



KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

CURRICULUM GRADE 10 -12 DIRECTORATE

NCS (CAPS)

LEARNER SUPPORT DOCUMENT

GRADE 11

ACCOUNTING

STEP AHEAD PROGRAMME

2024

PREFACE

This support document serves to assist Accounting learners on how to deal with curriculum gaps and learning losses. It also addresses the challenging topics in the Grade 11 curriculum in Term 1-4.

Activities serve as a guide on how various topics are assessed at different cognitive levels and also preparing learners for informal and formal tasks in Accounting. It covers the following topics:

NO	TOPIC	PAGE NO.
A.	Reconciliations	3-13
B.	Fixed Assets	14-22
C.	Statement of Comprehensive Income	23-32
D.	Statement of Financial Position, Notes, Analysis and Interpretation	33-39
E.	Cost Accounting	40-46
F.	Budgeting	46-55
G	Value added tax	58-58
H	Inventories	59-65

A. RECONCILIATIONS

ACTIVITY A1

BANK RECONCILIATIONS

1.1 BANK RECONCILIATION

The following information relates to Somaviniza Stores for March 2023.

REQUIRED:

- 1.1.1 Complete the Cash Receipt Journal and Cash Payment Journal for March 2023. (**Note:** The information from the Bank Statement was not taken into account)
- 1.1.2 Prepare the Bank Account on 31 March 2023.
- 1.1.3 Prepare the Bank Reconciliation Statement on 31 March 2023.

INFORMATION:

A. Extract from the Bank Reconciliation statement on 29 February 2023:

Outstanding deposits: 18 February 2023	R 15 900
28 February 2023	23 000
Outstanding EFT:	
No. 123	5 700
Favourable balance as per Bank account	11 400

NOTE:

- The outstanding deposit of R15 900 appeared on the March 2023 bank statement.
- The outstanding deposit of R23 000 on the Bank Reconciliation Statement was in respect of sales. It was reflected as R18 000 in the March Bank statement. After an investigation, it was decided to write-off the missing R5 000.
- EFT 123 appeared on the Bank Statement for March 2023.

B. Provisional totals from the Cash Journals on 31 March 2023:

- Cash Receipt Journal, R49 000
- Cash Payment Journals, R48 000

C. The following information on the March 2023 Bank Statement did not appear in the March 2023 Cash Journals:

EXTRACT: BANK STATEMENT – UMBUMBULU BANK	
DETAILS	AMOUNT
Debit order Town Council - Water and electricity	R3 200
Cash handling Fees	444
EFT costs	113
Deposit: MP Hlophe: Rent	8 300
Direct deposit: Loan repayment	19 000
EFT – payment BB Traders	5 900
SI Mnyadi	2 750
Service fees	555
Interest on a positive current account balance	232
Techno Insurers	6 600

D. Additional information

- W. Western made a direct deposited for his monthly rent.
- The EFT for R5 900 to creditor BB Traders was omitted in the journals, in error.
- A deposit of R19 000 reflected on the business Bank Statement, is a bank error. They will rectify this on the next statement
- A deposit from debtor SI Mnyadi was a part payment of his account.
- The debit order to Techno Insurers includes R1 500 for the owner's private vehicle.

E. The following information in the March 2023 Cash Journals did not appear on the Bank Statement for March 2023:

- Outstanding deposit, R17 400
- EFT 222 for R6 600 to XY Stores for trading stock purchased.

ACTIVITY A1

1.1.1

[illegible]

1.2.2

[illegible]

1.2.3

Prepare a Bank Reconciliation Statement for March 2023.

[illegible]

ACTIVITY A2

Caleb's Car Wash owned by Caleb Naidoo, operates in Durban North.

REQUIRED:

2.1 Refer to the Bank Statement provided below and answer the following questions.

2.1.1 Explain why it is important for Caleb Naidoo to check the business' bank statement monthly. Provide **TWO** reasons.

Refer to information A for questions 1.1.2 to 1.1.3

2.1.2 Identify the amounts that should be recorded in the spaced labelled (i) to (v)

2.1.3 Write a sentence to explain each of the following transactions:

• 5 February 2023	POS Purchase – Chemco
• 16 February 2023	Digital Payment - Ethekwin Municipality
• 28 February 2023	Digital Transfer – Celeb Naidoo

2.1.4 Caleb's Car Wash does not permit customers to pay by debit or credit card. Discuss **TWO** disadvantages of this.

2.1.5 Celeb's Car Wash pays most of the recurring monthly expenses via internet banking. Discuss **TWO** possible reasons for this choice of payment method.

2.1.6 Identify the GAAP concept that necessitates that Caleb has a separate bank account for the car wash and for his personal money.

INFORMATION A: BANK STATEMENT

ABC Bank Durban North Branch		28 February 2023		
Caleb's Car Wash Adelaide Tambo Drive Durban North 4061		Statement no: 65		
		Account Number: 625196773		
Date	Details	Debit	Credit	Balance
1/2/2023	Balance			7 450
3/2/2023	Cash Deposit		(i)	13 500
5/2/2023	POS Purchase – Chemco	1 620		11 880
10/2/2023	ATM Withdrawal	2 000		9 880
12/2/2023	POS Purchase – Mr Price	1 800		(ii)
	Cash Deposit		8 980	17 060
16/2/2023	Digital Payment - Ethekewini Municipality	(iii)		7 435
19/2/2023	Cash Deposit		7 960	15 395
20/2/2023	POS Purchase - Pick n Pay Hyper Durban North	2 550		12 845
25/2/2023	Service Fees	(iv)		12 670
	Cash Deposit Fee	452		12 218
	Debit Card Levy	62		12 156
27/2/2023	Cash Deposit		8 640	20 796
28/2/2023	Digital Payment – Rent	3 500		17 296
	Digital Payment – S. Sokdeo Salary	6 500		10 796
	Digital Transfer – Caleb Naidoo	15 000		(v)

BANK RECONCILIATION

The information below related to Unathi's Upholstery Cleaners, a service business that uses an industrial cleaner to clean carpets, lounge chairs, car seats etc in return for a fee.

REQUIRED:

- 2.2.1 Complete the following Journals for April 2023: (Opening totals have been entered for you)
- Cash Receipts Journal
- Cash Payments Journal
- 2.2.2 Prepare the Bank Reconciliation Statement for April 2023.

INFORMATION:**A Extract from the Bank Reconciliation Statement on 31 March 2023:**

Outstanding Deposit	8 400
Outstanding EFT's	
NO 91	1 200
NO 137	5 800
NO 216	2 630
Favourable Balance per Bank Account	34 600

B The cash Journals has the following totals on 30 April 2023, before the completion of the reconciliation process.

Cash Receipts Journal	69 500
Cash Payments Journal	54 600

C Additional Information relating to the Bank Reconciliation Statement for March 2023:

- The outstanding deposit as well as EFT's 91 and EFT 216 appeared on the April 2023 Bank Statement.
- EFT number 137, issued to Hychem for consumable stores, appeared correctly on the Bank Statement as R8 500. The amount recorded in the Cash Payments Journal was incorrect.
-

D Entries in the Cash Journals, dated 30 April 2023, that do not appear on the April 2023 Bank Statement

- EFT number 219, paid to Varsity College, for R15 000. This was to pay for some of the owners daughters tertiary education.
- EFT number 220 for R3 620, paid to the Msunduzi Municipality, for April's water and electricity account for the business.
- A deposit of R9 500 cash, that was taken from the safe and deposited into the business bank account.
- A debit card payment for R840, paid to Calmex, for petrol in the businesses vehicle.

E Entries on the April 2023 Bank Statement, from Better Bank, that do not appear in the Cash Journals:

Date	Details	R
28 April	Debit Order: Telmok	300
28 April	Debit Order: Telmok	300
29 April	Deposit: M. Mkhize	2 450
	Deposit: Better Bank	15 800
30 April	Service Fees	175
	Interest on Overdraft	352

- Note that the monthly payment to Telmok, for WIFI for office, appeared twice. This will be rectified in May 2023. WIFI is considered to be a sundry expense in the financial records.
- M Mkhize is a customer that had her carpets cleaned by Unathi's Upholstery cleaners. She requested to pay her account electronically.
- The deposit from Better Bank was for the maturation of the fixed deposit of R14 200 as well as the interest earned thereon.

F The Bank Statement on 30 April showed an unfavourable balance of R7 850.

ACTIVITY A 2

- 2.1.1 Explain why it is important for Caleb Naidoo to check the business' bank statement monthly. Provide **TWO** reasons.

- 2.1.2 Identify the amounts that should be recorded in the spaced labelled (i) to (v)

(i)	
(ii)	
(iii)	
(iv)	
(v)	

- 2.1.3 Write a sentence to explain each of the following transactions:

5 February 2023	POS Purchase - Chemco	
16 February 2023	Digital Payment - Ethekwini Municipality	
28 February 2023	Digital Transfer - Celeb Naidoo	

- 2.1.4 Caleb's Car Wash does not permit customers to pay by debit or credit card. Discuss **TWO** disadvantages of this.

- 2.1.5 Celeb's Car Wash pays most of the recurring monthly expenses via internet banking. Discuss **TWO** possible reasons for this choice of payment method.

- 2.1.6 Identify the GAAP concept that necessitates that Caleb has a separate bank account for the car wash and for his personal money.

2.2.1

Cash Receipts Journal of Unathi's Upholstery Cleaners - April 2023 CRJ4

[illegible]

Cash Payments Journal of Unathi's Upholstery Cleaners - April 2023 CPJ4

[illegible]

2.2.2

Prepare the Bank Reconciliation Statement for April 2023.

	DR	CR
DR Balance as per Bank Statement		
CR Outstanding deposits		
DR Outstanding EFT's		
CR Balance as per Bank Account		

ACTIVITY A3**3.1 CREDITORS RECONCILIATION**

The Green House Café is a vegan restaurant situated at the V&A Waterfront in Cape Town. Their main supplier of fresh fruit and vegetables is Growers Paradise, an organic farm.

The statement of account that The Green House Café received from Growers Paradise, dated 28 April 2023, indicated that R18 512 is owed. However the amount owing according to the creditors ledger is R13 789.

