



KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

CURRICULUM GRADE 10 -12 DIRECTORATE

NCS (CAPS)
LEARNER SUPPORT DOCUMENT

GRADE 12
ACCOUNTING

JIT
WINTER PROGRAMME

2025

PREFACE

This support document serves to assist accounting learners on how to deal with curriculum gaps and learning losses of the past years. It addresses the topics in the Grade 12 curriculum in Term 1 and Term 2.

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

1.	ACTIVITIES	PAGE
A.	Statement of Comprehensive Income and Notes	3 - 13
B.	Statement of Financial Statement and Corporate Governance	13 - 31
C.	Cash Flow and Analysis and Interpretation of Financial Statements	31 - 43
DD.	Tangible / fixed Assets	44 - 50
EE.	Inventory	51 - 61
FF.	Cost Accounting	62 - 70
GG	Reconciliations	70 -84

Statement of Comprehensive Income and Notes**ACTIVITY A1****1. DUMAKUDE LIMITED****REQUIRED**

Complete the Statement of Comprehensive Income for the year ended 31 May 2025

A. INFORMATION:

Figures extracted from the Pre-adjustment Trial Balance on 31 May 2025

	R
Balance Sheet Accounts Section	
Mortgage loan: Super Bank	1 700 000
Fixed deposit: New Bank	800 000
Trading stock	1 200 000
Bank (favourable)	626 000
Petty cash	7 800
Debtors control	792 200
Creditors control	750 000
Provision for bad debts	45 000
SARS: Income tax (Dr)	600 000
SARS: PAYE	48 000
Pension fund	18 000
Packing material on hand (1 June 2023)	3 000
Nominal Accounts Section	
Sales	?
Cost of sales	9 700 000
Salaries and wages	541 000
Employers contributions	21 000
Directors fees	480 000
Audit fees	38 000
Rent income	202 500
Sundry expenses	?
Bad debts	45 000
Packing material	78 000
Insurance	55 000
Interest on fixed deposit	72 000
Interest on loan	?
Bad debts recovered	15 700
Ordinary share dividends	24 000
Depreciation	65 000

- B. Goods with a cost price of R62 500 sold on credit was not recorded. A 10% trade discount was allowed on this sale. All selling prices are determined by using a mark-up of 60% on cost.
- C. An amount of R2 000 received from Mvelo had been credited to the debtors control account in May 2024. The account of Ngubane was written off as a bad debt during December 2022.
- D. Provision for bad debts must be adjusted to 5% of debtors.

- E. The physical stocktaking on 31 May 2024 reflects the following stock on hand:
- Trading stock R1 130 000
 - Packing material R78 500
- F. There were two directors at the start of the accounting period. Director's fee has been paid for the first half of the accounting period.

Due to Loadshedding shareholders decided to reduce the director's fees by 5% p.a. for all directors as from 1 March 2024.

On 1 May 2024, one director was retrenched from work. All directors earn the same monthly fee. Provide for the outstanding fees owed to the directors.

- G. Rent income for June 2024 has already been received. The monthly rent was increased by 10% on 1 February 2024.
- H. The business received R36 000 from the insurance company for the claim of trading stock that was damaged in a fire which broke out in the storeroom. This amount was received on 31 May 2024, but was not recorded in the books of the business. Write off 20% balance.
- Note:** the damaged stock was recorded in trading stock account of a business
- I. Siyeza, a retired employee was inadvertently included in the salaries journal for May 2024. The details from his pay-slip were:

Net salary	R18 375
PAYE deduction	R4 500
Pension deduction	R1 875
UIF deduction	R250

The business contribution was:

- Pension fund: 10% of gross salary
 - UIF: rand-for-rand basis
- J. Use the following to calculate certain figures:
- Operating profit on sales is 28%
- K. Income tax for the financial year was calculated as R1 320 000. This is 30% of the net profit before tax.

USE YOUR EXERCISE BOOK TO ANSWER TO ANSWER THE ACTIVITY

ACTIVITY A 2 FIXED ASSET AND STATEMENT OF COMPREHENSIVE INCOME

REQUIRED:

2.1. Refer to INFORMATION B (a) for fixed assets

Calculate the following:

2.1.1. The missing amounts denoted by (i) to (iii) on the fixed asset note.

2.1.2 Profit / Loss on the sale of equipment on 1 October 2024.

2.2 Prepare the Statement of Comprehensive income for the financial year ended 28 February 2025.

INFORMATION

A Extract from the Pre adjustment Trial balance on 28 February 2025:

	R
Mortgage Loan: Safari Bank	1 005 500
Debtors control	123 000
Trading stock	70 000

Provision for bad debts (1 March 2024)	7 030
Sales	?
Cost of sales	6 966 000
Salaries and wages	1 468 120
Directors Fees	3 330 000
Audit fees	91 000
Repairs	476 000
Rent income	173 000
Interest income	25 000
Interest on loan	?
Bad debts	19 200
Advertising	25 680
Sundry expenses	452 310
Ordinary share dividends	86 400

B Adjustments and additional information:

a Fixed Assets:

Vehicles:

- The business owns two vehicles on 28 February 2025. The second vehicle was purchased on 1 November 2024.
- Vehicles are depreciated at 15% p.a. on cost.

Equipment

- Depreciation is 20% p.a. on the diminishing balance method.
- Unused equipment was sold for R40 000 on 1 October 2024. Accumulated depreciation on the equipment sold was R36 600 on 1 March 2024.

Extract of the Fixed Asset Note:

	Vehicles	Equipment
Cost (1 March 2024)	460 000	360 000
Accumulated depreciation (1 March 2024)	(396 750)	(187 595)
Carrying Value at the beginning	(i)	172 405
Addition on cost	510 000	0
Disposal at carrying value	0	(iii)
Depreciation	(ii)	(31 281)
Carrying value at the end		
Cost (28 February 2025)	970 000	285 000
Accumulated depreciation (28 February 2025)		

- b The business maintains a mark-up of 120% on cost. Note that trade discounts of R648 000 were granted to special customers
- c The account of debtor M. Mvelo R800 must be written off.
- d Provision for bad debts must be adjusted to 5% of outstanding debtors.
- e 30% of audit fees is still outstanding.
- f The monthly rent did not change during the year. During February 2025 the tenant paid R9 000 for repairs to the premises and deducted this from his rent from February 2025. Repairs are the responsibility of the company, and this was not recorded. The rent for March 2025 was received in advance.
- g The company has four directors earning the same fee. One director resigned on 31 May 2024 and received his fees up to this date. Another director is still owed fees for January and February 2025.

- i Advertising consists of a contract with a newspaper for the entire financial year. Payments are monthly; however, installments were paid for 11 months only. **NOTE:** The monthly rate decreased by R240 from 1 November 2023.
- j The net profit after tax was accurately calculated at R1 054 000. The income tax rate is 32%.

ACTIVITY A 2**2.1 FIXED ASSETS**

2.1.1. Calculate the missing amounts denoted by (i) to (iii) in the fixed assets note.

- (i) Calculate the carrying value of the vehicle on hand on 1 March 2023

- (ii) Calculate the depreciation on vehicles for the year

- (iii) Calculate the carrying value of equipment sold

2.1.2 Calculate Profit / Loss on the sale of equipment

2.3 Prepare the Statement of Comprehensive Income for the year ended 28 February 2025

Sales	
Cost of sales	
Gross Profit	
Other income	
Gross operating profit	
Operating expenses	
Salaries and wages	1 468 120
Operating profit	
Profit before interest expense	
Interest expense	
Profit before tax	
Net profit after tax for the year	1 054 000

ACTIVITY A3**3 STATEMENT OF COMPREHENSIVE INCOME AND RETAINED INCOME NOTE****ILEMBE LIMITED**

You are provided with information for the financial year ended 28 February 2025

3.1 Refer additional information B(f):

Calculate the value of the closing stock on 28 February 2025 using the weighted-average method.

3.2 Complete the Statement of Comprehensive Income for the year ended 28 February 2025.

Some of the pre-adjustment figures have been entered for you.

3.3 Prepare the Retained Income Note on 28 February 2025.**INFORMATION****A. Extract from the Pre-adjustment Trial Balance on:**

Balance Sheet accounts section	28 Feb. 2025 R	29 Feb. 2024 R
Ordinary share capital	13 650 000	14 650 000
Retained income	?	2 978 000
Loan: Wonder Bank	1 439 600	2 150 000
Vehicles	?	1 546 000
Equipment	?	722 000
Accumulated depreciation on vehicles	?	858 000
Accumulated depreciation on equipment	?	269 500
Trading stock	2 000 000	
Debtors' control	382 000	
Provision for bad debts	?	9 800
SARS (Income tax)	520 000	
Nominal accounts section		
Sales	?	
Cost of sales	?	
Directors' fees	5 662 000	
Audit fees	497 200	
Advertising	342 400	
Sundry expenses	88 000	
Trading stock deficit	?	
Bad debts recovered	5 800	
Rent income	208 250	
Interest income (on fixed deposit)	?	
Salaries and wages	6 425 000	
Depreciation (on vehicle sold)	41 250	
Packing material	45 800	
Profit on sale of vehicle	?	
Bad debts	28 800	
Ordinary share dividends	672 000	

B. Additional information:

- The mark-up achieved is 160% on cost. The correct gross profit is R14 881 600.
- Packing materials used during the financial year were R39 700
- Received and recorded R9 750 from the insolvent estate of a debtor which paid out 65 cents in the rand. The remaining amount must be written off.

- (d) Adjust the provision for bad debts to R9 350.
- (e) One of the employees was on sick leave and was omitted from the Salaries Journal for February 2025. Her salary details are as follows:

GROSS SALARY	DEDUCTIONS	NET SALARY	EMPLOYERS' CONTRIBUTION
?	30% of gross salary	R23 800	R4 500*

*Employers' contributions are debited to the Salaries and Wages Account.

(f) **Stock valuation:**

The business sells sunglasses. The accountant has incorrectly calculated the closing stock amount which is reflected in the Trial Balance. The FIFO method should have been used. This must be corrected

The following details are applicable:

- Stock of sunglasses:**

DATE	UNITS	TOTAL VALUE
1 March 2024	4 000	R2 433 000
28 February 2025	2 800	?

- Purchases of sunglasses during the financial year:**

DATE	UNITS	COST PRICE PER UNIT R	TOTAL PURCHASES R
31 May 2024	4 200	650	2 730 000
15 October 2024	4 800	790	3 792 000
11 February 2025	2 500	820	2 050 000
TOTAL	11 500		8 572 000

- (g) The premises have been rented for the past five years. The rent for March 2025 has been received and recorded. Due to the poor conditions of the building, the rent was decreased by 25% per month for only three months from April to June 2024.
- (h) **Loan: Wonder Bank**
- Fixed monthly repayments of R59 200 have been made and recorded for the financial year ended 28 February 2025.
 - The loan statement reflected a balance of R1 652 000.
 - Provide for interest on loan which is capitalized.
- (i) An old delivery vehicle was sold for R88 400 cash on 31 December 2024. This has been correctly recorded

Details of the delivery vehicle sold:

Cost price	R198 000
Accumulated depreciation on date of sale	R115 500

Provide for depreciation as follows:

- On vehicles at 25% p.a. on cost
- On equipment: R90 500

(j) The correct net profit after tax after all adjustments is R1 342 080. The income tax rate is 28% of the net profit before tax. Interest income is the balancing figure.

(k) **Shares and final dividends:**

NOTE: The relevant entries have been made.

- 250 000 shares were repurchased at R4,25 per share on 30 November 2024.
- On 28 February 2025, the ordinary share capital comprised 3 412 500 shares.
- A final dividend of 36 cents per share was declared on 28 February 2025. All shareholders on the register at the financial year end qualify for final dividends.

ACTIVITY A3

3

3.1 Calculate the value of the closing stock on 28 February 2025 using the FIFO method.



3.2 Prepare the Statement of Comprehensive Income for the year ended 28 February 2025

Sales	
Cost of sales	
Gross profit	
Other income	
Bad debts recovered	
Rent income (208 250)	
Gross operating income	
Operating expenses	
Directors' fees	
Audit fees	
Advertising	
Sundry expenses	
Trading stock deficit	
Salaries and wages (6 425 000)	
Depreciation (41 250)	
Operating profit	
Interest income	
Profit before interest expense	
Interest expense	
Net profit before tax	
Income tax	
Net profit after tax	

3.3 Prepare the retained income on 28 February 2025:

Balance at the beginning	2 978 000
Dividends	
Balance at the end	

Activity A4

4.1 The information relates to KW Cleaning House Limited for the financial year ended 28 February 2025. They sell cleaning material, and they also provide cleaning services.

- 4.1.1 **Refer to information B:** Calculate the value of the multi-purpose cleaning for the year ended 28 February 2025.
- 4.1.2 Calculate the Trading stock deficit for the year ended 28 February 2025.
- 4.1.3 Trading stock deficit has a negative effect on the profit. Give advice on what the business can do to avoid trading stock deficit in future. Give TWO points.
- 4.1.4 Calculate the missing amounts to complete the Statement of Comprehensive Income for the financial year ended 28 February 2025.

