



KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

CURRICULUM GRADE 10 -12 DIRECTORATE

NCS (CAPS)

LEARNER SUPPORT DOCUMENT

GRADE 10

ACCOUNTING

Stanmorephysics

STEP AHEAD PROGRAMME

2023

PREFACE

This support document serves to assist Accounting learners on how to deal with curriculum gaps and learning losses of the past years. It addresses the topics in the Grade 12 curriculum in Term 2.

Activities serve as a guide on how various topics are assessed at different cognitive levels and also preparing learners for informal and formal tasks in Accounting. It covers the following topics:



A.	Salaries and Wages	3
B.	Final Accounts	11
C.	Financial Statements, Notes and Analysis & Interpretation	24
D.	Cost Accounting	54
E.	Budgeting	58



A. SALARIES AND WAGES

ACTIVITIES NB. START WITH ACTIVITY A2 WHICH IS BELOW ACTIVITY A1

ACTIVITY A1

The following information appeared in the books of Masinga Traders for May 2022.

REQUIRED:

2.1 Complete the Salaries journal for May 2022.

INFORMATION

Masinga Traders employed two people to control the business. The details are as follows:

Employee	Position	Basic salary	PAYE	Medical Aid per month	Pension fund
B. Ndlovu	Office manager	R14 800 per month	23 % of gross	R530	7%
P. Sibiya	Bookkeeper	R116 400 per annum	R1 940 per month	R225	R680 per month

Other deduction:

A. All members contribute 1% of their basic salary to the Unemployment Insurance fund (UIF).

B. The employer's contribution is as follows:

- I. 10% of the basic wage to the pension fund.
- II. R2 for every R1 that the employee pays to medical aid.
- III. Rand-for-rand towards the UIF.
- IV. 1% of gross salary to the Skills development Levy.

ACTIVITY A2

Basic concepts

Match the term in Column A to the explanation in Column B. Write only the correct letter next to the question number on your answer sheet. E.g. 1. K

No.	Column A - Terms		Column B - Explanations
1	Medical Aid	A	Gross wage – deductions= net wage
2	Pension Fund	B	Employees contribute to this for mutual benefit in the workplace.
3	Unemployment Insurance Fund	C	A person may claim from this when they lose their job.
4	PAYE	D	Basic salary per month prior deductions
5	Staff Fund	E	Remuneration paid to workers who work longer hours than ordinary time- usually at a set fee
6	Gross Salary	F	This will become a monthly income for a person upon their retirement.
7	Net Salary	G	Slip given to each employee that provides information about gross salary, deductions and net salary
8	Deductions	H	A form of tax paid on salaries
9	Salary Advice	I	Compulsory and non-compulsory payments taken from the basic salary of employee
10	Overtime remuneration	J	Paid to ensure an employee and his family have access to quality health care

ACTIVITY A3

The following salary scale was prepared for Thuso Bhengu, an admin clerk who works at Jozini suppliers. He was employed on 1 January 2023.

48 000 x 4 800 → 57 600 x 5 200 → 68 000 x 5 500 → 84 500

3.1 Complete the table in your answer book and answer the following questions:

3.1.1 Fill in the missing amounts in the table denoted by (i) – (iii)

3.1.2 What is Thuso's monthly starting salary?

3.1.3 In which year will Thuso earn R57 600?

3.1.4 By what percentage will Thuso's salary increase at the end of the first year?

3.1.5 How many years will Thuso work before he earns an annual salary of R84 500?

3.2 Use the information given below to calculate the Net Salary of the employee, Amahle Zulu for March 2023.

INFORMATION:

Gross salary	R6 700 per month
PAYE	15% of the gross salary
Medical Aid Fund	R4 200 per annum
Pension Fund	8% of gross salary
UIF	1% of gross salary

3.3 **The owner of Jozini suppliers is dissatisfied with the production levels of his employees, he threatens to cut the salaries of employees.**

3.3.1 Is the action being considered by Jozini Suppliers appropriate? Motivate your answer by providing ONE reason.

3.3.2 What measures/actions should be applied by the employer to increase the productivity levels? Provide TWO points.



The following information was taken from the records of Naidu Traders..

REQUIRED:

3.4 Prepare the Wages journal of Naidu Traders for the week ending 17 May 2022. Do **NOT** total the journal.

INFORMATION

- A. Normal time:
The normal working week is 40 hours.
- T. Pillay earns R50 per hour.
 - M. Smith earns R40 per hour
- The clock-cards of the workers show the following details:
- T. Pillay worked 45 hours in total.
 - M. Smith worked 42 hours in total.
- B. Overtime is calculated at 1 ½ times the normal rate.
- C. Pension Fund:
- The employees contribute 8% of normal time to the pension fund
 - Naidu contributes R1.50 for every R1 contributed by the employee.
- D. UIF:
- Calculated at a rate of 1% of normal time and both employer and employee contribute the same amount.
- E. Trade union:
- It is compulsory for each worker to belong to the PP Trade union. The contribution is R9 per week
- F. PAYE
Use the following tax scale to calculate PAYE

Remuneration per week	Tax percentage
1 600 – 1 899	10%
1 900 – 2 199	11%
2 200 – 2 499	12%

- G. Naidu must pay 1% of gross wages to the skills development levy.



ACTIVITY A4

The following information appeared in the books of Malinde Traders for May 2022.

REQUIRED:

- 4.1 Prepare the Wages Journal for the week ended 15 May 2022. It is not necessary to add the columns in the journal.

INFORMATION

Malinde Traders employed three workers. A month consists of **four** working weeks. The employees are allowed to work for 45 hours a week normal time.



Name	Normal time		Overtime	
	Hours worked	Rate per hour	Hours worked	Rate per hour
T. Maduna	45	R60	12	1½ time the normal rate
R. Yahya	45	R40	8	
S. Sibeko	40	R30	2	

A Deductions were as follows:

- I All workers contribute 8% of their basic wage to the pension fund.
- II. Every member pays R32 per month to the Staff fund.
- III. Employees pay the standard rate of 1% of basic wage towards the unemployment insurance fund.

Ignore cents in your calculations.

- IV. Tax must be calculated at 20% of employees' gross wage.
- V. The medical aid works as follows:
 - Single members pay R150 per week.
 - Married members pay R225 per week.
 - Married members with one child pay R1 000 per month.

T. Maduna
Married with 1 child

S. Sibeko
Married

R. Yahya
Single

B The employer's contribution is as follows:

- I. Contributes 12% of the basic wage to the pension fund.
- II. Contributes R2 for every R1 that the employee pays to medical aid.
- III. Contributes R1 for every R1 to the unemployment insurance fund. Ignore cents in your calculations.



ACTIVITY A5

KWAMBO MUSICA

Kwambo Musica employs three full time workers.

REQUIRED

5.1 Use the information provided below to complete the salaries journal for the month ended 31 May 2022.

INFORMATION

A. The employees are as follows:

- A. Goqo (Married)
- A. Ngema (Not Married)
- S. Hlengwa (Married, with one child)

B. Information regarding salaries:

- A. Goqo earns 8 000 per month
- A. Ngema earns R144 000 per year
- Salary scale of S. Hlengwa (employed for 2 years at the business) is as follows:

84 000 x 8 400 – 109 200 x 15 400 – 155 400

C. Deductions:

I. Pension fund:

- All employees are members of BB Pension fund and contributes 8% of their gross salaries per member.

II. Medical Aid stipulations:

- Adults pay R450 per month per person
- Children pay R200 each, per month per child

III. South African Revenue Services:

- All employees pay 20% of their gross salaries.

IV. Unemployment Insurance Fund contribution:

- 1% of gross salary

D. Employers' contribution:

- 12% of gross salary for the medical aid
- Employer contributes R2 for every R1 to the pension fund
- UIF contributions 1%.



ACTIVITY A6

WAGES JOURNAL

Required:

6.1 Complete the Wages Journal for "Sicelo's Tennis School" or the **week** ended 15 June 2022

DO NOT ROUND ANSWERS TO THE NEAREST RAND

Additional Information:

A. D Dumisa The coach of the U18 Tennis team.

- Coaches 3 days a week for 1 hour 30 minutes per coaching session at a rate of R100 per hour.
- The team had a tournament over the weekend where they played 4 matches of 1 hour each.
- The rate payable for overtime (weekend matches) is 1.5 times the normal coaching rate.

Deductions:

- R40 per week is paid to the "AA Medical Fund"
- 10% of the basic wage is contributed towards the pension fund.
- R50 is deducted weekly for PAYE.
- 1% of the gross wage is contributed by the employee to the UIF.

B. M.Msomi The coach of the U14 Tennis team.

- Coaches twice a week for 1 hour 30 minutes and is paid a basic wage of R80 per hour.
- The team did not have any matches this past weekend.

Deductions

- R15 per week is paid to the "AA Medical Fund"
- 10% of the basic wage is contributed towards the pension fund.
- R20 is deducted weekly for PAYE.
- 1% of the **gross wage** is contributed by the employee to the UIF.

C. General

- "Sicelo's Tennis School" contributes R2 for every R1 that both employees pay for their medical aid.
- Pension Fund contributions are done on a Rand for Rand basis.
- 1% of the **gross wage** is contributed by the employer to the UIF.



