



KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

REPUBLIC OF SOUTH AFRICA



CURRICULUM GRADE 10 -12 DIRECTORATE

NCS (CAPS) SUPPORT DOCUMENT

Stanmorephysics.com

GRADE 12

ACCOUNTING

PAPER 2

TEACHERS GUIDE

2021

ACTIVITY A1

1.1.1	Value Added Tax	
1.1.2	15 %	
1.1.3	Zero Rated	
1.1.4	A	PAYE
	B	salary
	C	Customers
	D	Indirect
1.1.5	<p>Comment:</p> <ul style="list-style-type: none"> It is unethical, you must be a registered VAT vendor to charge tax All money collected from customers for VAT must be paid to SARS <p>Consequences:</p> <ul style="list-style-type: none"> The owner may face the legal implications which may results to jail sentence SARS can pose a penalty to the business 	

ACTIVITY A2

2.1	
(i)	Indirect
(ii)	Decrease
(iii)	Asset

2.2	Details	Amount
	Incorrect amount payable	112 539
(i)	Shop rent paid	(2 025)
(ii)	Vehicle purchased (-22 500 – 22 500)	(45 000)
(iii)	Correction on invoice (-7 500+ 6 900) or 50 000 x 8% x 15%	(600)
	Correct amount payable	64 914

ACTIVITY A3

3.1 VALUE ADDED TAX

3.1.1	True
3.1.2	False
3.1.3	True
3.1.4	False
3.1.5	True

3.2.1 After taking into account the errors and omissions, calculate the VAT amount that is either payable to or receivable from SARS. Indicate whether this amount is receivable or payable.

VAT	
1 800	2 850
308	3 630
594	480
74	
750	
Balance b/d 3 434	

OR

$$-2\ 850 - 3\ 630 + 1\ 800 + 308 + 594 + 74 - 480 + 750 = 3\ 434$$

OR

$$2\ 850 + 3\ 630 - 1\ 800 - 308 - 594 - 74 + 480 - 750 = 3\ 434$$

Payable to SARS

3.2.2 The internal auditor discovered that the owner used the VAT collected from customers to pay expenses of the business. Therefore, he was unable to pay the VAT owed to SARS on the due date.

State ONE point of concern that you would offer the owner concerning this practice.

ONE valid point

- It is unethical.
- The business is an agent of SARS – money collected on behalf of SARS should not be used to defray other operational expenses.

ACTIVITY A4

Explain why the government implemented VAT in South Africa. State ONE point.

- Additional source of revenue for the government.
- To fund infrastructure/ plans of the government.
- To provide for basic services for the communities

Explain why some products are zero-rated products. State ONE point.

- To make basic necessities affordable to indigent/ poor communities

Calculate the amount payable to SARS in respect of VAT for the two months ended 30 April 2021.

WORKINGS

$$9\ 450 + 61\ 800 - 34\ 500 - 1\ 890 - 2\ 520 + 1\ 140 + 1\ 380 = 34\ 860$$

ACTIVITY A5

5.1

5.1.1	WORKINGS	ANSWER
(a)	$1\ 104 - 960$	144
(b)	$52\ 600 \times 15\%$	7 890
(c)	$720 \times 100/15$	4 800
(d)	$(112\ 470 - 6\ 325) \times 15/115$ $5\ 500 + 825$ OR $112\ 470 \times \frac{15}{115}$ $14\ 670 - 825$ OR $(97\ 800 - 5\ 500) \times 15\%$	13 845

5.1.2 You are the internal auditor. The sole owner, Samson, used a business cheque to buy a new car for R460 000 including VAT. This car is kept at home for his wife's use. Samson says the vehicle must be recorded as a business asset and R60 000 must be recorded as a VAT input in the business' books.

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

Expected responses for two marks:

- This is tax evasion / he is attempting to reduce the amount due to SARS for VAT (this is illegal and unethical)
- He will be increasing the input VAT, effectively reducing the amount due to SARS.
- He could be fined or imprisoned because it is a criminal offence.
- Personal transactions and business transactions should be kept separate (Business entity concept) / Samson should pay for this out of his private bank account.
- As the car is not used for business purposes, the full amount of R460 000 should either be treated as drawings or a reduction of his capital contribution.

**B 7: CREDITORS RECONCILIATIONS
MEMORANDUM**

7.1 CREDITORS RECONCILIATION

7.1.1 Provide TWO reasons why it is important for the business to prepare the Creditors' Reconciliation Statement.

- It helps to detect fraud, errors and omissions.
- It helps to identify differences between the balance in the statement and the balance in the business' records.
- It is an internal control measure.

4

7.1.2 Calculate the correct Creditors' Control Account balance after taking into account the relevant errors and omissions.

CREDITORS CONTROL ACCOUNT

$$32\ 640 + 5\ 020 + 12\ 800 - 1\ 280 - 1\ 280 + 1\ 720 = 49\ 620$$

6

7.1.3 Calculate the correct balances for creditors Zebo Suppliers and Leo Wholesalers, list by taking into account the errors and omissions.

Creditor	Workings	Balance
Zebo Suppliers	16 580 + 12 800 + 1 720 + 200	31 300
Leo Wholesalers	29 520 - 6 300 - 4 900	18 320
		49 620

10

2.2.2 Provide TWO internal control measures which can be implemented by a business for good internal control over creditors.

- The statement of account of individual creditors must be reconciled with their accounts in the Creditors' Ledger.
- Conduct internal audits to minimise the possibility of fraud and error.
- Check documents to ensure accuracy of calculations and entries.
- Ensure that items ordered from creditors are correctly received.
- Ensure that all purchases have valid authorisation.
- Ensure that creditors are paid on time to make use of discounts / avoid interest charged discounts.
- Make full use of credit terms to assist cash flow.

4

ACTIVITY B9

CREDITORS' RECONCILIATION:

9.1.1 Although Future Traders offers credit terms of 60 days, Generations Suppliers prefers to settle their account within 30 days during certain months. Provide TWO points to indicate that it is not a good decision.

- Keep money as long as possible in own bank account to earn interest.
- First collect money from debtors to pay creditors.
- If no early payment discount is offered.
- Pay as late as possible, but avoid unnecessary interest charged.

