Telematic Schools Project

2022 ACTIVITIES & WORKBOOK
Grade 10

ACCOUNTING

A joint initiative between the Western Cape Education Department and Stellenbosch University.

Western Cape Government
Education

Stellenbosch
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saam vorentoe

INTRODUCTION AND SESSIONS

Dear Grade 10 Accounting learner

Welcome to the Telematics project. The 2022 Gr 10 Accounting programme aims to strengthen your understanding of the Accounting process and focuses on the **basic knowledge and skills** necessary to be successful in Accounting.

Use this opportunity to consolidate what was taught in class. The 2022 Telematics lessons will revise Gr 9 work (in case you missed something in Gr 9 EMS), unpack the accounting equation, focus on Gr 10 cash and credit transactions of sole traders, provide clarity on year-end adjustments and financial statements.

You can work through the activities on your own or with study buddies, but you will enjoy the most value if you also join the live video lessons and interact with the presenter by asking questions via SMS, WhatsApp or the Telematics Facebook page.

With this subject you will be equipped with valuable life skills that you can apply in any career and in your own personal life, like orderliness, thoroughness, neatness, meticulousness, accuracy, ethical behaviour, sound judgement, organisation as well as critical, logical and analytical abilities. **Accounting is an exciting, interesting and dynamic subject. Decide right now to enjoy it, and even better, to love it!**

"***PASSION + VISION + ACTION is the equation for success***" is the winning motto of Marilyn King, an US Olympic Pentathlete.

Be passionate about your Accounting, have a vision of what you would like to achieve with it and act upon your passion and vision by working hard at the subject and you will succeed.

All the best.
Mrs E. Eksteen
WCED SCP Accounting

Session	Date	Time	Topic	Description
1	**14/02/2022 (E)** **15/02/2022 (A)**	**15h00-16h00**	**Consolidation: CRJ, CPJ, DJ, CJ**	**Journals** **Posting to ledger a/c** **Trial balance**
2	16/02/2022 (E) 17/02/2022 (A)	15h00-16h00	Accounting Equation (incl. PCJ)	Concepts Assets Owner's equity Liabilities
3	**02/03/2022 (E)** **03/03/2022 (A)**	**16h00-17h00**	**Cash transactions**	**Accounting cycle** **Gr 10 cash transactions**
4	05/04/2022 (E) 06/04/2022 (A)	15h00-16h00	Credit transactions (incl. DAJ, CAJ)	Accounting cycle Gr 10 credit transactions Reconciliations
5	**12/05/2022 (E)** **17/05/2022 (A)**	**16h00-17h00** **16h00-17h00**	**Adjustments (1)**	**GAAP concepts** **Accrued, Prepaid** **Received in advance**
6	03/08/2022 (E) 04/08/2022 (A)	16h00-17h00	Adjustments (2)	Depreciation Stock on hand Correction of errors
7	**17/08/2022 (E)** **18/08/2022 (A)**	**16h00-17h00**	**Financial statements**	**Statements of…** **Comprehensive Income** **Financial position**

TERMINOLOGY

TERM	DEFINITION / DESCRIPTION
Assets	Business possessions that are used to generate income and operate the business, e.g. Land and buildings, Vehicles, Equipment, Trading stock, etc.
Non-current assets	Assets that will be used for a long time (longer than 1 year), e.g. Land & buildings, Vehicles, Equipment.
Current Assets	Assets used in the operation of the business. Their value changes daily, e.g. stock, cash, debtors, etc.
Capital	What the owner invested in the business.
Drawings	Funds and items that the owner withdraws from his business for personal use.
Owner's equity	The owner's financial interest in the business. The amount is calculated as: Capital + Net profit - Drawings
Liabilities	Amounts the business owes TO other people or businesses . It must be repaid
Non-current liabilities	Debts or loans that must be settled in periods **longer than one year**, e.g. Mortgage loans (for buying land and buildings)
Current Liabilities	Debts that must be settled in **one** financial year, e.g. creditors
EFT	Electronic Funds Transfer. It is a payment that is generated online/electronically.
Bank overdraft	The Bank account balance is negative and is shown as a credit balance in the ledger account.
Petty cash	A small cash amount kept in a lockable 'money box' for making small payments. A petty cashier issues petty cash vouchers (source documents) for payments made from the petty cash. Each payment is authorised by the senior bookkeeper (he/she signs the petty cash vouchers to give 'permission' for taking cash from the money box). Petty cash is managed using the imprest system.
Imprest system	Cash on hand at the end of a month is restored to the initial amount started with (imprest amount), e.g. Petty Cash = R500; cash payments from petty cash for the month = R350. R150 cash on hand in the money box. R350 cash is paid from the bookkeeper out of Bank (CPJ) to the petty cashier to restore the imprest amount to R500 cash on hand for the next month.
General Journal	All transactions that cannot be entered in other journals are entered in this journal. Every transaction needs authorisation. Every entry has a debit and a credit entry.
Bad debts	If a debtor (whose debt is an asset) cannot pay his/her debt, it has to be written off as a **loss**, called bad debts.
Bad debts recovered	When a debtor (previously written off) pays his/her debt partly or in full, the amount will be regarded as a '**profit'** called bad debts recovered.
Discount allowed	A debtor who settles his account regularly and on time, <u>may</u> be allowed to pay less to settle his account. The difference between the debt and the payment will be discount allowed. It is a loss the business is willing to bear in order to keep a regular client, e.g. R200 (debt) – R180 (paid) = R20 discount.
Discount received	When the business settles a creditor's account on time, the creditor may accept a reduced payment. It is a 'profit' for the business and improves the image of the business with the creditor.

TERMINOLOGY

TERM	DEFINITION / DESCRIPTION
Trade discount	It is the amount by which a supplier reduces the retail price of products when it is sold to a retailer or business, rather than to the end customer. The discount is subtracted on the invoice and usually not recorded in the journals. It is only recorded in the CAJ (to reduce purchase price) WHEN this discount was given after the purchase invoice was issued.
Interest on overdue account received	It is an income that is **added** to overdue debtors' accounts. The debtors will owe more.
Interest on overdue account paid	It is an expense as the business is charged for not paying the creditor on time. The business will owe more.
Debit order	A payment method whereby a third party (the beneficiary) collects money from the business's bank account with permission (mandate) from the business, e.g. the monthly collection of telephone or water & electricity payments. The monthly amount is flexible. *[the business gives the mandate to the beneficiary]*
Stop order	A payment method whereby the business gives an instruction to the bank to make a series of recurring payments, e.g. insurance premium, rent expenses. The monthly amount is fixed. *[the business gives the mandate to the bank]*
Depreciation	It is the decrease in the value of a fixed asset over its useful life. It is calculated **annually** at the end of a financial year and written off against the value of the asset as an '**expense'** in a specific accounting period.
Accumulated depreciation	It is the total depreciation written off over the useful life of the asset. Accumulated depreciation is a 'negative' asset account, as its credit balance reduces the overall asset value. Each asset item has an 'accumulated depreciation' to be subtracted from the historical cost of the asset in the Statement of Financial Position.
Carrying value (book value)	It is the 'net' value of the asset, i.e. Cost price - Accumulated depreciation.
Pre-adjustment trial balance	The Trial balance drawn up **before** adjustments are made.
Adjustments	The 'changes' to some figures in the Pre-adjustment trial balance in order to calculate the correct net profit for a specific financial period. (and to apply the GAAP principles for the financial reporting period)
Post-adjustment trial balance	Trial balance drawn up after adjustments were made.
Final accounts	The accounts prepared at the final stage of the accounting cycle to determine the **profit or loss** (Trading account shows gross profit; Profit & Loss account shows net profit). The nominal accounts (in the general ledger) are closed off to the final accounts.
Financial year	The 12-month period chosen by the owner for financial reporting, e.g. 1 March 2021 to 28 February 2022.
Financial statements	The financial reports on the business's operations and financial wealth for ONE financial year. There are two types of reports (see below)
Statement of Comprehensive Income	The report that shows the financial RESULT of operations for one financial year, i.e. profit or loss
Statement of Financial Position	The report that shows the financial POSITION (wealth/value) of the business on the last day of a financial year.

