



**education**

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Department:

Education

**PROVINCE OF KWAZULU-NATAL**

**CURRICULUM GRADE 10 – 12 DIRECTORATE**

**MATRIC INTERVENTION PROGRAMME**

**GRADE 12**

**HIGH FLYERS**

**ACCOUNTING**

**2020**

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**A. FINANCIAL STATEMENTS****ACTIVITY A1****(Q 3 NOV 2016)****1.1 CONCEPTS**

Choose the correct term to complete each of the following statements. Write only the term next to the question number (1.1.1–1.1.4) in the ANSWER BOOK.

cash and cash equivalents; current asset; non-current asset; income;  
net working capital; expense; current liability; non-current liability

- 1.1.1 Interest on a bank overdraft is a/an ...  
1.1.2 Consumable stores on hand are a/an ...  
1.1.3 The portion of a loan to be paid during the next financial year is regarded as a/an ... in the Balance Sheet.  
1.1.4 The difference between current assets and current liabilities is known as ...  
(4 x 1) (4)

**1.2 AUDIT REPORT**

You are provided with an extract from the audit report of Fralezi Ltd.

**REQUIRED:**

- 1.2.1 To whom is the audit report addressed? (1)  
1.2.2 Who has to ensure that the financial statements are prepared and presented at the annual general meeting? (1)  
1.2.3 Choose the correct word from those in brackets. Write the answer next to the question number (1.2.3) and explain your choice.  
Fralezi Ltd received a/an (qualified/unqualified/disclaimer of opinion) audit report. (2)  
1.2.4 Explain why the independent auditors referred to pages 11–29 in the report. (2)

**INFORMATION:**

We have examined the financial statements set out on pages 11–29.

In our opinion, the annual financial statements present fairly, in all material respects:

- The financial position of Fralezi Ltd on 30 June
- The cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and as required by the Companies Act of South Africa

Roux and Pieterse  
Chartered Accountants (CA)  
Registered Accountants and Auditors  
Schilbach Street, Parys

1.3

**INCOME STATEMENT**

You are provided with information relating to Fralezi Ltd for the financial year ended 30 June 2020.

**REQUIRED:**

Complete the Income Statement for the financial year.

(60)

**INFORMATION:**

Figures extracted from the Pre-adjustment Trial Balance on 30 June 2020:

	R
<b>Balance Sheet Accounts</b>	
Mortgage loan: Parys Bank	333 200
Bank (favourable)	482 000
Debtors' control	116 500
Trading stock	209 500
Provision for bad debts	3 732
<b>Nominal Accounts</b>	
Sales (less allowances)	4 777 300
Cost of sales	?
Directors' fees	375 000
Salaries and wages	365 540
Sundry expenses	?
Depreciation	124 260
Audit fees	23 000
Repairs	100 000
Rent income	101 900
Interest income	?
Bad debts recovered	10 540
Packing material	13 600
Advertising	20 596
Loss of computer due to theft	9 300
Ordinary share dividends	200 000

**Adjustments and additional information:**

- A. A credit note for R35 700 issued to a debtor, dated 27 June 2020, was not recorded. The cost price of these goods was R21 000. The goods were placed back into stock.
- B. The business prices its goods at a mark-up of 70% on cost. Trade discount of R297 200 was allowed on invoices to certain customers.
- C. Adjust the provision for bad debts of debtors to 4%.
- D. Stock counts on 30 June 2020 revealed the following on hand:
  - Trading stock, R225 500
  - Packing material, R3 700
- E. External auditors are owed a further R7 250.
- F. Interest on the loan is capitalised and has not been recorded yet. The loan statement from Parys Bank on 30 June 2020 reflected a closing balance of R372 920.

- G. Corrections must be made in respect of a computer that was stolen on 31 March 2020. The bookkeeper completed the following page in the Fixed Assets Register, using the incorrect method of depreciation:

SUNCREST COMPUTER	COST	DEPRECIATION	BOOK VALUE
1 July 2018	R42 000		R42 000
30 June 2019		R8 400	R33 600
31 March 2020		R6 300	R27 300
Insurance pay-out	R18 000		
Loss of computer due to theft	R9 300		

Depreciation on this asset should have been calculated at 20% p.a. on the diminishing-balanced method.

- H. The monthly rent did not change during the year. During April 2020 the tenant paid R6 000 for repairs to the premises. He deducted this from his rent for May 2020, as repairs are the responsibility of the company. The repairs were not recorded. The rent for July 2020 was received and deposited during June 2020.
- I. Advertising consists of a monthly contract with the local newspaper for the entire financial year. Advertising was paid for 11 months only. From 1 April 2020, the contract rate was decreased by R152 per month.
- J. Net profit after tax is R504 000.  
Use the following percentages to calculate certain missing figures:
- Operating profit on sales: 15%
  - Income tax rate: 28% of net profit

## ANSWER BOOK

1.1

1.1.1	
1.1.2	
1.1.3	
1.1.4	

4

1.2 AUDIT REPORT

1.2.1

To whom is the audit report addressed?

1

1.2.2

Who has to ensure that the financial statements are prepared and presented at the annual general meeting?

1

1.2.3

Fralezi Ltd received a/an (qualified/unqualified/disclaimer of opinion) audit report.

Explain your choice.

2

1.2.4

Explain why the independent auditors referred to pages 11–29 in the report.

2

1.3

**FRALEZI LTD**  
**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2020**

Sales	
Cost of sales	
Gross profit	
Other income	
Operating expenses	
Directors' fees	
Salaries and wages	
Sundry expenses	
Operating profit	
Interest income	
Profit before interest expense	
Interest expense	
Net profit before tax	
Income tax for the year	
Net profit after tax	504 000

## ACTIVITY A2

(NOV 2017)

The following information relates to Odette Ltd. The financial year ended on 29 February 2020.

### REQUIRED:

2.1 Refer to Information B.

Calculate the missing amounts denoted by (a) to (e).

(22)

2.2 Complete the Balance Sheet (Statement of Financial Position) on 29 February 2020. Show workings.

(37)

### INFORMATION:

A. Amounts extracted from the records on 29 February 2020:

Balance Sheet accounts section	R
Ordinary share capital	?
Retained income (28 February 2020)	520 000
Fixed assets (carrying value)	?
Loan from Beque Bank	284 000
Trading stock	408 880
Net trade debtors	67 200
Fixed deposit: Elze Bank	?
Bank (favourable)	?
SARS: Income tax (provisional payments)	209 000
Creditors' control	184 000
<b>Nominal accounts section (pre-adjustment amounts)</b>	
Insurance	30 200
Rent income	108 450
Electricity	42 000

B. Fixed assets:

	LAND AND BUILDINGS	VEHICLES	EQUIPMENT	TOTAL
Cost		350 000	460 000	
Accumulated depreciation		(315 000)		
Carrying value (01/03/2019)	(a)	35 000		
Movements:				
Additions	325 000	422 550	0	
Disposals	0	0	(d)	
Depreciation		(b)	(13 766)	
Carrying value (29/02/2020)	2 550 000	(c)	50 994	(e)
Cost		772 550	340 000	
Accumulated depreciation				

- Depreciation on vehicles is calculated at 20% p.a. on cost.
- The company has two vehicles on 29 February 2020. One of these vehicles was purchased on 1 September 2019.
- Extract from the Fixed Assets Register in respect of equipment sold:

<b>Fridge (Model X3)</b>			
<b>Date purchased:</b> 1 March 2017			
<b>Date sold:</b> 31 December 2019		<b>Sold for:</b> R81 250	
<b>Depreciation rate:</b> 10% p.a. (diminishing-balance method)			
	<b>COST</b>	<b>DEPRECIATION</b>	<b>BOOK VALUE</b>
28 February 2018	R120 000	R12 000	R108 000
29 February 2019		?	?
31 December 2019		?	?

- C. The electricity account for February 2020, R5 600, was still outstanding.
- D. The provision for bad debts must be increased by R270.
- E. An additional insurance policy was taken out on 1 November 2019. The annual premium of R10 200 was paid and recorded.
- F. The rent for February 2020 has not been received yet. The rent increased by 15% on 1 July 2019.
- G. Net profit after tax, R518 000, was calculated after taking into account all the adjustments above. Income tax is 30% of the net profit.
- H. 75% of the authorised share capital of 900 000 shares was in issue. The directors declared a final dividend of 24 cents per share on 29 February 2020.
- I. Extract from Beque Bank loan statement:

Balance on 1 March 2019	R376 000
Instalments (including interest)	R92 000
Interest capitalised	R48 000
Balance on 29 February 2020	?

**NOTE:**

- Interest has not been entered in the books.
  - R50 000 of the loan balance will be settled in the next financial year.
- J. The net asset value per share on 29 February 2020 is 620 cents.
- K. The current ratio is 2,1 : 1 on 29 February 2020.

2.3

**AUDIT REPORT**

An extract of the independent audit report of Karin Ltd for the financial year ended on 29 February 2020 is provided.

**REQUIRED:**

As a shareholder, what concerns would you have regarding this audit report? Explain THREE points.

(6)

**INFORMATION:****EXTRACT FROM THE AUDIT REPORT OF KARIN LTD**

We have audited the annual financial statements of Karin Ltd for the year ended 29 February 2020. These financial statements are the responsibility of the company's directors.

**Basis for Disclaimer of Opinion**

In the course of our audit we established that bonuses paid to directors, amounting to R9,8 million, had not been authorised by the Remunerations Committee.

**Audit Opinion**

Because of the significance of the matters described above, we have not been able to obtain sufficient audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements of Karin Ltd for the year ended 29 February 2020.

**Bongani and Botha, Chartered Accountants (SA)**

**ANSWER SHEET**

2.1

(a) Calculate the carrying value of Land and Buildings on 1 March 2019.

2

(b) Calculate the total depreciation on Vehicles on 29 February 2020.

6

(c) Calculate the carrying value of Vehicles on 29 February 2020.

4

(d) Calculate the carrying value of Equipment sold on 31 December 2019.

6

(e) Calculate the total carrying value of Fixed Assets on 29 February 2020.

4

2.2 BALANCE SHEET OF ODETTE LTD ON 29 FEBRUARY 2020

<b>ASSETS</b>	
<b>NON-CURRENT ASSETS</b>	
<b>CURRENT ASSETS</b>	
Inventory	408 880
Trade and other receivables	
Cash and cash equivalents	
<b>TOTAL ASSETS</b>	
<b>EQUITY AND LIABILITIES</b>	
<b>SHAREHOLDERS' EQUITY</b>	
Ordinary share capital	
Retained income	520 000
<b>NON-CURRENT LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	

### 2.3 AUDIT REPORT

As a shareholder, what concerns would you have regarding this audit report? Explain THREE points.

Point 1:

Point 2:

Point 3:



**ACTIVITY A3**

**(NOV 2019)**

- 3.1 Choose an explanation in COLUMN B that matches the term in COLUMN A. Write only the letters (A–E) next to the question numbers (3.1.1 to 3.1.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
3.1.1	Internal auditor	A	appointed by shareholders to manage a company
3.1.2	Memorandum of incorporation (MOI)	B	the body responsible for registration of all companies
3.1.3	Limited liability	C	employed by a company to ensure good internal control procedures
3.1.4	Director	D	indicates that a company has a legal personality of its own
3.1.5	Companies and Intellectual Property Commission (CIPC)	E	the document that establishes the rules and procedures of a company

(5 x 1) (5)

3.2 **VISIV LTD**

The financial year ended on 29 February 2020.

**REQUIRED:**

- 3.2.1 Calculate:

- Amounts for (i) and (ii) in the Fixed Assets Register (5)
- Profit/Loss on sale of asset (2)
- Fixed assets carrying value on 29 February 2020 (4)

- 3.2.2 Calculate the correct net profit **after tax** for the year ended 29 February 2020. Indicate (+) for increase and (–) for decrease. (9)

- 3.2.3 Refer to Information A–H. Prepare the following on 29 February 2020:

- Retained Income Note (9)
- Statement of Financial Position (Balance Sheet). (27)

**NOTE:** Show workings. Certain figures are provided in the ANSWER BOOK.

**INFORMATION:****A. Fixed assets:**

A delivery vehicle was sold on 31 October 2019 but no entries were made to record this transaction.

