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KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

CURRICULUM GRADE 10 -12 DIRECTORATE

NCS (CAPS) SUPPORT

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ACCOUNTING: PAPER 1 & 2

GRADE 12

2024



ACTIVITY A1

MABOMVINI LIMITED**INCOME STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2024**

Sales	3 948 000
Cost of sales	(2 625 000)
Gross profit	1 323 000
Other income	86 500
Provision for bad debt adj (22 500 – 19 500)	3 000
Rent income (92 200- 20 200)	72 000
Baddebt recovered (8000+1 500)	9 500
Trading stock surplus (215 000- 20 000 – 197 000)	2 000
Gross operating income	1 409 500
Operating expenses	(826 975)
Salaries and wages(170 000 -15 000 – 1500)	153 500
Stock loss due to fire	4 000
Sundry expenses	70 000
Bad debt (11 000+ 8000)	19 000
Insurance (45 000 – 10 625)	34 375
Directors' fees (484 700 +13 100- 26 200)	471 600
Audit fees (60 000+ 15 000)	75 000
Operating profit	582 525
Interest Income(75 000 + 6250)	81 250
Net profit before interest expense	663 775
Interest expense	(553 675)
Net profit before tax	110 100
Income tax (36 060 – 3 030)	(33 030)
Net profit after tax	77 070

ACTIVITY A2

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

Sales (8 085 500 + 4 500)	8 090 000
Cost of sales	(4 045 000)
Gross profit	4 045 000
Other income	129 900
Discount received	23 190
Bad debts recovered (11 760 + 2 240)	14 000
Rent income (85 100 + 7 610)	92 710
Gross income	4 174 900
Operating expenses	(2 572 710)
Advertising	404 500
Salaries and wage	956 180
Audit fees	89 970
Depreciation	123 220
Trading stock deficit	18 500
Consumable stores (32 900 – 5 900)	27 000
Bad debts (33 260 + 2 240)	35 500
Provision for bad debts adjustment (37 660 – 34 120)	3 540
Insurance (48 750 – 7 500)	41 250
Directors Fees (825 000 +25 000)	850 000
Sundry expenses	23 050
Operating profit	1 602 190
Interest Income	11 090
Profit before interest expense	1 613 280
Interest expense (703 800 – 610 320)	(93 480)
Net profit before income tax	1 519 800
Income Tax	(455 940)
Net profit after tax	1 063 860

2.2 **RETAINED INCOME**

Balance on 1 March 2023	507 140
Net profit after tax	1 063 860
Repurchases of Shares (40 000 x 80c)	(32 000)
Ordinary share dividends	(570 000)
Interim dividend	237 500
Final dividend	332 500
Balance on 29 February 2024	969 000

2.3 **STATEMENT OF FINANCIAL POSITION ON 29 FEBRUARY 2024**

EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY	9 044 000
Ordinary share capital (950 000 x 8.5)	8 075 000
Retained Income	969 000
Non-Current Liabilities	603 800
Loan: (703 800 – 100 000)	603 800
Current liabilities	1 069 500
Trade and other payables (562 500 + 25 000 + 36 000 + 13 500)	637 000
Shareholders for dividends	332 500
Current portion of loan	100 000
TOTAL EQUITY AND LIABILITIES	10 717 300

Activity A3 Statement of Comprehensive Income

3.1 Concepts:

1.1.1	Statement of comprehensive income
1.1.2	Non-Current Assets
1.1.3	Net working capital
1.1.4	Current Assets
1.1.5	Statement of Financial Position

3.2 Esikhumbuzweni Limited

3.2.1 Statement of comprehensive income for the year ended 29 Feb 2024

Sales (13 000 000 X 120/100) or (13 000 000+2 600 000)	15 600 000
Cost of sales (15 600 000 X 100/160)	(9 750 000)
Gross Profit	5 850 000
Other operating Income	283 060
Rent Income (260 400 + 22 200)	282 600
Provision for bad debts	460
Gross Operating Income	6 133 060
Operating Expenses	(3 793 060)
Salaries	1 202 900
Directors fees	941 700
Depreciation	562 000
Sundry expense	775 200
Audit fees (50 000 + 75 000) or (50 000 X 100/40)	125 000
Insurance (207 000 - 46 000) or (23 000 X 7)	161 000
Trading stock deficit (741 740 – 716 480)	25 260
Operating Profit	2 340 000

Interest Income	530 200
Net profit before interest expense	2 870 200
Interest expense	(441 000)
Net profit before tax	2 429 200
	(680 176)
Net Profit after tax	1 749 024

3.2.1 Trade and other payables

Trade Creditors (R406 200+ R6 800+ R24 000+ R75 000)	R512 000
SARS Income tax (680 176 – 647 776)	R 32 400
Shareholders for dividends (891 200 – 680 000)	R211 200
Current portion of loan	R784 800
	R1 540 400



ACTIVITY B1

1.1

1.1.1

(i) Depreciation for the current year							
Workings	Answer						
192 000 x 20% x 8/12	R25 600						
(ii) Carrying value of vehicles sold							
Workings	Answer						
192 000 – 25 600	R166 400						
OR: 300 000 – 133 600							
Calculate: Profit/loss on sale of asset							
Workings	Answer						
175 000 – 166 400	R8 600						
Calculate: Fixed assets carrying value on 28 February 2019							
Workings	Answer						
10 170 000 – 25 600 – 166 400	R9 978 000						
OR: 10 170 000 – (300 000 – 133 600 + 25 600)							
Also accept ledger account format							
<table border="1" style="margin-left: 40px;"> <tr> <td style="text-align: center;">10 170 000</td> <td style="text-align: center;">25 600</td> </tr> <tr> <td></td> <td style="text-align: center;">166 400</td> </tr> <tr> <td></td> <td style="text-align: center;">9 978 000</td> </tr> </table>	10 170 000	25 600		166 400		9 978 000	
10 170 000	25 600						
	166 400						
	9 978 000						

1.1.3

1.2

Calculate the correct net profit after tax for the year ended 28 February 2019.	
Indicate (+) for increase and (-) for decrease.	
Workings	Answers
Incorrect Net Profit before tax	922 800
Provision for bad debts adjustments	(68 000)
Advertising	9 900
(2500 x 3)	(27 500)
Rent [(332 500 – 7 500) / 13] Income + 2 500	
Additional depreciation see (i)	(25 600)
Profit on sale of asset see (ii)	8 600
Loss on fire (7 400 – 6 500)	(900)
Correct Net Profit before tax	819 300
Income tax (156 000 + 43 000)	(199 000)
Correct net profit after tax	620 300

ACTIVITY B 2

Net profit before tax	2 072 908
Gross profit (-3000 + 2 150)	(850)
Profit on sale of asset (7 500 + 7 500)	15 000
Auditors	(27 000)
Repairs	(90 000)
Rent income [(247 958-1 0968)/13] + 1 828	(2 0058)
Trading stock surplus (469 750 – 468 750)	1 000
Packing materials (8 000/0,25 x 75%)	(24 000)
Net profit before tax operation on part correct	1 927 000
Income tax (1 927 000 x 30%)	(578 100)
Net profit after tax operation	1 348 900

ACTIVITY B3

Calculate the value of the closing stock of formal suits that was omitted from the stock sheets on 30 June 2024.

3.1	WORKINGS	
	$(206 \times R2\ 850) + (34 \times R2\ 600)$	ANSWER
		R675 500

3.2 Calculate: 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	4 919 950
(i)	Audit fees	+123 600
(ii)	Interest on loan 4 028 000 - 3 755 000 or 4 028 000 one mark + (420 000 — 4 175 000)	-273 000
(iii)	Rent income (5 500 - 750) 4 750 x 2	-9 500
(iv)	Income tax (1 200 + 85 250)	-1 285 250
	Net profit after tax	3 474 800

3.3

3.3.1	Balance at beginning	-----
	Net profit after tax (see 1.2)	3 474 800
	Shares repurchased ignore workings	(78000)
	Dividends for the year ignore workings	(1170 000)
	Balance at end	3 240 000



3.3.2

ASSETS	
NON-CURRENT ASSETS	X
Fixed assets	X
Financial assets	X
CURRENT ASSETS	8 700 000
Inventories $4\ 198\ 500 + 675\ 500 - 11\ 200$	4 861 800
Trade and other receivables $(3\ 668\ 810 + 8\ 000 + 123\ 600 + 11\ 000)$	3 811 410
Cash and cash equivalents	balancing figure
	26 790
TOTAL ASSETS	16 760 500
EQUITY AND LIABILITIES	
SHAREHOLDERS' EQUITY $1\ 800\ 000 \times 540/100$ or R5,40	9 720 000
Ordinary share capital	6 480 000
Retained income	3 240 000
NON-CURRENT LIABILITIES	3 842 000
Mortgage loan $(3\ 755\ 000 + 273\ 000) - 186\ 000$	3 842 000
CURRENT LIABILITIES $(8\ 700\ 000 - \text{Inventories}) / 1,2$	3 198 500
Trade and other payables $1\ 253\ 000 + 9\ 500 + 11\ 000 - 11\ 200$	1 262 300
Shareholders for dividends	see 1.3 / given
	1 170 000
Current portion of loan	186 000
SARS: Income tax	85 250
Bank overdraft	balancing figure
	494 950
TOTAL EQUITY AND LIABILITIES	16 760 500

ACTIVITY B4

4.1

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
Provision for bad debts adjustment	(65 000)
Advertising	9 800
Rent income $[(334\ 000 - 9000) / 13] + 3\ 000$	(28 000)
Additional depreciation	(37 500)
Profit on sale of asset	7 500
Income tax (155 000 + 43 000)	(198 000)
Correct net profit after tax	511 500

4.2.1

RETAINED INCOME NOTE:	
Balance at beginning	865 300
Net profit after tax	511 500
Shares repurchased 360 000 x R0,30 4,10 – 3,80	(108 000)
Ordinary share dividends	(783 200)
Interim	295 200
Final 2 440 000 x R0,20	488 000
Balance at end check operation; shares repurchased and share dividends must be subtracted	485 600

NXASANE LTD	
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) ON 29 FEBRUARY 2024	
ASSETS	

Non-current assets	(TA – CA)	10 624 000
Fixed assets	see 8.2.1	9 965 000
Fixed deposit	Balancing figure	659 000
	3	
Current assets	CL x 0,8	2 320 000
Inventories		1 102 000
Trade and other receivables (1 090 000 – 65 000 + 9 800 + 7 600)		1 042 400
Cash and cash equivalents	Balancing figure	175 600
TOTAL ASSETS		12 944 000
	see total equity and liabilities	
EQUITY AND LIABILITIES		
Ordinary shareholders' equity		8 637 600
Ordinary share capital		8 152 000
Retained income		485 600
Non-current liabilities		1 406 400
Mortgage loan (1 758 000 – 351 600)		1 406 400
	See CL below	
Current liabilities		2 900 000
Trade and other payables (1 981 800 + 28 000R + 7 600)		2 017 400
SARS: Income tax (may be part of T&OP)		43 000
Shareholders for dividends (may be part of T&OP)		488 000

Current portion of loan	Balancing figure	351 600
TOTAL EQUITY AND LIABILITIES		12 944 000

ACTIVITY B5

5.1.1

SHARE CAPITAL		
570 000	Shares at the beginning of the year	4 500 000
100 000	Shares issued at R7,26 during the year	726 000
(70 000)	Shares bought back at R7,80	(546 000)
600 000	Shares issued at the end of the year	4 680 000

Current Liabilities	1 059 040
Trade and other payables (325 810 +18 790 +11 840 +3 600 +15 400)	375 440
Bank overdraft (126 400 – 15 800)	110 600
SARS – Income tax (891 000 – 869 000)	22 000
Short term loan	456 000
Shareholders for dividends	95 000



ACTIVITY C1

1.1	1.1.1	Liquidity
	1.1.2	Outflow
	1.1.3	Inflow

1.2 RETAINED INCOME NOTE

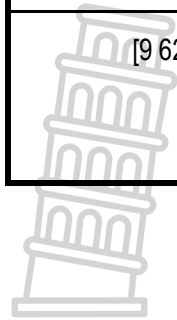
Balance at the beginning of the year		2 819 000
Net profit after tax	(1 950 000 x 70/30) OR 6 500 000 – 1 950 000	4 550 000
Buy back of shares	ignore brackets	(111 000)
Dividends Int. Div. + Final Div.		(5 746 000)
Interim dividend	(5 728 000 – 2 320 000)	3 408 000
Final dividend		2 338 000
Balance at the end of the year	Inspect operation from top, must subtract SBB and	1 512 000

