KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

CURRICULUM GRADE 10 -12 DIRECTORATE

NCS (CAPS)

TEACHER GUIDE

GRADE 11

ACCOUNTING

STEP AHEAD PROGRAMME

2024

A.	**Reconciliations**	
B.	**Fixed Assets**	
C.	**Statement of Comprehensive Income**	
D.	**Statement of Financial Position, Notes, Analysis and Interpretation**	
E.	**Cost Accounting**	
F.	**Budgeting**	
G.	**Value added tax**	
H.	**Inventories**	

ACTIVITY A1

1.1.1

CASH RECEIPT JOURNAL - MARCH 2023 CRJ 3

Doc	Day	Details	Bank	Amount	Details
	30	**Total**	**49 000**	**49 000**	
B/S		MP Hlophe	8 300	8 300	Rent income
B/S		SI Mnyadi	2 750	2 750	Debtors Control
B/S		Umbumbulu Bank	232	232	Interest income
			60 282	60 282	

CASH PAYMENT JOURNAL - MARCH 2023 CPJ 3

Doc	Day	Details	Bank	Amount	Details
	30	**Total**	**48 000**	**48 000**	
		Sales	5 000	5 000	Sales
B/S		BB Traders	5 900	5 900	Creditors Control
B/S		Town Council	3 200	3 200	Water and electricity
B/S		Umbumbulu Bank	1 112	1 112	Bank charges
B/S		Techno Insurers	6 600	5 100 1 500	Insurance Drawings
			69 812	69 812	

1.1.2

GENERAL LEDGER OF SOMAVINIZA STORES

Bank

2020 Mar 1	Balance	11 400	2020 Mar 31	Sundry Accounts	69 812
Mar 31	Sundry Accounts	60 282		Balance	1 870
		71 682			71 682
	Balance	1 870			

1.1.3 **Prepare a Bank Reconciliation Statement for March 2023.**

	Debit	Credit
Balance according to bank statement balancing figure		10 070
Cr. Outstanding deposit		17 400
Dr. Outstanding EFT	6 600	
Dr amount wrongly credited	19 000	
Dr. Balance according to the bank account	1 870	
	27 470	27 470
	both figures must be the same	

ACTIVITY A2

2.1.1 • Explain why it is important for Caleb Naidoo to check the business' bank statement monthly. Provide any **TWO** reasons.

- Identify errors made by the bank or account holder
- To identify any fraudulent charges that might occur on the account
- Record any stop orders or debit orders
- record any direct deposits made by customers
- **ANY LOGICAL ANSWER**

2.1.2 Identify the amounts that should be recorded in the spaced labelled (i) to (v)

(i)	6 050
(ii)	8 080
(iii)	9 625
(iv)	175
(v)	-4 204

2.1.3 Write a sentence to explain each of the following transactions:

5 February 2023	POS Purchase - Chemco	Purchased from Chemco and used business debit card to pay.
16 February 2023	Digital Payment - Ethekwini Municipality	Made an EFT payment (internet banking) to pay for his water and electricityaccount for the month. award full marks if a learnermentions another account such as trading licence
28 February 2023	Digital Transfer – Celeb Naidoo	Made a transfer via internet banking to move money from the business bank account into the owners personal bank account.

2.1.4 Caleb's Car Wash does not permit customers to pay by debit or credit card. Discuss any**TWO** disadvantages of this.

- Not all people carry cash so the business could lose income.
- Keeping too much cash on property increases the risk of crime / theft.
- Frequent trips need to be made to the bank to deposit the money.
- **ANY LOGICAL ANSWER**

2.1.5 Caleb's Car Wash pays most of the recurring monthly expenses via internet banking. Discuss **TWO** possible reasons for this choice of payment method.

Any **TWO** reasons
- Convenience as banking can be done 24 hours a day, every day.
- Fast and efficient as funds within the same bank can be moved instantly. Accounts can also be opened and closed quickly.
- Users can also monitor their accounts more closely so that unusual / fraudulent activity can be picked up quickly.
- A safer and more efficient means of paying. Far safer than using cash.
- **ANY LOGICAL ANSWER**

2.1.6 Identify the GAAP concept that necessitates that Caleb has a separate bank account for the car wash and for his personal money.

Business Entity

2.2.1 **Cash Receipts Journal of Unathi's Upholstery Cleaners - April 2023 CRJ4**

Doc	D	Details	Bank	Sundry Accounts	
				Amount	Details
	30	**Total**	**69 500**	**69 500**	
B/S4		M Mkhize	2 450	2 450	Fee Income
B/S4		Better Bank	15 800	14 200	Fixed Deposit
				1 600	Interest on Fixed Deposit
				87 750	

Cash Payments Journal of Unathi's Upholstery Cleaners - April 2023 CPJ4

Doc	D	Details	Bank	Sundry Accounts	
				Amount	Details
	30	**Total**	**54 600**	**54 600**	
EFT137		Hychem	2 700	2 700	Consumable Stores
B/S4		TELMOK	300	300	Sundry expense
B/S4		Better Bank	527	175	Bank Charges
				352	Interest on Overdraft
				58 127	

2.2.2 **Prepare the Bank Reconciliation Statement for April 2023.**

	DR	CR
DR Balance as per Bank Statement	7 850	
CR Outstanding deposits		9 500
DR Outstanding EFT's		
No 219	15 000	
No 220	3 620	
DR Outstanding debit card payment	840	
CR amount incorrectly debited		300
CR Balance as per Bank Account		17 51
	27 310	27 310

ACTIVITY 3

3.1 CREDITORS RECONCILIATION

3.1.1

	Creditors Ledger of The Green House Cafe	**Statement from Growers Paradise**
Incorrect Balance	13 789	18 512
A	+280	
B	+53	
C		-180
D	+ 2 600 (OR +1 300 + 1 300)	
E		+890
		-2 500
	16 722	16 722

3.1.2 The day manager of the Green House Cafe, Mr E. Bird, discovered that fresh produce valued at R1 500, ordered on 24th April 2023 from Growers Paradise, was not delivered. The owner was informed and communication with Growers Paradise revealed that the night manager, Ms N. Owl had placed the order and arranged that the produce be delivered to her mother's home.