REQUIRED:

- 3.1.1 Use the table provided in your answer book to reconcile the Statement received from Growers Paradise and the creditors ledger of The Greenhouse Café.
- 3.1.2 The day manager of the Green House Cafe, Mr E. Bird, discovered that fresh produce valued at R1 500, ordered on 24th April 2023 from Growers Paradise, was not delivered. The owner was informed and communication with Growers Paradise revealed that the night manager, Ms N. Owl had placed the order and arranged that the produce be delivered to her mother's home.
- 3.1.2.1 What action should be taken by the owner against Ms N. Owl? Provide **TWO** points.
- 3.1.2.2 Provide **TWO** internal control measures that should be applied to prevent this from happening again.

INFORMATION:

When the Statement of account, received from Growers Paradise, and the Creditors Ledger of The Green House Café were compared the following differences were noted:

- A** An EFT payment made to Growers Paradise, on 2 April 2023, was not received by Growers Paradise within the 30-day payment period. The discount of R280 was therefore not granted to by them. The Green House Café had recorded this discount.
- B** The statement received from Growers Paradise shows that interest on an overdue amount of R12 720 was charged at 5% for one month. The Green House Café was not aware of this.
- C** Fresh produce that was returned to Growers Paradise, due to the poor quality of the lettuce, were recorded on the statement as R350. The Green House Café has a copy of the credit note showing R530.
- D** An invoice for goods bought from Growers Paradise for R1 300 was incorrectly recorded as a credit note in the creditors ledger.
- E** The following transactions occurred after the April 2023 Statement for Growers Paradise had been emailed to The GreenHouse Café:
 - An invoice for R890 for fresh produce purchased on 29 April 2023.
 - An EFT for R2 500, made in part payment of the account on 30 April 2023.

ACTIVITY A3 CREDITORS RECONCILIATION

3.1.1

	Creditors Ledger of The Green House Cafe	Statement from Growers Paradise
Incorrect Balance		
A		
B		
C		
D		
E		

3.1.2 The day manager of the Green House Cafe, Mr E. Bird, discovered that fresh produce valued at R1 500, ordered on 24th April 2023 from Growers Paradise, was not delivered. The owner was informed and communication with Growers Paradise revealed that the night manager, Ms N. Owl had placed the order and arranged that the produce be delivered to her mother's home.

3.1.2.1 What action should be taken by the owner against Ms N. Owl? Provide **TWO** points.

3.1.2.2 Provide **TWO** internal control measures that should be applied to prevent this from happening again.

ACTIVITY A4**CREDITORS' RECONCILIATION**

Sthembiso Traders buys goods on credit from MD Suppliers. The business received a statement for June 2023 from the creditor.

REQUIRED:

- 4.1 Calculate the correct balance of DM Suppliers in the Creditors' Ledger of Sthembiso Traders. Show the changes to the figure R47 064.
- 4.2 Prepare a Creditors' Reconciliation Statement for DM Suppliers on 30 June 2023.
- 4.3 Explain TWO benefits of using electronic funds transfer (EFT) system rather than using EFTs for direct payments to creditors.
- 4.4 State TWO consequences for the business if they do not pay the amount due to creditors on time.

INFORMATION:**A. Creditors' Ledger of Sthembiso Traders**

DM SUPPLIERS (CL7)					
Date			Debit	Credit	Balance
2023	01	Account rendered			35 920
June	05	Invoice 346		11 808	47 728
	07	Debit note 69	816		46 912
	13	EFT 207	22 788		24 124
		Discount	3 532		20 592
	14	Invoice 135		6 929	27 521
	16	EFT- 675	1 000		26 521
	23	Invoice 378		7 188	33 709
	24	Invoice 396		8 829	42 538
	30	Invoice 407		4 526	47 064

B. Statement of account received on 30 June 2023:

DM SUPPLIERS					
PO Box 2245, Kaapsehoop 2201			Tel: 013 759 9902		
Sthembiso Traders 50 Main Road Emalahleni 1035			Date: 25 June 2023 Credit limit :R90 000 Payment terms: 60 days		
DATE		DETAILS	DEBIT	CREDIT	BALANCE
2018	01	Balance			35 920
June	05	Invoice 346	10 296		46 216
	07	Credit Note 109	816		47 032
	13	Receipt 5140		22 788	24 244
	16	EFT-675		1 000	23 244
	23	Invoice 378	7 188		30 432
	24	Invoice 396	9 810		40 242
	25	Interest	29		40 271

C. Additional Information:

1. Invoice 346 on 5 June 2023 was correct according to the statement.
2. DM Suppliers made an error when recording goods returned on 7 June 2023.
3. Sthembiso Traders qualified for discount with the payment on 13 June 2023. DM Suppliers granted only R2 532 as discount. They will show this on their statement next month.
4. Invoice 135 for R6 929 was recorded incorrectly in the Creditors' Ledger Account of DM Suppliers. This purchase was from Panday Suppliers.
5. A trade discount of 10% was deducted on Invoice 396. DM Suppliers did not take this into account. This will be rectified on the next statement.
6. The statement shows transactions up to 25 June 2023.

4.1

**CREDITORS' LEDGER OF STHEMBISO TRADERS
DM SUPPLIERS (CL7)**

Balance per Ledger Account	47 064

4.2

CREDITORS' RECONCILIATION STATEMENT ON 30 JUNE 2023

Balance as per Creditor's Statement	40 271

4.3

Explain TWO benefits of using electronic funds transfer (EFT) system rather than using EFTs for direct payments to creditors.

4.4

State TWO consequences for the business if they do not pay the amount due to creditors on time.

B. FIXED ASSETS**ACTIVITY B1****MAWELE FURNITURE TRADERS**

You are provided with information relating to Mawele Furniture Traders. The financial year end on the 31 December 2024

REQUIRED

- 1.1 Calculate the total depreciation on equipment on 31 December 2024
- 1.2 Complete the Fixed Assets Register for vehicle sold
- 1.3 Calculate the depreciation for an old vehicle for the year ended on 31 December 2024
- 1.4 Complete the Fixed Assets Note

INFORMATION**A Extract of a Pre-Adjustment Trial Balance of Mawele Furniture Traders****List of Balances on 31 December 2024**

Vehicle	2 680 000
Equipment	810 000
Accumulated depreciation on vehicle	1 060 000
Accumulated depreciation on equipment	240 000

B Equipment

- New equipment with a cost price of R120 000 was purchased on 1 October 2024. No entries have been made.
- Equipment is depreciating at 20% on cost price.

C Vehicles

- One of the delivery vehicle was sold for R190 000 on 1 July 2024. The vehicle was purchased on 1 July 2022 for 320 000
- Vehicles are depreciated at 10% p.a. using the diminishing balance method.

ACTIVITY B1 ANSWER SHEET**1.1 Calculate the total depreciation on Equipment**

	AMOUNT
Old Equipment:	
New Equipment:	
Total Depreciation for the year:	

1.2 COMPLETE THE FIXED ASSET REGISTER OF MAWELE FURNITURE TRADERS FOR VEHICLE SOLD**DELIVERY VEHICLE (SOLD) COST PRICE = R320 000**

DATE	CURRENT DEPRECIATION	ACCUMULATED DEPRECIATION	CARRYING VALUE	CALCULATION
31 Dec 2022	16 000	16 000		
31 Dec 2023				
1 Jul 2024				

1.3 Depreciation on old vehicles	
CALCULATIONS	ANSWER
SOLD	
OLD	
Total depreciation for the year	

1.4 FIXED/ TANGIBLE ASSETS		
	VEHICLES	EQUIPMENT
Carrying value at the beginning of the year		
Cost	2 680 000	810 000
Accumulated depreciation	(1 060 000)	(240 000)
MOVEMENTS		
Additions at cost		
Disposal at carrying value		
Depreciation		
Carrying value at the end of the year		
Cost		
Accumulated depreciation		

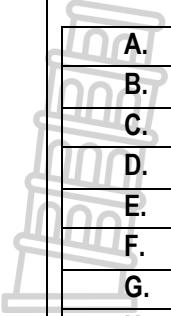
ACTIVITY B2

2.1 Mfusi Store uses the vehicle for delivery purposes and depreciates it by 25%pa. cost price method

REQUIRED

- 2.1.1 Complete the missing amounts/details marked by letters A – Q
- 2.1.2 Besides the historical method of depreciation what other method can be used in the business
- 2.1.3 Discuss why you think Mfusi store used the historical method of depreciating their vehicles and not the alternative method.
- 2.1.4 Explain to Mfusi store what one benefit would have been to rather use the alternative method
- 2.1.5 Mfusi have decided to change the method of depreciating their vehicle with immediate effect. Is this permissible/ why?
- 2.1.6 Explain why it is important to keep a fixed asset register as well as the ledger accounts. Mention three reasons.

ACTIVITY B2 ANSWERSHEET

2.1.1	 <table border="1"> <tr><td>A.</td><td></td></tr> <tr><td>B.</td><td></td></tr> <tr><td>C.</td><td></td></tr> <tr><td>D.</td><td></td></tr> <tr><td>E.</td><td></td></tr> <tr><td>F.</td><td></td></tr> <tr><td>G.</td><td></td></tr> <tr><td>H.</td><td></td></tr> <tr><td>I.</td><td></td></tr> <tr><td>J.</td><td></td></tr> <tr><td>K.</td><td></td></tr> <tr><td>L.</td><td></td></tr> <tr><td>M.</td><td></td></tr> <tr><td>N.</td><td></td></tr> <tr><td>O.</td><td></td></tr> <tr><td>P.</td><td></td></tr> <tr><td>Q.</td><td></td></tr> </table>	A.		B.		C.		D.		E.		F.		G.		H.		I.		J.		K.		L.		M.		N.		O.		P.		Q.	
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2.1.6	<p>Explain why it is important to keep a fixed asset register as well as the ledger accounts. Mention three reasons</p>																																		

ACTIVITY B3

PROBLEM SOLVING

Mr Gule, the owner from Celumusa Logistics uses generators to operate the business and he is concerned about mismanagement of generators, he asks you to assist him by identifying problem and solution.

REQUIRED:

- 3.1 Calculate the following
 - Number of generators at the end
- 3.2 Identify ONE problem in relation to EACH generator, quoting figures/amounts to support your findings. In each case advice Mr Gule on how to solve problems identified.