Details of vehicle sold:

**Delivery Vehicle X43**

**Date purchased:** 1 March 2017

**Date sold:** 31 October 2019

**Sold for:** R195 000 (cash)

**Depreciation rate:** 25% p.a. (diminishing-balance method)

	<b>COST</b>	<b>DEPRECIATION</b>	<b>CARRYING VALUE</b>
28 February 2018	R400 000	R100 000	R300 000
28 February 2019		75 000	225 000
31 October 2019		(i)	(ii)

**B. List of balances/totals on 29 February 2020 (before taking into account all adjustments below):**

Ordinary share capital	R8 152 000
Retained income (1 March 2019)	865 300
Mortgage loan: Prati Bank	1 758 000
Fixed assets (carrying value)	10 190 000
Fixed deposit: Prati Bank (balancing figure)	?
Trading stock	1 102 000
Net trade debtors	1 090 000
Bank (favourable)	?
SARS: Income tax (provisional tax payments)	155 000
Creditors' control	1 906 800

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

- Provision for bad debts must be increased by R65 000.
- R9 800 of an advertising contract applies to the next financial year.
- A tenant paid rent of R334 000 for the period 1 March 2019 to 31 March 2020. Rent was increased by R3 000 per month from 1 January 2020.
- Depreciation and profit/loss on the vehicle sold must be recorded.
- A further R43 000 is owed for income tax.

**D. Ordinary shares:**

DATE	DETAILS
1 March 2019	2 000 000 shares in issue; total book value R7 600 000
31 May 2019	360 000 shares repurchased at R4,10 each
1 October 2019	800 000 new shares issued
29 February 2020	2 440 000 shares in issue

**E. Dividends:**

- Interim dividends were paid in September 2019, R295 200.
- Final dividends of 20c per share were declared on 29 February 2020.

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

**G.** A cheque for R75 000, dated 30 April 2020, was issued to a supplier in February.

**H.** After processing all adjustments:

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



### 3.3 AUDIT REPORT FOR YEAR-END 29 FEBRUARY 2020

The financial statements of Visiv Ltd (see QUESTION 3.2.3) were audited. You are provided with extracts from the audit report.

#### Extracts from the audit report:

	Basis for audit report
Point 1	We were unable to obtain sufficient audit evidence to support the amounts provided for certain income and expense items ...
Point 2	Furthermore, the repurchase of shares on 31 May 2019 is not in accordance with provisions of the Companies Act, 1973 (Act 61 of 1973), as the liquidity of the company has been compromised ...
	<b>Opinion</b>
Point 3	Because of the significance of the matters described above, we do not express an opinion ...

#### REQUIRED:

##### 3.3.1 Refer to Point 3.

What type of audit report did the company receive? (1)

##### 3.3.2 Refer to Point 1.

Give TWO examples of audit evidence that the auditors would have required regarding this problem. (2)

##### 3.3.3 Refer to Point 2.

- Apart from the current ratio, identify and calculate ONE other financial indicator that the auditors would have used in deciding on this opinion. (4)
- Explain what the directors could have done to prevent this comment by the auditors. Provide TWO points. (2)

**ANSWER SHEET**

3.1

3.1.1	
3.1.2	
3.1.3	
3.1.4	
3.1.5	

5

3.2

VISIV LTD

3.2.1

(i) Calculate: Depreciation for the current year		
	Workings	Answer
(ii) Calculate: Carrying value of vehicle sold		
	Workings	Answer
Calculate: Profit/Loss on sale of asset		
	Workings	Answer
Calculate: Fixed assets carrying value on 29 February 2020		
	Workings	Answer

5

2

4

3.2.2

Calculate the correct net profit after tax for the year ended 29 February 2020. Indicate (+) for increase and (–) for decrease.

Workings	Answer
Incorrect net profit before tax	822 700
Correct net profit after tax	

9

3.2.3

RETAINED INCOME NOTE:

Balance at beginning	865 300
Ordinary share dividends	
Balance at end	

9

VISIV LTD STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) ON 29 FEBRUARY 2020	
<b>ASSETS</b>	
<b>Non-current assets</b>	
Fixed assets	
Fixed deposit	
<b>Current assets</b>	
Inventories	1 102 000
Cash and cash equivalents	
<b>TOTAL ASSETS</b>	
<b>EQUITY AND LIABILITIES</b>	
<b>Ordinary shareholders' equity</b>	
Ordinary share capital	8 152 000
<b>Non-current liabilities</b>	
<b>Current liabilities</b>	2 900 000
Current portion of loan	
<b>TOTAL EQUITY AND LIABILITIES</b>	

### 3.3 AUDIT REPORT

3.3.1

**What type of audit report did the company receive?**

1

3.3.2

**Give TWO examples of audit evidence that the auditors would have required regarding this problem.**

Example 1	
Example 2	

2

3.3.3

**Apart from the current ratio, identify and calculate ONE other financial indicator that the auditors would have used in deciding on this opinion.**

**Identify ONE other financial indicator:**

**Calculate the financial indicator:**

4

**Explain what the directors could have done to prevent this comment by the auditors. Provide TWO points.**

Point 1	
Point 2	

2

**B. CASH FLOW STATEMENT AND INTERPRETATION****ACTIVITY B1****(NOV 2019)**

- 1.1 Three financial statements are provided as options in which each of the following items would appear. Choose the financial statement and write only the letter (A–C) next to the question numbers (1.1.1 to 1.1.4) in the ANSWER BOOK, e.g. 1.1.5 D.

A	Statement of Financial Position (Balance Sheet)
B	Statement of Comprehensive Income (Income Statement)
C	Cash Flow Statement

- 1.1.1 Profit on sale of a fixed asset
- 1.1.2 Amount due to shareholders for final dividends payable
- 1.1.3 Total amount spent on the repurchase of shares
- 1.1.4 Total income tax amount for the current financial year (4 x 1) (4)

1.2 **SUNSET LTD**

The financial year ended on 29 February 2020.

**REQUIRED:**

- 1.2.1 Calculate the following figures for the 2020 Cash Flow Statement:
- Income tax paid (4)
  - Dividends paid (4)
  - Proceeds of shares issued (6)
  - Fixed assets purchased (5)
- 1.2.2 Calculate financial indicators for the year ended 29 February 2020:
- % operating profit on sales (4)
  - Net asset value per share (4)
  - Debt-equity ratio (4)

**INFORMATION FOR SUNSET LTD:****A. Information from Income Statement on 29 February 2020:**

Sales	R8 725 000
Gross profit	3 525 000
Depreciation	408 000
Operating profit	2 033 900
Interest expense	441 000
Income tax	477 900
Net profit after tax	1 138 000

**B. Information from Balance Sheet on February:**

	2020	2019
Fixed assets (carrying value)*	R11 835 100	R10 658 000
SARS: Income tax	18 000 <b>Cr</b>	63 000 <b>Dr</b>
Shareholders' equity	8 625 000	10 065 000
Ordinary share capital	7 724 000	9 300 000
Loan: Funza Bank	3 500 000	2 800 000
Shareholders for dividends	372 000	195 000
<b>*NOTE:</b> Fixed assets were sold at carrying value, R490 000.		

**C. Share capital and dividends:**

SHARE CAPITAL		NUMBER OF SHARES	DETAILS OF SHARES
2019	1 March	1 500 000	In issue at R6,20 per share
	30 April	300 000	Repurchased at R6,90 per share
2020	1 January	40 000	New shares issued
	29 February	1 240 000	In issue

DIVIDENDS			DIVIDENDS PER SHARE
Final	2 March 2019	Paid	13 cents
Interim	31 August 2019	Paid	35 cents
Final	29 February 2020	Declared	30 cents

### 1.3 HORIZON LTD and OPTIMA LTD

Refer to Information D to F.

Mike Mbele owns shares and is a director in both these companies.

He recently invested another R420 000 in each company by buying shares on the JSE at market value as follows:

HORIZON LTD	OPTIMA LTD
R8,40	R4,00

#### REQUIRED:

**NOTE:** Provide figures, financial indicators or calculations in EACH case to support your comments and explanations.

#### 1.3.1 Purchase of shares:

- Explain why directors should be interested in the price of their companies' shares on the JSE. (2)
- Calculate the number of additional shares in Horizon Ltd that Mike was able to buy on the JSE in 2020. (3)
- Comment on the price that Mike paid for these shares and give TWO reasons why he might have been satisfied to pay this price. (6)

#### 1.3.2 Dividends and earnings:

- Explain your opinion on which company has the better dividend pay-out policy. (6)
- Compare and comment on the % return on equity earned by EACH company. (4)
- Mike feels that the earnings per share (EPS) of Optima Ltd is much better than that of Horizon Ltd. Explain why he feels this way. (5)

#### 1.3.3 Refer to the Cash Flow Statements.

The poor economy has negatively affected Horizon Ltd more than Optima Ltd.

- Explain TWO decisions taken by the directors of **Horizon Ltd** in response to the state of the economy, and how these decisions will affect the company in future. (6)
- Explain TWO decisions taken by the directors of **Optima Ltd** that affect risk and gearing. Quote and comment on TWO financial indicators. (8)

**D. Shareholding of Mike Mbele in two companies:**

	HORIZON LTD	OPTIMA LTD
Number of shares bought in 2018	580 000 shares	1 430 000 shares
Total shares issued by each company	1 240 000 shares	2 600 000 shares
Additional shares bought by Mike	?	105 000 shares
Mike's % shareholding before buying additional shares	46,8%	55,0%

**E. Financial indicators and additional information on 29 February 2020:**

	HORIZON LTD	OPTIMA LTD
Earnings per share (EPS)	97 cents	83 cents
Dividends per share (DPS)	65 cents	80 cents
Debt-equity ratio	0,1 : 1	0,7 : 1
% return on average equity	6,2%	18,2%
% return on average capital employed	9,4%	15,1%
Net asset value (NAV)	750 cents	445 cents
<b>Additional information:</b>		
Interest rate on loans	12,0%	12,0%
Interest on investments	6,5%	6,5%

**F. Extracts from Cash Flow Statements for year ended 29 2020:**

	HORIZON LTD	OPTIMA LTD
Cash flows from <b>investing</b> activities	R2 700 000	(R2 730 000)
Purchase of fixed assets	0	(1 580 000)
Sale of fixed assets	1 800 000	0
Change in investments	900 000	(1 150 000)
Cash flows from <b>financing</b> activities	(2 670 000)	4 000 000
Proceeds of new shares issued	0	200 000
Shares repurchased	(1 070 000)	0
Cash effects of long-term loan	(1 600 000)	3 800 000

**ANSWER SHEET**

1.1

1.1.1	
1.1.2	
1.1.3	
1.1.4	

4

1.2

**SUNSET LTD**

1.2.1

**Calculate: Income tax paid**

Workings	Answer

4

**Calculate: Dividends paid**

Workings	Answer

4

**Calculate: Proceeds of shares issued**

Workings	Answer

6

**Calculate: Fixed assets purchased**

Workings	Answer

5

1.2.2

**Calculate financial indicators for the year ended 29 February 2020:****% operating profit on sales**

Workings	Answer

4

**Net asset value per share**

Workings	Answer

4

**Debt-equity ratio**

Workings	Answer

4

*Please turn over*

### 1.3 HORIZON LTD and OPTIMA LTD

1.3.1 Explain why directors should be interested in the price of their companies' shares on the JSE.

2

Calculate the number of additional shares in Horizon Ltd that Mike was able to buy on the JSE in 2020.

Workings	Answer

3

Comment on the price that Mike paid for these shares and provide TWO reasons why he might have been satisfied to pay this price.

Comment (with figures):

Reason 1 :

Reason 2:

6

1.3.2 Explain your opinion on which company has the better dividend pay-out policy. Quote figures.

6

Compare and comment on the % return on equity earned by EACH company. Quote figures.

4

Mike feels that the earnings per share (EPS) of Optima Ltd is much better than that of Horizon Ltd. Explain why he feels this way. Quote figures or calculations.

5

1.3.3

Explain TWO decisions taken by the directors of Horizon Ltd in response to the state of the economy, and how these decisions will affect the company in future.

Decision 1 (with figures):

Decision 2 (with figures):

Effect on Horizon Ltd in future:

6

Explain TWO decisions taken by the directors of Optima Ltd that affect risk and gearing. Quote and comment on TWO financial indicators.

Decision 1 (with figures):

Decision 2 (with figures):

Quote and comment on TWO financial indicators that affect risk and gearing.