1.3 CASH FLOW STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2024

Cash effects of operating activities		
Cash generated from operations		
Interest paid		(966 000)
Dividends paid		(5 728 000)
Income tax paid (i)	(86 000 + 1 950 000 – 115 000) OR – 86 000 – 1 950 000 + 115 000	(1 921 000)
Cash effects of investing activities		
Fixed assets purchased (ii)	43 095 000 + 232 000 + 1 620 000 – 39 365 000 OR – 43 095 000 – 232 000 – 1 620 000 + 39 365 000	(5 582 000)
Proceeds of sale of fixed assets		232 000
Change in investments		
Cash effects of financing activities		
Proceeds of shares issued (iii)		4 300 000
Shares repurchased (iv)	(30 000 x 15,80) (30 000 x 3,70) 474 000 + 111 000 see 2.2 OR (30 000 x 19,50) three marks	(585 000)
Change in loans		
Net change in cash & cash equivalents		
Cash & cash equivalents on 1 March 2023		1 030 000
Cash & cash equivalents on 29 February 2024 (v)		(3 219 000)

1.4

Acid-test ratio	
WORKINGS	ANSWER
$\frac{[9\ 623\ 000 - 4\ 190\ 000]}{5\ 433\ 000} : 18\ 310\ 000$	0,3: 1 Accept 0,29 :1



Interim dividend per share (in cents)	
WORKINGS	ANSWER
$\frac{\begin{array}{r} \text{See 1.2} \\ 3\ 408\ 000 \\ \hline 1\ 420\ 000 \\ (1\ 450\ 000 - 30\ 000) \end{array}}{1} \times 100$	240 cents

% return on average shareholder's equity (ROSHE)	
WORKINGS	ANSWER
$\frac{\begin{array}{r} \text{See 2.2} \\ 4\ 550\ 000 \\ \hline \frac{1}{2} (28\ 248\ 000 + 25\ 729\ 000) \end{array}}{\frac{1}{2} (28\ 248\ 000 + 25\ 729\ 000)} \times 100$	16,9% must use average ($\frac{1}{2}$) % sign not necessary; Accept 17% Do not accept 0,169 or 0,17



ACTIVITY C2

2.1 Note for Ordinary Share Capital on 29 February 2024


600 000	Ordinary shares at the beginning	6 000 000
200 000	New shares issued	2 400 000
(50 000)	Repurchased 50 000 shares at R10,50	(525 000)
750 000	Shares at the end of the year	7 875 000

2.2 Cash generated from Operations

Cash generated from Operations	
Net profit before tax	
Depreciation	
Interest expense	
Profit before changes in working capital	
Net change in working capital	
Increase in inventories	(83 300)
Decrease in receivables (372 000 – 210 000)	162 000
Decrease in payables (455 000 – 352 100)	(102 900)
Cash generated from operations	

2.3.1 CASH FLOW FROM OPERATING ACTIVITIES

CASH FLOW FROM OPERATING ACTIVITIES	
Cash generated from operations	
Interest paid	
Income tax paid	(503 500)

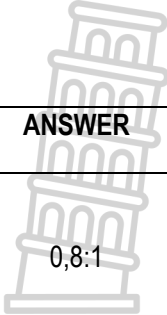
29 500 + 442 500 + 31 500	
 <p>Dividends paid 191 500 + 162 000</p>	(353 500)

Shares issues	2 400 000
Buy back of shares (525 000 + 85 000) OR (50 000 x R12,20)	(610 000)
Increase in loan (6 785 840 – 2 456 000)	4 329 840

2.3.3

NET CHANGE IN CASH AND CASH EQUIVALENT	113 000
Cash (opening balance) (-113 200 + 35 000)	(78 200)
Cash (closing balance)	34 800

2.4.1

Calculate the following financial indicators on 29 February 2024:	
Debt: Equity ratio	
WORKINGS	ANSWER
6 785 840: 8 482 300	0,8:1 

2.4.2

% Return on average Shareholders' Equity	
WORKINGS	ANSWER
$\frac{1\,032\,500}{\frac{1}{2}(6\,140\,000 + 8\,482\,300)} \times \frac{100}{1}$ $\frac{1\,032\,500}{14\,622\,300} \times 100$ $7\,311\,150$	14,1%

ACTIVITY C3

GIBSON LTD

3.1 ORDINARY SHARE CAPITAL NOTE

1 200 000	Shares in issue on 1 March 2023	7 200 000
300 000	Shares issued on 30 June 2023	2 700 000
(90 000)	Shares repurchased (ASP: R6,60)	(594 000)
	9 306 000/1 410 000	
1 410 000	Shares issued on 28 February 2024	9 306 000

3.2

CASH FLOW OF OPERATING ACTIVITIES		
Cash generated from operations		
Interest paid		(117 600)
Dividends paid		
(1 200 000 X 0,24)	(1 500 000 x 0,30)	
288 000	+ 450 000	(738 000)
OR -288 000	- 450 000	
	(450 000-282 000)	
OR (using total dividends) +288 000 + 732 000 - 282 000		
Income tax paid		
337 000 – 42 000 – 27 800		(267 200)
OR -337 000 + 42 500 + 27 800		

CASH FLOW OF FINANCING ACTIVITIES		1 878 600
Proceeds from shares issued		2 700 000
Funds used to repurchase shares		
(90 000 x 6,60) + (90 000 x 0,80)		(666 000)
594 000	+ 72 000	
Change on loan		
273 000 – 117 600	OR 1 834 000 – 1 678 600	155 400
OR -273 000 + 117 600	OR -1 834 000 + 1 678 600	

3.3

Calculate the following financial indicators:

Net asset value per share	
WORKINGS	ANSWER
$10\,200 / 1\,410\,000 \times 100/1$	723,4 cents
Dividend Per Share	
WORKINGS	ANSWER
$282\,000 / 1\,410\,000$ = 20 cents + 30 cents	50 cents
% return on average shareholders' equity	
WORKINGS	ANSWER
$\frac{912\,500}{\frac{1}{2}(10\,200\,000 + 7\,985\,500)} \times 100/1$	10,0%

ACTIVITY C4

4.1

4.1.1	Capital employed
4.1.2	Outflow
4.1.3	Net current assets / net working capital

4.2.1 Cash Flow Statement for the year ended 30 September 2024

CASH EFFECTS OF OPERATING ACTIVITIES	795 500
Cash generated from operations	2 229 940
Interest paid	(195 750)
Taxation paid (53 200 + 497 400 + 48 090)	(598 690)
Dividends paid (390 000 + 250 000) or (390 000 + 780 000 – 530 000)	(640 000)
CASH EFFECTS OF INVESTING ACTIVITIES	
Fixed assets purchased (310 000 – 268 000)	(42 000)
Proceeds from sale of fixed assets(250 000 + 80 000)	330 000
CASH FLOWS OF FINANCING ACTIVITIES	200 000
Proceeds from sale of shares (150 000 x 7)	1 050 000
Repurchase of shares (200 000 x 7)	(1 400 000)
Change in loan (2 400 000 – 1 850 000)	550 000
NET CHANGE IN CASH AND CASH EQUIVALENTS	1 483 500
Cash (balance at the beginning of the year) (509 500 – 145 700)	363 800
Cash (balance at the end of the year)	1 847 300

4.2.2 RETAINED INCOME NOTE

Balance on 1 October 2023	914 020
Net profit after tax (497 400 x 70/30)	1 160 600
Repurchase of shares (200 000 x R1,70)	(340 000)
Ordinary share dividends	(780 000)
- Paid (25/100 x 1 000 000)	250 000
- Recommended	530 000

4.2.3 The directors issued more shares to improve the cash flow. Thandi Malinga, a shareholder, was against the decision and has raised her concerns at the AGM. Provide a reason for Thandi's opinion.

Issuing more shares dilutes the returns to existing shareholders.

Calculate: Debt-equity ratio	
WORKINGS	ANSWER
2 400 000 : (4 240 000 + 954 620)	0,5: 1
Acid-test ratio	
WORKINGS	ANSWER
$\frac{2\,951\,600}{(1\,104\,300 + 1\,847\,300)} : 1\,678\,900$	1,8: 1
OR	
$\frac{2\,951\,600}{(4\,180\,200 - 1\,228\,600)} : 1\,678\,900$	

ACTIVITY C5


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

Net profit before taxation	1 586 000
Adjustment for;	305 500
Depreciation	214 000
Interest Expense	91 500
Operating profit before changes in working capital	1 891 500
Net change in working capital	(206 000)
Increase in inventories (963 200 – 838 700)	(124 500)
Increase in debtors (1 452 000 – 1 300 000)	(152 000)
Increase in creditors (696 000 + 19 500) – (624 000 + 21 000)	70 500
715 500 645 000	
	1 685 500

5.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2024.

Cash flow from operating activities	797 900
Cash generated from operations	1 685 500
Interest paid	(91 500)
Dividends paid	(277 300)
Taxation paid (34 000 + 475 800 + 9 000)	(518 800)
OR -34 000 – 475 800 – 9 000	
Cash flow from investing activities	(415 000)
Fixed assets purchased (2 981 000 +214 000 +860 000 -2 780 000)	(1 275 000)
Proceeds from sale of fixed assets	860 000
Cash flow from financing activities	1 129 000
(870 000 + 30 000 – 800 000)	1 250 000
Shares repurchased 30 000 x 8,50	(291 000)
255 000 + 36 000	
Increase in loan (1 100 000 – 930 000)	170 000
Net change in cash and cash equivalents	1 511 900
Cash and cash equivalents (opening balance)	
Cash and cash equivalents (closing balance)	

5.3

Decisions with figures	Consequences / Effects
 <ul style="list-style-type: none"> • Purchase of fixed assets for R1 275 000 • Issued more shares and received R1 250 000 	<ul style="list-style-type: none"> • Productivity will increase (capital growth) / New and advance models to use / Value of assets increase boosting solvency • Finance the purchase of fixed assets / Buy back shares

5.4 Calculate the following Financial Indicators for year ended 28 February 2024:

DIVIDENDS PER SHARE

Workings	Answer
$\frac{162000}{900\,000}$ <p>18 cents + 22 cents OR 0,18 + 0,22</p>	40 cents

NET ASSET VALUE

Workings	Answer
$\frac{8\,615\,800}{870\,000} \times 100$	990,3 cents

% RETURN ON TOTAL CAPITAL EMPLOYED (ROTCE)

Workings	Answer
$\frac{1\,586\,000 + 91\,500}{\frac{1}{2}(9\,715\,800 + 8\,310\,000)} \times 100$	18.6%



ACTIVITY D1

1.1

Calculate the acid test ratio

1 136 700 – 471 100: 512 000

1.3 :1

Calculate Debt equity ratio

1 500 000: 6 843 300

0.2:1

Calculate ROSHE

667 800

$(6\,843\,300 + 5\,826\,500) \div 2 \times 100$

10.5%

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).

- Debt equity ratio is 0.2:1
- Return on total capital employed is 14.6%
- There is a positive gearing, ROTCE exceeds interest on loan and it is low risk, not making extensive use of borrowed capital

1.3.

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

The company paid a higher price of share R8.00 than the NAV of 778 cents and the market price of 780 cents

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.

Calculations

% Shareholding before the share issue $416\,000/800\,000 = 52\%$

% Shareholding after the share issue $416\,000/1\,000\,000 = 41.6\%$

% Shareholding after repurchasing $416\,000/880\,000 = 47.3\%$

Explanation

Thandi was the majority shareholder before the issue of the additional shares. As she did not increase her number of shares, she is no longer the majority shareholder.