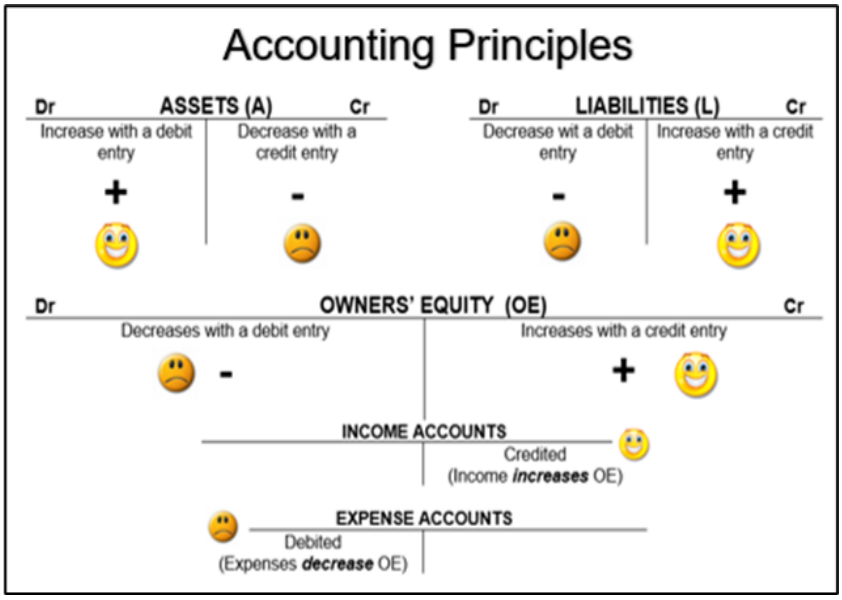
SESSION 1 | Consolidation: Journals, Posting, Trial balance

- Due to computers used in most businesses, two identical copies of a document are produced – we no longer refer to 'original' or 'duplicate'
- Cheques are no longer in use. Businesses use EFT's or debit cards to make payments. The source document can either be the printed EFT (numbered) or the Bank statement (BS)

BLITZ BRAIN 1

Match the correct **source document** from COLUMN B with the appropriate transaction in COLUMN A. Write down the correct letter in the answer column provided, e.g. 9. L
NOTE: Some letters may be used more than once.

COLUMN A Transaction		ANSWER	COLUMN B Source document	
1.	Sales on credit		**A**	Debit note
2.	Cash deposited at the bank		**B**	Cash register tape
3.	Payment for goods purchased		**C**	Invoice
4.	Debtors settled their accounts		**D**	EFT
5.	Equipment bought on credit		**E**	Credit note
6.	Payments to creditors		**F**	Receipts
7.	Sales for cash		**G**	Deposit slip



SESSION 1 | Consolidation: Journals, Posting, Trial balance

Session focus: Grade 9 work:
Calculations | CRJ, CPJ | posting to ledger accounts | balancing accounts | trial balance

ACTIVITY 1.1

The information relates to Nomza Stores for January 2022.

REQUIRED

1.1.1 Calculate the missing figures in the journals denoted (a) to (f). Show your calculations and answers on the Answer sheet provided. The business uses a mark-up of 50% on cost.

1.1.2 Enter the opening balances in the General Ledger accounts provided. Post from the journals to these accounts.

1.1.3 Balance the BANK account.
(You can balance Trading stock, Debtors' and Creditors' control to practice this skill)

INFORMATION

Balances and Totals on 1 January 2022:

Bank	R51 500	Trading Stock	R122 000
Debtors' control	R44 800	Creditors' control	R37 700
Sales	R192 000	Cost of Sales	R128 000
Packing material	R4 100		

Totals appearing in the Journals on 31 January 2022:

Cash Receipts Journal – January 2022

CRJ2

Bank	Sales	Cost of Sales	Debtors control	Sundry accounts
(a)	**(b)**	66 300	27 800	14 000

Cash Payments Journal – January 2022

Bank	Trading stock	Salaries & wages	Creditors control	Sundry accounts
(c)	67 300	42 000	35 900	7 000

Sales	Cost of sales
124 500	**(d)**

Creditors control	Trading stock	Equipment	Packing material	Sundry accounts
145 000	**(e)**	19 400	12 600	11 000

ACTIVITY 1.1.2 and 1.1.3 (Answer sheet)

Dr **General Ledger of Nomza Stores** **Cr**

Bank B5

Trading Stock B7

Debtors' Control B8

Creditors' Control B9

ACTIVITY 1.1.2 and 1.1.3 (Answer sheet)

Nominal Section

							Sales		**N1**

							Cost of Sales		**N2**

							Packing material		**N3**

QUESTIONS ***(Find the answers from the completed accounts above)***	
1.	Calculate the total value of Sales for January 2022?
2.	What is the rand value of stock available for selling during February 2022?
3.	How much **should** Nomza Stores receive from all their debtors during February 2022?
4.	How much does Nomza Stores **have to pay** to their creditors during February 2022?

ACTIVITY 1.2 (Trial balance)

You are provided with an INCORRECT Trial Balance of JJ Cycles on 31 December 2021. They sell and repair bicycles. In preparing the trial balance the bookkeeper, Maud, made 7 errors.
4 items were placed in the wrong column, 2 items in the wrong section and 1 item in the wrong section and wrong column. She is also not sure what the **bank amount** is.

REQUIRED

1.2.1 Identify the errors. Complete the CORRECT trial balance on the Answer sheet.
1.2.2 Calculate the correct Bank balance.

JJ Cycles
Trial balance on 31 December 2021

Balance Sheet accounts Section	Fol	Debit	Credit
Bank		?	
Capital			1 200 000
Equipment		263 000	
Telephone		12 500	
Cash Float		4 000	
Fee income (repair services)		20 000	
Trading stock			215 000
Debtors' control			76 000
Vehicles		520 000	
Creditors' control			41 000
Nominal accounts Section			
Sales			950 000
Cost of sales		600 000	
Commission income			7 100
Drawings		45 200	
Rent expense			60 000
Stationery & printing		19 600	
Vehicle expenses			37 000
Salaries and wages		214 000	
Sundry expenses		11 700	
		1 710 000	**2 586 100**

ACTIVITY 1.2 (Trial balance)

JJ Cycles
Trial balance on 31 December 2021

Balance Sheet accounts Section	**Fol**	**Debit**	**Credit**
Capital	B1		1 200 000
	B2		
	B3		
	B4		
	B5		
	B6		
	B7		
	B8		
Creditors' Control	B9		
Nominal accounts Section			
Sales	N1		950 000
Cost of sales	N2	600 000	
	N3		
	N4		
	N5		
	N6		
	N7		
	N8		
	N9		
Sundry expenses	N10	11 700	

Calculations and notes:

SESSION 2 | Accounting Equation

- The accounting equation is based on the Statement of Financial position (aka Balance Sheet) and can be expressed as:
  - **Owner's equity [O] = Assets (A) – Liabilities (L) OR A = O + L**
  - **Assets (A) + Expenses (E) + Drawings (D) = Capital (C) + Liabilities (L) + Income (I)**
- Refer to the Accounting principles on pg. 4. It will help you decide when to use *increase* (+) or decrease (-).

