



**KWAZULU-NATAL PROVINCE**

**EDUCATION**  
REPUBLIC OF SOUTH AFRICA

**CURRICULUM GRADE 10 -12 DIRECTORATE**

**NCS (CAPS)**  
**LEARNER SUPPORT DOCUMENT**  
**GRADE 12**  
**ACCOUNTING**

**STEP AHEAD PROGRAMME**

**2024**



## 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 1 and 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:

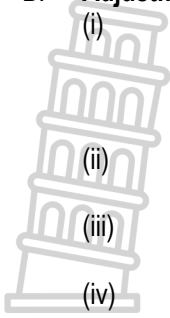
1.	<b>ACTIVITIES</b>	Pages	
	A.	Statement of Comprehensive Income and Notes	3 – 9
	B.	Statement of Financial Position and Corporate Governance	10 – 16
	C.	Cash Flow Statement Analysis and Interpretation of Financial Statements	17 – 27
	D.	Tangible Assets/Fixed Assets and Internal Control	27 – 30
	E.	Inventory Valuations	30 – 38
	F.	Cost Accounting	38 – 45
	G.	Reconciliations: Debtors, Creditors & Bank	46 – 53
2.	<b>ANSWER SHEETS</b>		
	A.	Statement of Comprehensive Income and Notes	3 – 9
	B.	Statement of Financial Position and Corporate Governance	10 – 16
	C.	Cash Flow Statement Analysis and Interpretation of Financial Statements	17 – 27
	D.	Tangible Assets/Fixed Assets and Internal Control	27 – 30
	E.	Inventory Valuations	30 – 38
	F.	Cost Accounting	38 – 45
	G.	Reconciliations: Debtors, Creditors & Bank	46 – 53

**ACTIVITY A1 - STATEMENT OF COMPREHENSIVE INCOME**

Prepare the statement of comprehensive income for the year ended 29 February 2024.

A Extract from the Pre-adjustment trial balance on 29 February 2024

BALANCE SHEET ACCOUNTS SECTION		
	2024 (R)	2023 (R)
Ordinary Share Capital	?	4 800 000
Retained income	?	1 682 458
Mortgage loan: Westside Bank	760 000	
Fixed deposit: Westside Bank	180 000	140 000
Debtors' control	458 650	
Provision for bad debts	?	9 820
SARS: Income tax (provisional payments)	186 000	
Stationery on hand (1 March)	R500	
Creditor's control	166 800	
Sales	3 321 000	
Cost of sales	1 845 000	
Salaries and wages	360 500	
Stationery	24 684	
Insurance	46 500	
Rent income	92 736	
Interest on fixed deposit	12 400	
Directors' fees	276 000	
Audit fees	24 600	
Bad debts	16 680	
Bad debts recovered	3 850	
Depreciation	46 000	
Interest on loan (Balancing figure)	?	
Ordinary share dividends	21 600	

**B. Adjustments not considered yet:**

- (i) Goods are sold at a mark-up of 80% on the cost price. Discount for damaged goods sold during the year amounted to R14 600.  
A credit invoice for R33 120 issued to a debtor was not recorded. This invoice included a Vat at 15%.
- (ii) Stationery on hand on the 28 February amounted to R2584. The Stationery on hand on 1 March 2023 were not reversed
- (iii) Included in the amount for insurance was a yearly premium of R5 520 paid on 1 December 2023 for the year ending 30 November 2024.
- (iv) One worker was not paid his salary for February 2024. His details are as follows:

Deductions	Net salary	Employer's contributions
R6000 30%	?	R3 800

NOTE: Contributions are recorded in the salaries and wages account.

- (v) Rent was received until 30 April 2024. The monthly rent was increased by 12% on 1 November 2023.
- (vi) The fixed deposit at Westside Bank was increased by R40 000 on 1 June 2023 at the existing rate of 8% p.a. The transaction was recorded. Make provision for the outstanding interest. Interest is not capitalised.
- (vii) The company has four directors. Each one of them receives the same monthly fee. Two directors received their fees for the whole year, one only received his for nine months, and one has already received his for March 2024.
- (viii) 25% of the audit fees are still outstanding.
- (ix) R1 670 was received from a debtor whose account was written off the previous year. The amount was recorded in the Debtors' control column in the CRJ. Correct the error.
- (x) Provision for bad debts must be adjusted to R9 360.
- (xi) The loan from Westside Bank was taken out on 1 July 2020. The loan will be repaid over ten years in equal monthly instalments. Repayments were made from the end of February 2024, and all payments were paid and recorded.
- (xii) Income tax is calculated at 30% of the net profit before income tax. The net profit after tax was correctly calculated as R430 080.



## ACTIVITY A1

Sales		
Cost of sales		
Gross profit		
Other income		
Gross operating income		
Operating expenses		
Salaries and wages (360 500)		
Stationery (24 684)		
Insurance (46 500)		
Directors' fees (276 000)		
Audit fees (24 600)		
Bad debts		16 680
Depreciation		46 000
Operating profit		
Interest income (12 400)		
Profit before interest expense		
Interest expense		
Profit before income tax		
Income tax		
Net profit for the year		431 410

**ACTIVITY A2**

The information relates to ABC Ltd, a business that sells toys. The financial year ended on the 29 February 2024.

**REQUIRED:**

Calculate the correct Net Profit after tax for the year ended 29 February 2024. Show all your working on the table provided.

**A.** Extract of balances and totals on 29 February:

Ordinary Share Capital	9 878 6500
Loan: Era Bank	1 650 000
Fixed deposit	1 754 000
Net trade debtors	345 000
SARS: Income tax (provisional payments)	200 000
Bank (Favorable)	2 400 000
Consumable stores	100 000
Audit fees	65 800
Rent income	109 600
Insurance	45 050
Directors fees	450 400
Ordinary share dividends	145 000

**B** The bookkeeper calculated the net profit before tax as R2 300 000. He however did not take into account only the following adjustments:

- i Consumable stores unused on 29 February 2024, R30 000.
- ii Toys with a selling price of R20 100 was donated to a children's home. The mark up % is 50% on cost.
- iii Only 70% off audit fees was paid. The balance will be paid next year.
- iv Rent income for January and February 2024 were not yet received. The tenant occupies the premises from 1 May 2023.
- v Insurance included premiums up to 31 March 2024. Note that the monthly premiums increased by 5% p.a. from 1 November 2023.
- vi The company employs three directors on the same fee structure. One of these directors did not receive his fees for February 2024. A fourth director, appointed on 1 December 2023, earns R3 200 per month more than the other directors. He received his fees for the current year.

The correct income tax for the year (after taking into account all adjustments) amounted to R240 500

**ACTIVITY A 2 ANSWER BOOK**

NET PROFIT BEFORE TAX	2 300 000
Before errors and omissions	
NET PROFIT BEFORE TAX	
NET PROFIT AFTER TAX	

**ACTIVITY A 3****FIXED ASSET AND STATEMENT OF COMPREHENSIVE INCOME**

The information relates to SHANGE Ltd for the financial year ended 29 February 2024.

**REQUIRED:**

- 3.1 Refer to INFORMATION B (i) for fixed asset: Calculate the following:
- 3.1.1 The missing amounts denoted by (i) to (iii) on the fixed asset note.
- 3.1.2 Profit / Loss on the sale of equipment on 1 October 2023.
- 3.2 Refer to INFORMATION B (v) for trading stock, Calculate the trading stock deficit.
- 3.3 Prepare the Statement of Comprehensive income for the financial year ended 29 February 2024.

**INFORMATION**

- A. Extract from the Pre adjustment Trial balance on 29 February 2024:

	R
Mortgage Loan: Safari Bank	1 005 500
Debtors control	123 000
Trading stock	?
Provision for bad debts (1 March 2023)	7 030
Sales	?
Cost of sales	6 966 000
Salaries and wages	1 468 120
Directors Fees	3 330 000
Audit fees	91 000
Repairs	476 000
Rent income	173 000
Interest income	25 000
Interest on loan	?
Bad debts	19 200
Advertising	25 680
Sundry expenses	452 310
Ordinary share dividends	86 400

- B. Adjustment and additional information:

- I. Fixed Assets:

**Vehicles:**

- The business owns two vehicles on 29 February 2024. The second vehicle was purchased on 1 November 2023.
- Vehicles are depreciated at 15% p.a. on cost.

**Equipment**

- Depreciation is 20% p.a. on the diminishing balance method.
- Unused equipment was sold for R40 000 on 1 October 2023, Accumulated depreciation on the equipment sold was R36 600 on 1 March 2023.

Extract of the Fixed Asset Note:

	Vehicles	Equipment
Cost (1 March 2023)	460 000	360 000
Accumulated depreciation (1 March 2023)	(396 750)	(187 595)
Carrying Value at the beginning	(i)	172 405
Addition on cost	510 000	0
Disposal at carrying value	0	(iii)
Depreciation	(ii)	(31 281)
Carrying value at the end		
Cost (29 February 2024)	970 000	285 000
Accumulated depreciation ( 29 February 2024)		

- II. The business maintains a mark-up of 120% on cost. Note that trade discounts of R648 000 were granted to special customers.
- III. The account of debtor M. Mvelo R800 must be written off.
- IV. Provision for bad debts must be adjusted to 5% of outstanding debtors.
- V. Trading stock is valued on the weighted-average method. The ledger account and records reflects that 280 units should be on hand. However, the physical stock count reflects only 262 units on hand. The stock records are as follows:

	UNIT	UNIT PRICE	TOTAL
Stock at the beginning of the year	200	R3 600	R720 000
Purchased during the year	1 840	R4 100	R7 544 000
Returns: damaged units	40	R4 100	R164 000
Available for sale	2 000		R8 100 000
Stock units per records	280	?	?

- VI. 30% of audit fees is still outstanding.
- VII. The monthly rent income did not change during the year. During February 2024 the tenant paid R9 000 for repairs to the premises, and deducted this from his rent from February 2024. Repairs are the responsibility of the company, and this was not recorded. The rent for March 2024 was received in advance.
- VIII. The company has four directors earning the same fee. One director resigned on 31 May 2023 and received his fees up to this date. Another director is still owed fees for January and February 2024.
- IX. Advertising consist of a contract with a newspaper for the entire financial year. Payments are monthly; however, installments were paid for 11 months only. NOTE: The monthly rate decreased by R240 from 1 November 2023.
- X. The net profit after tax was accurately calculated at R1 054 000. The income tax rate is 32%.

### ACTIVITY A3 ANSWER SHEET

#### 3.1.1

(i) Calculate carrying value of the vehicle on hand on 1 March 2023

(ii) Calculate depreciation on vehicles for the year

(iii) Calculate carrying value of equipment sold



3.1.2 Calculate Profit / Loss on the sale of equipment

3.2 Calculate Trading stock deficit

3.3 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 29 February 2024

Sales	
Cost of sales	
Gross Profit	
Other income	
Gross operating profit	
Operating expenses	
Salaries and wages	1 468 120
Operating profit	
Profit before interest expense	
Interest expense	
Profit before tax	
Net profit after tax for the year	<b>1 054 000</b>

**STATEMENT OF FINANCIAL POSITION AND CORPORATE GOVERNANCE****ACTIVITY B1**

- 1.1. Calculate the correct Net Profit after tax for the year ended 29 February 2024. (indicate a + for increase and a — for decrease)
- 1.2. Prepare the Retained Income note on 29 February 2024.
- 1.3. Complete Statement of Financial Position (Balance Sheet) on 29 February 2024.