ACTIVITY D2

CHACHA LTD

2.1	<p>Comment on the price of R9,10 charged by Chacha Ltd for the new shares issued.</p> <ul style="list-style-type: none"> • The shares were issued at the average share issue price. The existing shareholders are being awarded as the price is lower than the R12,00 charged on the JSE and the NAV of R10,73. • The shares could have been issued at the market price of R12,00 or the NAV of R10,73 (they have diluted the value of the shares).
2.2	<p>Explain how the issue of new shares has affected the financial gearing and risk of Chacha Ltd. Quote TWO financial indicators.</p> <ul style="list-style-type: none"> • Gear has improved – less risk (as there was an issue of new shares) debt-equity ratio decreased from 0,8 :1 to 0,5 :1 (by 0,3:1) • ROTCE improved (due to increased efficiency / profits on new branch) from 15% to 20% (by 5% or 33,3%)
2.3	<p>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.</p> <p>(i) $(700\ 000 \times 60\%) - (500\ 000 \times 60\%) = 120\ 000$</p> <p style="text-align: center;">OR</p> <p>$200\ 000 \times 60\% = 120\ 000$</p> <p>(ii) 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?</p> <p>120 000 shares at R9,10 each = R1 092 000</p> <p>(iii) <ul style="list-style-type: none"> • 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. • His dividends would have increased by R61 200 (51c x 120 000 shares). This is more than the interest he earned on the savings account R54 600 (1 092 000 see above x 5%) • He could buy the shares for capital growth – bought the shares for R9,10 and then could sell them on the JSE for R12,00 / total profit could have been R348 000 / would be a good buy as R12,00 exceeds NAV R10,73 • He would have earned more dividends on bigger investment (51c/910c =5,6%) • ROSHE would be 23% on a bigger investment. • He would lose 120 000 votes at the AGM. </p>

JOJO LTD

2.4	<p>Comment on the liquidity of Jojo Ltd. Quote TWO financial indicators.</p> <p>The liquidity situation has improved / is able to meet current debts / liquidity ratios have decreased / liquidity ratios are more efficient</p> <p>Financial indicators</p> <ul style="list-style-type: none"> • Current ratio has improved / decreased (from 3,5:1) to 1,9:1 • Acid-test ratio has improved / decreased (from 1,7:1) to 1,1:1 • Stock-holding period appears to be efficient at 54 days (less than 2 months)
2.5	<p>Comment on the price paid by Jojo Ltd for the repurchase (buy-back) of shares.</p> <ul style="list-style-type: none"> • The company is paying a premium above the average share price to entice shareholders to give up their share / they wanted to increase returns by decreasing equity / this is a fair value same as the price on the JSE. Compare price paid (R15,00) to • Market value R15,00 • net asset value R3,30 • average issue price of shares R10,20
2.6	<p>Explain THREE ways in which Mhlengi has benefited from the repurchase of the shares by Jojo Ltd.</p> <ul style="list-style-type: none"> • He has now become a majority shareholder. His 300 000 shares are 51,7% of the total shares (33,3% before the share buy-back) • Due to the reduced number of shares, his return has improved i.e., EPS has increased by 95c / from 171c to 266c / ROSHE increased from 13% to 16%. (NOTE: EPS and ROSHE reinforce the same point). <p>The reduced number of shares could have contributed to an increase the DPS by 57c / by 55,3% / from 103c to 160c (Directors may have maintained the dividends pay-out policy).</p>

ACTIVITY D3

3.1	<p>Explain how the customers reacted to the change in the mark-up percentage and whether this benefited the company or not.</p> <ul style="list-style-type: none"> • Average spending of clients increased (from R120 000) to R160 000 / by R40 000. • Sales revenue increased (from R33,6m) to R39,2m. • Customers still supported the business although the % mark-up increased (from 40%) to 60%. • Drop in customer numbers (from 280) to 245 / by 35 / by 12,5%.
3.2	<p>Comment on the operating efficiency of the company over the past two years. Quote TWO financial indicators.</p> <p>TWO financial indicators figures and trends</p> <ul style="list-style-type: none"> • % Operating expenses on sales improved/decreased (from 28%) to 22% / by 6% points / by 21,4%.

- % Operating profit on sales improved/increased (from 10,2%) to 15,6% / by 5,4% points / by 52,9%.
- % Net profit on sales improved/increased from 8,8% to 13,5% / by 4,7% points / by 53,4%.

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

Reason

The company increased the share capital / The company increased the loan.

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

POINT 1	% ROTCE improved / increased from 11% to 19,7% / by 8,7% points / by 79%.
POINT 2	The degree of gearing has moved (from negative) to positive. Now exceeds the interest rate on loans (13% p.a.).

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

Roshe improved significantly from 8% to 15,6%. This exceeds the return on most investments of 7% pa

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

EARNINGS PER SHARE	<ul style="list-style-type: none"> • EPS increased (from 113 cents) to 224 cents / by 111 cents / by 98%. • This shows improved profits in the company.
DIVIDEND PAY-OUT POLICY	<ul style="list-style-type: none"> • The dividend pay-out rate decreased from 80% to 40% / by 40% points / 100%. • The business retained more earnings that would be used to benefit the business in the future.

3.5.1 **Comment on the performance of the share price on the stock exchange (JSE).**

In 2024 the market price 1610c exceeded the NAV of 1543c by 67c was higher than the market price indicates good demand for shares

3.6.1 His return (dividends) is 11,5% of the price he paid for the shares; $(90 / 780)$ / He earned R324 000 $(360\ 000 \times 90/100)$. He paid 780c per share that is now worth 1 610c. This is 830c more than he paid for the shares, or 106,4%.

His return increased from 8% to 15,6% / by 7,6% points / by 95%.

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 and provide a calculation or figures to support your explanation.

3.7 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 and provide a calculation or figures to support your explanation.

CALCULATION	<ul style="list-style-type: none"> • He is currently a majority shareholder as he owns 51,4% $(360\ 000/700\ 000)$ of the shares. • His % shareholding will drop to 42,9% $(360\ 000/840\ 000)$.
EXPLANATION	<ul style="list-style-type: none"> • He will no longer be the majority shareholder in the company. • He cannot fully influence decision-making in the company. • He cannot make a difference in the company anymore.

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

POINT 1	<ul style="list-style-type: none"> • Liquidity / working capital is more efficiently controlled (CR 1,8:1 & ATR 0,9:1). • Unproductive fixed assets were sold (R1 100 000) and this will improve the cash flow in the company. • Cash generated from operations has improved (by R2 921 500 / by 75,6%).
POINT 2	<ul style="list-style-type: none"> • Performance of the company improved with lesser employees and directors as compared to 2024 (from 43 to 38).

ACTIVITY D4

4.1	<p>Explain whether the company is managing their working capital efficiently. Quote TWO financial indicators, with figures and trends.</p> <p>Financial indicator + figure and trend any ONE explanation □ Any two indicators:</p> <ul style="list-style-type: none">• Current ratio has decreased (from 1,3:1) to 0,9:1 / by 0,4: 1• Acid test ratio has decreased (from 0,6:1) to 0,3:1 / by 0,3: 1• Debtors' average collection period increased (from 30 <p>The business will have trouble in meeting short term debts / does not have enough liquid assets (cash) to cover current liabilities / debtors take too long to settle accounts / too much stock on hand</p>
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4.2	<p>Calculate the total number of additional shares that Denise purchased</p> <p>51% x 1 500 000)</p> <p>765 000- 540 000= 225 000</p>
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4.3.1	<p>Give ONE possible reason why Denise was determined to become a major shareholder</p> <ul style="list-style-type: none">• She wants to have full control of the company.• She wants to influence all decisions of the company in the future.• She wants to address the issue of incompetent directors/ influence new appointments who can contribute to the growth of the company.
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4.3.2	<p>Explain how these decisions affected the gearing of the company.</p> <p>Quote ONE financial indicator, with figures and trends</p> <ul style="list-style-type: none">• ROTCE decreased from 11.4% to 9% by 21,1%• ROTCE is below the interest rate of 13%, was negatively geared in 2023 and dropped further in 2024. The company was not making effective use of loans in 2023 and this trend has continued in 2023 despite effects of attempts to reduce loan.
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4.3.3	<p>Explain how these decisions affected the gearing of the company. Quote one financial indicator.</p> <p>ROTCE dropped from 11.4% to 9% or by 21.1</p> <p>Explanation of gearing</p> <ul style="list-style-type: none"> • ROTCE is below the interest rate of 13%, was negatively geared in 2023 and dropped further in 2024 • Company was not taking effective use of loans in 2022 and this trend has continued in 2024 in spite of effects of attempts to reduce the loan.
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4.4.1	<p>Certain shareholders expressed concern about the change in the dividend pay-out policy. Explain TWO points to support their opinion.</p> <ul style="list-style-type: none"> • The increase in the dividends payout rate from 67.6% to 106.7% means that funds must be used from retained income / depleting company funds / paid higher dividends whilst earnings were low. • The directors want to distract shareholders by trying to appease them in order to distract them from the poor performance of the company / misleading. • Directors are acting irresponsibly by showing no intension for the growth of the company / company is not retaining funds for the future growth. • Directors should have focused on improving the cash resources because they are actually depleting cash resources.
4.4	<p>Explain whether shareholders would be satisfied with the trend in % return and earnings of the company, as well as the dividend they earned</p> <ul style="list-style-type: none"> • Roshe decreased from 7.2% to 5.7%/ by 1,5% • EPS decreased from 74c to 60c / by 14c • DPS increased from 50c to 64c • Returns are below interest rate on fixed deposits of 7% • Due to high dividends, dividend yield improved from 4,9% to 7,5%.

4.5	<table border="1"> <thead> <tr> <th>Issues</th> <th>Evidence of concern</th> <th>Reason for concern</th> </tr> </thead> <tbody> <tr> <td>Cash and cash equivalents</td> <td>C& CE decreased by R836 00</td> <td>Operating activities reflects deficit/ ineffective use of funds.</td> </tr> <tr> <td>Market price of shares on JSE</td> <td>The market price of 850 cents is less than the NAV of 1007 cents</td> <td>The shares are not in demand in the market</td> </tr> </tbody> </table>			Issues	Evidence of concern	Reason for concern	Cash and cash equivalents	C& CE decreased by R836 00	Operating activities reflects deficit/ ineffective use of funds.	Market price of shares on JSE	The market price of 850 cents is less than the NAV of 1007 cents	The shares are not in demand in the market
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CORPORATE GOVERNANCE

ACTIVITY E 1

1.1

1.1.1	Shareholders
1.1.2	Unqualified
1.1.3	Disclaimer of opinion

1.2

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

- Why was there poor control by the Board or Remunerations committee over BK Meyiwa's appointment/ were correct procedures not followed when deciding on his salary package/ did they not check references from previous employers regarding his qualifications and experience?
- Why did the Board match the competitor's offer without verifying it properly?
- Given BK's dishonesty (over his qualifications and job offer), has the Board conducted further investigations into his conduct (e.g. embezzlement)?
- Is there any evidence good performance by Bk in terms of influencing productivity and profitability in the company?
- Why is there no transparency regarding the significant increase in BK's remuneration? / Were external auditors negligent in any way regarding this?
- What internal disciplinary consequences will be taken against BK or others who appointed him (e.g. CEO, directors or remunerations committee)?
- What external or legal steps will be followed to recover the salary overpaid (due to his fraudulent CV) / to ensure BK's dismissal?

1.3

Provide ONE point of possible mismanagement or corruption under EACH of the following subheadings. Quote relevant figures to support your answer in EACH case.

Payment of directors' fees

Fee increases for directors were not justified or / they did not make any difference to improving the company / they do not deserve the high increases due to the decrease in the profitability (productivity) of the company.

Possible figure/s

- Operating profit dropped by 4,7% and net profit decreased by 3%
- Directors' fees (in total) increased by / 37,6% (R66m to R90,8m)
- The CEO received a 44,4% increase (R18m to R26m)
- Other director's fees increased by 45% (R36m to R52,2m) + extra 3 directors

Salaries of other employees

Employing additional employees did not contribute to better profits (productivity) / more workers should have had a positive effect on profits / possible ghost workers / under-qualified or incompetent workers employed / nepotism / poor HR decisions to increase workforce

Possible figure/s

- Operating profit dropped by 4,7% (despite +8% in GP / -3% in net profit)
- The workforce increased by 25% (55 more workers)
- Salaries increased (from R70,4m) to R91,3m / by R20,9m / by 29,7%

ACTIVITY E 2

2.1		Corporate governance
	2.1.1	Certain information on financial statements are not clear /missing Lack of internal controls, possible negligence/ colluding. Exist shareholders may sell their shares.
	2.1.2	Executive directors are involved with internal functioning (operation) of the company/ hands on/ decisions may be based on a narrow view. Non-executive directors would exercise a watch –dog role, keep executive directors check.
	2.1.3	Review all salaries, bonuses, and other earnings. To prevent director from paying themselves too much. Reason To ensure fairness/ transparency in the payment of fees/ salaries Detect mismanagement or fraudulent activities. They can compare the remuneration.
	2.1.4	Transparency in awarding contracts, tenders, or appointing service providers This could be viewed as bribery for contracts. This could be viewed as nepotism.
2.2		Audit report
	2.2.1	Unqualified report Reason The audit report indicates 'fairly presentation'

		The auditors did not identify a problem.
	2.2.2	Shareholders. They are the owners of the company
	2.2.3	The auditors are responsible only for the reports presented on these pages of the annual report. The audited financial reports / statements are found on these pages of the full report presented to the shareholders at the AGM.
	2.2.4	The stock sheets/Fixed assets register/source documents/bank statements/creditors statements.