BLITZ BRAIN 2

State whether the following statements are TRUE (T) or FALSE (F). Write T or F in the Answer column. Explain why a statement is false.

		ANSWER
1.	Assets increase on the debit side.	
2.	Owner's equity equals the owner's capital contributions plus profit less drawings	
3.	The value of a business is indicated by its assets.	
4.	Liabilities include all the amounts owed by the business plus all expenses	
5.	Total income less total expenses equal profit.	
Explain the false statement(s):		

ACTIVITY 2.1 (AOL)

The information below relates to MB Stationery Shop.

REQUIRED

Use the table provided (on the next page) to list the double entries in the General Ledger and the effect on the Accounting Equation for each transaction. The first one has been done as an example. **Assume that the bank balance is favourable at all times**.

NOTE: Some details and amounts have been inserted on the table.

ACTIVITY 2.1 (continue from previous page)

Transactions:

Example: The owner electronically transferred R100 000 in the business's bank account as his capital contribution.

1. Bought equipment from Stevens Offices. Paid by EFT, R16 000
2. Bought stock on credit from a supplier, Bic Ltd, R12 000
3. Paid R10 000 by EFT to Bic Ltd as they have not delivered all the stock purchased earlier.
4. Paid R800 for paint that will be used in repairs at the owner's home.
5. Sold goods on credit to R. Ely, a credit customer, R700. (mark-up % was 75%)
6. Transferred R5 000 by EFT to LM Bank as a 2 year investment at 6% interest p.a.
7. Cash sales for the week, ?? The cost of these goods was R24 000. (mark-up % was 75%)
8. TL Bank transferred R40 000 per EFT as a loan to be repaid over 40 months at 14% interest p.a.
9. The bank statement reflected bank charges of R370.

NOTE: Assets (A) + Expenses (E) + Drawings (D) = Capital (C) + Liabilities (L) + Income (I)

No	General Ledger entries			Effect on the Accounting Equation						
	Account Debited	**Account Credited**	**Amount (R)**	**A**	**E**	**D**	**=**	**C**	**L**	**I**
E.g.	*Bank*	*Capital*	*100 000*	+			=	+		
1.			16 000				=			
2.			12 000				=			
3.		Bank	10 000	-			=			
4.		Bank	800	-			=			
5.1			700				=			
5.2							=			
6.			5 000				=			
7.1	Bank			+			=			
7.2	Cost of sales		24 000		+		=			
8.							=			
9.		Bank	370				=			

Calculations:

ACTIVITY 2.2 (AOL and questions)

The information relates to Malinga Stores, owned by Nomfundo Malinga. They sell goods at cost plus 50% profit.

TRANSACTIONS

Example: Bought stationery for R300. Paid per EFT.

1. Sold goods on credit to K. Kelly, R900
2. Nomfundo took cash from the petty cash for own use, R150.
3. K. Kelly returned unsatisfactory goods marked at R165. (see no. 2 above)
4. Bought a new computer from Nodado Tech. Paid by EFT, R8 000 less 10% trade discount.
5. Bought trading stock on credit from Harris Suppliers, R24 000.
6. Returned damaged goods to Harris Suppliers, R2 000.
7. Withdrew R250 cash with the business debit card to restore the petty cash imprest amount.

	Doc	Journal	Account debited	Account credited	Amount (R)	A	O	L
E.g.	*BS / EFT*	*CPJ*	*Stationery*	*Bank*	*300*	-	-	
1.1								
1.2								
2.								
3.1								
3.2								
4.								
5.								
6.								
7.								

QUESTIONS

(a)	**Name the GAAP principle that guided the bookkeeper in deciding on the amount to enter regarding the purchase of the new computer. (see no. 4). Explain how the principle would be applied.**
(b)	**The bookkeeper thinks that the calculation of the cost of sales for each transaction is a waste of time as she has to make each calculation on her calculator which interrupts her recording process. She finds it difficult to complete her work and often has to work overtime.** **(i) Explain the importance of calculating the cost of sales to her.** **(ii) Provide two measures she could introduce to help speed up the recording process.**
	(i)
	(ii)

SESSION 3 | Cash Transactions

Important cash transactions (*also in Gr 11 and 12*):

Receipts	Payments
Cash received for sales, services rendered, etc. Sales per credit card debit card EFT EFTs received for other income (e.g. rent), capital contributions from the owner, etc. EFTs received from debtors	EFT payments for purchases, expenses, etc. Debit order and/or Stop order Cash withdrawals (by bank debit card) for: wages, petty cash, cash float and cash drawings by owner Cash payments from the petty cash Bank charges (interest on overdraft not included) Carriage on purchases
Discount allowed to debtors	EFT payments to creditors
Interest on current bank account	Discount received
Fixed deposit matured	Interest on overdraft
Interest on fixed deposit	Fixed deposit made
(Mortgage) Loan made	(Mortgage) loan repaid
	Interest on loan (simple interest and capitalised)

BLITZ BRAIN 3

Complete the statements below by writing the missing word(s) in the column provided.

	Statement	Answer
1.	EFTs received for sales will be entered in the …. (journal)	
2.	Creditors will charge ….. (4 words) if the business does not pay them on time.	
3.	The debtor is granted discount … when he pays less than his outstanding debt.	
4.	A debtor's account that cannot be recovered is written off as a loss, called … (2 words)	
5.	….(2 words) is used for small cash payments.	
6.	A business can obtain financing for buying property by making a … (2 words) at a bank or financial institution.	

ACTIVITY 3.1

The information below relates to KJs General Dealer for March 2022. KJ sells a variety of goods at a mark-up of 120%. All sales are cash, card and/or EFT and payments are made by EFT.
Jay is the owner and Gugu their bookkeeper.

REQUIRED

3.1.1 Gugu recorded the transactions for March 2022 up to the 18th, but has asked for your assistance to complete the rest of the transactions.

- Some amounts have been left out as Gugu was not sure what to fill in. Enter these amounts in the Answer book marked with the * (asterisk)
- Use the given information to complete the **Cash journals** for the rest of March 2022.

3.1.2 Post to the General ledger accounts as provided in the Answer book. Enter the opening balances. Balance only the **Trading stock** account.

3.1.3 Answer the questions on the Answer Sheet.

INFORMATION

Extract from the Balances / Totals on 1 March 2022

Capital	R210 000
Drawings	36 000
Loan: FBN Bank (9%)	54 000
Fixed deposit (5%)	12 000
Trading Stock	80 000
Bank	190 300
Sales	330 000
Cost of sales	150 000
Fee income	50 000
Salaries and Wages	110 000
Bank charges	2 500
Insurance	32 000

TRANSACTIONS FROM 20 MARCH 2022:

20	CNA Wholesalers deposited R800 into the bank account for a refund on stationery returned.
22	Bought trading stock from ACB Suppliers for R15 000 less 12,5% trade discount. Paid by EFT.
24	Cash sales (CRT 17-20) R132 000
25	Received the bank statement from ABA Bank and noted the following: • Debit order for insurance to Suredirect, R4 200 • Interest on favourable bank balance, R50 • Bank charges, R160 • Refund of R2 000 from Suredirect for an overcharge on insurance in February 2022
28	Made an EFT payment on the loan to FBN Bank for R2 800 plus one month's interest.
29	Paid weekly wages, R10 000 (normal wages) by cash withdrawal and monthly salaries, R20 000 (normal salaries) for March 2022 by EFT. Employees were given a bonus equal to 22% of their normal wages and salaries.