ACTIVITY A7

7.1. WAGES JOURNAL

You are provided with information related to Dlangezwa Traders for June 2022.

Required:

- 7.1.1 Differentiate between a salary and a wage.
- 7.1.2 Complete the wages journal for the week ending 30 June 2022.
- 7.1.3 The owner is concerned that the manager may be paying some employees for days/hours not worked. Explain TWO points that can be used by the owner to avoid this action.

INFORMATION:

- A. The business employed three workers (Themba Mbhele, Kerse Fakude and Mawaza Khanye) on the same wage rate of R60 per hour and each employee has worked 40 hours except for Kerse Fakude who was absent in a week and only worked for 25 hours. Both Themba Mbhele and Mawaza Khanye worked 12 hours and 8 hours of overtime respectively. The overtime rate is 1.5 times the normal time rate.
- B. The following deductions must be taken into account:
 - The PAYE is calculated at 18% of gross wages.
 - Medical aid is R 120 main member and (R30 per additional member)
Themba Mbhele is married and has two children whilst both other employees had no additional members registered under their medical schemes.
 - The UIF is R 20 for each employee
 - Pension fund deduction is at 7,5% of normal basic wages
- C. Dlangezwa Traders contributes on behalf of the employers as follows:
 - Pension fund is 10.5% of basic wages
 - Medical aid is R2 for every rand deducted from the employee's wages.

7.2. SALARIES

Use the information given to answer the following questions:

INFORMATION:

The extract of the following employee's salaries in June 2022 the last day of the financial year:

PAM NGWENYA		MUZI NGOBESE	
Gross annual salary	R75 600	Gross monthly salary	R14 800
N.B: PAM NGWENYA's salary increased by R 600 per month halfway in the accounting period			



Taxable amount	Rates of tax
0 – R 60 000	18% of taxable income
R 60 001 – R 150 000	R 27 000 + 25% of the amount exceeding R 60 000
R 150 001 – R 235 000	R 48 250 + 30% of the amount exceeding R 150 000
R 235 001 – R 325 000	R 75 250 + 35% of the amount exceeding R 235 000
R 325 001 and above	R 120 750 + 40% of the amount exceeding R 325 000

Required:

- 7.2.1 What does PAYE stand for?
- 7.2.2 What is the highest tax rate paid by employees?
- 7.2.3 Calculate the monthly PAYE that will be deducted from PAM NGWENYA's monthly salary?
- 7.2.4 Calculate the June salary for PAM NGWENYA.
- 7.2.5 Calculate the annual PAYE deduction on Muzi Ngobese's salary.

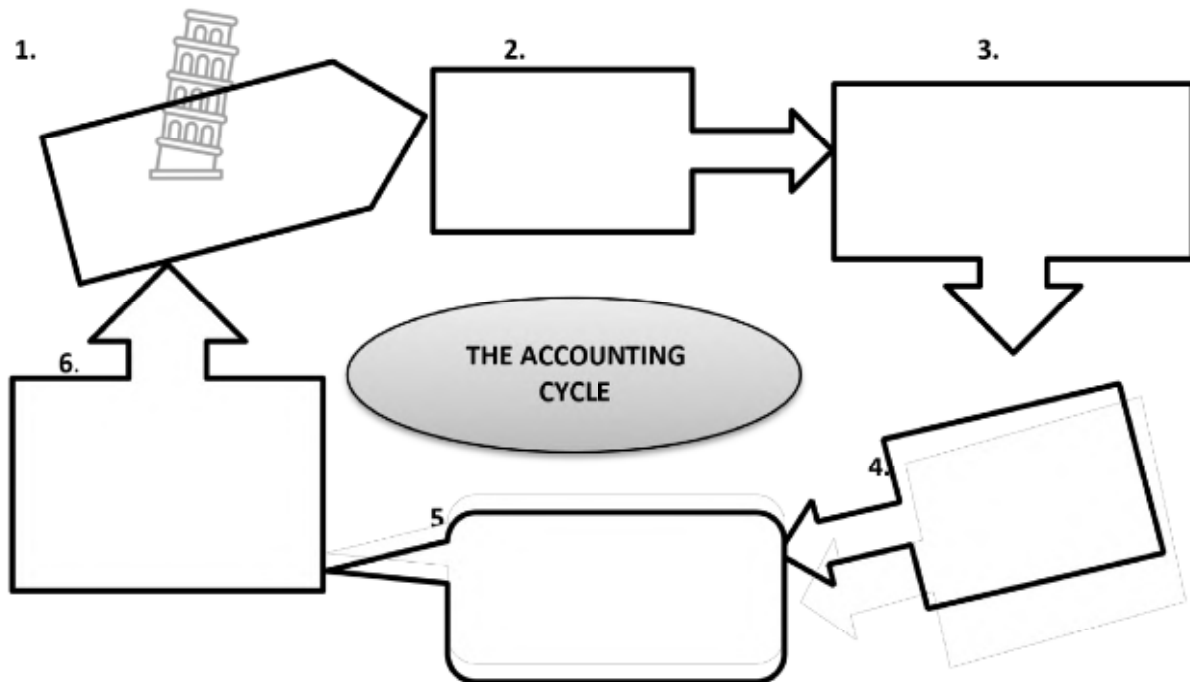


B. FINAL ACCOUNTS

FINAL ACCOUNTS

Step one:

- When learning about the final accounts, you must remember the accounting cycle which deals with these accounts at the end of the year. Taking note of the matching concept and accounting period.



(6)

Step two

Remember the classification of accounts in their different categories

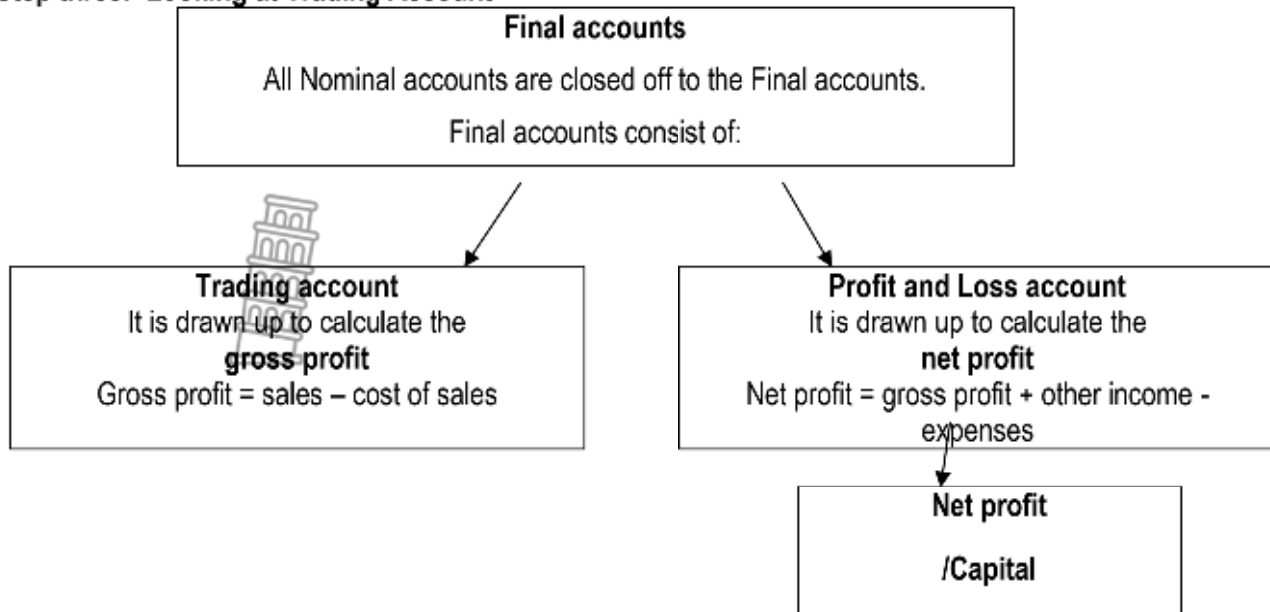
- Assets
- Liabilities
- Capital
- Drawings
- Incomes
- Expenses

Prepare Trial Balance by identifying accounts from a pool of mixed accounts.

- Balance Sheet accounts section
- Nominal accounts section
-



Step three: Looking at Trading Account



Step four: Adjustments

- Start with specific/ problematic adjustments, do a variety of activities at different levels.
- E.g. Returns adjustments. Show impact on trading stock surplus/deficit
- Adjustments for rent, start with rent received or paid for 12 months, move to rent received or paid less than or more than 12 months. Then show learners the difficult one with the percentage increase during the year. Example, extract from trail balance on 28 Feb. 2019: rent income R67 000

Adjustment:

Rent increased by 10% from 1 December 2018. The rent has been received until march 2019.

Solution:

1 March 2018 _____ 1 Dec 2018 _____ 28 Feb. 2019 ___ 31 March 2019

$$[(100 \times 9) + (4 \times 110)] = 900 + 440 = 1340$$

$$67\,000 / 1340 \times 110 = 5500$$

$$\text{Rent income will be } 67\,000 - 5500 = R61\,500$$

Take note of the following adjustments:

- Trade discount- when calculating the cost of sales we use the amount before the trade discount was taken into consideration. E.g. sales: R8100, trade discount: (R900), and mark-up is 50% on cost. The calculation of cost of sales. $[R8100 + R900] \times 100 / 150 = R6000$.
- Sales: R8100, trade discount: 10% and mark-up is 50% on cost. The calculation of cost of sales. $[R8100 / 90 \times 100] \times 100 / 150 = R6000$.
- When given cost of sales R6000, mark-up 50% on cost and discount is R900. The calculation of sales: $[R6000 \times 150 / 100] - R900 = R8100$.
- When given cost of sales R6000, mark-up 50% on cost and discount is 10%. The calculation of sales: $[R6000 \times 150 / 100] \times 90 / 100 = R8100$.