8

**ACTIVITY B2****(JUNE 2019)**

- 2.1 Choose a term from the list below that answers the specific following questions. Write only the term next to the question numbers (2.1.1 to 2.1.4) in the ANSWER BOOK.

gearing; return on equity; solvency; liquidity; profitability
---

- 2.1.1 Is the business able to pay off all its debts?
- 2.1.2 Can the business pay off short-term debts in the next financial year?
- 2.1.3 Will shareholders be satisfied with the benefit that they receive for investing in the company?
- 2.1.4 To what extent is the company financed by loans or borrowed capital? (4)

2.2 **KULFI LTD**

Information for the financial year ended 29 February 2020 is provided.

**Where financial indicators are required to support your answer, quote the financial indicator and actual figure/ratio/percentage and trends.**

**REQUIRED:**

- 2.2.1 Prepare the Retained Income Note to the Balance Sheet. (12)
- 2.2.2 Calculate the following amounts for the Cash Flow Statement. Show workings. (4)
- Income tax paid (4)
  - Dividends paid (4)
- 2.2.3 State the following sections of the Cash Flow Statement: (9)
- Cash effects of investing activities (9)
  - Net change in cash and cash equivalents (4)
- 2.2.4 Calculate the following financial indicators on 29 February 2020: (5)
- Acid-test ratio (4)
  - Debt-equity ratio (4)
  - % return on average shareholders' equity (ROSHE) (5)
- 2.2.5 The shareholders are satisfied with the improvement in the liquidity position. Quote THREE financial indicators (with figures) to support this statement. (6)
- 2.2.6 The company increased the share capital by R840 000, and the loan by R550 000. (5)
- Explain how this affected the gearing and risk of the company. Quote TWO financial indicators. (5)
  - Explain what the directors have done with this cash inflow. State TWO points. (4)

*Please turn over*

2.2.7 The directors decided to decrease the dividend pay-out percentage.

- Provide calculations to show the change in the pay-out rate. (4)
- Give ONE reason why many shareholders were satisfied with the change in policy. Quote figures. (2)

2.2.8 On 1 March 2019 Martha owned 475 000 shares in the company. She did not purchase any shares from the shares issued on 1 May 2019.

- Explain how the repurchase of the shares benefited Martha's shareholding. Quote figures. (4)

### INFORMATION:

#### A. Share capital:

- There were 900 000 ordinary shares in issue on 1 March 2019.
- An additional 100 000 ordinary shares were issued on 1 May 2019.
- On 1 October 2019 the company repurchased 60 000 shares at R9,00 per share. The average share price at the time was R8,04.

#### B. Dividends:

- Interim dividends of 25 cents per share were paid on 15 September 2019.
- Final dividends were declared on 29 February 2020.

#### C. Extract from Income Statement for the year ended 29 February 2020:

	R
Depreciation	123 600
Interest expense	143 000
Income tax (at 30% of the net profit)	293 100

**D. Extract from Balance Sheet on 29 February 2020:**

	2020	2019
	R	R
Fixed assets (carrying value)*	8 775 720	8 430 720
Fixed deposit: Flay Bank	150 000	100 000
<b>Current assets</b>	<b>996 480</b>	<b>684 300</b>
Inventories	448 000	281 000
Trade and other receivables (Note 1)	288 300	378 300
Cash and cash equivalents	260 180	25 000
<b>Shareholders' equity</b>	<b>?</b>	<b>7 341 500</b>
Ordinary share capital	7 557 600	7 200 000
Retained income	?	141 500
<b>Loan: Home Bank</b>	<b>1 400 000</b>	<b>850 000</b>
<b>Current liabilities</b>	<b>553 600</b>	<b>923 520</b>
Trade and other payables (Note 2)	553 600	781 000
Bank overdraft	0	142 520

\* Old equipment was sold at carrying value, R111 800, for cash.

<b>Note 1: Trade and other receivables:</b>	<b>2020</b>	<b>2019</b>
Debtors' control	288 300	367 000
SARS: Income tax	0	11 300

<b>Note 2: Trade and other payables:</b>	<b>2020</b>	<b>2019</b>
Creditors' control	325 000	421 000
Shareholders for dividends	206 800	360 000
SARS: Income tax	21 800	0

**E. The following financial indicators were calculated on February:**

	2020	2019
Current ratio	1,8 : 1	0,7 : 1
Acid-test ratio	?	0,4 : 1
Debtors' collection period	28 days	39 days
Creditors' payment period	60 days	60 days
Debt-equity ratio	?	0,1 : 1
Return on shareholders' equity (ROSHE)	?	10,2%
Return on total capital employed (ROTCE)	12,9%	14,4%
Earnings per share (EPS)	71 cents	83 cents
Dividends per share (DPS)	47 cents	80 cents
Net asset value per share (NAV)	837 cents	816 cents
Market value per share	840 cents	807 cents
Interest rate on loans	13,5%	13,5%

**ANSWER SHEET**

2.1

2.1.1	
2.1.2	
2.1.3	
2.1.4	

4

2.2

**KULFI LTD**

2.2.1

**RETAINED INCOME NOTE:**

Balance on 1 March 2019	
Net profit after tax	
Ordinary share dividends	
Balance on 29 February 2020	

12

2.2.2

**Calculate: Income tax paid**

Workings	Answer

4

**Calculate: Dividends paid**

Workings	Answer

4

2.2.3

<b>Cash effects of investing activities</b>	

9

<b>Net change in cash and cash equivalents</b>	

4

2.2.4

<b>Calculate: Acid-test ratio</b>	
<b>Workings</b>	<b>Answer</b>
<b>Calculate: Debt-equity ratio</b>	
<b>Workings</b>	<b>Answer</b>
<b>Calculate: % return on average shareholders' equity (ROSHE)</b>	
<b>Workings</b>	<b>Answer</b>

4

4

5

2.2.5

The shareholders are satisfied with the improvement in the liquidity position. Quote **THREE** financial indicators (with figures) to support this statement.



6

2.2.6

The company increased the share capital by R840 000, and the loan by R550 000.

Explain how this affected the gearing and risk of the company. Quote **TWO** financial indicators.

5

Explain what the directors have done with this cash inflow. State **TWO** points.

4

2.2.7

Provide calculations to show the change in the pay-out rate.



4

Give **ONE** reason why many shareholders were satisfied with the change in policy. Quote figures.

2

2.2.8 Explain how the repurchase of the shares benefited Martha's shareholding. Quote figures.

4

### ACTIVITY B3

(NOV 2018)

You are provided with information about Vooma Limited for the past two financial years ended 30 June. The company is situated in KZN and trades in racing bikes.

#### REQUIRED:

**NOTE:** Provide figures or financial indicators (ratios or percentages) and comparisons with the previous year to support comments or explanations.

3.1 Calculate the following for 2020:

3.1.1 % operating expenses on sales (2)

3.1.2 Acid-test ratio (4)

4.1.3 % return on shareholders' equity (4)

3.2 Calculate the following figures that will appear in the 2020 Cash Flow Statement:

3.2.1 Change in investments (2)

3.2.2 Income tax paid (4)

3.2.3 Fixed assets sold (at carrying value) (5)

3.3 Cash flow and financing activities:

3.3.1 Explain why the directors are satisfied with the improvement in cash and cash equivalents since 1 July 2018. (3)

3.3.2 Decisions and gearing in 2020:

- Identify THREE decisions that the directors made to pay for land and buildings. (6)
- Explain how these decisions affected:
  - Capital employed
  - Financial gearing (Quote TWO indicators.) (6)

3.3.3 From the Cash Flow Statement identify ONE decision made by the directors in 2019 that they did NOT make in 2020, besides the points mentioned above. Give a possible reason for the decision in 2019. (3)

Please turn over

### 3.4 Dividends, returns and shareholding for the 2020 financial year:

- On 1 July 2019 there were 800 000 shares in issue.
- On 31 December 2019 interim dividends were paid.
- On 1 January 2020, 200 000 shares were issued to existing shareholders.
- On 30 June 2020 final dividends of 75 cents per share were declared on all shares, but have not yet been paid.

#### 3.4.1 Calculate for the 2020 financial year:

- Total interim dividends paid (3)
- Interim dividends per share (3)

#### 3.4.2 Calculate total dividends earned by Dudu Mkhize for the 2020 financial year. Her shareholding is:

	SHARES PURCHASED	PURCHASE PRICE
31 August 2018	380 000 shares	R7,00
1 January 2020	110 000 shares	R20,00
<b>TOTAL</b>	490 000 shares	

(5)

#### 3.4.3 On 1 January 2020 each shareholder was offered two shares for every five shares owned. Dudu did not buy enough shares to become the majority shareholder.

Calculate the minimum number of additional shares that Dudu should have bought. (5)

### 3.5 The directors decided to buy land and buildings in two other provinces in 2020 to solve the problem of low sales that they had previously had in KZN.

#### 3.5.1 Explain:

- Why it was necessary to purchase properties in other provinces instead of in KZN (2)
- Whether the decision to purchase these properties had the desired effect on sales (3)
- Another strategy they used to solve the problem of low sales (3)

#### 3.5.2 The CEO, Ben Palo, wants to communicate other good news to the shareholders at the AGM. Give advice on what he should say about the following topics:

- Earnings per share (3)
- % return earned (3)
- Share price on the JSE (3)

**INFORMATION FOR THE YEAR ENDED 30 JUNE:****A. FIGURES IDENTIFIED FROM INCOME STATEMENT:**

	2020	2019
Sales	R13 182 000	R7 740 000
Number of bikes sold	1 750 bikes	900 bikes
Mark-up %	58%	72%
Cost of sales	8 330 000	4 500 000
Gross profit	4 852 000	3 240 000
Operating expenses	1 900 000	1 500 000
Depreciation	412 000	275 000
Income tax	819 000	444 000
Net profit after tax	1 911 000	1 036 000

**B. EXTRACT FROM BALANCE SHEET ON 30 JUNE:**

	2020	2019
Fixed assets (carrying value)	R12 154 000	R8 031 000
Investments	625 000	600 000
Current assets	2 427 000	2 090 000
Inventories	1 652 000	1 250 000
Trade and other receivables	365 000	820 000
SARS: Income tax	0	15 000
Cash and cash equivalents	410 000	5 000
Shareholders' equity	12 112 000	7 191 000
Non-current liabilities (Loan)	1 850 000	2 600 000
Current liabilities	1 244 000	930 000
Trade and other payables	420 000	515 000
Shareholders for dividends	750 000	280 000
SARS: Income tax	74 000	0
Bank overdraft	0	135 000

**C. CASH FLOW STATEMENT:**

	2020	2019
<b>Cash flows from operating activities</b>	<b>R1 850 000</b>	<b>R1 046 000</b>
Cash generated from operations	3 322 000	1 989 000
Interest paid	?	(260 000)
Dividends paid	(520 000)	(254 000)
Income tax paid	?	(429 000)
<b>Cash flows from investing activities</b>	<b>(4 560 000)</b>	<b>(167 000)</b>
Purchases of land and buildings	(4 840 000)	0
Sale of fixed assets	?	383 000
Change in investments	?	(550 000)
<b>Cash flows from financing activities</b>	<b>3 250 000</b>	<b>(400 000)</b>
Share capital issued	4 000 000	0
Shares repurchased	0	(1 000 000)
Change in non-current liabilities	(750 000)	600 000
Cash and cash equivalents: Net change	540 000	479 000
Opening balance	(130 000)	(609 000)
Closing balance	410 000	(130 000)

**D. FINANCIAL INDICATORS:**

	2020	2019
Mark-up % achieved	58%	72%
Operating expenses on sales	?	19,4%
Debt-equity ratio	0,2 : 1	0,4 : 1
Acid-test ratio	?	0,9 : 1
Return on shareholders' equity	?	14,4%
Return on capital employed	20,8%	17,8%
Earnings per share	208 cents	130 cents
Dividends per share	?	70 cents
Dividend pay-out rate	50%	54%
Net asset value per share	1 211 cents	899 cents
Market price on stock exchange	2 800 cents	2 100 cents
Interest on loans	12%	12%

## ANSWER SHEET

### 3.1 CALCULATION OF FINANCIAL INDICATORS FOR 2020

#### 3.1.1 Calculate: % operating expenses on sales

Workings	Answer

2

#### 3.1.2 Calculate: Acid-test ratio

Workings	Answer

4

#### 3.1.3 Calculate: % return on shareholders' equity

Workings	Answer

4

### 3.2 FIGURES FOR 2020 CASH FLOW STATEMENT

#### 3.2.1 Calculate: Change in investments

Workings	Answer

2

#### 3.2.2 Calculate: Income tax paid

Workings	Answer

4

**3.2.3 Calculate: Fixed assets sold (at carrying value)**

Workings	Answer

5

**3.3 EXPLANATIONS ON CASH FLOW STATEMENT**

**3.3.1 Explain why the directors are satisfied with the improvement in cash and cash equivalents since 1 July 2018. Quote figures.**

3

**3.3.2 Identify THREE decisions that the directors made to pay for land and buildings.**

Decision 1 (with figures)	
Decision 2 (with figures)	
Decision 3 (with figures)	

6

**Explain how these decisions affected the capital employed in the 2018 financial year. Quote figures.**

**Explain how these decisions affected the financial gearing in the 2018 financial year. Quote TWO indicators and their figures.**

6

3.3.3

From the Cash Flow Statement identify ONE decision made by the directors in 2019 that they did NOT make in 2020, besides the points mentioned above. Give a possible reason for the decision in 2019.

