



**KWAZULU-NATAL PROVINCE**

**EDUCATION**  
REPUBLIC OF SOUTH AFRICA

**CURRICULUM GRADE 10 -12 DIRECTORATE**

**NCS (CAPS) SUPPORT**

**LAST PUSH LEARNER DOCUMENT**

**ACCOUNTING: PAPER 1 & 2**

**GRADE 12**

**2024**



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**A. STATEMENT OF COMPREHENSIVE INCOME****ACTIVITY A1**

You are provided with information from the records of MABOMVINI Ltd for year ending 29 February 2024

Required: **Prepare a Statement of Comprehensive Income of MABOMVINI Ltd for year ending 29 February 2024**

Extract from Pre-Adjustment Trial Balance	R
Fixed deposit	950 000
Loan: Kranskop Bank	433 500
Trading stock	215 000
Debtors' control	540 000
Provision for bad debts (1 March 2023)	22 500
Creditors' control	395 200
SARS: Income tax	36 060
Rent income	92 200
Interest on fixed deposit	75 000
Sundry expenses	70 000
Directors' fees	484 700
Audit fees	60 000
Salaries	170 000
Interest on loan (balancing figure)	?
Bad debt	11 000
Insurance	45 000
Bad debt recovered	8 000

Adjustments and Additional information:

- The gross profit for the year ended 29 February 2024 was calculated at R1 323 000 a mark-up of 60% on cost was achieved, trade discount of R252 000 was given to special customers.
- The stock was damaged by fire and insurance agreed to pay 80% of the claim. An Amount of R16 000 was received from Greytown insurers.no entries were made
- Stocktaking on 29 February 2024 reflected trading stock of R197 000 on hand
- Provision for bad debts must be adjusted to R19 500
- A vacant storeroom was rented out from 1 June 2023. On 31 December 2023 the rent was increased by R2 700 per month. The rent was received up to 30 April 2024.
- One of the employees was on sick leave and was double paid from the Salary Journal for February 2024. His salary details are as follows: Gross salary? Deductions R4 500 Net salary 70% of gross salary, Employers' contribution is one third of deductions. employers' contributions are debited to the Salaries and Wages Account
- Debtor BM Dlamini was declared insolvent. His estate paid R2 000, which was 25% of his debt. Write off the balance.
- Make provision for the outstanding interest on fixed deposit. The fixed deposit has been increased by R250 000 on 1 December 2023 and was properly recorded. Interest is not capitalized.
- Insurance includes a premium of R19 125 paid for the period 1 November 2023 to 31 July 2024.
- R1 500 was received from a debtor, PB Sibanyoni, whose debt had previously been written off
- The company has three directors who earn the same fee. One director was paid two months in advance while the other one was owed the fees for FEBRUARY 2024.
- 80% of audit fees was paid up
- Income tax of R3 030 is due by SARS. Income tax is 30% of net profit before tax.

## ANSWER BOOK

## ACTIVITY A1

Sales	
Cost of sales	
<b>Gross profit</b>	<b>1 323 000</b>
<b>Other income</b>	
<b>Gross operating income</b>	
<b>Operating expenses</b>	
Salaries and wages	
Sundry expenses	
Operating profit	
Interest Income	
<b>Net profit before interest expense</b>	
Interest expense	
<b>Net profit before tax</b>	
Income tax	
<b>Net profit after tax</b>	

**ACTIVITY A2****STATEMENT OF COMPREHENSIVE INCOME AND EQUITY AND LIABILITIES**

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

**Note:** A mark-up percentage of 100% on cost was maintained during the financial year.

**REQUIRED:**

Complete the following:

(NOTE: Some information has been provided in the **ANSWER BOOK**.)

- 2.1.1 Statement of Comprehensive income for the year ended 29 February 2024
- 2.1.2 Retained Income note on 29 February 2024
- 2.1.3 EQUITY and LIABILITIES section of the Statement of Financial Position on 29 February 2024

**INFORMATION:****A Amount extracted from the records on 29 February 2024**

	R
Loan: Shakes Bank	610 320
Creditors control	562 500
Fixed Deposit: Chief Bank	150 000
Trading Stock	900 000
Bank (Favorable balance)	469 500
Debtors Control	593 000
Provision for bad debts (1 March 2023)	34 120
SARS: Income Tax (Dr)	660 000
SARS: PAYE	36 000
Pension Fund	13 500
Sales	8 085 500
Cost of Sales	?
Insurance	48 750
Bad debts	33 260
Rent Income	85 100
Directors' fess	825 000
Consumable stores	33 900
Interest on fixed deposit	11 090
Bad debts recovered	11 760
Ordinary share dividends	237 500

**B Additional information:****(ii) Ordinary share capital and dividends**

- On 1 May 2023 an additional 300 000 shares were issued.
- On 1 September 2023 the company repurchased 40 000 shares at 80 cents above the average price of R8.50 each.
- 950 000 shares were in issue on 29 February 2024
- The total dividends for the year amounted to R570 000

**C Adjustments not taken into account:**

- (i) Totally damaged goods returned on 29 February 2024 was incorrectly recorded as R7 200. The amount according to the credit note issued is R2 700.
- (ii) Consumable stores on hand on 29 February 2024, R5 900.
- (iii) An amount of R2 240 received from Mr. WS Myeni, whose account had been written off as irrecoverable, was posted in error to the bad debts.
- (iv) Provision for bad debts should be adjusted to R37 660.
- (v) The insurance account includes an annual premium of R22 500 paid for period 1 July 2023 to 30 June 2024.

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- (vi) The premises has been rented since 1 April 2023 with an agreement that rent will be reduced by R1 000 per month with effect from 1 January 2024. The rent for February 2024 is still outstanding.
- (vii) The company pays the same monthly fee to all directors. One of the three directors resigned on 30 November 2023 and a new director was appointed on 1 February 2024. The fee of the new director is still outstanding.
- (viii) Sundry Expenses is the missing figure in the Statement of Comprehensive income.
- (ix) After taking all adjustments into account, the operating profit was accurately calculated as R1 602 190.
- (x) Extract from the loan statement received from Shakes Bank:

Interest capitalized	?
Repayments (including interest)	1 610 280
Balance at the end of the financial year	703 800

R100 000 of the loan will be paid back in the next financial year.

- (xi) The income tax rate is 30%.

### ACTIVITY A2

Statement of Comprehensive Income for the year ended on 29 February 2024

Sales	
Cost of sales	
Gross profit	
Other income	
Discount received	
Gross income	
Operating expenses	
Advertising	404 500
Salaries and wages	956 180
Audit fees	89 970
Depreciation	123 220
Trading stock deficit	18 500
Sundry expenses	
Operating profit	1 602 190
Profit before interest expense	
Net profit before income tax	
Net profit after tax	

## 2.2 RETAINED INCOME

Balance on 1 March 2023	
Ordinary share dividends	
Balance on 29 February 2024	969 000

## 2.3 STATEMENT OF FINANCIAL POSITION ON 29 FEBRUARY 2024

## EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY	
Ordinary share capital	
Retained Income	969 000
Non-Current Liabilities	
Current liabilities	
Trade and other payables	
TOTAL EQUITY AND LIABILITIES	

**B. CALCULATION OF CORRECT NET PROFIT & STATEMENT OF FINANCIAL POSITION****ACTIVITY B1**

The following information relates Msomi Ltd for the financial year ending 29 February 2024

**REQUIRED:**

1.1 Calculate:

- 1.1.1 Amounts for (i) and (ii) in the Fixed Assets Register
- 1.1.2 Profit/Loss on sale of asset
- 1.1.3 Fixed assets carrying value on 29 February 2024

1.2 Calculate

- the correct net profit **after tax** for the year ended 29 February 2024. Indicate (+) for increase and (-) for decrease.

**INFORMATION:**

A **Fixed assets:**

A delivery vehicle was sold on 31 October 2023, but no entries were made to record this transaction. Details of vehicle sold:

<b>Delivery Vehicle LPT813</b>			
Date purchased: 1 March 2021			
Date sold: 31 October 2023			
Sold for: R175 000 (cash)			
Depreciation rate: 20% p.a. (diminishing-balance method)			
Date	COST	DEPRECIATION	CARRYING VALUE
28 February 2022	R300 000	R60 000	R240 000
28 February 2023		48 000	192 000
31 October 2023		(i)	(ii)

**B List of balances/totals on 29 February 2024 (before taking into account all adjustments below):**

Ordinary share capital	R8 152 000
Retained income (1 March 2023)	865 300
Mortgage loan: Phathu Bank	1 758 000
Fixed assets (carrying value)	10 170 000
Fixed deposit: Phathu Bank (balancing figure)	?
Trading stock	1 102 000
Net trade debtors	1 090 000
Bank (favourable)	?
SARS: Income tax (provisional tax payments)	156 000
Creditors' control	1 906 800

**C Net profit before tax, R922 800, was calculated before correcting the following:**

- Provision for bad debts must be increased by R68 000.
- R9 900 of an advertising contract applies to the next financial year.
- A tenant paid rent of R332 500 for the period 1 March 2023 to 31 March 2024. Rent was increased by R2 500 per month from 1 January 2024.
- Depreciation and profit/loss on the vehicle sold must be recorded – refer to Information A above.
- Stock to the value of R7 400 was destroyed in a fire. The insurance company agreed to pay R6 500.
- A further R43 000 is owed for income tax.

**ACTIVITY B1: ANSWER SHEET**

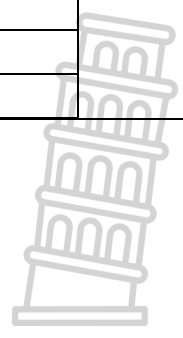
<b>(i) Depreciation for the current year</b>	
<b>Workings</b>	<b>Answer</b>
<b>(ii) Carrying value of vehicles sold</b>	
<b>Workings</b>	<b>Answer</b>





<b>Calculate: Profit/loss on sale of asset</b>	
<b>Workings</b>	<b>Answer</b>
<b>Calculate: Fixed assets carrying value on 28 February 2024</b>	
<b>Workings</b>	<b>Answer</b>

1.3		
Net profit before tax	922 800	
Net profit before tax		
Income tax		
Net profit after tax		



**ACTIVITY B2****MASAKONA LTD**

The following information relates to Masakona Ltd, the financial year ended 28 February 2023.

**REQUIRED:**

Calculate the correct Net Profit after tax for the year ended 28 February 2023 (indicate a + for increase and a – for decrease)

**INFORMATION:**

A Amounts extracted from the records on 28 February 2023.

<b>Balance sheet accounts section</b>	<b>R</b>
Ordinary share capital	?
Retained income	300 000
Fixed assets (carrying value)	2 392 000
Loan from: Kuvule bank	1 894 400
Trading stock	468 750
Trade debtors	437 000
Trade creditors	437 600
Fixed deposit: Bokamoso bank	?
Bank (favourable)	?
SARS: Income tax (provisional payments)	547 400
Rent income	247 958
Consumable stores on hand (packing materials)	8 000
Accrued income	15 000

B Net profit before tax **R2 072 908** was determined before taking into account the following information:

- (i) On 1 December 2022 M.K Makuya, a debtor, returned merchandise. A credit note for R3 000 was issued to her. (The cost price was R2 150.) No entries were made for the return of the merchandise. These items were returned to stock.
- (ii) Trading stock on 28 February 2023 was valued at R469 750.
- (iii) 75% of packing materials were used during the financial year.
- (iv) The rent received, includes the rent for March 2023. On 1 October 2022 the rent increased by R1 828 per month
- (v) The auditors discovered that the profit on disposal of a vehicle R7 500, was incorrectly recorded as a loss.
- (vi) The auditors are owed a further R27 000 after completing the audit
- (vii) BG Builders was paid R210 000 for the construction of a storeroom (R120 000) and repairs to paving (R90 000.) The entire amount was debited to land and buildings in error.
- (viii) Income tax was calculated at 30% of the net profit.

**ACTIVITY B2: ANSWER SHEET**

<b>Net profit before tax</b>	<b>2 072 908</b>
<b>Net profit before tax</b>	
<b>Income tax</b>	
<b>Net profit after tax</b>	

**CORRECTION OF NET PROFIT AND STATEMENT OF FINANCIAL POSITION****ACTIVITY B3****BLUEBERRY LIMITED**

The information relates to the financial year ended 30 June 2024. The business sells formal clothing for men and women.

**REQUIRED****3.1 Refer to Information B.**

Calculate the value of the closing stock of Men's Jackets that was omitted from the stock sheets on 30 June 2024.

**3.2 Refer to Information C.**

Use the table provided to calculate the correct **net profit after tax** for the ended 30 June 2024. Indicate '+' for increase and '-' for decrease.

**3.3 Refer to Information A–H**

Complete the following on 30 June 2024:

**3.3.1 Retained Income Note****3.3.2 Statement of Financial Position****NOTE:**

Adjustments from Information C also affect the Statement of Financial Position. Show workings. Certain figures are provided in the ANSWER BOOK. Figures are NOT required in the shaded areas.

**INFORMATION:****A List of balances, before taking into account all adjustments below:**

	30 June 2024 (R)	30 June 2023 (R)
Ordinary share capital	?	?
Retained income	3 240 000	
Mortgage loan: Best Bank	3 755 000	4 175 000
Trading stock	4 198 500	
SARS: Income tax (provisional tax)	1 200 000	
Net trade debtors	3 668 810	
Bank overdraft	?	
Petty cash and cash float	?	
Creditors' control	1 253 000	
Accrued income/Income receivable	8 000	
Shareholders for dividends	1 170 000	821 0

**B** The accountant omitted the closing stock figure of Men's Jackets in the trading stock balance provided in Information A. **NOTE:**

- The first-in-first-out (FIFO) method is used to value the stock of the Men's Jackets.
- All other relevant entries have been recorded correctly. The information relating to the stock of Men's Jackets is as follows:

Balances:	QUANTITY	UNIT PRICE	TOTAL VALUE
1 July 2023	110	R1 900	R209 000
30 June 2024	240	?	?

<b>Purchases</b>	<b>760</b>		<b>R1 943 500</b>
14 Nov. 2023	360	R2 350	R846 000
10 Feb. 2024	170	R2 600	R442 000
18 May 2024	230	R2 850	R655 500
<b>Returns:</b> 25 May 2024	24	R2 850	R68 400

- C** The net profit before tax, R4 918 950, was calculated before taking the following into account:
- (i) Audit fees include R123 600 which was paid in advance for the next financial year.
- (ii) The repayments on the loan are fixed at R35 000 per month (including capitalized interest). The balances as per loan statement were:
- 1 July 2023, R4 175 000
  - 30 June 2024, R4 028 000. Provide for interest on loan
- (iii) Rent income:  
Rent of R74 000 was received from a tenant for the period 1 July 2023 to 31 August 2024. This has been recorded. This amount considers a reduction of R750 per month from 1 May 2024. The year-end adjustment has not yet been made.
- (iv) After taking into account the corrections above, it was determined that an additional R85 250 is still owed to SARS in respect of income tax for the year

**D** Shares and dividends:

- 26 000 shares were repurchased on 1 July 2023 at R3, 00 above the average share price.
- The business did not pay interim dividends during the 2024 financial year
- A final dividend of 65 cents per share was declared on 30 June 2024.
- 800 000 shares were in issue on 30 June 2024

**E** Debtors with credit balances totaling R11 000 must be transferred to the Creditors' Ledger.

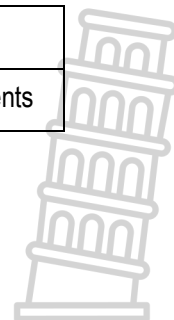
**F** On 30 June 2024, Blueberry Ltd returned 10 ladies' dresses to the supplier, Ntuli Wholesalers. The selling price was R1 680 each. The mark-up was 50% on cost. No entry has been made

**G** A fixed monthly instalment of R35 000 (to cover loan repayments 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 R234 000.

**H** The following financial indicators were calculated on 30 June 2024:

Acid-test ratio	1,2: 1
Net asset value per share (NAV)	540 cents

### ACTIVITY B3: ANSWER SHEET



3.1

Calculate the value of the closing stock of Men's Jackets that was omitted from the stock sheets on 30 June 2024.	
WORKINGS	ANSWER

3.2 Calculate the correct net profit after tax for the year ended 30 June 2024. Indicate '+' for increase and '-' for decrease.

NO.	WORKINGS	AMOUNT
	Incorrect net profit before tax	4 918 950
(i)	Audit fees	
(ii)	Interest on loan	
(iii)	Rent income	
(vi)	Income tax	
	Net profit after tax	

3.3.1 Retained Income Note on 30 June 2024

Balance at beginning	
Balance at end	3 240 000

3.3.2 **BLUEBERRY LTD: STATEMENT OF FINANCIAL POSITION ON 30 JUNE 2024**

ASSETS	
NON-CURRENT ASSETS	
Fixed assets	
Financial assets	
CURRENT ASSETS	8 700 000
TOTAL ASSETS	

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EQUITY AND LIABILITIES	
SHAREHOLDERS' EQUITY	
Retained income	3 240 000
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
Bank overdraft	
TOTAL EQUITY AND LIABILITIES	

**ACTIVITY B4****NXASANE LTD** Financial year ended on 29 February 2024**REQUIRED:**

- 4.1 Calculate the correct net profit after tax for the year ended 29 February 2024. Indicate (+) for increase and (-) for decrease.
- 4.2 Refer to information A-H. Prepare the following on 29 February 2024:
- 4.2.1 Retained income note
- 4.2.2 Statement of Financial Position

**NOTE:** Show workings. Some figures are provided on the Answer sheet.**INFORMATION:****A** Fixed assets

A delivery vehicle was sold on 31 October 2023 but no entries were made to record this transaction. Details of vehicle sold:

Delivery Vehicle X43			
Date purchased: 1 March 2021			
Date sold: 31 October 2023		Sold for: R195 000 (cash)	
Depreciation rate: 25 % p.a. (diminishing-balance method)			
	COST	DEPRECIATION	CARRYING VALUE
28 February 2022	R400 000	R100 000	R300 000
28 February 2023		75 000	225 000
31 October 2023		(i)	(ii)

**B** List of balances/totals on 29 February 2024 (before taking into account all adjustments below):

Ordinary share capital	R8 152 000
Retained income (1 March 2023)	865 300
Mortgage loan: Proto Bank	1 758 000
Fixed assets (carrying value)	10 190 000
Fixed deposit: Proto Bank (balancing figure)	?
Trading stock	1 102 000

Net trade debtors	1 090 000
Bank (favorable)	?
SARS: Income tax (provisional tax payments)	155 000
Creditors' control	1 981 800

C Net profit before tax, R822 700, was calculated before correcting the following

- Provision for bad debts must be increased by R65 000
- R9 800 of an advertising contract applies to the next financial year.
- A tenant paid rent of R334 000 for the period 1 March 2023 to 31 March 2024. Rent was increased by R3 000 per month from 1 January 2024.
- The auditors discovered that the profit on disposal of a vehicle R7 500 was incorrectly recorded as a loss.
- A further R43 000 is owed for income tax.

