



KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

CURRICULUM GRADE 10 -12 DIRECTORATE

NCS (CAPS)

TEACHER'S GUIDE 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 3.

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

1. ACTIVITIES			
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STATEMENT OF COMPREHENSIVE INCOME AND NOTES

ACTIVITY A1

Dumakude Ltd

Statement of Comprehensive income for the year ended 31 May 2024	
Sales ($15\,520\,000 + 90\,000$)	15 610 000
Cost of sales ($9\,700\,000 + 62\,500$)	(9 762 500)
Gross Profit	5 847 500
Other operating income	204 490
Rent income ($202\,500 - 16\,500$)	186 000
Bad debts recovered ($15\,700 + 2\,000$)	17 700
Provision for bad debts adjustment ($45\,000 - 44\,210$)	790
Gross income	6 051 990
Operating expenses	(1 681 190)
Salaries and Wages ($541\,000 - 25\,000$)	516 000
Employers Contributions ($21\,000 - 2\,500 - 250$)	18 250
Directors Fees ($480\,000 + 430\,000$)	910 000
Audit fees	38 000
Sundry Expenses	14 940
Packing material ($78\,000 + 3\,000 - 78\,500$)	2 500
Bad debts	45 000
Insurance	55 000
Depreciation	65 000
Loss due to fire ($36\,000 \times 20/80$)	9 000
Trading stock deficit ($1\,200\,000 - 62\,500 - 1\,130\,000$)	7 500
Operating Profit	4 370 800
Interest income	72 000
Profit before interest expense	4 442 800

Interest expense	(42 800)
Profit before taxation	4 400 000
Taxation	(1 320 000)
Net profit after tax	3 080 000

ACTIVITY A 2**JANNY LTD****2.1.1 TANGIBLE ASSETS**

i.	Calculate carrying value of the vehicle on hand on 1 March 2023	
	Workings	Answer
	460 000 – 396 750	63 250
ii.	Calculate depreciation on vehicles for the year	
	Workings	Answer
	$(510\,000 \times 15\% \times 4/12) = 25\,500$ $460\,000 \times 15\% \times 12/12 = 69\,000$, CV is 63 250 $63\,250 - 1 = 63\,249$	$25\,500 + 63\,249$ 88 749
iii.	Calculate carrying value of equipment sold	
	Workings	Answer
	75 000 – 36 000 – 4 480	33 920
2.1.2	Calculate Profit / Loss on the sale of equipment	
	Workings	Answer
	75 000 – 36 000 – 4 480	33 920

Activity A2

JANNY Ltd

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 29 February 2024	
Sales (15 325 200 – 648 000)	14 677 200
Cost of sales	(6 966 000)
Gross Profit	7 771 200
Other income	175 000
Profit on sale of asset	6 080
Rent income (173 000 + 9 000 – 14 000)	168 000
Provision for bad debts adjustment (7 030 – 6 110)	920
Gross operating profit	7 886 200
Operating expenses	(6 286 200)
Salaries and wages	1 468 120
Depreciation (31 281 + 88 749)	120 030
Directors fees (3 330 000 + 180 000)	3 510 000
Audit fees (91 000 + 39 000)	130 000
Repairs (476 000 + 9 000)	485 000
Bad debts (19 200 + 800)	20 000
Advertising (25 680 + 2 400 - 240)	27 840
Sundry expenses	525 210
Operating profit	1 600 000
Interest income	25 000
Profit before interest expense	1 625 000
Interest expense	(75 000)
Profit before tax (1 054 000 x 100/68)	1 550 000
Income tax for the year (1 054 000 x 32/68)	(496 000)
Net profit after tax for the year	1 054 000

ACTIVITY A3

ILEMBE LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2025

Sales ($14\,881\,600 \times 260/160$)	24 182 600
Cost of sales ($14\,881\,600 \times 100/160$)	(9 301 000)
Gross profit	14 881 600
Other operating income	490 400
Trading stock surplus ($2\,000\,000 - 2\,287\,000$)	287 000
Bad debts recovered	5 800
Rent income ($208\,250 - 17\,000$)	191 250
Provision for bad debts adjustment ($9\,800 - 9\,350$)	450
Profit on sale of asset ($88\,400 - 82\,500$)	5 900
Gross operating income	15 372 000
Operating expenses	(13 595 600)
Directors fees	5 662 000
Audit fees	497 200
Advertising	342 400
Sundry expenses	88 000
Salaries and wages ($6\,425\,000 + 23\,800 + 10\,200 + 4\,500$)	6 463 500
Depreciation ($41\,250 + 337\,000 + 90\,500$)	468 750
Packing material	39 700
Bad debts ($28\,800 + 5\,250$)	34 050
Operating profit	1 776 400
Interest income	300 000
Profit before interest expense	2 076 400
Interest expense ($2150\,000 - 710\,400 - 165\,200$) or ($1\,652\,000 - 1\,439\,600$)	(212 400)
Profit before taxation	1 864 000
Taxation ($1\,342\,080 \times 28/72$)	(521 920)
Net profit after tax	1 342 080


ACTIVITY A4

KW CLEANING HOUSE LTD

4.1.1	Calculate the final value of the multi-purpose cleaning material.	
	Workings	Answer
	$\frac{101\,000 + 6\,400}{160 + 1\,750} = \frac{107\,400}{1\,910} = R56 \times 370$	20 720
4.1.2	Calculate the Trading stock deficit for the period.	
	Workings	Answer
	Trading stock (recorded) $120 + 1050 = 121\,630$ Stock count (physical) $89\,560 + 20\,720 = 110\,280$ $121\,630 - 110\,280$	R11 350
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.	
	<ul style="list-style-type: none"> • Improve security measures • Regular physical stock count • Implement close supervision on stock records 	

4.1.4 STATEMENT OF COMPREHENSIVE FOR THE YEAR ENDED 28 FEBRUARY 2025

Sales (3 889 960 – 1 260)	3 888 700
Cost of sales (2 549 950 – 1 050)	(2 548 900)
Gross Profit	1 339 800
Other Operating Income	1 331 038
Cleaning income (1 215 000 + 3 550)	1 218 550
Rent income (115 600 + 9 600)	106 000
Provision for bad debts adj. (4 815 – 3 827)	988
Profit on the sale of tangible asset (170 000 – 25 500 – 150 000)	5 500
Gross Operating Income	