Decision (with figures)	Possible reason

3

3.4

**DIVIDENDS, RETURNS AND SHAREHOLDING**

3.4.1

Calculate: Total interim dividends paid for the 2020 financial year

Workings	Answer

Calculate: Interim dividends per share for the 2020 financial year

Workings	Answer

6

3.4.2

Calculate total dividends earned by Dudu Mkhize for the 2020 financial year.

Workings	Answer

5

3.4.3

Calculate the minimum number of additional shares that Dudu should have bought.

Workings	Answer

3

3.5.1

Explain why it was necessary to purchase properties in other provinces instead of in KZN.



2

Explain whether the decision to purchase these properties had the desired effect on sales. Quote figures.

3

Explain another strategy they used to solve the problem of low sales. Quote figures.

3

3.5.2

Give advice on what Ben Palo should say about the following topics:

Advice on what to say on earnings per share:

3

Advice on what to say on % return earned:

3

Advice on what to say on share price on the JSE:

3



**C. INVENTORY VALUATION****ACTIVITY C1****(NOV 2018)****1.1 CONCEPTS**

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

- 1.1.1 The most recent purchases will be considered as closing stock in the (FIFO/weighted-average) stock valuation method.
- 1.1.2 Merchandise purchased is recorded in a Trading Stock Account in the (perpetual/periodic) inventory system.
- 1.1.3 Carriage on purchases is recorded as an (asset/expense) in the periodic inventory system. (3 x 1) (3)

**1.2 PHOTO-FIX TRADERS**

The information relates to Photo-fix Traders for the financial year ended 30 April 2020. The business is owned by Tom Samuels and sells two models of cameras (Grand and De-Lux) and photo frames.

- The stock of cameras is valued using the specific identification method.
- Photo frames are valued using the weighted average method.

**REQUIRED:**

- 1.2.1 Calculate the value of closing stock of **cameras** on 30 April 2020. (9)
- 1.2.2 Calculate the value of closing stock of **photo frames**. (8)
- 1.2.3 The owner suspects that **photo frames** are being stolen. Provide a calculation to confirm his suspicions. (5)
- 1.2.4 Tom is thinking of employing an assistant at a wage of R3 500 per month to control the stock of **photo frames**. Explain why this is NOT a good idea. Provide TWO points with figures/calculations. (6)

**INFORMATION:**

The following information is in respect of the year ended 30 April 2020:

**A. CAMERAS: STOCK, BOUGHT AND SOLD**

	BOUGHT			UNITS SOLD
	UNITS	UNIT COST	TOTAL	
<b>GRAND MODEL</b>				
Opening stock	20	R5 500	R110 000	14
Purchases	240	R5 750	R1 380 000	170
<b>DE-LUX MODEL</b>				
<b>Net purchases:</b>	<b>270</b>		<b>R1 104 000</b>	<b>235</b>
September 2019	180	R4 000	R720 000	140
Returns	(30)	R4 000	(R120 000)	
January 2020	120	R4 200	R504 000	95

Please turn over

**B. PHOTO FRAMES: STOCK, BOUGHT AND SOLD**

	UNITS		AMOUNTS	
Opening stock	60		R7 200	
Purchases	720		R108 000	
Returns	30		R4 500	
Closing stock	80		?	
Sales	657			

**1.3 MANAGEMENT OF INVENTORIES**

The information relates to Lyle Furnishers for the financial year ended 29 February 2020. The business sells cupboards, tables and chairs. No stock went missing during the year.

**REQUIRED:**

Provide ONE different problem (with figures) relating to EACH product and ONE solution to EACH problem.

(9)

**INFORMATION:**

	CUPBOARDS	TABLES	CHAIRS
Opening stock (units)	200	160	1 300
Purchases (units)	2 500	3 050	6 000
Selling price per unit	R1 750	R850	R350
Credit sales (units)	800	2 400	2 100
Returns by customers (units)	(500)	(10)	0
Cash sales (units)	1 000	600	2 250
Closing stock (units)	400	200	2 950
Cash received from cash sales	R1 750 000	R470 000	R787 500



**ANSWER SHEET**

1.1

1.1.1	
1.1.2	
1.1.3	

3

1.2

**PHOTO-FIX TRADERS**

1.2.1

Calculate:

Value of closing stock of cameras	
Workings	Answer

9

1.2.2

Value of closing stock of photo frames	
Workings	Answer

8

1.2.3

The owner suspects that photo frames are being stolen. Provide a calculation to confirm his suspicions.	
Workings	Answer

5

1.2.4

Tom is thinking of employing an assistant at a wage of R3 500 per month to control the stock of photo frames. Explain why this is NOT a good idea. Provide TWO points with figures/calculations.

	Explanation	Figures
Point 1		
Point 2		

6

1.3

## MANAGEMENT OF INVENTORIES

Product	Problem	Solution
Cupboards		
Tables		
Chairs		

9

**ACTIVITY C2****(NOV 2019)**

George Grande is the majority shareholder and CEO of Grande Ltd. The company supplies hotels with cabinets and lamps.

The periodic system is used. The year-end is 30 September 2020.

**REQUIRED:****CABINETS**

- 2.1 Calculate the value of closing stock for cabinets on 30 September 2020 using the first-in first-out method. (6)
- 2.2 In 2020, the company decided to extend the target market and to grant trade discounts to increase sales.
- 2.2.1 Calculate the % mark-up achieved in 2020. (4)
- 2.2.2 Provide TWO points (with figures) to prove that this decision achieved its aims. (4)
- 2.2.3 The CEO feels that this decision also negatively affected the company.
- Provide TWO points (with figures) to support his opinion. (4)
  - Give the directors advice to solve this problem. Explain TWO points. (2)

**LAMPS**

- 2.3 Calculate the stockholding period for lamps (use closing stock). (3)
- 2.4 George is concerned about the control of lamps. An investigation revealed that the store manager was supplying local boarding houses with lamps without documentation.
- Calculate the number of missing lamps. (5)
  - Give TWO suggestions to solve this problem. (4)

**TELEVISION SETS**

- 2.5 During April 2020, while George was in hospital, Bruce Swann (the chief financial officer) decided to include television sets in their product range. He was able to secure bulk discounts from Roseway on two TV set models, namely LYN and KYA.
- Calculate the value of the closing stock of TV sets on 30 September 2020 using the specific identification method. (7)
- 2.6 An employee of Roseway told George that Bruce received a 10% 'commission' from Roseway for buying excess stock. George wants to discuss this at the next board meeting.
- Explain THREE different concerns that George would have about this problem. (6)

**INFORMATION:****A. Stock records of cabinets and lamps:**

	CABINETS			LAMPS	
	UNITS	UNIT PRICE	TOTAL	UNITS	TOTAL
<b>Stock balances</b>					
1 Oct. 2019	370	R800	R296 000	600	R108 000
30 Sep. 2020	280		?	265	R59 625
<b>Purchases: 2020</b>					
January	800	R920	R736 000	1 200	R240 000
April	1 200	R990	R1 188 000	1 800	R432 000
July	250	R1 100	R275 000	800	R210 000
<b>Total</b>	<b>2 250</b>		<b>R2 199 000</b>	<b>3 800</b>	<b>R882 000</b>
<b>Returns</b>	<b>20</b>	R1 100			
<b>Sales</b>				<b>3 675</b>	
<b>Cost of sales</b>					<b>R930 375</b>

**B. Information relating to cabinets:**

	2020	2019
Sales	R3 480 000	R3 375 000
Cost of sales	R2 170 500	R1 950 000
Units sold	2 320	2 500
Selling price per unit	R1 500	R1 400
% mark-up achieved	?	73%
Customers on record	37	26

**C. Stock records of television sets:**

	MODELS	UNITS	UNIT PRICE	TOTAL
<b>Purchases</b>				
May 2020	LYN	800	R6 000	R4 800 000
	KYA	950	R7 200	R6 840 000
July 2020	LYN	500	R6 000	R3 000 000
	KYA	500	R7 200	R3 600 000
<b>TOTAL</b>		<b>2 750</b>		<b>R18 240 000</b>
<b>Sales</b>				
	LYN	430	R8 400	R3 612 000
	KYA	540	R10 080	R5 443 200

**ANSWER SHEET****CABINETS**

2.1

Calculate the value of closing stock using FIFO.	
Workings	Answer

6

2.2.1

Calculate the % mark-up achieved in 2020.	
Workings	Answer

4

2.2.2

Provide TWO points (with figures) to prove that this decision achieved its aims.	
Point 1	
Point 2	

4

2.2.3

The CEO feels that this decision also negatively affected the company.	
Provide TWO points (with figures) to support his opinion.	
Point 1	
Point 2	
Give the directors advice to solve this problem. Explain TWO points.	
Point 1	
Point 2	

4

2

**LAMPS**

2.3

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

Workings	Answer

3

2.4

**Calculate the number of missing lamps.**

Workings	Answer

5

**Give TWO suggestions to solve this problem.**

<b>Suggestion 1</b>	
<b>Suggestion 2</b>	

4

**TELEVISION SETS**

2.5

**Calculate the value of the closing stock of TV sets on 30 September 2020 using the specific identification method.**

Workings	Answer

7

2.6

**Explain THREE different concerns that George would have about this problem.**

<b>Concern 1</b>	
<b>Concern 2</b>	
<b>Concern 3</b>	

6

**D. BANK RECONCILIATIONS****ACTIVITY D1****(Q 1 NOV 2017)**

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

1.1.1 A favourable balance on the Bank Statement is indicated as a debit.

1.1.2 A post-dated cheque received must be entered on the date received.

1.1.3 An issued cheque that has been lost must be cancelled in the CRJ.

(3 x 1)

(3)

**1.2 MENZIES TRADERS**

The given information relates to Menzies Traders for June 2020.

**REQUIRED:**

1.2.1 Calculate the following on 30 June 2020:

- Correct totals for the CRJ and CPJ
- Bank account balance

(14)

1.2.2 Prepare the Bank Reconciliation Statement on 30 June 2020.

(9)

1.2.3 Explain the problem relating to deposits. Quote evidence.

Explain TWO strategies to prevent this in future.

(4)

**INFORMATION:**

A. The Bank Reconciliation Statement on 31 May 2020 showed the following:

<b>Unfavourable balance on the Bank Statement</b>	<b>R1 450</b>
<b>Outstanding deposits:</b>	
• 17 May 2020	30 000
• 31 May 2020	16 200
<b>Outstanding cheques:</b>	
• 605 (dated 16 December 2020)	9 750
• 812 (dated 10 April 2020)	8 550
• 816 (dated 25 May 2020)	13 590
• 819 (dated 15 August 2020)	7 650
• 823 (dated 31 May 2020)	2 900
<b>Unfavourable balance on the Bank account in the Ledger</b>	<b>R5 210</b>

B. Provisional Cash Journal totals on 30 June 2020:

- Cash Receipts Journal: R90 500
- Cash Payments Journal: R85 920

- C. Entries in the Cash Journals for June 2020 that do not agree with the June Bank Statement:

JOURNAL	DOCUMENT	DATE	DETAILS	AMOUNT
CRJ	EFT 19	11	Paintco	R5 500
	Deposit slip 451	25	Cash sales	R40 500

**NOTE:** EFT 19 was incorrectly entered in the CRJ instead of the CPJ.

JOURNAL	DOCUMENT	DATE	DETAILS	AMOUNT
CPJ	Cheque 870	25	VN Ltd	R16 800
	EFT 21	30	SJ Stores	R2 250

- D. Items on the Bank Statement dated 30 June 2020 that do not agree with the June Cash Journals:

DATE	DETAILS	DEBIT	CREDIT
02	Deposit (17/5)		30 000
05	Cheque 812	8 550	
09	Debit order (insurance)	2 290	
11	Direct transfer to Paintco (EFT 19)	5 500	
12	Cheque 816	13 590	
16	Deposit (31/5)		16 200
18	Direct transfer from S Smit (rent)		16 500
22	Cheque 823 (see note below)	9 200	
23	Unpaid cheque (B Blast settled his debt, R795)	750	
24	Service fee	1 220	

**NOTE:**

- Cheque 823: Bank Statement figure is correct.
- Service fees were overstated by R900. The bank will rectify the problem next month.