ACTIVITY E 3

CORPORATE GOVERNANCE

3.1

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

- The company depends on the community for its success / it is part of a community that supports it.
- The wellbeing of its employees will have an effect on the profits of the company through which the CEO is remunerated.
- The company should focus on its responsibility and growth rather than relying on government or other institutions.
- They should work with government to achieve common goals of uplifting the community / not independently.
- The government should set a good example by eliminating crime and corruption.
- The King Code has established the guidelines for CSR which companies should comply with.
- According to labour law, companies are responsible for skills development.



3.2

State whether Dlaba Ltd is a public or private company.

Public

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

Comment on employees:

- Future employment / retrenchment
- No wage increases / bonuses / overtime
- Losing benefits in the future e.g. pension, medical aid
- Company may close down / lead to further unemployment
- Uncertain economy / jobs are scarce / high unemployment rate

Comment on investors (shareholders):

- Their investments / savings are now depleted or lost due to a decrease in the share price
- Loss of earnings (dividends) / Unable to cope with daily living costs
- Low investor confidence in directors / auditors (due to their negligence or deliberate fraudulent activities) / disciplinary processes that need to be followed
- Would make it difficult / impossible to sell their shares because of the reputation of the company

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

- Unreliable audit reports / external or internal auditors were biased or negligent
- Directors have been acting out of character / in an unethical or fraudulent way (criminal activity)
- Personnel expected / influenced to follow irregular practices which are being sanctioned or overlooked by senior managers
- Bribery / collusion / kickback payments / producing or overlooking material transactions
- Lack of regular / effective internal control measures (e.g. internal audits, division of duties) in place
- No proper application of GAAP / IFRS in compiling financial statements



ACTIVITY E 4

AUDIT REPORT

4.1

Point 1

Opinion

The auditors found no problem to report / unqualified report / statistical sampling used / met the required standard

Point 2

IFRS and Companies Act

Companies operate in local and international contexts / may have local and international shareholders / compliance with national and international laws and standards / companies may operate on a global market and engages in international trade and locally / shareholders (investors) may come from all parts of the world / readers in any this country and other countries can understand how financial statements are prepared or presented

Comply with standards or laws / must comply with South African Companies Act / must comply with international standards

Point 3

Independent

Their opinion is unbiased / they have no personal interest in the company / No conflict of interest / They are authentic. They have high international standards of professionalism to maintain / They have a code of conduct.

4.2

Point 4

TWO examples of ethical responsibilities:

- No colluding with management to overlook any material matter.
- No accepting bribes or engaging in corruption.
- Care taken in completing the audit and expressing the opinion.
- The readers can rely on the information in the financial statement.
- Being honest in their duties / have integrity / truthfulness / unbiased.

Point 5

TWO examples of audit evidence:

- Check the internal controls and the efficiency of the internal audit.
- Source documents (provided by external organisations, provide verification)
- Records such as asset registers, stock records etc.
- Policies and procedures of the company
- Report of an audit committee which assess the internal and external audit processes / Internal auditors report on ensuring internal controls are efficient.

ACTIVITY AA1

1.1.1

No.	Workings	Answer
(i)	6 890 720 – 1 200 000	5 690 720
(ii)	$[200\ 000 - 118\ 000 - 10\ 000]$ $200\ 000 - 72\ 000$ <p style="text-align: center;">OR</p> $118\ 000 + 10\ 000$ <p style="text-align: center;">OR</p> $[452\ 000 - 247\ 200]$ $416\ 000 - 83\ 200 - 204\ 800$	128 000
(iii)	452 000 - 247 200	204 800
(iv)	$800\ 000 \times 15/100 = 120\ 000$ $[80\ 000 - 1] + [200\ 000 \times 15/100 \times 4/12]$ $79\ 999 + 10\ 000$	89 999

1.1.2

<p>Briefly explain the purpose of the fixed assets register</p> <ul style="list-style-type: none"> • It is a register of all the fixed assets in the business and it is used to verify physical stock of fixed assets on hand. • It is internal control process that assists in safeguarding the fixed assets of the business.

1.1.3	<p>Fixed assets are often disposed of when they become too old. Identify TWO other possible reasons for fixed assets being disposed of.</p> <ul style="list-style-type: none"> • Fixed asset is outdated/ obsolete • There is no longer use for it
1.2.1	<p>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.</p> <p>No</p> <p>The Historical cost principle dictates that a fixed asset must be recorded at the original cost price, not on the expected market value.</p>

ACTIVITY AA2

2.1.1 Depreciation on vehicles for the year ended June 2024.

NEW:	
150 000 x 20% x 6/12	15 000
SOLD:	
Year 1 1/7/21 – 30/6/22 100 000 x 20% = 20 000	6 400
Year 1 1/7/22 – 30/6/23 (100 000-20 000) x 20% =16 000	
Year 3 1/7/23 – 31/12/23 (80 000 – 16 000) x 20% x 6/12=	
OLD:	
Remaining Cost: 300 000 – 100 000= 200 000	
Remaining Accumulated Depreciation = 76 000 – 36 000= 40 000	
(200 000 – 40 000) x 20% Or (224 000- 64 000) x 20%	32 000
Total Depreciation	53 400

2.1.2 Asset Disposal Account									
2024					2024		Accumulated		
June	30	Vehicles		100 000	June	30	Depreciation on		42 400
							Vehicle		
							Creditors' control		55 000
							Loss on sale of		
							asset		2 600
				100 000					100 000

2.1.3 Calculate the total carrying value at the end of the year

Land and building: 500 000 + 180 000 =	680 000
Vehicle: 224 000 + 150 000 - 57 600 - 53 400 =	263 000
Total carrying Value	943 000

2.2 Give ONE suggestion that the internal auditor can use to check whether movable fixed assets have been stolen.

- Conduct a physical inspection (regular or random)
- Compare the Fixed Asset Register

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
<ul style="list-style-type: none"> • Vehicle is not properly taken care of/ maintained/ service • Vehicle is not depreciated correctly 	<ul style="list-style-type: none"> • Maintenance/ service plan • Determine appropriate depreciation

ACTIVITY AA3

3.1.1 Calculate the depreciation on vehicle

Vehicle 1: $25\ 000 - 1$	24 999
Vehicle 2: $420\ 000 \times 25/100 \times 4/12$	35 000
Total depreciation	59 999

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

$367\ 500 - 35\ 000$ $= 332\ 500 - 310\ 000$	22 500
<p style="text-align: center;">OR</p> $420\ 000 - 87\ 500 - 310\ 000$	

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

Land and building: $1\ 810\ 000 - 150\ 000 - 20\ 000$	1 640 000
Vehicles: $25\ 000 - 24\ 999$	1
Equipment: $115\ 000 - 17\ 250$	97 750
Total carrying Value	1 737 751

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

- It was not suitable for the need of the business.
- Poorly taken decision rescinded/ reversed
- The vehicle is unreliable / unproductive
- Any logical answer


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

- Promotes consumer loyalty resulting in more sales
- Can be used as a marketing strategy to promote their products.
- Gives business tax advantages such as tax rebates.
- A business may have a competitive advantage, resulting in good publicity/an improved reputation.
- Helps to attract investors because of increased profits/income
- The business enjoys the goodwill/support of communities.
- Improved image as business looks after communities.

ACTIVITY AA4

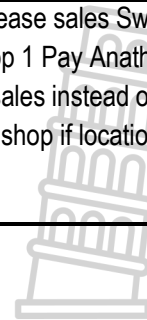
4.1 Identify ONE problem regarding each helicopter/pilot. Quote figures to support your answer.
Give ONE point of advice for EACH problem identified.

	PROBLEM WITH FIGURES	ADVICE
<p>BLUE ISLAND: EYETHU</p>	<ul style="list-style-type: none"> • The helicopter is the oldest. The book value is R300 000. The carrying value will be R1 in 2025. • Most expensive per km. Petrol cost per km is R3,90, 90c more per km compared to the other two helicopters. • Oldest helicopter and making more trips than Green Island per day. 	<ul style="list-style-type: none"> • Consider replacing the helicopter, it is more expensive to maintain.
<p>RED ISLAND: AMAHLE</p>	<ul style="list-style-type: none"> • 3 180 trips made x 50 km should travel 159 000 km but actually travelled 164 300 km. • Travelled 5 300 km more. • 106 extra trips done (3 286 – 3 180). • Spending R15 900 more on fuel (R492 900 – R477 000 and R63 600 (R1 971 600 – R1 908 000) on maintenance. • Loss of income is R890 400 (106 x 3 x R2 800)./Should have 9 858 customers but actually had 9 540 only. 	<p>Possible disciplinary action against Amahle for unauthorised use of helicopter./Improve internal control over the use of the helicopter.</p>
<p>GREEN ISLAND:</p>	<ul style="list-style-type: none"> • Linamandla is paid the most (R42 000 per month) but works 	<ul style="list-style-type: none"> • Investigate the reason for absenteeism./Linamandla must take unpaid leave if he exceeds

<p>LINAMANDLA</p> 	<p>the least – takes too much time off. Was absent for 66 days.</p> <ul style="list-style-type: none"> • 1 480 trips x 50 km = 74 000 km but actually travelled 75 000 km. The owner travelled 1 000 km for personal use. • Least number of trips per day. On average 8 trips per day compared to 10 and 12 respectively. 	<p>14 days per year without a reason.</p> <ul style="list-style-type: none"> • The personal km travelled by the owner should be recorded as drawings and not as a business expense.
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4.2

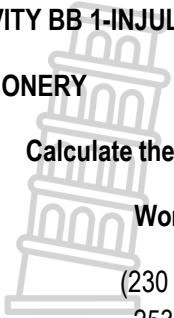
<p>Identify ONE problem in relation to each shop, quoting figures in identifying each problem. Provide ONE point of advice for solving each problem identified.</p>		
	<p>PROBLEM WITH FIGURES</p>	<p>ADVICE</p>
<p>SHOP 1: SOMELEZE</p>	<p>Printer being over-used (140 000 copies) Printer is very old / fully depreciated (R1 carrying value) High maintenance (R8 000) Missing cash (R72 000)</p>	<p>Printer needs to be replaced Investigate missing cash Disciplinary action Division of duties</p>
<p>SHOP 2: SPHE</p>	<p>Ink and consumables used are high (R39 000) High number of spoilt copies (11 740)</p>	<p>Sphe needs training in use of printer to reduce spoilt copies, and ink and consumables Repair printer if necessary</p>
<p>SHOP 3: ANATHI</p>	<p>Few copies made / not meeting capacity (40 000) Printer is under-utilised (40 000/100 000) Best printer doing least copies (40 000 vs 140 000, 100 000)</p>	<p>Advertise to increase sales Swop printers with Shop 1 Pay Anathi commission on sales instead of fixed salary Close the shop if location is undesirable</p>



ACTIVITY BB 1-INJULA LTD

STATIONERY

1.1 Calculate the value of closing stock using FIFO.



Workings

$$\begin{array}{r} (230 \times 1\,100) + (50 \times 990) \\ 253\,000 \qquad 49\,500 \end{array}$$

Answer

R302 500

1.2 1.2.1 Calculate the % mark-up achieved in 2024.

Workings

$$\begin{array}{r} 3\,480\,000 - 2\,170\,500 \\ \underline{1\,309\,500} \times 100 \\ 2\,170\,500 \end{array}$$

Answer

60,3%

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

Sales increased to R3 480 000 (from R3 375 000) / by R105 000 / by 3,1%

Number of customers increased to 37 (from 26) / by 11 / by 42%

1.2.3 The CEO feels that this decision also negatively affected the company. Provide TWO points (with figures) to support his opinion.

Gross profit decreased to R1 309 500 (from R1 425 000) / by R115 500 / by 8,1% / Cost of sales increased to R2 170 500 (from 1 950 000) / by R220 500 / by 11,30%

Average units per customer dropped to 63 (from 96) (2 500/26)
(2 320/37) / by 33 / by 34%

Units sold dropped by from 2 500 to 2 320 / by 180 / by 7,2%

Give the directors advice to solve this problem. Explain TWO points.

Restrict (be selective with) trade discounts to good customers only.

Find a cheaper supplier (to compensate for keeping selling prices low)

Increase marketing / advertising in areas outside the current areas targeted

Provide other incentives such as after-sale services, maintenance or free deliveries



DESKS

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



Workings	Answer
OR	23,4 days OR 0,8 months
$\frac{59\,625 \times 365}{930\,375} \times 1$ $\frac{265}{3\,675} \times 365 \times 1$	OR 26,3 days OR 0,9 months

1.4 Calculate the number of missing lamps.

Workings	Answer										
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Op.stock</td> <td style="text-align: right;">Purchases</td> <td style="text-align: right;">Clos.stock</td> <td style="text-align: right;">Sales</td> <td></td> </tr> <tr> <td style="text-align: right;">600</td> <td style="text-align: right;">+ 3 800</td> <td style="text-align: right;">- 265</td> <td style="text-align: right;">- 3 675</td> <td style="text-align: right;">460</td> </tr> </table>	Op.stock	Purchases	Clos.stock	Sales		600	+ 3 800	- 265	- 3 675	460	
Op.stock	Purchases	Clos.stock	Sales								
600	+ 3 800	- 265	- 3 675	460							

Give TWO suggestions to solve this problem.