**A. INFORMATION:**

	29 FEB 2024 (R)	28 FEB 2023 (R)
Ordinary share capital	?	?
Retained income	?	300 000
Fixed assets (carrying value)	4 423 160	
Loan From: Illovo bank	?	1 800 000
Trading stock	468 750	
Trade debtors	440 500	
Trade creditors	437 600	
Fixed deposit: Shutter bank	?	
Bank (favourable)	?	
SARS: Income tax (provisional payments)	547 400	
Consumable stores on hand	18 000	
Accrued income	11 500	

- B. The following information has not yet been taken into account. At this point, the net profit before tax was R2 200 750:

- I. On 1 December 2023 M.K Maduna, a debtor, returned merchandise. A credit note for R2 000 was issued to her. (The cost price was R1 250.) No entries were made for the return of the merchandise. These items were returned to stock.
- II. The Internal Auditor discovered that the profit on disposal of a vehicle R8 000, was incorrectly recorded as a loss.
- III. The External Auditors are owed a further R28 000 after completing the audit.
- IV. KB Builders was paid R200 000 for the construction of a storeroom (R120 000) and repairs and maintenance (R80 000.) The entire amount was debited to repairs account in error.
- V. The repayment on the loan are fixed at R40 000 per month (including 'capitalized interest).

The balances as per loan statement were:

1 March 2023	1 800 000
29 February 2024	1 521 000

Provide for interest on loan.

- VI. After taking into account the corrections above, it was determined that an additional R25000 is still owed to SARS in respect of income tax for the year.

**C. Shares:**

- 30 November 2023, 80 000 shares bought back on at R2,50 higher than the average price of R6.50. 29 February 2024, 500 000 in issue @ R6,50 each at the end of the financial year.

**D. Dividends:**

- Interim dividends of R75 400 was paid on 30 September 2023.
- A final dividend of 20 cents per share was declared on 29 February 2024.

- E. A fixed monthly instalment of R40 000 (to cover loan repayment and interest) has to be paid over the full period of the loan. Interest will decline over the life of the loan. The interest on the loan budgeted for the next financial year is R158 000.

**F. Financial indicator**

Current ratio	1.4:1
---------------	-------

**ACTIVITY B1 ANSWER SHEET**

1.1.	<b>Calculate the correct Net Profit after tax for the year ended 28 February 2024</b>	
	<b>Net profit after tax</b>	

1.2.	<b>RETAINED INCOME</b>	
	<b>Balance at the beginning</b>	<b>300 000</b>

1.3.	<b>STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2024</b>	
	<b>Assets</b>	
	<b>Non-Current Assets</b>	
	<b>    Tangible assets</b>	
	<b>        Fixed Deposit</b>	
	<b>Current Assets</b>	
	<b>Total assets</b>	
	<b>Equity and Liabilities</b>	
	<b>Shareholders' equity</b>	
	<b>Non-current liabilities</b>	
	<b>    Loan</b>	
	<b>Current Liabilities</b>	
	<b>Total Equity and Liabilities</b>	

**ACTIVITY B2**

Refer to the information from the records of Zingelwayo Limited for the financial year ended 29 February 2024

**REQUIRED: Complete the following for the year ended 29 February 2024.**

- 2.1 Statement of Comprehensive Income (Income Statement). Note that some information is included in the ANSWER BOOK.
- 2.2 Equity and Liabilities section of the Statement of Financial Position (Balance Sheet). Show ALL workings in brackets.

**INFORMATION:**

The following balances/totals appeared in the books on 29 February 2024:

	R
Ordinary shares capital	?
Retained income (29 February 2024)	468 000
Mortgage Loan: Best Bank	?
Trading Stock	370 870
Creditors' control	203 100
Provision for bad debts (1 March 2023)	2 140
SARS Income Tax (provisional payments)	323 888
Deposit from tenant	12 000
Sales	?
Cost of sales	?
Rent income	130 200
Audit fees	25 000
Insurance	103 500
Sundry expenses	?
Dividends on ordinary shares	340 000

**Adjustments and additional information:**

- A. Zingelwayo Ltd operates on a 60% mark-up policy on all sales. Last year's sales amounted to R6 500 000. Zingelwayo Ltd is pleased to announce a 20% increase in sales for the year ending February 2024. There were no sales returns for the year.
- B. According to a physical stocktaking, trading stock on hand amounted to R358 240.
- C. A debtor's account with a credit balance of R3 400 must be transferred to his account in the creditors' ledger
- D. Decrease the provision for bad debts by R230
- E. A vacant storeroom was rented to a tenant on 1 March 2022. On 1 December 2023 the rent was decreased by 7.5%. Provide for the outstanding rent for February 2024.
- F. Zingelwayo Ltd paid a 40% deposit on their audit fees for the year. The balance will be settled on 5 March 2023.
- G. An insurance policy was taken out on 1 August 2023 at R11 500 per month.
- H. The loan statement from Best Bank reflects the following

<b>BEST BANK LOAN STATEMENT ON 29 FEBRUARY 2024</b>	
Balance at the beginning of the financial year	R1 250 000
Fixed monthly repayments including interest	45 200
Interest expense (capitalised)	220 500

Interest for the next financial year is expected to be R 150 000. Part of the loan will be repaid in the next financial year.

- I. Sundry expenses are the missing figure in the income statement.
- J. The income tax which amounted to R340 088 was calculated at a rate of 28% of the net profit

**K. Shares and Dividends**

The authorised ordinary share capital consists of 800 000 shares, of which 60% was in issue.

**L. Total dividends for the year amounted to R445 600.**

The following financial indicators were calculated on 29 February 2024.

- Operating profit on sales is 15%.
- Net asset value per share is 720 cents.

**ACTIVITY B2 ANSWER SHEET**

Statement of Comprehensive Income for the year ended 29 February 2024

<b>Sales</b>	
<b>Cost of sales</b>	
<b>Gross Profit</b>	
<b>Other Operating Income</b>	
<b>Gross Operating Income</b>	
<b>Operating Expenses</b>	
<b>Salaries</b>	601 450
<b>Directors' fees</b>	470 850
<b>Depreciation</b>	281 000
<b>Sundry expenses</b>	
<b>Operating Profit</b>	
<b>Net profit before interest expense</b>	
<b>Net profit before tax</b>	
<b>Income tax</b>	(340 088)
<b>Net profit after tax</b>	

**Statement of financial position ( Equity and Liabilities section)**

<b>SHAREHOLDERS' EQUITY</b>	
Ordinary share capital	
Retained income	468 000
<b>NON-CURRENT LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Trade and other payables	
<b>TOTAL EQUITY AND LIABILITIES</b>	

**ACTIVITY B3**

You are provided with information for the financial year ended 29 February 2024

**REQUIRED:**

Complete the Statement of Financial Position (Balance Sheet) for the year ended 29 February 2024. (Show workings in brackets).

**INFORMATION:****A. Balances/Totals for February**

	2024	2023
Ordinary share capital	8 960 000	6 020 000
Retained income	624 000	434 000
Fixed assets at book value	9 823 405	
Loan: Protea Bank	?	360 000
Fixed deposit	?	
Trading stock	75 680	
Debtors control	45 100	
Creditors control	285 000	
Petty cash	2 500	
Cash float	8 900	
Accrued expenses	7 850	
Accrued income	4 700	
Provision for bad debts	5 150	
Bank overdraft	792 000	
SARS: Income tax (Dr)	11 340	
Interim dividends paid	350 000	

**B. Additional information to be used to complete the statement of financial position:****I. Share capital and dividends:**

- The company has an authorised share capital of 2 000 000 ordinary shares
- 100 000 shares were repurchased on 31 January 2024, these shares qualify for final dividends.
- On 29 February 2024, 80% of shares were in issue.
- A final dividend of 10 cents per share was declared.

**II. Consumable stores:** Consumable stores amounted to R9 500 and only 75% were used.**III. Fixed deposit:**

The interest on the fixed deposit was R112 500 for the financial year ended 29 February 2024. The fixed deposit was invested on 1 June 2023 at Ivory Bank at 12, 5% interest p.a. Interest is not capitalised

**IV. Debtors:** A debtor with a credit balance of R5 450 is to be transferred to the creditors' ledger.**V. Loan: Protea Bank**

- Interest on loan is capitalised. Interest for the year ended 29 February 2024 was R36 000.
- Fixed monthly repayments excluding interest is R2 500.
- R30 000 is expected to be settled during the next financial year.

**VI. Income tax for 2024:** The correct net profit after tax is R850 000.**ACTIVITY B3 ANSWER SHEET****STATEMENT OF FINANCIAL POSITION**

<b>ASSETS</b>	
<b>NON-CURRENT ASSETS</b>	
<b>CURRENT ASSETS</b>	
<b>TOTAL ASSETS</b>	
<b>EQUITY AND LIABILITIES</b>	
<b>SHAREHOLDERS' EQUITY</b>	
<b>NON-CURRENT LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	

**ACTIVITY B4**

Extracts from local newspapers have been adapted and presented on the next page. Use the information presented and your knowledge on companies to answer the questions

**REQUIRED**

- 4.1 **The Johannesburg Securities Exchange (JSE) Refer to paragraph 1.**
- Explain why companies might want to be listed on the JSE.
  - Explain why the JSE would not tolerate 'incorrect, false and misleading financial results' from companies that are listed.
- 4.2 **Audit reports, refer to Paragraph 2**  
Explain the difference between a *qualified audit report* and a *disclaimer of opinion audit report*.
- 4.3 **Concerns of shareholders Refer to paragraphs 1, 2 and 3.**  
As a concerned shareholder, what questions would you raise at the AGM? Provide THREE different questions. In EACH case explain an appropriate reason

<b>JSE TAKES ACTION AGAINST FORMER NON-EXECUTIVE DIRECTORS OF MALLO LTD</b>	
<b>Paragraph 1</b>	Ben Jimo, Kim Lestin and Solly Prins were <b>disqualified</b> by the JSE from serving on the board of directors of any listed company for the next five years. The three directors failed to fulfil their oversight roles in relation to the financial statements. The JSE fined Mallo Ltd R6,5 million for publishing a 'number of sets of <b>incorrect, false and misleading financial results</b> '.
<b>Paragraph 2</b>	They were appointed as members of the Audit and Risk Committee in 2018 when Mallo Ltd was listed on the JSE. They resigned from the board of directors after the company published its unaudited mid-year financial results in 2021. The independent auditors had issued a <b>qualified report</b> in 2019 and a <b>disclaimer of opinion audit report</b> in 2020.
<b>Paragraph 3</b>	Jimo, Lestin and Prins all admitted to having no knowledge of <b>corporate governance</b> or the rules and regulations governing the financial reporting of a JSE-listed company. They admitted that they were inexperienced directors and so had not fulfilled their duty of ensuring that Mallo Ltd had proper financial reporting procedures in place.

**ACTIVITY B5**

Give ONE word/term for each of the following descriptions by choosing a word/term from the list below

external auditors; internal auditors; shareholders; directors	
---	--

- 5.1.1 Their role is to manage and control all aspects of the company's activities
- 5.1.2 Their role is to express an unbiased opinion on the reliability of the information in the financial statements.
- 5.1.3 Their role is to assess the internal control measures in a company on an on-going basis

**ELECTRONIC LTD**

The information relates to Electronic Ltd. In recent months, Electronic Ltd has been receiving negative publicity in the national newspapers. A shareholder, Quinton Miller, is concerned about possible corruption in this company.