2

9.1.2

	CREDITORS LEDGER OF GENERATION SUPPLIERS	STATEMENT FROM FUTURE TRADERS
	21 130	32 600
A		+ 2 100
B	+ 300	
C	- 500	
D	+ 6 070	
E		- 7 700
	27 000	27 000



10

ACTIVITY B 10

10.1 CREDITORS' RECONCILIATION

10.1.1

	CREDITORS' LEDGER	CREDITORS' RECONCILIATION STATEMENT
Balance	43 900	40 475
(a)		+ 10 000
(b)		- 3 300
(c)	+ 750	
(d)		8 525 - 7 750 - 775
(e)	- 8 600	
(f)	+ 2 100	
(g)		(7 500 + 750) - 8 250
	38 150	38 150

10

10.1.2

Suggest TWO internal control measures that he can use to ensure that such practices do not occur.

- Division of duties /rotate duties. (the manager must not be the only person responsible for ordering and recording goods.)
- Have special order forms to be signed by two people.
- Check documents regularly against deliveries.
- Do regular/random stock counts to verify stock records.

4

ACTIVITY B 11

11.1. Use the table provided to indicate corrections and entries that must be made to the Creditors' Control Account and the creditors' list.

Provide figures and a plus (+) or minus (-) sign for each correction.

	Creditors' Control Account	Creditors' List
Balance/Total on 30 October 2018	R40 130	R39 490
(i)	- 180	- 180
(ii)		+ 400
(iii)	- 240	
(iv)	+2 100	+ 2 100
Balance / Total on 31 July 2018	41 810	41 810

ACTIVITY B 12

12.1 CREDITORS' RECONCILIATION

	Creditors' Ledger	Creditors' Reconciliation Statement
Balance	28 370	25 300
A		+13320
B	+2700	
C	+350	
D		-7200
E	-2700	-2700
	28720	28720

ACTIVITY C1

1.1.1 Calculate the mark-up percentage on spare parts used in the Projected Income Statement for March 2021.

$$34\,312P / 45\,750 \checkmark \times 100 = 75\% \checkmark \quad \text{one part correct}$$

3

1.1.2 Calculate % decrease in service fee income expected in April 2021.

$$20\,250 \checkmark / 225\,000 \checkmark \times 100 = 9\% \checkmark \quad \text{one part correct}$$

(225 000 – 204 750) one mark

3

1.1.3 Calculate the additional space (in square metres) the business will rent from April 2021.

$$9\,000 / 75 = R120 \checkmark$$

$$13\,800 / R120 = 115 \text{ sqm} \checkmark$$

Additional space = 115 – 75 = 40 square metres one part correct



OR

4 800 one mark

$$(13\,800 - 9\,000) = 40 \text{ sqm one method mark}$$

120 two marks

3

1.1.4 Calculate the interest rate on the fixed deposit.

$$\frac{8\,550 - 4\,050}{675\,000 \checkmark} \times 12 \checkmark \times 100 = 8\% \checkmark \quad \text{one part correct}$$

4

1.2

Comment on the control of stock and explain how Amore intends to correct this. Quote figures.

Each item ✓✓ Figures ✓ Comparison figures not essential

Trading stock deficit reduced to R3 000 (was high at R21 000)

Increase in security expenses by R6 300 / from R7 500 to R13 800 / by 84%.

3

1.3.1

Sam is thinking of purchasing the business premises rather than renting it. State ONE advantage and ONE disadvantage of this option.

Advantage ✓✓ part-mark for unclear / incomplete answer

- Will not have to pay rent in future.
- Business will acquire a fixed asset. This increases the value of the business.
- Extra space can be rented out to receive additional income.

Disadvantage ✓✓ part-mark for unclear / incomplete answer

- Rates on property must be paid.
- Additional maintenance costs will be incurred.
- Large initial cash outlay or an additional monthly instalment, including interest.
- Not easy to relocate quickly
- Costs and time involved in selling a building.

4

1.3.2

Sam offers a free delivery service of spare parts to customers, but plans to discontinue this service on 31 March 2021.

State TWO points to support this decision.

Any TWO relevant points: ✓✓ ✓✓ part-marks for unclear / incomplete answer

- Customers will be forced to have the spare parts fitted as part of the service offered by the business.
- The business will be saving on the running cost of the delivery vehicle
- The main line of business is the repairing of vehicles – the sale of spare parts supports this
- The profit on sale of spare parts is considerably lower than the fee income for the repair service.

4

1.3.3

Calculate the cost of the new vehicle that she plans to purchase on 1 April 2021.

$\frac{9\,000}{0,15} \times 12 = R720\,000$ one part correct
0,15 ✓ or 15%

4

1.4.1	<p>Explain whether Water and electricity has been well controlled, or not.</p> <p>Comment on control ✓ Figures ✓</p> <p>This expense has been well-controlled. If the projected amount of R6 750 considered the increase, it would have been R7 762,50. Only R7 500 was spent (R262,50 less than the adjusted projected amount.)</p> <p>OR</p> <p>The projected amount (R6 750) has not taken in account the tariff increases of 15% affected on 1 February 2021, which would have led to an adjusted projected amount of R7 762,50.</p>	<table border="1"><tr><td> </td></tr><tr><td>2</td></tr></table>		2
2				
1.4.2	<p>Explain whether you agree with Sam's decision not to use the full budget for Advertising.</p> <p>Comment on decision ✓ Figures ✓</p> <p>The actual amount spent is R4 350 less than the budgeted/projected. / The amount spent (R2 700) is lower than the projected amount (R7 050). This was a poor decision and the full amount should have been used (considering that that mark-up on cost was also adjusted from the projected 65% to 80%).</p> <p>This had a negative effect on fee income (R33 750 less than projected) and sales of spares (R47 250 less than projected)</p>	<table border="1"><tr><td> </td></tr><tr><td>2</td></tr></table>		2
2				
1.4.3	<p>Explain whether Consumable stores have been well controlled, or not.</p> <p>Comparison of fee income and consumable stores ✓ Figures ✓</p> <p>Part-mark for unclear / incomplete answer Comparison figures not necessary but may enhance explanation</p> <p>Fee income was less than budgeted by R33 750 (15%) whilst servicing expenses was over the budget by R9 675 (21,5%). An actual decrease in fee income should see a proportional decrease in consumable stores used. This indicates a lack of control.</p>	<table border="1"><tr><td> </td></tr><tr><td>2</td></tr></table>		2
2				
1.4.4	<p>Explain how Sam's decision about the mark-up percentage on spare parts has affected the business.</p> <p>Comparison of mark-up% and sales ✓ Figures ✓</p> <p>Part-mark for unclear / incomplete answer Comparison figures not necessary but may enhance explanation</p> <ul style="list-style-type: none">• The increase in the mark-up percentage (65% to 80%) negatively impacted in spare-part sales.• Sales was less than projected by R47 250 (R193 050 to R145 800).• Profit on sales was less than projected by R11 250 (R76 050 to R64 800).	<table border="1"><tr><td> </td></tr><tr><td>2</td></tr></table>		2
2				