INFORMATION ON THE GENERATORS:

	Infinity	Magneto
Units on hand: 1 March 2023	10	20
Units purchased during the year	30	40
Units returned to suppliers	0	15
Units available for production	40	45
Units missing	8	0
Units damaged	5	0
Units on hand: 29 February 2024	?	45
Cost price per unit	6000	R3 000

ACTIVITY B3 ANSWERSHEET

3.1	Calculate the number of generators at the end											
3.2	<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 35%;">ITEM</th><th style="width: 35%;">PROBLEM IDENTIFIED (WITH FIGURES)</th><th style="width: 30%;">SOLUTION</th></tr> </thead> <tbody> <tr> <td>INFINITY</td><td></td><td></td></tr> <tr> <td>MAGNETO</td><td></td><td></td></tr> </tbody> </table>			ITEM	PROBLEM IDENTIFIED (WITH FIGURES)	SOLUTION	INFINITY			MAGNETO		
	ITEM	PROBLEM IDENTIFIED (WITH FIGURES)	SOLUTION									
	INFINITY											
	MAGNETO											

- i. Equipment
- ii. Accumulated depreciation
- iii. Asset disposal
- iv. Depreciation

INFORMATION

A. Closing balance on 29 February 2024	R
Equipment	305 000
Accumulated depreciation on equipment (1 March 2023)	142 500

B. Information relating to the disposal and purchasing of new equipment

1. An old equipment with a cost price of R52 500 was sold on 1 November 2023 on credit at a profit of R1 925, the accumulated depreciation on the sold equipment was R18 375 on 1 MARCH 2023. This transaction was not recorded.
2. A new equipment was purchased on 31 November 2023 for R80 000. This transaction was recorded.
3. Depreciation on equipment is 20% p.a on diminishing balance method.

GENERAL LEDGER OF MFUSI STORES BALANCE SHEET SECTION

Dr

EQUIPMENT

Cr

[illegible]

Dr

ACCUMULATED DEPRECIATION ON EQUIPMENT

Cr

[illegible]

NOMINAL ACCOUNT SECTION ASSET DISPOSAL

DEPRECIATION

ACTIVITY B5

MSINGA TRADERS

The following information related to MSINGA Traders for the year ended 29 February 2024. The partners are Lungi and Zama.

REQUIRED:

- 5.1 Calculate the missing amounts in the Fixed Assets Note denoted by (A) to (J)
- 5.2 Prepare the Asset Disposal Account in the General Ledger.
- 5.3 Land and buildings were bought five years ago for R5 000 000. The property prices have increased by 20% since then. Partner LUNGI suggested that the value of this asset be recorded at a higher amount so that the additional R1 000 000 can be reflected as a profit in the Statement of Comprehensive Income (Income Statement). Partner ZAMA disagrees.

Give ONE reason why you would agree with partner ZAMA. Refer to GAAP principles in your answer.
- 5.4 The partners suspect that some of the drivers are using the business vehicles for their private purposes.
 - 5.4.1 Provide TWO points to justify their concerns. Quote figures to support your answer. Hint: Refer to INFORMATION F.
 - 5.4.2 List TWO points of advice on how the partners can exercise better control over the use of the business vehicles.
- 5.5 Six of the drivers are dissatisfied with their salary increase and are planning a strike. Are they justified? In your explanation, quote figures to support your answer.

INFORMATION:

- A. Depreciation on vehicles is calculated at 10% per annum on the diminishing balance method.
- B. A new vehicle was purchased on 01 December 2023.
- C. An extract from the Fixed Assets Register in respect of a vehicle that was sold.

TOYOTA CORROLA			
Date bought: 01 March 2021			
Date Sold: 30 September 2023 (Cash)			
Selling price: R81 348			
Depreciation method: 10% p.a. (diminishing balance)			
29 February 2022	R132 000	R13 200	R118 800
28 February 2023		???	???
30 September 2023		???	???

- D. Depreciation on equipment is calculated at 15% per annum using the cost price method.

Extract from the fixed Assets Note on 28 February 2024

	Land and Buildings	Vehicles	Equipment
Carrying value @ beginning		116 000	(a)
Cost	5 000 000	(b)	460 000
Accumulated depreciation		(460 000)	(396 750)
Movements			
Additions	650 000	(d)	0
Disposals	0	(f)	0
Depreciation		(e)	(i)
Carrying value @ END	(c)	(g)	
Cost		564 000	
Accumulated depreciation		(h)	(j)

Additional information relating to the fixed assets of the business:

	29 February 2024	01 March 2023
Delivery vehicles (cost)	R564 000	R576 000
Repairs and maintenance	R45 220	R32 300
Petrol and oil	R114 100	R65 200
Salaries to drivers	R408 240	R388 800
Sales	R932 400	R740 000

ACTIVITY B5 ANSWERBOOK

5.1	A.
	B.
	C.
	D.
	E.
	F.
	G.
	H.
	I.
	J.

5.2 GENERAL LEDGER OF MFUSI STORES

NOMINAL ACCOUNT SECTION

Asset Disposal

[illegible]

5.3	<p>Land and buildings were bought five years ago for R5 000 000. The property prices have increased by 20% since then Partner LUNGI suggested that the value of this asset be recorded at a higher amount so that the additional R1 000 000 can be reflected as a profit in the Statement of Comprehensive Income (Income Statement). Partner ZAMA disagrees.</p> <p>Give ONE reason why you would agree with partner ZAMA. Refer to GAAP principles in your answer.</p>
5.4	<p>The partners suspect that some of the drivers are using the business vehicles for their private purposes.</p>
5.4.1	<p>Provide TWO points to justify their concerns. Quote figures to support your answer. Hint: Refer to INFORMATION F.</p>
5.4.2	<p>List TWO points of advice on how the partners can exercise better control over the use of the business vehicles.</p>
5.5	<p>Six of the drivers are dissatisfied with their salary increase and are planning a strike. Are they justified? In your explanation, quote figures to support your answer.</p>

C. STATEMENT OF COMPREHENSIVE INCOME

ACTIVITY C1

MANENZE TRADERS

The information below is extracted from the books of Manenze Traders, their financial year ended on 29 February 2024.

REQUIRED:

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

EXTRACT FROM THE PRE-ADJUSTED TRIAL BALANCE ON 29 FEBRUARY 2024

Balance Sheet Section	Debit	Credit
Loan: Bank of Madadeni		180 000
Fixed Deposit: Newcastle Bank (8 % p.a.)	120 000	
Trading stock	68 000	
Debtors' control	55 000	
Provision for bad debts		2 600
Bank	61 500	
Nominal Accounts Section		
Sales		800 000
Cost of sales	390 000	
Debtors allowances	14 600	
Rent income		42 000
Salaries and wages	150 000	
Employer's contribution	10 200	
Bad debts	3 600	
Discount allowed	530	
Telephone	6 300	
Insurance	9 800	
Packing material	8 305	
Bank charges	748	
Interest on Fixed deposit		8 800

ADJUSTMENTS AND ADDITIONAL INFORMATION

- On 27 February 2024 a debtor, MM Nkosi returned goods with a selling price of R4 500; the cost price is R2 500. The credit note was issued but this transaction has not been recorded.
- On 29 February 2024 the physical stock count revealed the following:
 - Trading Stock R66 400
 - Packing material R2 300
- The tenant has paid rent up to 31 March 2024. The rent was increased by 10% from 1 June 2023.
- Provision for bad debts must be reduced by R400.
- Insurance includes a premium of R2 800 paid for the period 1 November 2023 to 30 June 2024.
- An employee, Mahlase was omitted in the Salaries Journal for 29 February 2024.

Net Salary	Pension Fund Deduction	Employer's Contributions	Gross salary
?	R960	R320	?

NOTE: The pension fund deduction of 8% is deducted from the gross salary.

7. Received the loan statement from the Bank of Madadeni.

Balance on 1 March 2023	R 260 000
Capitalised interest	?
Repayments during the year including interest	80 000
Balance on 29 February 2024	205 000

8. Depreciation on tangible assets was R18 000 for the year.
9. Interest on fixed deposit for February 2024 was not recorded. Interest on fixed deposit is not capitalised.

ANSWERSHEET ACTIVITY C1

STATEMENT OF COMPREHENSIVE INCOME

[illegible]

ACTIVITY C2**EXCLUSIVE CARPETS**

Nathi & Bonga owns Exclusive Carpets, a partnership business that sells, fit and repair carpets. Their financial period ended on 29 February 2024.

NOTE:

- Installation and repair fees are reflected as fee income
- A mark of $33\frac{1}{3}\%$ is applied on all carpets sold.

REQUIRED:

2.1 Calculate the correct Net Profit for the year ended 29 February 2024

INFORMATION:**A. Extract from Pre-adjustment trial balance on 29 February 2024**

	DEBIT	CREDIT
Trading stock	338 500	
Debtors Control	127 500	
Provision for Bad Debts		8 000

B. The net profit amounted to R852 765; the bookkeeper did not take all the adjustments into account.

C. Adjustments:

- Received the water and electricity account for February 2024, R1 260 this amount has not been paid.
- A cash customer paid R2 250 for a carpet and installation, the selling price of the carpet is R1 500. The payment was recorded but the carpet will only be delivered and installed in March 2024.
- Rent has been paid up to 30 April 2024, rent increased by 10% on 1 January 2024. The rent expense account currently has a total of R57 600.
- During February 2024 a fire broke out in the storage for expensive carpets, a carpet worth R40 000 was damaged. The insurance policy states that the excess payable on all claims made by the business is R5 000, claims are deposited into the business bank account after payment of the excess. The insurance company approved the claim. The amount will be transferred during March 2024.
- Further bad debts of R3 000 are to be written off and the provision for bad debts is to be adjusted to 5% of book debts.
- A physical stock take at the end of the year reflects that trading stock on hand amounted to R302 100.
- The loan statement received from Yandi Bank reflected the following:

Balance on 1 March 2023	142 000
Interest capitalised	?
Repayments during the year (including capitalised interest)	37 000
Balance on 29 February 2024	119 700

All payments have been debited to the loan account, but no entry has been made to record the interest. According to the loan agreement the capital portion of the will be reduced by R2 250 per month for the next financial year.

