



KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

CURRICULUM GRADE 10 -12 DIRECTORATE

NCS (CAPS)

TEACHER GUIDE DOCUMENT

GRADE 10

ACCOUNTING

STEP AHEAD PROGRAMME

2024



CODE OF ETHICS- MARKING GUIDELINES

ACTIVITY A 1

- 1.1
 1. B
 2. A
 3. C
 4. D
 1.2
 1.2.1 Prudence Concept
 1.2.2 Principle of Materiality
 1.2.3 Business Entity Rule
 1.2.4 Historical Cost Concept
 1.2.5 Matching Principle
 1.2.6 Going Concern

- 1.3
 1.3.1 -Install tracking device in all vehicles
 -Put a log book in the vehicles
 -Install cameras in the vehicles
 1.3.2 -Division of Duties
 -Ask customers to sign for the stock received as a verification
 -Physical Count of stock

ACTIVITY A 2

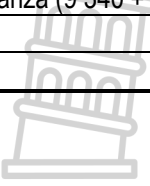
| | | |
|----|-----------|--|
| A. | 40% | |
| B. | R9 600 | |
| C. | R600 | |
| D. | R12 240 | |
| E. | 3R 732.40 | |
| F. | R10 000 | |
| G. | R52 | |
| H. | R960 | |
| I. | R4 860 | |
| J. | R2 880 | |

ACTIVITY B1 : DEBTORS RECONCILIATION AND INTERNAL CONTROL

DEBTORS RECONCILIATION

| | | | | | | | |
|---------------------|---------------------------|-----|--------|---------------------|--|-----|--------|
| 2023 March 01 | Balance (13 930 – 470) | b/d | 13 460 | 2023 March 01 | Bank and Discount Allowed (36 690 + 958) | CRJ | 37 648 |
| | Sales (59 060+380) | DJ | 59 440 | | Debtors Allowances (13 520 + 280) | DAJ | 13 800 |
| | Petty Cash | PCJ | 600 | | Journal Credits 1 290 + 3 832 | GJ | 5 122 |
| | Journal Debits | GJ | 2 220 | | Balance | c/d | 19 150 |
| | | | 75 720 | | | | 75 720 |
| 2023 June 01 | Balance | b/d | 19 150 | | | | |

| Debtors List as of 31 May 2023 | |
|---------------------------------------|--------|
| M Sadiki (4 400 – 1500) | 2 900 |
| I Zitha (3 690 + 2 220) | 5 910 |
| P Thebe (4 790 - 958 – 3 832) - 4 790 | *0 |
| B Mpanza (9 340 + 400+ 6 00) | 10 340 |
| | 19 150 |
| | |



ACTIVITY B2: DEBTORS RECONCILIATION AND INTERNAL CONTROL

2.1 DEBTORS RECONCILIATION

2.1.1

| DEBTORS CONTROL ACCOUNT | | | | | | | | | | | |
|-------------------------|----|---------------|-----|---------|--|-----|----|-------------------------|-----|---------|--|
| Mar | 1 | Balance | | | | Mar | 31 | Bank & discount allowed | CRJ | 266 040 | |
| | | (89 560+600) | b/d | 83 560 | | | | Debtors' allowances | | | |
| | 30 | Sales | DJ | 270 000 | | | | (1200+210+520) | DAJ | 1 930 | |
| | | Journal debit | | 1 020 | | | | Journal credits | GJ | 1 950 | |
| | | (720+300) | GJ | | | | | balance | c/d | 84 660 | |
| | | | | 354 580 | | | | | | 354 580 | |
| Apr | 1 | Balance | b/d | 84 660 | | | | | | | |

2.1.2

| Debtors List as of 30 March 2023 | |
|----------------------------------|--------|
| Mdiniso (17 600-520) | 17 080 |
| Thwala (16 380+2 900+300) | 19 580 |
| Nhlengethwa (14 400 -400) | 14 000 |
| Msomi (21 900-2 900) | 19 000 |
| Vilakazi (18 200-1600-1600) | 15 000 |
| | 84 660 |



ACTIVITY B3

3.1 List the corrections that the bookkeeper must make to the Creditors' Control Account in the General Ledger.

| | |
|---------------|----------|
| Balance | R160 300 |
| A | (13 000) |
| B | 10 100 |
| C | No entry |
| D | No entry |
| E | 470 |
| F | (45 000) |
| G | No entry |
| Final balance | R112 870 |

3.2 Prepare the correct Creditors' List of balances on 31 February 2024.

| | | |
|--|---------|--|
| Hill Top Traders (29 600 – 2 300 + 30 000) | 57 300 | |
| JZ Wholesalers (96 500 + 2 300 – 45 000) | 53 800 | |
| Ratau Stores (44 300 – 43 000 + 470) | 1 770 | |
| | 112 870 | |