Divide duties / delegate to different employees

Threaten strong disciplinary action (in future) / recover cost from culprit

Increase supervision at regular intervals / random physical inspection of Stock

Change to the perpetual inventory system to record stock

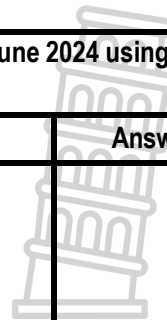
CCTV as an internal control measure

Insist on proper documents for all stock supplied

COMPUTERS

1.5 Calculate the value of the closing stock of computer set on 30 June 2024 using the specific identification method.

Workings	Answer
<p>G-LAKE:</p> $7\,800\,000 - 2\,580\,000 = R5\,220\,000$ $(4\,800\,000 + 3\,000\,000) - (430 \times 6\,000)$ $[(800 + 500) \times 6\,000]$ <p style="text-align: center;">OR</p> $870 \times R6\,000 (1\,300 - 430)$	R11 772 000
<p>J-TIGER:</p> $10\,440\,000 - 3\,888\,000 = R6\,552\,000$ $(6\,840\,000 + 3\,600\,000) - (540 \times 7\,200)$ $(1\,450 \times R7\,200)$ <p style="text-align: center;">OR</p> $910 \times R7\,200 (1\,450 - 540)$	



1.6 Explain THREE different concerns Zinhle would have about this problem.



- Directors engaging in fraud and corruption / bribes / conflict of interests
- Unethical behaviour of CFO places the company placing at risk
- Image of the company negatively affected / will affect the share price and further investments from potential investors.
- High stock value is tied up in stock / Obsolete / Affects liquidity
- Shareholders may want to sell their shares
- It will negatively affect the audit report
- Business will lose goodwill as it is unethical

ACTIVITY BB 2

2.1 **CONCEPTS**

- 2.1.1 First in first out FIFO
- 2.1.2 Weighted average method WA
- 2.1.3 Specific identification method

2.2 **MTWAZI FASHION**

TROUSERS

2.2.1 Calculate: Value of the closing stock using the weighted-average method

Workings

$$\begin{array}{r}
 1\ 858\ 200 \\
 (124\ 500 + 1\ 813\ 000) \ (130 \times 610) \\
 \hline
 1\ 937\ 500 \quad - 79\ 300 \times 380 \\
 3\ 390 \quad - \quad 130 \\
 (240 + 3\ 150) \\
 \hline
 3\ 260
 \end{array}$$

Calculate: Gross profit

Workings

$$\begin{array}{r}
 2\ 764\ 800 - (1\ 858\ 200 - 216\ 600) \\
 1\ 937\ 500 - 79\ 300 \\
 \hline
 1\ 641\ 600
 \end{array}$$

IF UNITS ARE USED: (960 - 570) x 2 880

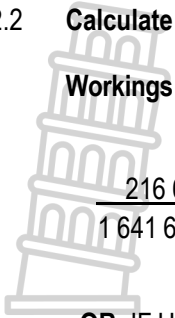
Answer



Answer

1 123 200

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



Workings

$$\frac{216\,600}{1\,641\,600} \times 365$$

OR: IF UNITS ARE USED

$$\frac{380}{2\,880} \times 365$$

OR $\frac{380}{2\,880 / 365}$

Answer

48,2 days

2.2.3 Calculate: Value of closing stock using the FIFO method

Workings

$$400 - 130 = 270$$

$$270 \times 610 = 164\,700$$

$$110 \times 580 = 63\,800$$

Answer

228 500

State ONE advantage of using the FIFO method.

- Higher gross profit because of higher closing stock value / lower cost of sales
- Purchase price of jeans is always increasing due to demand / inflation
- Stock valued at the most recent prices; less chance of being obsolete / outdated
- Gross profit will be based on current market related values

Easier to use this method.

SHIRTS

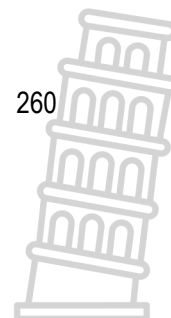
2.2.4 Calculate the number of shirts stolen.

Workings

$$(1\,760 + 6\,500) - 8\,260 = 2\,980 - 5\,020$$

OR $-8\,260 + 2\,980 + 5\,020$

Answer




260

Give TWO solutions to solve the problem.

- Count stock regularly and compare against stock records
- Improve / employ security to control at exit points
- Install security cameras at strategic points (CCTV)
- Order smaller quantities, but more frequently as required
- Staff screening / lockers for staff (if they are suspected)
- Tracking devices / security tags on products
- Insure goods so that you can claim on insurance policy

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

Concern	Explanation (with figures)	Advice
 <p>Stock level</p>	<p>Stock holding period increased from (103 days) to 216 days (by 113 days) / high closing stock balance 2 980 (1 220 more than opening stock / 36% of available stock; possible obsolescence or theft</p>	<p>Clearance sale to get rid of excess stock / Order in line with demand</p>
<p>Selling price</p>	<p>Mark-up % increased (from 70%) to 107% (to R1 450 or by R380) Customers find the price of R1 450 as being too high</p>	<p>Reduce mark-up% / selling price / Offer trade discounts / Advertise to increase customers</p>

ACTIVITY BB 3

3.1	3.1.1	Weighted average
	3.1.2	FIFO
	3.1.3	Specific identification
	3.1.4	Perpetual system

3.2 **IGUGULESIZWE APPLIANCES**

KETTLE

3.2.1 **Calculate: Value of closing stock for kettle (using FIFO)**

Workings

$$\begin{array}{r} (220 - 40) \\ (180 \times R80) \end{array} \quad \begin{array}{r} (270 - 180) \\ + (90 \times R75) \end{array}$$

Calculate: Stockholding period in days of kettle (using closing stock)

Workings

Using totals:

$$\begin{array}{r} - \quad \underline{21\ 150} \quad \times 365 \\ 12\ 650 + 193\ 500 - 3\ 200 - 21\ 150 \end{array}$$

OR: Using units:

$$\underline{270} \times 365$$

Answer

R21 150

Answer

42,5 days

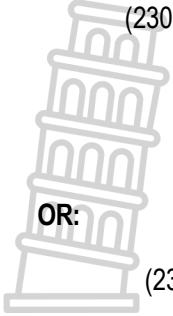
OR:

45,2 days

OR: $\frac{270}{(230 + 2\,750 - 40 - 270)} \times 365$

or $2\,940 - 270$

OR: $\frac{270}{(230 + 2\,770 - 40 - 270)} \times 365$



OR:
36,9 days

OR:
36,6 days

3.2.2 Sindi suspects that the stock of kettle are not well controlled. Calculate the number of kettle missing.

Workings

Answer

$2\,940 - 2\,180 - 270$	$2\,960 - 2\,180 - 270$	490
-------------------------	-------------------------	-----

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

- His actions are unethical / illegal / theft / compromises business profitability
- Tell him he can face dismissal / disciplinary action
- He must reimburse Alex for the loss
- It is a conflict of interest / he is taking advantage of being a family member / enriching himself at the expense of the business and he must stop this practice
- He should not be expected to be treated differently and he will be subject to the rules and procedures of the business
- All stock movements must be recorded / declared in advance

MICROWAVES

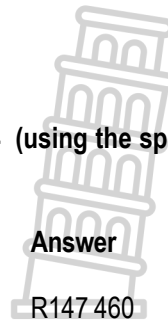
3.2.4 Calculate the closing stock value for microwaves on 30 April 2024 (using the specific identification method).

Workings

$$(148 \times R495) + (106 \times R700) =$$

Answer

R147 460



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.

Possible responses: Be alert to candidates who focus on one model only (different figures)

- Too much cash tied up in stock, R147 460
- Total profit on microwaves is low R54 060 (R38 940 + R15 120)



$\frac{1}{2} (68\,120 + 69\,340) = 267\,530$	OR using units $\frac{1}{2} (420 + 380) = \frac{400}{1\,590} \times 365$	93,8 days OR 91,8 days
<p>Explain whether Gwen should be satisfied with this figure, or not. State TWO points. NOTE: The average stock holding period on 29 February 2023 was 52 days.</p> <ul style="list-style-type: none"> • The stockholding period has increased (from 52 days to 93,8 days see above) / Stock is not moving as fast as she expects. • Possibility of bags becoming out-dated / out of fashion / obsolete • Occupying storage space / idle stock is a risk of theft • Too much working capital / cash tied up in stock / she will have to reduce prices to reduce stock <p>“SATISFIED” OPTIONS</p> <ul style="list-style-type: none"> • Bags are durable and can be sold in the future / possibly taken advantage of bulk discounts / increased profitability in the future (inflation) • State of the economy (luxury goods) drop in demand was expected. 		

4.3

PROBLEM-SOLVING

	PROBLEM FOR 2024 (with figures)	ADVICE
SHIRTS	<ul style="list-style-type: none"> • Too much stock on hand (615 units) Increased by 208 units (from 407 to 615) • Drop in stock turnover rate 1,9 to 0,9 / high stock balance results in stock not moving / higher mark-up % also contributes to this • Price too high (MU% increased from 50% to 75% / a 25% increase / price increase of R90 per unit (R630–R540) 	<ul style="list-style-type: none"> • Increase advertising; • Consider discounts • Reduce mark-up% • Order according to sales / orders received • Reduce mark-up % to increase sales • Have clearance sales
	<ul style="list-style-type: none"> • Purchasing the same number of units (800) despite having excess stock; contributing to stock piling. • Stock items missing or stolen (42 units or 407 +800 – 550 – 615) 	<ul style="list-style-type: none"> • Regular stock-take to assess available stock • Replace stock according to units sold (base stock) • Security tags on products • Physical inspection or regular stock count • Install cameras • Sell online (if customers are the
		ADVICE



JERSEYS

- | | |
|---|---|
| <ul style="list-style-type: none"> Decrease in units sold: 290 (2 260 – 1 970) or 302 (2 182 – 1 880)
OR drop in sales from 436 400 – 399 500 / by 36 900 / 8,5% OR by 86 900 (436 400 – 349 500 if missing cash not detected) Cash missing or stolen R50 000 (399 500 – 349 500) Or 69 125 (if returns not included) High returns from customers; 78 (3,5% of sale) to 90 (4,6% of sales) | <ul style="list-style-type: none"> Increase advertising Keep selling price the same to increase sales |
| | <ul style="list-style-type: none"> Division of duties Encourage use of EFTs Request sms for deposits Reconcile deposits with items sold / sales deposits Online sales / sell on credit – less cash handling |
| | <ul style="list-style-type: none"> Effect stricter return policy Improve quality to reduce returns / do not buy inferior (cheaper) products change styles of jerseys / in fashion Train personnel to give best advice |

MANUFACTURING / COST ACCOUNTING MARKING GUIDELINES.

ACTIVITY CC1

1.1. LWANDLE MANUFACTURERS	
1.1.1. Calculate direct material cost	
WORKINGS	ANSWER
R47(958 800/20 400) X 18 900	R888 300
Or 958 800 (64 800 + 894 000) – 70 500(1 500 x 47)	

1.1.2. Calculate factory overhead costs per for the year	
Incorrect total	600 000
Indirect material	(7 000)
Water and electricity (84 000 x 40%) OR 12 600 + 21 000 OR -84 000 + 50 400(84 000 x60%)	(33 600)
Insurance (90 000 x5/8) (90 000-56 250) 56 250 – 45 000 OR 45 000-33 750	11 250
Correct total for factory overhead costs	570 650

1.1.3. PRODUCTION COST STATEMENT FOR YEAR ENDED 29 FEBRUARY 2024	
Direct material costs	888 300
Direct labour costs	408 600
Prime costs	1 296 900
Factory overhead costs	570 650
Total cost of production	1 867 550
Work-in-progress(1 March 2023)	0
	1 867 550
Work-in-progress(29 February 2024)	(235 500)
Cost of production of finished goods	1 632 050

1.1.4. Calculate the cost of the wastage of raw materials.	
WORKINGS	ANSWER
Meters 18 900 -18 000 + 900m x R47 refer to 1.1.1. Traditional dresses: (15 750 – 15 000) = 750 x 1.2. OR (15 000 x 1.2. x R47) 888 300 – 846 000	R42 300

<p>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.</p> <ul style="list-style-type: none"> • Improve training of workers in the factory • Find cheaper supplier, change suppliers, find better quality materials • Order pre-cut fabric, buy latest cutting technology • Offer incentives to encourage productivity and efficiency while reducing wastage. • Monitor the production process to minimise wastage
--

1.2. SBANI (PTY) LTD

<p>1.2.1. Calculate to confirm that the 2024 break-even-point of 149 145 units for Orion bulbs is correct.</p> <ul style="list-style-type: none"> • $2\,982\,900 / 46 - 26 = 149\,145$ 		
<p>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%.</p>		
	Cost (with figures)	REASON FOR CHANGE
Point 1	Direct labour cost/unit increased from R6.70 to R11.20 by R4.50, 67.2%	Poor supervision, excessive overtime, poor or lack of effective training, lack of motivation no incentives.

