



**KWAZULU-NATAL PROVINCE**  
EDUCATION  
REPUBLIC OF SOUTH AFRICA

## **CURRICULUM GRADE 10 -12 DIRECTORATE**

**NCS (CAPS)**

Stanmorephysics.com

## **JUST IN TIME LEARNER SUPPORT DOCUMENT**

# **ACCOUNTING**

**GRADE 11**

**2025**



## 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.
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<b>D.</b>	<b>Statement of Financial Position, Notes, Analysis and Interpretation</b>	31 – 46
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**ACTIVITY A 1 BANK RECONCILIATION AND INTERNAL CONTROL****CALAWAY TRADERS**

The following information was taken from the books of Calaway Traders. The business receives the bank statement on the 26<sup>th</sup> every month.

**REQUIRED:**

- 1.1 Complete the Cash Journals for February 2025.
- 1.2 Prepare the Bank Reconciliation Statement for February 2025.
- 1.3 Refer to **Information B**: identify the problem and provide a possible solution

**INFORMATION:**

- A.** Extract from the Bank Reconciliation Statement on 31 January 2025:

Deposit not yet credited	18 900
Outstanding EFT's:	
No 322	?
No 350	(8 750)
Balance as per Bank account	4 500
Balance as per Bank Statement	(5 600)

**Note:**

- The outstanding deposit of R18 900 and EFT no 350 for R8 750 appeared on the bank statement for February 2025.
- EFT no 322 was issued to Monde NGO as a donation. It was found that this EFT did not go through as the account number was incorrect. EFT no 322 must therefore be cancelled.

- B. Provisional totals from the Cash Journals on 28 February 2025:**

- Cash Receipts Journal, R62 330
- Cash Payments Journal, R83 472

- C. The following information on the February 2025 Bank Statement received from MSOS Bank did not appear in the February Cash Journals:**

- D. The following information appeared in the February 2025 Cash Journals but did not appear on the Bank Statement for February 2025:**

- A deposit of R 9 100 on 29 February 2024
- The following EFT's that were issued:
  - No 510 (dated 27 February 2028) for R4 325
  - No 521 (dated 28 February 2025) for R7 500

- E. Additional information:**

The Bookkeeper R4 210 from an ATM to pay his personal store account on 28 February 2025. He recorded this transaction in the business books.

- Debit balance of the bank statement on 29 February 2025 amounted \_\_\_\_\_ to R20 120.

## ACTIVITY A1

## CASH RECEIPTS JOURNAL OF CALAWAY TRADERS FOR FEBRUARY 2025 CRJ

Doc	Day	Details	Folio	Bank	Sundry accounts		
					Amounts	Folio	Details
	29	Total		62 330			

## CASH PAYMENTS JOURNAL OF CALAWAY TRADERS FOR FEBRUARY 2025 CPJ

Doc	Day	Details	Folio	Bank	Sundry accounts		
					Amounts	Folio	Details
	29	Total		83 472			

## 1.2

**Bank Reconciliation Statement on 28 February 2025.**

[illegible]

## INTERNAL CONTROL AND PROBLEM SOLVING

### 1.3

Refer to **Information B**: identify the problem and provide a possible solution.

**Problem (with a figure):**

**Possible solution:**



**ACTIVITY A2: CREDITORS RECONCILIATION AND INTERNAL CONTROL**

Mother Stores purchase their stock on credit from Handsford Suppliers

**REQUIRED:**

Phila, the bookkeeper of Mother T does not find it important to do a Creditors Reconciliation Statement because the Handsford Suppliers often send a correct monthly statement.

What would you say to him? State **ONE** point.

When Phila received a Statement from Handsford Supplier, he noticed that the outstanding balance on the Statement does not correspond with the balance on the Creditors 'Ledger of MotherT Stores.

Reconcile the Creditors 'Ledger account for February 2025, of Handsford Suppliers in the books of MotherT Stores with the statement of account received on the 26<sup>th</sup> of February 2025.

Write only the amounts in the appropriate column with a plus (+) or a minus (-) sign to indicate an increase or decrease in the balances.

Calculate the correct totals for the last day of February 2025.

**INFORMATION:**

- (I) Balance as per Statement received from Handsford Suppliers amounted to R13 250. The bookkeeper noted that the balance on the Creditors 'Ledger is R 5 890 more than that of a statement received from Handsford Suppliers.
- (II) EFT for R6 200 issued by MotherT stores has not yet been recorded in the statement received from Handsford Suppliers.
- (III) An invoice for R 4 390 received from Handsford Suppliers was erroneously recorded in the Creditors Ledger account of Handsome Suppliers.
- (IV) Handsford Suppliers recorded a credit note of R610 as an invoice of R6 100, Handsford Suppliers promised to correct this error on the March 2025 Statement.
- (V) EFT for R11 410 issued to Handsford Suppliers only appears on the Statement received from Handsford Suppliers but not in the Creditors Ledger.

**ACTIVITY A2****2.1.1 CREDITORS' RECONCILIATION AND INTERNAL CONTROL**

Phila, The bookkeeper of MotherT does not find it important to do a Creditors Reconciliation Statement because the Handsford Suppliers often send a correct monthly statement .  
What would you say to him? State **ONE** point.

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2.1.2

	Creditors' Ledger Account of Handsford suppliers In MotherT Traders books	Statement of Account from Handsford Suppliers
(i)		
(ii)		
(iii)		
(iv)		
(v)		

**ACTIVITY A3****BANK RECONCILIATION****REQUIRED:**

- 3.1 Calculate the correct totals for the Cash Receipts Journal and Cash Payments Journal for February 2025.
- 3.2 Calculate the correct Bank Account balance on 28 February 2025.
- 3.3 Prepare the Bank Reconciliation Statement as at 28 February 2025.

**INFORMATION**

Simangile, the bookkeeper from Sithole's Stores, compared the Bank Statement received from ABC Bank for February 2025, with the business's January 2025 Bank Reconciliation Statement and the Cash Journals for February 2025. The following differences were noted:

- A** The Bank Account in the General Ledger on 1 February 2025, prepared by Simangile, reflected a positive balance of R28 100.

- B** Before inspecting the February 2025 Bank Statement, the provisional totals in the February 2025 Cash Journals were as follows:

	R
Cash Receipts Journal	206 200
Cash Payments Journal	222 500

- C** EFT 921 for R5 875, appeared on the Bank Reconciliation Statement as outstanding for January 2025. This amount was correctly reflected on the February 2025 Bank Statement.
- D** Rent of R8 500, received on 28 February 2025, was recorded in the relevant Cash Journal from a proof of payment received from the tenant. This transaction did not appear on the Bank Statement, dated 25 February 2025. It is expected to appear on the March Bank Statement.
- E** An EFT for R8 300, received from Samantha Schoeman, a debtor, was correctly recorded in the Bank Statement for February 2025. This EFT was incorrectly recorded as R3 800 in the relevant Cash Journal.
- F** Miriam Moodley, a debtor, transferred an amount directly into the Bank Account of Sithole's Stores in settlement of her account of R2 750. Miriam received a 6% cash discount on this transaction, which appeared only on the February 2025 Bank Statement.
- G** A deposit of R4 190 received on 25 February, for cash received from sales, was incorrectly entered in the Cash Receipts Journal as R4 910. This transaction appeared correctly on the bank statement.
- H** A deposit for R12 500 (from a supplier for a cash refund), dated 23 February 2025, was not recorded in the respective Cash Journal. It was correctly recorded on the February Bank Statement.
- I** The annual insurance premium, in respect of the owner's personal life insurance, was paid via debit order, R1 260. This appeared on the February 2025 Bank Statement only.

- J** Bank charges of R885 and interest on a favourable bank balance of R95 appeared only in the February 2025 Bank Statement.
- K** A deposit for R9 720, dated 26 February 2025, was not reflected in the February 2025 Bank Statement. This amount appeared correctly in the Cash Receipts Journal for February.
- L** The payment for an online purchase from Takealot, for business supplies, R1 840, was omitted from the relevant Cash Journal. It was also incorrectly duplicated on the February 2025 Bank Statement. The bank has promised to correct this error in March 2025.
- M** The following EFT's, all dated 28 February 2025 were not reflected on the Bank Statement for February 2025. They were correctly recorded in the relevant Cash Journal.

	<b>R</b>
EFT 996	3 500
EFT 1 001	1 240

- N** The Bank Statement reflected a closing balance of R? on 28 February 2025.

## ACTIVITY A4

## BANK RECONCILIATION

### 3.1

[illegible]

**3.2 Calculate the correct Bank Account balance on 28 February 2025.**

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3.3 Prepare the Bank Reconciliation Statement as at 28 February 2025.

[illegible]

## ACTIVITY A4

## CREDITORS RECONCILIATION

The owner of The Chicken Shack, Henrietta Roo, requested your assistance in reconciling the Statement of Account, for January 2025, received from Percival's Produce with a balance of R17 453 with Percival's Produce account in the Creditor's Ledger of The Chicken Shack with a balance of R9 373.

**REQUIRED:**

4.1 Use the table provided in your answer book to reconcile the Statement received from Percival's Produce and the Percival's Produce account in the Creditor's Ledger of The Chicken Shack. For each figure use (+) for increase or (-) to indicate a decrease.

## INFORMATION

When comparing the Statement of Account received from Percival's Produce and the account of Percival's Produce in the Creditor's Ledger of The Chicken Shack for January 2025, the following differences were noted:

- A** A credit entry for R600 on 3 January 2025 in the account of Percival's Produce in the Creditor's Ledger is incorrect. This amount is owed to Percival Pretorius, an electrician and not to Percival's Produce.
- B** As per agreement between Henrietta Roo and Percival's Produce, The Chicken Shack is to receive a 10% cash discount on all payments made within 30 days. The bookkeeper of Percival's Produce neglected to process the cash discount of R363 for the payment made on 4 January 2025.
- C** A debit note for R1 870 on 11 January 2025, appearing in the account of Percival's Produce in the Creditors Ledger, is in respect of items returned to a different supplier, and not to Percival's Produce.
- D** As per debit note X265, dated 13 January 2025, stock valued at R297 was returned to Percival's Produce. This was correctly recorded in the Creditors Ledger, but an incorrect amount of R270 appeared on the Statement of Account received from Percival's Produce.
- E** An error was made when posting the entry of R5 200 on 15 January 2025, from the Creditors Journal of The Chicken Shack to the account of Percival's Produce in the Creditors Ledger. The amount of R5 720, that is shown on the Statement of Account received from Percival's Produce, is correct.
- F** Invoice 347 for R2 310, on the Statement from Percival's Produce was in respect on another customer, Henrietta's Home Goods.
- G** Invoice 2301 for R4 400, on 26 January, was erroneously posted to the account of Percival's Produce in the Creditors Ledger of The Chicken Shack. These items were purchased from a different supplier.
- H** The Chicken Shack neglected to record a credit purchase on 29 January 2025 in the Creditors Journal. Upon investigation, it was discovered that the amount reflected on the Statement of R4 560 is correct.
- I** A discount received of R310 was posted to the credit column in the Creditors Ledger in error.



**CREDITORS RECONCILIATION**

4.2.1

	Creditors Ledger of The Chicken Shack	Statement from Percival's Produce
<b>Incorrect Balance</b>	<b>9 373</b>	<b>17 453</b>
A		
B		
C		
D		
E		
F		
G		
H		
I		
J		

**ACTIVITY B1****FIXED TANGIBLE ASSET NOTE**

Myeni and Maseven is a Motor Spares. They sell car parts. Their financial year ends on 28 February each year.

**REQUIRED:**

- Fill in the missing amounts in the fixed tangible asset note of Nzimande and Sons on 28 February 2025. (Some figures have been entered to assist you).

**INFORMATION**

The General Ledger Account below show entries with regards to the purchase of equipment on 1 September 2020 and subsequent entries regarding it sale.

