

*Study & Master*

# Accounting

**CAPS**



**Teacher's Guide**

Elsabé Conradie • Derek Kirsch • Mandy Moyce

**Grade**

**11**

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## Grade 11 Teacher's Guide

Elsabé Conradie • Derek Kirsch • Mandy Moyce



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## SECTION 1

### INTRODUCTION

#### 1. Subject objectives

It is essential that learners be made aware of the importance of Accounting and its relevant application in modern-day career choices where entrepreneurial skills are so vitally important. There should also be a concerted effort to nurture an interest and passion for this subject in every learner.

Every learner should have their individual talents and abilities taken into account so that this interest may be developed to each one's own full potential.

When teaching this subject, the following objectives should be achieved:

- To link the learners' prior knowledge to the new subject content through progression
- To approach the content in a meaningful manner with sufficient reference to real-life situations
- To present the content in such a way that learners understand the content, rather than just memorise subject matter
- To use a variety of presentation strategies
- To keep regular control over written work and to ensure that meaningful evaluations take place
- To provide regular homework tasks so that learners can consolidate and revise their work in this manner.

Moreover, it is our aim to convey to learners the knowledge and skills that will provide an appropriate basis from which to build a successful career or continue their studies in this subject area, so these three practice books are adequate.

#### 2. Books and portfolios

##### 2.1 Practice books

We recommend that learners should acquire the following practice books for Grade 11 Accounting:

- A General Ledger
- An eight-column journal
- A three-column cash book.

An Exercise Book is available in which all the columns for each activity are already drawn, and which will save considerable time, but not all learners will be able to afford this, so these three practice books are adequate.

##### 2.2 Learner portfolios

A B4 envelope will serve the purpose of a learner's portfolio very well. It takes up very little space in the classroom, is inexpensive and ensures that the assessment tasks of every learner are available for moderation in class in an ordered manner. The following information needs to appear on front of the envelope: name and surname of the learner; grade and section; learning area and grade; and subject teacher.

The portfolio also needs to contain the following divisions:

- Content/intervention page with statement of authenticity
- Control tests
- Examinations
- Case studies/presentations
- Project
- Informal assessments.

### **2.3 Intervention with learners**

If a learner is repeatedly performing poorly or is creating problems, his or her parents or caregivers need to be contacted. Any interaction with the parents should be via letter or telephone. A record needs to be kept of all interaction and has to be forwarded to the relevant grade supervisor.

You should try to be available for extra classes for at least one hour per week – carefully record this as learner intervention.

The portfolios should never leave the classroom – the same applies to the worksheets once they have been placed in the portfolio. After every test or CASS activity, the learner intervention sheet (front page of the portfolio) needs to be sent to the parents for signature – this is to keep parents continually informed of the learner's marks. Any intervention with the parent/learner should also be recorded on this sheet, if the parent should visit you during a parent evening.

### **2.4 Teacher portfolios**

This portfolio should contain the following:

- Front page with relevant information
- Table of contents
- Subject guidelines
- Teacher timetable
- Mark sheets (the following information has to be indicated: subject/ learning area, grade, learner's name and marks, date of completion for formal task, assessment sheet/subject of task/maximum mark that can be achieved)
- Assessment programmes
- Annual and daily teaching plans
- Proof of moderation (internal and external)
- Policy documents (NCS, NPA, Progression and promotion requirements)
- Sections for the following:
  - Accounting: Control tests, examinations, case studies, written reports, projects, informal assessments
  - The assessment matrix for both the exam paper and the marking memorandum should be included with each section.
- Learner information and interaction with parents/intervention
- Departmental information and circulars (Continuous Assessment Guidelines document and Learning Areas/Subject guidelines)
- Memoranda of subject meetings.

### 3. What is Accounting?

#### *From CAPS document*

Accounting focuses on measuring performance and processing and communicating financial information about economic sectors. The discipline ensures that principles such as ethical behaviour, transparency and accountability are adhered to. It deals with the logical, systematic and accurate selection and recording of financial information and transactions, as well as the compilation, analysis, interpretation and communication of financial statements and managerial reports for use by interested parties. The subject encompasses accounting knowledge, skills and values with the focus on the financial accounting, managerial accounting and auditing fields. These fields cover a broad spectrum of accounting concepts and skills to prepare learners for a variety of career opportunities.

The table below indicates the main topics in the Accounting curriculum.

Curriculum	Topic
Financial accounting	1. Accounting concepts (terminology, definitions, double entry, and so on)
	2. GAAP principles
	3. Bookkeeping (source documents, journals, ledgers, Trial Balances, and so on)
	4. Accounting equation
	5. Final accounts and financial statements (including adjustments and ratios)
	6. Salaries and wages
	7. Value-added tax (VAT)
	8. Reconciliations (bank, debtors and creditors)
Managerial accounting	9. Cost accounting (manufacturing, and so on)
	10. Budgeting
Managing resources	11. Indigenous bookkeeping (Grade 10 only)
	12. Fixed assets
	13. Inventory
	14. Ethics
	15. Controls

### 4. The purpose of Accounting

#### *From CAPS document*

Accounting learners will be able to:

- record, analyse and interpret financial and other relevant data in order to make informed decisions
- present and/or communicate financial information effectively by using Generally Accepted Accounting Practices (GAAP) in line with current developments and legislation
- develop and demonstrate an understanding of fundamental accounting concepts
- relate skills, knowledge and values to real-life situations in order to ensure the balance between theory and practice, in order to enter the world of work and/or to move to higher education, and to encourage self-development

- organise and manage their own finances and activities responsibly and effectively
- apply principles to solve problems in a judicious and systematic manner in familiar and unfamiliar situations, thus developing the ability to identify and solve problems in the context of the various fields of Accounting
- develop critical, logical and analytical abilities and thought processes to enable learners to apply skills to current and new situations
- develop the following characteristics:
  - ethical behaviour
  - sound judgement
  - thoroughness
  - orderliness
  - accuracy
  - neatness
- deal confidently with the demands of an accounting occupation manually and/or electronically.

## **5. Time allocation for Accounting on the timetable**

### ***From CAPS document***

The teaching time for Accounting is 4 hours per week per grade on the timetable, that is, for Grades 10, 11 and 12.

## **6. Requirements to offer Accounting as a subject**

### ***From CAPS document***

It is the responsibility of the school to provide the resources needed to offer Accounting as a subject.

6.1 Each learner should have:

- 6.1.1 A textbook
- 6.1.2 Accounting stationery or a workbook
- 6.1.3 A calculator.

6.2 The teacher should have:

- 6.2.1 A variety of textbooks to be used as references
- 6.2.2 Policies, for example a summary of the King Code III
- 6.2.3 A partnership agreement
- 6.2.4 Legislation, for example Companies Act No. 71 of 2008
- 6.2.5 Codes of professional bodies, for example SAICA and SAIPA Codes
- 6.2.6 SARS brochures
- 6.2.7 Bank brochures
- 6.2.8 Access to a computer and the Internet.

## 7. Overview and progression of topics

TOPIC	Grade 10	Grade 11	Grade 12
<b>Indigenous bookkeeping systems</b>	Comparison of bookkeeping systems of the informal and formal sectors	None	None
<b>Ethics</b>	Code of ethics and basic principles of ethics for businesses	Identification and analysis of ethical behaviour applicable to financial environments with reference to accountability, transparency and sustainability	<ul style="list-style-type: none"> <li>• Role of professional bodies for accountants</li> <li>• Disciplinary and punitive measures for non-compliance with code of conduct</li> <li>• Policies governing ethical behaviour, viz. King Code III</li> <li>• Basic principles of the Companies Act</li> </ul>
<b>GAAP principles</b>	Applicable to sole traders	Applicable to partnerships and non-profit organisations (clubs)	Applicable to companies
<b>Internal control</b>	Basic internal control processes	Demonstration of knowledge of internal audit processes, viz. division of duties, documentation, physical controls and internal audit	<ul style="list-style-type: none"> <li>• Application of internal control and internal audit processes in a business environment</li> <li>• Understanding of the difference between the roles of internal and external auditors</li> </ul>
<b>Accounting concepts</b>	Concepts related to sole traders	Concepts related to partnerships and clubs	Concepts related to companies and manufacturers
<b>Bookkeeping</b>	Bookkeeping process for sole traders	Unique entries and accounts for partnerships and clubs	Unique entries and accounts for companies
<b>Reconciliations</b>	Preparation of debtors and creditors lists to reconcile with the debtors and creditors control accounts	Preparation of reconciliation statements by reconciling to bank and creditors statements	Analysis and interpretation of bank, debtors and creditors reconciliations and age analysis
<b>Accounting equation</b>	Analysis of transactions of sole traders	Analysis of transactions of partnerships and clubs	Analysis of transactions of companies
<b>Value-added tax</b>	Concepts of Value-added tax	Calculations of Value-added tax	Ledger accounts of value-added tax
<b>Salaries and wages</b>	Explanation, calculation and recording of salary and wage scales, payments in the journals and posts to the ledger	None	None
<b>Fixed assets</b>	Calculation and recording of depreciation	Recording of acquisition and disposal of fixed assets	Interpretation and reporting on movement, valuation and control of fixed assets
<b>Inventory</b>	Perpetual inventory system, concepts and entries in books	Explanation of the differences between perpetual and periodic stock systems <ul style="list-style-type: none"> <li>• Recording of transactions using periodic inventory system</li> </ul>	Validation and valuation of inventories using perpetual and periodic stock systems: <ul style="list-style-type: none"> <li>• Specific identification (of cost price per unit)</li> <li>• First-in First-out (FIFO)</li> <li>• Weighted average</li> </ul>
<b>Final accounts and financial statements</b>	<ul style="list-style-type: none"> <li>• Preparation of final accounts of sole traders</li> <li>• Preparation, analysis and interpretation of financial statements of sole traders</li> </ul>	<ul style="list-style-type: none"> <li>• Preparation of final accounts of partnerships</li> <li>• Preparation, analysis and interpretation of financial statements of partnerships</li> <li>• Preparation of Statement of Receipts and Payments for clubs</li> <li>• Preparation of the financial statements of clubs</li> <li>• Differences in financial statements of partnerships and clubs</li> </ul>	<ul style="list-style-type: none"> <li>• Preparation of final accounts of companies</li> <li>• Preparation, analysis and interpretation of financial statements of companies</li> </ul>
<b>Cost accounting</b>	Cost concepts and basic calculations	Cost calculations and ledger accounts	Preparation, presentation, analysis and interpretation of Production Cost Statement and unit costs
<b>Budgeting</b>	Budget concepts	Preparation and presentation of cash budgets and Projected Income Statements of sole traders	Analysis, interpretation and comparison of cash budgets and Projected Income Statements of sole traders and companies

## 8. What is assessment?

### From CAPS document

Assessment is a continuous planned process of identifying, gathering and interpreting information about the performance of learners, using various forms of assessment.

Assessment should be both formal and informal. In both cases, regular feedback should be provided to learners that enhance their learning experience.

### 8.1 Informal assessment

Informal assessment is a daily monitoring of a learner's progress. This is done through observations, discussions, practical demonstrations, learner-teacher conferences, informal classroom interactions, and so on. Informal assessment does not need to be recorded and learners or teachers can mark these assessment tasks.

Informal assessment is very important for learners to learn and reflect on their own performance and for teachers to identify learners who need support in certain areas of the work completed. Informal assessment tasks are in italics in the Daily Teaching Plan in *Section 2: Planning* of this Teacher's Guide.

### 8.2 Formal assessment

All assessment tasks that make up a formal programme of assessment for the year are regarded as formal assessment. Formal assessment tasks are marked and formally recorded by the teacher for progression and certification purposes. All formal assessment tasks are subject to moderation.

A programme of assessment should be included in the Teacher's Portfolio.

### Grade 11 programme of assessment

	Term 1		Term 2		Term 3		Term 4		
Assessment	Presentation/Report ①	Test ②	Project ③	Mid-year examination ④	Report ⑤	Test ②	Year-mark	End-of-year examination ④	Total
Total marks	50	100	50	300	50	100		300	
Convert to a mark out of:	10 (50 ÷ 5)	20 (100 ÷ 5)	20 (50 ÷ 2,5)	20 (300 ÷ 15)	10 (50 ÷ 5)	20 (100 ÷ 5)	100	300	400

### 8.3 Forms of assessment

Different forms of assessment should be used as formal assessment tasks during the year.

Information regarding types of formal assessment tasks and when each should be completed are underlined in the Daily Teaching Plan in *Section 2: Planning* of this Teacher's Guide.

Examples of formal assessment tasks are provided in *Section 3: Assessment* in this Teacher's Guide.

The following are examples of different forms of assessment.

### **8.3.1 Presentation**

Presentations can be written or oral, but there must be evidence of the presentation. All criteria used to assess the presentation must be discussed with the learners prior to the commencement of the presentation. Where the resources are available, the use of electronic presentations should be encouraged.

### **8.3.2 Report**

A report is generally the written evidence of a survey, analysis or investigation. This will usually be shorter than a project and is specific as to the topic. For example, a business has come to you for advice on whether the business is experiencing liquidity problems. Often it implies consulting with an expert for advice on some problem – therefore it links very closely with problem-solving.

### **8.3.3 Case study**

Learners are presented with a real-life situation, problem or incident that relates to a particular topic. They are expected to assume a particular role in articulating the position. They draw on their own experience, the experience of peers or prior learning to interpret, analyse and solve the problem(s).

Newspaper articles, magazine articles, television or radio presentations provide for excellent case studies. Learners read and/or listen, digest the information and then make informed decisions. Questions can be from lower order – direct quotes from the article – to higher order, when they are asked to analyse comments and possibly make suggestions. Case studies are a very good way of keeping the subject up to date and relevant.

### **8.3.4 Test**

Two tests, written under controlled conditions, are prescribed for Grade 11. These tests should adhere to the following.

- Tests are completed by all learners in the same grade on the same day.
- All learners write the same test.
- The tests are completed under examination conditions.
- Questions comply with year-end examination standards.
- Where there is more than one teacher, agreement is reached on the scope, as well as the date and time of the test.
- Duration of each of these tests is at least one hour for 100 marks.
- Tests cover the different cognitive levels, as in the case of examinations.
- Tests also include “problem-solving” skills.
- Tests cover a range of integrated topics, as determined by the work schedule and assessment plan.

The two tests should be written in Terms 1 and 3.

### 8.3.5 Project

The project is mandatory and only one project is recommended per year. When preparing a project, consider the following minimum requirements.

- Learners are given the necessary guidance prior to commencement of the project and progress is monitored.
- Certain aspects of the project are completed in class to enable teachers to monitor progress.
- All criteria used to assess project are discussed with learners.
- Generally, projects are given a longer period of time to complete as they involve some sort of research, consolidation and selection of relevant information and the preparation of a written document as evidence.
- Often projects can involve solving some form of problem.
- Research may form part of the project – the project is evidence of the research conducted. However, this may not always be the case. For example, the computerised accounting programme will not involve research but rather develop skills.

We suggest that the project is dealt with towards the end of the first term and handed in for submission during the second term.

### 8.3.6 Examination

Examinations are dealt with extensively in *Section 2: Planning* of this Teacher's Guide. However, here is some basic essential information with regards to examinations.

#### Problem-solving

Approximately 10% of all examinations should address problem-solving questions using critical and creative thinking. These include real-life problems within the context of the Accounting curriculum. The problem-solving questions must cover a range of cognitive skills (as discussed in Step 5 of How to set up an examination paper – *Section 3: Assessment tasks*). “Surface” problem-solving questions might involve recall or comprehension skills on familiar scenarios, while “deep” problem-solving questions will generally involve creative solutions in new and unfamiliar scenarios, all falling within the ambit of the Accounting curriculum.

While ratios and analysis can form very interesting problem-solving questions, the topic of problem-solving goes a lot further and should be integrated into all aspects of the curriculum as learners develop the skills to apply the knowledge acquired.

Here are some guidelines for dealing with “deep” problem-solving questions.

- Learners identify problems from the accounting information provided.
- Learners quote the relevant information to support their opinions on the problems.
- Learners provide valid and appropriate solutions.

