



KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

CURRICULUM GRADE 10 -12 DIRECTORATE

NCS (CAPS)

TEACHER SUPPORT DOCUMENT GRADE 10

ACCOUNTING

STEP AHEAD PROGRAMME



2022

PREFACE

This support document serves to assist Accounting teachers on how to deal with curriculum gaps and learning losses as a result of the impact of COVID-19 in 2021. It also deals with the challenging topics in the Grade 11 curriculum in Term 3.

Activities serve as a guide on how various topics are assessed at different cognitive levels to ensure quality informal and formal tasks in Accounting. It covers the following topics:

A.	Budgeting	3
B.	Inventory Systems	13
C.	Cost Accounting	17
D.	Value Added Tax	22



LESSON PLAN			
TOPIC BUDGETING			
TERM	3	WEEK	1-4
DURATION	• 16 hours	WEIGHTING	• +/- 15 %
SUBTOPIC	<ul style="list-style-type: none"> • Projected receipts and payments • Debtors collection schedule • Creditors payment schedule • Cash budget • Projected income statement • Internal control and ethics • Calculation of cash sales and credit sales • Calculation of cash purchases and credit purchases using fixed stock base method. 		
RELATED CONCEPTS AND TERMS	Projected, forecast, budget, receipts, payments, deficit, surplus, cash, trading stock, purchases, sales, credit, actual, estimated, debtors, creditors, COST OF SALES		
PRIOR-KNOWLEDGE/ BACKGROUND KNOWLEDGE	Concepts related to budgeting dealt with in grade 10 and the structure of a personal budget and basic budget calculation Cash Receipt Journal and Cash Payment Journal Business Plan and National Budget		
RESOURCES	Textbooks Previous question papers brochures Newspaper articles		
ERRORS/MISCONCEPTIONS/PROBLEM AREAS			
<ul style="list-style-type: none"> • Learners fail to do arithmetic calculations e.g. wages increased by 8 % • Failure to calculate cash and credit sales using percentages and ratios • Learners also fail to calculate cash and credit purchases, monthly interests, loan payments, loan instalments and instalments to asset purchased. • Failure to differentiate between Fixed Deposit matured, interest on fixed deposit and new fixed deposit. • Confusion if increased to and increased by. • Inclusion of non – cash items in the cash budget • Failure to take note of Discounts in the collection pattern and payment pattern. 			
ASSESSMENT			
<ul style="list-style-type: none"> • Presentation • Classwork • Homework • Informal test 			
METHODOLOGY			
Explain what is the Cash Budget <ul style="list-style-type: none"> • It is a financial plan indicating projected receipts and payments to ensure that there is sufficient cash to meet future payments. 			

- A cash budget deals only with cash transactions, namely the receipt and payment of cash. Transactions that are not cash related will not be considered in the preparation of cash budget. These transactions include: Depreciation, Stock taken by the owner for personal use, Discount allowed and received, Bad debts, Profit/ loss on sale of fixed assets.

Introduce the structure of the Cash Budgeting

- Differentiate between the Receipts and Payments
- Drill the learners on calculation of sales using ratios as well as percentage. Also emphasize that Cash Sales are recorded under Receipts in the cash budget and Credit sales are always recorded in the Debtors collection schedule.
- Explain how to calculate cash Surplus and Cash Deficit
- Explain that the closing balance of the current month will be the opening balance of the following month.
- Show the learners how to do the Arithmetic calculations.

Introduce Preparation of the Debtors Collection Schedule

- Explain to the learners that all credit sales (Actual and Budgeted) will be analysed in the collection procedure and all information in this respect is processed into a Debtors Collection Schedule.
- Debtors collection schedule consist of credit sales and budget period.
- Show them the calculation of cash sales and credit sales from total sales using the given % or ratio.
- Show the learners how to apply the Debtors Collection Policy on credit sales and to take note of Discounts.
- The totals of the Debtors collection Schedule must be transferred to the Cash Budget under Receipts as Collection from Debtors.