**General ledger of Myeni and Maseven**  
**Equipment**

2020 Sept	Bank	CPJ	90 000	2025 Nov	30	Asset Disposal	GJ	18
2021 Nov	Creditors Control	CJ	42 000	2025 Feb	28	Balance	C/J	14
2023 Dec	Bank	CPJ	30 000					
			<b>162 000</b>					<b>16</b>
2025 Mar	Balance		144 000					

### ADJUSTMENT AND ADDITIONAL INFORMATION

- The motor spare garage was extended at a cost of R320 000.
- Repairs to the existing yard were undertaken, R58 000.
- One of the welding machines was sold for cash, for a profit of R1000, on 30 November 2024.
- The accumulated depreciation on this equipment on the date of sale was R13 000.
- From the beginning of the financial year, the business has a small truck which is used for transporting raw material to the site.
- A second-hand car was purchased on 31 July 2024 for mobilizing service to customers.

ACTIVITY B1				
1.1	Fill in the missing amounts in the fixed tangible asset note			
		Land and Buildings	Equipment	Vehicles
	Carrying value at the beginning of the year			
	Cost price			
	Accumulated Depreciation	0	(78 996)	(89 250)
	Movements			47 500
	Additions at cost		0	80 000
	Disposal at carrying value	0		0
	Depreciation	0		
	Carrying value at the end of the year	1 600 000		
	Cost price	1 600 000		250 000
	Accumulated depreciation	0		

ACTIVITY B2		
MacandDon store is owned by Macathey and Donalds. They sell soccer boots and hats. The financial year ends on 28 February each year. The current financial year end on 28 February 2025.		
<b>Required</b>		
2.1	Calculate the depreciation on Equipment	
2.2	Calculate the carrying value of the vehicle disposed	
2.3	Prepare the Asset Disposal Account.	
2.4	The owner notices that the mileage on the one of the vehicle is too high. He therefore concluded that driver might be misusing the vehicles. Suggest TWO internal controls measures that can be implemented to safeguard the business against the misuse of vehicles.	
<b>Information</b>		
A	<ul style="list-style-type: none"> <li>• No land and buildings was bought during the year.</li> </ul>	
	<ul style="list-style-type: none"> <li>• New equipment was purchased on 1 June 2024. No equipment was sold during the year.</li> </ul>	
	<ul style="list-style-type: none"> <li>• A delivery van was sold for R150 000 cash on 31 December 2024.</li> </ul>	
	<ul style="list-style-type: none"> <li>• Depreciation is calculated as follows:               <ul style="list-style-type: none"> <li>➢ Vehicles 15% p.a on cost.</li> <li>➢ Equipment 10% p.a on diminishing balance method.</li> </ul> </li> </ul>	

B	Fixed asset Note	Land and buildings	Equipment	Vehicles	
	Carrying value at the end	4 650 000	330 000	200 000	
	Cost price		500 000	780 000	
	Accumulated depreciation		170 000	580 000	
	Movements				
	Additions at cost	650 000	100 000	140 000	
	Disposal at carrying value	0		?	
	Depreciation		?		
	Carrying value at the end	3 000 000			
	Cost price	3 000 000	590 000	440 000	
	Accumulated depreciation	0			
C	<b>Details extracted from the asset register for the vehicle sold:</b>				
	Cost price			?	
	Accumulated depreciation on 1 march 2024			R215 000	

**ACTIVITY B2**

2.1.1	Calculate depreciation on equipment:	Answer								
2.1.2	Calculate the carrying value of the vehicle sold:	Answer								
2.1.3	<b>ASSET DISPOSAL</b>									

**ACTIVITY B3**

The following information relates to Inkomazi Stores owned by Zipho and Zola. Their financial year ends on 31 December 2024.

Required

3.1 Complete the fixed asset register for the Vehicle sold on 31 August 2024

3.2 What is the purpose of keeping the fixed asset register

	<b>Fixed asset register</b>			
	Item : Delivery Vehicle Date purchased : 01 July 2022 Cost price : R350 000 Purchased from : Hiway Motors Depreciation : 20% p.a on diminishing balance method			
	Date	Depreciation	Accumulated depreciation	Carrying value
	31 December 2022			
	31 December 2023			
	31 August 2024			

### ACTIVITY B3

3.1.1	<b>Fixed asset register</b>			
	Item : Delivery Vehicle			
	Date purchased : 01 July 2022			
	Cost price : R350 000			
	Purchased from : Hiway Motors			
	Depreciation : 20% p.a on diminishing balance method			
3.1.2	Date	Depreciation	Accumulated depreciation	Carrying value
	31 December 2022			
	31 December 2023			
	31 August 2024			

## ACTIVITY B4

### Fixed asset ledger accounts

You are provided with the following information from the records of TripleC Stores owned by twin brothers Zitha and Zola. The financial year end on 28 February 2025.

**Required:**

- |           |  |  |
|-----------|--|--|
| 4.1.<br>1 | Calculate the depreciation on vehicles on 28 February 2025.  |  |
| 4.1.<br>2 | Complete the following ledger accounts by filling the missing information. Show workings in brackets in your answer sheet where calculations are required. |  |
| 4.1.<br>3 | Explain four possible reasons why partners would dispose an asset.   |  |

## Information

A	<b>Balances on 28 February 2025</b>									
	Cost price							600 000		
	Accumulated depreciation on							350 000		
	Carrying value							?		
B	A new vehicle was bought on 30 August 2024 for R350 000 cash. On 1 June 2024 an old vehicle bought on 01 January 2022, with an original cost price of R150 000, was traded in at a profit of R4200 against a new vehicle bought on credit for R230 000 on the same date. These transactions were not recorded in books of the business.									
C	Depreciation on vehicles is calculated at 10% on cost.									
D	<b>Vehicles</b>									
	Feb 2025	28	Balance	b/d	600 000	Jun 2024	01	E		F
			A		C					
			B		D			Balance	c/d	G
					1 180 000					1 180 000
			Balance	b/d	G					

Accumulated depreciation on vehicles										
Jun 2024	01	M	b/d	N	Mar 2024	01	Balance	b/d	H	
Feb 2025		Balance	c/d	O	Jun 2024	01	I		J	
					Feb 2025	28	K		L	
				478 500					478 500	
							Balance	b/d	O	

Activity B4		
4.1.1	<div>New:</div> <div>Sold:</div> <div>Old:</div>	
4.1.2	A	
	B	
	C	
	D	
	E	
	F	
	G	
	H	
	I	
	J	
	K	
	L	
	M	
	N	
	O	

<b>4.1.3</b>	<b>Possible reasons for disposal:</b>

**ACTIVITY B5****PROBLEM SOLVING**

Sipho and Sipiwe own three Meter Taxis. They are concerned about the profit made at the end of each month.

**Required**

- 5.1 Identify one major problem related to each meter taxi. Quote figures and provide solutions to the problem identified.

**Information:**

**Information from the records of the business for 28 February 2025, the financial year end.**

	<b>Meter taxi 001A</b>	<b>Meter taxi 002B</b>	<b>Meter taxi 003C</b>
Date purchased	1 July 2010	1 August 2022	1 May 2024
Cost of vehicle	281 400	552 000	864 000
Accumulated depreciation	281 399	469 200	201 600
Total revenue from meter taxi fare	2 925 000	1 440 000	961 800
Kilometres travelled	195 000	98 000	64 060
Fare per kilometre	R45	R45	R45
Fuel and repair costs	1 686 750	60 760	185 948
Fuel and repair cost per kilometre	R10.50	R6.20	R4.50

**ACTIVITY B5**

<b>PROBLEM WITH FIGURES</b>	<b>SOLUTION</b>
<b>Meter taxi 001A</b>	
<b>Meter taxi 002B</b>	
<b>Meter taxi 003C</b>	

**STATEMENT OF COMPREHENSIVE INCOME****ACTIVITY C1**

The following information relates to **Collaborative Spirits Traders**. Their financial year ends on 30 June 2025 with Partners G Gregory and Q Nkosi

**REQUIRED:**

Prepare the Statement of Comprehensive Income for the year ended 30 June 2025

**A. INFORMATION**

List of the balances and totals of Collaborative Spirits Traders year ended 30 June 2025

	<b>R</b>
Trading stock	371 000
Equipment	118 000
Vehicles	450 000
Debtor's control	88 480
Fixed deposit: Capitec Bank	120 000
Provision for bad debts (1 July 2024)	4 444
Loan: Discovery Bank	?
Sales	1 696 080
Cost of sales	998 000
Salaries and wages	156 000
Insurance	56 400
Telephone	18 000
Rent income	95 600
Packing materials	21 450
Bad debts recovered	640
Employer's contributions	54 000
Bad debts	3 450
Bank charges	5 800
Discount allowed	1 200
Interest on fixed deposit	?
Sundry expenses	34 000

**Adjustments and additional information:**

1. A credit notes for goods costing R2 800, issued to a debtor was not recorded. Goods were sold at a mark-up of 60% on cost. Goods were placed back on the shelves.

A fire occurred in the storeroom and destroyed goods costing R18 000. The insurance company agreed to pay 85% of the total claim. No entries have been made.

2. The stock count at the year-end revealed the following
  - Trading stock R358 000
  - Packing Material R4 000
3. A debtor A. Hlomuka was declared insolvent. Her estate paid R480, which represented 30 cents in the rand from the insolvent estate which was properly recorded. The balance must still be written off as irrecoverable.
4. Provision for bad debts must be calculated at 5% of good book debtors.
5. Included in the amount for insurance is R4 800 paid for the second and third quarters of 2025.
6. Rent was received until 31 August 2025. The monthly rent was increased by 8% on 1 April 2025.
7. 20% of the telephone account was still outstanding.
8. The salary of an employee, Mr. Nene, was omitted from the June 2025 salaries journal. His salary details are as follows: Net Salary R7 800, Total Deductions is R1 200 and UIF contribution is 1% of the gross salary
9. The following information appeared in the bank statement received from Capitec Bank;
  - Internet Banking Fees, R420
  - Service fees, 880
10. The following loan statement was received from Discovery Bank:

Balance on 1 July 2024	R280 000
Monthly repayments made during the year	R4 500
Interest capitalized	?
Balance on 30 June 2025	R249 800

11. Provide for depreciation of R17 250.
12. The following financial indicator was calculated at the end of the financial year. After the above adjustments were recorded: Percentage of Net Profit on sale 22%



**Statement of Comprehensive Income for the year ended 30 June 2025**

<b>Sales (1 696 080</b>	
<b>Cost of sales (998 000</b>	
<b>Gross profit</b>	
<b>Other income</b>	
<b>Bad debts recovered</b>	<b>640</b>
<b>Gross operating income</b>	
<b>Operating expenses</b>	
<b>Discount allowed</b>	<b>1 200</b>
<b>Sundry expenses</b>	<b>34 000</b>
<b>Operating profit</b>	<b>375 490</b>
<b>Profit before interest expense</b>	
<b>Net profit for the year</b>	