SESSION 3 | Cash Transactions

ACTIVITY 3.1.1

CASH RECEIPTS JOURNAL OF KJs GENERAL DEALER for March 2022								CRJ6
Doc	D	Details	Analysis of receipts	Bank	Sales	Cost of sales	Sundry accounts Amount	Sundry accounts Details
EFT	1	Jay		25 000			25 000	Capital
EFT	2	Jay		3 000			3 000	Drawings
CRT 8-11	4	Sales	88 000		88 000	*		
Rec 19	4	Green Stores	6 000	*			*	Rent income
CRT 12-16	11	Sales	*		*	24 000		
Rec 20	11	Cash	7 500	*			7 500	Fee income

Calculations:

CASH PAYMENTS JOURNAL OF KJs GENERAL DEALER for March 2022								CPJ6
Doc	D	Details	Bank	Trading stock	Salaries & Wages	Con-sumable stores	Sundry accounts Amount	Sundry accounts Details
EFT	2	Jay	5 000				5 000	Drawings
EFT	4	ACB Suppliers	90 000	75 000		*		
EFT	9	Sundry employees	10 000		10 000			
EFT	15	CNA Wholesalers	*	60 000			2 800	Stationery
EFT	16	Sundry employees	10 000		10 000			

Calculations

SESSION 3 | Cash Transactions

ACTIVITY 3.1.2

Dr			General Ledger of KJs General Dealer							Cr
					Loan: FBN Bank					B3
						2022 Mar	1	Balance	b/d	54 000

					Trading Stock				B5

					Bank				B7
2022 Mar	1	Balance	b/d	190 300					

Note: You are not required to balance Bank, but you can practice your balancing skills

Nominal accounts section									
					Fee income				N3
					2022 Mar	1	Total	b/d	50 000

					Salaries & Wages				N4

Nominal accounts section (continued)									
Bank charges									N8

Insurance									N9
2022 Mar	1	Total	b/d	32 000					

Interest on Loan N10									

ACTIVITY 3.1.3 (QUESTIONS)

Jay is not sure why some entries were made:

- **Explain the original transaction for the R3 000 in the CRJ on 2 March 2022.**

- **Explain why the R7 500 in the CRJ on 11 March was not entered in the Sales column.**

- **Explain why the source document 'EFT' was used in both journals.**

SESSION 4 | Credit Transactions

CREDIT TRANSACTIONS				
Transactions	**Documents**	**Journals**	**Ledger accounts**	
Credit Sales	Credit invoice (issued to customers)	**DJ**	**Sales** Dr Debtors' Control Cr Sales	**Cost of Sales** Dr Cost of Sales Cr Trading stock
			Dr Individual debtors in the Debtors' Ledger	
Returns FROM and 'price reductions' (allowances) to debtors	Credit note	**DAJ**	**Returns at selling price** Dr Debtors Allowance Cr Debtors control	**Cost of Sales** Dr Trading stock Cr Cost of Sales **(ONLY where items were returned)**
			Cr Individual debtors in the Debtors' Ledger	
Credit Purchases (add carriage on purchases)	Credit invoice (received from suppliers)	**CJ**	Dr All other contra accounts Cr Creditors' Control	
			Cr Individual creditors in the Creditors' Ledger	
Returns TO and 'price reductions' (allowances) from creditors	Debit note	**CAJ**	Dr Creditors' Control Cr All other contra accounts	
			Dr Individual creditors are debited in the Creditors' Ledger	

BLITZ BRAIN 4

All the statements below are FALSE. Rewrite the underlined part below the statement to make it true.

	Statement	Answer
1.	Stock sold on credit is recorded in the <u>CJ</u>.	
2.	The Creditors control account has a <u>debit</u> opening balance.	
3.	The Debtors list total should be <u>more than</u> the Debtors control end balance.	
4.	Damaged stationery purchased earlier was returned to the creditor. The business issued a <u>credit note</u> as source document and proof of returns.	
5.	Pat, a debtor, complained that the pair of shoes bought on credit, is not his size. He agreed to keep it. The business will reduce the price Pat paid for it. This transaction will be entered in the DAJ in <u>both columns</u>.	

ACTIVITY 4.1

The information below relates to Bertram Traders for February 2022.

REQUIRED:

Prepare the following general ledger accounts. Only balance the two control accounts:

NOTE: Show folios in the ledger accounts.

4.1.1 Trading stock

4.1.2 Debtors control

4.1.3 Creditors control

4.1.4 Refer to the ledger accounts prepared in 4.1.1 to 4.1.3 above to answer the questions.

INFORMATION:

Balances on 1 February 2022:

Trading stock	R140 000
Debtors' control	R31 000
Creditors' control	R27 000

JOURNAL TOTALS FOR FEBRUARY 2022:

CASH RECEIPTS JOURNAL - FEBRUARY 2022 **CRJ2**

Bank	Sales	Cost of sales	Debtors' Control		Sundry accounts
			Receipts	Discount allowed	
176 500	116 000	70 000	50 500	2 500	10 000

CASH PAYMENTS JOURNAL - FEBRUARY 2022 **CPJ2**

Bank	Trading stock	Creditors' control		Sundry accounts
		Payments	Discount received	
87 000	45 000	34 000	2 200	8 000

DEBTORS' JOURNAL - FEBRUARY 2022 **DJ2**

Sales	Cost of sales
147 000	84 000

DEBTORS' ALLOWANCES JOURNAL - FEBRUARY 2022 **DAJ2**

Debtors' allowances	Cost of sales
5 000	2 000

CREDITORS JOURNAL - FEBRUARY 2022 **CJ2**

Creditors' control	Trading stock	Equipment	Consumable stores	Sundry accounts
95 000	62 000	25 000	2 000	6 000

CREDITORS' ALLOWANCES JOURNAL - FEBRUARY 2022 **CAJ 2**

Creditors' control	Trading stock	Equipment	Consumable stores	Sundry accounts
14 800	11 000	0	600	3 200

ACTIVITY 4.1.1 – 4.1.3

Dr **General Ledger of Bertram Traders** **Cr**

				Trading Stock					**B6**

				Debtors' control					**B7**

				Creditors' control					**B9**

4.1.4 QUESTIONS ON THE LEDGER ACCOUNTS

4.1.4.1	**Provide ONE reason why it is not a good idea to keep too <u>much</u> stock on hand.**
	Provide ONE reason why it is not a good idea to keep <u>insufficient</u> (not enough) stock on hand.
	Refer to the Trading stock account. Explain whether Bertram Traders is keeping too much or too little stock on hand. Quote figures.

4.1.4.2	**Refer to the Debtors' control account.** **The debtors are allowed 30 days to settle their accounts. Bertram Traders are not satisfied with the way in which debtors are controlled. Explain and quote figures to support this opinion.**

4.1.4.3	**Refer to the Creditors' control account.** **Creditors gives Bertram Traders 60 days to settle their accounts. Bertram Traders are not satisfied with the closing balance. Explain whether creditor payments are well controlled or not. Quote figures.**

ACTIVITY 4.2 (Debtors' reconciliation)

The information relates to Bungu Traders for **March 2022**. The bookkeeper discovered some errors included in the control account; therefore, the Debtors control balance and Debtors' list total do not correspond.