Introduce Preparation of the Creditors Payments Schedule

- Explain to the learners that, in order to improve cash flow, the business may purchase stock on credit. On fulfilling all business credit application requirements, the business can negotiate relevant payment terms with its creditors. Such terms will be followed in making payments to creditors during budget period. This information may be presented in the form of Creditors Payment Schedule.
- Show the learners the calculation of credit and cash purchases from total purchases using % or ratio
- Explain that cash purchases is recorded in the cash budget and credit purchases in the creditors payment schedule.
- Explain to the learners that IF total purchases is not given they must use cost of sales and if cost of sales is not given, they must calculate cost of sales using the mark-up %

Projected Income Statement

- The main aim of the business is to make a **Profit**. Regular and thorough planning is essential. Budgeting is an integral part of this process. Budgeting is forecasting for the future. The current budget is used to plan for the future.
- Likewise, the enterprise has to prepare a **Projected Income Statement** for the future from the current income statement
- The key here is for learners to remember that we are trying to determine the future **profits**, and thus the Projected Income Statement will include
 - All income that is expected to be earned during the budget period, **whether received or not**
 - All expenses that are expected to be incurred during the budget period, **whether paid or not**.

What is the main aim of the Projected Income Statement?

Projected income Statement is an essential tool used to monitor and plan the profitability of the business enterprise.

By analysing it; management can ascertain whether:

- The business will be profitable over the budget period
- The projected figures are satisfactory
- Expenses need to be cut.

- The business can afford to hire additional staff, run an advertising campaign and so on. If it predicts a loss in a specific month, the management can make suitable arrangements to try to prevent this from materialising.

Format of the Projected Income Statement

The Projected Income Statement has the same format as the “normal Income Statement, **except**, that here the figures are based on **future projections** and **not past results**, also often several columns are required since the budget period may span **over** several months or even years.

How to Prepare the monthly Projected Income Statement

1. Take as a starting point the actual Income Statement of the past year.
2. Divide the figures by 12 to calculate the monthly figures
3. The following factors, amongst others, should be taken into account:
 - Increase in expenses due to inflation, e.g. wages, fuel increases
 - Increase demand in particular months (season) due to events such as religious holidays, sports events, and international events etc.
 - Expected decline in sales due to increased competition.
 - Expected gross profit, i.e. mark-up on cost

NB. Some of the CALCULATIONS TO KNOW

- Mark up % = $\frac{\text{gross profit}}{\text{cost of sales}} \times 100$
- Surplus / deficit = Receipts – Payments
- Closing balance = Opening balance +/- Surplus/ deficit
- % change = $\frac{\text{difference}}{\text{original amount}} \times 100$
- Increased amount by % = $\frac{\text{Original amount} \times 100 + \% \text{ increase}}{100}$
- Decreased amount by % = $\frac{\text{Original amount} \times 100 - \% \text{ decrease}}{100}$
- Amount before increase = $\frac{\text{Increased amount} \times 100}{100 + \% \text{ increase}}$
- Loan or Fixed deposit = $\frac{\text{Interest on loan / fixed deposit} \times 100 \times 12}{\%}$
- Interest rate on loan / fixed deposit = $\frac{\text{interest amount} \times 12 \times 100}{\text{Loan / Fixed deposit}}$

Compare actual figures to budgeted figures to ensure that the budget figures are realistic and also comment on the control of income and expenses.

Ways to improve debtor's collections

- Remind them by sending statements/ phone calls/sms/email
- Offer discounts on early payments
- Charge interest on late payments
- Refuse to sell on credit to debtors who are not compliant



Advantages of buying the business premises rather than renting

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

- Disadvantages of buying than renting
- Rates on building must be paid
- Additional maintenance cost will be incurred
- Not easy to relocate
- Costs and time involved in selling the property
- **Ways to Improve cash balances in future**
- Encourage debtors to pay faster
- Negotiate with creditors for longer payment terms
- Raise more capital / issue more shares
- Move to cheaper premises
- Charge clients for deliveries
- Take out a loan (to reduce overdraft and interest)
- Decrease mark up to improve sales
- Look for alternative income e.g. commission