ACTIVITY C2

2.1 The main reason why bad debts would not appear in the Cash Budget is because it is a/an

It is a non-cash item ✓✓

2

2.2 Calculate the missing amounts indicated by (a) to (d) in the Cash Budget for October and November 2020.

	Calculation	Amount
(a)	30 000 $\square \div 5\%$ or $\times 100/5$ ✓ $\times 60\%$ ✓ correct One part	360 000 <input checked="" type="checkbox"/>
(b)	R28 250 ✓ $\times 80/20$ ✓ correct One part	113 000 <input checked="" type="checkbox"/>
(c)	6 600 ✓✓ (3 300 $\times 2$) $\times 110\%$ ✓ correct One part	7 260 <input checked="" type="checkbox"/>
(d)	201 600 ✓ $\times 11,5\%$ ✓ $\times 1/12$ ✓ correct One part	R1 932 <input checked="" type="checkbox"/>

15

2.3 Complete the Debtors' Collection Schedule.

	CREDIT SALES	OCTOBER	NOVEMBER
September	152 000 ✓✓	76 000	
October	240 000 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 6.1(a) $\div 60$ $\times 40$	102 600	120 000 <input checked="" type="checkbox"/> 50% of Oct credit sales
November	158 400	158 400 $\times 45\%$ $\times 95\%$	67 716 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
		178 600	187 716 <input checked="" type="checkbox"/> operation

9

2.4 Calculate the percentage increase in sundry expenses.

$$\frac{2\ 190 \checkmark\checkmark}{(89\ 790 - 87\ 600)} = 2,5\% \checkmark \text{ One part correct}$$

87 600 ✓

4

2.5 The Cash Budget for October and November 2020 indicates that this business will face serious financial difficulties. Identify TWO items to support this statement. Quote relevant figures.

Item ✓ ✓ Figures ✓ ✓

- The estimated overdraft for October is R82 800 and for November it is R49 300. (This exceeds the overdraft limit of R44 000 as approved by bank.)
- The business is going to acquire a loan of R201 600 in November 2020.

4

2.6

Explain why each of the items reflects a problem for the business. State TWO points in EACH case.

Item	Explanation
Collection from debtors	Any two valid reasons ✓ ✓ <ul style="list-style-type: none"> • Collections are much lower than expected. • This will cause a cash flow problem. • Internal control of debtors is poor.
Drawings	Any two valid reasons ✓ ✓ <ul style="list-style-type: none"> • This puts strain on meeting more important business expenses. • This creates a further cash flow problem. • It is not a good business practice (unethical) for the owner to draw more money while the business is struggling. (Increased loans, overdraft)
Insurance	Any two valid reasons ✓ ✓ <ul style="list-style-type: none"> • The policy will lapse (risk of being uninsured). • It will be difficult to replace assets. • There could be an increase in premiums in future.

6

ACTIVITY C3

3.1 Complete the following sentences by filling in the missing word(s). Write only the word(s) next to the question number (4.1.1 – 4.1.2)

3.1.1 The main purpose of preparing the Cash Budget is...

Any valid point. ✓✓
 To plan
 To predict cash flows/ determine receipts and payments for the future
 To control cash

2

3.1.2 ONE item in the Cash Budget that will not be reflected in a Projected Income Statement is...

Any valid point. ✓✓
 Loan/Assets/Payments to creditors/Drawings/Receipts from debtors/Fixed deposits/Capital/Dividends

2

3.2 Prepare the Debtors' Collection Schedule for December 2020

Months		2020			
		Credit sales	October	November	December
Actual	August	345 000	138 000		
	September	480 000	144 000	192 000	
Budgeted	October	300 000	57 000	90 000	120 000 ✓✓
	November	210 000		39 900	63 000
	December	180 000			34 200 ✓✓
			339 000	321 900	217 200 ✓

5

3.3 Calculate the missing figures in the Cash Budget indicated by (i) to (v).

	CALCULATION	ANSWER	
(i)	350 000✓ x 40%✓	140 000	✓
(ii)	(500 000 x 100/200) = 250 000✓✓ x 80%✓	200 000	✓
(iii)	360 000✓ x 1%✓ OR 43 200 (1 mark) ÷12 (1 mark)	3 600	✓
(iv)	6✓ x R1 378✓ x 4 weeks✓	33 072	✓
(v)	6 758✓ x 100÷109✓	R6 200	✓

17

3.4 In order to increase sales and the number of customers, Lizzy intends to advertise that credit limits for all credit customers will be increased to R35 000 and that new customers are welcome to open accounts during January.

Give TWO points of advice to Lizzy regarding this decision.

Any TWO valid points. ✓✓ ✓✓

- Do not sell more on credit as this will worsen the overdraft
- He must screen debtors properly (e.g. pay slip/ credit reference), not simply allowing them to open accounts without checking the ability to pay.
- Only increase credit limits of customers who settle their debts promptly
- He must improve the rate of collection from debtors by charging interest

4

TOTAL MARKS
30

ACTIVITY C4

4.1. What would you say to Bennie about the mistakes that he says his wife has made in compiling the budget with regard to the depreciation and the contribution of a new delivery vehicle?

These are not mistakes. Both are non-cash items which do not affect the bank balances so they must not be in a Cash Budget. ✓✓

2

4.2. Debtors Collection schedule for December 2019 & January 2020 ✓✓✓✓

All figures correct =4 marks; Mostly correct =3; Some correct =2; Few correct=1; None correct =0

MONTH	CREDIT SALES	DECEMBER 2019	JANUARY 2020
October	241 200	84 420	
November	290 880	145 440	101 808
December	320 400	30 438	160 200
January	223 200		21 204
Cash from debtors		260 298	283 212

4

4.3. Calculate the % increase in the budgeted salaries and wages in January 2020

$$\frac{4\,080}{68\,000} \times \frac{100}{1} = 6\% \checkmark \square$$

Calculate the % decrease in the amount budgeted for commission income in January 2016

$$\frac{3\,600}{24\,000} \times \frac{100}{1} = 15\% \checkmark \square$$

4

4.4. Calculate the total finance charges incurred in the purchase of the vehicle.

$$(9\,000 \times 12) + 46\,000 + 216\,000 - 196\,000 = R66\,000$$

2

4.5. Effect on the budget:

Cost of repairs = 37 500 – (75% x 8 000) = 31 500



TWO points that Mtini would mention to Bekker:

Any two valid points e.g.

- This was irresponsible as insurance terms have been violated.
- The repairs should be debited to drawings as this is a personal expense.

