



KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

CURRICULUM GRADE 10 -12
DIRECTORATE

STEP AHEAD DOCUMENT

TEACHER GUIDE

GRADE 12

Stanmorephysics
ACCOUNTING

2023

PREFACE

This support document serves to assist Accounting teachers and learners on how to deal with curriculum gaps and learning losses as a result of the impact of COVID-19 in 2020 - 2021. It also captures the challenging topics in the Grade 10 work. The lesson plans should be used in conjunction with the 2022 Recovery Annual Teaching Plan. Activities should serve as a guide on how to assess topics dealt with in this document. It will cover the following:

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ACTIVITY A (TANGIBLE ASSETS))

ACTIVITY A1

1.1.1 False

1.1.2 False

1.1.3 True



2.1

Explain how the internal auditor should check the movable fixed asset not be stolen

- Should ensure that internal controls are adhered to.
- By ensuring proper and strict authorisation of tangible assets.
- Regular physical count and inspection of fixed assets

NENE LTD

(a) 2	$3\,640\,000 - 2\,002\,000 = 1\,638\,000$
(b) 5	$750\,000 \times 15\% \times \frac{4}{12}$ $750\,000 - (491\,750 + 37\,500) = 220\,750$ <p style="text-align: center;">529 250 3 marks</p>
(c) 7	<p>(Sold): 37 500</p> <p>(New): $900\,000 \times 15\% \times \frac{5}{12} = 56\,250$</p> <p>(Old): $2\,890\,000 \times 15\% = 433\,500$</p> <p style="padding-left: 40px;">$(3\,640\,000 - 750\,000)$</p> <p>Total: 527 250</p>
(d) 2	$3\,640\,000 + 900\,000 - 750\,000 = 3\,790\,000$




ACTIVITY A2

MANENZE LTD

2.1

As an independent auditor, what advice would you give? Provide one valid point.

- 
- GAAP prescribes the historical (original) cost principle when recording assets and only recognising profits and/or losses on disposal.
 - There could be tax implications.
 - Essentially, financial statements must not be overstated to create a false impression on profitably.

2.2

Calculate: Carrying value of the vehicle sold on 30 November 2022

$$100\ 500$$
$$190\ 000 - (72\ 000 + 28\ 500) = 89\ 500$$

Calculate: Total depreciation on equipment on 28 February 2023

New:

$$32\ 000 \times 10/100 \times 6/12 = 1\ 600$$

Old:

$$(250\ 000 - 32\ 000)$$

$$218\ 000 - 85\ 000$$

$$= 133\ 000 \times 10/100 = 13\ 300$$

$$14\ 900$$



ACTIVITY A3

MANA LTD

	Workings	Answer
(a)	$6\ 192\ 350 - 4\ 256\ 350$	R 1 936 000
(b)	$535\ 250 + 419\ 750$	R 955 000
(c)	$1\ 415\ 000 - 955\ 000$	R 460 000
(d)	$905\ 000$ $(1\ 500\ 000 - 595\ 000) \times 20\%$	R 181 000
(e)	$1\ 500\ 000 - 595\ 000$ $905\ 000 - 181\ 000 - 626\ 000$	R 98 000

ACTIVITY A4

NO.	CALCULATIONS	AMOUNT
(i)	$R3\ 200\ 000 - R2\ 500\ 000$	R700 000
(ii)	Vehicle 1: $R240\ 000 \times 25\% = R60\ 000$ Maximum permitted: $R15\ 000 - R1 = R14\ 999$ Vehicle 2: $R312\ 000 \times 25\% = R78\ 000$	R92 999
(iii)	$R900\ 000 - R224\ 000$	R676 000
(iv)	$R9\ 200 - 6\ 820 = 6\ 400 + 420$	2 380



ACTIVITY A5

AMAJUBA LTD

FIXED ASSET NOTE TO THE BALANCE SHEET ON 30 JUNE 2022

	Buildings	Vehicles	Equipment
Carrying value – 1 July 2021	3 452 000	413 400	83 200
Cost	3 452 000	872 000	340 000
Accumulated depreciation	0	(458 600)	(256 800)
Movements			
Additions at cost	1 070 800	0	116 000
Disposal at carrying value	0	(102 800)	0
Depreciation	0	(99 399) 14 999 + 70 400 +	(22 630) 12 480 + 10 150 +
		14 000	
Carrying value – 30 June 2022	4 522 800	211 201	176 570
Cost	4 522 800		
Accumulated depreciation			



B. INVENTORY VALUATION

ACTIVITY B1

1.1.1	Calculate the value of the closing stock of the Arctic TV sets on 28 February 2023 using the FIFO method.	
	WORKINGS	ANSWER
	240 X 4 100 = 984 000	1 104 000
	30 X 4 000 = 120 000	

1.1.2	Calculate the stockholding period (in days) using the closing stock figure	
	WORKINGS	ANSWER
	$\frac{1104\ 000(\text{see } 1.1.1) \times 365}{6\ 010\ 000}$	67 DAYS

1.2.1	Calculate the value of the closing stock of the Samsung TV sets on 28 February 2023 using the specific identification method.	
	WORKINGS	ANSWER
	$350 + 800 - 250 - 245 - 160 - 110 = 385 \times R\ 9\ 300$	3 580 500

1.2.2	Calculate the gross profit earned on sale of the new LG TV sets.	
	WORKINGS	ANSWER
	$10\ 934\ 400 \times 60/160$	4 100 400

1.2.3

Comment on the quarterly sales of the Samsung TV sets and explain whether or not Mandla’s adjustment of the selling price was a wise decision. Quote figures or calculations

Sales of Samsung TV sets decreased every quarter from 250 to 110 units. It was a wise decision.

In September there was a drastic decrease of 50 units because the business started selling the new LG model.

1.2.4

Comment on the stock holding periods of the Samsung and LG TV sets.

Stockholding of Samsung is 184 days while for LG it is 71 days. Reason for LG to have less stock holding period is that they sold new model in September. Customers bought a new model of LG TV sets.

Explain how the different stock holding periods affect the business financially.

Samsung: it had a negative effect financially as they received R9 408 500

LG: it had a positive effect financially as they received R10 934 400

Explain what these periods indicate about the preferences of the customers. Quote figures or calculations.

Customers prefer the LG TV sets even though they are expensive (selling price R16 320), whereas the selling price for Samsung TV sets varies up to only R13 500.

The LG TV sets are a newer model and are in good quality.

There was a drastic decrease in the sales on Samsung from August to November (245 to 160 units sold). This was due to the introduction of the new LG TV sets.

Provide TWO points of advise to advise to Mandla on how he can rectify the high stock levels of some of his products without reducing prices offered to customers any further.

Mandla should: Find a cheaper supplier with good quality

Advertise more to the relevant target market or do a market research

Stabilize the mark-up% for the LG TV sets

1.2.5



ACTIVITY B2

2.1.1	First-in-first-out method
2.1.2	Perpetual / Continuous system
2.1.3	Weighted-average method

2.1.2

Calculate the value of closing stock of pots on 28 February 2022.	
WORKINGS	ANSWER
$1\ 936\ 000$ $\underline{224\ 000 + 1\ 712\ 000} \times 980 \quad \text{OR} \quad 352 \times 980$ $5\ 500 (800 + 4\ 700)$	R344 960

2.2.2

SNE is unsure how long it will take to sell the closing stock of pots.