ACTIVITY C2

CALCULATE THE CORRECT NET PROFIT FOR THE YEAR ENDED 29 FEBRUARY 2024

INCORRECT NET PROFIT	R852 765

ACTIVITY C3:

3.1 MANA STORES

The information relates to MANA Stores (partners Matha and Nala) for the financial year ended 29 February 2024.

REQUIRED:

3.1.1 Refer to Information A and B and calculate:

- Carrying value of the vehicle sold on 30 November 2023
- Total depreciation on equipment on 29 February 2024

3.1.2 Prepare the Statement of Comprehensive Income for the year ended 29 February 2024.

INFORMATION:

A. Information extracted from the Pre-adjustment Trial Balance on 29 February 2024:

Balance Sheet Accounts Section	R
Land and buildings	1 600 000
Vehicles	?
Equipment	250 000
Accumulated depreciation on Equipment (01/03/2023)	85 000
Trading stock	386 500
Debtors' control	88 500
Provision for bad debts	3 650
Mortgage loan: Speed Bank	1 056 000
Nominal Accounts Section	
Sales	5 500 000
Cost of sales	3 150 000
Debtors' allowances	32 500
Bad debts	13 600
Rent income	169 500
Interest on loan	?
Insurance	19 220
Salaries and wages	475 000

Bad debts recovered	4 750
Consumable stores	67 500
Bank charges	7 760
Sundry expenses	140 085
Interest income	?

B. Adjustments and additional information:

A. No entries were made for a vehicle sold on 30 November 2023 for R97 700 cash. Details of the vehicle:

- Cost price, R190 000
- Accumulated depreciation (1 March 2023), R72 000
- Depreciation rate: 20% p.a. on cost

B. Provide for depreciation as follows:

- On remaining vehicles – R138 000 for the financial year
- On equipment at 10% p.a. on the diminishing-balance method

NOTE: New equipment costing R32 000 was purchased and recorded on 1 September 2023.

C. Goods sold on credit to debtor, Ms Mntungwa, for R15 000 were not recorded. The mark-up is 60% on cost price.

D. A physical stocktaking on 29 February 2024 reflected trading stock of R374 000 on hand.

E. Consumable stores used during the financial year amounted to R61 700.

F. The account of debtor, Bhiza, must be written off as irrecoverable, R1 900.

G. Entries according to the February 2024 Bank Statement must still be recorded in the books of the business:

- Bank charges, R870
- Debit order payment for the monthly insurance premium, R1 780

H. Provision for bad debts must be adjusted to R4 030.

I. Loan statement received reflected the following:

Balance on 1 March 2023	1 356 000
Interest was capitalised	?
Monthly Repayment R 25 000 including interest	
Balance on 29 February 2024	1 200 000

J. An employee, M Buthelezi, who commenced work on 1 February 2024, was omitted from the Salaries Journal. Details of his salary for February 2024 are:

GROSS SALARY	DEDUCTIONS			CONTRIBUTIONS	
	PAYE	PENSION FUND	UIF	PENSION FUND	UIF
13 500	2 190	1 080	135	1 620	135

NOTE: All contributions are recorded as part of salaries and wages.

K. The rent income was increased by R1 500 per month as of 1 November 2023. The tenant has not paid the rent for February 2024 yet.

L. Interest income is the missing figure in the Income Statement.

M. Net profit for the amounted to R1 500 000.

ACTIVITY C3**3.1 NM STORES**

3.1.1 Calculate: Carrying value of the vehicle sold on 30 November 2023

Calculate: Total depreciation on equipment on 29 February 2024

3.2.2

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 29 FEBRUARY 2024	
Sales (5 500 000)	
Cost of sales (3 150 000)	
Gross Profit	
Other Operating Income	
Rent income	
Bad debt recovered	4 750
Operating Expenses	
Bad debts	
Salaries and wages	
Operating Profit	
Interest income	
Profit Before Interest Expense	
Interest expense	
Net Profit for the year	1 500 000

ACTIVITY C4**NGOMANE TRADERS**

The information given below was taken from the books of Ngomane Traders on 29 February 2024.

REQUIRED:

4.1 Prepare the Statement of Comprehensive Income for the year ended 29 February 2024.

INFORMATION:**Pre-adjustment Trial Balance of Ngomane Traders on 29 February 2024**

	Debit	Credit
Balance Sheet accounts section		
Loan: LIMIT Bank		?
Trading stock	184 750	
Debtors control	122 860	
Provision for bad debts		8 730
Fixed deposit: LIMIT Bank	360 000	
Nominal accounts section		
Sales		1 390 000
Cost of sales	868 750	
Debtors' allowances	34 850	
Water and electricity	46 300	
Interest on fixed deposit		18 900
Salaries and wages including contributions	226 500	
Rent income		203 175
Advertising	38 020	
Insurance	33 850	
Bad debts recovered		11 580
Discount allowed	2 160	
Discount received		3 560
Packing material	23 850	
Bank charges	11 410	
Bad debts	14 750	
Sundry expenses	44 760	
	?	?

Adjustments and additional information:

- A. A credit notes for R? issued to a debtor, dated 27 February 2024, was not recorded. Cost price amounted to R6 800. The goods were placed back into stock. The business maintained a profit mark-up of 60% on cost.
- B. Depreciation on fixed assets amounts to R65 200.
- C. The telephone account (sundry expenses) for February 2024 was not recorded yet, R2 380.
- D. Packing material to the value of R1 370 was stolen during a burglary it was not insured, and no entry has been made yet.
- E. The business donated stock, R4 800 to a local crèche before stock count. No entry was made of this transaction.

- F. A physical stock count on 29 February 2024 revealed the following on hand:
- Trading Stock R182 840
 - Packing material R4 850
- G. A debtor was declared insolvent. A dividend of 40 cents (R750) to the rand was received and recorded. Write off the remaining debt as irrecoverable.
- H. An amount of R2 790 received from a debtor whose debt was written off as irrecoverable the previous year, was credited to the Debtors control account. Correct the error.
- I. The February 2024 Bank Statement was received after the Pre-adjustment Trial Balance was drawn up. The following must be adjusted:
- Interest on favourable bank balance, R520.
 - Bank charges, R195
- J. Adjust the provision for bad debts to R8 500.
- K. The interest on fixed deposit is received for 9 months. There were no changes on the fixed deposit during the financial year.
- L. The insurance amount includes an annual premium of R3 900 paid on 1 July 2023.
- M. The rent increased by 15% from 1 October 2023. The rent for March 2024 and April 2024 was received and deposited.
- N. Advertising consists of a monthly contract with the local newspaper for the entire financial year. Advertising was paid for 11 months only. From 1 December 2023, the contract rate was increased by R310 per month.
- O. The loan statement on 29 February 2024 reflected the following:

Balance on 1 March 2023	R500 000
Repayments during the year (loan and interest)	R120 000
Interest capitalised	?
Balance on 29 February 2024	R455 000

ACTIVITY C4 ANSWERBOOK

NGOMANE TRADERS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 29 FEBRUARY 2024	
Sales (
Cost of sales	
Gross Profit	
Other Operating Income	
Rent income	
Operating Expenses	
Water and electricity	300
Salaries and wages	500
Operating Profit	
Interest income	
Profit Before Interest Expense	
Interest expense	
Net Profit for the year	

D. STATEMENT OF FINANCIAL POSITION

ACTIVITY D1

UITVAAL TRADERS

You are provided with information for the financial year ended 29 February 2024. The partners are V Duma and G .Vilakazi

REQUIRED:

Refer to Information B.

- 1.1 Complete the Current Account Note for the financial year ended.
- 1.2 Complete the Statement of financial position on 29 February 2024. Show your workings.

INFORMATION:

A. Extract from the accounting records on 29 February 2024:	
	R
Capital: DUMA	660 000
Capital: VILAKAZI	440 000
Current account: DUMA (1 March 2023) (credit)	65 000
Current account: VILAKAZI (1 March 2023) (debit)	15 200
Drawings: DUMA	33 000
Drawings: VILAKAZI	259 000
Fixed assets at carrying value	750 000
Fixed deposit: FNB (12% p.a.)	151 200
Trading stock	?
Debtors' control	58 000
Provision for bad debts	3 900
Loan: Diamond Bank	208 800
Creditors' control	85 300
Accrued income	9 500
Prepaid expenses (See Information (a).)	?
Cash and cash equivalents	6 000
Bank (overdraft)	55 400

B Additional information:**1. Information relating to the partnership agreement:****(i) Partners' salaries:**

- DUMA received R10 000 per month. His salary was increased by R2 500 per month from 1 December 2023.
- VILAKAZI receives R144 000 per year.

(ii) Interest on capital:

- VILAKAZI will receive R35 200 for the year.
- DUMA receives the same % interest as VILAKAZI.

(iii) Remaining profit(after the primary distribution):

- The remaining profit is distributed in the ratio of the capital contribution at the end of the year.
- The net profit after the primary distribution was R90 000.

- The loan from Diamond Bank was originally received on 1 March 2022. The loan must be repaid in equal monthly instalments over a period of 5 years. Interest is not capitalised and is up to date
- Provision for bad debts must be decreased by R200.
- Insurance includes an annual premium of R12 000 paid for the period 1 October 2023 to 30 September 2024.
- Inventory is a balancing figure.

ACTIVITY D1 ANSWERSHEET**1.1 CURRENT ACCOUNTS**

	DUMA	VILAKAZI
Partner salaries		144 000
Interest on capital		35 200
Primary distribution		179 200
Final distribution		36 000
Drawings	(33 000)	(259 000)
		(43 800)
Balance at beginning		
Balance at end of year		

1.2 UITVAAL TRADERS

STATEMENT OF COMPREHENSIVE INCOME ON 29 FEBRUARY 2024

ASSETS			
NON-CURRENT ASSETS	901 200		
Fixed assets		750 000	
Fixed deposit		151 200	
CURRENT ASSETS			
TOTAL ASSETS			
EQUITY AND LIABILITIES			
EQUITY			
Capital			
Current account			
NON-CURRENT LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	85 300		
Bank overdraft			
Current portion of loan			
TOTAL EQUITY AND LIABILITIES			

ACTIVITY D 2**SMILEY & MAMA-G PARTNERSHIP**

NOTE: Where comments or explanations are required, you should:

- Quote financial indicators and trends with figures'
- Give a reason or explanation for the financial indicators quoted

REQUIRED:

2.1 Refer to **INFORMATION B** to calculate the following financial indicators for 30 June 2024:

2.1.1 Acid-test ratio

2.1.2 Debt-equity ratio

2.1.3 Return earned by Smiley

2.2

2.2.1 Explain how the company is managing its operating efficiency. Quote figures to support your answer.

2.2.2 Smiley is adamant that the liquidity of the business has improved. Quote relevant indicators to support his claims.