**REQUIRED**

- 5.2 Explain, in your own words, why you agree or disagree with the extract below that appeared in a local newspaper. State TWO different points

Sustained (On-going) corruption, fraud and mismanagement will not take place at a listed company unless there is illegal or criminal collusion (dishonest collaboration) on the part of the board of directors and the auditors. [Paraphrased from @The Jaundiced Eye, <i>Independent</i> , Saturday 7 March 2020]
---

- 5.3 **Refer to the information on the next page**  
Explain TWO points to prove possible corruption for EACH of the following problems. Quote figures or calculations.  
Problem 1: Payment of directors' fees  
Problem 2: Control and productivity of other employees



**ACTIVITY C1 CASH FLOW STATEMENT, FINANCIAL INDICATORS AND ANALYSIS & INTERPRETATION****1.1. BISLEY LTD**

Information for the financial year ended 30 June 2023 is provided.

**REQUIRED:**

- 1.1.1. Prepare the Ordinary Share Capital Note to Statement of Financial Position.
- 1.1.2. Calculate the following amounts for the Cash Flow Statement. Show workings.
  - Income tax paid
  - Proceeds from the sale of fixed assets
- 1.1.3. Complete the following sections to the Cash Flow Statement
  - Cash flow from financing activities
  - Net change in cash and cash equivalents
- 1.1.4. The Cash Flow Statement reflects a significant inflow of cash through financing activities. The Cash Flow Statement highlights ways in which the directors used this inflow. Identify TWO ways, with figures (exceeding R500 000). Explain how this will benefit to the company.
- 1.1.5. Calculate the following financial indicators on 30 June 2023:
  - % return on average capital employed (ROTCE) (**Average capital employed amount to R11 433 075**)
  - Dividend per share

**INFORMATION:****A. Share Capital**

- On 1 September 2022, the directors issued a further 80 000 ordinary shares at R12,74.
- On 1 February 2023 the company repurchased 40 000 shares from a disgruntled shareholder. An EFT for R539 200 was made to the shareholder. The average share price at the time was R12,07

**B. Dividends**

- Interim dividends of 38 cents per share were paid on 15 December 2022.
- Final dividends of R310 200 were declared on 30 June 2023

**C. Extract from the Statement of Comprehensive Income for the year ended 30 June 2023**

	<b>R</b>
Depreciation	185 400
Interest expense (on loan)	214 500
Net profit after tax (income tax is calculated at 30% of the net profit)	1 025 850

## D. Extract from the Statement of Financial Position on 30 June 2023:

	2023	2022
	R	R
Fixed assets (carrying value)*	13 163 580	12 646 080
Fixed deposit: Flay Bank	225 000	150 000
Current assets	?	876 450
Inventories	554 200	271 500
Debtors	432 450	550 500
SARS: Income tax	0	16 950
Cash and cash equivalents	?	37 500
Shareholders' equity	11 844 500	?
Ordinary share capital	11 345 800	?
Retained income	498 700	212 250
Loan: Home Bank	2 100 000	1 275 000
Current liabilities	830 400	1 385 280
Creditors	487 500	631 500
Shareholders for dividends	310 200	540 000
SARS: Income tax	32 700	0
Bank overdraft	0	213 780

NOTE: Fixed assets at the cost price of R870 600 were purchased during the year.

## ACTIVITY C1 ANSWER SHEET

## 1.1 BISLEY LIMITED

1.1.1 Prepare the Ordinary Share Capital Note to Statement of Financial Position.

**AUTHORISED:**

1 000 000 Ordinary shares

**ISSUED:**

940 000

Ordinary shares in issue on 28 February 2023

11 345 800

1.1.2 Calculate the following amounts for the Cash Flow Statement. Show workings.

Income tax paid

WORKINGS

ANSWER

Proceeds from sale of assets

WORKINGS

ANSWER

1.1.3	Complete the following sections to the Cash Flow Statement:	
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>		
Repurchase of shares		(539 200)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		
		566 550
1.1.4	The Cash Flow Statement reflects a significant inflow of cash through financing activities. The Cash Flow Statement highlights ways in which the directors used this inflow. Identify TWO ways, with figures (exceeding R500 000). Explain how this will benefit to the company.	
<b>CRUCIAL DECISION</b>		<b>EFFECT OF DECISION</b>
1.1.5	Calculate the following financial indicators on 30 June 2023:	
% return on average capital employed (ROTCE) (Average capital employed amount to R11 433 075)		
<b>WORKINGS</b>		<b>ANSWER</b>
<b>Dividend per share</b>		
<b>WORKINGS</b>		<b>ANSWER</b>

**ACTIVITY C2 - FINANCIAL INDICATORS AND CASH FLOW STATEMENT****2.1. TYLA LTD**

The information relates to the financial year ended 29 February 2024.

**REQUIRED:**

2.1.1. Calculate the following financial indicators on 29 February 2024:

- Debt-equity ratio
- Earnings per share (EPS)
- Dividend pay-out rate
- % return on average equity (ROSHE)

2.1.2. Complete the Cash Flow Statement on 29 February 2024.

NOTE: All cash outflows must be shown in **brackets** to earn full marks.

**INFORMATION:****A. Extract from the Statement of Comprehensive Income on 29 February 2024:**

Depreciation	R 234 000
Interest expense	126 000
Income tax	415 200
Net income after tax	968 800

**B. Extract from the Statement of Financial Position:**

	29 February 2024	28 February 2023
Fixed assets (carrying value)	R 9 528 300	R 8 320 300
Fixed deposits	100 000	500 000
Current assets	1 002 000	755 000
Cash and cash equivalents	56 500	5 000
Bank overdraft	0	220 000
Shareholders' equity	8 980 300	7 411 500
Ordinary share capital	8 281 000	7 200 000
Retained income	699 300	211 500
Loan: BB Bank	900 000	1 200 000
Current liabilities	750 000	963 800
SARS: Income tax	(Dr) 4 500	(Cr) 23 800
Shareholders for dividends	120 000	160 000

**C. Fixed assets:**

- Old equipment was sold at carrying value, R48 000.
- Extensions to the buildings were completed during the financial year

**D. Share capital:**

- On 1 March 2023, the ordinary share capital comprised 800 000 ordinary shares. A further 200 000 shares were issued on this date.
- On 29 February 2024, the company repurchased 90 000 shares at R81 000 above the value of the shares based on the average share price of R9,10 per share. These shareholders qualified for final dividends.

**E. Dividends and earnings:**

	29 February 2024	28 February 2023
Interim dividends	28 cents	60 cents
Final dividends	12 cents	20 cents
Earnings per share	?	94 cents

**ACTIVITY C2****2.1: TYLA LTD****2.1.1 Calculate on 29 February 2024**

Debt-equity ratio	
Workings	Answer
Earnings per share (EPS)	
Workings	Answer

<b>Dividend pay-out rate</b>	
<b>Workings</b>	<b>Answer</b>
<b>% return on average equity (ROSHE)</b>	
<b>Workings</b>	<b>Answer</b>
<b>2.1.2. CASH FLOW STATEMENT ON 29 FEBRUARY 2024</b>	
<b>CASH EFFECTS OF OPERATING ACTIVITIES</b>	
Cash Generated from operations	
Interest paid	(126 000)
Taxation paid	
Dividends paid	(440 000)
<b>CASH EFFECTS OF INVESTING ACTIVITIES</b>	
Purchase of fixed assets	
Proceeds from sale of fixed assets	48 000
Decrease in fixed deposit	400 000
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>	
Proceeds of shares issued	
Funds used to repurchase shares	
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	
<b>CASH (closing balance)</b>	

**ACTIVITY C3 CASH FLOW STATEMENT AND FINANCIAL INDICATORS****3.1 RONWEN LTD**

The information relates to the financial year ended 29 February 2024.

**REQUIRED:**

- 3.1.1 Calculate the following financial indicators on 29 February 2024:
- Acid-test ratio
  - Debt/equity ratio
  - Dividend pay-out rate (%)
  - % return on average shareholders' equity (ROSHE)
- 3.1.2 Calculate the following amounts for the Cash Flow Statement:
- Income tax paid
  - Dividends paid
  - Fixed assets purchased
- 3.1.3 Complete the following sections of the Cash Flow Statement:
- Cash effects of Financing Activities
  - Net change in cash and cash equivalents

**INFORMATION:****A. Extract from the Statement of Comprehensive Income**

	29 Feb. 2024	28 Feb. 2023
Sales	R 9 520 000	R 10 080 000
Gross profit	2 720 000	2 880 000
Depreciation	288 000	274 000
Interest expense	270 000	98 000
Net profit before tax	1 050 000	1 382 000
Net profit after tax	735 000	967 400
Earnings per share (EPS)	64 cents	97 cents

**B. Extract from the Statement of Financial Position**

	29 Feb. 2024 R	28 Feb. 2023 R
Fixed assets	13 448 900	9 732 300
Current assets	1 077 000	874 500
Inventories	570 000	424 000
Trade and other receivables	462 000	338 000
Cash and cash equivalents	45 000	112 500
Shareholders' equity	11 030 700	9 299 300
Ordinary share capital	10 602 000	9 200 000
Loan: Sony Bank	3 000 000	600 000
Current liabilities	545 200	757 500
SARS: Income tax	7 600 Cr	12 500 Cr
Shareholders for dividends	159 600	350 000

**C. Share Capital and Dividends**

- The authorised share capital is 1 500 000 ordinary shares.
- On 1 May 2023, an additional 200 000 shares were issued.
- On 1 December 2023, the company repurchased 60 000 shares and paid 90 cents above the average share price for each share. These shareholders do not qualify for final dividend
- On 29 February 2024, there were 1 140 000 shares in issue.
- An interim dividend of 16 cents per share was paid on 31 August 2023.

## Downloaded from Stanmorephysics.com

## D. Fixed assets

- Fixed assets were sold at carrying value, R45 500.
- Land and buildings were purchased during the year.
- There were no other movements to fixed assets.

## ACTIVITY C3 ANSWER SHEET

3.1.1	Calculate: Acid-test ratio	
	WORKINGS	ANSWER
	Calculate: Debt/equity ratio	
	WORKINGS	ANSWER
	Calculate: Dividend pay-out rate	
	WORKINGS	ANSWER
	Calculate: % Return on average shareholders' equity (ROSHE)	
	WORKINGS	ANSWER
3.1.2	Calculate the following for the Cash Flow Statement:	
	Income tax paid	
	WORKINGS	ANSWER
	Dividends paid	
	WORKINGS	ANSWER
	Fixed assets purchased	
	WORKINGS	ANSWER
3.1.3	CASH EFFECTS OF FINANCING ACTIVITIES	
	Shares issued	
	NET CHANGE IN CASH AND CASH EQUIVALENTS	
	Balance on 1 March 2023	
	Balance on 29 February 2024	

**ACTIVITY C4 - ANALYSIS AND INTERPRETATION**

The following information relates to Velemseni Ltd, a textile company. Their financial year ends on 28 February each year.

**NOTE:** Where comments or explanations are required, in EACH case, quote financial indicators, figures and trends to support your answer.

**REQUIRED:****4.1. Liquidity:**

**4.1.1.** Comment on the change in the liquidity of Velemseni Ltd. Quote TWO financial indicators with figures.

**4.1.2.** Provide TWO suggestions on how the company can improve their liquidity position. Make reference to specific financial indicators.