## SECTION 2

### PLANNING

## Accounting Grade 11 Annual Teaching Plan

TERM 1										
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10
Topic	Reconciliations			Fixed assets			Partnerships: adjustments, General Ledger, accounting equation, final accounts financial statements			
Assessment	Informal			Presentation/Case study			Test			
TERM 2										
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10
Topic	Partnerships: financial statements and interpretation		Clubs: concepts, General Ledger, Statement of Receipts and Payments				Examinations			
Assessment	Informal		Project				Informal			Mid-year examinations
TERM 3										
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10
Topic	Cost accounting: calculations and General Ledger		Budgeting: Projected Income Statement, debtors collections, creditors payments, Cash Budget				Inventory systems		Discussion of ethics and internal audit	Revision
Assessment	Report		Test							
TERM 4										
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10
Topic	VAT		Revision and examination preparation				Examination			Administration and planning
Assessment	Informal						Final examination			

## Grade 11 Accounting Daily Teaching Plan

TERM 1			
Week 1 (Reconciliations)			
Period 1	Internal controls and audit Bank reconciliation	Talk about internal control, risk management and fundamental elements of internal control. Include internal audits and the internal audit procedure relating to cash. Homework: Activity 3.1 and Case study on bank reconciliation pp.40–46	Textbook Chapter 2 pp.16–30 Textbook Chapter 3 pp.40–46 PowerPoint® presentation
Period 2	Bank reconciliation	Mark Activity 3.1. Talk about internal controls for cash, p.50. Do example in class pp.52–57. Homework: Activity 3.2 p.58	Textbook Chapter 3 pp.40–60 PowerPoint® presentation
Period 3	Bank reconciliation	Mark Activity 3.2. Do Activity 3.3 in class p.56. Homework: Activities 3.4 and 3.5 p.63	Textbook Chapter 3 pp.58–66 PowerPoint® presentation
Period 4	Bank reconciliation	Mark Activities 3.4 and 3.5. Do example in class p.67. Homework: Activity 3.6 p.71	Textbook Chapter 3 pp.63–74 PowerPoint® presentation
Week 2 (Reconciliations)			
Period 1	Bank reconciliation	Mark Activity 3.6. Do Activity 3.7 in class p.71. Homework: Activity 3.9 p.86	Textbook Chapter 3 pp.71–87 PowerPoint® presentation
Period 2	Bank reconciliation	Mark Activity 3.9. Homework: Activity 3.10 p.87	Textbook Chapter 3 pp.78–89 PowerPoint® presentation
Period 3	Bank reconciliation	Mark Activity 3.10. Homework: Activity 3.8 p.74	Textbook Chapter 3 pp.78–89 PowerPoint® presentation
Period 4	Bank reconciliation	Mark Activity 3.8. Do Activity 3.11 in class p.85. Homework: Activities 3.12 and 3.13 p.90	Textbook Chapter 3 pp.90–93 PowerPoint® presentation
Week 3 (Reconciliations)			
Period 1	Bank reconciliation	Mark Activities 3.12 and 3.13. Do Activity 3.14 in class p.91.	Textbook Chapter 3 pp.90–95 PowerPoint® presentation
Period 2	Bank reconciliation	<b>Do informal assessment 3.1 on p.96 or informal assessment 3.2 on p.99 in class and mark. Identify learners that need support with bank reconciliations.</b>	Textbook Chapter 3 p.96 PowerPoint® presentation
Period 3	Internal controls and audit over creditors Creditors reconciliation	Discuss internal controls and internal audit of credit purchases and creditors, as well as the risks involved with credit purchases. Discuss possible mistakes and omissions. Do example on pp.108–110 in class using PowerPoint® presentation. Homework: Activities 4.1 p.110 and 4.2 p.111	Textbook Chapter 2 pp.28, 30 Textbook Chapter 4 pp.102–111 PowerPoint® presentation
Period 4	Creditors reconciliation	Mark Activities 4.1 and 4.4. Homework: Activity 4.3 p.113	Textbook Chapter 4 pp.110–113 PowerPoint® presentation

<b>Week 4 (Reconciliations/Fixed assets)</b>			
Period 1	Creditors reconciliation	Mark Activity 4.3. Do example in class p.113. Homework: Activity 4.4 p.116	Textbook Chapter 4 pp.113–117 PowerPoint® presentation
Period 2	Creditors reconciliation	Mark Activity 4.4. Homework: Activity 4.5 p.117	Textbook Chapter 4 pp.116–118 PowerPoint® presentation
Period 3	Creditors reconciliation	Mark Activity 4.5. Homework: Activity 4.6 p.119	Textbook Chapter 4 pp.117–120 PowerPoint® presentation
Period 4	Internal controls and audit of fixed assets Calculating depreciation	Discuss the role of the fixed assets manager on p.122, the asset register and methods of depreciation. Homework: Activities 5.1 p.127 and 5.2 p.128	Textbook Chapter 5 pp.122–128 PowerPoint® presentation
<b>Week 5 (Fixed assets)</b>			
Period 1	Entering depreciation in ledger Note for fixed assets	Mark Activities 5.1 and 5.2. Do Activity 5.3 in class p.128. Homework: Activities 5.4 p.129 and 5.5 p.130	Textbook Chapter 5 pp.127–130 PowerPoint® presentation
Period 2	Asset disposal at the beginning of year	Mark Activities 5.4 and 5.5. Discuss the recording of fully depreciated fixed assets. Homework: Activity 5.6 p.131	Textbook Chapter 5 pp.129–131 PowerPoint® presentation
Period 3	Asset disposal at the beginning of year	Mark Activity 5.6. Discuss example in class pp.132–136. Do Activity 5.7 in class p.137. Homework: Activity 5.10 p.139	Textbook Chapter 5 pp.132–139 PowerPoint® presentation
Period 4	Asset disposal at the end of a financial year	Mark Activity 5.10. Discuss examples in class pp.139–143. Do Activity 5.11 in class p.143. Homework: Activity 5.12 p.144	Textbook Chapter 5 pp.139–145 PowerPoint® presentation
<b>Week 6 (Fixed assets)</b>			
Period 1	Asset disposal during the financial year	Mark Activity 5.12. Discuss example in class p.146. Do Activity 5.14 in class p.151. Homework: Activity 5.15 p.152	Textbook Chapter 5 pp.145–152 PowerPoint® presentation
Period 2	Asset disposal during the financial year	Mark Activity 5.15. Discuss example in class pp.152–154. Do Activity 5.16 in class p.154. Homework: Activity 5.17 p.155	Textbook Chapter 5 pp.152–155 PowerPoint® presentation
Period 3	Fixed assets	<b>Assessment task 1: Report on fixed assets</b> Mark Activity 5.17. Homework: Activity 5.18 p.156	Textbook Chapter 5 pp.155–156 PowerPoint® presentation
Period 4	Fixed assets	Mark Activity 5.18. Homework: Activity 5.19 p.157	Textbook Chapter 5 pp.156–157 PowerPoint® presentation

Week 7 (Fixed assets/Partnerships)			
Period 1	Fixed assets	Mark Activity 5.19. <b>Do informal assessment 5.1 on p.159 and mark. Identify learners that need support with asset disposal.</b>	Textbook Chapter 5 pp.157–159 PowerPoint® presentation
Period 2	Fixed assets – Note for fixed assets	Discuss example p.160. Do Activity 5.20 in class p.161. Homework: Activity 5.21 p.162	Textbook Chapter 5 pp.160–162 PowerPoint® presentation
Period 3	Fixed assets	Mark Activity 5.21. <b>Do informal assessment 5.2 on p.163.</b> Homework: Activity 5.22 p.164	Textbook Chapter 5 pp.162–163 PowerPoint® presentation
Period 4	Partnerships – theory	Mark Activity 5.22. Discuss partnerships: types, advantages, disadvantages etc. pp.166–172. Do Activity 6.1 in class p.172.	Textbook Chapter 6 pp.164–172 PowerPoint® presentation
Week 8 (Partnerships)			
Period 1	Partnerships – ledger accounts	Discuss ledger accounts unique to a partnership on pp.172–181. Do example in class pp.182–186. Homework: Activity 6.2 p.186	Textbook Chapter 6 pp.172–187 PowerPoint® presentation
Period 2	Partnerships – ledger accounts	Mark Activity 6.2. Discuss problem areas. Do Activity 6.3 in class p.187. Homework: Activity 6.4 p.188	Textbook Chapter 6 pp.186–188 PowerPoint® presentation
Period 3	Partnerships – ledger accounts	Mark Activity 6.4. Do Activity 6.5 in class p.189. Homework: Activity 6.6 p.190	Textbook Chapter 6 pp.188–190 PowerPoint® presentation
Period 4	Partnerships – ledger accounts	Mark Activity 6.6. <b>Do informal assessment 2.1 on pp.190–191 in class.</b>	Textbook Chapter 6 p.190 PowerPoint® presentation
Week 9 (Partnerships)			
Period 1	Partnerships – ledger accounts	<b>Mark informal assessment 2.1 on pp.190–191. Identify learners who need support with ledger accounts of partnerships.</b> Homework: Activity 6.7 p.191	Textbook Chapter 6 pp.190–191 PowerPoint® presentation
Period 2	Partnerships – ledger accounts	Mark Activity 6.7. Do Activity 6.8 in class p.192. Homework: Activity 6.9 p.192	Textbook Chapter 6 pp.191–193 PowerPoint® presentation
Period 3	Partnerships – GAAP principles and adjustments	Mark Activity 6.9. Discuss GAAP principles pp.193–195 Discuss adjustments done in Grade 10 pp.196–198. Do example in class pp.199–200. Do Activity 6.10 in class pp.201–202. Explain provision for bad debts p.202. Do example in class p.203. Homework: Activity 6.11 p.204	Textbook Chapter 6 pp.193–204 PowerPoint® presentation
Period 4	Provision for bad debts	Mark Activity 6.11. Do example in class p.205. Do Activity 6.12 in class p.206. Homework: Activity 6.13 p.208	Textbook Chapter 6 pp.205–208 PowerPoint® presentation
Week 10 (Partnerships)			
Period 1	Provision for bad debts	Mark Activity 6.13. Do Activity 6.14 in class p.209. <b>Hand out assessment task 3: Research project. Discuss the marking rubric and project in class. Project to be handed in during Term 2.</b>	Textbook Chapter 6 pp.206–210 PowerPoint® presentation

Period 2	Interest capitalised	Discuss interest capitalised on pp.210–217. Homework: Activity 6.15 p.217	Textbook Chapter 6 pp.210–217 PowerPoint® presentation
Period 3	Partnerships – closing transfers and final accounts	Mark Activity 6.15. Discuss closing transfers and final accounts p.218. Homework: Activity 6.16 p.219	Textbook Chapter 6 pp.218–220 PowerPoint® presentation
Period 4	Reversal of adjustments	Mark Activity 6.16. Discuss reversal of adjustments p.221. Do example in class pp.221–223. Do Activity 6.17 in class p.225.	Textbook Chapter 6 pp.221–226 PowerPoint® presentation
<b>Assessment task 2</b> <u>Write control test during March test series – 100 marks / 1 hour – on reconciliations, fixed assets and partnership ledger accounts – see section on Assessment tasks for an example.</u>			

Term 1: Formal assessment	
Report: Fixed assets (Task 1)	50 marks
Control test (Task 2)	100 marks

TERM 2			
Week 1 (Partnerships)			
Period 1	Partnership – financial statements	Discuss the need for financial statements etc. pp.228–230. Do example of financial statements in class pp.230–237. Homework: Activity 7.1 p.237 Income Statement	Textbook Chapter 7 pp.228–237 PowerPoint® presentation
Period 2	Partnership – financial statements	Mark Activity 7.1 Income Statement. Do Balance Sheet in class p.234. Homework: Activity 7.2 p.237	Textbook Chapter 7 pp.234–237 PowerPoint® presentation
Period 3	Partnership – financial statements	Mark Activity 7.2. Homework: Activity 7.3 p.240	Textbook Chapter 7 pp.238–240 PowerPoint® presentation
Period 4	Partnership – financial statements	Mark Activity 7.3. Homework: Activity 7.4 p.242 General Ledger and Income Statement	Textbook Chapter 7 pp.241–243 PowerPoint® presentation
Week 2 (Partnerships)			
Period 1	Partnership – financial statements	<b>Assessment task 3: Discuss progress</b> Mark Activity 7.4 General Ledger and Income Statement. Homework: Activity 7.4 p.243 Balance Sheet	Textbook Chapter 7 pp.243–245 PowerPoint® presentation
Period 2	Partnership – financial statements	Mark Activity 7.4 Balance Sheet. Homework: Activity 7.5 p.245	Textbook Chapter 7 pp.245–247 PowerPoint® presentation
Period 3	Partnership – financial statements	Mark Activity 7.5. Homework: Activity 7.6 p.248	Textbook Chapter 7 pp.248–250 PowerPoint® presentation
Period 4	Partnership – financial statements	Mark Activity 7.6. Homework: Activity 7.7 p.251	Textbook Chapter 7 pp.251–253 PowerPoint® presentation

Week 3 (Partnerships)			
Period 1	Partnership – financial statements	Mark Activity 7.7. <b>Do informal assessment 7.1 on p.253 in class and mark. Identify learners that need support.</b>	Textbook Chapter 7 pp.253–254 PowerPoint® presentation
Period 2	Partnerships – analysis and interpretation	Discuss users of financial statements, and the analysis and interpretation of financial statements pp.260–266. Do example in class p.267. Homework: Activity 8.1 p.275	Textbook Chapter 8 pp.260–277 PowerPoint® presentation
Period 3	Partnerships – analysis and interpretation	Mark Activity 8.1. Discuss problem areas. Homework: Activity 8.2 p.277	Textbook Chapter 8 pp.277–278 PowerPoint® presentation
Period 4	Partnerships – analysis and interpretation	Mark Activity 8.2. Discuss problem areas. Homework: Activity 8.3 p.278	Textbook Chapter 8 pp.278–279 PowerPoint® presentation
Week 4 (Partnerships)			
Period 1	Partnerships – analysis and interpretation	<b>Hand in Assessment task 3: Research project</b> Mark Activity 8.3. Discuss problem areas. Homework: Activity 8.4 p.279	Textbook Chapter 8 pp.279–282 PowerPoint® presentation
Period 2	Partnerships – analysis and interpretation	Mark Activity 8.4. Discuss problem areas. Homework: Activity 8.5 p.282	Textbook Chapter 8 pp.282–283 PowerPoint® presentation
Period 3	Partnerships – analysis and interpretation	Mark Activity 8.5. Discuss problem areas. Homework: Activity 8.6 p.284	Textbook Chapter 8 pp.284–285 PowerPoint® presentation
Period 4	Partnerships – analysis and interpretation	Mark Activity 8.6. Homework: Activity 8.7 p.287	Textbook Chapter 8 pp.287–288 PowerPoint® presentation
Week 5 (Partnerships/Clubs)			
Period 1	Partnerships – analysis and interpretation	Mark Activity 8.7. Discuss problem areas.	Textbook Chapter 8 pp.287–288 PowerPoint® presentation
Period 2	Partnerships – analysis and interpretation	<b>Do informal assessment 8.1 on p.286 in class and mark. Identify learners that need support.</b>	Textbook Chapter 8 p.286 PowerPoint® presentation
Period 3	Clubs	Discuss theory of clubs pp.290–294.	Textbook Chapter 9 pp.290–294 PowerPoint® presentation
Period 4	Clubs – Analysis Cash Book	Do example of Analysis Cash Book in class p.294. Homework: Activity 9.1 p.296	Textbook Chapter 9 pp.294–297 PowerPoint® presentation
Week 6 (Clubs)			
Period 1	Clubs – Analysis Cash Book	Mark Activity 9.1. Discuss problem areas. Homework: Activity 9.2 p.298	Textbook Chapter 9 pp.298–299 PowerPoint® presentation
Period 2	Clubs – Analysis Cash Book	Mark Activity 9.2. Discuss problem areas. Do example of <i>Membership Fees</i> account in class p.300. Homework: Activity 9.3 p.301	Textbook Chapter 9 pp.300–301 PowerPoint® presentation

Period 3	Clubs – Membership Fees account	Mark Activity 9.3. Do Activity 9.4 in class p.302. Homework: Activities 9.5 p.302 and 9.6 p.303	Textbook Chapter 9 pp.302–303 PowerPoint® presentation
Period 4	Clubs – Statement of Receipts and Payments	Mark Activities 9.5 and 9.6. Do example of Statement of Receipts and Payments in class p.304. Homework: Activity 9.7 p.306	Textbook Chapter 9 pp.304–307 PowerPoint® presentation
<b>Week 7 (Clubs)</b>			
Period 1	Clubs	Mark Activity 9.7. Discuss problem areas. Homework: Activity 9.8 p.307	Textbook Chapter 9 pp.307–309 PowerPoint® presentation
Period 2	Clubs	Mark Activity 9.8. Discuss problem areas. Homework: Activity 9.9 p.309	Textbook Chapter 9 pp.309–310 PowerPoint® presentation
Period 3	Clubs	Mark Activity 9.9. Explain the <i>Income and Expenditure</i> account pp.310–312. Explain drafting a Trial Balance p.312. Do example pp.313–323. Do Activity 9.10 in class p.323. Homework: Activity 9.11 p.324	Textbook Chapter 9 pp.310–325 PowerPoint® presentation
Period 4	Clubs	Mark Activity 9.11. Homework: Activity 9.12 p.325	Textbook Chapter 9 pp.325–327 PowerPoint® presentation
<b>Week 8 (Clubs)</b>			
Period 1	Clubs	Mark Activity 9.12. <b>Do informal assessment 9.1 on p.327 in class and mark. Identify learners that need support.</b>	Textbook Chapter 9 pp.327–328 PowerPoint® presentation
Period 2	Clubs	Do Activity 9.13 in class p.328. Homework: Activity 9.14 p.329	Textbook Chapter 9 pp.323–331 PowerPoint® presentation
Period 3	Clubs	Mark Activity 9.14. Discuss problem areas. Do Activity 9.15 in class p.331. <b>Do informal assessment on p.336 in class and mark.</b>	Textbook Chapter 9 pp.331–336 PowerPoint® presentation
Period 4	Revision	Hand out revision activities and solutions for learners to do in preparation for the examination.	Textbook Chapter 14 pp.492–511
<b>Weeks 9–10</b>			
<p><b>Assessment task 4: Mid-year examination – minimum of 300 marks</b></p> <p><b>The June exam paper should cover some of the following topics:</b></p> <ul style="list-style-type: none"> <li>• <b>GAAP principles</b></li> <li>• <b>Internal control and audit over debtors, creditors, cash, assets</b></li> <li>• <b>Ethics</b></li> <li>• <b>Bank reconciliation</b></li> <li>• <b>Creditors reconciliation</b></li> <li>• <b>Fixed assets and asset disposal</b></li> <li>• <b>Partnerships – ledger accounts, accounting equation, final accounts, financial statements and analysis and interpretation</b></li> <li>• <b>Clubs</b></li> </ul>			