Point 2	Factory overhead cost per unit increased from R11.64 to R14.20 by R2.56. 22%	Drop in production process, poor management of production process drop in production.
1.2.3.	Explain whether the new Starlet bulbs were a good idea or not. Provide TWO points. Quote figures.	
	<ul style="list-style-type: none"> • More sales made by R7 802 000(15 300 000-7 498 000) by 104% • More units sold by 62 000 units (225 000 -163 000) 38% • More profit by 89 041 units above BEP (102 896 -13 855) • Enjoys economies of scale better fixed cost per unit of R14.71 compared to R18.30 	

ACTIVITY CC2 - MARKING GUIDELINES

BLANKETS FOR PINETOWN MANUFACTURERS

2.1.1.	Calculate the value of the closing stock of raw materials.	
	3 600 x 165	= 594 000
	3 200 x 170	= <u>544 000</u>
		1 138 000
2.1.2.	Calculate the direct material cost issued for production.	
	384 000 + 5 074 000 – 1 138 000 = 4 320 000	
	See 2.1.	
	OR	
	384 000 + 1 760 000 + 2 176 000 = 4 320 000	
2.1.3.	Calculate the direct labour cost.	
	$10 \times 160 \times 12 \times R30 = 576\,000 + 5\,760 = 581\,760$ $560 \times 60 = 33\,600$ $21\,000 + 210 = \underline{21\,210}$ $636\,570$	
2.1.4.	Complete the production cost statement for the year ended 31 July 2024.	
	Direct material cost	4 320 000
	Direct labour cost	636 570

Prime cost	4 956 570
Factory overhead costs (254-24) = 230 x 16 160	3 716 800
Total manufacturing cost	8 673 370
Work in process at the beginning	72 000
	8 745 370
Work in process at the end	(45 370)
Total cost of production of finished goods	8 700 000

2.2. MOLWENI TIMBERWORKS

2.2.1.	Calculate the break-even point for the year ended 31 July 2024.	
	WORKINGS	ANSWER
	$\begin{array}{r} 548\,410 \quad + \quad 247\,500 \\ \hline 18,85 \quad - \quad 11,75 \\ \hline \text{OR} \\ 795\,910 \\ \hline 7,10 \end{array}$	112 100 units
2.2.2.	Calculate the units produced and sold for 2024.	
	WORKINGS	ANSWER
	$\begin{array}{ccc} \frac{607\,750}{5,50} & \text{OR} & \frac{508\,300}{4,60} & \text{OR} & \frac{182\,325}{1,65} \end{array}$	110 500 units
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.	
<p>The owner should be concerned because the business is not sustainable.</p> <p>Discussion Quoted figures</p> <ul style="list-style-type: none"> BEP has been calculated at 112 100 units and they are only producing and selling 110 500 units. Therefore, they are 1 600 units short. Thus not making profit. In 2023 the BEP was 78 000 units and they managed to produce and sell 98 000 units, thereby registering a profit on 20 000 units. 		

3.1.1 Calculate the factory overhead costs for the year ended 30 June 2024.

Indirect labour: $200\,000 \times 1.18 = 236\,000 + 90\,000 \times 5/8 = 56\,250$	292 250
Indirect material: $(5\,000 + 43\,750 - 2\,500)$	46 250
Rent: $50\,000 \times 65\%$	32 500
Depreciation:	
Factory machinery: $180\,000 \times 20\% \times 5/12$	15 000
Insurance on factory machinery:	28 750
Factory overhead costs	414 750

3.1.2 PRODUCTION COST STATEMENT AT 30 JUNE 2024

Direct labour $[(R12\,000 \times 12m \times 8w = 1\,152\,000) + (50 \times 120 \times 4 = 24\,000) + (2650 \times 8 = 21\,200)]$	1 197 200
Direct material $[500\,000 + (700\,000 - 50\,000) = 1\,150\,000 \times 70\%]$	805 000
Prime cost	2 002 200
Factory overhead cost	414 750
Manufacturing cost	2 416 950
Work-in-progress at the beginning of the year	550 100
	2 960 050
Work-in-progress at the end of the year	(254 550)
Total Cost of Production of finished goods $(17\,500 \times R155)$	2 712 500

3.1.3 The management of NJ Manufacturers are concerned amount the 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.

Figures:

1 197 200 (DLC)

2 712 500 = 44%

Reason:

Direct labour is very high in relation to total cost of production of finished goods. 44% of total cost of production consists of direct labour cost.

3.2.1 Calculate the break-even point for 2024

$$= \frac{400\,000}{312 - 150}$$

(162)

$$= 2\,470 \text{ units}$$

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

YES

Figures

Explanation

(compare 2024 sales with 2024 break-even)

- $5\,000 - 2\,470 = 2\,530$ more units sold and produced in 2024 than the break-even in 2024, indicating that Suzan will make a good profit.

(compare 2023 break-even with 2023 breakeven)

- $2\,470 - 2\,150 = 320$ more units than break-even in 2023. By increasing her production output, she increased her break-even / By decreasing her contribution; 2023 – R180 and 2024 – R162 (decreasing Sales and Variable costs) she increased break-even.



3.2.3 (i) Name one variable cost.

Direct material cost / Direct labour cost / Selling and distribution cost

- (ii) Explain one decision that she might have taken on that variable costs and how this could have had positive effect on the business.

Explanation

Direct material cost – could have sourced a cheaper supplier selling better quality materials.

Direct labour cost – could have reduced overtime or retrenched some workers, thus lowering the DLC.

Selling and distribution cost – spent less on transport cost; reduced the number of salespeople but encouraging them to sell more.

ACTIVITY CC4

4.1.

4.1.1.	B - Selling & Distribution
4.1.2.	D - Administration
4.1.3.	A - Factory Overheads

4.2. KWANDO'S MANUFACTURERS

4.2.1. FACTORY OVERHEAD COST NOTE

Incorrect amount calculated by bookkeeper	258 200
Water and electricity	+28 800
Rent expense -142 800+74 800 or 13 600 x 5	(68 000)
Insurance -48 000 + 52 500 or 12 000-7 500 or 12 000 x3/8	+4 500
TOTAL	223 500

4.2.2. PRODUCTION COST STATEMENT ON 29 FEBRUARY 2024

Direct material cost 84 000 + 495 600 + 115 900	695 500
Direct labour cost	710 300
Prime cost	R1 405 800
Factory overhead cost	223 500
Total manufacturing cost	1 629 300
Work-in progress (1 March 2023)	R30 700

	1 660 000
Work in progress(29 February 2024)	(64 200)
Cost of production of finished goods	1 595 800


4.3.1.

Comment on the control of hiking bags over direct material cost. Quote figures.	
<ul style="list-style-type: none"> • Not well controlled, above the inflation rate of 6%, DMC increased from R230 to R320 by R90 which is 39%. 	
Give TWO reasons that may have contributed to the change in the unit cost.	
	<ul style="list-style-type: none"> • Wastage/theft of material in factory • Change of supplier • Increase in transportation costs • Unskilled workers(re-cutting), lack of supervision

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.
<ul style="list-style-type: none"> • An increase in BEP from 2 273 units to 4 328 units by 2 055 units by 90% • A very small increase in production from 4 000 to 4 200 units by 200 units. • A loss on 128 bags in 2024 against a profit of 1 727 bags in 2023

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, calculate the additional net profit that he could expect to earn in 2025.	
WORKINGS	ANSWER
<ul style="list-style-type: none"> • $2\,500 \times 165(780-615) - 21\,120$ Or • $1\,105\,500 - 714\,120$ 	 <p>391 380</p>

4.3.4.

Comment on the fixed cost per unit of hiking jackets and explain the major cause for the change in this unit cost.
<ul style="list-style-type: none"> • A decrease in production from 6 000 units to 4 000 contributed to the increase in the fixed cost per unit / resulted in less units produced to carry fixed cost i.e. dis-economies of scale. • Inefficiency in manufacturing process due to equipment breakdowns or wastage of resources.

4.3.5.

Identify the production cost of hiking jackets that should be of serious concern to Ngom's.
<ul style="list-style-type: none"> • Direct labour cost, increased from R110 to R175 by R65 which is 59%

Provide TWO valid solutions to this problem

SOLUTIONS

- Recruit skilled employees
- Training / cross-training of employees to perform multiple tasks
- monitor normal time to reduce overtime usage
- supervisor should ensure productivity of labour
- Adopt new technology and reduce labour in production process.

ACTIVITY DD1

1.1 BANK RECONCILIATION STATEMENT

1.1.1	CASH RECEIPTS	CASH PAYMENTS
	76 270	88 625
	500	2 100
	6 750	6250
	4 600	235
	7 030	1140
	88 400	92 100
8 800 + 88 400 - 92 100 = 5 100 (DR)		

1.1.2 BANK RECONCILIATION STATEMENT ON 31 MAY 2024

	DEBIT	CREDIT
Balance as per statement		4 800
Outstanding deposits: 19 May		11 400
26 May		10 800
Outstanding EFT No. 658	6 900	
Error on statement / incorrect deposit	15 000	
Balance as per bank account	5 100	
	27 000	27 000

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

ONE valid point

- Install a scanning machine at each till (infra-red light)
- Train cashiers to inspect all notes using the scanner
- Encourage card payments at the till
- Encourage EFT payment of accounts
- Start an online sales division to minimize cash-handling



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

TWO valid different points

- Implement a system of regular depositing (routine; daily / set times)
- Place a supervisor in charge / check (audit) documentation before and after deposits and made.
- Use a cash-in-transit company to assist.
- Division of duties – the person collecting and receipting cash is not the same person doing depositing (Division of duties not explained = one mark)
- Use the banking application to check regularly or keep track of deposits and other transactions with the bank / SMS notification of all transaction with the bank.

ACTIVITY DD2

2.1

2.1.1	True
2.1.2	True
2.1.3	False

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
360		636
5 780		(367 + 1 438)
7 230		5 909
		3 150
379 130		331 290

Bank balance:

$$- 29\,415 + 379\,130 - 331\,290 = 18\,425$$

2.2.2 Prepare the Bank Reconciliation Statement on 31 August 2024.

	Debit	Credit
Balance as per bank statement		16 565
Outstanding deposit		17 900
Correction of error by bank	4 500	
Outstanding EFT (1465)	11 540	
Balance as per bank account	18 425	
	34 465	34 465
	34 465	34 465

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.

$$1\,438 \times \frac{100}{5} = R28\,760$$

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

- Keep track of movements in bank accounts. /Notifications on the banking app.
- Do not give out pin codes, passwords, bank account details, etc.
- Do not react to suspicious phone calls, messages, or emails, as these could be used to gain unauthorised access to the private details of account holders.
- Always try to handle bank cards by yourself to avoid cloning of cards.

ACTIVITY DD3

3.1

1.1.1	True
1.1.2	True
1.1.3	False

UPDATE THE CASH JOURNALS FOR 30 APRIL 2024				
CASH RECEIPTS JOURNAL			CASH PAYMENTS JOURNAL	
	Amount			Amount
Total	115 600		Total	217 800
	900			15 000
	(5 480 – 4 580)			2 880
	8 400			740
	18 300			580
				(360 + 220)
	143 200			237 000

3.2.2

Correct Bank Account balance on 30 April 2024.	
WORKINGS	ANSWER
$49\,720 + 143\,200 - 237\,000$ OR $49\,720 - 93\,800$ OR $237\,000 - 49\,720 - 143\,200$	(44 080)



3.2.3 **BANK RECONCILIATION STATEMENT ON 30 APRIL 2024**

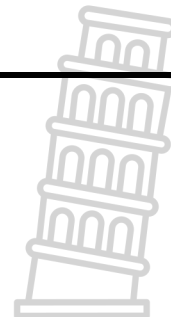
	Alternative	DEBIT	CREDIT
Balance per Bank Statement	20 110		20 110 could be DR
Outstanding deposit	22 500		22 500
Outstanding EFT No. 883	(9 520)	9 520	
No. 884	(12 530)	12 530	
Error on statement	(65 000)	65 000	
Correction of error	360		360
Balance as per Bank Account	(44 080)		44 080
		87 050	87 050

3.2.4

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

TWO valid points

- Implement a depositing routine / policy on daily or regular depositing.
- Employ a different person to be responsible for depositing money (division of duties)
- Engage the services of a cash in transit company (security services)
- Supervise / conduct independent check / authorise funds to be deposited / inspect documentation (deposit slips) before and after deposit times.
- Encourage more customers to pay by EFTs (less cash handling).
- Set up a bank notification service for all transactions (to receive SMS).
- Do regular or random reconciliations using mini statements from banking application, as an interim control measure / cash and credit card transactions can also be reconciled daily, to avoid errors later.