D Ordinary Shares:

DATE	DETAILS
1 March 2023	2 000 000 shares in issue; total book value R7 600 000
31 May 2023	360 000 shares repurchased at R4,10 each
1 October 2023	800 000 new shares issued
29 February 2024	2 440 000 shares in issue

E Dividends

- Interim dividends were paid in September 2023, R295 200.
- Final dividends of 20c per share were declared on 29 February 2024.

F A creditor with a debit balance of R7 600 must be transferred to the Debtors' Ledger.

G After processing all adjustments:

- The current ratio is 0, 8: 1.
- The current liabilities totaled to R2 900 000.
- The current portion of the loan is the balancing figure.

#### ACTIVITY B4: ANSWER SHEET

4.1 Calculate the correct net profit after tax for the year ended 29 February 2024. Indicate (+) for increase and (-) for decrease.

Workings	Answer
Incorrect net profit before tax	822 700

4.2.1

Correct net profit after tax	
RETAINED INCOME NOTE:	
Balance at beginning	865 300
Ordinary share dividends	
Balance at end	

4.2.2

NXASANE LTD	
STATEMENT OF FINANCIAL POSITION ON 29 FEBRUARY 2024	
ASSETS	
Non-current assets	
Fixed assets	
Fixed deposit	
Current assets	
Inventories	1 102 000
Cash and cash equivalents	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
Ordinary shareholders' equity	
Ordinary share capital	8 152 000
Non-current liabilities	
Current liabilities	2 900 000
Current portion of loan	
TOTAL EQUITY AND LIABILITIES	



**ACTIVITY B5****AMKELE LTD**

You are provided with information from the books of Amkele Ltd. The financial year ended on 30 June 2024.

**REQUIRED:**

- 5.1.1 Complete the Ordinary share capital note for the year ended 30 June 2024.  
 5.1.2 Complete the Current liabilities part of the Statement of financial position on 30 June 2024.

Share capital (600 000 shares issued)	4 680 000
Retained income (30 June 2024)	1 230 000
Mortgage Loan: Miss P Bank	1 596 000
Creditors' Control	325 810
Debtors' Control	247 982
Bank (Credit balance)	126 400
Prepaid expenses	15 800
Deferred income	18 790
Accrued expenses	11 840
Accrued income	15 238
SARS: Income tax	?
Shareholders' for dividends	95 000

- (a) 100 000 shares were issued at a price of R7,26 during the year. This transaction was recorded on 31 January 2024. 70 000 shares were bought back on the last day of the financial year and the transaction was recorded
- (b) A debtor's account with a credit balance of R3 600 must be transferred to his account in the creditors' ledger
- (c) The bank reconciliation on 30 June 2024 shows one future-dated EFT (15 July 2024) issued to a creditor for settlement of his account of R15 800
- (d) Mortgage loan: The mortgage loan was taken out on 1 January 2022. The agreement stipulated that the loan should be paid back over six years in equally monthly instalments from 31 January 2022. These payments were all made. Interest was not capitalized and were paid up to date.
- (e) Income tax for the year amounted to R891 000. Payments made to SARS during the year amounted to R 869 000.



**ANSWER BOOK – ACTIVITY B5**

5.1.1	<b>SHARE CAPITAL</b>		
	<b>600 000</b>	<b>Shares issued at the end of the year</b>	<b>4 680 000</b>

5.1.2	<b>Current Liabilities</b>	
	<b>Trade and other payables</b>	

**C. CASH FLOW STATEMENT****ACTIVITY C1****CASH FLOW STATEMENT AND FINANCIAL INDICATORS**

1.1 **CONCEPTS:** Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.

- 1.1.1 The current ratio is a financial indicator which is relevant to the (liquidity/solvency) of a company.
- 1.1.2 An increase in a fixed deposit will lead to an (inflow/outflow) of cash in the Cash Flow Statement.
- 1.1.3 A decrease in inventories will lead to an (inflow/outflow) of cash in the Cash Flow Statement.

**YOLULE LTD**

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

- 1.2 Prepare the Retained Income Note for the financial year ended 29 February 2024.
- 1.3 Refer to the partially completed Cash Flow Statement provided. Calculate and/or provide the figures denoted by (i) to (v).
- 1.4 Calculate the following financial indicators for the financial year ended 29 February 2024:
- Acid-test ratio
  - Interim dividend per share (in cents)
  - % return on average shareholders' equity (ROSHE)

**INFORMATION:****A. Share capital:**

Number of shares	Details
1 450 000	Shares in issue on 1 March 2023
30 000	Shares repurchased on 1 June 2023, at R3,70 above the average share price
250 000	Shares issued on 1 November 2023, at R17,20 per share
1 670 000	Shares in issue on 29 February 2024

**B. Dividends:**

- Interim dividends were paid on 31 August 2023 to all shares in the share register.
- A final dividend was declared on 29 February 2024.

**C. Extract from the Statement of Comprehensive Income for year ended 29 February 2024:**

Depreciation	R1 620 000
Operating profit	4 826 000
Interest on loans	966 000
Income tax (at a tax rate of 30%)	1 950 000

**D. Extract from the Statement of Financial Position on 28/29 February:**

	2024	2023
Fixed assets at carrying value	R43 095 000	R39 365 000
Current assets (Note 1)	9 623 000	8 029 000
Current liabilities (Note 2)	18 310 000	12 044 000
<b>Shareholders' equity</b>	<b>28 248 000</b>	<b>25 729 000</b>
Ordinary share capital	?	22 910 000
Retained income	?	2 819 000

**Note 1: Items included under Current assets**

	2024	2023
Inventories	R4 190 000	R3 883 000
Cash & cash equivalents	55 000	1 030 000

**Note 2: Items included under Current liabilities**

	2024	2023
Shareholders for dividends	R2 338 000	R2 320 000
SARS: Income tax	115 000	86 000
Bank overdraft	3 274 000	0

**E. Fixed assets:**

A vehicle was sold at carrying value.

Fixed assets were also purchased during the financial year.

**F. Partially completed Cash Flow Statement on 29 February 2024:**

Cash effects of operating activities	
--------------------------------------	--

<b>Cash generated from operations</b>	
Interest paid	(966 000)
Dividends paid	(5 728 000)
?	(i)
<b>Cash effects of investing activities</b>	
?	(ii)
Proceeds from sale of fixed assets	232 000
Change in investments	
<b>Cash effects of financing activities</b>	
?	(iii)
?	(iv)
Change in loans	
<b>Net change in cash &amp; cash equivalents</b>	
<b>Cash &amp; cash equivalents on 1 March 2023</b>	1 030 000
?	(v)

### ACTIVITY C1: ANSWERBOOK

1.1

1.1.1	
1.1.2	
1.1.3	

1.2 RETAINED INCOME NOTE

<b>Balance at the beginning of the year</b>	<b>2 819 000</b>
<b>Ordinary share dividends</b>	
<b>Final dividends</b>	<b>2 338 000</b>
<b>Balance at the end of the year</b>	

1.3 CASH FLOW STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2024

<b>Cash effects of operating activities</b>	
<b>Cash generated from operations</b>	

Interest paid		(966 000)
Dividends paid		(5 728 000)
	(i)	
Cash effects of investing activities		
	(ii)	
Proceeds of sale of fixed assets		232 000
Change in investments		
Cash effects of financing activities		
	(iii)	
	(iv)	
Change in loans		
Net change cash equivalents		
Cash & cash equivalents on 1 March 2023		1 030 000
Cash & cash equivalents on 29 February 2024	(v)	

- 1.4 Calculate the following financial indicators for the financial year ended 29 February 2024:

Acid-test ratio	
WORKINGS	ANSWER

Interim dividend per share (in cents)	
WORKINGS	ANSWER

% return on average shareholder's equity (ROSHE)	
WORKINGS	ANSWER

## ACTIVITY C2

### CASH FLOW STATEMENT, NOTES AND FINANCIAL INDICATORS

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

#### REQUIRED:

- 2.1 Prepare the note for Ordinary share capital on 29 February 2024.
- 2.2 Calculate the Cash flow from changes in working capital. Show all calculations.
- 2.3 Complete the following sections of the Cash Flow Statement for the year ended 29 February 2024.
  - 2.3.1 Cash flow from operating activities
  - 2.3.2 Cash flow from financing activities
  - 2.3.3 Net change in cash and cash equivalents
- 2.4 Calculate the following financial indicators on 29 February 2024:
  - 2.4.1 Debt: Equity ratio
  - 2.4.2 % Return on average Shareholders' Equity

#### INFORMATION:

##### A. Shares and dividends:

DATE	DETAILS OF SHARES
1 March 2023	600 000 in issue
30 June 2023	200 000 new shares issued
1 January 2024	50 000 shares repurchased at R1,70 above than the average share price
29 February 2024	750 000 shares in issue

- An interim dividend of R162 000 was paid on 30 September 2023.
- A final dividend was declared on 29 February 2024.

##### B. Extract from the Statement of Comprehensive Income for the year ended 29 February 2024:

Net profit before tax	R1 475 000
Net profit after tax	1 032 500

##### C. Extract from the Statement of Financial Position for the year ended 28/29 February 2024:

		2024	2023
Inventories		456 500	373 200
Trade and other receivables	Note 1	241 500	372 000
Cash and cash equivalents		34 800	35 000
<b>Ordinary shareholders' equity</b>		<b>8 482 300</b>	<b>6 140 000</b>
Ordinary share capital		7 875 000	6 000 000
Retained income		607 300	140 000
Loan: Sharks Bank		6 785 840	2 456 000
Trade and other payables	Note 2	614 600	676 000
Bank overdraft		0	113 200

**D. Trade and other receivables**

<b>Note 1</b>	<b>2024</b>	<b>2023</b>
Trade debtors	195 300	372 000
Prepaid expenses	14 700	0
SARS – Income Tax	31 500	0
	241 500	372 000

**E. Trade and other payables**

<b>Note 2</b>	<b>2024</b>	<b>2023</b>
Trade creditors	352 100	455 000
SARS – Income Tax	0	29 500
Shareholders for dividends	262 500	191 500
	614 600	676 000

ACTIVITY C2  
ANSWER BOOK

## 2.1 Note for Ordinary Share Capital on 29 February 2024

600 000	Ordinary shares at the beginning	
200 000	New shares issued	
	Shares at the end of the year	7 875 000

Net profit before tax		
Depreciation		
Interest expense		
Profit before changes in working capital		
Net change in working capital		
Increase in inventories	(83 300)	

	Cash generated from operations			
2.3.1	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
	Cash generated from operations			
	Interest paid			
	Income tax paid			
	Dividends paid			

2.3.2	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		

2.3.3	<b>NET CHANGE IN CASH AND CASH EQUIVALENT</b>		

Calculate the following financial indicators on 29 February 2024:					
2.4.1	Debt: Equity ratio				
	<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 50%;">WORKINGS</th> <th style="width: 50%;">ANSWER</th> </tr> </thead> <tbody> <tr> <td style="height: 50px;"></td> <td></td> </tr> </tbody> </table>	WORKINGS	ANSWER		
WORKINGS	ANSWER				

2.4.2 % Return on average Shareholders' Equity					
	<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 50%;">WORKINGS</th> <th style="width: 50%;">ANSWER</th> </tr> </thead> <tbody> <tr> <td style="height: 50px;"></td> <td></td> </tr> </tbody> </table>	WORKINGS	ANSWER		
WORKINGS	ANSWER				

### ACTIVITY C3 CASH FLOW STATEMENT AND FINANCIAL INDICATORS

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



**REQUIRED:**

- 3.1 Prepare the Ordinary Share Capital Note.
- 3.2 Complete the following sections of the Cash Flow Statement:
- Cash flow of operating activities
  - Cash flow of financing activities
- 3.3 Calculate the following financial indicators:
- Net asset value per share
  - Dividends per share
  - % return on average shareholders' equity

**INFORMATION:****A. Share capital and dividends:**

1 March 2023	1 200 000 shares in issue
30 June 2023	An additional 300 000 shares were issued.
1 December 2023	90 000 shares were repurchased from a retired shareholder. He was paid R0,80 above the average share price and would no longer qualify for dividends.

**B. Information from the Statement of Financial Position on 28/29 February:**

	2024	2023
Ordinary shareholders' equity	10 200 000	7 985 500
Ordinary share capital	9 306 000	7 200 000
SARS: Income tax	27 800 (Cr)	42 500 (Dr)
Shareholders for dividends	282 000	?

**C. Loan Statement from Megan Bank:**

The annual loan statement for 2024 reflects the following:

- Balance on 29 February 2024: R1 678 600
- Interest capitalised for the financial year: R117 600
- Monthly payments including interest: R22 750

**D. Net profit and income tax:**

- Net profit after tax amounted to R912 500.
- Income tax is calculated at 27% of the net profit.

**E. Dividends and earnings per share:**

Final dividends per share on 28 February 2023	24,0 cents
Interim dividends per share paid on 31 August 2023	30,0 cents
Final dividends per share on 29 February 2024	?
Earnings per share on 29 February 2024	66,2 cents

**NOTE:** All shareholders in the share register at the financial year-end qualify for dividends.

**ACTIVITY C3****3.1 ORDINARY SHARE CAPITAL NOTE**

1 200 000	Shares in issue on 1 March 2023	7 200 000
<b>3.2</b>	<b>CASH FLOW OF OPERATING ACTIVITIES</b>	
	Cash generated from operations	
	Interest paid	(117 600)

<b>CASH FLOW OF FINANCING ACTIVITIES</b>	

**3.3 Calculate the following financial indicators:**

<b>Net asset value per share</b>	
<b>WORKINGS</b>	<b>ANSWER</b>
<b>Dividend Per Share</b>	
<b>WORKINGS</b>	<b>ANSWER</b>
<b>% return on average shareholders' equity</b>	
<b>WORKINGS</b>	<b>ANSWER</b>

**ACTIVITY C4**  
**CASH FLOW STATEMENT AND FINANCIAL INDICATORS**  
**BLADE MARINATE LTD.**

The information relates to the financial year ended 28 February 2023.

**REQUIRED:**

- 5.1 Complete the Note for CASH GENERATED FROM OPERATIONS.  
 5.2 Complete Cash Flow Statement for the year ended 28 February 2023.

**NOTE:** Some amounts are provided in the Answer Book.

- 5.3 The directors took some **significant financial decisions** during the financial year. Identify two of these decisions from the cashflow statement, with figures. For each decision state a possible consequence. (**exceeding R500 000**)  
 5.4 Calculate the following Financial Indicators for year ended 28 February 2023:
- Dividends per share (DPS)
  - Net asset value (NAV)
  - % Return on total Capital Employed (ROTCE)

**INFORMATION**

**Extract from the Statement of Comprehensive Income for the year ended 28 February 2023:**

Depreciation	R 214 000
Interest Expense	R 91 500
Net profit before taxation	R 1 586 000
Taxation	30% of net profit

**A** **Extract from the Statement of Financial Position on:**

	28 Feb 2023	28 Feb 2022
<b>Ordinary shareholders' equity</b>	<b>8 615 800</b>	<b>7 380 000</b>
Ordinary share capital	7 395 000	6 400 000
Retained income	1 220 800	980 000
Loan: Baboo Bank	1 100 000	930 000
<b>Total capital employed</b>	<b>9 715 800</b>	<b>8 310 000</b>
Fixed assets (at carrying value)	2 981 000	2 780 000
Inventories (including Trading stock)	963 200	838 700
Debtors control	1 452 000	1 300 000
Creditors control	696 000	624 000
Accrued expenses	19 500	21 000
SARS (Income Tax)	9 000 <b>Dr</b>	34 000 <b>Cr</b>
Shareholders for dividends	191 400	115 300

**B** **Additional information:**

**(i) Shares and dividends:**

DATE	DETAILS OF SHARES
1 March 2022	800 000 shares in issue.
30 June 2022	Additional shares issued at R 12,50 per share.

1 January 2023	30 000 shares repurchased at R36 000 above the average share price.
28 February 2023	870 000 shares in issue.

- Interim dividends were paid on 30 September 2022.
- Dividends paid as per the Cash Flow Statement on 28 February 2023 amounted to R 277 300.
- A final dividend of 22 cents per share was declared on 28 February 2023.

**(ii) Fixed Assets:**

- During the year, Blade Marinade Ltd. Purchased a new delivery truck. They also sold equipment at carrying value of R860 000.

ACTIVITY A5

ANSWER BOOK

5.1 NOTE FOR RECONCILIATION BETWEEN PROFIT BEFORE TAXATION AND CASH GENERATED FROM OPERATIONS

Net profit before taxation	1 586 000
Adjustment for;	
Depreciation	
Interest Expense	
Operating profit before changes in working capital	
Net change in working capital	

5.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2023

Cash flow from operating activities	
Interest paid	(91 500)
Dividends paid	(277 300)
Cash flow from investing activities	
Proceeds from sale of fixed assets	860 000
Cash flow from financing activities	

Net change in cash and cash equivalents	
Cash and cash equivalents (opening balance)	
Cash and cash equivalents (closing balance)	

5.3	Decisions with figures	Consequences

5.4 Calculate the following Financial Indicators for year ended 28 February 2023:

Dividends per share (DPS)

Workings	Answer

Net asset value (NAV)

Workings	Answer

% Return on total Capital Employed (ROTCE)

Workings	Answer

#### D. ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

NB: Answer the following questions in your exercise books.

##### ACTIVITY D1

## MALOTRA LTD

You are provided with information relating to Malotra Ltd for the financial year ended 29 February 2024. The company is registered with an authorized share capital of 1 200 000 ordinary shares.