4

4.6. Calculation of rent income budgeted for December 2015:

15 950 x 100/110 = R14 500 any one part correct

Suitable explanation:

Any one valid explanation e.g.

- The tenant paid the February rent in advance.
- Additional unused property was rented out at the same rate.

3

7. Calculate the budgeted payments to creditors in January 2016.

December total sales = 801 000
 Cost of sales: 801 000 x 100/180 = 445 000
 Credit purchases: 222 500
 Paid in January = 222 500 – 22 250 = R200 250

Mtini feels that the business need not buy any goods for cash, and that all goods should be bought on credit. In your opinion, will this improve the business Cash Budget? Explain.

Yes. This will mean that the R222 500 to be paid for cash sales in December will then be paid in January, which will improve the cash balance at the end of December by this amount. When the amount is paid in January they will also earn a R22 250 discount as well. There is also a similar effect in the following month.

4

4.8. Explain the difference between interest that is capitalized and interest that is not capitalized.

Interest that is capitalized is added to the loan. Monthly repayments include the repayment of the loan and interest. Interest that is not capitalized is paid separately.

Calculate the amount of the loan repaid on 31 December 2015.

$$500 \div 0,15 \times 12 = R40\ 000$$

3

4.9. Use the Cash Budget to identify the missing figures, totals and balances designated A-D. You are not required to identify the figures designated with a question mark (?).

All figures correct =4 marks; Mostly correct =3; Some correct =2; Few correct=1; None correct =0

A	B	C	D
(118 902)	(80 872)	19 290	119 395

4

4.10. Calculation of the average debtors' collection period (in days) for the financial year:

$$\frac{530\ 000}{\frac{1}{2}(535\ 225 + 764\ 775)} \times 365 = 80 \text{ days}$$

The % of debtors who are complying with the credit terms (as indicated in the Debtors Age Analysis):

$$(R156\ 725 + R234\ 250) \div R764\ 775 \times 100 = 51,1\%$$

A comment on the above two calculations:

It is unacceptable that the debtors are taking so long to pay and that only half of them are complying with the credit terms. □

Details of the main mistakes that the business is making with regard to the debtors. Also provide the names of specific debtors to illustrate these main problems, and suggest a solution for each mistake:

PROBLEMS	DEFAULTING DEBTOR/S	SOLUTION/ADVICE
Exceeding the credit limit	Minaj, Britney, Hannah	Do not continue supplying these debtors; reduce their credit limits; give incentives for cash purchases.
Taking longer than the credit term	Britney, Jemson, Drake, Wayne	Charge interest on overdue accounts; settlement discounts to encourage early settlement of accounts.

2

2

1

6

- 4.11. Consider the actual and budgeted figures for Advertising, Telephone and Advertising. Comment on each item, and offer ONE point of advice in each case.

	Comment ✓✓✓	Advice ✓✓✓
Advertising	The expense is the same as budgeted. This appears to be well planned. However, when one looks at the monthly sales, it shows that advertising is not effective.	They should consider increasing the advertising budget. Can be strategically linked to sales. The business must look at trends/codes played at different seasons and budget accordingly.
Telephone	Always overspending / under budgeted	Need extra control, investigate whether there is a need to increase (calling debtors etc) or if it is being abused.
Insurance	This is R6 000 under-budget each month.	They should consider whether they are still adequately covered or whether they have genuinely negotiated a better rate. This might be false advertising if the insurance company fails to pay out for legitimate claims.

6

- 4.12. **Bennie has made two significant decisions by taking out a new loan and admitting a partner to the business. What would you say to Bennie about these decisions and the effect on the cash flow of the business?**

Any valid response **Excellent answer = 3 marks; Good = 2; Satisfactory/Poor = 1; Incorrect = 0**

Expected response:

Although he has used these strategies to convert his large overdraft into a positive balance, he should rather have looked at the real reasons for the shortcomings e.g. credit sales now account for 52 % (2.4m/4.6m) of total sales and debtors are not being well controlled. He now has extra interest to pay, even though the interest rate is better, as the loan raised is larger than the one cancelled. Also he has to share profits with another partner now – when he starts to take drawings, the cash situation will get worse.

3

TOTAL MARKS
50

ACTIVITY C5

5.1 Khumbulani TRADERS
CASH BUDGET FOR NOVEMBER AND DECEMBER 2020

CASH BUDGET		NOVEMBER 2020 R	DECEMBER 2020 R
CASH RECEIPTS:			
Cash sales		420 000	399 000
Cash from debtors		536 025	597 975
Commission income		✓ 6 000	✓ 7 000
Total receipts	5	<input checked="" type="checkbox"/> 962 025	1 003 975
CASH PAYMENTS:			
Cash purchases of stock		120 000	114 000
Payments to creditors		520 000	<input checked="" type="checkbox"/> 480 000
Sundry expenses		22 500	✓ 20 700
Wages and salaries		✓ 200 000	✓ 256 000
Advertisements		✓✓ 33 000	0
Repayment of loan		<input checked="" type="checkbox"/> ✓✓ 36 000	
Interest on loan		✓ 3 780	✓ 3 510
Total payments	17	935 280	874 210
Surplus (deficit)		26 745	<input checked="" type="checkbox"/> 129 765
Opening bank balance		(56 000)	✓ (29 255)
Closing bank balance		(29 255)	<input checked="" type="checkbox"/> 100 510
			25

5.2 Khumbulani (PTY) LTD

5.2.1 Calculate the percentage increase in the amount budgeted for salaries and wages for October 2015.

$$\frac{1\ 800}{30\ 000} \times \frac{100}{1} = 6\% \checkmark\checkmark$$

Should the employees be satisfied with this? Explain.

Yes / No – compare to inflation rate / compare to directors fees ✓

3

5.2.2 The financial director is pleased with the work being done by the bookkeeper and internal auditor. Identify an expense that indicates that he is correct.

✓ Audit fees

Explain your answer.

The audit fees are much lower than expected, which means that they spent less time on the audit / records were in order

Expected response for 1 mark: Audit fees lower than expected

3

5.2.3 **Comment on how the new competitor has affected the sales of Khumbulani Beds. Provide figures.** Comment

✓✓ Figures ✓✓

Cash sales are $\frac{1}{4}$ of the amount budgeted
Cash sales projected R1,2m while actual was R300 000
Actual cash sales for Sept were R1,28m and dropped to R300 000 in Oct
Budgeted cash sales was 80% but actually achieved 20%
Sales decreased by 60 beds
Gross profit decreased by R120 000 (R2 000 gross profit per bed)
Sales decreased by R400 000

Explain how Khumbulani Beds has responded to this problem. Provide THREE points. Provide figures.