3.1.2.1 What action should be taken by the owner against Ms N. Owl? Provide **TWO** points.

Any **TWO** points
- Deduct the money from her salary.
- Recover money through legal action.
- Call her to a disciplinary hearing.
- A case should be opened at the SAPS.
- Suspend the employee pending the outcome of the case.
- **ANY TWO LOGICAL ANSWERS**

3.1.2.2 Provide **TWO** internal control measures that should be applied to prevent this from happening again.

- Any **TWO** control measures
- Division of duties.
- The owner should authorise all purchases.
- When goods are ordered, the chef / day manager should check the stock delivered against the invoice and order form.
- Internal audit or checks to detect errors or fraud.
- Monthly reconciliation of creditors.
- **ANY TWO LOGICAL ANSWERS**

ACTIVITY A4

4.1.1 **CREDITORS' LEDGER OF STHEMBISO TRADERS**
DM SUPPLIERS (CL7)

Balance per Ledger Account	**47 064**
Invoice 346 corrected	(1 512)
Correction of discount on EFT 207	1 000
Invoice 135 corrected	(6 929)
Interest	29
	39 652

4.2 **CREDITORS' RECONCILIATION STATEMENT ON 30 JUNE 2023**

Balance as per Creditor's Statement	**40 271**
Credit note incorrectly recorded (816 x 2)	(1 632)
Discount not yet recorded	(2 532)
Trade discount omitted	(981)
Invoice issued after statement date	4 526
Balance as per Creditors Ledger	39 652

4.3 **Explain TWO benefits of using electronic funds transfer (EFT) system rather than using EFTs for direct payments to creditors.**

Any TWO suitable valid response

- Cheaper than EFT payments or debit orders
- Less fraud and theft than with EFTs
- Payments can be made at any time
- Funds quicker available

4.4 **State TWO consequences for the business if they do not pay the amount due to creditors on time.**

Any TWO suitable valid response

- Business can be charged interest
- Credit rating of the business can be affected
- The business can be blacklisted

ACTIVITY B1	
1.1 POSSIBLE ANSWERS	
Depreciation on Equipment	**AMOUNT**
Old Equipment: 810 000 x 20%	 162 000
New Equipment: 120 000 x 20% x 3/12	 6 000
Total Depreciation for the year:	168 000

1.2				
EXTRACT OF FIXED ASSET REGISTER OF MAWELE FURNITURE TRADERS FOR VEHICLE SOLD				
DELIVERY VEHICLE (SOLD)			**COST PRICE = R320 000**	
DATE	**CURRENT DEPRECIATION**	**ACCUMULATED DEPRECIATION**	**CARRYING VALUE**	**CALCULATION**
31 Dec 2022	**16 000**	**16 000**	324 000	
31 Dec 2023	30 400	46 400	293 400	320 000 – 16 000 x 10/100
1 Jul 2024	13 680	60 080	259 920	320 000 – 46 400 x10/100 x 3/12

1.3	
Depreciation on old vehicles	**Amount**
SOLD **See 1.2.2 above**	**13 680**
OLD/ REMAIMING ASSETS **2 680 000 – 320 000 = 2 360 000** **1 060 000 – 46 400 = <u>(1 013 600)</u>** 1 347 400 x 10/100 x 12/12	**134 640**
Total depreciation for the year	**148 320**

1.4 FIXED/ TANGLIBLE ASSETS		
	VEHICLES	**EQUIPMENT**
Carrying value at the beginning of the year	1 620 000	570 000
Cost	**2 680 000**	**810 000**
Accumulated depreciation	**(1 060 000)**	**(240 000)**
MOVEMENTS		
Additions at cost		120 000
Disposal at carrying value	(259 920)	
Depreciation	(148 320)	(168 000)
Carrying value at the end of the year	1 211 760	522 000
Cost	2 360 000	930 000
Accumulated depreciation	(1 148 240)	(408 000)

ACTIVITY B2 Mfusi Store		
No	**Answer**	**Workings**
2.1.		
2.1.1	Asset disposal	
2.1.2	Asset disposal	
2.1.3	GJ	
2.1.4	R 220 000	Same as credit side of vehicle account
2.1.5	Accumulating depreciation on vehicles	
2.1.6	R 137 500	Same as credit side of the asset disposal
2.1.7	Debtors control	Folio number is DJ
2.1.8	Profit on sale of asset	On the debit side of the asset disposal account
2.1.9	R95 000	R220 000+R12 500- R 137 500
2.1.10	CJ	Contra account is creditors control
2.1.11	R680 000	Same as balance b/d
2.1.12	R 180 000	Balancing figure 220 000+680 000-720 000
2.1.13	Depreciation	
2.1.14	R140 000	500 000×25%=125 000 180 000×25%×4/12=15 000
2.1.15	220 000	190 000+27500+140 00-137 500=220 000
2.1.16	357 500	Total

2.2	Declining method, diminishing balance method , book value /carrying value
2.3	Tax advantages
2.4	Asset are valued at realistic values.
2.5	No . company require to be consistency .so that comparison of result can be realistic and accurate
2.6	Asset register provide details of individual asset such ✓ The original cost price. ✓ Date on which the asset was bought ✓ Total depreciation written off the asset. ✓ The book value of the asset.