**4.2. Return, earnings and market price on the JSE:**

**4.2.1.** Comment on the % return and earnings per share of the company. Quote TWO financial indicators with figures.

**4.2.2.** The shareholders of Velemseni Ltd are not satisfied with the current market price of their shares. Explain by quoting figures/indicators and identify a factor that would have affected the market price of the shares.

**4.3. Risk and gearing:** Comment on how Velemseni Ltd is managing their risk and gearing. Quote TWO financial indicators in your explanation.

**4.4. Dividend pay-out policy:**

**4.4.1.** Calculate the dividend pay-out policy for 2023.

**4.4.2.** Provide ONE possible reason why Velemseni Ltd has decided to change their dividend pay-out policy for 2023.

**4.4.3.** One of the directors feel that the dividend pay-out policy should have remained constant. Give TWO possible reasons (with figures) for his opinion.

**4.5. Percentage shareholding:**

**Refer to information B:** An existing shareholder, Lizo Phuthini has sold some of his shares back to Velemseni Ltd:

**4.5.1.** Comment on the price paid for the repurchase by Velemseni Ltd. Provide TWO points and quote figures.

**4.5.2.** Calculate Lizo's new % shareholding in Velemseni Ltd.

**4.5.3.** Explain the effect of the repurchase on Lizo's % shareholding in the company. Quote trends/ figures to support your explanation.

**INFORMATION:****A. FINANCIAL INDICATORS, INTEREST RATES AND MARKET PRICES OF SHARES**

	2023	2022
Mark-up % achieved	60%	
Current ratio	3,1 : 1	2,5 : 1
Average debtor's collection period	45 days	40 days
Earnings per share (EPS)	72 cents	96 cents
Dividends per share	48 cents	48 cents
Dividend pay-out policy	?	50%
Debt-equity ratio	0,6 : 1	0,2 : 1
% return on average equity (ROSHE)	5,3%	8,7%
% return on total capital employed (ROTCE)	9%	13%
Interest rate on loans	12%	12%
Interest rate on investments	6,5%	6,5%
Market price of shares on JSE	840 cents	920 cents
Net asset value per share (NAV)	877 cents	912 cents



**B. EXTRACT FROM THE ACCOUNTING RECORDS OF 28 FEBRUARY 2023**

	2023	2022
Number of shares in issue	1 950 000	2 100 000
Repurchase price	R11	
Number of shares owned by Lizo Phuthini at end of year	942 000	1 092 000
% shareholding of Lizo Phuthini	?	52%

**ACTIVITY C4 – ANSWER SHEET**

4.1	<b>Liquidity:</b>
4.1.1	<b>Comment on the change in the liquidity of Velemseni Ltd. Quote TWO financial indicators with figures.</b>
4.1.2	<b>Provide TWO suggestions on how the company can improve their liquidity position. Make reference to specific financial indicators.</b>
4.2	<b>Return, earnings and market price on the JSE:</b>
4.2.1	<b>Comment on the % return and earnings per share of the company. Quote TWO financial indicators with figures.</b>
4.2.2	<b>The shareholders of Velemseni Ltd are not satisfied with the current market price of their shares. Explain by quoting figures/indicators and identify a factor that would have affected the market price of the shares.</b>
4.3	<b>Risk and gearing:</b>
	<b>Comment on how Velemseni Ltd is managing their risk and gearing. Quote TWO financial indicators in your explanation.</b>
4.4	<b>Dividend pay-out policy:</b>
4.4.1	<b>Calculate the dividend pay-out policy for 2023.</b>
4.4.2	<b>Provide ONE possible reason why Velemseni Ltd has decided to change their dividend pay-out policy for 2023.</b>

**ACTIVITY C5****MAGEBA LTD AND GAMBUSHE LTD**

Musa Langa won R5,6 m in the national lottery five years ago and then decided to invest R2,8 m in each of the two companies below, as follows:

<b>Mageba Ltd</b>	400 000 shares at R7,00 each	R2,8 m
<b>Gambushe Ltd</b>	100 000 shares at R28,00 each	R2,8 m

He wants your opinion on these companies.

**NOTE:** When answering the questions below, compare the information given and quote the relevant financial indicators of both companies (percentages, ratios and/or amounts)

**INFORMATION**

	MAGEBA LTD		GAMBUSHE LTD	
	2024	2023	2024	2023
Total number of shares	1 100 000 shares		700 000 shares	
Shares originally bought by Musa	400 000 shares		100 000 shares	
Musa's % shareholding	36 %		14 %	
Current market value per share	R9,50		R18,80	
Ordinary share capital	R9 900 000		R11 900 000	
Retained income	R1 890 000		R600 000	
Long-term loan	R9 432 000		R2 500 000	
Current ratio	1,7:1	1,6:1	4,2:1	4,8:1
Acid-test ratio	0,9:1	0,8:1	3,6:1	3,5:1
% operating profit on sales	16%	16%	14%	18%
Debt-equity ratio	0,8:1	?	0,2:1	
Net asset value per share	R10,72		R17,86	
Earnings per share (EPS)	273 cents	233 cents	171 cents	266 cents
Dividends per share (DPS)	110 cents		200 cents	
% return on equity (ROSHE)	25%	14%	9%	15%
% return on capital employed (ROTCE)	20%	12%	10%	14%
% Interest on loans	13%	13%	13%	13%
% Interest on fixed deposits	6%	6%	6%	6%

**REQUIRED:**

- 5.1 Explain which company has the better liquidity. Quote TWO financial indicators to support your opinion.
- 5.2 Comment on the earnings per share and the % return on equity of Mageba Ltd. Give TWO reasons why the shareholders will be satisfied with these indicators.
- 5.3 Comment on the market value of the shares in Gambushe Ltd. Explain TWO points.
- 5.4 Compare the dividend pay-out rates of both companies and explain why the directors of EACH company decided on these pay-out rates.
- 5.5 Musa says that the dividend of 110 cents per share he earned from Mageba Ltd is better than the dividend of 200 cents per share from Gambushe Ltd. Give ONE point to prove that he is incorrect.
- 5.6 Comment on the risk and gearing of EACH company. Quote TWO financial indicators.
- 5.7 Musa wants to buy shares in Mageba Ltd on the JSE at current market value to become the majority shareholder and CEO. Calculate how much Noah will have to pay for the shares that he needs.

**ACTIVITY C5**

5.1	Explain which company has the better liquidity. Quote TWO financial indicators to support your opinion.
5.2	Comment on the earnings per share and the % return on equity of Mageba Ltd. Give TWO reasons why the shareholders will be satisfied with these indicators.
5.3	Comment on the market value of the shares in Gambushe Ltd. Explain TWO points.
5.4	Compare the dividend pay-out rates of both companies and explain why the directors of EACH company decided on these pay-out rates.
5.5	Musa says that the dividend of 110 cents per share he earned from Mageba Ltd is better than the dividend of 200 cents per share from Gambushe Ltd. Give ONE point to prove that he is incorrect.
5.6	Comment on the risk and gearing of EACH company. Quote TWO financial indicators
5.7	Musa wants to buy shares in Mageba Ltd on the JSE at current market value to become the majority shareholder and CEO. Calculate how much Musa will have to pay for the shares that he needs.
<b>WORKINGS</b>	
<b>ANSWER</b>	

**FIXED ASSETS AND INTERNAL CONTROL****ACTIVITY D1**

Tugela Ferry Traders

The financial year end on the 29 February 2024

- Complete the missing figures that are donated by Roman figures.
- As an internal auditor what would you advise the directors concerning an old equipment.
- The Principal is complaining that despite the change in number of learners there is a problem with control of chairs and tables. Identify 3 major problems, with figures and give advice.

<b>FIXED ASSETS</b>	<b>LAND AND BUILDING</b>	<b>VEHICLE</b>	<b>EQUIPMENT</b>
Carrying value (1 March 2023)		(i)	28 000
Cost	6 450 000	2 350 000	640 000
Accumulated Depreciation	0	(840 000)	(612 000)
<b>MOVEMENTS</b>			
Additions at cost	?	0	195 000
Disposal at carrying value	0	(iii)	0
Depreciation	0	(298 000)	(ii)

- Additional equipment was purchased on 1 October 2023.
- Equipment is depreciated at 10% on cost

## Downloaded from Stanmorephysics.com

- An old vehicle was sold at carrying value on 30 November 2023. The cost price of this vehicle was R252 000 and its accumulated depreciation on 1 March 2023 was R172 000.
- Vehicles are depreciated at 20% on carrying value.
- The following information refers to the chairs and tables of a school this chairs and tables are used by teachers and learners. The enrolment of learners at SOMASHI HIGH SCHOOL has increased.

	Chairs	desks
Number of units on hand 1 MARCH 2023	250	150
Additional units purchased during the year tables @R50 each, desk@ R900 each	120	100
Number of damaged units	30	2
Repair cost and maintenance cost	R2 000	R1 000
Number of units on hand On 29 February 2024	340	240

### ACTIVITY D2

The information relates to ZAHARA Traders for the financial year ended 29 February 2024.

#### REQUIRED:

- 1.1 Calculate the amounts denoted by (i) to (v) on the Fixed Asset note.
- 1.2 Prepare the asset disposal account.

#### INFORMATION

##### A. Fixed Asset Note

	LAND AND BUILDING	VEHICLES	EQUIPMENT
<b>Carrying value on 1 March 2023</b>	1 200 000	450 000	
Cost		940 000	320 000
Accumulated depreciation	0	(ii)	(110 000)
<b>Movements</b>			
Additions	(i)	<b>530 000</b>	160 000
Disposal at carrying value	0	0	(77 700)
Depreciation	0	(iii)	
<b>Carrying value on 29 February 2024</b>	1 860 000	(iv)	
Cost		(v)	
Accumulated depreciation		(817 500)	

- B. Extension to the warehouse was done during the year.
- C. A new vehicle was purchased on 1 November 2023.
- D. On 1 December 2023, equipment with a cost of R142 000 was traded-in for new equipment. This trade-in resulted in a loss on disposal of asset of R2 000.

**ACTIVITY D3****REQUIRED**

- A. Calculate the amounts for (i) to (v)
- B. Calculate a profit or loss on sale of Asset made by a business.

**INFORMATION:****A. Extract of the Fixed Asset Note**

	Buildings	Vehicles	Equipment
<b>Carrying value on 1 March 2023</b>	(i)	<b>419 900</b>	<b>317 440</b>
Cost			
Accumulated depreciation		(464 100)	(302 560)
<b>Movements:</b>			
Additions	864 200		0
Disposals	0	0	(iii)
Depreciation		(iv)	(ii)
<b>Carrying value on 29 February 2024</b>	<b>7 690 200</b>	<b>(v)</b>	
Cost		1 120 000	
Accumulated depreciation			

**Depreciation policy:**

- Vehicles are depreciated at 15% p.a. on cost.
- Equipment is depreciated at 20% p.a. on carrying value.

**Movement of assets during the year:**

- A new storage facility was made in July 2023.
- A new vehicle was purchased on 31 October 2023.
- Equipment was sold on 1 December 2023.