ACTIVITY B4

4.1

| | Creditors' Control | |
|---------|----------------------|----------|
| | Adjustment | No entry |
| Balance | 58 270 | |
| 1 | | x |
| 2 | | x |
| 3 | (4 500) OR -4 500 | |
| 4 | 825 | |
| 5 | 480 | |
| 6 | | x |
| | 55 075 | |

4.2

| CREDITORS' LIST | |
|------------------------------------|---------------|
| Zuko Traders (8 465 + 500 + 825) | 9 790 |
| Enzo Stores (5 123 + 3 820) | 8 943 |
| Mkhonza Network (12 874 – 4 500) | 8 374 |
| Pace Wholesalers (14 869 – 3 820) | 11 049 |
| Dada Distributors (21 119 – 4 200) | 16 919 |
| | 55 075 |

ACTIVITY B5

5.1.1 Ntshondwe Traders have the telephone numbers of all their debtors. What other information should they obtain before allowing customers to open accounts? State TWO points with a reason in EACH case.

| | | |
|----------------|---|---|
| Point 1 | <u>Salary</u> advice slip / Proof of income | To set credit limits for each possible debtor To determine affordability |
| Point 2 | Proof of residence / Address | To be able to trace debtors not adhering to credit terms and conditions Constant reminders of amount owed To ensure that statements are sent to correct addresses |
| OR | Contact details of family / friend | To track the debtor if other information is incorrect / changes |
| OR | Bank statement / balance | To check how the debtor is managing his finances |
| OR | Identity document | Ensure that correct personal details of customers are on record |
| OR | Credit references / Credit history | To check that they will not sell to bad debtors To check credit worthiness |
| OR | Email address | Prompt communication of statements of account |

5.1.2 Calculate the correct closing balance of the Debtors' Control Account on 30 June 2023.

$$324\ 400 + 7\ 500 - 2\ 700 + 1\ 500 = 330\ 700$$

$$63\ 000 - 60\ 300$$

OR: T-account with figures on correct sides

| Debit (plus) | Credit (minus) |
|--------------|---------------------|
| 324 400 | 2 700 |
| 7 500 | Balance c/d 330 700 |
| 1 500 | |

Calculate the correct amounts owing by debtors.

| | Calculations | Balance |
|--------------------------|---|----------------|
| S Shangase (D1) | 25 500 120 400 – 23 050 – 2 450 | 94 900 |
| K Buthelezi (D2) | 75 000 – 12 900 | 62 100 |
| T Mbhele (D3) | 39 000 + 7 500 – 8 100 | 38 400 |
| N Mavuso (D4) | | 84 000 |
| B Ntshangase (D5) | 7 800 + 12 900 + 15 300 + 15 300 30 600 | 51 300 |
| Total | | 330 700 |

ACTIVITY B6

6.1 GENERAL LEDGER OF TSHELEJUBA DEALERS

| Dr | | | | DEBTORS' CONTROL | | | | B7 | | Cr |
|-----|----|-------------------------------|-----|------------------|-----|----|------------------------------------|-----|----------------|----|
| Jun | 1 | Balance | b/d | 26 920 | Jun | 30 | Bank (70 000 | CRJ | 70 000 | |
| | 30 | Sales (118 120-4420) | DJ | 113 700 | | | Discount allowed (3 380 | CRJ | 3 380 | |
| | | Sundry debits (4 440+1200) | GJ | 5 640 | | | Debtors Allowances (27 040+560) | DAJ | 27 600 | |
| | | | | | | | Sundry Credits (2 580+ 9580) | GJ | 12 160 | |
| | | | | | | | Balance | c/d | 33 120 | |
| | | | | 146 260 | | | | | 146 260 | |
| Jul | 1 | Balance | b/d | 33 120 | | | | | | |

6.2 DEBTORS' LIST FOR 30 JUNE 2022

| DEBTORS | |
|----------------------------------|---------------|
| M. Langa (7 620 – 3 000) | 4 620 |
| M. Gumbi (9 580 – 9580) | 0 |
| S. Ngcobo (16 680 + 800 + 1 200) | 18 680 |
| X. Maduna (5 380 + 4 440) | 9 820 |
| Total | 33 120 |

6.3 By making reference to transaction no.1 mention ONE control measure that should be implemented by the business before they can grant credit to customers.

- Credit History
- Proof of income
- Bank Statement
- Proof of Residence



ACTIVITY C1

1.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question number (1.1.1–1.1.4) in the ANSWER BOOK.

| | |
|-------|--------|
| 1.1.1 | False |
| 1.1.2 | True 8 |
| 1.1.3 | True |
| 1.1.4 | True |

1.2.1

Identify what is wrong with the job description of Supporta?

Lack of internal control / Nobody is checking Supporta's work / Supporta is performing too many duties.

1.2.2

Name THREE internal control measures that needs to be adhered to regarding Supporta's job description.