B. SOLE TRADER: FINAL LEDGER ACCOUNTS

ACTIVITY B1 -

REQUIRED:

- 1.1. Trading Account
- 1.2. Profit and Loss Account

INFORMATION:

The following information was taken from the books of Nozulu Traders; the financial year end is 28 February 2022.

Pre-adjustment Trial Balance of Nozulu Traders on 28 February 2022.

	Debit	Credit
Balance Sheet Accounts Section		
Capital		291 896
Drawings	45 000	
Mortgage Loan : Rama Bank (18% p.a)		50 000
Land and Buildings	360 000	
Equipment	24 000	
Vehicles	156 000	
Accumulated Depreciation on Equipment		4 700
Accumulated Depreciation on Vehicles		21 000
Trading Stock	35 900	
Debtors Control	65 500	
Bank		63 795
Petty Cash	2 000	
Cash Float	3 000	
Creditors Control		59 759
Fixed Deposit: Dingukwazi Bank (12% p.a)	38 000	
Pension Fund		4 500
Creditors for Salaries		26 800
Nominal Accounts Section		
Sales		455 000
Cost of Sales	213 000	
Debtors Allowances	4 500	
Wages	1 100	
Salaries and Wages	39 100	
Rent Income		31 200
Interest on Overdraft	590	
Rates	2 700	
Insurance	3 800	
Repairs	2 600	
Telephone	1 840	
Stationery	2 240	
Bank Charges	1 400	
Bad debts Recovered		480
Bad Debts	960	
Interest on Loan	8 000	
Interest on Fixed Deposit		4 000
Water and Electricity	3 000	
	1 013 130	1 013 130

1. Rates include an amount of R 800 paid for the period 1 December 2021 to 30 April 2022.
2. The rent has been received for 13 months
3. A debtor, T Zondi who owed R 1 200, was declared insolvent. His estate paid a first and final dividend of 60 cents in a Rand for which an EFT was made, received on 28 February 2022. The remainder must be written off. No entries have been made.
4. The water and electricity account for February 2022 has not yet been paid, R 200
5. Provide for outstanding interest on loan.
6. Provide for depreciation as follows:
 - On equipment at 10% p.a. on cost.
 - On vehicles at 20% p.a. on the carrying value method.
7. Provide for outstanding interest on fixed deposit.
8. There was the fire in the business storeroom on 14 February 2022 and goods worth R 4 000 were damaged. The insurance company has agrees to settle 80% of the claim, for which the EFT will be made in March 2022. No entries have been made of this transaction.
9. Stock on hand as per physical count on 28 February 2022 revealed the following:
 - Trading stock, R 31 200
 - Stationery, R 280



ACTIVITY B2

SOLE TRADER: FINAL LEDGER ACCOUNTS

REQUIRED

- 2.1. Trading Account
- 2.2. Profit and Loss Account

Information:

The following information is related to Gadaffi Traders. Their financial year ends on 28 February each year.



AMABHELE TRADERS

Pre-adjustment trial balance as at 28 February 2021

Balance Sheet Accounts Section	Debit	Credit
Capital		865 500
Loan: Nongoma Bank (14%)		150 000
Trading stock	123 400	
Bank	87 500	
Fixed deposit: Manzini Bank (7%)	80 000	
Nominal accounts section		
Sales		1280 000
Debtors allowances	12 400	
Cost of sales	640 000	
Interest on fixed deposit		4 200
Discount received		3 100
Rent income		154 900
Water and electricity	35 400	
Advertising	30 000	
Bad debts	11 300	
Salaries	184 000	
Telephone	17 500	
Stationery	23 200	
Insurance	44 000	
Interest on loan	?	
Discount allowed	3 800	
Bank charges	2 300	

Adjustments and additional information:

- A. No entry was made for a credit note issued to debtor M. Mkhize for stock returned, R3 000 (Mark-up 50% on cost price) the goods were placed back into stock.
- B. On the last day of financial year, a physical stock taking revealed the following
 - Trading stock on hand R119 000
 - Stationery R 1 400
- C. A debtor N. Ntanzi, who owes R 800 must be written off as irrecoverable.



D. The telephone account for February 2022 has not yet been paid, R 2 200.

E. The insurance amount includes an annual premium of R 7 600 was paid on 30 September 2021.

F. The fixed deposit was invested in 1 March 2021 at ABBA Bank the interest was received for 9 months only. Provide for the outstanding interest.

G. The bank statement received on 28 February 2022 reflected the following:

- Bank charges R400
- Kheswa a debtor whose account was previously written off as irrecoverable, deposited R900

H. The loan statement received from FNB Bank reflected the following on 28 February 2022:

Balance on 1 March 2020	R180 000
Interest on loan (Capitalised)	R ?
Repayments (Including Interest)	R53 100
Balance on 28 February 2021	R150 000

I. The tenant paid the March 2022 rent in advance, during February 2022. note the rent was increased by R1800 per month from January 2022.

J. Provide for depreciation R47 500 for the year.

K. An employee has been omitted from the salaries journal of February 2022. his details are as follows :

Gross Salary	?
Deductions	R 6000
Contribution	R 3000
Net Salary	R 13 000
NB : Employers contributions are added (recorded under salaries and wages)	



ACTIVITY B3

SOLE TRADER: FINAL LEDGER ACCOUNTS

REQUIRED:

- 3.1. Calculate the Capital Balance at the end of the year 2021.
- 3.2. Trading Account
- 3.3. Profit and Loss Account

Information:

The following information is related to Dlabazane Traders. Their financial year ends on 28 February each year. The business is owned by T. Mumba .

Pre-adjustment trial balance of Dlabazane Traders on 28 February 2021

BALANCE SHEET ACCOUNTS SECTION	Debit	Credit
Capital		435 875
Drawings	17 685	
Land and building	456 862	
Vehicles	367 200	
Accumulated depreciation vehicles		62 400
Equipment	88 000	
Accumulated depreciation equipment		54 660
Fixed Deposit : AFM Bank	18 750	
Loan: CAPS Bank (12% p.a.)		103 500
Trading stock	34 650	
Debtors' control	29 460	
Creditors' control		21 435
Bank overdraft		52 550
Cash float	750	
NOMINAL ACCOUNTS SECTION		
Sales		679 200
Cost of sales	346 350	
Debtors' allowances	1 875	
Salaries and wages	54 000	
Rent Income		40 000
Bad debts recovered		16 335
Insurance	10 128	
Bad debts	975	
Stationery	8 400	
Water and Electricity	4 395	
Discount allowed	675	
Interest on overdraft	2 250	
Interest on fixed deposit		12 300
Depreciation	16 020	
Discount received		270
	1 468 475	1 468 475

Additional information and adjustments

1. A debtor returned damaged goods for R 2 400 on 28 February 2021, these goods were sold at 80% of normal selling price and this was not recorded. The mark up on these goods was 50% on cost.

2. After a physical stocktaking, the following stock was on hand on 28 February 2021:

- Trading inventory R 33 600
- Stationery R 270
- The owner took stationery for R 500 before the stock taking for personal use. No entry has been made.

3. The rent for March has been received in advance and recorded.

NB: The rent increased by R 200 on 1 November 2020.

4. The salary of an employee was not processed for the month of February 2021. Use the details provided and make the necessary entries to process her salary.

Gross Salary	R 18 000
PAYE	10% of gross salary
Pension Fund	R 720
Medical Aid	R 1 200 per month
UIF	1% of gross salary

The business contributes toward UIF and Pension Fund on a Rand for Rand basis. The contributions are debited to salaries and wages account.

5. The insurance amount includes an annual payment of R6 300 that was paid on 1 October 2020 to 30 September 2021.

6. The water and electricity amount of R465 is still owing.

7. A debtor J Black, was declared insolvent. A dividend of 40 cents in the rand for R 900 was received and recorded, the rest must be written off as irrecoverable.

8. An amount of R1 500 was received from a debtor whose account was previously written off.

9. The bank statement was received after the trial balance was drawn up. The following items still need to be recorded:

- Bank charges R540
- Interest on overdraft R2 750



10. The business sells items on a commission basis. Commission totaling R12 000 for sales made during February is still due to the business.

11. The loan Statement from CAPS Bank showed the following

- Balance on 28 Feb 2020 R 125 340
- Repayments R 25 000

The Bank capitalizes the interest each month.

12. A new vehicle costing R 160 200 was bought on 1 November 2020. The entry has been properly recorded.

13. Depreciation should be calculated as follows:

- Equipment at 15% per annum on cost price method
- Vehicles at 10% per annum on diminishing balance method, the bookkeeper had already calculated the depreciation on the new vehicle but erroneously calculated it for the whole year. Correct the error.