INFORMATION:

Trial Balance on 28 February 2025		R
Ordinary Share Capital		3 200 000
Equipment		80 000
Accumulated Depreciation		36 000
Trading Stock		120 580
Debtors Control		60 449
Provision for Bad Debt		4 815
Bank Overdraft		35 260
Creditors Control		45 800
SARS: VAT	Cr.	16 859
SARS: Income tax	Dr.	180 100
Ordinary Shareholder's Dividends		86 000

ADJUSTMENT AND ADDITIONAL INFORMATION

- A The following **credit note** was issued to a client who was unsatisfied with the wrong products delivered and cleaning service rendered. A mark-up of 20% is used. The transaction has not yet been recorded.

KW Cleaning House Credit Note VAT no: 36900 0009			
Date: 27 February 2025		To: Mehlo Park Building	
Units	Details/Description	Unit price	Total
03	Multipurpose cleaner 10 litres	420	1 260

B Trading stock:

The company uses the periodic inventory system and the weighted average method to calculate the multi-purpose cleaning agents' value. The inventory was taken on 28 February 2025, but the final value of the multi-purpose cleaning agents has yet to be calculated. (Round-off the weighted price to the nearest round)

The value of the other cleaning materials and agents was calculated at R89 560 after physical count.

Information on multi-purpose cleaning agents

	Number of units	Value per litre	Total value (R)
Opening stock	160 litres	R40	6 400
Purchases:	1 750 litres		101 000
March 2024	500 litres	R55	27 500
June 2024	1 000 litres	R58	58 000
January 2025	250 litres	R62	15 500
Closing stock	370 litres		

- C A creditor with a debit balance of R4 600 was transferred to the Debtors ledger on 28 February 2025. The provision for bad debts must be adjusted to 6%.
- D Telephone account for February 2025 was received, R4 400 but has not yet been paid.
- E The Bank Statement received on 28 February 2025, reflected the following transactions that must still be considered:
- A direct deposit of R 14 200 was received from Veli Salon for cleaning services. 75% of this amount is for March to May 2025
 - Service fees, R450.
- f Rent income increased by R500 per month from 01 May 2024. The last month's rent is still outstanding.
- g The directors informed the bookkeeper that they will donate half their last month's fees, to the SAVE THE CHILDREN fund on behalf of the company. The payments to the directors and the fund were made, but no entries have been made in the records.
- h Fixed assets:
An old delivery vehicle, with a carrying value of R170 000 on 1 March 2024, was sold for R150 000 cash on 1 December 2024.
Depreciation for vehicles at 20% on a diminishing balance.
- i Interest on a loan was capitalised but has not yet been entered. The loan statement received on 28 February 2025 reflects the following:

Loan statement on 28 February 2025: KHESI BANK	
Balance on 01 March 2024	R320 800
Interest charged	R110 000
Repayment during the year	R182 000
Balance on 28 February 2025	?

The repayment on the capital amount of the loan, will remain the same in the following financial year.

j Cleaning expenses is the balancing figure in the Statement of Comprehensive Income.

k Income tax for the year amounts to R 197 100. This is 30% of the net profit before tax.

ACTIVITY A 4

4.1

- 4.1.1 Refer to information B: Calculate the value of the multipurpose cleaning for the year ended 28 February 2025.

Workings	Answer
	

- 4.1.2 Calculate the Trading stock deficit for the period.

Workings	Answer
Trading stock (recorded):	
Stock count (physical):	

- 4.1.3. Trading stock deficit has a negative effect on the profit. Give advice on how the business can do to avoid trading stock deficit in future. Give TWO points.

- 4.1.4 Calculate the missing amounts to complete the statement of Comprehensive income for the year ended 28 February 2025

Sales (3 889 960	
Cost of sales (2 549 950	
Gross Profit	
Other Operating Income	
Cleaning income (1 215 000	
Rent income (115 600	
Gross Operating Income	
Operating Expenses	1 949 940
Cleaning expenses	

Audit fees	20 000
Salaries and wages	318 200
Director's fees (990 000)	
Telephone (46 200)	
Bank charges (21 400)	
Depreciation	32 500
Operating profit	
Interest Income	17 800
Profit before Interest expense	
Interest expense	
Net profit before tax	
Income Tax	(197 100)
Net profit after tax	

ACTIVITY B1

STATEMENT OF FINANCIAL POSITION AND CORPORATE GOVERNANCE
COMPANY FINANCIAL STATEMENTS PHAKATHI LIMITED

You are provided with information for the financial year ended 28 February 2025.

REQUIRED:

- 1.1 Complete the Statement of Financial Position as at 28 February 2025

Note: some amounts have been entered in the ANSWER BOOK

INFORMATION:**A Balances and totals on 28 February 2025:**

	R	R
Ordinary share capital	?	?
Retained income	1 038 480	?
Fixed deposit: TI Bank	?	0
Loan: Busi Bank	1 624 000	?
Debtors' Control	480 390	
Provision for bad debts	?	24 000
Trading stock	982 400	
SARS: Income tax (provisional tax payments)	1 812 730	
Bank (favourable)	?	
Creditors' control	1 024 565	

Sales	20 035 000
Cost of sales	11 409 700
Directors' fees	1 307 840
Rent income	258 300
Audit fees	69 720
Commission income	?
Stationery	68 300
Interest on fixed deposit	94 500
Dividends on ordinary shares	260 000

b. Adjustments and additional information:

- Commission income for the year is calculated at 2% of total sales revenue. Only half has been received.
- Only two thirds (2/3) of the audit fees were paid. The balance will be paid in March 2025.
- The increase in the provision for bad debts by R6 500, was not recorded.
- The physical stock count on 28 February 2025 revealed the following:
 - Trading stock R923 200
 - Stationery **used** for the year R58 520
- The rent was increased by R2 700 on 1 July 2023. Rent is received one month in advance.
- In the previous years, the business did not have any financial investments. On 1 May 2024 they invested into a fixed deposit account at 9% interest per annum. The interest is not capitalised and was correctly recorded.
- Transfer a creditor's debit balance of R3 200 from the Creditors' Ledger of Shoji's account in the Debtors' Ledger.
- Loan: Busi Bank
 - All transactions with respect to the loan were recorded.
 - Interest on the loan is capitalised. R162 000.
 - A fixed monthly instalment (including interest) was paid in full. The repayments including interest for the year amounted to R402 000.

NOTE: The capital portion of the repayments will decrease by 5% over the next financial year.
- Total dividends for the year amounted to R745 000.
- An amount of R62 730 for tax is still receivable from SARS on 28 February 2025
- Total capital employed, after all adjustments were processed on 28 February 2025, was R16 176 000.

ACTIVITY B1 ANSWER BOOK**1.1 STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2025**

ASSETS	
NON-CURRENT ASSETS	
Fixed assets	
Fixed deposit	
CURRENT ASSETS	3 429 700
Inventories	
Trade and other receivables	
Cash and cash equivalents	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
ORDINARY SHAREHOLDERS' EQUITY	
Ordinary share capital	
Retained income	
NON-CURRENT LIABILITIES	
Loan	
CURRENT LIABILITIES	
Trade and other payables	
Current portion of loan	
Shareholders for dividends	
TOTAL EQUITY AND LIABILITIES	

ACTIVITY B2:

BRIAN LIMITED

The financial year ended on 28 February 2025

REQUIRED:**2.1 STATEMENT OF FINANCIAL POSITION****2.1.1** Complete the following Notes to the Statement of Financial Position:

- Ordinary share Capital
- Retained income

2.2.2 Prepare the Statement of Financial Position on 28 February 2025.

INFORMATION:**A. Extract from the records on 28 February 2025:**

	R
Ordinary share capital	9 510 000
Retained income	793 000
Loan from director	?
Land and Buildings	8 532 560
Equipment at cost	600 000
Accumulated depreciation on equipment	?
Fixed deposit: Good Bank (9% p.a.)	806 000
Creditors' control	1 441 000
Debtors' control	1 067 800
Trading Stock	?
Cash at bank	132 000
Creditors for salaries	72 000
Income receivable (accrued income)	48 000
Income received in advance	6 600
SARS: Income tax (provisional payments)	390 000

B Share capital and dividends

Authorised shares: 3 000 000 ordinary shares	
Issued share capital:	
1 March 2024	40% of the authorised ordinary shares had been issued.
1 September 2024	The directors paid an interim dividend of 35 cents per share.
1 November 2024	40 000 shares were repurchased at 25% (R60 000) above the average price. This transaction was recorded.
1 December 2024	300 000 new shares were issued.
28 February 2025	The directors declared a final dividend of 7 cents per share to all shareholders on the register.

c. Net profit and Income Tax:

Income tax for the financial year was calculated as R408 800. This is 28% of the net profit before tax.

d Fixed assets:

Depreciation is written off at 20% p.a. on cost price. There were no other changes in fixed assets

e Fixed deposit:

The fixed deposit is invested with ABA Bank. Note that 25% of the fixed deposit will mature on 31 August 2025, while the balance will mature in 2028.

f Loan from the director:

A loan of R3 000 000 from one of the directors was originally received on 1 March 2023. This loan is to be repaid in equal monthly instalments over 5 years. All payments up to the 28 February 2025 were made. Interest is not capitalised.

Activity B2: Answer book

2.1

2.1.1 Ordinary Share Capital

1 460 000	Ordinary shares at the end	9 510 000

2.1.2 Retained Income

Ordinary share dividends	
Interim dividends	420 000
Balance on 28 February 2025	793 000

2.1.3

STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2025	
ASSETS	
NON-CURRENT ASSETS	
Fixed assets (8 532 560)	
CURRENT ASSETS	
Trade and other receivables (1 067 800)	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
Ordinary Shareholders' equity	



NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
TOTAL EQUITY AND LIABILITIES	



ACTIVITY B3

FLORENCE LIMITED

The information relates to the financial year ended 30 June 2025. The business sells clothing for men and women.

REQUIRED

3.1 Refer to Information B.

- 3.1.1 Calculate the value of the closing stock of Men's Trousers that was omitted from the stock sheets on 30 June 2025.

3.2 Refer to Information A–H

Complete the following on 30 June 2025:

- 3.2.1 Retained Income Note
3.2.2 Statement of Financial Position as of 30 June 2025

NOTE:

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



A INFORMATION:

List of balances, before taken into account all adjustments below:

	30 June 2025 (R)	30 June 2024 (R)
Ordinary share capital	?	?
Retained income	3 240 000	
Mortgage loan: Best Bank	3 755 000	4 205 000
Trading stock	4 198 500	
SARS: Income tax (provisional tax payment)	1 200 000	
Net trade debtors	3 668 810	
Bank overdraft	?	
Petty cash and cash float	?	
Creditors' control	1 253 000	
Accrued income/Income receivable	8 000	
Shareholders for dividends	1 170 000	980 210

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

NOTE:

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

Balances:	QUANTITY	UNIT PRICE	TOTAL VALUE
1 July 2024	220	R950	R209 000
30 June 2025	480	?	?
Purchases	1 520		R1 943 500
14 Nov. 2024	720	R1 175	R846 000
10 Feb. 2025	340	R1 300	R442 000
18 May 2025	460	R1 425	R655 500
Returns:			
25 May 2025	?	R1 425	R68 400

- C** The following information was not taken into account or adjusted:

- (i) Audit fees include R123 600 which was paid in advance for the next financial year.

- (ii) The repayments on the loan are fixed at R37 500 per month (including capitalized interest). The balances as per loan statement were:

- 1 July 2024, R4 175 000
- 30 June 2025, R4 028 000

Provide for interest on loan

- (iii) Rent income:

Rent of R74 000 was received from a tenant for the period 1 July 2024 to 31 August 2025. This has been recorded. This amount takes into account a reduction of R750 per month from 1 May 2024. The year-end adjustment has not yet been made.

- (iv) After taking into account the corrections above, it was determined that the net profit after tax amounted to R3 474 800 and the income tax is 27%.

D. Shares and dividends:

26 000 shares were repurchased on 1 July 2024 at R3,00 above the average share price.

The business did not pay interim dividends during the 2024 financial year

A final dividend of 65 cents per share was declared on 30 June 2024.

800 000 shares were in issue on 30 June 2024

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

F On 30 June 2024, Florence Ltd returned 20 ladies' Jeans to the supplier, Mbatha Wholesalers. The selling price was R840 each. The mark-up was 50% on cost. No entry has been made

G The balances as per loan statement were:

1 July 2024, R4 205 000

30 June 2025, R4 028 000

A fixed monthly instalment of R37 500 (to cover loan repayments and interest) has to be paid over the full period of the loan. Interest will decline over the life of the loan. The interest on the loan budgeted for the next financial year is R264 000.

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

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

ACTIVITY B3 ANSWER SHEET

3.1

Calculate the value of the closing stock of Men's Trousers that was omitted from the stock sheets on 30 June 2025.