<b>ACTICITY C2</b>											
<b>1.1 UNIFIED VISIONS</b>											
The following information was taken from the books of Unified Visions on 29 February 2025. The business uses a mark-up of 80% on cost.											
1.1.1	Prepare the Income Statement (Statement of Comprehensive Income) of Unified Visions for the year ending 29 February 2025.										
1.1.2	Prepare Trade and other Receivable note to the financial Position										
1.1.3	<b>Refer to information B(viii)</b> Provide <b>TWO</b> possible reasons why the rent income decreased.										
<b>II INFORMATION</b>											
<b>A</b>	<b>EXTRACT FROM THE PRE-ADJUSTMENT TRIAL BALANCE ON 29 FEBRUARY 2025</b>										
<b>B</b>	<b>ADJUSTMENTS AND ADDITIONAL INFORMATION</b>										
(i)	Goods with the cost price of R9 200 were sold on credit to N. Ntshingila. No entry has been made										
(ii)	On 29 February 2025 the physical stock count revealed the following: <ul style="list-style-type: none"> <li>Trading stock R196 450</li> <li>Packing Material used R7 900</li> </ul>										
(ii)	A debtor, S. Zwane, whose account was previously written off, paid R800. The bookkeeper incorrectly credited the amount to the bad debts account.										
(iv)	Provision for bad debts must be decreased by R5 000.										
(v)	One employee is omitted in the Salaries Journal for February 2025 <table border="1"> <thead> <tr> <th>Gross salary</th><th>Deductions</th><th>Net salary</th><th>UIF Contribution</th></tr> </thead> <tbody> <tr> <td>?</td><td>R560 (7%)</td><td>?</td><td>R160 (2%)</td></tr> </tbody> </table>			Gross salary	Deductions	Net salary	UIF Contribution	?	R560 (7%)	?	R160 (2%)
Gross salary	Deductions	Net salary	UIF Contribution								
?	R560 (7%)	?	R160 (2%)								
	<b>Note:</b> UIF contributions includes contributions made by the owner. All contributions form part of salaries										
(vi)	Insurance includes an annual policy for R57 840 taken out on 1 June 2024										
(vii)	The loan statement received from Bidvest Bank reflected a closing balance of R630 800										
(viii)	Rent income has been received for the period 1 March 2024 to 31 December 2024 <b>NOTE:</b> Rent decreased by R400 per month as from 1 November 2024.										
(ix)	The bank statement revealed the following items that have not been recorded in the relevant cash journals <ul style="list-style-type: none"> <li>Transactions fees R340; EFT charges R210</li> </ul>										

1.1.1

STATEMENT OF COMPREHENSIVE INCOME OF **UNIFIED VISION**

<b>Sales</b>	
<b>Cost of sales</b>	
<b>Gross profit</b>	
<b>Other income</b>	
<b>Gross operating income</b>	
<b>Operating expenses</b>	
<b>Sundry Expenses</b>	<b>86 700</b>
<b>Telephone</b>	<b>23 600</b>
<b>Operating profit</b>	
<b>Profit before interest expense</b>	
<b>Net profit for the year</b>	<b>210 090</b>

1.1.2

Trade and other Receivables Debtors control	
Provision for B/D	
Net Trade debtors	
Prepaid expense	

1.1.3

Give Two possible reasons Why rent income Decreased

### ACTIVITY C3

#### ME&U TRADERS

1.1

The information relates to ME&U Traders, with partners Kabza and Maphorisa

#### REQUIRED:

1.1.1

Prepare the Statement of Comprehensive Income for the year ended, 29 February 2025

1.1.2

Prepare Tangible assets note

**INFORMATION****Extract: Pre-adjustment Trial Balance on 29 February 2025**

<b>Balance Sheet Accounts Section</b>	
Land and Buildings	400 000
Vehicles	300 000
Equipment	80 000
Accumulated depreciation on Vehicles (01/03/2024)	76 000
Accumulated depreciation on Equipment (01/03/2024)	20 000
Trading stock	820 000
Debtor's control	70 000
Provision for bad debts	1 500
<b>Nominal accounts section</b>	
Sales	1 032 000
Cost of sales	427 000
Debtor's allowance	32 000
Interest on fixed deposit	?
Rent income	54 000
Commission income	5% of Net sales
Bad debts	5 000
Insurance	30 000
Salaries and wages	350 000
Bad debts recovered	2 500
Packaging material	4 200
Bank charges	1 800
Sundry expenses	32 300
Stationery	5 500
Donations	1 100
UIF contributions	1 500
Medical aid contribution	2 300

**Adjustments and additional information:**

<b>A</b>	Packaging material to the value of R500 was purchased on 21 August 2024, but mistakenly transferred to the stationery account.														
<b>B</b>	Included in the insurance amount is an annual premium of R2 400 paid for the period 1 January 2025 to 31 December 2025.														
<b>C</b>	<p>The following were on hand at the end of the year, according to a physical stocktaking.</p> <ul style="list-style-type: none"> <li>• Trading stock, R815 000</li> <li>• Packaging material, R300</li> </ul>														
<b>D</b>	Provision for bad debts must be reduced by R300.														
<b>E</b>	<p>The rent income for February is still outstanding.</p> <p><b>NOTE:</b> The rent decrease with 10% on 1 December 2024.</p>														
<b>F</b>	The water and electricity (sundry expenses) for February 2025 has been received but not yet paid, R 5000.														
<b>G</b>	<p>Entries according to the bank statement of February 2025 have not yet been recorded in the books of the business:</p> <ul style="list-style-type: none"> <li>• Bank charges, R250</li> <li>• Debit order for the monthly donation, R900</li> </ul>														
<b>H</b>	<p>The following information appears on the loan statement:</p> <table border="1"> <tr> <td>Balance on 1 March 2024</td><td>55 500</td></tr> <tr> <td>Interest capitalised</td><td>?</td></tr> <tr> <td>Repayments during the financial year</td><td>10 000</td></tr> <tr> <td>Balance on 29 February 2025</td><td>51 000</td></tr> </table>	Balance on 1 March 2024	55 500	Interest capitalised	?	Repayments during the financial year	10 000	Balance on 29 February 2025	51 000						
Balance on 1 March 2024	55 500														
Interest capitalised	?														
Repayments during the financial year	10 000														
Balance on 29 February 2025	51 000														
<b>I</b>	<p>The following information is taken from the Salary Journal for February 2025, it has not yet been recorded in the books of the business:</p> <table border="1"> <tr> <td>Net salary</td><td>21 600</td></tr> <tr> <td>Medical aid deductions</td><td>1 300</td></tr> <tr> <td>Pension fund deduction</td><td>800</td></tr> <tr> <td>PAYE deduction</td><td>6 000</td></tr> <tr> <td>UIF deduction</td><td>300</td></tr> <tr> <td>Medical aid contribution</td><td>2 600</td></tr> <tr> <td>UIF contribution</td><td>500</td></tr> </table>	Net salary	21 600	Medical aid deductions	1 300	Pension fund deduction	800	PAYE deduction	6 000	UIF deduction	300	Medical aid contribution	2 600	UIF contribution	500
Net salary	21 600														
Medical aid deductions	1 300														
Pension fund deduction	800														
PAYE deduction	6 000														
UIF deduction	300														
Medical aid contribution	2 600														
UIF contribution	500														

J

During June 2024 the Partners made some extensions to the building at a total cost of R150 000.

- After heavy rain damaged some parts of the building, the partners spent R40 000 to repair the storage room.
- On 31 August 2024, the business traded an old vehicle that costed R100 000 in at Walkot dealers, for R55 000.
- The vehicle that was exchanged was purchased on 1 March 2022.
- The vehicle traded in has an accumulated depreciation of R36 000 on 1 March 2024.
- The cost of the new vehicle purchased on 31 August 2024 was R150 000.
- Depreciation on vehicles is calculated at 20% per annum on the diminishing balance method.
- ME & U Traders bought two new laptops on 30 November 2024 at a cost of R6 000 each.
- Depreciation on equipment is calculated at 10% per year on the cost price.

1.1.1

**ME&U TRADERS: STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 29 FEBRUARY 2025**

<b>Sales (1032 000</b>	
<b>Cost of sales</b>	
<b>Gross profit</b>	
<b>Other income</b>	
<b>Rent income (54 000</b>	
<b>Gross operating income</b>	
<b>Operating expenses</b>	
<b>Bad bets</b>	<b>5 000</b>
<b>Salaries and Wages (350 000</b>	
<b>Insurance (30 000</b>	
<b>Packing Material (4 200</b>	
<b>Operating profit</b>	
<b>Profit before interest expense</b>	
<b>Net profit for the year</b>	<b>180 000</b>

1.1.2	<b>Tangible Assets</b>	<b>Land and</b>		
		<b>Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>
	<b>Carrying value</b>	<b>400 000</b>	<b>224 000</b>	<b>60 000</b>
	Cost price	<b>400 000</b>	<b>300 000</b>	<b>80 000</b>
	Accumulated Depreciation		<b>(76 000)</b>	<b>(20 000)</b>
	<b>Movement</b>			
	Additions at Cost			
	Disposals at carrying value			
	Depreciation			
	<b>Carrying value</b>			
	Cost price			
	Accumulated Depreciation			

ACTIVITY C4			
The following information relates to Mphazima Stores. The financial year ended on 30 June 2025. The business uses the perpetual (continuous) system.			
REQUIRED:			
1.1.1	Refer to <b>Information B</b> . Use the table provided to calculate the correct net profit after tax for the year ended 30 June 2025. Indicate '+' for increase and '-' for decrease.		
1.1.2	Prepare Trade and other Payables note on 30 June 2025		
1.1.3	Prepare the Current account note on 30 June 2025.		
A	extract from list of balances / totals on 30 June 2025		
	Capital: Qiniso	2 400 000	
	Capital: Mpume	2 800 000	
	Current Account: Qiniso (1 July 2024)	140 000 CR	
	Current Account: Mpume (1 July 2024)	4 000 DR	
	Drawings: Qiniso	265 000	
	Drawings: Mpume	230 000	
	Trading Stock	406 400	
	Debtors Control	632 000	
	Provision for bad debts (1 July 2024)	22 800	
	SA Medical Aid Fund	14 200	
	Creditors Control	462 000	
B	Net profit of <b>R4 987 200</b> was determined BEFORE considering / correcting the following information:		
(1)	Trading stock on 30 June 2025 was valued at R383 800.		
(ii)	Provision for bad debts must be adjusted to R18 000		
(ii)	Rent income: Rent of R74 000 was received from a tenant for the period July 2024 to 31 August 2025. This has been recorded. This amount takes into account a reduction of R750 per month from 1 May 2025. The year-end adjustment has not yet been made.		
(vi)	An annual insurance premium of R12 000 was paid for the period 01 November 2024 to 31 October 2025.		

(v)	The Partners discovered that the profit on disposal of a vehicle, R13 600, was incorrectly shown as a loss.		
(vi)	R4 400 is still outstanding to Ilanga newspaper for advertising		
C	Share of profits and capital contributions		
	<ul style="list-style-type: none"><li>Both partners are entitled to a salary of R35 000 per month</li></ul>		
	<ul style="list-style-type: none"><li>Qiniso is entitled to a production bonus of R12 000 for his additional management role in the partnership.</li></ul>		
	<ul style="list-style-type: none"><li>On 1 October 2024, Qiniso increased his capital by contributing a vehicle to the partnership, R60 000. this has already been correctly recorded</li></ul>		
	<ul style="list-style-type: none"><li>On 30 June 2025, Mpume decreased her capital by R20 000. This has not yet been taken into account.</li></ul>		
	<ul style="list-style-type: none"><li>Partners share the remaining profits/losses in the ration 3:2</li></ul>		
	INCORRECT NET PROFIT		
	TRADE AND OTHER PAYABLES		

CURRENT ACCOUNT	Qiniso	Mpume
Profit as per statement of comprehensive income		
Salaries		
Interest on Capital		
Bonus		
	654 800	612 000
Final Distribution of Profit		
Remaining Profit for the year		
Retained income at the beginning of the year		
Retained income at the end of the year		

**TERM 2 BASELINE ASSESSMENT: PARTNERSHIPS (20 MARKS; 15 MINUTES)**

1. Match the term / concept in Column A with the best explanation in Column B. Write only the answer (A to next to the question number. For example, 1.6 D

Column A		Column B	
1.1	Matching Principle	A	Small amounts that have no real relevance do not need to be disclosed separately in a business's financial records. Only information that is important enough to influence decisions should be recorded.
1.2	Primary Distribution	B	This refers to a set of accounting rules and standards that determine how accounting transactions should be reported in a business's financial records.
1.3	IFRS	C	A section contained in the partnership agreement that states the way in which the businesses final profit at the end of the financial year is to be shared between the partners.
1.4	Materiality Concept	D	The share of the net profit in a partnership according the partnership agreement.
1.5	Profit Sharing Ratio	E	This occurs when the amount due to the partners, as per the partnership agreement, for salaries, interest on capital and bonuses are calculated and recorded at the end of the financial year.
		F	Income and expenses must be recorded in the financial year in which they incurred. Therefore, costs that still need to be paid for at the end of a financial year need to be recorded in the financial year in which the cost was incurred.