ACTIVITY B4

FINAL LEDGER ACCOUNTS

REQUIREMENT:

- 4.1 Trading Account
- 4.2 Profit and Loss Account

Information:

The following information is related to Maqongqo Traders. Their financial year ends on 28 February each year. The business is owned by Mabizo Madlokovu

PONGOLA TRADERS

Pre-adjustment trial balance as at 28 February 2022

Balance Sheet Accounts Section	Debit	Credit
Capital		1 027 490
Drawings	58 000	
Loan: Capitec Bank (18% p.a.)		100 000
Land and Buildings	910 000	
Vehicles	345 000	
Equipment	140 000	
Accumulated depreciation		102 000
Accumulated depreciation on equipment		52 000
Trading stock	16 300	
Debtors control	20 720	
Bank	55 500	
Petty cash	3 870	
Fixed deposit: ABSA Bank (11% p.a.)	20 000	
Creditors control		45 000
Nominal accounts section		
Sales		875 000
Debtors allowances	12 600	
Cost of sales	500 000	
Salaries and wages	96 750	
Fee income		8 400
Rent income		41 100
Discount allowed	800	
Discount received		880
Insurance	9 800	
Bank charges	1 210	
Bad debts	5 200	
Telephone	12 560	
Water and electricity	14 200	
Stationery	10 800	
Interest on loan	13 500	
Sundry expenses	5 400	
	2 252 170	2 252 170

Adjustments and additional information:

- A. Invoice issued to a debtor S. Maphumulo for computer sold to him on credit was omitted by mistake. Selling price R5 000 (cost price R3 000)
- B. The owner took goods for R1 200 every month for his own use. The bookkeeper recorded it as salaries. Correct the error.
- C. The fee income of R4 000 not yet received by the business.
- D. Rent has been received for 13 months. The rent has increased by R 300 per month with effect from 1 September 2021.
- E. A debtor who owed R1 200 was declared insolvent. A dividend of 40 cents to the rand was received and recorded. Write off the remaining debt as irrecoverable.
- F. The insurance amount includes an annual premium of R 2 160 for the period starting on 1 December 2021.
- G. A physical stock count on 28 February 2022 revealed the following on hand:
- Trading stock R 15 500
 - Stationery R 10 340 used during the accounting period
- H. The telephone account for February 2022 has not yet been paid, R 450.
- I. The interest on the loan is calculated at 18% p.a. Outstanding interest must be brought into account. Interest is not capitalised.
- J. Depreciation on equipment is 20% p.a. on carrying value. Whilst depreciation on vehicles was correctly calculated as R69 000.
- K. The interest on the fixed deposit is still owed to the business at the end of the year. Interest is 11% p.a. interest is not capitalised.



ACTIVITY B5

SOLE TRADER: FINAL LEDGER ACCOUNTS

REQUIRED:

- 5.1 Trading Account
- 5.2 Profit and Loss Account

Information:

The following information is from the books of Sandawana Traders. The financial year ended on 28 February 2021.

SANDAWANA TRADERS

Extract of Trial Balance for the year ended 28 February 2021

Balance Sheet Accounts Section	Debit	Credit
Capital		955 000
Drawings	61 860	
Land and Buildings	650 000	
Vehicles	345 000	
Equipment	60 000	
Accumulated depreciation on vehicles		28 125
Accumulated depreciation on equipment		8 700
Fixed deposit: ABSA Bank (8, 5% p.a.)	50 000	
Trading Inventory	33 320	
Debtors control	23 500	
Bank	7 500	
Creditors control		51 577
Loan: FNB Bank (14% p.a.)		60 000
Nominal accounts section		
Sales		758 413
Debtors allowances	12 435	
Cost of sales	500 000	
Rent income		42 560
Interest on fixed deposit		2 125
Discount received		560
Bad debts	1 250	
Salaries	114 000	
Telephone	7 490	
Water and electricity	5 350	
Stationery	3 210	
Advertising	6 346	
Insurance	3 250	
Interest on loan		
Discount allowed	789	

Adjustments and additional information:

1. Donated goods, R525 to Copesville Primary School. No entry for this transaction has been made.
2. On the last day of the financial year, a physical stock count revealed the following:
 - Trading stock R31 590
 - Stationery on hand R 390
3. The Fixed deposit was invested on 1 March 2020 at ABSA Bank. The interest on the fixed deposit has been received for six months.
4. The account of a debtor, S. Bhengu, amounting to R320 must be written off as irrecoverable since he cannot be traced.
5. The rent for March 2022 has already been received. NOTE: The rent was increased by 10% from January 2021.
6. The telephone account for February 2021 has been received but not yet paid, R405.
7. An annual insurance premium of R1 140 was paid on 30 September 2020.
8. The loan statement received from FNB Bank reflected the following on 28 February 2021:

Balance on 1 March 2020	R85 000
Interest on loan (Capitalised)	?
Repayments (Including Interest)	R32 500
Balance on 28 February 2021	R60 000
9. The business's policy on depreciation states the following:
 - Depreciation on vehicles is calculated at 15% p.a. according to cost price method. Take into account that a new vehicle, with a cost price R120 000 was purchased and entered into the books on 1 November 2020
 - Depreciation on equipment must be provided for at 10% p.a. according to the diminishing balance method.



C.FINANCIAL STATEMENTS

ACTIVITY C1

Amanda Traders sell motor spares in a small shop located in the city centre. Their financial year ends on 28 February 2023. The business uses the 80% profit mark-up on cost.

REQUIRED

Complete the Statement of Comprehensive Income (Show all the workings)

Extract from the Pre-Adjustment Trial Balance of Amanda Traders on 28 February 2023			
Balance sheet accounts section	Fol	Debit	Credit
Capital	B1		212 225
Drawings	B2	11 400	
Equipment	B8	380 000	
Fixed Deposit at XR Bank	B11	10 000	
Accumulated Depreciation on Equipment (1 March 2022)	B13		76 000
Trading Stock	B16	9 200	
Debtors Control	B17	1 640	
Nominal accounts section			
Sales	N1		335 520
Cost of Sales	N2	134 208	
Debtors Allowances	N3	1 300	
Consumable stores	N4	5 600	
Rent Income	N5		19 800
Bad debts	N6	184	
Interest on Fixed Deposit	N7		1 125
Advertisements	N8	2 611	
Water and Electricity	N9	1 117	
Interest on Loan	N10	1 000	
Rent Expense	N11	102 000	

Additional Information

- The Water & Electricity amounting to R544 was still outstanding on 28 February 2023.
- Amanda Traders rented a small office at the back of the store to a manufacturing jewelry from 1 October 2022 for R3 300 per month.
- A debtor, L. Beukes, was not happy with the quality of the goods she bought on credit at a price of R1 017. She returned it and demanded a refund on her account.
- The following stock was on hand at the end of the financial year:
 - Trading Stock ,R9 980
 - Consumable Stores ,R320
- The interest on the Fixed Deposit for three months amount was not received on 28 February 2023, the interest per month is R375. Interest is not capitalised.
- Advertisement amount includes an amount of R480 for advertising that was placed in a local newspaper for the period 1 October 2022 to 31 March 2023.
- Equipment must be depreciated at 10% p.a. on the diminishing balance method. New equipment was purchased on 1 September 2022 for R8 300, the cost was recorded.

ACTIVITY C1

STATEMENT OF COMPREHENSIVE INCOME

AMANDA TRADERS		
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2023		
Operating Income		
Operating Expenses		
Operating Profit	17	
Profit/Loss before interest expense		
Net Profit for the year	5	75 884



ACTIVITY C2

The information is from the books of Skhindi Traders. The financial year ended on 28 February 2023.

Complete the Statement of Comprehensive Income (Show all the workings)

EXTRACT FROM THE TRIAL BALANCE ON 28 FEBRUARY 2023		
	Debit	Credit
BALANCE SHEET SECTION		
Capital		865 500
Fixed Deposit: ABBA Bank (7% p.a.)	80 000	
Trading stock	123 400	
Bank	87 500	
Loan: FBN Bank (14% p.a.)		150 000
NOMINAL ACCOUNT SECTION		
Sales		1 280 000
Cost of sales	640 000	
Debtors allowances	12 400	
Rent income		154 900
Interest on fixed deposit		4 200
Discount received		3 100
Water and electricity	35 400	
Advertising	30 000	
Bad debts	11 300	
Salaries	184 000	
Telephone	17 500	
Stationery	23 200	
Insurance	44 000	
Interest on loan	14 000	
Discount allowed	3 500	
Bank charges	2 300	

ADDITIONAL INFORMATION

- No entry was made for a credit note issued to debtor, V Shabangu, for stock returned, R3 000 (cost of goods returned, R2 000).
- A debtor, Z Msibi, who owes R800 must be written off as irrecoverable.
- On the last day of the financial year, a physical stock taking revealed the following:
 - Trading stock R119 000
 - Stationery R1 400
- An annual insurance premium of R7 200 was paid on 30 September 2022
- The telephone account for February 2023 has been received but not yet paid, R2 200.
- The Fixed Deposit was invested on 1 March 2022 at ABBA Bank. The interest was received for 9 months only. Provide for the outstanding interest.
- The bank statement received on 28 February 2023 reflected the following:
 - Bank charges - R 400
 - P Bezuidenhout, a debtor whose account was previously written off as irrecoverable, deposited R900 into the business bank account.
- A spare office has been rented out to a tenant since 1 March 2022. The tenant paid the March 2023 rent in advance, during February 2023. Note the rent was increased by R1 800 per month from 1 January 2023.