REQUIRED

Take the errors and omissions into account and calculate on 31 March 2022 the correct:

Debtors' control account balance

Debtors' List total. Use the table below.

Use the table provided in the Answer sheet.

INFORMATION

Incorrect balance and total on 31 March 2022

Debtors' control account	R19 660
Debtors' list total	R17 445

ERRORS AND OMISSIONS

A The total of the Sales column in the DJ was overcast by R1 000

B An amount of R595 in the Debtors' column in the CRJ was not posted to the debtor's account in the Debtors' ledger.

C A credit note issued for goods returned, R225 was not entered at all.

D The total of the Debtors' allowances column in the DAJ, R905, was posted to the debit side of the Debtors' Control Account.

ACTIVITY 4.2 (Debtors' reconciliation - Answer sheet)

	Debtors' Control		List of Debtors	
	Debit	**Credit**	**Debit**	**Credit**
Balance	**19 660**		**17 445**	
A				
B				
C				
D				
TOTAL				
BALANCE				

ACTIVITY 4.3 (Creditors' reconciliation)

The information was taken from the books of Hall Traders on 30 April 2021 is provided.

REQUIRED

Reconcile the Creditors' Control Account balance with that of the Creditors' List. Indicate an increase with (+) and a decrease with (–) to each amount.

INFORMATION

A. Balances and totals on 30 April 2021 (before errors/omissions in information B)

Creditors' Control Account in the General Ledger	R184 870
Creditors' list total	R170 490

B. Errors and omissions:

(a) The Creditors' Allowances Journal was incorrectly totalled as R15 400 instead of R18 500.

(b) An invoice for R20 000 for trading stock bought from a creditor, CRP Suppliers was correctly entered in the respective journal. The bookkeeper forgot to post this to the supplier's account in the Creditors' Ledger. Take into account that a deposit of 20% was paid on this invoice.

(c) The bookkeeper posted a debit note for R2 360 to the wrong side of a creditor's account. The posting to the General Ledger was correct.

(d) A credit balance of R27 000 must be transferred from the Debtors' Ledger account of SK Traders to their account in the Creditors' Ledger.

ACTIVITY 4.3 (Creditors' Reconciliation)

	Creditors' Control	Creditors' List
Incorrect balance/total	**184 870**	**170 490**
A		
B		
C		
D		
Balance/total		

SESSION 5 | Adjustments (Introduction)

REMEMBER

Dr	Assets	Cr
Increases (+)		Decreases (-)
Dr	**Owner's equity**	**Cr**
Decreases (-)		Increases (+)
Dr	**Liabilities**	**Cr**
Decreases (-)		Increases (+)

WHEN do we make adjustment entries?
At the end of every accounting period before preparing the financial statements

WHY are adjustments necessary?
Some accounts need to be 'updated' to include only the information on ONE financial period.

EACH adjustment influences a Balance Sheet section account and a Nominal section account

SUMMARY OF ADJUSTMENTS

Year-end Adjustment	General Ledger		Acc Equation		
	Account debited	**Account credited**	**A**	**O**	**L**
Trading Stock deficit after physical stock count	Trading stock deficit *(loss)*	Trading stock *(asset)*	-	-	
Trading stock surplus after physical stock count	Trading stock *(asset)*	Trading stock surplus *('profit')*	+	+	
Consumables on hand *(usable items that can be counted)*	Consumable stores on hand *(asset)*	Packing Material *(expense)*	+	+	
Expense not paid yet e.g. Feb telephone a/c not paid yet	Telephone *(expense)*	Accrued expenses / Expenses payable *(liability)*		-	+
Expense paid in advance e.g. Insurance paid for 14 months	Prepaid Expenses *(asset)*	Insurance *(expense)*	+	+	
Income not received yet e.g. interest on fixed deposit	Accrued Income / Income receivable *(asset)*	Interest on Fixed deposit *(income)*	+	+	
Income received in advance e.g. Rent receive for 13 months	Rent income *(income)*	Income received in advance/ Deferred income *(liability)*		-	+
Additional bad debts written off (incl. from insolvent estates)	Bad debts *(loss)*	Debtors' control *(asset)*	-	-	
Bad Debts recovered (previously written off) *(entry in CRJ)*	Bank *(asset)*	Bad Debts recovered *(income)*	+	+	
Depreciation written off on fixed assets	Depreciation *(loss)*	Accumulated depreciation on asset *(negative asset)*	-	-	
Salaries/Wages: e.g. employee not appearing in the SJ / WJ	Salaries / Wages (Gross amount) *(expense)*	Creditors for Sal. / Wages; Various Funds a/c (e.g. UIF) [deduction amount] *(liability)*		-	+
	Employer contribution (e.g. UIF contribution) *(expense)*	Various Funds a/c (e.g. UIF) [contribution amount] *(liability)*		-	+

Session Focus

1. Trading stock deficit
2. Consumable stores on hand
3. Accrued expenses or Expenses payable
4. Prepaid expenses
5. Accrued income or Income receivable
6. Income received in advance or Deferred income

SESSION 5 | Adjustments (Introduction)

BLITZ BRAIN 5

Choose the most appropriate GAAP principle below and write it next to the correct description in the Answer column provided.

Historical cost	Prudence
Business entity	Matching
Going concern	Materiality
Financial position	Comprehensive income

		ANSWER
1.1	Financial statements are prepared on the assumption that a business will continue in the foreseeable future.	
1.2	The owner's financial information should not be included in business financial reports.	
1.3	Financial results are reported in a conservative manner	
1.4	An asset is valued and reflected in the books of the business at its original cost price	
1.5	Income and expenses incurred in the same accounting period must be reported in the same period	
1.6	Important financial information to make informed decisions must be shown separately.	
1.7	The financial report that reflects the financial results FOR an accounting period	**Statement of …**
1.8	The financial report that reflects the financial value of a business ON the last day of a financial period.	**Statement of …**

ACTIVITY 5.1

For EACH adjustment:

1. Complete the Journal entry (Narrations are not required)
2. Post to the ledger accounts
3. Complete the post-adjustment trial balance.

NOTE: The financial year ends annually on the last day of February.

SESSION 5 | Adjustments (Introduction)

ADJUSTMENTS:			
1. Trading stock deficit (perpetual inventory system)			
PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2022			
BALANCE SHEET ACCOUNTS SECTION		**DEBIT**	**CREDIT**
Trading stock		310 000	
Creditors' control			14 000

Adjustments:

- No entries have been made of a credit note received from EA Traders for stock returned, R1 000.
- The physical stock taking revealed the value of the stock on hand as R306 500.

General Journal	Fol	DEBIT	CREDIT

Dr		Trading stock (B)							Cr
2022 Feb	28	Balance	b/d	310 000					
		Trading stock deficit (N)							

POST-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2022			
BALANCE SHEET ACCOUNTS SECTION		**DEBIT**	**CREDIT**
NOMINAL ACCOUNTS SECTION			

SESSION 5 | Adjustments (Introduction)

2. Consumable Stores on hand			
PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2022			
NOMINAL ACCOUNTS SECTION		**DEBIT**	**CREDIT**
Stationery		4 200	

Adjustment: Stationery not used as per physical stock count, R480

General Journal	Fol	DEBIT	CREDIT

Dr				**Consumable stores on hand (B)**					**Cr**

				Stationery (N)					
2022 Feb	28	Total	b/d	4 200					

POST-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2022			
BALANCE SHEET ACCOUNTS SECTION		**DEBIT**	**CREDIT**
NOMINAL ACCOUNTS SECTION			

3. Accrued expenses OR Expenses payable ***(use only one option)***

PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2022			
NOMINAL ACCOUNTS SECTION		**DEBIT**	**CREDIT**
Telephone		6 300	

Adjustment: The telephone account for February, R1 600 will be paid on 5 March 2022.