Division of duties / The person receiving the money should be different from the one depositing it
A senior person to supervise Ronnie
Effectively apply Internal Control



SALARIES JOURNAL OF REED TRADERS FOR MAY 2024

SJ 5

| Employees | Gross salaries | Deductions | | | | | EFT number | |
|-----------|----------------|------------|-------------|---------|-----|------------------|------------|-------------|
| | | PAYE | Medical aid | Pension | UIF | Total deductions | | Nett salary |
| Veli S | 14 800 | 3 404 | 530 | 1 036 | 148 | 5 118 | 9 682 | 22 |
| Ndu M | 9 700 | 1 940 | 225 | 680 | 97 | 2 942 | 6 758 | 23 |
| | 24 500 | | | | | 8 060 | 16 440 | |

| Employees | Employer's contribution | | | | Total Contribution |
|-----------|-------------------------|---------|-----|------------|--------------------|
| | Medical aid | Pension | UIF | Skill levy | |
| Veli S | 1 060 | 1 480 | 148 | 148 | 2 836 |
| Ndu M | 450 | 970 | 97 | 97 | 1 614 |
| | | | | | |

ACTIVITY C2

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

| YEAR | ANNUAL SALARY |
|------|---------------|
| 2017 | 48 000 |
| 2018 | (i) 52 800 |
| 2019 | 57 600 |
| 2020 | (ii) 62 800 |
| 2021 | 68 000 |
| 2022 | (iii) 73 500 |
| 2023 | 79 000 |
| 2024 | 84 500 |

2.1.2 **What is Sandile's monthly starting salary?**

$$48\,000/12 = R4\,000$$

2.1.3 **In which year will Sandile earn R57 600?**

2012

2.1.4 **By what percentage will Sandile's salary increase at the end of the first year?**

$$\frac{4\,800}{(52\,800 - 48\,000) / 48\,000} \times 100 = 10\%$$

2.1.5 **How many years will Thuto work before he earns an annual salary of R84 500?**

After 7 years OR
In the 8th year

2.2

Net Salary of Njabulo for March 2024.

| | |
|---------------------|--------------|
| Gross Salary | 6 700 |
| Less: Deductions | (1 958) |
| PAYE | 1 005 |
| Medical aid fund | 350 |
| Pension fund | 536 |
| UIF | 67 |
| Net Salary | 4 742 |

2.3.1

Is the action being considered by Mhlanga suppliers appropriate? Motivate your answer by providing ONE point.

- The action is unlawful, it is a breach of the employment contract
- The employee can report the employer to the labour court or to the union, for implementing unlawful salary cuts

2.3.2

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

- Train employees
- Increased supervision over employees



2.4 WAGES JOURNAL OF GUMEDE TRADERS FOR THE WEEK-ENDING 17 MAY 2024

WG12

| EMPLOYEE | NORMAL TIME | | | OVERTIME | | | GROSS WAGE | DEDUCTIONS | | | | NET WAGE | | EMPLOYER'S CONTRIBUTION | | |
|----------|-------------|--------|--------|----------|--------|--------|------------|------------|------|-----|-------------|----------|-------|-------------------------|-----------|-----|
| | Hrs | Tariff | Amount | Hrs | Tariff | Amount | | Pen. fund | PAYE | UIF | Trade Union | Total | | SDL | Pen. fund | UIF |
| Themba | 40 | 50 | 2 000 | 5 | 75 | 375 | 2 375 | 160 | 285 | 20 | 9 | 474 | 1 901 | 23,75 | 240 | 20 |
| Sugar | 40 | 40 | 1 600 | 2 | 60 | 120 | 1 720 | 128 | 172 | 16 | 9 | 325 | 1 395 | 17,20 | 192 | 16 |

ACTIVITY C3

WAGES JOURNAL OF MALINDE TRADERS FOR THE WEEK ENDED 15 MAY 2024 WJ 5

| Employees | Normal time | | | Overtime | | | Gross wage | Deductions | | | | | |
|-----------|-------------|------|--------|----------|------|--------|------------|------------|-------|-----|-----|-------------|-------|
| | Hours | Rate | Amount | Hours | Rate | Amount | | Pension | Staff | UIF | Tax | Medical aid | Total |
| Ngcobo M | 45 | 60 | 2 700 | 12 | 90 | 1 080 | 3 780 | 216 | 8 | 27 | 756 | 250 | |
| Mkhwa T | 45 | 40 | 1 800 | 8 | 60 | 480 | 2 280 | 144 | 8 | 18 | 456 | 150 | |
| Tshezi K | 40 | 30 | 1 200 | 2 | 45 | 90 | 1 290 | 96 | 8 | 12 | 258 | 225 | |
| | | | | | | | | | | | | | |

| Net wage | Employer's distribution | | | |
|----------|-------------------------|-------------|-----|-------|
| | Pension | Medical aid | UIF | Total |
| | 324 | 500 | 27 | |
| | 216 | 300 | 18 | |
| | 144 | 450 | 12 | |
| | | | | |