- E. The Bank Statement on 30 June 2020 reflected a balance of R?.



# ANSWER SHEET

## 1.1

	3

### 1.2.1

14

### 1.2.2

9	

1.2.3

**Explain the problem relating to deposits. Quote evidence.**

**Explain TWO strategies to prevent this in future.**

**Strategy 1:**

**Strategy 2:**

4
---

## ACTIVITY D2

(Q1 JUNE 2019)

### 2.1 BANK RECONCILIATION

The following information relates to Thandeka Traders for May 2020.

#### REQUIRED:

- 2.1.1 Calculate the correct Bank Account balance on 31 May 2020. Indicate whether this is favourable or unfavourable.
- 2.1.2 Prepare the Bank Reconciliation Statement on 31 May 2020. The bank statement balance is the missing figure.
- 2.1.3 **Refer to Information B(iii).**

State TWO internal control measures that the business can use to ensure that this will not happen in the future.

#### INFORMATION:

- A. Before the bank statement was received, the Bank Account showed a favourable balance of R19 400 on 31 May 2020.

*Please turn over*

**B.** Extract from the Bank Reconciliation Statement on 30 April 2020:



Outstanding deposit (dated 23 April 2020):	R31 560
Outstanding payments:	
Cheque 654 (dated 23 November 2019)	R2 350
EFT(electronic funds transfer)	R15 400
Cheque 705 (dated 30 June 2020)	R9 450

**NOTE:**

- (i) Cheque 654 does not appear in the May Bank Statement.
- (ii) The EFT payment of R15 400 appearing the May Bank Statement.
- (iii) The outstanding deposit of R31 560 does not appear in the May Bank Statement. An investigation shows that this is cash paid by a debtor and has never been deposited. The amount must be written off.

**C.** The following items must also be taken into account:

- (i) Items appearing in the May Bank Statement but not in the journals:
  - Bank charges, R1 060
  - A deposit of R4 500 made by another business. The bank will correct this error in June 2020.
  - Interest on favourable balance, R313
- (ii) Items appearing in the journals but not in the May Bank Statement:
  - A deposit of R21 343 made on 31 May 2020
  - Cheque 797 (dated 15 June 2020), R14 350
- (iii) An EFT payment appeared correctly in the Bank Statement as R5 678. The Cash Journal shows this EFT as R6 578.

**ANSWER SHEET**

**2.1 BANK RECONCILIATION**

**2.1.1**

Calculate the correct Bank Account balance on 31 May 2020.

Provisional Bank balance	R19 400



Favourable/Unfavourable:

**2.1.2 Bank Reconciliation Statement on 31 May 2020**

		DEBIT	CREDIT

7

2.1.3

**State TWO internal control measures that the business can use to ensure that this will not happen in the future.**

4

**ACTIVITY D3****(Q2 NOV 2019)**

The information relates to Klonex Traders.

**REQUIRED:**

- 3.1 The owner, Ben Joseph, realises that many people are now using electronic funds transfers (EFTs) instead of cheques.
  - 3.1.1 State THREE advantages of EFTs.
  - 3.1.2 Janet, the bookkeeper, has been assigned the duty of processing and controlling all EFTs.  
Explain TWO reasons why the internal auditor is concerned about this.
- 3.2 Show changes in the Cash Journals for June 2020.
- 3.3 Calculate the correct Bank Account balance on 30 June 2020.
- 3.4 Prepare the Bank Reconciliation Statement on 30 June 2020.

**INFORMATION:**

**A. Extract: Bank Reconciliation Statement on 31 May 2020**

<b>Outstanding deposit</b>	R9 500
<b>Outstanding cheques</b>	
<b>No.</b>	<b>Date</b>
321	10 December 2019
427	14 May 2020
444	27 May 2020
516	28 May 2020
<b>Favourable balance on Bank Account</b>	<b>R9 200</b>

**NOTE:**

- The outstanding deposit appeared on the June Bank Statement.
- Cheque 321 was issued for the owner's club fees. It was never deposited.
- Cheque 427 did not appear on the June Bank Statement. It was lost and a new cheque will be issued in July.
- Cheque 444 did not appear on the June Bank Statement.
- Cheque 516 appeared on the June Bank Statement with the correct amount of R5 250.

**B. Provisional totals in the Cash Journals on 30 June 2020 before receiving the Bank Statement:**

Cash Receipts Journal: R27 470

Cash Payments Journal: R32 400

**C. Entries in the Cash Journals NOT on the June Bank Statement:**

- Deposit, R9 675
- EFT 14 (30 June 2020), R3 800
- Cheque 522 (12 August 2020), R4 580

**D. Entries on the June 2020 Bank Statement NOT in the Cash Journals:**

<b>DATE</b>	<b>DETAILS</b>	<b>R</b>
15	Debit order: Micro Insurance*	1 125
	Debit order: Micro Insurance*	1 125
16	Unpaid cheque (debtor, B Marais)	1 200
25	M Malan (EFT by tenant)	2 800
30	Interest income	130
30	Service fees	175

\*Insurance appeared twice in error. This will be rectified next month.

**E. Bank Statement balance on 30 June 2020: ...?**

# ANSWER SHEET

**3.1.1 State THREE advantages of EFTs.**

3	

**3.1.2 Janet, the bookkeeper, has been assigned the duty of processing and controlling all EFTs.**

**Explain TWO reasons why the internal auditor is concerned about this.**

Reason 1	
----------	--

**3.2 Show changes in the Cash Journals for June 2020.**

11

### 3.3 Calculate: Bank Account balance

4

### 3.4 BANK RECONCILIATION STATEMENT ON 30 JUNE 2020

[illegible]

**E DEBTORS RECONCILIATION****ACTIVITY E1.****(Q2 NOV 2016)****RECONCILIATION, AGE ANALYSIS****(30 marks; minutes)**

1.1 Simply Traders sell goods for cash and on credit.

**REQUIRED:**

1.1.1 Simply Traders have the telephone numbers of all their debtors. What other information should they obtain before allowing customers to open accounts? State TWO points with a reason in EACH case. (4)

1.1.2 **Refer to Information A, B and C.**

Calculate:

- The correct closing balance of the Debtors' Control Account on 31 October 2020 (6)
- The correct amounts owing by debtors:
  - J Ramsay (D2)
  - W Smith (D3)
  - C Prince (D5) (12)

1.1.3 **Refer to Information D.**

- Calculate the percentage of debtors complying with the credit terms. (4)
- Explain TWO measures to improve collection from debtors. (4)

**INFORMATION:**

- A. Balance of the Debtors' Control Account on 31 October 2020, R179 500 (before adjustments).  
 B. Debtors' list on 31 October 2020:

DEBTORS	FOLIO	AMOUNT
M Coley	D1	R60 200
J Ramsay	D2	37 500
W Smith	D3	19 500
D Cummings	D4	42 000
C Prince	D5	3 900
<b>TOTAL</b>		<b>R163 100</b>

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

- (a) An invoice for R2 500 issued to W Smith was not recorded in the books of Simply Traders.
- (b) The total of the Debtors' Allowances Journal was posted to the Debtors' Control Account as R20 100 instead of R21 000.
- (c) An invoice for R4 300 issued to C Prince was posted incorrectly to the account of J Ramsay.
- (d) Stock for R5 100 sold to C Prince was treated as a return of goods when posting it to the Debtors' Ledger Account of C Prince.
- (e) A cheque for R8 350, originally received from J Ramsay in settlement of debt of R8 500, was returned by the bank, marked R/D. No entries were made in the Debtors' Ledger.
- (f) An invoice for R3 600 issued to W Smith was recorded correctly in the Debtors' Journal, but posted as R6 300 to his account in the Debtors' Ledger.
- (g) The total for discount allowed in the CRJ was overstated by R500.

D. Debtors' age analysis on 30 September 2020:

TOTAL	CURRENT	30-60 DAYS	61-90 DAYS	MORE THAN 90 DAYS
201 200	35 300	23 300	76 700	65 900

The credit period is 60 days.

*Please turn over*

**ANSWER SHEET**

1.1.1

Simply Traders have the telephone numbers of all their debtors. What other information should they obtain before allowing customers to open accounts? State TWO points with a reason in EACH case.

	Information to be obtained	Reason
Point 1		
Point 2		

4

1.1.2

Calculate the correct closing balance of the Debtors' Control Account on 31 October 2020.

6

Calculate the correct amounts owing by debtors.

	Calculations	Balance
J Ramsay (D2)	37 500	
W Smith (D3)	19 500	
C Prince (D5)	3 900	

12

1.1.3

Calculate the percentage of debtors complying with the credit terms.

4

Explain TWO measures to improve the collection from debtors.

4

**ACTIVITY E2****(Q 5 JUN 2018)****DEBTORS RECONCILIATION**

You are provided with information relating to Marlin Traders for July 2019.

**REQUIRED:**

- 2.1 Give **TWO** steps that the bookkeeper must follow when he/she discovers a difference between the Debtors Control Account and the Debtors List. (2)
- 2.2 **Refer to Information A.**  
Show the effect of the errors and omissions to the Debtors Control Account in the General Ledger and to each Debtor's Account in the Debtors Ledger. Indicate + increase and – for decrease. (Complete the tables provided). (16)
- 2.3 **Refer to Information B. (Debtors' Age Analysis)**
- Explain why you would be concerned about the management of debtors in this business. Quote relevant figures in your answer. (4)
  - Provide **TWO** internal control measures that the business can use to improve the collection of money from debtors. (4)

**INFORMATION:****A. Errors and omissions:**

- The total of the Debtors Allowances Journal was under cast by R120.
- Stock sold on credit to M. Simkhadi was wrongly entered in the journal as R890 instead of R980 and posted accordingly to the debtors' ledger.
- Interest of R75 must be charged to the overdue account of D. Slindile
- A cheque for R530 received from K. Mshibe was returned by the bank marked R/D. No entries were made for this transaction.
- Goods sold to F. Tuko for R1 320 was incorrectly posted to the account of M. Simkhadi. The entry in the journal was correct.
- A receipt issued to M. Simkhadi for R650 was correctly recorded in the journal but was posted to the Debtors Ledger Account as R600.

- B. On 31 July 2019, the Debtors' Age analysis was as follows:  
Credit terms: 30 days less 5% discount.

TOTAL	CURRENT	30-60 DAYS	61-90 DAYS	MORE THAN 90 DAYS
R23180	R4 636	R6 954	R9 272	R2 318

## ANSWER SHEET

### DEBTORS RECONCILIATION

2.1 Give TWO steps that the bookkeeper must follow when he/she discovers a difference between the Debtors Control Account and the Debtors List.

2

2.2 Calculate the correct balance of the Debtors Control Account and the Debtors List by completing the table provided.

### DEBTORS CONTROL ACCOUNT

No.	11 020

DEBTORS LIST: Show the adjustment amount next to each debtor.

M. Simkhadi (4 480	
D. Slindile (3 270	
K. Mshibe ( 940	
F. Tuko (2 260	

16

### 2.3 DEBTORS' AGE ANALYSIS

Explain why you would be concerned about the management of debtors in this business. Quote relevant figures in your answer.

4

Provide TWO internal control measures that the business can use to improve the collection of money from debtors.

4

**F. CREDITORS RECONCILIATION****ACTIVITY F1****(Q 2 NOV 2018)****CREDITORS' RECONCILIATION**

Claire Traders buys goods on credit from Mariti Suppliers.