General Journal	Fol	DEBIT	CREDIT

Dr **Accrued Expenses (B) OR Expenses payable** **Cr**

Telephone (N)

2022 Feb	28	Total	b/d	6 300					

POST-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2022			
BALANCE SHEET ACCOUNTS SECTION		**DEBIT**	**CREDIT**
NOMINAL ACCOUNTS SECTION			

4. Prepaid expenses			
PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2022			
NOMINAL ACCOUNTS SECTION		**DEBIT**	**CREDIT**
Advertising		39 000	

Adjustment: Advertising includes a payment of R3000 for an advert campaign that will be running during March 2022.

General Journal	Fol	DEBIT	CREDIT

Dr			Prepaid Expenses (B)						Cr
			Advertising (N)						
2022 Feb	28	Total	b/d	39 000					

POST-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2022			
BALANCE SHEET ACCOUNTS SECTION		**DEBIT**	**CREDIT**
NOMINAL ACCOUNTS SECTION			

5. Accrued income / Income receivable *(use one option)*			
PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2022			
NOMINAL ACCOUNTS SECTION		**DEBIT**	**CREDIT**
Interest on fixed deposit			2 700

Adjustment: BOB Bank did not pay R500 interest on the fixed deposit for the year ending on 28 February 2022.

General Journal	Fol	DEBIT	CREDIT

Dr									Cr
				Accrued Income (B) **OR Income receivable**					
				Interest on fixed deposit (N)					
					2022 Feb	28	Total	b/d	2 700

POST-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2022			
BALANCE SHEET ACCOUNTS SECTION		**DEBIT**	**CREDIT**
NOMINAL ACCOUNTS SECTION			

SESSION 5 | Adjustments (Introduction)

6. Income received in advance

PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2022			
NOMINAL ACCOUNTS SECTION		**DEBIT**	**CREDIT**
Rent Income			14 000

Adjustment: The tenant paid two months' rent in advance on 25 February 2022.

General Journal	Fol	DEBIT	CREDIT

Dr					Income received in advance (B)				Cr

					Rent income (N)				
					2022 Feb	28	Total	b/d	14 000

POST-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2022			
BALANCE SHEET ACCOUNTS SECTION		**DEBIT**	**CREDIT**
NOMINAL ACCOUNTS SECTION			

ACTIVITY 5.2

The information relates to Elvis Spares. They buy and sell vehicle spare parts at cost plus 60%. Their financial year ended on 30 June 2021.

REQUIRED

Show the adjustment and Post-adjustment trial balance figures for each adjustment in the table provided.

NOTE: Show calculations clearly.

ADJUSTMENTS

2.1	No entries have been made of the credit note issued to D. Ndlovo in respect of an allowance on parts that were not according to order, R250. Ndlovu did not return the parts.
2.2	· Trading stock is shown in the books at cost and is sold at cost plus 60%. Stocktaking showed that spares (selling price, R2 880) is missing and is assumed to have been stolen. · The insurance covers 70% of the cost price of stolen goods. Elvis Spares is still waiting for the payment from the insurance company. · No entries have been made by the end of the financial year of any of these transactions. · The stock count on 30 June 2021 showed the spare parts on hand as, R28 000
2.3	Insurance premiums, R400, are paid monthly in advance. This insurance policy was signed on 1 July 2020.
2.4	The bookkeeper failed to reverse the Consumable stores on hand (packing material) at the beginning of the year. A stock count revealed that half of the packing materials for the year had been used.
2.5	Offices in the building have been let since 1 September 2020. The rental agreement stipulates that the total rent for the first year will be R11 400. Adjust accordingly.
2.6	An amount is still owing for repairs to a delivery vehicle, R1 900

	Pre-adjustment Trial Balance		Adjustments		Post- Adjustment Trial Balance	
Balance sheet section	**Debit**	**Credit**	**Debit**	**Credit**	**Debit**	**Credit**
Trading stock	**31 000**					
Consumable stores on hand	**4 000**					
Debtors' control	**24 450**					
Nominal section						
Debtors' allowances	**1 750**					
Insurance	**5 200**					
Packing material	**12 000**					
Rent income		**10 450**				
Repairs	**5 600**					

SESSION 6 | Adjustments (2)

DEPRECIATION - CALCULATION METHODS	
% on Cost price **OR Straight line method** **OR Fixed Instalment method**	· A **fixed amount** OR a **fixed percentage of the cost price** is written off annually over the useful life of the asset. (the same amount every year) · The useful life of some asset items are relatively short and they may lose value 'quickly' over time, e.g. computers (technological advances may result in the asset being outdated within three years)
Diminishing balance method **OR** **% on Carrying value**	· Depreciation is calculated on the diminishing balance (carrying value) of the asset. · The depreciation amount will decrease every year. · The useful life span of asset items is relatively long. Value will drop over a longer period, e.g. Equipment (like office desks and chairs will decrease 'slower' due to lower wear and tear)

BLITZ BRAIN 6

Match the correct **description** in COLUMN B with the **concept** in COLUMN A. Write down the correct letter in the **answer column** provided, e.g. 8. H

COLUMN A (Concept)		ANSWER	COLUMN B (Description)	
1.	Straight line method		**A**	Calculated on the net amount after accumulated depreciation is deducted from the cost.
2.	Carrying value		**B**	Showing assets at their realistic value in the financial statements
3.	Deductions		**C**	Net value of an asset after depreciation has been written off
4.	Contributions		**D**	Debt not collected and written off as a loss
5.	Diminishing balance method		**E**	Amounts paid by the employer over and above the salaries cost
6.	Bad debts		**F**	Amounts subtracted from the gross wage paid to employees
7.	Prudence		**G**	The same amount of depreciation is written off annually

Session focus

1. Additional bad debts written off (insolvent estate)
2. Bad debts recovered
3. Salaries (or Wages) not paid
4. Depreciation (both methods; during / end of the year)

SESSION 6 | Adjustments (2)

ACTIVITY 6.1

For EACH adjustment:

1. Complete the Journal entry (Narrations are not required)
2. Post to the ledger account(s)
3. Complete the post-adjustment trial balance..

NOTE: The financial year ended on ***31 DECEMBER 2021***.

ADJUSTMENTS:			
1. Bad debts written off (insolvent estate)			
PRE-ADJUSTMENT TRIAL BALANCE ON 31 DECEMBER 2021			
BALANCE SHEET ACCOUNTS SECTION		**DEBIT**	**CREDIT**
Debtors' Control		23 500	
NOMINAL ACCOUNTS SECTION			
Bad Debts		2 400	

Adjustment:

- P. Dube, a debtor who owes R840, was declared insolvent. His estate is paying 60c in the rand. The amount received was properly entered. Any outstanding debt is to be written off.

GENERAL JOURNAL	Fol	DEBIT	CREDIT

Dr							Debtors' Control (B)		Cr
2021 Dec	31	Balance	b/d	23 500					
							Bad debts (N)		
2021 Dec	31	Total	b/d	2 400					

POST-ADJUSTMENT TRIAL BALANCE ON 31 DECEMBER 2021			
BALANCE SHEET ACCOUNTS SECTION		**DEBIT**	**CREDIT**
Debtors' Control			
NOMINAL ACCOUNTS SECTION			
Bad debts			

SESSION 6 | Adjustments (2)

2. Bad debts recovered			
PRE-ADJUSTMENT TRIAL BALANCE ON 31 DECEMBER 2021			
BALANCE SHEET ACCOUNTS SECTION		**DEBIT**	**CREDIT**
Debtors' control		38 200	
NOMINAL ACCOUNTS SECTION			
Bad debts		3 820	

Adjustment:

Sally, a debtor previously written off, transferred R680 by EFT to the business as payment on her debt. The bookkeeper recorded it in the CRJ but posted it incorrectly to the Debtors' control account.