1.1.1 **ACTIVITY D1**

| | |
|-----------------------|---------------|
| 2 100 000 – 1 250 000 | Answer |
| | 850 000 |

1.1.2

| | |
|---------------------|---------------|
| (i) | Answer |
| 1 370 000 – 680 000 | 690 000 |

| | |
|------------------------------------|---------------|
| (ii) | Answer |
| See (i) above 690 000 – 400 000 | 290 000 |

| | |
|--|---------------|
| (iii) | Answer |
| NEW: 680 000 x 20/100 x 6/12 | 68 000 |
| OLD: See (i) above 690 000 x 20/100 | 138 000 |
| 68 000 + 138 000 | 206 000 |

| | |
|--------------------------------------|---------------|
| (iv) | Answer |
| See (iii) above 400 000 + 206 000 | 606 000 |

1.1.3

| | |
|------------|---------------|
| (i) | Answer |
| | 200 000 |

| | |
|---|---------------|
| (ii) | Answer |
| $200\ 000 - 85\ 000 = 115\ 000 \times 15/100$ | 17 250 |

| | |
|----------------------------------|---------------|
| (iii) | Answer |
| $200\ 000 - (85\ 000 + 17\ 250)$ | 97 750 |

1.1.4

| | |
|---|---------------|
| See 2.1.2 (iii) See 2.1.3 (ii) $206\ 000 + 17\ 250$ | Answer |
| | 223 250 |

1.2.1

| Consider the information provided on 30 June 2024. Identify ONE problem per taxi. Quote figures to support your opinion. Give ONE point of advice in each case. | | |
|--|--|---|
| | Problem with figures | Advice |
| NV 26 Hlangene | High running cost R 7,50 Vehicle too old exceeded 10 years life span | Buy new vehicle Swap the cars and give it to Lloyd |
| NV 27 Xoli | Possibility that driver Thabo is stealing cash R180 000 cashed. Less than other drivers | Supervise / monitor the driver closely Appoint drivers assistant Ensure that drivers deposit cash within 24 hours |
| NV 27 Lloyd | Lloyd is a lazy driver only 44 000 kms travelled | Swap the cars and give it to Hlangene Pay drivers in a form of commission/as per work done/monies deposited |

ACTIVITY D 2

GENERAL LEDGER OF MHLANGA TRADERS ON 29 FEBRUARY 2024

2.1. TRADING ACCOUNT

| | | | | | | | |
|-------------|--------|---|----------------|-------------|----|--|----------------|
| 2024 Feb | 2 9 | Cost of Sales (500 000+3 000) | 503 000 | 2024 Feb | 29 | Sales (875 000-12 600+5 000) | 867 400 |
| | | Profit and Loss | 364 400 | | | | |
| | | | 867 400 | | | | 867 400 |

2.2. PROFIT AND LOSS ACCOUNT

| | | | | | | | |
|-------------|----|---------------------------------------|---------------|-------------|----|--|----------------|
| 2022 Feb | 29 | Discount Allowed | 800 | 2022 Feb | 29 | Trading Account | 364 400 |
| | | Bank Charges | 1 210 | | | Discount Received | 880 |
| | | Sundry Expenses | 5 400 | | | Fee Income (8 400+4 000) | 12 400 |
| | | Water and Electricity | 14 200 | | | Rent Income (41 100-3 300) | 37 800 |
| | | Salaries and wages (96 750-14 400) | 82 350 | | | Trading stock surplus (16 300-3 000-15 500) | 2 200 |
| | | Insurance (9 800-1 620) | 8 180 | | | Interest on fixed deposit | 2 200 |
| | | Bad debts (5 200+720) | 5 920 | | | | |
| | | Telephone (12 560+450) | 13 010 | | | | |
| | | Stationery (10 800-460) | 10 340 | | | | |
| | | Interest on Loan (13 500+4 500) | 18 000 | | | | |
| | | Depreciation (69 000+17 600) | 86 600 | | | | |
| | | | 173 | | | | |
| | | Capital Account | 870 | | | | |
| | | | 419 | | | | |
| | | | 880 | | | | 419 880 |

ACTIVITY D 3

GENERAL LEDGER OF MABHELE STORES ON 29 FEBRUARY 2024

3.1. TRADING ACCOUNT

| | | | | | | | |
|-------------|----|-----------------|------------------|-------------|----|--------------------------|------------------|
| 2024 Feb | 29 | Cost of Sales | 2 130 000 | 2024 Feb | 29 | Sales (4 550 000-45 000) | 4 505 000 |
| | | Profit and Loss | 2 375 000 | | | | |
| | | | 4 505 000 | | | | 4 505 000 |

3.2.