Provide a calculation to address her concern.		
WORKINGS		ANSWER
$\underline{344\ 960} \times 365$ $1\ 591\ 040$	OR Units $\underline{980} \times 365$ $4\ 270$	79,1 days / 2,6 months OR 83,8 days / 2,8 months
<p>Explain whether the period calculated is acceptable, or not. Depends on calculation above, figures not necessary</p> <p>Possible responses for “period is Acceptable”: Pots are durable items and can be sold in the near future / has a long shelf-life / there is always a need (demand).</p> <p>Possible responses for “period is Not Acceptable”: Consumers taste or preference may change / possibility of being replaced by later model, improved products / risk of theft or damage (need to write off) / takes up storage space.</p>		

2.2.3

Calculate the number of pots missing.	
WORKINGS	ANSWER
$(800 + 4\,700)$ $500 - 4\,270 - 980$	4750

2.2.4

Calculate the value of closing stock of microwaves

WORKING	ANSWER
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SWIFT: $(380 + 750 - 965)$	
----------------------------	--

165 x 2 800	
-------------	--

462 000	
---------	--

OR

$(1\,064\,000 + 2\,100\,000) - (965 \times 2\,800)$	
---	--

OR

$(4\,053\,000 - 1\,351\,000) - 462\,000 + 1\,056\,000$	
--	--

3 164 000 - 2 702 000	
-----------------------	--

1 518 000	
-----------	--

DELTA: $(430 + 600 - 120 - 580)$	
----------------------------------	--

330 x 3 200	
-------------	--

1056 000	
----------	--

OR

$(1\,376\,000 + 1\,920\,000 - 384\,000) - (580 \times 3\,200)$ or $(3\,248\,000 - 1\,392\,000)$	
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1912 000 - 1 856 000	
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Be alert to alternative methods of calculations, such as the use of cost of sales, gross profit or Trading Account format

2.2.5

TWO reasons in favour of the decision to discontinue selling the Delta model

- High returns: possibly of poor quality, 120 microwave ovens / 20% of purchases
- High closing stock / capital tied up in stock; 330 units or R1 056 000
- Low sales volume; only 580 of 910 (63,7%) / 385 units or R805 000 less than Swift
- Too expensive for customers (R5 600 which is R1 400 more than a Swift model)
- It is a more expensive product; R3 200 (pays R400 more than Swift)

ONE reason against the decision to discontinue selling the Delta model.

- Delta stoves generates a higher gross profit of R1 392 000 (R41 000 more than Swift); higher MU% of 75% (compared to 50% for Swift) / Option to reduce selling price R5 600 (R1 400 more than a Swift model)
- Loss of high sales revenue of R3 248 000 may impact cash flow / lose the support of a select group of customers (580 units) or reducing the option for clients.

2.2.6

Identify the problem relating to the Swift microwave ovens on 6 January 2022. Quote figures.

Problem identified figure (difference of 25 mentioned or implied)

75 units were delivered but 50 units was recorded on the stock card /

The stock record reflects 25 units less than the total number of units delivered.

State TWO internal control measures that the internal auditor should implement to ensure that such incidents do not occur in the future.

- Need for physical count and verification (check) of stock against records
 - Compare / verify / check the information on order forms, delivery note and invoice before updating stock records, or sending details to the bookkeeper
 - Different employees must be responsible for ordering, receiving, recording, stock control
- Accept Division of duties and install cameras (CCTV) as incomplete separate responses for 1 mark each.

ACTIVITY B3

- 3.1.1 Calculate the value of the closing stock on 28 February 2022, using the specific identification stock method.

MODEL	WORKINGS	ANSWER
AMAHLE		R666 000
TALENT	$(62 + 250 - 2) - 245 \times R5\ 200$	R338 000
ASEZAH	$(9\ 600 \times 100/160) \times R6\ 000$	R108 000
	TOTAL	R1 112 000

- 3.1.2 Explain TWO different examples of how the division of duties could prevent an incident such as this from occurring again in the future.

An explanation of division of duties may be considered as an incomplete response.

Any TWO valid examples or duties that can be divided or delegated

Accept practical examples provided by candidates

Allocate each of the following tasks to different employees, whereby one person acts as a check for the other.

- Ordering and receiving stock
- Dispatching to sales and recording sales
- Follow up on documentation and authorisation
- Physical stock counts and reconciling to stock records.
- Inspect all physical stock leaving the premises against documentation (order forms, invoices, delivery notes)
- Controlling access to storage facilities / stock or storeroom.

3.1.3 Provide TWO points that show that Ndinisa and his customers are happy with the quality of the Asezah Bikes. Quote figures.

- No (0) returns to suppliers (54 of Amahle; 2 of Talent) is an indication of good quality.
- Higher mark-up of 60% does not deter customers / prepared to pay higher price / appeals to a select market (other products uses 50% mark-up)
- Highest sales revenue of R2 323 200 (R1 911 000 for Talent; R1 930 500 for Amahle / R412 000 more than Talent; R392 500 more than Amahle)
- Lowest closing stock value; R108 000 and / or 18 units on hand / or 7% of available stock / 242 of 260 units were sold / or 93% of available stock sold
- High turnover rate (13 times / 27 days) would prevent stock from becoming obsolete/ damaged/stolen/overtaken by newer models entering the market / cash not tied up in stock



ACTIVITY B4

4.1

4.1.1	First in first out (<u>FIFO</u>)
4.1.2	<u>Perpetual</u> inventory system
4.1.3	<u>Specific identification</u> method
4.1.4	<u>Periodic</u> inventory system

4.2 ADAMS STORE

4.2.1 Calculate the following on 29 February 2023:

<p>The value of closing stock using the weighted average method</p> <p>1 176 000</p> $189\ 100 + 1\ 005\ 500 - 18\ 600 \times 330 = 184\ 800$ $380 + 1\ 750 - 30$ <p>2 100</p> <p>560 is the weighted average =</p>
<p>Cost of sales</p> <p>*see above</p> $1\ 176\ 000 * - 184\ 800 * = 991\ 200$ <p>(189 100 + 1 005 500 – 18 600) one mark</p>
<p>Gross profit</p> <p>1 770 x 875 see COS above</p> $1\ 548\ 750 - 991\ 200 = 557\ 550$
<p>% Gross profit achieved.</p> <p>see GP above see COS above</p> $557\ 550 / 991\ 200 \times 100 = 56,3\%$
<p>Average stock holding period (in days)</p> <p>186 950 see CS above</p> $\frac{1}{2} (189\ 100 + 184\ 800) \times 365 = 68,8 \text{ days}$ <p>991 200</p> <p>see COS above</p>



4.2.2 The business aims for a gross profit % of 60% on cost. Provide TWO reasons why this was not achieved.

- Too much trade discounts given
- Mark-down clearance sales
- Sales to staff at cost / reduced mark-up
- Errors in pricing / calculations

4.2.3 Comment on the average stockholding period. Provide ONE point.

- Stock stands on shelves on average for more than 2 months.
- May not be desirable for improved sales / constant inflow of cash
- Bags are durable, so this may not be an issue, as long as these can be sold in the future; if not influenced by fashion / future trends.