WORKINGS	ANSWER
----------	--------

3.2 Refer to information A-H

3.2.1. Retained income note

Balance at beginning	
Balance at end	3 240 000

3.2.2 FLORENCE LTD
STATEMENT OF FINANCIAL POSITION ON 30 JUNE 2025

ASSETS	
NON-CURRENT ASSETS	
Fixed assets (8 532 560	
CURRENT ASSETS	8 700 000
TOTAL ASSETS	
EQUITY AND LIABILITIES	
Ordinary Shareholders' equity	
Retained income	3 240 000
NON-CURRENT LIABILITIES	

CURRENT LIABILITIES	
Bank overdraft	
TOTAL EQUITY AND LIABILITIES	

ACTIVITY B4

The following information relates to Mntambo Ltd. The financial year ended on 28 February 2025.

REQUIRED**4.1. Refer to Information A.**

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

4.1.2 Complete the Statement of Financial Position as at 28 February 2025. Show workings.

INFORMATION:

The following amounts were extracted from the records on 28 February 2025:

A Fixed assets

	LAND AND BUILDINGS	VEHICLES	EQUIPMENT	TOTAL
Cost		350 000	460 000	
Accumulated depreciation		(315 000)		
Carrying value (01/03/2024)	(a)	35 000		
Movements:				
Additions	325 000	422 550	0	
Disposals	0	0	(d)	
Depreciation		(b)	(13 766)	
Carrying value (28/02/2025)	2 550 000	(c)	50 994	(e)
Cost		772 550	340 000	
Accumulated depreciation				

B

Balance Sheet accounts section	R
Ordinary share capital	?
Retained income (28 February 2025)	520 000
Fixed assets (carrying value)	?
Loan from Bench Bank	284 000
Trading stock	408 880
Net trade debtors	67 200
Fixed deposit: Ally Bank	?
Bank (favourable)	?
SARS: Income tax (provisional payments)	209 000
Creditors' control	184 000
Nominal accounts section (pre-adjustment amounts)	
Insurance	30 200
Rent income	108 450
Electricity	42 000

C. ADDITIONAL INFORMATION

- Depreciation on vehicles is calculated at 20% p.a. on cost.
- The company has two vehicles on 28 February 2025. One of these vehicles was purchased on 1 September 2024
- Extract from the Fixed Assets Register in respect of equipment sold

Fridge (Model X3)			
Date purchased: 1 March 2022			
Date sold: 31 December 2024		Sold for: R81 250	
Depreciation rate: 10% p.a. (diminishing-balance method)			
	COST	DEPRECIATION	BOOK VALUE
28 February 2023	R120 000	R12 000	R108 000
29 February 2024		?	?
31 December 2024		?	?

- The electricity account for February 2025, R5 600, was still outstanding.
- The provision for bad debts must be increased by R270.
- An additional insurance policy was taken out on 1 November 2024. The annual premium of R10 200 was paid and recorded.
- The rent for February 2025 has not been received yet. The rent increased by 15% on 1 July 2024

- Net profit after tax, R518 000, was calculated after taking into account all the adjustments above. Income tax is 30% of the net profit.
- 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 28 February 2025.
- Extract from Bench Bank loan statement:

Balance on 1 March 2024	R376 000
Instalments (including interest)	R92 000
Interest capitalised	R48 000
Balance on 28 February 2025	?

NOTE:

- Interest has not been entered in the books.
- The same capital portion of the loan will be settled in the next financial year.
- The net asset value per share on 28 February 2025 is 620 cents.
- The current ratio is 2,1 : 1 on 28 February 2025.

ACTIVITY B4 ANSWER SHEET

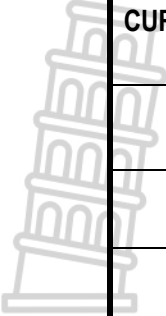
4.1. Refer to information A

4.1.1 Calculate the missing amounts denoted by a to e

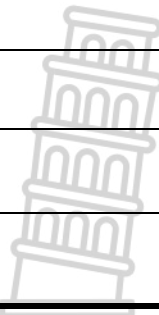
	Workings	Answer
A		
B		
B		
D		
E		

4.1.2 Statement of Financial position as at 25 February 2025

ASSETS	
NON-CURRENT ASSETS	
Fixed assets (8 532 560	



CURRENT ASSETS	8 700 000
TOTAL ASSETS	
EQUITY AND LIABILITIES	
Ordinary Shareholders' equity	
Retained income	520 0000
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
Bank overdraft	
TOTAL EQUITY AND LIABILITIES	



ACTIVITY B5: COOPERATE GOVERNANCE AND AUDIT REPORT

5.1 You are provided with an extract from the audit report of the independent auditors of Umlazi LTD.

5.1.1 What type of audit report did Pinetown LTD receive? Explain your answer.

5.1.2 To whom is the audit report addressed to and why?

5.1.3 State TWO consequences that this report could have on the company.

5.1.4 What impact would this report have on the company share prices in the JSE market?

5.2 GOVERNANCE

5.2.1 The directors engage with clients on a regular basis to negotiate contracts and increase sales and services. Provide TWO points to explain why there should be company policy that directors must declare to the Board all gifts, donations or favours received from clients.

5.2.2 The directors cite the donation to the School as a Corporate Social Investment (CSI) initiative.)

- Explain the need for Corporate Social Investment
- What is the meaning of triple bottom line

5.2.3 Provide TWO suggestions on how good corporate governance can be achieved.

INFORMATION

EXTRACT FROM THE REPORT OF UMLAZI LTD

Independent Auditor's Responsibility

We have examined the annual financial statements set out on pages 12 to 27.

Basic for qualification of opinion

The donation of computers for R470 000 made to the local school for IT teaching and learning, could not be authenticated as no documentation existed for this expense. Subsequently, the fixed asset note is overstated and operating expenses stated in the Statement of Comprehensive Income has been understated as well.

Audit Opinion

Due to the significant of the matters described above, we have not been able to obtain sufficient evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statement of Umlazi LTD for the financial year ended 28 February 2025. Dladla and Dube, Chartered Accountants (SA)

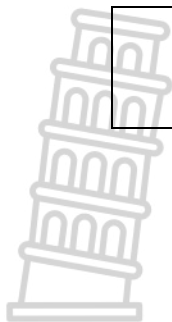
B6 ANSWER SHEET

5.1.1 What type of audit report did Umlazi LTD receive? Explain your answer.

5.1.2 To whom is the audit report addressed to and why?

5.1.3 State TWO consequences that this report could have on the company.

5.1.4 What impact would this report have on the company share prices in the JSE market?

**5.2**

- 5.2.1** Provide TWO points to explain why there should be company policy that directors must declare to the Board all gifts, donations or favours received from clients.

- 5.2.2** Explain the need for Corporate Social Investment What is the meaning of triple bottom line

- 5.2.3** Provide TWO suggestions on how good corporate governance can be achieved.

Activity B6**PART A**

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

REQUIRED:**6.1**

- 6.1.1** Choose the correct word from those in brackets and explain your choice.
- Bottlebrush Ltd received a/an (qualified/unqualified/disclaimer of opinion) audit report.
- 6.1.2** Briefly indicate how this audit report would possibly affect the shares of Bottlebrush Ltd on the Johannesburg Securities Exchange (JSE). Mention TWO points



- 6.1.3 You have been appointed as the external auditor of Bottlebrush Ltd. The managing director, Alice Naidoo, has asked you to reflect her directors' fees of R5 million under 'Salaries and wages' in the Income Statement. Would you agree to her request? Give a reason for your answer.



INFORMATION:

Audit Opinion

Because of the significance of the matter 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 the financial statements of Botlebrush Limited for the year ended 28 February 2025.
Melanie Mthethwa, Chartered Accountants (CA)

PART B

6.2 AUDIT REPORT

You are provided with an extract from the audit report of the independent auditors of Merebank Ltd.

REQUIRED:

- 6.2.1 Briefly explain the role of an independent auditor.
- 6.2.2 Explain why the independent auditors mentioned IFRS and the Companies Act in the audit report.
- 6.2.3 Provide TWO possible consequences of this audit report on the market price of the shares.

INFORMATION:

EXTRACT FROM THE AUDIT REPORT OF MEREBANK LTD

<p>Independent Auditor's Responsibility</p> <p>We have audited the annual financial statements of Merebank Ltd for the year ended 30 June 2024. These financial statements are the responsibility of the company's directors.</p> <p>Basis for ... Opinion</p> <p>The fixed assets of R1 564 000 in the Balance Sheet has been overvalued, with no reliable documentation or evidence to justify the revaluation.</p> <p>Audit Opinion</p> <p>In our opinion, except for the overvaluation of fixed assets, the financial statements fairly represent the financial position of the company on the 30 June 2024.</p> <p>Barry and Brown</p> <p>Chartered Accountants (SA)</p>	
	<p>25 August 2024</p>



Activity B7**PART A**

- 6.1.1. Bottlebrush Ltd received a/an (qualified/unqualified/disclaimer of opinion) audit report.



--

- 6.1.2 Briefly indicate how this audit report would possibly affect the shares of Bottlebrush Ltd on the Johannesburg Securities Exchange (JSE). Mention TWO points.

--

- 6.1.3 You have been appointed as the external auditor of bottlebrush LTD. The managing director Alice Naidoo has asked you to reflect on her directors' fees of R5 million under "Salaries and Wages" in the statement of comprehensive income. Would you agree to her request? Give a reason for your answer.

--

PART B

- 6.2.1 Briefly explain the role of an independent auditor.

--

- 6.2.2 Explain why the independent auditors mentioned IFRS and the Companies Act in the audit report.

--

- 6.2.3 Provide TWO possible consequences of this audit report on the market price of the shares.

--

**ACTIVITY B7**

You are a shareholder of Mountain Ltd. You were not able to be at the AGM but you noticed an article in the newspaper that is presented.

REQUIRED:**7.1. Refer to paragraph 1**

- 7.1.1 Why would the shareholders of any company be concerned about the sustainability of the company? Explain by providing ONE reason.

7.2 Refer to paragraph 2

7.2.1 Explain the serious nature of a 'qualified audit report'

7.2.2 What are the consequences for the company?

7.3 Refer to paragraph 3

7.3.1 How does the sale of the 30% of the property affect the company's sustainability?

7.4 Refer to paragraph 4

7.4.1 You remembered that you read something in the newspaper last year that there was a court case in which the company was fined R2 000 000 for disposal of effluent in the nearby Molopo River. Do you agree with the Directors Report on this matter? Is it an essential or a non-essential expenditure? Give ONE reason why, you feel this way.

7.4.2 You are unhappy with the way in which the directors have managed the company. Give a reason why the shareholders are to be blamed? Provide a suggestion for the future

INFORMATION:**SHAREHOLDERS OF MOUNTAIN LTD UNHAPPY WITH DIRECTORS**

Paragraph 1 Shareholders of Mountain Ltd held their directors accountable for unwise decisions that had threatened the sustainability of the company. This emerged at the AGM of the company in Mafikeng yesterday. The meeting was attended by 48 of the company's 3 000 shareholders.

Paragraph 2 To add to the company's woes, the company received a qualified audit report stating that the Statement of Financial Position included out-dated trading stock and that they could not verify commission of R500 000 that was reflected under receivables.

Paragraph 3 Shareholders accused the CEO of authorising the sale of 30% of the company's land and buildings. "Although these premises were sold at a considerable profit, the deal has severely affected the sustainability of the company," said angry shareholders. There were allegations that the CEO had authorised the deal in order to turn an operating loss of R2 000 000 into a bottom-line net profit after tax of R1 000 000.

Paragraph 4 The Directors report reflects that profits of the company could have been even higher had it not been for R1 500 000 expenditure in repairing its waste disposal units. In this report, the board noted that this "was the right thing to do and the company should be applauded for doing so."

Activity B7: learners must use their own answer book to answer this question**Activity B8**

8.1 The board of directors wants to buy computers and IT systems from a certain computer company for R25 million. You find out the CEO's wife is a majority shareholder in the computer company.

- Express your opinion on the scenario mentioned above. Provide ONE point.
- How should this scenario be handled by a board of directors or by shareholders? Provide ONE point.

8.2 You are a non-executive director and a member of the audit committee of a company. You notice that the internal auditor has not identified deficiencies in the internal control procedures e.g., the division of duties in the accounting department is not ideal. How should this scenario be handled by you as a non-executive director? Provide ONE point.

8.3 External independent auditors may charge high audit fees for their specialised work. What do you think will be the consequences for the auditor if it is proven that the auditor was negligent in the performance of his responsibilities? Name TWO consequences.

8.4 Read the following extract and answer the questions that follow:

INFORMATION:

PATRICIA-THANDO LTD

Shareholders of Patricia-Thando Ltd were once again left without a dividend in a year wherein its profits showed a big rise.

It is the second year in a row that shareholders did not receive any dividends. The company's share price ... with 7% after the results for the year ended June 2025 were released.

According to Sphume Luthuli, the CEO, the directors took the decision regarding the dividends in light of the impact of Russia-Ukraine war.

8.4.1 Do you think the share price of the company increased or dropped?

8.4.2 How will shareholders react to this? Provide TWO points

Activity B8: learners must use their own answer book to answer this question.

ACTIVITY C1: CASH FLOW STATEMENT AND FINANCIAL INDICATORS

1.1 Choose the correct word from the list below which best suits each statement below. Write only the word next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.