**Details of the equipment sold are as follows:**

Cost of equipment sold	R90 000
Accumulated depreciation on 1 March 2023	R38 160
Proceeds on sale	R50 000

**ACTIVITY D4****Tangible asset**

Refer to the information provide below for NONO Busy bee, a business that is rendering service for refrigerator storage. the financial year end 29 February 2024

**Required**

- 2.1 Determine the date and months of a new asset purchased. Depreciation is calculated to be R 16 000
- 2..2 Complete the following account in the general ledger
  - Equipment
  - Accumulated depreciation on equipment
  - Asset disposal
- 2.3 Nosipho an internal auditor discovered that asset manager sold an equipment to the CEO
  - Why would the internal auditors be cornered about this?
  - Name and explain the GAAP principle related to the loss on sale of asset
- 2.4 Explain any **two** possible reason why director decides to purchase asset on credit provide figures

**Information A**

Opening balance on 1 March 2023 the beginning of the financial year	
Equipment (1 March 2023)	1 000 000
Accumulated depreciation on equipment	580 000

**B. Information related to the sale and purchase of new equipment**

- (i) An equipment with a cost price of R105 000 was sold on 1 November 2023 on credit to N Ntuli a CEO who persuade an asset manager, at a loss of R 7000
  - (ii) Accumulated depreciation on this asset sold was R 36 750 on 1 March 2023
  - (iii) A new equipment was bought on....? for 320 000 the director decided make deposit of R40 000 and outstanding will be paid in 40 monthly equal instalments.
  - (iv) Equipment is depreciated at 20% pa on diminishing balance method
- use your own exercise book**

**STOCK VALUATION****ACTIVITY E1**

Shukela is the owner of TV City that sells TV sets and has two branches (shops) in KZN. The periodic stock system is used. No missing items were recorded for the financial year ended 29 February 2024.

1.1

**Mkuze Branch** - This branch sells **Arctic TV sets**.

1.1.1 Calculate the value of the closing stock of the Arctic TV sets on 29 February 2024 using the first-in-first-out (FIFO) method.

1.1.2 Calculate the stockholding period (in days) using the closing stock figure

**INFORMATION:**

ARCTIC TV SETS	UNITS	COST PRICE PER UNIT	TOTAL AMOUNT
<b>Opening stock: 1 March 2023</b>	<b>290</b>		
<b>Purchases</b>	<b>1 600</b>		<b>6 310 000</b>
May 2023	500	R3 800	R1 900 000
August 2023	400	3 950	1 580 000
September 2023	400	4 000	1 600 000
January 2024	300	4 100	1 230 000
<b>Returns</b>	60	4 100	(246 000)
<b>Closing stock: 29 February 2024</b>	<b>270</b>		<b>?</b>
<b>Cost of sales</b>			R6 010 000
<b>Sale</b>	<b>1 550</b>	<b>R5 000</b>	<b>R7 750 000</b>

1.2 **Jozini Branch**

This branch sells **Pacific and Caspian Smart TV sets**.

Shukela was concerned about the following issues:

- The Caspian Smart TV sets would be too expensive for her customers.
- High stock levels in all her products might negatively affect the business.

Shukela expected to sell 1 000 Pacific TV sets in the 2024 financial year. She therefore adjusted the selling price of the Pacific TV sets in September and asked the bookkeeper to provide an analysis of the quarterly sales

**Refer to Information A and B**

1.2.1 Calculate the value of the closing stock of the Pacific TV sets on 29 February 2024 using the specific identification method.

1.2.2 Calculate the gross profit earned on sale of the new Caspian Smart TV sets.

1.2.3 Comment on the quarterly sales of the Pacific TV sets and explain whether or not Shukela's adjustment of the selling price was a wise decision. Quote figures or calculations.

1.2.4

- Comment on the stockholding periods of the Pacific and Caspian TV sets.
- Explain how the different holding periods affect the business financially.
- Explain what these periods indicate about the preferences of the customers. Quote figures

1.2.5

- Provide TWO points of advice to Mandie on how she can rectify the high stock levels of some of her products without reducing prices offered to customers any further.

**INFORMATION:**

A. Jozini branch stock records

TV SETS	PACIFIC		CASPIAN SMART	
Cost price	R9 300		R10 200	
Mark-up % on cost	Fluctuating		60%	
Stock records	UNITS	TOTAL (R)	UNITS	TOTAL (R)
Stock on 1 March 2023	350	3 255 000		
Purchases	800	7 440 000	800	8 160 000
May 2023	400	3 720 000		
August 2023	400	3 720 000		
September 2023*			800	8 160 000
Sales	765	9 408 500	670	10 934 400

The branch started selling the new Caspian Smart TV sets on 1 September 2023.

B.

**Quarterly sales**

The bookkeeper provided Shukela with the following analysis of quarterly sales and stockholding periods:

SALES PER QUARTER	PACIFIC			CASPIAN SMART	
	UNITS	SELLING PRICE PER TV	TOTAL SALES	UNITS	TOTAL SALES
Mar.–May	250	R13 500	R3 375 000	-	
June–Aug.	245	13 500	3 307 500	-	
Sep.–Nov.	160	10 300	1 648 000	340	R5 548 800
Dec.–Feb.	110	9 800	1 078 000	330	5 385 600
Stockholding Period	184 days			71 days	

**ACTIVITY E1 ANSWER BOOK**

1.1 Calculate the following for Mkuze Branch:

1.1.1 Calculate the value of the closing stock of the Arctic TV sets on 29 February 2024 using the first-in-first-out (FIFO) method.

1.1.2 Calculate the stockholding period (in days) using the closing stock figure

1.2 Jozini Branch

1.2.1 Calculate the value of the closing stock of the Pacific TV sets on 29 February 2024 using the specific identification method.

1.2.2 Calculate the gross profit earned on sale of the new Caspian Smart TV sets.



1.2.3

Comment on the quarterly sales of the Pacific TV sets and explain whether Shukela's adjustment of the selling price was a wise decision. Quote figures or calculations

1.2.4

- Comment on the stockholding periods of the Pacific and Caspian TV sets.
- Explain how the different holding periods affect the business financially.
- Explain what these periods indicate about the preferences of the customers. Quote figures or calculations.

1.2.5

Provide TWO points of advice to Mandie on how she can rectify the high stock levels of some of her products without reducing prices offered to customers any further.

## ACTIVITY E2

### 2.1 STOCK VALUATION

Mngadi Shop is owned by Mngadi. The financial year ended on 29 February 2024.

The stock records of the following two products are provided:

- Mountain bikes
- Powdered energy drinks (1 kg tubs)

#### MOUNTAIN BIKES

The stock of mountain bikes is valued using the specific identification stockvaluation method.

#### REQUIRED:

- 2.1.1 Calculate the value of the closing stock on 29 February 2024, using the specific identification method.
- 2.1.2 A whistle-blower (informant) reported to Milo that he has evidence to prove that the purchasing manager is stealing mountain bikes purchased by the business. An investigation revealed that 40 units of the King model, missing from the stock records, was supplied to Easy Rides, a competitor. There were no other stock shortages. Explain TWO different examples of how the division of duties could prevent an incident such as this from occurring again in the future.
- 2.1.3 Provide TWO points that show that Milo and his customers are happy with the quality of the Gama Bikes. Quote figures.

#### INFORMATION:

##### Stock records of mountain bikes:

	ZIGI	NAO	ZWI
Units on hand: 1 March 2023	129	62	40
Units purchased during the year	400	250	220
Units returned to suppliers	54	2	0
Units sold	296	245	242
Units on hand: 29 February 2024	148	?	18
Cost price per unit	R4 500	R5 200	?
Value of closing stock	R666 000	?	?
Selling price per unit	R6 750	R7 800	R9 600
Total sales amount (in rands)	R1 930 500	R1 911 000	R2 323 200
<b>Mark-up %</b>	<b>50%</b>	<b>50%</b>	<b>60%</b>

##### POWDERED ENERGY DRINKS (1 kg TUBS)

The periodic inventory system and the first-in first-out (FIFO) stock valuation method is applicable. These items have a shelf life of 66 days.



**REQUIRED:**

2.1.4

Calculate the value of the closing stock on 29 February 2024, using the FIFO stock valuation method.

2.1.5

Calculate the stockholding period (in days) on 29 February 2024. Use the closing stock figure.

2.1.6

Comment on your findings above. Provide TWO points, with figures. Note that the stockholding period for 2023 was 58 days.

2.1.7

Milo has noticed that some of the stock of energy drinks has exceeded the shelf life (sell-by date). Identify the value of stock that Milo is referring to.

2.1.8

Milo wants to sell the outdated stock at half the cost price. What advice would you offer him about this proposal? Provide TWO points.

**INFORMATION:**

A.

**Stock of powdered energy drinks balances:**

	NUMBER OF TUBS
1 March 2023	130
29 February 2024	235

B.

**Purchases of powdered energy drinks during the financial year:**

	NUMBER OF UNITS	UNIT PRICE R	CARRIAGE R	TOTAL R
Apr.–Sept. 2023	550	420	4 400	235 400
Nov. 2023	330	460	2 640	154 440
Jan. 2024	180	475	1 440	86 940
<b>TOTAL</b>	<b>1 060</b>		<b>8 480</b>	<b>476 780</b>

C.

**Carriage on purchases:**

The business pays MTY Transport a fixed rate of R8 per tub delivered to the store.

D.

**Returns to suppliers:**

30 damaged tubs from the January 2024 purchases were returned to the supplier. The supplier reversed the total cost price paid, excluding carriage on purchases.

E.

**Sales and cost of sales:**

- 925 units were sold.
- Cost of sales amounts to R404 140, after all adjustments were considered.

**ACTIVITY E2 ANSWER BOOK**

2.1.

**MNGADI SPORT SHOP  
MOUNTAIN BIKES**

2.1.1 Calculate the value of the closing stock on 29 February 2024, using the specific identification method.

2.1.2

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

2.1.3

Provide TWO points that show that Milo and his customers are happy with the quality of the Gama Bikes. Quote figures.

**POWERED ENERGY DRINKS**

2.1.4

2.1.5 Calculate the value of the closing stock on 29 February 2024, using the FIFO stock valuation method

Calculate the stockholding period (in days) on 29 February 2024. Use the closing stock figure.

2.1.6

Comment on your findings above. Provide TWO points, with figures. Note that the stockholding period for 2023 was 58 days.

2.1.7

Milo has noticed that some of the stock of energy drinks has exceeded the shelf life (sell-by date). Identify the value of stock that Milo is referring to.

2.1.8

Milo wants to sell the outdated stock at half the cost price. What advice would you offer him about this proposal? Provide TWO points.

**ACTIVITY E3****INVENTORIES AND FIXED ASSETS****3.1 INVENTORIES**

**INJULA FOOTWEAR** (Pty) Ltd sells one brand of running shoes. The business uses the weighted-average method to value these shoes. The periodic inventory system is used.

**REQUIRED:**

Calculate the following on 29 February 2024, the financial year-end:

3.1.1 Value of the closing stock

3.1.2 Stock turnover rate

**INFORMATION:****A. Balances:**

DATE	QUANTITY	TOTAL VALUE
	(PAIRS)	(INCLUDING CARRIAGE)
1 MARCH 2023	206	R101 090
29 FEBRUARY 2024	420	?

**B. Purchases during the year:**

	NUMBER OF	COST PRICE	TOTAL
	ITEMS	PER ITEM	AMOUNT
<b>Purchases</b>	<b>2 490</b>		<b>R2 236 700</b>
15 April 2023	560	R820	R459 200
20 September 2023	1 120	R900	R1 008 000
5 Jan 2024	810	R950	R769 500

**C. Carriage on purchases:**

A fixed cost of R25 per unit is paid for each pair of running shoes delivered to the shop. This rate was unchanged during the financial year. This is not included above.

**D. Returns**

60 pairs of running shoes were returned from the September 2023 purchase. A refund of the cost price was received from the supplier. The carriage on purchases was not refunded.