4.3.1 Identify ONE problem in Shop A and ONE problem in Shop B. Quote figures. In EACH case, state ONE point of advice.

Branch	Problem Figure	Advice
Shop A	Stock-holding period, 174 days (too much money invested in stock) / Mark-up % of 90% (leads to low sales of 300 000)	Purchase stock in smaller quantities. Decrease the mark-up % to increase sales.
Shop B	Returns (R30 000) are high: 15% of sales Advertising too low, R3 000; 1½% of sales Open for 5 days only Low mark-up: 50% Only 3 shop assistants	Sell correct/good quality items to customers to avoid returns/ Change the supplier Review the returns policy. Increase advertising to increase sales. Open another day. Increase mark-up % Employ more shop assistants

4.3.2 Explain TWO good decisions that Ntsika has made in respect of Shop C. Quote figures.

Any TWO Explanations Figures

- Good quality goods and/or good customer services resulted in fewer goods returned by customers – 18 000 (2% of sales)
- Working 7 days a week resulted in good/high sales – R900 000
- Advertised more – R45 000 (5% of sales)
- Rent expense (R90 000) shop is in a good area resulting in higher sales
- Having 8 assistants to cope with large sales
- Selling at the right price (60% mark-up) which led to high sales; R900 000

ACTIVITY C (COST ACCOUNTING)

ACTIVITY C1

1.1.1 LONDEHKEY MANUFACTURERS

PRODUCTION COST STATEMENT FOR THE YEAR ENDED 30 APRIL 2023

Direct material cost (112 800+ 1 665 000- 63 000 - 175 680)	1 539 120
Direct labour cost	2 150 880
Prime cost DLC + DMC	3 690 000
Factory overhead cost (1 405 350 + 40 950 - 36 300)	1 410 000
Total manufacturing cost	5 100 000
Work-in-progress (1 May 2022)	426 000
	5 526 000
Work-in-process (30 April 2023)	(261 000)
Cost of production of finished goods (39 000 x R145)	5 265 000

1.1.2 **Abridged Statement of Comprehensive Income (Income Statement) for the year ended 30 April 2023.**

Gross profit	3 750 000
Selling and distribution cost (1 829 550 + 14 520)	(1 844 070)
Administration cost (1 331 850 - 40 950 + 21 780)	(1 312 680)
Net profit	593 250

1.2 **UNIT COST AND BREAK-EVEN**

1.2.1 Explain the difference between *fixed cost* and *variable cost*.
 Fixed cost remains the same irrespective of the number of units produced. Variable cost varies in direct proportion to the number of units produced.

1.2.2 Calculate the contribution per unit for 2023
 $53,40 - 34,80$
 $=18.60$

1.2.3 Calculate the break-even point for 2023.

$$\frac{3\,888\,000}{53,40 - 34,80}$$
 $209\,032,2 \rightarrow 209\,033$ units

1.2.4 **Comment on the break-even point and the level of production for 2022 and 2023. Quote figures.**
 Comment and compare BEP with Production for 2022
 Comment and compare BEP with Production for 2023 see 2.2.2
 In 2022 the break-even was 195 000 and 195 000 were produced and sold.
 The business broke even / no profit and no loss was made.
 In 2023 the break-even was 209 033 units (See 2.2.2) and 240 000 units were produced and sold.
 The business made a profit on 30 967 units.



1.2.5 **Identify the variable cost which the owner should be concerned about. Explain and provide a calculation to support your answer.**

Direct labour cost increased by 15,7% ($1,65/10,50$) or by 1,65.

Direct labour cost increased by more than the inflation rate of 6%.

OR:

Accept Selling and distribution cost decreased by 54c – could affect sales in the future / competitors may enter the market

1.2.6 **Even though there was a decrease in the fixed costs per unit, the owner is still not satisfied with the control over fixed costs. Explain why he feels this way and provide calculations to support his concern.**

Explanation of economies of scale Comparative figures quoted

In 2022 total fixed cost was R3 217 500 ($195\ 000 \times R16,50$) and In 2023 total fixed cost was R3 888 000.

OR

Total fixed cost increased by R670 500 or by 20,8%.

Total fixed cost is expected to remain fairly constant (or unchanged) irrespective of the number of units produced – within limits.

1.2.7 **Give ONE possible reason for the decrease in selling and distribution cost.**

- More effective or local advertising
- Sales on commission base instead of fixed salary Cheaper deliveries



ACTIVITY C2

2.1

Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (2.1.1–2.1.2).

2.1.1

True

2.1.2

False



2.2.1

Note for Direct Material Costs

Balance at the beginning of the year	210 000
Purchases (1 425 000 – 210 000 – 180 000)	1 035 000
Railage on purchases	180 000
	1 425 000
Balance at the end of the year (1 425 000 – 1 240 000)	(185 000)
	1 240 000

2.2.2

Production Cost Statement on 29 February 2023

Direct material	1 240 000
Direct Labour (724 160 x 0,5)	362 080
Prime cost	1 602 080
Factory overhead costs (1 920 000 – 1 602 080)	317 920
Total manufacturing costs	1 920 000
Work in process at the beginning of the year (2 010 000 – 1 920 000)	90 000
	2 010 000
Work in process at the beginning of the year	(90 000)
Cost of production of finished goods (96 000 x R20)	1 920 000



2.2.3 Statement of comprehensive income for the year ended 28 February 2023

Sales	3 804 000
Cost of sales	(1 902 000)
Gross Profit	1 902 000
Administration costs (571 100 + 181 040)	(752 140)
Selling and distribution costs	(594 860)
Net profit	555 000

2.3 COST ACCOUNTING**2.3.1 Prove the break-even point for the year ended 31 August 2022.**

$$\frac{736\,000}{(28 - 16)} = 61\,334$$

2.3.2 Should the business be satisfied with the number of units that they produced and sold during the current financial year? Explain. Quote figures.**Reasons for Yes**

The business sold (64 000 – 61 334) 2 666 units more than the breakeven point.

Reasons for No

The business sold (78 000 – 60 000) 18 000 more than the break-even point in the previous financial year.


Production decreased from 78 000 – 64 000

2.3.3 Give TWO possible reasons for the increase in the direct material cost per unit in the current financial year.

- Due to the effects of inflation, price of raw materials increased
- Storage costs
- Raw material obtained from new suppliers
- Increase in wastage
- Increase in carriage



2.3.4 **Amahle, the owner, suggests that in order to improve financial results in the new financial year, the quantity of gas cylinders per container must be reduced by 10% but the selling price must remain the same. Give TWO valid reasons why he should not do this.**

- 
- It is not ethical and would lead to a decrease in the customers once this information becomes public knowledge.
 - This is deliberate product shrinkage to gain higher profits. Could lead to legal action against the business.
 - Product may be removed from the shelves if the contents of the product do not correspond with the information on the package.



ACTIVITY C3**3.1 AVUYILE CAMPING EQUIPMENT****3.1.1 Factory Overhead Cost Note**

Consumable stores (31 800 – 3 100)	28 700
Water and electricity (37 220 + 3 280) x 75%	30 375
Insurance (14 820 – 1 480) x $\frac{3}{4}$	10 005
Sundry expenses: factory	21 800
	90 880

3.1.2 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 28**FEBRUARY 2023**

Direct material	888 600
Direct labour cost (432 000 + 12 000 + 1 320)	445 320
Prime cost/Direct cost	1 333 920
Factory overhead cost	90 880
Total cost of production	1 424 800
Work-in-progress at beginning of year	35 000
	1 459 800
Work-in-progress at end of year	(63 800)
Cost of production of finished goods (11 168 x R125)	1 396 000



3.2.1 ANDY MANUFACTURERS

Identify ONE variable unit cost, which were not well controlled in the making of chairs and tables respectively in 2023. Quote figures to support your answer. For each unit cost identified, give a possible cause of the problem.