PROFIT AND LOSS ACCOUNT

| 2024 Feb | 29 | | | 2024 Feb | 29 | | |
|-------------|----|---|------------------|-------------|----|---|------------------|
| | | Salaries and Wages | 1 402 000 | | | Trading Account | 2 375 000 |
| | | Insurance | 38 000 | | | Rent Income (423 500+ 38 500) | 62 000 |
| | | Repairs | 26 000 | | | Bad Debts Recovered (7 800 + 3 200) | 11 000 |
| | | Telephone | 18 400 | | | Interest on Fixed on Deposit (40 000 + 5 600) | 45 600 |
| | | Interest on Overdraft (5 900 + 4 500) | 10 400 | | | | |
| | | Rates (27 000-9 600) | 17 400 | | | | |
| | | Stationery (22 400- 2 800) | 19 600 | | | | |
| | | Bank Charges (14 000+2 000) | 16 000 | | | | |
| | | Bad Debts (9 600+ 14 400) | 24 000 | | | | |
| | | Interest on Loan (80 000+10 000) | 90 000 | | | | |
| | | Depreciation (24 000+270 000) | 294 000 | | | | |
| | | Water and Electricity (30 000+ 9 200) | 39 200 | | | | |
| | | Loss due to fire (40 000 x 40%) (40 000 – 24 000) | 16 000 | | | | |
| | | Stock deficit (359 000 – 312 000) | 47 000 | | | | |
| | | Capital Account | 835 600 | | | | |
| | | | 2 893 600 | | | | 2 893 600 |



ACTIVITY D 4

GENERAL LEDGER OF AMASHIMANE STORES ON 30 JUNE 2024
TRADING ACCOUNT

4.1.

| | | | | | | | |
|-------------|----|--------------------------------------|------------------|-------------|----|------------------------------|------------------|
| 2024 JUN | 30 | Cost of Sales (2 263 000 + 6 000) | 2 296 000 | 2024 JUN | 30 | Sales (6500000 -13000 +9000) | 6 496 000 |
| | | Profit and Loss | 4 227 000 | | | | |
| | | | 6 496 000 | | | | 6 496 000 |

| | | | | | | | |
|-------------|----|---|------------------|-------------|----|--|------------------|
| 2024 JUN | 30 | Salaries and Wages | 980 000 | 2024 JUN | 30 | Trading Account | 4 227 000 |
| | | Bad debts | 17 000 | | | Rent income(288 000 –44 000) | 224 000 |
| | | Discount allowed | 20 000 | | | Commission income | 42 000 |
| | | Bank charges | 55 000 | | | Discount received | 30 000 |
| | | Telephone | 165 000 | | | Interest on fixed deposit (18 000 + 3 600) | 21 600 |
| | | Packing materials (45 000 – 10 000) | 35 000 | | | | |
| | | Insurance (98 000 – 15 000) | 83 000 | | | | |
| | | Water and electricity (180 000+ 1 000) | 181 000 | | | | |
| | | Sundry expenses (240 000+ 50 000) | 290 000 | | | | |
| | | Trading stock deficit (284 000– 6 000– 272 500) | 5500 | | | | |
| | | Depreciation (60 000 + 80 000 + 12 500) | 1852 500 | | | | |
| | | Interest on loan (28 000 + 50 000) | 78 000 | | | | |
| | | Capital Account | 2 502 600 | | | | |
| | | | | | | | |
| | | | 4 544 600 | | | | 4 544 600 |

Activity E1

1.1 STATEMENT COMPREHENSIVE INCOME OF GUMEDE TRADER ON 29 February 2024

| | | |
|--|--|---------------|
| Sales (625 850 – 17 850 + 9 000 – 15 000) | | 602 000 |
| Cost of sales (309 000 + 6 000 – 10 000) | | (305 000) |
| Gross profit | | 297 000 |
| Other operating income | | 44 560 |
| Discount Received | | 9 000 |
| Rent income (40 800 – 6 000) | | 34 800 |
| Bad Debts Recovered | | 760 |
| Gross operating income | | 341 560 |
| Operating expenses | | (241 745) |
| Discount Allowed | | 1 800 |
| Salaries and Wages(120 900 + 19 000 + 3 000) | | 142 900 |
| Repairs and maintenance (155 000 - 152 500) | | 2 500 |
| Advertising (5 600 – 1 200) | | 4 400 |
| Bank Charges (1 210 + 1 470) | | 2 680 |
| Bad Debts (1 035 + 4 900) | | 5 935 |
| Insurance (5 400 + 1980) | | 7 380 |
| Trading stock deficit (38 000 - 6 000 + 10 000 - 5 200 - 35 000) | | 1 800 |
| Depreciation (12 500 + 9 000 + 19 000) | | 40 500 |
| Water and Electricity (24 000 + 1 300) | | 25 300 |
| Donation | | 5 200 |
| Stationery (1 800 + 300 - 750) | | 1 350 |
| Operating profit | | 99 815 |
| Interest income (5 000 + 1 300) | | 6 300 |
| Profit before interest expense | | 106 115 |
| Interest expense (144 000 – 24 000 -131 000) | | (11 000) |
| Net profit for the year | | 95 115 |