2. The following information was extracted from the records of TOBA Traders, which is owned by partners T Teds and B Baya, on 28 February 2025, the financial year-end.

**REQUIRED:**

Analyse the transactions according to the following headings:

Account Debited	Account Credited	Amount
-----------------	------------------	--------

- 2.1 On 28 February 2025, the amount owed by debtors to TOBA Traders was R98 700. A provision for bad debts of 5% of must be created.
- 2.2 Insurance includes as annual premium of R5 400 paid in advance until 31 June 2025.
- 2.3 Interest on capital of R? is due to T Teds at the end of the financial year. His capital contribution was R180 000 on 1 March 2024, but was increased by R50 000 on 31 July 2024. Interest is calculated at 12% per annum.
- 2.4 B Baya's salary of R30 000 per month must be recorded in the business's financial records at the financial year end.
- 2.5 After all necessary financial entries have been made at the end of the financial year, Teds share of the net profit was calculated at R89 700.

**ACTIVITY D1**

The information provided below has been extracted from the financial statements of ST Stores, with owners Sally and Thandi, for the year ended 28 February 2025.

**REQUIRED:**

- 1.1 Calculate and comment on the percentage markup achieved by ST Stores for the 2024 financial year.
- 1.2 Calculate the amount for cash and cash equivalents, that was recorded in the Statement of Comprehensive Income, for the year ended 2024 for Cash and Cash Equivalents
- 1.3 Calculate the following, in days, for the year ended 28 February 2025:
  - 1.3.1 Average stock holding period
  - 1.3.2 Debtors' average collection period
- 1.4 Comment on the amount of stock held by this business. Quote **THREE** ratio's, with trends to substantiate your answer.
- 1.5 Is ST Stores adequately managing its collection from Debtors and payments to Creditors? Quote relevant ratios and trends to support your answer.
- 1.6 Complete a calculation, and comment on the businesses risk is as at 28 February 2025.
- 1.7 Calculate the percentage return on average equity earned by ST Stores for the financial year ended 28 February 2025. With reference to this calculation, is ST Stores positively or negatively geared. Provide a reason for your answer.

**INFORMATION:****A Extract from the Statement of Comprehensive Income for the year ended**

	28 February 2025
Sales	2 400 000
Cost of Sales	1 600 000
Interest on mortgage loan	68 000

**B Extract from the Statement of Financial Position for the year ended**

	28 February 2025	29 February 2024
Trading Stock	416 000	400 000
Trade Debtors	210 000	250 000
Bank	?	
Trade Creditors	160 000	
Mortgage Loan (13% p.a)	500 000	

**C Capital note to the Statement of Financial Position for the year ended****28 February 2025.**

	Sally	Thandi	Total
Capital on 1 March 2024	200 000	320 000	520 000
Additional capital contributed on 30 November 2024	40 000	0	40 000
Withdrawal of capital on 28 February 2025		(10 000)	(10 000)
Capital on 28 February 2025	240 000	310 000	550 000

**D Extract from the Current Account note to the Statement of Financial Position for the year ended 28****February 2025.**

	Sally	Thandi	Total
Profit per Income Statement			180 750
Retained Income at the beginning of the year	105 000	35 000	135 000
Retained Income at the end of the year	85 000	94 750	179 750

**E Information relating to sales and purchases.**

- A markup of 60% on cost if applied to all items sold.
- Cash sales only amount to 30% of the total sales made during the year ended 28 February 2025.

**F Financial indicators for the year ended**

	28 February 2025	29 February 2024
% Gross profit on cost of sales	?	46%
Current Ratio	4.2: 1	3.8: 1
Acid test Ratio	1.6: 1	2: 1
Average stock holding period	?	80 days
Debtors' average collection period	?	35.6 days
Creditors average payments period	28 days	30 days
Debt Equity ratio	?	0.6: 1
% Return on average equity	?	24.6%

- 1.1 Calculate and comment on the percentage markup achieved by ST Stores for the 2025 financial year.

<b>Calculation</b>
<b>Comment</b>

- 1.2 Calculate the amount for cash and cash equivalents, that was recorded in the Statement of Comprehensive Income, for the year ended 28 February 2025 for Cash and Cash Equivalents

--

- 1.3 Calculate the following, in days, for the year ended 28 February 2025:

1.3.1 Average stock holding period

--

1.3.2 Debtors' average collection period

--

- 1.4 Comment on the amount of stock held by this business. Quote **THREE** ratio's, with trends to substantiate your answer.

--

- 1.5 Is ST Stores adequately managing its collection from Debtors and payments to Creditors? Quote relevant ratios and trends to support your answer.

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- 1.6 Complete a calculation, and comment on the businesses risk as at 28 February 2025.

<b>Calculation:</b>
<b>Comment:</b>

- 1.7 Calculate the percentage return on average equity earned by ST Stores for the financial year ended 28 February 2025. With reference to this calculation, is ST Stores positively or negatively geared. Provide a reason for your answer.

<b>Calculation</b>
<b>Comment</b>

**ACTIVITY D2****2.1 MACKSONS TRADERS**

The information relates to MACKSONS TRADERS, owned by partners Sandile Shezi and Mavis Smith for the financial year ended 28 February 2025.

**REQUIRED**

- 2.1.1 Prepare the following **Notes to the Statement of Financial Position**:
- 2.1.1.1 Current accounts of both partners (**no total column required**)
- 2.1.1.2 Trade and other payables
- 2.1.2 Complete the **Statement of Financial Position** as at 28 February 2025.

**INFORMATION****A****Extract from the Pre-Adjustment Trial Balance on 28 February 2025:**

Capital: Shezi	500 000
Capital: Smith	300 000
Current account: Gold (01 March 2024)	(Cr.) 33 000
Current account: Brown (01 March 2024)	(Dr.) 15 400
Drawings: Shezi	12 000
Drawings: Smith	10 000
Fixed/Tangible assets at carrying value	?
Fixed deposit: Siza Bank (6% p.a.)	225 000
Trading stock	146 900
Consumable stores on hand	3 870
Trade debtors	7 300
Trade creditors	65 000
Accrued Income / Income receivable	10 490
Accrued expenses / Expenses payable	3 100
Prepaid expenses	2 100
Income received in advance	8 250
Bank	(Cr.) 27 710
Cash float	3 500
Petty Cash	1 500
Loan: Town Bank (15% p.a.)	480 000
Creditors for salaries	45 000
SARS (PAYE)	22 500

**B. Additional information**

- R75 000 of the fixed deposit will mature on 30 June 2025
- R60 000 of the capital portion of the loan will be paid during the next financial year.
- Smith took trading stock for personal use. The selling price on the goods reflected R6 900. The mark-up is 50% on cost. No entry was made in respect of this transaction.
- Smith increased her capital by R80 000 on 01 September 2024. This transaction was properly recorded
- Partnership agreement provides the following:

- Shezi receives a salary of R11 000 per month and an annual bonus of R12 000.
  - Smith's annual salary is R108 000.
  - Partners are entitled to 10% interest on their capital investment.
  - Remaining profit and losses are to be shared between Shezi and Smith in the ratio 3:2 respectively.
6. Net Profit for the year after the above adjustments had been processed was R400 000.

### 2.1.1. CURRENT ACCOUNTS

	SHEZI	SMITH
Salaries		108 000
Primary Division		
Final distribution of remaining profit		
Drawings	(12 000)	
Retained income for the year		
Balance (01 March 2024)	33 000	
Balance (28 February 2025)		

### 2.1.1 TRADE AND OTHER PAYABLES


### 2.1.2 STATEMENT OF FINANCIAL POSITION AT 28 FEBRUARY 2025

ASSETS	
NON-CURRENT ASSETS	

<b>CURRENT ASSETS</b>	
<b>Inventory (146 900</b>	
<b>Total assets</b>	
<b>EQUITY AND LIABILITIES</b>	
<b>OWNERS' EQUITY</b>	
<b>NON-CURRENT LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
<b>Total equity and liabilities</b>	

**ACTIVITY D3**

The following information was taken from the books of Estcourt Traders. The business is owned by partners Themba Mthembu and Vusi Msibi.

**REQUIRED:**

- 3.1 Complete the **NOTES to the financial statements** for the year ended 28 February 2025:
  - 3.1.1 Fixed Assets (Vehicle's column only)
  - 3.1.2 Trade and other receivables
- 3.2 Complete the **ASSETS SECTION** of Statement of Financial Position of Estcourt Traders on 28 February 2025. Where notes are NOT required, show calculations in brackets.
- 3.3 Study the figures given for Equipment in the Fixed Assets Note in the ANSWER BOOK.  
Explain the reason for the carrying value of R1 on 1 March 2024.
- 3.4 Themba wants to sell the old equipment as it is no longer needed. Vusi has suggested donating the old equipment to a local charity. Give ONE reason why you would support Vusi's suggestion.

**INFORMATION:****A. BALANCES ON 1 MARCH 2024:**

Vehicles	R 580 000
Equipment	80 000
Accumulated depreciation on vehicles	224 000
Accumulated depreciation on equipment	79 999

**B. BALANCES ON 28 FEBRUARY 2025:**

Fixed deposit: Ladysmith Bank (9% p.a.)	200 000
Trading stock	155 400
Debtors' control	78 000
Provision for bad debts	3 500
Bank (Cr)	14 000
Cash float	5 000
Income received in advance	4 500
Accrued expenses / Expenses payable	1 800
Prepaid expenses	3 400

**C. ADDITIONAL INFORMATION:**

- A vehicle was sold for cash on 28 February 2025 and was properly recorded:
  - Cost price, R150 000
  - Accumulated depreciation on the date of sale (28 February 2025) amounted to R41 625
  - Selling price, R90 000
  - Vehicles are depreciated at 15% on the diminished balance. Total depreciation on vehicles for the year amounted to R53 400.
  - Equipment is depreciated at 20% on cost.
- The statement received from Ladysmith Bank showed interest received for February 2025 that has not yet been recorded by Estcourt Traders. Interest is capitalized. R80 000 of the fixed deposit will mature on 30 November 2024.
- A physical stock count revealed the following stock on hand on 28 February 2025:
  - Trading stock R155 400
  - Packing material R3 600

**Note:**

On 28 February 2025, the day after the physical stocktaking, trading stock with a cost price of R50 000 was stolen during a robbery. The insurance company agreed to pay out 80% of the claim during March 2025.

- The provision for bad debts must be adjusted to 5% of debtors.

3.1.2 TRADE AND OTHER RECEIVABLES	

3.1.1 FIXED ASSETS	Vehicles	Equipment
<b>Carrying value - beginning of year</b>	<b>356 000</b>	<b>1</b>
Cost price at beginning of the year	<b>580 000</b>	<b>80 000</b>
Accumulated depreciation	<b>(224 000)</b>	<b>(79 999)</b>
<b>Movements</b>		<b>160 000</b>
Additions at cost		<b>200 000</b>
Disposals at carrying value		<b>0</b>
Depreciation for the year		<b>(40 000)</b>
<b>CARRYING VALUE - END OF YEAR</b>		<b>160 001</b>
Cost price at end of the year		<b>280 000</b>
Accumulated depreciation		<b>(119 999)</b>

ESTCOURT TRADERS		
3.2 STATEMENT of FINANCIAL POSITION ON 28 FEBRUARY 2025		
ASSETS		
<b>Fixed assets</b> (Includes Land & Buildings)		<b>880 000</b>
<b>Current assets</b>		
<b>TOTAL ASSETS</b>		

3.3

Explain the reason for the carrying value of R1 on 1 March 2024.  
*Any ONE point*

3.4

Give ONE reason why you would support Vusi's suggestion.