ITEM	UNIT COSTS FIGURES	POSSIBLE CAUSE OF PROBLEM
Wood tables	DMC increased by R7 (35%)	Wastage/Unskilled labours/Cost of storage etc.
Wood chairs	DLC increased by R10 (15%)	More overtime/ Inefficient workers

3.2.2 Calculate the break-even point of wooden chairs for the year ended 2023.

$$\frac{R4\ 065\ 000}{R430 - 121} = 13\ 156 \text{ units}$$

3.2.3 Andiswa is concerned about the number of units produced and sold, and the break-even point for wooden chairs in 2023. Explain why you think he must be concerned. Quote figures to support your answer.

The number of units produced and sold is 16 000 which is just 2 844 units more than the BEP of 13 156. He only makes a profit on 2 844 units.

In 2022 the units produced and sold was 25 000 which was 15 231 units more than the BEP of 9 769. He made a profit on 15 231.

The number of units produced and sold has decreased from 25 000 units to 16 000 units. This is a decrease by 9 000 units (36%) in production

The BEP for 2022 was 9 769 units and has increased to 13 156 in 2023. This is an increase of 3 387 (34%). It is costing the business to produce extra units to achieve the break-even point.

3.2.4 Andiswa has decided to increase the R110 selling price of wooden tables by R15 in the next financial year.

Explain why this increase in price by R15 is a good idea. Quote figures to support your answer.

If he increases the selling price of wooden tables by R15, he will be still selling it at a cheaper price of R125 (R110+R15) than that of his competitor of R130.

Assuming that the level of production and sales of wooden tables will remain unchanged. Calculate how much extra net profit he will earn next year.

$$80\ 000 \text{ units} \times R15 = R1200\ 000$$



ACTIVITY C4

4.1

4.1.1 C

4.1.2 D 

4.1.3 A

4.1.4 B

4.2.1 DIRECT LABOUR COST

$$\begin{aligned}
 5 \times 1\,550 \times 60 &= 465\,000 \\
 225 \times 96 &= \underline{21\,600} \\
 &486\,600 \\
 \text{UIF 1\%} &= \underline{4\,866} \\
 &\underline{491\,466}
 \end{aligned}$$

4.2.2 FACTORY OVERHEADS COST	
Provisional total	203 720
Indirect labour 60 000 x 25%	+ 15 000
Indirect material	-1 800
Insurance	+ 4
	800
Water and electricity -47 400+ 33 180 OR 47 400 x 30%	-14 220
	207 500


4.2.3 PRODUCTION COST STATEMENT ON 28 FEBRUARY 2023

Direct material cost	PC – DLC	321 034
Direct labour cost		491 466
PRIME COST		812 500
Factory overhead costs		207 500
Total manufacturing cost		1 020 000
Work-in-progress (opening balance)		18 750
		1 038 750
Work-in-progress (closing balance)		(38 750)
Cost of production of finished goods		1 000 000
42 300 + 1 004 500 – 46 800		

4.3

4.3.1

Comment on the control over direct material cost per unit and selling and distribution cost per unit. Quote figures. In each case, provide a possible reason for the change.

 COST	DECISION with figures
Direct material cost	Decrease from R140 to R120 (by 14,3%) Opted for a cheaper material / supplier Buying local / reducing transport costs Possible better training / reduced wastage / more efficient workforce.
Selling and distribution cost	Increased from R60 to R90 (by 50%) Effort to promote sales Attempt to broaden the target market Motivation for sale staff (commission) Free (or reduced cost) of delivery

4.3.2 Explain whether S'xolile (the owner) should be satisfied with the level of production achieved and the break-even point. Provide TWO points. Quote figures

- Production increased by 1 000 units but BEP increased by 1 420 units. Made a profit on 1 500 units last year, but on only 1 080 units this year.
- Profit last year was R195 000 and dropped to R159 840 this year.



ACTIVITY 5

5.1 INNOCENT FIT MANUFACTURERS

5.1.1 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

Direct material cost 1 575 000 + 75 000	1 650 000
Direct Labour cost	900 000
Prime cost	2 550 000
Factory Overheads Cost -117 600 + 98 000 (117 600x/6) – 117 600 OR 518 800 + 16 800 – 19 600 25 200 x 2/3 or 25 200 – 8 400	516 000
Total Manufacturing cost	3 066 000
Work in progress (beginning)	230 000
	3 296 000
Work in Progress (end)	(104 000)
Total cost of production 7 600 x R420	3 192 000

5.1.2

Calculate: Gross profit earned on sale of shirts.	
Workings	Answer
4 860 000 - (342 000 + 3 192 000 -168 000) OR (900X220) + (720X180) ALSO: Accept T-account	1 494 000
Calculate: Mark-up % achieved on shirts	
Workings	Answer
$\frac{1\,494\,000}{3\,366\,000} \times 100$ (342 000 + 3 192 000-168 000)	44,4 %

5.2 LEATHER MANUFACTURERS**PURSES:**

5.2.1 **Calculate the break-even point for purses for the year ended 28 February 2023.**

R936 000

R295 – R255

5.2.2 **Comment on the level of production achieved and the break-even point for purses for 2023. Quote figures.**

Compulsory response:

Comparison of BEP to level of production for 2023 Figures

Optional responses:

Comparison of BEP 2023 to 2022 with figures

OR: Comparison of Production 2023 to 2022 with figures

Expected responses


- The business produced 600 units more than break-even / profit on 600 units / R24 000 extra profit
- BEP compared to production reflects a profit on 600 units in 2023 compared to a profit on 1 100 units in 2022 / this is a decrease in profits on 500 units (1100 – 600) in 2023 compared to 2022

Expected response

Production increased by 2 000 units (24 000 – 22 000) / to 24 000 units / by 9% and/or BEP increased by 2 500 units (23 400– 20 900) / to 23 400 / by 12%



5.2.3 **Apart from inflation and wage increases, provide TWO other possible reasons for the increase in the direct labour cost per unit for purses.**

- 
- Overtime paid at higher rates endorsed or approved / bonus for good performance or extra time / negotiate higher fringe benefits / targets not met during normal time / overtime was needed to meet targets
 - Low productivity of workers (not productive or efficient)
 - Interruptions (due to malfunctioning machines / load-shedding)
 - Higher qualifications of workers / employed higher-skilled workers
 - Poorly trained workers / lack of supervision / time wasted in re-doing work.

Do not accept: Employ more workers (their inefficiency is the problem) / increase in demand

5.2.4 **Give TWO reasons for the decrease in the direct material cost per unit for purses.**

Any TWO valid reasons

- Cheaper (new) or local suppliers used
- Took advantage of bulk discounts / negotiated discounts
- Better supervision / less wastage / better control over issuing / use of material
- Better cutting methods / use patterns or technology / better skilled workers / better training of workers

Cheaper transport costs / petrol costs / using own transport

JACKETS



5.2.5 **Explain why the direct material cost per unit for jackets would probably increase if raw material is imported. State TWO points.**

TWO valid points

- Additional / increase in transport costs e.g. freight, shipping
- High quality material not available locally
- Custom duties / import duties / taxes
- Better packaging

Different / weak exchange rate

Provide figures to prove that Nosihle was correct about the effect this decision would have on the cost of the jackets.

