for the year. The vehicles are depreciated on the straight line basis at 20% per annum. A new vehicle was purchased on 1 July 2015 for R80 000 and the entry was correctly recorded. No other vehicles were bought or sold during the year. Property is not depreciated.
3. Blondie Bank issued a statement to Polar Bear Traders confirming interest for the 2015 year on the fixed deposit earned but not yet received. Interest is earned at the rate of 15% per annum.
4. The mortgage bond was taken out on 1 April 2015. Interest is payable quarterly in arrears on 1 April, 1 July, 1 October and 1 January. No capital repayments on the mortgage bond have been made during 2015.
5. Included in advertising is R1 200 paid for a two year contract that runs from 1 January 2015 to 31 December 2016.

**QUESTION 1 (continued)**

6. Rent income is the amount received for 13 months rent, as the tenant paid for the entire 2015 year, as well as January 2016 rental.
7. The liquidators of Harvey Wholesalers paid 80% of the amount of R1 000 that was owed to Polar Bear Traders. The receipt was not recorded and the balance of the debt must still be written off as irrecoverable.
8. Polar Bear Traders marks all their goods so as to earn 25% on selling price. It was ascertained that the following credit sales transaction and subsequent payment for the year was not recorded:
  - Credit sales – R20 000, subject to a 5% settlement discount which was granted to the customer upon payment being received. Payment was received before the financial year-end.

**REQUIRED:**

- (a) Use the abovementioned information to prepare the adjusting and correcting general journal entries, with narrations. (19)
- (b) Prepare the Statement of Profit or Loss for Polar Bear Traders for the year ended 31 December 2015. (11)

Note: Show all workings and calculations clearly.  
Work to the nearest rand.