ACTIVITY DD4

4.1.1 Calculate the correct bank account balance on 31 May 2024

WORKINGS	ANSWER
$9\ 050 - 5\ 000 + \overset{(5\ 480 - 4\ 580)}{900} - 310 - 1\ 780 + 1\ 060$ <p>OR $9\ 050 + \overset{\text{CRJ}}{(900 + 1\ 060)} - \overset{\text{CPJ}}{(5\ 000 + 310 + 1\ 780)}$</p>	3 920

4.1.2 Bank Reconciliation Statement on 31 May 2024

	ONE-COLUMN METHOD	OR: ONE-COLUMN METHOD	DEBIT	CREDIT
Balance as per <u>bank statement</u>	21 520	(21 520)		21 520
Outstanding deposit	17 500	(17 500)		17 500
Error on statement	(25 000)	25 000	25 000	
Outstanding EFT No. 819	(11 880)	11 880	11 880	
Error on statement	1 780	(1 780)		1 780
Balance as per <u>bank account</u>	3 920	(3 920)	3 920	
			40 800	40 800



4.1.3 Explain TWO important instructions that Scot should give to Kiki to ensure that corruption does not occur with regards to the processing of EFTs.

Any TWO control measures

Be alert to other valid answers

- Before processing EFTs, Kiki must check that the bank details and amounts due are correct by referring to appropriate documents and records of service providers / Bank confirmation letter to verify bank details.
- She must monitor the bank transaction records continuously provided on the business electronic statement.
- She must protect all the passwords and codes that are necessary for using the online application and computer system.
- Authorization by supervisor: She must report daily to her supervisor (or Scot) on the daily transactions (especially for suspicious transactions).
- One Time Pin (OTP) must be authorized by the supervisor (or Scot) for processing all EFTs or for certain transactions or payments over a specific amount / Only assigned individuals are allowed to initiate, authorize and reconcile EFTs.
- Set daily limits on the banking app which can be altered by user if necessary.
- Regular check of all notifications on banking app to verify movements of cash.
- She must review and cross-reference banking app messages with the corresponding documents to confirm if payments requests are legitimate.

If an EFT is received e.g.

- If payer notifies business that payment has been made, then Kiki must check to the electronic bank statement before recording the receipt.

Activity DD5

5.1 Debtors age Analysis

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

AMOUNT OWING	CURRENT MONTH	30 DAYS	60 DAYS	90 DAYS
26 150	9 300	6300	5 600	4 950
(100)	(100)			
(4 500)			(500)	(4 000)
+110			+110	
21 660	9 200	6 300	5210	950
100%	??%	??%	??%	??%

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

$$R5\ 210 + R950 = R6\ 160$$

$$R6\ 160 / R21\ 660 \times 100 = 28,42\% \text{ or } 28\%$$

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

PROBLEMS	EXPLANATION WITH FIGURES
Debtors exceeding Credit limit	Exceeding credit limit of R3 500 by 20%. Owing R4 200 more than credit limit R3500 by R 700
Debtors exceeding Credit terms	Ms K Mbatha owing R950 over 90 days. Debtors owing over 60 days Siyanda Mkhulise R4 000 and Mawande Smith owing R1 210.

5.2 DEBTORS RECONCILIATION

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

$$\text{DEBTORS CONTROL ACCOUNT } R25\ 700 + R\ 2700 + R1500 + R350 - R\ 1\ 800 = R28\ 450$$

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

Debtors list of Top Notch Investments Solutions for a month ending 31 July 2024.	AMOUNT
Cebo Nzuzza(5 750-1800)	3900
Keke Motloun(11 100 + 350)	11 450
Thobile Naidoo (-1900+1500)	(400)
Sade White(15 900-1200-1200) or -2400	13 500
TOTAL	28 450

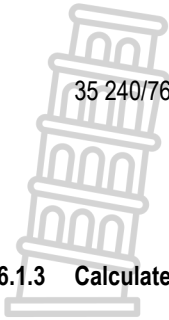
Marking Guideline

Activity DD6

6.1.1 Explain why the debtors' age analysis is an effective internal control measure on debtors. State TWO point

- To identify debtors who exceeded their credit terms.
- To identify debtors who exceeded their credit limits.
- To check debtors who must be send to the collection department or handed over for collection.

6.1.2 Calculate the percentage of debtors complying with credit term



$$35\,240 / 76\,200 \times 100 = 46\%$$

6.1.3 Calculate the average debtors collection period in days

$$\frac{1}{2} (29\,800 + 76\,200) = 53\,000$$

$$53\,000 / 225\,000 \times 365 = 85.97 \text{ days } \approx 86 \text{ days}$$

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
Mshunqisi Dladla exceeded credit limit by 1400 Mshunqisi Dladla Over credit limit by 7.5%	Encourage debtor to pay before granting further credit to debtors. Scrutinise debtors before grant credit to debtors
Mbatha Khululiwe exceeded credit terms owing R12 360 overdue	Promise them incentives on early settlement, Increase interest charged on overdue account

6.2 DEBTORS AGE ANALYSIS AND DEBTORS RECONCILIATION

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 Document

Salary advice slip / Proof of <u>income</u> / Bank statement	To set credit limits for each possible debtor To determine affordability
Proof of residence / Address Email address	To be able to trace debtors not adhering to credit terms and conditions Constant reminders of amount owed To ensure that statements are sent to correct addresses
Contact details of family / friend	To track the debtor if other information is incorrect / changes
Identity document	Ensure that correct personal details of customers are on record

Credit references /	To check that they will not sell to bad debtors
Credit history	To check credit worthiness

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



DEBTORS CONTROL ACCOUNT $R324\ 400 + R1500 + R7500 - R2700 - R1950 = R343\ 400$

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

Debtors list of Top Notch Investments Solutions for a month ending 31 July 2024.	AMOUNT
Malcon Salon (R120 400-R23 050-R1950)	95 400
S. Nkosi (R75 000-R12900)	62 600
NomT Xaba (R39 000+R7500+R4050+R4050)	50 600
Queens Beauty Spa (R84 000)	84 000
Nox Ndebele (R7 800+R12900+R30600)	51 300
TOTAL	343 400

Activity DD 7

7.1

	Creditors' Ledger Account of DNC Stationers Suppliers in the Books of Thathunyawo Investments	Statement of Account from DNC Stationers
Balance	16 120	20 700
A	(4700)	(4700)
B		(950)
C		+1800
D	+ 1500	
E		(2 965)
		(2 965)
F		+2 000

	12 920	12 920
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Activity DD8

8.1.1		Creditors' Ledger Account of Dookies Suppliers in the Books of Chiefs Traders	Statement of Account from Dookies Suppliers
	Balance	117 200	157 400
	I.	– 49 100	
	II.		13 100 – 10 300
	III.	+ 12 500	+ 2 800
	IV.		– 6 400
	V.	– 9 700 – 9 700 –19 400	
	VI.		– 92 600
		61 200	61 200
8.1.2	What should the owner say to Kerisha regarding this incident? Explain TWO points.		
	<p>TWO points</p> <ul style="list-style-type: none"> • He should not take advantage of his position in management / abuse of authority / position • This amounts to “stealing” if done in a devious way; it is unethical • Against business policy / compromising internal controls • He must pay back the money; he could open an account with the business and purchase the goods (he won't get it at cost). • He could be liable for disciplinary action and could tarnish his good reputation • Demotion / dismissal will be considered if caught again. 		

BUDGETING ACTIVITY EE1

Creditors' payment schedule				
	Credit purchases	May 2024	June 2024	July 2024
March 2024	165 600	24 840		
April 2024	878 400X100/180 =488 000X40/100 =195 200	195 200X35/100 =68 320	195 200X15/100 =29 280	-
May 2024	882 000X100/180 =490 000X40/100 =196 000	196 000X50/100 =98 000X93/100 =91 140	196 000X35/100 68 600	196 000X15/100 =29 400
June 2024	954 000X100/180 530 000X40/100 212 000	-	212 000X50/100 =106 000X93/100 =98 580	212 000X35/100 =74 200
July 2024	990 000X100/180 =550 000X40/100 220 000	-	-	220 000X50/100 =110 000X93/100 102 300
Payment to creditors		184 300	196 460	205 900

Debtors' collection schedule				
	Credit sales	May 2024	June 2024	July 2024
March 2024	165 600X100/40 =414 000X180/100 =745 200X60/100 =447 120	447 120X20/100 =89 424	-	-
April 2024	878 400X60/100 =527 040	527 040X45/100 =237 168	527 040X20/100 =105 408	
May 2024	882 000X60/100 =529 200	529 200X25/100 132 300X95/100	529 200X45/100 =238 140	529 200X20/100 =105 840

Cash budget calculation				
LETTER	CALCULATIONS			ANSWER
A	882 000X40/100 OR 882 000-529 200 OR 529 200X40/60			352 800
B	954 000X40/100 OR 572 400X40/60			381 600
C	990 000X40/100 OR 594 000X40/60			396 000
D	3 500X12=42 000X100/14 OR 3 500X100/14=25 000X12			300 000
E	882 000X100/180=490 000X60/100 OR 196 000X60/40			294 000
F	954 000X100/180=530 000X60/100 OR 212 000X60/40			318 000
G	990 000X100/180=550 000X60/100 OR 220 000X60/40			330 000
H	42 000/5=8 400X65/100=5 460 8 400X90/100=7 560X3=22 680 42 000+5 460+22 680 OR 42 000/5= 8 400 8 400x 2 =16 800 8 400x 190/100= 15 960 x 3 = R 47 880 8400 x 65/100 =5 460 x 1 = 5460 16 800 +16 800 + 5 460			70 140
			=125 685	
June 2024	954 000X60/100 =572 400	-	572 400X25/100 =143 100X95/100 =135 945	572 400X45/100 =257 580
July 2024	990 000X60/100 =594 000	-	-	594 000X25/100 =148 500X95/100 =141 075
Collection from debtors		452 277	479 493	504 495

1.4 Comment on the effectiveness of the advertising. Quote figures.

Although the same amount (No change/R0/R25 280) as budgeted was used, actual sales was less than budgeted (R882 000 – R661 500) by 25% or by R220 500; advertising was therefore not effective.

Comment on the control over delivery expenses. Quote figures.

Budgeted for 7% of sales – actual was 8% of sales (1% higher); delivery expenses therefore not well controlled

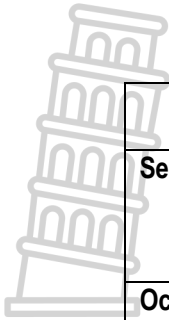
Delivery expenses is lower than budgeted (R61 740 – R52 920) by R8 820 or by 14,2%, while sales were less than expected (R882 000 – R661 500) by 25% delivery expenses therefore not well controlled.

ACTIVITY EE 2

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		15 000		
2.1.2	35 000		21 000 OR 35 000	14 000
2.1.3				1 400
2.1.4		65 000		65 000
2.1.5				1 200 14 400/12

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



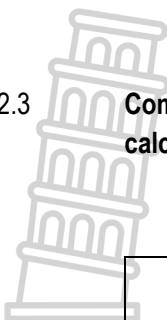
Months	Credit Sales	October	November	December
September	64 800	45 360	5 184	
October	73 800	14 022	51 660	5 904
November	63 000		11 970	44 100
December	50 400			9 576
Total		59 382	68 814	59 580

2.2.2 AMOUNTS FOR CASH BUDGET

No.	CALCULATIONS	AMOUNT
(a)	Cash purchases of trading stock for December $(84\ 000 \times 100/150) \times 25\%$ 56 000	14 000
(b)	Payments to creditors for November $82\ 000 \times 75\% \times 95\%$ OR $(123\ 000 \times 100/150)$ one mark	58 425
(c)	Interest on loan for December $6\ 875 - (12.5\% \times 52\ 800 / 12)$ 6 600 4 400 550 $(660\ 000 - 52\ 800) \times 12.5\% / 12$ 607 200	6 325



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



Details	COMMENT	ADVICE
Delivery costs	<p>Sales were less than budgeted so delivery expenses should decrease to R8 284/R8 360/R8 322.</p> <p>(11% or 10,95% of sales)/</p> <p>The actual amount is R1 700 more than budgeted.</p>	<ul style="list-style-type: none"> Investigate possible fraud Charge customers for deliveries. Change to another delivery firm.