Operating Expenses		(1 949 940)
Cleaning expenses		414 390
Audit fees		20 000
Salaries and wages		318 200
Director's fees (990 000 + 45 000)		1 035 000
Telephone (46 200 + 4 400)		50 600
Bank charges (21 400 + 450)		21 850
Depreciation		32 500
Trading stock deficit	from 1.1.2	11 350
Donations	see Director's fees	45 000
Operating profit		
Interest Income		17 800
Profit before Interest expense		
Interest expense		(110 000)
Net profit before tax		
Income Tax		(197 100)
Net profit after tax	197 100 x 70/30	459 900

Activity B3**Florence Limited**

- 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
$(460-48 = 412 \times R1\,425) + (68 \times R1\,300)$	R675 500

3.2.1 Retained Income Note on 30 June 2025

Balance at beginning	
Net profit after tax	3 474 800
Shares repurchased	(78 000)
Dividends for the year (ignore workings)	(1 170 000)
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	
Financial assets	
	8 700 000
CURRENT ASSETS	
Inventory (4 198 500 + 675 500 – 11 200)	4 862 800
Trade and other receivables (3 668 810 + 8 000 + 123 600 - 11 000)	3 789 410
Cash and cash equivalent (balancing figure)	47 790
TOTAL ASSETS	16 760 500

EQUITY AND LIABILITIES	
SHAREHOLDERS' EQUITY [1 800 000 X 540/100]	9 720 000
Ordinary share capital	6 480 000
Retained income	3 240 000
NON-CURRENT LIABILITIES	3 842 000
Mortgage loan (3 755 000 + 273 000) — 186 000	3 842 000
CURRENT LIABILITIES (8 700 000 - Inventories) / 1,2	3 198 500
Trade and other payables	
1 253 000 + 9 500 - 11 000 — 11 200	1 262 300
Shareholders for dividends	1 170 000
Current portion of loan	186 000
SARS: Income tax	85 200
Bank overdraft	495 000
TOTAL EQUITY AND LIABILITIES	16 760 500

Activity B4**Mntambo LTD**

4.1 Refer to Information A. Calculate the missing amounts denoted by (a) to (e).

	Workings	Answer
A	2 550 000 - 325 000	2 225 000
B	OLD - 350 000 X 20% = 70 000; since calculated depreciation (R70 000) is greater than CV(35 000) at BOY depreciation is : R35 000 - R1 = R34 999 NEW - R422 550 X 20% X 6/12 = R42 255 R34 999 + R42 255	77 254
C	35 000 + 422 550 - 77 254	380 296
D	R120 000 - 12 000 - 10 800 - 8 100	89 100
E	2 550 000 + 380 296 + 50 994 =	2 981 290

4.1.2 Statement of Financial Position as at 28 February 2025

ASSETS	R
NONCURRENT ASSETS	4 077 400
Tangible/ Fixed assets	2 981 290
Financial assets: Fixed deposit	1 096 110
CURRENT ASSETS	791 200
Inventory	408 880
Trade and other receivables 67 200 – 270 + 6 800 + 10 350 + 13 000	97 080
Cash and cash equivalents	285 240
TOTAL ASSETS	4 868 600
EQUITY AND LIABILITIES	
Shareholders' equity 675 000 shares X R6,20	4 185 000
Ordinary share capital	3 665 000
Retained Income	520 000
NONCURRENT LIABILITIES	288 000
Loan 284 000 + 48 000 – 44 000	288 000
CURRENT LIABILITIES	395 600
Trade and other payable [184 000 + 5600]	189 600
Shareholders for dividends [675 000 shares X 0,24]	162 000
Current portion of loan	44 000
TOTAL EQUITY AND LIABILITIES	4 868 600

Activity B5 Independent Auditor's Report

Umlazi LTD

5.1.1	What type of audit report did Umlazi LTD receive? Explain your answer.
	DISCLAIMER OF OPINION Explanation There's insufficient evidence to express an opinion as the donation of R270 000 computers could not be verified Fixed asset register is overstated/ operating expenses understated.
5.1.2	To whom is the audit report addressed to and why?
	Shareholders, because they are the owners or investors of the company.
5.1.3	State TWO consequences that this report could have on the company.

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Directors will not be voted again in the next financial year.

It can create a bad publicity, which can lead to a poor image.

Investors/potential investors will lose confidence in further investing in the company



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

Existing shareholders would want to sell back their shares to the company which can also lead to decrease in share prices.

Potential investors will not want to buy shares in the company at its current prices

5.2 Corporate Governance

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.

Reduce bribery allegations labelled against directors which in turn tarnish the image of the company.

This will promote accountability and responsibility for actions of directors and minimise fraudulent activities.

Promotes a good ethical practice of transparency from stakeholders that the directors associated with.

5.2.2 Explain the need for Corporate Social Investment

It shows a good corporate social responsibility the business has towards the people and planet

It's a recommendation of King Code of good corporate governance that ensures goodwill, loyalty and support

5.2.3 What is the meaning of triple bottom line

It's a recommendation from the King Code which encourages companies to focus on profit, people and planet so that aims and objectives are realised in a desired manner.

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

The business should be accountable for all its actions with all stakeholders therefore to interact with, be able respond effectively to issues of the company.

Take part in social development projects and do not exploit the environment and invest in developing local societies.

Ensure that investors are satisfied with the company image and protect investors

Reduce bribery allegations labelled against directors which in turn tarnish the image of the company.

Activity B6

Bottlebrush Ltd

PART A

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

Disclaimer report

Auditors are not expressing an opinion on the reliability of the financial statement of a company

A bad report for a company, creating a bad publicity.

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.

The demand of shares in JSE will decrease as the company will have bad publicity.

Share value will drop as many shareholders will be selling their shares back to the company through JSE.

