KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

CURRICULUM GRADE 10 -12 DIRECTORATE

NCS (CAPS) SUPPORT

LAST PUSH LEARNER REVISION DOCUMENT

ACCOUNTING: PAPER 1 & 2

GRADE 12

2025

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STATEMENT OF COMPREHENSIVE INCOME AND NOTES

ACTIVITY A1: COMPANY FINANCIAL STATEMENTS

1.1 XOLISWA LIMITED

The following information relates to Xoliswa Limited. The financial year ended on 28 February 2025. The business uses the perpetual (continuous) inventory system.

REQUIRED:

1.1.1 Complete the Statement of Comprehensive Income for the year ended 28 February 2025. Certain amounts have been entered in the answer sheet.

1.1.2 Prepare the following notes to the Statement of financial position:

- Fixed / Tangible Assets (Refer to information C).
- Ordinary Share Capital (Refer to information D).

INFORMATION:

A Extract of a list of Balances/Totals on 28 February 2025:

PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2025

Statement of financial position Accounts Section	**R**
Ordinary share capital	?
Retained income (1 March 2024)	1 525 000
Land and Buildings	6 789 720
Vehicles	452 000
Equipment	760 000
Accumulated depreciation on vehicles (1 March 2024)	236 000
Accumulated depreciation on equipment (1 March 2024)	650 000
Trading stock	1 534 000
Debtors control	521 300
Provision for bad debts	22 000
Creditors Control	774 290
SARS: Income tax (Dr)	150 000
SARS: PAYE	44 800
Pension fund	
Nominal Accounts Section	
Sales	5 970 000
Cost of sales	3 200 000
Debtors allowances	70 000
Salaries and Employers' contribution	921 268
Directors' fees	840 000
Audit fees	76 000
Sundry Expenses	292 330
Bad debts	12 100
Bad Debts recovered	3 860
Rent income	234 000
Interest on fixed deposit	27 000
Dividends on ordinary shares	55 000

ADJUSTMENTS:

a. No entry has been made for defective stock returned by a debtor with a selling price with a selling price of R15 000. Goods are marked-up at 50% on cost.

b. Trading stock on hand as per physical stock taking on 28 February 2025 amounted to R1 531 000

c. A debtor, Bongani, was declared insolvent. His estate paid 40c in the rand. The amount R450 was received and recorded. Write off the balance as irrecoverable.

d. Provision for bad debts must be adjusted to R20 321.
e. Advertising is included in Sundry Expense. An amount of R30 000 has been paid for January to March 2025.
f. Auditors are owed an amount of R24 000 in fees.
g. Rent income has been paid three months in advance. Rent was increased by 10% on 1 December 2024.
h. The loan statement from Rand Bank reflected the following:

Balance at beginning of financial year	R948 000
Repayments during the year	423 000
Interest capitalised	?
Balance at end of financial year	R600 000

i. SARS Income Tax:
R17 000 is still owed to SARS.

Fixed Assets:

- Land and building were purchased during the financial year for R2 000 000. This has been properly recorded.
- Depreciation on vehicles is calculated 20% p.a. on the diminishing balance method. The total depreciation for the financial year amounted to R83 200
On 28 February 2025 a vehicle costing R200 000 was sold for cash, R118 000. The business made a loss of R10 000 on the sale of the asset.
- Depreciation on equipment is calculated at 15% p.a. on the cost price. This equipment is very old and will be replaced in the near future.

Shares and Dividends:

- Authorised share capital comprises 3 000 000 ordinary shares.
- 2 000 000 shares were in issue on 1 March 2024
- 250 000 Shares were issued at R7 each on 1 April 2024.
- The directors decided to buy back 10 000 shares from Yolisa, an existing shareholder, at R4,50 per share. An electronic transfer was made on 1 December 2024. She is entitled to final dividends at the end of the year.

ACTIVITY A1 ANSWER SHEET

XOLISWA LIMITED.

1.1.1 **STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 29 FEBRUARY 2025**

Sales (5 970 000	
Cost of sales (3 200 000	
Gross profit	
Other operating income	
Bad debts recovered	**3 860**
Rent income (234 000	
Gross operating income	
Operating expenses	
Salaries and Employers' contribution	**921 268**
Directors' fees	**840 000**
Loss on sale of asset	**10 000**
Audit fees (76 000	
Sundry expenses (292 330	

Bad debts (12 100	
Operating profit	
Interest Income	**27 000**
Profit (loss) before interest expense	
Interest Expense (600 000 + 423 000 – 948 000)	
Profit (loss) before tax	
Income Tax	
Net profit (loss) after tax	

1.1.2 Prepare the following notes to the Statement of financial position

FIXED/TANGIBLE ASSETS

	Land and Building	Vehicles	Equipment
Carrying value beginning of year			
Cost		**652 000**	**760 000**
Accumulated depreciation		**(236 000)**	**(650 000)**
Movement			
Additions			
Disposal at carrying value			
Depreciation for the year			
Carrying value end of year	**6 789 720**		
Cost	**6 789 720**	**452 000**	**760 000**
Accumulated depreciation		**(247 200)**	

ORDINARY SHARE CAPITAL

AUTHORISED: 3 000 000 SHARES

	ISSUED	R
2 000 000	**Ordinary shares beginning of the year**	**5 000 000**

ACTIVITY A2: STATEMENT OF COMPREHENSIVE INCOME AND NOTES

REDDY LIMITED

2.1 Prepare the Statement of Comprehensive Income.

2.2 Prepare the Note to the Statement of Financial Position

- Trade and Other Receivables
- Ordinary Share Capital
- Retained Income

INFORMATION:

Extract from Pre-adjustment Trial Balance on 31 December 2024:

Statement of financial position Accounts Section	**Debit**	**Credit**
Ordinary share capital		8 925 000
Retained income (1 January 2024)		555 500
Loan from Paris Bank		540 800
Debtors' control	125 000	
Creditors' control		96 200
Provision for bad debts		7 150
Trading stock	376 000	
SARS: Income tax	315 000	
Nominal Accounts Section		
Sales		8 412 000
Cost of sales	4 595 000	
Debtors' allowances	112 000	
Sundry expenses	257 400	
Bank charges	41 905	
Audit fees	75 600	
Packing materials	15 400	
Repairs and maintenance	107 500	
Commission income		64 140
Directors' fees	736 000	
Salaries and wages	1 020 000	
Employer's contributions	156 000	
Interest on current bank account		3 000
Bad debts	17 600	
Rent income		87 720
Dividends on ordinary shares	360 000	

Adjustments and additional information:

A. Provide for R278 200 depreciation for the financial year.

B. On 27 December 2024 P. Pillay, a debtor, returned merchandise. A credit note for R1 600 was issued to her.

C. The insolvent estate of a debtor, S. Moodley, paid out 45 cents in the rand and made a deposit of R2 025 on 31 December 2024. The outstanding balance must be written off. No entries were made to record the direct deposit and the amount written off.

D. The provision for bad debts must be increased to R8 000.

E. The stock count on 31 December 2024 revealed:

- Trading stock R369 100
- Packing material R2 400

F. The company has two directors. Each director receives the same monthly remuneration. One of the directors did not receive his directors' fee for December 2024.

G. Interest on the loan from Paris Bank has not been entered yet. Interest is capitalised. The loan statement received from Paris Bank reflected the following:

Balance on 1 January 2024	R601 600
Repayments made during the year	R100 800
Balance on 31 December 2024	R540 800

H. There was no change in the monthly rent during the financial year. The tenant paid R6 000 for repairs to the premises. As Reddy Limited is responsible for all repairs, the

tenant deducted this amount from the rent, which he paid for November 2024. The repairs have not been recorded, and the rent for December 2024 has not been received yet

L. An employee was left out of the Salaries Journal.
His details are:

Net salary	R12 150
Deductions	R6 350
Employer's contributions	R5 050

J. Income tax for the year was correctly calculated at R300 300.

ACTIVITY A2 ANSWER SHEET

REDDY LIMITED

2.1 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

Sales (8 412 000	
Cost of sales (4 595 000	
Gross profit	
Other income	
Commission income	**64 140**
Gross income	
Operating expenses	
Sundry expenses	**257 400**
Bank charges	**41 905**
Audit fees	**75 600**
Operating profit	
Interest income	**3 000**
Profit before interest expense	
Interest expense	
Net profit before tax	
Income tax	**(300 300)**
Net profit after tax	

2.2 TRADE AND OTHER RECEIVABLES

Ordinary Share Capital Note

Authorised Share Capital: 1 200 000

	Shares in issue on 1 January 2024	
	Shares issued during the year at R9,50 each	
	Shares repurchased	
	Shares in issue on 31 December 2024	

Retained Income

Balance at beginning of financial year	
Net profit after tax	**1 225 000**
Ordinary share dividends	
Balance at end of financial year	

ACTIVITY A3

MTHETHWA LIMITED

The information relates to the financial year ended on 28 February 2025. The business sells bikes.

REQUIRED:

3.1 **Refer to Information B (ii).**
Calculate the value of closing stock of bikes using the First-in First-out method.

3.2 Prepare Trade and other payables note

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

INFORMATION:

A. Extract: Balances and totals from the records on 28 February 2025:

	R
Ordinary share capital	29 000 000
Retained income	1 250 000
Loan: GOAT Bank	900 000
Debtors' control	483 110
Fixed deposit	1 500 000
Trading stock	2 125 380
SARS: Income Tax (provisional tax payments)	1 049 000
Bank (favourable)	629 000
Creditors' control	523 890
Sales	31 525 800
Cost of sales	?
Commission income	277 000
Fee income	303 000
Rent expense	?
Directors' fees	1 610 000
Bad debts recovered	?
Dividends on ordinary shares	990 000

B. Adjustments and additional information:

i. The business uses a mark-up of 100% on cost of bikes. Trade discounts totalling R336 000 have been granted and recorded.

ii. The following information was obtained after the physical stock count:

The first-in first-out method is used to value the stock of bikes.

Purchases for the year were as follows:

	NUMBER OF UNITS	VALUE PER UNIT	TOTAL VALUE R
PURCHASES	**4 940**		**9 884 050**
June 2024	2 085	R1 950	4 065 750
September 2024	2 215	R2 020	4 474 300
January 2025	640	R2 100	1 344 000

NOTE:

- There were 1 009 bikes on hand on 28 February 2025.
- 40 bikes, purchased in January 2025, were returned to the supplier due to factory faults identified.
- A number of bikes were stolen and must be recorded as a loss.

iii. Commission income, R41 000, is owed to the business.

iv. Fee income includes R47 150 for February and March 2025.
NOTE: Fee income increased by 5% on 1 March 2025.

v. Mthethwa Ltd rents 150 square metres of space from Vukaphansi Storage at a monthly amount of R330 per square metre from 1 May 2024.
The company increased the space rented by 25 square metres on 1 November 2024.
Lease agreement stipulates that rent increase by R10 per square metre on 01 February yearly. Rent was paid until 31 December 2024.

vi. Provide for the directors' fees owed.
The company's two directors, Zara and Veli, have been appointed since 2022.

- Zara earns R10 000 per month more than Veli, but she has not been paid for February 2025 yet.
- Veli took unpaid leave for the last three months of the financial year.

i. Transfer a debtor's debit balance of R2 700 from the Debtors' Ledger to his account in the Creditors' Ledger.

ii. An amount for tax is still owed to SARS on 28 February 2025.

iii. Bad debt recovered and Sundry expenses entries are a missing figure.

iv. **Dividends:**
Total dividends for the current year amounted to R3 630 000.

ACTIVITY A3 MTHETHWA LIMITED ANSWER SHEET

3.1 Calculate the value of closing stock of bicycles using the FIFO method.

WORKINGS	ANSWER

3.2 Prepare Trade and Other Payables note

Trade creditors	

3.3 Statement of Comprehensive Income for the year ended 28 February 2025

Sales	**31 525 800**
Gross profit	
Other income	
Bad debts recovered	
Gross operating income	**16 214 100**
Operating expenses	
Salaries and wages	**3 450 000**
Sundry expenses	
Operating profit	**4 150 300**
Interest income	**20 700**
Profit before interest expense	
Interest expense	
Net profit before tax	**3 737 250**
Income tax	**(1 152 000)**
Net profit after tax	**2 585 250**

ACTIVITY A4

4.1 Choose a description from COLUMN B that matches the term in COLUMN A. Write only the **letter (A-E)** next to the question numbers **(4.1.1 to 4.1.4)** in the ANSWER BOOK.

COLUMN A		COLUMN B	
4.1.1	Independent auditor	**A**	investment such as a fixed deposit over a three-year Period
4.1.2	Capital employed	**B**	debt to be settled within 12 months
4.1.3	Current liability	**C**	a staff member of a company who sets up effective internal control procedures
4.1.4	Financial asset	**D**	total of Ordinary Shareholders' Equity and Non-current Liabilities
		E	expresses an unbiased opinion on the reliability of financial statements

4.2 **ENERGIX LTD**

The information relates to the financial year 28 February 2025. The company trades in electrical items.

REQUIRED:

4.2.1 **Refer to Information B (i).**

Calculate the value of the closing stock of light bulbs on 28 February 2025, using the Weighted-average method.

4.2.2 **Refer to Information B (ii).**

Calculate:

- Profit or loss on disposal of vehicle.
- Total depreciation for the year.

4.2.3 **Complete the following:**

- Statement of Comprehensive Income for the year ended 28 February 2025.
- Current Assets section of the Statement of Financial Position.

NOTE: Some figures have been entered in the ANSWER SHEET.

INFORMATION:

A **Extract from the Pre-adjustment Trial Balance on 28/29 February:**

Statement of Financial Position accounts section	**2025**	**2024**
Loan: Tongwe Bank	524 400	690 000
Vehicles	?	1 250 000
Accumulated depreciation on vehicles	?	420 000
Equipment	822 000	774 000
Accumulated depreciation on equipment	480 300	360 000
Fixed deposit:Tongwe Bank	320 000	
Trading stock	2 969 800	
Debtors' control	645 250	
Provision for bad debts	?	21 020
Bank (Dr)	?	
SARS: Income tax (provisional tax payments)	875 000	
Nominal accounts section		
Sales (net)	17 850 000	
Cost of sales	10 200 000	
Debtors' allowances	53 850	
Salaries and wages	?	
Commission income	85 900	
Rent income	89 700	
Audit fees	155 200	
Directors' fees	2 015 000	
Sundry expenses	219 760	
Bad debts	16 200	
Interest on fixed deposit	?	
Asset disposal (cash received on vehicle sold)	91 500	

B **Adjustments and additional information:**

I. A physical stock count on 28 February 2025 revealed R2 774 800 stock on hand. However, this figure excludes the closing stock figure for light bulbs. Note that the Weighted-average method is used to value the light bulbs.
Details of the light bulbs are as follows:

	UNITS	**UNIT PRICE (R)**	**TOTAL (R)**
Stock on 1 Mar. 2024	8 000	52	416 000
Purchases	47 000	74	3 478 000
Available for sale	55 000		3 894 000
Carriage on purchases			27 500
Stock on 28 Feb. 2025	1 700	?	?

ii **Fixed assets and depreciation:**

Vehicles:

- An old vehicle was sold for R91 500 to Khuzani on 30 November 2024. The amount received was recorded but no further entries were made.

  Details of the vehicle sold:

Carrying value on 1 March 2024	R104 000
Depreciation: 20% p.a. on the diminishing-balance method	

- Depreciation on the remaining vehicles: R145 200

Equipment:

- Equipment is depreciated on cost.
- New equipment was bought during the year.

II. The auditors are owed a further R38 800 for the current financial year.

III. Received R9 000 from the insolvent estate of debtor Mkhethi Fairchild. His estate paid 80 cents to the rand of his outstanding balance. The money received was recorded. The balance of his account must still be written off.

IV. The provision for bad debts must be increased to R25 720

V. **Directors' fees:**

- The company has two directors who were appointed in 2023. A third director was appointed on 1 October 2024.
- The directors all earn the same monthly fee.
- Directors' fees paid during the financial year have been recorded, but one director has already been paid for March and April 2025

VI. Rent income includes the rent for March 2025 received from the tenant. The monthly rent was increased by R1 170 on 1 January 2025.