9. The long term loan is repaid annually on 1 September with an installment of R30 000. This amount has been properly recorded. Provide for interest owing at 14% p.a.
10. Provide for depreciation of R47 500 for the year.
11. An employee has been omitted from the Salaries Journal of February 2023. His details are as follows:

Gross Salary	Deductions	*Contributions	Net Salary
?	6 000	3 000	13 000

* Employer's contributions are recorded as Salaries and wages.

ACTIVITYC2

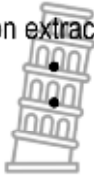
SKHINDI TRADERS	
STATEMENT OF COMPREHENSIVE FOR THE YEAR ENDED 28 FEBRUARY 2023	
Sales(1280000	
Cost of Sales	
GROSS PROFIT	
OPERATING INCOME	
Discount Received	3100
Rent Income	
GROSS OPERATING INCOME	
OPERATING EXPENSES	
Water and electricity	35400
Advertising	30 000
Bad Debts	
Salaries and wages(184000	
Telephone	
Stationery	
Insurance	
Discount Allowed	
Bank charges	
OPERATING PROFIT	
Interest Income	
PROFIT BEFORE INTEREST EXPENSE	
NET PROFIT	

ACTIVITY C3 STATEMENT OF FINANCIAL POSITION

You are provided with information the books of Manyaka Traders for the financial year ended 28 February 2023.

REQUIRED

Use the information extracted from the records of Manyaka Traders to prepare the following:



- Notes to the financial statements
- Balance Sheet

INFORMATION

POST-CLOSING TRIAL BALANCE OF MANYAKA TRADERS ON 28 FEBRUARY 2023			
Balance sheet account section			
Capital			740 000
Land and buildings		440 000	
Vehicles		360 000	
Equipment		296 000	
Accumulated depreciation on vehicles			112 000
Accumulated depreciation on equipment			76 000
Trading inventory		64 000	
Debtors control		72 000	
Creditors control			224 000
Bank		61 000	
Cash float		2 000	
Petty cash		4 000	
Fixed deposit – ABC Bank		16 000	
Loan XYZ Bank			160 000
Prepaid expense		14 000	
Accrued income		13 000	
Accrued expense			24 000
Income received in advance			12 000
Consumable stores on hand		6 000	
		1 348 000	1 348 000

Additional Information

The information provided below has been recorded in the books of Manyaka Traders.

1. Net profit for the year amounted to R92 000.
2. Drawings amounted to R20 000.
3. The owner contributed R240 000 as additional capital on 1 July 2022.
4. Depreciation amounted to the following :
 - Vehicles R24 000
 - Equipment R14 000
5. The loan is paid in instalments of R32 000 per year.



3. Fixed Assets / Tangible assets / Property / Plant / Equipment	Land & buildings	Vehicles	Equipment	Total
Carrying value beginning of year				
Cost				
Accumulated depreciation		A	B	(150 000)
Movements				
Additions at cost	-	-	-	-
Depreciation for the year				(38 000)
Carrying value at end of year	440 000	248 000	220 000	908 000
Cost				
Accumulated depreciation				(188 000)

4. Inventories

5. Trade and other receivables (debtors)

6. Cash and cash equivalents

7. Owners' Equity

8. Trade and other payables (creditors)

STATEMENT OF FINANCIAL POSITION OF MANYAKA TRADERS ON 28 FEBRUARY 2023		
	Notes	R
ASSETS		
NON-CURRENT ASSETS		924 000
	3	
Financial assets		
CURRENT ASSETS		236 000
	4	
	5	
	6	
TOTAL ASSETS		1 160 000
EQUITY AND LIABILITIES		
Owners' Equity	7	74 000
NON-CURRENT LIABILITIES		
CURRENT LIABILITIES		292 000
	8	
TOTAL EQUITY AND LIABILITIES		1 160 000



ACTIVITY C4

You are provided with information the books of Gumbaldino Stores for the financial year ended 28 February 2023.

REQUIRED

- 4.1.1 Prepare the following notes to the Balance Sheet (Statement of Financial Position) for the year ended 28 February 2023:
- Inventories
 - Trade and other receivables
 - Cash and cash equivalents
 - Capital
 - Trade and other payables
- 4.1.2 Complete the Statement of Financial Position on 28 February 2023.

Information

Extracted from the General Ledger on 28 February 2023.

	R
Capital	1 030 000
Drawings	125 000
Loan from Star Bank	350 000
Fixed assets (carrying value on 28 February 2023)	1 191 200
Fixed deposit: Top Bank	120 000
Trading stock	310 000
Debtors control	48 700
Bank overdraft	64 700
Petty cash	1 200
Creditors for salaries	16 000
SARS – PAYE	3 200
Creditors control	55 600

ADDITIONAL INFORMATION

1. The owner of Venus Stores:
 - Contributed R180 000 cash as additional capital on 31 July 2022 (this has been properly recorded)
 - Took stock for personal use at cost price, R11 000 (this has not been recorded).
2. The following adjustments must be taken into account for the Balance Sheet:
 - Amount owed for electricity, R3 900
 - Commission income received in advance, R15 000
 - An advertisement costing R14 000 will appear in the newspaper in March 2023. Payment was made and recorded in February 2023.
 - Packing material on hand at year-end per physical count, R7 300
 - Rent owed by tenant, R8 000

3. The fixed assets include an amount of R182 000 paid to Ace Builders for building a storeroom (R150 000) and repairs to the roof of the shop (R32 000). The error must be corrected.
4. R25 000 of the Fixed Deposit at Top Bank matures on 31 May 2023.
5. A direct transfer of R15 000 was made from the bank account to settle the monthly repayment of the loan from Star Bank on 28 February 2023 but no entry has been made in the books.
6. The net profit for the year amounts to R235 000 after all adjustments were taken in consideration.

ACTIVITY C4



4.1.1 GUMBALDINO TRADERS NOTES TO THE BALANCE SHEET

Note 2: INVENTORIES	
Trading stock (310 000)	

Note 3: TRADE AND OTHER RECEIVABLES	
Debtors control	48700

Note 5 CAPITAL	
Balance at the beginning of the year	
Additional capital	

Note 6: TRADE AND OTHER PAYABLES	
Trade creditors	55600

Petty cash	1200



ASSETS	Note	R
Non-current assets		
Fixed assets(1191200	1	
Current assets		
	2	
	3	
	4	
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Owner's equity		
	5	
Non-current liabilities		
Current liabilities		
TOTALEQUITYANDLIABILITIES		



ACTIVITY C5

The financial year of Mhlanga Bed Shop ends on 30 June 2023. A profit mark-up of 70% is added to the cost price.

REQUIRED

Use the information provided below to complete the following for the year ending 30 June 2023

- 5.1 Statement Of Comprehensive Income
- 5.2 Notes to the Statement Of Financial Position
- 5.3 Statement Of Financial Position

INFORMATION

PRE-ADJUSTMENT TRIAL BALANCE OF MHLANGA BED SHOP ON 30 JUNE 2023		
	Debit	Credit
Balance Sheet Accounts Section		
Capital [01/07/2022]		564 200
Drawings	64 100	
Land and Building at cost	1 540 000	
Vehicles at cost	890 000	
Equipment at cost	240 000	
Accumulated Depreciation on vehicles [1/07/2022]		120 000
Accumulated Depreciation on Equipment [1/07/2022]		66 600
Trading Stock	1 224 000	
Debtors' control	36 200	
Creditors' control		86 200
Bank	123 200	
Petty Cash	2 000	
Cash Float	4 000	
Fixed Deposit: RSA Bank (8% per annum)	120 000	
Loan: Derby Bank		384 000
Nominal Accounts Section		
Sales		8 500 000
Cost of Sales	5 000 000	
Debtors' Allowances	128 400	
Salaries and wages	789 700	
Water and Electricity	54 200	
Fuel	613 100	
Rates and Taxes	32 100	
Discount Allowed	14 600	
Discount Received		19 800
Stationery	4 200	
Interest on overdue account of creditors	1 400	
Insurance	72 400	
Bad debts	20 000	
Income on deliveries		1 200 000
Rent income		82 200
Interest on fixed deposit		4 800
Advertising	48 400	
Interest on current account		3 100
Bank charges	8 900	
	11 030 900	11 030 900

ADDITIONAL INFORMATION

1. The water and electricity account for June 2023 was received, however it was not paid, R4 300.
2. A debtor, M Fouche, returned the bed on 29 June 2023 with a selling price of R8 500. A credit note was issued for R8 800 which includes R300 delivery costs. No entries have been made.
3. The following stock was on hand at the end of the financial year:
 - Trading stock R1 220 000
 - Stationery R850
4. Included in the amount of insurance is an amount of R15 000 for the period 1 April 2023 to 31 March 2024.
5. Rent has been received for 13 months. The rent was R6 000 per month before it increased by R600 on 1 January 2023.
6. Depreciation is calculated as follows:
 - On vehicles at 20% p.a. on the cost price.
 - On equipment at 15% p.a. on book value.
 - A new vehicle was bought for R290 000 on 1 April 2023 and was properly recorded.
7. The loan statement received from Derby Bank on 30 June 2023 reflected the following:

Balance on 1 July 2022	R480 000
Repayments during the year (including interest)	R96 000
Interest	?
Balance on 30 June 2023	R420 000

Interest on loan is capitalized.