ACTIVITY A.1

KIMBERLEY TRADERS

1.1 DEBTORS COLLECTION SCHEDULE

	Credit sales R	December R	January R
• October	45 000	6 750	Nil
• November	48 000	24 000	7 200
• December	60 000	18 000✓✓	30 000✓✓
• January	54 000	Nil	16 200✓✓
		48 750	53 400

1.2. CASH BUDGET FOR THE PERIOD DECEMBER 2020 AND JANUARY 2021

	December	January
RECEIPTS		
Cash sales	40 000	36 000
Collections from debtors	✓48 750	✓53 400
Rent income	2 500	✓2 875
Fixed deposit	✓✓24 000	
Interest on fixed deposit	✓✓320	
Equipment	✓✓3 000	
	✓118 570	92 275
PAYMENTS		
Cash purchases	20 000	17 000
Creditors for purchases	✓✓21 850	✓✓28 500 *
Sundry operating expenses	18 400	19 000
Purchase of equipment		✓✓4 000 *
Loan repayment	✓✓18 000	
Interest on loan	✓✓600	✓✓300
Salaries	✓✓12 000	✓✓10 000
	✓90 850	78 800
SURPLUS (DEFICIT)	✓27 720	✓13 475
BANK BALANCE AT BEGINNING OF MONTH	(4 330)	✓23 390
BANK BALANCE AT END OF MONTH	✓23 390	✓36 865

* Purchase of equipment could be added to creditors

ACTIVITY A.2

CASH BUDGET

2.1 Debtors' Collection Schedule for July 2021 to September 2021.

(13)

	Credit Sales	July 2021	August 2021	September 2021
May	42 000	3 360		
June	49 200	34 440	3 936✓	
July	43 200	8 208	30 240✓	3 456✓
August	42 600✓		8 094✓✓*	29 820✓
September	44 100✓✓			8 379✓✓*
* check calculation for ✓		46 008	42 270✓	41 655✓

2.2 Calculate the amount that will be recorded in the Projected Income Statement for bad debts for August 2021.

$$42\,000 \times 2\% = R840$$

one part correct

2.3 Calculate the missing amounts indicated by A to J on the Cash Budget.

	Calculations	Amount
A	106 500 X 60%	63 900✓✓
B	73 500 X 25%	18 375✓✓
C	72 000 X 75% = 54 000✓ X 90%✓	48 600☑
D	106 500 X 8% one part correct	8 520✓✓
E	37 500 X 106/100	39 750✓✓
F	$39\,750\text{☑} - (9\,540\text{✓}/2\text{✓})$ $4\,770\text{✓✓}$	34 980☑
G	3 500 X 85% OR 3 500 - 525	2 975✓✓
H	2 904✓ x 100/110✓	2 640☑
I	- 22 600 - 10 200 ✓ if not shown as an overdraft	(32 800)☐
J	163 000 + 120 000	283 000✓✓

ACTIVITY A3

CASH BUDGET

3.1 Debtors Collection Schedule

Amount of credit sales	Receipts from debtors	
	December 2021	January 2022
	(✓✓) 5 600	
	(✓✓) 16 800	(✓✓) 6 720
		(✓✓) 22 400
	Method marks for figures irrespective of columns	
	✓✓✓✓ 22 400	✓✓✓✓ 29 120

3.2 Payments to creditors

Workings	Answer
<p style="text-align: center;"><u>December 2021</u></p> <p>(✓) (✓) (✓) $(90\,000 \times 65\%) \times 95\%$ OR/OF $58\,500 \times 95\%$ (or -5% R2 925)</p>	<p>✓✓✓☑ R55 575</p>
<p><u>January 2022</u></p> <p>(✓) (✓) (✓) $(120\,000 \times 65\%) \times 95\%$ OR $78\,000 \times 95\%$ (or -5% R3 900)</p>	<p>✓✓✓☑ R74 100</p>