Direct material cost per unit increased (from R180) to R360 / by 100% / by R180 / it doubled.

(Note: could mention effect on total Variable Cost).

5.2.6 **Calculate the % increase in the selling price of the jackets.**

$$\frac{1170 - 780}{780} \times 100$$

$$390 \times 100$$

$$\frac{390}{780} \times 100$$

$$50\%$$

5.2.7 **Explain the impact of the increase in the selling price of jackets on the sales and profit. Quote figures or calculations.**

Quote figures or calculations.

- Units produced and sold decreased by 2 719 units / (from 6 350) to 3 631 / by 42,8%.
- The BEP dropped by 1 250 units / from 5 000 to 3 750 / by 25%
- Made loss on 119 units in 2021 and profit on 1 350 units in 2020 / sales dropped from R4 953 000 to R4 248 270 / by R704 730 / by 14,2%

For candidates who pick up the reversed figures in BEP/Production:

- **OR** 1 250 units less / from 5 000 – 3 750 / by 25%
- **OR** 2 719 units less / from 6 350 – 3 631 / by 42,8%

OR Made a loss on 1 350 units in 2020 and a profit on 119 units in 2020 / sales increased from R3 900 000 to R4 387 500 / by R487 500 / by 12,5%

5.2.7 Noshle wants to increase profits on jackets by an additional R250 000 in the next financial year. Assuming the cost structure remains the same, calculate the total number of additional units she must produce to achieve this target.

Workings

250 000

Accept 4163 - 3631

470 (1170-700)

ALTERNATIVE: For candidates who pick up reversed figures in BEP and production i.e. move from loss to profit; Do not penalise for using / not using a previous loss.

OR: 532 + 119

OR: 250 000 + 55 930

470



ACTIVITY C6

6.1

6.1.1 DONDOS DRESS CREATIONS

PRODUCTION COST STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2023

Raw/Direct materials cost (918 550 + 5 250)	923 800
Direct labour cost 753 300 + 48 600 + 8 100 + 8 100) OR: Solve for Y $y = 753\,300 + 48\,600 + (0,01y)$ $y = 810\,000$ DLC = 810 000 + 8 100 OR $753\,300 + 48\,600 + 801\,900 = 99\%$ DLC = 101% $801\,900 \times 101/99$	818 100
Prime cost	1 741 900
Factory overhead cost (227 240 + 63 960) $[(87\,100 - 7\,150) \times 80\%]$	291 200
Total manufacturing cost	2 033 100
Work-in-process (1 March 2016)	76 000
	2 109 100
Work-in-process (28 February 2023)	(169 100)
Cost of production of finished goods $(1\,860\,000 + 190\,000 - 110\,000)$	1 940 000

6.1.2


Calculate the net profit for the year ended 28 February 2023.

$$3\,170\,000 - 1\,860\,000 - 410\,000 - (259\,010 + 15\,990)$$

$$= 625\,000$$

6.2 LOAD SHEDDING SOLUTIONS

6.2.1 Calculate the factory overhead cost per unit for the year ended 31 December 2022.


$$395\,000 / 50\,000 = R7,90$$

6.2.2

Explain why Lwethu would not be concerned about the 28,1% increase in total variable cost from R936 600 to R1 200 000.

The variable cost per unit increased up by 7,6% which is less than inflation rate

An additional 8 000 units were produced (19% increase in production) There was an increase in units produced and therefore greater profits.


6.2.3**6.2.4**

Calculate the break-even point for the year ended 31 December 2022.

$$\frac{575\,000}{45 - 24}$$

$$= 27\,381 \text{ units}$$

Comment on the production level for 2022. State TWO points. Quote figures.

- The business produced and sold 50 000 units. This is 8 000 units more than the production achieved in the previous financial year (42 000 units).
 - The business produced 22 619 (50 000 - 27 381) units more than the BEP.
 - There is an increase of (22 619 - 19 687) 2 932 units over the BEP when compared to the previous financial year.
- 

6.2.5

Load Shedding Solutions are considering importing raw materials because it is cheaper and of a higher quality. Name TWO aspects that they must consider before finalising their decision.



- Fluctuation in exchange rates (impact on cost/selling price)
- Additional / increasing import costs (transportation and custom duties)
- Time delays (availability and/or delivery)
- Support for local suppliers (impact on the local economy)
- Not easy to return damaged goods



ACTIVITY D (RECONCILIATIONS)

ACTIVITY D1

1.1

1.1.1	True
1.1.2	False
1.1.3	False

1.2

	Debtors Control Account	Debtors List
Balance	37 527	39 087
(a)	+9 550	+9 550
(b)		-4 500
(c)		+2 940 or +1 470, +1 470
(d)	+2 170	+2 170
(e)	-450	-450
((f)	+3 210	+3 210
	52 007	52 007

1.3

1.3.1.	Gives an indication of debtors whose accounts are overdue. The analysis will give a clear idea of the reliable debtors. It can assist the business to review credit limits allowed to debtors It assists business to refuse additional credit sales until accounts are paid.
1.3.2.	$\frac{14\ 560 + 2\ 080}{41\ 600} = 40\%$ OR $35\% + 5\%$
1.3.3.	
P Pillay	Exceeded the credit limit of R10 000 by R1 800 She owes R11 800 which is more than the credit limit
W Patel	Exceeded the credit terms of 30 days/ The R11 192 exceeds the credit terms/ His balance has been outstanding for 60 days and 90 days.

1.3.4	
D Mbatha	Exceeding credit terms of 30 days/ Slow payer ($R5\ 448 / R13\ 850 \times 100 = 39,3\%$ of his account is more than 30 days. The business allowed him to buy for R4 500 goods even though he does not pay on time.

ACTIVITY D2

2.1 Simphiwe Traders have the telephone numbers of all their debtors. What other information should they obtain before allowing customers to open accounts?

Other information	Reason
Salary advice slip/Proof of income	To set credit limits according to affordability
Proof of residence/ address/ID doc	To trace debtors and do a proper background check
Contact details of family/Friends	To track the debtor if other info is incorrect
Credit history	To check creditworthiness
Email address	Quick communication of statements

2.2

2.2.1 Correct closing balance of the Debtors' Control Account

$$R179\ 500 + 2\ 500 - 900 + 500 = R181\ 600$$

2.2.1 The correct amounts owing by debtors

J Ramogadi	[37 500 -4 300 + 8 500}	41 700
W Sithole	[19 500 + 2 500 -2 700}	19 300
C Prince	[3 900 + 4 300 +5 100 +5 100} OR + 10 200	18 400

2.3

2.3.1 Calculate the percentage of debtors complying with the credit terms

$$\frac{35\ 300 + 23\ 300}{201\ 200} \times 100 = 29.1\%$$

$$17.5\% + 16.6\% = 29.1\%$$

2.3.2 Explain TWO measures to improve collection from debtors

- Monthly statements/ SMS reminders must be sent
- Offer higher discounts to encourage early payments
- Charge interest on overdue account to discourage delay in payments

ACTIVITY D3

3.1 Show the adjustments that must be made to correct the Debtors' Control account in the General Ledger by showing the amounts with: + for increase; – for decrease OR write 'no change'.