<b>Term 2: Formal assessment</b>	
Research project (Task 3)	50 marks
Mid-year examination (Task 4)	300 marks

TERM 3			
Week 1 (Cost accounting)			
Period 1	Cost accounting – theory	Discuss theory of cost accounting pp.338–340. Do Activity 10.1 in class orally p.340. Do example in class p.342. Homework: Activity 10.2 p.343	Textbook Chapter 10 pp.338–343 PowerPoint® presentation
Period 2	Cost accounting – break-even analysis	Mark Activity 10.2. Discuss fixed and variable costs pp.343–345. Do Activity 10.3 in class orally p.346. Homework: Activities 10.4 and 10.5 p.348	Textbook Chapter 10 pp.343–348 PowerPoint® presentation
Period 3	Cost accounting – break even analysis	Mark Activities 10.4 and 10.5. Discuss break-even analysis p.348. Do example in class pp.348–349. Homework: Activity 10.6 p.350 <b>Assessment task 5: Go on a field trip to a local factory. Hand out report assignment.</b>	Textbook Chapter 10 pp.348–350 PowerPoint® presentation
Period 4	Cost accounting – break even analysis	Mark Activity 10.6. Do Activity 10.7 in class p.350. Homework: Activities 10.8 p.350 and 10.9 p.351	Textbook Chapter 10 pp.350–351 PowerPoint® presentation
Week 2 (Cost accounting)			
Period 1	Cost accounting – break-even analysis Manufacturing accounts	Mark Activities 10.8 and 10.9. Discuss manufacturing accounts pp.352–355. Do example in class pp.355–357. Homework: Activity 10.10 p.358	Textbook Chapter 10 pp.352–358 PowerPoint® presentation
Period 2	Cost accounting – manufacturing accounts	Mark Activity 10.10. Homework: Activity 10.11 p.359	Textbook Chapter 10 p.359 PowerPoint® presentation
Period 3	Cost accounting – manufacturing accounts	Mark Activity 10.11. Discuss <i>Cost of Sales</i> account p.360. Homework: Activity 10.12 p.361	Textbook Chapter 10 pp.360–361 PowerPoint® presentation
Period 4	Cost accounting – manufacturing accounts	Mark Activity 10.12. Discuss closing transfers pp.361–362. Do example in class pp.363–370. Do Activity 10.13 in class p.373. Homework: Activity 10.14 p.375	Textbook Chapter 10 pp.363–377 PowerPoint® presentation
Week 3 (Cost accounting)			
Period 1	Cost accounting – manufacturing accounts	Mark Activity 10.14 Homework: Activity 10.15 p.369 <b>Assessment task 5: Hand in assignment – report on manufacturing.</b>	Textbook Chapter 10 pp.377–378 PowerPoint® presentation
Period 2	Cost accounting – manufacturing accounts	Mark Activity 10.15. Homework: Activity 10.16 p.380	Textbook Chapter 10 pp.380–381 PowerPoint® presentation
Period 3	Cost accounting – manufacturing accounts	Mark Activity 10.16. Discuss ethics and internal control and auditing with regards to manufacturing pp.385–392. Homework: Activity 10.17 p.381	Textbook Chapter 10 pp.385–392 PowerPoint® presentation
Period 4	Cost accounting	Mark Activity 10.17. <b>Do informal assessment 10.1 on p.384 in class and mark. Identify learners that need support.</b>	Textbook Chapter 10 pp.384–385 PowerPoint® presentation

Week 4 (Budgeting)			
Period 1	Cash Budget	Discuss the importance of budgets p.394. Do Activities 11.1 p.394 and 11.2 p.397 in class. Homework: Activity 11.3 p.398	Textbook Chapter 11 pp.394–398 PowerPoint® presentation
Period 2	Cash Budget Debtors collection schedule Creditors payments schedule	Mark Activity 11.3. Discuss debtors collection and creditors payments schedules p.399. Do example on pp.399–400. Homework: Activity 11.4 p.401	Textbook Chapter 11 pp.399–401 PowerPoint® presentation
Period 3	Debtors collection schedule Creditors payments schedule	Mark Activity 11.4. Do Activity 11.5 in class p.401. Homework: Activity 11.6 p.403	Textbook Chapter 11 pp.401–403 PowerPoint® presentation
Period 4	Debtors collection schedule Creditors payments schedule	Mark Activity 11.6. Do Activity 11.7 in class p.403.	Textbook Chapter 11 p.403 PowerPoint® presentation
Week 5 (Budgeting)			
Period 1	Cash Budget	Do example of Cash Budget pp.404–405. Homework: Activity 11.8 p.406	Textbook Chapter 11 pp.404–407 PowerPoint® presentation
Period 2	Cash Budget	Mark Activity 11.8. Homework: 11.9 p.407	Textbook Chapter 11 p.407 PowerPoint® presentation
Period 3	Cash Budget	Mark Activity 11.9. Discuss replenishing of stock p.408. Do Activity 11.10 in class p.409. Homework: Activity 11.11 p.410	Textbook Chapter 11 pp.408–411 PowerPoint® presentation
Period 4	Cash Budget	Mark Activity 11.11. Homework: Activity 11.12 p.411	Textbook Chapter 11 pp.411–412 PowerPoint® presentation
Week 6 (Budgeting)			
Period 1	Cash Budget Projected Income Statement	Mark Activity 11.12. Discuss Projected Income Statement and example pp.412–415. Homework: Activity 11.13 p.416	Textbook Chapter 11 pp.412–417 PowerPoint® presentation
Period 2	Projected Income Statement	Mark Activity 11.13. Homework: Activity 11.14 p.417	Textbook Chapter 11 pp.417–418 PowerPoint® presentation
Period 3	Projected Income Statement Ethics and internal controls	Mark Activity 11.14. Discuss ethical challenges and internal control and audit pp.420–424	Textbook Chapter 11 pp.420–424 PowerPoint® presentation
Period 4	Budgets	<b>Do informal assessment 11.1 on p.425 and mark. Identify learners that need support with budgets.</b>	Textbook Chapter 11 pp.425–426 PowerPoint® presentation

<b>Week 7 (Inventory systems)</b>			
Period 1	Inventory systems Internal controls and audit	Discuss internal controls and audit over inventory p.33. Discuss inventory systems and stock validation pp.428–432. Do Activity 12.1 in class p.433. Homework: Activities 12.2 p.433 and 12.3 p.434	Textbook Chapter 2 p.33 and Chapter 12 pp.428–434 PowerPoint® presentation
Period 2	Inventory systems	Mark Activities 12.2 and 12.3. Do Activity 12.4 in class pp.434–436. Homework: Activity 12.5 p.436	Textbook Chapter 12 pp.433–438 PowerPoint® presentation
Period 3	Inventory systems	Mark Activity 12.5. Discuss ledger accounts pp.438–441. Homework: Activity 12.6 p.441	Textbook Chapter 12 pp.438–442 PowerPoint® presentation
Period 4	Inventory systems	Mark Activity 12.6. Do Activity 12.7 in class p.444. Homework: Activity 12.8 p.445	Textbook Chapter 12 pp.443–446 PowerPoint® presentation
<b>Week 8 (Inventory systems)</b>			
Period 1	Inventory systems	Mark Activity 12.8. Discuss year-end closing transfers pp.446–448. Do example in class pp.448–451. Homework: Activity 12.9 p.452	Textbook Chapter 12 pp.446–454 PowerPoint® presentation
Period 2	Inventory systems	Mark Activity 12.9. Homework: Activity 12.10 p.454	Textbook Chapter 12 p.454 PowerPoint® presentation
Period 3	Inventory systems	Mark Activity 12.10. Homework: Activity 12.11 p.455	Textbook Chapter 12 p.455 PowerPoint® presentation
Period 4	Inventory systems	Mark Activity 12.11. Homework: Activity 12.12 p.456	Textbook Chapter 12 pp.456–457 PowerPoint® presentation
<b>Week 9 (Inventory systems)</b>			
Period 1	Inventory systems	Mark Activity 12.12. Homework: Activities 12.13 p.457 and 12.14 p.458	Textbook Chapter 12 pp.457–458 PowerPoint® presentation
Period 2	Inventory systems	Mark Activities 12.13 and 12.14. Homework: Informal assessment 12.1 p.459 or 12.2 p.460	Textbook Chapter 12 pp.459–460 PowerPoint® presentation
Period 3	Inventory systems Ethics, internal controls and audit	<b>Do informal assessment 12.1 or 12.2 on p.459/460 and mark. Identify learners that need support with inventory systems.</b> Discuss ethics, internal control and audit Chapter 1–2.	Textbook Chapter 12 pp.459–460 PowerPoint® presentation
Period 4	Ethics, internal controls and audit	Discuss ethics, risks, internal control and audit Chapter 1–2.	Textbook Chapters 1–2 PowerPoint® presentation

Week 10 (Revision)			
Period 1	Revision	Revision according to the need of the learners	Textbook Chapter 14
Period 2	Revision	Revision according to the need of the learners	Textbook Chapter 14
Period 3	Revision	Revision according to the need of the learners	Textbook Chapter 14
Period 4	Revision	Revision according to the need of the learners	Textbook Chapter 14
<b>Assessment task 6</b>			
<b>This should be done towards the end of the third term (September test series)</b>			
<b>Control test – 1 hour/100 marks – Cost accounting, budgeting or Inventory systems</b>			

Term 3: Formal assessment	
Written report (Task 5)	50 marks
Control test (Task 6)	100 marks

TERM 4			
Week 1 (VAT)			
Period 1	VAT	Discuss basic principles of VAT pp.462–470. Homework: Activity 13.1 p.471	Textbook Chapter 13 pp.462–471
Period 2	VAT	Mark Activity 13.1. Discuss VAT calculations pp.471–475. Do Activity 13.2 in class p.475. Homework: Activity 13.3 p.475	Textbook Chapter 13 pp.471–475
Period 3	VAT	Mark Activity 13.3. Do Activity 13.4 in class p.475. Homework: Activity 13.5 p.476	Textbook Chapter 13 pp.475–477
Period 4	VAT	Mark Activity 13.5. Discuss further principles of VAT pp.478–481. Homework: Activity 13.6 p.482	Textbook Chapter 13 pp.478–482
Week 2 (VAT)			
Period 1	VAT	Mark Activity 13.6. Discuss tax invoices pp.483–485. Homework: Activity 13.7 p.485	Textbook Chapter 13 pp.483–485
Period 2	VAT	Mark Activity 13.7. Discuss VAT adjustments pp.478–483. Homework: Activities 13.8 p.492; 13.9 p.492, 13.10 p.493, 13.11 p.493	Textbook Chapter 13 pp.486–494
Period 3	VAT Ethics, internal controls and auditing	Mark Activities 13.8–13.11. Discuss ethics and do Case study 13.1 in class orally pp.494–496. Discuss risks, internal controls and auditing of VAT pp.497–500.	Textbook Chapter 13 pp.497–500
Period 4	VAT	<b>Do informal assessment 13.1 on p.500 and mark. Identify learners that need support with VAT calculations.</b>	Textbook Chapter 13 p.500
Week 3 (Revision exercises)			
Period 1	Revision exercises	Bank reconciliation	Textbook Chapter 14 pp.502–506
Period 2	Revision exercises	Creditors reconciliation	Textbook Chapter 14 pp.506–507
Period 3	Revision exercises	Fixed assets	Textbook Chapter 14 pp.508–511
Period 4	Revision exercises	Partnership – accounts in General Ledger	Textbook Chapter 14 pp.512–513

<b>Week 4 (Revision exercises)</b>			
Period 1	Revision exercises	Partnerships – financial statements	Textbook Chapter 14 pp.514–516
Period 2	Revision exercises	Partnerships – financial statements	Textbook Chapter 14 pp.514–516
Period 3	Revision exercises	Partnerships – analysis and interpretation of financial statements	Textbook Chapter 14 pp.516–517
Period 4	Revision exercises	Clubs	Textbook Chapter 14 pp.517–522
<b>Week 5 (Revision exercises)</b>			
Period 1	Revision exercises	Cost accounting	Textbook Chapter 14 pp.522–524
Period 2	Revision exercises	Budgets	Textbook Chapter 14 pp.525–529
Period 3	Revision exercises	Inventory systems	Textbook Chapter 14 pp.529–532
Period 4	Revision exercises	VAT	Textbook Chapter 14 pp.532–534
<b>Week 6 (Revision exercises)</b>			
Period 1	Revision exercises	Work out exemplar papers	Teacher's Guide/ Exemplar papers from department
Period 2	Revision exercises	Work out exemplar papers	
Period 3	Revision exercises	Work out exemplar papers	
Period 4	Revision exercises	Work out exemplar papers	
<b>Weeks 7–9</b>			
<p><b>Assessment task 7</b></p> <p><b>End-of-year examination – 300 marks/3 hours</b></p> <p><b>The November exam paper should cover some of the following topics:</b></p> <ul style="list-style-type: none"> <li>• <b>GAAP principles</b></li> <li>• <b>Internal control</b></li> <li>• <b>Ethics</b></li> <li>• <b>Reconciliations</b></li> <li>• <b>Fixed assets</b></li> <li>• <b>Partnerships</b></li> <li>• <b>Clubs</b></li> <li>• <b>Cost accounting</b></li> <li>• <b>Budgets</b></li> <li>• <b>Inventory systems</b></li> <li>• <b>VAT</b></li> </ul>			

<b>Term 4: Formal assessment</b>	
End-of-year examination (Task 7)	300 marks

	<b>SECTION 3</b>	
	<b>ASSESSMENT TASKS</b>	

## 1. PRESENTATIONS/REPORTS

### Presentation

Presentations can be written or oral, but there must be evidence of the presentation. All criteria used to assess the presentation must be discussed with the learners prior to the commencement of the presentation. Where the resources are available, use of electronic presentations should be encouraged.

We suggest, however, that the teacher use a marking rubric to assess the presentation.

### Report

A report is generally the written evidence of a survey, analysis or investigation. This will usually be shorter than a project and is specific to the topic, for example, a business has come to you for advice on whether the business is experiencing liquidity problems. Often it implies consulting with an expert for advice on some problem – therefore it links very closely with problem-solving.

Learners can also be asked to write a report after a field trip, for example after visiting a local factory.

### Suggestions

- This assessment task should be done in the first or third term.
- Learners can be divided in groups of two or three, or it can be done individually.
- The teacher should discuss the requirements and marking rubric with the learners when handing out the task.
- Learners can complete the presentation/report at home, but the teacher should monitor their progress.
- The minimum total for the presentation/report should be 50 marks.

*To the teacher:*

Included in this file are the following two reports:

### **1. Report on fixed assets**

This report should be done in the first term, but only after the learners have covered the section on fixed assets. It should be done in class individually, but learners can use their Learner's Book for reference.

### **2. Report on cost accounting/manufacturing**

This is a wonderful report as it gives the learners a lot more insight into the manufacturing process and helps them bring theory and practice together. Once they have done this report, the manufacturing accounts and calculations make sense because now they have pictures in their minds of what raw material and work-in-progress looks like.

Learners love to go on a field trip and this can actually be done in an hour, if you have a factory close to your school.

Give the assignment to the learners before they go on the field trip and let them decide beforehand who is going to ask which questions, so that they can gather all the information. This should be done in the third term – it can be done before or while they are busy with this section.

## Assessment task: Presentation

To be handed out to the learners

### Budgeting and Cost Accounting

Marks: 60

Time: 6 hours

Your uncle owns a business called Nice 'n Cool Suppliers that manufactures solar-powered fans. The business currently supplies fans to a number of stores across South Africa. Your uncle recently returned from a trade fair in America and has been approached by an American company that is interested in ordering 4 000 fans per month, starting in March 2016. Your uncle is very excited but is not too sure if it will be worth his while financially. He has asked you to help him decide whether to go ahead and accept the order.

He has already prepared a Cash Budget for the next three months (March to May 2016) for the South African market (this excludes the order from America). Your uncle would like you to prepare a Cash Budget for the next three months, which includes the overseas order. He is also particularly interested in what his options are for managing potential cash-flow problems, what the break-even point will be and the risks associated with taking on the order from America. He intends to make a decision regarding the new order, based on the information you provide.