R84 000 will be paid back to Derby Bank in the next financial year including interest.

8. Interest on fixed deposit is still outstanding. There was no change in the Fixed Deposit account during the current financial year.
9. A Fixed deposit of R35 000 matures on 30 September 2023.
10. A debtor, P Ledwaba's account of R3 200 must be written off as irrecoverable.
11. A creditor with a debit balance of R4 500 must be transferred to the Debtors' Ledger.



FIXED/TANGIBLE ASSETS				
	LAND AND BUILDINGS	VEHICLES	EQUIPMENT	TOTAL
	1 540 000			
	1 540 000		240 000	
	0			
MOVEMENTS				
	0			
	0			
	1 540 000			
	1 540 000			

TRADE AND OTHER RECEIVABLES		
	Trade debtors (36 200)	




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5.3 BALANCE SHEET ON 30 JUNE 2020

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ASSETS		R
Non-current assets		
Current assets		
Inventory 		1 220 850
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Owner's equity		
Capital (564 200)		
Non-current liabilities		
Current liabilities		
Trade and other payables		101 600
TOTAL EQUITY AND LIABILITIES		



ACTIVITY C6

6.1 Supply the correct principle to each statement.

Historical cost rule; prudence concept; business entity rule; concept of materiality; going-concern concept

- 6.1.1 Be conservative and realistic in disclosing information.
 6.1.2 Items that are of significance, must be treated separately.
 6.1.3 The business and the owner's affairs must be kept separately.
 6.1.4 Assets are always reflected at their original cost price.

6.2 The information relates to **LOLO TRADERS** for the financial year ended 30 June 2019.

REQUIRED:

- 6.1.1 Taking into account the adjustments (INFORMATION B) below, Complete the INCOME STATEMENT (Statement of Comprehensive Income) for the year ended 30 June 2019.
 6.1.2 Prepare the NOTE for owner's equity to the Balance Sheet (Statement of Financial Position).
 6.1.3 Prepare the Equity and Liabilities section of the Balance Sheet.
 6.1.4 G. Grey, the owner of LOLO Traders, is concerned about the size of his trading stock deficit. Suggest TWO realistic measures in order to control and reduce trading stock deficit. The accountant advised the owner (G. Grey) to cash-in the fixed deposit and use the money to pay off part of the loan. Do you agree with the accountant? Give a reason for your answer.

INFORMATION:**A ADDITIONAL INFORMATION**

1. Goods are sold at a profit mark-up of 50% on cost price.
2. A credit note for R12 000 was issued to a debtor for merchandise returned, that were totally damaged. No entries were made for this transaction.
3. Lolo took stock for her personal use at a cost price, R4 800. This has not been recorded.
4. The stock-taking revealed that the following were on hand on 30 June 2023:
 - Trading stock, R406 100
 - Stationery, R500
 - Consumable stores, R800
5. The following entries appeared in the June Bank Statement but had not yet been recorded in the books of the business:

Bank charges, R1 000,
 A direct deposit by a debtor whose debt had previously been written off as bad, R1 200.
 A debtor, C. Coward, has been declared insolvent. He owes R1 500. His insolvent estate will pay out 60c in the Rand and the balance must be written off as irrecoverable.
6. The rent income was increased by R900 on 1 March 2023. The tenant has not yet paid the rent for June 2023.
7. Outstanding interest on fixed deposit must be taken into account. The fixed deposit was invested on 1 October 2022. Interest on fixed deposit is not capitalised.

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8. An insurance premium of R5 600 was paid in 1 April 2023 for the period 1 April 2023 to 31 October 2023.
9. The loan statement from BM Bank on 30 June 2023 reflects the following:

Balance on 1 July 2022	R665 600
Total payments during the year including interest	R103 200
Balance on 28 June 2023	R652 000

*The interest for the year must be capitalised.

10. A capital amount of R70 000 will be paid off the loan in the next financial year.
11. Depreciation for the year amounted to R195 150.
12. The telephone account for June 2023, has not been paid, R1 600.
13. The owner invested a further R100 000 in the business to increase her capital contribution. This has been properly recorded.

ACTIVITY C6 GAAP PRINCIPLES, INCOME STATEMENT, NOTE AND BALANCE SHEET

6.1 GAAP PRINCIPLES

6.1.1	
6.1.2	
6.1.3	
6.1.4	

6.2.1 INCOME STATEMENT OF LOLO TRADERS FOR THE YEAR ENDED 30 JUNE 2019



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6.2.2 EQUITY AND LIABILITIES SECTION OF THE BALANCE SHEET

OWNER'S EQUITY	
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
TOTAL EQUITY AND LIABILITIES	

6.2.3 G.Grey, the owner of LOLO Traders, is concerned with the size of his trading stock deficit.

(a)	<ul style="list-style-type: none">• What are the causes of this trading stock deficit? Give TWO points.
	<ul style="list-style-type: none">• Suggest TWO realistic measures that you would suggest in order to control and reduce trading stock deficit.

(b) The accountant advised the owner (G. Grey) to cash-in the fixed deposit and use the money to pay off part of the loan. Do you agree with the accountant? Give a reason for your answer.



ACTIVITY C7**GREENDALE TRADERS**

The following information is extracted from the records of Phala-Phala Traders. The financial year ends on 31 December 2023.

REQUIRED:

Refer to information A – J



7.1 Complete the Statement of Comprehensive Income for the year ended 31 December 2023.

INFORMATION:

The following balances were extracted from the Pre-Adjustment Trial Balance of Phala-Phala Traders on 31 December 2023:

A	BALANCE SHEET ACCOUNTS SECTION	R
	Land and Buildings	980 000
	Vehicles at cost	660 000
	Equipment at cost	360 000
	Accumulated depreciation on vehicles	162 000
	Fixed deposit: Post Bank: 10% p.a.	185 000
	Accumulated depreciation on equipment	75 000
	Consumable stores on hand (01 January 2023)	1 030
	Trading stock	198 500
	NOMINAL ACCOUNTS SECTION	
	Sales	1 098 000
	Debtors allowances	42 500
	Cost of sales	610 000
	Salaries and wages	130 000
	Telephone	11 074
	Insurance	23 200
	Rent income	295 900
	Water and electricity	18 450
	Discount received	33 044
	Repairs and maintenance	33 000
	Fee income	199 034
	Interest on current bank account	1 086
	Packing materials	21 000
	Bad debts recovered	18 156
	Interest on fixed deposit	14 800
	Bad debts	12 055
	Donation income	71 268



B. Sales and returns

- A **credit note** was issued for goods marked R7 080 to a debtor SK Mokoena. The cost price of these goods was R4 720. No entry was made.
- Note, the mark-up% on cost was maintained at 50%

C. Rent income:

- The rent income was received until November 2023.
- The rent income has remained unchanged for the current year.

D. Fixed deposit and interest on fixed deposit:

- The fixed deposit was taken out on 01 March 2023. Provide for the outstanding interest for November and December 2023

E. Salaries and contributions:

- The bookkeeper forgot to process the salary of the shop assistant. His details are as follows:

Gross salary	R8 500
Total deductions	R2 500
Total contributions	R425
Net salary	R6 000

F Debtors:

- W Mathosa, a debtor whose account was **previously** written off had made an EFT of R 2 558 on 29 December 2022.
- A debtor TJ Nkosi with a balance of R3 030 has since left the country. His balance must be written off as irrecoverable.

G

- **Insurance, telephone and advertising**
The insurance includes a premium of R2 400 which relates to an owner's personal vehicle insurance.
- The telephone for December is still accrued. Note, the telephone was increased by 5% with effect from 01 June 2022.
- Included in the advertising expense is an amount of R3 700 paid for a part of advert that will be broadcasted on TV in January 2023.

H Trading stock and consumable stores on hand

- The physical stock-taking revealed a trading inventory at R193 080 on hand.
- Packing material unused was valued at R3 305
- The bookkeeper forgot to make reversal in respect of packing materials.



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I Tangible assets and depreciation

- An EFT of R135 000 was paid to Moraba Contractors. **Note** this amount includes repairs totalling R10 000. The bookkeeper debited the full amount under Land and Building account. Correct an error.
- Provide for the depreciation as follows:
 - On vehicles at R180 000 for the current year.
 - On equipment at R45 000 for the current year

J. A loan statement received from Witbank on 31 December 2023

Reflects the following

Balance of loan on 1 January 2023	378 000
Payments made during the year	281 214
Interest capitalised	?
Balance on 31 December 2023	226 800



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ACTIVITY C7

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PHALA-PHALATRADERS

7.1 Complete the Statement of Comprehensive Income for the year ended 31 December 2022.

Sales(1098000	
Cost of sales(610000	
Operating incomes	
Rent income (295900	
Fee income	199034
Bad debts recovered (18156	
Discount received	33044
Gross operating income	
Operating expenses	
Packing materials	
Salaries(130000	
Bad debts(12055	
Insurance(23200	
Repairs and maintenance	
Depreciation	
Telephone(11 074	
Advertising	
Operating profit before interest income	
Interest income(1 086	
Profit before financing cost	
Financing costs	
Net profit	



8.1 Complete the following statement using the GAAP in the list below. Write only the term next to the question number (8.1.1 – 8.1.5) in the ANSWER BOOK.