Provisional balance	21 900
(i)	- 1 750
(ii)	+ 375
(iii)	+ 1 300
(iv)	0
(v)	-3 050
(vi)	0
	18 775

3.2


Debtor	Workings	Amount
P Pretty	5 100 – 900 -3 050	1 150
M Thola	8 400 + 375	8 775
P Govender	-1 550 + 1 300	- 250
A Brandon	11 300 – 2 200	9 100
		18 775

3.3 Debtors Age Analysis**3.3.1 Refer to Information B.**

As the internal auditor, what concerns would you have about Temba's job description? Explain.

- Too many related functions performed by one person could result in job not well done
- Lack of supervision could result in rolling of cash/theft/no authorisation for returns.
- Temptation to engage in fraudulent transactions /creating false documents/ mismanagement/poor record -keeping
- No continuity of tasks if Temba is on leave/absent
- Cash is easily stolen (not using electronic payments/ credit cards/ EFT)


3.3.2 Identify TWO debtors who could have their credit limits increased and provide a valid reason for your choice of debtors.

Debtor	Reason
P Parrott 	Only owes money in the current month and is close to credit limit
C Pigeon	Owing money within the credit term of 30 days and not exceeded credit limit.

3.3.2 Explain THREE different problems reflected by the Debtors' Age Analysis
Provide relevant evidence to support your answer

Problem	Debtor and figures
Not adhering to credit terms/ slow payers	L Woodpecker, owing R1 900 after 30 days 41,9% of debtors owing after 30 days
Exceeding credit limits	M Eagle exceeding credit limit by R4 000
Poor/ineffective internal controls over debtors	I Dove current purchase of R500 while balance is R1 050 in 90 days

ACTIVITY D4

No	Creditors ledger of EKasi traders	Creditors reconciliation statement
Balances	117 200	157 400
(a)	-49 100	
(b)		+2 800
(c)		-12 500
(d)	+6 400	
(e)	-19 400	
(f)		-92 600 
Totals	55 100	55 100

ACTIVITY D5

No	Creditors ledger of Broad stores	Creditors statement of Waves supplier
Balances	118 485	182 150
A	-9 500	-9 500
B	+87 000	
C		+6 900
D		-1 350
E		-730
F		+2 000
G	-10 700	
H		+1 215
I		+4 600
Totals	185 285	185 285



ACTIVITY D 7

Study the items given below and indicate where you will record each item by placing an 'X' in the Cash Journal or No entry column. Use a '+' or '-' sign for the Bank Reconciliation column. The first one has been done for you.

No	Item	Cash Journal		Bank Reconciliation Statement	No entry
		CRJ	CPJ		
1	Bank charges as per Bank Statement		X		
2	Month-end balance of current bank statement (favourable)			+	
3	Amount on an overstated EFT in the CPJ	X			
4	Cancellation of a future-dated EFT issued (not yet released)	X			
5	Month-end balance of current bank statement (unfavourable)			-	
6	EFTs not reflected on the Bank Statement			-	
7	Amount on an EFT understated in the CPJ		X		
8	Amount of an EFT received understated in the CRJ	X			
9	Previous month-end balance of bank statement (unfavourable)				X
10	Bank charges duplicated in error in bank statement			+	
11	Interest on overdraft		X		
12	Cancellation of discount on payment received incorrectly given.				X
13	Incorrect debit entry in the bank statement			+	
14	Rent deposited into bank account by tenant	X			
15	Direct deposit made by debtor into banking account of business	X			
16	Interest earned on current banking account	X			
17	Use of debit card to draw cash reflected on bank statement but omitted from the cash journal.		X		
18	Previous month-end bank account balance (favourable)				X
19	Current month-end bank account balance (unfavourable)			+	
20	Incorrect credit entry made in the bank statement			-	
21	Debit orders as reflected in the bank statement		X		
22	Deposit not yet reflected in the bank statement			+	
23	Credit card levies as reflected on the bank statement		X		

ACTIVITY D 6

6.1 Indicate how the differences, found during an investigation, will influence Creditors' ledger account and the Statement received from Puma Stores in order to determine the correct balance



	Influence on the: Creditors' ledger of Loftus Traders	Influence on the: Statement received from Puma Stores
Balances b/d	R99 220	R96 203
Difference 1		+ 16497
Difference 2	+16800	
Difference 3	+710	
Difference 4		-8800
Difference 5	+490	
Difference 6	+980	
Difference 7		+14300
Correct balances	118200	118200



ACTIVITY D8

8.1

8.1.1	False
8.1.2	False
8.1.3	True

8.2.1

CASH RECEIPT JOURNAL - February 2023						CRJ 2
Doc	Day	Details	Bank	Amount	Details	
	28	Total	52 000	52 000		
B/S		L. Lopez	7 100	7 100	Rent income	
B/S		L. Canizares	2 750	2 750	Debtors Control	
B/S		MW Bank	230	230	Interest income	
			<u>62 080</u>	<u>62 080</u>		

CASH PAYMENT JOURNAL - February 2023						CPJ 2
Doc	Day	Details	Bank	Amount	Details	
	28	Total	51 000	51 000		
		Commission	6 000	6 000	Commission income	
B/S		Benzema Traders	6 200	6 200	Creditors Control	
B/S		Municipality	2 800	2 800	Rates and Taxes	
B/S		MW Bank	1 280	1 280	Bank charges	
B/S		Hazard Insurers	8 000	5 700	Insurance	
				2 300	Drawings	
			<u>75 280</u>	<u>75 280</u>		

8.2.2

GENERAL LEDGER OF Real Madrid STORES					
Bank					
2023				2023	
Feb 1	Balance	13 600		Feb 28	Sundry Accounts 75 280
Feb 28	Sundry Accounts	62 080			Balance 400
		<u>75 680</u>			<u>75 680</u>
2023	Balance	400			
March 1					


8.2.3 Prepare a Bank Reconciliation Statement for February 2023.

	Debit	Credit
Balance according to bank statement balancing figure		10 700
Cr. Outstanding deposit		18 500
Dr. Outstanding EFT 111	10 000	
Dr amount wrongly credited	18 800	
Dr. Balance according to the bank account	400 See 8.2.2	
	29 200	29 200



ACTIVITY D9

9.1 Calculate the correct Bank Account balance on 31 March 2020.



$$7\ 500 - 14\ 000 + 55\ 400 - 36\ 900 - 1\ 450 - 5\ 350$$

$$(333 + 444 + 613)$$

$$- 1\ 390 + 2\ 850 + 9\ 300 - 232 = 15\ 728$$

9.2 Bank Reconciliation Statement for March 2020.

	Debit	Credit
Balance according to Bank Statement		
Balancing figure		5 728
Cr Outstanding deposit		22 700
Dr Outstanding EFT – 333	6 500	
Dr amount wrongly credited	6 400	
Bank charges overstated		200
Dr Balance on the bank account	15 728	
	See 9.1	
	28 628	28 628



9.3 (a) Identify the GAAP principle which will be applied in this case.