Liquidity, Gearing, Profitability, Solvency

1.1.1 Use of borrowed capital (loans) to finance the business

1.1.2 Ability of the business to pay short-term debts.

1.1.3 Ability to settle all debts using the assets of the business.

1.2 MSHIBE LTD

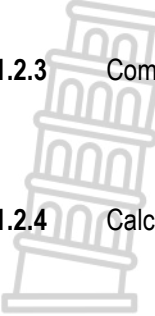
The information relates to the financial year ended 30 April 2024.

REQUIRED:

1.2.1 Complete the Ordinary Share Capital note.

1.2.2 Calculate the following amounts for the Cash Flow Statement:

- Income tax paid

- 
- Dividends paid
- 1.2.3** Complete the following sections of the Cash Flow Statement.
- Cash effects from investing activities
 - Net change in cash and cash equivalents
- 1.2.4** Calculate the following financial indicators on 30 April 2024.
- Acid-test ratio
 - % return on average shareholders' equity (ROSHE)
 - Interim dividends per share

NOTE: Some amounts have been entered in the ANSWER BOOK.

INFORMATION:

A. Extract from the Statement of Comprehensive Income on 30 April 2024

Sales	3 188 150
Depreciation	413 000
Interest expense	78 000
Net profit after tax	637 630
Note: The income tax rate is 30%.	

B. Extract from the Statement of Financial Position on 30 April 2024:

	2024	2023
Fixed assets (carrying value)	4 094 900	3 830 000
Financial assets	190 000	
Inventories	720 800	520 000
Trade and other receivables	240 000	356 000
Cash and cash equivalents	56 600	6 500
Shareholders' equity	6 062 000	5 124 800
Ordinary share capital	5 852 000	4 704 000
Retained income	210 000	420 800
Trade and other payables		90 440
SARS: Income tax	Dr 21 270	Cr 36 600
Shareholders for dividends	?	265 000
Bank overdraft	0	38 400
Current liabilities	360 700	430 440

C. Fixed assets:

- Extensions to land and buildings were completed during the year at a cost of R830 400.

- Equipment was sold during the year at carrying value.

D. Share capital and dividends:

• The authorised share capital consisted of 2 100 000 shares.
• On 1 May 2023, 70% of the authorised shares were in issue
• On 30 June 2023, 300 000 additional shares were issued.
• On 30 September 2023 an interim dividend was paid, R318 600.
• 230 000 shares were repurchased on 31 January 2024.

ACTIVITY C1 ANSWER BOOK

1.1.

1.1.1	
1.1.2	
1.1.3	

1.2 MSHIBE LTD

1.2.1 ORDINARY SHARE CAPITAL NOTE

	Shares in issue at the beginning of the year	4 704 000
300 000	Shares issued during the year	
	Shares in issue at the end of the year	5 852 000

1.2.2 Calculate: Income tax paid

WORKINGS	ANSWER
Calculate: Dividends paid	
WORKINGS	ANSWER

1.2.3 Complete the following sections of the Cash Flow Statement.

CASH EFFECTS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	
Proceeds from the sale of fixed assets	
Change in financial assets	190 000
NET CHANGE IN CASH AND CASH EQUIVALENTS	
Cash (balance at the beginning of the year)	
Cash (balance at the end of the year)	

1.2.4 Calculate: Acid-test ratio

WORKINGS	ANSWER
Calculate: % return on average shareholders' equity (ROSHE)	
WORKINGS	ANSWER
Calculate: Interim dividends per share	
WORKINGS	ANSWER

ACTIVITY C2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS

KWAZULU SUPPLIERS LIMITED

You are provided with information relating to KWAZULU Suppliers Ltd for the financial year ending 28 February 2025.

REQUIRED:

2.1 Calculate the following for the financial year ending 28 February 2025.

- (i) The acid-test ratio.
- (ii) The debt-equity ratio.
- (iii) The return on average shareholders' equity.

2.2 Refer to information D (i) to confirm the value of the closing stock on 28 February 2025 is R1 350 000.

2.3 Complete the following note to the Cash Flow Statement:

Reconciliation between profit before taxation and cash generated from operations.

2.4 Refer to information D (ii).

Calculate the amount for the purchase of the fixed assets.

2.5 Prepare the following section of the Cash Flow Statement:

Cash flows from financing activities

2.6 Complete the net change in Cash and Cash equivalents as it would appear in the Cash Flow Statement.

INFORMATION:

A. Extract from Statement of Comprehensive Income for the year ended 28 February 2025:

	R
Depreciation	185 700
Interest on loan	175 000
Net profit before income tax	2 400 000
Income tax	672 000

B. Extract from Statement of Financial Position on 28 February 2025:

	2025	2024
Fixed assets (carrying value)	4 178 300	3 532 000
Inventory	1 350 000	1 281 500
Trade and other receivables	1 580 000	1 530 000
Cash and cash equivalents	168 000	28 000
Shareholders' equity	4 478 300	3 409 000
Ordinary share capital	3 600 000	2 500 000
Retained income	878 300	909 000
Mortgage loan: Puma Bank	1 420 000	1 300 000
Trade and other payables	1 598 000	1 786 000
Bank Overdraft	0	56 000

C. Notes to the financial statements on 28 February 2025:

	2025	2024
Trade and other receivables:		

Net trade debtors	1 554 000	1 420 000
Accrued income	26 000	35 000
SARS: Income tax	-	75 000
	1 580 000	1 530 000

	2025	2024
Trade and other payables:		
Trade creditors	1 347 000	1 586 000
Shareholders for dividends	225 000	200 000
SARS: Income tax	26 000	-
	1 598 000	1 786 000

D. Additional information:

(i) Inventory:

The company uses the weighted-average method to value the stock. The following information was taken from the accounting records for the year ended 28 February 2025

Date	Details	Number of units	Total (R)
01/03/2024	Opening stock	1 500	1 281 500
28/02/2025	Purchases for the year	31 500	3 668 500
		33 000	4 950 000
28/02/2025	Units sold	24 000	?

(ii) Fixed assets:

- Fixed assets were sold at a carrying value of R368 000.
- Fixed assets were purchased during the year.

(iii) Share capital:

Shares were issued during the year. No shares were repurchased during the year.

(iv) Dividends:

Interim dividends paid during the year amounted to R180 000.

ACTIVITY C2 ANSWER BOOK

2.1 Calculate the ff:

(i) The acid-test ratio

(ii) The debt/equity ratio

(iii) The return on average shareholders' equity

2.2 Use the given information in D (i) to confirm the value of the closing stock on 28 February 2025 as R1 350 000.

2.3 Reconciliation between profit before taxation and cash generated from operations

Profit before tax	
Adjustments in respect of:	
Operating profit before changes in working capital	
Changes in working capital	
Cash generated from operations	

2.2 Calculate the amount used for the purchase of fixed assets.

2.5 Cash flows from financing activities

2.6

Complete the net change in Cash and Cash equivalents as it would appear in the Cash Flow Statement.

Net change	

ACTIVITY C3 CASH FLOW STATEMENT AND NOTES

3.1 CONCEPTS

Choose the correct word from those given in brackets. Write only the word next to the Question number (3.1.1 – 3.1.4) in the ANSWER BOOK.

- 3.1.1 In the event of bankruptcy, the shareholders are not responsible for the debts of the business. This is because of (limited / unlimited) liability.
- 3.1.2 In the financial statement, debtors will be shown as trade and other (receivables / payables)
- 3.1.3 The portion of a loan that will have to be repaid within a year is a current (liability / asset)
- 3.1.4 The (internal / external) auditor is employed by the company to set up and audit financial controls as well as processes.

3.2 BULWER LIMITED

You are provided with information relating to BULWER limited, a public company. The financial year ended on 30 June 2024

REQUIRED:

- 3.2.1 Ordinary share capital note
- 3.2.2 Complete the Cash Flow Statement for the year ended 30 June 2024.
- 3.2.3 Refer to the Cash Flow Statement you have prepared. Explain TWO major decisions (points) from the statement, quoting a figure. In each case give one consequence of the decision to the business.
- 3.2.4 Calculate the following for 2024:
- Net asset value per share (NAV)
 - Return on shareholders' equity (ROSHE)
- 3.2.5 The directors are pleased that the operating efficiency of the business has improved. Quote and explain TWO financial indicators to support their opinion.

INFORMATION:

A. Information from the Income Statement on 30 June 2024:

Depreciation	61 000
Interest on loan	82 000
Net profit before tax	257 400

Income tax	75 600
------------	--------

B. Information from the Balance Sheet on 30 June 2024:

	2024	2023
Fixed assets (at carrying value)	1 505 400	1 201 500
Financial assets	195 000	185 000
Shareholders' equity	7 683 200	4 345 000
Ordinary share capital	7 644 000	4 200 000
Retained income	39 200	145 000
Loan	400 000	560 000
SARS: income tax	Cr 12 500	Dr 8 000
Shareholders for dividends	?	210 000
Cash and cash equivalent	2 922 000	2 000
Bank overdraft		17 100

C. Shares:

<ul style="list-style-type: none"> Authorized share capital is 2 000 000 ordinary shares.
<ul style="list-style-type: none"> On 30 June 2023, 1 200 000 ordinary shares had been issued.
<ul style="list-style-type: none"> On 1 January 2024, 40 000 shares were repurchased at R4.10 (These shares do not qualify for final dividends)
<ul style="list-style-type: none"> On 30 June 2024, all shares that were un-issued as at 30 June 2023 were issued. (These shares do not qualify for final dividends)

D. Dividends:

- Interim dividends of 20 cents per share was declared and paid on 31 December 2023.
- Final dividends of 55 cents per share was declared.

E. Additional fixed assets were purchased during the financial year. An old vehicle was sold at its book (carrying) value of R23 500 during the financial year.

F. Financial indicators for the past two years:

	2024	2023
Solvency	3.3 : 1	2.1 : 1
% gross profit on cost of sales	63%	51%
% operating expenses on sales	31.5%	39.2%
% operating profit on sales	12.7%	6.5%

ACTIVITY C3 ANSWER BOOK

3.1 Choose the correct word from those given in brackets. Write only the word next to the Question number (3.1.1 –3.1.4) in the ANSWER BOOK.

3.1.1	
3.1.2	
3.1.3	
3.1.4	

3.2

3.2.1	Ordinary share capital Authorized 2 000 000 shares issued	
	Shares issued at the beginning	

3.2.2 Cash Flow Statement for the year ended 30 June 2024.

Cash flow from operating activities	
Cash generated from operations	639 100
Cash flow from investing activities	
Cash flow from financing activities	
Net change in cash and cash equivalent	

Cash and cash equivalent at the beginning		
Cash and cash equivalent at the end		

3.2.3 Refer to the Cash Flow Statement you have prepared. Explain TWO major decisions (points) from the statement quoting relevant figure. In each case give one consequence of the decision to the business.

Explanation	Consequence

3.2.4 Net asset value per share (NAV)

Return on shareholders' equity (ROSHE)

3.2.5 The directors are pleased that the operating efficiency of the business has improved. Quote and explain TWO financial indicators to support their opinion.

ACTIVITY C4

INTERPRETATION OF FINANCIAL STATEMENTS

4.1 Choose a term from the list below that answers the specific following questions. Write only the term next to the question numbers (4.1.1 to 4.1.3) in the ANSWER BOOK.

Return on capital employed; return on equity; solvency; liquidity; profitability

4.1.1 Is the business able to pay off all its debts?

4.1.2 Can the business pay off short-term debts in the next financial year?

4.1.3 Will shareholders be satisfied with the benefit that they receive for investing in the company?

4.2 WOODLANDS LTD

You are provided with information relating to WOODLANDS Ltd, a public company, for the financial year ended 31 August 2024.

REQUIRED:

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

4.2.1 **Profitability:**

Quote and explain TWO financial indicators to show that the company is managing its expenses more efficiently.

4.2.2 **Liquidity:**

The directors are satisfied with the liquidity of the company. Quote THREE financial indicators to support this statement

4.2.3 **Dividends, Returns and Earnings:**

- Comment on the dividend pay-out policy. Provide ONE point.

- A shareholder wants to sell her shares to invest in a 3-year fixed deposit account at her bank. Explain whether this is a wise decision.
- 4.2.4 **Risk and gearing:**
- One of the directors believes that the company could increase loans in the new financial year. Quote TWO financial indicators (with figures) and explain each indicator to support her opinion.
- 4.2.5 **Share capital and % shareholding: Refer to information C.**
- The CEO, Ronnie Smith, currently owns 46% of the issued shares after the repurchasing of shares on 31 October 2023. The board of directors has decided to issue all the unissued shares in April 2024.
- Calculate the minimum number of shares that Ronnie must buy in April 2024 to gain control of the company.
- Ronnie wants to purchase the additional shares at R9,00 without advertising the shares to the public. Give TWO reasons why you would not support him.