Point 1	They deliberately increased credit sales (R300 000 was budgeted but R900 000 was sold on credit).
Point 2	They increased delivery expenses to expand their target market / improve after-sales service. (Budgeted R150 000 but spent R168 000; 12% increase).
Point 3	They spent R40 000 on advertising (Budgeted R10 000; 300% overspent). / Decreased directors fees by R44 000 to fund more advertising R30 000.

13

5.2.4 **Comment on the cash balances. Provide figures.**

Any valid comment ✓ Figure/s ✓ Expected responses:

Disappointing / they expected a closing balance of R335 000
The actual balance is an overdraft of R210 000 (difference R545 000)
Actual balance for Sept is R230 000 while Oct reflects an overdraft of R210 000. (Difference R440 000).

Explain how the directors can improve the cash balances in future. Explain TWO points.

Encourage debtors to pay faster	Charge clients for deliveries
Negotiate with creditors for longer payment terms	Take out a loan (to reduce the overdraft and interest)
Raise more capital / issue more shares	Decrease mark-up to increase sales
Move to cheaper premises	Look for alternative income e.g. commission

Expected responses for 1 mark:

Decrease expenses / increase income / decrease rent / increase sales

6

QUESTION 6: BUDGETING

6.1.1 **Explain why bad debts expense does not appear in a cash budget.**

Any valid explanation ^{LU}

Bad debts is a non-cash expense. It does not involve a flow of cash.

--

6.1.2 Explain why a cash budget is an effective internal control mechanism. Provide ONE reason

Any valid reason ^U-

- It helps to plan receipts and payments.
- It highlights payments (expenses) that are not well controlled.
- It helps to ensure that cash is available for essential payments.

2

6.2 INGWEMABALA LTD

MONTHS	CREDIT SALES	SEPTEMBER	OCTOBER	NOVEMBER
July	108 000	12 960		
August	104 400	46 980	12 528	
September	93 000	37 200	41 850	11 160 ^{□□}
October	102 000		40 800	45 900 ^{□□}
November	111 600			44 640 ^{□□}
Total collection from debtors			95 178	101 700 ^U

	Calculations	Answer
(a)	$16\ 985 \times \frac{100}{107,5}$	15 800 ^{□□}
(b)	$116\ 250 \times 20\%$	23 250 ^{□□}
(c)	$106\ 250 \square \times 80\% \square = 85\ 000 \times 95\%$ $21\ 250 \times 80/20 = 85\ 000$	80 750 ⁻
(d)	$\frac{\quad}{\quad} \times 100 = 12\% \square \square \quad 74\ 400 \times 12\%$	8 928 ⁻
(e)	$\frac{\quad}{\quad} \square + 515\ 000 \square = 610\ 000 \times 0,15$	91 500 ⁻

6.2.3 Calculate:

(a) The amount of the loan that will be paid back on 1 November 2020.

$$2\,000 \times 12/0,1 = 240\,000 \text{ ₤}$$

$$1\,750 \times 12/0,1 = 210\,000 \text{ ₤}$$

30 000 was repaid ₤ one part correct

(b) The total cost of the new vehicle purchased on 31 July 2020.

$$4\,750 \times 48 = 228\,000 \text{ ₤} + 40\,000 \text{ ₤} = 268\,000 \text{ ₤} \text{ One part correct}$$

6.2.4 A young shareholder is of the opinion that the company should not spend money on staff training – they should employ trained personnel. Explain why the company spends money on staff training? Give ONE point.

A valid explanation ☐☐

- The company must be able to show that they are committed to the growth and development of the society that supports its venture (the triple bottom line).
- Giving back to society.
- Involvement in economic growth.
- CSR and the King code requires companies to invest in their communities.

What can the business do to ensure that trained personnel remain in the employ of the business? Give ONE point.

A valid explanation ☐☐

- Ensure that market related salaries are paid.
- Make workers feel valued and appreciated.
- Sign contracts to remain with business for a specified period.
- Get employees to participate in profit sharing options.

ACTIVITY C7

7.1.1 Creditors Payments Schedule for the period 1 May to 30 June 2020

Month	Credit purchases	May	June
March	336 000	134 400	
April	420 000	239 400	168 000✓✓
May	448 000✓✓		If 60% x 95% of May 255 360☐☐
		373 800	423 360☐

7

7.1.2 Calculate the missing figures indicated by A–C on the Cash Budget provided.

A

$$800\,000\checkmark \times 0,40\checkmark = 320\,000\checkmark \text{ operation one part correct}$$

3

B

$$900\checkmark \times 100/9\checkmark \times 12/1\checkmark = 120\,000\checkmark \text{ operation one part correct}$$

4

C

$$890\,000\checkmark \times 100/125\checkmark \times 0.30\checkmark = 213\,600\checkmark \text{ operation one part correct}$$

4

7.1.3 Calculate the expected percentage increase in sundry expenses.

$6\ 000 \checkmark / 24\ 000 \checkmark \times 100/1 = 25\% \checkmark$ operation one part correct

3

Suggest and explain TWO measures that can be undertaken to lessen the possible adverse impact of the rise in prices.

Any TWO points ✓✓

Explanation ✓✓

- Stock pile to take advantage of the current prices so that for the next few months after the rise in prices you maintain the current selling prices (ensure competitive urge over competitors);
- Compare suppliers' prices and pick suppliers with better prices and conditions;
- Buy in bulk to take advantage of discounts; and save on transport cost
- Negotiate discounts with suppliers;

4

7.1.4

Refer to information H. Briefly comment with figures on each item and provide ONE point of advice to the owner.

Item	Comment and figures ✓✓✓✓	Advice ✓✓
Water and electricity	The actual expenditure is R1 500 more than the budgeted amount; Overspent by R1 500; Not well managed as the actual exceeds the budgeted amount by R1 500 (R6 500 – R5 000)	Ensure that there are no water leaks; Educate the employees on using water and electricity sparingly Electrical appliances that are not used are switched off; That lights during the day are switched off Budget realistically.
Rent income	Not well controlled as R8 000 instead of the budgeted R15 000 was collected; R7 000 less	Issue tenants with reminders monthly; Charge interest on outstanding rent; Warn defaulting tenants of possible eviction; etc.