VII. **Loan: Tongwe Bank**

- Interest on the loan capitalised has not been recorded.
- Fixed monthly repayments (including interest) have been paid and correctly recorded for the financial year.
- Interest on the loan amounts to 60% of the monthly repayments

VIII. Income tax for the year was calculated at 30% of net profit amounted to R858 000

ACTIVITY A4 ENERGIX LIMITED ANSWER SHEET

4.1	**4.1.1**	
	4.1.2	
	4.1.3	
	4.1.4	

4.2 ENERGIX LTD

4.2.1 Calculate: Value of the closing stock of light bulbs on 28 February 2025, using the weighted-average method.

WORKINGS	ANSWER

Calculate: Profit or loss on disposal of vehicle

WORKINGS	ANSWER

Calculate: Total depreciation for the year

WORKINGS	ANSWER
Vehicles:	
Equipment:	

4.2.3 Statement of Comprehensive Income for the year ended 28 February 2025

Sales	17 850 000
Gross profit	7 650 000
Other income	
Commission income	85 900
Rent income	
Gross operating income	
Operating expenses	(4 894 900)
Salaries and wages	
Audit fees	
Directors' fees	
Sundry expenses	219 760
Bad debts	
Depreciation	
Operating profit	
Interest income	
Profit before interest expense	
Interest expense	

Net profit before tax	
Income tax	**(858 000)**
Net profit after tax	

CURRENT ASSETS	**7 605 150**
Inventories	
Trade and other receivables	
Cash and cash equivalents	

B. CALCULATION OF CORRECT NET PROFIT & STATEMENT OF FINANCIAL POSITION

ACTIVITY B1

The following information relates to Eastbury Limited. The financial year ended on 28 February 2025.

Required:

1.1 Refer to **Information B**. Calculate the correct Net Profit after Tax. Use a plus '+' or minus sign '–' in your calculations

1.2 Prepare the Statement of Financial Position for the year ended 28 February 2025. **Show all workings in brackets.**

Information:

A. Extract of a list of Balances / Totals on 28 February 2025

Balance Sheet Accounts Section	
Ordinary Share Capital	?
Retained Income (1 March 2024)	1 080 000
Land and Buildings	10 004 000
Equipment (1 March 2024)	1 400 000
Accumulated depreciation on equipment (1 March 2024)	527 500
Fixed Deposit: UNO Bank	520 000
Inventories	?
Trade and other Receivables	1 392 000
Cash Float	24 000
Loan: UNO Bank	2 280 000
Creditors' Control	589 200
Bank Overdraft	104 000
SARS: Income Tax	600 000
Nominal Accounts Section	
Rent Income	355 200
Dividends on Ordinary Shares	192 000

B. Net Profit for the Year

The Internal Auditor found that the following adjustments were **NOT** taken into account when the Net Profit before Tax, R2 048 800 was calculated.

- The telephone account, R6 000 for February 2025 was not yet paid.
- Insurance amount of R9 000 was prepaid.
- Rent Income for March and April 2025 was already received. The rent was increased on 1 September 2024 by 10%.

- Stationery of R1 000 was on hand, as per physical stock take, on 28 February 2025.
- The Income Tax for the year is calculated at 28% of net profit before tax.

C. Shares and Dividends

- Authorised share capital comprises 800 000 ordinary shares.
- On 1 March 2024: 320 000 shares for R8 000 000 were in issue.
- On 31 August 2024: The directors decided to buy back 100 000 shares from the family of a deceased shareholder, at R30 per share. These shares are **NOT** entitled to final dividends.
- On 1 January 2025: 200 000 shares were issued at R17,50 each.
- The directors declared a final dividend of 80 cents per share on 28 February 2025. All current shareholders were entitled to the final dividend.

D. Fixed Assets

- Equipment, R500 000 was purchased on 1 December 2024. No equipment was sold during the year.
- The depreciation account has already been debited with a total amount of R152 500 for the year.

E. Non-current Liabilities

- The Loan Statement from UNO Bank reflected the following:

Balance at beginning of financial year	3 000 000
Repayments during the year	?
Interest capitalised	315 000
Balance at end of financial year	2 280 000

- The capital portion of the repayment of the loan for the next financial year remains the same as the current financial year.

ACTIVITY B1 ANSWER SHEET

1.1

Incorrect Net Profit before Tax	
Net profit before tax	
Income Tax	
Net Profit after tax	

1.2

Statement of Financial Position on 28 February 2025	
ASSETS	
NON-CURRENT ASSETS	
Fixed/ Tangible assets	
CURRENT ASSETS	
Inventories	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
SHAREHOLDERS' EQUITY	
Ordinary share capital	

NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
TOTAL EQUITY AND LIABILITIES	

ACTIVITY B2: CALCULATION OF THE CORRECT NET PROFIT AFTER TAX

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

INSTRUCTION: Refer to the information given below and calculate the correct net profit after tax. Use a + for an increase and – for a decrease.

INFORMATION:

Extract from the Pre-adjustment Trial Balance on 28 February 2025

	28 FEB 2025	29 FEB 2024
Loan: Smart Bank	1 439 600	2 150 000
Trading stock	2 000 000	
Debtors' control	382 000	
Provision for bad debts	**?**	9 800
SARS (Income tax)	520 000	
Packing material	45 800	
Bad debts	28 800	
Salaries and wages	6 425 000	
Rent income	208 250	

NOTE: The **incorrect** NET PROFIT BEFORE TAX was **R2 369 250**

Additional Information

(a)
- Packing materials used during the financial year was R39 700.
- Trading stock on hand according to a stock taking, R1 704 000.

(b) 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.

(c) Adjust the provision for bad debts to R9 350.

(d) 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.

(e) The premises have been rented for the past five years. The rent for March 2025 has been received and recorded. Due to the electricity load-shedding, rent decreased by 25% per month for only three months from April to June 2024.

(f) **Loan: Smart 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 capitalised.

(g) The income tax rate is 28% of the net profit before tax.

CALCULATION OF THE CORRECT NET PROFIT AFTER TAX

Incorrect Net Profit before Tax	
Net profit before tax	
Income Tax	
Net Profit after tax	

ACTIVITY B3

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

REQUIRED:

3.1 Calculate the correct Net Profit after tax for the year ended 28 February 2025. (indicate a + for an increase and a – for a decrease)

3.2 Complete Statement of Financial Position on 28 February 2025. Show workings.

INFORMATION:

A. List of balances before taking into account all adjustments below:

	28 February 2025	29 February 2024
Ordinary share capital	?	?
Retained income	?	300 000
Fixed assets (carrying value)	4 423 160	
Loan from: New Bank	?	1 800 000
Trading stock	468 750	
Trade debtors	440 500	
Trade creditors	437 600	
Fixed deposit: Smart Bank	?	
Bank (favourable)	?	
SARS: Income tax (provisional payments)	547 400	
Consumable stores on hand	18 000	
Accrued income	11 500	

B. The following information has not yet been considered. At this point, the net profit before tax was R2 200 750:

- On 1 December 2024 M.K. Gupta, a debtor, returned merchandise. A credit note for R2 000 was issued to her. (The cost price was R1 250.) No entries were made for the return of the merchandise. These items were returned to stock.
- The Internal Auditor discovered that the profit on disposal of a vehicle R8 000, was incorrectly recorded as a loss.
- The External Auditors are owed a further R28 000 after completing the audit.
- Phasile Builders was paid R200 000, for the construction of a storeroom (R120 000) and repairs and maintenance (R80 000.) The entire amount was debited to repairs account in error.
- The repayment on the loan is fixed at R40 000 per month (including capitalized interest).

	The balances as per loan statement were:	
	• 1 March 2024, R1 800 000	
	• 28 February 2025, R1 521 000	
	Provide for interest on loan.	
	• After taking into account the corrections above, it was determined that an additional R25 000 is still owed to SARS in respect of income tax for the year.	
C.	**Shares:**	
	On 28 February 2025, 500 000 shares were in issue at R6,50 each.	
	There were no shares issued and bought back during the financial year.	
D.	**Dividends:**	
	• Interim dividends of R75 400 were paid on 30 September 2024.	
	• A final dividend of 20 cents per share was declared on 28 February 2025.	
E.	A fixed monthly instalment of R40 000 (to cover loan repayment 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 R158 000	
F.	Financial indicator:	
	Current ratio: 1.4:1	

ACTIVITY B3: ANSWER SHEET

3.1.

Calculate the correct Net Profit after tax for the year ended 28 February 2025.	
Incorrect net profit before tax	
Net profit after tax	

3.2.

STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2025	
ASSETS	
NON-CURRENT ASSETS	
CURRENT ASSETS	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
SHAREHOLDERS' EQUITY	

NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
TOTAL EQUITY AND LIABILITIES	

ACTIVITY B4

The information relates to New River Ltd, a business that sells sporting equipment. Their financial year ended on 28 February 2025

REQUIRED:

4.1 Refer to information A, calculate the missing amounts denoted by (i) to (iv) on the Fixed Asset note.

4.2 Calculate the correct NET PROFIT AFTER TAX for the year ended 28 February 2025. Show all workings on the table provided.

4.3 Prepare the Retained Income Note on 28 February 2025.

4.4 Complete the Statement of Financial Position on 28 February 2025.

INFORMATION:

A. Extract of the Fixed Asset Note

	Buildings	Vehicles	Equipment
Carrying value 1 March 2024	**(i)**	**419 900**	**317 440**
Cost price			
Accumulated depreciation		(464 100)	(302 560)
Movements:			
Additions at cost price	864 200		0
Disposals at carrying value	0	0	**(iii)**
Depreciation		(144 400)	**(iv)**
Carrying value on 28 Feb 2025	**7 690 200**	**(ii)**	
Cost price		1 120 000	
Accumulated depreciation			

Depreciation policy:

- Vehicles are depreciated at 15% p.a. on cost.
- Equipment is depreciated at 20% p.a. in carrying value

Movement of assets during the year:

- The business bought a new storage facility in July 2024.
- A new vehicle was purchased on 31 October 2024.
- Equipment was sold on 1 January 2025.

Details of the equipment sold are as follows:

Cost of equipment sold	R90 000
Accumulated depreciation on 1 March 2024	R38 160
Proceeds on sales	R50 000

**** All relevant entries regarding fixed assets were taken into account.**

B. **Extract of balances and totals on 28 February:**

Ordinary share capital	8 330 000
Retained income (1 March 2024)	246 900
Loan: Cofu Bank	?
Fixed deposit	?
Trading stock	726 040
Net trade debtors	546 330
Creditors control	388 790
SARS: Income tax (provisional payments)	340 000
Cash and cash equivalents	?
Consumable stores	117 600
Audit fees	88 740
Rent income	109 600
Insurance	45 050
Dividends on Ordinary Shares (31 August 2024)	241 500

C. The bookkeeper calculated the net profit before tax as **R1 243 000**. He, however, did not take into account **only** the following adjustments:

(i)	Unused consumable stores on 28 February 2025, R12 440.
(ii)	Toys with a selling price of R15 050 were donated to a children's home. The mark-up % is 75% on cost.
(iii)	Only 90% of the audit fees were paid. The balance will be paid next year.
(iv)	The rent for January and February 2025 was not yet received. The tenant occupies the premises from 1 May 2024
(v)	Insurance included premiums up to 31 March 2025. Note that the monthly premiums increased by 5% p.a. from 1 November 2024.

D. The correct income tax for the year (after taking into account all adjustments) amounted to R380 350.

E. **Share capital and dividends:**

1 March 2024	There were 920 000 shares in issue
30 May 2024	130 000 additional shares were issued.
31 August 2024	An interim dividend was paid
1 December 2024	70 000 shares were repurchased. An EFT for R679 000 was paid to the estate of the shareholder. They do not qualify for final dividends.
28 February 2025	A final dividend of 30c per share was declared.

F. **Loan: COFU Bank**

- Balance on 1 March 2024, R1 075 200.
- Fixed instalments of R22 400 per month, including interest capitalised, were paid and recorded.
- The loan statement reflected interest capitalised of R123 600 for the year ended 28 February 2025. This was duly recorded.
- A part of the loan balance will be repaid in the next financial year.

G. After all adjustments, the **current ratio** was correctly calculated at **1,8 : 1**

Activity B4 ANSWER SHEET

4.1

Calculate: Carrying value of buildings on 1 March 2024	
Workings	**Answer**

Calculate: Carrying value of vehicles on 28 February 2025	

Calculate: Carrying value of equipment sold	

Calculate: Total depreciation on equipment	

4.2

Calculate the correct Net Profit after tax for the year ended 28 February 2025.	
Net profit before tax before error and omission	**1 243 000**
(i)	
(ii)	
(iii)	
(iv)	
(v)	
Net profit before tax	
Income tax	
Net profit after tax	

4.3

Retained Income	
Balance on 1 March 2024	**246 900**
Dividends	
Balance on 28 February 2025	

4.4

Statement of Financial Position on 28 February 2025	
ASSETS	
NON-CURRENT ASSETS	
Fixed/ Tangible assets	**8 414 180**

CURRENT ASSETS	
Inventories	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
SHAREHOLDERS' EQUITY	
Ordinary share capital	**8 330 000**
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	**872 500**
TOTAL EQUITY AND LIABILITIES	

CASH FLOW STATEMENT

ACTIVITY C1 Baseline

1.1 Indicate the effect or the flow of cash (inflow and outflow) in the relevant cash flow activities on the statements below

	Transactions	**Operating Activities**	**Investing Activities**	**Financing Activities**
E.g.	The payment of interest on loan	*Outflow*		
1.1.1	Increase in non-current liabilities			
1.1.2	Decrease in fixed deposits/investments			
1.1.3	Cash spend when acquiring fixed assets during the financial year			
1.1.4	Cash received by shareholders on profit shared.			
1.1.5	Funds paid to repurchase shares			
1.1.6	The repayment of loan			
1.1.7	Proceeds from fixed assets sold			
1.1.8	Cash received from issued shares during the year			
1.1.9	Taxation paid to SARS			

Activity C2

CASH-FLOW STATEMENT

The information below was extracted from the financial statements of MPHAZIMA Distributors for the year ending 28 February 2025

REQUIRED:

2.1 Prepare the following:

2.1.1 Complete the note for reconciliation between profit before taxation and cash generated from operations.

2.1.2 Prepare CASH-FLOW statement for the year ended on 28 February 2025

2.2 The directors have taken significant decisions during the year which have obviously affected the cash balance. List THREE of these by quoting figures from the Cash Flow Statement in each case. State why each of these decisions will have an important effect on the future results of the company.

INFORMATION:

Sales	7 650 000
Depreciation	160 000
Interest expense (loan)	140 000
Net profit before tax	844 200
Income tax	260 400
Net profit after tax	?

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

A Extract from the Statement of Financial Position for the year ended 28 February 2025

ASSETS	**2025**	**2024**
Non-current assets	**5 894 200**	**4 300 000**
Tangible assets	4 950 000	3 700 000
Investment/financial assets	944 200	944 200
Current assets	**626 500**	**664 700**
Inventories	175 000	241 900
Trade and other receivables **see (Note B)**	408 000	368 000
Cash and cash equivalents	43 500	54 800
TOTAL ASSETS	**6 520 700**	**4 964 700**
EQUITY AND LIABILITIES		
Shareholders' equity	**5 189 000**	**3 321 000**
Ordinary share capital	3 900 000	2 400 000
Retained income	1 289 000	921 000
Non-current liabilities	**680 000**	**900 000**
Loan	680 000	900 000
Current liabilities	**651 700**	**743 700**
Trade and other payables **see (Note C)**	391 700	543 700
Shareholders for dividends	?	200 000
TOTAL EQUITY AND LIABILITIES	**6 520 700**	**6 520 700**

B. Trade and other receivables

	2025	**2024**
Trade debtors	398 000	353 000
Prepaid expenses	10 000	-
SARS (income tax)	-	15 000
	408 000	**368 000**

C. Trade and other payables

	2025	2024
Trade creditors	368 000	508 700
Accrued expenses	-	35 000
SARS (income tax)	23 000	-
	391 000	**543 700**

Additional information

D. Tangible Assets

- Land and buildings were bought for R1 600 000
- Vehicles were sold at book value

E. Ordinary Shares

2 000 0000 ordinary shares Authorized
500 000 shares were issued at the end of previous year
200 000 shares were issued on 1 November 2024 @ R9 per share
50 000 shares were bought back above the average price by R4 on 28 February 2025 **(qualifies for final dividend)**

F. Dividends

Interim dividend paid of 20 cent per share on 1 September 2024
Final dividends of 30 cent per share were declared on 28 February 2025.