- 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.
- No The GAAP principle of materiality requires that director's fees and salaries and wages should be disclosed separately
- 6.1.4** Briefly explain the role of an independent auditor.
- To express an opinion on the reliability of the financial statements of the company.
- Ensure the directors are controlling the company in the best interests of stakeholders of the company.
- Ensure the directors are controlling the company in the best interests of stakeholders of the company.
- To identify and expose any fraudulent or irregularities that might occur in the business.
- 6.1.5** Explain why the independent auditors mentioned IFRS and the Companies Act in the audit report.
- The financial statements must be comparable to those prepared by companies internationally.
- To comply with the Companies Act which controls companies
- 6.1.5** Explain why the independent auditors mentioned IFRS and the Companies Act in the audit report.
- The financial statements must be comparable to those prepared by companies internationally.
- To comply with the Companies Act which controls companies

ACTIVITY C1**Mshibe LTD**

1.1	1.1.1	Gearing
	1.1.2	Liquidity
	1.1.3	Solvency

1.2.1 ORDINARY SHARE CAPITAL NOTE

2 100 000 x 70% 1 470 000	Shares in issue at the beginning of the year	4 704 000
300 000	Shares issued during the year	2 022 000
(230 000)	(5 852 000 ÷ 1 540 000) Repurchase of shares. ASP: R3,80	(874 000)
1 540 000	Shares in issue at the end of the year	5 852 000

1.2.2

Calculate: Income tax paid	
WORKINGS	ANSWER
$(637\,630 \times 30/70)$ $36\,600 + 273\,270 + 21\,270$ OR: $- 36\,600 - 273\,270 - 21\,270$	331 140
Calculate: Dividends paid	
WORKINGS	ANSWER
$318\,600 + 265\,000$ OR: $- 318\,600 - 265\,000$	583 600

1.2.3

Complete the following sections of the Cash Flow Statement.

CASH EFFECTS FROM INVESTING ACTIVITIES	(487 900)
Purchase of fixed assets	(830 400)
Proceeds from the sale of fixed assets $4\,094\,900 + 413\,000 - 830\,400 - 3\,830\,000$ $- 4\,094\,900 - 413\,000 + 830\,400 + 3\,830\,000$ $(3\,830\,000 + 830\,400) - (4\,094\,900 + 413\,000)$ Be alert to different calculation method, such as ledger format.	152 500
Change in financial assets	190 000

NET CHANGE IN CASH AND CASH EQUIVALENTS	88 500
Cash (balance at the beginning of the year) 6 500 – 38 400	(31 900)
Cash (balance at the end of the year)	56 600

1.2.4

Calculate: Acid-test ratio	
WORKINGS	ANSWER
$\frac{(240\,000 + 56\,600)}{296\,600} : 360\,700$	0,8 : 1
Calculate: % return on average shareholders' equity (ROSHE)	
WORKINGS	ANSWER
$\frac{637\,630}{\frac{1}{2}(6\,062\,000 + 5\,124\,800)} \times 100^*$	11,4%
Calculate: Interim dividends per share	
WORKINGS	ANSWER
$\frac{318\,600}{1\,770\,000} \times 100^*$ $(1\,470\,000 + 300\,000)$	18 cents

ACTIVITY C2**KWAZULU SUPPLIERS LIMITED**

2.1

(i) The acid-test ratio
$\frac{3\,098\,000 - 1\,350\,000}{1\,748\,000}$ $(168\,000 + 1\,580\,000) : 1\,598\,000$ $= 1,1 : 1$
(ii) The debt/equity ratio
$1\,420\,000 : 4\,478\,300$ $= 0,3 : 1$

(iii) The return on average shareholders' equity

$$\frac{2\,400\,000 - 672\,000}{\frac{1}{2}(4\,478\,300 + 3\,409\,000)} \times \frac{100}{1} = 43,8\%$$

2.2

Use the given information in D (i) to confirm the value of the closing stock on 28 February 2023 as R1 350 000.

$$\begin{array}{r} (1\,281\,500 + 3\,668\,500) \\ 4\,950\,000 \\ \hline 33\,000 \\ 1\,500 + 31\,500 \end{array} \quad \times \quad \begin{array}{l} \text{Closing stock: } 33\,000 - 24\,000 = 9\,000 \\ 9\,000 \end{array} = 1\,350\,000$$

2.3

Reconciliation between profit before taxation and cash generated from operations

Profit before tax	2 400 000
Adjustments in respect of:	
Depreciation	185 700
Interest expense	175 000
Operating profit before changes in working capital	2 760 700
Changes in working capital	(432 500)
Increase in Inventory 1 281 500 – 1 350 000	(68 500)
Increase in Debtors 1 455 000 – 1 580 000	(125 000)
Decrease in Creditors 1 586 000 – 1 347 000	(239 000)
Cash generated from operations	2 328 200

2.4

Calculate the amount for the purchase of fixed assets.

$$4\,178\,300 + 185\,700 + 368\,000 - 3\,532\,000 = 1\,200\,000$$

2.5

Cash flows from financing activities	1 220 000
Proceeds from shares issued (3 600 000 – 2 500 000)	1 100 000
Increase in loan (1 420 000 – 1 300 000)	120 000

2.6

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

Net change in Cash and Cash Equivalent	196 000
Cash and Cash Equivalent at the beginning (28 000 – 56 000)	(28 000)
Cash and Cash Equivalent at the end	168 000

ACTIVITY C3 BULWER LIMITED

3.1	3.1.1	Limited
	3.1.2	Receivable
	3.1.3	Liability
	3.1.4	Internal

3.2.1	Ordinary share capital		
	Authorized: 2 000 000 shares		
	Issued:		
	1 200 000	Shares in issue at the beginning	4 200 000
	(40 000)	Shares repurchased (ASP: R3.50)	(140 000)
	800 000	Shares issued during year at R4.48 each	3 584 000
	1 960 000	Shares in issue at end	7 644 000