| 1.2 FIXED ASSETS | | | |
|--|---------------------------|-----------------|------------------|
| | LAND AND BUILDINGS | VEHICLES | EQUIPMENT |
| CARRYING VALUE AT THE BEGINNING | 480 000 | 95 000 | 67 000 |
| COST | 480 000 | 180 000 | 125 000 |
| ACCUMULATED DEPRECIATION | 0 | (85 000) | (58 000) |
| MOVEMENT | 152 500 | 62 000 | (12 500) |
| ADDITION AT COST | 152 500 | 90 000 | 0 |
| DISPOSAL AT CARRY VALUE | (0) | (0) | (0) |
| DEPRECIATION | (0) | (28 000) | (12 500) |
| CARRYING VALUE AT THE END | 632 500 | 157 000 | 54 500 |
| COST | 632 500 | 270 000 | 125 000 |
| ACCUMULATED DEPRECIATION | (0) | (113 000) | (70 500) |

Activity E2

LANGA STORES NOTES TO THE BALANCE SHEET

2.1

| Note 2: INVENTORIES | |
|--|----------------|
| Trading stock 310 000 – 11 000 | 299 000 |
| Packing material (consumable stores) on hand | 7 300 |
| | <u>306 300</u> |

| Note 3: TRADE AND OTHER RECEIVABLES | |
|--|---------------|
| Debtors control | 48 700 |
| Prepaid expenses | 14 000 |
| Accrued income (receivable) | 8 000 |
| | <u>70 700</u> |

| Note 4: CASH AND CASH EQUIVALENTS | |
|--|---------------|
| Petty cash | 1 200 |
| Fixed deposit | 25 000 |
| | <u>26 200</u> |

| Note 5: CAPITAL | |
|---|------------------|
| Balance at the beginning of the year | 850 000 |
| Additional capital | 180 000 |
| Net income | 235 000 |
| Drawings 125 000 + 11 000 | (136 000) |
| Balance at the end of the year | <u>1 129 000</u> |

Note 6: TRADE AND OTHER PAYABLES

| | |
|---------------------------------------|---------------|
| Trade creditors | 74 800 |
| Accrued expenses (payable) | 3 900 |
| Income received in advance (deferred) | 15 000 |
| | 93 700 |

2.2 **BALANCE SHEET ON 29 February 2024**

| ASSETS | Note | R |
|---------------------------------------|-------------|------------------|
| Non-current assets | | 1 254 200 |
| Fixed assets 1 191 200– 32 000 | 1 | 1 159 200 |
| Investments 120 000– 25 000 | | 95 000 |
| Current assets | | 403 200 |
| Inventories | 2 | 306 300 |
| Trade and other receivables | 3 | 70 700 |
| Cash and cash equivalents | 4 | 26 200 |
| TOTAL ASSETS | | 1 657 400 |
| EQUITY AND LIABILITIES | | |
| Owner's equity | | 1 129 000 |
| Capital | 5 | 1 129 000 |
| Non-current liabilities | | 335 000 |
| Loan from Star Bank 350 000 – 15 000 | | 335 000 |
| Current liabilities | | 193 400 |
| Trade and other payables | 6 | 93 700 |
| Bank overdraft 64 700+ 15 000 | | 99 700 |
| TOTAL EQUITY AND LIABILITIES | | 1 657 400 |

ACTIVITY E3

3.1

- (i) Calculate the carrying value of Land and Buildings on 1 March 2023.

$$2\,550\,000 - 325\,000 = 2\,225\,000$$

- (ii) Calculate the total depreciation on vehicles on 29 February 2024.

New:

$$422\,550 \times 20/100 \times 6/12 = 42\,255$$

Old:

$$350\,000 \times 20/100 = 70\,000$$

$$42\,255 + 70\,000 = 112\,255$$

- (iii) Calculate the carrying value of Vehicles on 29 February 2024.