2.2.3 Smiley & Mama-G have hired a collections agent to help improve their collection from debtors. Quote and explain if their efforts have been successful.

2.2.4 One of the partners is of a view that customers are responding positively to an advert they recently put up online. Explain how this advert has assisted the business in dealing with slow moving stock and quote a relevant financial indicator.

2.2.5 The partners took a decision to increase the loan during the financial year. Calculate the increase in interest on loan amount and comment on the risk implications involved in this decision

2.2.6 Comment on Smiley's return on his investment in the partnership.

INFORMATION:

A.

Appropriation Account of Smiley & Mama-G

2024 June 30	Interest on capital: Smiley	47 250	2024 June 30	Profit and loss	502 200
	Interest on capital: Mama-G	31 500			
	Salary: Smiley	168 750			
	Salary: Mama-G	205 200			
	Bonus to Mama-G	17 100			
	Current account: Smiley	16 200			
	Current account: Mama-G	16 200			

B. Balances at the end of June 2024.

	2024	2023
OWNERS' EQUITY	1 425 800	1 385 900
Capital: Smiley	750 000	650 000
Capital: Mama-G	675 000	700 000
Current account: Smiley	Dr 15 500	10 750
Current account: Mama-G	16 300	25 150
CURRENT ASSETS	294 650	530 250
Trade and other receivables	159 750	307 350
Cash and cash equivalents	41 150	32 650
Inventories	93 750	190 250
NON-CURRENT LIABILITIES: Loan	450 000	250 000
CURRENT LIABILITIES	190 500	219 000

C Financial Indicators as at 30 June 2024.

	2024	2023
% Operating expenses on sales	14.6%	17.5%
% Operating profit on sales	21.9%	18.2%
Current ratio	1,5 : 1	2,4 : 1
Acid test ratio	?	1,6 : 1
Rate of stock turnover	15 times	11 times
Stock holding period	21 days	38 days
Average debtors collection period	30 days	57 days
Average creditors payment period	25 days	33 days
Debt equity ratio	?	0,2 : 1
Return earned by Smiley	?	36%
Return earned by Mama-G	38%	39%
Return on partner's equity	36%	38%
Interest rate on alternative investments	8%	8%
Interest rate on loans	13.5%	11 %

ANSWER BOOK

ACTIVITY D 2

2.1.1	Acid-test ratio
2.1.2	Debt-equity ratio
2.1.3	Return earned by Smiley.
2.2.1	Explain how the company is managing its operating efficiency. Quote figures to support your answer.
2.2.2	Smiley is adamant that the liquidity of the business has improved. Quote relevant indicators to support his claims.
2.2.3	Smiley and Mama-G have hired a collections agent to help improve their collection from debtors. Quote and explain if their efforts have been successful.

2.2.4	<p>One of the partners is of a view that customers are responding positively to an advert they recently put up online. Explain how this advert has assisted the business in dealing with slow moving stock and quote a relevant financial indicator.</p>
2.2.5	<p>The partners took a decision to increase the loan during the financial year. Calculate the increase in interest on loan amount and comment on the risk implications involved in this decision.</p>
2.2.6	<p>Comment on Smiley's return on his investment in the partnership.</p>

E. COST ACCOUNTING**ACTIVITY E1****1.1. MELTA MANUFACTURES**

Melta manufactures produces hair and beauty products which is supplied to salon and cosmetics retailers. The financial year ends on 29 February 2024.

REQUIRED:

1.1.1. Calculate the following for the year ended 29 February 2024.

- Direct material cost
- Direct labour cost
- Factory overheads cost

1.1.2. Record the following transactions in the General Ledger.

- Work-in-process stock

INFORMATION:**A. Stock balance:**

	29 February 2024	1 March 2023
Raw material stock	780 000	480 000
Work-in-process stock	450 000	660 000
Factory indirect material	2400	7 500

B. Summary of transactions:

Raw materials purchased	2 160 000
Raw materials returned to suppliers	28 000
Carriage on raw materials	20 000
Water and electricity	55 200
Factory indirect materials purchased	80 000
Factory sundry expenses	105 600
Commission to sales staff	37 000
Rent expenses paid	45 000

C. Additional information and adjustments

(i) Salaries and wages:

- factory foreman earns an annual basic salary of R150 000.
- Eight employees working directly on the production process earns a monthly salary of R12 000 each. All workers receive a bonus in December, equal to 90% of their monthly salary during December 2023. Bonuses are not subjected to pension deductions or pension contributions.
- Administration staff earns R13 000 per month in total.
- All employees contribute 5% of basic pay towards pension fund and the employer's contribution is 7%.

(ii) Water and electricity:

The sales and administration office uses 20% of water and electricity and the factory uses the rest.

(iii) Repairs and Maintenance:

- Factory maintenance paid for the year amounted to R36 500.
- R12 350 was owed for repairs to factory machinery.

(iv) Rent expenses:

- Rent is allocated according to floor space as follows:
Factory 600m², administration 120m² and sales department 180m².

(v) Depreciation: provide as follows:

- Factory plant R29 600
- Office equipment R8 880
- Delivery vehicle R32 350

ANSWER BOOK ACTIVITY E1

1.1.1 CALCULATIONS	WORKINGS	ANSWER
DIRECT MATERIAL COST		
DIRECT LABOUR COST		
FACTORY OVERHEAD COST		

1.1.2 GENERAL LEDGER OF MELTA MANUFACTURERS

WORK-IN-PROGRESS STOCK

ACTIVITY E2:

2.1. LWANDLE MANUFACTURERS

The business manufactures school jackets. The financial year ended on 29 February 2024.

REQUIRED:

2.1.1 Calculate the following for the financial year:

- Direct material cost
- Direct labour cost

2.1.2. Refer to Information D

- Calculate the correct factory overhead cost by taking into account the errors and omissions. Indicate an increase (+) or decrease (-) to the total given. Show all workings.

2.1.3. Prepare the Work-in-progress stock account in the General Ledger.

INFORMATION:

A. Stock balances:

	29 FEBRUARY 2024 R	1 MARCH 2023 R
Raw material	62 300	56 700
Work-in-progress	47 760	71 300

B. Transactions for the year:

- Raw material purchased amounted to R522 000.
- Damaged raw material cost R11 200 was sent back to suppliers.

C. Details of workers in production:

Number of workers	6
Normal hours worked (basic)	1 640 hours per worker
Normal time rate	R40 per hour
Total overtime hours for all workers	525 hours
Overtime rate	60% more than normal time rate.

- The business contributes 1% to the UIF and 9% to a pension fund on behalf of all employees, based on their normal (or basic) wages.

D. The bookkeeper calculated the factory overhead costs as **R321 580**. The following errors and omissions were noted:

- The wages of the cleaner were not taken into account. The cleaner earns R64 800 per year. 65% of his time is spent in the factory.
- 70% of the rent expense must be allocated to the factory. The entire rent expense of R126 000 was recorded in the factory overhead cost.

- (iii) Water and electricity must be allocated in the ratio 5: 2 between the factory and the sales department. The bookkeeper however, transferred half the water and electricity expense, R28 700, to the factory overhead account.

2.2. KWANDO'S FACTORY

Kwando Ngomane, the owner presented the following analysis of costs, sales and production of electric heaters. The financial year ended on 30 June 2024. The heaters are sold at a profit mark-up of 60% on cost.

REQUIRED:

- 2.2.1 Calculate the break-even point for the year ended 30 June 2024.
- 2.2.2 Explain whether Kwando should be satisfied with the level of production achieved for this financial year. Quote figures.
- 2.2.3 Identify TWO costs that should be of concern to Kwando. Quote figures in EACH case, provide a possible solution to address the concern.

INFORMATION:

	30 June 2024		30 June 2023
	TOTAL R	UNIT PRICE R	UNIT PRICE R
Direct Material Cost	900 000	180,00	155,00
Direct Labour Cost	820 000	164,00	163,00
Selling and Distribution Cost	330 000	66,00	50,00
TOTAL VARIABLE COST	2 050 000	410,00	
Factory Overhead Cost	475 000	95,00	113,00
Administration Cost	100 000	20,00	24,00
TOTAL FIXED COST	575 000	115,00	137,00
Selling price per unit	535,00		540,00
Units produced and sold	5 000 units		4 200 units
Break-even point	?		3 344 units

ANSWER BOOK ACTIVITY E2

2.1.1 CALCULATIONS	WORKINGS	ANSWER
DIRECT MATERIAL COST		
DIRECT LABOUR COST		

2.1.2.

FACTORY OVERHEADS COSTS	
Total brought forward	321 580
TOTAL	

2.1.3.

WORK-IN-PROGRESS STOCK

2.2.

2.2.1	Calculate the break-even point for the year ended 30 June 2024.
2.2.2	Explain whether Kwando should be satisfied with the level of production achieved for this financial year. Quote figures.
2.2.3	Identify TWO costs that should be of concern to Kwando. Quote figures in EACH case, provide a possible solution to address the concern.

ACTIVITY E3

You are provided with information relating to Khanyisa Manufacturing business that makes residential and industrial lights and related items. The information given below was extracted from the accounting records on 29 February 2024.