**REQUIRED:**

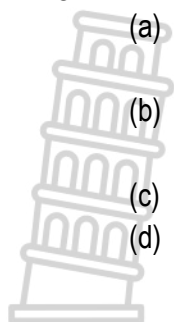
- 1.1 Use the table provided to indicate changes to the:
- Creditors' Ledger Account in the books of Claire Traders
  - Creditors' Reconciliation Statement on 31 July 2019
- (13)
- 1.2 The internal auditor insists that direct payments (EFTs) must be used to pay suppliers. Explain:
- ONE reason to support his decision
  - ONE internal procedure to ensure control over this system
- (2)
- (2)
- 1.3 Refer to Invoice 301. It was discovered that the store manager, Vernon, had signed a fictitious order form and took the goods for himself when they arrived. Besides dismissing Vernon, provide:
- ONE suggestion for action to be taken against him
  - ONE suggestion to prevent this problem in future
- (4)

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

MARITI SUPPLIERS (CL5)						
				DEBIT	CREDIT	BALANCE
2019	1	Balance	b/d			67 500
July	10	Invoice 209			81 000	
		EFT		33 750		
	17	Debit Note 674		8 640		
		Invoice 282			40 950	
		Invoice 301			25 000	
	21	Invoice 360			50 250	
	24	Debit Note 995			8 100	
	27	Journal Voucher 570		5 400		
	31	Cheque and discount		77 190		147 820

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

MARITI SUPPLIERS					
Claire Traders 108 Kruger Road			25 July 2019		
			DEBIT	CREDIT	BALANCE
2019 July	1	Balance			67 500
	10	Invoice 209	81 000		
		Receipt 695		33 750	
	17	Credit Note 741		6 840	
		Invoice 301	25 000		
	21	Invoice 360	20 250		
	24	Credit Note 811		8 100	145 060

**C. Differences noted:**

- (a) The incorrect entry for Debit Note 674 in the Creditor's Ledger Account of Mariti Suppliers relates to the correct Credit Note 741 on the statement.
- (b) Invoice 282 was incorrectly reflected in the account of Mariti Suppliers in the Creditors' Ledger. The goods were purchased from Genesis Suppliers.
- (c) Invoice 360 was incorrectly recorded on the statement from Mariti Suppliers.
- (d) Mariti Suppliers also purchased goods on credit from Claire Traders. Claire Traders has transferred a debit balance from the Debtors' Ledger (Journal Voucher 570). Mariti Suppliers will offset this on the next statement.
- (e) The transaction on 24 July 2019 is for merchandise returned to Mariti Suppliers.
- (f) The statement reflects transactions up to 25 July 2019.

**ANSWER SHEET****CREDITORS' RECONCILIATION**

1.1

	<b>CREDITORS' LEDGER: ACCOUNT OF MARITI SUPPLIERS</b>	<b>STATEMENT OF ACCOUNT</b>
<b>Balance</b>	<b>147 820</b>	<b>145 060</b>
(a)		
(b)		
(c)		
(d)		
(e)		
(f)		

13

1.2

The internal auditor insists that direct payments (EFTs) must be used to pay suppliers.

Explain ONE reason to support his decision.

2

Explain ONE internal procedure to ensure control over this system.

2

1.3

Besides dismissing Vernon, provide ONE suggestion for action to be taken against him.

Provide ONE suggestion to prevent this problem in future.

4

**ACTIVITY F2****(Q 5 JUN 2017)****CREDITORS RECONCILIATION****(35 Marks; 21 Minutes)**

You are presented with information from the records of MG Stores for May 2020. MG Stores buys goods on credit from NN Dealers.

**REQUIRED:**

- 2.1 Use the table provided to indicate the changes that must be made to the Creditors Ledger account of NN dealers in the books of MG Stores and the statement received from the creditor. Indicate + for increase and – for decrease. (7)
- 2.2 The owner of MG stores is concerned that the bookkeeper could be defrauding the business through the credit system. List **TWO** internal control measures that can be applied in order to maintain control over creditors. (2)

**INFORMATION:**

The Creditors Ledger Account of NN Dealers in the books of MG Stores showed that **R5 350** was owed to them on 31 May 2020 while the statement received from NN Dealers on 31 May 2020 reflected an outstanding balance of **R12 540**.

**An investigation revealed the following:**

- A. Returns recorded as R820 in the creditors ledger account of NN Dealers was shown as R280 on the statement received. The amount on the statement was correct.
- B. An invoice for R4 200 received from NN Dealers was incorrectly recorded as a credit note by the clerk of MG Stores in the creditors' ledger.
- C. An invoice received from NN Dealers was correctly recorded as R4 400 in the Creditors' Ledger Account of NN Dealers in the books of MG Stores, but the statement showed this amount as R400.
- D. A payment of R5 000 made by MG Stores appeared on the statement received. The statement also reflected a discount of R250 for early payment. MG Stores did not record the discount in the creditors' ledger.
- E. A payment of R2 500 to NN Dealers on 27 May 2014 did not appear on the statement, due to the statement being processed early.

**ANSWER SHEET****1 CREDITORS RECONCILIATION****2.1**

No.	CREDITORS LEDGER ACCOUNT	STATEMENT
	5 350	12 540
A.		
B.		
C.		
D.		
E.		

2.2

The owner of MG stores is concerned that the bookkeeper could be defrauding the business through the credit system. List TWO internal control measures that can be applied in order to maintain control over creditors.

**ACTIVITY F3****(Q 1 MAR 2016)****CREDITORS' RECONCILIATION AND INTERNAL CONTROL****(30 marks; 15 minutes)**

Machu Traders buys goods on credit from Pikor Suppliers. The business received a statement for April 2015 from the creditor.

**REQUIRED:**

- 3.1 Explain how the Creditors' Reconciliation Statement can assist the business in terms of their internal control measures. State TWO points. (4)
- 3.2 Calculate the correct balance of Pikor Suppliers in the Creditors' Ledger Account of Machu Traders. Show the changes to the figure R116 400. (12)
- 3.3 Prepare a Creditors' Reconciliation Statement for Pikor Suppliers on 30 April 2019. (10)
- 3.4 The owner of Machu Traders is not completely satisfied with the service and quality of goods received from Pikor Suppliers. Suggest TWO factors he should consider before changing suppliers. (4)

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

PIKOR SUPPLIERS (CL4)					
Date			Debit	Credit	Balance
2019	01	Balance			44 220
April	08	Invoice 153		54 000	98 220
	10	Cheque 1449	22 500		75 720
	12	Debit note 746	5 760		69 960
	15	Invoice 111		27 300	97 260
	17	Invoice 214		91 500	188 760
	21	Invoice 273		20 250	209 010
	24	Debit note 966		5 400	214 410
	27	Journal voucher 490	3 600		210 810
	31	Cheque 2346	93 000		117 810
		Discount	1 410		116 400

**B. Statement received on 30 April 2019:**

PIKOR SUPPLIERS					
PO Box 249, Sabie, 8234. Tel: 013 748 0703					
Machu Traders			Date: 25 April 2019		
PO Box 313			Credit limit: R100 000		
Graskop, 8250			Payment terms: 50 days		
Interest on overdue accounts: 6%					
DATE			DEBIT	CREDIT	AMOUNT
2019	01	Account rendered			44 220
April					
	05	Interest	780		45 000
	08	Invoice 153	54 000		99 000
	10	Receipt 491		22 500	76 500
		Discount		480	76 020
	12	Credit note 511		6 570	69 450
	17	Invoice 214	91 500		160 950
	19	Receipt 654		84 000	76 950
	21	Invoice 273	50 250		127 200
	24	Credit note 632		5 400	121 800

**C. Additional Information:**

- The discount of R480 received from Pikor Suppliers on 10 April 2019 was omitted erroneously in the books of Machu Traders.
- Invoice 111 was reflected erroneously in the account of Pikor Suppliers in the Creditors' Ledger of Machu Traders. It refers to merchandise purchased from another supplier, Lethu Suppliers.
- Pikor Suppliers made an error in the recording of invoice 273 on the statement.
- Goods returned on 12 April 2019 were recorded correctly in the statement from Pikor Suppliers. The entry in the books of Machu Traders is incorrect.
- Receipt 654 was shown erroneously in the statement from Pikor Suppliers. This transaction does not relate to Machu Traders and will be rectified on the next statement.
- Pikor Suppliers also purchases goods on credit from Machu Traders. Refer to Journal Voucher 490. Machu Traders has transferred a debit balance from the Debtors' Ledger. This entry has not been recorded by Pikor Suppliers.
- The transaction on 24 April 2019 is in respect of merchandise returned to Pikor Suppliers.
- The statement shows transactions up to 25 April 2019.

**ANSWER SHEET**

- 3.1 Explain how the Creditors' Reconciliation Statement can assist the business in terms of their internal control measures. State TWO points.

4

- 3.2 Calculate the correct balance of Pikor Suppliers in the Creditors' Ledger Account of Machu Traders. Show the changes to the figure R116 400.

12

- 3.3 Creditors' Reconciliation Statement for Pikor Suppliers on 30 April 2019.

Details	Amount
Balance per statement of account	
Correct balance	

10

- 3.4 The owner of Machu Traders is not completely satisfied with the service and quality of goods received from Pikor Suppliers. Suggest TWO factors he should consider before changing suppliers.

4

**G. VALUE ADDED TAX****ACTIVITY G1****(NOV 2018)****1.1 VAT**

Samson Traders is registered for VAT. The VAT rate is 15%. The financial year ends on 29 February 2020.

**REQUIRED:**

- 1.1.1 Calculate the figures indicated by **(a)** to **(d)** in the table below.
- 1.1.2 You are the internal auditor. The sole owner, Samson, used a business cheque to buy a new car for R460 000 including VAT. This car is kept at home for his wife's use. Samson says the vehicle must be recorded as a business asset and R60 000 must be recorded as a VAT input in the business' books.

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

**INFORMATION:**

	EXCLUDING VAT	VAT AMOUNT	INCLUDING VAT
Sales returns	960	(a)	1 104
Purchase of stock	52 600	(b)	
Discount received	(c)	720	
Cash sales		(d)	112 470*

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

**ANSWER SHEET****1.1 VAT****1.1.1**

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

1.1.2

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

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

Point 1

Point 2

4

**ACTIVITY G2****(JUNE 2019)****2.1 VALUE-ADDED TAX (VAT)**

The information relates to Longhill Traders for the VAT period ended 30 April 2020. The VAT rate of 15% applies to all goods and services.

**REQUIRED:**

Calculate the amount receivable from or payable to SARS for VAT on 30 April 2020. Indicate whether the amount is receivable or payable.

(11)

**INFORMATION:**

A. Amount owed to SARS on 1 April 2020, R15 890

B. VAT transactions for April 2020:

DETAILS	EXCLUDING VAT (R)	VAT AMOUNT (R)	INCLUDING VAT (R)
Returns by debtors		1 470	
Drawings by owner		3 075	
Debtors' accounts written off	8 700		10 005
Total purchases (cash and credit)	224 000		
Total sales			396 750

# ANSWER SHEET

## 2.1

**Calculate the amount receivable from or payable to SARS for VAT on 30 April 2020.**

Workings	Answer

**Receivable/Payable:**

11

## ACTIVITY G3

(KZN SEPT 2019)

### 3.1

- 3.1.1** Calculate VAT payable to or receivable from SARS in respect of calculators on 30 June 2020. Note that sales include VAT while purchases do not include VAT. Round off your calculations to nearest rand. (8)
- 3.1.2** Themba Zondi intends to deliberately reduce the sales amount when completing the VAT returns so as to reduce the amount of VAT payable to SARS.
- What advice you provide to the owner regarding his intentions? Provide ONE point of advice. (2)

**INFORMATION:**

**A. Information relating to calculators:**

	Units	Price per unit	Total cost
Purchases	5 500		R1 515 000
November 2019	2 500	R270	R 675 000
May 2020	3 000	R280	R 840 000
Returns to suppliers (May 2020)	300		
Sales	?	R391	R2 306 900
Returns by debtors	50	R391	?

# ANSWER SHEET

3.1.1

**Calculate VAT payables to or receivable from SARS on 30 June 2020. Note that sales include VAT while purchases do not include VAT. Round off your calculations to nearest rand.**

	VAT Inclusive	VAT Exclusive	VAT
Purchases		1 515 000	227 250
Returns to suppliers			
Sales			
Returns by debtors			

8

3.1.2

**Themba Zondi intends to deliberately reduce the sales amount when completing the VAT returns so as to reduce the amount of VAT payable to SARS.**

**What advice you provide to the owner regarding his intentions? Provide ONE point of advice.**

2



**H. MANUFACTURING****ACTIVITY H1****(NOV 2019)**

Sihle Sangweni owns two separate factories that manufacture products according to orders received. There is no work-in-progress stock. The year-end is 29 February 2020.