**E. Sales:** 2 216 units were sold at R1 400 each, R3 400.

3.1.3 Mtwazi (Pty) Ltd trades in three types of footwear. The table below indicates the overall performance for the year.

The directors are satisfied with the management of running shoes but not with the boots and sandals:

- The boots are imported and Mtwazi (Pty) Ltd is the only business in town that sells
- The sandals are locally made, and all competitors sell them at R480 each. Comment on the stock turnover rates for boots and sandals and identify the major problem relating to EACH product. Quote figures.

	RUNNING SHOES	BOOTS	SANDALS
Mark-up %	57,3%	80%	33 $\frac{1}{3}$ %
Selling price	R1 400	R2 900	R480
Average cost price	R890	R1 610	R360
Gross profit per pair	R510	R1 290	R120
Total gross profit	R1 130 160	R1 122 300	R1 368 000
Orders received from customers	2 216 pairs	870 pairs	15 000 pairs
Sales	2 216 pairs	870 pairs	11 400 pairs
Items on hand at year-end	420 pairs	440 pairs	150 pairs
Stock on hand at year-end	?	R708 400	R54 000
Stock turnover rate	?	2 times	76 times

## 3.2 FIXED ASSETS

The following information relates to the fixed/tangible assets of Mtwazi Footwear (Pty) Ltd. The financial year ended on 29 February 2024.

### REQUIRED:

3.2.1 List THREE points for good internal control over movable fixed assets.

3.2.2 **Refer to Information A and B.**

Calculate the cost of land and buildings purchased on 31 August 2023.

3.2.3 **Refer to Information A and C.**

Calculate depreciation on the vehicle for the year ended 29 February 2024

3.2.4 **Refer to Information A and D.**

The business depreciates equipment at 30% p.a. on the diminishing-balance method. On 30 November 2023, they decided to trade in a photocopy machine for a new model.

- Calculate the loss on the photocopy machine that was traded in 30 November 2023.
- Calculate depreciation on the new photocopy machine and on the remaining old equipment for the year ended 29 February 2024.

3.2.5 The CEO feels that the land and buildings are worth at least R10 000 000 and wants to adjust the figure in the Statement of Financial Position (Balance Sheet) accordingly. Explain why the auditor does NOT agree.

**INFORMATION:****A. Extract from Trial Balances on 29 February:**

	2024 R	2023 R
<b>Balance Sheet accounts section</b>		
Land and buildings	6 250 000	5 500 000
Vehicle	480 000	480 000
Accumulated depreciation on vehicles	?	450 000
Equipment	2 190 000	2 100 000
Accumulated depreciation on equipment	?	1 440 000

**B. Land and buildings:**

Glamour Construction provided an invoice on 31 August 2023 after completing the new storage facilities. The full invoice amount was paid and debited to land and buildings. However, the auditor found that repairs to the old storeroom, R60 000, were included in the invoice. This has not been corrected

**C. Vehicles:** The company has only one vehicle. The depreciation rate is 25% p.a. on cost**D. Equipment:** A photocopy machine was traded in on 30 November 2023 for R88 000 for a better model. The cost price of the new model that was delivered on 1 December 2023 was R410 000. The fixed asset register reflected the following:**FIXED ASSET REGISTER:**

<b>Category:</b>	Photocopy machine		
<b>Model:</b>	Clearfont X23		
<b>Date purchased:</b>	1 March 2022		
<b>Cost price:</b>	R320 000		
<b>Depreciation rate:</b>	30% on diminishing-balance method		
	<b>Date</b>	<b>Depreciation</b>	<b>Carrying value</b>
	29 February 2023	R96 000	R224 000
	30 November 202	?	?

**ACTIVITY E3 ANSWER BOOK: INVENTORIES AND FIXED ASSETS****3.1. Calculate the ff for MTWAZI Footwear (Pty) LTD**

3.1.1 Value of the closing stock

3.1.2 Stock turnover rate

3.1.3 Comment on the stock turnover rates for boots and sandals and identify the major problem relating to EACH product. Quote figures.

**3.2. FIXED ASSETS**

3.2.1 List THREE points for good internal control over movable fixed assets.

3.2.2 Refer to Information A and B. Calculate the cost of land and buildings purchased on 31 August 2023.

3.2.3 Refer to Information A and C. Calculate depreciation on the vehicle for the year ended 29 February 2024.

**3.2.4** Refer to Information A and D. The business depreciates equipment at 30% p.a. on the diminishing-balance method. On 30 November 2023, they decided to trade in a photocopy machine for a new model. **Calculate the loss on the photocopy machine that was traded on 30 November 2023.**

- Calculate depreciation on the new photocopy machine and on the remaining old equipment for the year ended 29 February 2024.

**3.2.5** The CEO feels that the land and buildings are worth at least R10 000 000 and wants to adjust the figure in the Statement of Financial Position (Balance Sheet) accordingly. Explain why the auditor does NOT agree.

#### ACTIVITY E4

##### REQUIRED:

#### 4.1 KHINDI ACCESSORIES

The owner is Qwabe I. The business uses the first-in first-out method to value gas lamps. They decided to sell gas stoves as well, expecting a demand due to increased load shedding. The specific identification method is used to value these stoves. The financial year-ends in February each year.

##### REQUIRED:

4.1.1 Calculate the following for the **gas lamps** on 29 February 2024:

- Value of closing stock (using FIFO)
- Stockholding period in days (using closing stock)

4.1.2 Alex suspects that the stock of gas lamps are not well controlled. Calculate the number of gas lamps missing.

4.1.3 An investigation revealed that Alex's brother (employed at the store) orders gas lamps using the business ordering system and sells them privately to his friends.

What should Alex say to his brother when dealing with this matter? Provide TWO points.

4.1.4 Calculate the closing stock value for **gas stoves** on 29 February 2024 (using the specific identification method).

4.1.5 Alex thinks he should stop selling gas stoves as they are causing a liquidity problem, and the profit is low.

- Provide figures to support his opinion.
- Explain TWO points to convince him NOT to discontinue trading in gas stoves.

#### INFORMATION

##### A. STOCK RECORDS FOR GAS LAMPS:

	UNITS	UNIT PRICE (R)	AMOUNT (R)
<b>Stock balance on 1 March 2023</b>	<b>230</b>		<b>R12 650</b>
<b>Purchases during the year:</b>	<b>2 750</b>		<b>R193 500</b>
July 2023	650	R60	39 000
September 2023	800	R68	54 400
January 2024	1 100	R75	82 500
February 2024	220	R80	17 600
<b>Returns (from February 2024)</b>	<b>40</b>	<b>?</b>	<b>?</b>
<b>Available for sale</b>	<b>2 940</b>		
<b>Stock balance: 29 February 2024</b>	<b>270</b>	<b>?</b>	<b>?</b>
<b>Total sales</b>	<b>2 180</b>	<b>R140</b>	<b>R305 200</b>

B. **STOCK RECORDS FOR GAS STOVES:  
PURCHASES:**

MONTH	MODEL	UNITS	UNIT PRICE	AMOUNT
August 2023	SUPER HOT	80	R495	R39 600
October 2023	SUPER HOT	80	R495	R39 600
	MILD HOT	100	R700	R70 000
February 2024	SUPER HOT	120	R495	R59 400
	MILD HOT	60	R700	R42 000

C. **SALES:**

MODEL	UNITS SOLD	SELLING PRICE	AMOUNT
SUPER HOT	132	R790	R104 290
MILD HOT	54	R980	R52 920

D.

**GROSS PROFIT AND MARK-UP:**

MODEL	COST OF SALES	GROSS PROFIT	MARK-UP
SUPER HOT	R65 340	R38 940	60%
MILD HOT	R37 800	R15 120	40%

**ACTIVITY E4 ANSWER BOOK**

4.1

- 4.1.1 Calculate the following for the **gas lamps** on 29 February 2024:  
Value of closing stock (using FIFO)

Stockholding period in days (using closing stock)

- 4.1.2 Alex suspects that the stock of gas lamps are not well controlled.  
Calculate the number of gas lamps missing.

- 4.1.3 An investigation revealed that Alex's brother (employed at the store) orders gas lamps using the business ordering system, and sells them privately to his friends.

What should Alex say to his brother when dealing with this matter? Provide TWO points.

- 4.1.4 Calculate the closing stock value for **gas stoves** on 29 February 2024 (using the specific identification method).

- 4.1.5 Alex thinks he should stop selling gas stoves as they are causing a liquidity problem and the profit is low.
- Provide figures to support his opinion.
  - Explain TWO points to convince him NOT to discontinue trading in gas stoves.

**ACTIVITY F1: COST ACCOUNTING****1.1 GCWABE'S WATCHES**

Gcwabe's Watches, a local manufacturing company, produces affordable branded watches. They use a standard mark-up of 150% on the cost price. The financial year ends on 28/29 February each year.

**REQUIRED:**

- 1.1.1 Calculate the value of raw materials issued to the factory for production.
- 1.1.2 Calculate the depreciation on factory equipment.
- 1.1.3 Prepare the Factory Overhead Cost Note for the year ended 29 February 2024.
- 1.1.4 Determine the total sales for the year ended 29 February 2024.

**INFORMATION****A. Balances extracted from the financial records of the business:**

	<b>29 February 2024</b>	<b>1 March 2023</b>
	R	R
Raw materials stock	672 020	513 500
Work-in-process stock	628 900	546 700
Finished goods stock	201 300	229 800
Factory equipment	1 179 000	964 000
Accumulated depreciation on factory equipment	?	454 720

**B. Direct material:**

- Raw materials to the value of R2 100 000 were purchased during the year. 7,5% of the purchases were returned to suppliers as they were not to specification.
- Carriage on the purchases of raw materials amounted to 4.5%.
- Additional R240 000 worth of raw materials were purchased from Destiny Traders in the USA. A 5% trade discount was received from Destiny Traders. Import duties are charged at 2% of the final invoice total.

**C. Depreciation of factory equipment:**

- Depreciation on the factory equipment is calculated at 20% p.a. on the diminished-balance method.
- The old equipment that was originally purchased for R124 000 was sold at its book value on 31 July 2023. On 1 March 2023, it had accumulated depreciation of R34 720. No entries have been made in this regard.
- New equipment was purchased for R215 000 cash on 1 September 2023. It was recorded.
- Depreciation on the remaining old equipment on 29 February 2024 was calculated correctly, R84 000.



D.

**Factory overhead cost:****Extract of expense accounts:**

	R
Rent expense	227 500
Indirect materials	170 800
Indirect labour	74 742
Sundry expenses	83 100
Insurance: Administration	28 560
Water & electricity	?

- 85% of all indirect materials are used in the production process.
- The rent for March 2024 was paid in advance. Rent is a fixed monthly amount and has remained unchanged during the year. Rent is allocated according to the floor space: factory 900 m<sup>2</sup>, administration 150 m<sup>2</sup>, sales & distribution 150 m<sup>2</sup>.
- 80% of the total Sundry Expenses account is allocated to the production process. The telephone account for February 2024 has been received and has not yet been paid, R6 300. Telephone is considered a Sundry Expenses.
- The bookkeeper divided the total insurance amount equally amongst the factory, administration and sales & distribution departments, but only posted to the administration cost account. The correct distribution should be 3 : 1 : 1.
- Information relevant to calculate factory water and electricity for the year:

	Annual usage		Monthly fees
	Units of water & electricity used	Cost per unit	Account service & sundry fees
Workstation A	16 250	R0.80	R450
Workstation B	20 900	R0.90	R0
Total	37 150		

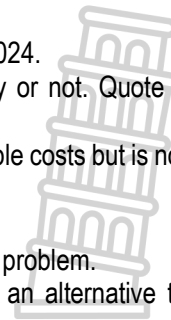
E. The total cost of production for the year amounted to R3 313 086.