1.1. Refer to information B

Calculate the following financial indicators on 29 February 2024:

- Acid-test ratio
- Debt-equity ratio
- Return on average shareholders' equity

1.2. The directors decided to increase the loan during the current financial year. Explain whether this was a good decision or not. Quote TWO financial indicators (with figures).

1.3. Comment on the price paid for the shares repurchased on 1 January 2024. Quote TWO financial indicators (with figures).

1.4. Thandi Nene owns 416 000 shares in the company. When the directors decided to issue a further 200 000 shares during October 2023, she decided not to buy more shares and rather spend her funds on an overseas holiday.

Explain why you feel Thandi has made the wrong decision. Quote relevant figures or calculations to support your opinion.

A.

ORDINARY SHARE CAPITAL		
800 000	Ordinary shares on 1 March 2023	R5 760 000
200 000	Shares issued on 1 October 2023	?
(120 000)	Shares repurchased on 1 January 2024	?
880 000	Ordinary shares on 29 February 2024	R6 512 000

**NOTE:** Shares were repurchased at 60 cents above the average share price.

B.

Information extracted from the financial statements on 29 February:		
	2024 R	2023 R
Fixed deposit: Sisi Bank	100 000	240 000
Loan: Mihla bank	1 500 000	600 000
Current assets (including inventories)	1 136 700	1 246 400
Inventories	471 100	717 550
Current liabilities	512 000	755 500
Cash and cash equivalents	36 400	2 400
Bank overdraft	0	112 000
Shareholder's equity	6 843 300	5 826 500
Shareholders for dividends	132 000	176 000

C.

Financial indicators on 28 / 29 February:		
	2024	2023
Current ratio	2,2:1	1,6:1
Acid test ratio	?	0,7:1
Debt equity ratio	?	0,1:1
Earnings per share	77 cents	87 cents
Dividends per share	40 cents	80 cents
Return on average equity (ROSHE)	?	11,9%

Return on capital employed (ROTCE)	14,6%	16,4%
Net asset value	778 cents	728 cents
Interest rate on loans	12%	11%
Market value of shares on JSE	*780 cents	725 cents
<b>NOTE:</b> this value was unchanged over the past three months		

**ACTIVITY D2**

You are provided with information relating to two companies.

**BACKGROUND INFORMATION:**

- Mhlengi owns 300 000 shares in each company.
- Chacha Ltd issued 200 000 new shares only to existing shareholders at the average issue price (R9,10). These funds were used to establish a new branch. No new loans were raised.
- Jojo Ltd paid R4 800 000 to repurchase 320 000 shares.

**NOTE:**

**Where comments or explanations are required, quote financial indicators and figures to support your answer.**

- 2.1 Comment on the price of R9,10 charged by Chacha Ltd for the new shares issued.
- 2.2 Explain how the issue of new shares has affected the financial gearing and risk of Chacha Ltd. Quote TWO financial indicators.
- 2.3 Mhlengi had the option to buy some of the new shares issued by Chacha Ltd. He had saved sufficient funds (interest rate 5% p.a.) for this purpose.
  - If Mhlengi wanted to retain his 60% shareholding in the company, how many shares would he have had to buy and how much would he have to pay?
  - Mhlengi decided NOT to buy these shares. Apart from the % shareholding, explain TWO reasons why he has made a mistake by not taking up this option.

**JOJO LTD**

- 2.4 Comment on the liquidity of Jojo Ltd. Quote TWO financial indicators.
- 2.5 Comment on the price paid by Jojo Ltd for the repurchase (buy-back) of shares.
- 2.6 Explain THREE ways in which Mhlengi has benefited from the repurchase of the shares by Jojo Ltd.

<b>ADDITIONAL INFORMATION</b>				
<b>Financial indicators and additional information from annual reports:</b>				
	<b>CHACHA LTD</b>		<b>JOJO LTD</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Debt equity ratio	0,5:1	0,8:1		
Current ratio			1,9:1	3,5:1
Acid-test ratio			1,1:1	1,7:1
Stock-holding period			54 days	54 days
Number of shares in issue	700 000	500 000	580 000	900 000
Average share issue price	R9,10		R10,20	

Price paid for share repurchase			R15,00	
Price of share JSE	R12,00		R15,00	
Net asset value per share	R10,73	R11,38	R13,30	R13,22
% Return on shareholders' equity	23%	17%	16%	13%
% Return on total capital employed	20%	15%		
Earnings per share	140 cents	196 cents	266 cents	171 cents
Total dividends	R357 000	R325 000	R928 000	R928 000
Dividends per share	51 cents	65 cents	160 cents	103 cents

**ACTIVITY D3**

The information relates to Jay Ltd. The company sells high-quality solar panels to businesses and homeowners to generate electricity. The financial year ends on 28/29 February each year

**REQUIRED:**

**NOTE:** Where comments or explanations are required, you must

- Quote financial indicators and trends, with figures
- Give a reason or an explanation on the relevant financial indicators

**3.1 Mark-up percentage**

Explain how the customers reacted to the change in the mark-up percentage and whether this benefited the company or not.

**3.2 Profitability and operating efficiency:**

Comment on the operating efficiency of the company over the past two years. Quote TWO financial indicators.

**3.3 Financial risk and gearing:**

3.3.1 One of the shareholders cannot understand why the debt-equity ratio increased in 2024 despite the increase in the loan. Provide him with an explanation.

3.3.2 The chief financial officer (CFO) is of the opinion that the increase in the loan was a good decision. Apart from the debt-equity ratio, provide TWO points to support his opinion, including ONE relevant financial indicator.

**3.4 Returns, earnings, and dividends:**

3.4.1 Comment on whether the shareholders should be satisfied with the return on their investment. Provide TWO points, including ONE financial indicator.

3.4.2 Comment on the earnings per share (EPS) and explain its impact on the dividend pay-out policy adopted by directors.

**3.5 Share price on the stock exchange:**

3.5.1 Comment on the performance of the share price on the stock exchange (JSE). Provide TWO points, with figures and trends.

**3.6 Shareholding of Allan Ashwin:**



## Downloaded from Stanmorephysics.com

- 3.6.1 Allan Ashwin owns shares in JAY Ltd. He is pleased with his investment in the shares of this company. Provide TWO points, with figures or calculations, to support his opinion.
- 3.6.2 The company plans to issue additional new shares equal to 20% of the issued share capital, in the next financial year to existing shareholders. Allan has indicated that he will not take up this offer. Explain how this decision will affect his % shareholding. Provide a calculation or figures to support your explanation.

3.7

### **Bonuses for directors and other employees of Jay Ltd:**

Bonuses for directors and other employees are included in the company's budget. Shareholders will be required to vote at the AGM on whether these bonuses should be paid or not.

Apart from the points provided above, state TWO different factors that will influence shareholders to vote in favour of approving such bonuses.

### **INFORMATION:**

#### **A.** Financial indicators and additional information:

	29 Feb. 2024	28 Feb. 2023
Current ratio	1,8: 1	4,3: 1
Acid-test ratio	0,9: 1	2,5: 1
Debt-equity ratio	0,2: 1	0,3: 1
Earnings per share (EPS)	224 cents	113 cents
Dividends per share (DPS)	90 cents	90 cents
Dividend pay-out rate	40%	80%
% Return on average equity (ROSHE)	15,6%	8,0%
% Return on total capital employed (ROTCE)	19,7%	11,0%
Net asset value per share (NAV)	1 543 cents	1 413 cents
Solvency ratio	2,5: 1	3,6: 1
% Operating expenses on sales	22,0%	28,0%
% Operating profit on sales	15,6%	10,2%
% Net profit after tax on sales	13,5%	8,8%
% mark-up	60%	40%

Number of directors and other employees	38	43
Number of customers	245	280
Average sales per customer	R160 000	R120 000
Market price of shares on JSE	1 610 cents	1 342 cents
% Interest rate on investments	7%	7%
% Interest rate on loans	13%	13%

#### **B.** Extracts from Cash Flow Statement:

	29 Feb. 2024	28 Feb. 2023
Cash generated from operations	R6 785 000	R3 863 500
Proceeds of shares issued	R2 800 000	0

Increase in loan	R1 000 000	R4 000 000
Fixed assets purchased	0	R750 000
Fixed assets sold*	R1 100 000	0
*Unproductive fixed assets were sold.		

**C.** Shareholding of Allan Ashwin in Jay Ltd:

	Jay Ltd
Shares in issue on 29 February 2024	700 000
Number of shares owned by Ashwin	360 000
Purchase price per share paid by Ashwin	780 cents
Dividends earned per share	90 cents

### ACTIVITY D4

You are provided with information relating to Qumbu Ltd for the year ended 29 February 2024.

**REQUIRED:**

NOTE: Provide financial indicators with figures and trends to support your comments or explanations (where applicable).

**4.1 Liquidity**

Explain whether the company is managing their working capital efficiently. Quote TWO financial indicators.

**4.2 % Shareholding**

Denise Taylor, the CEO, owned 540 000 shares in the company on 1 March 2023. She continued to buy additional shares on the JSE at various times during the year. On 29 February 2024, Denise became the majority shareholder as she then owned 51% of the shares in issue.

- 4.2.1 Calculate the total number of additional shares that Denise purchased. Give ONE possible reason why Denise was determined to become the majority shareholder.

**4.3 Decisions by directors, risk, and gearing**

- 4.3.1 The Cash Flow Statement revealed decisions taken by the directors. Identify TWO major decisions taken by the directors in 2024 that were different to those from the previous year.
- 4.3.2 Give ONE reason for these decisions.  
Explain the impact of these decisions on the degree of financial risk over the two years. Quote One financial indicator.
- 4.3.3 Explain how these decisions affected the gearing of the company. Quote one financial indicator.

**4.4 Dividends and earnings**

- 4.4.1 Certain shareholders expressed concern about the change in the dividend pay-out policy. Explain TWO points to support their opinion.
- 4.4.2 Explain whether shareholders would be satisfied with the trend in the %return and earnings of the company, as well as the dividends they earned. Quote TWO financial indicators

**4.5 Comments at the annual general meeting**

Some shareholders are angry about the trends of the following two issues relating to the performance of the company:

- Cash and cash equivalents at the end of the year
- The market price of the shares on the JSE

In EACH case, provide evidence for the shareholders' concerns over these trends, and explain why they would be concerned about the prospects for the company

## E. CORPORATE GOVERNANCE & AUDIT REPORTS

### ACTIVITY E 1

**1.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.**

1.1.1 The audit report presented in the annual report is addressed to the (directors/shareholders) of a company.

1.1.2 A/An (qualified/unqualified) audit report will contribute to a favourable image of the company.

1.1.3 A (qualified/disclaimer of opinion) report is received when the external auditor refuses to express an opinion on the reliability of the financial statements.

### 1.2 Gudlintaba LTD

**Refer to the extract below.**

Shareholders of the company were unhappy with reports about the chief financial officer (CFO) and approached the board of directors for a special meeting to discuss their concerns.

**REQUIRED:**

Explain **THREE** questions that the shareholders would want to raise with the board of directors at the meeting.

#### NOTES FROM BOARD MEETINGS OF DIRECTORS

The CFO, BK Meyiwa, commenced duty at Gudlintaba LTD on 1 June 2017 with an annual salary of R1,4 million based on his qualifications of a master's degree in Accounting Science and a doctorate from international universities.

In October 2022, BK informed the board that he was offered a package of R2,6 million by Mtshezi Ltd, a competitor. In response to this, the board of Gudlintaba Ltd decided to match the offer of Mtshezi Ltd. A whistleblower (informant) alerted the chief executive officer (CEO) that BK has no post-graduate qualifications. It was subsequently discovered that he had also lied about the job offer from Mtshezi Ltd.

### ACTIVITY E1

1.1

1.1.1

1.1.2

1.1.3

1.2

Explain **THREE** questions that the shareholders would want to raise with the board of directors at the meeting.

POINT 1

POINT 2

POINT 3



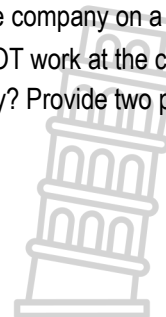
**ACTIVITY E 2****Corporate Governance**

Shareholders and employees associated with a company will be particularly interested in whether the company is well governed and managed by the directors.

At the AGM, the shareholders will elect two types of directors:

- **Executive directors:** They attend board meetings and work at the company on a full-time basis.
- **Non-executive directors:** They attend board meetings and do NOT work at the company.

2.1.1 Explain why a qualified audit report is not a good reflection of a company? Provide two points



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2.1.2 Explain why it is important for a company to include non-executive as well as executive directors on the Board of Directors.

2.1.3 According to the Companies Act,2008(Act 71 of 2008), a company must have a Remuneration committee.

- Explain the role/responsibility of this committee and give a reason why this committee is necessary.

2.1.4 Directors engage with clients on a regular basis in an effort to negotiate contracts and to increase sales and services.

- Explain why there should be a company policy that directors must declare to the Board all gifts, donations or favours received by them from clients. Provide TWO points.

2.2 **Extract of the audit report**

**Audit report**

We are independent of the company, as applicable to performing audits, and with other ethical requirements as per the professional code of conduct. The audit evidence we obtained was sufficient and appropriate.

**Opinion**

We have audited the financial statements, as set out on pages 8 to 23. These comprise the Statement of Comprehensive Income, Statement of Financial Position and the Cash Flow Statement for the year ended 29 February 2024.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the business as at the year then ended, its financial performance and cash flows, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Hlombe & Nene  
Registered Auditors  
30 May 2024

2.2.1 Identify the type of audit report that the company received. Give a reason for your answer.

2.2.2 Who is the Audit Report addressed to and why?

2.2.3 Explain why the auditor referred to:  
Pages 8 to 23 International Financial Reporting Standards and the Companies Act of South Africa.

2.2.4 Name any TWO items of audit evidence that the auditors may have used.

**ACTIVITY E 2**

**Corporate Governance**

2.1

2.1.1

2.1.2

2.1.3

2.1.

2.2

**Audit Report**

2.2.1

2.2.2

2.2.3

2.2.4

**ACTIVITY E 3**

Corporate social responsibility (CSR) is an important part of corporate governance.

**Definition of CSR**

CSR is the continuing commitment to behave ethically and contribute to economic/ financial development while improving the quality of life of the workforce and their families as well as the country at large.

[Source: unido.org]

**REQUIRED:**

3.1 Many companies in South Africa feel that is unfair to place CSR responsibilities on companies because the government should be accountable for attending to these issues as companies are paying income tax.

Explain how you would respond to this statement. State TWO points.

**3.2 Refer to the information regarding Dlaba Ltd below:**

- State whether Dlaba Ltd is a public company or private company.
- Explain why employees and shareholders (Investors) were distressed by this incident.
- Explain what went wrong in the company to allow for this fraud to occur.

State THREE different/ separate points.

**INFORMATION:****DLABA LIMITED**

One of the biggest accounting frauds in the history of South Africa occurred several years ago in this furniture company which is listed on the JSE and the Japanese Stock Exchange.

After a forensic investigation fictitious or irregular transaction for over 8 years were identified, amounting to more than R80 billion. The share price then collapsed by 80% immediately after the news broke. Former Dlaba Ltd executives and individuals from outside the company, including the CEO, were accused of fraudulently overstating the company's profit and asset values.

## ACTIVITY E 3

Explain how you would respond to the statement. State TWO points.

3.2 State whether Dlaba Ltd is a public or private company.

Explain why employees and shareholders (investors) were distressed by this incident.

Comment on employees:

Comment on investors shareholders (Investors):

Explain what went wrong in the company to allow for this fraud to occur.  
State THREE different points.

## ACTIVITY E 4

Extracts from the audit report of Elihle Ltd are provided.

## INFORMATION:

<b>Point 1</b>	<b>To Shareholders</b> We have audited the financial statements set out on pages 8 to 52
<b>Point 2</b>	<b>Opinion</b> In our opinion the financial statements present fairly, in all material respects, the financial position of the company as at 28 February 2024...
<b>Point 3</b>	...in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act (Act 71 of 2008) of South Africa. <b>Basis of Opinion</b>
<b>Point 4</b>	We are independent of the company
<b>Point 5</b>	We have fulfilled our ethical responsibilities, which are consistent with international standards... ...and the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

**REQUIRED:****4.1 Refer to points 1 to 3.**

Why did the auditors mention these points? Give **ONE** explanation for EACH point.

**4.2 Refer to points 4 and 5**

Explain **TWO** examples of:

- Ethical responsibilities
- Audit evidence

**ACTIVITY E 4**

## 4.1

Point 1- Opinion

Point 2- IFRS and Companies Act

Point 3- Independent

## 4.2.

Point 4- TWO examples of ethical responsibilities

Example 1:

Example 2:

Point 5- TWO examples of Audit evidence:

Example 1:

Example 2:



**AA. TANGIBLE ASSETS****ACTIVITY AA1**

The following information was extracted from the accounting records of KTTN LTD. The businesses financial year ends on 30 June 2024.

**REQUIRED:****1.1 Refer to Information B:**

- 1.1.1 Calculate the missing figures denoted by (i) to (iv).
- 1.1.2 Briefly explain the purpose of fixed assets register.
- 1.1.3 Fixed assets are often disposed of when they become too old. Identify TWO other possible reasons for fixed assets being disposed.

**1.2 Refer to information C:**

- 1.2.1 A similar building in Ixopo was recently sold for R15 million. Would you adjust the value of Land Buildings in KTTN LTD's books? Explain your answer.

**INFORMATION:****A. Extract of a list of balances/ totals on 30 June 2024:**

	R
Land and buildings	6 890 720
Vehicle	452 000
Equipment (1 July 2023)	800 000
Accumulated depreciation in vehicle (1 July 2023)	236 000
Accumulated depreciation on Equipment (1 July 2023)	720 000

**B. Incomplete Fixed Asset Note and Additional Information:**

	LAND AND BUILDINGS	VEHICLES	EQUIPMENT
<b>Carrying value at the beginning of the year</b>		416 000	
Cost	(i)		800 000
Accumulated depreciation		(236 000)	(720 000)
<b>Movements</b>			
Additions at cost	?	0	200 000
Disposal at carrying value		(ii)	0
Depreciation		(83 200)	(iv)
<b>Carrying value at the end of the year</b>	6 890 720	(iii)	
Cost	6 890 720	452 000	
Accumulated depreciation		(247 200)	

**C. Land and buildings**

The following transactions were recorded during the financial year:

- Expansion of storage room, R1 200 000
- Repairing windows, 272 000.