**ACTIVITY D4**

You are provided with information relating to Mooi River Fashion Shop, a clothing store owned by Mr. Mlaba and Mrs. Mabaso on 31 July 2025. **REQUIRED:**

- 4.1 Calculate the following financial indicators on 31 July 2025.
  - 4.1.1 Operating expenses on turnover
  - 4.1.2 Acid test ratio
  - 4.1.3 % Return on average owners' equity
  - 4.1.4 Stock turnover rate
- 4.2 Comment on the liquidity position for 2025. Quote **THREE** relevant financial indicators (Actual ratios or figures) to support your answer.
- 4.3 The owners are not satisfied with the rate at which the stock is being sold. Explain why they feel this way by quoting a relevant financial indicator to support your explanation.
- 4.4 Discuss **THREE** reasons why a business should not have too much stock.
- 4.5 Will the owners of this business be satisfied with the return on equity? Explain by quoting a financial indicator to support your opinion.

**INFORMATION**

<b>A. Extract from the Post Closing Trial Balance</b>	<b>2025</b>	<b>2024</b>
Capital: Mr. Mlaba	900 000	1 050 000
Capital: Mrs. Mabaso	540 000	540 000
Current account: Mr. Mlaba	138 150	108 000
Current account: Mrs. Mabaso	(36 000)	(17 100)
Trading stock	480 000	450 000
Debtors' control	126 000	90 000
Bank	-	108 000
Creditor's control	216 000	171 000
Bank overdraft	360 000	-

<b>B. Extract from Statement of Comprehensive Income</b>	<b>2025</b>	<b>2024</b>
Sales	2 700 000	2 430 000
Cost of sales	1 080 000	1 080 000
Gross profit	1 620 000	1 350 000
Operating expenses	972 000	720 000
Net profit	648 000	630 000

<b>C. Financial indicators</b>	<b>2025</b>	<b>2024</b>
Net profit on sales	24%	25,9%
Operating expenses on turnover	?	29,6%
Current ratio	1,1 : 1	3,4 : 1
Acid test ratio	?	1,2 : 1
Stock turnover rate	?	3,9 times
Debtors' collection period	48,7 days	40 days
% Return on average owners' equity	?	44%

**Use your own writing material as answer book for Activity D4.**

### ACTIVITY D5 ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

The information relates to MAKHA Electronics, owned by partners Mandla and Khanyo. Their financial year ends annually on 28 February.

#### REQUIRED:

Study the information and answer the questions which follow. In support of your answers, you have to quote figures and/or the actual financial indicator(s) (ratios/percentages) where appropriate.

#### INFORMATION

Extracts from the ledger on 28 February 2025.

CAPITAL: KHANYO							
				2025 Mar. 1	Balance	b/d	900 000
				Aug.31	Bank		800 000
							<b>1 700 000</b>

CURRENT ACCOUNT: KHANYO							
2025 Feb. 28	Drawings: Khanyo		77 000	2025 Mar 1	Balance	b/d	40 000
	Balance	c/d	90 000	2025 Feb.28	Salary: Khanyo		70 000
					Interest on Capital		48 000
					Appropriation acc		9 000
			<b>167 000</b>				<b>167 000</b>
				2025 Mar. 1	Balance	b/d	90 000

#### Extract from the Statement of Financial Position on 28 February

	2025	2025
Fixed assets	3 052 000	2 270 000
Investments	150 000	180 000
Current assets	850 000	720 000
<b>TOTAL ASSETS</b>	<b>4 052 000</b>	<b>3 170 000</b>
Owners' equity	2 732 000	2 330 000
Non-current liabilities (14% p.a.)	1 000 000	600 000
Current liabilities	320 000	240 000
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>4 052 000</b>	<b>3 170 000</b>

#### Amounts obtained from the financial statements

	2025	2025
Sales (40% on credit)	R3 100 000	R4 200 000
Cost of sales	1 820 000	2 640 000
Operating profit	365 800	600 600

Net profit	269 000	520 000
Capital – Mandla	1 000 000	1 400 000
Capital – Khanyo	1 700 000	900 000
Current Account – Mandla	(58 000)	(10 000)
Current Account – Khanyo	90 000	40 000
Trading stock	180 000	440 000
Trade debtors	410 000	230 000
Trade creditors	245 000	184 000

#### Financial indicators calculated from the financial statements

	2025	2025
Operating profit as a % of sales	11,8%	14,3%
Net profit as a % of sales	8,6%	12,2%
Current ratio	2,6:1	3,0:1
Acid-test ratio	2,1:1	1,2:1
Stock turnover rate	5,9	7,0
Debtors' average collection period	?	54 days
Creditors average payment period	23 days	25 days
Solvency ratio	?	3,88:1
Debt/Equity ratio	?	0,26:1
Return on total capital employed	10,1%	11,2%
% Return on average equity	12,9%	17,1%
% Return earned by Mandla	14,7%	16,6%
% Return earned by Khanyo	?	17,3%

#### QUESTIONS:

##### 5.1 Solvency:

5.1.1 Calculate the solvency ratio for 2025.

5.1.2 Comment on this ratio. Is this business likely to experience a solvency problem?  
Briefly explain.

##### 5.2 Gearing and profitability:

5.2.1 Calculate the debt/equity ratio for 2025.

5.2.2 Khanyo is not happy with the debt/equity ratio and feels that it is negatively affecting the performance of the business. State TWO points (financial indicators) to support her opinion.

##### 5.3 Returns and equity:

5.3.1 Calculate Khanyo's % return on average equity.

5.3.2 Khanyo believes her return is unsatisfactory and that Mandla is taking advantage of his senior position in the partnership. State TWO points to support Khanyo's opinion.

**5.4 Liquidity:**

5.4.1 Calculate the average debtors' collection period for 2025.

5.4.2 Customers are complaining that the business seldom stocks the products they would like to buy. Explain, stating TWO points. Quote figures and financial indicators to proof the customers' complaints.

5.4.3 The partners disagree about the liquidity situation.

- Mandla is not worried about the liquidity situation for the immediate future.
- Khanyo feels that there is danger signs for the long-term sustainability of the business as far as liquidity and cash flow are concerned.

5.4.4 State TWO points to support Mandla's opinion and TWO points to support Khanyo's opinion.

**LEARNERS MAY USE THEIR OWN ANSWER BOOK****COST ACCOUNTING:****Activity E1****1.1. CONCEPTS**

For each item below, indicate the appropriate cost category from the following options.

Selling and distribution; Direct materials; Factory overheads; Indirect labour; Administration
--

1.1.1 Wages paid to the factory supervisor

1.1.2 Advertising

1.1.3 Office telephone

1.1.4 Materials used to make the final product

1.1.5 Insurance paid by the factory

**1.2. HLAMBISA MANUFACTURERS**

You are provided with the following information relating to Fashion Jeans Manufacturers. The financial year ends on 28 February each year.

REQUIRED:

Prepare the following accounts in the General Ledger. NOTE: You are required to balance all accounts.

2.2.1 Raw Material Stock

2.2.2 Factory Overhead Cost

2.2.3 Work-in-progress Stock

2.2.4 Finished Goods Stock

INFORMATION:

A The following balances appeared in the books of Fashion Jeans Manufacturers.

	28 February 2025	1 March 2024
Raw Material Stock	54 000	72 000
Consumable stores on hand (indirect materials)	3 800	7 000
Work-in-progress Stock	62 000	81 000
Finished goods Stock	165 000	138 000

**B Summary of transactions for the year ended 28 February 2025**

Raw materials purchased for cash during the year	850 000
Carriage on purchases paid on raw materials purchased	53 000
Customs duties paid	124 000
Advertising paid	55 000
Wages: Factory workers	763 000

Factory cleaner	72 000
Factory foreman's salary	142 000
Rent paid	320 000
Water and electricity paid	28 000
Indirect material purchased	43 000
Sundry expenses paid	17 400
Office assistant's salary for the year	130 000
Commission paid to salespersons	100 000
Insurance paid	42 000
Motor vehicle expenses paid: Selling and distribution	25 200
Administration	56 000
Stationery and printing paid (all administration)	11 000

**C Additional information and adjustments:**

1. Raw material costing R127 500 purchased on credit from Alt Traders, a foreign based company, has not been recorded. Customs duties of 15% on this purchase that was paid was not recorded.
2. Rent and sundry expenses are allocated according to the percentage of floor space used. Factory 80%, office 5% and shop 15%.
3. Insurance is to be apportioned in the ratio of 4:1:1 to factory, selling and distribution and administration costs respectively.
4. Water and electricity of R21 000 relates to the factory. The rest is shared equally between the administration and sales departments.

**1.3. SOKHOLO TOY MANUFACTURERS**

SOKHOLO Toy Manufacturers manufactures scooters for toddlers. The information below was taken from their records for the financial year ended 28 February 2025.

1.3.1. Provide calculations to show that the break-even point for the year ended 28 February 2025 is 507 units.

1.3.2. Explain using figures why the owner is not happy with the break-even point.

1.3.3. The owner has been importing plastic material from Botswana. She wants to change to a local supplier who is supplying plastic material which is of a lower quality.

Do you agree or disagree with her decision? Give a reason for your answer.

The following information was extracted from the books of SOKHOLO Toy Manufacturers.

## ANSWER SHEET ACTIVITY E1

## 1.2. GENERAL LEDGER OF HLAMBISA MANUFACTURERS

## CR

CR[illegible]

DR

## WORK-IN-PROGRESS STOCK ACCOUNT

CR

Mar	1	Balance	b/d	81 000					

DR

## FINISHED GOODS STOCK ACCOUNT

CR

Mar	1	Balance	b/d	138 000					

## 1.3. SOKHOLO TOY MANUFACTURERS

Provide calculations to show that the break-even point for the year ended 28 February 2022 is 507 units.

Explain using figures, why the owner is not happy with the break-even point.

The owner has been importing plastic material from Botswana. She wants to change to a local supplier who is supplying plastic material which is of a lower quality. Do you agree or disagree with her decision? Give a reason for your answer.

**ACTIVITY E2**

**2.1. Choose the correct term in COLUMN B that matches an explanation in COLUMN A. Write only the letter (A – E) next to the question numbers (2.1.1 to 2.1.5) in the ANSWER BOOK.**

<b>COLUMN A</b>	<b>COLUMN B</b>
2.1.1. Wages paid to the factory cleaner	A direct material cost
2.1.2. Bad debts	B administration cost
2.1.3. Wages of office cleaner	C selling and distribution cost
2.1.4. Wages paid to production workers	D direct labour cost
2.1.5. Material used to make the final product	E indirect labour cost

**2.2. NDABA MANUFACTURERS**

**NDABA Manufacturers manufactures school jackets. The financial year ended on 28 February 2025.**

**REQUIRED: Calculate the following.**

2.2.1. Direct material cost

2.2.1. Direct labour cost

2.2.3. **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.

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

**INFORMATION:****A. Stock balances:**

	<b>28 FEBRUARY 2023 R</b>	<b>1 MARCH 2022 R</b>
Raw material	62 300	56 700
Work-in-progress	47 760	71 300

**B. Transactions for the year:**

- i. Raw material purchased amounted to R522 000.
- ii. 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:

- I. 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.
- II. 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.