ANSWER BOOK
ACTIVITY C2

2.1.1	Complete the note for reconciliation between profit before taxation and cash generated from operations. **(Learners to use their own work book)**
2.1.2	**Cash Flow Statement for the year ended 28 February 2025**

CASH FLOW FROM OPERATING ACTIVITIES	
Interest paid	**(140 000)**
CASH FLOW FROM INVESTING ACTIVITIES	
Purchases of tangible assets	**(1 600 000)**
Change in Investments	**0**
CASH FLOW FROM INVESTING ACTIVITIES	

NET CHANGE IN CASH AND CASH EQUIVALENTS	
Cash and cash equivalents at the end	**43 500**

2.2

Decision taken (quote figures)	Effect to the company future

ACTIVITY C3
FINANCIAL INDICATERS AND CASH FLOW STATEMENT
The information below was extracted from the financial statements of Nene Investments for the year ending 28 February 2025
REQUIRED

3.1 Complete the note the Reconciliation between Net Profit Before Tax and Cash generated from operations for year ended 30 June 2025

3.2 Calculate the following figures to the cash flow statement for year ending 30 June 2025
- 3.2.1 Fixed assets purchased
- 3.2.2 Net change in cash and cash equivalents
- 3.2.3 Funds used for repurchased shares
- 3.2.4 Issued share capital during 2025
- 3.2.5 Taxation paid

3.3 Calculate the following Financial Indicators
- 3.3.1 Debt-Equity ratio
- 3.3.2 Return On Total Average Capital Employed (ROTCE)
- 3.3.3 Earnings per share

INFORMATION:

A. Extracted from the financial statements of Nene Investments for the year ending 28 February

	2025	**2024**
Fixed assets (carrying value)	1 541 940	944 800
Financial assets	130 000	190 000
Shareholders' equity	**2 499 900**	**1 117 500**
Ordinary share capital	2 375 000	1 000 000
Retained income	124 900	117 500
Non-current liabilities	350 000	1 070 000
Inventory	1 125 000	1 145 000
Trade and other receivables	1 115 000	1 143 000
Cash and cash equivalent	88 900	2 500
Trade and other payables	1 150 940	1 070 800
Bank overdraft	0	153 000
Depreciation	16 645	22 000
Interest expenses	120 000	123 000
Total capital employed	**2 849 900**	**2 187 500**

NOTES TO THE STATEMENT OF FINANCIAL POSITION:

	2025	2024
TRADE AND OTHER RECEIVABLES	1 115 000	1 143 000
Debtors Control	1 102 000	1 130 000
Accrued Income	9 000	9 000
Prepaid Expenses	4 000	
SARS: Income Tax	0	4 000

	2025	2024
TRADE AND OTHER PAYABLES	1 150 940	1 070 800
Creditors Control	873 565	1 047 300
Accrued expenses	7 000	9 500
SARS: Income Tax	10 375	0
Shareholders for dividends	260 000	14 000

ADDITIONAL INFORMATION:

Share capital and Dividends

(i)

- The company is registered with and authorised share capital of 300 000 ordinary shares.
- On 30 June 2024 there were **one third** of shares in issue.
- **Half** of unissued shares were issued at R15 on 1 January 2025.
- On 30 June 2025, 10 000 shares were repurchased from the estate of a deceased shareholder at R3,50 above the average price.

The **interim dividends** of 20 cents per share was declared and paid on 15 December 2024. The **final dividends** were declared on 30 June 2025.

(ii) **The equipment was for cash at carrying value during the year**

Cost price	R40 000
Accumulated depreciation at the date of sale	R20 570

(iii) **Income tax**

- Income tax for the year amounted to R197 600. That is 38%
- Net profit after tax; R322 400.

ANSWER BOOK

ACTIVITY C3

3.1 **Complete the note the Reconciliation between Net Profit Before Tax and Cash generated from operations for year ended 30 June 2025**

Operating profit before change in working capital	
Change working Capital	
Cash generated from operations	

3.2

3.2.1

Fixed assets purchased	**ANSWER**

3.2.2

Net change in cash and cash equivalents	

3.2.3

Funds used for repurchased shares	ANSWER

3.2.4

Issued share capital during 2025	ANSWER

3.2.5

Taxation paid	ANSWER

3.3

3.3.1

Debt-Equity ratio	ANSWER

3.3.2

Return On Total Average Capital Employed (ROTCE)	ANSWER

3.3.3

Earnings per share	ANSWER

ACTIVITY C4

Notes to Financial Statement, Cash Flow Statement and Financial Indicators

You are provided with information relating to Mana Limited for year ended 28 February 2025

REQUIRED:

4.1 Prepare the following notes to the Financial Statement on 28 February 2025

4.1.1 Ordinary Share Capital

4.1.2 Retained income

4.2 Complete the cash Flow Statement for year ended 28 February 2025

4.3 Calculate the following financial indicators

4.3.1 Operating profit on sales

4.3.2 Net asset value per share

4.3.3 Debt-Equity Ratio

4.3.4 Return On Shareholders Equity

INFORMATION

A Extract from the Statement of comprehensive income for year ended 28 February 2025

Sales	?
Cost of Sales (The business maintains 100% mark-up)	1330 000
Depreciation	232 300
Interest expense	128 000
Operating profit	691 000
Net profit before tax	747 000
Income tax is calculated at 30%	?

B Extract from the statement of financial position for year ended 28 February 2025

	2025	**2024**
Ordinary shareholders equity	?	
Ordinary share capital	2 710 900	1 770 000
Retained income	160 000	?
Non-Current liabilities	892 000	1 180 000
Fixed deposits (investments)		330 000
Cash and cash equivalents	321 500	5 000
Bank Overdraft	0	92 000
Tangible Assets at carrying value	3 372 300	2 937 600
SARS-income tax	**Dr** 45 000	**Cr** 17 500
Shareholders for dividends	271 000	192 000

C Share Capital

Authorised shares **800 000** ordinary shares	
1 March 2024	480 000 issued
1 March 2024	200 000 ordinary shares were issued
1 January 2025	2500 ordinary shares were repurchased from unhappy shareholder at a total amount R12 500.

D Dividends:

The financial records indicated R 348 500 paid for dividends during financial year

E Fixed assets/Tangible assets

- New vehicle was purchased during the financial year
- Portion of land was sold for R583 000 carrying value during the financial year

ANSWER BOOK
Activity C 4

4.1.1 Ordinary Share Capital

Authorised shares 800 000 Shares Issued Shares		

4.1.2 Retained income

Total dividends	

4.2 Complete the cash Flow Statement for year ended 28 February 2025

4.3.1

Operating profit on sales	ANSWER

4.3.2

Net asset value per share	ANSWER

4.3.3

Debt-Equity Ratio	ANSWER

4.3.4

Return On Shareholders Equity	ANSWER

ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENT

ACTIVITY D1

Note: quote financial indicators, provide figures, and show calculations to support your comment.

1.1 The bookkeeper think they are managing expenses very well, do you agree quote Three financial indicators?

1.2 The business paid back the loan during the year was it the good idea? Quote two indicators to support your statement.

1.3 Comment on whether the company will be able to meet the short term obligation, quote and explain three financial indicators?

1.4 The share price of this company favours existing or potential shareholders? provide indicators to support your comment.

1.5 Directors decided to change the dividend pay-out rate, what they did and why?

1.6 Should the shareholders be satisfied with their return or they must invest somewhere else?

1.7 Mr Mkhize owns 270 500 in Kranskop Ltd, the company plans to issue 150 000 additional shares during the year at R6,00 per share. Mr Mkhize is interested in becoming the major shareholder.

- Calculate his shareholding at the beginning of the year.

- Calculate how many shares he must buy to become the majority shareholder.
- How much money is he going to need?

INFORMATION		
A. FINANCIAL INDICATORS	2025	2024
Operating expenses on sales	18%	15%
Net profit on sales	13%	12%
Gross profit on sales	23%	26%
Operating profit on sales	17%	19%
Current ratio	1,3:1	2,2:1
Acid test ratio	0,6:1	1:1
Stock holding period	29 days	45 days
Debtors collection schedule	40 days	29 days
Debt equity ratio	0,3:1	0,4:1
Earnings per share	60 cents	90 cents
Dividends per share	55 cents	40 cents
Return on shareholder's equity	10%	8%
Return on average capital employed	14%	17%
Net asset value per share	950 cents	900 cents
Market price of shares	745 cents	700 cents
Interest on loan	15%	15%
Interest on fixed deposit	8%	8%
B. Shareholding of MR MKHIZE		
Shares in issue at the beginning		575 500

ACTIVITY D2

2.1 Directors are not happy with working capital of the business. Quote three financial indicators to support this statement

2.2
- Comment about dividend pay-out rate.
- Shareholder wants to exit the company and invest in a 5-year fixed deposit at her bank account. Explain if this is a good decision or not.

2.3 Directors decided to purchase a new fixed asset in 2025 (refer to information B)
- Calculate how much they paid for fixed asset and identify two sources where they got those funds with their figures.
- Explain how the decision affected the risk and gearing of the company.

2.4
- Calculate the number of shares in issue at the beginning of the Year.(Refer to information A)
- Calculate the issue price per share, do you think the existing shareholders should be satisfied about this? Note there was no buyback of shares.
- Calculate the number of shares BM Dlamini purchased through the right issue.

Information

A. CEO B.M Dlamini owns 2 430 000 0f issued shares on 1 March 2024 which is 54% of shares in issue at the beginning of the year.

On 31 December 2024 each shareholder was offered 20 shares for every 100 shares they owned. All shareholders took the opportunity.

B. Extract from statement of financial position		
Loan : Pomeroy Bank	12 500 000	8 000 000
Fixed deposit: Dundee bank	700 000	350 500
Ordinary share capital	26 850 000	20 550 000
Fixed asset sold	50 000	0
Fixed asset purchased	9 500 000	6 250 000

C. FINANCIAL INDICATORS	2025	2024
Mark up percentage	50%	60%
Current ratio	2,7:1	1,7:1
Acid test ratio	0.6:1	1.2:1
Stock turnover rate	6,4times	8 times
Net asset value	685 cents	720 cents
Dividends' per share	47cents	80 cents
Earnings per share	71 cents	83 cents
Return on shareholders' equity	10%	9%
Return on average capital employed	13%	18
Debt equity ratio	0,6:1	0,4:1
Interest on loan	11%	11%
Interest on fixed deposit	8%	7%

ACTIVITY D3

SOKHENI LTD

The information relates to the financial year ended on 28 February 2025.

3.1 The company's total sales increased from 2024 to 2025 and the operating activities have been better controlled in 2025.

- Quote and explain TWO financial indicators, which indicate better control over operating activities.
- Quote and explain ONE relevant indicator, which directly contributed to the increase in sales.

3.2 Identify TWO financial indicators, which indicate an improvement in the liquidity of the company.

3.3 The directors decided to increase the loan at the beginning of 2025. Explain why you agree with their decision. Quote TWO financial indicators with trends.

3.4 Shareholders buy shares in companies as a short-term investment while others do it as a long-term investment.

Explain how the change in the dividend pay-out policy affected the investment choices of each type of shareholder. Provide comparative figures

3.5 The directors of the company decided to issue an additional 60 000 shares in the new financial year

- Calculate the minimum number of shares Brenda must buy to become a majority shareholder.
- Mention **TWO** points why Brenda wants to become a majority shareholder

A. Extract from the financial indicators on 28 February 2025			
	2025	2024	
Mark-up % achieved	40%	60%	
% net profit on sales	18%	14%	
% operating expenses on sales	16.3 %	20%	
% operating profit on sales	20%	17%	
Stock holding period	65 days	55 Days	
Debtors collection period	29 days	37 days	
Creditors payment period	62 days	35 days	
Dividend pay-out rate	50%	80%	
% return on shareholders' equity (ROSHE)	19%	17%	
Net asset value per share (NAV)	1100 cents	900 cents	
Debt-equity ratio	0,45:1	0,29:1	
% return on total capital employed (ROTCE)	13%	12%	
B. Other relevant information			
Market price of shares on JSE	1200 cents	1000 cents	

Interest on loan	10%	10%	
Interest on fixed deposit	7%	7%	
Repurchased price of shares	1300 cents		
C. shares and shareholding % on 28 February 2024			
Number of shares in issue at the beginning	780 0000		
Shareholding of BRENDA	48%		

ACTIVITY D4

Mabizela Ltd and Greytown Ltd

The financial indicators and other information given refer to TWO different companies, Mabizela Ltd and Greytown Ltd. Both companies are listed on the stock exchange.

4.1 Which company does NOT handle its working capital effectively? Explain what the main problem is in respect of their working capital, by quoting TWO financial indicators.

4.2 The companies have made different decisions regarding the use of loans.
Comment on the degree of risk and financial gearing. Give ONE financial indicator in EACH case for EACH company.

4.3 The divided policy used by each company has been maintained for the past four years. Explain the policy used by EACH company. Provide figures to support your explanation in EACH case.

4.4 Should Each Company be satisfied with its share price on the JSE? Explain and provide indicators with figures

INFORMATION:

The following financial indicators/ other information is from the records of Mabizela Ltd and Greytown Ltd on 31 March 2025, the financial year-end:

	Mabizela LTD	**Greytown LTD**
Current ratio	1,65 : 1	4,40 : 1
Acid- test ratio	1,20 : 1	0,85 : 1
Stock- holding period	38 days	184 days
Return on average shareholders' equity (ROSHE)	16,1%	8,9%
Debt-Equity ratio	0,85 : 1	0,1 : 1
Return on Average total capital employed (ROTCE)	27%	4%
Earnings per share (EPS)	540 cents	730 cents
Dividends per share (DPS)	528 cents	292 cents
Net asset value per share (NAV)	1 200 cents	425 cents
Market price per share on the JSE	875 cents	763 cents

Interest rate on loans	14%	14%
Interest rate on fixed deposits	8%	8%
Percentage divide pay-out	98%	40%

CORPORATE GOVERNANCE

USE YOUR OWN WRITING MATERIAL TO ANSWER THE FOLLOWING ACTIVITIES:

ACTIVITY E1

You are provided with an article relating to an internal auditor who lost his job. Use the information presented and your knowledge on companies to answer the questions

REQUIRED

1.1 Auditing:

- Explain ONE duty of an internal auditor.
- Give ONE reason why the accounting Records of listed company must be audited by an external auditor.

1.2 Whistle-blowers (Informants):

What would you say to Sphesihle regarding his statement in the first paragraph about whistle-blowers not being willing to take a stand against corruption?
Explain ONE point.

1.3 Shareholders' opinions and concerns:

As the shareholder, explain THREE points that would concern you about the actions of the board of directors of Mangethe Ltd. In EACH case, give a suitable reason for your concern.

ACTIVITY E2

You are provided with a media article relating to Pillay Ltd

REQUIRED:

2.1 Refer to Paragraph 4.

The three board members implicated in this case own 150 000 shares. Calculate the loss that Jane and the two directors each were able to avoid by selling their shares on 15 May 2024.

2.2 Refer to Paragraph 3.

- Explain why the text message is so important to the investigators.
- Explain why you think this crime is referred to as 'insider trading'.

2.3 Explain how the rapid decline in the share price and the fraudulent financial statements are likely to affect the existing shareholders and its workers.

2.4 If you were a shareholder in Pillay Ltd, what other questions would raise at the AGM? Explain TWO points.

INFORMATION:

Use the information in the article and your knowledge on companies to answer the questions.

SOCIAL MEDIA LIFTS THE LID ON MAJOR INSIDER TRADING

Paragraph 1

SOBUKO News reported last month on the disclaimer audit report received by Pillay Ltd and that a police investigation into the false financial statements had recently begun. But this is not the end of the company's problems.

Paragraph 2

In March 2025, the Financial Sector Conduct Authority (FSCA) imposed a penalty of R50 million on Jane Bhekiswayo, CEO (chief executive officer) of Pillay Ltd, for breaching the Financial Markets Act (Act 19 of 2012) when she sent text messages to two directors, warning them to sell their Pillay shares.

Paragraph 3

The incriminating message from Jane read: 'You always ask for my opinion. It will take a long time for Pillay to get rid of all the bad news. Sell your shares immediately at the current price. Delete this message now and don't tell anyone.'

Paragraph 4

In deciding on the fine, the FSCA noted that on 12 May 2024 Jane had sent the message and, on the 15 May 2024, the three board members, Jane and the two directors, sold their shares on the JSE at R105,00per share. The subsequent rapid decline to R8,00 per share in the market price of the shares occurred in the following two days.

ACTIVITY E3

Corporate social responsibility (CSR) is an important part of corporate governance.

Definition of CSR

CSR is the continuing commitment to behave ethically and contribute to economic/financial development while improving the quality of life of the workforce and their families as well as the country and society at large.

REQUIRED

3.1 A wealthy CEO said that it is unfair to place CSR responsibilities on companies because the government should be accountable for attending to these issues.

Explain how you would respond to the CEO's statement State TWO points.

3.2 Refer to the information regarding Sbongakonke Ltd.

- State whether Sbongakonke Ltd is a public or private company.
- Explain why employees and investors (shareholders) were distressed by this incident.
- Explain what went wrong in the company to allow for this fraud to occur.