#### Information

The Cash Budget excluding the order from America:

#### Nice 'n Cool Suppliers

##### Cash Budget for the period 1 March 2016 to 31 May 2016

	Mar 2016	Apr 2016	May 2016
<b>RECEIPTS</b>			
Cash sales	140 000	148 000	162 000
Cash from debtors	150 000	155 000	140 000
Interest on fixed deposit (500 000 × 8% × ¼)	–	10 000	–
<b>TOTAL RECEIPTS</b>	<b>290 000</b>	<b>313 000</b>	<b>302 000</b>
<b>PAYMENTS</b>			
Cash purchases of raw materials	21 000	22 200	24 300
Payments to creditors for raw materials	69 750	63 000	66 600
Production operating expenses	42 000	42 000	42 000
Production salaries	55 000	55 000	55 000
Manager's salary	15 000	15 000	15 000
Rent	18 000	18 000	18 000
Fixed deposit	–	–	250 000
<b>TOTAL PAYMENTS</b>	<b>220 750</b>	<b>215 200</b>	<b>470 900</b>
CASH SURPLUS/DEFICIT	69 250	97 800	(168 900)
BALANCE AT BEGINNING OF MONTH	123 800	193 050	290 850
<b>CASH ON HAND AT END OF MONTH</b>	<b>193 050</b>	<b>290 850</b>	<b>121 950</b>

	Actual		Budgeted		
	Jan	Feb	Mar	Apr	May
Sales	300 000	310 000	280 000	296 000	324 000
Purchase of raw materials	90 000	93 000	84 000	88 800	97 200

**The following information relates to the budget above:**

- The business sells the fans to local retailers at R120 each.
- The business maintains a fixed stock base of raw materials. In other words, at the end of each month the business buys an amount of raw materials equal to the amount used in the goods that were sold during that month.
- The business employs ten factory workers, who work directly in the production of the fans, at a salary of R5 500 each per month.

**The following information relates to the order from America:**

- Your uncle will need to employ a further eight factory workers to work on the production line. They will each be paid the same monthly salary of R5 500.
- An additional supervisor will have to be employed at a salary of R10 000 per month.
- The supplier of the raw materials has confirmed that he will be able to supply all the raw materials necessary to fulfil the order from America. He has also agreed to give a 5% trade discount on the total purchases if the order exceeds R125 000 per month. The payment terms will be the same as they are at present.
- You will need to rent extra space in order to produce the additional fans at a cost of R12 000 per month.
- It is estimated that the production operating expenses will increase by 30% per month.
- It will cost Nice 'n Cool Suppliers R20 per fan to transport them to America plus an additional charge of R4 per fan for insurance.
- The company in America is prepared to pay US\$20 for each fan and will settle their account within 60 days.
- Extra machinery will have to be bought (for cash) at a cost of R600 000.
- In order to finance the purchase of the extra machinery, Nice 'n Cool Suppliers intends to take out a loan at the beginning of March to the value of 80% of the cost of the machinery, at an interest rate of 18% per annum. The loan will need to be repaid in 12 equal monthly instalments starting on 31 March 2016.

**Required**

Complete the following in the form of a **written presentation**:

1. Complete a Cash Budget for the three-month period for the American order only. Assume that production will start in March 2016. You can use an exchange rate of US\$1 = R8.
2. Draw up a combined Cash Budget showing the amounts for local production plus the American order.
3. The combined Cash Budget indicates that the business will encounter cash-flow problems in March and April 2016. Provide your uncle with some advice by outlining various options that he could consider to overcome this cash-flow problem.
4. Determine the break-even point for the production over the three-month period March to May 2016 for:
  - the South African market
  - the American order.
5. Based on the budgets that you have prepared and your break-even point calculations, advise your uncle as to whether he should accept the American order or not.
6. Draw a table in which you outline some of the risks associated with the order from America and provide recommendations for controlling these risks.

**Assessment rubric**
**Name:**

Criteria	1	2	3	4	Mark achieved
Calculation and presentation of budget for the American order	Less than half the figures are correctly calculated and presented	Approximately half the figures are correctly calculated and presented	Most of the figures are correctly calculated and presented	All the figures are correctly calculated and presented	
<b>Marks</b>	<b>1–3</b>	<b>4–6</b>	<b>7–9</b>	<b>10–12</b>	
Calculation and presentation of combined budget	Less than half the figures are correctly calculated and presented	Approximately half the figures are correctly calculated and presented	Most of the figures are correctly calculated and presented	All the figures are correctly calculated and presented	
<b>Marks</b>	<b>1–2</b>	<b>3–4</b>	<b>5–6</b>	<b>7–8</b>	
Options to overcome cash-flow problem	Only one appropriate option provided	Two appropriate options provided	Three appropriate options provided	More than three appropriate options provided	
<b>Marks</b>	<b>1–2</b>	<b>3–4</b>	<b>5–6</b>	<b>7–8</b>	
Calculation of break-even point for the South African market	Less than half the figures are correctly calculated	Approximately half the figures are correctly calculated	Most of the figures are correctly calculated	All the figures are correctly calculated	
<b>Marks</b>	<b>1–2</b>	<b>3–4</b>	<b>5–6</b>	<b>7–8</b>	
Calculation of break-even point for the American order	Less than half the figures are correctly calculated	Approximately half the figures are correctly calculated	Most of the figures are correctly calculated	All the figures are correctly calculated	
<b>Marks</b>	<b>1–2</b>	<b>3–4</b>	<b>5–6</b>	<b>7–8</b>	
Advice on whether to accept the American order or not	Advice provided is inappropriate	Some appropriate advice is provided	Good advice is provided based on the figures presented	Excellent advice is provided based on the figures presented	
<b>Marks</b>	<b>1–2</b>	<b>3–4</b>	<b>5–6</b>	<b>7–8</b>	
Risks and recommendations for controlling risks	Only one appropriate risk and recommendation provided	Two appropriate risks and recommendations provided	Three appropriate risks and recommendations provided	More than three appropriate risks and recommendations provided	
<b>Marks</b>	<b>1–2</b>	<b>3–4</b>	<b>5–6</b>	<b>7–8</b>	
<b>Total</b>					<b>/60</b>

## Possible answers

For teacher's reference

### 1. Cash Budget for the American order only:

#### Nice 'n Cool Suppliers

#### Cash Budget for the period 1 March 2016 to 31 May 2016

	Mar 2016	Apr 2016	May 2016
<b>RECEIPTS</b>			
Cash sales	–	–	–
Cash from debtors [(\$20 × R8) × 4 000]	–	–	640 000
Loan (600 000 × 80%)	480 000	–	–
<b>TOTAL RECEIPTS</b>	<b>480 000</b>	<b>–</b>	<b>640 000</b>
<b>PAYMENTS</b>			
Cash purchases of raw materials (136 800 × 25%)	34 200	34 200	34 200
Payments to creditors for raw materials (136 800 × 75%)	–	102 600	102 600
Production operating expenses (42 000 × 30%)	12 600	12 600	12 600
Production salaries (5 500 × 8)	44 000	44 000	44 000
Manager's salary	10 000	10 000	10 000
Rent	12 000	12 000	12 000
Transport and insurance [(20 + 4) × 4 000]	96 000	96 000	96 000
Machinery	600 000	–	–
Loan instalments (480 000 ÷ 12)	40 000	40 000	40 000
Interest on loan	7 200	6 600	6 000
<b>TOTAL PAYMENTS</b>	<b>856 000</b>	<b>358 000</b>	<b>357 400</b>
<b>CASH SURPLUS/DEFICIT</b>	<b>(376 000)</b>	<b>(358 000)</b>	<b>282 600</b>
<b>BALANCE AT BEGINNING OF MONTH</b>		<b>(376 000)</b>	<b>(734 000)</b>
<b>CASH ON HAND AT END OF MONTH</b>	<b>(376 000)</b>	<b>(734 000)</b>	<b>(451 400)</b>

#### Calculations

- **Cash sales:** All sales to America are on credit.
- **Cash from debtors:** Sales for March 2016 will be received in May 2016.
- **Raw materials:**
  - Raw materials as a percentage of sales
 
$$= \frac{R90\,000}{R300\,000} \text{ or } \frac{R93\,000}{R310\,000} \text{ or } \frac{R84\,000}{R280\,000} \text{ etc.} = 30\%$$
  - Cost of raw materials per unit
 
$$= R120 \times 30\% = R36$$
  - Cost of raw materials per month
 
$$= (R36 \times 4\,000) \times 95\% = R144\,000 \times 95\% = R136\,800$$
  - % of raw materials purchased for cash
 
$$= \frac{R21\,000}{R84\,000} \text{ or } \frac{R22\,200}{R88\,800} \text{ or } \frac{R24\,300}{R97\,200} = 25\%$$
  - The supplier of raw materials is paid in the month following the purchase.

- **Interest on loan:** March:  $R480\,000 \times 18\% \times \frac{1}{12} = R7\,200$   
 April:  $(R480\,000 - R40\,000) \times 18\% \times \frac{1}{12} = R6\,600$   
 May:  $(R440\,000 - R40\,000) \times 18\% \times \frac{1}{12} = R6\,000$

## 2. Combined Cash Budget:

### Nice 'n Cool Suppliers

#### Cash Budget for the period 1 March 2016 to 31 May 2016

	Mar 2016	Apr 2016	May 2016
<b>RECEIPTS</b>			
Cash sales	140 000	148 000	162 000
Cash from debtors	150 000	155 000	780 000
Interest on fixed deposit	–	10 000	–
Loan	480 000	–	–
<b>TOTAL RECEIPTS</b>	<b>770 000</b>	<b>313 000</b>	<b>942 000</b>
<b>PAYMENTS</b>			
Cash purchases of raw materials *	54 150	55 290	57 285
Payments to creditors for raw materials *	69 750	162 450	165 870
Production operating expenses	54 600	54 600	54 600
Production salaries	99 000	99 000	99 000
Manager's salary	25 000	25 000	25 000
Rent	30 000	30 000	30 000
Fixed deposit	–	–	250 000
Transport and insurance	96 000	96 000	96 000
Machinery	600 000	–	–
Loan instalments	40 000	40 000	40 000
Interest on loan	7 200	6 600	6 000
<b>TOTAL PAYMENTS</b>	<b>1 075 700</b>	<b>568 940</b>	<b>823 755</b>
<b>CASH SURPLUS/DEFICIT</b>	<b>(305 700)</b>	<b>(255 940)</b>	<b>118 245</b>
<b>BALANCE AT BEGINNING OF MONTH</b>	<b>123 800</b>	<b>(181 900)</b>	<b>(437 840)</b>
<b>CASH ON HAND AT END OF MONTH</b>	<b>(181 900)</b>	<b>(437 840)</b>	<b>(319 595)</b>

\* The 5% trade discount received from the supplier of raw materials would now also apply to the raw materials purchased for the local production. This would not affect the payments to creditors for raw materials for March 2016, as this relates to the purchase of raw materials from February.

## 3. Options for overcoming the cash-flow problems in March and April 2016

- The business could take out an additional short-term loan for about R450 000 to R500 000, which should cover the business until May 2016, when the cash flow become positive again.
- If possible, the business should rather withdraw the funds from the existing fixed deposit (R500 000) at the beginning of March 2016. This should be enough to keep the business liquid during March and April 2016. The fixed deposit is earning interest at a rate of 8% p.a. while the interest rate for the short term loan is much higher (18% p.a.). The business would then also be in a position where it could borrow less to finance the machinery, which would result in lower loan repayments and lower interest payments.

- The business could request an overdraft facility from its bank of about R450 000 to R500 000 for a short term of about three months. If the business takes this option then it should not transfer the R250 000 to the fixed deposit in May, but rather use this amount to reduce the overdraft. The business should then be able to pay off the overdraft by the end of June 2016, when it receives the second payment from America.
- The business may be able to hire the extra machinery for the first few months and then purchase the machinery in May or June 2016, once its liquidity is more favourable.

#### 4. Break-even point for the production for March to May 2016

- **South African market**

$$\text{Total sales} = \text{R}280\,000 + 296\,000 + 324\,000 = \text{R}900\,000$$

$$\begin{aligned} \text{Total variable cost} &= \text{Raw materials} + \text{Production salaries} \\ &= (\text{R}84\,000 + 88\,800 + 97\,200) + (\text{R}55\,000 \times 3) \\ &= \text{R}270\,000 + 165\,000 \\ &= \text{R}435\,000 \end{aligned}$$

$$\begin{aligned} \text{Total fixed cost} &= \text{Production operating expenses} + \text{Manager's salary} + \text{Rent} \\ &= (\text{R}42\,000 + 15\,000 + 18\,000) \times 3 \\ &= \text{R}75\,000 \times 3 \\ &= \text{R}225\,000 \end{aligned}$$

$$\text{Total number of unit sold} = \frac{\text{R}900\,000}{\text{R}120} = 7\,500$$

$$\text{Variable cost per unit} = \frac{\text{R}435\,000}{7\,500} = \text{R}58,00$$

$$\begin{aligned} \text{Contribution} &= \text{Selling price per unit} - \text{Variable cost per unit} \\ &= \text{R}120 - 58 \\ &= \text{R}62 \end{aligned}$$

$$\text{Break-even point} = \frac{\text{Total fixed costs}}{\text{Contribution}} = \frac{\text{R}225\,000}{\text{R}62} \approx 3\,629 \text{ units}$$

- **American market**

$$\begin{aligned} \text{Total variable cost} &= \text{Raw materials} + \text{Production salaries} + \text{Transport \& insurance} \\ &= (\text{R}136\,800 + 44\,000 + 96\,000) \times 3 \\ &= \text{R}276\,800 \times 3 \\ &= \text{R}830\,400 \end{aligned}$$

$$\begin{aligned} \text{Total fixed cost} &= \text{Production operating expenses} + \text{Manager's salary} + \text{Rent} \\ &= (\text{R}12\,600 + 10\,000 + 12\,000) \times 3 \\ &= \text{R}34\,600 \times 3 \\ &= \text{R}103\,800 \end{aligned}$$

$$\text{Total number of unit sold} = 4\,000 \times 3 = 12\,000$$

$$\text{Variable cost per unit} = \frac{\text{R}830\,400}{12\,000} = \text{R}69,20$$

$$\begin{aligned} \text{Contribution} &= \text{Selling price per unit} - \text{Variable cost per unit} \\ &= R160,00 - 69,20 \\ &= R90,80 \end{aligned}$$

$$\text{Break-even point} = \frac{\text{Total fixed costs}}{\text{Contribution}} = \frac{R103\,800}{R90,80} \approx 1\,143 \text{ units}$$

### 5. Advice on whether to accept the American order or not

- I would advise my uncle to accept the order from America.
- It may cause cash-flow problems initially, yet it should generate a positive cash flow from the third month onwards.
- The break-even point is very low, so as long as the order is guaranteed for a reasonable number months, it should be a very profitable deal.
- He should consider the risks outlined in the table below and take the necessary steps to protect his business against these risks.
- The fans are solar-powered and thus use sustainable energy. Consumers in a country like America are becoming increasingly conscious about purchasing environmentally friendly products, so there is also good potential for growth in this market.

### 6. Risks associated with the American order and recommendations for controlling the risks

Risk	Recommendation for controlling the risk
Exchange rate fluctuations	This risk can be controlled by taking out insurance cover against a decrease in the exchange rate. However, there is a healthy profit margin and even if the exchange rate was to decrease to R7 to US\$1 it would still be profitable. This could also work in the business's favour if the exchange rate increases.
Goods damaged or lost in transit	This risk can be controlled by insuring the goods (this has already been included in the budget).
Increased transport and insurance costs	This risk could be controlled through a clause in the purchase agreement, which could provide that the business may increase the selling price should these cost increase beyond a certain amount. However, the American company would have to agree to this. Currently the transport and insurance only cost R24 per unit, so even if these costs increased by 50%, there is still ample margin to cover the additional R12 per unit cost.
Cancellation of the order	This risk could be controlled through a clause in the purchase agreement, which could provide that the American company is committed to the monthly order for a predetermined period. Due to the high profit margin, this period would only have to be three or four months for Nice 'n Cool Suppliers to cover their costs and make some profit. The business should also consider negotiating a cancellation clause in their lease agreement for the extra factory space and should also deal with this issue in their employment contracts with the additional factory workers and supervisor.

## Assessment task: Written report

To be handed out to the learners

### Manufacturing enterprises / Cost accounting

Marks: 50

Visit a local factory in your town. Then write a detailed report, including the following information:

#### 1. Background on business

- 1.1 Which type of business form is the business (sole enterprise, partnership, CC or company)?
- 1.2 How long has this factory been in the manufacturing business?
- 1.3 Do the cheap imports from China and other countries affect the business? (textile industries).

#### 2. Human Resources

- 2.1 How many employees does your business have and what are the different post descriptions (responsibilities)?
- 2.2 Which labour party (union) do the workers belong to and why?

#### 3. Ethical

- 3.1 What does the management of the business do to encourage ethical behaviour among its employees?
- 3.2 How often does the business pay VAT to SARS?

#### 4. Productivity

- 4.1 What do you do to increase productivity?
- 4.2 Do you have any control measure in place to prevent the wastage of raw materials?

#### 5. Explanation of costs in manufacturing

- 5.1 Give examples of direct costs in the manufacturing process at the factory.
- 5.2 Give two examples of indirect material costs at the factory.
- 5.3 Give a further two examples of manufacturing overheads.