### 2.3. NCUBE'S FACTORY

JOHN NCUBE, 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:

- 2.3.1. Calculate the break-even point for the year ended 30 June 2024.  
 2.3.2. Explain whether Nelson should be satisfied with the level of production achieved for this financial year. Quote figures.  
 2.3.3. Identify TWO costs that should be of concern to Nelson. 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
<b>TOTAL VARIABLE COST</b>	<b>2 050 000</b>	<b>410,00</b>	
Factory Overhead Cost	475 000	95,00	113,00
Administration Cost	100 000	20,00	24,00
<b>TOTAL FIXED COST</b>	<b>575 000</b>	<b>115,00</b>	<b>137,00</b>
<b>Selling price per unit</b>	<b>535,00</b>		<b>540,00</b>
Units produced and sold	5 000 units		4 200 units
Break-even point	?		3 344 units

#### ACTIVITY E2 ANSWER SHEET

2.1. Choose the correct term in COLUMN B that matches an explanation in COLUMN A. Write only the letter (A – E) next to the question numbers (2.1.1 to 2.1.5) in the ANSWER BOOK.

COLUMN A	COLUMN B
2.1.1.	
2.1.2.	
2.1.3.	
2.1.4.	
2.1.5.	

### 2.2. NDABA MANUFACTURERS

CALCULATIONS	ANSWER
2.2.1. Direct material cost	
2.2.1. Direct labour cost	

### 2.2.3. FACTORY OVERHEAD COST

TOTAL BEFORE ERRORS AND OMISSIONS	321 580
TOTAL	

### GENERAL LEDGER OF NDABA MANUFACTURERS WORK-IN-PROGRESS STOCK ACCOUNT

2.2.4.


### 2.3. NCUBE'S FACTORY

2.3.1. Calculate the break-even point for the year ended 30 June 2024.

2.3.2. Explain whether Nelson should be satisfied with the level of production achieved for this financial year. Quote figures.

**2.3.3. Identify TWO costs that should be of concern to Nelson. Quote figures. In EACH case, provide a possible solution to address the concern.**

**Identify TWO costs that should be of concern to Nelson. Quote figures. In EACH case, provide a possible solution to address the concern.**

<b>COST IDENTIFIED (With figures)</b>	<b>SOLUTION TO ADDRESS THE CONCERN</b>

### ACTIVITY E3

You are provided with information on Champion Manufacturers for the financial year ended 29 February 2025.

#### REQUIRED

3.1.1. Prepare the following Ledger Accounts:

- Raw Materials stock
- Work-in-process Stock
- Finished Good Stock

3.1.2. Calculate the gross profit for the year.

3.1.3. Calculate the mark-up percentage.

#### INFORMATION

**A.** The following indicates the stock on hand:

	<b>29 Feb 2025</b>	<b>28 Feb 2024</b>
Raw materials stock	R85 500	R107 000
Work-in-process stock	R86 414	R25 800
Stock of finished goods	R25 400	R126 400
Consumables stores on hand (Indirect materials)	R1 800	R9 600

**B. Summary of transactions for the year ended 29 February 2025.**

	R
Office stationery purchased	4 350
Raw materials purchased for cash	250 000
Raw material purchased on credit	158 000
Indirect materials purchased for cash	19 900
Carriage on purchases of raw materials cash	15 400
Sales of finished goods	1 520 000
Advertising	28 200
Vehicle expenses	14 500
Salaries: Factory Foreman	90 000
Administrative staff	110 000
Sales staff	99 000
Rates	20 040
Insurance	31 200
Water and electricity	30 000

**ADDITIONAL INFORMATION**

- Raw materials costing R16 000, purchased from Electronic Suppliers, were returned on 29 February 2025. This transaction was not recorded.
- Direct labour cost amounted to R214 749 for the year.
- The Total Factory Overhead Cost for the year amounted to R216 965.

**3.2.1. EDWARD Manufacturers manufacture toddlers' tracksuits. Tracksuits are sold at a mark-up of 50% on cost.****REQUIRED:**

3.2.1. From the list below, select only the THREE FIXED COSTS.

Raw materials cost	Direct labour costs	Salary Foreman
Commission on sales: Sales Staff	Salary of Accountant	Factory Rent

3.2.2. Calculate the break-even value of Edward Manufacturers.

3.2.3. In your opinion, should Edward Manufacturers change to a cheaper supplier? Give TWO reasons for your answer.

**Information**

The owner of Edward Manufacturers has provided you with the following information:

- Selling price per tracksuit: R160
- Variable cost per tracksuit: R115
- Total fixed costs: R945 000

The owner informs you that he has discovered a new supplier for raw material. The material will fade after one wash. However, this will reduce the variable cost to R95. If the business charges the same selling price, it will ensure greater profits.

### ANSWER SHEET ACTIVITY E3

#### 3.1.1. GENERAL LEDGER OF CHAMPION MANUFACTURERS

##### Raw Materials stock Account


##### Work-in-process Stock


##### Finished Good Stock


3.1.1. Calculate the gross profit for the year.

3.1.2. Calculate the mark-up percentage.

#### 3.2.1. EDWARD Manufacturers manufactures toddlers' tracksuits

3.2.1. From the list below, select only the THREE FIXED COSTS

3.2.2. Calculate the break-even value of Edward Manufacturers.

3.2.3. In your opinion, should Edward Manufacturers change to a cheaper supplier? Give TWO reasons for your answer.

**ACTIVITY E4**

4.1. Give ONE term for each of the following descriptions by choosing a cost category from the list below. Write only the cost category next to the question numbers (4.1.1 to 4.1.4) in the ANSWER BOOK.

selling and distribution cost; direct labour cost; direct material cost; administration cost; factory overhead cost

- 4.1.1. Salary of the factory foreman
- 4.1.2. Bad Debts
- 4.1.3. Stationery and telephone expenses
- 4.1.4. Wages paid to workers in the production process

**4.2. UNDER THE MOON MANUFACTURES**

Under The Moon manufactures manufacture towels. The information below is from their financial records for the financial year ended 28 February 2025.

**REQUIRED:**

Use the information provided to complete the following accounts in the General Ledger:

- 4.2.1. Work-in-Progress Stock Account
- 4.2.2. Finished Goods Stock account
- 4.2.3. Factory Overhead Account

**INFORMATION****A. Balances taken from Under The Moon Manufactures:**

	28 February 2025	1 March 2024
	R	R
Factory indirect material	2 630	3 480
Work-in-progress stock	38 300	33 150
Finished goods stock	34 100	15 250

**B. Summary of transactions for the year ended 28 February 2025**

	R
Raw materials purchased (all issued to factory)	516 000
Factory indirect materials purchased	21 560
Direct labour	?
Indirect labour	24 350
Factory manager's salary	65 060
Rent expense	39 200
Insurance	8 700
Water and electricity	16 500
Bad debts	2 980
Sundry factory expenses	25 750
Sales net of trade discount	1 800 000

### C. Additional Information

- i. A markup of 60% on cost was used. A trade discount of R100 000 were granted.
- ii. Raw materials:
  1. R16 000 was paid for transporting raw materials.
  2. Raw materials were returned to the suppliers, R20 000.

**NOTE:** No entry has been recorded for these items.

- iii. Two-thirds of the insurance expense relates to the factory.
- iv. Water and electricity must be allocated to the factory, sales department and the office in the ratio 4 : 1 : 1 respectively.
- v. 65% of the rent expense must be allocated to the factory.

### 4.3. Durban Shoe Factory

Durban Shoe Factory manufactures one type of sport shoes. The factory produced 13 800 pairs of shoes during the year and all pairs were sold. There was no work-in-progress stock at the beginning nor at the end of the year.

- 4.3.1. Calculate the direct material cost per unit.
- 4.3.2. Calculate the break-even point 31 May 2025.
- 4.3.3. Explain why the owner would NOT be happy with the business current production level. Quote figures or indicators.

#### INFORMATION

Direct material cost	2 070 000
Direct labour cost	2 992 000
Factory overhead cost	872 000
Fixed costs	1 514 000
Variable cost per unit	155

  

Sales per unit (pair)	259
-----------------------	-----

### ANSWER SHEET ACTIVITY E4

4.1.1	
4.1.2	
4.1.3	
4.1.4	

## 4.2. UNDER THE MOON MANUFACTURES

### 4.2.1. WORK-IN-PROGRESS STOCK


### 4.2.2. FINISHED GOODS STOCK


### 4.2.3. FACTORY OVERHEADS


4.3.1. Calculate the direct material cost per unit.

4.3.2. Calculate the break-even point 31 May 2025

4.3.3. Explain why the owner would NOT be happy with the business current production level. Quote figures or indicators.

## F. BUDGETING

### ACTIVITY F1

#### 1.1 CONCEPTS

##### USE YOUR ANSWER BOOK TO ANSWER THESE QUESTIONS

- 1.1.1 Explain the difference between the cash budget and a projected income.  
 1.1.2 Mention TWO expenses that will not be included under payments in the Cash Budget.

#### 1.2 CASH BUDGET AND PROJECTED STATEMENT OF COMPREHENSIVE INCOME

The information provided below was taken from the records of Maphanga Stores for the financial period ending on 30 June 2025.

##### REQUIRED:

Indicate amounts in the appropriate blocks for the Cash Budget and Projected Statement of Comprehensive Income for the month ending 31 July 2025.

E.g., An amount of R2 200 for rates and taxes for July 2025 will be transferred to the account of Buhlebezwe Municipality at the end of the month.

NO.	JULY 2025			
	CASH BUDGET		PROJECTED STATEMENT OF COMPREHENSIVE INCOME	
	RECEIPT	PAYMENT	INCOME	EXPENSE
E.g.		R2 200		R2 200

##### TRANSACTIONS:

- 1.2.1 The expected cash sales for July 2025 were estimated to be R90 000. The profit mark-up is 60% on cost.  
 1.2.2 Rent income for year amounted to R72 000, rent will increase by 10% on the 1<sup>st</sup> of July 2025.  
 1.2.3 Goods were sold on credit for R60 000 in June, debtors are expected to pay in July and they will be allowed a discount of R3 000.  
 1.2.4 On 1 July 2025, R9 000 will be paid for a 6 months advertising contract.  
 1.2.5 An old laptop will be sold at a loss to an employee in July for R1 800. The cost price of the laptop was R8 000, the accumulated depreciation amounted to R5 500 at the date of disposal.  
 1.2.6 An instalment of R8 450 on the loan will be paid on 25 July 2025. R450 of this amount is the interest on loan.  
 1.2.7 An insurance premium of R2 500 per month is expected to reduce by 10% on 1 July 2025.

### 1.3 DONTSA TRADERS

You are provided with information related to Dontsa Traders. The business sells sports equipment.

#### REQUIRED:

- 1.3.1 Complete the Debtors' Collection Schedule for the period October to November 2025.
- 1.3.2 Complete the Cash Budget for the period October to November 2025.

#### INFORMATION:

##### A. Extract from the Ledger on 30 September 2025:

Fixed deposit (8% p.a.)	R720 000
Bank overdraft	R153 650
Vehicles	R650 000
Accumulated depreciation on vehicles	R480 000

##### B. Sales

The business uses a mark-up of 60% on cost. Cash sales amount to 40% of all sales.

##### Total actual and budgeted sales are:

	Actual	Budgeted
August 2025	R450 000	
September 2025		R420 000
October 2025		R480 000
November 2025		R520 000

##### C. Collection from debtors

Debtors are expected to settle their accounts as follows:

- 20% is collected in the month of sales. These debtors are entitled to a 12% discount.
- 60% in the month following the month of sales.
- 15% in the second month following the month of sales.
- 5% will be written off in the third month following the month of sales.

##### D. Purchase of trading stock

- Trading stock is maintained at a constant (base stock) level.
- 70% of purchases are on credit.
- Creditors are paid two months after purchases.

##### E. Fixed Deposit

Interest on fixed deposit is transferred directly to the bank account every month. 30% of the fixed deposit expires on 31 October 2025 and rest on 28 February 2026.

##### F. Salaries

The business currently employs five workers who are paid a basic salary of R11 000 each per month. One worker will resign on 31 October 2025. Salaries will be increased by R675 per worker with effect from 1 November 2025.