REQUIRED:

3.1. Complete the following accounts in the General Ledger for the year ended 29 February 2024:

3.1.1. Work in Progress Stock

3.1.2. Factory Overhead Costs

INFORMATION:**A. Opening Balances:**

	1 March 2023
Work-in-Progress Stock	58 700
Consumable Stores	1 500

B. Summary of Transactions for the year ended 29 February 2024:

Salary of Factory managers	350 400
Wages of Factory workers	892 000
Salary of Receptionist	145 600
Water and Electricity	345 100
Consumable stores	18 500
Rent	362 000
Factory Repairs and Maintenance	65 420
Insurance	27 200

C. Additional information:

- Raw materials issued to the factory for the year amounted to R5 895 000.
- Factory rent is split according to the floor space occupied by each department. Total of 4 000m² of the property, the offices take up 200m² and the warehouse for storing finished goods taken up 800m².
- 80% of water and electricity, as well as the insurance expense is charged to factory.
- The factory managers are still owed their performance bonus for the year ended 29 February 2024. This bonus is equivalent to 3 month's salary. The factory workers were paid their bonuses in December 2023. This has already been recorded.
- The factory equipment with a book value of R1 895 000 at the beginning of the financial year. No equipment was purchased or sold during the year. This is to be depreciated at 20% per annum according to reducing balance method.
- R16 500 is still due to the electrician for repair work completed due to stolen cables. The repairs were completed in February 2024.
- As per physical count, consumable stores R2 650 and work in progress of R62 300 were on hand at year-end.

ANSWER BOOK ACTIVITY E3

3.1.

WORK-IN-PROGRESS STOCK

3.2.

FACTORY OVERHEADS COST

E. BUDGETING

ACTIVITY F1

The information below is from the books of Mpendulo Stationers.

REQUIRED:

1.1 Complete the following:

- 1.1.1. Debtors Collection Schedule presented in the Answer Book. Note that some figures are provided.
- 1.1.2. Cash Budget for August and September 2024. Note that some of the amounts are given in the Answer Book.

1.2 Explain TWO reasons that indicates that the business is not managing its cash resources effectively. Quote relevant figures to support your reasons.

INFORMATION:

A. Sales and receipts from debtors:

- Total sales for the budget period:

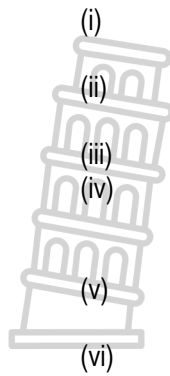
May	June	July	August	September
R 363 000	R 372 000	R 384 000	R 408 000	R 420 000

- 25% of total sales represent cash sales.
- Although debtors are expected to pay within 30 days, payment trends shows the following:
 - 30% of debtors pay in the month of sales and receive 2% discount.
 - 55% pay in the month following the month of sale.
 - 12% pay two months after the sales month
 - The balance is written off as bad debts thereafter.

B. Purchases of stock and payment to creditors:

- The business uses a constant profit mark-up of 50% on cost.
- The business replaces stock according to the amounts sold in a month.
- 40% of all stock purchased, is paid for in cash.
- Creditors allow 60 days credit. The business abides to credit terms and budgets to pay outstanding balances in the second month following the month of purchase.

C. Additional Information

- 
- (i) Motor vehicle expenses is estimated at R5 000 per month. This does not include depreciation which amounts to R1 250 per month.
 - (ii) Salaries and wages total R36 000 per month. Employees will receive an 8% annual inflationary increase effective from 1 September 2024.
 - (iii) Sundry expenses are budgeted to increase by 2, 5% each month.
 - (iv) The business has a loan of R240 000 at Khubone Bank. Interest at 13% p.a. is paid on the last day of each month, and is not capitalised. The business plans to pay R30 000 of the loan amount on 1 September 2024.
 - (v) An investment of R40 000 matures on 1 August 2024. The full amount together with interest for the last two months will be received on this date. Interest is calculated at 15% p.a.
 - (vi) The Bank had a credit balance (overdraft) of R32 126 on 31 July 2024.

ACTIVITY F1**1.1.1 DEBTORS COLLECTION SCHEDULE**

MONTH	CREDIT SALES	AUGUST	SEPTEMBER
June	279 000		
July	288 000		
August		89 964	168 300
September	315 000		

1.1.2 CASH BUDGET FOR THE PERIOD ENDED SEPTEMBER 2024

CASH RECEIPTS	AUGUST	SEPTEMBER
Cash from Debtors		
Cash Sales	102 000	
TOTAL RECEIPTS		
CASH PAYMENTS		
Cash purchases of Stock		112 000
Payments to Creditors	148 800	
Sundry expenses		7 790
Salaries and wages	36 000	
Motor Expenses	5 000	
Repayment of loan		
Interest on loan	2 600	
TOTAL PAYMENTS		
CASH SURPLUS/SHORTFALL	115 126	
Bank (Opening Balance)		
BANK (Closing Balance)		

1.2 Explain any TWO reasons that indicates whether the business is effective in managing its cash resources or not. Quote figures.

--

ACTIVITY F2**MPHELA TRADERS**

You are provided with information relating to Mphela Traders. Their Financial year ends on 31 December 2023. The business is owned by Gift Davids.

REQUIRED:

- 2.1 Complete the Debtors' Collection Schedule for January and February 2024
- 2.2 Calculate the missing amounts indicated by the letters **A to I** in the Cash Budget for January and February 2024.

INFORMATION:

- A. (i) Extract of Cash Budget for the period January and February 2024

CASH RECEIPTS	JANUARY	FEBRUARY
Cash sales	504 000	A
Collection from debtors	B	C
Rent income	45 000	D
CASH PAYMENTS		
Cash purchases	54 000	E
Payments to creditors	87 300	F
Sundry expenses	G	18 000
Loan	30 000	
Interest on loan (12%)	1 500	H
Salaries	I	126 000

- (ii) **Balances on 31 December 2023:**

Loan: SFX Bank	150 000
Accrued expenses: Salaries	18 000

- (iii) Rent will increase by 15% from 1 February 2024.
- (iv) Salaries increased by 5% with effect from 1 February 2024.
- (v) A loan repayment will be made on 31 January 2024.
- (vi) Sundry expenses increase by R1 500 each month.

- (vii) **Sales and purchases:**

MONTHS	ACTUAL AND BUDGETED SALES	CREDIT PURCHASES
November	171 000	81 000
December	172 500	90 000
January	168 000	99 000
February	163 800	108 000

Note: Credit sales are 25%.

(viii) Debtors are expected to pay as follows:

- 50% in the month following the transaction month subject to a 5% discount.
- 30% in the month following the transaction month.
- 15% in the second month following the transaction month.
- 5% will be written off as bad debts after the third month

(ix) Credit purchases are 60% of total purchases. Creditors are paid after one month after purchases, subject to a 3% discount.

ANSWERSHEET ACTIVITY F2

2.1 Debtors' Collection Schedule for the months of January and February 2024

MONTH	CREDIT SALES	JANUARY	FEBRUARY
November	171 000	22 650	
December	172 500	51 750	
January	168 000		
February	163 800		

2.2 Calculate the missing amounts indicated by the letters A to I in the Cash Budget for January and February

NO	CALCULATION	ANSWER
A		
B		
C		
D		
E		
F		
G		
H		
I		

ACTIVITY F3

You are provided with information of KTTN Laptops, a business owned by Zethembe Miya, for the budget period December 2024 to February 2025.

The business sells various types of laptop computers and does not sell on credit. They also repair these items for customers at a fee.

REQUIRED:**3.1 Refer to Information A and B.**

Complete the Creditors' Payment Schedule for February 2025.

3.2 Refer to Information C and D.

Calculate:

- % increase expected in security costs from 1 February 2025
- % commission paid to salespersons during February 2025
- Water and electricity budgeted for December 2024
- The loan repayment to be made on 31 December 2024

3.3 Refer to Information C.

During load shedding in 2024, the business lost money because there were no sales and fee income. However, Zethembe had to continue making payments to keep the business afloat (as a going concern).

- Give ONE reason why he did not want to stop paying salaries and wages.
- Identify ONE other payment in the list in Information D that he would not have been able to stop and give a reason.
- Identify ONE payment in the list in Information D that he would have stopped and give a reason.

3.4 Refer to Information E.

Zethembe Miya, the owner, requires help in making a financial decision.

He is undecided as to whether he should lease or buy a delivery vehicle. His two options are reflected as Option X and Option Y.

Apart from generating more sales or having the use of the vehicle, state TWO advantages of EACH option.

INFORMATION:**A. Mark-up % and sales:**

A mark-up of 75% on cost is used to set the sales prices of the laptops.

ACTUAL SALES		PROJECTED SALES		
October 2024	November 2024	December 2024	January 2025	February 2025
R490 000	R490 000	R770 000	R560 000	R525 000

B. Purchases and payment to suppliers (creditors):

- All stock is bought on credit.
- Stock sold is replaced in the month of sales.
- Some creditors offer a discount for payment in the month of purchase.
- 50% is paid in the month of purchase to earn a 10% discount.
- 30% is settled in the month after the purchase transaction month.
- 20% is settled in the second month after the purchase transaction month.

C. Information on specific items from the Cash Budget:

- **Security:** The guards are outsourced from Vuyosafe Guarding.
- **Commission:** Salespersons are paid commission in the same month on sales only. They do not receive a fixed salary.
- **Water and electricity:** The expected increase from 1 January 2025 is 24%.
- **Loan and interest:** The loan from Delta Bank bears interest at 12,5% per year. Interest is not capitalised and a fixed loan repayment is made on 31 December each year.
- **Consumable stores:** These are used to repair laptops for customers.

D. Extract from the Cash Budget:

	December 2024	January 2025	February 2025
	R	R	R
Fee income: repair services	100 000	150 000	150 000
Interest on loan (12,5% p.a.)	9 375	8 125	
Repayment of loan	?		
Commission to salespersons	123 200	89 600	84 000
Consumable stores for repairs	42 000	63 000	63 000
Security	18 000	18 000	28 500
Water and electricity	?	18 600	18 600
Salaries and wages			
Packing materials			
Insurance			

E. Options for securing a delivery vehicle:

Ray feels that he should buy a delivery vehicle for R520 000 or lease (hire) the vehicle on a monthly basis to enable his business to generate more sales. He has only R100 000 in his investments that he can use. These investments are currently earning interest at 6,5% p.a.

He has two options to consider:

Option X (buy the vehicle):

Purchase the vehicle by using the money in his investments and take out a new 5-year loan for R420 000 at a high interest rate. He will have to repay the loan over five years. Interest over the five years will be R176 000.

Option Y (hire/lease the vehicle):

Hire (lease) the vehicle from John Walker Ltd for R15 000 per month over 60 months.