Materiality, Historical Cost, Business Entity, Matching, Prudence, Going Concern

8.1.1	A Business may write a debtor off as irrecoverable when they have not paid within a particular credit term.
8.1.2	Incomes and expense should only be reported in the correct financial period in which they are earned and incurred.
8.1.3	Land and Building cannot be recorded in its most recent market value. This implies that original purchase price remains on an asset register.
8.1.4	Packing materials and cleaning materials may be classified as consumable stores...
8.1.5	When an owner takes trading stock for personal use from his business, this transaction should be recorded as Drawings...

8.2 EMALAHLENI TRADERS:

The Financial year of Emalahleni Traders ends on 30 November each year.

REQUIRED:

- 8.2.1 Prepare the Statement of Financial Position (Balance Sheet) on 30 November 2023 (Where Notes are not required, show workings within brackets)
- 8.2.2 Complete the notes for Tangible assets/Fixed asset on 30 November 2023.
- 8.2.3 Prepare a Trade and other payable notes to the Balance Sheet on 30 November 2023

Tangible assets are the most important resources of any business. Business must protect and safeguard its tangible assets.

Mention any TWO good practices that the business may implement in order to safeguard its tangible assets



A. The following balances were extracted from the post-closing Balances of Emalaheni Traders on 30 November 2023:

BALANCE SHEET ACCOUNTS SECTION	R
Capital contribution	1 681 300
Drawings	117 000
Land and Buildings (30 November 2023)	990 000
Vehicles at cost	640 000
Equipment at cost(01 December 2022)	350 000
Accumulated depreciation on vehicles	120 500
Fixed deposit: Capitek Bank	280 000
Accumulated depreciation on equipment (01 December 2021)	99 000
Consumable stores on hand	23 000
Trading stock	340 000
Debtors Control	310 000
Bank-debit	15 000
Petty Cash	17 050
Creditors control	208 000
Loan from SADTU Bank	199 000
SARS-PAYE	10 000
Deferred income	23 000
Prepaid expense	40 950
Accrued income	21 350
NOMINAL ACCOUNTS SECTION	
Net profit for the year	590 000

B. Tangible assets

- Extension of store room was completed during the year at R198 000. This transaction was properly recorded.
- New delivery van was purchased on credit for R219 000 on 30 April 2022. The transaction was not recorded.
- Equipment costing R14 000 was bought half-way through the year. This was properly recorded.
- Provide for depreciation as follows:
- On vehicles at 20% p.a according to straight-line method. On equipment on 15% p.a as per book-value method.

C. Fixed Deposits:

- The fixed deposits above represent two scenarios:

scenarios:	deposit date:	Amount	Maturing date
Fixed deposit 1	01 Nov 2018	R80 000	31 January 2023
Fixed deposit 2	01 June 2020	R200 000	31 December 2025

D. Loan

Statement received from SADTU Bank on 31 December 2022 Reflected the following

Balance of loan on 1 December 2021	378 000
Payments made during the year	197 400
Balance on 30 November 2022	226 800

- 25% of the loan balance on 30 November 2022 is set to be repaid within the next financial year.

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ACTIVITY C8

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BALANCE SHEET AND NOTES-SOLE TRADER

8.1

8.1.1	
8.1.2	
8.1.3	
8.1.4	
8.1.5	

8.2.1 BALANCE SHEET OF EMALAHLENI TRADERS-30 NOVEMBER 2022

ASSETS	
NON-CURRENT ASSETS	
Fixed assets	
Financial Assets: Fixed deposit	
CURRENT ASSETS	
Inventories	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
Capital	
LIABILITIES	
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
TOTALE QUITY AND LIABILITIES	

8.2.2 Complete the note for Tangible Assets on 31 December 2022.

	Land and buildings	Vehicles	Equipment	Total
Cost at beg (01Dec 2021)			336000	
Accumulated depreciation	(0)	(120500)	(99 000)	
Book value at beg (01Dec 2021)			237000	
Movements				
Additions(purchases)	198000			
Disposals at book value	(0)	(0)	(0)	
Depreciation	(0)			
Book value(30 November 2022)				
Accumulated depreciation	(0)			
Cost price			350000	

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Creditors control (208000)	

ACTIVITY C9: ACCOUNTING CONCEPTS

9.1 Indicate where EACH of the following items would be placed in the financial statements by choosing a term from the list below. Write only the answer next to the question numbers (9.1.1–9.1.4) in the ANSWER BOOK.

operating expenses; current assets; non-current liability; operating income; non-current assets; current liabilities.

Investments such as a fixed deposit at 8% p.a. interest over a 5 years' period.

9.1.2 Trading stock surplus.

9.1.3 Mortgage bond to finance the purchase of new property.

9.1.4 Consumable stores not used at the end of a financial year.

9.2 The information was taken from **Asanda's** accounting records on 28 February 2019, the end of the financial year.

REQUIRED:

9.2.2 Calculate the following financial indicators.

9.2.2.1 Operating profit on sales

9.2.2.2 Acid test ratio

9.2.2.3 Return on average owner's equity

9.2.3 Comment on whether the business was more or less profitable than last year. Quote a financial indicator to substantiate your opinion.

9.2.4 Comment on the liquidity of the businesses. Quote TWO financial indicators with figures to substantiate your opinion.

9.2.5 Do you think the owner should be satisfied with the return on the average owner's equity? Explain by quoting figures.

A. Information obtained from Asanda's general ledger on 28 February 2023. The target mark-up is 60% on cost.

Sales	1 200 000
Cost of sales	800 000
Other income	100 000
Operating expenses	200 000
Operating profit	300 000
Net profit	160 000
Trading stock	210 000
Current assets	400 000
Fixed/Tangible assets	2 100 000
Non-Current/Long-term liabilities	?
Owner's equity (1/03/2018)	400 000
Owner's equity (28/02/2019)	900 000
Current liabilities	240 000

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B. Financial indicators on 28 February:

	2023	2022
Current ratio	1,7 : 1	3,5 : 1
Acid-test ratio	?	1,6 : 1
Solvency ratio	1,6 : 1	2,9 : 1
% return on owner's equity	?	34,2%
% net profit on sales	12,6%	18,3%
% actual mark-up achieved	50%	60%
% operating profit on sales	?	26%
% operating expenses on sales	16,7%	18%

ACTIVITY C9

9.1 ACCOUNTING CONCEPTS

9.1.1	
9.1.2	
9.1.3	
9.1.4	

9.2.1 Calculate the following financial indicators.

Operating profit on sales

Acid test ratio

Return on average owner's equity

9.2.2 Comment on whether the business was more or less profitable than last year. Quote a financial indicator to substantiate your opinion.

9.2.3 Comment on the liquidity of the businesses. Quote TWO financial indicators with figures to substantiate your opinion.

9.2.4 Do you think the owner should be satisfied with the return on the average owner's equity? Explain by quoting figures.

10.1 ANALYSIS AND INTERPRETATION

Use the information given for Beatle Bailey to answer the questions correct.

Post closing Trail Balance on 30 June

	2023	2022
Tangible assets	222 664	203 804
Fixed Deposit: ABSA (10%)	45 000	45 000
Inventory	54 070	42 120
Trade and other receivables	34 700	25 328
Cash and Cash equivalents	1 650	6 200
Owner's equity	271 430	180 000
Mortgage bond: First Bank (15% p.a.)	60 000	120 000
Trade and other payables	26 654	22 452

Additional information:

Cost of Sales	600 000
Operating expenses	158 000
Net profit	130 000

REQUIRED:

10.1.1 Calculate Sales if the firm uses a markup of 50% on cost.

10.1.2 Calculate the return on average owner's equity. Should the owner be satisfied with this return? Give a reason for your answer.

10.1.3 Calculate the current ratio for 2023.

10.1.4 Calculate the acid test ratio for 2023.

10.1.5 Calculate the degree of solvency on 30 June 2023.



10.2 ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

Skhindi and TT traders sells clothing at a mark-up of 100% on cost.

The financial year ends on 31 October each year.

REQUIRED:

10.2. Calculate the following indicators for 2023. Show all workings and round off your answer to one decimal place.

10.2.1 Operating expenses on sales

10.2.2 Acid test ratio

10.2.3 Solvency test ratio

10.2.4 Return on average owner's equity

10.3. The owner is satisfied with the improvement with the liquidity of his business.

Quote TWO financial indicators with figures to support his opinion.

10.4 The business did not achieve the intended mark-up of 100%. Provide TWO possible reasons.

10.5 Mr Tom must be happy with the return in his business.

Provide TWO financial indicators with figures to support this statement.