3.3 Cash Budget of In-Cell Providers for December 2021 and January 2022

	December 2021	January 2022
RECEIPTS		
Cash sales	128 000	160 000
Receipts from debtors	See 2.1 <input checked="" type="checkbox"/> 22 400	<input checked="" type="checkbox"/> 29 120
Interest on fixed deposit	✓✓ 1 500	If 50% <input checked="" type="checkbox"/> 750
Fixed deposit	✓✓ 60 000	
Interest on favourable balance	One mark: If 1% of end of previous month **	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 423
	211 900	<input checked="" type="checkbox"/> 190 Both totals 293
<u>PAYMENTS</u>		
<u>Cash purchases of stock</u>	42 000	✓✓ 52 500
Payments to creditors	See 2.2 <input checked="" type="checkbox"/> 55 575	<input checked="" type="checkbox"/> 74 100
Purchase of vehicle	See 2.2 <input checked="" type="checkbox"/> 19 500	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 15 000
Rent expense	If +5% ✓ 9 000	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 9 450
Salaries	If +10% ✓✓ 16 200	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 17 820
Accounting officers fee	If same ✓ 2 000	<input checked="" type="checkbox"/> 2 000
Other operating expenses	✓✓ 8 000	<input checked="" type="checkbox"/> 8 500
Interest on overdraft	Any figure <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 340	Both totals
	152 615	<input checked="" type="checkbox"/> 179 370
Surplus (deficit)	<input checked="" type="checkbox"/> 59 285	<input checked="" type="checkbox"/> 10 923
Balance in bank at beginning of month	(17 000)	<input checked="" type="checkbox"/> 42 285
Balance in bank at end of month	<input checked="" type="checkbox"/> 42 285	<input checked="" type="checkbox"/> 53 208

3.4 Option/s that Solly should follow

3.4.1 <u>Reason for Solly's decision</u>
Increased demand/sales; future expansion, saving on rent; capital gain
Any valid reason ✓✓
3.4.2 <u>Appropriate options</u>
Candidate identifies any valid option/s ✓✓✓

Full explanation of option to raise full amount / ✓✓✓✓✓
Acceptable explanation (✓✓✓)
Poor explanation (✓✓)
<u>Examples of acceptable reasons:</u>
<ul style="list-style-type: none"> • Additional capital (R40 000) - No effect on budget other than receipt of R40 000
<ul style="list-style-type: none"> • Utilise remaining investments (R60 000)
- Reduction in interest income
- Receipt of R60 000
<ul style="list-style-type: none"> • Mortgage loan (balance – R120 000)
- Interest on loan per month
- Loan repayment per month
- Offset by saving in rent
(Loan could possibly be reduced by existing cash)
<u>Unacceptable answers</u>
Selling fixed assets; Overdraft; Not buying the property

ACTIVITY A4

4.1

No.	Amount in the Cash Budget for June 2021		Amount in the Projected Income Statement for June 2021	
	RECEIPT	PAYMENT	INCOME	EXPENSE
Example		<i>R2 130</i>		<i>R2 130</i>
4.1.1	35 200		35 200	22 000
4.1.2				1 420
4.1.3	62 200			2 150
4.1.4		8 460		460

MONTHS	CREDIT SALES		OCTOBER	NOVEMBER
September	142 500		78 375	
October	176 400		68 796	97 020
November	174 800			68 172
			147 171	165 192

4.2.2	COMMENT	ADVICE
	One valid point each for	One relevant advice
Maintenance of vehicles	Underspent or over budgeted Not well controlled. Not making adequate use of money allocated.	Important to maintain vehicle regularly to improve performance and productivity. Do not compromise on this.
Collection from debtors	Poor collection policy / over-budgeted Estimates may be unrealistic.	Revise collection policy or be more vigilant in implementing the policy. Offer incentives for early payments or penalties for late payments. Send reminders to debtors.
Telephone	Overspent or under-budgeted. Poor control over telephone use.	Investigate usage – may be wastage or valid use. Monitor calls – set rules for private use. Anticipate extra usage or price increases of tariffs.