3.2.2	Cash Flow Statement for the year ended 30 June 2020	
	Cash flow from operating activities	52 000
	Cash generated from operations	639 100
	Interest paid	(82 000)
	Taxation paid (75 600 – 8 000 – 12 500) or (–75 600 + 8 000 + 12 500)	(55 100)
	Dividends paid (210 000 + 240 000) or (210 000 + 414 000 – 174 000)	(450 000)
	Cash flow from investing activities	(374 900)
	Purchase of fixed assets (1 505 400 + 61 000 + 23 500 – 1 201 500) or (–1 505 400 – 61 000 – 23 500 + 1 201 500)	(388 400)
	Sale of fixed assets	23 500
	Change in fixed deposit	(10 000)
	Cash flow from financing activities	3 260 000
	Sale of shares	3 584 000
	Shares repurchased (40 000 x R4.10)	(164 000)
	Repayment of loan	(160 000)
	Net change in cash and cash equivalent	2 937 100
	Cash and cash equivalent at the beginning (2 000 – 17 100)	(15 100)
	Cash and cash equivalent at the end	2 922 000

NB: Use brackets is compulsory for outflow

Sale of shares, R3 584 000	Improves cash flow – business can take advantage of investment opportunities
Purchase of fixed assets, R388 400	Improves operating efficiency – business can earn greater profits
Share repurchased, R164 000	Improve NAV which could impact positively on the market price of shares/improves DPS hence present shareholders will be satisfied/improve EPS which creates better image of the company.
Repayment of loan, R160 000	Lower financial risk/Low geared

3.2.4

Calculate: Net asset value per share (NAV)

$$\frac{7\,683\,200}{1\,960\,000} \times \frac{100}{1} = 392 \text{ cents}$$

Calculate: Return on average shareholders' equity (ROSHE)

$$\frac{181\,800 \text{ Two marks}}{257\,400 - 75\,600} \times \frac{100}{1} = 3\% \text{ (Check average and multiply by 100)}$$

$$\frac{1}{2} (7\,683\,200 + 4\,495\,400) = 12\,178\,600 \text{ Two marks}$$

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.

% operating expenses on sales – decreased from 39.2% to 31.5% - effective control over expenses.
 % operating profits on sales – increased from 6.5% to 12.7% - effective control of expenses and higher mark-up % achieved.

ACTIVITY C4**WOODLANDS LTD**

4.1

Choose a term from the list below that answers the specific following questions. Write only the term next to the question numbers (5.1.1 to 5.1.3) in the ANSWER BOOK.

4.1.1	Solvency
4.1.2	Liquidity
4.1.3	Return on equity

4.2.1	Quote and explain TWO financial indicators to show that the company is managing its expenses more efficiently.
	<ul style="list-style-type: none"> Operating expenses on sales decreased (from 19.5%) to 13.8% / by 5.7% % Operating profit on sales increased from 22.8% to 24.5% / by 1.7%

4.2.2	The directors are satisfied with the liquidity of the company. Quote THREE financial indicators to support this statement.
	<ul style="list-style-type: none"> Current ratio increased (from 1, 9: 1) to 2, 4: 1 / by 0.2 (26%) Acid test ratio increased (from 0, 8: 1) to 1: 1 / by 0.2 (25%) Stock turnover rate increased (from 3 times) to 6 times / by 3 times (100%)

4.2.3	Comment on the dividend pay-out policy. Provide ONE point.
	<ul style="list-style-type: none"> Dividend payout rate increased (from 69%) to 107% / by 38%
	Explanation:
	<ul style="list-style-type: none"> Directors used retained income funds for increased pay-outs to keep shareholders happy.

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.

- ROSHE increased (from 18%) to 18.9% / by 0.9%
- Can earn higher interest as % interest on alternative investments increased (from 7.9%) to 11% / by 3.1%.
- ROSHE of 18.9% is higher than interest on fixed deposit of 11% / by 7.9%.
- Shareholders will not receive a better return on alternative investment.

4.2.4	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.
	<p>Debt-equity ratio decreased (from 0.8: 1) to 0.6 : 1 / by 0.2 (25%) this indicate a low risk</p> <p>Explanation</p> <p>ROCE increased (from 12.7%) to 15.2 % by 2.5%. ROCE of 15.2% is above the interest on loan of 13% / by 2.2%. This indicates a positive gearing.</p>

4.2.5	Calculate the minimum number of shares Ronnie must buy in April 2024 to gain control of the company.				
	<table border="1"> <thead> <tr> <th>WORKINGS</th><th>ANSWER</th></tr> </thead> <tbody> <tr> <td> 3 000 000 – 260 000 2 740 000 x 51/100 (1 790 000 x 46/100) 1 397 400 – 823 400 </td><td>574 000</td></tr> </tbody> </table>	WORKINGS	ANSWER	3 000 000 – 260 000 2 740 000 x 51/100 (1 790 000 x 46/100) 1 397 400 – 823 400	574 000
WORKINGS	ANSWER				
3 000 000 – 260 000 2 740 000 x 51/100 (1 790 000 x 46/100) 1 397 400 – 823 400	574 000				

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.

- All shares must be advertised to the public as it is required by Companies Act (law) / must publish a prospectus before issuing new shares.
- He is offering R9, 00 (900 cents) while the market value is R15, 90 (1 590 cents).
- This is an example of insider trading and it is a criminal offence. Stanley will be taking advantage of his position to enrich himself.
- The value of R9.00 (900 cents) is below the net asset value of R10, 50 (1 050 cents).

ACTIVITY DD1

Dundee Hardware

1.1

ASSET DISPOSAL ACCOUNT							
Jan	30	Equipment	79 200	June	30	Acc Depr on Equip	15 840
						Bank	30 000
						Loss on sale	33 360
			79 200				79 200

1.2 **What advice would you give Lindani? Explain ONE point**

He should take the morally and ethically correct action – by advising Zitha not to lay the insurance claim.
Consider whistle-blowing issues – should to speak to Zitha first and advise him or inform the insurance company

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

Check the physical existence of the assets and compare these to the register which must agree with the ledger – he will be sure that the fixed assets are accounted for.
Could see the complete history/ life span of the assets and their depreciation – for valuation of asset and financial reporting.

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

Reason for Yes

- This will affect the operation off the business in future.
- Property is a growing investment which will appreciate in future – they should have sold it at a lot more than the cost price/ market value.
- The property should rather have been kept and mortgage loan should have taken out.

OR

No

Reason for No

If the property is not properly utilized or it is situated in an area where there is no appreciation in property values.