INFORMATION

Sbongakonke Limited

One of the biggest accounting fraud incidents in the history of South Africa occurred several years ago in the furniture company which is listed on the JSE and the European Stock Exchange.

An investigation identified fictitious or irregular transactions over 12 years, amounting to more than R100 billion. The share price then collapsed by 90% immediately after the news broke. Former Sbongakonke Ltd executives and individuals from outside the company, including a senior management executive, were accused of fraudulently overstating the company's profit and asset values

*based on the true articles.

ACTIVITY E4

Shareholders and employees associated with a company will be particularly interested in whether the company is well governed and managed by the directors.

At the AGM, the shareholders will elect two types of directors:

Executive directors: They attend board meetings and work at the company on a full-time basis.
Non-executive directors: They attend board meetings and do NOT work at the company.

You are provided with four aspects of corporate governance that will be of concern to the stakeholders.

REQUIRED

4.1 **Audit Report**
Explain why a qualified audit report is not a good reflection of a company.
Provide Two points.

4.2 **The board of Directors:**
Explain why it is important for a company to include non-executive as well as executive directors on the Board of Directors

4.3 **The remuneration Committee:**
According to the Companies Act, 2008 (Act 11 of 2008), a company must have a Remuneration Committee.
Explain the role/responsibility of this committee and give a reason why this committee is necessary.

4.4 Directors engage with clients on a regular basis in an effort to negotiate contracts and to increase sales and services.

Explain why there should be a company policy that directors must declare to the Board of all gifts, donations or favours received by them from clients. Provide TWO points.

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade and other receivables + Cash and cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average Shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$.	

NOTE

- In this case, if there is a change in the number of issued shares during a financial year, the weighted-average number of shares is used in practice.

DISCIPLINE 2

NB. USE YOUR OWN ANSWERSHEET TO ANSWER THE FF QUESTIONS

ACTIVITY AA1: Fixed Assets and Internal Control

The information relates to Jozini Ltd for the financial year ended 28 February 2025.

1.1 Refer to **Information A&B** for fixed assets and then calculate the following:

1.1.1 Depreciation of equipment on 28 February 2025

1.1.2 Cost price of vehicles on 28 February 2025

1.1.3 Depreciation of vehicles on 28 February 2025

1.1.4 Profit/Loss on vehicle traded in on 1 September 2024

A Balances/totals, among others, that appeared in the books on:

	28 February 2025 R	29 February 2024 R
Equipment at cost	**426 000**	**426 000**
Accumulated depreciation on equipment	**236 250**	**172 350**
Vehicle at cost	**?**	**625 000**
Accumulated depreciation on vehicles	**?**	**210 000**

B **Equipment:**

- No equipment was bought or sold during the year.

Vehicles:

- An old vehicle was traded in on 1 September 2024 for a new vehicle, costing R160 000. The trade-in value received was R76 830. The following extract of the vehicle sold was taken from the Fixed Asset Register:

Cost price: R120 00 Date Purchased: **1 July 2022**

Rate of depreciation: **20% p.a. on the diminishing balance method**

	Depreciation	Accumulated depreciation
28 February 2023	**R16 000**	**R16 000**
29 February 2024	**R20 800**	**R36 800**
1 September 2024	**?**	**?**

- Vehicles are depreciated at 20% p.a. on the diminishing-balance method
- Depreciation on the old remaining vehicles was R66 360.

1.2. **INTERNAL CONTROL AND ETHICS**

1.2.1 Mile, the owner of the company, wants to know why it is important to have an asset register in the business. Give one reason.

1.2.2 Suggest two reasons why the business might decide to sell an asset.

ACTIVITY AA2: Fixed Assets and Internal Control

The information relates to Mkuze Ltd. The company sells electric appliances. The financial year ends on 28 February 2025.

2.1. Refer to the Fixed/Tangible Assets note below :

The bookkeeper has recorded all the entries regarding fixed assets in the books. Complete the amounts denoted by (i) to (iii) on the Fixed Asset Note.

2.2 Nomzamo, the owner of the business, is concerned about the use of vehicles in a business. Several vehicles have excess mileage and are in poor condition. The fuel expense is very high in Nomzamo's opinion. Explain THREE internal control measures to manage the business' vehicles more efficiently.

A **Fixed Assets:**

	Land and buildings	Vehicles	Equipment
Cost	**(i)**		**436 000**
Accumulated depreciation			
Carrying value: (01/03/2024)		**249 850**	
Movements			
Additions at cost	**0**	**260 000**	**0**
Disposal at carrying value	**(420 000)**	**0**	**(iii)**
Depreciation		**(ii)**	**(32 000)**
Cost		**786 000**	**356 000**
Accumulated depreciation			

Carrying value: 28/02/2025	**9 421 300**		

- Depreciation is calculated as follows:
  - Vehicles: 15% p.a. on cost
  - Equipment: 20% on the diminishing-balance method
- A new vehicle was bought on 1 October 2024.
- Extract from the Fixed Assets Register in respect of equipment sold:

CABINET 202	
Cost price: R80 000	
Date purchased: 1 September 2022	
Date sold: 31 May 2024	Sold for: R53 000
	CARRYING VALUE
28 February 2023	R72 000
28 February 2024	R57 600
31 May 2024	?

ACTIVITY AA3: Fixed Assets and Internal control
MTWAZI LTD
The information relates to the financial year ended 28 February 2025
REQUIRED:

3.1 Refer to the fixed assets note below:
Calculate the figures denoted by (i) to (iii) on the Fixed Asset note.

3.2 Prepare the Asset Disposal account on 1 January 2025.

INFORMATION:

A. Fixed Assets:

	VEHICLES	**EQUIPMENT**
Cost	838 000	622 000
Accumulated depreciation	(420 000)	(264 000)
Carrying value: (01/03/2024)	(I)	358 000
Movements:		
Additions at cost	216 000	0
Disposal at carrying value	0	(III)
Depreciation	(II)	35 400
Cost		517 000
Accumulated depreciation		
Carrying value: 28/02/2025		

- A new vehicle was purchased on 1 October 2024.
- Vehicles are depreciated at 15% p.a. on cost.
- Old equipment was sold on 1 January 2025 for R26 250, cash. A profit of R4 250 was made on this sale.

3.3 **MANAGING FIXED ASSETS**

Sam Chauke is the owner of three printing shops. Each shop has its own manager. Each shop has a laser printer designed for bulk printing of up to 100 000 copies per month. R2,40 per copy is charged.

REQUIRED:

Identify ONE problem in relation to each shop, quoting figures in identifying each problem. Provide ONE point of advice for solving each problem identified.

INFORMATION FOR FEBRUARY 2025

	Shop 1	**Shop 2**	**Shop 3**
Manager	Tyali	Dunsani	Zweni
Purchased date of printer	1 March 2020	1 June 2024	1 June 2024

Cost price of printer	R60 000	R100 000	R140 000
Accumulated depreciation	R59 999	R40 000	R28 000
Number of copies printed	140 000	100 000	40 000
Number of spoilt copies	1 930	11 740	360
Ink and consumables used	R29 600	R39 000	R8 800
Repairs and maintenance	R8 000	R2 800	R400
Other monthly operating expenses	R34 000	R34 000	R34 000
Cash from customers deposited	R264 000	R240 000	R96 000

ACTIVITY AA4: FIXED ASSETS AND INTERNAL CONTROL

The following information relates to Injobo Ltd. The financial year ends on 28 February 2025.

REQUIED:

Refer to the **information** provided below and answer questions:

4.1. **Vehicles:**

The business owns two identical vehicles that were bought on the same day. One of the vehicles was sold for R245 000 on 31 December 2024. Calculate the profit or loss from selling the asset.

4.2 **Equipment:**

(i) Calculate the cost price of equipment purchased.

(ii) Calculate the depreciation on equipment for the year ended 30 June 2018. (Do not use the 10% mentioned in no iii.)

(iii) If depreciation is calculated at 10% per year on the cost price, determine the date on which the new equipment was bought.

(iv) Equipment consists of smaller tools used in a workshop. The owner is concerned because these tools must be replaced on a regular basis.
Name TWO control measures that can be put into place to avoid this.

A. Fixed Assets

	DELIVERY VEHICLES	EQUIPMENT
Cost	1 000 000	200 000
Accumulated depreciation	(440 000)	(80 000)
Carrying value: (01/03/2024)	560 000	120 000
Movements:		
Additions at cost	0	?
Disposal at carrying value	(220 000)	0
Depreciation	(150 000)	?
Cost	500 000	?
Accumulated depreciation	(310 000)	(105 000)
Carrying value: 28/02/2025	190 000	155 000

ACTIVITY AA5: FIXED ASSETS

The following information relates to Injobo Ltd. The financial year ends on 28 February 2025.

REQUIED:

Refer to the **information** provided below and answer questions:

5.1. Complete the Fixed Assets Note (**A-G**)

A. Fixed Assets

	BUILDINGS	DELIVERY VEHICLES	EQUIPMENT
Cost	3 452 000	872 000	340 000
Accumulated depreciation	0	(458 600)	(256 800)
Carrying value: (01/07/2024)	3 452 000	413 400	83 200
Movements:			
Additions at cost	A	0	B
Disposal at carrying value	0	C	0
Depreciation	0	D	E
Cost	4 522 800		

Accumulated depreciation	0		
Carrying value: 30/06/2025	4 522 800	F	G

Additional information in respect of fixed assets:

- An extension to the office block was undertaken during the year.
- The business had three vehicles at the beginning of the year. The following details appeared in the **Fixed Asset Register** on 1 July 2024:

	Vehicle 1	**Vehicle 2**	**Vehicle 3**
Cost	240 000	352 000	280 000
Accumulated depreciation	(225 000)	(70 400)	(163 200)
Carrying value	15 000	281 600	116 800

Note: Vehicle 1 is old and is reaching the end of its useful life.
Vehicle 3 was sold at it carrying value of R102 800 during the year.

- Equipment of R116 000 was purchased on 1 December 2017. No equipment was sold.
- Depreciation policy: Vehicles: 20% on cost Equipment: 15% on carrying value

ACTIVITY BB1
INVENTORY VALUATION

1.1 **CONCEPTS**

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

1.1.1 In the perpetual inventory system, the carriage on goods purchased is recorded as an (expense/asset) by the business.

1.1.2 Stock valued according to the (first-in-first-out/weighted-average) method would reflect stock on hand at the most recent cost price.

1.1.3 Cost of sales will have to be calculated at year-end after valuing stock when using the (perpetual/periodic) inventory system.

1.2 **QUALITY PRINTERS & INK (PTY) LTD**

The information relates to the year ended 31 August 2024. The business trades in business printers and ink cartridges. The owner is Mark Lex.

Business printers:

In the past, the business bought and sold only one type of printer (i.e., Colour Z3), but has now introduced two other models. Mark does not want to keep stock of printers for more than one month of expected sales.

1.2.1 Calculate the value of the closing stock on 31 August 2024 using the specific identification method.

1.2.2 Identify which model of printer is not selling as well as Mark has expected. Quote figures or calculations to support your answer. Provide two suggestions to solve this problem.

Ink cartridges:

1.2.3 Calculate the value of the closing stock on 31 August 2024 using the weighted-average method.

1.2.4 Mark wants to know how long it should take to sell the closing stock of cartridges.

- Provide figures or a calculation to assess this.
- Explain if Mark should be satisfied with this time period or not.

1.2.5 Mark suspects that ink cartridges are being stolen from the shop despite security cameras being installed.

- Provide a calculation to verify his suspicion.
- Provide TWO internal control measures that Mark Lex can use to improve the control of stock.

INFORMATION:

A. Printers:

No printers were damaged, stolen or returned to suppliers.

Stock on 1 September 2023:

MODEL	UNITS	COST PRICE PER UNIT (R)	TOTAL (R)
Colour Z3	40	26 200	1 048 000

Total purchases for the year ended 31 August 2024:

MODEL	UNITS	COST PRICE PER UNIT (R)	TOTAL (R)
Colour Z3	120	26 200	3 144000
Multi X4	190	29 300	5 567000
Digi OZ	200	33 100	6 620000
	510		15 331 000

Sales for the year ended 31 August 2024:

MODEL	UNITS SOLD IN 3 MONTHS	SELLING PRICE (R)	TOTAL (R)
Colour Z3	130	41 920	5 449 600
Multi X4	150	46 880	7 032 000
Digi OZ	110	52 960	5 825 600
	390		18 307 200

B. Ink cartridges:

Stock balances according to physical count:

	UNITS	COST PRICE PER UNIT (R)	TOTAL (R)
1 September 2023	300		243 210
31 August 2024	130		**?**

Purchases for the year ended 31 August 2024:

DATE	UNITS PURCHASED	COST PRICE PER UNIT (R)	TOTAL (R)
16 November 2023	250	810	202500
19 May 2024	350	825	288750
13 August 2024	300	840	252000
	900		743250

Returns: From the May 2024 purchases, 20 defective ink cartridges were returned to suppliers. A full refund was received for this return.

Sales: 1 032 ink cartridges were sold at R1 000 each.

1.1 CONCEPTS

1.1.1	
1.1.2	
1.1.3	

1.2 QUALITY PRINTERS & INK (PTY) LTD

PRINTERS:

1.2.1 **Calculate the value of the closing stock on 31 August 2024 using the specific identification method.**

1.2.2 **Identify which model of printer is not selling as well as Mark has expected. Quote figures or calculations to support your answer.**

Provide two suggestions to solve this problem.

INK CARTRIDGES:

1.2.3 **Calculate the value of the closing stock on 31 August 2024 using the weighted-average method.**

1.2.4 **Mark wants to know how long it should take to sell the closing stock of cartridges. Provide figures or a calculation to assess this.**

Explain if Mark be satisfied with this time period or not.

1.2.5	**Mark suspects that ink cartridges are being stolen from the shop despite security cameras being installed. Provide a calculation to verify his suspicion.**
	Provide TWO internal control measures that Mark Lex can use to improve the control of stock.

ACTIVITY BB2
INVENTORY VALUATION

2.1 **CONCEPTS**

Choose the correct term from those given in brackets. Write only the term next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

2.1.1 The most recent purchases will be considered as closing stock in the (FIFO/Weighted-Average) stock valuation method.

2.1.2 Merchandise purchased is recorded in a Trading Stock Account in the (perpetual/periodic) inventory system.

2.1.3 Carriage on purchases is recorded as an (asset/expense) in the periodic inventory system.

2.2 **PHOTO-FIX TRADERS**

The information relates to Photo-fix Traders for the financial year ended 30 April 2025. The business is owned by Tom Samuels and sells two models of cameras (Grand and De-Lux) and photo frames.

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

REQUIRED:

2.2.1 Calculate the value of closing stock of cameras on 30 April 2025.

2.2.2 Calculate the value of closing stock of photo frames.

2.2.3. The owner suspects that photo frames are being stolen. Provide a calculation to confirm his suspicions.
If his suspicions are true, what control measures can the business use to prevent such incidence to happen in future. Mention TWO points.

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

INFORMATION:

The following information is in respect of the year ended 30 April 2025:

A CAMERAS: STOCK, BOUGHT AND SOLD

	BOUGHT			UNITS SOLD
	UNITS	UNIT COST	TOTAL	
GRAND MODEL				
Opening stock	20	R5 500	R110 000	14
Purchases	240	R5 750	R1 380 000	170

DE-LUX MODEL				
Net purchases:	**270**		**R1 104 000**	**235**
September 2018	180	R4 000	R720 000	140
Returns	(30)	R4 000	(R120 000)	
January 2019	120	R4 200	R504 000	95

B PHOTO FRAMES: STOCK, BOUGHT AND SOLD

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

2.3 **MANAGEMENT OF INVENTORIES**

The information relates to Umzinto furnishers for the financial year ended 28 February 2025. The business sells cupboards, tables and chairs. No stock went missing during the year.

REQUIRED:

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

INFORMATION:

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

2.1 CONCEPTS

2.1.1	
2.1.2	
2.1.3	

2.2 PHOTO-FIX TRADERS

2.2.1 Calculate:

Value of closing stock of cameras

2.2.2

Value of closing stock of photo frames

2.2.3

The owner suspects that photo frames are being stolen. Provide a calculation to confirm his suspicions.
What control measures can the owner do to prevent this problem in future. Mention Two points

2.2.4

Tom is thinking of employing an assistant at a wage of R3 500 per month to control the stock of photo frames. Explain why this is NOT a good idea. Provide TWO points with figures/calculations.		
	Explanation	Figures
Point 1		
Point 2		

2.3 MANAGEMENT OF INVENTORIES

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

Product	Problem	Solution
Cupboards		
Tables		
Chairs		

ACTIVITY BB3

INVENTORY VALUATION

Helen woods owns an electronics shop that sells a variety of electronic products. The financial year ended on 28 February 2025. Records for headphones, television sets, vacuum cleaners and pressure cleaners are provided.