	October 2021	November 2021
CASH RECEIPTS		
Collection from debtors	147 171	165 192
Fee income for services rendered	62 000	65 400
Rent income	8 200	8 938
Commission income	4 650	4 905
Fixed deposit	-	10 000
Interest on fixed deposit	375	300
CASH PAYMENTS		
Fuel and oil	32 600	37 490
Maintenance of vehicles	24 500	24 500
Salaries	25 500	27 030
Drawings	500	500
Telephone	2 300	2 300
Sundry expenses	3 120	3 198
Interest on loan	2 750	2 750
Purchase of additional vehicle	-	29 440 (25 600 + 3 840)
	131 126	
Opening Balance	22 104	153 230



INVENTORY SYSTEMS

Refer to the KZN GRADE 11 STEP AHEAD DOCUMENT for Lesson Plan.

Activity B1

1.1 CONCEPTS

1.1.1	D
1.1.2	B
1.1.3	C
1.1.4	A

1.2 SCANDALS STORES

1.2.1 Calculate the value of items purchased for the year ended 30 April 2021

$$870\,270 - 5\,120 - 4\,150$$

$$= 861\,000$$

1.2.2

Trading Accounts

2020 May	1	Opening Stock	25 600	2021 April	30	Sales (1 435 566 -5 060)	1 430 506
2021 April	30	Purchases	861 000			Closing Stock	31 650
		Carriage on Purchases	19 000				
		Profit on loss	556 556				
			1 462 156				1 462 156



CALCULATION OF COST OF SALES

Opening stock [310 000	310 000
Purchases [960 000 – 2 000 – 2 800 +27 000	982 200
Carriage on purchases [24 000 +2 400	26 400
Customs duties [15 000	15 000
Cost of goods available for sale	1 333 600
Closing stock [305 000+ 1440	(306 440)
Cost of sales	1 027 160

CALCULATION OF GROSS PROFIT

Sales [1250 000 – 24 000 -3 400 – 1 800	1 220 800
Cost of Sales	(1 027 160)
Gross Profit	193 640

ACTIVITY B 3

3.1 Identify whether each of the following characteristics refer to the perpetual or periodic inventory system. (5)

3.1.1 Perpetual ✓	1
3.1.2 Periodic ✓	1
3.1.3 Periodic ✓	1
3.1.4 Periodic ✓	1
3.1.5 Perpetual ✓	1

3.2.

Trading Account

Opening Stock ✓	15 900 ✓	Sales ✓	427 120 ☑	
Purchases ✓	200 300 ☑	430 720 ✓ – 3 600 ✓	Closing Stock ✓	12 400 ✓
206 700 ✓ – 5 100 ✓ – 1 300 ✓	7 100 ✓			
Carriage on Purchases ✓				
Profit and Loss ✓	216 220 ☑			
	439 520	☑	439 520	

ACTIVITY B4:

4.1. Calculation of Cost of Sales:

OPENING STOCK	75 000
PURCHASES (420 000 – 7 900 – 4 400 – 2 600 – 9 500)	395 600
CARRIAGE ON PURCHASES	18 200
CUSTOMS DUTIES	<u>6 500</u>
	495 300
LESS CLOSING STOCK	<u>(92 820)</u>
COST OF SALES	<u>402 480</u>

4.2.

General Ledger of Romsele Traders
TRADING ACCOUNT

Opening Stock	75 000	Sales	
Purchases	395 600	635 000-(4500+650)	629 850
Carriage On Purchases	18 200	Closing Stock	92 820
Customs Duties	6 500	(92 300 + 520)	
Profit & Loss	227370		
	722370		722370

ACTIVITY B 5

5.1.

General Ledger of Nomonde Stores
TRADING ACCOUNT

Opening Stock	46 000	Sales	
Purchases	199 680	450 000-(6500+2000)	454 500
Carriage On Purchases	3 000	Closing Stock	62 000
Customs Duties	500		
Profit & Loss	267 320		
	516 500		516 500

5.2.