1.5

Identify the cost price of delivery vehicle 3

$$\begin{aligned} &R699\ 000 - (R315\ 000 + R144\ 000) = R240\ 000 \\ \text{OR } &R168\ 000 + R72\ 000 = R240\ 000 \end{aligned}$$

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

The delivery vehicle is very old and has been fully depreciated, but the business must reflect it at a carrying value/ the vehicle is still use and has not reached the end of its life – span although it is fully depreciated.

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**

The driver has been lazy/ not working too hard – only did 280 deliveries in the year.
 The driver is absent from work too often – 50 days away from work.
 The vehicle is being utilized enough – only did 10% of the trips yet it has a lowest running costs (R1.30)
 The driver is being paid the same salary as other drivers despite only doing 10% of the work.
 Lack of internal control/ this

Delivery vehicle 2

The driver has been working too hard – did 8 deliveries per day (2100/260)
 This vehicle is old/ has a running cost yet it is used for 2 100 out of 3 680 deliveries

Delivery vehicle 3:

The drive has been fraudulent – fees collected are R50 000 short (R325 000 – R275 000).
 Conduct a disciplinary enquiry against the driver.

ACTIVITY DD2

Mondlo 3105 Ltd

FIXED ASSETS / TANGIBLE ASSETS

2.1.1

Profit /Loss on Vehicle traded in on 1 September 2024

WORKINGS		ANSWER
$\begin{aligned} &(\text{R } 147\ 200 + \text{R } 33\ 280) \\ &\text{R } 480\ 000 - \text{R } 180\ 480 - \text{R } 307\ 320 \\ &\text{R } 299\ 520 \end{aligned}$		R 7 800

2.1.2

Depreciation on vehicles on 28 February 2025

WORKINGS		ANSWER
Depreciation on New Vehicles	$\text{R } 640\ 000 \times 20/100 \times 6/12$	R 64 000
Depreciation on Vehicle Traded-in	$\text{R } 332\ 800 \times 20/100 \times 6/12$	R 33 280
Depreciation on remaining Vehicles	$\text{R } 2\ 020\ 000 - 692\ 800 \times 20\%$	R 265 440
		R 362 720

2.1.3	Depreciation on Equipment on 28 February 2025	
	WORKINGS	ANSWER
	R 945 000 – R 689 400	R 255 600
2.1.4	Cost price of Vehicles on 28 February 2025	
	WORKINGS	ANSWER
	R 2 500 000 – R 480 000 + R 640 000	R 2 660 000

ACTIVITY DD3

Greytown Traders

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.
	Historical Cost principle/ Rule of prudence
3.2	Explain how the Fixed Asset Register assists the internal auditor in the course of his duties
	The Fixed Assets Register is the book in which all the assets owned by a business are recorded Can cross-check the physical assets against the Fixed Assets Register, and ensuring that depreciation and assets disposal figures are accurate
3.1.3	

ASSET DIPOSAL ACCOUNT							
2024	30	Vehicles	140 000	2024	30	Accumulated depreciation	75 650
Nov				Nov			
						Bank	62 500
						Loss on sale	1 850
			140 000				140 000

3.1.4	FIXED ASSETS CALCULATIONS		
	WORKINGS		ANSWER
	A	2 500 000 – 450 000	2 050 000
	B	900 000 – 522 000	378 000
	C	9 00 000 + 480 000 – 140 000	1 240 000
	D	245 000 – 85 500	159 500
	E	305 000 – 245 000	60 000
	F		
		OLD ASSET	
		159 500 x 10/100 = 15 950	
		NEW ASSET	
		60 000 x (10/100 x 6/12) = 3 000	
		15 950 + 3 000	18 950

ACTIVITY DD4 FIXED ASSETS CALCULATIONS

4.1

	WORKINGS	ANSWER
A	330 000 – 132 000 – 29700 OR 330 000 – 161 700	168 300
B	Depreciation for Asset Sold $330\,000 - 132\,000 \times 20/100 \times 9/12 = R29\,700$ Depreciation for Old/ Remaining Assets $1\,298\,000 - 457\,600 = 840\,400 \times 20/100 = R168\,080$	197 780
C	Depreciation for NEW asset bought $110\,000 \times 15/100 \times 6/12 = 8250$ Depreciation for an OLD ASSET $1\,270\,000 \times 15/100 \times 12/12 = 190\,500$	198 750
D	$1\,085\,000 + 185\,000$	1 270 000

Activity EE1**JOZINI STORES****ACTIVITY EE1**

1.1.

1.1.1	First-in-first-out
1.1.2	Perpetual
1.1.3	Specific identification
1.1.4	Weighted average

1.2.1

Calculate the following on 28 February 2025:

WORKINGS	ANSWER
$71\,040 + 362\,500 - 6\,150 + 20\,960 \times 360$ $(480 + 2\,000 - 30)$	65 880

Number of units missing

WORKINGS	ANSWER
$2\,450 - 2\,050 - 360$	40 units

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

Point 1	Install cameras (CCTV security system) Tracking devices on products
Point 2	Physical security at the exit points Provide lockers for customers to keep other items before entering the shop.

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

Options for not being concerned:

Durable product / can be easily sold in the future / has a long shelf-life / always in demand to certain customers / does not take lot of storage space.

Options for being concerned:

Money is tied up in stock / takes up valuable storage space that can be used for other stock items / slow sales results in slow inflow of cash / the items may become less-fashionable in future.

- 1.2.4 Calculate the cost of sales on Cellphone bags.

WORKINGS	ANSWER
$(112 \times R680) + (220 \times R920)$	278 560

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

Point 1	It is possible that the Coma is more attractive / better value for money. More reliable / better quality / longer lasting.
Point 2	The product appeals to a select clientele / more popular / status symbol. It may be more versatile (more space/pockets) and therefore a more popular choice.