HEADPHONES

The first in first out method of stock valuation is applicable.

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

3.2 Helen decided to change suppliers in September 2024 after receiving advice from her sister, the store manager.

- Provide TWO points that show her customers are unhappy with the quality of the headphones purchased from the new suppliers. Quote figures.
- What advice would you give to Helen about changing the supplier in the future? Provide ONE point.

INFORMATION:

A. Stock balances of headphones

	UNITS	UNIT PRICE (including carriage) (R)	TOTAL(R)
1 March 2024	170	145	24 650
28 February 2025	350	?	?

B. Purchases of headphones during the financial year:

	UNITS	UNIT PRICE (R)	TOTAL(R)
April 2024	250	165	41 250
June 2024	300	180	54 000
September 2024	380	135	51 300
December 2024	320	140	44 800
Total purchases	**1250**		**191 350**

C. Carriage on purchases:

Headphones are delivered to the store by Jiffy Transport at non-refundable rate of R20 Per unit. The carriage on purchases is not included in **information B.**

D. Returns

80 headphones that were purchased in December 2024 were returned to the suppliers, R11 200.

E. Sales

	UNITS	SELLING PRICE PER UNIT(R)	TOTAL (R)
1 March 2024 to 31 August 2024	680	220	149 600
1 September 2024 to 28 February 2025	310	220	68 200
	990		217 800

TELEVISION SETS

The stock of television sets is valued using the specific identification stock valuation method. The business sold two models (Electra and Magic) from 1 March 2024, the beginning of the financial year. A new TV model, Universe was introduced on 1 December 2024 to replace the Electra model.

REQUIRED:

3.3 Calculate the closing stock of the television sets on 28 February 2025.

3.4 Helen was not satisfied that she was selling an average of 19 Magic TVs per month. However, she is happy that the new Universe TV set, despite its higher selling price per unit, is selling at a quicker rate than Magic TVs.

- Calculate the cost of sales of the Universe TVs
- Calculate how long (in days) it will take Helen to sell the closing stock of the Universe TVs
- Helen feels that she has made a wise decision by replacing the Electra TVs with the Universe TVs. Give ONE possible reason (with figures) to substantiate her opinion.

3.5 **Refer to information D.**

Explain how this will have a positive effect on her business. Provide ONE point.

INFORMATION:

A. Opening stock:

DATE	TV MODEL	UNITS	COST PRICE PER UNIT	TOTAL(R)
1 March 2024	**Electra**	**123**	**R4 800**	**590 400**
	Magic	**72**	**R6 500**	**468 000**

B. Purchases

DATE	TV MODEL	UNITS	COST PRICE PER UNIT	TOTAL(R)
1 July 2024	Magic	186	R6 500	1 209 000
1 December 2024	Universe	115	R7 200	828 000

C. Sales for the financial year ended 28 February 2025:

TV MODEL	UNITS	SELLING PRICE PER UNIT (R)	TOTAL(R)
Electra	105	5 950	624 750
Magic	225	9 750	2 193 750
Universe	94	10 500	987 000
Total sales	**424**		**3 805 500**

D. Donations of television sets to local schools:

Helen donated the unsold Electra TVs to local high school.

3.6 Vacuum cleaners:

- Identify ONE problem with vacuum cleaners. Quote figures.
- What advice would you give? State ONE point.

3.7 Pressure cleaners:

- Explain TWO good decisions that Helen took in respect of pressure cleaners. Quote figure.
- Explain how each decision improved the results on 28 February 2025. Provide ONE different point for EACH decision.

INFORMATION:

	VACUUM CLEANERS		PRESSURE CLEANERS	
	28 FEB. 2025	29 FEB 2024	28 FEB. 2025	29 FEB. 2024
Gross units sold	532	565	704	584
Number of units sold for cash	280	360	398	302
Trade discounts on cash sales	5%	5%	10%	5%
Number of units sold on credit	230	190	270	240
Payment policy on credit sales	90 days	90 days	120 days	150 days
Interest rate on credit sales	18%	18%	15%	18%
Returns by customers(faulty units)	22	15	36	42
Mark-up %	50%	60%	40%	60%

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

WORKINGS	ANSWER

3.2 **Provide TWO points that show her customers are unhappy with the quality of the headphones purchased from the new suppliers. Quote figures.**

What advice would you give to Helen about changing the supplier in the future? Provide ONE point.

3.3 **Calculate the closing stock of the television sets on 28 February 2025.**

TV MODEL	WORKINGS	ANSWER
Electra		
Magic		
Universe		
TOTAL		

3.4 Calculate the cost of sales of the Universe TVs

WORKINGS	ANSWER

Calculate how long (in days) it will take Helen to sell the closing stock of the Universe TVs

WORKINGS	ANSWER

Helen feels that she has made a wise decision by replacing the Electra TVs with the Universe TVs. Give ONE possible reason (with figures) to substantiate her opinion.

3.5 Explain how this will have a positive effect on her business. Provide ONE point.

3.6 VACUUM CLEANERS

Identify ONE problem with vacuum cleaners. Quote figures.

What advice would you give? State ONE point.

PROBLEM (with figures)	ADVICE

3.7 PRESSURE CLEANERS

Explain TWO good decisions that Helen took in respect of pressure cleaners. Quote figure.

Explain how each decision improved the results on 28 February 2025. Provide ONE different point for EACH decision.

DECISION (with figures)		Improvement in results
Decision 1		
Decision 2		

ACTIVITY BB4

INVENTORY VALUATION

Thomas Gibbs is the majority shareholder and the CEO of TG Ltd. The company sell kettles and toasters. The year-end is 30 September 2024 and the periodic system is used.

REQUIRED:

KETTLES

4.1 Calculate the value of closing stock for kettles on 30 September 2024 using the **First- in First-out method.**

4.2 In 2024, the company decided to extend the target market and to grant trade discounts to increase sales.

4.2.1 Calculate the % mark-up achieved in 2024.

4.2.2 Did they achieve their goal with this decision? Provide one point (with figures).

4.2.3 Thomas Gibbs feels that this decision also negatively affected the company.

- Provide one point (with figures) to support his opinion.
- Give the directors advice to solve this problem.

TOASTERS

4.3 Calculate the stockholding period for toasters (use closing stock).

4.4 Thomas is concerned about the control of toasters. An investigation revealed that the store manager was supplying toasters to local shops without documentation.

- Calculate the number of missing toasters.
- Give TWO suggestions to solve this problem.

INFORMATION:

A. Stock records of Toasters and Kettles:

	KETTLES			TOASTERS	
	UNITS	**UNIT PRICE**	**TOTAL**	**UNITS**	**TOTAL**
Stock balances					
1 Oct. 2023	395	R960	R379 200	625	R112 500
30 Sep. 2024	305		**?**	285	R64 125
Purchases: 2024					
January	825	R1 104	R910 800	1 225	R240 000
April	1 225	R1 188	R1 455 300	1 825	R438 000
July	275	R1 320	R363 000	825	R218 625
Total	**2 325**		**R2 729 100**	**3 875**	**R896 625**
Returns (July)	**20**	R1 320			
Sales				**3 750**	
Cost of sales					**R950 365**

B. Information relating to Kettles:

	2024	2023
Sales	R4 103 750	R3 831 500
Cost of sales	R2 685 900	R2 340 000
Unit sold	2 345	2 425
Selling price per unit	R1 750	R1 580
% Profit margin achieved	?	63,7%
Customers on record	41	30

	KETTLES
4.1	**Calculate the value of closing stock for kettles on 30 September 2024 using the First- in First-out method.**

4.2	4.2.1	**Calculate the mark up% achieved in 2024**	
		WORKING	**ANSWER**

	4.2.2	**Did they achieve their goal with this decision? Provide one point (with figures).**
	4.2.3	**Thomas Gibbs feels that this decision also negatively affected the company.** **● Provide one point (with figures) to support his opinion.**
		Give the directors advice to solve this problem.

4.3	**Calculate the stockholding period for toasters (use closing stock).**	
	WORKING	**ANSWER**
4.4	**Thomas is concerned about the control of toasters. An investigation revealed that the store manager was supplying toasters to local shops without documentation.** **Calculate the number of missing toasters.**	
	WORKING	**ANSWER**
	Give TWO suggestions to solve this problem.	

COST ACCOUNTING

Activity CC1

EZILE MANUFACTURERS

You are provided with information relating to Ezile Manufacturers for the year ended 28 February 2025. The business produces one style of laptop bag.

REQUIRED:

1.1 Calculate the:

- Direct labour cost
- Direct material cost

1.2 Prepare the Production Cost Statement.

1.3 Calculate the break-even point for 2025.

Explain whether the owner should be concerned or not. Provide figures.

1.4 The owner is not satisfied with the internal control of the raw material.
Calculate the following regarding the raw material (fabric):

- Metres of fabric stolen from the storeroom
- Metres of fabric wasted in the factory

Provide a strategy to improve the internal control in EACH case above.

INFORMATION:

A. **Workers involved in the manufacturing process:**

No. of workers	**Wage**	**Earnings per worker**	
5	Basic (normal wage)	R40 per hour	1 920 hours
	Overtime	Basic rate + 75%	90 hours

NOTE:
Deductions: 8,5% of basic wage
Employer's contribution: 11,5% of basic wage

B. **Raw material (fabric):**

- Raw material purchased is kept in a storeroom before being issued to the factory for production.
- Stock is valued according to the weighted-average method.

Storeroom stock records:

	METRES	**TOTAL AMOUNT (R)**
Balance on 1 March 2024	1 350	131 500
Purchases:	**5 400**	**584 000**
May 2024	2 500	265 000
September 2024	2 900	319 000
Raw material issued to factory	5 500	**?**
Stock balance on 28 February 2025	940	**?**

C. There is no work-in-process stock.

D. Other costs for the financial year (after all the adjustments):

Factory overhead cost	Fixed cost	R343 340
Administration cost	Fixed cost	R226 660
Selling and distribution cost	Variable cost	R217 340

E. **Additional information on 28 February 2025**:
4 200 laptop bags were produced and sold at R450 each.
Total sales amounted to R1 890 000.
Total variable cost per unit was R300.
1,25 metres of fabric was used to make one laptop bag

	Activity CC1			
1.1	Calculate Direct labour cost			
	Calculate Direct material cost			
1.2	Production Cost Statement for the year ended 28 February 2025			
	Prime Cost			
	Cost of production of finished goods			
1.3	Calculate the break-even point for 2025.			
1.4	The owner is not satisfied with the internal control of the raw material (fabric).			
		STOREROOM: Raw material stolen	FACTORY: Raw material wasted	
	Calculation: metres of fabric			
	Strategy			

Activity CC2

SELVIN'S MANUFACTURERS

The business produces wooden desks

REQUIRED:

2.1 Prepare the following for the year ended 30 June 2025:

2.1.1 Production cost statement

2.1.2 Abridged Statement of Comprehensive Income

	Information	
A.	Stock on hand:	
	30 JUNE 2025	**1 JULY 2024**
Work-in-process	**?**	R160 000
Finished goods	400 desks at R330 = R132 000	1 200 desks at R280 = R336 000

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

7 200 desks were produced at a unit cost of R330 each.

8 000 desks were sold for R4 080 000.

C.

Costs (before adjustments):	
Administration	R148 400
Factory overheads	R487 200
Direct materials	R1 050 000
Direct labour	**?**
Selling and distribution	R422 000

Adjustments:

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

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

2.2 **NKOSI MANUFACTURERS**

Nkosi Manufacturers is owned by Nkosi Mnguni. They produce shoes and shirts for In-door soccer. Nkosi requires assistance in interpreting his 2025 results. Note that one pair of shoes comprises one unit.

REQUIRED:

2.2.1 SHIRTS

- Calculate the break-even point for shirts.

- Nkosi is not satisfied with the variable costs per unit, even though the total variable costs per unit decreased by R6.

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

- Explain why Nkosi might be concerned about the large decreases in the other TWO variable costs.

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

2.2.2 SHOES

- Calculate the % increase in the selling price of shoes.

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

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

	Shirts		**Shoes**	
	2025	**2024**	**2025**	**2024**
Break-even point	**?**	11 522	3 842	4 317
Units produced and sold	16 100	25 000	7 750	6 500
Net profit	R500 400	R620 000	R2 379 750	R1 183 000
Selling price per unit	R302	R290	R1 640	R1 260
Selling price of competitors	R310	R290	R1 100	R1 250
Total fixed costs (factory overhead & administration)	R530 000	R530 000	R2 340 000	R2 340 000
Total fixed cost per unit	**?**	**?**	R302	R360
Total variable costs per unit	R238	R244	R1 031	R718
Direct material costs per unit	R92	R116	R456	R330
Direct labour costs per unit	R131	R100	R381	R360
Selling and distribution costs per unit	R15	R28	R194	R28
Unit cost of production	R242	R228	R1 100	R1 004

Activity CC2

2.1

2.1.1 PRODUCTION COST STATEMENT

Prime cost	**1 800 000**
Factory overheads cost	
Total manufacturing cost	
Cost of production of finished goods	

2.1.2 Abridged Statement of Comprehensive Income

Sales	
Cost of sales	
Selling and distribution cost	
Administration cost	

2.2

2.2.1

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

2.2.2

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

Activity CC3

3.1 Identify ONE cost account for each of the descriptions from the list below. Write only the answer next to the question numbers (3.1.1 to 3.1.5) in the ANSWER BOOK.

variable cost; factory overhead cost; direct labour cost; Indirect labour cost; direct material cost; selling and distribution cost; fixed cost; administration cost

3.1.1 This cost stays the same, even when the number of items manufactured changes.

3.1.2 The cost of raw materials that are not directly involved in manufacturing products.

3.1.3 Bad debts for the accounting period.

3.1.4 Selling and distribution cost as well as direct material cost and direct labour cost are also referred to as …

3.1.5 Rent expenses of the office for the accounting period.

WELLNESS MANUFACTURERS

You are provided with information relating to Wellness Manufacturers, a business manufacturing heart rate monitors for athletes. The financial year ends on 28 February 2025.

3.2 REQUIRED

3.2.1 Calculate the value of the raw material on hand on February 2025, using the weighted-average method.

3.2.2 Calculate the value of the direct material issued for production.

3.2.3 Prepare the note for Factory overhead cost/

3.2.4 Prepare the Production Cost Statement for the year ended February 2025. Show all calculations in brackets.

INFORMATION

A.

Stock on hand	**28 February 2025**	**28 February 2024**
	R	**R**
Indirect material cost	2 730	4 500
Work-in-progress	?	65 050
Finished goods	80 500	101 450

B. Direct material:

	Units	**Total Amount**
Stock on hand 1 March 2024	500	55 000
Purchases:	9 020	1 135 000
Jun 2024	1 250	137 500
Sept 2024	4 560	592 800
Dec 2024	3 210	404 700
Total available for production	**9 520**	**1 190 000**
Stock on hand 28 February 2025	**560**	

C.

Other costs:	
	R
Direct labour cost	467 720
Factory overhead cost	616 280
Selling and distribution cost	16% of sales
Administration cost	92 500
Sales	6 282 375
Cost of finished goods sold	2 512 950

D. The following items must still be taken into account:

- Indirect material
  Indirect material bought during the year was R260 000.

  At the end of the year, it was discovered that indirect material in the factory costing R1 750 had been stolen. The material is insured and the insurance will pay out R1 130 in March 2025. No entries have been made to record this theft. The net loss on the theft must be treated as an Administration cost.

  Indirect material used is divided between the factory, administration and selling and distribution departments in the ratio of 1 : 1 : 3.

- The monthly insurance premium increased by 10 % on 1 January 2025. Insurance paid for the year amounted to R124 992 and this included insurance paid in advance for March and April 2025. Insurance of R59 520 was allocated to selling and distribution, and R7 440 to administration.

Salary and wages expenses were incurred:

			Contributions	
Direct labour	Gross salaries and wages	Deductions	Medical aid	UIF
Factory	312 850	15 750	7 002	2 428

	Activity CC3	
3.1		
3.1.1		
3.1.2		
3.1.3		
3.1.4		
3.1.5		

3.2	
3.2.1	Calculate the value of the raw material on hand on February 2025, using the weighted-average method
3.2.2	Calculate the value of the direct material issued for production.