#### 6. Cost calculations

How does your business determine the cost price of one article for a quotation, such as a rain jacket? Give a complete explanation and show all the calculations, up to the selling price of the article.

#### 7. Floor plan of the factory

Draw a flow diagram of the manufacturing process of a product in the factory. Is the layout of the factory effective, in your opinion?

#### INSTRUCTIONS:

1. The report should include an introduction and conclusion.
2. The length should be two to three pages.

Due date: .....

**Assessment rubric**
**Name:**

Criteria	1	2	3	4	5–6	Mark achieved
<b>Background on business</b>	Identify some key factors	Identify key factors	Identify and show understanding of key factors	Show an in-depth understanding of factors	Show an in-depth understanding of factors based on thorough research	
<b>Human Resources</b>	Identify some factors	Posts and labour union mentioned	Different posts and labour union described	Different posts and labour union described. Show understanding	Different posts excellent described. Show in-depth understanding of labour unions	
<b>Report on ethical conduct and VAT</b>	Basic understanding	/	Reasonable understanding	/	A complete report and understanding	
<b>Report on productivity and internal control over raw material</b>	Identify some key factors	Identify key factors	Identify and show understanding of key factors	Show an in-depth understanding of factors	Show an in-depth understanding of factors based on thorough research	
<b>Explanation of costs in manufacturing</b>	Have trouble giving examples	Basic understanding of different cost concepts	Reasonable understanding of cost concepts and mostly correct examples given	Good understanding of cost concepts and correct examples given	Excellent understanding of cost concepts and complete and correct examples given and explained	
<b>Cost calculations – determine the selling price of an article</b>	Struggle to give layout on how to determine selling price of product	Basic understanding on cost calculations of product	Reasonable understanding on cost calculations of product. Calculations mostly correct	Good understanding on cost calculations of product. Calculations correct	Excellent understanding and layout on cost calculations of product. Calculations correct	
<b>Flow diagram of factory layout and comments</b>	Incomplete flow diagram	Basic flow diagram	Reasonable flow diagram with comments	Complete flow diagram with comments	Excellent and complete flow diagram with comments that show insight	
<b>Introduction and conclusion</b>	Basic	Satisfactory	Good	Excellent	/	
<b>Quality of task</b>	Basic report	Satisfactory report	Good report	Excellent report. Uses pictures, graphs or tables	/	
<b>Total:</b>						<b>/50</b>

## Assessment task: Written report

To be handed out to the learners

### Control of fixed assets

Marks: 50

Read the following case study and answer the questions that follow in a report format.

Longhaul Carriers, owned by Jimmy Mavela, is a transport company that transports goods daily from Durban harbour to Johannesburg City. He started operating on 1 March 2018 with one truck, but later expanded and bought more trucks. He now owns three heavy-duty trucks and employs three drivers who work either day or night shifts. Jimmy's business is doing very well but he is concerned that not all of the trucks are profitable.

Consider the following information from his fixed asset register when you answer the questions.

FIXED ASSET REGISTER OF LONGHAUL CARRIERS			Truck 1
Description: Layland			
Date of purchase: 1 March 2018			
Purchased from: Maxim Heavy-Duty Trucks			
Cost: R180 000			
Depreciation: 20% on cost			
Date	Depreciation	Accumulated depreciation	Carrying value
28 February 2019	R36 000	R36 000	R144 000
29 February 2020	36 000	72 000	108 000
28 February 2021	36 000	108 000	72 000
28 February 2022	36 000	144 000	36 000

FIXED ASSET REGISTER OF LONGHAUL CARRIERS			Truck 2
Description: Bedford			
Date of purchase: 1 September 2018			
Purchased from: Fordright Motors			
Cost: R220 000			
Depreciation: 20% on cost			
Date	Depreciation	Accumulated depreciation	Carrying value
28 February 2019	R22 000	R22 000	R198 000
29 February 2020	44 000	66 000	154 000
28 February 2021	44 000	110 000	110 000
28 February 2022	44 000	154 000	66 000

TANGIBLE ASSET REGISTER OF LONGHAUL CARRIERS			Truck 3
<b>Description:</b> Scania <b>Date of purchase:</b> 1 July 2020 <b>Purchased from:</b> Benzhigh Trucking <b>Cost:</b> R300 000 <b>Depreciation:</b> 20% on cost			
Date	Depreciation	Accumulated depreciation	Carrying value
28 February 2021	R40 000	R40 000	R260 000
28 February 2022	60 000	100 000	200 000

#### Additional information

	Truck 1	Truck 2	Truck 3
<b>Name of driver</b>	Sibusizwe	Mike	Xholani
Average number of round trips made per week	4	7	6
Average number of hours each round trip takes	15	10	13
Drivers remuneration per round trip	R500	R450	R550
Income earned per round trip	R3 500	R4 250	R3 150
Average fuel and maintenance costs per round trip	R1 000	R1 650	R1 300
Fuel and maintenance costs per kilometre	R1,67	R2,75	R2,17



#### Questions

- The drivers carry a full load of goods to Johannesburg but return empty to Durban. Are the drivers receiving a fair remuneration (wage) for work done? Motivate by using calculations.
- Is Jimmy being fair towards his drivers with regards to number of hours worked and are they receiving a fair remuneration? Motivate by using calculations.  
(Find out what the required number of hours is as laid down by the Department of Labour in the Basic Conditions of Employment Act.)
- What can Jimmy do to maximise the earning potential on each trip?
- Consider the information above. Jimmy wants to know which truck is least profitable. Compile a report on the three trucks, quoting amounts in your report. Advise Jimmy as to which truck is least profitable and make recommendations on how to improve this.
- What advice would you give Jimmy so that he can maintain effective control over his trucks in the future?

## Assessment rubric for written report

*To be handed out to the learners*

Criteria	1	2	3	4	Mark achieved
<b>The drivers carry a full load of goods to Johannesburg but return empty to Durban. Are the drivers receiving a fair remuneration (wage) for work done? Motivate by using calculations.</b>	No concise reason give	A decision given but lacks conclusive evidence to support	A decision is made but not totally comprehensive decisions given	A clear decision given that is backed up by substantive information	
<b>Marks</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>8</b>	
<b>Is Jimmy being fair towards his drivers with regards to the number of hours worked?</b>	Fails to discuss the numbers of hours but makes comparisons between drivers	Aspects of the numbers of hours of the three drivers are discussed, but no calculations made	Discusses the three drivers motivated by using calculations on number of hours	Excellent decision showing great insight into the number of hours for each driver	
<b>Marks</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>8</b>	
<b>What can Jimmy do to maximise the earning potential on each trip?</b>	Fails to explain the what Jimmy can do	Gives sound advice but only touches on aspects of what Jimmy can do	Good discussion on what Jimmy can do	Excellent discussion on what Jimmy can do	
<b>Marks</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>8</b>	
<b>Advise Jimmy as to which truck is least profitable and make recommendations on how to improve this.</b>	Poor advice and recommendations given, indicates very little understanding of how to improve profitability	Aspects of good advice and recommendations given but lacks the understanding of how to improve profitability	Good advice and recommendations given and indicates an understanding of how to improve profitability	Excellent advice and recommendations given which indicates a good understanding of how to improve profitability	
<b>Marks</b>	<b>4</b>	<b>8</b>	<b>12</b>	<b>16</b>	
<b>What advice would you give Jimmy so that he can maintain effective control over his trucks in the future?</b>	Poor advice given indicates very little understanding of the control of the trucks	Aspects of good advice given indicates a lack of understanding of the control of the trucks	Good advice given indicates a good understanding of the control of the trucks	Excellent advice given which indicates a good understanding of the control of the trucks	
<b>Marks</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>10</b>	
<b>Total</b>					<b>/50</b>

## Possible answers

*For teacher's reference*

1. Considering that they only carry a load to Johannesburg, Jimmy is only earning an income for a one-way trip. However, their remuneration is for a round trip and they are not being compensated enough. They earn too little.

	Truck 1	Truck 2	Truck 3
Name of driver	Sibusizwe	Mike	Xholani
Remuneration × number of trips	R500 × 4 trips	R450 × 7	R550 × 6
Total remuneration	R2 000	R3 150	R3 300
Rate per hour	R33,33	R45,00	R63,46

2. No, their working hours are too long. They should only be working 40 hours per week. Jimmy is not treating his drivers fairly.

	Truck 1	Truck 2	Truck 3
Name of driver	Sibusizwe	Mike	Xholani
Average number of round trips made per week	4	7	6
Average number of hours each round trip takes	15	10	13
Number of hours per week	60 hours	70 hours	52 hours

3. Jimmy can negotiate with Johannesburg-based companies who perhaps want their goods transported to Durban or surrounding areas, so that the drivers carry cargo on their way back as well.

#### 4. Truck 1: Possible answers:

- Low running costs (fuel and maintenance): R1,67 per km
- His fuel and maintenance costs per trip is quite low (R1 000). He is efficient but not effective.
- He is taking longer to do a round trip (15 hours) so is driving slowly.
- He looks after his truck and therefore the maintenance costs are low.
- Much older truck, Jimmy should be happy with its condition.

#### Truck 2: Possible answers:

- High running costs (fuel and maintenance): R2,75 per km. Older truck, almost fully depreciated.
- Receives the most income per trip.
- Is doing more trips than any other driver and is thus speeding. This impacts on his fuel and maintenance costs per trip.
- This truck earns the most revenue for the business but Jimmy must be careful because the driver could get speeding fines and abuse the truck.
- Mike is being paid the least of the three drivers yet is working the hardest.

#### Truck 3: Possible answers:

- Probably the most efficient truck. Running costs (fuel and maintenance): R2,17 per km. The truck is new.
- The driver is doing a fair amount of trips within good time.
- His fuel and maintenance costs are moderate but he is bringing in the least income per trip.
- This truck is being under-utilised. This driver is paid the most.

5.
  - Don't allow drivers to use the trucks outside of business working hours.
  - No private use.
  - Monitor the fuel usage and determine why there are varying costs in fuel and maintenance costs.
  - Investigate the time taken to make a trip. Why are some drivers making more trips in a shorter space of time?
  - Investigate whether drivers are abusing the trucks by driving too fast.
  - Consider taking out a maintenance plan on the new truck.
  - Trade in older trucks where their running costs are high.

**Note to teacher**

For questions 4 and 5, accept any appropriate answer as long as it is backed up with amounts and a logical argument.

## 2. TESTS

Two tests, written under controlled conditions, are prescribed for Grade 10. These tests should adhere to the following:

- All classes in the same grade complete the tests on the same day.
- All learners write the same test and complete them under examination conditions.
- Questions must comply with year-end examination standards.
- Where there is more than one teacher, agreement must be reached on the scope, as well as the date and time of the test.
- Duration of each of these tests should be at least one hour.
- Total for the tests should be 100 marks.
- Tests should cover the different cognitive levels as in examinations.
- Tests should also include problem-solving questions.
- Test should cover a range of integrated topics.
- The two tests should be written in Terms 1 and 3.

The tests should cover some of the following topics:

### **Controlled test 1 – Term 1:**

- Reconciliations – bank reconciliation and creditors reconciliation
- Fixed assets – asset disposal
- Partnership – ledger accounts
- Ethics
- GAAP
- Internal control over cash, creditors and assets

### **Controlled test 2 – Term 3:**

- Ethics
- GAAP
- Internal control
- Cost accounting – calculating break-even point
- Manufacturing accounts
- Budgeting
- Inventory systems – periodic

## Assessment task: Controlled Test 1

### Fixed assets and Bank reconciliation

Accounting

Grade 11

Date: March

Total: 100 marks

Time: 1 hour

Active Sport Shop sells sports clothing and equipment, and the owner is Anke Malan. The business's financial year ends 28 February.



#### Question 1

(60 marks: 40 minutes)

Complete the following information with regards to the assets of Active Sport Shop, for the period 1 March 2019 to 29 February 2020.

#### Required

1. Calculate the balance of *Accumulated Depreciation on Vehicles* on 1 March 2019. (7)
  - 1.2 Prepare the following accounts in the General Ledger:
    - 1.2.1 Accumulated depreciation on equipment (17)
    - 1.2.2 Asset disposal (9)
  - 1.3 Prepare the note for fixed assets in the financial statements for the year ended 29 February 2020. (23)
  - 1.4 Anke is concerned that the marketing representative uses the vehicle over weekends for personal gain and is putting a lot of mileage on the car. Name two control measures she can put in place to prevent this. (4)

#### Information

On 1 March 2019 the following balances appeared in the books of Active Sport Shop:

	Fol.	Debit		Credit	
<b>Balance Sheet accounts</b>					
Land and buildings		450 000	00		
Vehicles		160 000	00		
Equipment		68 000	00		
Accumulated depreciation on vehicles				?	
Accumulated depreciation on equipment				21 000	00

Depreciation is calculated as follows:

- 20% per annum on vehicles on the diminished balance
- 15% per annum on equipment on the cost price.

#### Accumulated depreciation on vehicles:

Vehicles consist of the following:

- Toyota Venture purchased on 1 September 2016 for R60 000 – used for delivery purposes
- Toyota Tazz purchased on 1 March 2017 for R100 000 – used by the marketing representative

All depreciation on vehicles was brought up to date up to 28 February 2019.

### Transactions for the year:

2019

01 Jun A store room was built at a total cost of R80 000.

31 Oct Sold one printer to an employee for R300 cash. The cost price of the printer was R2 600 and accumulated depreciation on 1 March 2019 amounted to R1 200.

01 Nov Purchase a new printer for cash, R3 000.



### Question 2

(40 marks: 20 minutes)

Active Sport Shop has a bank account with NBO Bank.

### Required

- 2.1 Do the additional entries in the cash journals of Active Sport Shop on 30 June 2020. (24)
- 2.2 Prepare and balance the *Bank* account in the General Ledger. (5)
- 2.3 Prepare the Bank Reconciliation Statement on 30 June 2020. (11)

### Information

#### Active Sport Shop

#### Bank Reconciliation Statement on 31 May 2020

	Fol.	Debit		Credit	
Credit balance according to bank statement				874	00
Credit outstanding deposit				2 620	00
Debit cheques not presented for payment:					
No. 187		340	00		
No. 304		1 560	00		
No. 305		2 649	00		
Credit balance according to <i>Bank</i> account				1 055	00

The totals of the bank columns in the Cash Journals on 31 May 2020, before doing the additional entries:

#### Cash Receipts Journal

Bank           R24 932

#### Cash Payments Journal

Bank           R29 200

A comparison of the Cash Journals and the Bank Reconciliation Statement with the June bank statement revealed the following differences:

- The following items appeared only in the bank statement: interest on bank overdraft, R128; service fees, R56; cash handling levy, R34.
- Of the cheques outstanding on 31 May 2020, cheque numbers 187 and 305 were still outstanding on 30 June 2020.
  - Cheque no. 187 had been issued to DK Cycle Club as a donation on 4 December 2019.
  - Cheque no. 305 had been issued to AB Furnishers for equipment that still need to be delivered and was dated 1 July 2020.
- The deposit of R2 620 outstanding on 31 May 2020 was credited on the bank statement on 1 June 2020.
- A deposit of R3 080 made on 30 June 2020 did not appear on the June bank statement.
- A cheque in favour of KC Distributors, a creditor, had been recorded incorrectly in the CPJ as R1 590 instead of R1 950. The adjustment for the error must be made.

- A cheque drawn by a debtor, P Pienaar, for R500 in settlement of debt of R520, has been dishonoured by the bank due to insufficient funds.
- Cheque no. 403 (dated 28 June 2020) for R800 and cheque no. 404 (dated 30 June 2020) for R372, drawn by the business during June 2020, had not been presented for payment.
- A stop order payment was made by the bank in favour of Star Insurers for R580 for the business's insurance.
- A tenant, L Joubert, had deposited her July rent of R1 000 directly into the bank account.
- The bank statement reflected an overdrawn balance of R4 900 on 30 June 2020.

**Assessment task: Controlled Test 1 Answer Sheet**  
**Fixed assets and Bank reconciliation**

**Accounting**  
**Grade 11**  
**Date: March**

**Total: 100 marks**  
**Time: 1 hour**

**» Question 1**

(60 marks: 40 minutes)

1.1 Calculate the balance of *Accumulated Depreciation on Vehicles* on 1 March 2019

Time line: Toyota Venture

Time line: Tazz

Balance on 1 March 2009

	7
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1.2.1

**General Ledger of Active Sport Shop**

**Accumulated Depreciation on Equipment**

Date	Details	Fol.	Amount	Date	Details	Fol.	Amount

	17
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1.2.2

Asset Disposal

Date	Details	Fol.	Amount	Date	Details	Fol.	Amount

	9
--	---

**CALCULATIONS**

*Calculations: Depreciation on equipment*

*Calculations: Depreciation on vehicles on 29 February 2020*

1.3

**NOTES TO THE FINANCIAL STATEMENTS AT**

**FIXED / TANGIBLE ASSETS**

	Land and buildings	Vehicles	Equipment
Carrying value at beginning of year			
Cost			
Accumulated depreciation			
Movements			
Additions			
Disposals at carrying value			
Depreciation			
Carrying value at end of year			
Cost			
Accumulated depreciation			

	23
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1.4 Name two control measures she can put in place to prevent this.