INFORMATION:**A. Financial Indicators calculated on 31 August:**

	2024	2023
% operating expenses on sales	13.8%	19.5%
% Operating profit on sales	24.5%	22.8%
% Net profit on sales	20.9%	21.8%
Current ratio	2.4 : 1	1.9 : 1
Acid-test ratio	1 : 1	0.8 : 1
Stock turnover rate	6 times	3 times
Total assets to total liabilities	3.0 : 1	5.0 ; 1
Earnings per share	158 cents	130 cents
Dividends per share	169 cents	90 cents
Dividend payout rate	107%	69%
Net asset value per share	1 050 cents	950 cents
Debt-equity ratio	0.6 : 1	0.8 : 1
% Return on average capital employed	17.2%	12.7%
% Return on average shareholders' equity	18.9%	18%

B. Additional information on 31 August:

	2024	2023
Market price of shares on stock exchange	1 590 cents	1 340 cents
Interest on loan	13%	13%
Interest on alternative investment	11%	7.5%

C. Issue and repurchase of shares:

	NO. OF SHARES
Authorised share capital	3 000 000
Number of shares in issue on 1 September 2023	2 050 000
Number of shares repurchased on 31 October 2023	260 000
Number of shares in issue on 31 August 2024	?

None of Ronnie's shares were repurchased on 31 October 2023.

ACTIVITY C4 ANSWER BOOK

4.1. Choose a term from the list below that answers the specific following questions. Write only the term next to the question numbers (4.1.1 to 4.1.3) in the ANSWER BOOK.

4.1.1	
4.1.2	
4.1.3	

4.2.1 Quote and explain TWO financial indicators to show that the company is managing its expenses more efficiently.

4.2.2 The directors are satisfied with the liquidity of the company. Quote THREE financial indicators to support this statement.

4.2.3 Comment on the dividend pay-out policy. Provide ONE point.

A shareholder wants to sell her shares to invest in a 3-year fixed deposit account at her bank. Explain whether this is a wise decision.

4.2.4 Risk and gearing:

One of the directors believes that the company could increase loans in the new financial year. Quote TWO financial indicators (with figures) and explain each indicator to support her opinion.

4.2.5

Share capital and % shareholding: Refer to information C.

The CEO, Ronnie Smith, currently owns 46% of the issued shares after the repurchasing of shares on 31 October 2023. The board of directors has decided to issue all the unissued shares in April 2024.

FIXED ASSETS**ACTIVITY DD1****FIXED ASSETS AND INTERNAL CONTROL**

You are provided with information in respect of Dundee Hardware for the year ended on 28 February 2025. The business is owned by Zitha Buthelezi

- 1.1 Prepare the Asset Disposal Account for equipment (computer) stolen on 30 June 2024 (see information 1 below).
- 1.2 One of the employees, Lindani Xaba, knows that the insurance policy only covers theft if there is evidence of forced entry. He also knows that Zitha broke the security gate of the office to make the incident look like forced entry. He is not sure if Zitha knows this.
What advice would you give Lindani?
- 1.3 Explain how and why the Fixed Assets Register will assist the internal auditor in his duties.
- 1.4 In order to solve their cash flow problems, Zitha has sold a portion of the premises at a cost price. Lindani disagree with him on this.
Do you support Lindani's opinion? Give a reason.
- 1.5 The business owns three delivery vehicles. Refer to information in respect of each delivery vehicle from the Fixed Assets Register (see information 4 below).
 - Identify the cost price of delivery vehicle 3
 - Explain why delivery vehicle 2 is shown at the carrying value
- 1.6 As a service to their customers, the business delivers goods within Dundee. They charge a flat rate of R250 per delivery. Clients pay cash directly to the drivers.
A total of 3 680 deliveries was done during the year. The delivery service operated on 260 days during the year. You are the internal auditor and you are concerned about possible problems relating to the delivery vehicles and their drivers.
Refer to information in point 4 below. Identify and explain ONE major problem relating to each delivery vehicle or its driver. Quote figures from the information to support your answer. Provide a valid solution to each problem

INFORMATION**1. OFFICE EQUIPMENT AND DISPOSAL:**

Office equipment includes the office computers. Six of the office computers were stolen on 30 June 2024. These six computers were originally bought at the cost price R13 200 each. The insurance company, Dundee Insurers, only paid out R5 000 for each computer. These computers were replaced at a higher price on 31 August 2024.

2. Delivery vehicles

The business owns three delivery vehicles that they use to generate their income.

3. The following information was extracted from the Financial Statement for the year ended on 28 February 2025.

FIXED ASSETS	Land & Buildings	Equipment	Vehicles
Carrying value at the beginning of year	1 200 000	630 000	403 501
Cost	1 200 000	980 000	699 000
Accumulated depreciation	0	(350 000)	(295 499)
Movements			
Additions at Cost	0	240 000	0
Disposal at Carrying value	(700 000)	(63 360)	0
Depreciation	0	(157 080)	(111 000)
Carrying Value at the end	500 000	649 560	292 501
Cost	500 000	1 140 800	699 000
Accumulated depreciation	0	(491 240)	(406 499)

4. Information from the Fixed Assets Register and the accounting records on 29 February 2025

FIXED ASSETS REGISTER	Delivery vehicle 1	Delivery vehicle 2	Delivery vehicle 3
Date purchased	1 April 2024	1 Jan 2016	1 April 2022
Cost Price of vehicle	R315 000	R144 000	?
Accumulated depreciation	R94 500	R143 999	R168 000
Carrying value	R220 000	R1	R72 000

Information from the accounting records	Delivery vehicle 1	Delivery vehicle 2	Delivery vehicle 3
Name of a driver	Shaku	Magalela	Majola

Number of days worked	210 days	260 days	260 days
Number of deliveries done	280 deliveries	2 100 deliveries	1 300 deliveries
Cash paid in by drivers	R70 000	R525 000	R275 000
Salaries paid to drivers	R52 000	R52 000	R52 000
Fuel and maintenance costs for the year	R36 400	R430 500	R201 500
Fuel and maintenance costs per kilometre	R1.30	R2.05	R1.55

ACTIVITY DD1**1.1****ASSET DISPOSAL ACCOUNT**

1.2 What advice would you give Lindani? Explain ONE point

1.3. Explain how and why the Fixed Assets Register will assist the internal auditor in his duties.

1.4. In order to solve their cash problems, Zitha sold portion of the premises at cost price. Lindani disagrees with him on this. Do you support Lindani's opinion? Give a reason.

Yes/No

Reason

1.5. Identify the cost price of delivery vehicle 3.

Explain why delivery vehicle 2 is shown at the carrying value of R1

1.6 Identify and explain ONE major problem relating to each delivery vehicle or its driver. Quote figures from the information to support your answer. Provide a valid solution to each problem.

Delivery vehicle 1

Delivery vehicle 2

Delivery vehicle 3:

ACTIVITY DD2

FIXED ASSETS / TANGIBLE ASSETS

This information relates to Mondlo 3105 Ltd for the financial year ended 28 February 2025

REQUIRED:

2.1 Refer to information A (i) for Fixed /Tangible Assets.

Calculate the following:

- 2.1.1 Profit /Loss on Vehicle traded in on 1 September 2024
- 2.1.2 Depreciation on vehicles on 28 February 2025
- 2.1.3 Depreciation on Equipment on 28 February 2025
- 2.1.4 Cost price of Vehicles on 28 February 2025

2.2 INFORMATION:

A. Balances and totals, among others, that appear in the books on:

	28 Feb.2025 R	29 Feb. 2024 R
Vehicle at cost	?	2 500 000
Accumulated depreciation on vehicles	?	840 000
Equipment at cost	1 704 000	1 704 000
Accumulated depreciation on equipment	945 000	689 400

B. Additional Information:

- (i) **Fixed Assets:** No equipment was bought or sold during the year.

Vehicles:

- An old was traded in on 1 September 2024 for a new vehicle, costing R640 000. The trade –in value received was R 307 320. The following extract of the vehicle sold was taken from the Fixed Asset Register:

Cost price: R480 000		Date of purchase: 1 July 2022
Rate of depreciation:		20% p.a on diminishing-balance method
FINANCIAL YEAR END	DEPRECIATION	ACCUMULATED DEPRECIATION
28 February 2023	R 64 000	R 64 000
29 February 2024	R83 200	R 147 200
1 September 2024	?	?

- Vehicles are depreciated at 20% p.a on the diminishing-balance method.
- Depreciation on the old remaining vehicles was R 265 440

ACTIVITY DD2

FIXED ASSETS / TANGIBLE ASSETS**2.1.1 Profit /Loss on Vehicle traded in on 1 September 2024**

WORKINGS	ANSWER

2.1.2 Depreciation on vehicles on 28 February 2025

WORKINGS	ANSWER
Depreciation on New Vehicles	
Depreciation on Vehicle Traded In	
Depreciation on remaining Vehicles	R 265 440

2.1.3 Depreciation on Equipment on 28 February 2025

WORKINGS	ANSWER

2.1.4 Cost price of Vehicles on 28 February 2025

WORKINGS	ANSWER

ACTIVITY DD3**FIXED ASSETS****GREYTOWN TRADERS**

The information given below was extracted from the accounting records of Greytown Traders for February 2025.

REQUIRED:

- 3.1 Refer to the Note for the Fixed/Tangible Assets (Note 1). You are told that Land & Buildings can be sold for R3 million. Explain why they are shown at a lower figure in the financial statements. Mention the applicable GAAP concept to support your answer.
- 3.2 Explain how the fixed asset register assists the internal auditor in the course of his duties.
- 3.3 Draw up the Asset Disposal account on 30 November 2024.
- 3.4 Refer to the Fixed asset note to the Statement of Financial Position. Calculate the missing figures denoted by A - F.

INFORMATION:**A. Fixed assets note**

FIXED ASSETS	Land and Building	Vehicle	Equipment
Carrying value at the beg		522 000	D
Cost	A	900 000	245 000
Accumulated depreciation	(0)	B	(85 500)
Movements			
Additions at cost	450 000	480 000	E
Disposal at carrying value	(0)	(64 350)	(0)
Depreciation	(0)		F
Carrying value at the end	2 500 000		
Cost	2 500 000	C	305 000
Accumulated depreciation	(0)		

B Fixed assets**Land and buildings**

- A new storeroom was built during the year.

Vehicles

- Vehicle was sold on 30 November 2024 for R62 500 each. Its original cost price was R140 000. The business makes a loss of R1 850 with the sale of the vehicle.
- A new vehicle was bought on 1 December 2024.
- Depreciation is calculated at 20% p.a. on the cost price method

Equipment

- New equipment was purchased on 1 September 2024.
- Depreciation is calculated at 10% p.a. on the diminishing balance method.

ACTIVITY DD3

3.1 Refer to the Fixed/ Tangible Assets (Note 1). You are told that Land and building can be sold for R3 million. Explain why they are shown at a much lower figure in the financial statements. Mentioned the applicable GAAP concept to support your answer.

3.2 Explain how the Fixed Asset Register assists the internal auditor in the course of his duties

3.3

ASSET DIPOSAL ACCOUNT

3.4 **FIXED ASSETS**

	CALCULATIONS	ANSWER
A		
B		
C		
D		
E		
F		

ACTIVITY DD4

You are provided with information related to Tugela Ferry LTD. The financial year ended on 28 February 2025.

REQUIRED:

- 4.1 Refer to information A calculate the missing amounts denoted by (a) to (d) on incomplete Fixed Assets provided.
- 4.2 Calculate the profit or loss on sale of asset.

INFORMATION:

A Incomplete Fixed Asset Note

FIXED ASSET	VEHICLES	EQUIPMENT
Carrying value at the beginning	1 038 400	185 000
Cost	1 628 000	(D)
Accumulated depreciation	(589 600)	(1 055 000)
Movements		
Additions at cost	0	110 000
Disposal at carrying value	(A)	0
Depreciation	(B)	(C)
Carrying value at the end		

Cost		
Accumulated depreciation		

B A new equipment was bought for R110 000 on 1 September 2024. This transaction has been correctly recorded. Provide for depreciation on equipment at 15% p.a on cost price.

C A vehicle was sold for cash R182 300 On 1 December 2024. The details of the asset sold are as follows:

Date	Cost price	Accumulated depreciation
1 March 2024	330 000	132 000

Vehicles are depreciated at 20% p.a on the diminishing balance method.

ACTIVITY DD4

A		
B		
C		
D		

STOCK VALUATION

Activity EE1

- 1.1 Choose a word/term from the list, for each of the descriptions below. Write only the word/term next to the number (1.1.1 to 1.1.4) in the ANSWER BOOK.

perpetual; specific identification; weighted-average; periodic; first-in-first-out
--

- 1.1.1 The method that assumes that stock is sold in the order purchased.
 1.1.2 This system ensures that cost of sales is calculated at the point of sale.
 1.1.3 Stock items are assigned a unique or individual value.
 1.1.4 This method is suited for low-value goods that are purchased in bulk.

JOZINI STORES

- 1.2 The business, owned by John, sells one type of tracksuits. The business uses the weighted-average method and the periodic stock system to value stock.

REQUIRED:

Refer to Information A:

- 1.2.1 Calculate the following for the financial year ended 28 February 2025:
- Value of closing stock
 - Number of missing units
- 1.2.2 Explain TWO strategies that John could use to address the problem of customers stealing items.
 1.2.3 The average stockholding period is 73,7 days. Explain whether John should be concerned about this. Provide ONE point.