ACTIVITY B 3
PROBLEM SOLVING

3.1	40 -8-5= 27 generators		
3.2	**Problem**	**Solution**	
Infinity	8 generators missing (8×6 000) = R 48 000 Loss	Improve monitoring of generator soon after utilisation	
	5 generators damaged (5×6 000)30 000	Training of workers to used generator accordingly or change them to other department	
Magneto	15 generators return to supply 15×3 000) R45 000	Change the supply they are selling fake and cheap generators	

ACTIVITY B4

Dr **Equipment** **Cr**

20.3 Mar 1	Balance	b/d	225 000	20.3 Nov 1	Asset disposal	GJ	52 500
20.3 Nov 31	Bank	CPJ	80 000		Balance	c/d	252 00
			305 000				305 000
	Balance	b/d	252 000				

Dr **Accumulated depreciation on Equipment** **Cr**

20.3 Nov 1	Asset disposal	GJ	22 925	20.3 Mar 1	Balance	b/d	142 500
	Balance	c/d	137 800		Depreciation		18 225
			160 725				160 725
					Balance	b/d	137 800

Dr **Asset disposal** **Cr**

20.3 Nov 1	Equipment	GJ	52 500	20.3 Nov 1	Accumulated depreciation (18 375+4550)	GJ	22 925
	Profit on sale		1 925	Nov 1	Debtor control	DJ	31 500
			54 425				54 425

Dr		Depreciation			Cr
20.3 Nov 1	Accumulated depreciation on equipment sold	4 550	20.4 Febr 29	Profit and loss	18 225
20.4 Febr 29	Accumulated depreciation on equipment new	4 000			
20.4 Febr 29	Accumulated depreciation on remaining	9 675			
		18 225			18 225

	ACTIVITY B5
5.1	
A	460 000- 396 750= 63 250
B	460 000+ 116 000= 576 000
C	5 000 000+ 650 000 =5 650 000
D	584 000+ 132 000- 576 000 =140 000
E	140 000×10/100×3/12 = 3 500 118 000-11 880×10/100×7/12 =6 237 444 000- 434 920 ×10/100×12/12 = 908 10 645
F.	118 800-11 880-6 237 = 100 683
G.	116 000+ 140 000-100 683- 10 645 =144 672
H.	460 000+10 645-31 317= 439 328
I.	459 909

5.2 **ASSET DISPOSAL**

20.3 Sept 30	Vehicle	GJ	132 000	20.3 Sept 30	Accumulated depreciation (25080+6237)	GJ	31 317
					Bank	CRJ	81 348
					Loss on sale	GJ	19 335
			132 000				132 00

5.3 Historical principle ,asset should be recorded at their original cost price
It is unethical to inflate the value of asset

5.4.1 Number of deliveries made are less than previous year
Petrol and oil does not correspond with sales increase by 75%sales change by25%

5.4.2 (i) Install car tracker to prevent private used of asset
(ii) Improve monitoring and make use of asset authorisation of asset before using them
iii) Asset should be kept in one place

5.5 They receive an increment of 5%
Other expenses have also increased which must be accounted for

ACTIVITY C1: STATEMENT OF COMPREHENSIVE INCOME

MANENZE TRADERS **STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2024**		
Sales (**800 000** – 14 600- 4 500)		780 900
Cost of sales (390 000 - 2 500)		(387 500)
Gross Profit		393 400
Other Operating Income		39 100
Rent income (42 000 - 3 300)		38700
Provision for bad debts		400
Gross Operating income		354 300
Operating Expenses		(220 203)
Employer's contribution		**10 520**
Bad debts		**3 600**
Discount allowed		**530**
Telephone		**6 300**
Salaries and wages (150 000 +12 000)		162 000
Bank charges		748
Insurance (9 800 -1 400)		8 400
Packing material(8 305 -2 300)		6 005
Trading stock deficit (68 000 +2 500 -66 400)		4 100
Depreciation		18 000
Operating Profit		134 097
Interest income		**9 600**

Profit Before Interest Expense		143 697
Interest expense (205 000+ 8 000-260 000)		(25 000)
Net Profit for the year		118697

ACTIVITY C2

3.1.1

Calculate the correct Net Profit for the year ended 28 February 2024

Incorrect net profit	**R852 765**
Water and electricity	(1 260)
Carpet and installation (prepaid)	(1 500)
Fee income (Income received in advance)	(750)
Cost sale of the carpet sold	1 125
Rent expense (prepaid) (57 600x220/1440)	8 800
Insurance excess	(5 000)
Bad debts	(3 000)
Provision for bad debts adjustment (8 000- 6 225)	1 775
Trading stock surplus (338 500 + 1 125 – 40 000 – 302 100)	2 475
Interest on loan (37 000 – 22 300) or (119 700 + 37 000 – 142 000)	(14 700)
	840 730

ACTIVITY C3

MANA STORES

3.1.1

Calculate: Carrying value of the vehicle sold on 30 November 2023

100 500

190 000 – (72 000 + 28 500) = 89 500

Calculate: Total depreciation on equipment on 28 February 2024

New:

32 000 x 6/12 x 10% = 1 600

Old:

133 000

= (218 000 – 85 000) x 10% = 13 300

(250 000 – 32 000)