	<b>4</b>
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**» Question 2**

(40 marks: 20 minutes)

**2.1 Cash Receipts Journal of Active Sport Shop for June 2020**

**CRJ**

Doc. no.	Day	Details	Fol.	Bank		Sundry accounts	
						Amount	Details
	30	Totals					

**Cash Payments Journal of Active Sport Shop for June 2020**

**CPJ**

Doc. no.	Day	Name of payee	Fol.	Bank		Debtors control	Sundry accounts	
							Amount	Details
	30	Totals						

	<b>24</b>
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# ASSESSMENT TASK: CONTROLLED TEST 1 MEMORANDUM

## Fixed assets and Bank reconciliation

Accounting  
Grade 11  
Date: March

Total: 100 marks  
Time: 1 hour



### Question 1

(60 marks: 40 minutes)

1.1

Calculate the balance of *Accumulated Depreciation on Vehicles* on 1 March 2009

Time line: Toyota Venture

01/09/16	28/02/17	28/02/18	28/02/19
	$R60\,000 \times 20\% \times \frac{6}{12}$ = R6 000 ✓	$R54\,000 \times 20\%$ = R10 800 ✓	$R43\,200 \times 20\%$ = R8 640 ✓

Time line: Tazz

01/03/17	28/02/18	28/02/19
	$R100\,000 \times 20\%$ = R20 000 ✓	$R80\,000 \times 20\%$ = R16 000 ✓

Balance on 1 March 2019

$$R6\,000 + 10\,800 + 8\,640 + 20\,000 + 16\,000 = R61\,440 \checkmark\checkmark$$

7

1.2.1

### General Ledger of Active Sport Shop

#### Accumulated Depreciation on Equipment

Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
2019 Oct 31	Asset disposal ✓		✓✓✓ 1 460 00	2019 Mar 01	Balance	b/d	✓ 21 000 00
	Balance	c/d	✓ 19 800 00	Oct 31	Depreciation ✓		✓✓ 260 00
			<b>21 260 00</b>				<b>21 260 00</b>
				Nov 01	Balance	b/d	✓ 19 800 00
				2020 Feb ✓ 29	Depreciation ✓		✓✓✓✓ 9 960 00
							✓ 29 760 00

17

## 1.2.2

## Asset Disposal

Date		Details	Fol.	Amount	Date		Details	Fol.	Amount				
2019	Oct	31	Equipment ✓		✓ 2 600	00	2019	Oct	31	Accum. Deprec. on equipment ✓		✓ 1 460	00
										Bank ✓		✓ 300	00
										Loss with asset disposal ✓		✓✓ 840	00
					<b>2 600</b>	<b>00</b>						<b>2 600</b>	<b>00</b>

	9
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**CALCULATIONS**

*Calculations: Depreciation on equipment*

Sold equipment

$$R2\ 600 \times 15\% \times \frac{8}{12} = R260$$

Old equipment

$$(R68\ 000 - 2\ 600) \times 15\% = R9\ 810$$

New equipment

$$R3\ 000 \times 15\% \times \frac{4}{12} = R150$$

*Calculations: Depreciation on vehicles on 29 February 2020*

$$R98\ 560 \times 20\% = R19\ 712$$

## 1.3

**ACTIVE SPORT SHOP****NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2020****FIXED / TANGIBLE ASSETS**

	Land and buildings	Vehicles	Equipment
Carrying value at beginning of year	450 000	✓ 98 560	✓ 47 000
Cost	✓ 450 000	✓ 160 000	✓ 68 000
Accumulated depreciation		✓ (61 440)	✓ (21 000)
Movements			
Additions	✓ 80 000		✓ 3 000
Disposals at carrying value			✓✓ (1 140)
Depreciation		✓✓ (19 712)	✓✓ (10 220)
Carrying value at end of year	530 000	✓ 78 848	✓ 38 640
Cost	✓ 530 000	✓ 160 000	✓✓ 68 400
Accumulated depreciation		✓ (81 152)	✓ (29 760)

	23
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1.4 Name two control measures she can put in place to prevent this.

*The person driving the car should keep a log book and write down the kilometres and destination. ✓✓*

*The car should rather be parked on the business premises over weekends. ✓✓*

*The driver should sign a contract that the car will only be used for work purposes. ✓✓*

*(two marks ×2)*

4

» **Question 2**

(40 marks: 20 minutes)

**2.1 Cash Receipts Journal of Active Sport Shop for June 2020**

**CRJ**

Doc. no.	Day	Details	Fol.	Bank		Sundry accounts	
						Amount	Details
	30	Totals		✓ 24 932	00		
BS		DK Cycle Club (cheque stale)		✓ 340	00	✓ 340	00 Donation ✓
BS		L. Joubert		✓ 1 000	00	✓ 1 000	00 Rent income ✓
				<b>2 600</b>	<b>00</b>		

(7)

**Cash Payments Journal of Active Sport Shop for June 2020**

**CPJ**

Doc. no.	Day	Name of payee	Fol.	Bank		Debtors control	Sundry accounts	
							Amount	Details
	30	Totals		✓ 29 200	00			
BS		NBO Bank		✓ 128	00		✓ 128	00 Interest on overdraft ✓
		NBO Bank		✓ 90	00		✓ 90	00 Bank charges ✓
		KC Distributors (cheque incorrect)		✓✓ 360	00		✓ 360	00 Creditors control ✓
		P Pienaar (Cheque dishonoured)		✓ 500	00	✓✓ 500	00	
		Star Insurers		✓ 580	00		✓ 580	00 Insurance ✓
				<b>30 858</b>	<b>00</b>			

(17)

24

2.2

## General Ledger of Active Sport Shop

Dr		Bank account						Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2020 Jun	30	Total receipts	CRJ	✓ 26 272	00	2020 Jun	01	Balance		✓ 1 055	00
		Balance	c/d	✓ 5 641	00		30	Total payments	CPJ	✓ 30 858	00
				<b>31 913</b>	<b>00</b>					<b>31 913</b>	<b>00</b>
						2020 Jul	01	Balance	b/d	✓ 5 641	00

	5
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2.3

### Active Sport Shop

#### Bank Reconciliation Statement on 30 June 2020

	Fol.	Debit		Credit	
Debit balance according to bank statement		✓✓ 4 900	00		
Credit outstanding deposit				✓✓ 3 080	00
Debit cheques not presented for payment:					
No. 305		✓✓ 2 649	00		
No. 403		✓✓ 800	00		
No. 404		✓✓ 372	00		
Credit balance according to <i>Bank</i> account				✓ 5 641	00
		<b>8 721</b>	<b>00</b>	<b>8 721</b>	<b>00</b>

	11
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## Assessment Task: Controlled Test 2

### Inventory systems and Cost accounting

Accounting  
Grade 11  
Date: September

Total: 100 marks  
Time: 1 hour



#### Question 1

(46 marks: 25 minutes)

The following information applies to Rozanne Traders, with owner Rozanne Cunningham. They use a mark up of 50% on cost price and keep their books according to the periodic inventory system.

#### Required

- 1.1 Prepare the following accounts in the General Ledger on 28 February 2017. Balance / close off the accounts on 28 February 2017, the end of the accounting period.
  - 1.1.1 Purchases (14)
  - 1.1.2 Trading account (16)
- 1.2 Rozanne Traders use a mark-up percentage of 50% on cost price when determining the selling price of their goods.
  - 1.2.1 Calculate the actual mark-up percentage achieved during the accounting period. (6)
  - 1.2.2 Give two possible reasons why she did not achieve the mark-up percentage of 50%. (4)
  - 1.2.3 Supply Rozanne with three steps on how she can audit purchases, in order to ensure that they are correctly recorded. (6)

#### Information

##### Extract from the Pre-adjustment Trial Balance on 28 February 2017

Trading stock (1 March 2016)	R104 200
Purchases	R846 120
Sales	R1 231 358
Debtors allowances	R8 790
Carriage on purchases	R8 970
Delivery costs to customers	R3 870

#### Adjustments and additional information

- Stock with a cost price of R2 420 was donated to a local retirement home on 23 February 2017, but not yet recorded.
- Stock costing R16 020 was returned to a creditor. This transaction has not yet been recorded.
- An invoice received from Speedy Transport on 28 February 2017 was not recorded in the books:
  - Stock delivered to Rozanne Traders R690
  - Goods delivered to customers R380
- On 26 February 2017, the owner withdrew merchandise for her own use at cost price. However, the temporary bookkeeper debited *Drawings* and credited *Sales* with the selling price of R1 335. Correct the error.
- Physical stock take shows the value of stock on 28 February 2017 as R97 500.



## Question 2

(54 marks: 35 minutes)

Pegasus Traders are manufacturers of a specific type of wetsuit. A wetsuit is sold for R1 280 each.

### Required

- 2.1 Use the given information to prepare the following accounts in the General Ledger for the period 1 March 2016 to 28 February 2017, the end of the financial period:
  - 2.1.1 Work-in-progress (13)
  - 2.1.2 Finished goods (5)
  - 2.1.3 Factory overheads (18)
  - 2.1.4 Salaries (7)
- 2.2 Calculate Pegasus Traders' break-even point for the past year if the fixed costs for the year amounted to R457 550 and the variable cost per wetsuit is R750. (6)
- 2.3 Did Pegasus Traders sell enough wetsuits during the financial year to be profitable? (5)

### Information

The following partially completed accounts appeared in the General Ledger:

Dr		Raw Material Stock				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2016					2017				
Mar	01	Balance	b/d	32 640 00	Feb	28	Raw materials issued		?
		Bank		120 400 00			Balance	c/d	41 680 00
		Creditors control		245 600 00					
				<b>398 640 00</b>					<b>398 640 00</b>
2017									
Mar	01	Balance	b/d	41 680 00					

Dr		Work-in-progress				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2016					2017				
Mar	01	Balance	b/d	48 700 00	Feb	28	?		?
		?					Balance	c/d	41 200 00
		?							
		?							
				<b>?</b>					<b>?</b>
2017									
Mar	01	Balance	b/d	41 200 00					

Dr		Finished Goods Stock				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2016					2017				
Mar	01	Balance	b/d	64 100 00	Feb	28	?		?
		?		?			Balance	c/d	70 300 00
				<b>?</b>					<b>?</b>
2017									
Mar	01	Balance	b/d	70 300 00					

Dr		Indirect Material						Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2016		Consumable stores on hand		3 560	00	2017					
Mar	01					Feb	28	?			?
2017		Bank		12 450	00			Consumable stores on hand		2 910	00
Feb	28										
				<b>16 010</b>	<b>00</b>					<b>16 010</b>	<b>00</b>

### Additional information

Totals and balances on 28 February 2017	Fol.	R		R	
Wages				393 600	00
Machine operators manufacturing the wetsuits		345 600	00		
Cutters of wetsuit material		48 000	00		
Salaries				352 400	00
Factory foreman's salary		37 200	00		
Secretary's salary		64 800	00		
Fixed salary of marketing personnel		50 400	00		
Salaries of management		200 000	00		
Commission paid to marketing personnel				40 600	00
Depreciation				21 910	00
On factory plant		14 800	00		
On office equipment		1 700	00		
On vehicles		5 410	00		
Factory maintenance				7 410	00
Insurance				11 400	00
Factory		7 200	00		
Offices		2 520	00		
Vehicles		1 680	00		
Sundry administrative expenses				15 640	00
Rent expense				84 000	00
Factory		67 200	00		
Offices		16 800	00		
Water and electricity				9 180	00
Factory		7 440	00		
Offices		1 740	00		
Sales (R1 280 per wetsuit)				1 448 960	00

## Assessment task: Controlled Test 2 Answer Sheet

### Inventory systems and Cost accounting

Accounting  
Grade 11  
Date: September

Total: 100 marks  
Time: 1 hour



#### Question 1

(46 marks: 25 minutes)

1.1.1

#### General Ledger of Rozanne Traders

Dr				Purchases				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017						2017					
Feb	28					Feb	28				

	14
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1.1.2

Dr				Trading account				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017						2017					
Feb	28					Feb	28				

	16
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1.2.1 Calculate the actual mark-up percentage achieved during the accounting period.

Cost price = \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

	6
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1.2.2 Give two possible reasons why she did not achieve the mark-up percentage of 50%.

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	<b>4</b>
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1.2.3 Supply Rozanne with three steps on how she can audit purchases, in order to ensure that they are correctly recorded.

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	<b>6</b>
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**» Question 2**

(54 marks: 35 minutes)

2.1.1

**General Ledger of Pegasus Traders**

Dr				Work-in-progress				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2016						2017					
Mar	01	Balance	b/d	48 700	00	Feb	28				
2017								Balance	c/d	41 200	00
Feb	28										
2017											
Mar	01	Balance	b/d	41 200	00						

	<b>13</b>
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2.2 Calculate Pegasus Traders' break-even point for the past year if the fixed costs for the year amounted to R457 550 and the variable cost per wetsuit is R750.

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	6
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2.3 Did Pegasus Traders sell enough wetsuits during the financial year to be profitable?

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	5
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**Assessment task: Controlled Test 2 Memorandum**  
**Inventory systems and Cost accounting**

Accounting  
 Grade 11  
 Date: September

**Total: 100 marks**  
**Time: 1 hour**



**Question 1**

(46 marks: 25 minutes)

1.1.1 **General Ledger of Rozanne Traders**

Dr				Purchases				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 Feb	28	Balance	b/d	✓ 846 120	00	2017 Feb	28	Donations ✓		✓✓ 2 420	00
								Drawings ✓		✓✓✓ 890	00
								Creditors allowances ✓		✓✓ 16 020	00
								Trading account ✓		✓✓ 826 790	00
				<b>846 120</b>	<b>00</b>					<b>846 120</b>	<b>00</b>

	<b>14</b>
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1.1.2

Dr				Trading account				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 Feb	28	Opening stock ✓		✓ 104 200	00	2017 Feb	28	Sales (1 231 358 – 1 335 – 8 790) ✓		✓✓✓ 1 221 233	00
		Purchases ✓✓		826 790	00			Closing stock ✓		✓ 97 500	00
		Carriage on purchases (8 970 + 690) ✓		✓✓✓ 9 660	00						
		Profit and loss ✓✓		378 083	00						
				<b>1 318 733</b>	<b>00</b>					<b>1 318 733</b>	<b>00</b>

	<b>16</b>
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1.2.1 Calculate the actual mark-up percentage achieved during the accounting period.

$$\text{Cost price} = R1\,222\,568 - 379\,418 = R843\,150 \checkmark\checkmark\checkmark$$

$$\text{OR Cost price} = R104\,200 + 826\,790 + 9\,660 - 97\,500 = R843\,150$$

Percentage profit mark-up:

$$= \frac{378\,083 \checkmark}{843\,150 \checkmark} \times \frac{100}{1}$$

$$= 44,8\% \checkmark$$

	<b>6</b>
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1.2.2 Give two possible reasons why she did not achieve the mark-up percentage of 50%.

*Control over stock not satisfactory – mistakes are being made*

*when the stock is counted or entered in the books. ✓✓*

*Stock is stolen. ✓✓*

*Sales at a lower profit mark-up take place. ✓✓*

*Any acceptable answer (2 × 2)*

4

1.2.3 Supply Rozanne with three steps on how she can audit purchases, in order to ensure that they are correctly recorded.

*Check that the amount of purchases in the ledger agrees with those in the journals. ✓✓*

*Select purchases from the journals and verify these against the source documents. ✓✓*

*Check whether the source documents agree with delivery notes and prices. ✓✓*

*Any accepted answer (3 × 2)*

6

» **Question 2**

(54 marks: 35 minutes)

2.1.1

**General Ledger of Pegasus Traders**

Dr		Work-in-progress				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2016					2017				
Mar	01	Balance	b/d	48 700 00	Feb	28	Finished goods stock ✓		✓✓ 912 410 00
2017									
Feb	28	Direct material costs ✓		✓✓✓ 356 960 00			Balance	c/d	✓ 41 200 00
		Direct labour costs ✓		✓✓ 393 600 00					
		Factory overheads ✓		✓ 154 350 00					
				<b>953 610 00</b>					<b>953 610 00</b>
2017									
Mar	01	Balance	b/d	41 200 00					

13

## 2.1.2

Dr		Finished Goods Stock						Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2016	01	Balance	b/d	64 100	00	2017	28	Cost of sales ✓		✓✓ 906 210	00
2017	28	Work in progress ✓		✓ 912 410	00			Balance	c/d	70 300	00
				<b>976 510</b>	<b>00</b>					<b>976 510</b>	<b>00</b>
2017	01	Balance	b/d	70 300	00						

	5
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## 2.1.3

Dr		Factory Overheads						Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017	28	Indirect material ✓		✓✓ 13 100	00	2017	28	Work-in-progress ✓		✓✓ 154 350	00
		Salaries ✓		✓ 37 200	00						
		Depreciation ✓		✓ 14 800	00						
		Maintenance ✓		✓ 7 410	00						
		Insurance ✓		✓ 7 200	00						
		Rent expense ✓		✓ 67 200	00						
		Water and electricity ✓		✓ 7 440	00						
				<b>154 350</b>	<b>00</b>					<b>154 350</b>	<b>00</b>

	18
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## 2.1.4

Dr		Salaries						Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017	28	Balance	b/d	✓ 352 400	00	2017	28	Factory overheads ✓		✓ 37 200	00
								Administration costs ✓		✓ 264 800	00
								Sales and distribution costs ✓		✓ 50 400	00
				<b>352 400</b>	<b>00</b>					<b>352 400</b>	<b>00</b>

2.2 Calculate Pegasus Traders' break-even point for the past year if the fixed costs for the year amounted to R457 550 and the variable cost per wetsuit is R750.