3.2.3	Prepare the note for Factory overhead cost

Factory overhead cost	
Indirect material	
Insurance	

3.2.4	Prepare the Production Cost Statement for the year ended February 2025. Show all calculations in brackets.	
	PRODUCTION COST STATEMENT	

Activity CC4

4.1 Choose a cost category from the Column B that matches the example in Column A.
Write only the letter (A-D) next to the question numbers (4.1.1 to 4.1.3)

	Column A		**Column B**
4.1.1	Delivery expenses	A	Administration

4.1.2	Salary of factory manager	B	Direct material
4.1.3	Office stationery	C	Selling and distribution
		D	Factory overhead

4.2 **Ndwedwe Manufacturers**

The business manufactures tracksuits for school learners. The financial year ended on 30 June 2025.

4.2.1 Calculate the correct factory overhead cost by taking into account the errors and omissions.

4.2.2 Complete the Production cost statement for the financial year.

INFORMATION

A. Factory overheads cost:

The bookkeeper calculated the factory overhead cost as R258 200

The following errors and omissions were identified and must be taken into account:

(i) Water and electricity expense was omitted from the factory overhead cost.

75% of this expense must be allocated to the factory and the remaining 25% to administration. R9 600 was correctly allocated to administration.

(ii) The total rent expense, R142 800, was recorded in the factory overhead cost account. This should have been shared according to floor area as follows:

Factory	Sales Department	Administration
220 square metres	120 square metres	80 square metres

(iii) Insurance expense, R48 000, was allocated to factory overheads in error using the ratio 4:2:1 (Factory:Sales:Administration) instead of 5:2:1

B. Raw material stock:

Stock of raw material of fabric transferred to the factory using the FIFO method.

Stock records reveal the following:

	Quantity (metres)	Cost per metre	Total cost
Stock on 1 July 2024	8 000 m	R10,50	R84 000
Purchases of fabric	62 000 m		R739 600
October 2024	42 000 m	R11,80	R495 600
February 2025	20 000 m	R12,20	R244 000
Total fabric available	70 000 m		R823 600
Issued to factory	59 500 m	?	?

C. **Work-in-progress stock**:

	30 June 2025	30 June 2024
Balance	?	R30 700

D. Production:

20 200 tracksuits were produced during the financial year at a cost of R79,00 per tracksuit.

4.3 **Esther's Clothing Store**

The business, owned by Esther Williams, makes running shorts and running shoes.

Note: Where comments or explanations are required, you must:

- Quote calculations, figures and /or trends

- Give a reason or an explanation in each case

RUNNING SHOES

4.3.1 Comment on the control over direct material cost of running shoes. Quote figures. Give two reasons that may have contributed to the change in the unit cost.

4.3.2 Explain whether the decision to increase the selling and distribution cost of running shoes was beneficial to the business or not . Quote figures.

4.3.3 Esther plans to increase the production of running shoes by 2 500 units over the next financial year. Assuming no change to the current cost structure, calculate the additional net profit that she could expect to earn in 2026

RUNNING SHORTS

4.3.4 Comment on the fixed cost per unit of running shorts and explain the major cause for the change in this unit cost.

4.3.5 Identify the production cost of running shorts that should be of major concern to Esther. Provide Two valid solutions to this problem.

	RUNNING SHOES		RUNNING SHORTS	
	2025	2024	2025	2024
Variable cost Per unit	R615,00	R442	R336	R285
Direct material cost per unit	R320	R230	R116	R115
Direct labour cost per unit	R135	R132	R175	R110
Selling and distribution cost per unit	R160	R80	R45	R60
Fixed cost per unit	R170	R175	R195,50	R130
Total fixed cost	R714 000	R700 000	R786 000	R780 000
Factory overhead cost	R510 000	R500 000	R532 000	R530 000
Administration cost	R204 000	R200 000	R254 000	R250 000
Selling price per unit	R780	R750	R600	R600
Units produced and sold	4 200	4 000	4 000	6 000
Break-even units	4 328	2 273	2 978	2 477
Net profit/loss	(R21 120)	R531 916	R269 808	R1 109 745

- The inflation rate is 6%
- Salaries and wages increased by 4% in 2025

	Activity CC4	
4.1.1		
4.1.2		
4.1.3		
4.2	Factory overhead cost note	

Incorrect amount calculated by bookkeeper	**258 200**
TOTAL	

4.3	PRODUCTION COST STATEMENT ON 30 JUNE 2025

Direct material cost	
Prime cost	1 405 800
Work-in-progress stock (1 July 2024)	30 700

4.3	RUNNING SHOES
4.3.1	Comment on the control over direct material cost of running shoes. Quote figures. Give two reasons that may have contributed to the change in the unit cost.
4.3.2	Explain whether the decision to increase the selling and distribution cost of running shoes was beneficial to the business or not. Quote figures.
4.3.3	Esther plans to increase the production of running shoes by 2 500 units over the next financial year. Assuming no change to the current cost structure, calculate the additional net profit that she could expect to earn in 2026
	RUNNING SHORTS
4.3.4	Comment on the fixed cost per unit of running shorts and explain the major cause for the change in this unit cost.
4.3.5	Identify the production cost of running shorts that should be of major concern to Esther. Provide two valid solutions to this problem.

ACTIVITY DD1 : BANK RECONCILIATION BASELINE

Study the items given below and indicate where you will record each item by placing X in the Cash Journal or no entry column .use + or – sign for the Bank Reconciliation Column. The first one has been done for you

No.	Item	Cash Journal		Bank Reconcil-iation Statement	No entry
		CRJ	CPJ		
1.	Bank charges as per bank statement.		X		
2.	Month-end balance of current bank statement. (favourable).				
3.	Amount on an EFT overstated in the CPJ.				
4.	Cancellation of an EFT that has been issued (within the bank's time frame).				
5.	Month-end balance of current bank statement (unfavourable).				
6.	EFTs not reflected on a bank statement.				
7.	Amount on an EFT understated in the CPJ.				
8.	Amount on an EFT received understated in the CRJ.				
9.	Previous month-end balance of bank statement (unfavourable).				
10.	Bank charges duplicated in error on bank state- ment.				
11.	Interest on overdraft.				
12.	Cancellation of discount on payment received incorrectly given.				
13.	Incorrect debit entry made in the bank statement.				
14.	Rent deposited into banking account by tenant.				
15.	Direct payment made by debtor into banking account of the business.				
16.	Interest earned on current banking account.				
17.	Use of debit card to draw cash reflected on bank statement but omitted from cash journals.				
18.	Previous month-end bank account balance (favourable).				
19.	Current month-end bank account balance (unfavourable).				
20.	Incorrect credit entry made in the bank statement.				
21.	Debit orders as reflected in the bank statement.				
22.	Deposit not yet reflected on bank statement.				
23.	Credit card levies as reflected in the bank statement				

ACTIVITY DD2

2.1 BANK RECONCILIATION

The information relates to Shooter Stores for July 2024. The business uses the official bank statement which is received on the 25th of each month.

REQUIRED:

2.1.1 Show the entries that must be recorded in the Cash Journals by completing the table provided in the ANSWER BOOK.

2.1.2 Calculate the Bank Account balance in the General Ledger of the business.

2.1.3 Prepare the Bank Reconciliation Statement on 31 July 2024.

2.1.4 Explain TWO problems relating to deposits. Quote evidence.
Explain TWO strategies to prevent this in future.

INFORMATION:

A. The following information appears on the Bank Reconciliation Statement on 30 June 2024:

Unfavourable balance on the Bank Statement		R71 200
Outstanding deposits:	Dated 18 June 2024	88 000
	Dated 29 June 2024	12 400
Outstanding EFTs:	EFT 121 (ABC Stationers)	2 100
	EFT 122 (Curo Stores)	6 700
Unfavourable balance on the Bank Account		20 400

NOTE:
An investigation shows that the deposit of R12 400 dated 29 June 2024 was never deposited in the bank. The previous bookkeeper could not be found. This must be written off.

B. Cash Journal totals on 31 July 2024 before receiving the Bank Statement:

Cash Receipts Journal	Cash Payments Journal
R108 000	R36 800

C. Extract from the June Bank Statement:

Details	Debit	Credit
Deposit (29 June 2024)		88 000
EFT 121(ABC Stationers)	1 200	
EFT 122 (Curo Stores)	6 700	
Happy Couriers (EFT 129)		2 000
Debit order (Secure Insurers)	1 800	
Debit order (Secure Insurers)	1 800	
Direct deposit (K.P. Botha)		11 000
Interest	650	
Transaction fees	450	

(i) EFT 121 (to ABC Stationers) is correct on the Bank Statement.

(ii) EFT 129 (to Happy Couriers) appears on the wrong side of the Bank Statement.

(iii) Debit order for the business insurance from Secure Insurers was deducted twice by the bank since there were not enough funds available in June 2024. The payments for June and July 2024 are now up to date.

(iv) The direct deposit by K.P Botha was for monthly rent.

D. **Entries in the Cash Journals for July 2024 that do not agree with the June Bank Statement:**

- Deposit on 28 July 2024: R27 900
- EFT 205: R5 100
- EFT 206: R7 200

E. A debtor made an EFT payment of R7 000 on 30 July 2024 in settlement of his account of R7 700. No entry was made in the books.

F. Bank Statement balance on 31 July 2024?

ACTIVITY DD2

2.1 BANK RECONCILIATION

2.1.1

CASH RECEIPTS JOURNAL	CASH PAYMENTS JOURNAL
108 000	36 800

2.1.2

Bank Account balance in the General Ledger on 31 July 2024	
WORKINGS	ANSWER

2.1.3

BANK RECONCILIATION STATEMENT ON 31 JULY 2024		
	DEBIT	CREDIT

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

Explain TWO strategies to prevent this in future.

ACTIVITY DD3 **RECONCILIATIONS**

3.1 BANK RECONCILIATION

The information relates to Alpine Traders on 31 August 2024.

REQUIRED:

3.1.1 Use the table provided in the ANSWER BOOK to calculate the final totals of the Cash Journals on 31 August 2024.

3.1.2 Prepare the Bank Reconciliation Statement on 31 August 2024.

3.1.3 Refer to information A (iii).

- State the GAAP principle that applies to this decision.
- Explain TWO procedures, besides division of duties, to be implemented to prevent such a loss in future.

INFORMATION:

A. Extract from the Bank reconciliation statement on 31 July 2024.

Outstanding deposits:	**R**
15 July 2024 15 June	30 000
30 July 2024	12 105
Outstanding EFT's:	
No. 141	4 700
No. 142	8 000

(i) The outstanding deposit of R12 105 and EFT no. 141, appeared on the bank statement for August 2024.

(ii) EFT No. 142 appears on the bank statement correctly as R6 600 on the bank statement of August 2024.

(iii) The outstanding deposit of R30 000 on 15 July 2024 was never deposited. It was stolen and must be written off.

B. Provisional totals for Cash Journals on 31 August 2024 are as follows:

• Cash Receipts Journal (CRJ)	R389 504
• Cash Payment Journal (CPJ)	R287 000

C. The following information of the August 2024 bank Statement from Bangwa Bank, did not appear in the August 2024 Cash Journals.

(i) Service fee of R400

(ii) A debit order to the city municipality for R 20 000 for water and electricity.

(iii) The direct deposit received from a debtor N. Thabethe of R5 400, in settlement of her account of R6 000.

D. The following items reflected differences between the Bank Statement and the Journals and must also be considered:

(i) EFT no 301, for R1 800 in favour of Phakade Traders was recorded in the relevant Journal. Bangwa Bank however, reflected it twice on the August 2024 bank statement. The bank informed us that they will rectify it on the next bank statement.

(ii) On 27 August 2024, Alpine Traders received proof (via. email from debtor) of a direct deposit into the business's bank account, R2 910. The bookkeeper entered this in the CRJ. This has not yet appeared on the Bank Statement. It was discovered that the document received via. email was a fake copy.

E. The following entries appeared in the August 2024 Cash Journals but did not appear on the Bank Statement for August 2024.

- EFT no. 189 for R7 000 dated 31 August 2024.
- A deposit of proceeds from cash sales of R16 000 on 31 August 2024

F. The bank statement showed a favourable balance of R24 000 on 27 August 2024.

ACTIVITY DD 3

3.1.1

Cash Receipts Journal
389 504

Cash Payments Journal
287 000

3.1.2

Bank Reconciliation Statement as at 31 August 2024		
	Debits	Credits

3.1.3

State the GAAP principle that applies to this decision.
Explain TWO procedures, besides division of duties, to be implemented to prevent such a loss in future.

ACTIVITY DD4: BANK RECONCILIATION

4.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (4.1.1 to 4.1.3) in the ANSWER BOOK.

4.1.1 A credit balance on the Bank Statement means that the business has a positive balance in the bank.

4.1.2 A debit card may be used to withdraw cash from an ATM.

4.1.3 A bank overdraft is a short-term loan that is transferred into the business current bank account. (3)

OMPHILE STORES

The information was extracted from the records of the business for April 2025

- Omphile uses the official Bank Statement which is available on the 25th of each month to complete the monthly reconciliation process
- She also uses her EFT transaction records (renumbered) to complete the Cash Payments Journal

4.2 **BANK RECONCILIATION**

REQUIRED:

4.2.1 Update the totals for the Cash Receipts Journal and Cash Payments Journal for April 2025. Use the table provided in the ANSWER BOOK.

4.2.2 Calculate the correct Bank Account balance on 30 April 2025.

4.2.3 Prepare the Bank Reconciliation Statement on 30 April 2025.

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

INFORMATION:

A. Extract from the Bank Reconciliation Statement on 31 March 2025:

,

Favourable balance as per Bank Statement		R12 200
Deposits not on Statement:	18 March 2025	23 600
	28 March 2025	37 200
Outstanding EFTs:	EFT 768	5 480
	EFT 769	17 800
Favourable balance as per bank account		49 720

NOTE

- The outstanding deposit on 18 March 2025 appeared on the April 2025 Bank Statement
- The deposit on 28 March 2025 appeared as R22 200. An investigation revealed that the cashier has disappeared with the outstanding amount. It was decided to write off the outstanding amount
- . Both the EFTs were on the April Statement, but EFT 768 appeared with the correct amount of R4 580.

B. **The provisional totals in the Cash Journals before receiving the Bank Statement**

Cash Receipts Journal: R115 600 Cash Payments Journal: R217 800

C. **Information on the April 2025 Bank Statement None of these items appeared in the April Cash Journals:**

Debit order: Brylet Municipality	R2 880
Cash handling fees	R220
Deposit: Y Marigold	R8 400
Deposit: Bentley Microloans	R65 000
Cash withdrawal	R740
Investment matured	R18 300
EFT transaction fees	R360
EFT transaction fees	R360

D.

Additional Information:

- The debit order to Brylet Municipality was for water and electricity.
- Y Marigold, the tenant, deposited the monthly rent.
- The deposit from Bentley Microloans did not relate to the business. The bank was informed of this error.
- The cash withdrawal of R740 was for fuel for the owner's vehicle.
- The EFT transaction fees were duplicated on the Bank Statement in error.

E.

The Cash Journals reflected the following entries that did not appear on the April 2025 Bank Statement

- Deposit of R22 500 on 30 April 2025
- EFT 883 for R9 520 for stationery purchased
- EFT 884 for R12 530 for repairs to the buildings

F. Bank Statement balance on 30 April 2025 :R?

ACTIVITY DD4

4.1

4.1.1	
4.1.2	
4.1.3	

4.2 **UPDATE THE CASH JOURNALS FOR 30 APRIL 2025**

4.2.1

CASH RECEIPTS JOURNAL	
	Amount
Total	115 600

CASH PAYMENT JOURNAL	
	Amount
Total	217 800

4.2.2

CALCULATE THE CORRECT BANK ACCOUNT BALANCE ON 30 APRIL 2025	
WORKINGS	ANSWER

4.2.3

BANK RECONCILIATION STATEMENT ON 30 APRIL 2025			
	Alternative	DEBIT	CREDIT

4.2.4

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

DD: DEBTORS AGE ANALYSIS

ACTIVITY DD5

5.1 EDWARD TRADERS

The Age Analysis below is extracted from the records of Edward Traders for the month of January 2025.

REQUIRED:

- Identify FOUR problems shown in the Age Analysis below. Quote evidence and figures to support your answer. In each case suggest an internal measure to correct the problem.

INFORMATION: Debtors are usually allowed to settle their accounts within 30days

DEBTORS	CREDIT LIMIT	AMOUNT OWING	CURRENT	30 DAYS	60 DAYS	90 DAYS
Xolani	5 000	7 800	3 600	4 000	2 200	
Sugar	8 000	8 000				8 000
Zuma	4 000	1 500	1 500			
Madlokovu	6 000	6 500	0	2 000	3 100	3400
		17 300	**13 100**	**6 000**	**5 300**	**3 400**

ANSWER SHEET:

Identify FOUR problems shown in the Age Analysis below. Quote evidence and figures to support your answer. In each case suggest an internal measure to correct the problem.	
PROBLEM WITH FIGURES / EVIDENCE	**INTERNAL CONTROL MEASURES**
1.	
2.	
3.	
4.	