Total = 14 900

3.1.2

MANA STORES
STATEMENTOF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2024

Sales (**5 500 000** – 32 500 +15 000)	5 482 500
Cost of sales (**3 150 000** + 9 375)	(3 159 375)
Gross Profit	2 323 125
Other Operating Income	198 950
Rent income (169 500 + 16 500)	186 000
Bad debt recovered	**4 750**
Profit on sale of asset (97 700 – 89 500	8 200
Gross Operating income	2 522 075
Operating Expenses	(922 075)
Bad debts (13 600 + 1 900)	15 500
Salaries and wages 488 500 1 755 (475 000 + 13 500 + 1 620 + 135	490 255
Consumable stores	61 700
Insurance (19 220 + 1 780)	21 000
Bank charges (7 760 + 870)	8 630
Sundry expenses	140 085
Trading stock deficit (386 500 – 9 375 – 374 000)	3 125
Provision for bad debts adjustment	380
Depreciation (28 500 + 138 000 + 14 900)	181 400
Operating Profit	1 600 000
Interest income	44 000
Profit Before Interest Expense	1 644 000
Interest expense (1 200 000 + 300 000 – 1 356 000)	(144 000)
Net Profit for the year	**1 500 000**

ACTIVITY 4

NGOMANE TRADERS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR-ENDED 2024

Sales (1 390 000 – 34 850 – 10 880)		1 344 270
OR [1 390 000 – (34 850 + 10 880)]		
Cost of sales (868 750 – 6 800)		(861 950)
Gross profit		482 320
Other operating income		190 285
Rent income (203 175 – 31 050)		172 125
Bad debts recovered (11 580+ 2 790)	14 370	
Discount received		3 560
Provision for bad debts adjustment	230	
Gross operating income		672 605
Operating expenses		(516 770)
Water and electricity		**46 300**
Salaries and wages		**226 500**
Advertising (38 020 + 3 710)		41 730
Insurance (33 850 – 1 300)		32 550
Discount allowed		2 160
Packing material (23 850 – 1 370 – 4 850)		17 630
Bank charges (11 410 + 195)	11 605	
Bad debts (14 750 + 1 125)		15 875
Sundry expenses (44 760+ 2 380)		47 140
Loss due to theft		1 370
Donation		4 800
Trading stock deficit (184 750+ 6 800 – 4 800 – 182 840)		3 910
Depreciation		65 200
Operating profit		155 835
Interest income (18 900 + 6 300 + 520)		25 720
Profit before interest expense	181 555	
Interest expense (455 000 + 120 000 – 500 000)		(75 000)
Net profit for the year		106 555

ACTIVITY 1
PARTNERSHIPS

1.1 **CURRENT ACCOUNTS**

	DUMA	VILAKAZI
Partner salaries	127 500	**144 000**
Interest on capital	52 800	**35 200**
Primary distribution	180 300	**179 200**
Final distribution	54 000	**36 000**
Net profit for the year	234 300	215 200
Drawings	**(33 000)**	**(259 000)**
	201 300	**(43 800)**
Balance at beginning	65 000	(15 200)
Balance at end of year	266 300	(59 000)

13

Salary DUMA: (10 000 x 9) + (12 500 x 3)

Interest on Capital: 660 000 x 8%

1.3

UITVAAL TRADERS

BALANCE SHEET ON 28 FEBRUARY 2024

ASSETS			
NON-CURRENT ASSETS			**901 200**
Fixed assets			**750 000**
Fixed deposit			**151 200**
CURRENT ASSETS			755 600
Inventory	balancing figure		678 800
Trade and other receivables 58 000✓ – 3 700 ✓✓+ 7 000✓✓ + 9 500 ✓			70 800
Cash and cash equivalents		**10**	6 000
TOTAL ASSETS		**1**	1 656 800
EQUITY AND LIABILITIES			
EQUITY			1 307 300
Capital (660 000 + 440 000)			1 100 000
Current account (266 300 – 59 000)	see 3.1	**5**	207 300
NON-CURRENT LIABILITIES			139 200
Loan: Diamond Bank (208 800✓– 69 600✓✓)		**4**	139 200
CURRENT LIABILITIES			210 300
Trade and other payables			**85 300**

Bank overdraft		55 400
Current portion of loan		69 600
TOTAL EQUITY AND LIABILITIES	4	1 656 800

ACTIVITY D2

2.1..1 **Acid-test ratio**

159 750+41 150 OR 294 650 – 93 750

200 900 : 190 500

1,1 : 1

2.1.2 **Debt-equity ratio**

450 000 : 1 425 800

0,3 : 1

2.1.3 **Return earned by Smiley**

$$\frac{232\,200 \quad \underline{(47\,250 + 168\,750 + 16\,200)}}{\tfrac{1}{2}(750\,000 - 15\,500 + 650\,000 + 10\,750)} \times \frac{100}{1}$$

1 395 250

697 625

33,3%

Accept 33%

2.2.1 **Explain how the company is managing its operating efficiency. Quote figures to support your answer.**

% Operating expenses on sales decreased from 17.5% to 14.6%
% Operating profit on sales increased from 18.2% to 21.9%
# The business is managing its operating efficiency effectively,
# They have managed to decrease their expenses and increase their profits.

2.2.2 **Smiley is adamant that the liquidity of the business has improved. Quote relevant indicators to support his claims.**

- Stock turnover rate increased from 11 times to 15 times
- Stock holding period decreased from 38 days to 21 days
- Average debtors collection period decreased from 57 days to 30 days

In 2024 it appears that working capital were managed more efficiently by ensuring that stock was moving.

OR

In 2023 working capital was managed less efficiently. They were holding too much stock which may have contributed to low profitability.

2.2.3 **Smiley & Mama-G have hired a collections agent to help improve their collection from debtors. Quote and explain if their efforts have been successful.**

- Average debtors collection period decreased from 57 days to 30 days

#The collections strategy employed was successful since they managed to get debtors paying on time or within 30 days.

2.2.4 **One of the partners is of a view that customers are responding positively to an advert they recently put up online. Explain how this advert has assisted the business in dealing with slow moving stock and quote a relevant financial indicator.**

- Stock turnover rate increased from 11 times to 15 times
- Stock holding period decreased from 38 days to 21 days

Stock is moving faster
Less cash tied up in stock
May not experience cash flow problems in future.