Refer to Information B:

During October John introduced two brands of laptop (computer) bags.

- 1.2.4 Calculate the cost of sales of laptop bags.
 1.2.5 John was confused as to why the Sky bag sales are better than Zing bag. Provide TWO possible reasons.

INFORMATION B:

A Tracksuits:

	Date	Number of purses	Cost price per purse	Total value
Stock balances	1 March 2024	480		R71 040
	28 Feb 2025	360		?

Purchases	May 2024	450	R155	R 69 750
	August 2024	800	R180	144 000
	October 2024	500	R195	97 500
	January 2025	250	R205	51 250
	TOTAL	2 000		362 500
Returns	January 2025	30	R205	6 150
Carriage on purchases	Total carriage of R20 960 was paid for purchases during the year. Jozini Stores were not reimbursed for carriage on returns.			
Sales	2 050 units were sold at R295 each.			

B

Cell phones bags:

Brand (model) name	SKY	ZING
Units purchased	200	300
Cost price per unit	R680	R920
Total purchases amount	R136 000	R276 000
Units sold	112	220
Selling price per unit	R1 190	R1 380
Total sales amount	R133 280	R303 600

ANSWER BOOK

ACTIVITY EE1

1.1.

1.1.1	
1.1.2	
1.1.3	
1.1.4	

1.2.1

Calculate the following on 28 February 2025:

WORKINGS	ANSWER

Number of units missing

WORKINGS	ANSWER

1.2.2 Explain **TWO** strategies that John could use to address the problem of customers stealing items.

Point 1	
Point 2	

1.2.3 The average stockholding period is 73,7 days. Explain whether John should be concerned about this. Provide **ONE** point.

--

1.2.4 Calculate the cost of sales on Cellphone bags.

WORKINGS	ANSWER

1.2.5 Lyon was confused as to why the Sky bag sales are better than Zing bag. Provide **TWO** possible reasons.

Point 1	
Point 2	

ACTIVITY EE2

2.1

COMPUTER CITY

Mzwayi is the owner of Computer City, selling one type of popular branded Cellphones. The financial year ended on the 28 February 2025.

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

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

REQUIRED:

2.1.1 Calculate the weighted average cost of **ONE** Computer.

2.1.2 Mzwayi suspects that some Computers were stolen during the year.

- Calculate the number of computers stolen.
- Calculate the rand value of the computers stolen, using the weighted-average stock valuation method.

2.1.3 Calculate the value of closing stock using the first-in-first-out (FIFO) method

2.1.4 A whistle-blower has informed Mzwayi that Linda (salesperson) and Jabu (supplier's driver) have conspired to sell computers at the reduced price. During an investigation it was discovered that the computers sold were invoiced to the business. Mzwayi has confirmed that the computers were missing.

- Explain how Mzwayi could have proven Jabu and Linda guilty of the theft of the stock. Provide ONE point for each.
- What action should have been taken against Linda and Jabu? Provide ONE point for each person.

INFORMATION

A. Stock records: (one "unit" refers to one computer)

	UNITS	TOTAL (R)
Opening stock (1 March 2024)	620	1 719 000
Closing stock (28 February 2025)	840	?

B Purchases and returns during the financial year:

	UNITS	UNIT PRICE (R)	TOTAL (R)
May 2024	855	3 200	2 736 000
August 2024	800	3 750	3 000 000
November 2024	745	4 200	3 129 000
December 2024	(20)	4 200	(84 000)
TOTALS	2 380		8 781 000

C. Sales:

2 050 computers were sold during the year at R5 600 per pair.

2.2

PROBLEM-SOLVING

The information is related to Mtwazi Stores, owned by Kay, for the year ended 28 February 2025. The business sold t-shirts and skirts throughout the year and sold formal shirts only from 1 November 2024.

REQUIRED:

2.2.1 T-shirts:

- Calculate the mark-up percentage achieved for T-shirts
- Comment on whether the mark-up percentage would benefit the business or not.

2.2.2 Mini-Skirts:

Comment on how the return of 120 Mini-skirts would affect the business negatively. Provide ONE point.

2.2.3 Maxi-skirts:

- Calculate how long (in days) it will take Kay to sell the closing stock of Maxi-skirts.
- Comment on ONE other point that might concern about the Maxi-skirts.

INFORMATION:

	T-shirts (units)	Skirts (units)	
		Mini	Maxi
Opening stock in units	140	200	0
Purchases during the year	720	1300	980
Closing stock	285	100	125
Returns	15	120	0
Total units sold:	560	1 280	855
• On site	344	560	855
• Online	216	720	0
Stock holding period	186 days	29 days	?
Mark-up percentage per item	?	55%	25%
Cost price per item	R500	R400	R680
Cost of sales	R280 000	R512 000	R581 400
Selling price per item	R920	R620	R726 750
Total cash sales banked	R515 200	R793 600	R726 750

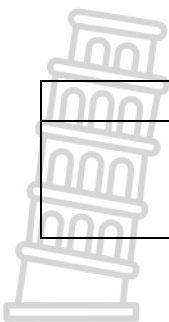
ANSWER BOOK**ACTIVITY EE2****Calculate:****2.1.1**

The weighted average cost of ONE computer.

WORKINGS	ANSWER

2.1.2 The number of computers stolen

WORKINGS	ANSWER



WORKINGS	ANSWER

2.1.3

The value of closing stock using the first-in-first-out (FIFO) method

WORKINGS	ANSWER

2.1.4

Explain how Mzwayi could have proven Jabu and Linda guilty of the theft of the stock. Provide ONE point.

--

What action should have been taken against Linda and Jabu? Provide ONE point for each person.

Linda (salesperson)	Jabu (supplier's driver)

2.2.1.

T-SHIRTS

WORKINGS	ANSWER

Comment on whether the mark-up percentage would benefit the business or not.

--

2.2.2

Mini-skirts

Comment on how the return of 120 skirts would affect the business negatively. Provide One point.

2.2.3

Maxi-skirts

Calculate how (long in days) it will take Kay to sell the closing stock of the Maxi-Skirts.

WORKINGS	ANSWER

Comment on ONE other point that might concern Kay about the Maxi-Skirts.

ACTIVITY EE3:

You are provided with information of Ndalo (Pty) LTD for the 2- months period, March and April 2024. The company specializes in ladies' clothing. They make and sell ONE type of shirts, and they buy and sell THREE types of trousers. The company is registered for VAT and only buys from VAT vendors.

The mark-up on skirts and dresses is 60% on cost.

Shirts: The Weighted Average stock valuation method is used to value the stock of rolls of fabric that is needed to make the shirts.

Trousers: The Specific Identification method of stock valuation is used. These dresses are bought directly from the manufacturer.

A whistle-blower has informed the owner that employees might have stolen some of fabric for shirts. The informant is unsure if the fabric has been stolen from the storeroom or factory.

REQUIRED:**3.1 Shirts**

3.1.1 Provide calculations to show how much stock of fabric (in meters):

- Has been stolen from the storeroom
- Has been wasted, or stolen from, the factory

3.1.2 Calculate the value (excluding VAT) of all the stock of fabric on hand at the year- end using weighted average method.

3.1.3 Apart from obvious measures such as installing cameras and locking up the storage areas, what instructions should be given to the following staff managers to prevent theft of fabric? Provide TWO different points for each employee:

- The storeroom manager
- The factory manager

INFORMATION FOR SHIRTS:

A. Information relates to the period 1 March 2024 to 30 April 2024.

B. All items are subject to 15%

C. **STOREROOM STOCK RECORDS OF FABRIC USED FOR SHIRTS**

Date purchased	Meters of fabric bought	Cost price per meter (excl. VAT)	Total cost excl. VAT
Opening stock	490 m	R72	R 35 280
Purchases	2 420 M		R172 460
17 March 2024	800 m	R70	R 56 000
11 April 2024	900 m	R75	R 67 500
29 April 2024	720 m	R68	R 48 960
Issued to factory: 2 312 m			
Closing stock per physical count: 470 m			

D. **TROUSERS**

REQUIRED:

3.2.1

Calculate the value of closing stock (VAT excluded) of the trousers according to the Specific Identification method.

3.2.2

Calculate the stock holding period of trousers. Note that this is for only a 2-month period March and April 2024, i.e. 61 days.

INFORMATION FOR DRESSES

E.

TROUSERS

	Stock and purchases of dresses (units)	Cost price per unit	Total cost VAT exclusive
Opening Stock (all Models A)	20	R1 000	R20 000
Purchases during the year:	170		R234 000
Model A	60	R 1000	R60 000
Madel B	50	R 1 800	R 90 000
Model C	60	R 1 400	R84 000
Note: there were no theft of trousers during this period			

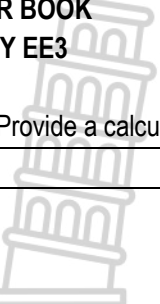
F.

Sales of trousers during the financial period:

Models	Number of trousers sold	Sales excluding VAT	Sales including VAT
Model A	74	R118 400	R136 160
Model B	42	R120 960	R139 104
Model C	56	R125 440	R144 256
Sales	172	R364 800	R419 520

ANSWER BOOK**ACTIVITY EE3****SHIRTS**

3.1.1 Provide a calculation to show how much stock of fabric (in meters) has been stolen from the storeroom

WORKINGS	ANSWER
	

Provide a calculation to show how much stock of fabric (in meters) has been wasted in or stolen from the factory.

WORKINGS	ANSWER

3.1.2 Calculate the value (excluding VAT) of all stock of fabric on hand at the year-end using the weighting average method.

WORKINGS	ANSWER

3.1.3 Apart from obvious measures such as installing cameras and locking up the storage areas, what other instructions should be given to the following staff managers to prevent theft of fabric? Provide TWO different points for each employee:

Staff members	Instructions
Store manager	
Factory manager	

TROUSERS:

3.2.1. Calculate the value of closing stock (VAT excluded) of the trousers according to the specific identification method

WORKINGS	ANSWER

3.2.2. Calculate the stock holding period of trousers.

--

ACTIVITY EE4**INVENTORY VALUATION**

4.1. **CONCEPTS:**

Give ONE word/term for each of the following descriptions by choosing a word/term from the list below. Write only the word/term next to the question number (4.1.1-4.1.4) in the ANSWER BOOK.

Perpetual inventory system; weighted-average method; specific identification method; periodic inventory system; first-in-first-out (FIFO).

- 4.1.1 This method assumes that stock bought last is your closing stock.
 4.1.2 This system ensures that cost of sales is calculated at the point of sale.
 4.1.3 This method of stock valuation assigns a unique or individual value to each stock item.
 4.1.4 This stock system is more suited for low-value goods that are purchased in bulk.

4.2. **MKUZE STORES**

You are provided with information relating to Mkuze Stores. The business sells one type of Rubby boot. The financial year ends on 28 February 2025. The business uses the weighted-average method for stock valuation and the periodic stock system.

REQUIRED:

- 4.2.1 Calculate the value of the closing stock on 28 February 2025 using the weighted-average method. Round your answer the closest rand.
 4.2.2 Calculate the following for the year ended 28 February 2025:
 • Cost of sales
 • Gross profit
 4.2.3 Calculate the average stock-holding period (in days) on 28 February 2025.
 4.2.4 Calculate the value of the closing stock by using the FIFO method.

INFORMATION:

A. **STOCK:**

Date	Rubby boots	Total value (including carriage)
1 March 2024	520	R324 520
28 February 2025	310	

B. **PURCHASES:**

Date	Pair of Rugby boots	Cost price per pair	Total purchases	Carriage per pair	Total (including carriage)
31/05/2024	460	R650	R299 000	R18	R307 280
01/08/2024	700	R680	R476 000	R18	R488 600
15/10/2024	500	R710	R355 000	R30	R370 000
01/02/2025	300	R725	R217 500	R30	R226 500
TOTAL	1 960		R1 347 500		R1 392 380

C. **RETURNS**

Thirty pairs of Rubby boots purchases on 1 February 2025 were not of a high quality. These were returned to the supplier. The business account was credited with R22 650 (including carriage on purchases).

D. **Sales:**

2 110 pairs of Rubby boots were sold during the financial year. The selling price was kept constant at R1500 per pair.