ACTIVITY EE2

Calculate:

2.1.1

The weighted average cost of ONE computer

WORKINGS	ANSWER
$10\,500\,000/3000$	R3 500

2.1.2 The number of computers stolen

WORKINGS	ANSWER
$3000 - 2050 - 840$	110

WORKINGS	ANSWER
3500×110	R385 000

2.1.3

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

WORKINGS	ANSWER
725×4200 + 115×3750 $= 3\,045\,000$ $= 431\,250$	R3 476 250

2.1.4

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

- Use a whistle-blower's statement as evidence and confirm the findings
- Compare the suppliers' invoice with order form/delivery note.
- Verify stock records through physical count upon delivery
- Check CCTV footage for unusual activities when stock is delivered

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

Linda (salesperson)	Jabu (supplier's driver)
<ul style="list-style-type: none"> • Conduct fair disciplinary hearing/ suspend Michael pending the outcome. • File criminal complaint against him • Deducting the money from his salary • Demote salesperson 	<ul style="list-style-type: none"> • Inform the owner of his involvement and request action to be taken against him • File criminal charge against him • Update contracts with the supplier to include penalties for future unethical behaviour

2.2.1.

T-SHIRTS

WORKINGS	ANSWER
420/500x100 or 235 200/280 000x100	84%

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

- Customers will not buy/ pay higher price for the product.
- Regular customer may discourage from making repeated purchases
- A decrease in sales volume could negatively affect cash flow

2.2.2

Mini-skirts

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

- Lead to lower sales revenue/ decrease in demand/ low gross profit
- This could affect business image negatively
- May lead to an additional cost.

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
$125/855 \times 120$ days or 121 days Or $85\,000/581 \times 120$ or 121 days	17.5/17,7 days

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

- No online sales for Maxi-Skirts
- There will be a shortage of stock in the future as stock is moving quicker
- Low mark-up is charged.

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
$490 + 2\,420 - 2\,312 - 470$	128 m

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

WORKINGS	ANSWER
$2\,312 - (800 \times 2,5)$	312 m

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
$207\,740 \times 470/2910$	R33 552, 50

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	<ul style="list-style-type: none"> • Regular stock counts to agree with stock records. • No unauthorised people allowed in storeroom. • A register to be kept of stock in and stock out.
Factory manager	<ul style="list-style-type: none"> • Staff to be body searched before and after work shift. • Be part of planning process of manufacturing for period.

TROUSERS:

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

WORKINGS	ANSWER
MODEL A: $6 \times 1000 = R\ 6\ 000$ MODEL B: $8 \times 1\ 800 = R\ 14\ 400$ MODEL C: $4 \times 1\ 400 = R\ 5\ 600$	R26 000

- 3.2.2 Calculate the stock holding period of trousers.

$223\ 000 \times 61 = 6,2 \text{ days}$ Or $18/172 \times 61 = 6.4 \text{ days}$

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	FIFO
4.1.2	Perpetual inventory system
4.1.3	Specific identification method
4.1.4	Periodic / Weighted-average method

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

$$324\ 520 + 1\ 392\ 380 - 22\ 650 / 520 + 1\ 960 - 30 \times 310 \\ == R\ 214\ 375$$

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

Cost of sales Opening stock 324 520 Purchases 1 347 500 Returns (22 650) Carriage on purchases 44 880 Closing stock (214 375)] =Cost of sales Operation 1 479 875 Gross profit Sales ($2\ 110 \times 1\ 500$) = 3 165 000 Cost of sales = (1 479 875) Gross profit 1 685 125

- 4.2.3 Calculate the average stock-holding period (in days) on 28 February 2024.

$$\frac{1}{2} 324\ 520 + 214\ 375 \times 365 / 1\ 479\ 875 == 66.5 \text{ days}$$

Or


$$\frac{1}{2} (520 + 310) \times 365 / 2\ 115 = 71.6 \text{ days}$$

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

$270 \times R755 = R203\ 850$ $40 \times R740 = R29\ 600$ $= R233\ 450$

- 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	Stock-holding period, 180 days (too much money invested in stock). Mark-up % of 100% (leads to low sales of 400 000)	Purchase stock in smaller quantities. Decrease the mark-up % to increase sales.

 Shop 2	Returns are high: R42 000 Advertising too low, R8 000 /2% of sales Open for 5 days only Low mark-up: 50% Only 2 shop assistants	Sell correct/good quality items to customers to avoid returns/Review the returns policy. Increase advertising to increase sales. Open another day. Increase mark-up % to increase sales Employ more shop assistants
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COST ACCOUNTING**ACTIVITY: FF1****WOZA STITCHES****1.1**

1.1.1	B	salary of the factory foreman
1.1.2	E	commission paid to sales staff
1.1.3	A	carriage on raw material
1.1.4	C	rent expenses to the office building

1.2 WOZA STITCHES

1.2.1 Calculate: Direct labour cost		
WORKINGS		
441 600 + 14 720 + 35 238		491 648
Calculate: Factory overhead cost		
Total before corrections		541 600
Insurance	– 32 500 + 19 500 or 32 500 x 40%	– 13 000
Water and electricity	– 54 000 + 63 000 (126 000 x 2/4)	+ 9 000
TOTAL		537 600

Calculate: Total cost of production for 2025		
WORKINGS		ANSWER
652 800 + 491 648 + 537 600 see 1.2.1 (DLC) see 1.2.1 (FOHC)		R1 682 048

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

Economies of scale was achieved due to an increase in production by 1 150 units / from 5 250 to 6 400 / 21,9%

Fixed costs per unit decreased by R25 / from R151 to R126 / by 16,6% (as fixed costs remain relatively stable / not influenced by the level of production)

Total fixed cost increased by R13 650 / from R792 750 to R806 400 / by 1, 7% which is below the inflation rate.

1.2.3	Comment on whether the production staffs deserve the production bonus that they received. Provide THREE points, with figures.
POINT 1	<u>Production increased</u> from 5 250 to 6 400 units / by 1 150 units / by 21,9%
POINT 2	<u>BEP decreased</u> from 6 954 to 6 156 / by 798 units / by 11,5%
POINT 3	<u>Direct material cost per unit decreased</u> from R128 to R102 /by R26 / by 20,3%; an indication of good control / less wastage / efficiency in production / better training

1.2.4	Stevie wants to improve his profit by R50 000 during the next financial year while maintaining costs. Calculate the <u>additional units</u> that must be produced to achieve this target.				
	<table> <tr> <th>WORKINGS</th><th>ANSWER</th></tr> <tr> <td> $\frac{5000}{375 - 244}$ </td><td>382 units</td></tr> </table>	WORKINGS	ANSWER	$\frac{5000}{375 - 244}$	382 units
WORKINGS	ANSWER				
$\frac{5000}{375 - 244}$	382 units				