ACTIVITY F3

3.1 Creditors' Payment Schedule for the months of January and February 2025

MONTH	CREDIT PURCHASES	December	JANUARY	FEBRUARY
December		198 000	132 000	
January			144 000	
February				

3.2

Calculate the % increase expected in security costs from 1 February 2025.	
Workings	Answer
Calculate the % commission paid to be sales persons during February 2025.	
Workings	Answer

Calculate the water and electricity budgeted for December 2024.	
Workings	Answer
Calculate the loan repayment to be made on 31 December 2024.	
Workings	Answer

3.3

<p>Give ONE reason why he did not want to stop paying salaries and wages.</p>
<p>Identify ONE other payment in the list in Information D that he would not have been able to stop and give a reason.</p> <p>ONE other payment identified:</p> <p>Reason:</p>
<p>Identify ONE payment in the list in Information D that he would have stopped and give a reason.</p> <p>ONE payment identified:</p> <p>Reason:</p>

3.4

Apart from generating more sales or having the use of the vehicle, state TWO advantages of EACH option.	
TWO advantages of Option X (buy the vehicle):	
ADVANTAGE 1	
ADVANTAGE 2	
TWO advantages of Option Y (hire/lease the vehicle):	
ADVANTAGE 1	
ADVANTAGE 2	

G. VALUE ADDED TAX

ACTIVITY G1

- 1.1 The information is extracted from the records of KwaThathani Stores, owned by Ulwandle Khwela. The business is registered for VAT. The standard rate is 15%.

Calculate the missing amounts on the table provided.

AMOUNT EXCLUDING VAT	VAT AMOUNT	AMOUNT INCLUDING VAT
154 000	(a)	(b)
(c)	42 000	(d)
(e)	(f)	1 380

- 1.2 Ulwandle purchases goods on a regular basis from Bhidla Township Wholesalers. The store manager of Bhidla Township Wholesalers has offered Ulwandle a special price of R82 800, Inclusive of VAT, instead of the normal price of R103 500 for trading inventory, if Ulwandle pays cash immediately and does not require any documentation.
- What advice would you offer Ulwandle? Provide ONE point of advice that you would offer Ulwandle, and TWO reasons for the advice offered.

ACTIVITY G1

1.1

AMOUNT EXCLUDING VAT	VAT AMOUNT	AMOUNT INCLUDING VAT
154 000	(a)	(b)
(c)	42 000	(d)
(e)	(f)	1 380

1.2

ADVICE TO ANGIE AND REASONS	
ADVICE	REASONS

ACTIVITY G2

Umlalazi stores is a VAT registered business. The VAT information below relates to the period ended 28 February 2023. VAT is calculated at 15%.

REQUIRED:

2.1 VAT CALCULATIONS

Calculate the amount of VAT payable to OR receivable from SARS on 28 February 2023. Indicate whether it is receivable or payable

	VAT Exclusive	VAT	VAT Inclusive
Credit purchases of trading stock	680 000	?	
Sales of trading stock		?	577300
Returns from debtors		55 500	
Returns to creditors		975	
Trading stock taken by the owner for own use	28000	?	32200
Discount allowed to debtors in settlement of their account		6450	

2.2 ETHICS

Answer the questions given in the **ANSWERBOOK**.

THREE MEN TO SPEND 25 YEARS IN PRISON FOR SARS VAT FRAUD

Three men who swindled the South African Revenue Service (SARS) out of almost R300m in VAT refunds will spend 25 years in prison.

Former Square One chairperson, Garth Coetser, and his co-accused, Anton Meyer and Clifford Stevens, were sentenced in the High Court in Pretoria after being convicted of fraud, uttering (*using forged documents as if it is legal*), forgery and money-laundering.

A SARS statement said: "The VAT fraud, as well as other criminal activity, took place under the pretext that electronic equipment was being imported from the US and then exported again. This practice was used in 18 different companies, where the accused were directors, to elicit approximately R300m in VAT refunds."

Prosecutor Marius Oosthuizen, who works in the National Prosecuting Authority's specialised tax unit, said the men submitted 198 fraudulent claims for VAT refunds for three years.

ACTIVITY G2

2.1 VAT CALCULATIONS

Amount payable to OR receivable from SARS on 28 February 2023.	

2.2 VAT ETHICS

2.2.1	What is the total value of the VAT fraud committed by Square One's directors?

2.2.2	Explain in more detail the method(s) the directors applied to commit fraud.

2.2.3	What was the impact of the four directors' actions on their company?

ACTIVITY G3

Nkandi Tarders is a registered VAT vendor. The VAT rate is 15%

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

3.2. You are the internal auditor. The sole owner, Amanda, used a business EFT to buy a new car for R483 000 including VAT. This car is kept at home for her son's use. Amanda says the vehicle must be recorded as a business asset and R63 000 must be recorded as a VAT input in the business' books.

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

INFORMATION

	EXCLUDING VAT	VAT AMOUNT	INCLUDING VAT
Sales returns	13 800	(a)	15 870
Purchase of stock	87 000	(b)	
Discount received	(c)	14 850	
Cash sales		(d)	36 340

* This includes zero-rated goods that should have been sold for R1 600. The bookkeeper has incorrectly included VAT of R 240 on these goods. This must be corrected.

ACTIVITY G3

3.1	(a)		
	(b)		
	(c)		
	(d)		

3.2 Explain what you would say to Amanda. Provide TWO points.

I. INVENTORIES

ACTIVITY H1

Mandisa Stores is a retail business that buys and sells sporting gear and clothing. Mandisa applies a 50% mark-up on all her products.

REQUIRED:

- 1.1 How does the periodic system differ from the perpetual system? Identify TWO aspects.
- 1.2 Calculate the **cost of sales** for the period ending 29 February 2024.
- 1.3 Calculate the **gross profit** for the year.
- 1.4 Mark-up %:
 - 1.4.1 Calculate the actual mark-up achieved.
 - 1.4.2 Supply TWO reasons why Mandisa did not achieve their intended mark-up.

Mandisa is concerned about the high transport costs she has to pay on stock purchases (see Carriage on purchases). Is there a way you can think of to solve this problem? Explain.

INFORMATION:

A Extract from the General Ledger on 29 February 2024, the end of the financial year.

Opening stock	R320 000
Purchases (cash)	710 000
Purchases (credit)	240 000
Sales (cash)	1 024 500
Sales (credit)	850 000
Debtors' allowances	42 000
Carriage on purchases	162 000
Customs duty	56 000

B Additional information (not taken into account)

- A soccer kit was donated to a local school. The cost of the kit is R2 900.
- A debtor returned merchandise which he bought earlier for R3 000 (cost, R1 500)

C An invoice received on 25 February 2024 from Vula Wholesalers has not been recorded.

Details are:

Total purchases	R 34 200
Less 10% trade discount	(3 420)
	30 780
Add Transport costs	1 800
TOTAL	R 32 580

- D According to a stock-count done on 29 February 2024 stock on hand was valued at R210 000 (cost price) (after taking information A, B and C above into account)
- E After the stock take was completed R3 400 (cost) had to be returned to the supplier due to poor quality. A debit note had been issued for this amount.
- F Mandisa, the owner, also remembered that she had taken some stock R1 400 home for her children after the stock take was completed. She forgot to inform the bookkeeper.

ACTIVITY H2**TSOTETSI TRADERS**

The information provided below was extracted from the books of TSOTETSI Traders. The owner maintained an average mark-up of 40% on cost over the last few years. Their financial year ended on 28 February 2024. The business uses the periodic inventory system

REQUIRED:

- 2.1 Calculate the cost of sales
- 2.2 Calculate the gross profit
- 2.3 Provide ONE reason for the drop in the mark-up percentage.

INFORMATION**A Balances/Totals at the end of February:**

	2024	2023
Trading stock	313 200	394 200
Purchases	2 127 800	
Carriage on purchases	87 700	
Sales	3 038 500	

B The trading stock amounted to R313 200 after physical stock count.

C

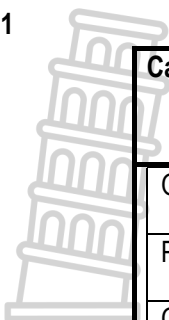
The following transactions were not entered in the books and must be taken into account:

- Good costing R19 400 were sold for R20 500
- Trading stock with the cost of R4 200 and selling price of R6 720 was taken by the owner for personal use

Financial indicators	2024	2023
Mark-up percentage	28%	40%

ACTIVITY H2 ANSWERSHEET

2.1



Calculate the cost of sales

Opening Stock	
Purchases	
Carriage on purchases	
Closing Stock	
Cost of sales	

2.2

Calculate the gross profit

Sales	
Cost of sales	
Gross Profit	

2.3

--

ACTIVITY H 3

Barby Sweets uses the periodic inventory system. Her financial year ended on 30 June 2023.

REQUIRED

- 3.1 Calculate the total net purchases
- 3.2 Calculate the gross profit for the year.
- 3.3 Calculate the mark-up%.
- 3.4 Explain why Barby uses the periodic system for her business. Provide TWO reason
- 3.5 Barby is considering changing to the perpetual system in the next financial year. What main point should she consider before making her final decision

INFORMATION**A Information available on 30 June 2023.**

Opening stock (1 July 2022)	R8 900
Purchases for cash	18 760
Purchases for credit	28 880
Cash sales (including credit card sales)	54 000
Credit sales	22 000
Debtors' allowances	1 540
Returns to suppliers	2 980
Customs duty	1 550
Carriage on sales	410
Carriage on purchases	970

B Additional information and adjustments (to be taken into account)

1. Damaged stock returned by customers R210 was not recorded.
2. During the year sweets (cost \$360) were imported from the USA. The customs duty calculated at 20% on these goods was not recorded. Use the exchange rate of **\$1 = R15,00**
3. Sweets to the value of R460 (cost price) were taken from the shop and used in a sales promotion at the local shopping mall.
4. Sweets originally purchased for R1 100 were damaged as a result of a heatwave. The insurers covered 80% of the loss.
5. Barby forgot to inform her bookkeeper that she had taken sweets, cost R250 for her own use during June 2023 after the stock take was done.
6. The closing stock as per physical stock-take on 30 June 2023 was valued at R8 550. Only adjustment no 5 (above) was not taken into account when this figure was determined.