6

7.2

Identify ONE problem in relation to each branch. Quote relevant figures. In each case, offer Glenys Masala advice to solve the problem.	
Problem (with evidence) ✓✓ ✓✓ ✓✓	Solution(one per branch) ✓ ✓ ✓
<p>Umlazi MegaCity Mall Missing cash of R40 000</p> <p>Business ran out of stock and lost on potential sales.</p> <p>Kwamnyandu Mall 15 cellphones stolen</p> <p>Ezimbuzini Mall Mark-up percentage of 100% too high. Sale only 20% of the stock.</p> <p>Keeping too much stock only sold 70 of the 360 units</p>	<p>Umlazi MegaCity Mall Check the money before banking. Division of duties.</p> <p>Order more stock.</p> <p>Kwamnyandu Mall Regular stock taking/Internal control.</p> <p>Ezimbuzini Mall Decrease the mark-up to 50% as the other malls. Sales promotion: Kwamnyandu sale 50% and Umlazi MegaCity 100%.</p> <p>Transfer some stock to Umlazi MegaCity Mall.</p>

9

40

40

Activity C8.

8.1

Identify the following:
Price paid per share for the re-purchase of the shares in October.
$52\ 000 / 10\ 000 \checkmark = R5,20 \checkmark$
Bank balance at the end of September.
$= (161\ 813) \text{ or } 161\ 813 \text{ unfavourable } \checkmark$

3

8.2

Calculate and comment on the percentage increase that the employees will get in October?
$341\ 850 - 322\ 500 = 19\ 350 / 322\ 500 \checkmark = 6\% \checkmark$
Comment: $\checkmark\checkmark\checkmark\checkmark$
Directors fees of R400 000 increased to R600 000 per month so this reflects a 50% increase. Employees might feel aggrieved that they are getting 6% while directors are getting 50% increases.
or
Employees can be satisfied with a 6% increase in salary since it is in line with the inflation rate of average 6%.

6

8.3

8.3.1	Calculate the expected cash sales for September 2020.	
	Calculation	Answer
	$805\ 800 \checkmark \times 70 \checkmark / 30 \checkmark$	1 880 200 \checkmark
	or	
	Total purchases:	
	Sept: $948\ 000 \times 100/60 \checkmark = 1\ 580\ 000$	
	Total sales:	
	$1\ 580\ 000 \times 170 / 100 \checkmark = 2\ 686\ 000$	
	Cash sales:	
	$2\ 686\ 000 \times 70/100 \checkmark$	
	or	
	$30/100 \times \checkmark = 805\ 800 \checkmark \quad \times = 2\ 686\ 000 \times 70\%$	
	\checkmark	

4

8.3.2	Debtors Collection schedule	
	Credit sales	Oct
	August credit sales:	
	$787\ 500 \checkmark \times 28\% \checkmark$	220 500 \checkmark
	September credit sales:	
	$805\ 800 \checkmark \times 70\% \checkmark$	564 060 \checkmark

--

		784 560 <input checked="" type="checkbox"/>	7
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8.3.3	Calculate the payments to creditors in October 2020.	
	Calculation	Answer
	Sept cash purchases 948 000 ✓ x 40/60 ✓✓ x 95/100 ✓ OR 1880 200 x 100/70 ✓ x 100/170 ✓ x 40/100 ✓ x 95/100 ✓	= 600 400 ✓
		5

8.4

The owner is not happy with the rent. He plans to terminate the rent agreement and purchase the property on 1 October 2020.		
According to the Cash Budget, how would he pay for the property?		6
Acquire a loan ✓ R500 000 ✓ Fixed deposit expires ✓ R366 000 ✓ Overdraft ✓ R 44 000 ✓ OR (904 515) OR Cash payment of R910 000		
Apart from saving on rent expense, provide TWO advantages of buying the property. ✓ ✓		2
<ul style="list-style-type: none"> • The building would increase his assets and creditworthiness. • Buildings appreciate in value and can be sold with a profit. • Interest on loan is then R7 000 per month instead of R27 000 rent expense. • Interest on overdraft would be R5 400 per month instead of R27 000 rent expense. • Rates on property R1 520 per month, not near R27 000 rent expense. • Forfeit the R3 000 interest on fixed deposit, but have an asset of R910 000. • Can earn rent income out of lease. 		
Provide TWO disadvantages of buying the property. ✓ ✓		2
<ul style="list-style-type: none"> • Interest on loan is then R7 000 per month. • Interest on overdraft would be R5 400 per month. • Rates on property would be R1 520 per month. • Forfeit the R3 000 interest on fixed deposit. • Owner responsible for the repairs and/ maintenance. • Owner responsible for the insurance of the building. 		

TOTAL MARKS
35

ACTIVITY E1

1.1 ZENZELE MANUFACTURERS

1.1.1 PRODUCTION COST STATEMENT ON 30 APRIL 2021

Direct labour cost	716 960
Direct material cost 37 600 + 555 000 – 21 000 – 58 560	513 040
Prime cost DMC + DLC	1 230 000
Factory overhead cost (468 450 + 13 650 - 12 100*)	470 000
Total manufacturing cost Operation	1 700 000
Work-in-process (1 May 2020)	142 000
	1 842 000
Work-in-process (30 April 2021)	(87 000)
Cost of production of finished goods (39 000 x R45)	1 755 000

16

1.1.2 Complete the abridged (shortened) Income Statement to calculate the net profit for the year ended 30 April 2021.

Gross profit	1 250 000
Selling and distribution cost (609 850 ✓ + 4 840 <input checked="" type="checkbox"/> * if adds to figure above) (36 300 x 8/60)	<input checked="" type="checkbox"/> (614 690)
Administration cost (443 950 ✓ – 13 650 <input checked="" type="checkbox"/> See 1.1.1 + 7 260 <input checked="" type="checkbox"/> * if adds to figure above) (36 300 x 12/60)	<input checked="" type="checkbox"/> (437 560)
Net profit Operation, S&DB and Admin costs must be subtracted	<input checked="" type="checkbox"/> 197 750

08

1.2 UNIT COSTS AND BREAK-EVEN ANALYSIS

1.2.1 Explain the difference between *fixed cost* and *variable cost*.

Any valid explanation ✓✓ Two or zero marks. No part marks

Fixed costs remain the same irrespective of the number of items manufactured.
Variable costs vary in direct proportion to the number of items manufactured.

2

1.2.2 Calculate the break-even point for 2021.

80 000 one mark x 5,40 one mark

432 000 ✓✓

R17,80 ✓ – 11,60 ✓

R6,20 two marks

5

= 69 678 units (accept 69 677) One part correct
NB: The word units not necessary but do not accept if R

1.2.3

Comment on the break-even point and the level of production for 2020 and 2021. Explain why the owner should be satisfied or not.

- In 2020 the break-even point was 65 000 ✓ units and they produced 65 000 ✓ units. The business broke even. ✓
- In 2021 the break-even point was 69 678/ 69 677 units and they produced 80 000 ✓ units. The business made a profit on 10 322/10 323 units.