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

1.1.1 Wages of factory cleaners is a direct labour cost.

1.1.2 Delivery costs of finished goods to retailers are a selling and distribution cost.

1.1.3 Depreciation on office equipment is an administration cost. (3 x 1) (3)

1.2 **DESKS FACTORY**

**REQUIRED:**

1.2.1 Complete the Factory Overhead Cost Note. (8)

1.2.2 Calculate the total cost of production of finished goods. (5)

1.2.3 Sihle wants to produce an additional 1 500 desks, while maintaining the selling price and costs.

Calculate the additional profit he can expect. (4)

1.3 **CHAIRS FACTORY**

**REQUIRED:**

1.3.1 Provide a calculation to confirm the break-even point for 2020. (4)

1.3.2 Comment on the break-even point and the production level achieved. Quote figures. (4)

1.3.3 Raw material consists of wood only. In 2020 the cost is R120 per square metre (m<sup>2</sup>) and 1,2 m<sup>2</sup> of wood is needed to make one chair.

During the year, 22 000 m<sup>2</sup> wood was dispatched to the factory. Sihle feels that the wood raw material was not well controlled.

- Provide a calculation to support his opinion. (4)
- Identify TWO possible causes of this problem. Provide a solution for EACH. (4)

1.3.4

Give TWO reasons for the increase in direct labour cost. Provide a solution for EACH. Note that wages and salaries increased by 5% in the current financial year.

(4)

**INFORMATION:****A. DESKS FACTORY****Extract of pre-adjustment amounts on 29 February 2020**

	R
Indirect labour	296 500
Depreciation of factory plant	166 000
Advertising	24 500
Water and electricity	248 000
Rent expense	345 600
Insurance allocated to sales department	12 600
Factory sundry expenses	107 700

**Adjustments to factory overheads for desks:**

- Water and electricity for February 2020, R18 000, must be taken into account. 80% is allocated to the factory. The balance is an administration cost.
- Rent must be allocated according to floor area:  
Factory: 810 m<sup>2</sup>      Office: 180 m<sup>2</sup>      Sales department: 90 m<sup>2</sup>
- 75% of insurance must be allocated to the factory. The balance applies to the sales department.

**B. INFORMATION FOR BOTH FACTORIES**

COSTS		DESKS 2020		CHAIRS (Unit costs)	
		Amount	Per unit	2020	2019
Variable	Direct material	R3 060 000	R340	R165	R124
	Direct labour	?	R160	R90	R70
	Selling and distribution	R720 000	R80	R50	R60
	Total variable costs		R580	R305	R250
Fixed	Factory overheads			R76	R75
	Administration	R360 000	R40	R20	R18

SELLING PRICES			
Per unit	R750	R390	R370

UNITS			
Produced and sold	9 000	16 000	15 000
Break-even point	8 471	18 071	12 400

**ANSWER SHEET**

1.1	1.1.1	
	1.1.2	
	1.1.3	

3

**1.2 DESKS FACTORY**

1.2.1	<b>Factory Overhead Cost Note</b>	
	Indirect labour	R 296 500
	Depreciation on factory plant	166 000

8

1.2.2	<b>Calculate the total cost of production of finished goods.</b>	
	<b>Workings</b>	<b>Answer</b>

5

1.2.3	<b>Sihle wants to produce an additional 1 500 desks. Calculate the additional profit he can expect.</b>	
	<b>Workings</b>	<b>Answer</b>

4

## 1.3 CHAIRS FACTORY

1.3.1 Provide a calculation to confirm the break-even point for 2020.

Workings	Answer

4

1.3.2 Comment on the break-even point and the production level achieved. Quote figures.

--

4

1.3.3 Sihle feels that wood raw material was not well controlled.  
Provide a calculation to support his opinion.

--

4

Identify TWO possible causes of this problem.  
Provide a solution for EACH.

	POSSIBLE CAUSES	SOLUTION FOR EACH
Cause 1		
Cause 2		

4

1.3.4 Give TWO reasons for the increase in direct labour cost.  
Provide a solution for EACH.

	REASONS	SOLUTION FOR EACH
Reason 1		
Reason 2		

4

**ACTIVITY H2****(JUNE 2019)**

2.1 Choose the correct term from those given in brackets. Write only the term next to the question numbers (2.1.1 to 2.1.4) in the ANSWER BOOK.

2.1.1 Wages paid to the factory cleaner is considered to be (direct/indirect) labour.

2.1.2 Bad debts must be shown as a (selling and distribution/ factory overhead) cost.

2.1.3 Rent paid for the factory building is regarded as a (fixed/variable) cost.

2.1.4 Carriage on purchases of raw materials is regarded as a/an (direct material/indirect material) cost. (4)

2.2 **ZINZI MANUFACTURERS**

Information is provided for the financial year ended 31 December 2020. The business manufactures leather jackets according to orders received. There is no work-in-progress stock.

**REQUIRED:**

2.2.1 **Raw material stock:**

Calculate:

- The value of the closing stock using the first-in-first-out stock valuation method (5)
- The direct material cost (4)

2.2.2 **Refer to Information C.**

Calculate the correct factory overhead cost for the year. (8)

2.2.3 The owner is concerned about the increase in the following:

- Total fixed cost per unit
- Direct labour cost per unit

Provide evidence (figures) to justify his concern. In each case, also give a possible reason for the increase in EACH unit cost, apart from normal inflation. (6)

2.2.4 **Break-even:**

- Calculate the break-even point on 31 December 2020. (4)
- Explain whether or not there was any improvement in the trends of the level of production and the break-even point from one year to the next. Quote figures. (4)
- The owner cannot understand why he is making a better profit this year. Explain how this happened. Provide TWO points. Quote figures. (5)

**INFORMATION:****A. Raw material:**

Stock balance:	Metres	Cost per metre	Total amount
1 January 2020	920	R65	R59 800
31 December 2020	1 195	?	?

**B. Purchases for the year:**

Date	Metres	Cost per metre	Total amount
February 2020	5 200	R75	R390 000
May 2020	2 480	R80	R198 400
September 2020	930	R90	R83 700
<b>TOTAL</b>	<b>8 610</b>		<b>R672 100</b>

**C. Factory Overhead Costs:**

The bookkeeper calculated the factory overhead cost at R84 330. He did not take into account the following expenses:

Insurance	R31 200
Rent expense	R114 000
Water and electricity for the administration section	R7 110

- 60% of the insurance relates to the factory.
- The rent must be allocated between the factory, sales and administration in the ratio 5 : 2 : 1.
- 15% of the water and electricity expense relate to the office. 50% must be allocated to the factory.

**D.**

	2020		2019 PER UNIT
	TOTAL AMOUNT	PER UNIT	
<b>Fixed costs:</b>	R264 000	R44	R36
Factory overheads			R26
Administration			R10
<b>Variable costs:</b>		R165	R150
Direct materials			R94
Direct labour	R330 000	R50	R38
Selling and distribution			R18

**E. Additional information:**

	2020	2019
Number of jackets produced and sold	6 000 units	7 560 units
Break-even point	?	3 888 units
Selling price per jacket	R300	R220
Inflation rate	5%	

**ANSWER SHEET**

2.1

2.1.1	
2.1.2	
2.1.3	
2.1.4	

4

2.2.1

**Calculate: The value of the closing stock using the first-in-first-out stock valuation method**

Workings	Answer

5

**Calculate: Direct material cost**

Workings	Answer

4

2.2.2

**Factory overhead cost**

TOTAL b/f	84 330

8

2.2.3

Provide evidence (figures) to justify his concern. In each case, also give a possible reason for the increase in EACH unit cost, apart from normal inflation.

COST	EVIDENCE	REASON
Total fixed cost per unit		
Direct labour cost per unit		

6

2.2.4

Calculate the break-even point on 31 December 2020.

Workings	Answer

4

Explain whether or not there was any improvement in the trends of the level of production and the break-even point from one year to the next. Quote figures.

4

The owner cannot understand why he is making a better profit this year. Explain how this happened. Provide TWO points. Quote figures.

5

**ACTIVITY H3****(NOV 2017)**

3.1

**GEVEN MANUFACTURERS**

The business produces wooden tables.

**REQUIRED:**

Prepare the following for the year ended 29 February 2020:

3.1.1 Production Cost Statement (14)

3.1.2 Abridged Income Statement (14)

**INFORMATION:****A. Stock on hand:**

	29 FEBRUARY 2020	1 MARCH 2019
Work-in-process	?	R160 000
Finished goods	400 tables, valued using FIFO method	1 200 tables at R280 = R336 000

**B. Production and sales for the year:**

- 7 200 tables were produced at a unit cost of R330 each.
- 8 000 tables were sold for R4 080 000.

**C. Costs (before adjustments):**

Administration	R148 400
Factory overheads	R487 200
Direct materials	R1 050 000
Direct labour	?
Selling and distribution	R422 000

**Adjustments:**

- Payment to EZ Transport, R102 000, was incorrectly allocated to Selling and Distribution. This was actually meant for delivering wood to the factory.
- The cleaning contract for the year, R126 000, was shared between Factory and Administration in the ratio 2 : 1. However, 80% should have been allocated to Factory.

**D. Prime cost: R1 800 000 (after adjustments)**

### 3.2 GYMWEAR MANUFACTURERS

Gymwear Manufacturers is owned by Jan Fiks. They produce shoes and shirts for gym training. Jan requires assistance in interpreting his 2020 results. Note that one pair of shoes comprises one unit.

#### REQUIRED:

##### 3.2.1

##### Shirts:

- Calculate the break-even point for shirts. (4)
- Jan is not satisfied with the variable costs per unit, even though the total variable costs per unit decreased by R6.
  - Identify ONE variable cost (with figures) that has not been well controlled. Give TWO possible reasons for this problem. (4)
  - Explain why Jan might be concerned about the large decreases in the other TWO variable costs. (4)
- Jan does not understand why the unit cost of production has increased when neither his fixed costs nor the variable costs have increased. Explain why this is so. State ONE point (with figures). (4)

##### 3.2.2

##### Shoes:

- Calculate the % increase in the selling price of shoes. (3)
- Jan decided to improve the quality of the shoes and to export them. Explain how the direct material costs and the selling and distribution costs were affected by this decision. Provide figures. (4)
- Jan was concerned that the increase in price would have a negative impact on the business. Explain whether his concern was justified. State TWO points. (4)

**INFORMATION:**

	SHIRTS		SHOES	
	2020	2019	2020	2019
Break-even point	?	11 522	3 842	4 317
Units produced and sold	16 100	25 000	7 750	6 500
Net profit	R500 400	R620 000	R2 379 750	R1 183 000
Selling price per unit	R302	R290	R1 640	R1 260
Selling price of competitors	R310	R290	R1 100	R1 250
Total fixed costs (factory overhead and administration)	R530 000	R530 000	R2 340 000	R2 340 000
Total fixed cost per unit	?	?	R302	R360
Total variable costs per unit	R238	R244	R1 031	R718
Direct material costs per unit	R92	R116	R456	R330
Direct labour costs per unit	R131	R100	R381	R360
Selling and distribution costs per unit	R15	R28	R194	R28
Unit cost of production	R242	R228	R1 100	R1 004



**ANSWER SHEET****3.1 GEVEN MANUFACTURERS****3.1.1****PRODUCTION COST STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2020**

Direct material cost	
Direct labour cost	
Prime cost	
Factory overhead cost	
Total cost of production	

14

**3.1.2****ABRIDGED INCOME STATEMENT FOR YEAR ENDED 29 FEBRUARY 2020**

Sales	
Cost of sales	
Gross profit	
Administration cost	
Selling and distribution cost	
Net profit	

14

**3.2 GYMWEAR MANUFACTURERS****3.2.1 Shirts:**

Calculate the break-even point for shirts.

4

Identify **ONE** variable cost (with figures) that has not been well controlled. Give **TWO** possible reasons for this problem.

ONE VARIABLE COST WITH FIGURES	REASONS
	Reason 1:
	Reason 2:

4

Explain why Jan might be concerned about the large decreases in the other **TWO** variable costs.

4

Jan does not understand why the unit cost of production has increased when neither his fixed costs nor the variable costs have increased. Explain why this is so. State **ONE** point (with figures).

4

### 3.2.2 Shoes:

Calculate the % increase in the selling price of shoes.

3

Jan decided to improve the quality of the shoes and to export them. Explain how the direct material costs and the selling and distribution costs were affected by this decision. Provide figures.

4

Jan was concerned that the increase in price would have a negative impact on the business. Explain whether his concern was justified. State TWO points.