GENERAL JOURNAL	Fol	DEBIT	CREDIT

Dr									Cr
				Debtors' Control (B)					
2021 Dec	31	Balance	b/d	38 200					
				Bad debts (N)					
2021 Dec	31	Total	b/d	3820					
				Bad Debts recovered (N)					

POST-ADJUSTMENT TRIAL BALANCE ON 31 DECEMBER 2021			
BALANCE SHEET ACCOUNTS SECTION		**DEBIT**	**CREDIT**
Debtors' control			
NOMINAL ACCOUNTS SECTION			
Bad Debts			
Bad debts recovered			

SESSION 6 | Adjustments (2)

3. Salary not paid

PRE-ADJUSTMENT TRIAL BALANCE ON 31 DECEMBER 2021			
BALANCE SHEET ACCOUNTS SECTION		**DEBIT**	**CREDIT**
SARS (PAYE)			10 296
Pension Fund			3 754
Creditors for Salaries			18 480
NOMINAL ACCOUNTS SECTION			
Salaries		82 200	
Pension fund contribution		21 000	

Adjustment:

A new employee started on 1 December 2021. He was omitted from the Salaries Journal for December 2021. His salary details are:

- Basic Salary: R14 800 per month
- Deductions: PAYE: 23% of basic salary; Pension fund: 7% of basic salary
- Employer's contribution to the Pension Fund: 10% of the basic salary

GENERAL JOURNAL	Fol	DEBIT	CREDIT

Dr			SARS: PAYE (B)						Cr
					2021 Dec	31	Balance	b/d	10 296
			Pension Fund (B)						
					2021 Dec	31	Balance	b/d	3 754
			Creditors for Salaries (B)						
					2021 Dec	31	Balance	b/d	18 480
			Salaries (N)						
2021 Dec	31	Total	b/d	82 200					
			Pension fund contribution (N)						
2021 Dec	31	Total	b/d	21 000					

POST-ADJUSTMENT TRIAL BALANCE ON 31 DECEMBER 2021			
BALANCE SHEET ACCOUNTS SECTION		**DEBIT**	**CREDIT**
SARS (PAYE)			
Pension Fund			
Creditors for Salaries			
NOMINAL ACCOUNTS SECTION			
Salaries			
Pension fund contribution			

4. Depreciation (both methods)

PRE-ADJUSTMENT TRIAL BALANCE ON 31 DECEMBER 2021			
BALANCE SHEET ACCOUNTS SECTION		**DEBIT**	**CREDIT**
Vehicles		4 700 000	
Equipment		1 800 000	
Accumulated depreciation on vehicles (1/1/2021)			1 687 500
Accumulated depreciation on equipment (1/1/2021)			400 000

Adjustment:
VEHICLES

1. Two vehicles were purchased during the year and properly recorded:
   - On 30 September 2021 for R800 000 by EFT
   - On 31 December 2021 for R900 000 on credit
2. Vehicles are depreciated at 25% p.a. on the diminishing balance

EQUIPMENT

3. Equipment was purchased on credit for R200 000 on 1 July 2021. It was not properly entered on this date.
4. Depreciation on equipment is provided at 20% p.a. on cost.

GENERAL JOURNAL	Fol	DEBIT	CREDIT

Depreciation calculations:
Vehicles
Equipment

SESSION 6 | Adjustments (2)

Dr					Vehicles (B) (given)				Cr
2021 Jan	1	Balance	b/d	3 000 000	2021 Dec	31	Balance	c/o	4 700 000
Sep	30	Bank	CPJ	800 000					
Dec	31	Creditors' control	CPJ	900 000					
				4 700 000					4 700 000
2022 Jan	1	Balance	b/d	4 700 000					
				Equipment (B)					
2021 Jan	1	Balance	b/d	1 800 000					
				Accumulated depreciation on Vehicles (B)					
					2021 Jan	1	Balance	b/d	1 687 500
				Accumulated depreciation on Equipment (B)					
					2021 Jan	1	Balance	b/d	400 000
				Depreciation (N)					

POST-ADJUSTMENT TRIAL BALANCE ON 31 DECEMBER 2021			
BALANCE SHEET ACCOUNTS SECTION		**DEBIT**	**CREDIT**
Vehicles		4 700 000	
Equipment			
Accumulated depreciation on vehicles			
Accumulated depreciation on equipment			
NOMINAL ACCOUNTS SECTION			

ACTIVITY 6.2 *(All adjustments - consolidation)*

For EACH adjustment listed below:

1. Calculate the amount of the adjustment(s)
2. Show the double entry and the effect on the Profit, Assets and/or Liabilities.

The financial year ended on 28 February 2022.

Use the table provided on the Answer sheet.

INFORMATION

Extract from the Pre-Adjustment Trial Balance on 28 February 2022

	Debit	Credit
Vehicles	420 000	
Equipment	218 000	
Accumulated depreciation: Vehicles		164 000
Equipment		112 000
Fixed deposit: Oman Bank (9% p.a.)	120 000	
Loan: Indy Bank		193 300
Stationery	8 140	
Rent income		31 500
Interest on fixed deposit		4 500
Insurance	14 840	

ADJUSTMENTS

1. On 1 August 2021, the business purchased a new delivery vehicle for R198 000 (properly recorded)
   Depreciation is provided as follows:
   - Vehicles at 20% p.a. on the diminishing balance method
   - Equipment at 15% p.a. on cost

2. An employee, B. Bruce, was omitted from the Salaries Journal. Details of his February 2022 salary were:

Gross Salary	Deductions			Contributions	
	PAYE	Pension Fund	UIF	Pension Fund	UIF
13 500	2 190	1 080	135	1 620	135

   NOTE: All contributions are recorded as part of salaries & wages (for this exercise)

3. The stock count at year-end revealed:
   - R1 300 trading stock missing
   - R6 040 stationery used during the year

4. Outstanding interest on fixed deposit must be taken into account. The fixed deposit was invested on 1 September 2021

5. A debtor, Brad, who owed R3 500 has left the country. His insolvent estate paid out 25c in the rand. The payment was properly recorded. Write off the outstanding debt.

6. Insurance includes an annual premium of R4 140 paid on 1 June 2021.

7. Interest on loan is capitalised. The loan statement showed:
   - Balance on 1 March 2021 R220 000
   - Repayments for the year, incl. interest R46 200
   - Interest capitalised ??
   - Balance on 28 February 2022 R193 300

8. Received R500 from a debtor, who was previously written off. It was posted in error to Debtors' control.

9. The tenant is renting a storeroom from 1 June 2021. Monthly rent was increased by R500 from 1 January 2022. The tenant pays 1 month in advance as per agreement.

10. The telephone account for February 2022, R1 220 was received, but not paid yet.

SESSION 6 | Adjustments (2)

Note: Analysis is based on the two financial statements

Activity 2 (Answer sheet)

NO.	Adjustment amount	Account debited	Account credited	Profit	Assets	Liabilities
1.1						
1.2						
2.1						
2.2						
3.1						
3.2						
4.						
5.						
6.						
7.						
8.						
9.						
10.						