$$135\,000 + 422\,550 - 112\,255 = 445\,295$$

OR

$$772\,550 - (215\,000 + 112\,255) = 445\,295$$
$$327\,255$$

- (iv) Calculate the total carrying value of fixed assets on 29 February 2024

$$2\,550\,000 + 445\,295 + 50\,994 = 3\,046\,289$$



3.2 STATEMENT OF FINANCIAL POSITION OF OLD MILL TRADERS ON 29 February 2024

| | | |
|--|--|------------------|
| ASSETS | | |
| NON-CURRENT ASSETS | | 4 075 939 |
| Fixed assets | | 3 046 289 |
| Fixed Deposit (1 199 650 – 170 000) | | 1 029 650 |
| CURRENT ASSETS | | 1 148 661 |
| Inventory | | 686 881 |
| Trade and other receivables 67 200 – 270 + 6 800 +10 350 | | 84 080 |
| Cash and cash equivalents (180 000+10 000+ 17 700+170 000) | | 377 700 |
| TOTAL ASSETS | | 5 224 600 |
| EQUITY AND LIABILITIES | | |
| OWNER, S EQUITY | | 4 703 000 |
| Capital Account (4 400 000+518 000- 215 000) | | 4 703 000 |
| | | |
| NON-CURRENT LIABILITIES | | 282 000 |
| Loan: Bule Bank 332 000 – 50 000 (376 000+48 000-92 000) | | 282 000 |
| CURRENT LIABILITIES | | 239 600 |
| # Trade and other payables (184 000 + 5 600) | | 189 600 |
| Current portion of loan | | 50 000 |
| TOTAL EQUITY AND LIABILITIES | | 5 224 600 |

ACTIVITY E4

4.1 Solvency Ratio

$(2\,250\,000 + 150\,000 + 1\,287\,500) : (818\,750 + 368\,750)$

3 687 500 : 1 187 500

3,1: 1

4.2 Current Ratio

1 287 500 : 368 750

3,5: 1

4.3 Acid test ratio

$$(1\ 287\ 500 - 300\ 000) : 368\ 750$$

$$987\ 500 : 368\ 750$$

$$2,7 : 1$$

4.4 Return on average owner's equity

$$\frac{525\ 000}{(1\ 475\ 000 + 2\ 500\ 000)/2} \times 100$$

$$\frac{525\ 000}{1\ 987\ 500} \times 100$$

$$= 26,4\%$$

4.5 Operating expenses on sales

$$\frac{700\ 000}{1\ 875\ 000} \times 100$$

$$37,3\%$$

4.6 Mark-up % achieved

$$1\ 875\ 000 - 1\ 118\ 750 = 756\ 250$$

$$\frac{756\ 250}{1\ 118\ 750} \times \frac{100}{1}$$

$$= 67,6\%$$

ACTIVITY E 5

5.1 CALCULATE THE MISSING FINANCIAL INDICATORS FOR 2024.

5.1.1 The percentage operating expenses on sales

$$\frac{566\ 400}{2\ 560\ 000} \times \frac{100}{1} = 22,1\%$$

5.1.2 Current Ratio

$$270\ 000 : 108\ 000 = 2,5 : 1$$

5.1.3 Acid-test Ratio

$$(77\ 000 + 58\ 000)$$

OR

$$(270\ 000 - 135\ 000)$$

$$135\ 000 : 108\ 000 = 1,3 : 1$$

| |
|---|
| 5.1.4 The percentage return on average equity |
| $\frac{423\,600}{\frac{1}{2}(1\,647\,000 + 1\,213\,000)} \times \frac{100}{1}$ <p>= 29,6%</p> |
| 5.2 Explain whether Lwazi should be happy with the solvency of the business. Quote indicator & trend: |
| Solvency ratio improve from 4,5:1 to 6,8:1 Explanation: The business should not have any problem in settling in all its debts. Further valid clarification: - Total assets exceed total liabilities by a considerable amount |

| |
|--|
| 5.3 Explain whether Lwazi should be happy with the liquidity of the business. Quote TWO financial indicators and their trends in this case. |
| Quote indicators & trends: - Current ratio changed from 3 :1 to 2,5 :1 - Acid-test ratio changed from 0,75 ; 1 to 1,3: 1 Explanation: - The business is able to settle its current debts. - Acid-test ratio was too low in 2017 / now acceptable as liquid assets (T&OR and C&CE) now exceed CL - Current ratio was acceptable in 2017 and has decreased, but still enough money to pay the debts. |
| 5.4 Lwazi has change the mark-up % in 2024. Explain why Lwazi's decision was wrong. Quote figures to support your answer. |
| Quote indicator & trend: Mark-up % changed from 75% to 60% Explanation (with figures): Although this led to an increase in sales of R285 000, the gross profit has decreased by R15 000 Or Although this led to an increase in goods sold (cost of sales of R300 000) the gross profit has decreased by R15 000 |
| 5.5 Explain why Lwazi should be happy with the % return on equity. Quote ONE financial indicators and their trends in this case. |
| Quote indicator & trend: % return on equity changed from 27,2% to 29,6% Explanation: This exceeds return on alternative investments |

ACTIVITY E 6

6.1 PHAKATHI STORES

6.1.1 Comment on whether the business was able to manage its expenses efficiently, thus making more profit. Quote and explain TWO relevant financial indicators

Operating expenses on sales decreased from 30% to 25% / by 5%

And

Operating profit on sales increased from 17,5% to 19,3% / by 1,8%

Or

Net profit on sales increased from 10,5% to 11,7% / by 1,2%

General Comment (may be included in financial indicators comment)

Business managed to minimise expenses/ show good control over expenses which increased profit