**D. Vehicle**

- Depreciation on vehicles is calculated at 20% p.a. on the diminishing balance method. The total depreciation for the financial year amounted to R83 200.
- On 30 June 2024 a vehicle costing R200 000 was sold for cash, for R118 000. The business made a loss of R10 000 on the sale of the asset.

**E. Equipment**

- Depreciation on equipment is calculated at 15% p.a. on the cost price. The company decided to invest in new equipment since the equipment was very old. The new equipment was bought on 1 March 2024.

**ACTIVITY AA1 ANSWER BOOK**

1.1.1	No.	Workings	Answer
	(i)		
	(ii)		
	(iii)		
	(iv)		

1.1.2	Briefly explain the purpose of the fixed assets register

1.1.3	Fixed assets are often disposed of when they become too old. Identify TWO other possible reasons for fixed assets being disposed of.

1.2.1	A similar building in the Ixopo was recently sold for R15 million. Would you adjust the value of Land and Buildings in KTTN Ltd's books? Explain your answer.

**ACTIVITY AA2**

You are provided with information relating to MAPHOLOBA TRADERS on 30 June 2024, the end of the accounting period.

**REQUIRED:**

- 2.1 Use the information given to complete the following:
  - 2.1.1 Depreciation on vehicles for the year ended June 2024.
  - 2.1.2 Asset Disposal Account in the General Ledger
  - 2.1.3 Calculate the total carrying value at the end of the year
  
- 2.2 Give ONE suggestion that the internal auditor can use to check whether movable fixed assets have been stolen.
  
- 2.3 The owner is concerned about the fact the equipment was sold at a loss, as according to the market valuation he should have got profit of R12 000. Give TWO possible reason as to why the loss was incurred and suggest TWO measures to prevent further losses.

**INFORMATION:**

**Balances on 1 July 2023**

	Cost	Accumulated depreciation	Carrying value
Land and buildings	500 000	(0)	500 000
Vehicles	300 000	(76 000)	224 000

**TRANSACTIONS:**

**30 September 2023**

- Extension to the building at the cost of R180 000
- Repairs to the storeroom cost the owner R25 000

**31 December 2023**

- Trade in old vehicle for 55 000 on a new vehicle for R150 000 from Highflats Motors. The vehicle was bought on 1 July 2021 for R100 000.
- Vehicles depreciates at 20% per annum on book value

**ACTIVITY AA2**

**2.1.1 Depreciation on vehicles for the year ended June 2024.**

**2.1.2 ASSET DISPOSAL ACCOUNT**

2.1.2 ASSET DISPOSAL ACCOUNT									

- 2.1.3 Calculate the total carrying value at the end of the year
- |  |  |
|--|--|
|  |  |
|--|--|
- 2.2 Give ONE suggestion that the internal auditor can use to check whether movable fixed assets have been stolen.
- |  |
|--|
|  |
|--|
- 2.3 The owner is concerned about the fact the equipment was sold at a loss, as according to the market valuation he should have got profit of R12 000. Give TWO possible reason as to why the loss was incurred and suggest TWO measures to prevent further losses.
- | REASON | ADVICE |
|--------|--------|
|        |        |

**ACTIVITY AA3**

You are provided with information from MESULI LTD for the financial year ended 29 February 2024.

**REQUIRED:**

- 3.1 Calculate the following:
- 3.1.1 Depreciation on vehicles.
  - 3.1.2 The profit/loss on sale of asset. Indicate whether it is a profit or loss.
  - 3.1.3 The total carrying value at the end of the year.
- 3.2 Refer to Information C
- 3.2.1 Provide ONE suitable reason for vehicle 2 being sold as soon as after it was purchased.
  - 3.2.2 What is a benefit of donating building to community church?

**INFORMATION:****A. Balances and totals extracted from the records of Mesuli Limited on 29 February 2024**

	Debit	Credit
<b>Balance Sheet Accounts Section</b>	R	R
Land and buildings	1 810 000	
Vehicles (See information C)	?	
Equipment	115 000	
Accumulated depreciation on equipment		17 250

**B. Land and Buildings**

- One of the buildings costing 150 000 was donated to community church. This transaction was not recorded.
- Repairs for 20 000 was debited on the land and buildings account.

**C. Vehicle**

- The business has two vehicles. The following details appeared in the Fixed Assets Register on 1 March 2023:

	Vehicle 1	Vehicle 2
Cost Price	250 000	420 000
Accumulated depreciation	(225 000)	(52 500)
Carrying value	25 000	367 500

- Vehicle 2 was sold on 1 July 2023 for 310 000 on credit.

**D. Equipment:**

- Mesuli Ltd. Bought new equipment on 1 March 2023 for R115 000. This transaction was properly recorded. The depreciation for the year of R17 250, was accurately calculated and recorded.
- The business provides for depreciation on its fixed assets as follows:
  - On vehicles at 25% p.a. on cost price
  - On equipment at 15% p.a. on the diminishing value method

**ACTIVITY AA3 ANSWER BOOK****3.1.1 Calculate the depreciation on vehicle**

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**3.1.2 Calculate the profit/loss on sale of assets. Indicate whether it is a profit or a loss.**

--	--

**3.1.3 Calculate the total carrying value at the end of the year**

--	--

**3.2.1 Provide ONE suitable reason for vehicle 2 being sold so soon as after it was purchased.**

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**3.2.2 What is a benefit of donating building to community church?**

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**ACTIVITY AA4**

MJOLI TOURS LIMITED takes tourist on helicopter at R2 800 for a 30 minutes trip. Each trip is a maximum 50 km round trip. The company has three pilots working for them, Eyethu, Amahle and Linamandla. The pilots are expected to work 5 days a week from Wednesday until Sunday due to the nature of the business.

**REQUIRED:**

- 4.1 Identify ONE problem regarding each helicopter/pilot. Quote figures to support your answer.  
Give ONE point of advice for EACH problem identified.

	<b>HELICOPTER 1: BLUE ISALAND</b>	<b>HELICOPTER 2: RED ISLAND</b>	<b>HELICOPTER 3: GREEN ISLAND</b>
Name of pilot	<b>EYETHU</b>	<b>AMAHLE</b>	<b>LINAMANDLA</b>
Cost price	R3 000 000	R12 000 000	R8 000 000
Accumulated depreciation	R2 700 000	R360 000	R3 600 000
Working days per year	251 days	251 days	251 days
Number of days pilot worked per year	301 days	265 days	185 days
Salary per pilot	R26 800 p.m.	R35 000 p.m.	R42 000 p.m.
Kilometres travelled	150 500 km	164 300 km	75 000 km
Number of trips booked per annum	3 010	3 180	1 480
Petrol used	39 193 litres	32 860 litres	15 000 litres
Fuel consumption	3, 84km per litre	5km per litre	5km litre
Fuel costs (R15 per litre)	R587 895	R492 900	R225 000
Petrol cost per km	R3,90	R3,00	R3,00
Maintenance cost per km	R2 257 500	R26 712 000	R12 432 000
Fee income	R25 284 000	R26 712 000	R12 432 000
Passengers booked	9 030	9 540	4 440

**ANSWER BOOK**

4.1

PROBLEM WITH FIGURES		ADVICE
BLUE ISALAND: EYETHU		
RED ISLAND: AMAHLE		
GREEN ISLAND: LINAMANDLA		

- 4.2 SINDILE LANGA is the owner of three printing shops. Each shop has its own manager. Each shop has a laser printer designed for bulk printing of up to 100 000 copies per month. R2,40 per copy is charged.

**REQUIRED:**

Identify ONE problem in relation to each shop, quoting figures in identifying each problem.  
Provide ONE point of advice for solving each problem identified.

**INFORMATION FOR MAY 2024:**

	SHOP 1	SHOP 2	SHOP 3
Manager	<b>SOMELEZE</b>	<b>SPHE</b>	<b>ANATHI</b>
Purchase date of printer	1 June 2018	1 June 2022	1 June 2023
Cost price of printer	R60 000	R100 000	R140 000
Accumulated depreciation	R59 999	R40 000	R28 000
Number of copies printed and sold	140 000	100 000	40 000
Number of spoilt copies	1 930	11 740	360
In and consumables used	R29 600	R39 000	R8 800
Repairs and maintenance	R8 000	R2 800	R400
Other monthly operating expenses	R34 000	R34 000	R34 000
Cash from customers deposited	R264 000	R240 000	R96 000

**ANSWER BOOK**

4.2

Identify ONE problem in relation to each shop, quoting figures in identifying each problem.  
Provide ONE point of advice for solving each problem identified.

PROBLEM WITH FIGURES		ADVICE
SHOP 1: SOMELEZE		
SHOP 2: SPHE		
SHOP 3: ANATHI		

**BB. INVENTORY VALUATION****ACTIVITY BB 1**

Zinhle Gumede is the majority shareholder and CEO of Injula Ltd. The company supplies schools with **Stationery** and **Desks**. The periodic system is used. The year-end is 30 June 2024.

**REQUIRED:**

Use the information below to answer questions:

**STATIONERY**

1.1 Calculate the value of closing stock for stationery on 30 June 2024 using the first-in first-out method.

1.2 In 2024, the company decided to extend the target market and to grant trade discounts to increase sales.

1.2.1 Calculate the % mark-up achieved in 2024.

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1.2.2 Provide TWO points (with figures) to prove that this decision achieved its aims.

1.2.3.

The CEO feels that this decision also negatively affected the company.

- Provide TWO points (with figures) to support his opinion.
- Give the directors advice to solve this problem. Explain TWO points.

### DESKS

1.3 Calculate the stockholding period for desks (use closing stock).

1.4

Zinhle is concerned about the control of desks. An investigation revealed that the store manager was supplying local boarding houses with desks without documentation.

- Calculate the number of missing desks.
- Give TWO suggestions to solve this problem.

### COMPUTERS

1.5.

During April 2024, while Zinhle was in hospital, Mngadi (the chief financial officer) decided to include Computers in their product range. He was able to secure bulk discounts from Snethezikile on two Computer models, namely HP and PROLINE.

Calculate the value of the closing stock of **Computers** on 30 June 2024 using the specific identification method.

1.6.

An employee of Snethezikile told Zinhle that Mngadi received a 10% 'commission' from Snethezikile for buying excess stock. Zinhle wants to discuss this at the next board meeting. Explain THREE different concerns that Zinhle would have about this problem.

### INFORMATION:

A

#### Stock records of stationery and desks:

	STATIONERY			DESKS	
	UNITS	UNIT PRICE	TOTAL	UNITS	TOTAL
<b>Stock balances</b>					
1 July, 2023	370	R800	R296 000	600	R108 000
30 June, 2024	280		?	265	R59 625
<b>Purchases: 2024</b>					
January	800	R920	R736 000	1 200	R240 000
April	1 200	R990	R1 188 000	1 800	R432 000
May	250	R1 100	R275 000	800	R210 000
<b>Total</b>	<b>2 250</b>		<b>R2 199 000</b>	<b>3 800</b>	<b>R882 000</b>
<b>Returns</b>	<b>20</b>	R1 100			
<b>Sales</b>				<b>3 675</b>	
<b>Cost of sales</b>					<b>R930 375</b>

B

#### Information relating to Stationery:

	2024	2023
Sales	R3 480 000	R3 375 000
Cost of sales	R2 170 500	R1 950 000
Units sold	2 320	2 500
Selling price per unit	R1 500	R1 400
% mark-up achieved	?	73%
Customers on record	37	26

C.

#### Stock records of Computers:



	MODELS	UNITS	UNIT PRICE	TOTAL
<b>Purchases</b>				
March 2024	G-LAKE	800	R6 000	R4 800 000
	J-TIGER	950	R7 200	R6 840 000
May 2024	G-LAKE	500	R6 000	R3 000 000
	J-TIGER	500	R7 200	R3 600 000
<b>TOTAL</b>		<b>2 750</b>		<b>R18 240 000</b>
<b>Sales</b>	G-LAKE	430	R8 400	R3 612 000
	J-TIGER	540	R10 080	R5 443 200

**ANSWER BOOK****ACTIVITY BB 1**

- 1.1. Calculate the value of closing stock for **stationery** on 30 June 2024 using the first-in first-out method.
- 1.2. In 2024, the company decided to extend the target market and to grant trade discounts to increase sales.
- 1.2.1 Calculate the % mark-up achieved in 2024.
- 1.2.2 Provide TWO points (with figures) to prove that this decision achieved its aims.
- 1.2.3 The CEO feels that this decision also negatively affected the company.
- Provide TWO points (with figures) to support his opinion.
  - Give the directors advice to solve this problem. Explain TWO points.

**DESKS**

- 1.3 Calculate the stockholding period for desks (use closing stock).
- 1.4 Zinhle is concerned about the control of desks. An investigation revealed that the store manager was supplying local boarding houses with desks without documentation.
- Calculate the number of missing desks.
  - Give TWO suggestions to solve this problem.

**COMPUTERS**

- 1.5 During April 2024, while Zinhle was in hospital, Mngadi (the chief financial officer) decided to include Computers in their product range. He was able to secure bulk discounts from Snethezikile on two TV set models, namely G-LAKE and J-TIGER.
- Calculate the value of the closing stock of TV sets on 30 June 2024 using the specific identification method.

1.6

An employee of Snethezikile told Zinhle that Mngadi received a 10% 'commission' from Snethezikile for buying excess stock. Zinhle wants to discuss this at the next board meeting. Explain THREE different concerns that Zinhle would have about this problem.

**ACTIVITY BB 2****2.1 CONCEPTS:**

Complete the sentences by filling in the correct stock valuation method. Write only the answer next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

- 2.1.1 The ... method assumes that stock is sold in order of date purchased.  
 2.1.2 The ... method divides the total cost of goods available for sale by the number of units.  
 2.1.3 The ... method is used for very expensive, individually recognizable items.

**2.2. MTWAZI FASHION**

Mtwazi Fashion uses the periodic stock system. Kay owns the business.

**REQUIRED:****Refer to Information A: TROUSERS**

2.2.1 Calculate the following on 29 February 2024:

- Value of the closing stock using the weighted-average method
- Gross profit

2.2.2 Calculate how long (in days) it will take to sell the closing stock of the **Trousers**.

2.2.3 Kay is considering a change in the method of valuing stock.

- Calculate the value of closing stock using the FIFO method.
- State ONE advantage of using the FIFO method

**Refer to Information B: SHIRTS**

2.2.4 The owner is concerned about the theft.

- Calculate the number of **Shirts** stolen.
- Give TWO solutions to solve the problem.

2.2.5 The internal auditor is concerned about the stock levels and the selling price of SHIRTS. Explain reasons for his concern, with FIGURES and give different advice in EACH case.

**INFORMATION:****A. TROUSERS:**

	UNITS	UNIT PRICE	TOTAL
Opening stock (1 March 2023)	240		R124 500
<b>Purchases</b>	<b>3 150</b>		<b>R 1 813 000</b>
May 2023	1 300	R560	R728 000
October 2023	1 450	R580	R244 000
January 2024	400	R610	R244 000
<b>Subtotal</b>	<b>3 390</b>		<b>R1 937 500</b>
Returns from January purchases	130	R610	R79 300
Sales	2 880	R960	R2 764 800
Closing stock (29 FEBRUARY 2024)	<b>380</b>	?	?

**B.****SHIRTS:**

	2024	2023
	(UNITS)	
Opening stock	1 760	
Purchases (less returns)	6 500	

Units available for sale	8 260	
Closing stock	2 980	
Units sold	5 020	
Weighted-average cost per unit	R700	R630
Selling price per unit	R1 450	R1 070
Stock-holding period	216 days	103 days
Mark-up % achieved	107%	70%

**ANSWER BOOK**  
**ACTIVITY BB 2**

2.1.

**CONCEPTS**

2.1.1

2.1.2

2.1.3

**2.2. Mtwazi Fashion**

**TROUSERS:**

2.2.1

Calculate the following on 29 February 2024:

- Value of the closing stock using the weighted-average method
- Gross profit

2.2.2

Calculate how long (in days) it will take to sell the closing stock of the **Trousers**.

2.2.3.

Janine is considering a change in the method of valuing stock.

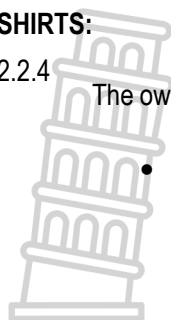
- Calculate the value of closing stock using the FIFO method.
- State ONE advantage of using the FIFO method



**SHIRTS:**

2.2.4

The owner is concerned about the theft.



- Calculate the number of Shirts stolen.
- Give TWO solutions to solve the problem.

2.2.5

The internal auditor is concerned about the stock levels and the selling price of Shirts. Explain reasons for his concern, with FIGURES and give different advice in EACH case.

REASON	ADVICE

**ACTIVITY BB 3:**

**3.1. CONCEPTS**

- Give ONE word/term for each of the following statements. Write only the word/term next to the question numbers (3.1.1 to 3.1.4) in the ANSWER BOOK.
- periodic system; FIFO; perpetual system; specific identification; weighted average
- 3.1.1 This method is most suitable for inexpensive goods purchased regularly.
  - 3.1.2 The closing stock balance is recorded at the most recent prices paid.
  - 3.1.3 Individual stock items are valued at the cost price on the purchase invoice.
  - 3.1.4 The cost of sales is recorded for every sales transaction.



**3.2 IGUGULESIZWE APPLIANCES**

The owner is Sindi Dlamini. The business uses the **first-in first-out method** to value **kettle**. They decided to sell **microwaves** as well, expecting a demand due to increased load shedding. The specific identification method is used to value these appliances.

The financial year-end is 30 April each year.

**REQUIRED:**

- 3.2.1 Calculate the following for the **kettle** on 30 April 2024:

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

3.2.2 Sindi suspects that the stock of **kettle** is not well controlled.

- Prove that there were 490 missing units.

3.2.3 An investigation revealed that Sindi's brother (employed at the store) orders **kettle** using the business ordering system and sells them privately to his friends.

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

3.2.4 Calculate the closing stock value for **microwaves** on 30 April 2024 (using the specific identification method).

3.2.5 Sindi thinks he should stop selling microwaves 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 microwaves.

**INFORMATION:**

A.