Calculations:

SESSION 7 | Financial Statements

Session focus:

1. Statement of Comprehensive Income (Income Statement) – reflects the financial **result** (profit or loss) for one financial year
2. Statement of Financial position (Balance Sheet) – reflects the financial **wealth** of the business since it started

BLITZ BRAIN 7

Indicate in which financial statement each item below will appear. Place a **tick (✓)** in the appropriate column. (The first item in the table was ticked as an example)

	Statement of Comprehensive Income		Statement of Financial Position				
Item	**Income**	**Expense**	**Non-current Asset**	**Current asset**	**Equity**	**Non-current liability**	**Current liability**
Sales	✓						
Trade and other receivables							
Trading stock							
Trading stock deficit							
Accrued expenses							
Vehicles							
Capital							
Bank overdraft							
Fixed deposit							
Income received in advance							
Mortgage Loan							
Trade and other payables							
Accumulated depreciation on equipment							
Accrued income							

FORMATS OF THE FINANCIAL STATEMENTS

https://wcedeportal.co.za/eresource/207391

ACTIVITY 7.1

The information relates to VIRAT Traders, who sells new watches and offers watch repair services at a fee. Their financial year ended on **30 June 2022**.

REQUIRED:

1. Complete the Statement of Comprehensive Income given in the Answer Sheet. Take the adjustments into account.
2. Complete the Notes to the Financial statements as provided on the Answer sheet.

NOTE: The pre-adjustment figures are given in the statement and notes, either in brackets or as final amounts.

INFORMATION AND ADJUSTMENTS

A. Figure not given on the Answer sheet.
- Debtors' allowances for the year, R22 000

B. Faulty watches, R900 were returned to the suppliers. This has not been recorded.

C. A debtor returned a watch (selling price, R800; mark-up 60% on cost). She was also given R50 allowance on repairs to her old watch as she was not satisfied with the service rendered.

D. The owner took watches for family gifts, cost R2 600. No entry was made.

E. Advertising includes R300 for a six-month contract signed on 1 March 2022.

F. Depreciation for the year:
- Furniture and fittings, R8 500
- Equipment, R3 200

G. Stationery, valued at R720 were paid for but not used by year-end.

H. The bank statement reflected these entries which did not appear in the journals:
- A debit order, R600, for the insurance premiums for June and July 2022.
- A stop order, R250 for the owner's personal insurance for the year.
- An EFT for R380 received from a debtor in full settlement of his debt of R400.

I. Interest on loan to be capitalised, R6 785.

J. The business received interest on the fixed deposit during the year. An amount is still outstanding.
(HINT: Calculate this missing figure using the net profit amount given in the Answer sheet.)

K.. Operating expenses is 27% of turnover, after all adjustments have been taken into account. Use this to calculate the missing figure for Sundry expenses.

ACTIVITY 7.1 (Answer sheet)

VIRAT TRADERS STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 30 JUNE 2022	
Sales (**442 000**	
Cost of Sales (**262 500**	
Gross Profit	
Other Operating income	
Fee income (**11 700**	
Discount received (**1 850**	
Gross income	
Operating expenses	
Consumable stores	**13 980**
Salaries and wages	**58 300**
Advertising (**7 890**	
Stationery (**2 860**	
Insurance (**990**	
Discount allowed (**214**	
Operating profit	
Interest Income (**500**	
Profit before Interest expense	
NET PROFIT for the year	**51 810**

Calculations

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2022

4. INVENTORIES	
Trading Stock (**231 700**	

5. TRADE AND OTHER RECEIVABLES	
Trade debtors (**14 350**	

7. OWNER'S EQUITY	
Balance at beginning of year	**356 160**
Drawings (**28 400**	
Balance at end of year	

ACTIVITY 7.2 *(from the 2020 Gr 10 New Era Study guide)*

The information relates to Lance Traders on the last day of their financial year, 28 February 2022.

REQUIRED

1. Complete the Statement of Financial Position as at 28 February 2022.
2. Prepare the Notes to the Financial Statements as provided on the Answer sheet (Note: Some amounts have been provided in the Answer sheet)

INFORMATION

Capital (see Additional information 1)	?
Mortgage Loan: IBL Bank	240 200
Accumulated depreciation on vehicles (1 March 2021)	64 700
Accumulated depreciation on equipment (1 March 2021)	30 975
Fixed deposit: Tuv Bank	50 000
Trading stock (missing figure)	?
Trade and other receivables (see Answer sheet)	59 775
Bank	64 500
Petty Cash	1 400
Cash float	600
Creditors' control	37 600
Prepaid expenses	4 380
Income received in advance	8 305
Accrued income	6 675
Accrued expenses	9 895

Additional information

A. The Capital account in the General Ledger appeared as follows:

CAPITAL (B)

2022 Feb	28	Drawings	GJ	57 200	2021 Mar	1	Balance	b/d	?
		Balance	c/o	?	Sep	1	Bank	CRJ	175 000
					2022 Feb	28	Profit & Loss a/c	GJ	412 750
				1 187 200					1 187 200
					2022 Mar	1	Balance	b/d	1 130 000

B. The loan is repaid annually on 31 October with an instalment of R30 000.

C. R12 500 of the Fixed Deposit at Tuv Bank matures on 31 July 2022.

D. Depreciation in the Statement of Comprehensive Income on 28 February 2022 was: Vehicles, R27 500; Equipment, ?

E. Adjustments to Fixed assets figures during the year:
- Extensions to the Buildings were completed, paid and recorded, R280 000
- A new delivery vehicle was bought during the year, which was properly recorded.
- Two new computers were bought on credit from M-Teq on 1 September 2021 for R24 000. This has not been recorded.

F. Inventory needs to be calculated.

LANCE TRADERS

STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2022

ASSETS	
Non-current assets	
Current assets	
Inventory (missing figure)	
Trade and other receivables	**59 775**
TOTAL ASSETS	
EQUITY AND LIABILITIES	
Owner's equity	
Non-current liabilities	
Current Liabilities	
TOTAL EQUITY AND LIABILITIES	

NOTES TO THE FINANCIAL STATEMENTS

FIXED ASSETS	**Land & Buildings**	**Vehicles**	**Equipment**	**TOTAL**
Carrying value: beginning of year	**555 000**			
Cost	**555 000**	**200 450**	**58 250**	
Accumulated depreciation				
Movements				
Additions at cost:				
Depreciation				
Carrying value: end of year	**835 000**			
Cost	**835 000**	**375 950**		
Accumulated depreciation			**(38 000)**	

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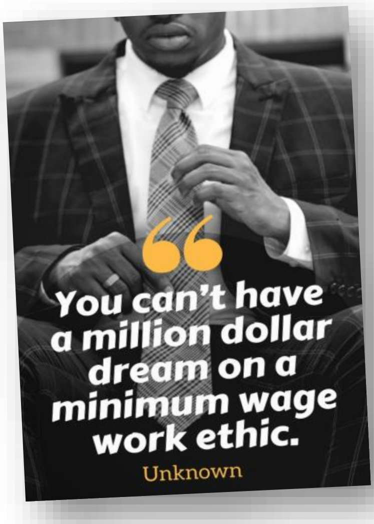
CASH AND CASH EQUIVALENTS	
Bank	64 500

OWNER'S EQUITY	
Balance at beginning of year	
Balance at end of year	**1 130 000**

TRADE AND OTHER PAYABLES	



Solutions:
https://wcedeportal.co.za/eresource/207731