4.3 PROBLEM-SOLVING

You are provided with information of Three computer Shops with different owners in Durban. Each shop has a floor space of 100 m²

REQUIRED:

4.3.1 Identify ONE problem in Shop 1 and ONE problem in Shop 2. Quote figures. In EACH case, give ONE point of advice.

4.3.2 Explain TWO good decisions that Rachel has made in respect of Shop 3. Quote figures.

INFORMATION PER SHOP FOR JULY 2024:

	SHOP 1	SHOP 2	SHOP 3
Managers	Simo	Khetha	Malusi
Sales	R400 000	R240 000	R900 000
Returns from customers	R7 000	R42 000	R25 000
Mark-up percentage	100%	50%	75%
Stock-holding period	180 days	45 days	30 days
Advertising	R14 000	R8 000	R40 000
Rent expense	R45 000	R35 000	R75 000
Days worked per worker	6	5	7
Shop assistants	4	2	5

ANSWER BOOK

ACTIVITY EE4

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

4.1.1

4.1.2

4.1.3

4.1.4

4.2.1 Calculate the value of the closing stock on 28 February 2025 using the weighted-average method.

4.2.2 Calculate the following for the year ended 28 February 2025:

Cost of sales

Gross profit

4.2.3 Calculate the average stock-holding period (in days) on 28 February 2025.

4.2.4 Calculate the value of the closing stock by using the FIFO method.

--

4.3.1 Identify ONE problem in Shop 1 and ONE problem in Shop 2. Quote figures. In EACH case, state ONE point of advice.

Branch	Problem	Advice
Shop 1		
Shop 2		

4.3.2 Explain TWO good decisions that Rachel has made in respect of Shop 3. Quote figures.

--

ACTIVITY FF 1 COST ACCOUNTING

1.1 Choose an example from COLUMN B that matches a cost category in COLUMN A. Write only the letter (A–E) next to the question numbers (1.1.1 to 1.1.4) in the ANSWER BOOK, e.g. 1.1.5 F.

COLUMN A	COLUMN B
1.1.1 Factory Overhead	A carriage on raw material purchased
1.1.2 Selling and Distribution	B salary of the factory foreman
1.1.3 Direct Material	C rent expense for the office building
1.1.4 Administration	D workers in production
	E commission paid to sales staff

1.2 **WOZA STITCHES**

Woza Stitches, owned by Stevie Wonder, manufactures bathroom towel sets. Stevie buys fabric from local suppliers. The information relates to the financial year ended 30 June 2025.

Note that there were no work-in-progress stock balances.

REQUIRED:

1.2.1 Calculate the following for the financial year ended 30 June 2025:

- Direct labour cost

- Factory overhead cost
- Total cost of production

1.2.2 Stevie is concerned that fixed costs increased to R806 400. Explain why he should not be concerned. Provide TWO points. Quote figures.

1.2.3 **Refer to Information C.**

Comment on whether the production staff deserves the production bonus that they received. Provide THREE points, with figures.

1.2.4 Stevie wants to improve his profit by R50 000 during the next financial year while maintaining costs. Calculate the additional units that must be produced to achieve this target.

ANSWER BOOK FOR ACTIVITY: FF1

1.1	1.1.1	
	1.1.2	
	1.1.3	
	1.1.4	

1.2 WOZA STITCHES

1.2.1 Calculate: Direct labour cost

WORKINGS

ANSWER

--	--


Calculate: Factory overhead cost

Total before corrections	541 600
Insurance	
Water and electricity	
TOTAL	

1.2.2 Stevie is concerned that fixed costs increased to R806 400. Explain why he should not be concerned. Provide TWO points. Quote figures.

POINT 1	
POINT 2	

- 1.2.3 Comment on whether the production staff deserves the production bonus that they received. Provide THREE points, with figures.



POINT 1	
POINT 2	
POINT 3	

- 1.2.4 Stevie wants to improve his profit by R50 000 during the next financial year while maintaining costs. Calculate the additional units that must be produced to achieve this target.

WORKINGS	ANSWER

ACTIVITY: FF2

2.1 NAIDOO MANUFACTURERS

The business manufactures leather wallets. The financial year ended on 28 February 2025.

REQUIRED:

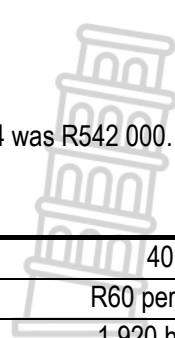
2.1.1 Refer to Information C.

Calculate the factory overhead cost.

2.1.2 Prepare the Production Cost Statement on 28 February 2025.

INFORMATION:

- A. Work-in-progress stock balance on 1 March 2024 was R542 000.
 B. Details of the workers in production



Number of workers	40
Basic (normal) wage rate	R60 per hour
Normal time hours worked by each worker	1 920 hours
Overtime (in total)	R1 142 000

- C. The bookkeeper calculated the factory overhead cost at R2 638 600.

The following costs were omitted and must be taken into account:

- Insurance is a fixed monthly premium for the entire financial year.
The amount paid, R235 950, includes the premium for March 2025. $\frac{2}{3}$ of this expense relates to the factory.
- Water and electricity allocated to the office was R69 200. Note that water and electricity is shared according to floor space, as follows:



Factory	Sales	Office
560 m ²	240 m ²	160 m ²

The following entry must be corrected:

Rent of R316 000 was recorded in the factory overhead cost. However, the bookkeeper used the incorrect ratio of 2: 5: 1 for Factory, Sales and Office. The correct ratio is 5: 2: 1 respectively.

- D. Total prime cost for the year amounted to R12 500 000.
E. Total production for the year, 33 500 units, were produced at a cost of R475 per unit.

2.2

GLAMOUR FOR U

The business manufactures designer shorts. The financial year ends on 30 April each year. The business is owned by Mo Mokone.

REQUIRED:

NOTE:

Provide evidence in the form of figures or calculations to support the comments and explanations required below.

2.2.1 Break-even point, production and profit:

- Do a calculation to confirm that the break-even point for 2025 is correct.
- Comment on the level of production and the break-even point for the past two years. Explain whether Mo Mokane would be happy about the trends in these results and the profit he is earning. Provide figures or calculations.

2.2.2 Fixed costs:

Explain why Mo is not concerned about the fixed costs increasing to R6,1m in 2025. Quote figures.

2.2.3 Selling and distribution cost:

- Identify how the selling and distribution costs in total and per unit changed over the two years.
- Explain TWO reasons why Mo deliberately wanted to adjust this cost.

2.2.4 Direct material and direct labour: Refer to Information A and C.

Mo made specific decisions to improve the business and its product

Explain how the decisions he took have benefited the business by providing:

- TWO separate points relating to the raw material
- TWO separate points relating to the direct labour

INFORMATION:

A. Mo's general strategic decisions with effect from 1 May 2025:

- Mo decided to improve the quality of the shirts to be more competitive and to export to retailers in other countries.
- He changed to a new supplier of the fabric (raw materials) and employed some highly skilled and creative workers to replace workers who resigned or retired.
- Factory overheads for 2025 included a training programme for factory workers (R600 000) and the hiring of equipment with the latest technology for R1,4 m per year.

	2025	2024
Number of units produced and sold	10 500 shorts	6 500 shorts
Selling price	R1 830	R1 430
Break-even point	4 815 shorts	4 267 shorts

	2025		2024	
	TOTAL R	PER UNIT R	TOTAL R	PER UNIT R
VARIABLE COSTS	5 916 000	563	3 047 500	469
Direct materials cost	3 780 000	360	1 787 500	275
Direct labour cost	936 000	89	960 000	148

Selling and distribution cost	1 200 000	114	300 000	46
FIXED COSTS	6 100 000	581	4 100 000	631
Factory overhead cost	5 600 000	533	3 600 000	554
Administration cost	500 000	48	500 000	77
TOTAL COST OF PRODUCTION	12 016 000	1 144	7 147 500	1 100

Mo undertook a short course on managerial accounting to enable him to analyse the production costs more effectively every month. He has analysed the following production costs:

Raw materials:	2025	2024
Cost of fabric per metre	R200	R110
Metres of fabric per shorts (including wastage)	1,8 metres	2,5 metres
Fabric used in metres	43 200 metres	44 000 metres
Direct workers:		
Number of direct workers	12 workers	15 workers
Average wages per worker p.a.	R78 000	R64 000
Hours per worker per year	1 920 hours	1 920 hours
Hours worked by all workers	23 040 hours	28 800 hours
Average number of shorts produced per worker	875 shorts	433 shorts

ANSWER SHEET

ACTIVITY: FF2

2.1.1

FACTORY OVERHEAD COST

TOTAL before corrections	2 638 600

2.1.2

PRODUCTION COST STATEMENT ON 28 FEBRUARY 2025

PRIME COST	12 500 000
TOTAL MANUFACTURING COST	
Work-in-progress at beginning of year	542 000
Work-in-progress at end of year	
COST OF PRODUCTION OF FINISHED GOODS	

2.2 GLAMOUR FOR U

2.2.1 Do a calculation to confirm that the break-even point for 2025 is correct.

2.2.2 Explain why Mo is not concerned about the fixed costs increasing to R6,1 m in 2025. Quote figures.

2.2.3 Identify how the selling and distribution costs in total and per unit changed over the two years. Quote figures.

Explain TWO reasons why Mo deliberately wanted to adjust this cost.

Reason 1	
Reason 2	

TWO separate points relating to the direct labour. Quote figures or calculations.

Point 1	
---------	--

2.2.4

Mo made specific decisions to improve the business and its product. Explain how the decisions he took have benefited the business by providing:

Two separate points relating to the raw material. Quote figures or calculations.

ACTIVITY: FF3

3.1 PURITY MANUFACTURERS

The information relates to the financial year ended 28 February 2025. The business produces one style of travelling bag. The owner is Purity Dlamini.

REQUIRED:

Complete the following for the year ended 28 February 2025

3.1.1 Production Cost Statement

3.1.2 Abridged Statement of Comprehensive Income

INFORMATION

A.

Stock Balances

	28 February 2025	1 March 2024
Finished Goods	R96 000	R72 000

There is no work-in-progress at the beginning or end of the year

B. Raw material issued to the factory for production, R1 494 000.

C. Production wages

Information extracted from the production wages records

NET WAGES PAID TO PRODUCTION WORKERS	TOTAL DEDUCTIONS
R647 400	22% of gross wages

D. The bookkeeper calculated the following costs for the year ended 28 February 2025:

Factory overhead cost	R520 280
Selling and distribution cost	R224 960
Administration cost	R187 760

It was discovered that she did not take the following into account:

- The telephone account of R22 400 was posted in error to the factory overhead cost. This expense relates to the office.
- The entire amount of rent expense, R98 400, was posted to the factory overhead cost. This expense should have been split in the ratio 7: 2: 1 between the factory, sales and administration departments.
- The insurance expense of R26 400 was divided equally between the factory overhead cost and the sales department in error. 60% of this expense relates to the factory and the balance applies to the sales department.

E. Sales:**Total Sales for the year amounted to R4 433 600****3.2 CONTROL OF RAW MATERIAL**

After completing the statements in QUESTION 3.1, the internal auditor of Purity Manufacturers suspects that the raw material (fabric) is not being controlled well in the storeroom and the factory.

3.2.1 Calculate:

3.2.1.1 The metres of fabric missing from the storeroom

3.2.1.2 The metres of fabric wasted in the factory

Apart from installing cameras, provide a specific strategy to improve internal control in the store room and factory. In EACH case, provide a different point.

3.2.2 Calculate the total cost of fabric lost and wasted and explain how this loss should be shown in the statements mentioned in QUESTION 3.1.

INFORMATION**A. Raw material (fabric):**

Fabric used in production is issued to the factory from the storeroom, as required. The Record of fabric as follows:

	METRES	TOTAL AMOUNT
Raw material issued to factory	12 450	R1 494 000
Balance on 1 March 2024	2 700	324 000
Purchase of fabric during the	10 800	1 296 000
Balance on 28 February 2025	850	102 000

B. Additional information

- Fabric is purchased at a fixed cost price of R120 per meter.
- It takes 1,5 meters of fabric to make one suitcase.
- 7 800 suitcases were produced during the financial year.

ANSWER SHEET FOR ACTIVITY FF3

3.1 PURITY MANUFACTURERS**3.1.1 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2025**

Direct material cost	1 494 000
Prime cost	
Factory overhead cost 520 280	
Cost of production of finished goods	

3.1.2**STATEMENT OF COMPREHENSION INCOME FOR THE YEAR ENDED 28 FEBRUARY 2025**

Sales	4 433 600
Cost of sales	
Gross profit	
Other expenses	
Selling and distribution costs 224 960	
Administration cost (187 760	
Net profit for the year	

3.2.1 CONTROL OF RAW MATERIAL

Calculate the meters of fabric:	Internal control strategy
3.2.1.1 Missing from the storeroom	
3.2.1.2 Wasted in the factory	

3.2.2 Calculate the total cost of fabric lost and wasted and explain how this loss should be shown in the statements mentioned in QUESTION 3.1.

ACTIVITY GG1: RECONCILIATIONS

1.1

BANK RECONCILIATION

The information relates to GUMBI Traders for August 2024. The business receives its official bank statements on the 25th day of each month.

REQUIRED:

1.1.1 Calculate the following on 31 August 2024.

- Correct totals for the Cash Journals. Use the table provided in the ANSWER BOOK (only the amounts are required).
- Bank Account balance in the General Ledger of the business.

1.1.2 Prepare the Bank Reconciliation Statement on 31 August 2024

1.1.3 Provide ONE reason why the Internal Auditor should be concerned about the control of cash. Provide a solution for his concern.

1.1.4 Provide ONE reason why the Internal Auditor should be concerned about the control of cash. Provide a solution for his concern.

1.1.5 Mr GUMBI has encouraged his customers to pay using EFT (Electronic Fund Transfer) due to continuous cash losses. Provide ONE benefit of receiving payments from customers using EFT. Provide a reason for the benefit.