See 1.2.2.

6

1.2.4

Identify the variable cost that should be of great concern to the owner. Explain and provide a calculation to support your answer.

Direct labour cost ✓
 Figures ✓
 Explanation ✓✓ **No part marks**

Direct labour cost increased from R3,50 to R4,05 / by 55 cents / by 15,7%

Explanation: DLC increased by more than the inflation or by more than DMC

4

1.2.5

Despite the fact that there was a decrease in the fixed costs per unit, the owner is still not satisfied with his control over the fixed costs. Explain and provide calculation(s) to support his opinion.

Fixed costs in 2021 = R432 000 See 1.2.2

Fixed costs in 2020 = R65 000 ✓ x R5,50 ✓ = R357 500 OR

Fixed costs increased by R74 500, i.e. 21% or 20,8%

4

ACTIVITY E2

2.1.1	Administration cost	✓	Accept recognisable abbreviations
2.1.2	Direct material cost		
2.1.3	Selling and distribution cost	✓	
2.1.4	Factory overhead cost	✓	

2.1

Calculate direct labour cost.

$$(1\ 920 \times 5 \times R40) + (90 \times 5 \times 70) + (384\ 000 \times 11,5\%) = R459\ 660$$

OR

$$5 \times [(1\ 920 \times R40) + (90 \times 70)] + (76\ 800 \times 11,5\%) = R459\ 660$$

Calculate direct material cost.

$$\frac{131\ 500 \checkmark + 584\ 000 \checkmark}{1\ 350 \checkmark + 5\ 400 \checkmark} \times 5\ 500 \checkmark = 583\ 000 \checkmark \text{ One part correct}$$

6 750 two marks

OR Total VC – DLC – S&DC

$$\begin{array}{r} 1\ 260\ 000 \text{ two marks} \\ [4\ 200 \times 300] \end{array} \quad \begin{array}{r} \text{see 1.2.1; one method mark} \\ - 459\ 660 \end{array} \quad \begin{array}{r} \text{two marks} \\ - 217\ 340 \end{array} \quad \begin{array}{r} \text{one method mark; one part correct} \\ = 583\ 000 \end{array}$$

2.2.2 Production Cost Statement for the year ended 29 February 2016:

No abbreviations accepted

*✓ <u>Direct materia</u> cost (need not be first) See 1.2.1	583 000	✓
*✓ <u>Direct labour</u> cost See 1.2.1	459 660	✓
Prime cost If = DMC + DLC	1 042 660	✓
*✓ <u>Factory overhead</u> cost	343 340	✓
Cost of production of finished goods Operation one part correct	1 386 000	✓

2.2.3 Calculate the break-even point for 2016.

570 000 two marks

$$\frac{343\,340 \checkmark + 226\,660 \checkmark}{450 \checkmark - 300 \checkmark}$$
 150 two marks
 = 3 800 units ✓ One part correct; cannot be negative; cannot be R or c

5

Explain whether the owner should be concerned or not. Provide figures.

Yes / No is part of the explanation (No marks) Comment

comparing BEP to level of production ✓✓

Comparative figures ✓ (Refer to answer above; must compare BEP to production)

Possible answers:

- The owner should not be concerned as the business produced (4 200 – 3 800) 400 units more than the break-even point.
- The owner should be concerned as the business produced (4 200 – 3 800) only 400 units more than the break-even point.
- Owner should be concerned because they make a profit on 400 units only.

3

2.2.4 The owner is not satisfied with the internal control of the raw material (fabric).

	STOREROOM: Raw material stolen	FACTORY: Raw material wasted
CALCULATION: metres of fabric	6 750 two marks $1\,350 \checkmark + 5\,400 \checkmark$ $- 5\,500 \checkmark - 940 \checkmark$ $= 310 \text{ metres } \checkmark$ One part correct Answer must be less than 6 750 <p style="text-align: right;">Total: 5 marks</p>	two marks for both 4 200 x 1,25 $5\,500 \checkmark - 5\,250 \checkmark \checkmark$ $= 250 \text{ metres } \checkmark$ One part correct OR 200 units two marks one mark one m/mark $[(5\,500 / 1,25) - 4\,200] \times 1,25 = 250 \text{ m}$ 4 400 metres one mark Answer must be less than 5 500 <p style="text-align: right;">Total: 4 marks</p>
STRATEGY One point each ✓ ✓ Be alert to alternative valid responses.	Improve physical security / Regular stock counts / Foreman to supervise / sign / account for all raw materials taken from the storeroom / division of duties.	Train workers to improve efficiency / Use new updated equipment (new technology) / Use templates in cutting fabric to reduce offcuts / recycle the offcuts. Improve supervision. Do not accept theft.

ACTIVITY E3

3.1 CONCEPTS

3.1.1	False	✓
3.1.2	False	✓
3.1.3	True	✓

3

3.2 TREK BIKES MANUFACTURERS

3.2.1 DIRECT LABOUR COST

Basic salary (14 x 7 000) ✓ x 12 ✓	1 176 000	✓
Overtime (14 x 144) ✓ x 65 ✓	131 040	✓
UIF contributions (1 176 000 x 1%)	11 760	✓✓
	<u>1 318 800</u>	✓

9

FACTORY OVERHEAD COST

Indirect materials one part correct (13 200 ✓ + 38 400 ✓ - 15 100 ✓)	36 500	✓
Salaries: foreman	156 000	✓
Electricity and water (104 000 x 90%)	93 600	✓✓
Rent expense (115 200 x 600/1 500)	46 080	✓✓
Insurance (74 200 x 3/7)	31 800	✓✓
Depreciation: factory plant and machinery	277 220	✓
	<u>641 200</u>	✓

13

3.2.2 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015.