**STOCK RECORDS FOR KETTLE:**

	UNITS	UNIT PRICE (R)	AMOUNT (R)
<b>Stock balance on 1 May 2023</b>	<b>230</b>		<b>R12 650</b>
<b>Purchases during the year:</b>	<b>2 770</b>		<b>R193 500</b>
July 2023	650	R60	39 000
September 2023	800	R68	54 400
January 2024	1 100	R75	82 500
March 2024	220	R80	17 600
<b>Returns (from March 2024)</b>	<b>40</b>	<b>?</b>	<b>?</b>
<b>Available for sale</b>	<b>2 960</b>		
<b>Stock balance: 30 April 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 MICROWAVES:****PURCHASES:****GROSS PROFIT AND MARK-UP:**

MODEL	COST OF SALES	GROSS PROFIT	MARK-UP
A-TYPE	R65 340	R38 940	60%
B-TYPE	R37 800	R15 120	40%

**ANSWER BOOK****ACTIVITY BB 3****3.1 CONCEPTS****3.1.1**

3.1.2

3.1.3

3.1.4

3.2 **IGUGULESIZWE APPLIANCES**

The owner is Sindi Dlamini. The business uses the first-in first-out method to value **kettle**. They decided to sell **microwaves** as well, expecting a demand due to increased load shedding. The specific identification method is used to value these products.

The financial year-end is 30 April each year.

3.2.1. Calculate the following for the **kettle** on 30 April 2024:

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

3.2.2 Sindi suspects that the stock of gas desks is not well controlled.

- Calculate the number of kettle missing.

3.2.3 An investigation revealed that Sindi's brother (employed at the store) orders **kettle** using the business ordering system and sells them privately to his friends. What should Sindi say to his brother when dealing with this matter? Provide TWO points.

3.2.4 Calculate the closing stock value for **microwaves** on 30 April 2024 (using the specific identification method).

3.2.5 Sindi thinks he should stop selling microwaves 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 microwaves.



**ACTIVITY BB4**

- 4.1. Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (4.1.1 to 4.1.4) in the ANSWER BOOK.
- 4.1.1 The (specific identification/first-in first-out) method assumes that the closing stock is valued at the most recent batches purchased.
- 4.1.2 The (periodic/perpetual) system requires a year-end stock count to be able to calculate cost of sales.
- 4.1.3 The (weighted-average/first-in first-out) method is suitable for similar goods that are bought in bulk.
- 4.1.4 The (periodic/perpetual) system requires that all products are scanned at the .....

**4.2. KHINDI LTD**

The information relates to **SMART bags** for the financial year ended 29 February 2024. The business uses the first-in first-out method to determine the value of these bags. The periodic inventory system is in use.

**REQUIRED:**

- 4.2.1 Calculate the following for the year ended 29 February 2024:

- Value of the closing stock.
- Cost of sales

- 4.2.2 **Stockholding period:**

- Calculate the average stockholding period (in days).
- Explain whether Gwen should be satisfied with this figure, or not. State TWO points.

**NOTE:** The average stockholding period on 28 February 2023 was **52 days**.

- 4.3 **PROBLEM-SOLVING:** Refer to Information D.

**KHINDI LTD** also sells **Shirts** and **Jerseys**. Siphon has provided the information and requested advice.

Identify TWO problems in EACH product for 2024. In each case, give ONE piece of advice to address the problem identified.

**INFORMATION: SMART BAGS****A. STOCK BALANCES:**

DATE	UNITS	TOTAL VALUE (including carriage)
1 March 2023	420	R68 120
29 February 2024	380	?

**B. PURCHASES AND RETURNS FOR THE YEAR:**

DATE	UNITS	UNIT COST	TOTAL PURCHASE	CARRIAGE COST(per bag)	TOTAL COST (including carriage)
30 Jun. 2023	500	R155	R77 500	R12	R83 500
31 Oct. 2023	750	R160	R120 000	R13	R129 750
15 Feb. 2024	320	R170	R54 400	R15	R59 200
<b>TOTAL</b>	1 570				R272 450
<b>Returns</b>	20				R3 700

- C. **SALES:**  
Total sales amounted to R393 750 (1 590 bags).

- D. **Problem-solving:**

	SHIRTS		JERSEYS	
	2024	2023	2024	2023
Units: Opening stock	407	120	218	200
Units: Purchases	800	800	1 800	2 200
Units sold (gross) All sales are for cash.	550	500	1 970	2 260
Units returned by customers	0	0	90	78
Units: Closing stock	615	407	138	218
Stock turnover rate	0,9	1,9	10,6	10,4
Mark-up % achieved	75%	50%	25%	25%
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Cost price per item	360,00	360,00	170,00	160,00
Selling price	630,00	540,00	212,50	200,00
Income from sales deposited in the bank	346 500	268 920	349 500	436 400

## ANSWER BOOK ACTIVITY BB 4

- 4.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (4.1.1 to 4.1.4) in the ANSWER BOOK.

- 4.1.1  
4.1.2  
4.1.3  
4.1.5

- 4.2 **KHINDI LTD**

- 4.2.1. Calculate the following for the year ended 29 February 2024:

- Value of the closing stock
- Cost of sales

- 4.3 *Stockholding period:*

*Refer to Information D.*

**KHINDI LTD** also sells **Shirts** and **Jerseys**. Siphso has provided the information and requested advice. Identify TWO problems in EACH product for 2024. In each case, give ONE piece of advice to address the problem identified.

PRODUCT	PROBLEM	ADVICE
SHIRT		
JERSEY		



**CC. COST ACCOUNTING****ACTIVITY CC1****1.1. LWANDLE MANUFACTURERS**

The business is owned by Lwandle Msindazwe, manufacturers traditional dresses. The financial year ended on 29 February 2024.

**REQUIRED:**

- 1.1.1. **Refer to information A:** Calculate the direct material cost.
- 1.1.2. **Refer to information B:** Calculate the factory overheads costs per year by completing the table in the ANSWER BOOK
- 1.1.3. Prepare the Production Cost Statement for the year ended 29 February 2024.
- 1.1.4. Calculate the cost of the wastage of raw materials.
- 1.1.5. Lwandle is concerned about the increase in the cost of raw materials over the financial year. Provide TWO strategies that Lwandle can use to address the problem of wastage.

**INFORMATION:****A. STOCK RECORDS:****I. Raw material (fabric to manufacture traditional dresses):**

- Fabric is issued from the storeroom to the factory for production.
- The weighted-average method is used to determine the value of the fabric.
- **NOTE:** 1, 2 metres of fabric is required to make one traditional dress,
- The following information was extracted from the records:

	<b>METRES</b>	<b>AMOUNT</b>
Stock balance on 1 March 2023	1 600 m	64 800
<b>Purchases</b>	<b>18 800 m</b>	<b>894 000</b>
April 2023	6 400 m	288 000
August 2023	7 000 m	336 000
January 2024	5 400 m	270 000
<b>Available for use</b>	<b>20 400 m</b>	<b>958 800</b>
Raw materials issued to factory	18 900 m	?
Stock balance on 29 February 2024	1 500m	?

**II. Work-in-progress stock**

	<b>29 February 2024</b>	<b>1 March 2023</b>
Balance	235 500	0

**B. FACTORY OVERHEAD COSTS:** The bookkeeper calculated the factory overheads cost as R600 000. However, she made the following errors which must be corrected:

- The closing stock of factory indirect material, R7 000, was omitted.
- The total water and electricity cost for the year, R84 000, was included in the factory overheads. This should be allocated as follows:

Office	15%
Selling and distribution	25%
Factory	60%

- Factory insurance of R45 000 was allocated according to incorrect ratio of 3:1:2 for factory, sales and administration respectively. It should have been allocated according to floor space, as follows:

Factory	Sales	Administration
1 500m	300m	600m

### C. ADDITIONAL INFORMATION

- Direct labour cost, R408 600.
- Number of Traditional dresses manufactured, 15 000 units.

#### 1.2. SBANI (PTY) LTD

The business manufactures light bulbs. Sbani Ngomane, the owner intended to reduce the production cost of Orion bulbs due to technological changes and to introduce the new Starlet bulbs by setting up a new factory.

#### REQUIRED:

- 1.2.1. Calculate to confirm that the 2024 break-even-point of 149 145 units for Orion bulbs is correct.
- 1.2.2. Identify and explain TWO cost items (with figures) that may have contributed to the increase in the cost of production per unit. Provide a reason in each case. Note that the current inflation rate is 7%.
- 1.2.3. Explain whether the new Starlet bulbs were a good idea or not. Provide TWO points. Quote figures.

#### INFORMATION

	FACTORY A		FACTORY B
	ORION		STARLET
	2024	2023	2024
Number of units produced and sold	163 000	198 860	225 000
Total cost of production per unit	R36,00	R28,54	R49,04
Break-even units	149 145	124 808	122 104
	<b>R</b>	<b>R</b>	<b>R</b>
Total sales	7 498 000	8 352 120	15 300 000
Selling price per unit	46,00	42,00	68,00
Variable costs per unit	26,00	18,10	40,90
Direct material	10,60	10,20	22,50
Direct labour	11,20	6,70	14,80
Selling and distribution	4,20	1,20	3,60
Total fixed cost	2 982 900	2 982 900	3 309 000
Fixed cost per unit	18,30	15,00	14,71
Factory overhead cost	2 314 600	2 314 600	2 640 700
Factory overhead cost per unit	14,20	11,64	11,74
Administration cost	668 300	668 300	668 300
Administration cost per unit	4,10	3,36	2,97

**ACTIVITY CC1 - ANSWER BOOK****1.1. LWANDLE MANUFACTURERS**

1.1.1. CALCULATE DIRECT MATERIAL COST	
WORKINGS	ANSWER
1.1.2. CALCULATE FACTORY OVERHEAD COSTS PER FOR THE YEAR	
Incorrect total	600 000
Correct total for factory overhead costs	

1.1.3. PRODUCTION COST STATEMENT FOR YEAR ENDED 29 FEBRUARY 2024	
Direct labour costs	408 600
Total cost of production	
Cost of production of finished goods	

1.1.4. CALCULATE THE COST OF THE WASTAGE OF RAW MATERIALS.	
WORKINGS	ANSWER

1.1.5. Lwandle is concerned about the increase in the cost of raw materials over the financial year. Provide TWO strategies that Lwandle can use to address the problem of wastage.

**1.2. SBANI (PTY) LTD**

**A LEARNER TO USE EXERCISE BOOK TO ANSWER THIS QUESTION.ACTIVITY CC2**

**2.1. BLANKETS FOR PINETOWN MANUFACTURERS**

The following information was extracted from the records of Blankets for Pinetown Manufacturers. The financial year ended on 31 July 2024. The business produces organic lightweight blankets and use **FIFO to value their stock**.

**REQUIRED**

- 2.1.1. Calculate the value of the closing stock of raw materials.
- 2.1.2. Calculate the direct material cost issued for production.
- 2.1.3. Calculate the direct labour cost.
- 2.1.4. Complete the production cost statement for the year ended 31 July 2024.

**INFORMATION:**

- A. Raw material (Fabric): Blankets for Health Manufacturers produced **16 160** blankets for the year ended 31 July 2024.

	Number of metres	Cost per metre	Total Amount (R)
Opening stock	2 400	R160	384 000
Closing stock	6 800	?	?

- 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
June 2024 purchases	4 000	R165	660 000
June 2024 returns	( 400)	R165	(66 000)
	<b>30 600</b>		<b>5 074 000</b>

- C. Labour cost:

- There are ten factory workers and each worked 160 hours per month, 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.

## 2.2. MOLWENI TIMBERWORKS

Molweni timberworks is a small manufacturing business that produces chopping boards

### REQUIRED

- 2.2.1. Calculate the break-even point for the year ended **31 July 2024**.
- 2.2.2. Calculate the units produced and sold for 2024.
- 2.2.3. Explain whether you think the owner, Ngunezi, 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:**

- I. Every year all goods produced, are sold.
- II. Information taken from the financial records of Molweni Timberworks:

	31 July 2024	
	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 July 2024</b>	<b>31 July 2023</b>
Selling price per unit	R18,85	R15
Units produced and sold	?	98 000
Break-even point	?	78 000

**ACTIVITY CC2 - ANSWER BOOK****2.1. BLANKETS FOR PINETOWN MANUFACTURERS**

2.1.1. | Calculate the value of the closing stock of raw materials using FIFO.

2.1.2. | Calculate the direct material cost issued for production.

2.1.3. | Calculate the direct labour cost.

2.1.4. | Complete the production cost statement for the year ended 31 July 2024.

<b>Prime cost</b>	
<b>Factory overhead costs</b>	

**2.2. MOLWENI TIMBERWORKS**

<b>2.2.1.</b>	<b>Calculate the break-even point for the year ended 31 July 2024.</b>	
	<b>WORKINGS</b>	<b>ANSWER</b>
<b>2.2.2.</b>	<b>Calculate the units produced and sold for 2024.</b>	
	<b>WORKINGS</b>	<b>ANSWER</b>
<b>2.2.3.</b>	<b>Explain whether you think the owner, Ngunezi, 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.</b>	

**ACTIVITY CC3****3.1. NJ MANUFACTURERS**

The information below relates to NJ Manufactures, who manufactures sunglasses. The financial year ends 30 June 2024.

**REQUIRED:**

- 3.1.1. Calculate the factory overhead costs for the year ended 30 June 2024.
- 3.1.2. Complete the Production Cost Statement for the year ended 30 June 2024.
- 3.1.3. The management of NJ Manufacturers are concerned about the amount of factory worker's productivity for this year. Quote figures from the production cost statement that confirms their concern and explain why they could be concerned

**BALANCES and INFORMATION:**

A.

	<b>2024</b>	<b>2023</b>
Raw material stock	?	R500 000
Work-in-progress	?	R550 100
Consumable stores (Indirect material)	R2 500	R5 000

- B. NJ manufacturers has 12 employees made up of 8 factories; 3 managers who manage the factory, office, and sales department respectively, and 1 cleaner who cleans all three department.
- Factory workers** receive R12 000 per month as a basic salary. 4 of these workers each worked a total of 50 hours' overtime in the past financial year and each received R120 for every hour of overtime. NJ Manufacturers contributes R2 650 towards each worker's pension fund per annum.
- Two managers** receive an annual salary of R200 000 each; however, the factory manager's salary is 18% more.
- The cleaner** earns R90 000 p.a. Her time is split according to the ratio of 5:2:1 between the factory, office, and sales departments respectively.
- C. NJ Manufactures does not own their own premises. Rent for the year amounted to R50 000 and 65% is apportioned to the factory.
- D. During the year raw materials to the value of R700 000 was purchased on credit. Damaged items to the value of R50 000 was returned to the supplier. 70% of the raw material was issued to the factory.

E. Consumable stores (indirect material) purchased amounted to R43 750. These are used in the factory only.

F. An extract from the asset register revealed:

	Cost	Accumulated depreciation on 30 June 2023	Method and rate
Factory machinery	R 180 000	?	20% on cost

- Provide for depreciation on factory machinery. **Note:** New factory machinery was purchased 31 January 2024.

G. NJ Manufactures produced 17 500 pairs of sunglasses at a cost of R155 per sunglass

**3.2. BREAK-EVEN ANALYSIS**

Suzan's Wood Works manufactures and sells wooden bedside tables.

**REQUIRED:**

3.2.1. Calculate the break-even point for 2024.

3.2.2. Will Suzan, the owner, be satisfied with the break-even point of 2024? Quote figures that support your explanation.

3.2.3. Suzan made certain decisions regarding variable costs to improve the business.

I. Name one variable cost.

II. Explain one decision that she might have taken regarding variable costs and how this could have had a positive effect on the business

**INFORMATION:**

	2024		2023	
	Unit cost	Amount	Unit cost	Amount
Sales	R312	R1 560 000	R350	R1 505 000
Fixed costs	R80	R400 000	R90	R387 000
Variable costs	R150	R750 000	R170	R731 000

	Units
Number of units sold and produced in 2023	4 300
Number of units sold and produced in 2024	5 000
Break-even point for 2023	2 150
Break-even point for 2024	?

**ACTIVITY CC3 – ANSWER BOOK**

3.1.1. **CALCULATE THE FACTORY OVERHEAD COSTS FOR THE YEAR ENDED 30 JUNE 2024.**


3.1.2. **PRODUCTION COST STATEMENT AT 30 JUNE 2024**

<b>Work-in-progress at the beginning of the year</b>	<b>550 100</b>

**LEARNER TO USE THE EXERCISE BOOK TO ANSWER THE FOLLOWING QUESTIONS:**

- 3.1.3
- 3.2.1.
- 3.2.2.
- 3.2.3

**ACTIVITY CC4**

- 4.1. Choose a correct category from COLUMN B that matches the example in COLUMN A. Write only the letter (A-D) next to the question numbers (4.1.1 to 4.1.3) in the ANSWER BOOK.

<b>COLUMN A</b>	<b>COLUMN B</b>
4.1.1. Delivery expenses	A. Factory overheads
4.1.2. Office stationery	B. Selling and distribution
4.1.3. Salary of the factory supervisor	C. Direct material
	D. Administration

**4.2. KWANDO MANUFACTURERS**

The business manufactures uniforms for scholars. The financial year ended on 29 February 2024.

**REQUIRED:**

- 4.2.1. Calculate the correct factory overheads cost by taking into account the errors and omissions.
- 4.2.2. Complete the Production Cost Statement for the financial year ended 29 February 2024.

**INFORMATION:****A. FACTORY OVERHEADS COSTS:**

- The bookkeeper calculated the factory overhead cost as R258 200.
- The following errors and omissions were identified and must be taken into account:
  - I. Water and electricity expense was omitted from the factory overhead cost. 75% of this expense must be allocated to the factory and the remaining 25% to administration. R9 600 was correctly allocated to administration.
  - II. The total rent expense, R142 800, was recorded in the factory overhead cost account. This should have been shared according to floor area as follows:

<b>Factory</b>	<b>Sales department</b>	<b>Administration</b>
220 meters	120 meters	80 meters

- III. Insurance expense, R48 000, was allocated to factory overheads in error using the ratio 4:2:1. However, the correct ratio is 5:2:1.