Contribution per unit

$$R1\ 280 \checkmark - 750 \checkmark = R530 \checkmark$$

Break-even point

$$= \frac{\text{Fixed costs}}{\text{Contribution per unit}}$$

$$= \frac{R457\ 550 \checkmark}{530 \checkmark}$$

$$= 863,3 \text{ units } \checkmark$$

2.3 Did Pegasus Traders sell enough wetsuits during the financial year to be profitable?

$$\frac{\text{Sales}}{\text{Sales price}} = \frac{R1\ 448\ 960 \checkmark}{R1\ 280 \checkmark} = R1\ 132 \checkmark$$

*They need to manufacture 864 units to break even, and they have*

*sold 1 132 wetsuits. ✓*

*Pegasus sold enough wetsuits to be profitable. ✓*

### 3. PROJECTS

The project is mandatory and only one project is recommended. When preparing a project, consider the following minimum requirements:

- Learners should be given the necessary guidance prior to commencement of the project and progress must be monitored.
- Aspects of the project should be completed in class to enable the teacher to monitor progress.
- All criteria used to assess a project must be discussed with the learners.
- Generally, projects are given a longer period of time as they involve some sort of research, consolidation and selection of relevant information, and the preparation of a written document as evidence.
- Often projects can be around some form of problem.
- Research may form part of the project – the project is evidence of the research conducted. However, this is not always the case. For example, the computerised accounting programme will not involve research but rather develop skills.

#### **Suggestions**

- The project should be handed out and discussed with learners towards the end of the first term.
- Projects are to be handed in during the second term.
- The teacher should monitor progress during the term.

#### **Notes to teacher**

Even though budgets are only covered in the third term, the project on budgets can be done in the second term. It is an interesting way for the learners to find out more about this topic themselves. This is a very useful and practical task and I have often had parents thanking me after their children did this task, as it makes them realise how expensive it is to study and that they can actually get a bursary if they work hard. Option 2 gets them thinking on what they want to do after school and what their options are.

Hand out both options to the learners and let them choose which one they want to use.

This task should be handed out and discussed with the learners in Term 1, to be handed in during the Term 2. It can be done in conjunction with Life Orientation.

**Budgets**

**Accounting Grade 11  
Assignment**

**Total: 50 marks**

Describe how you will finance your studies for at least three years after Grade 12.

In the project you must refer to the following:

- Cost of studies: include the cost of specific course, books, etc.
- Motivate which method of accommodation is the best option:
  - To stay at a hostel
  - To rent a flat

Include the cost of accommodation, meals, etc.

- Draw up a personal monthly budget, showing your income and expenditure. Include the following items:
  - Essential expenditure
  - Inessential expenditure, e.g. stationery, recreation, entertainment

Give an explanation why each of these expenses is necessary.

- List at least two financial options e.g. loans (show how the loan will be paid back), bursaries (show bursaries available for your specific course), etc.

**Project requirements**

- Must have a front page, a table of contents and bibliography.
- Must consist of a minimum of FOUR typed or SIX written A4 pages.
- Must be stapled neatly; no need to bind it in a special way. No flip files.
- Must staple this page to your project. You will be penalised if you lose this page.
- It must be your own work.

<p><b>Name:</b> .....</p> <p><b>Due date:</b> .....</p>
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## Assessment rubric – Option 1

Criteria	1	2	3–4	5–6	Mark achieved
Information regarding the cost of the course of study	Information given, but incomplete	Reasonable explanation of the cost of the course of study	Good explanation of the cost of the course of study	Excellent presentation on the cost of the course of study	
Method of accommodation	Only some of the options mentioned	Reasonable explanation of the different options of method of accommodation	Good explanation of the different options of method of accommodation	Excellent explanation and comparison made of the different options of method of accommodation. Good conclusion made	
Personal monthly budget	Only concepts of budgeting mentioned	Content is partly relevant – insight lacking	Understanding of budgeting – some insight evident	Evidence of insight and understanding of budgeting. Essential and inessential expenses defined, shown and explained. Theory and real world practices	
Finance options/ Bursaries	Only one finance option mentioned.	Two finance options mentioned	Different finance options/bursaries mentioned and described.	Different finance options/bursaries described, explained, compared and repayment methods discussed. Conclusion made.	
General guidelines	The requirements have not been met.	One or two of the requirements are fulfilled.	Half of the requirements have been met.	The requirements are fully fulfilled.	
Quality of research	Used info from only one source	Used half of the available sources	Used most of the available sources	Used all available sources; newspapers, magazines, publications, interviews, Internet reference books	
Technical quality	Bad technical presentation, untidy. Little effort	An attempt has been made. Neat but shortcoming still exists	Good presentation, make full use of available sources	Excellent presentation, technically well prepared. Lots of effort has been made; impressive final product	
Originality / creativity	No effort / average presentation with little effort	Standard presentation. An attempt has been made for a creative presentation.	Original and creative presentation	Extremely original and creative. Made use of different ways and techniques to make the presentation interesting.	
Due date				Handed in on time: 2 marks	
<b>Total:</b>					<b>/50</b>

**Budgets**

Accounting Grade 11  
Assignment

Total: 50 marks

You are an independent young individual living on your own.

Find a job in the local newspaper that you think you might obtain when you leave school / university / college. Note the salary and whether there is a company pension scheme.

- Use a list of current tax tables to find out what you would have to pay in tax each month.
- You need to research the Department of Labour to ascertain what your statutory deductions would be.
- If the job does or does not provide a pension fund, find out what other ways you can provide for your retirement.

**Required**

- Make out a personal monthly budget, showing your income and expenditure. Include the following items:  
Net income, essential expenditure, inessential expenditure, savings
- Explain the meaning of the above-mentioned items.
- Also explain in full why you have chosen to plan your budget in this way. Describe how budgeting and financial planning can help you make better use of your income.
- If you have chosen to save or invest, calculate or indicate what your savings or investment will be worth after 20 years.
- You could illustrate your essential and non-essential expenditure with bar charts.
- Include the advertisement in your project.

**Project requirements**

- Must have a front page, a table of contents and bibliography.
- Must consist of a minimum of FOUR typed or SIX written A4 pages.
- Must be stapled neatly; no need to bind it in a special way. No flip files.
- Must staple this page to your project. You will be penalised if you lose this page.
- It must be your **own work**.

<p><b>Name:</b> .....</p> <p><b>Due date:</b> .....</p>
---

## Assessment rubric – Option 2

Criteria	1	2	3	4–5	Mark achieved
<b>General guidelines</b>	The requirements have not been met. No introduction. Handed in late.	One or two of the requirements are fulfilled. Little effort made in introducing the topic. Handed in two days late.	Half of the requirements have been met. An adequate explanation given. Handed in one day late.	The requirements are fully fulfilled. A brief synopsis of project given, type of job, job description, salary, pension fund. Handed in on time.	
<b>Calculation of net income</b>	Only net amount is reflected	A tax and statutory deductions are evident	Correct tax deduction and evidence of some statutory deductions taken into account in calculations	Correct tax deduction and evidence of all statutory deductions taken into account in calculations	
<b>Essential expenditure</b>	No mention made	Only 1 or 2 essential items mentioned	Only essential items chosen is mentioned	A detailed explanation given of essential items chosen and why it is important	
<b>Inessential expenditure</b>	No mention made	Only 1 or 2 inessential items mentioned	Only inessential items chosen is mentioned	A detailed explanation given of inessential items chosen and why it is important	
<b>Savings</b>	No mention made	Only an explanation given on savings	An explanation given why savings are important	A detail explanation given why savings are important, stressing SA policy on savings	
<b>Budgeting and financial planning</b>	Only concepts of budgeting and financial planning mentioned	Content is partly relevant – insight lacking	Understanding of budgeting and financial planning – some insight evident	Evidence of insight and understanding of budgeting and the importance of financial planning. Theory and real world practices.	
<b>Calculations of savings or investment</b>	No calculation given	Only amount worth in 20 years time given	Partly correct calculation done	Correct calculation – what will be worth in 20 years time	
<b>Quality of research and content</b>	Used info from only one source Partly copied directly from sources; insight lacking	Used half of the available sources Relevant content shows good insight, area of research well covered.	Used most of the available sources Relevant and well researched presentation; demonstrates good insight	Used all available sources; newspapers, magazines, publications, interviews, Internet reference books. In-depth presentation pertaining to real world practice; shown of insight into relationship between subject theory and real world practice	
<b>Technical quality</b>	Bad technical presentation, untidy. Little effort	An attempt has been made. Neat but shortcomings still exist	Good presentation, make full use of available sources	Excellent presentation, technically well prepared. Lots of effort has been made; impressive final product	
<b>Due date. Handed in:</b>	More than 2 days late	2 days late	1 day late	on time	
<b>Total:</b>					<b>/50</b>

## 4. EXAMINATIONS

### Step-by-step process on how to set up an examination paper

**Step 1** Know the total value of the examination paper:

For mid-year examinations

	Number of papers	Time allocation	Marks	Topics
Grade 10	1	2 hours	200 marks	In proportion to time devoted to each topic (as indicated in the work schedule)
Grade 11	1	3 hours	300 marks	
Grade 12	1	3 hours	300 marks	

For trial examination (Grade 12 only)

	Number of papers	Time allocation	Marks	Topics
Grade 12	1	3 hours	300 marks	Full scope

Final examination

	Number of papers	Time allocation	Marks	Topics
Grade 10	1	3 hours	300 marks	Full scope Externally set
Grade 11	1	3 hours	300 marks	
Grade 12	1	3 hours	300 marks	

**Step 2** Know the content that is stipulated for the grade you are setting the examination paper for:

Content stipulated specifically for the grade	80%
Content stipulated in previous grades, which impacts on the assessment of subsequent grades	20%

For example, when setting a Grade 11 examination paper, 80% must be examined on Grade 11 work and the other 20% on Grade 10 work (only the work that impacts on Grade 11).

**Step 3** Determine the weighting of the curriculum. The exam must be set according to this weighting:

Accounting curriculum	Weighting	Approximate mark of exam paper
Financial accounting	50–60%	150–180 marks
Managerial accounting	20–25%	60–75 marks
Managing resources	20–25%	60–75 marks

The table below indicated the main topics in the Accounting curriculum:

Curriculum	Topic
Financial accounting	1. Accounting concepts (terminology, definitions, double entry, etc.)
	2. GAAP principles
	3. Bookkeeping (source documents, journals, ledgers, Trial Balances, etc.)
	4. Accounting equation
	5. Final accounts and financial statements (including adjustments and ratios)
	6. Salaries and wages
	7. Value-added tax (VAT)
	8. Reconciliations (bank, debtors and creditors)
Managerial accounting	9. Cost accounting (manufacturing, etc.)
	10. Budgeting
Managing resources	11. Indigenous bookkeeping (Grade 10 only)
	12. Fixed assets
	13. Inventory
	14. Ethics
	15. Internal controls

Please note that while some of the topics are examined independently, topics such as Ethics and Internal Controls must be integrated throughout.

**Step 4** Determine which topics can be examined independently, and then determine the nature of each question; in other words, should it be factual, data response, critical evaluation, problem solving, application of knowledge, real-life situations, etc.

**Step 5** Consider the cognitive levels when setting questions. Your examination paper must cater for a range of cognitive levels and learner abilities as shown below:

Cognitive level	Skill	Percentage of examination paper
Knowledge and comprehension	Basic thinking skills <ul style="list-style-type: none"> <li>• Factual recall</li> <li>• Low-level comprehension</li> <li>• Low-level application</li> </ul>	30% of the paper
Application and analysis	Moderately high thinking skills <ul style="list-style-type: none"> <li>• More advanced application</li> <li>• Interpretation</li> <li>• Low-level analysis</li> </ul>	40% of the paper
Synthesis and evaluation	Higher order thinking skills <ul style="list-style-type: none"> <li>• Advanced analytical skills</li> <li>• Evaluation</li> <li>• Creative problem-solving</li> </ul>	30% of the paper

An average of 10% of all examination papers should address problem-solving questions using critical and creative thinking.

**Step 6** Use the following table to help you set your examination paper according to the different cognitive levels. Fill in the marks to make up the range of abilities.

Question	Low	Medium	High
Q1			
Q2			
Q3			
Q4			
Q5			
Q6			
Q7			
Q8			
Total mark			
Desired mark	30% = 90 marks	40% = 120 marks	30% = 90 marks

**Step 7** Decide on the structure of each question according to the above cognitive level requirements. Your question should contain there “action” words.

Knowledge	Comprehension	Application	Analysis	Synthesis	Evaluation
Define	Explain	Draw up	Compare	Interpret	Comment
Identify	Distinguish	Construct	Analyse	Do	Recommend
Demonstrate	Interpret	Post		Report on	Motivate
List		Prepare		Discuss	
Name		Calculate		Compare	
		Determine		Advise	
		Apply			

**Step 8** Draw up the question and the memorandum simultaneously. Once you memorandum is complete, compile an answer book for the examination paper.

**Step 9** Have the question and memorandum moderated before you have it printed. Ensure that the mark allocation for each question is correct, that there is enough space for the answers and that the numbering agrees with the examination paper.

Use the following table to assist you in ensuring that your examination paper was set according to the guidelines as in the CAPS document:

Question	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8
Topic	Marks							
Financial accounting								
Managerial accounting								
Managing resources								
<b>Total</b>								
								/300

**INSTRUCTIONS AND INFORMATION**

1. You are provided with a question paper and an answer book.
2. The paper comprises SEVEN compulsory questions.  
Answer ALL these questions.
3. Use the formats provided in order to reflect your answer.
4. Workings must be shown in order to achieve part-marks.
5. You must attempt to comply with the suggested time allocations.
6. Non-programmable calculators may be used.
7. You may use a dark pencil or blue/black ink to answer the questions.

QUESTION 1: 38 marks; 22 minutes	
<b>The topic of the question is:</b>	<b>The subject covered is:</b>
Manufacturing and cost calculations	<b>Managerial accounting</b> Apply cost concepts and calculations in manufacturing and preparing manufacturing ledger accounts
QUESTION 2: 42 marks; 25 minutes	
<b>The topic of the question is:</b>	<b>The subject covered is:</b>
Budgets	<b>Managerial accounting</b> Prepare a Cash Budget
QUESTION 3: 108 marks; 65 minutes	
<b>The topic of the question is:</b>	<b>The subject covered is:</b>
Financial statements of a partnership and asset disposal	<b>Financial information</b> Define and explain accounting concepts Record the information of a partnership within the context of the accounting cycle Prepare the final accounts and financial statements of a partnership <b>Managing resources</b> Calculate and enter depreciation and the acquisition of assets Complete transactions in regards with the perpetual stock system
QUESTION 4: 45 marks; 27 minutes	
<b>The topic of the question is:</b>	<b>The subject covered is:</b>
Interpretation of financial statements	<b>Financial information</b> Prepare ledger accounts of a partnership Interpret the financial statements of a partnership
QUESTION 5: 19 marks; 11 minutes	
<b>The topic of the question is:</b>	<b>The subject covered is:</b>
Inventory systems	<b>Managing resources</b> Compare the perpetual and periodic stock systems Apply internal control and audit processes
QUESTION 6: 31 marks; 20 minutes	
<b>The topic of the question is:</b>	<b>The subject covered is:</b>
Bank reconciliation	<b>Financial information</b> Prepare a Bank Reconciliation Statement Manage resources Apply internal control and audit processes
QUESTION 7: 17 marks; 10 minutes	
<b>The topic of the question is:</b>	<b>The learning outcomes covered are:</b>
VAT and ethics	<b>Financial information</b> Perform VAT calculations <b>Managing resources</b> Apply ethics



Jo-Jo Shoes manufactures shoes for men and women.

**Required**

Prepare and balance the following accounts in the General Ledger on 30 June 2011:

- 1.1 Raw material stock (9 lines) (10)
- 1.2 Work-in-progress stock (8 lines) (11)
- 1.3 Factory overhead costs (8 lines) (10)
- 1.4 Finished goods stock (8 lines) (7)

**Information**

Balances on 1 July 2010	R
Raw material stock	65 200
Work-in-progress stock	75 100
Finished goods stock	121 000
Consumable stores on hand: indirect materials	1 080
<b>Transactions for the year ended 30 June 2011</b>	
Raw material purchased on credit	960 000
Carriage on raw material paid	14 300
Indirect material purchased	38 700
Factory wages	468 000
Factory electricity	67 000
Factory rent	120 000
Maintenance of factory equipment	43 000
Depreciation on factory equipment	50 000
Factory insurance	32 000
<b>Balances on 30 June 2011</b>	
Raw material stock	46 500
Work-in-progress stock	65 300
Finished goods stock	66 200
Consumable stores on hand – indirect materials	2 340



The following information has been extracted by the accountant from the various departmental budgets of Leri's Toy Shop. The owner, Leri Louw, requested a Cash Budget for the next two months.