2.2.5 **The partners took a decision to increase the loan during the financial year. Calculate the increase in interest on loan amount and comment on the risk implications involved in this decision.**

Interest on loan in 2023
250 000 x 11/100 = 27 500

Interest on loan in 2024
450 000 x 13.5/100 = 60 750

60 750 – 27 500 = **28 750**

- Although the debt-equity ratio increased, the risk is still low as the business is mainly financed by own capital.

2.2.6 **Comment on Smiley`s return on his investment in the partnership.**
Compare with reference to alternative investments and figures

- Although his return dropped from 36% to 33% it is still better than the return on alternative investments of 8%

ACTIVITY D3

KWESETHU TRADERS

STATEMENT OF FINANCIAL POSITION ON 29 FEBRUARY 2024

ASSETS		
NON-CURRENT ASSETS		1725 000
Fixed assets	**1 184 503**	
Fixed deposit (740 497 – 200 000)	540 497	
CURRENT ASSETS		**600 000**
Inventory	**267 700**	
Trade and other receivables (117 800– 31 500 + 11 900 + 27 000)	125 200	
Cash and cash equivalents	207 100	
TOTAL ASSETS		2 325 000
EQUITY AND LIABILITIES		
EQUITY		**1 725 500**
Capital	**1 300 000**	
Current account	**425 500**	
NON-CURRENT ASSETS		199 500
Loan: ABSA (313 500– 114 000)	199 500	
CURRENT LIABILITIES 600 000 /1,5		400 000
Trade and other payables (165 800 + 18 600 + 8 580)	192 980	
Bank overdraft	93 020	
Current portion of loan	114 000	
TOTAL EQUITY AND LIABILITIES		2 325 000

ACTIVITY E1

1.1.

1.1.1. Complete the following for the year-ended 29 February 2024: (Make use of own exercise book)

• Direct material cost 480 000 + 2 160 000 + 20 000 -28 000 -780 000 = 1 852 000
• Direct labour cost 8 x R12 000 x 12 = R1 152 000 salary 12 000 x0.9 = R10 800 x 8 = R86 400 bonus 1 152 000 x 0.07 =80 640 pension fund TOTAL: 1 319 040

• Factory overheard cost

Factory indirect materials (7 500 + 80 000 – 2 400)	85 100
Water & electricity (55 200 x 0.07)	44 160
Factory sundry expense	105 600
Factory foreman	150 000
Repairs & maintenance(36 500 + 12 350)	48 850
Rent expense(45 000 x 600/900)	30 000
Depreciation: factory plant	29 600
	493 310

1.1.2. Work-in-progress stock

		Balance b/d	660 000				Balance	450 000
		Direct material cost	1 852 000					3 874 350
		Direct labour cost	1 319 040					
		Factory overhead cost	493 310					
			4 324 350					**4 324 350**
		Balance	450 000					

ACTIVITY E2

2.1.1. Calculate the following for the financial year (Make use of own exercise)

• **Direct material cost** **56 700 + 522 000-11 200 -62 300 = 505 200**
• **Direct labour cost** **6 x 1 640 x R40 = 393 600** **525 x R64 = 33 600** **393 600 x 10% = 39 360** **TOTAL = 466 560**

2.1.2. Refer to Information D

Calculate the correct factory overhead cost by taking into account the errors and omissions. Indicate an increase (+) or decrease (-) to the total given. Show all workings.

Factory overheads costs	
Total brought forward	**321 580**
Indirect labour 64 800 x 65%	+ 42 120
Rent expense 88 200 – 126 000	– 37 800
Water and electricity 41 000 – 28 700	+ 12 300
TOTAL	**338 200**

2.1.3. Work-in-progress stock

		Balance	b/d	71 300				Finished goods stock		1 333 500
		Direct material cost		505 200				Balance	c/d	47 760
		Direct labour cost		466 560						
		Factory overhead cost		338 200						
				1 381 260						1 381 260
		Balance	b/d	47 760						

2.2. Kwando's FACTORY

2.2.1. BEP = 575 000 / 535-410 = 4 600 Units

2.2.2. The business produced 5 000 units which is 400 more than the BEP / Kwando should be satisfied as she is making a profit on 400 units.

2.2.3.

COST IDENTIFIED	**SOLUTION**
Direct material cost increased from R155 to R180 / 16,1%	Buy cheaper material; look for local suppliers / train workers to reduce wastage
Selling and distribution increased from R50 to R66 / 32%	Assess the impact of advertising; advertise to a select market; charge for delivery; pay commission for increased sales

ACTIVITY E3

3.1. **Work-in-progress stock**

		Balance	58 700					Finished goods stock	8 276 210
		Direct material cost	5 895 000					Balance	62 300
		Direct labour cost	892 000						
		Factory overhead cost	1 492 810						
			8338 510						**8 338 510**
		Balance	62 300						

3.2. **Factory overheads Costs**

		Consumable stores (1500 + 18 500 - 2 650)	17 350					Work-in-process	1 492 810
		Salary: factory managers(350 400 + 87 600)	438 000						
		Water & electricity(354 100 x 80%)	282 280						
		Rent (362 000 x 75%)	271 500						
		Insurance(27 200 x 80%)	21 760						
		Factory repairs & maintenance(65 420 + 16 500)	81 920						
		Depreciation	379 000						
			1 492 810						**1 492 810**

ACTIVITY F1

1.1.1 **DEBTORS COLLECTION SCHEDULE**

MONTH	CREDIT SALES	AUGUST	SEPTEMBER
June	**279 000**	33 480	
July	**288 000**	158 400	34 560
August	306 000	**89 964**	**168 300**
September	**315 000**		92 610
			295 470