A. The following Bank Reconciliation Statement was prepared on 31 July 2024:

	R
Debit Balance as per Bank Statement	34 600
Outstanding deposit (from cash sales; dated 23 July 2024)	21 500
Outstanding EFT (no. 672)	9 870
Credit amount incorrectly debited	5 500
Credit Balance as per Bank Account	17 470

B Provisional totals on 31 August 2024 before receiving the Bank Statement:

- CRJ: R158 100
- CPJ: R94 790

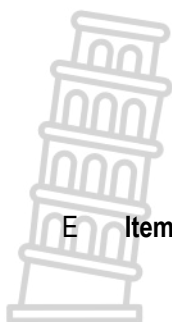
C **When comparing the July Reconciliation Statement to the August 2024 Bank Statement, the following was noted:**

The outstanding EFT no. 672, and the correction of the error were correctly reflected on the August 2024 Bank Statement.

The outstanding deposit on 23 July 2024 appeared on the August 2024 Bank Statement, but the amount reflected correctly as R11 500. It was decided to write off the balance because the accountant revealed that she had been mugged on her way to the bank.

D **The following items on the August 2024 Bank Statement did not appear in the August Cash Journals:**

- EFT payment received from Govender for R1 800 in settlement of his account of R2 000.



- Monthly debit order in favour of Assurance Ltd. for the insurance premium, R850.
- A deposit of R11 000 appeared in the current account of Gumbi Traders on 24 August 2024. The deposit has been identified as an error made
- Bank charges, R1 770
- Interest on a credit balance, R2 160

E Items in the journals but not in the August Bank Statement:

- EFT no. 633 (to Mzizi Suppliers), R14 600
- Cash deposit (from Miya P), R24 620

- F A debit card entry on 30 August 2024 to withdraw cash for wages of R32 000 was recorded on the statement. The bookkeeper was not informed.
- G Credit card sales appeared correctly on the Bank Statement as R12 300, but in the CRJ as R21 300.
- H The August 2024 Bank Statement reflected a balance of R ?

1.2

DEBTORS' RECONCILIATION

The information relates to Shirley Shop for July 2024

1.2.1 REQUIRED:

Indicate the corrections that must be made to the Debtors' Control account in the General Ledger by showing the amounts with:

(+) for increase; (–) for decrease OR write 'no change'.

- 1.2.2 Prepare the correct Debtors' List on 31 July 2024. Show workings with the relevant amounts in brackets to earn part-marks

- 1.2.3 Explain why the balance on the Debtors' Control Account in the General Ledger should be the same as the total of the Debtors' List.

- 1.2.4 The debtor's clerk is concerned that Sangweni has not paid his account. Provide TWO internal control measures that the business can use to improve the collection of money from debtors, except the charging of interest

INFORMATION:

A Pre-adjustment figures on 31 July 2024

	R
Debtors' Control Account balance	14 500
Debtors' List total from Debtors' Ledger	15 100

B

Debtors' List on 31 July 2024

	Debit	Credit
Jobe		1 000
Govender	6 200	
Mahlobo	2 300	
Madikiza	7 600	
	16 100	1 000

C

Errors and omissions:

- (i) The total of the Debtors' allowance Journal was overcast by R1 300.
- (ii) Interest of R250 must be charged on the overdue account of Madikiza.
- (iii) An amount of R3 200 received from Govender was correctly recorded in the Cash Receipts Journal but posted incorrectly as R2 300 to the account of T.Govender.

ACTIVITY GG1

1.1 BANK RECONCILIATION

CASH RECEIPTS JOURNAL	CASH PAYMENTS JOURNAL
Amount	Amount
R158 100	R94 790

Bank Account balance in the General Ledger on 31 August 2024

WORKINGS	ANSWER

1.1.2 Choose only ONE template below to answer this question. TWO-COLUMN METHOD

BANK RECONCILIATION STATEMENT ON 31 AUGUST 2024		
	DEBIT	CREDIT

OR

ONE-COLUMN METHOD

BANK RECONCILIATION STATEMENT ON 31 AUGUST 2024	

1.1.3

Provide ONE reason why the Internal Auditor should be concerned about the control of cash. Provide a solution to his concerns.

Reason	Solution

1.1.4

Provide ONE benefit of receiving payments from customers using EFT. Provide a reason for the benefit.

Benefits	Reason

1.2**1.2.1****DEBTORS' RECONCILIATION**

CORRECTION TO THE DEBTORS' CONTROL ACCOUNT	
Provisional balance	14 500
(i)	
(ii)	
(iii)	
(iv)	
(v)	

1.2.2

DEBTORS' LIST	
A. Jobe	
T. Govender	
X. Mahlobo	
M. Madikiza	

1.2.3

Explain why the balance on the Debtors' Control Account in the General Ledger should be the same as the total of the Debtors' List.

1.2.4

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

ACTIVITY GG 2: RECONCILIATIONS AND INTERNAL CONTROL

2.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

- 2.1.1 Interest on overdraft forms part of bank charges.
- 2.1.2 A credit balance on the Bank Statement reflects a favourable balance
- 2.1.3 An error on the bank statement must be rectified in the Cash Journals of the business

2.2 **BANK RECONCILIATION**

The information relates to Mkhetheka Stores for August 2024. The business uses the official bank statement downloaded on the 26th of each month.

REQUIRED:

- 2.2.1 Calculate the correct Bank Account balance in the General Ledger.
- 2.2.2 Prepare the Bank Reconciliation Statement on 31 August 2024

INFORMATION:

- A. Note no items from the July Bank Reconciliation Statement that need to be entered during August 2024.
- B. The Bank Account balance in the General Ledger of R4 600 (unfavourable) was calculated before the August bank statement was received
- C. Information on the August 2024 Bank Statement not reflected in the August 2024 Cash Journals
 - Service fees, R370.
 - An EFT payment to Ziyanda Stores R480 was reflected twice in error. The bank will rectify the error on 1 September 2024.
 - Deposit of R17 300 for rent income.
 - Debit order of R3 500 for water and electricity
- D. Information in the August 2024 Cash Journals, not reflected on the August 2024 Bank Statement:
 - EFT no 827 on 31 August 2024 for R2 500 for insurance.
 - Outstanding deposit of R12 340 on 28 August 2024
- E. The balance, according to the Bank Statement on 26 August 2024, R?

2.3

Mshengu DEALERS

The debtors' age analysis on 31 August 2024 is provided. Credit terms are strictly 30 days. The owner tried to negotiate better terms with his creditors but could not. They only offer discounts on accounts settled within 30 days from the statement date.

REQUIRED:

- 2.3.1 Calculate the percentage of total debts exceeding the credit terms.
- 2.3.2 Does the business keep tight control over its debtors? Explain

INFORMATION:**DEBTORS' AGE ANALYSIS ON 31 AUGUST 2024**

Name	Total	Current	30 days	60 days	90 days
Mofokeng	8 350	6 250	2 100		
Vilakazi	16 224	2 800	6 984	6 440	
Khoza	23 632	3 632		15 500	4 500
Nkotha	5 344	2 204			3 140
Mbokazi	6 450		3 030	420	3 000
Total:	60 000	14 886	12 114	22 360	10 640

2.4 CREDITORS' RECONCILIATION

You are the internal auditor of Zakithi Traders. The Creditors' Control Account and Creditors' List were prepared by the bookkeeper, but you have picked up a few errors and omissions.

REQUIRED:

- 2.4.1 Use the table provided in the Answer Book to show the changes that must be made in the Creditors' control account and the Creditors list to consider the errors and omissions noted. Indicate an increase with '+' and a decrease with '-' with each amount.
- 2.4.2 The external auditors suggested that all payments made by the business should be via EFTs, especially for suppliers.
- Give TWO advantages in support of this suggestion.
 - Name ONE procedure the business will have to put into place.

A INFORMATION:

Balance/total on 31 August 2024:	
Creditors Control Account	R41 167
Creditors' Ledger	R58 667

**B. Errors and omissions:**

- An invoice received from Sangweni Wholesalers reflected VAT of R1 400, calculated at 14% of the transaction instead of the standard rate of 15%. The bookkeeper corrected this error in the Creditors' Ledger only.
- A discount of R500 received from Skhumba Traders was omitted in the Creditors' Ledger account. The general ledger was correct.

- (iii) Goods of R7 900 returned to Mathonsi Stores were recorded in the correct journal but were posted to the creditor's ledger account as a credit purchase.
- (iv) Shirley Traders has a debit balance of R792 in the Creditors' ledger. It must be transferred to their account in the Debtors' ledger.
- (v) A refund of R1 100 made to a debtor Sthe was recorded in the Creditor's Control column of the Cash Payments Journal in error and posted as such. No entry was recorded in the creditors' ledger, as this account does not exist.
- (vi) A credit invoice for trading stock purchased from NINA Suppliers for R8 900 on 31 August 2024 was recorded in the Creditors' Journal as R10 700 and posted as such.

2.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

2.1.1	
2.1.2	
2.1.3	

2.2 BANK RECONCILIATION

2.2.1

Bank Account balance on 31 August 2024:

2.2.2

Bank Reconciliation Statement on 31 August 2024:

	DEBIT	CREDIT

2.3 DEBTORS AGE ANALYSIS AND INTERNAL CONTROL

2.3.1

Calculate the percentage of total debts exceeding the credit terms.

2.3.2

Does the business keep tight control over its debtors? Explain.

2.4.1 CREDITORS' RECONCILIATION

	Creditor's Control	Creditor's List
Incorrect Balance	41 167	58 667
(i)		
(ii)		
(iii)		
(iv)		
(v)		
(vi)		

2.4.2. Give TWO advantages in support of this suggestion.

Name ONE procedure the business will have to put into place

ACTIVITY GG 3: RECONCILIATIONS

This question consists of 3 separate questions

3.1 TRUE OR FALSE

Indicate whether the following statements are true or false.

- 3.1.1 When a business prepares a debtors' reconciliation, they reconcile the business' information with the information that the debtor has in their books
- 3.1.2 When a debtor purchases an item on 3 April on 30-day terms, he must pay it by 3 May
- 3.1.3 When a debtor returns inventory, a business issues a debit note

3.2 DEBTORS' AGE ANALYSIS AND INTERNAL CONTROL

REQUIRED:

Answer the following questions:

- 3.2.1 Calculate the missing figures indicated by the letters **A** and **B**.
 - 3.2.2 Calculate the current debts as a percentage of the total debt
 - 3.2.3 Calculate the credit terms amount that exceeds 30 days as a percentage of the total debt.
- The owner, Shukela is concerned that the control over debtors has not been satisfactory. He wants you as the internal auditor, to:
- 3.2.4 Identify TWO problem areas and provide names. Quote relevant amounts from the Debtors' Age Analysis to support your answer. In EACH case give a different reason.
 - 3.2.5 Give TWO measures to implement in order to recover outstanding amounts that have exceeded the credit terms.

INFORMATION

The business sells goods on credit. The credit terms are 30 days and each debtor has a credit limit of R10 000

DEBTORS' AGE ANALYSIS ON 30 JUNE 2024

Debtor	Total amount	Current (30 days)	31 – 60 days	61 – 90 days	90 days +
Pillay	16 140	6 140	1 500	1 000	7 500
Anelisa	9 550	9 550			
Okuhle	9 120	5 700	3 420		
Ziyanda	14 190	A	2 090	3 000	
	49 000	30 490	B	4 000	7 500

C 2 The following items appear in the journals but not on the bank statement.

- A deposit of R23 100 deposited on 31 August 2024.
- EFT 181 for R950 - while this electronic payment was being made, load shedding kicked in.
- EFT 191 for R5 170 and EFT 192 for R3 120.

ACTIVITY 3: RECONCILIATION

3.1 TRUE OR FALSE

3.1.1	
3.1.2	
3.1.3	

3.2 DEBTORS' AGE ANALYSIS AND INTERNAL CONTROL

3.2.1 Calculate the missing figures indicated by the letters A and B.

A	
B	

3.2.2 Calculate the current debts as a percentage of the total debt.

--

3.2.3 Calculate the credit terms amount that exceeds 30 days as a percentage of the total debt.

--

3.2.4 Identify TWO problem areas and provide names. Quote relevant amounts from the Debtors' Age Analysis to support your answer. In EACH case give a different reason.

PROBLEM	DEBTOR AND AMOUNT

3.2.4

Give TWO measures to implement in order to recover outstanding amounts that have exceeded the credit terms.

--

3.3 BANK RECONCILIATIONS

3.3.1 Calculate the bank balance (A) as it should appear on the Bank Statement on 31 July 2024. Also indicate whether it is a favourable or unfavourable balance.

--

3.3.2 Calculate the correct bank account balance according to Freedom records as on 31 August 2024.

--

3.3.3

Complete the bank reconciliation for August 2024.

TWO-COLUMN METHOD

Description	Debit	Credit
Balance as per to Bank Statement		
Balance as per to Bank Account		
TOTAL		

OR

Complete the bank reconciliation for August 2024.

ONE-COLUMN METHOD

Description	
Balance as per to Bank Statement	
Balance as per to Bank Account	
TOTAL	

3.3.4

Which internal control was most likely implemented by Freedom that led them to inquire with regards to the bank charges amount. (Refer Information C1)