GAAP Principle:

Principle of prudence

(b) Provide TWO internal control measures that Ezilda can use to prevent such a loss in future.

- Division of duties/Rotation of duties/Divide duties amongst employees so that the one can act as a check on the other.
- Responsible staff members to check/make the deposits.
- The person issuing receipts should not be the same person doing the deposits.
- Regular and timely checks.
- Monitor all large transactions.
- All cash received must be deposited daily (deposit slip must agree to receipts).
- Outstanding deposits must be investigated promptly.
- Encourage EFT payments by customers/debtors.
- Ask bank to send confirmation of deposits (e.g. sms).



ACTIVITY E (BUDGETING)**ACTIVITY E 1**

1.1 Explain the importance of comparing budgeted figures with actual figures achieved for the same period.

- Deviation can be determined, and remedial measures will be put in place.
- Establish whether the budgeting was realistic.
- To identify trends of mismanagement of cash.

1.2 Calculate the missing amounts (indicated by a, b and c) in the Debtors Collection Schedule for the period March to May 2023

a	6 048
b	5 320
c	15 750

1.3.1 Calculate the budgeted total sales for March 2023

$$10\,500 \times 100/20 = 52\,500$$

1.3.2 Calculate the amount budgeted for payments to creditors during May 2023

$$70\,000 \times 100/150 \times 70\% = 28\,000$$

OR

$$12\,000/30 \times 70 = 28\,000$$

1.3.3 Calculate the budgeted salaries of the shop assistants for April 2023

$$102\,000/12 = 8\,500$$

$$8\,500 \times 3 = 25\,500$$

$$15\,300 \times 9 = 137\,700$$

$$25\,500 + 137\,700 = 136\,200$$

1.3.4 Calculate the % increase in the salary of the manager expected in May 2023

$$(19\,200 - 16\,000) / 16\,000 = 20\%$$

1.3.5 Calculate the amount of the additional loan expected to be acquired on 1 April 2023

$$875 \times (100 \times 12) / 14 = 75\,000$$

1.4 An official of the local municipality has offered to recommend Vitus Stationers to supply stationery to the value of R500 000. However, he will only do this if Cebo pays him R20 000 cash.

Give Vitus advice in this regard. State TWO points.

- This is actually a bribe which is unethical.
- If this information is made public, it will have a negative effect on the business in future.
- Vitus must tender formally to the municipality to secure the contract through the normal processes.

1.5 Identify THREE over-payments in April. Provide a valid reason for each over-payment to support Vitus's decisions.

	Over-payment with figures	Valid Reason
1	The bonus of the manager in February 2023 (R24 000) was not taken into account.	He has retained the services of valuable employees.
2	Purchase of vehicle (R180 000)	The difference between motor vehicle expenses and delivery expenses is R5 200 per month.
3	Cash purchase of merchandise (R28 000) was significantly higher than the budgeted figures. (R12 000)	Possibly to take advantage of bulk discounts on purchases.

Explain how this difference of opinion with his wife can be avoided in future.

As they are jointly running the business they should have a specific meeting to determine the budget jointly and Vitus should consult his wife before spending on unbudgeted items.

State TWO other strategies that Vitus and his wife could consider in future to improve the results of the business.

- Advertise monthly
- Reduce number of shop assistants
- Reinstate deliveries to customers.
- Negotiate longer credits terms with creditors.



ACTIVITY E 2

1.1

CASH BUDGET			
	NOV 2022	DEC 2022	JAN 2023
Printer bought	40 800		
Depreciation			
Insurance			48 000
Loan received		100 000	
Loan repayments			*5 000
Interest			*1 000

PROJECTED INCOME STATEMENT		
NOV 2022	DEC 2022	JAN 2023
	680	680
		4 000
		1 000

1.2

Calculate the % of debtors who settle their accounts in the 2nd month following the credit sales transaction month.	
Workings	Answer
$\frac{67\,500}{90\,000}$ or $\frac{75\,000}{100\,000}$ or $\frac{90\,000}{120\,000} \times \frac{100}{1}$	75%
Calculate the % of debtors written off as bad debts at the end of the 3rd month following the credit sales transaction month.	
Workings	Answer
$90\,000 - 67\,500 - 19\,800$ $(2\,700 \div 90\,000) \times 100$ OR: $100\,000 - 75\,000 - 22\,000$ $(3\,000 \div 100\,000) \times 100$ See above $19\,800/90\,000$ or $22\,000/100\,000$ OR: $100\% - 75\% - 22\%$	3%



1.3.1

They received a (large) increase of 20% (unbudgeted, which is more than inflation) ($1\ 840 / 9\ 200 = 20\%$) 'large' need not be mentioned if 20% is provided.
Sales target (under by R110 000)/ GP target (under by R32 000) not reached but increased in wages (20%) granted.
The director took a R10 000 drop in pay/ reduced from R50 000 to R40 000/ by 20%
They received training costing R40 000 (R25 000 over budget) which will benefit them in future

Thembi pays her son, Jacob, on a part-time basis to deliver and install carpets for customers. She budgets R2,80 per metre for this. Comment on the control of this expense. Quote figures or a calculation.	
<p>Comment on poor control/ ethics in September Comment on good control in October</p> <p>Expected responses for September: He was overpaid in September (even though he did not meet target) Figures: R14 000/ R10 640/ R3 360</p> <p>Expected responses for October: He was paid correctly (although it was over-budget, due to improved sales) Figures: R16 800/ R14 000/ R2 800</p>	
<p>Workings: September: Budget: $5\ 000 \times 2.80 = R14\ 000$ Actual should be $3\ 800 \times 2,80 = R14\ 640$ but spent R14 000</p>	<p>Workings: October: Budget= R14 000 Actual should be: $6\ 000 \times 2,80 = R16\ 800$</p>



1.3.3

Promoted credit sales R296 000 above budget (R326 000 increase in actual) with incentives as opposed to cash sales (e.g. discount or extended payment period)
Reduced then selling price per m to R88 per m (from R100)/ reduced mark-up from 67% to 47%
Spent R40 000 on training but budgeted only R15 000/ training increased to R40 000 in October (over-budget by R25 000)
Changed the salary structure of the salesman from a fixed salary of R20 000 pm to a commission of R52 800/ 10% of sales

1.3.4

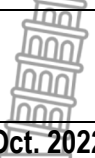
Calculate the amount she will <u>actually</u> have to pay the creditors in November 2022.	
Workings	Answer
528 000 x 60/88	R171 000
360 000 x 50% x 95%	
Oct COS	



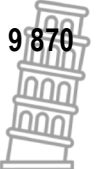
ACTIVITY E3

1. DEBTORS' COLLECTION SCHEDULE

Calculate the amounts denoted by (a)-(c)

	Credit sales R	December 2022 R	January 2023 R	Bad debts
Oct. 2022	308 000	67 760		(a) 13 860
Nov. 2022	319 200	143 640	70 224	
Dec. 2022	364 000	103 740	(b) 245 700	
Jan. 2022	352 800		(c) 150 822	
		315 140		

2. Calculate the amounts denoted by (a)-(c) on the Cash Budget.

(a) Rent income for December 2022	
WORKINGS	ANSWER
20 056 × 100/109 OR 20 056 - 1656	18 400
(b) Payment to creditors in January 2023	
WORKINGS	ANSWER
456 000 × 80% OR 456 000 - 91 200 (20% OF 456 000)	364 800
(c) Payment for cleaning services in January 2023	
WORKINGS	ANSWER
15 510 × 100/165 × 105/100 OR 15 510 × 105/165	 9 870