No.	ACCOUNT DEBIT	ACCOUNT CREDIT	AMOUNT	A	OE	L
1	Debtors Control	Sales	6500	+	+	0
2	Drawings	Purchases	1320	0	-/+	0
3	Purchases	Creditors	15 000	0	-	+
	Carriage On Purchases	Creditors	1 500	0	-	+

ACTIVITY B 6

6.1.1.

PURCHASES

1	Total	GJ	644 000			Donations	GJ	2 000
28	Creditors Control	GJ	9 000			Creditors Control	GJ	3 500
						Trading Acc	GJ	647 500
			653 000					6530

6.1.2.

TRADING ACCOUNT

	Opening Stock	GJ	60 000			Sales [340 000+ 60 000-9800-2400]	G J	887 800
	Purchases	GJ	647 500			Closing Stock [140 000+1 500]	G J	141 500
	Carriage on Purchases [20 000+ 400]	GJ	20 400					
	Custom Duties	GJ	19 600					
	Profit and Loss	GJ	281 800					
			1 029 300					1 029 300

6.2. Calculate cost of sales

Opening Stock	60 000
Purchases	647 500
Carriage on Purchases	20 400
Custom Duties	19 600
Goods available for sale	747 500
Closing Stock	(141 500)
Cost of sales	606 0

6.3. Calculate the mark-up percentage achieved on cost. (2 decimal places)

$$\frac{887\,800 - 606\,000}{606\,000} \times 100 = 46.50\%$$

6.4. Give TWO reasons why the expected mark-up percentage was not achieved.

- Petty Theft
- Goods sold at reduced prices
- Damaged goods sold at reduced prices
- Incorrect pricing of goods/stock

ACTIVITY C1 – LEDGER ACCOUNTS

1.1.1 Calculate the following for the financial year:

Direct material cost	
23 400 + 342 600 – 15 700 + 155 000 + 19 400 – 38 700 = 486 000	
Direct labour cost	
4 x 1 440 x R35	201 600
Contributions (201 600 x 10%)	20 160
Overtime	33 600
TOTAL	255 360

1.1.2

WORK-IN-PROGRESS STOCK ACCOUNT							
2020 Mar.	1	Balance b/d	45 300	2021 Feb	28	Finished goods stock	1 000 000
2021 Feb	28	Direct material cost	486 000			Balance c/d	60 000
		Direct labour cost	255 360				
		Factory overhead cost	273 340				
			1 060 000				1 060 000
2021 Mar.	1	Balance b/d	60 000				

1.1.3

FINISHED GOODS STOCK ACCOUNT							
2020 Mar	1	Balance b/d	27 000	2021 Feb	28	Cost of sales	1 005 000
2021 Feb	28	Work-in-progress	1 000 000			Balance c/d	22 000
			1 027 000				1 027 000
2021 Mar	1	Balance	22 000				

- 1.1.3 The owner is concerned about the control of workers in production. Provide TWO points that justify his concern. Quote relevant figures.

Point 1: Normal hours worked is below the contracted hours.	Figures They should be working 1 800 hours (40 x 45) but only 1 440 hours are worked (80%).
Point 2: Overtime hours are relatively high.	Figures 640/1 440 (44,4%) 640/1 800 (35,5%)

ACTIVITY C2 – LEDGER ACCOUNTS

- 2.1 Calculate the following for the financial year:

2.1.1	Direct material cost $120\,300 + 578\,880 + 868\,320 + 25\,000 - 185\,660 = 1\,406\,840$
2.1.2	Direct labour cost $12\,000 \times 42 = 504\,000$ $2\,000 \times 84 = 168\,000$ $504\,000 + 168\,000 = 672\,000 \times 9/10 = 604\,800$
2.1.3	Factory Overhead cost $67\,200 + 140\,000 + 61\,280 + 210\,000 + 25\,400 + 132\,500 = 636\,380$

- 2.2

WORK-IN-PROGRESS STOCK ACCOUNT							
2020 July	1	Balance b/d	82 416	2021 June	30	Finished goods stock	2 626 846 balancing figure
2021 June	30	Direct material cost	1 406 840			Balance c/d	103 590
		Direct labour cost	604 800				
		Factory overhead cost	636 380				
			2 730 436				2 730 436
2021 July	1	Balance b/d	103 590				

- 2.3 The manager is thinking of reducing the quality of material used in manufacturing blankets. This change will not be revealed to customers (labels will not be changed).