**G. Advertisement**

The business places an advertisement in the local newspaper every week. The cost is currently R2 300 per advertisement, but the cost will decrease by R150 per week from November. There are five Fridays in October and four Fridays in November.

**H. Delivery vehicle**

The business will purchase a delivery vehicle on 30 October 2025 for R480 000. A deposit of 25% will be paid and the rest will be paid in 24 equal monthly instalments from 30 November 2025. Vehicles depreciates at 20% on cost.

**I. Sundry expenses**

Sundry operating expenses increases by 5% every month.

**ANSWER SHEET**

**1.2 CASH BUDGET AND PROJECTED INCOME STATEMENT**

JULY 2025				
No.	Cash Budget		Projected Income Statement	
	Receipt	Payment	Income	Expense
Example		R2 200		R2 200
1.2.1				
1.2.2				
1.2.3				
1.2.4				
1.2.5				
1.2.6				
1.2.7				

**1.3.1 DEBTORS' COLLECTION SCHEDULE FOR THE PERIOD OCTOBER TO NOVEMBER 2025.**

MONTH	CREDIT SALES	OCTOBER	NOVEMBER
August	R270 000	R40 500	
September	R252 000	R151 200	
October	R288 000	R50 688	
November			
		R242 388	

**1.3.2 CASH BUDGET FOR OCTOBER AND NOVEMBER 2025**

	<b>OCTOBER R</b>	<b>NOVEMBER R</b>
<b>CASH RECEIPTS</b>		
Cash sales		208 000
Cash from debtors		
<b>TOTAL RECEIPTS</b>		
<b>CASH PAYMENTS</b>		
Payments to creditors	196 875	
Cash purchases		97 500
Advertising	11 500	
Vehicles		
Sundry operating expenses		14 490
<b>TOTAL PAYMENTS</b>		
<b>CASH SURPLUS/(DEFICIT)</b>		
Bank balance at beginning of the month		
Bank balance at the end of the month		

**ACTIVITY F2****MAPHUMULO TRADERS**

2.1 The information relates to the budget period from 1 September 2025 to 31 October 2025

**REQUIRED:**

- 2.1.1 Prepare the Debtors Collection Schedule
- 2.1.2 Complete the Cash Budget for the two months ended 31 October 2025.
- 2.1.3 Name TWO items from the Cash Budget in question 2.1.2 that will not appear in the projected income statement.
- 2.1.4 Give TWO reasons why it important to compare actual figures with budgeted figures.
- 2.1.5 You have noticed that the actual motor vehicle expenses for August 2025 were R5 000 more than the budgeted amount. Suggest possible explanations for this overspending.

**INFORMATION:****A. Sales and Debtors Collection**

	<b>ACTUAL</b>	<b>BUDGETED</b>
June	R98 000	
July	R95 220	
August	R89 600	
September		R112 000
October		82 880

- Cash sales comprises 25% of total sales.
- Although debtors are expected to pay within 30 days, payment trends show that:
  - 30% pay in the month of sales.
  - 55% pay in the following month of sales.
  - 12% pay two months after the month of sales.
  - The balance is written off as bad debts after two months.

**B. Trading stock**

- The business uses a constant profit mark-up of 40% on cost.
  - A fixed base of stock is maintained.
  - 50% of all purchases are for cash.
  - Creditors allow credit of 60 days and a 5% discount if outstanding balances are settled after 30 days. The business always takes advantage of this discount.
- C. Sundry expenses amount of R8 600 per month and expected to increase by 5% from 1 October 2025.
- D. Salaries and wages total R384 000 per annum. Employees are entitled to a 6% increase commencing in October 2025.
- E. Motor vehicle expenses allocated R12 500 per month. This included depreciation amounting to R2 500 per month.
- F. The business has a loan of R240 000 at Makhandu Bank at an interest rate of R12% p.a. The monthly interest is paid on the 25<sup>th</sup> of every month. R40 000 of the loan will be repaid on 1 October 2025.
- G. An investment matures on 1 September 2025. The business is expected to receive this amount, together with interest at 15% p.a. for the last two months, in September.
- H. The bank had a credit balance of R4 288 on 31 August 2025.

## ANSWER SHEET

### 2.1.1 DEBTORS' COLLECTION SCHEDULE

MONTH	CREDIT SALES	OCTOBER	NOVEMBER
July		R8 568	
August		R39 960	
September			
October			

## 2.1.2 CASH BUDGET

	OCTOBER R	NOVEMBER R
<b>CASH RECEIPTS</b>		
Cash sales	28 000	
Fixed Deposit	80 000	
<b>TOTAL RECEIPTS</b>		
<b>CASH PAYMENTS</b>		
Cash Purchases	40 000	
Payment to creditors	30 400	
Sundry expenses	8 600	
<b>TOTAL PAYMENTS</b>		
<b>CASH SURPLUS/(DEFICIT)</b>		
Bank balance at beginning of the month		
Bank balance at the end of the month		

## ACTIVITY F3

## NCINTELA STATIONERS

The information below is extracted from the books of Ncintela Stationers, a business owned by Nizole Ncintela.

## REQUIRED:

- 3.1 Explain TWO points why it is important for a business to prepare a Cash Budget.
- 3.2 Provide TWO examples of items that will not be included in a Cash Budget.
- 3.3 Prepare the Debtors Collection Schedule for August and September 2025.
- 3.4 Prepare the Cash Budget for the two months ending on 30 September 2025.
- 3.5 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
R363 000	R372 000	R384 000	R408 000	R420 000

- 25% of total sales are on cash.
- 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 on cash.
- Creditors allow 60 days credit term. The business complies with credit term and budgets to outstanding balances in the second month following the month of purchase.

**C. Additional information:**

- Motor vehicle expenses is estimated at R5 000 per month. This does not include depreciation of R1 250 per month.
- Salaries and wages total R36 000 per month. Employees will receive an 8% annual inflationary increase effective from 1 September 2025.
- Sundry expenses are budgeted to increase by 2,5% each month.
- The business has a loan of R240 000 at Grade 11 Bank. Interest at 13% p.a. is paid on the last day of each month and is not capitalized. The business plans to pay R30 000 of the loan amount on 1 September 2025.
- An investment of R40 000 matures on 1 August 2025. The full amount together with interest for the last two months will be received on this date. Interest is calculated at 15% p.a.
- The Bank had a credit balance (overdraft) of R32 126 on 31 July 2025.

**ANSWER SHEET**

USE YOUR EXERCISE BOOK TO ANSWER QUESTIONS 3.1, 3.2 &amp; 3.5

**3.3 DEBTORS' COLLECTION SCHEDULE**

MONTH	CREDIT SALES	AUGUST	SEPTEMBER
June			
July			
August			
September			

**3.4 Cash Budget**

	OCTOBER	NOVEMBER
<b>CASH RECEIPTS</b>		
Cash sales		
Cash from debtors		
<b>TOTAL RECEIPTS</b>		
<b>CASH PAYMENTS</b>		
Cash Purchases		
Payment to creditors		
Sundry expenses		
Salaries and wages		
Motor expenses		
Repayment of loan		
Interest on loan		
<b>TOTAL PAYMENTS</b>		
<b>CASH SURPLUS/(DEFICIT)</b>		
Bank balance at beginning of the month		
Bank balance at the end of the month		

**EXAMPLER TASK: CASE STUDY****INSTRUCTIONS TO TEACHERS**

- This case study should be written under teachers' supervision
- This is not an open book task
- No pairing of learners or sharing of answers

**INSTRUCTIONS TO LEARNERS**

- Read the scenario below and answer the questions that follow
- No use of electronic devices
- Use your own exercise book to answer

**The following Scenario is divided into paragraphs**

- A The scenario is based on One-Stop Supermarket that is managed by Siphesihle. One-Stop Supermarket offers a wide range of products under one roof. Its financial year ends on 28 February 2025. Siphesihle is in financial stress, she is uncertain about continuity of One Stop Supermarket.
- B South Africa has been going through recession; there is a huge decline in gross domestic product (GDP). The workers did not receive their annual increment. Unemployment rate is high therefore Siphesihle fears that workers will not resign.
- C What is so devastating, there are rumours that Minister of Finance will increase VAT from 15% to 17%. She has cut down advertising cost to cover operating cost. Actual advertising for February is 0.3% of total sales. Siphesihle has also decided to increase profit mark-up by 5% as at next financial year
- D Customers expressed their dissatisfaction with new prices. Customers especially low-income households ought to buy cheap products from Spaza Shops. Most of these Spaza shops are selling toxic products that may cause harm to one's health and safety.
- E Thando the owner of One Stop Supermarket is concerned that he must keep contributing more capital each month so that the business can settle its debts. He has also requested his friend to assist him with drawing up a Cash budget

**REQUIRED:**

1. Refer to paragraph A which GAAP principle is applicable [1]
2. Refer to Projected Statement of comprehensive income, calculate the recent profit mark-up % that Siphesihle uses for her business. [4]
3. Compare budgeted and actual figure of Trading Stock deficit for January 2025. Give one possible reason for difference between budgeted and actual amounts [4]
4. Siphesihle is always worried about the internal control over three expenses in particular: Stationery, Telephone and Motor Vehicle Expenses (especially as the petrol price increased unexpectedly by 25% at the beginning of January).  
Comment on whether these expenses have been well controlled. Quote figures to support your answer. [9]
5. With reference to Paragraph E, explain why the Projected Statement of Comprehensive income will not help him in identifying the reasons for this problem. [4]

6. Thando has also borrowed money to set up this business. He is not sure if she can afford the loan repayments which start in March. [4]
- 6.1 Calculate the amount of the loan. [4]
- 6.2 What advice would you give her regarding accessing funds in order to repay the loan? Name TWO points. [4]
7. Siphesihle is concerned about the support she is getting from her customers. She is concerned about losing 'goodwill'. [2]
- 7.1 Quote figures from the question which indicate that she appears to be losing customers. [2]
- 7.2 Identify FOUR points, with appropriate figures from the Projected Statement of Comprehensive income, which indicate that she has made mistakes in dealing with her customers. [8]
8. The shop assistants earn equal wages. Two of the six shop assistants resigned at the beginning of February. They have not been replaced. [3]
- 8.1 Calculate the monthly salary earned by each shop assistant in January. [3]
- 8.2 Calculate the % salary increase that Siphesihle granted the shop assistants in February. [4]
- 8.3 Give TWO reasons why they would not be happy with this increase. Quote evidence to support your answer. [4]

**Other possible questions may be based on the followings:**

- Paragraph C-Advertising and sales
- Paragraph E -Reasons for drawing up a proper cash budget
- Projected statement of comprehensive income
  - Security expenses
  - Training of employees
  - Bad debts
  - Interest income

**ONE-STOP SUPERMARKET**

**PROJECTED STATEMENT OF COMPREHENSIVE INCOME FOR JANUARY AND FEBRUARY 2025**

	JANUARY BUDGET	JANUARY ACTUAL	FEBRUARY BUDGET	FEBRUARY ACTUAL
Sales	540 000	396 000	594 000	360 000
Cost of sales	300 000	220 000	330 000	200 000
Gross profit	240 000	176 000	264 000	160 000
Other income	47 000	34 000	53 000	44 000
Commission received	11 000	16 000	11 000	23 000
Rent income	36 000	18 000	42 000	21 000
Gross operating income	287 000	210 000	317 000	204 000
Operating expenses	(154 480)	(147 580)	(136 128)	(143 300)
Salary of the store manager	40 000	40 000	50 000	50 000
Wages of shop assistants	24 000	24 000	24 000	16 800
Sundry operating expenses	13 000	9 000	14 000	9 000

Motor vehicle expenses	12 000	13 200	12 000	13 200
Telephone	1 000	3 000	1 000	5 000
Security expenses	7 000	3 500	7 000	3 500
Trading stock deficit	0	18 000	0	12 000
Training of employees	30 000	10 000	0	0
Advertising	5 000	1 000	5 000	?
Discount allowed	2 000	0	2 000	0
Bad debts	6 480	11 880	7 128	10 800
Stationery	4 000	4 000	4 000	7 000
Depreciation	10 000	10 000	10 000	14 920
Operating profit	132 520	62 420	180 872	60 700
Interest income (6% p.a.)	12 000	12 000	12 000	9 000
Profit before interest expense	144 520	74 420	192 872	69 700
Interest expense (15% p.a.)	(37 500)	(37 500)	(37 500)	(37 500)
Net profit for the year	107 020	36 920	155 372	32 200

## INVENTORY CONTROL

### ACTIVITY H1

#### 1.1 CONCEPTS

State whether the statements are TRUE or FALSE. Write only TRUE or FALSE next to the question numbers in the answer book.