DEBTORS' RECONCILIATION, AGE ANALYSIS

6.1 MATHA TRADERS

The information relates to MATHA Traders for July 2025. The business sells goods for cash and on credit.

REQUIRED:

6.1.1 Calculate the correct balance of the Debtors' Control account on 31 July 2025. Provide figures and a plus (+) or minus (–) sign for each correction. If there is no change to the balance, indicate with (0).

6.1.2 Complete the correct Debtors' List on 31 July2025.The pre-adjustment figures have been entered.

INFORMATION:

A. Balances on 31 July 2025 before taking the errors and omissions below into account:

(i) Debtors' Control Account balance in the General Ledger, R179 550

(ii) **List of debtors' balances as per Debtors' Ledger:**

DEBTORS	AMOUNT (R)
N Naidoo	31 500
S Sibiya	34 500
V Vezi	57 000
J Nyoka	47 850
W Mweli	5 750
Total	176 600

B. Errors and omissions:

(i) No entry was made for the credit sale invoice issued to N Naidoo, R2 250.

(ii) Merchandise sold on credit to S Sibiya for R9 000 was incorrectly posted to the account of V Vezi.

(iii) The debtors' allowances column in the DAJ was undercast by R5 500.

(iv) An EFT payment of R2 850 was made by W Mweli. This was correctly recorded in the relevant journal, but was posted as R3 750 to his account in the Debtors' Ledger.

(v) Credit sales to V Vezi, R2 600, were incorrectly recorded as R1 250 in the Debtors' Journal and posted as such to the Debtors' Control Account and Vezi's account in the Debtors' Ledger.

(vi) Goods returned by J Nyoka, R1 725, were posted to the wrong side of his account in the Debtors' Ledger.

6.2 DEBTORS' AGE ANALYSIS

The information relates to Timo Traders. Their credit terms are 60 days and it is expected at least 90% of debtors will adhere to these terms.

REQUIRED:

6.2.1 Provide a calculation or figures to show why Timo Traders should not be satisfied with the figures in the Debtors' Age Analysis.

6.2.2 Explain TWO points of advice that you will offer to the owner.

NOTE:

- Maximum discount is granted to debtors who settle their accounts on time.
- Interest is being charged on overdue accounts.

INFORMATION:

Debtors' Age Analysis on 31 July 2025:

Total	Current month	30 days	60 days	90 days	90 +
R240 000	R118 000	R36 000	R38 000	R29 200	R18 800

ANSWER SHEET: DD 6

6.1.1

Calculate the correct balance of the Debtors' Control on 31 July 2025.	
Balance before errors and omissions	R179 550
(i)	
(ii)	
(iii)	
(iv)	
(v)	
(vi)	
Correct balance of Debtors' Control Account	

6.1.2

Complete the correct total of the Debtors' list on 31 July 2025.	
Balance before errors and omissions	R179 550
N Naidoo (31 500	
S Sibiya (34 500	
V Vezi (57 000	
J Nyoka (47 850	
W Mweli (5 750	
Correct balance of Debtors' Control Account	

6.2.1

Provide a calculation or figures to show why Timo Traders should not be satisfied with the figures in the Debtors' Age Analysis.	
WORKINGS	ANSWER

6.2.2

Explain TWO points of advice that you will offer to the owner:

ACTIVITY DD 7

CREDITORS' RECONCILIATION

The information relates to Imbali Traders for August 2025.

REQUIRED:

7.1.1 Taking into account the errors and omissions, calculate the correct balance for the Creditors' Control Account and the Creditors' List. Indicate changes with '+' for an increase and a '–' for a decrease.

7.1.2 Imbali Traders intend settling the account of Umngeni Wholesalers on 31 August 2025. Calculate the amount due to them.

INFORMATION:

A. **Balances and totals on 31 August 2023 (before correcting the errors and omissions)**

Creditors' Control Account balance	R175 940
Creditors' List total in the Creditors' Ledger	R186 350
LIST OF CREDITORS	
Umngeni Wholesalers	R64 950
Planet Suppliers	R27 200
Umnambithi Dealers	R51 800
Arial Suppliers	R42 400

B. **Errors or omissions:**

(i) The total of the Creditors' Allowances Journal (CAJ) was understated by R3 600.

(ii) A payment of R14 250 made to Umngeni Wholesalers was in error posted as R15 240 To the Creditors Ledger Account. Posting to the General Ledger was correct.

(iii) An invoice received from Planet Suppliers, R9 540, and recorded in the Creditors' Journal (CJ), was posted in error to the account of Umngeni Wholesalers in the Creditors' Ledger.

(iv) Goods returned to Umnambithi Dealers, R7 500, and recorded in the CAJ, was posted to their account in the Creditors' Ledger as an invoice.

(v)Imbali Traders recorded a purchase of R13 280 from Arial Suppliers in the CJ after deducting a trade discount of 20%. However, Ariel Suppliers informed them that the trade discount agreed on was only 10%.

NO.	CREDITORS' CONTROL	CREDITORS' LIST
Provisional balances	**175 940**	**186 350**
(i)		
(ii)		
(iii)		
(iv)		
(v)		

SEB Traders intend settling the account of Umngeni Wholesalers on 31 August 2025. Calculate the amount due to them.	
WORKINGS	**ANSWER**
64 950	

ACTIVITY DD 8

Estcourt Traders sells ladies clothing on credit. Debtors are allowed a credit term of 30 days to settle their accounts.

REQUIRED:

8.1.1 Provide TWO documents that Estcourt Traders will need from potential debtors before they will be allowed to open accounts.

8.1.2 **Refer to information A and B.**

Use the table provided in the ANSWER BOOK to calculate the following:

- The correct closing balance of the Debtors Control Account on 30 September 2025. Indicate changes with + for an increase, - for a decrease or 0 for no change.
- The correct amounts owed by the following debtors only:
  - S. Mhlanga
  - Z. Bhengu
  - K. Tshezi

8.1.3 **Refer to information C.**

Explain THREE different problems highlighted by the debtors age analysis. Provide the name of a debtor and/or the figure(s) in each case.

8.1.4 **Refer to information D.**

Provide TWO points to support the internal auditor's concern that Viola's job description could lead to potential fraud.

INFORMATION:

A. Balances on 30 September 2025, before taking into account errors and omissions in Information B:

- Debtors Control Account: R228 000
- Extract from the debtors' List

DEBTORS	FOLIO	AMOUNT
S. Mhlanga	D10	R13 500
S. Bhengu	D23	R25 000
K. Tshezi	D35	R18 300

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

(i) An invoice for R1 750 issued to S. Mhlanga was not recorded in the books of Estcourt Traders.

(ii) A direct deposit of R2 500 by K. Tshezi was recorded in the journal but incorrectly posted to the account of D. Diedrick (another debtor) in the debtor's ledger.

(iii) The total of the Debtors Journal, R62 500, was incorrectly recorded as R65 200 in the debtors' Control Account.

(iv) Merchandise sold to S. Bhengu, R3 500, was treated as a return of goods and recorded in the Debtors Allowances Journal.

(v) R5 200, received from K. Klein, a debtor whose outstanding balance was written off six months ago, was recorded in the Cash Receipts Journal as a receipt from a debtor.

(vi) Merchandise returned by S. Mhlanga was recorded in the relevant journal as R250 instead of R700 and posted accordingly.

(vii) An EFT for R7 850, received from K. Tshezi as part payment of her account, was entered correctly in the relevant journal but no entries were made in the Debtors Ledger.

C. The following age analysis was complied on 30 September 2025:

DEBTOR	CREDIT LIMIT- R	BALANCE R	CURRENT R	30 DAYS R	60 DAYS R	90 DAYS + R
V. Shozi	52 000	45 000	18 000	7 000	20 000	
J. Naidoo	22 000	29 000	3 000	26 000		
Q. Zondi	16 000	12 500	12 500			
E. Shaw	6 000	6 000	2 000			4 000
Other debtors		146 300	55 244	48 192	30 148	12 716
TOTALS						
		R238 800	**R90 744**	**R81 192**	**R50 148**	**R16 716**
		100%	**38%**	**34%**	**21%**	**7%**

D. Viola, a member of the sales staff, is also responsible for:

- Collecting cash from customers who choose to pay in this way
- Receiving goods returned and issuing notes to customers who return goods.

The internal auditor is not happy with Viola's job description as he feels it has the potential for fraud, which could lead to loss of cash and trading stock.

8.1.1

Provide TWO documents that Estcourt Traders will need from potential debtors before they will be allowed to open accounts.

8.1.2 **Refer to Information A and B.**

PROVISIONAL BALANCE	**228 000**
(i)	
(ii)	
(iii)	
(iv)	
(v)	
(Vi)	
(vii)	
TOTAL	

Calculate: Correct amounts owed by the following debtors only.

DEBTOR	WORKINGS	ANSWER
S. Mhlanga	(13 500	
Z. Bhengu	(25 000	
K. Tshezi	(18 300	

8.1.3 **Refer to Information C**.

Explain THREE different problems highlighted by the debtors' age analysis. Provide the name of a debtor and/or the figure(s) in EACH case.	
PROBLEM	NAME OF DEBTOR WITH FIGURES

8.1.4 **Refer to Information D.**

Provide TWO points to support the internal auditor's concern that Viola's job description could lead to potential fraud.

ACTIVITY DD 9
KHAYA STORE
Khaya Stores is owned by Phila Mkhize. The business buys goods on credit from Macksons Suppliers. The business received a statement of account for February 2025.
REQUIRED:

Refer to Information A, B and C.
Use the table that is provided.

Indicate the changes to the Creditors' Ledger Account in the books of Khaya Stores and the statement received from Macksons to take into account the errors and omissions on 28 February 2025. Indicate + or – for each amount.
Refer to Information D.

State TWO benefits of using electronic funds transfers (EFTs) for payments to creditors.

The internal auditor feels that this incident of fraud should never have occurred in this business.

- Explain why he feels this way.
- Explain how this could have been prevented. State TWO points.

INFORMATION:

A. **Creditors' Ledger of Khaya Stores**

MACKSONS (CL8)

DATE	DETAILS	DEBIT	CREDIT	BALANCE

			R	R	R
2025 Feb.	1	Balance			86 900
	5	Invoice 353		18 800	105 700
	7	Debit note 72	600		105 100
	13	EFT 428	22 800		82 300
		Discount	1 140		81 160
	14	Invoice A417		6 100	87 260
	16	Invoice 390		11 800	99 060
	23	Invoice 401		8 900	107 960
	24	EFT 676	12 000		95 960
	25	Journal voucher 221	2 660		93 300
	27	Invoice 556		7 700	101 000

B. **Statement of account received from Macksons**

Khaya Stores **228 Rhino Street**			**25 February 2025**		
DATE		**DETAILS**	**DEBIT**	**CREDIT**	**BALANCE**
			R	**R**	**R**
2025 Feb.	1	Balance			86 900
	5	Invoice 353	10 800		97 700
	7	Credit note 109	600		98 300
	14	Receipt 632		22 800	75 500
	16	Invoice 390	12 980		88 480
	23	Invoice 401	8 900		97 380
	24	Receipt 961		12 000	85 380

C. **Errors, omissions and other information:**

(i) Invoice 353 on 5 February 2025 was correct according to the statement.

(ii) Macksons made an error in recording the goods returned on 7 February 2025.

(iii) Khaya Stores entered a discount with the EFT payment on 13 February 2025. Macksons informed the business that they do not qualify for this discount.

(iv) Invoice A417 in the Creditors' Ledger Account of Macksons was for goods purchased from LM Suppliers.

(v) The trade discount on Invoice 390 was not deducted by Macksons.

(vi) The bookkeeper transferred a debit balance from the Debtors' Ledger Account of Macksons (Journal voucher 221) to their account in the Creditors' Ledger.

(vii) The statement shows entries up to 24 February 2025 only.

D. During an internal audit, the auditor noticed the following account in the Creditors' Ledger of Khanya Stores.

EXCESS TRADERS		CL24			
DATE		DETAILS	DEBIT	CREDIT	BALANCE
2025 Feb.	20	Invoice 11 334		R120 000	R120 000
	22	EFT	R120 000		R0

It was discovered that an EFT payment of R120 000 was made to Frank Adams, the sole owner of Excess Traders. Further investigation by the internal auditor revealed that this business is not operational and that Frank Adams is a close relative of the accountant of Khaya Stores.

CREDITORS RECONCILIATION

	Creditors' Ledger Account of Macksons in the books of Khaya Stores	Statement of Account from Macksons Suppliers
Balance	**101 000**	**85 380**
(i)		
(ii)		
(iii)		
(iv)		
(v)		
(Vi)		
(vii)		
TOTAL		

State TWO benefits of using electronic funds transfers (EFT's) for payments to creditors.
The internal auditor feels that this incident of fraud should never have occurred in this business. **Explain why he feels this way.**
Explain how this could have been prevented. State TWO points.

EE. BUDGETING

ACTIVITY EE1 (CASH BUDGET)

UMZIMKHULU TRADERS

The following information has been taken from the books of Umzimkhulu Traders, a sole proprietor owned by Michelle Shasha.

REQUIRED:

1.1 Name any TWO items that would appear in a Projected Statement of Comprehensive Income but not in Cash Budget.

1.2 Complete the Debtors' Collection Schedule for the period October to November 2025.

1.3 Complete the Cash Budget for the period October to November 2025. Some of the amounts have been already filled in.

INFORMATION

A. Extract from the Ledger on 30 September 2025:

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

B. Sales:

- The business uses a mark-up of 60% on cost.
- 40% of the sales are on cash
- Total actual and budgeted sales are:

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

C. Debtors are expected to settle their accounts as follows:

- 20% is collected in the month of sales. These debtors are entitled to a 12% discount.
- 60% in the month following the month of sales.
- 15% in the second month following the month of sales.
- 5% will be written off as bad debts after 90 days.

D. Purchase of trading stock:

- Trading stock is maintained at a constant (base stock) level.
- 70% of merchandise purchases are on credit.
- Creditors are paid two months after purchases. No discount is received.

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

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

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

H. The business will purchase a delivery vehicle on 30 October 2025 for R480 000. The business will pay a deposit of 25% and the rest will be paid in 24 equal instalments from 30 November 2025. Depreciation is calculated at 20% per year according to the cost price method.

I. Sundry operating expenses for November amounts to R14 490. This increases by 5% every month.

ANSWER SHEET

1.1 **Name any TWO items that would appear in a Projected Statement of Comprehensive Income but not in Cash Budget.**

1.2 **DEBTORS' COLLECTION SCHEDULE FOR OCTOBER AND NOVEMBER 2025**

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

1.3 CASH BUDGET FOR OCTOBER AND NOVEMBER 2025

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

ACTIVITY EE2 (PROJECTED STATEMENT OF COMPREHENSIVE INCOME)
USE YOUR EXERCISE BOOK TO ANSWER THIS ACTIVITY

You are provided with the information relating to Underberg Panel Beaters for the budget period 1 August 2025 to 30 September 2025. The business is owned by Abulele Nqabeni. The financial year ends on 3 September each year.

- The business operates on a strict cash basis.
- The business repairs damages on the body of vehicles to earn service fee income.
- The business sell spare parts used in repairs and to over the counter customers.
- Other consumables used during the repair services are recorded as Service Fee Expenses. These costs are charged thereafter to clients' accounts.

REQUIRED:

Differentiate between a Projected Statement of Comprehensive Income and Cash Budget

Calculate the following:

.1 The mark-up percentage maintained for the sale of spare parts.

.2 The percentage decrease in service fee income expected in September 2025.

.3 The additional space (in square metres) which the business plans to rent from September 2025.

.4 The interest rate on the fixed deposit. Note that the interest rate is expected to remain constant over the budget period.

Recent trends show that the stock of spare parts is not well controlled.

Comment on the control of stock and explain how Abulele intends to correct this. Quote specific items and figures from the Projected Statement of Comprehensive Income provided.

Abulele offered customers free delivery of spare parts but discontinued this service on 31 July 2025. State TWO points to support this decision.

Refer to INFORMATION D.
Budgeted and actual figures for certain items for July 2025 are provided. Quote figures in your explanation in EACH case.

.1 Comment on the control over:
- Service fee expenses
- Water and electricity

.2 Abulele decided not to use the full budget for advertising. Explain whether this was beneficial to the business or not.