1.1.2 CASH BUDGET FOR THE PERIOD ENDED SEPTEMBER 2024

CASH RECEIPTS	AUGUST	SEPTEMBER
Cash from Debtors		295 470
Cash Sales	**102 000**	105 000
Fixed Deposit	40 000	
Interest on Fixed deposit	1 000	
TOTAL RECEIPTS		400 470
CASH PAYMENTS		
Cash purchases of Stock	108 800	**112 000**
Payments to Creditors	**148 800**	153 600
Sundry Expenses	7 600	**7 790**
Salaries and wages	**36 000**	38 880
Motor Expenses	**5 000**	5 000
Repayment of loan		30 000
Interest on loan	**2 600**	2 275
TOTAL PAYMENTS		349 545
CASH SURPLUS/SHORTFALL	**115 126**	50 925
Bank (Opening Balance)	(32 126)	83 000
BANK (Closing Balance)	83 000	133 925

1.2 **Explain any TWO reasons that indicates whether the business is effective in managing its cash resources or not. Quote figures.**

- Poor collection from debtors – trend show that debtors are not attracted to the discount as 55% still pay after 30 days (the normal credit terms)
- High % of goods purchased on credit (60%) and better terms not negotiated.
- The business managed to use the fixed deposit to reduce (wipe off) the overdraft and also pay part of the loan.
- Giving a better than inflation increase to workers to motivate them to improve sales and profitability.

ACTIVITY F2

2.1 Debtors' Collection Schedule for the months of January and February 2024

MONTH	CREDIT SALES	JANUARY	FEBRUARY
November	**171 000**	**22 650**	
December	**172 500**	**51 750**	25 875
January	**168 000**	79 800	50 400
February	**163 800**		77 805
		157 200	154 080

2.2 Calculate the missing amounts indicated by the letters A to I in the Cash Budget for January and February

NO	CALCULATION	ANSWER
A	163 800 x 75/25	491 400
B	See 2.1	157 200
C	See 2.1	154 200
D	400 000 x 1,5	51 750
E	108 000 x 40/60	72 000
F	99 000 x 97/100	96 030
G	18 000 – 1 500	16 500
H	120 000 x 12/100 x 1/12	1 200
I	126 000 x 100/105	120 000

ACTIVITY F3

3.1 Creditors' Schedule for the months of January and February 2025

MONTH	CREDIT PURCHASES	December	JANUARY	FEBRUARY
December	440 000	**198 000**	**132 000**	88 000
January	320 000		**144 000**	96 000
February	300 000			135 000
				319 000

Calculate the % increase expected in security costs from 1 February 2025.	
Workings	**Answer**
10 500 (28 500 – 18 000) /18 000 X 100	53%

Calculate the % commission to be paid to salespersons during February 2025	
Workings	**Answer**
84 000 / 525 000 x 100	16%

Calculate the water and electricity budgeted for December 2024	
Workings	**Answer**
18 600 x 100/124	R15 000

Calculate the loan repayment to be made on 31 December 2024	
Workings	**Answer**
1 250 (9 375 – 8 125) x 100/12,5 x 12 OR 9 375 x12÷ 0,125 = 900 000 8 125 x12÷ 0,125 = 780 000 900 000 – 780 000	R120 000

3.3

Give ONE reason why he did not want to stop paying salaries and wages.

- He does not intend to close down or down-size / uncertain future
- He is concerned about the survival of his employees (loyalty)
- He does not want to re-train new people when he re-opens
- Consider implications of their contracts (legal issues)

Identify ONE other payment in the list in Information D that he would not have been able to stop and give a reason.

Security / insurance / loan repayments and interest on loan

Reason:
To prevent vandalism / reduce risk to the business / already finances infrastructural activities that need to continue / contracts in place

Identify ONE payment in the list in Information D that he would have stopped and give a reason.

Packing material / consumable stores / commission / water and electricity

Reason:
All items depend on either sales or fee income which do not exist during this period.

ACTIVITY G1

1.1

AMOUNT EXCLUDING VAT	VAT AMOUNT	AMOUNT INCLUDING VAT
154 000	**(a)** 23 100	**(b)** 177 100
(c) 280 000	**42 000**	**(d)** 322 000
(e) 1200	**(f)** 180	**1380**

1.2

ADVICE TO ULWANDLE AND REASONS	
ADVICE	**REASONS**
She should avoid such activities / Do not be party to corruption / such behaviour may be tempting but will have long-term consequences	This is unethical and illegal SARS will impose penalties / or take legal action against the business / the image of the business will be tarnished
	Defrauding SARS; the money from VAT is not the businesses money (an agent) Inflating VAT input to pay less is corruption

ACTIVITY G2

VAT CALCULATIONS

Amount payable to OR receivable from SARS on 28 February 2021.	
680 000 x 15/100 577 300 x 15/115 32 200 – 19 550 102 000 – 75 300 + 55 500 - 975 - 4200 + 6450 **OR** - 102 000 + 75 300 - 55 500 + 975 + 4200 - 6450 **OR** Input VAT: 102 000+ 55 500+6450 = 163 950 (Dr) Output VAT: 75300+75300+4200= 80475 (Cr) 163 950 – 80475	**R83 475** **Receivable**

VAT ethics

2.2.1	**What is the total value of the VAT fraud committed by Square One's directors?**
	Approximately R300 million

2.2.2	**Explain in more detail the method(s) the directors applied to commit fraud.**
	Any TWO aspects • Fraud: Unlawful actions to enrich themselves / gain financially / Misused their positions as directors to conduct fraudulent transactions • Uttering / Forgery: produced false documentation knowingly / intentionally passingoff false/forged documents for so-called imports/exports • Money-laundering: integrated 'dirty' (unlawfully gained) money into financial systemsto make it look 'clean' / above board.