ACTIVITY: FF2**2.1 NAIDOO MANUFACTURERS**

2.1.1	FACTORY OVERHEAD COST										
	<table> <tr> <td>TOTAL before corrections</td><td>2 638 600</td></tr> <tr> <td>Insurance 217 800 x 2/3</td><td>145 200</td></tr> <tr> <td>Water and electricity 69 200/160 x 560</td><td>242 200</td></tr> <tr> <td>Rent expenses 316 000/2 x 3</td><td>474 000</td></tr> <tr> <td></td><td>3 500 000</td></tr> </table>	TOTAL before corrections	2 638 600	Insurance 217 800 x 2/3	145 200	Water and electricity 69 200/160 x 560	242 200	Rent expenses 316 000/2 x 3	474 000		3 500 000
TOTAL before corrections	2 638 600										
Insurance 217 800 x 2/3	145 200										
Water and electricity 69 200/160 x 560	242 200										
Rent expenses 316 000/2 x 3	474 000										
	3 500 000										

2.1.2 PRODUCTION COST STATEMENT ON 28 FEBRUARY 2025

Direct material cost	balancing figure	6 750 000
Direct labour cost		5 750 000
PRIME COST		12 500 000
Factory overhead cost	see 2.1.1	3 500 000
TOTAL MANUFACTURING COST	PC + FOHC	16 000 000
Work-in-progress at beginning of the year		542 000
		16 542 000
Work-in-progress at end of the year	balancing figure	(629 500)
COST OF PRODUCTION OF FINISHED GOODS	33 500 x 475	15 912 500

2.2 GLAMOUR FOR U

2.2.1	Do a calculation to confirm that the break-even point for 2025 is correct.
	$\frac{R6\ 100\ 000}{R1\ 830 - R56} = 4814,5 \text{ units}$

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.

Explanation (must include comparison between production and BEP)

Comparative figures

BEP exceeds production in 2025 by 5 685 units ($10\,500 - 4\,815$);

BEP exceeded production in 2024 by 2 233 units ($6\,500 - 4\,267$)

Units produced increased from 6 500 to 10 500 shirts.

BEP increased from 4 267 in 2024 to 4 815 (by 548 shirts) in 2025.

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

Economies of scale/Production increased by 4 000 units (+61, 5%).

Fixed cost per unit decreased from R631 to R581/by R50/by 7, 9%.

The additional expenditure of R2m included new equipment and training which allows him to produce more units (this improves product quality and efficiency).

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

Total S&D costs increased by R900 000/300%/3 times

The unit costs increased from R46 to R114/by R68/by 148%

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

Exporting the shirts and involves expensive shipping costs.

Rich customers overseas will be able to afford the expensive shirts.

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:

There is less wastage – 1,8 m of fabric are used in comparison to 2,5 m in 2022/this is a 28%

The quality of the fabric is much better, judging from the demand of the customers – they are prepared to buy an additional 4 000 shirts at a high price of R1 830 for a good quality shirt

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

They are much more efficient as they are more skilled and motivated (recruitment and training). Average wages increased by 22% and R300 000 was spent on training.

The number of workers decreased from 15 to 12 (or 20%)/the number of hours worked dropped by 5 760 hours (or 20%) yet production increased (by 4 000 shirts).

Total hours worked by all direct workers reduced from 28 800 to 23 040/ by R5 760/by 20%

They are producing 44 shirts per day (compared to 27 in the previous year)/10 500 p.a. instead of 6

ACTIVITY: FF3**3.1 PURITY MANUFACTURERS**

3.1.1 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 28 FEBRUAR 2025	
Direct material cost	1 494 000
Direct labour cost $647\,400 \times 100/78 \text{ or } + 182\,600$	830 000
Prime cost	2 324 000
Factory overhead cost $520\,280 - 22\,400 - 29\,520 + 2\,640$	471 000
Cost of production of finished goods	2 795 000

3.1.2	ABRIDGED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2025
Sales	4 433 600
Cost of sales $72\,000 + 2\,795\,000 \text{ see PCS (2.1.1)} - 96\,000$	(2 771 000)
Gross profit	1 662 600
Other expenses	(462 000)
Selling and distribution costs $224\,960 + 19\,680 - 2\,640 \text{ see FOC above}$	242 000
Administration cost $187\,760 + 22\,400 + 9\,840$ <small>$98\,400 \times 10\% / \text{if } 50\% \text{ of SDC}$</small>	220 000

3.2 CONTROL OF RAW MATERIAL

3.2.1.1	Calculate the metres of fabric	Internal control strategy
	Missing from the storeroom 1 050 $(2\,700 + 10\,800 - 12\,450) - 850$ $= 200 \text{ meters}$	Physical counts / random inspections / keep detailed stock records / control or monitor the movement of fabric Rotation / division of duties / storeroom manager to be accountable
3.2.1.2	Wasted in the factory $7\,800 \times 1,5 \text{ meters}$ $12\,450 - 11\,700 = 750 \text{ m}$	Improve training Use cutting patterns / technology Improve supervision Make use /or buy good quality material

3.2.2 Calculate the total cost of the metres of fabric lost and wasted

WORKINGS	ANSWER
$200 + 750$ see 2.2.1 200×120 750×120 $950\text{m} \times \text{R}120$ or $\text{R}24\,000 + \text{R}90\,000$	R114 000
Explain how this loss should be shown in the statements mentioned in QUESTION 3.2.2 on the previous page	
Amount shown as an expense item on the Statement of Comprehensive Income	
Example of possible expense items such as loss due to theft/ administrative cost/ cost of sales	

ACTIVITY GG1**1.1**

BANK RECONCILIATION	
CASH RECEIPTS JOURNAL	CASH PAYMENTS JOURNAL
R158 100	R94 790
1 800	10 000
2 160	850
	1 770
	32 000
	9 000
162 060	148 410

Bank Account balance in the General Ledger on 31 August 2024	
$- 17\,470 + 162\,060 - 148\,410$	(3 820) cr.