1.1.1 Stock purchases are recorded in an asset account called trading Stock using the perpetual system.

1.1.2 Carriage on purchases is charged directly to the Trading Stock account when using the periodic system.

Returns and allowances are debited in the Trading Stock Account when using the periodic system.

1.1.4 According to the perpetual system, cost of sales is calculated on a continuous basis.

1.1.5 A stock take is conducted periodically to determine the amount of stock on hand using the perpetual system.

#### 1.2 NZUZA STORES

The following information was taken from the books of Nzuza Stores. The business is owned by Nonhlahla Nzuza. The business uses the periodic inventory system. The business uses an mark-up of 25% on cost price.

#### REQUIRED:

## 1.2.1 Calculate the cost of sales

Calculate the stock turnover rate.

**INFORMATION****A Extract from Pre-adjustment Trial balance on 31 February 2025**

Trading stock (1 March 2024)	481 000
Creditors' control	46 800
Purchases	378 000
Sales	913 500
Debtors' allowances	93 700
Creditors' allowances	15 480
Carriage on purchases	2 792
Customs duties	5 400

**B Additional information**

- Stock with a cost of R1 280 was donated to the local charity. This was not recorded.
- Received an invoice from Aloe Carriers on 26 February for transport of goods to our business, R360.
- Goods, with a cost price of R800, were taken by the owner for personal use on 28 February 2025.
- Stock on hand as per physical stocktaking was R160 920.

**ANSWER BOOK**1.1 **ACTIVITY H1**

1.1.1	
1.1.2	
1.1.3	
1.1.4	
1.1.5	

## 1.2

### 1.2.1

Calculate the cost of sales	

### 1.2.2 Calculate the stock turnover rate.

**ACTIVITY H2****2.1 COTTON WOOD**

Cotton Wood is a retail business that deals in soccer gear. Cotton Wood applies a 50% mark-up on cost on all his products.

**REQUIRED:**

- 2.1.1 If this business was to use the periodic system, use the information to calculate the following:
- Total Purchases
  - Total Sales
- 2.1.2 Help Cotton to determine the gross profit, by preparing a Trading Account in the General ledger.
- 2.1.3 Cotton is concerned about the high transport costs he has to pay on stock purchases (refer to carriage on purchases). Give Cotton advice on how he can solve this problem

**INFORMATION:**

The information below was extracted from the General Ledger on 31 August 2024, the end of the financial year.

Opening stock	R400 200
Purchases on credit	715 000
Purchases for cash	174 000
Credit sales	900 650
Cash sales	1 140 000
Debtors' allowances	46 200
Customs duty	46 100
Carriage on sales	93 400
Carriage on purchases	170 000

**Additional information:**

The following have not yet been taken into account:

- (i) A debtor returned stock which she bought for R2 000 (cost price R1 000).
- (ii) A soccer kit was donated to the local club. The cost of the kit is R3 200.
- (iii) Carlton took stock, valued at R900, home. He did this before the stock take had been done.
- (iv) According to a stock take done on 31 July 2024, the value of stock on hand is R265 000 (after taking the information given above into account).

## ANSWER BOOK

### ACTIVITY H2

2.1.

**Calculate:**

2.1.1

• Total Purchases	
CALCULATIONS	ANSWER
• Total Sales	
CALCULATIONS	ANSWER

2.1.2

Dr		TRADING ACCOUNT		Cr	
DETAILS	AMOUNT	DETAILS	AMOUNT	DETAILS	AMOUNT

Cotton is concerned about the high transport costs he has to pay on stock purchases (refer to carriage on purchases). Give Carlon advice on how he can solve this problem.

**ACTIVITY H3**

3.1

Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (3.1.1 – 3.1.4) on the ANSWER SHEET

3.1.1

Cost of sales is determined at the point of sale in the (Perpetual/periodic inventory system). In

3.1.2

In the periodic inventory system, Carriage on purchases is recorded as an (asset/expense)

3.1.3

The (perpetual/periodic) system is more suited for low-value goods, purchased in bulk.

3.1.4

Merchandise purchased is recorded as an (asset/expense) in the perpetual inventory system.

3.2

Explain 3 differences between perpetual and periodic stock system

3.3

The information relates to ROADSIDE TRADERS ON 28 FEBRUARY 2025. The business lunch bags to customers.

**REQUIRED**

3.3.1 Calculate the average stock holding period in days

3.3.2 Calculate how long (in days) it will take to sell the closing stock of lunch bags.

3.3.3

- Calculate the number of face shield missing
- Give TWO solutions to solve the problem.

**INFORMATION**

	NO. OF UNITS	AMOUNT (R)
Opening stock	890	142 400
Purchases	1500	24 000
Returns	13	2 080
Carriage on purchases		10 500
Closing Stock	190	30 400
Sales	2157	539 250

3.4

**PROBLEM SOLVING: MANAGEMENT OF STOCK**

Xolo is the owner of two school tuck shops. Nhloso is the manager of Shop A and Lulu is the manager of Shop B

Each manager is paid R1 000 per week

Each tuck shop sells only chips and juices. The chips cost R5-00 per packet and are sold at profit mark-up of 50% on cost. The juice is marked by 25% and is sold for R10-00 each

**REQUIRED:**

Identify ONE problem in each tuck shop, and provide ONE solution or advice in each case. In each case relevant figures must be quoted.

**INFORMATION**

	SHOP A		SHOP B	
	CHIPS	JUICE	CHIPS	JUICE
Opening Stock (units)	300	200	150	90
Stock supplied by Nabi	400	400	400	400
Closing stock (units)	200	150	330	120
Units sold	420	450	220	370
Cash deposited (Rands)	R3150	R4500	R1 650	R3200

**STOCK SYSTEMS****ACTIVITY H3:****3.1. CONCEPTS**

3.1.1

3.1.2

3.1.3

3.1.4

3.2 Explain 3 differences between perpetual and periodic stock system

No.	PERPETUAL STOCK SYSTEM	PERIODIC STOCK SYSTEM
1		
2		
3		

3.3 3.3.1 Calculate the average stock holding period in days

--

3.3.2 Calculate how long (in days) it will take to sell the closing stock of lunch bags.

3.3.3 Calculate the number of face shield missing

Give TWO solutions to solve the problem.

3.4

	Problem (Figure)	Advice/ Solution
SHOP A		
SHOP B		

#### ACTIVITY H4

#### STOCK SYSTEMS

- 4.1 Mapheleni Centre sells fabric and dress making products. The business uses the periodic inventory method to record stock. The financial year ended on 31 October 2024.
- 4.1.1 Provide ONE advantage and ONE disadvantage of each stock system
- 4.1.2 Analyse transactions (ii) and (iii) in terms of the accounting equation. Complete the table provided. Show increase (+) and decrease (-) for assets, equity and liabilities.
- 4.1.3 Calculate the cost of sales for the financial year ended 31 October 2024.

INFORMATION:

- A Stock balance on 1 November 2023, R134 600

## B Transactions during the current financial year

	R
(i) Cash and credit purchases of trading goods.	622 400
(ii) Transport cost on trading goods paid by EFT.	92 200
(iii) Damaged goods returned to creditors.	45 300
(iv) Goods donated to a local school (fund raising)	5 500
(v) Goods taken by the owner for personal use.	3 750
(vi) Cost of goods returned by debtors taken into stock.	7 250
Stock taking on 31 October 2024 revealed that R98 350 was on hand.	

### 4.2 MANAGEMENT OF STOCK – PROBLEM SOLVING

Sambane Electronics is a retail business that sells car parts. The business has branches operating in Mbabe, Nkodibe and Dutch. Brian, the owner, was concerned about the sale of single brand of car part and requested the figures for this product from each branch.

#### REQUIRED:

Identify a different problem in each branch, quoting the relevant figures for each. Also provide a possible solution to the problems identified.

#### INFORMATION:

Information relating to the single car part for three months ended 31 December 2024

	MBABE BRANCH	NKODIBE BRANCH	DUTCH BRANCH
Stock balance on 1 October 2024	230	160	85
Number of units sold during the period	180	40	85
Stock balance on 31 December 2024	35	120	NIL
Selling price per radio	R1 120	R1 120	R1 120
Deposit of sales revenue	R201 600	R44 800	R81 760
Advertising of radios	R1 400	R6 720	R6 120
Monthly salary of sales person	R7 000	R7 500	R7 500

### 4.3 SIHAYO STATIONERY SHOP

You are provided with information relating to Sihayo Stationery Shop for the year ended 28 February 2025. The business uses the periodic inventory method.

- 4.3.1 Prepare the Trading Account. Show workings in brackets
- 4.3.2 Calculate cost of sales. Show ALL workings.
- 4.3.3 Calculate the mark-up % achieved
- 4.3.4 The business aims at a mark-up % of 65%. Give TWO possible reasons for the actual mark-up % being different from the intended mark-up%.

**INFORMATION:**

- A Trading stock was valued as follows:
- R245 000 on 1 March 2024
  - R302 000 on 28 February 2025
- B Goods purchased during the year, R960 000
- C Goods returned to suppliers, R26 000
- D Carriage paid to NRB Deliveries during the year:
- On goods delivered to Sihayo Stationery Shop, R35 000
  - On goods delivered to customers, R22 000
- E Goods comprising gold-plated pens were imported from Top Notch Pens in the USA. Payment of 6 000 US dollars was made to Top Notch Pens immediately. The exchange rate is R9,00 to a US dollar. Sihayo Stationery Shop also paid R4 800 to Fedex to transport the pens. Customs duty on these goods was levied at 40% and this was paid to SARS when the goods arrived in the country.
- G The owner, Alan Alpha, took goods costing R3 200 for personal use.
- H Goods were sold during the year for R1 532 900.

**ANSWER BOOK****ACTIVITY H4**

4.1 Provide ONE advantage and ONE disadvantage of each stock system

4.1.1

	ADVANTAGE	DISADVANTAGE
<b>PERPETUAL INVENTORY SYSTEM</b>		
<b>PERIODIC INVENTORY SYSTEM</b>		

4.1.2

<b>Analysis of transactions:</b>					
NO	Account Debited	Account credited	A	OE	L
(ii)					
(iii)					

4.1.3

Calculate the cost of sales for the financial year ended 31 October 2024.

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## 4.2 MANAGEMENT OF STOCK – PROBLEM SOLVING

BRANCH	Problem (With Figure)	SUGGESTIONS
MBABE		
NKODIBE		
DUTCH		

## 4.3 SIHAYO STATIONERY SHOP

4.3.1 Prepare the Trading Account. Show workings in brackets

Dr		TRADING ACCOUNT		Cr	
DETAILS	AMOUNT	DETAILS	AMOUNT	DETAILS	AMOUNT

4.3.2 Calculate cost of sales. Show ALL workings.

4.3.3 Calculate the mark-up % achieved

4.3.4 The business aims at a mark-up % of 65%. Give TWO possible reasons for the actual mark-up % being different from the intended mark-up%.