**B. RAW MATERIALS STOCK:**

Stock of raw material (fabric) transferred to the factory is valued using FIFO method. Stock records revealed the following:

	Quantity (metres)	Cost per metre	Total cost
Stock on 1 March 2023	8 000m	R10.50	R84 000
<b>Purchases of fabric</b>	<b>62 000m</b>		<b>R739 600</b>
June 2023	42 000m	R11.80	R495 600
October 2023	20 000m	R12.20	R244 000
<b>Total fabric available</b>	<b>70 000m</b>		<b>R823 600</b>
Issued to factory	59 500m	?	?

**C. WORK-IN-PROGRESS STOCK:**

	29 February 2024	28 February 2023
Balance	?	R30 700

**D. PRODUCTION:**

20 200 uniforms were produced during the financial year at a cost of R79.00 per uniform.

**4.3. NGOM'S HIKERS**

The business, owned by NGOM'S Msindazwe, makes hiking bags and hiking shoes.

**NOTE: Where comments or explanations are required, you must:**

- Quote calculations, figures and/or trends
- Give a reason or an explanation in each case.

**REQUIRED:****BAGS**

- 4.3.1. Comment on the control over direct material cost of hiking bags. Quote figures Give TWO reasons that may have contributed to the change in the unit cost.
- 4.3.2. Explain whether the decision to increase the selling and distribution cost of hiking bags was beneficial to the business or not. Quote figures.
- 4.3.3. NGOM'S plans to increase the production of hiking bags by an additional 2 500 units over the next financial year. Assuming no change to the current cost structure calculate the additional net profit that she could expect to earn in 2025.

**SHOES**

- 4.3.4. Comment on the fixed cost per unit of shoes and explain the major cause for the change in this unit cost.
- 4.3.5. Identify the production cost of shoes that should be of serious concern to NGOM'S. Provide TWO valid solutions to this concern.

**INFORMATION:**

	HIKING BAGS		HIKING SHOES	
	2024	2023	2024	2023
<b>Variable cost per unit</b>	<b>R615.00</b>	<b>R442.00</b>	<b>R336.00</b>	<b>R285.00</b>
Direct material cost	R320.00	R230.00	R116.00	R115.00
Direct labour cost per unit	R135.00	R132.00	R175.00	R110.00
Selling and distribution cost per unit	R160.00	R80.00	R45.00	R60.00
<b>Fixed cost per unit</b>	<b>R170.00</b>	<b>R175.00</b>	<b>R196.50</b>	<b>R130.00</b>

Total fixed costs	R714 000	R700 000	R786 000	R780 000
Factory overheads cost	R510 000	R500 000	R532 000	R530 000
Administration cost	R204 000	R200 000	R254 000	R250 000
<b>Selling price per unit</b>	<b>R780.00</b>	<b>R750.00</b>	<b>R600.00</b>	<b>R600.00</b>
Units produced and sold	4 200 units	4 000 units	4 000 units	6 000 units
Break-even number of units	4 328 units	2 273 units	2 978 units	2 477 units
Net profit/loss	(R21 120)	R531 916	R269 808	R1 109 745

- The inflation rate is currently 6%
- Wages and salaries increased by 4% in 2024.

#### ACTIVITY CC4 - ANSWER BOOK

##### 4.1.

4.1.1.	
4.1.2.	
4.1.3.	

##### 4.2. KWANDO MANUFACTURERS

<b>4.2.1. FACTORY OVERHEAD COST NOTES</b>	
Incorrect amount calculated by bookkeeper	<b>258 200</b>
<b>TOTAL</b>	
<b>4.2.2. PRODUCTION COST STATEMENT ON 29 FEBRUARY 2024</b>	
DIRECT MATERIAL COST	
<b>PRIME COST</b>	<b>R1 405 800</b>
<b>FACTORY OVERHEAD COST</b>	
<b>TOTAL MANUFACTURING COST</b>	
<b>WORK-IN PROGRESS (1 MARCH 2023)</b>	<b>R30 700</b>
<b>COST OF PRODUCTION OF FINISHED GOODS</b>	
<b>4.3.1.</b>	
<b>4.3.2.</b>	
<b>4.3.3.</b>	

4.3.4.

4.3.5.

**DD. RECONCILIATIONS****ACTIVITY DD1****1.1 BANK RECONCILIATION**

The information appeared in the books of Mhlanga Traders for May 2024.

**REQUIRED:**

- 1.1.1 Calculate the correct bank account balance by completing the table provided in the Answer Book.
- 1.1.2 Prepare the Bank Reconciliation Statement on 31 May 2024.
- 1.1.3 Provide ONE suggestion on how the problem of counterfeit (fake) notes can be prevented.
- 1.1.4 Sthe was concerned about the outstanding deposits. Provide TWO internal control measures that he can implement to address this concern.

**INFORMATION:****A. Extract: Bank Reconciliation Statement on 30 April 2024**

Deposit not yet recorded: 18 April 2024	R 24 300
27 April 2024	7 100
EFT not on statement: No. 245	11 300
No. 246	6 750
Favourable balance as per bank account	8 800

**Note:**

- The deposit on 18 April 2024 and EFT No. 245 appeared on the May bank statement with the correct amounts reflected above.
- The deposit on 27 April appeared on the statement as R5 000 due to counterfeit notes being included in the deposit. This amount must be written off as the money will not be recovered.
- EFT 246 was on the May statement with the correct amount of R6 250.

**B. Provisional totals from the Cash Journals on 31 May 2024:**

Cash Receipts Journal	R76 270	Cash Payments Journal	R88 530
-----------------------	---------	-----------------------	---------

**C. Information on the bank statement not in the May Cash Journals:**

Bank charges	R 235
Debit order for the monthly insurance	1 140
Direct deposit by the tenant for rent	4 600
Deposit by debtor in settlement of account of R7 500.	7 030
Deposit by Uzu Technical College. * this is an error on the statement as the business does not deal with this college. This will be rectified on the next statement.	15 000

**D. Information in the May Cash Journals not on the statement:**

Outstanding deposits:	19 May 2024, R11 400
	26 May 2024, R10 800

Outstanding EFT                      No. 658                      R 6 900

E. The balance as per statement was R ?.

--	--	--

**1.1 BANK RECONCILIATION**

**1.1.1**

CASH RECEIPTS		CASH PAYMENTS	
76 270		88 530	

**Bank Account balance:**

**1.1.2 BANK RECONCILIATION STATEMENT ON 31 MAY 2024**

	DEBIT	CREDIT

**1.1.3 Provide ONE suggestion on how the problem of counterfeit (fake) notes can be prevented.**

**1.1.4 Sthe was concerned about the outstanding deposits. Provide TWO internal control measures that he can implement to address this concern.**

 <b>POINT 1</b>		
<b>POINT 2</b>		

**ACTIVITY DD2**

2.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.

- 2.1.1 A Bank Reconciliation Statement should be prepared every month to assist in maintaining internal control of the cash of the business.
- 2.1.2 Credit card sales are regarded as cash transactions.
- 2.1.3 Debit interest on the bank statement must be recorded in the Cash Payments Journal as bank charges.

**2.2 BANK RECONCILIATION**

The information relates to Filidi Stores for August 2024. The official bank statement from ZIP Bank is closed off and published on the 27<sup>th</sup> of each month.

**REQUIRED:**

- 2.2.1 Use the table provided in the ANSWER BOOK to calculate the final totals of Cash Journals on 31 August 2024. Calculate the Bank Account balance on 31 August 2024.
- 2.2.2 Prepare a Bank Reconciliation Statement on 31 August 2024.
- 2.2.3 The levy on credit card sales is 5% of the respective credit card sales amount. Calculate the total credit card sales for the month.
- 2.2.4 The owner noted the warning on the bank's website that account holders should be more vigilant about using banking applications (software) due to the increase in hacking. (*Process of gaining unauthorised access to confidential information to transfer money.*)

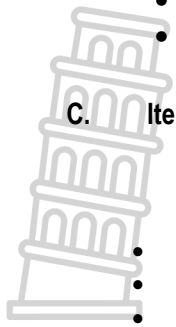
Provide TWO suggestions on how account holders can protect themselves against this crime.

**INFORMATION:****A. The Bank Reconciliation Statement on 31 July 2024:**

Unfavourable balance per bank statement	R 35 380
Outstanding deposit (29 July 2024)	13 700
Outstanding EFTs: No.1243	2 840
No.1244	4 895
Balance per bank account (overdraft)	29 415

**Note:** EFT 1243 in favour of a creditor, dated 30 July 2024, appeared on the August bank statement with the correct amount of R2 480.

**B. The provisional totals in the cash journals before comparing them against the August bank statement were:**



- CRJ – R365 760
- CPJ – R319 790

**C. Items included in the August 2024 bank statement but not in the August Cash Journals:**

- Outstanding deposit of R13 700 dated 29 July 2024.
- EFT 1244 for R4 895
- Direct deposit of R5 780 by a debtor, in settlement of account of R6 000
- Interest on overdraft R636
- Service fees R367
- Credit card levies R1 438
- Credit card sales, R7 230
- Debit order for Insurance, R5 909
- Cash withdrawal using the debit card of the business, R3 150
- A transfer from Nongoma Stores of R4 500 appeared in the bank statement, but the bank has informed Filidi Stores that this is an error as the amount was incorrectly transferred to Filidi Stores. The bank will reverse this entry on 1 September 2024.

**D. Items that only appeared in the cash journals for August 2024:**

- Deposit on 30 August 2023 for R17 900
- EFT No. 1280 for R11 540

**E. The closing balance on the bank statement was R?**

2.1

**Indicate whether the statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.**

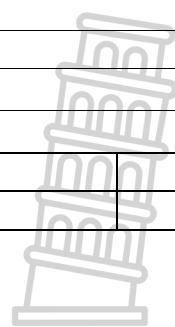
2.1.1	
2.1.2	
2.1.3	

2.2.1

**Calculate the correct totals of the Cash Journals in order to determine the Bank account in the ledger on 31 August 2024.**

CASH RECEIPTS JOURNAL		CASH PAYMENT JOURNAL	
365 760		319 790	

**Bank balance:**







**A. Extract from the Bank Reconciliation Statement on 31 March 2024:**

Favorable balance as per Bank Statement		R12 200
Deposits not on Statement:	18 March 2024	23 600
	28 March 2024	37 200
Outstanding EFTs:	EFT 768	5 480
	EFT 769	17 800
Favorable balance as per bank account		49 720

- The outstanding deposit on 18 March 2024 appeared on the April 2024 Bank Statement.
- The deposit on 28 March 2024 appeared as R22 200. An investigation revealed that the cashier has disappeared with the outstanding amount. It was decided to write off the outstanding amount.
- Both the EFTs were on the April Statement, but EFT 768 appeared with the correct amount of R4 580.

**A The provisional totals in the Cash Journals before receiving the Bank Statement**

Cash Receipts Journal: R115 600

Cash Payment Journal: R217 800

**B Information on the April 2024 Bank Statement**

**None of these items appeared in the April Cash Journals:**

Debit order: Zwane Municipality	R2 880
Cash handling fees	R220
Deposit: Y Marigold	R8 400
Deposit: Bentley Microloans	R65 000
Cash withdrawal	R740
Investment matured	R18 300
EFT transaction fees	R360
EFT transaction fees	R360

**C Additional Information:**

- The debit order to Zwane Municipality was for water and electricity.
- Y Marigold, the tenant, deposited the monthly rent.
- The deposit from Bentley Microloans did not relate to the business. The bank was informed of this error.
- The cash withdrawal of R740 was for fuel for the owner's vehicle.
- The EFT transaction fees were duplicated on the Bank Statement in error.

**D The Cash Journals reflected the following entries that did not appear on the April 2024 Bank Statement:**

- Deposit of R22 500 on 30 April 2024
- EFT 883 for R9 520 for stationery purchased
- EFT 884 for R12 530 for repairs to the buildings

**E Bank Statement balance on 30 April 2024: R?**



3.1

3.1.1

3.1.2

3.1.3



3.2 GUMBALDINO STORE

3.2.1 UPDATE THE CASH JOURNALS FOR 30 APRIL 2024

CASH RECEIPTS JOURNAL			CASH PAYMENTS JOURNAL	
	Amount			Amount
<b>Total</b>	<b>115 600</b>			<b>Total</b>

3.2.2 Calculate the correct Bank Account balance on 30 April 2024.

**WORKINGS**

**ANSWER**

3.2.3 BANK RECONCILIATION STATEMENT ON 30 APRIL 2024

	Alternative	DEBIT	CREDIT

- 3.2.4 **Gumbaldino noticed problems with the depositing of cash. Explain TWO measures that she can use to address these problems.**



#### ACTIVITY DD4

##### 4.1 BANK RECONCILIATION REQUIRED

- 4.1.1 Calculate the correct Bank Account balance on 31 May 2024.
- 4.1.2 Prepare the Bank Reconciliation Statement on 31 May 2024.
- 4.1.3 Shabangu has been convinced by his bank manager that he should use online banking for his business, particularly as this makes payments easier through the use of electronic funds transfer (EFT). Shabangu is planning to employ Muzi to be responsible for all matters related to online banking.

Explain TWO important instructions that Shabangu should give to Muzi to ensure that corruption does not occur with regard to the processing of EFTs.

#### INFORMATION

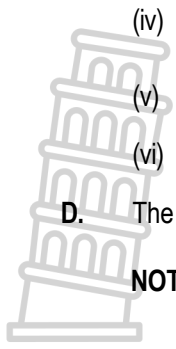
A The bookkeeper calculated the provisional bank balance as a positive R9 050 on 31 May 2024 using the opening Bank Account balance and totals from the Cash Receipts Journal (CRJ) and the Cash Payments Journal (CPJ), before receiving the May 2024 Bank Statement

B **Figures from the Reconciliation Statement on 30 April 2024:**

Unfavorable balance as per Bank Statement		R1 550
Outstanding deposits:	16 April 2024	4 000
	26 April 2024	15 000
Outstanding EFTs:	No. 632	7 800
	No. 633	5 480
Favorable Bank Account balance as per General Ledger		4 170

C. A comparison of the May 2024 Bank Statement with the Cash Journals revealed the following:

- (i) Bank charges, on the Bank Statement only, amounted to R310.
- (ii) A debit order for advertising, R1 780, was not recorded in the CPJ and was duplicated on the Bank Statement. The bank will correct the error next month.
- (iii) The Bank Statement reflected a direct deposit into the business bank account for R25 000. This is an error by the payer. The bank will reverse the entry next month.



(iv) Interest on fixed deposit, R1 060, appeared on the statement but not in the journals.

(v) A deposit of R17 500 appeared in the CRJ, dated 27 May 2024.

(vi) EFT 819 for R11 880 was recorded in the CPJ on 28 May 2024.

D. The May 2024 Bank Statement reflected a balance of R?

**NOTE:**

- The deposit on 16 April 2024 for R4 000 and EFT 632 for R7 800 were reflected on the May Bank Statement.
- The deposit on 26 April 2024 appeared as R10 000 on the Bank Statement. The cashier at the time was dismissed for theft, and this amount has to be written off.
- EFT 633 appeared on the May Bank Statement with the correct amount of R4 580. 2024

**4.1 BANK RECONCILIATION**

**4.1.1 Calculate the correct Bank Account balance on 31 May 2024.**

WORKINGS		ANSWER
	DEBITS	CREDITS

**4.1.2 Bank Reconciliation Statement on 31 May 2024**

**4.1.3 Explain TWO important instructions that Shabangu should give to Muzi to ensure that corruption does not occur with regard to the processing of EFTs.**

**POINTS**



**ACTIVITY DD5****5.1 DEBTORS AGE ANALYSIS AND DEBTORS' RECONCILIATION**

The information below relates to Mana Holdings, they offer credit to its reliable customers to settle their accounts in Thirty days and 10% interest charged on overdue debtor's accounts

**Required:**

- 5.1.1 Calculate the correct age analysis of Mana Holdings for 31 July 2024. Indicate with (+) for an increase and (-) for a decrease
- 5.1.2 Calculate the correct percentage of debtors who do not adhere to credit terms.
- 5.1.3 Identify and explain with figures Two different problems from Mana Holdings debtor's age analysis.

**A Debtors Age analysis for 31 July 2024**

DEBTORS	CREDIT LIMIT	AMOUNT OWING	CURRENT MONTH	30 DAYS	60 DAYS	90 DAYS
DR Scelo Khumalo	6 000	5 000	2 100	2 900		
Rasta Kunene	3 500	4 200	3 800	400		
Ms K Mbatha	7 000	1 450	500			950
Siyanda Mkhulise	13 000	12 500	1 000	3 000	4 500	4 000
Mawande Smith	3 000	3 000	1 900		1 100	
		26 150	9 300	6 300	5 600	4 950
		<b>100%</b>	<b>?%</b>	<b>?%</b>	<b>?%</b>	<b>?%</b>

**NOTE:** The following transactions were not taken into account.

- The direct deposit of R4 500 from Mr S Mkhulise on the 31 July 2024.
- The credit note of R100 for good returned by DR Scelo Khumalo on latest sales.
- The bookkeeper omitted to charge interest to Mawande Smith account.

**5.2 DEBTORS RECONCILIATION**

The information below relates to Top Notch Investments Solutions for a month ending 31 July 2024.

**Required:**

- 5.2.1 Calculate the correct Debtors Control
- 5.2.2 Calculate the correct amount owing by each Debtor for a month ending 31 July 2024

**A Debtor's list of Top-Notch Investments Solutions for a month ending 31 July 2024.**

DEBTORS LIST	DEBIT	CREDIT
Cebo Nzuzza	R5 700	
Keke Motlounq	R11 100	
Thobile Naidoo		R1 900
Sade White	R15 900	
	R32 700	R1 900

**B Balance as per General ledger: Debtor Control, R25 700****C The below errors and omissions were identified by internal auditors**

- The credit sale of R2700 to Sade White was omitted when preparing journals but properly posted in the debtor's ledger.
- No entry was made for a credit sales invoice issued to Thobile Naidoo, R1 500
- Goods returned by Sade White were posted to the wrong side of her Debtors' Ledger Account, R1 200.
- Keke Motlounq had been charged 10% interest on her overdue balance. Only R760 interest was recorded.
- A receipt issued to Cebo Nzuzza for part payment of his account R3 100, was incorrectly recorded as R1300 in the Cash Journal and posted as such to the General Ledger and the Debtors' Ledger.