Direct (raw) materials cost	2 100 000	
Direct labour cost see 2.2.1	1 318 800	✓
Prime cost	3 418 800	✓
Factory overhead costs see 2.2.1	641 200	✓
Total manufacturing cost	4 060 000	✓
Work-in-process (beginning of year)	160 000	
	4 220 000	✓
Work-in-process at end	(220 000)	✓
Cost of production of finished goods (4 015 000 ✓ + 95 000 ✓ - 110 000 ✓)	4 000 000	✓

10

ACTIVITY E4

4.1 HANGING LOOPS CURTAINS



4.1.1 Production cost statement for the year ended 31 March 2021

Direct material	2 270 000
Direct labour 345 000 (2 marks) (780 000 – 260 000 – 175 000) ✓✓ + 34 500 ✓	☑ 379 500
Prime cost	☑ 2 649 500
Factory overhead cost Transfer from note	☑ 609 500
Total cost of production	3 259 000
Work in process (beginning of the year)	✓ 69 500
	3 328 500
Work in process (end of the year) Balancing figure, must be deducted	☑ (72 000)
Total cost of production of complete products 2 605 200 x 100/80	✓✓ 3 256 500

10

Factory overhead cost

Indirect labour (260 000 ✓ + 26 000 ✓)	*☑ 286 000
Indirect material (3 800 ✓ + 31 300 ✓✓ – 4 300 ✓)	*☑ 30 800
Insurance (62 400✓ – 14 400 ✓✓)	*☑ 48 000
Rent (77 000 + 7 700)	✓✓ 84 700
Depreciation	✓ 160 000
one part correct	*☑ 609 500

16

4.1.2

Provide a calculation to prove how the Direct Material Cost were calculated as R2 270 000.

$$\begin{aligned}
 &14\,400 + 7\,200 \\
 &36\,000 \times 60\% \\
 &224\,000 \checkmark + 2\,500\,200 \checkmark - 140\,000 \checkmark - (292\,600 \checkmark + 21\,600 \checkmark) \\
 &= 2\,270\,000 \checkmark
 \end{aligned}$$

6

4.2 GLASS AND CO.

4.2.1 Explain why it is important to calculate the Breakeven Point.

Any acceptable, relevant answer. ✓

So that the owner/manager knows how much products must be produced in order to cover all costs.

1

4.2.2 Why is the production staff's wages seen as a variable cost, but the factory cleaner's wages is a fixed cost?

Production staff is paid per unit/hour, so their labour cost would change as production levels change. ✓

The factory cleaner is paid a salary regardless of the amount of units produced. ✓

(Any acceptable answer)

2

4.2.3 Calculate the following:

(a) Factory overhead per unit

$$\frac{114\,000}{15\,000} = R7,60 \checkmark\checkmark$$

2

(b) Total Fixed Cost

$$114\,000 + 70\,400 = 184\,400 \checkmark\checkmark$$

2

(c) Variable cost per unit

$$142\,400 - 70\,400 = 72\,000 / 15\,000 = R4,80$$

$$(20,00 + 14,00) + 11,20 \checkmark + 4,80 \checkmark\checkmark = 50 \checkmark \text{ one part correct}$$

5

4.2.4 Calculate the Breakeven Point.

$$\frac{184\,400 \checkmark}{70 \checkmark - 50 \checkmark} \quad (\text{See b})$$

$$= 9\,220 \checkmark$$

Should Glass and Co. be satisfied with their current production of 15 000 units? Explain.

Compare BEF with level of production ✓ Figure ✓

They produce 5 780 more units than what is required to break even.

TOTAL MARKS
50

6

ACTIVITY F1:

**GENERAL LEDGER OF SIZWE LTD
NOMINAL ACCOUNT SECTION
ASSET DISPOSAL ACCOUNT**

1.1.1

2016 Aug	31	Vehicles	GJ	200 000√	2016 Aug	28	Accumulated depreciation on vehicles	GJ	118 080√√
		Profit and Loss of Asset	GJ	5 000√			Debtors control	GJ	8 920√
				205 000					205 000

1.1.2 Note to the Balance sheet as at 31 August 2016

Note1: Fixed Asset/Tangible Asset	Land and Building	Equipment	Vehicles
Cost price	2 120 000	490 000√	980 000
Accumulated Depreciation	0	(203 000)√	(520 000)√
Carrying value- at the beginning of the y		260 000	460 000√
MOVEMENTS			
Additional at cost	280 000	150 000√	240 000√
Disposal at CV	0	0	(81 920)√
Depreciation for the year	0	(56 500)	(104 000)√
Carrying value –at the end of the year	2 400 000	353 500	514 080
Cost price	2 400 000	640 000	1 020 000√
Accumulated Depreciation	0	(286 500)□	505 920)□

1.1.3 If you are the accountant of the business, how will you respond to P. Query. You must use the relevant GAAP principle in your explanation.

- Financial statements are not misstated as land and buildings must be disclosed at the original cost as per GAAP concept of Historical Cost.
- Revaluing land and building at the market price can lead to tangible asset being overvalued.
- Its value can be manipulated.

1.1.4 In your opinion, is this an acceptable business practice? Give reasons for your answer

No

- Lap-top was purchased for the personal use of the owner's son not for the business purpose.
- Owners request is violating the business entity concept principle (GAAP)
- Therefore, the amount of R10 000 must be debited to his drawings account not to the equipment account.
- This is a violation of the income tax payable to SARS

ACTIVITY F2

Problem solving, analysis and interpretation

TAXI 1	<ul style="list-style-type: none"> • Higher running cost (6,10/km) • Age (fully depreciated) • Safety concern. • Earning R9.00/km (1 080 000/120 000) (profit R2.90)
TAXI 2	<ul style="list-style-type: none"> • Lack of revenue in comparison to the other taxis (R 288 000 i.e. R4 11/km) • Theft/fraud by the driver. • Revenue per km is less than running cost per km
TAXI 3	<ul style="list-style-type: none"> • Under-utilisation (34 000km-others doing almost 70 000km or 120 000km) • Running cost are low (R4 70/km)-should be used more • Lack of work ethics of the driver. • Any relevant answer

ACTIVITY F3.

NO	PROBLEM $\checkmark\checkmark$	SOLUTION $\checkmark\checkmark$
3.1	<ul style="list-style-type: none"> • He is not employee of the business. • Employees of the business may feel that they are being unfairly treated. 	<ul style="list-style-type: none"> • Owner must have a word with his son on the matter. • Must ensure his son about business policy and rules
3.2	<ul style="list-style-type: none"> • TV was purchased for business not for personal used. • Additional usage of the TV decrease its lifespan resulting in added cost for the business • This is not good for staff morale 	<ul style="list-style-type: none"> • Defaulters should be reprimanded. • Failure to comply could result in dismissal. • Frequent checks need to be undertaken by the auditor etc. <ul style="list-style-type: none"> ○ Any relevant ans
3.3	<ul style="list-style-type: none"> • The fixed asset register will not reconcile with actual physical stock on hand. • Asset will not be shown correctly in the balance sheet 	<ul style="list-style-type: none"> • According procedure for the disposal of asset will have to be explained to the owner. • Business entity concept.
3.4	<ul style="list-style-type: none"> • There may not be a problem if she follows correct procedure when buying items from this company. • Gift should actual be given to the business as the secretary represents the business when she orders from the company 	<ul style="list-style-type: none"> • Owner will have to check if he is getting the best deal with this company. • He will have to be convinced that the secretary is not compromising the interest of the business with that of her own.