10.6. List TWO users of financial statements.

Information:

1. Extract of the income statement

	2023	2022
Sales	458 250	325 000
Cost of Sales	235 000	162 500
Gross Profit	223 250	162 500
Operating expenses	73 500	69 500
Net Profit for the year	149 750	93 000

2. Extract from the Balance Sheet

	2023	2022
Non-current assets	960 000	925 000
Current assets (including inventory)	420 000	395 000
Inventory	75 000	95 000
Owner's equity	1 000 000	600 000
Non-current liabilities	80 000	95 000
Current liabilities	300 000	625 000

3. The following financial indicators have been calculated

	2023	2022
Gross profit on cost of sales	95%	100%
Net profit on sales	32,7%	28,6%
Operating expenses on sales	?	21,4%
Current ratio	1,4 : 1	0,8 : 1
Acid test ratio	?	0,6 : 1
Solvency ratio	?	2,1 : 1
Return on average owner's equity	?	5,2%
Fixed deposit rates	8%	7%

D. COST ACCOUNTING

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A manufacturing business will make goods and then sell them to their customers. Manufacturing is a process of changing **raw materials** and make it into completed products. It is called finished goods

Some finished goods are used as raw material e.g. flour is a product but it can be used to make bread. In Manufacturing their main aim is to make profit as in trading business. The difference is that they don't buy finished goods, the cost of sales is determined by the cost incurred to produce the product.

Costs related to manufacturing



Direct material cost	The material that goes into the production of the finished goods and can be directly identified with the final product , e.g. wood is the raw material to make a table. It is material that I can touch and see.
Indirect material costs	Is a material that is not easily identifiable in a finish product or does not have significant part in the finish product but it is needed eg Nails, varnish and glue
Direct labour costs	This is the amount paid to workers who actually make the product (directly involved in making the product)
Indirect labour costs	This is the amount paid to workers in the factory who are not directly involved with the making of the product. Like security, supervisor etc
Factory overhead costs	These are the expenses to run the factory for example rent, insurance, indirect labour and material.
Unit	The word used to describe a single product made in the factory.
Finished goods	Finished goods are units that are 100% complete. These units are ready to be sold
Prime cost(primary cost)	Direct material PLUS direct labour



Let us make a table



THINGS THAT ARE NEEDED

- wood
- steel
- nails / screws
- varnish
- glue
- water and electricity
- workers who make the tables
- supervisors
- security to protect the factory
- cleaners and cleaning material
- insurance for the factory
- rent for the factory
- machinery

1. Direct material for wood table= wood, steel
2. Direct labour= workers who make the tables
3. Indirect labour = supervisors, security ,cleaners
4. Indirect material=nails / screws, varnish, glue
5. Factory overhead cost= cleaning material, insurance for factory, rent for factory, electricity for factory, depreciation for factory machinery because some machines are for office so they don't fall under factory overheads.



Work done by person		Direct costs	Indirect costs
1.1	Factory worker making the tables		
1.2	Cleaner		
1.3	Security guard		
1.4	Foreman		
1.5	Rent of a factory		
1.6	Depreciation of factory equipment		
1.7	Insurance of equipment for a factory		
1.8	Telephone for orders		
1.9	Repairs of factory machines		
1.10	Cost of raw material in the finish goods.		
1.11	Pension contribution for store manager		

As a grade 10 learner you have been temporarily employed in a firm where your Father works as a supervisor. They are producing wooden chairs. The following costs are presented to you for the month of December 2023. Security R500, wood R1000, insurance R300, Rent R200, nails R100, Supervisor R700, Salary for a worker making chairs R1 800 and they produced 10 chairs a month.



REQUIRED

- 2.1 Calculate direct labour
- 2.2 Calculate direct material
- 2.3 Calculate prime cost
- 2.4 Calculate Factory overhead cost
- 2.5 Calculate total manufacturing cost
- 2.6 Calculate cost per unit.

ACTIVITY D3

Use information from activity 2

REQUIRED

- 3.1 Calculate Fixed Cost,
- 3.2 Calculate Variable Cost and
- 3.3 Calculate the total manufacturing costs (TMC).
- 3.4 Calculate how much it cost to make one chair.

ACTIVITY D4

COST CALCULATIONS

REQUIRED:

- 4.1 Calculate the following cost items for the month ending 30 September 2023

Direct labour, Direct material, Factory Overhead cost, total production cost, cost per vetkoek , selling price per vetkoek

INFORMATION

- A. Maka-JOE sells all the vetkoek that are prepared daily. There are 4 weeks in a month and 20 school days.

B. VETKOEK INGREDIENTS (RAW MATERIALS) PER WEEK

5 packets of flour (100 vetkoek per packet)	R1 000
POLONY Per slice is R1.00	?
Cooking oil 5ltr R250.00 only 500 ml is used per week	?

C. OTHER EXPENSES

- LINDELWA GCWABAZA is employed to help in making vetkoek, Lindelwa is paid R0, 50 per vetkoek produced and sold.
- Cleaning materials, R15 per day.

E - BUDGETING

• A budget is a detailed plan for acquiring and using cash and physical resources over a specified of time so as to achieve the goals of the organisation/individuals.

- **SHORT TERM BUDGET:** planning for a period of up to three months
- **MEDIUM TERM BUDGET:** planning for a period of up to twelve months
- **LONG TERM BUDGET:** planning for a period of more than twelve months

ADVANTAGE OF BUDGETING

A budget is a management plan, therefore budget helps to communicate this plan to all people within an organisation.

- **CASH BUDGET:** A cash budget is a forecast of business activities, specifically relating to cash transactions.
- **PERSONAL BUDGET:** All individuals and households have to plan well in advance to provide sufficiently for daily needs and visions for the future.
- **BUSINESS BUDGET:** Business also prepares cash budgets, primarily as an instrument of control. All firms aim to maintain perpetual liquidity.
- **INCREMENTAL BUDGET:** The traditional approach to budgeting for the current year is to start with the previous year's budget. This is known as an **INCREMENTAL BUDGET** where the previous budget is taken as a **baseline**.
- **ZERO BASED BUDGETING:** Zero based budgeting is an alternative. It is drawn up from **scratch, with little or no reference to any previous budget estimates**.
- **CAPITAL BUDGET:** The term "capital budgeting" refers to outlay of funds for large projects e.g. open a new branch, install a new computer programme to handle customer billing system, improve security within the undertaking, purchase a new delivery van. Decision making in allocating funds for capital budget is guided by the principle that a commitment of funds today is done with the expectation of future returns in the form of additional cash flow.

Cash budget

There are **three** main section of cash budget

A. **RECEIPTS** show all the cash entering in the business each month REMEMBER we must include the cash actually received and NOTE not cash that SHOULD have been received.

B. **Payments** reflect all cash going out of the business each month NOTE distinguish between what is actually paid and any liabilities incurred.

C. **Balance** at the end -- adding all receipts to the opening balance and deducting the payment determines the closing balance for the month. This closing balance then becomes the opening balance for the next month.



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Required: *Downloaded from Stanmorephysics.com*

1. Indicate whether the following transactions are receipts or cash payments
2. Add any two transactions that show cash receipts and cash payments

Transaction Information:	Cash receipt (Inflow)	Cash payment (outflow)
Cash sale of Trading stock	X	
Purchased equipment and transfer Fund electronically		
Bought good by cash		
Received a loan from Capital Bank		
Receive rent from a tenant		

ACTIVITY E2

Concepts

Choose a description column B that matches the concept in column A.

Write only the letter (A-E) next to the question number

COLUMN A		COLUMN B	
2.1	Cash budget	A	The traditional approach to budgeting for the current year is to start with the previous year's budget
2.2	Personal budget	B	Business also prepares cash budgets, primarily as an instrument of control. All firms aims to maintain perpetual liquidity
2.3	Business budget	C	A cash budget is a forecast of business activities, specifically relating to cash transactions
2.4	Incremental budget	D	The term "capital budgeting" refers to outlay of funds for large projects e.g. open a new branch, install a new computer programme to handle customer billing system, improve security within the undertaking, purchase a new delivery van
2.5	Capital budget	E	All individuals and households have to plan well in advance to provide sufficiently for daily needs and visions for the future.



ACTIVITY E3

Karabo Tsotetsi of Celumusa Secondary School is planning to buy a new cell phone at MTN store costing R 3 000. During June 2023 school holidays

She requested you as a grade 10 learner to help in preparing her cash budget.

REQUIRED:

- 3.1 Prepare cash budget for the month of June 2023
- 3.2. Do you think Karabo can able to buy her cell phone? Why? Explain by means of calculations
- 3.3. Suggest two advise she may do to improve her budget

Karabo presented the following information to you

INFORMATION:

- A. She receive R700 monthly allowance from her parents
- B. Washes clothes for neighbours at a fee of R50 every weekend
- C. Karabo receive donation of R150 from her brother
- D. She pays R20 every day for a taxi to school (20 days a month)
- E. She spent R200 a month for refreshments during the break time.
- F. Karabo purchased two pockets of lollipops at a cost of R 30 (each contains 48 units) and sold each at a price of R1,50. Most of the time she sells too much on credit.
- G. Her savings was R 1000 from her petty cash box

ACTIVITY E4

Gugu earns R14 000 per month after deductions

- 4.1. How much should she deposit in a savings account if she plans to save 10% of her take home pay each month?
- 4.2. How much interest will she earn after her first monthly savings of 14% per annually?
- 4.3. After how many months will Gugu able to save R42 000?
- 4.4 At present Gugu is spending between R11 000 and R12 500 per month on living expenses (DSTV, insurance, telephone, rent expense, Vehicle expense). Which expenses do you think Gugu should reduce to start saving. Substantiate your answer?