1.1.2

BANK RECONCILIATION STATEMENT		
DETAILS	DEBIT	CREDIT
Balance as per <u>bank statement</u>	2 840	
Credit outstanding deposit		24 620
Debit amount incorrectly credited	11 000	
Debit outstanding EFT 633	14 600	
Balance as per <u>bank account</u>		3 820
	28 440	28 440

- 1.13 Explain ONE reason why the Internal Auditor should be concerned about the control of cash. Provide a solution for his concerns.

Reason	Solution
Rolling of cash - R10 000 / missing money from cash sale on 23 July 2024.	Use the collection companies to collect cash on a daily basis.
Incorrect capturing of cash received/Credit card sales captured incorrectly R21 300.	Register for SMS notification from the bank

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

Benefits	Reason
Efficiency	Eliminates the need for manual handling of cash
Cost effective	Saving business money on transaction fees / The costs associated with processing, depositing and reconciling physical payments will be saved.
Security	Reduces the risk of theft/fraud.

1.2 DEBTORS' RECONCILIATION

1.2.1 CORRECTION TO THE DEBTORS' CONTROL ACCOUNT

Provisional balance	
	14 500
(i)	+1 300
(ii)	+250
(iii)	0/no change
(iv)	0/no change
(v)	(540)
	15 510

1.2.2 DEBTORS' LIST

A. Jobe	(-1 000 + 1 600)	600
T. Govender	(6 200 – 900)	5 300
X. Mahlobo	(2 300 – 540)	1 760
M. Madikiza	(7 600 + 250)	7 850
		15 510

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

Debtors' Control Account is the summary of debtors' list
They are both recorded using the same source document, so the information used should be the same

1.2.4	Provide TWO internal control measures that the business can use to improve the collection of money from debtors, except charging of interest.
	Send regular reminders (SMS/Email/letter) / Automated invoicing and payment reminders.
	Give discount for early payments.
	Establish and communicate clear payment terms and conditions with customers (ensure that these terms are stated on invoices).
	Hand over customers to debt collectors

ACTIVITY GG2

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	False
2.1.2	True
2.1.3	False

2.2.1	Bank Account balance on 31 August 2024:
	$- 4\ 600 - 370 - 480 + 17\ 300 - 3\ 500 = 8\ 350$

2.2.2

Bank Reconciliation Statement		
DETAILS	DEBIT	CREDIT
Balance as per Bank statement	1 970	
Outstanding deposit		12 340
Outstanding EFT no. 827	2 500	
Incorrect debit by bank		480
Balance as per Bank Account	8 350	
	12 820	12 820

2.3 DEBTORS AGE ANALYSIS AND INTERNAL CONTROL

2.3.1	Calculate the percentage of total debts exceeding the credit terms.
	$\frac{22\ 360 + 10\ 640}{60\ 000} \times 100$
	55%

2.3.2	Does the business keep tight control over its debtors? Explain.
	Only 45% of the debtors are keeping to the 30 days terms/55% not.
	Mornè, Tshepo and Rahu were allowed to buy in the current month although they owe money for 60 days/90 days. R15 500/R6600 for 60 days, R4 500 /R3140 for 90 days.
	They must pay their creditors within 30 days to qualify for an early payment discount but only collect 45% of debtors.

2.4.1 CREDITOR'S RECONCILIATION

	Creditor's Control	Creditor's List
Incorrect Balance	41 167	58 667
(i)	(- 1 400 + 1 500) +100	
(ii)		- 500
(iii)		(- 7 900 - 7 900) - 15 800
(iv)	+792	+792
(v)	+ 1 100	
(vi)	- 1 800	- 1 800
	41 359	41 359

2.4.2 Give TWO advantages in support of this suggestion

It will be much safer, having proof of payments available immediately.
 Keeping track of payments can be done more accurately.
 Very convenient, since bank statements can be accessed from the business and any time of the day.
 Using the banking app payments history can easily be recalled.

2.4.3 Name ONE procedure which the business will have to put into place.

The business needs to put internal control measures in place, e.g. name someone to authorise all EFT payments.
 Name someone to take charge of receiving the OTPs to authorise EFT payments.
 Ensure all creditors are listed as recipients on the banking app/double-check the banking details of a creditor before making a payment via EFT.

ACTIVITYGG 3: RECONCILIATIONS**3.1 Indicate whether the statements are true or false:**

3.1.1	False
3.1.2	False
3.1.3	False

3.2 DEBTORS' AGE ANALYSIS AND INTERNAL CONTROL

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

A	R9 100
B	R7 010

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

$$30\,490 / 49\,000 \times 100$$

62,2%

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

$$(B + 4\,000 + 7\,500) = 18\,510$$

$$18\,510 / 49\,000 \times 100$$

37,8%

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
Exceed credit limit	C. Pillay exceeds with R6 140. Ziyanda exceeds with R1 140
Outstanding for more than 30 days Certain debtors exceed their credit terms (slow payers)	Okuhle has R3 420 outstanding for more than 30 days. C Pillay has R10 000 outstanding for more than 30 days.

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

Send a reminder to pay his debt.

Do not consider selling anything unless the account is settled.

Account must be handed over to a lawyer.

Charge interest on the amounts over 30 days

Prohibit further credit sales

Encourage debtors to pay by EFT or debit order

BANK RECONCILIATION**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 favorable or unfavorable balance.**

$$12\,490 - 3\,491 - 960 - 4\,130 - 1\,934 =$$

1 975 Favorable

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

CRJ: $132\,890 + 8\,500 + 2\,615 + 950 = 144\,955$

CPJ: $73,200 + 420 + 364 = 73\,984$

$1\,934 \text{ see 3.3.1} + 144\,955 - 73\,984 = 72\,905$

72 905 Dr.

3.3.3 BANK RECONCILIATION STATEMENT

Details	Debit	Credit
Balance according to bank statement		56 406
Outstanding deposit		23 100
Outstanding EFT 162	4 130	
191	5 170	
192	3 120	
Correction: Zezi deduction order		3 000
Correction: EFT 161	270	
Correction: Bank charges		3 089
Balance according to bank account <small>see 3.3.2</small>	72 905	
Totals	85 595	85 595

3.3.4 Which internal control was most likely implemented by Freedom that led them to inquire with regards to the bank charges amount?

They compared the amount with the previous months' amounts