2.2.3	**What was the impact of the four directors' actions on their company?**
	Any ONE aspect: • Square One was liquidated • '*Precarious*'/negative/collapsing cash flow situation

ACTIVITY G3

3.1

A	15 870 – 1 3800	2 070
B	87 000 X 15%	13 050
C	14 850 X 100/15	99 000
D	(36340-1840) X15/115 OR 4 740-240 OR 30000 X 15%	4500

3.2

You are the internal auditor. The sole owner, Amanda, used a business EFT to buy a new car for R483 000 including VAT. This car is kept at home for her son's use. Amanda says the vehicle must be recorded as a business asset and R63 000 must be recorded as a VAT input in the business' books.

Explain what you would say to Amanda. Provide TWO points.

- This is tax evasion/ she is attempting to reduce the amount due to SARS (this is illegal and unethical).
- She will be increasing the input VAT, effectively reducing the amount due to SARS.
- She could be fine or imprisoned because it is a criminal offence.
- Personal transactions and business transactions should be kept separate (Business entity rule)
- The full amount of R463 000 should be treated as drawings.

ACTIVITY H1

1.1	**How does the periodic system differ from the perpetual system? Identify TWO differences.**
	Any TWO valid aspects • Movement of trading stock is recorded in the Purchases account. • Trading Stock account only reflects the balance at the beginning and end of the year. • Cost of sales has to be calculated in the final account/trading account

1.2 Cost of sales for the period ending 29 February 2020

Opening stock	320000
Purchases(710000+240000-2900+30780-3400-1400)	973080
Carriage on purchases(162000+1800)	163800
Customs duty	56000
	1512880
Closing stock(210000-3400-1400)	(205200)
Cost of Sales	**1307680**

1.3	**Calculate the gross profit for the year**	
	Workings	**Answer**
	(1024500+850 000-42000- 300) 1829500 - 1307680 *Sales* - *Cost of sales*	One part correct **R521820**

1.4.1	**Calculate the actual mark-up achieved.**	
	Workings	**Answer**
	$\frac{521820}{1307680} \times \frac{100}{1}$	40%

1.4.2	**Supply TWO reasons why Mandisa did not achieve their intended mark-up.**
	Any TWO valid reasons • Excessive(too much/high) trade discounts allowed • Goods sold at cheaper prices due to sales or specials • Errors in mark-up calculations • Errors in recording stock movements (in and/or out)

1.5	**Is the a way you can think of to solve this problem? Explain.**
	Any ONE relevant solution • Look around for other cheaper service providers closer to the business that will provide similar quality • Consider buying own vehicle for transporting stock to her business. Take operation costs into account.

ACTIVITY H2
INVENTORY

Calculate the following:

2.1 **Calculate the cost of sales**

Opening Stock	394 200
Purchases (2 127 800 + 62 000 -19 400 - 4 200)	2 166 200
Carriage on purchases	87 700
	2 648 100
Closing Stock	(313 200)
Cost of sales	2 334 900

2.2 **Calculate the gross profit**

Sales (3038 500 + 20 500)		3059 000
Cost of sales	Check 3.1.1	(2 334 900)
Gross Profit	one part correct	724 100

2.3 **Provide ONE reason for the drop in the mark-up percentage.**

- Discounts offered during clearance sales to increase sales
- Discounts to bulk buyers to increase sales
- Incorrect calculation of mark-up
- poor control resulted to theft of stock

ACTIVITY H3

3.1 **PURCHASES**

Cash purchases	18 760
Credit purchases	28 880
	47 640
Less: Returns	(2 980)
Sales promotion (advertising)	(460)
Loss due to heatwave (1 100 x 20%)	(220)
Drawings	(250)
Net purchases	**43 730**

3.2 **Gross profit**

Sales (54 000 + 22 000 - 1 540 - 210)	74 250
Less Cost of sales:	(47 930)
Opening stock	8 900
Purchases	43 730
Import duties (1 550 + 1 080 [360 x 15 x 20%])	2 630
Carriage on purchases	970
Less closing stock (8550 - 250)	(8 300)
Gross profit (74 250 - 47 930)	**26 320**

3.3 **Calculate the mark-up %**

Workings	Answer
$\frac{26\,320}{43\,730} \times \frac{100}{1}$	**60,2%**

3.4 **Explain why Barby uses the periodic system for her business. Provide TWO reasons.**

Any TWO valid reasons

- It is a cheaper system as perpetual, as cost of sales do not have to be recorded continuously
- It may be difficult to calculate cost price on individual items.

3.5 **Barby is considering changing to the perpetual system in the next financial year.What main point should she consider before making her final decision?**

Any ONE valid point

- The cost of implementing in comparison to the benefits she can get fromthe perpetual system
- They will have to buy expensive equipment/computers/electronic equipment to record the cost of sales continuously which may impact ontheir cash flow.
- A computerised system needs to be linked to their point of sale - staff needs to be trained which means more expenses / more staff away from duty daily

ACTIVITY H4

4.1 Calculate the number of face shield missing 890 + 1500 – 13 -2175 -190 = 30 face shields

4.2.1	Perpetual inventory system
4.2.2	Expense
4.2.3	Periodic Inventory System
4.2.4	Asset

4.2.5 Explain 3 differences between perpetual and periodic stock system

Perpetual Inventory System	Periodic Inventory systems
• Stock purchases recorded in trading stock account (asset)	• Stock purchases recorded in purchases account
• Expenses incurred in purchasing of goods (eg carriage on purchases) are charged to the trading stock account	• Expenses incurred in purchasing of goods (eg carriage on purchases) are recorded in carriage on purchases account(expense)
• Returns and allowances on stock purchased recorded in Trading stock account	• Returns and allowances on stock purchased recorded in purchases account
• Donations and stock taken by the owner are credited to the Trading stock account	• Donations and stock taken by the owner are credited to the Purchases account
• Balance of trading stock shows value of stock on hand	• Physical stock take (periodically) determines stock on hand
• Cost of sales is calculated on a continuous basis, therefor cost of sales account will show the total cost price of goods sold	• There is no cost of sales account a calculation required to determine cost of sales.