## 1.2 NCOME PENS

The business manufactures one type of pen and is owned by Ncomelicious Mkhize. The financial year ended on 29 February 2024. Production is based on orders received. Therefore, there are no work-in-process balances.

### REQUIRED:

- 1.2.1 Calculate the break-even point for the year ended 29 February 2024.
- 1.2.2 Explain whether the level of production achieved is satisfactory or not. Quote figures to support your opinion.
- 1.2.3 Ncomelicious is generally satisfied with the management of variable costs but is not pleased with the control over direct labour costs.
  - Justify his concern by quoting figures.
  - Provide TWO suggestions he can implement to address this problem.
- 1.2.4 Ncomelicious is considering using computerised machinery as an alternative to manual labour. It may result in some workers losing their jobs. Explain TWO points that he should consider before taking this step.





**INFORMATION:****EXTRACTED FROM THE RECORDS OF NCOME PENS:**

	29 FEBRUARY 2024		28 FEBRUARY 2023	
	TOTAL (R)	UNIT COST (R)	TOTAL (R)	UNIT COST (R)
Fixed costs	2 442 375	58,50	2 346 000	55,20
Variable costs:	1 507 175	36,10	1 576 750	37,10
Direct material cost	705 575	16,90	539 750	22,70
Direct labour cost	613 725	14,70	416 500	9,80
Selling and distribution cost	187 875	4,50	199 500	4,60
Selling price per unit	R104,10		R95,70	
Contribution per unit	R68		R58,60	
Number of units produced and sold	41 750 units		42 500 units	
Break-even point (units)	?		40 035 units	

**ACTIVITY F1 ANSWER SHEET**

1.1.1 **USE THE EXERCISE BOOK TO ANSWER THIS QUESTION.**

1.1.2 **USE THE EXERCISE BOOK TO ANSWER THIS QUESTION**

1.1.3 **Prepare the Factory Overhead Cost Note for the year ended 29 February 2024.**

<b>Indirect Labour</b>	<b>74 742</b>

1.1.4 **Determine the total sales for the year ended 29 February 2024.**

1.2 **USE THE EXERCISE BOOK TO ANSWER ALL THIS QUESTION**

**ACTIVITY F2: COST ACCOUNTING**

- 2.1 Choose an example from COLUMN B that matches a cost category in COLUMN A. Write only the letter (A-D) next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK, e.g. 2.1.4 E.

COLUMN A		COLUMN B	
2.1.1	Selling and distribution cost	A	Raw materials used in the factory
2.1.2	Factory overheads cost	B	Advertising expenses
2.1.3	Direct material cost	C	Office telephone account
		D	Salary of the factory foreman

**2.2 CASIO CALCULATORS**

Casio Calculators, owned by Mnophalo Ngunezi, manufactures calculators. Mnophalo buys material from local suppliers. The information relates to the financial year ended 30 June 2023.

**REQUIRED:**

- 2.2.1 Complete the Production Cost Statement for the year ended 30 June 2023.  
2.2.2 Complete the Abridged Statement of Comprehensive Income for the year ended 30 June 2023.

**INFORMATION:**

- A. The business uses the FIFO method of valuing stock.  
B. The following balances appeared in the books:

	30 June 2023	1 July 2022
Raw materials	R400 000	R150 000
Work-in-progress	R110 000	R250 000
Finished goods	6 100 units	R900 000
		(5 000 units at R180 each)

- C. Raw material issued to production is the missing figure.  
D. Salaries and wages amounted to R1 500 000 for the financial year. 60% of the figure is attributed to wages of the employees who work directly on the production.  
E. Factory overheads cost:  
The bookkeeper calculated the factory overhead cost as R700 000. However, he made the following errors:
- He included the entire amount for water and electricity, R160 000 to the factory overheads cost, instead of allocating it in the ratio 4 : 3 : 3 for factory, sales and office respectively.
  - The factory insurance expense, 40% of R125 000, was not taken into account.
- F. 18 000 calculators were manufactured during the financial year at a cost of R200 each.  
G. The following cost items were correctly calculated after taking into account the above information:
- Selling and distribution costs R470 000
  - Administration costs R380 000
- H. The selling price per calculator was R270

**2.3 CATO RIDGE MANUFACTURERS**

Cato Ridge Manufacturers produces and sells one type of kettle. The business is owned by Khathazile Mumbo.

**REQUIRED:**

- 2.3.1 Explain why it is important to calculate the expected break-even point for a business at the beginning of a financial year.  
2.3.2 Khathazile feels that she can improve the sales of kettles. Provide TWO suggestions on how this can be achieved.  
2.3.3 Khathazile was concerned about the increase in the fixed cost per unit of kettles. What would you say to her? Provide ONE point and quote figures to support your answer.  
2.3.4 Except for a general increase in wages due to inflation, give TWO other reasons for the increase in direct labour costs per unit. In each case, provide a practical solution to address this.  
2.3.5 Khathazile wants to increase production by 700 units during the next financial year while maintaining costs. Calculate the additional profit that she will achieve.

**INFORMATION:**

	30 June 2023	30 June 2022
	UNIT COST	UNIT COST
<b>VARIABLE COSTS:</b>	<b>337</b>	<b>277</b>
Direct material	142	140
Direct labour	160	102
Selling and distribution	35	35
<b>FIXED COSTS:</b>	<b>175</b>	<b>120</b>
Factory overheads	125	75
Administration	50	45
Selling price per unit	540	450
Number of units produced and sold	1 200	2 000
Break-even point	1 035 units	1 388 units

**ACTIVITY F2 - ANSWER SHEET**

<b>PRODUCTION COST STATEMENT FOR THE YEAR ENDED 30 JUNE 2023</b>	
<b>Prime cost</b>	
<b>Total cost of production</b>	
<b>Work in process – beginning of the year</b>	<b>250 000</b>
<b>Total cost of production of finished products</b>	

<b>ABRIDGED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023</b>	
<b>Sales</b>	
<b>Cost of sales</b>	
<b>Gross Profit</b>	
<b>Net profit for the year</b>	

**ACTIVITY F3 - MANUFACTURING****3.1 BLANKETS FOR HEALTH MANUFACTURERS**

The following information was extracted from the records of Blankets for Health Manufacturers. The financial year ended on 29 February 2024. The business produces organic lightweight blankets.

**REQUIRED:**

- 3.1.1 Calculate the value of the closing stock of raw materials.
- 3.1.2 Calculate the direct material cost issued for production.
- 3.1.3 Calculate the direct labour cost.
- 3.1.4 Complete the production cost statement for the year ended 29 February 2024.

**INFORMATION:****A. Raw material (Fabric):**

Blankets for Health Manufacturers produced **16 160** blankets for the year ended 29 February 2024.

	Number of metres	Cost per metre	Total Amount (R)
Opening stock	2 400	R160	384 000
Closing stock	3 600 metres @ R165 3 200 metres @ R170		?

**B. Purchases and returns of raw material:**

	Number of metres	Cost per metre	Total Amount (R)
September 2023 purchases	11 000	R160	1 760 000
October 2023 purchases	16 000	R170	2 720 000
February 2024 purchases	4 000	R165	660 000
February 2024 returns	( 400)	R165	(66 000)
	30 600		5 074 000

**C. Labour cost:**

- There are ten factory workers and each worked 1 920 hours per year, at a rate of R30 per hour. Together they worked 560 hours of overtime at twice the normal rate per hour.
- The factory assistant is paid R84 000 for the year. She spends 75% of her time cleaning the factory and 25% of the time sewing labels on the blankets.
- The business contributes 1% to the UIF for all employees.

**D. Other costs for the financial year (after all the adjustments):**

	2024 (R)	2023 (R)
Total fixed costs per unit	254	225
• Factory overheads cost per unit	?	205
• Administration cost per unit	24	20

**E. Stock balances that appeared in the books of Blankets for Health Manufacturers:**

	2024 (R)	2023 (R)
Work in process	45 370	72 000
Finished goods stock	?	520 000

There were 840 completed blankets on hand at the end of the year.

**3.2. TIMELESS TIMBERWORKS** - Timberworks is a small business that produces chopping boards.



**REQUIRED:**

- 3.2.1 Calculate the break-even point for the year ended 31 October 2023.
- 3.2.2 Calculate the units produced and sold for 2023.
- 3.2.3 Explain whether you think the owner, Phoebe, should or should not be concerned about the profitability and production level of her business. Provide TWO reasons and justify your answer by providing supporting figures.

**INFORMATION:**

- A. Every year all the goods produced, are sold.
- B. Information taken from the financial records of Timeless Timberworks:

	31 October 2023	
	Total cost	Unit cost
Direct material cost	607 750	R5,50
Direct labour cost	508 300	R4,60
Selling and distribution cost	182 325	R1,65
<b>Variable cost</b>	<b>1 298 375</b>	<b>R11,75</b>
Factory overhead cost	548 410	
Administration cost	247 500	
	<b>31 October 2023</b>	<b>31 October 2022</b>
Selling price per unit	R18,85	R15
Units produced and sold	?	98 000
Break-even point	?	78 000

**ACTIVITY F3 – ANSWER SHEET**

- **NOTE: ALL OTHER QUESTIONS SHOULD BE ANSWERED IN YOUR EXERCISE BOOK.**

<b>Complete the production cost statement for the year ended 31 August 2023.</b>	
<b>Prime cost</b>	
<b>Factory overhead costs</b>	

**ACTIVITY G1****BANK RECONCILIATION****AMANDLA STORES**

The information relates to May 2023. The official bank statement used for reconciliation purposes is emailed to the business on the 25<sup>th</sup> of each month.

**REQUIRED:**

- 1.1.1 Update the CRJ and CPJ totals in the table provided and calculate the correct bank account balance in the General Ledger on 31 May 2023. Show ALL workings
- 1.1.2 Prepare the Bank Reconciliation Statement on 31 May 2023.
- 1.1.3 Refer to **INFORMATION D**: Deposit of R22 500 on 20 May 2023. Explain why the accountant should be concerned about this deposit. Provide ONE point.

**INFORMATION:**

- A. The Bank account in the General Ledger reflected a favourable balance of R12 800 on 1 May 2023.
- B. Before inspecting the May bank statement, the provisional totals in the May journals were: CRJ: R114 600 and CPJ: R123 800.
- C. Bank charges on May bank statement but not in the journal, R1 150.
- D. Deposit, dated 20 May was not reflected on the bank statement, R22 500.
- E. Deposit, dated 29 May was not reflected on the bank statement, R12 660.
- F. EFT received from a debtor was correctly reflected as R5 300 on the bank statement, but incorrectly recorded as R3 500 in the journal.
- G. The debit order for cellphone data, R1 840, was not recorded in the relevant journal. It was also incorrectly duplicated on the May bank statement.
- H. EFT 778, dated 31 May, was not reflected on the bank statement, R16 200.
- I. Rent received on 30 May, R12 000, was recorded in the journal from a proof of payment received from the tenant. This did not appear on the statement.
- J. Debit order for advertising appeared on the bank statement but not in the journal, R740.
- K. The bank statement closed with a balance of R? on 25 May 2023.