ACTIVITY H 3 (Inventory calculations)

3.1 Purchases:

Cash purchases	
Credit purchases	
Net purchases	

3.2. Gross Profit

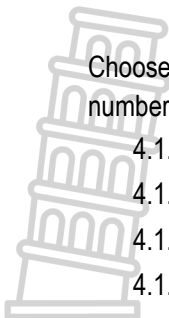
Gross profit	

3.3	Calculate the mark-up %	
	Workings	Answer

3.4	Explain why Barby uses the periodic system for her business. Provide TWO reasons.	

3.5	Barby is considering changing to the perpetual system in the next financial year.What main point should she consider before making her final decision?	

ACTIVITY H 4



4.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (4.1.1 – 4.1.4) on the ANSWER SHEET

- 4.1.1 Cost of sales is determined at the point of sale in the (Perpetual/periodic inventor system).
- 4.1.2 In the periodic inventory system, Carriage on purchases is recorded as an(asset/expense)
- 4.1.3 The (perpetual/periodic) system is more suited for low-value goods, purchased in bulk.
- 4.1.4 Merchandise purchased is recorded as an (asset/expense) in the perpetual inventory system

4.2 Explain 3 differences between perpetual and periodic stock system Periodic Inventory system

4.3 The information provide relates to Musk Stores for the year ended 30 June 2024. The business is owned by Nono and managed by Julius Philile

REQUIRED:

- 4.3.1 Calculate cost of sales on 30 June 2024.
- 4.3.2 Calculate the average stock turnover rate

4.4 Nono suspects that stock is being stolen despite security cameras being installed

- 4.4.1 Provide a calculation to verify her suspicion
- 4.4.2 What can Nono do to improve the internal control of stock? State two points

INFORMATION

	UNITS	AMOUNT
Sales	3 200	768 000
Opening Stock	160	19 200
Purchases	6 300	756 000
Carriage on purchases		75 600
Closing stock	2 800	336 000

ACTIVITY H4 ANSWERBOOK**4.1****4.1.1****4.1.2****4.1.3****4.1.4****4.2****Explain 3 differences between perpetual and periodic stock system.****PERPETUAL INVENTROY SYSTEM****PERIODIC INVENTORY SYSTEM****4.3****4.3.1 Calculate cost of sales on 30 June 2024.****4.3.2 Calculate the average stock turnover rate****4.4****4.4.1 Provide a calculation to verify her suspicion****4.4.2 What can Nono do to improve the internal control of stock? State TWO points**

ACTIVITY CC1

PARTNERSHIPS – FINANCIAL STATEMENTS

The information below, appeared in the books of PB Stores (with partners Pinky and Brian) on 29 February 2024, at the end of the current financial year.

REQUIRED:

- 1.1 Complete the Statement of comprehensive income for the financial year ended 29 February 2024. Some amounts are provided in the answer book.
- 1.2 Complete the following notes to the Balance Sheet:
 - 1.2.1 Capital
 - 1.2.2 Current Account
- 1.3 Pinky is unhappy with the way Brian is managing his investment in the partnership.
 - 1.3.1 Provide TWO reasons to justify why he feels this way. In each case provide relevant figures to support your comments.
 - 1.3.2 Give ONE suggestion that the partnership can use to address the concern expressed by Pinky.

INFORMATION:

A. Balances on 29 February 2024

Capital: Pinky	R 280 000
Capital: Brian	350 000
Drawings: Pinky	26 409
Drawings: Brian	57 403
Current Account: Pinky (1 March 2023)	22 369
Current Account: Brian (1 March 2023)	32 412 (Dr)

B. Pre-Adjustment amounts (amongst others) from the General Ledger on 29 February 2024:

Loan: Rode Bank	?
Fixed Deposit (9% p.a)	220 000
Debtors Control	97 200
Provision for bad debts (1 March 2023)	5 440
Trading stock	133 390
Sales	993 250
Cost of sales	685 000
Rent income	117 250
Insurance	25 665
Commission income	58 545
Packing material	19 710
Water and electricity	32 180
Salaries and wages	45 000
Depreciation	17 150
Interest on investment	14 850
Sundry expenses	?

C. ADJUSTMENTS:

- I. The annual stock take revealed the following stock on hand:
 - Trading stock, R130 540
 - Packing material unused, R3 600.
- II. Adjust the Provision for Bad Debts to 5% of debtors.
- III. Interest on loan is capitalised. The loan statement received from Biltong Bank showed the following:

Loan balance on 1 March 2023	R 374 600
Repayments for the year (including interest)	86 400
Interest capitalised	?
Loan balance on 29 February 2024	327 000

- IV. The rent for March 2024 was received. Note that the rent increased by R875 per month from 1 December 2023.
- V. Insurance includes an annual policy for R5 820 taken out on 1 June 2023.
- VI. The water and electricity account for February 2024 was not yet paid, R2 150.

VII. Interest on investment is not capitalised. Interest for the last quarter of this financial year was not received.

D. **The Profit and Loss Account** reflected a net profit of R311 135 after taking into account all the adjustments.

E. **Transactions relating to partners to be reflected in the partners' accounts only:**

1. Pinky took goods from stock for her personal use at a selling price of R9 590. Goods are sold at a mark-up of 75% on cost.
2. Brian used a business cheque for R5 100 for his personal telephone account.
3. The partnership agreement provided for the following salary allowances :
 - Pinky, R113 400 p.a.
 - Brian, R7 800 per month.
4. The partners are entitled to an annual increase of 10% effective on the 1ST of December each year. This was not taken into account.
5. Interest on capital is calculated at 8% of the capital balances.
6. On 1 June 2023, Pinky increased her capital by R40 000, and Brian decreased his capital by R10 000. These changes were recorded.
7. Pinky is entitled to a production bonus equal to 2% of total sales.
8. The remaining profit or loss is shared in the ratio of the partners' capital balances at the end of the financial year.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 29 FEBRUARY 2024

SALES	
COST OF SALES	
GROSS PROFIT	
Other Operating Income	
COMMISSION INCOME	58 545
GROSS OPERATING INCOME	
Operating Expenses	
SALARIES AND WAGES	45 000
OPERATING PROFIT	
Net profit before interest expense/finance cost	
NET PROFIT FOR THE YEAR	311 135

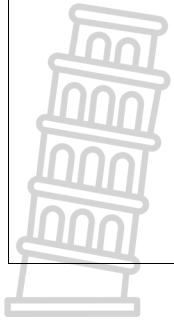
1.2.1. CAPITAL NOTE

	PINKY	BRIAN	TOTAL
OPENING BALANCE			
CLOSING BALANCE			

1.2.2. CURRENT ACCOUNT NOTES

	PINKY	BRIAN	TOTAL
SALARY			
INTEREST ON CAPITAL			
BONUS			
CLOSING BALANCE			

1.3.1.



1.3.2.



DD. STATEMENT OF FINANCIAL POSITION & ANALYSIS AND INTERPRETATION**ACTIVITY DD1****ANALYSIS AND INTERPRETATION**

The following information was taken from the accounting records of M&D Traders on 29 February 2024. M&D Traders is a toy store and has two partners, Mickey Mouse and Donald Duck.

Answer the questions below. Where explanations are required, you must quote the relevant financial indicators and their trends from one year to the next to support your answer.

1.1 Calculate the following financial indicators for 2024:

- Acid-test ratio
- Debt-equity ratio
- % return on average equity earned by the partnership

1.2 Explain whether the partners should be concerned or not about the liquidity of the business for 2024. Quote TWO financial indicators.

1.3 The business needs to expand to take advantage of the increased demand for the products that they sell. The partners are considering increasing the loan by R300 000.

- Explain whether this is a good idea or not. Quote ONE financial indicator.
- If they do not increase the loan, give TWO other suggestions that they could consider.

1.4 Mouse is concerned about the % return that he is earning.

- Compare the % returns earned by the two partners. Explain whether Mouse should be concerned about this or not.
- List THREE points that Mouse should mention to Duck about this.

INFORMATION:

Extract from the Balance Sheet of M&D Traders on 29 February:

	2024	2023
Fixed deposit: ABAB (10% p.a.)	300 000	390 000
Current assets	171 000	304 000
Inventory	96 000	134 000
Trade and other receivables	64 000	45 000
Cash and cash equivalents	11 000	125 000
Capital accounts	800 000	1 200 000
Current accounts	58 000	10 000
Mortgage loan: XYS Bank (interest rate 12% p.a.)	240 000	135 000
Current liabilities	84 000	78 000

Extract from the Appropriation and Partners' Current Accounts:

	TOTAL 2024 R	Mouse R	Duck R
Current accounts at beginning of year	10 000	40 000	(30 000)
Current accounts at end of year	58 000	108 000	(50 000)
Net profit for the year	278 000		
Partners' salaries	140 000	70 000	70 000
Interest on capital (6% p.a.)	54 000	36 000	18 000
Partners' share of remaining profit	84 000	42 000	42 000
Partners' drawings for the year	0	80 000	150 000

NOTE:

- (a) The partners each contributed capital of R600 000 when the business started, but Duck reduced his capital by R400 000 half-way through the 2024 financial year.
- (b) Mouse maintained his capital contribution at R600 000 throughout the year. He also reduced his drawings in order to prevent the business from going into a bank overdraft.

Financial indicators:

	2024	2023
% operating profit on sales	20%	23%
% net profit on sales	12%	15%
Current ratio	2,2 : 1	3,9 : 1
Acid-test ratio	?	2,2 : 1
Debt-equity ratio	?	0,1 : 1
Return on equity: Mouse	22%	29%
Return on equity: Duck	36%	21%
Return on equity of partnership	?	18%

ACTIVITY DD1

ANALYSIS AND INTERPRETATION

1.1. CALCULATIONS OF FINANCIAL INDICATORS:

ACID TEST RATIO

DEBT EQUITY RATIO

RETURNS ON AVERAGE PARTNERSHIP EQUITY

1.2. Explain whether the partners should be concerned or not about the liquidity of the business

1.3. The partners are considering increasing the loan by R300 000.

Explain whether this is a good idea or not. Quote ONE financial indicator.

If they do not increase the loan, give TWO other suggestions that they could consider.

1.4. The partners are considering increasing the loan by R300 000.

Compare the % returns earned by the two partners. Explain whether Mouse should be concerned about this

List THREE points that Mouse should mention to Duck about this.