3. Workload of employees:

Provide TWO points that Thabo can explain to his sales staff to justify his plan. Quote figures

TWO points (with figures)

- He budgeted for 230 customers; only 175 was recorded/ 55 less (23,9%)/ 76%
- Sales was less than budgeted (798 000- 707 000)/ by R91 000/11,4%
- Salaries are set at a basic rate of R16 400 per worker (cosy the business budgeted sales are not achieved)

Assuming 5 workers (including driver)

- Each worker was expected to attend to 46 customers (230/5); but the actual is an average of 35 customers (175/5)/11 less/23.9%
- Retrenching one person will not affect the expected workload of the remaining 4 workers, projecting an average of 44 (175/4) customers (expected 46)

Assuming 4 sales staff (excluding driver)

- Each worker expected to attend to 58 (230/4) but actual is 44 (175/4)/ 14 less/ 24%.
- If one is retrenches, the average customers per worker is 58 (175/3) customers; same as the expected 58 (230/4).

Explain why the repair staff members are not satisfied with their workload. Quote figures.


ONE point with figures

- They are over-worked. Customers (from 70 expected to 136- actual)/ 66 more than expected/ 94% more/ 194%. Customers prefer to repair rather than buy.
- They are expected to attend to 35 customers per worker but attended to 68 customers (an average of an additional 33 customers per worker)
- Fee income is R34 000 more than expected/ 66 000- 32 000/ 106%
- Wages fixed at a basic rate of R5 500 per worker – not influenced by workload/ commission, and is R10 900 less than a sales worker

What suggestions can you offer to solve the problem of the workload of employees?

Provide TWO points.

TWO different points

- 
- Train the sales staff to do repairs
 - Suggest incentive bonuses/ overtime pay
 - Negotiate a better wage package/ commission
 - Train staff to work in other departments/ rotation
 - Employ temporary staff/ casual workers/ employ more workers


4. Sales trends:

Comment on the cash and credit sales figures for November 2022. Explain why Thabo is concerned. Quote figures.

- Cash sales are lower than expected by R336 800/ 70,3%/ (478 800- 142 000) whilst credit sales are higher than expected by R245 800/ 77%/ (565 000- 319 200)
- Cash sales are now only 20% of total sales (142 000/707 000) expected 60%; whilst credit sales are now 80% of total sales (565 000/ 707 000); expected 40%.



5. Comment on the control over fuel for the delivery vehicle and the consumable stores used for repairs. Quote figures.

EXPENSE	COMMENT (With figures)
 <p>Fuel for delivery vehicle</p>	<p>Fuel expense is not well controlled, assuming that all customers require delivery.</p> <ul style="list-style-type: none"> Budgeted at 2,6% of total sales (20 800/798 000); actual was 2,8% of actual sales (19 900/707 000) Total sales less than budgeted by 11,4%/ by R91 000. Fuel is less than budgeted by 4,3%/ by R900
<p>Consumable stores for repairs</p>	<p>Efficient control over consumable stores/ well controlled/ indication of minimal wastage.</p> <ul style="list-style-type: none"> Budgeted to spend 25% of fee income (8000/ 32 000); actual usage was 18,3% (12 100/ 66 000) Fee income is more than budgeted by 106%/ by R34 000. Consumable stores are only 51,3% more than the budgeted amount/ by R4 100.



ACTIVITY F (VALUE ADDED TAX)

ACTIVITY F1	
1.1	D
1.2	A
1.3	E
1.4	C
1.5	B



ACTIVITY F2	
NO.	VAT AMOUNT OWING TO SARS
2.1	R8 120
2.2	+R912
2.3	+R252
2.4	-R330 (300-630)
2.5	+R10 200 (11 100-900)



ACTIVITY F3	
3.1	A $3\,500 \times 15\% = 525$
	B $20\,500 \times 15 = 3\,075$
	C $1\,575 \times 100/15 = 10\,500$
	D $100\,000 - 8\,000 = 92\,000 \times 15/115 = 12\,000$

3.2 You are the internal auditor. The sole owner Nene used a business money to buy a new car for R350 000 including VAT. The car is used by his wife. Nene says the vehicle must be recorded as business asset and VAT INPUT must be shown in business books.

Explain what you would say to Nene. State TWO points.

- Business entity rule: financial affairs of the business are kept entirely from affairs of the owner
- Tax evasion is illegal can tarnish the image of business
- It's fraudulent



ACTIVITY F4

4.1 **Calculate the VAT amount payable/receivable to/from SARS.**

$$184\,680 - 142\,800 + 9\,240 - 5\,520 - 2\,340 + 252 = 43\,512$$



OR

$$-184\,680 + 142\,800 - 9\,240 + 5\,520 + 2\,340 - 252 = 43\,512$$

4.2. **Give ONE reason why the auditor would not be satisfied with this explanation.**

Unethical. He should not go along with the owner's request. They make use of the invoice basis to record VAT, so it has to be recorded and paid.



ACTIVITY F5

5.1 Calculate the VAT amount that is payable to SARS on 31 August 2022



$$-31\,470 - 80\,250 + 57\,750 - 1\,725 + 3\,375 + 4\,800 - 1\,440$$

OR

$$+ 31\,470 + 80\,250 - 57\,750 + 1\,725 - 3\,375 - 4\,800 + 1\,440$$

OR

$$\text{OUTPUT: } 31\,470 + 80\,250 - 3\,375 - 4\,800 = 103\,545$$

$$\text{INPUT: } 57\,750 - 1\,725 - 1\,440 = 54\,585$$

OR

$$\text{OUTPUT: } 31\,470 + 80\,250 + 1\,725 + 1\,440 = 114\,885$$

$$\text{INPUT: } 57\,750 + 3\,375 + 4\,800 = 65\,925$$

5.2 Advise the accountant on dealing with the matter of the documents submitted by Tom Smith.

The accountant must explain to / advise Tom:

- That he should keep business transactions separate from personal matters (business entity rule – easier to assess progress of the business)
- That this practice must stop because it is unethical and could place the business at risk (financial; reputation; image)
- To declare the errors to SARS and to pay over the amounts due before SARS discovers the fraud, and implement further fines (penalties)
- That these documents must not be used to claim input VAT, unless he decides to transfer those assets to the business (and reflected in the books).
- VAT information must be kept separately and meticulously as the business is an agent of SARS, subject to audits.
- Do not engage in this type of activity as it is tax fraud



ACTIVITY F6

6.1 Calculate the VAT amount that is receivable from or payable to SARS

$$-9\ 840 + 35\ 250 - 14\ 700 - 1\ 950 - 4\ 460 + 750 + 6\ 540 = 11\ 590 \text{ PAYABLE}$$



OR

DR	VAT CONTROL	CR
9 840		35 250
14 700		750
1 950		6 540
4 460		
11 590		
42540		42540

6.2 Comment on offer made by Ashwin. State TWO points

- Buying stolen goods is illegal and unethical
- Tax evasion is illegal can tarnish the image of business
- Issuing and recording proper documents is important internal control measure
- It is fraudulent not to issue an invoice on sale