INFORMATION:

A. Extract from the Projected Statement of Comprehensive Income for the period 1 August 2025 to 30 September 2025:

	AUGUST R	SEPTEMBER R
Service fee income from customers	224 000	203 840
Profit on sale of spare parts	34 350	50 625
Sales	80 150	118 125
Cost of sales	(45 800)	(67 500)
Other operating income		
Profit on disposal of the delivery vehicle	12 000	0
Gross operating income		
Operating expenses		
Rent expense (see note B)	9 000	13 800
Water and electricity	7 800	7 800
Motor vehicle expenses	11 250	2 250
Security expenses	7 500	13 800
Advertising	7 050	7 050
Consumable stores (used for repair service)	45 000	45 000
Repairs and maintenance of equipment	22 500	0
Depreciation	6 750	15 750
Trading stock deficit	21 000	2 100
Operating profit		
Interest on fixed deposit (see note C)	8 550	4 050
Net profit		

B. Rent expense is calculated on a fixed amount per square metre. The business currently rents 75 square metres. On 1 September 2025, additional floor space will be rented at the same rate due to expansion.

C. A fixed deposit of R675 000 will mature on 31 August 2025.

D Budgeted and actual figures for July 2025:

	BUDGETED R	ACTUAL R
Service fee income	225 000	191 250
Service fee expenses	45 000	54 675
Water and electricity*	6 750	7 500
Advertising	7 050	2 700
Sale of spare parts	193 050	145 800
Cost of sales	117 000	81 000
Profit on sale of spare parts	76 050	64 800
Mark-up%	65%	80%

NOTE: The water and electricity tariff unexpectedly increased by 15% from 1 July 2025.

ACTIVITY EE3: ANALYSIS AND INTERPRETATION OF CASH BUDGET
(USE YOUR EXERCISE BOOK TO ANSWER THIS ACTIVITY EXCEPT QUESTION NUMBER 3.1)
You are provided with information relating to Ixopo Computers owned by Yanga Jacob.
REQUIRED:

3.1 Complete the Creditors' Payment Schedule for November 2025.

3.2 Calculate the missing figures (i) to (vii) in the Cash Budget.

3.3 State ONE consequence that the business might face should they not pay the amount due to creditors in September 2025.

3.4 Yanga wants to replace an old equipment in December 2025 but does not have the cash available. The cost of new equipment amounts to R195 000. The new items are expected to last 5 years. Options are as follows:

- Request a friend to become an equal partner through contributing a capital of R195 000.
- Lease the equipment from Dave Computers at R7 250 per month.
- Acquire a new loan of R195 000 at an interest rate of 15% p.a. to be repaid over 24 months.

Briefly explain ONE advantage and ONE disadvantage of EACH option.

3.5 Yanga compared the budgeted figures to the actual figures for August 2025:

	BUDGETED	ACTUAL
Sales	R122 500	R147 000
Advertising	R12 000	R16 500
Payment to creditors	R64 000	R0

Yanga is not concerned about the overspending in advertisement. Explain why this is so. Quote figures.

INFORMATION:

A. Sales, purchases of stock and cost of sales:

Total sales:

Actual	August	R120 000
	September	R135 000
Projected	October	R150 000
	November	R180 000

- 40% of sales are cash, the rest is on credit.
- The mark-up is 50% on cost.
- Stock is replaced on a monthly basis.
- 25% of purchases are cash, the rest is on credit.

B. Creditors' payment:

It is expected that creditors will be paid as follows:

- 75% are paid in the month of purchases to receive a 5% discount.
- 15% are paid in the month after purchases.
- 10% are paid in the second month after purchases.

C. Delivery expenses:

Yanga pays Magalela Deliveries to deliver goods to customers free of charge. He budgets a fixed percentage of monthly sales for this expense.

D. Salaries and wages:

Employees receive an increase of 7,5% from 1 November 2025.

E. Loan:

Part of the loan will be repaid on 1 November 2025. Interest of 15% p.a. is paid monthly and is not capitalised.

F. Extract from Cash Budget for October and November 2025:

RECEIPTS	OCTOBER	NOVEMBER
Cash sales	**(i)**	72 000
Collections from debtors	78 300	89 550
Rent income	7 500	7 750
Additional capital to be contributed		
Commission income		
PAYMENTS		
Cash purchase of stock		**(ii)**
Payments to creditors	74 200	
Delivery expenses of goods to customers	9 000	**(iii)**
Salaries and wages	**(iv)**	38 700
Telephone	1 000	1 000
Training of staff	2 500	2 500
Advertising	1 500	1 800
Repayment of loan		**(v)**
Interest on expense	2 100	1 500
Sundry expenses	3 300	3 400

G. After finalising the budget, the following was identified:

	OCTOBER	NOVEMBER
Cash surplus or deficit for the month	(24 350)	**(vii)**
Cash at the beginning of the month		53 250
Cash at the end of the month	**(vi)**	(10 950)

ANSWER SHEET

3.1 CREDITORS' PAYMENT SCHEDULE

MONTH	CREDIT PURCHASES	OCTOBER	NOVEMBER
August	**R60 000**	**R6 000**	
September	**R67 500**	**R10 125**	
October		**R53 438**	
November	**R90 000**		
		R69 653	

ACTIVITY EE4: BUDGETING

4.1 Show the amounts for the transactions below in the appropriate columns for the Cash Budget and the Projected Statement of Comprehensive Income for December 2025.

4.1.1 Expected cash sales for December 2025, R132 000. Cost of sales, R101 000.

4.1.2 Drawings by the owner budgeted for December 2025, R40 000. This included R34 000 cash and the remainder for merchandise.

4.1.3 A fixed deposit of R245 000 will mature on 31 December 2025. A direct deposit of R264 600 (including interest) will be made into the current banking account of the business on this date. Interest is not capitalised.

4.2 KOKSTAD TRADERS

The information relates to the budget period ending 31 December 2025. The business is owned by Gift Davids.

REQUIRED:

4.2.1 Calculate the following amounts:

(i) Rent expense for December 2025
(ii) Interest on loan for December 2025
(iii) Deposit to be paid on 30 November 2025 for the new computers installed.
(iv) Insurance for December 2025
(v) Salaries for November 2025

4.2.2 **Sales policy: Refer to Information I.**

Gift effected changes to the sales policy from October 2025.

- Explain the change in the sales policy effected by Gift in compiling his budget for October 2025. Provide ONE point with figures.
- The actual credit sales were higher than the budget credit sales for October 2025. Explain why Gift should not be concerned. Provide TWO points with figures.
- Comment on the control over delivery expenses and packing materials from October 2025. Quote figures.

INFORMATION:

A. Sales and Debtors' Collection:

- 60% of total sales is cash.

B. Purchases of stock and payment to creditors:

- Goods are sold at a mark-up of 25% on cost.
- Trading stock on hand is maintained through monthly purchases.
- The business buys merchandise only on credit.
- Creditors are as follows:
  - 75% in the month after date of purchase to qualify for 3% discount.
  - The balance is paid in the month thereafter.

C. Rent Expense:

- The business rents premises in a shopping centre.
- Rent will increase by 6% during December 2025.

D. Loan:

- Part of the loan from Mrabuya Bank will be paid on 1 December 2025.
- Interest at 14% p.a. is paid at the end of each month. Interest is not capitalised.

E. Office computers:

- New computers will be installed and will be operational from 30 November 2025.
- 20% cash deposit must be paid on 30 November 2025.
- The balance will be repaid in 36 equal monthly instalments from 31 December 2025.

F. Insurance:

- The current monthly insurance premium on the existing computers is R4 500. This monthly premium will increase by 28% from 1 December 2025 to get additional insurance cover on the new computers installed.
- The renewal period of other items insured will only come into effect next year.

G. Salaries:

- The business has 9 employees who earn the same monthly salary.
- 5 of the employees will receive a bonus of 70% of the normal monthly salary during December 2025.

H. Extract from the Cash Budget for the period ending 31 December 2025.

	November 2025	December 2025
RECEIPTS	**(R)**	**(R)**
Cash sales	103 200	112 200
Collection from debtors		
PAYMENTS		
Payments to creditors	207 012	?
Rent expense	29 000	**(i)**
Salaries	**(v)**	143 750
Drawings	50 000	50 000
Loan repayment		60 000
Interest on loan (14% p.a.)	3 500	**(ii)**
Deposit and instalments for new computers	**(iii)**	9 800
Insurance	17 500	**(iv)**

I. Figures for September 2025 (budgeted) and October 2025 (budgeted and actual):

	SEPTEMBER 2025	OCTOBER 2025	
	BUDGETED	BUDGETED	ACTUAL
Number of customers	520	540	729
Sales	R145 000	R160 000	R221 000
Cash sales	R58 00	R96 000	R76 000
Credit sales	R87 000	R64 000	R145 000
Gross Profit	R54 375	R60 000	R82 875
Delivery expenses	R21 750	R24 000	R33 150
Packing materials	R13 050	R14 000	R26 520

ANSWER SHEET

4.1

NO.	CASH BUDGET		PROJECTED STATEMENT OF COMPREHENSIVE INCOME	
	RECEIPT	PAYMENT	INCOME	EXPENSE
4.1.1				
4.1.2				
4.1.3				

USE YOUR EXERCISE BOOK TO ANSWER QUESTION NO 4.2

ACTIVITY FF 1 VAT

1.1 CONCEPTS

Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (1.1.1 to 1.1.5) in the ANSWER BOOK.

1.1.1 (Exempted items/Zero-rated items) are items the law says must not be taxed.

1.1.2 VAT is (an indirect/a direct) tax.

1.1.3 When a business buy goods it has to pay (output/input) VAT on these items.

1.1.4 The VAT rate can be changed by (SARS/the Minister of Finance).

1.1.5 A company can claim input VAT on gifts given to clients. (True/False)

1.2 PRO PARTY SHOP

You are provided with information relating to Pro Party Shop for the VAT period ended 28 February 2025. The standard VAT rate of 15% is applicable.

REQUIRED:

1.2.1 Calculate the amount owning to SARS in respect of VAT at the end of February 2025 after taking the transactions into account.

1.2.2 Pro Party Shop is experiencing cash flow problems and there is no money available to pay SARS. The bank account shows an overdraft of R52 110 on 31 January 2025. The directors have asked the accountant to reduce the sales amount so that the business will then receive a refund from SARS. Must the accountant go along with this suggestion? Give ONE reason for your decision.

INFORMATION:

Transactions for February:

A. Balances on 15 February:

- VAT output account, R59 325
- VAT input account, R33 585

B. Bought stationery on credit for R3 220 (VAT R420).

C. Trading stock sold for cash, R30 800 (excluding VAT).

D. Settled the amount owing, R25 300, to Dolphin Traders by EFT, less 5% discount.

E. Bought 92 costumes @ R500 each (VAT inclusive) from Funny Clothes Ltd received Invoice 1702.

F. Returned 10 faulty costumes together with Debit Note 87 to Funny Clothes Ltd. The VAT on this return amounted to R560.

G. The bank returned a debtor's eft for R2 050, marked R/D – insufficient funds. This eft had been received last month in settlement of her account of R2 280.

H. In January, 4 costumes were sold to a primary school for R1 894. The tax invoice reflected VAT on sales as R247. This was posted to the ledger as R427.

FF 1.1	CONCEPTS
1.1.1	
1.1.2	
1.1.3	
1.1.4	
1.1.5	

FF 1.2.1	Calculate the amount owning to SARS in respect of VAT at the end of February 2025 after taking the transactions into account.	
NO	CALCULATIONS	VAT
A		
B		
C		

D		
E		
F		
G		
H		
	Amount payable/ receivable from SARS	

FF 1.2.2	**Must the accountant go along with this suggestion? Give ONE reason for your decision.**

ACTIVITY FF 2

Sharon Traders is registered for VAT. The standard VAT rate is 15%.

REQUIRED:

2.1 Calculate the figures indicated by (a) to (c) in the table below.

2.2 The internal auditor discovered that the business has been underpaying the amount due to SARS in respect of VAT, at each submission date. On enquiry, Sharon, the owner stated that she used the money to pay back the loan of the business and adjusted the payments later. Comment on this practice and give her advice.

INFORMATION:

	EXCLUDING VAT	**INCLUDING VAT**	**VAT AMOUNT**
Invoices received from suppliers	R54 000	R62 100	8 100
Discount received from suppliers	R3 900		**(a)**
Credit notes issued to customers		**(b)**	R195
Invoices issued to customers		R169 395*	**(c)**

* This includes sales for R17 300 which should have been sold at zero-rate.

2.1	**WORKINGS**	**ANSWER**
A		
B		
C		

2.2	**Comment on this practice and give her advice.**

COMMENT	ADVICE

ACTIVITY FF 3

Battery Specialist is a registered VAT vendor and uses the invoice basis to record VAT. The standard VAT rate of 15% is applicable where necessary.

The information relates to the VAT period ended 31 August 2024.

REQUIRED:

3.1 Calculate the VAT amount payable/receivable to/from SARS.

3.2 The internal auditor discovered that two large credit sales transactions for R598 000 during August 2024 were not recorded in the respective journal. The owner insists that these will be recorded during September, due to current cash flow problems.
Give ONE reason why the auditor would not be satisfied with this explanation.

INFORMATION:

Details of transactions	VAT EXCLUSIVE	VAT	VAT INCLUSIVE
Invoices issued to credit sales customers			R1 415 880
Invoices received from suppliers	R952 000		
Credit notes received from suppliers		R9 240	
Discount allowed to debtors for early payments of accounts		R5 520	
Debtors accounts written off as bad debts	R15 600		R17 940
Trading stock taken by owner for personal use.		R252	

3.1	**Calculate the VAT amount payable/receivable to/from SARS.**

3.2	**Give ONE reason why the auditor would not be satisfied with this explanation.**

ACTIVITY FF 4

The information relates to Jabulani Suppliers for the two-month VAT period ended on 31 August 2024.
The standard VAT rate is 15%.

REQUIRED:

4.1 Calculate the VAT amount payable to SARS on 31 August 2024.

4.2 The owner suggested that the bookkeeper must not record goods taken by the owner as drawings. Instead, he says she could record it as a donation to a hospital. What advice would you offer him? Provide ONE point.

INFORMATION:

A. Amount due to SARS on 31 July 2024, R12 540.

B. Transactions for August 2024:

DETAILS	VAT EXCLUSIVE R	VAT R	VAT INCLUSIVE R
Total Sales			335 800
Merchandise purchased	198 000		227 700
VAT on goods taken by the owner for personal use		3 150	
Total Salaries and Wages	300 000		
VAT on returns by debtors		1 200	
Discount received on early payments to creditors	3 000		
Total of debtors outstanding accounts written off			10 120

4.1	**Calculate the VAT amount payable to SARS on 31 August 2024.**

4.2	**The owner suggested that the bookkeeper must not record goods taken by the owner as drawings. Instead, he says she could record it as a donation to a hospital. What advice would you offer him? Provide ONE point.**

ACTIVITY FF 5

EKUDIBENG TRADERS

The following information was taken from the accounting records of Ekudibeng Traders. The financial year end is 28 February 2025. All goods bought and sold are subject to 15% VAT.

REQUIRED:

Use the information below to answer the following questions.

5.1 Calculate the amounts marked (A) to (C).

5.2 Calculate the VAT amount payable to/receivable from SARS on 28 February 2025. Indicate if the amount will be recorded under the current assets or current liabilities in the Statement of Financial Position.

5.3 Give TWO reasons for the entry of R576 on the debit side of the account.

INFORMATION

The following General Ledger account reflects a consolidation of the VAT Input and Output accounts:

VAT CONTROL ACCOUNT

2025 Feb	28	Debtors' Control	GJ	576	2025 Feb	28	Bank	CRJ	15 360
		Debtors' Control	DAJ	2 304			Debtors' Control	DJ	23 040
		Creditors' Control	CJ	(A)			Drawings	GJ	(C)
		Bank	CPJ	(B)			Creditors' Control	CAJ	1 800

Additional information:

A That total credit purchases for February 2025 amounts to R138 000 (including VAT).

B Cash purchases amount to 25% of total purchases.

C The owner withdraws trading stock with a cost price of R6 000 (excluding VAT) for personal use. The business makes use of a 60% mark-up on cost.

5.1	WORKINGS	ANSWER
A		
B		
C		

FF 5.2	**Calculate the VAT amount payable to/receivable from SARS on 28 February 2025. Indicate if the amount will be recorded under the current assets or current liabilities in the Statement of financial Position.**

FF 5.3	**Give TWO reasons for the entry of R576 on the debit side of the account.**

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade and other receivables + Cash and cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average Shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$.	

NOTE

- In this case, if there is a change in the number of issued shares during a financial year, the weighted-average number of shares is used in practice.