3.1.2 Comment on the liquidity position of the business by quoting TWO relevant financial indicators

Current ratio decreased from 1,2:1 to 0,9:1

Acid test ratio decreased from 0,8:1 to 0,6:1

The business is currently facing liquidity problems/ unable to pay its short term debts/ liquidity position is bad

6.2 SIBIYA TRADERS

6.2.1. The business has a target mark-up percentage of 80% on cost. Quote ONE financial indicator to explain whether the business achieved its target mark-up

Explain ONE reason that may cause the business not to achieved its targeted mark-up

Gross profit on cost of sales increased from 60,7% to 75% / by 14,3%

The business did not achieve target mark-up of 80%

Selling on discounted or reduced prices / errors in calculating selling prices

6.2.2 Comment on the degree of solvency of the business. Quote ONE relevant financial indicator.

Solvency ratio increased from 2,3:1 to 2,8:1

The business is solvent/ solvency is good/ able to pay its total debts

Activity E7

| 7.1. Trade And Other Payables | |
|--------------------------------|---------------|
| Trade Creditors (23 400 + 900) | 24 300 |
| Accrued Expenses | 2 300 |
| Deferred Income | 4 700 |
| | 31 300 |

| 7.2. MUJI DELALERS | |
|--|----------------|
| STATEMENT OF FINANCIAL POSITION AS AT 29 FEBRUARY 2024 | |
| EQUITY AND LIABILITY SECTION | |
| Owners Equity | 638 325 |
| Capital (195 630 + 70 000 + 397 695 – 25 000) | 638 325 |
| NON CURRENT LIABILITIES | 32 000 |
| Loan (60 000 + 7 000 – 21 000– 14 000) | 32 000 |
| CURRENT LIABILITIES | 74 300 |
| Trade and Other Payables | 31 300 |
| Bank Overdraft | 29 000 |
| Current Portion of Loan | 14 000 |
| TOTAL EQUITY AND LIABILITIES | 744 625 |

ACTIVITY E8

8.1 Calculation of fixed assets note

| | |
|----|---|
| A. | $R1\ 200\ 000 - R600\ 000 = R600\ 000$ |
| B. | $R700\ 000 - R280\ 000 = R420\ 000$ |
| C. | $R420\ 000 \times \frac{20}{100} = R84\ 000$ (old) $R145\ 000 \times \frac{20}{100} \times \frac{9}{12} = 21\ 750$ (new) Total depreciation = 105 750 |
| D. | $R420\ 000 + R145\ 000 - R105\ 750 = R459\ 250$ |



| 8.2 STATEMENT OF FINANCIAL POSITION ON 30 APRIL 2024 | |
|---|------------------|
| ASSETS | |
| NON-CURRENT ASSETS | 2 049 200 |
| Fixed (tangible) assets | 1 931 250 |
| Financial assets: Fixed deposit <i>balancing figure</i> | 117 950 |
| CURRENT ASSETS | 550 800 |
| INVENTORIES | 270 200 |
| Trade and Other Receivables (162 000+ 3 200+ 1 200) | 166 400 |
| Cash and Cash equivalents (112 000+ 2 200) | 114 200 |
| TOTAL ASSETS | 2 600 000 |
| EQUITY AND LIABILITIES | |
| OWNER'S EQUITY | 2 186 400 |
| Capital | 2 186 400 |
| NON-CURRENT LIABILITIES | 280 000 |
| Long term loan (423 200 – 103 200 – 40 000) | 280 000 |
| CURRENT LIABILITIES | 133 600 |
| Trade and other payables (86 000 + 5 800 + 1 800) | 93 600 |
| Short-term loan | 40 000 |
| TOTAL EQUITY AND LIABILITIES | 2 600 000 |

8.3 Financial indicators and interpretation.

| | |
|--|--|
| 8.3.1 | Current Ratio |
| $\frac{550\ 800}{133\ 600}$ $4,1: 1$ | |
| 8.3.2 | Acid test ratio |
| $\frac{550\ 800 - 270\ 200}{133\ 600}$ $2,1: 1$ | |
| 8.3.3 | Do you think that the business will experience liquidity problems in the near future? Briefly explain, with reference to the ratios in (8.3.1) and (8.3.2). |
| <p>No.</p> <p>The current ratio improved from 0,9: 1 in 2023 to 4,1: 1 in 2024. The acid test ratio also improved from 1,3: 1 in 2023 to 2,1: 1 in 2024. Both ratios show an improvement.</p> <p>These ratios indicate that that business could be able to meet it short-term obligations. The business should continue to try and improve these ratios.</p> | |
| 8.4 | Should the business repay the long-term loan as soon as sufficient funds are available? Explain briefly why you think this is advisable or not. |
| <p>This is not essential as the return being earned by the business exceeds the interest rate on the loan.</p> <p>However, it does not make sense to have surplus cash invested at a lower rate than the 15% (e.g. the fixed deposit). It would make sense to repay the loan provided there is no other urgent use for the money.</p> | |