ACTIVITY EE 3

3.1 Why should the business compare budgeted figures against actual figures?
Any valid explanation
Possible responses: <ul style="list-style-type: none"> To reflect on whether your forecasted receipts and payments have been realistic. To improve future forecasts. To determine variances between budgeted and actual amounts. To be able to control receipts and payments on a monthly basis.

3.2 List 2 receipts from the budget that would not be recorded in the projected statement of comprehensive income
<ul style="list-style-type: none"> Receipts from debtors Ordinary share capital

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	160 200
July	223 200		21 204
Cash from debtors		260 298	283 212

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

$$\frac{72\,080 - 68\,000}{68\,000} \times 100 = 6\%$$

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.

$$15\,950 \times 100/110 = R14\,500$$

Provide a suitable explanation for the actual amount of rent collected in July 2024 being different from the budgeted amount

The tenant paid the August rent in advance.

Additional unused property was rented out at the same rate

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

$$\text{Cost of sales: } 801\,000 \times 100/180 = R\,445\,000$$

$$\text{Credit purchases: } 445\,000 \times 50\% = R\,222\,500$$

$$222\,500 \times 90\% = R\,200\,250$$

$$\text{Paid in July} = 222\,500 - 22\,250 = R200\,250$$

3.7 Calculate the loan repayment on 30 June 2024

$$R\,1500 - R\,1\,000 = R\,500 \times 12/1 \times 100/15 = R\,40\,000$$

$$\text{Or } R\,1500 \times 100/15 \times 12/1 = R120\,000 \text{ Loan balance June}$$

$$R\,1000 \times 100/15 \times 12/1 = R\,80\,000 \text{ Loan balance July}$$

$$R120\,000 - R80\,000 = R40\,000$$

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

$$5\,000 \text{ shares} \times R9,50 = R\,47\,500$$

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

A	B	C	D
118 902	13 730	19 290	80 815

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

$$\frac{\frac{1}{2}(295\,225 + 764\,775)}{2\,400\,000} \times 365 = 81 \text{ days}$$

$$\frac{530\,000}{2\,400\,000} \times 365 = 81 \text{ days}$$

The percentage of debtors who are complying with the credit term

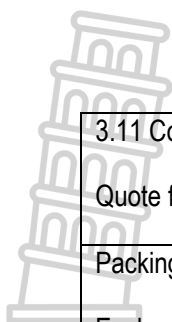
$$(R201\,300 + R172\,500) \div R764\,775 \times 100 = 48.9\% \text{ or } 49\%$$

$$R201\,300 / 764\,775 \times 100 = 26\%$$

$$R172\,500 / 764\,775 \times 100 = 23\% \quad 26\% + 23\% = 49\%$$

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

PROBLEM	DEBTORS NAME	SOLUTION
Exceeding the credit limit	M Msibi, S Sibiya Z Z Myeni	Do not continue to sell to these debtors; reduce their credit limits; give incentives for cash purchases.
Debtors are not complying with the credit term of 30 days	S Sibiya, N Mnguni, D Nzuza, W Shobede	Send reminders (email, sms, etc.), send monthly statements, offer discounts for early payments, charge interest for late payments.



3.11 Comment on the control of packing materials and consumable stores. Quote figures or calculations
<p>Packing materials</p> <p>Explanation (including a comparison with sales) with figures / calculations</p> <p>Has not been well controlled because:</p> <ul style="list-style-type: none"> • Sales were 18,4% under budget, yet packing materials were 3,6% over the budget / should have spent less than budgeted due to low sales • Packing materials were budgeted at 4,5% of sales, yet the actual figures reflects 5,7% of sales.
<p>Consumable stores</p> <p>Explanation (including a comparison with fee income) with figures / calculations</p> <p>Has been well controlled because:</p> <ul style="list-style-type: none"> • Fee income was 48,2% above budget, yet consumable stores were only 6,1% over budget • Consumable stores were budgeted at 28,8% of fee income, yet the actual figures reflect only 20,6%

ACTIVITY EE 4

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

Calculation			Answer
(a)	Operating profit	$46\,500 - 350$	46 150
(b)	Cost of sales	$198\,000 \times 100/160 = 123\,750$ OR $198\,000 \times 62.5\%$	123 750
(c)	Wages	$1\,800 \times 1.08$ OR $1\,800 + 144$ OR $1800 + 8\%$	1 944
(d)	Rent Income	$10\,028 \times 100/109$ OR $10\,028 - 828$	9 200

4.2	Refer to the additional information and calculate the following:	
1.2.1	The monthly salary due to the sales manager in June 2024	Answer
	$(18\ 000 - 400)$ $\div 2$ $(8\ 800 + 400) \times 107\%$	9 844
1.2.2	The total credit sales expected in July 2024	Answer
	$221\ 760$ $198\ 000 \times 1,12 \times 80\%$	177 408
	OR if based on May actual figures $240\ 240$ $195\ 000 \times (1,1 \times 1,12)$	192 192
1.2.3	The cost of the new vehicle purchased in May 2024	Answer
	$(9\ 000 - 6\ 200)$ $2\ 800 \times 12 \times 100/15$ $(33\ 600)$	224 000

4.3	Comment on the control of the telephone and water and electricity. What advice would you offer Asimbonge? State ONE point.
	<p>Comment:</p> <p>He has overspent/under-budgeted/not well controlled (Budgeted R2 000, spent R4 880/ R2 880 more/ 144%)</p> <p>Advice:</p> <ul style="list-style-type: none"> - He must monitor the use of telephone, water and electricity - He must budget to take into account increase in tariffs or usage - Keep/check records regularly - Investigate reasons for overspending

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

- His actual maintenance expense is more than R500 (R2 000)
- He will be under-budgeting
- Maintenance will be neglected – may cost more in the long run.
- Replacement of old equipment sooner.
- Benefits of training to the business and the impact on the use of machines.
- It would be irresponsible to reduce an important expenses by so much

ACTIVITY FF1 VAT

1.1.1.

	WORKINGS	ANSWER
(a)	$1\ 104 - 960$	144
(b)	$52\ 600 - 15\%$	7 890
(c)	$720 \times 100/15$ $720 \div 15\% / 720 \div 0,15$	4 800
(d)	$(112\ 470 - 6\ 325) \times 15/115$ $112\ 470 \times 15 / 115$ OR $14\ 670 - 825$ OR $(97\ 800 - 5\ 500) \times 15\%$	13 845

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.

Two valid points

- This is tax evasion / reducing amount due to SARS is illegal and unethical.
- He could be fined or imprisoned because it is a criminal offence.
- Personal transactions and business transactions should be kept separate (Business Entity concept).
- As the car is not used for business purpose, the full amount of R460 000 should be treated as drawings.

ACTIVITY FF2

2.1. VALUE-ADDED TAX (VAT)

2.1.1

Give ONE reason why Nicky decided to register for VAT.

One valid reason:

- She will be able to claim VAT Input from SARS.
- She pays VAT for most of his purchases, she wants to benefit from Input VAT on certain expenses or assets that he buys.
- He sells goods that are subject to standard rate VAT (15%).
- Should her turnover exceed R1 000 000, she does not have to worry about being penalised by SARS for not complying.
- She expects her business to grow and will be compelled to register.
- Responsible citizen, collects tax to SARS.

2.1.2

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

WORKINGS	ANSWER
$2\ 600 + 8\ 850 - 11\ 400 - 1\ 200 + 2\ 820 - 3\ 360$	

OR				1 690															
-2 600 - 8 850 + 11 400 + 1 200 - 2 820 + 3 360																			
OR																			
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center;">VAT CONTROL</th> <th colspan="2" style="text-align: center;">VAT CONTROL</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2 600</td> <td style="text-align: center;">11 400</td> <td style="text-align: center;">11 400</td> <td style="text-align: center;">2 600</td> </tr> <tr> <td style="text-align: center;">8 850</td> <td style="text-align: center;">1 200</td> <td style="text-align: center;">1 200</td> <td style="text-align: center;">8 850</td> </tr> <tr> <td style="text-align: center;">2 820</td> <td style="text-align: center;">3 360</td> <td style="text-align: center;">3 360</td> <td style="text-align: center;">2 820</td> </tr> </tbody> </table>					VAT CONTROL		VAT CONTROL		2 600	11 400	11 400	2 600	8 850	1 200	1 200	8 850	2 820	3 360	3 360
VAT CONTROL		VAT CONTROL																	
2 600	11 400	11 400	2 600																
8 850	1 200	1 200	8 850																
2 820	3 360	3 360	2 820																

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.

Any TWO valid points

- It is illegal / can be sued / face criminal charges / tax evasion / penalties or fines imposed by SARS if investigated.
- It is unethical / the money does not belong to the business.
- She should budget / plan / manage his expenses more effectively.
- Keep details records of VAT separate from business records and diarise payment dates.
- Using the money can be a bad habit/ rolling of cash.
- He must discontinue this practise.

ACTIVITY FF3

3.1 VAT

3.1.1.

What is the standard rate of VAT?

- Standard rate is 15%

Explain why the government implemented VAT in South Africa. State ONE point.

- Additional source of revenue for the government/ on a more regular basis
- To fund infrastructure/ provision of public goods and services
- To provide for basic/ essential services for the communities

- Finance public debt; maintain the large state owned enterprise

Explain why some products are zero-rated. State ONE point.

- To make basic necessities affordable to indigent/ poor communities/ help them to live better/ they are cheaper.
- Zero-rates items are regarded as essential items-consumed by all; should accessible to all.



Calculate the VAT amount that must be paid to SARS for the VAT period ended 31 May 2022.

WORKINGS				ANSWER
$55\ 785 + 5\ 070 - 6\ 240 + 5\ 400 - 2\ 460 - 4\ 680$ OR $- 55\ 785 - 5\ 070 + 6\ 240 - 5\ 400 + 2\ 460 + 4\ 68$				52 875
VAT CONTROL		VAT CONTROL		
6240	55785	55785	6240	
2460	5070	5070	2460	
4680	5400	5400	4680	

ACTIVITY FF4

4.1.1

WORKINGS		ANSWER
$[182\ 000 \times 90\%]$ $(839\ 800 - 163\ 800) \times 15\%$ OR $125\ 970 - 24\ 570$ 676 000		101 400

4.1.2

WORKINGS		ANSWER
<p>Calculate the amount payable to or receivable from SARS on 30 April 2024.</p>		

$- 5\ 340 - 82\ 200 + 101\ 400 - 4\ 110 + 4\ 800$ $(31\ 510 \times 15/115)$ OR $5\ 340 + 82\ 200 - 101\ 400 + 4\ 110 - 4\ 800$				14 550
VAT CONTROL		VAT CONTROL		
5 340	101 400	101 400	5 340	
82 200	4 800	4 800	82 200	
4110			4 110	

ACTIVITY FF5

5.1.1

<p>Calculate the VAT amount payable to SARS on 30 April 2023. NOTE: The given errors and omissions must be taken into account.</p>										
WORKINGS	ANSWER									
$12\ 750 + 63\ 450 - 21\ 900 + 645 - 3\ 750 - 1\ 920$ OR $- 12\ 750 - 63\ 450 + 21\ 900 - 645 + 3\ 750 + 1\ 920$ OR $(12\ 750 + 63\ 450 + 645) - (21\ 900 + 3\ 750 + 1\ 920)$	49 275									
<table border="1" style="width: 100%;"> <tr> <th colspan="2" style="text-align: center;">VAT CONTROL</th> </tr> <tr> <td style="text-align: center;">21 900</td> <td style="text-align: center;">12 750</td> </tr> <tr> <td style="text-align: center;">3 750</td> <td style="text-align: center;">63 450</td> </tr> <tr> <td style="text-align: center;">1920</td> <td style="text-align: center;">645</td> </tr> </table>		VAT CONTROL		21 900	12 750	3 750	63 450	1920	645	
VAT CONTROL										
21 900		12 750								
3 750	63 450									
1920	645									

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

ADVICE	REASON
<ul style="list-style-type: none"> • He must keep separate records for VAT and pay this on time • Should not use VAT money as a business cash resource • Must budget for business expenses and manage the liquidity with funds earned / generate through normal business operations. 	<ul style="list-style-type: none"> • VAT is collected on behalf of SARS /a VAT vendor is an 'agent' of SARS • Money does not belong to the business. • Could run into liquidity problems • Defaulting with VAT is a crime the business can be sued • The image of the business will be compromised / could lose customers.