Comment.

- It is unethical to show contents which are not in the product.
- The business can be viewed negatively and not to be trusted/reputation.
- Loss of customers which can end up in decrease in sales/decrease in profits.
- Any logical answer

ACTIVITY C3 – LEDGER ACCOUNTS AND UNIT COSTS

3.1	A	800 000
	B	Raw material issued
	C	350 000
	D	1 560 000
	E	3 000 000
	F	Finished goods stock
3.2	<p>Identify TWO items that could be included under “Factory Overhead Costs”.</p> <ul style="list-style-type: none"> • Indirect materials • Indirect labour • Factory depreciation • Factory water and electricity <p>ANY LOGICAL ANSWER</p>	
3.3.1	<p>The cost price per unit.</p> $5\,200\,000 / 4\,000\,000$ <p>= R1.30</p>	
3.3.2	<p>The break-even point for the year ended 30 June 2021.</p> $\frac{3\,000\,000 + 1\,200\,000}{2.50 - 1.30}$ <p>= $\frac{4\,200\,000}{1.20}$</p> <p>= 3 500 000 units</p>	
3.3.3	<p>Should the owner, Mrs HB Led be satisfied with the number of pencils made and sold during the year? Support your answer by quoting figures.</p> <p>Yes</p> <p>4 000 000 pencils were produce and sold and only 3 500 000 were needed to break-even.</p>	
3.4.1	<p>Explain the effect this will have in the Direct Materials Costs. Give ONE reason for your answer.</p> <p>Direct material costs will decrease due to the decrease in carriage on purchases.</p>	

3.4.2 Mrs HB Led is concerned that the quality of the pencils may deteriorate if she uses local raw materials. What can she do to ensure that this does not happen?

- Ensure that the local raw materials are up to standard before purchasing them.
- Have strict quality control procedures in place.

ANY LOGICAL ANSWER

ACTIVITY C4 – LEDGER ACCOUNTS AND UNIT COSTS

4.1.1 In which section of the General Ledger will this account be found?

Balance Sheet Section

4.1.2 Identify TWO items that can be included in each of the following amounts in the Work-in-Progress Stock account:

a) R112 300

- Water and electricity
- Factory rent
- Factory insurance
- Indirect labour
- Indirect materials
- **Any logical overhead expense for a manufacturer**

b) R210 600

- Wood
- Glue
- Nails
- Varnish
- **Any logical raw material cost**

4.1.3 Themba currently employs one supervisor and 3 carpenters to make the tables. Identify which of his employees are considered to be direct and indirect labour. Explain your reasoning by giving an example of the type of work each employee will be completing.

Direct Labour	Carpenters – they physically make the tables.
Indirect Labour	Supervisor – they ensure that the work is being done but do not physically make the tables.

4.2.1 Calculate the break-even point for the year ended 31 August 2020.

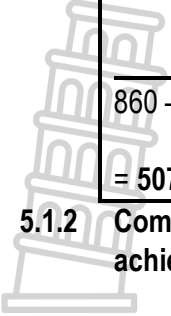
$$\begin{aligned} &713\,500 \\ &1\,200 - 870 \\ &= 1\,347 \text{ units} \end{aligned}$$

4.2.2 Should Billy Bob's Beds be satisfied with the number of single beds that were made during the year ended 31 August 2020? Explain.

Yes

3 950 beds were produced and only 1 347 beds were needed to break even and start making a profit.

5.1.1 Calculate the break-even point for the period ended 31 August 2020.


$$\frac{76\,800 + 60\,000}{860 - (180 + 255 + 155)}$$

= 507 units

5.1.2 Compare and comment on the break-even point and the level of production achieved over the last two years. Quote figures.