Point 1:

Point 2:

4



## I. BUDGETING

### ACTIVITY 11

(NOV 2017)

You are provided with information relating to Lamba Traders, a business owned by Larry Lamba. The business sells cleaning materials for cash and on credit. They deliver goods free of charge to local customers.

#### REQUIRED:

- 1.1 Explain the main purpose of a Cash Budget and a Projected Income Statement. (2)
- 1.2 **Debtors:**  
**Refer to Information A and Information B.**  
 The credit terms allow debtors to settle accounts by the end of the month following the sales transaction month. No discount is allowed. However, based on past experience, Larry expects debtors to pay according to the Debtors' Collection Schedule.
  - 1.2.1 Use the November figures to calculate the following: (9)
    - % of debtors that are expected to comply with the credit terms
    - % of bad debts expected
  - 1.2.2 Larry does not believe that his debtors' control clerk, Shirley, deserves a bonus on 31 October 2020. Provide evidence to support his opinion. Offer Larry advice to improve debtors' collections (TWO points). (4)
- 1.3 **Projected Income Statement:**  
**Refer to Information C and Information D.**
  - 1.3.1 Calculate: (2)
    - The fixed % of sales used by Larry to budget for delivery expenses (2)
    - The amount of the loan to be repaid on 31 December 2020 (4)
  - 1.3.2 **Refer to variances in Information D.**  
 Explain why Larry would feel that all these variances are problems for his business. (9)

#### INFORMATION:

##### A. Debtors' Collection Schedule for the period ending 29 February 2020:

	CREDIT SALES R	COLLECTIONS			
		NOV. 2019 R	DEC. 2019 R	JAN. 2020 R	FEB. 2020 R
September	112 000	16 800			
October	134 400	75 264	20 160		
November	224 000	56 000	125 440	33 600	
December	358 400		89 600	200 704	53 760
January	179 200			44 800	100 352
February	112 000				28 000
		148 064	235 200	279 104	182 112

B. The debtors' clerk presented the following age analysis at the end of October 2019:

TOTAL	CURRENT MONTH	1 MONTH	2 MONTHS	3 MONTHS +
100%	18%	40%	23%	19%

C. Extract from the Projected Income Statement:

	NOV. 2019	DEC. 2019	JAN. 2020	FEB. 2020
Interest on loan (rate 8,5% p.a.)	R2 975	R2 975	R2 465	R2 465

D. Figures provided by the accountant on 31 October 2019:

	PROJECTED	ACTUAL	VARIANCE
Total sales	320 000	290 000	-30 000
Cash sales	96 000	50 000	-46 000
Credit sales	224 000	240 000	+16 000
Advertising	5 000	1 000	-4 000
Packing material	4 800	4 800	0
Delivery expenses	12 800	12 500	-300



**ANSWER SHEET**

1.1 Explain the main purpose of a Cash Budget.

Explain the main purpose of a Projected Income Statement.

2

1.2.1 Larry expects debtors to settle accounts by the end of the month following the sales transaction month.

Use the November figures to calculate the % of debtors that are expected to comply with the credit terms.

Use the November figures to calculate the % of bad debts expected.

9

1.2.2 Larry does not believe that his debtors' control clerk, Shirley, deserves a bonus on 31 October 2019.

Provide evidence to support his opinion.

Offer Larry advice to improve debtors' collections (TWO points).

Point 1:

Point 2:

4

1.3.1 Calculate the fixed % of sales used by Larry to budget for delivery expenses.

Calculate the amount of the loan to be repaid on 31 December 2017.

6

1.3.2 Refer to variances in Information D. Explain why Larry would feel that all these variances are problems for his business.

	COMMENT ON VARIANCES
Sales	
Advertising	
Packing materials	
Delivery expenses	

9

**ACTIVITY I2****(JUNE 2019)**

You are provided with information relating to Cimpiwe Clothing Shop.

**REQUIRED:****2.1 Refer to Information A.**

Identify TWO items in the Cash Budget that will not appear in a Projected Income Statement. (2)

2.2 Calculate the missing amounts indicated by (i) to (iii) in the Cash Budget for June and July 2020. (7)

2.3 Calculate the total purchases for April 2020. (2)

2.4 Complete the Debtors' Collection Schedule for July 2020. (8)

**2.5 Refer to Information F.**

2.5.1 Comment on the following:

- Effect of the advertising on sales (3)
- Payment to creditors (2)

2.5.2 Sales strategy:

- Identify TWO strategies (except advertising) that the business used to achieve sales targets for May 2020. Quote figures. (4)
- Explain whether these were good strategies, or not. Provide ONE point with figures. (2)

**INFORMATION:****A. Extract from the Cash Budget**

	<b>JUNE 2020</b>	<b>JULY 2020</b>
<b>CASH RECEIPTS</b>		
Cash sales	186 000	285 000
Cash from debtors	533 430	?
Rent income	(i)	9 180
Interest on fixed deposit	1 800	2 200
<b>CASH PAYMENTS</b>		
Salaries and wages	73 400	73 400
Fixed deposit: Protea Bank	0	(ii)
Cash purchases of trading stock	?	(iii)
Payment to creditors	192 000	?
Insurance	3 250	3 250
Drawings	21 600	21 600
Sundry expenses	96 360	98 700

B. Cash sales are 25% of total sales.

Collections from debtors:

- 30% in the month of sales less 5% discount
- 65% in the following month
- Provision is made for 5% bad debts.

C. Budgeted purchases of trading stock:

April	?
May	R484 000
June	R496 000
July	R760 000

- 40% of trading stock is bought on credit.
- Creditors are paid two months after the transaction month.

D. Rent increased by 8% in July 2020.

E. The business has a fixed deposit of R360 000. An additional amount is budgeted to be invested on 1 July 2020. Interest (not capitalised) at 6% p.a. is receivable at the end of each month.

F. Cimpiwe is concerned about the following items for May 2020:

	BUDGETED (R)	ACTUAL (R)	VARIANCE (R)
Cash sales	172 000	140 000	– 32 000
Credit sales	516 000	552 000	+ 36 000
Collection from debtors	475 000	380 000	– 95 000
Advertising	36 000	64 800	+ 28 800
Payments to creditors	180 000	105 000	– 75 000
Delivery expenses	0	19 000	– 19 000
Packing materials	3 000	2 500	– 500

**ANSWER SHEET**

- 2.1 Identify TWO items in the Cash Budget that will not appear in a Projected Income Statement.

2

- 2.2 (i) Calculate: Rent income, June 2020

Workings	Answer

- (ii) Calculate: Fixed deposit: Protea Bank, July 2020

Workings	Answer

- (iii) Calculate: Cash purchases of trading stock, July 2020

Workings	Answer

7

- 2.3 Calculate the total purchases for April 2020.

Workings	Answer

2

**2.4 DEBTORS' COLLECTION SCHEDULE**

	CREDIT SALES	JUNE	JULY
MAY	576 000	374 400	
JUNE		159 030	
JULY	855 000		
TOTAL		533 430	

8

**2.5.1 Comment on the following (provide figures):**

Effect of the advertising on sales

3

Payment to creditors

\*

2

**2.5.2 Identify TWO strategies (except advertising) that the business used to achieve sales targets for May 2019. Quote figures.**

4

Explain whether these were good strategies, or not. Provide ONE point with figures.

2

**ACTIVITY I3****( NOV 2019)**

The financial year-end of Carpets Galore (Pty) Ltd is 31 October 2020. Thembi Tsomi is the sole shareholder and director.

3.1 Indicate amounts in the appropriate blocks for the Cash Budget and Projected Income Statement for three months ending 31 January 2021.

- A printer costing R40 800 will be bought for cash on 30 November 2020. Depreciation will be R680 per month.
- On 1 January 2020, R48 000 will be paid for a 12-month insurance contract.
- A loan of R100 000 will be received from Viva Bank on 31 December 2020. This will be repaid in equal instalments over 20 months, commencing on 31 January 2021. Interest at 12% p.a. is paid monthly and is not capitalised.

(11)

3.2 **Refer to Information A: Debtors' Collection Schedule.**

Thembi is preparing projections for the period commencing 1 November 2020. Thembi does not grant discount for early payment.

Calculate the % of debtors:

(3)

- Who settle their accounts in the 2<sup>nd</sup> month following the credit sales transaction month
- Written off as bad debts at the end of the 3<sup>rd</sup> month following the credit sales transaction month

(4)

3.3 **Refer to Information B: Projected Income Statement for September and October.**

3.3.1 Office workers are unhappy with the increase that Thembi gave them on 1 October 2020. Explain what she should say to them. Provide TWO points. Quote figures or a calculation.

(6)

3.3.2 Thembi pays her son, Jacob, to deliver and install carpets for customers. She budgets R2,80 per metre for this. Comment on the control of this expense. Quote figures or a calculation.

(4)

3.3.3 A new competitor commenced trading in the area on 1 September 2020.

- Provide figures to illustrate the impact on sales in September.
- Explain THREE decisions that Thembi took in October in response to the new competitor. Quote figures or a calculation.

(2)

(6)

3.3.4

Stock sold is replaced in the same month. 50% of the stock is bought on credit. Creditors are paid in the month following the purchases month to receive a 5% discount.

Calculate the **actual** amount payable to creditors in November 2020.

(4)

**INFORMATION:**

**A. Debtors' Collection Schedule for the period ending 31 January 2021:**

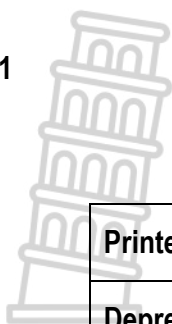
	CREDIT SALES	COLLECTIONS		
		NOV. 2019	DEC. 2020	JAN. 2021
August	R80 000	R17 600		
September	90 000	67 500	R19 800	
October	100 000		75 000	R22 000
November	120 000			90 000
			<b>R94 800</b>	<b>R112 000</b>

**B. Information identified from the Projected Income Statement:**

	SEPTEMBER 2020		OCTOBER 2020	
	Projected	Actual	Projected	Actual
Metres sold	5 000 m	3 800 m	5 000 m	6 000 m
Selling price per metre	R100	R100	R100	R88
Cost price per metre	R60	R60	R60	R60
Sales: cash	R400 000	R310 000	R400 000	R132 000
: credit	90 000	70 000	100 000	396 000
<b>Total sales</b>	490 000	380 000	500 000	528 000
<b>Cost of sales</b>	(300 000)	(228 000)	(300 000)	(360 000)
Gross profit	190 000	152 000	200 000	168 000
Director's fees	50 000	50 000	50 000	40 000
Wages: Office workers	9 200	9 200	9 200	11 040
Salary: Salesperson	20 000	20 000	20 000	0
Commission: Salesperson	0	0	0	52 800
Advertising	5 000	5 000	5 000	5 000
Packing materials	2 500	1 900	2 500	2 550
Delivery and installation of carpets	14 000	14 000	14 000	16 800
Staff training	15 000	0	15 000	40 000

**ANSWER SHEET**

3.1



	CASH BUDGET			PROJECTED INCOME STATEMENT		
	Nov. 2020	Dec. 2020	Jan. 2021	Nov. 2020	Dec. 2020	Jan. 2021
Printer bought						
Depreciation						
Insurance						
Loan received						
Loan repayments						
Interest						

11

3.2

Thembi is preparing projections for the period commencing 1 November 2020. Thembi does not grant discount for early payment.

Calculate the % of debtors who settle their accounts in the 2<sup>nd</sup> month following the credit sales transaction month.

Workings	Answer

3

Calculate the % of debtors written off as bad debts at the end of the 3<sup>rd</sup> month following the credit sales transaction month.

Workings	Answer

4

3.3.1

Office workers are unhappy with the increase that Thembi gave them on 1 October 2020. Explain what she should say to them. Provide TWO points. Quote figures or a calculation.

	Explanations	Figures/Calculations
Point 1		
Point 2		

6

3.3.2

Thembi pays her son, Jacob, to deliver and install carpets for customers. She budgets R2,80 per metre for this.

Comment on the control of this expense. Quote figures or a calculation.

4

3.3.3

A new competitor commenced trading in the area on 1 September 2020.

Provide figures to illustrate the impact on sales in September.

\*\*

2

Explain THREE decisions that Thembi took in October in response to the new competitor. Quote figures or a calculation.

	Explanation (with figures)
Decision 1	
Decision 2	
Decision 3	

6

3.3.4

Calculate the actual amount payable to creditors in November 2020.

Workings	Answer

4