**ACTIVITY G1**

1.1.1	Update the CRJ and CPJ totals in the table provided and calculate. The correct bank account balance in the General Ledger on 31 May 2023. Show ALL workings.	
Cash Receipts Journal (figures only)	Cash Payments Journal (figures only)	
114 600	123 800	
<b>Bank Balance:</b>		

## BANK RECONCILIATION

<b>1.1.2</b>	<b>Prepare the Bank Reconciliation Statement on 31 May 2023.</b>																																				
<table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">Debit</th> <th style="width: 20%; text-align: center;">Credit</th> </tr> </thead> <tbody> <tr><td style="height: 15px;"></td><td></td><td></td></tr> <tr><td style="height: 15px;"></td><td></td><td></td></tr> <tr><td style="height: 15px;"></td><td></td><td></td></tr> <tr><td style="height: 15px;"></td><td></td><td></td></tr> <tr><td style="height: 15px;"></td><td></td><td></td></tr> <tr><td style="height: 15px;"></td><td></td><td></td></tr> <tr><td style="height: 15px;"></td><td></td><td></td></tr> <tr><td style="height: 15px;"></td><td></td><td></td></tr> <tr><td style="height: 15px;"></td><td></td><td></td></tr> <tr><td style="height: 15px;"></td><td></td><td></td></tr> <tr> <td style="border-top: 2px solid black;"></td> <td style="border-top: 2px solid black;"></td> <td style="border-top: 2px solid black;"></td> </tr> </tbody> </table>			Debit	Credit																																	
	Debit	Credit																																			
<b>1.1.3</b>	<b>Refer to INFORMATION D: Deposit of R22 500 on 20 May 2023. Explain why the accountant should be concerned about this deposit. Provide ONE point.</b>																																				

## ACTIVITY G2

## BANK RECONCILIATION

The information provided relates to M&M Traders, owned by Kholeka Mbili and Mgwaba Owami.

## REQUIRED:

- 2.1.1 Use the table provided in the ANSWER BOOK calculate the final totals for the Cash Journals on 31 July 2023.
- 2.1.2 Calculate the correct bank balance on 31 July 2023.
- 2.1.3 Prepare the Bank Reconciliation Statement on 31 July 2023.
- 2.1.4 **Refer to information A (i)**  
Explain why the rule of prudence will be used in accounting for fraudulent activities in the books and financial statements. Give ONE point.  
Explain how this type of fraudulent activity can be avoided in the future. Give ONE point.

## INFORMATION:

**A Bank Reconciliation Statement on 30 June 2023:**

Favourable balance as per Bank Statement	59 800
Outstanding deposit (3 June 2023)	45 000
Outstanding deposit (27 June 2023)	18 250
Outstanding EFT 102	5 700
Outstanding EFT 103	17 200
Favourable balance as per Bank account	100 150

## NOTE:

- (i) The outstanding deposit of R45 000 did not appear on the Bank Statement for July 2023. An investigation revealed that this money was never deposited. The previous bookkeeper cannot be traced and the amount must be written off.
- (ii) EFT 102 appeared on the Bank Statement for July 2023 with the correct amount, R 7500.
- (iii) All other outstanding amounts from the previous month appeared on the Bank Statement for July 2023.



**B Provisional Cash Journal totals on 31 July 2023:**

- Cash Receipt Journal: R410 600
- Cash Payments Journal: R386 350

**C The following items appeared only on the Bank Statement for July 2023:**

- Bank charges, R2 850
- Interest on favourable bank balance, R290
- A direct deposit of R6 250 from a debtor in settlement of an account of R6 500.
- A debit order of R3 700 for the monthly insurance appeared twice on the Bank Statement. The bank will rectify this on the Bank Statement next month.

**D The following entries were in the Cash Journals for July 2023 but not on the Bank Statement:**

- A deposit of R20 000
- EFT No.152, R11 200
- EFT No.153, R2 800

**E The Bank Statement on 31 July 2023 reflected a balance of, R?**

**ACTIVITY G2  
BANK RECONCILIATION**

2.1.1

CASH RECEIPTS JOURNAL			CASH PAYMENTS JOURNAL	
	Amount			Amount
Total	410 600		Total	386 350

2.1.2

Calculate the correct bank balance on 31 July 2023.	
WORKINGS	ANSWER

2.1.3

**BANK RECONCILIATION STATEMENT**


2.1.4



### ACTIVITY G3 CREDITORS RECONCILIATION

3.1.1 Provide THREE points for good internal control over creditors.

3.1.2 Kweyama Traders buys goods on credit from Snenhlanhla Suppliers. The information presented is for July 2023.

#### REQUIRED:

Reconcile the Creditors Ledger of Snenhlanhla Suppliers in the books of Kweyama Traders with the statement received.

Use the table in the answer book to show changes. Indicate a plus (+) or minus (-) sign next to each amount. Calculate the correct balance/total at the end.

#### INFORMATION:

Balance of Snenhlanhla Suppliers in Creditors Ledger of Kweyama Traders	R35 850
Balance on the statement received from Snenhlanhla Suppliers	R58 800

- A** An invoice for R22 400 received from Snenhlanhla Suppliers was correctly recorded in the Creditors Ledger Account. The amount was incorrectly recorded as R18 200 on the statement.
- B** Kweyama Traders entered a discount of R1 750 relating to a payment of R18 000 on 10 July 2023. Snenhlanhla Suppliers did not approve this discount stating that the payment was received late.
- C** The statement of account reflected returns valued at R2 380. The Creditors Ledger Account showed R1 380. It was established that Kweyama Traders miscalculated the value of the goods returned.
- D** An invoice for R6 200 received from Snenhlanhla Suppliers was incorrectly recorded as a debit note in the Creditors Ledger.
- E** A direct transfer of R14 000 by Kweyama Traders was recorded in the Cash Payment Journal on 27 July 2023. The statement of account from Snenhlanhla Suppliers was dated 25 July 2023.
- F** An invoice for R22 400 received from Snenhlanhla Suppliers was correctly recorded in the Creditors Ledger Account. The amount was incorrectly recorded as R18 200 on the statement.

### ACTIVITY G 3

3.1.1 Provide THREE points for good internal control over creditors.

Provide THREE points for good internal control over creditors.
--

3.1.2

No.	Creditors' Ledger of Kweyama Traders	Statement of account received from Snenhlanhla Suppliers
Balance	R35 850	R58 800
A.		
B.		
C.		
D.		
E.		
<b>TOTAL</b>		

**ACTIVITY G4****4.1.1 CREDITORS RECONCILIATION**

Complete the table in the ANSWER BOOK to show how the differences must be treated to reconcile the Creditors Ledger Account balance with the statement balance.

Write the amounts in the appropriate columns and indicate the increase or decrease with a (+) or (-) with each amount.

Total the columns to show the correct balance at the end of February 2023.

**INFORMATION:**

Balance of Mahlobo Leaders account in the Creditors Ledger of Ndinisa Suppliers	R21 130
Balance on the statement received from Mahlobo Leaders	R32 600

**The following differences were identified:**

- A. An invoice for R13 300 received from Mahlobo Leaders was correctly recorded in the Creditors Ledger Account. The amount was incorrectly recorded as R11 200 on the statement.
- B. Ndinisa Suppliers entered a 10% discount relating to a payment of R3 000 on 19 February 2023. Mahlobo Leaders did not approve this discount stating that the payment was received late.
- C. Goods returned, R500, appeared on the statement received. The bookkeeper of Ndinisa Suppliers forgot to record this transaction.
- D. Purchases of R3 035 from Mahlobo Leaders was recorded as a return in the Creditors Ledger account.
- E. A direct transfer of R7 000 by Ndinisa Suppliers was recorded in the Cash Payment Journal on 27 February 2023. A discount of R700 for early payment was also recorded. The statement of account from Mahlobo Leaders was dated 25 February 2023.

**4.1.2 DEBTORS AGE ANALYSIS****FRUITCO TRADERS**

The Age Analysis below is extracted from the records of Fruitco Traders for the month of January 2023.

**REQUIRED:**

Identify TWO problems shown in the Age Analysis below. Quote evidence and figures to support your answer. In each case suggest an internal measure to correct the problem.

**INFORMATION:**

- Debtors are usually allowed to settle their accounts within 30 days.

Debtor	Credit Limit	Amount Owing	Current	30 Days	60 days	90 days +
Velaphi	4 000	6 800	2 600	3 000	1 200	
Shukela	7 000	7 000	7 000			
Jobe	3 000	500	500			
Ngema	5 000	5 500	0	1 000	2 100	2 400
		19 800	10 100	4 000	3 300	2 400

## ACTIVITY G4

## 4.1.1 CREDITORS RECONCILIATION

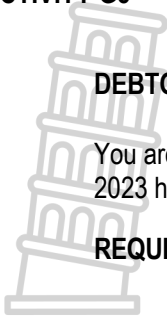
Write the amounts in the appropriate columns and indicate the increase or decrease with a (+) or (-) with each amount.

	CREDITORS LEDGER OF Ndinisa SUPPLIERS	STATEMENT FROM Mahlobo LEADERS
	21 130	32 600
A		
B		
C		
D		
E		

## 4.1.2 DEBTORS AGE ANALYSIS

Identify TWO problems shown in the Age Analysis below. Quote evidence and figures to support your answer. In each case suggest an internal measure to correct the problem.

Identify a problem with evidence and figures	Internal control measures to correct the problem
Problem 1	
Problem 2	

**ACTIVITY G5****DEBTORS RECONCILIATION**

You are the internal auditor of Zakithi Boutique. The Debtors Control account and debtors list for September 2023 have been prepared by the book keeper but there are errors and omissions

**REQUIRED:**

- 5.1.1 Indicate the corrections to be made in the Debtors' Control Account in the General Ledger, by showing the amounts with: '+for increase; -for decrease OR write' no change'.
- 5.1.2 Prepare the correct Debtors List on 30 September 2023.

Show calculations with the appropriate amounts in brackets to earn partial marks.

**INFORMATION:****PRE-ADJUSTMENT FIGURES ON 30 SEPTEMBER 2023**

Debtors control account balance	<b>20 100</b>
Debtors list total from Debtors ledger	<b>19 900</b>

**DEBTORS LIST ON 30 SEPTEMBER 2023**

	DEBIT	CREDIT
Sthembiso	3800	
Myende	7400	
Ngobe		1900
Ntombifuthi	10600	
	21800	1900

**ERRORS AND OMISSIONS**

- A** The total of the Debtors' Journal was overcast by R1800 too much.
- B** Interest of R200 must be charged to the overdue account of Myende
- C** An amount of R3 200 received from Sthembiso was incorrectly recorded in the Cash Receipts Journal as R2 300 and as such posted to the Debtors Ledger and the General Ledger.
- D** Goods returned by Ntombifuthi R800, were posted to the wrong side of his account in the Debtors Ledger.
- E** No entry was made from an invoice issued to Ngobe R1400.



## ACTIVITY G5

## DEBTORS' RECONCILIATION

## 5.1.1 CORRECTIONS TO THE DEBTORS CONTROL ACCOUNT

Current Debtors' Control Account Balance	20100
A.	
B.	
C.	
D.	
E.	
Correct Debtors' Control Account Balance	

## 5.1.2 DEBTORS LIST ON 30 SEPTEMBER 2023

Sthembiso (3,800	
Myende (7,400	
Ngobe (-1900	
Ntombifuthi (10600	
Correct total of Debtors list	