The business was not able to break even during the current year (BEP: 507 units / produced 480 units). Ended up making a loss / a lower turnover than last year. The business produced less units this year compared to last year (540 in 2015 / 480 in 2016) The business was able to break-even last year by 32 (540 – 508) units.

5.1.3 Provide TWO reasons for the increase in direct material cost and suggest ONE way in which Kunal can control this cost.

TWO REASONS:

- Increased cost due to inflation / transport costs / scarcity.
- Wastage due to poor workmanship.
- Theft of material due to poor internal controls.

ONE SUGGESTION:

- Look for cheaper suppliers without compromising quality.
- Negotiate transport and delivery discounts.
- Take advantage of bulk discounts.
- Train and supervise workers to minimise wastage.
- Control stock regularly to identify shortages.



D. VALUE ADDED TAX (VAT)

ACTIVITY D 1

VAT CONCEPT

INDICATE WHETHER THE FOLLOWING STATEMENTS ARE TRUE OR FALSE	ANSWER
1.1 VAT stands for Value Added Tax	True
1.2 The current VAT rate is 17%	False
1.3 Maize meal is one of the example of VAT exempted item	False
1.4 VAT is payable to SARS	True
1.5 Any business with sales of more than R300 000 MUST register as a VAT vendor	False

ACTIVITY D 2

VAT ANALYSIS

ANALYSE THE FOLLOWING ITEMS BY MAKING A CROSS(X) IN THE APPROPRIATE COLUMN				
	GOODS/ SERVICES	15% VAT	0% VAT	VAT exempts
2.1	Purchase of trading stock	X		
2.2	Fruits and vegetables		X	
2.3	Purchase of a personal computer	X		
2.4	Fuel		X	

ACTIVITY D 3

Calculate the VAT amount by completing the table below

NO	Selling price before VAT (VAT exclusive price)	VAT Amount
3.1	R300	R42
3.2	R1 700	R238
3.3	R 21. 72	R3.04
3.4	R2 445.75	R342.24
3.5	R92	R12.88
3.6	R215.80	R30.21

ACTIVITY D 4

NO.	COST PRICE	%MARK-UP	VAT EXCLUSIVE PRICE	VAT AMOUNT	VAT INCLUSIVE PRICE
E.G	R200	50%	R300	R45	R345
4.1	R400	60%	R640	R96	R736
4.2	R900	33.33%	R1200	R180	R1380
4.3	R800	25%	R1000	R150	R1150
4.4	R2000	20%	R2400	R360	R2 760

ACTIVITY D 5

Answer sheet

5.1 Calculate the amount of VAT either receivable or payable to SARS on 31 August 2021.

$$34\ 800 + 288\ 750 + 800 - 345\ 600 - 1400 = 22650$$

Or

$$345\ 600 + 1\ 400 - 34\ 800 - 288\ 750 - 800 = 22650 \text{ Payable}$$

5.2 The owner has told the accountant to change the bad debts from R800 to R8000.

Give ONE reason why you disagree with him.

- It is unethical to forward incorrect information to SARS in order to reduce the amount payable/increase amount receivable
- It is illegal/ fraudulent to provide falsified information to SARS as this will lead to fines or a jail sentence to the offender.

**ACTIVITY D 6
GENERAL LEDGER**

INPUT VAT ACCOUNT

2020 July	25	Bank	CPJ	3750	2020 July	25	Drawings	GJ	63
							Returns	CAJ	150
							VAT control	GJ	3 537
				3750					3750

OUTPUT VAT

2020 July	25	Returns	DAJ	720	2020 July	25	Bank	CRJ	6390
		Discount Allowed	CRJ	75					
		Bad Debts	GJ	60					
		Vat control	GJ	5 535					
				6 390					6 390

VAT CONTROL ACCOUNT

2020 July	25	VAT input	GJ	3 527	2020 July	25	VAT output	GJ	5 535
		Balance	C/d	2 008					
				5 535					5 535
							Balance	b/d	2 008