4.3.1	**Calculate cost of sales on 30 June 2024.** 19 200 + 756 000 + 74 600 – 336 000 = 514 800
4.3.2	**Calculate the average stock turnover rate** 514 800 / (19 200+336 000) ½ = 3 times (2,9 times)
4.4.1	• **Provide a calculation to verify her suspicion.** 160 + 6300 – 32 00 – 2800 = 460 units stolen
4.4.2	• Count stock regularly/randomly and check against stock records • Buy in smaller quantities but more regularly • Restrict access to the storeroom • Improve physical security e.g. controls at entrance DO NOT accept security cameras - it was given.

ACTIVITY CC1
PARTNERSHIPS – FINANCIAL STATEMENTS
PB STORES
1.1 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 29 FEBRUARY 2024

SALES		993 250
COST OF SALES		(685 000)
GROSS PROFIT		308 250
Other Operating Income		166 750
COMMISSION INCOME		**58 545**
RENT INCOME (117 250 – 9 625)		107 625
PROVISION FOR BAD DEBTS ADJ (5 440 – 4 860)		580
GROSS OPERATING INCOME		475 000
Operating Expenses		(144 865)
SALARIES AND WAGES		**45 000**
DEPRECIATION		17 150
INSURANCE (25 665– 1 455)		24 210
PACKING MATERIAL (19 710 – 3 600)		16 110
WATER AND ELECTRICITY (32 180 + 2 150)		34 330
TRADING STOCK DEFICIT (133 390 – 130 540)		2 850
SUNDRY EXPENSE	(BALANCING FIGURE)	5 215
OPERATING PROFIT		330 135
INTEREST INCOME (14 850 + 4 950)		19 800
Net profit before interest expense/finance cost		349 935
INTEREST EXPENSE (327 000 – 288 200)		(38 800)
NET PROFIT FOR THE YEAR		**311 135**

1.2.1. CAPITAL NOTE

	PINKY	BRIAN	TOTAL
OPENING BALANCE	240 000	360 000	600 000
ADDITIONS TO CAPITAL	40 000		40 000
WITHDRAWAL OF CAPITAL		(10 000)	(10 000)
CLOSING BALANCE	280 000	350 000	630 000

1.2.2. CURRENT ACCOUNT NOTES

	PINKY	BRIAN	TOTAL
SALARY	116 235	95 940	212 175
INTEREST ON CAPITAL	21 600	28 200	49 800
BONUS	19 865		19 865
TOTAL PRIMARY	157 700	124 140	281 840
SECONDARY	13 020	16 275	29 295
NET PROFIT FOR THE YEAR	170 720	140 415	311 135
DRAWINGS	(31 889)	(62 503)	(94 392)
RETAINED INCOME	138 831	77 912	216 743
OPENING BALANCE	22 369	(32 412)	(10 043)
CLOSING BALANCE	161 200	45 500	206 700

1.3.1.

- He had a debit balance on his current account, (R32 412)
- Excessive drawings, R62 503
- Reduced his Capital contribution by R 10 000.

Any 2 valid reasons

1.3.2.

- **Re-visit the Partnership agreement.**
- **Set limit for drawings.**

Any one suggestion valid

ACTIVITY DD1
ANALYSIS AND INTERPRETATION

1.1. CALCULATIONS OF FINANCIAL INDICATORS:

ACID TEST RATIO 64 000 + 11 000 : 84 000 **OR** 171 000 – 96 000: 84 000 = 0.9 : 1
DEBT EQUITY RATIO 240 000: 858 000 0,3 : 1
RETURNS ON AVERAGE $\frac{278\ 000}{\frac{1}{2}(858\ 000 + 1\ 210\ 000)} \times \frac{100}{1}$ **1 034 000** = 27 %

1.2. Explain whether the partners should be concerned or not about the liquidity of the business

The partners should not be concerned because the business is liquid / should have no problem in paying of their short-term debts. **OR** The liquidity ratios are far more efficient in 2024 as they were too high in 2023 (because current assets do not earn a return). Current ratio decreased from 3,1 : 1 in 2023 to 2,2 : 1 in 2024 Acid test ratio decreased from 2,1 : 1 in 2023 to 0,9 ; 1 in 2024

1.3. The partners are considering increasing the loan by R300 000.

Explain whether this is a good idea or not. Quote ONE financial indicator. Comment Quote correct indicator Figures The partnership is lowly geared. They are not making much use of loans. Debt-equity ratio increased from 0,1:1 in 2023 to 0,3:1 in 2024. **OR** If they borrow R300 000 the debt-equity ratio will increase to 0,6:1 which increases the risk because there will be high interest to be paid and high repayment commitments.
If they do not increase the loan, give TWO other suggestions that they could consider. • Increase their capital contribution. • Get another partner. • Use the fixed deposit

1.4. Mouse is concerned about the % return that he is earning.

Compare the % returns earned by the two partners. Explain whether Mouse should be concerned about this Mouse should be concerned as his % return on equity decreased from 29% in 2023 to 22% in 2024 while Duck's % return on equity increased from 21% in 2023 to 36% in 2024.
List THREE points that Mouse should mention to Duck about this. Three valid points • Duck withdrew R400 000 of his capital contribution during the year. • Duck has a negative current account due to drawings. • They receive the same salary and they may not be doing the same amount of work • They must renegotiate the partnership agreement as it is not fair on Mouse – he provides 75% of the capital and has not drawn all his earnings, yet he is earning a lower return.