**ACTIVITY DD6 Debtors Reconciliation and Debtors Age analysis**

**Required**

**6.1 Debtors Age analysis and Internal Control**

- 6.1.1 Explain why the debtors' age analysis is an effective internal control measure. State **TWO** point.
- 6.1.2 Calculate the percentage of debtors complying with credit term
- 6.1.3 Calculate the average debtor's collection period in days, refers to **information B**.
- 6.1.4 Explain ONE problem (with figures) different debtors and provide advice for each case.

**Information****A DEBTORS' AGE ANALYSIS ON 31 JULY 2024**

<b>Credit Policy:</b> Debtors are granted 30 days in which to settle their debts. Interest free						
NAME	CREDIT LIMIT	TOTAL	JULY	JUNE	MAY	APRIL
Mark Booth	R 8 000	R 6 000	R 6 000			
C. Ronaldo	28 000	32 000	11 500	R 3 000	R 3 710	R13 790
Mshunqisi Dladla	20 000	18 600	-	8 000	10 600	
Khululiwe Mbatha	18 600	19 600	3 000	4 240	12 360	
		76 200	20 500	15 240	26 670	13 790

- B**
- The balance of the debtors' control was R29 800 on 1 August 2023
  - Total sales for the year amounted to R375 000, 40% of sales are for cash and the rest on credit.

**DEBTORS RECONCILIATION AND CONTROLS****6.2 VeeMash distributors of female's beauty product, selling them on credit.****REQUIRED:**

- 6.2.1 VeeMash distributors have the telephone numbers of all their debtors. What other information or Documents should they obtain before allowing customers to open accounts? State **TWO** points with a reason in **EACH** information or Documents.
- 6.3 **Refer to Information A, B and C.**
- 6.3.1 Calculate the correct Debtors Control of VeeMash Distributors on 30 June 2024
- 6.3.2 Calculate the correct Debtor list of VeeMash Distributors on 30 June 2024

Reconcile the balance of debtors control in the general ledger and debtors list by calculating the correct amount owed by each debtor on 30 June 2024.

**Information**

- A Balance of the Debtors' Control Account on 30 June 2023, R339 050 (before errors and omissions). Indicate with (+) for an increase and (-) for a decrease**
- B Debtors' list of VeeMash Distributors on 30 June 2024:**

DEBTORS	AMOUNT
Malcon Salon	R120 400
S. Nkosi	75 000
NomT Xaba	39 000
Queens Beauty Spa	84 000
Nox Ndebele	7 800
<b>TOTAL</b>	<b>R326 200</b>

**C The following errors and omissions must be taken into account:**

- The total for discount allowed in the CRJ was overstated by R1 500.
- A credit invoice for R7 500 goods sold to NomT Xaba was never recorded by the bookkeeper.
- The total of the Debtors' Allowances Journal was posted to the Debtors' Control Account as R60 300 instead of R63 000.
- An invoice for R12 900 issued to Nox Ndebele was posted incorrectly to the account of S Nkosi.
- Beauty products sold on credit to Nox Ndebele amounts to R15 300 was entered as returns, when posting it to the Debtors' Ledger Account.
- A direct deposit of R23 050 from Malcon Salon to settle current debt of R25 000 on their account and the discount was allowed, the transaction was recorded in the relevant journal but the discount was ignored by the bookkeeper. No entries were made in the Debtors' Ledger.

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- vii. An interest of R4 050 charged to NomT Xaba on her overdue account was properly recorded to the General Journal, when posting to debtor's ledger was treated as receipts.

### ANSWER SHEET ACTIVITY DD5

- 5.1.1 Calculate the correct age analysis Mana Holdings for 31 July 2024.

AMOUNT OWING	CURRENT MONTH	30 DAYS	60 DAYS	90 DAYS
		6 300		
		6 300		
100%	?%	?%	?%	?%

- 5.1.2 Calculate the correct percentage of debtors who do not adhere to credit terms.

- 5.1.3 Identify and explain with figures Two different problems from Mana Holdings debtor's age analysis.

PROBLEMS	EXPLANATION WITH FIGURES

### 5.2 DEBTORS AGE ANALYSIS AND DEBTORS' RECONCILIATION

- 5.2.1 Calculate the correct Debtors Control of Top-Notch Investments Solutions for a month ending 31 July 2024.

#### DEBTORS CONTROL ACCOUNT

- 5.2.2 Calculate the correct Debtors list of Top-Notch Investments Solutions for a month ending 31 July 2024.

Debtor's list of Top-Notch Investments Solutions for a month ending 31 July 2024.	AMOUNT
Cebo Nzuza	
Keke Motloung	
Thobile Naidoo	
Sade White	
<b>TOTAL</b>	

### ANSWER SHEET ACTIVITY DD6

- 6.1.1 Explain why the debtors' age analysis is an effective internal control measures to control debtors. State TWO points

6.1.2 Calculate the percentage of debtors complying with credit term

6.1.3 Calculate the average debtor's collection period in days

6.1.4 Explain ONE problem (with figures) relating to EACH of the following debtors and provide advice for each case.

PROBLEMS WITH FIGURS	ADVICE ON EACH CASE

6.2 DEBTORS AGE ANALYSIS AND DEBTORS' RECONCILIATION

6.2.1 Calculate the correct Debtors Control of Top-Notch Investments Solutions for a month ending 31 July 2024.

DEBTORS CONTROL ACCOUNT R339 050

6.2.2 Calculate the correct Debtors list of Top-Notch Investments Solutions for a month ending 31 July 2024.

Debtor's list of Top-Notch Investments Solutions for a month ending 31 July 2024.	AMOUNT
Malcon Salon (R120 400	
S. Nkosi	
NomT Xaba	
Queens Beauty Spa	
Nox Ndebele	
<b>TOTAL</b>	

## CREDITORS RECONCILIATIONS

### ACTIVITY DD 7

Thathunyawo Investments has an account with DNC Stationers that supply stationary on credit. At 30 days credit term, 10% discount on early payments. Both are VAT Vendor, VAT standard rate is 15%

7.1 Use the table in the ANSWER BOOK to indicate how the balances given, will change when preparing the creditors' reconciliation. Indicate the figure as well as a + for increase and a - for decrease.

Balances at the end of June 2024

Balance due to DNC Stationers on 31 July 2024 as per Creditors' Ledger account in the books of Thathunyawo Investments	16 120 (Cr)
Balance due by Thathunyawo Investments on 25 July 2024 as per statement of account received from DNC Stationers	20 700 (Dr)

The identified errors and omissions below:

- A A payment of R4 700 to DNC Stationers was not recorded in the Creditors' ledger account and appears not on the statement as well.
- B An early pay settlement of R9 500 made by Thathunyawo Investments, but discount had not been reflected on the statement of account from DNC Stationers
- C An invoice for R16 400 issued to Thathunyawo Investments and it was recorded correctly in the Creditors' Ledger account. The statement of account from DNC Stationers reflected this invoice as R14 600 omitted delivery cost.

- D An invoice of R10 000 excluding VAT. The bookkeeper ignored to take VAT into account. The amount on the statement is correct.
- E The statement of account reflected credit note of R2 965 as invoice.
- F Creditor's ledger reflected invoice of R2 000 stationery bought on the last day of the month from DNC Stationers

	Creditors' Ledger Account of DNC Stationers Suppliers in the Books of Thathunyawo Investments		Statement of Account from DNC Stationers	
Balance				
A				
B				
C				
D				
E				
F				

**ACTIVITY DD 8****8.1 CREDITORS' RECONCILIATION**

Chiefs Traders buy goods on credit from Dookie's Suppliers.

**REQUIRED:**

- 8.1.1 Use the table provided to indicate changes to the:
- Creditors' Ledger Account in the books of Chiefs Traders
  - Creditors' Reconciliation Statement on 30 June 2024
- 8.1.2 Refer to Information III about Invoice 39. It was discovered that the purchasing manager, Bradley, had taken these goods for his personal catering business. The owner regards Bradley as a valued member of staff and does not regard this as theft.

What should the owner say to Kerisha Dookie regarding this incident? Explain TWO points.

**INFORMATION:**

- A. Creditors' Ledger Account in the books of Chiefs Traders



DOOKIES SUPPLIERS						
				DEBIT	CREDIT	BALANCE
2024	1	Balance	b/d			R81 000
June	3	Invoice 22			97 200	178 200
		EFT		40 500		137 700
	15	Debit Note 70		10 300		127 400
		Invoice 28			49 100	176 500
		Invoice 33			30 000	206 500
	24	Debit Note 87			9 700	216 200
	25	Journal voucher 58		6 400		209 800
	31	EFT and discount		92 600		117 200

**B. Statement of account from Dookies Suppliers**

*Chiefs Traders, 5 Lotus Drive, Dannhauser*  
25 June 2024

				DEBIT	CREDIT	BALANCE
2024	1	Balance				R81 000
June	3	Invoice 22		97 200		178 200
		Receipt 74			40 500	137 700
	15	Credit Note 79			13 100	124 600
		Invoice 33		30 000		154 600
	22	Invoice 39		12 500		167 100
	24	Credit Note 88			9 700	157 400

**C. Errors, omissions and other information:**

- I. Invoice 28 was incorrectly reflected in the account of Dookies Suppliers in the Creditors' Ledger. These goods were purchased from Dora Suppliers.
- II. Credit Note 79 was recorded incorrectly on the statement of account. This relates to the correct entry for Debit Note 70 in the Creditors' Ledger.
- III. Invoice 39 on the statement of account was for goods ordered by Chiefs Traders.
- IV. Dookies Suppliers also purchased goods on credit from Chiefs Traders. Chiefs Traders has transferred a debit balance from the Debtors' Ledger (Journal voucher 58). Dookies Suppliers will include this on the next statement.
- V. The transaction on 24 June 2024 is for goods returned to Dookies Suppliers.
- VI. The statement of account reflects transactions up to 25 June 2024.

**ACTIVITY DD8 ANSWER SHEET**

**8.1 CREDITORS' RECONCILIATION**

8.1.1	Creditors' Ledger Account of Dookie's Suppliers in the Books of Chiefs Traders	Statement of Account from Dookie's Suppliers
Balance		


8.1.2 What should the owner say to Kerisha regarding this incident? Explain TWO points.

## EE. BUDGETING

### ACTIVITY EE 1

#### SENWABARWANA FURNITURE SHOP

The business, owned by Clara Lee, sells furniture. The financial year ends on 30 April each year.

#### REQUIRED:

- 1.1 Complete the Creditors' Payment Schedule for the budget period ending 31 July 2024.
- 1.2 Complete the Debtors' Collection Schedule for May to July 2024.
- 1.3 Calculate the amounts for (A) to (H) in the Cash Budget.
- 1.4 **Refer to Information A:**

Comment and quote figures on the:

- Effectiveness of the advertising
- Control over delivery expenses

#### INFORMATION:

**A** Extract of the budgeted and actual figures for May 2024:

	BUDGETED	ACTUAL
Total sales	R882 000	R661 500
Cash from debtors	452 277	402 600
Advertising	25 280	25 280
Delivery expenses	61 740	52 920

**B** Total sales:

ACTUAL SALES		BUDGETED SALES	
APRIL 2024	MAY 2024	JUNE 2024	JULY 2024
R878 400	R882 000	R954 000	R990 000

**C** Credit sales comprise 60% of total sales.

**D** Goods are sold at a mark-up of 80% on cost.

**E** The business maintains a fixed-stock base level. Stock sold in a month is replaced in the same month. The credit purchases are 40% of total purchases.

**F** Creditors are paid according to the following trend:

- 50% – settled in the month of purchase to earn 7% discount
- 35% – settled in the month following the purchase month
- 15% – settled in the second month after the purchase month
- 

**G** Expected Debtors' collection

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- 25% in the month of the sale is subjected to a 5% discount
- 45% in the month following the month of the sale
- 20% in the second month following the sale
- The balance is written-off in the third month following the month of the sale



**H Extract: Cash Budget for the three months ended 31 July 2024**

	MAY 2024 R	JUNE 2024 R	JULY 2024 R
<b>Receipts</b>			
Cash sales	(A)	(B)	(C)
Cash from debtors			
Loan: ABA Bank	0	(D)	0
<b>Payments</b>			
Cash purchases	(E)	(F)	(G)
Payments to creditors			
Salaries of sales assistants	42 000	42 000	(H)
Advertising	25 280	36 720	37 440
Interest on loan	0	3 500	3 500

- The business has negotiated a loan which will be received on 1 June 2024. Interest at 14% p.a. is payable at the end of each month, commencing from 30 June 2024.
- The business employed five sales assistants in May and June 2024 on the same salary scale. Three of them will receive an annual bonus of 90% of their earnings in July 2024. An extra part-time sales assistant will be employed during July 2024 and will earn 65% of the monthly amount applicable to the other workers.

**ACTIVITY EE 1**

1.1 Creditors' payment schedule				
	Credit purchases	May 2024	June 2024	July 2024
March 2024	165 600	24 840		
April 2024				
May 2024				
June 2024				
July 2024				
	Payment to creditors			

1.2 Debtors' collection schedule
----------------------------------

	Credit sales	May 2024	June 2024	July 2024
March 2024				
April 2024				
May 2024				
June 2024				
July 2024				
	Collection from debtors			

1.3 Cash budget calculation		
LETTER	CALCULATIONS	ANSWER
A		
B		
C		
D		
E		
F		
G		
H		

1.4 Comment on the effectiveness of the advertising. Quote figures.
Comment on the control over delivery expenses. Quote figures.

### ACTIVITY EE 2

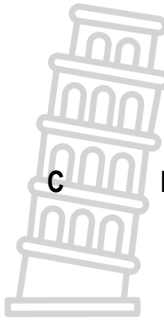
- 2.1 Indicate amounts only in the appropriate blocks for the Cash Budget and Projected Statement of comprehensive income for the month ending 31 August 2023.
- 2.1.1 Previous year's dividends paid to shareholders, R15 000.
- 2.1.2 Expected cash sales for August 2023 is R35 000 (cost of sales, R14 000).
- 2.1.3 Bad debts to be written off is R1 400.
- 2.1.4 Directors' fees to be paid is R65 000.
- 2.1.5 Depreciation for the year is R14 400.
- 2.2 The information relates to the budget period of Royals Ltd ending 31 December 2023.
- 2.2.1 Complete the Debtors' Collection Schedule for October to December 2023.
- 2.2.2 Calculate the missing amounts indicated by (a) to (c) in the cash budget.

#### INFORMATION:

##### A Actual and budgeted sales and cost of sales

Months	Sales		Cost of sales	
	Budgeted	Actual	Budgeted	Actual
September	R108 000	R87 000	R72 000	R45 000
October	R123 000	R88 000	R82 000	R60 000
November	R105 000	R76 000	R70 000	
December	R84 000		?	

##### B Expected Debtors' collection



- 40% of total sales is for cash.
- 20% in the month of the sale is subjected to a 5% discount.
- 70% in the month following the month of the sale
- 8% in the second month following the sale
- 2% is regarded as uncollectable debt in the third month following the month of the sale.

**C Purchases and payment of stock**

- Royals Ltd uses a mark-up of 50% on cost.
- They maintain a fixed-base stock level by replacing stock on a monthly basis.
- 75% of the total purchases is on credit.
- Creditors are paid in full in the month after purchasing stock, subject to a 5% discount.

**D Loan**

- The loan was reduced by R52 800 on 30 November 2023.
- Interest at 12.5% p.a. is payable every month and is not capitalised.

**E Delivery costs**

- All goods sold are delivered to customers free of charge.
- Speedy Deliveries have been contracted to render this service.
- The delivery costs are budgeted at 10% of sales.

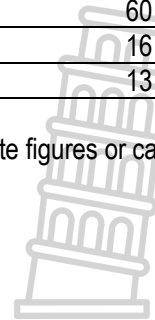
**F Extract from the Cash Budget:**

	NOVEMBER	DECEMBER
<b>RECEIPTS</b>		
Cash sales	64 800	50 400
Receipts from debtors	46 440	
Rent income	7 500	8 250
<b>PAYMENTS</b>		
Cash purchases of trading stock	18 000	(a)
Payments to creditors	(b)	51 300
Repayment of loan (see information D)	52 800	0
Interest on loan	6 875	(c)
Delivery costs (see information E)	11 500	9 100

**G Comparison of the budgeted figures to the actual figures for November**

	Budgeted	Actual
Sales	105 000	76 000
Cost of sales	61 000	60 000
Gross profit	44 000	16 000
Delivery costs	11 500	13 200

- 2.3 Comment on the control of delivery costs and give **ONE** point of advice. Quote figures or calculations.



- 2.1 Indicate amounts in the appropriate blocks for the Cash Budget and Projected Statement of Comprehensive Income for the month ending 31 August 2023.

No.	Cash budget		Projected Statement of Comprehensive Income	
	Receipts	Payments	Income	Expenditure
2.1.1				
2.1.2				
2.1.3				
2.1.4				
2.1.5				

- 2.2.1 Complete the Debtors' Collection Schedule for October to December 2023.

Months	Credit Sales	October	November	December
September				
October				
November				
December				
Total				

- 2.2.2 AMOUNTS FOR CASH BUDGET

No.	CALCULATIONS	AMOUNT
(a)	Cash purchases of trading stock for December	
(b)	Payments to creditors for December	
(c)	Interest on loan for October	

- 2.3 Comment on the control of delivery costs and give ONE point of advice. Quote figures or calculations.



DETAILS	COMMENT	ADVICE
Delivery costs		

### ACTIVITY EE3

Umlalazi LTD is a business that sells and repairs Laptops & computers. The financial year ends on 31 June each year. As the bookkeeper was on sick leave an inexperienced bookkeeper Gazu, was asked to prepare a Cash Budget for the business and to enter the actual figures each month. In August 2024, you are provided with this Cash Budget, which also reflects actual figures. At the beginning of the current financial year, the company had ordinary share capital of R660 000. The company had a bank overdraft of R325 400 on 01 June 2024. Also taking into account that R10 000 was written off as bad debts. In order to solve the overdraft problem, after a special resolution, directors decided to issue additional 30 000 at an issue price of R8 per share on 28 June 2024. This was not anticipated when Gazu drew up the Cash Budget at the beginning of June 2024.

### REQUIRED

- 3.1 Why should the business compare budgeted figures against actual figures?
- 3.2 List 2 receipts from the cash budget that would not be recorded in the projected statement of comprehensive income.
- 3.3 Complete the Debtors' Collection Schedule for June 2024 and July 2024.
- 3.4 Percentage increase in the budgeted salaries and wages in July 2024
- 3.5 Refer to the Rent in the Cash Budget. A rent increase of 10% takes effect on 1 July 2024. The actual rent received in June was as per the budget
- Calculate the budgeted rent income for June 2024.
  - Provide a suitable explanation for the actual amount of rent collected in July 2024 being different from the budgeted amount.
- 3.6 Payments to creditors:
- Calculate the budgeted amount to be paid to creditors in July 2024.
- 3.7 Umlalazi LTD is making monthly repayments on the existing loan from NEBBANK as from 30 June 2024 . The interest of 15% p.a. on this loan and it is not capitalized
- Calculate the loan repayment on 30 June 2024.
- 3.8 Calculate the amount budgeted for the buy back shares in July 2024.
- 3.9 Use the Cash Budget to identify the missing figures totals and cash balances designated A-D.
- 3.10 Refer to information 6 and 7:
- The internal auditor is worried that the debtors clerk is not controlling debtors properly
- Calculate of average debtors' collection period (in days).
  - The percentage of debtors who are complying with the credit term.
  - The business is not controlling it debtors effectively.



Give **TWO** main problems and suggest a solution for each problem.

3.11 Refer to information 8:

The internal auditor has noticed that packing material and consumable stores were overspent.

- Comment on the control of packing materials and consumable stores.  
Quote figures or calculations.

### INFORMATION

1.

#### Cash Budget for two months ending 31 July 2024

	June 2024		July 2024	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Cash sales	480 600	452 000	?	208 000
Receipts from debtors	?	189 980	?	222 685
Fee Income: Repair Services	70 000	73 000?	72 000	75 000
Commission income	?	?	?	?
Rent income	?	?	15 950	31 900
Ordinary share capital	0	240 000	0	0
<b>Total receipts</b>	<b>779 398</b>	<b>926 480</b>	<b>649 562</b>	<b>594 585</b>
<b>Payments</b>				
Cash purchases	?		155 000	110 380
Payments to creditors	181 800	162 000	?	184 000
Telephone	2 800	4 500	2 800	4 200
Repayment on existing vehicle	9 000	9 000	9 000	9 000
Vehicle expenses	8 000	6 400	8 000	37 500
Salaries and wages	68 000	82 800	72 080	72 080
Advertising	5 000	5 000	5 000	5 000
Sundry operating expenses	?	19 400	17 300	17 320
Insurance	22 000	16 000	22 000	16 000
Dividends on ordinary shares	25 000	25 000	35 000	35 000
Interest on overdraft	4 020	?	?	0
Packing material	23 000	20 000	24 000	20 000
Consumable stores	24 500	24 000	23 000	22 000
Buy back of shares	0	0	?	?
Interest on loan (15 %)	1 500	1 500	1 000	1 000
Repayment of loans	?	?	?	?
<b>Total payments</b>	<b>572 900</b>	<b>620 370</b>	<b>516 930</b>	<b>494 480</b>
Cash surplus/shortfall	206 498	306 110	132 632	100 105
Bank (Opening balance)	(325 400)	(325 400)	A	C
<b>Bank (Closing balance)</b>	<b>?</b>	<b>(19 290)</b>	<b>B</b>	<b>D</b>

2. Shares



DATE	DETAILS
1 June 2024	120 000 shares in issue
28 June 2024	30 000 shares issued at R8 each
31 July 2024	The company is anticipating a buy-back of 5 000 shares of a dissatisfied Shareholder, S Smit, at R3,50 each above the average price. The average price of all shares issued to date was R6,00 per share.

3. **Sales**

	April 2024	May 2024	June 2024	July 2024
Total sales	R 603 000	R 727 200	R 801 000	R ?
Credit sales	R 241 200	R 290 880	R 320 400	R ?

Credit sales constitute 40% of the total sales.

4. **Expected collections from debtors:**

Debtors are told that they are expected to pay in the current month or in the month following the sales transaction month. However, debtors usually pay as follows.

- In the transaction month,
- In the month after the transaction month &
- In the second month after the month of sale
- While some debtors do not pay.

5. **Purchases and selling of trading stock:**

Stock is replaced on a monthly basis.

50% of stock is usually purchased on credit.

Creditors are paid in the month after the purchases, to take advantage of a 10 % discount

Goods are sold at a constant Mark-up of 80% on cost.

6. **Debtors Age Analysis on 30 June 2024**

The credit term is 30 days for all debtors

Debtors	Credit limit	Total	June	May	April	March
M Msibi	45 000	49 100	49 100			
WamaGatsheni	85 000	48 480	40 680	7 800		
S Makhoba	30 000	24 000	24 000			
S Sibiyi	100 000	129 280	25 865	9 050	45 240	49 125
N Mnguni	12 000	6 500			6 500	
M Msane	50 000	22 000	22 000			
D Nzuzi	120 000	119 480	26 680	24 000	39 000	29 800
Z Myeni	25 000	40 400	9 300	31 100		
W Shobede	45 000	36 360	8 740	23 270	4 350	
Other debtors						
		<b>R764 775</b>	<b>R201 300</b>	<b>R172 500</b>	<b>R234 250</b>	<b>R156 725</b>
			Current	30 days	60 days	90 days
Percentage		100%	%	%	%	%

7. **Actual figures from financial statements for year ended 30 June 2024:**

	For the year	
Cash sales	R2 600 000	
Credit sales	R2 400 000	
	<b>30 June 2024</b>	<b>1 July 2023</b>
Trade debtors	R764 775	R295 225

8. **Figures for August 2024:**

	Budgeted R	Actual R	Variance %
Sales	890 000	726 240	-18,4%
Fee income	85 000	126 000	+48,2%
Packing materials	22 000	22 800	+3,6%
Consumable stores	24 500	26 000	+6,1%

**ACTIVITY EE 3**

3.1 Why is it a good idea to compare budgeted figures against actual figures?

3.2 List 2 receipts from the budget that would not be recorded in the projected income statement

**3.3 Debtors collection Schedule**

MONTH	CREDIT SALES	JUNE 2024	JULY 2024
April	241 200	84 420	
May	290 880	145 440	101 808
June	320 400	30 438	
July			21 204
<b>Cash from debtors</b>		<b>260 298</b>	

3.4 Percentage increase in the budgeted salaries and wages in July 2024

3.5 Refer to the Rent in the Cash Budget. A rent increase of 10% takes effect on 1 July 2024. Calculate the budgeted rent income for June 2024. Provide a suitable explanation for the actual amount of rent collected in July 2024 being different from the budgeted amount

3.6 Calculate the budgeted amount to be paid to creditors in July 2024

--

3.7 Calculate the loan repayment on 30 June 2024

--

3.8 Calculate the amount budgeted for the buy back shares in July 2024

--

3.9 Use the Cash Budget to identify the missing figures totals and cash balances designated A-D

A	B	C	D

3.10 Calculate of average debtors' collection period (in days)

--

The percentage of debtors who are complying with the credit term

--

The business is not controlling its debtors effectively. Give TWO main problems and suggest a solution for each problem.

PROBLEM	DEBTORS NAME	SOLUTION

3.11 Comment on the control of packing materials and consumable stores.

Quote figures or calculations

Packing materials

Consumable stores

#### ACTIVITY EE4

The following partially completed Projected Statement of Comprehensive Income for the period 01 May 2024 to 30 June 2024 relates to Gwala Stores. The bookkeeper is Biyo Sibiyi and the owner of the business is Asimbonge Gwala.

#### REQUIRED

- 4.1 Calculate the missing amounts by (a) to (d) in the Projected Statement of Comprehensive Income
- 4.2 Refer to the additional information and calculate the following:
  - 4.2.1 The monthly salary due to the sales manager in June 2024
  - 4.2.2 The total credit sales expected in July 2024
  - 4.2.3 The cost of the new vehicle purchased in May 2024
- 4.3 Comment on the control of the telephone and water and electricity. What advice would you offer Asimbonge. State **ONE** point.
- 4.4 Asimbonge wants to reduce the maintenance budget to R500 per month and then use this saving for staff training. What should he consider before making this change? State **TWO** points.
- 4.5 A new competitor started operating from nearby premises in May 2024. Refer to the actual figures for May 2024 and:
  - Explain how Asimbonge responded to this threat. State **THREE** points with figures/calculations to support your answer
  - Explain whether Asimbonge's response was successful or not. Provide figures.

#### INFORMATION

- A. Salaries and wages:
  - The cleaner will receive an 8% p.a. increase in June 2024
  - The business employs a sales manager and an administration manager. The sales manager earns R400 more than the administration manager (per month). The managers are entitled to an increase of 7%p.a. from 01 June 2024.
- B. The business uses a mark-up percentage of 60% on cost
- C. Credit sales comprise 80% of total sales. Sales are expected to increase by 10% per month and by 12% during July 2024.
- D. A delivery vehicle was purchased on 01 May 2024. Vehicles are depreciated at 15% per annum on cost. The accountant did not take this into consideration when preparing Projected Statement of Comprehensive Income for May 2024
- E. Rent income increased by 9% on 01 June 2024

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- F. Information (amongst others) from the Projected Statement of Comprehensive Income for May 2024 to June 2024

	MAY BUDGETED	MAY ACTUAL	JUNE BUDGETED
Sales	180 000	195 000	198 000
Cost of sales	(112 500)	(150 000)	(b)
Gross profit	67 500		
Other income		19 200	
Rent Income	(d)		10 028
Commission Income	12 500	8 000	13 000
Discount received	1 800		1 980
Gross operating income			
Operating expenses	(45 650)		
Salaries (two managers)	18 000	18 000	
Wages (cleaner)	1 800	1 800	(c)
Maintenance	5 000	2 000	5 000
Motor vehicle expenses	0	4 000	0
Administration expenses	8 450	8 420	8 500
Telephone, Water and Electricity	2 000	4 880	2 000
Insurance	1 800	1 800	1 800
Advertising	2 400	9 600	2 400
Depreciation	6 200	9 000	
Trading stock deficit	0	1 680	
Operating profit	(a)		
Interest income	350	350	350
Profit before interest expense	46 500		
Interest expense	(500)	(500)	(500)
Net Profit	46 500		

## ACTIVITY EE4

4.1 Calculate the missing amounts by (a) to (d) in the Projected Statement of Comprehensive Income

Calculation		Answer
(a)	Operating profit	
(b)	Cost of sales	
(c)	Wages	
(d)	Rent Income	

4.2 Refer to the additional information and calculate the following:

4.2.1	The monthly salary due to the sales manager in June 2024	Answer
4.2.2	The total credit sales expected in July 2024	Answer

4.2.3	The cost of the new vehicle purchased in May 2024	Answer

4.3 Comment on the control of the telephone and water and electricity. What advice would you offer Asimbonge? State ONE point.

Comment:

Advice:

4.4 Asimbonge wants to reduce the maintenance budget to R500 per month and then use this saving for staff training. What should he consider before making this change? State TWO points.

Any TWO valid points

4.5 A new competitor started operating from nearby premises in May 2024. Refer to the actual figures for May 2024 and:

Explain how Asimbonge responded to this threat. State TWO points with figures/calculations to support your answer.

## FF. VALUE-ADDED TAX

### ACTIVITY FF1

1.1. Smookey Traders is registered for VAT. The VAT rate is 15%.

#### REQUIRED:

1.1.1. Calculate the figures indicated by (a) to (d) in the table below.

1.1.2. You are the internal auditor. The sole owner, Smookey, used a business bank account to buy a new car for R460 000 including VAT. This car is kept at home for his wife's use. Smookey say the vehicle must be recorded as a business asset and R60 000 must be recorded as a VAT input in the business's books

Explain what you would say to Smookey. Provide TWO points.

#### INFORMATION:

	EXCLUDING VAT	VAT AMOUNT	INCLUDING VAT
Sales return	960	(a)	
Purchase of stock	52 600	(b)	
Discount received	(c)	720	
Cash sales		(d)	112 470*

\*This includes zero-rated goods that should have been sold for R5 500. The bookkeeper has incorrectly included VAT of R825 on these goods. This must be corrected.

### ACTIVITY FF1

#### 1.1.1.

	WORKINGS	ANSWER
(a)		
(b)		
(c)		
(d)		

#### 1.1.2

You are the internal auditor. The sole owner, Smookey, used a business bank account to buy a new car for R460 000 including VAT. This car is kept at home for his wife's use. Smookey says the vehicle must be recorded as a business asset and R60 000 must be recorded as a VAT input in the business's books.

Explain what you would say to Smookey. Provide TWO points.

Point 1	
Point 2	

### ACTIVITY FF2

#### 2.1. VALUE-ADDED TAX (VAT)

Le Grange Trades is registered for VAT, although the annual turnover is less than R1 000 000. The standard Vat rate is 15%. The business is owned by Nicky Le Grange.

#### REQUIRED:

- 2.1.1. Give **ONE** reason why Nicky decided to register for VAT.
- 2.1.2. Calculate the amount of VAT that is payable to SARS for the two-month period ended 30 April 2024.
- 2.1.3. Nicky uses the money collected for VAT to pay business expenses. She does not have sufficient cash to make the VAT payments on the due dates. What would you say to Nicky? State **TWO** different/separate points.

#### INFORMATION:

#### VAT-related transactions for the period ended 30 April 2024

Balance due to SARS on 1 April 2024	2 600
Purchase of trading stock (excluding VAT)	59 000
Cash and credit sales (including VAT)	87 400
VAT on drawings of trading stock by Nicky	1 200
VAT on returns from Debtors	2 820
VAT on discount received from suppliers	3 360

### ACTIVITY FF2

**2.1. VALUE-ADDED TAX (VAT)****2.1.1**

Give **ONE** reason why Nicky decided to register for VAT.

**2.1.2**

Calculate the amount of VAT that is payable to SARS for the two-month period ended 30 April 2024.

WORKINGS	ANSWER

**2.1.3**

Nicky uses the money collected for VAT to pay business expenses. She does not have sufficient cash to make the VAT payments on the due dates. What would you say to Nicky? State **TWO** different/separate points.

**ACTIVITY FF3**

The information relates to Mshibe Traders. The business is registered for VAT. Mshibe also sells zero-rated goods.

**REQUIRED:**

3.1.

3.1.1. Implementation of VAT:

- What is the standard rate of VAT?
- Explain why the government implemented VAT in South Africa. State ONE point.
- Explain why some products are zero-rated. State ONE point.

3.2. Calculate the VAT amount that must be paid to SARS for the VAT period ended 31 May 2024.

**INFORMATION:**

- A. Harry, the clerk, calculated the VAT amount due to SARS as R55 785. However, he did not take the following into account:

(i)	VAT on goods returned to suppliers	R5 070
(ii)	VAT on expenses paid	R6 240
(iii)	VAT on goods taken by Nomhle for personal use	R5 400

- B. VAT on discount allowed must also be taken into account. The total discount allowed amounted to R18 860.



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- C. VAT on sales was incorrectly recorded. Certain goods with a selling price of R31 200 (excluding VAT) should have been recorded as zero-rated items.

### ACTIVITY FF3

#### 3.1.

##### 3.1.1.

	What is the standard rate of VAT?
	Explain why the government implemented VAT in South Africa. State ONE point.
	Explain why some products are zero-rated. State ONE point
3.2.	Calculate the VAT amount that must be paid to SARS for the VAT period ended 31 May 2024.
	<b>WORKINGS</b>
	<b>ANSWER</b>

### ACTIVITY FF4

- 4.1 The information relates to Mphati Enterprises owned by partners Soso, Jaca, Jera. The business is registered for VAT. They buy and sell standard and zero-rated products for cash and on credit. The standard VAT rate is 15%.

#### REQUIRED:

4.1.1 Calculate the VAT amount on the goods sold by the business.

4.1.2 Calculate the amount payable to or receivable from SARS 30 April 2024

#### INFORMATION:

**A. Balance:** Amount due by SARS on 1 April 2024: R5 340.

**B. Transactions affecting VAT calculations for April 2024:**

	VAT EXCLUSIVE R	VAT AMOUNT R	VAT INCLUSIVE R
<b>Purchases of stock:</b>	<b>730 000</b>		
• Standard-rate products	548 000	82 200	630 200
• Zero-rated products* see note below	182 000		
Total sales* see note below	839 800		
Debtors' accounts written off			31 510
Discounts received from creditors		4 800	

**\*NOTE:** All the zero-rated goods purchased were sold at 10% below cost during a sales promotion event. This amount is included in the total sales figure. There were no other zero-rated goods sold during April 2024.

**ACTIVITY FF4****4.1.1**

Calculate the VAT amount on the goods sold by the business.

WORKINGS	ANSWER

**4.1.2**

Calculate the amount payable to or receivable from SARS on 30 April 2024.

WORKINGS	ANSWER

**ACTIVITY FF5****VALUE ADDED TAX (VAT)**

- 5.1 The information relates to Sally Stores for the VAT period ended 30 April 2024. The standard VAT rate is 15%.

**REQUIRED:**

- 5.1.1 Taking into account the errors and omissions, calculate the VAT amount that is either payable to SARS.
- 5.1.2 The internal auditor discovered that the owner, Slindamahle, used the VAT collected from customers to pay salaries and bonuses and was not paying the full amount due to SARS on the deadline dates.  
Offer ONE point of advice to Slindamahle and a reason why she should not use VAT amount to pay for salaries and bonuses.

**INFORMATION**

- A. Amount due to SARS on 1 April 2024 was R12 750.  
B. Amounts from the journals on 30 April 2024:

	AMOUNT INCLUDING VAT	VAT AMOUNT
Total sales	R 486 450	R 63 450
Credit purchases of stock	167 900	21 900

**C. Errors and omissions noted:**

- Stock taken by the owner, cost price R4 300 (excluding VAT), was not yet recorded.

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- Certain goods with a selling price of R25 000 (excluding VAT) was included in the sales amount. These goods should have been recorded as zero-rated items.
- VAT on discounts granted to debtors was not recorded. The total discounts allowed amounted to R14 720.

### ACTIVITY FF5

5.1.1 Calculate the amount payable to SARS in respect of VAT for the two-month VAT period ended 30 April 2024.

WORKINGS	ANSWER

5.1.2 Offer ONE point of advice to Slindamahle and a reason why she should not use VAT amount to pay for salaries and bonuses.

ADVICE	REASON