**Required**

- 2.1 Complete the Debtors Collection Schedule for July and August 2011.  
Note that it is partially completed. (6)
- 2.2 Complete the Cash Budget for July and August 2011. (36)

**Information****1. Leri's Toy Shop****Extracted from the Projected Income Statement for July and August 2011**

	July	August
Sales (30% for cash)	150 000	180 000
Purchases (20% for cash)	75 000	135 000
Salaries and wages	20 000	23 000
Rental of premises	15 000	16 500
Sundry expenses	14 300	15 000
Depreciation	7 500	9 100
Loss on asset disposal	-	4 000

**2. Leri's Toy Shop****Extracted from the Balance Sheet as at 30 June 2011**

Expenses payable (Salaries and wages)	2 000
Accrued income (Rent)	3 000
SARS (VAT payable)	9 760
Creditors	36 000
Bank (debit balance)	13 200

- The amount owing to SARS for VAT will be paid in August 2011.
- Credit sales are collected as follows:
  - 30% in the month of the sale. A settlement discount of 5% is given.
  - 50% in the month following the sale
  - 15% in the second month
  - 5% is written off as irrecoverable.
- Credit purchases are paid 30 days after the date of purchase.
- A new vehicle is to be purchased in July 2011 for R180 000 for which a deposit of R20 000 is payable in the month of purchase. The balance of the purchase price is payable in 20 equal instalments starting from 10 August 2011. In the same month (August) a motor vehicle with a carrying value of R13 000 will be sold for cash, at a loss of R4 000.
- An amount of R2 000 is still payable for salaries on 30 June 2011. This amount will be paid in July.
- The business sub-lets part of the premises to a tenant. It receives 20% of the rent amount paid by the business from this tenant. The tenant is in arrears with the rent for June 2011. This rent will be received in July 2011.
- Interest is earned on an investment of R150 000 at 10% per year. The interest is receivable in cash each quarter. The last receipt was in April of this year. The investment matures at the end of July and will not be re-invested.
- L Louw withdraws R16 000 cash each month for her personal use.
- Sundry expenses are paid in the same month the expense is incurred.

**Partnership: Financial statements and asset disposal**

The given information appeared in the books of JC Traders with partners J Jacobs and C Minnaar.

**Required**

3.1 Answer the following questions:

3.1.1 Briefly explain why a business would write off depreciation on its assets. (2)

3.1.2 What type of account is *Depreciation* and what effect will it have on the profit of the business? (2)

3.1.3 What type of account is *Accumulated Depreciation on Vehicles*? (1)

3.1.4 According to the historical cost principle of GAAP, fixed assets are recorded at their cost price in the General Ledger, but in the Balance Sheet they are recorded at the carrying value.

Give a reason why you think this is so. (2)

3.2 Prepare the Income Statement for the year ended 28 February 2011. (54)

3.3 Prepare the following notes to the Balance Sheet:

3.3.1 Fixed/tangible assets (20)

3.3.2 Current accounts (18)

3.3.3 Trade and other payables (9)

**Information****Trial Balance of JC Traders as at 28 February 2011**

	Fol.	Debit	Credit
<b>Balance Sheet accounts</b>			
Capital: Jacobs			200 000
Capital: Minnaar			250 000
Current account: Jacobs			21 021
Current account: Minnaar		10 124	
Drawings: Jacobs		165 000	
Drawings: Minnaar		161 000	
Vehicles		210 000	
Equipment		56 000	
Accumulated depreciation: Vehicles			103 000
Accumulated depreciation: Equipment			13 500
Trading stock		87 520	
Debtors control		32 736	
Bank		95 600	
Cash float		2 000	
Fixed deposit: MB Bank (8% p.a.)		120 000	
Creditors control			37 800
Provision for bad debts			1 410

<b>Nominal accounts</b>			
Sales			1 696 699
Cost of sales		942 000	
Debtors allowance		1 099	
Water and electricity		13 448	
Rent expense		105 440	
Bad debts		1 044	
Telephone		14 552	
Insurance		11 370	
Salaries		288 000	
Pension fund contributions		4 320	
Discount received			2 445
Bad debts recovered			680
Interest on fixed deposit			?
Stationery		3 220	
Interest on current account			330
Bank charges		2 412	
		<b>2 326 885</b>	<b>2 326 885</b>

### Adjustments and additional information

- Goods with a selling price R936 was returned by debtor L. King and has not been entered in the books. The business uses a mark up of 80% on cost price.
- A physical stock take on 28 February 2011 showed the following stock on hand:

Trading stock	R85 700
Stationery	R410
- J Pretorius, a debtor whose debt had been written off during December 2010, paid the amount of R600 on 21 February 2011. This amount was credited against Debtors Control.
- Provision for bad debts must be adjusted to 4% of outstanding debtors.
- The details of an employee who was employed on 1 February 2011 were omitted from the Salaries Journal for February by mistake. The following details are applicable:

Gross monthly salary	R8 000
PAYE deduction	R1 430
Pension fund	R200

For every R1 the employee contributes to the pension fund, the employer contributes R1,50.
- The rent for the building increases annually with 6% on 1 January. The rent agreement stipulates that rent should be paid one month in advance and therefore the rent for March 2011 has already been paid.
- The following expenses for February 2011 was still payable on 28 February 2011:

Water and electricity	R1 023
Telephone	R764

8. Interest on the fixed deposit is capitalised; in other words, re-invested on the fixed deposit. A statement received from the bank on 28 February 2011 showed the following with regards to the fixed deposit (no entry was made of this):

Balance of fixed deposit on 1 March 2010	R120 000
Interest for the year capitalised	R9 600
<b>Balance of fixed deposit on 28 February 2011</b>	<b>R129 600</b>

9. Insurance includes a premium of R2 400 which was paid for the period 1 January 2011 to 30 June 2011.
10. Depreciation is calculated as follows:
- 10.1 On equipment at 20% p.a. on the cost price
  - 10.2 On vehicles at 15% p.a. on the diminishing balance. A vehicle (cost price, R90 000 and accumulated depreciation on 1 March 2010 of R68 000) was sold for cash on 31 August 2010 for R24 000. This transaction was not recorded at all.
11. The partnership agreement stipulates the following:
- 11.1 Partners are entitled to interest on capital at 12% p.a. Jacobs has increased her capital on 1 December 2010 with R50 000. It was correctly recorded.
  - 11.2 The partners receive a monthly salary of R9 000 each.
  - 11.3 Jacobs and Minnaar share profits (or losses) in the ratio 3 : 2.

» **Question 4 Interpretation of financial statements** (45 marks: 27 minutes)

Checkmate Suppliers is a business that import and sell board games to retail business. It is a partnership with partners S Stofberg and C du Toit.

**Required**

Study the information. Then answer the questions that follow.

**Information**

The business applies a strict percentage mark-up of 100% on cost price.

All purchases of stock are done on credit. Suppliers are extremely strict in cutting off supply if debtors do not meet their terms of credit of 90 days.

The business policy with regards to debtors is to allow 45 days' credit. If the customer pays within 30 days they are granted a 1% settlement discount.

The profit-sharing ratio between Stofberg and Du Toit is 3 : 2. Du Toit's profit share for the financial year ended 30 June 2011 is therefore R517 000.

**Checkmate Suppliers**

**Extract from the Income Statement for the year ended 30 June 2011**

Revenue / Sales (90% on credit)	5 000 000
Cost of sales	(2 500 000)
Operating expenses	(825 000)
Interest on loan	(382 500)
Net profit for the year	1 292 500

**Extract from the Balance Sheet as at 30 June**

	2011	2010
Owners equity	2 500 000	1 300 000
Capital: Stofberg	1 000 000	750 000
Capital: Du Toit	750 000	500 000
Current account: Stofberg	400 000	30 000
Current account: Du Toit	350 000	20 000
Loan: XYZ Bank	2 500 000	1 750 000
Current liabilities	300 000	750 000
Creditors	300 000	650 000
Bank overdraft	–	100 000
Tangible/Fixed assets	1 800 000	1 100 000
Current assets	3 500 000	2 700 000
Inventories	2 250 000	2 000 000
Debtors	1 200 000	700 000
Cash	50 000	–

**The following ratios were calculated:**

	2011	2010
Current ratio	11,67 : 1	3,6 : 1
Acid test ratio	?	0,93 : 1
Operating expenses on sales	?	21%
Number of days' stock on hand	?	240 days
Debtors collection period	?	51 days
Creditors payment period	69 days	91 days
Debt:equity	?	1,35 : 1
Percentage earnings by partner Stofberg	?	31%

**Questions**

- 4.1 Calculate the following ratios for 2011(round off to 2 decimal places):
- 4.1.1 Acid test ratio (3)
  - 4.1.2 Percentage operating expenses on sales (3)
  - 4.1.3 Number of days' stock on hand (4)
  - 4.1.4 Debtors collection period (4)
  - 4.1.5 Debt : equity (3)
  - 4.1.6 Percentage earnings by partner Stofberg (5)
- 4.2 Comment on the liquidity situation at the end of the current financial year. (4)
- 4.3 Comment on the credit control of the business. (4)
- 4.4 Are the stock levels of Checkmate Suppliers appropriate? Explain. (3)
- 4.5 Has the new policy concerning operating expenses been effective this financial year? Explain. (3)
- 4.6 Comment on the risk facing Checkmate Suppliers by referring to the debt : equity ratio. (3)
- 4.7 C du Toit has offered his partner Stofberg R2 500 000 to buy his share of the business. What advice would you give Stofberg concerning this offer? Should he accept or reject it? Is this offer fair? (6)



## Question 5 Inventory systems

(19 marks: 11 minutes)

The following information was taken from the books of Mudpie Traders. The business uses a mark-up of 40% on cost.

### Required

Study the information. Then answer the questions that follow.

### Information

The following accounts appeared in the books of Mudpie Traders.

#### General Ledger of Mudpie Traders

Dr				Purchases				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2011						2011					
Feb	28	Balance	b/d	567 015	00	Feb	28	Creditors control	CAJ	12 430	00
								Donations	GJ	1 560	00
								Drawings	GJ	800	00
								Trading account	GJ	552 225	00
				<u>567 015</u>	<u>00</u>					<u>567 015</u>	<u>00</u>

Dr				Trading account				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2011						2011					
Feb	28	Opening stock	GJ	130 800	00	Feb	28	Sales	GJ	797 194	00
		Purchases	GJ	?				Closing stock	GJ	89 320	00
		Carriage on purchases	GJ	10 230	00						
		Profit and loss	GJ	?							
				<u>?</u>	<u></u>					<u>?</u>	<u></u>

### Questions

- 5.1 Calculate the cost of sales for the accounting period. (4)
- 5.2 Calculate the actual mark-up achieved during the accounting period. (4)
- 5.3 Calculate the stock turnover rate for the accounting period. The rate of stock turnover in the previous financial period was 4 times per year. (4)
- 5.4 The mark-up policy of the business is 40% on the cost price. Suggest any TWO reasons why the business did not achieve this. (4)
- 5.5 Name the two inventory systems. (2)
- 5.6 Which inventory system is Mudpie Traders using? (1)



Information

On 31 October 2011, Wilteno Traders compared the bank statement for October 2011 with the Bank Reconciliation Statement for September and the Cash Journals for October. The following came to light:

1. The *Bank* account showed a favourable balance of R3 501 on 1 October 2011.
2. The bank statement showed an overdraft of R2 310 on 31 October 2011.
3. The Cash Journals showed the following totals on 31 October 2011:

CASH RECEIPTS JOURNAL	
Bank	Sundry accounts
R13 845	R2 475

CASH PAYMENTS JOURNAL		
Bank	Debtors control	Sundry accounts
R20 799	R345	R2 679

4. The bank statement shows R1 200 deposited by Maske Florist on the current account of Wilteno Traders for rental.
5. The bank statement received from SC Bank shows the following charges: service fees, R61; tax levy, R36; cash handling fee, R23; cheque book, R15; interest on overdraft, R51.
6. The bank statement shows an unpaid cheque for R225, received from R Botes and dishonoured because of insufficient funds. The cheque was received on 21 September 2011 in settlement of her account of R236.
7. The bank statement shows a stop order for R540 in favour of LIFE Ltd for insurance.
8. A deposit of R1 845 has not been credited on the bank statement yet.
9. The following cheques had not been presented for payment by 31 October 2011:
  - No. 312, R114 (this cheque appears on the Bank Reconciliation Statement for September 2011)
  - No. 389, R156
  - No. 412, R1 590
10. The bank statement shows R780, deposited by the owner Wilteno Burger on his personal account, was credited to the account of Wilteno Traders by mistake.
11. Cheque no. 401, issued to Walton's for stationery, appeared on the bank statement as R1 102, but was entered in the CPJ as R1 201. The amount on the bank statement is correct.

Required

- 6.1 Show the additional entries in the Cash Receipts Journal and Cash Payments Journal for October 2011 and close off the Cash Journals. (18)
- 6.2 Post the entries to the *Bank* account in the General Ledger of Wilteno Traders and balance the account. (5)
- 6.3 Prepare the Bank Reconciliation Statement on 31 October 2011. (8)

**Section A**

[10 marks]

Luca Hartman is the owner of Books Galore. She buys goods from KLM Wholesalers for R4 800 (excluding VAT). Luca pays Speedy Transport R456 (including VAT) to transport the goods to her shop in Swellendam. Luca sells half of the items purchased from KLM Wholesalers to James Stevens at a profit mark-up of 50% on cost price. VAT is calculated at 14%.

**Required**

7.1 Answer the following questions:

7.1.1 Calculate the total cost price of the goods purchased from KLM Wholesalers, including transport, but excluding VAT. (4)

7.1.2 Calculate the amount of money Books Galore will receive from James Stevens for the items sold to him (VAT inclusive). (4)

7.2 State whether the following statements are TRUE or FALSE:

7.2.1 When goods are sold on credit, the output tax receivable from the debtor is paid over to SARS immediately and not only when the money is received from the debtor. (1)

7.2.2 White bread is a zero-rated item. (1)

**Section B**

[7 marks]

Read the following extract from an article that appeared in Die Burger on 28 July 2011:

## MAN SENT TO PRISON FOR 8 YEARS DUE TO FRAUD OF R2,9 MILLION

**A** Belgian businessman, who committed fraud against the South African Revenue Services (SARS) to the amount of R2,9 million, was sent to prison on Tuesday in the Blue Downs Magistrate's court.

Paul Feyen (54) was found guilty on 25 February on 53 charges of fraud and 23 charges regarding tax evasion.

Magistrate Piet Nel said that Feyen lost all his assets to repay an amount of R2,1 million to SARS.

Feyen established six Close

Corporations (CCs) after his arrival in South Africa in 2002. He claimed VAT expenses till 2005, while an investigation showed that the CCs were not trading at all after 2003.

While trading the CCs, transactions were mostly in cash and not shown on the bank statements.

Feyen is also wanted in Belgium, where he was found guilty of fraud and sentenced to four years in prison. He escaped to South Africa.

7.3 Answer the following questions:

7.3.1 What is the penalty for tax evasion? (1)

7.3.2 How did SARS recover some of the money owed to them by Feyen? (2)

7.3.3 Names two ways in which Feyen evaded tax. (4)

**Total: 300 marks**

# ACCOUNTING

Grade 11

November \_\_\_\_\_

Answer Book

Name of learner:
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Educator:
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Question	Topic	Total mark	Mark achieved
1.	Manufacturing and cost calculations	38	
2.	Budgets	42	
3.	Partnership: financial statements and asset disposal	108	
4.	Interpretation of financial statements	45	
5.	Inventory systems	19	
6.	Bank reconciliation	31	
7.	VAT and ethics	17	
		<b>300</b>	

### Report mark calculations

November exam		300
CASS mark		100
		<b>400</b>
Report mark		100
Code		

» **Question 1 Manufacturing and cost calculations** (38 marks: 22 minutes)

1.1 **General Ledger of Jo-Jo Shoes**

Dr		Raw Material Stock						Cr	
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount		

	<b>10</b>
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2.1

**Leri's Toy Shop**

**Debtors Collection Schedule for July and August 2011**

	Credit sales	July 2011	August 2011
May	100 000	15 000	
June	102 000	51 000	15 300
July			
August			

	6
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2.2

**Leri's Toy Shop**

**Cash Budget for the period 1 July to 31 August 2011**

	Jul 2011	Aug 2011
<b>RECEIPTS</b>		
Cash sales		
Cash from debtors		
Rent income		
<b>TOTAL RECEIPTS</b>		
<b>PAYMENTS</b>		
Cash purchases		
Payment to creditors	34 200	
Salaries and wages		
Rental of premises		
<b>TOTAL PAYMENTS</b>		
CASH SURPLUS/DEFICIT		
BALANCE AT BEGINNING OF MONTH	13 200	
<b>CASH ON HAND AT END OF MONTH</b>		

	36
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**Partnership: Financial statements and asset disposal**

3.1.1 Briefly explain why a business would write off depreciation on its assets.

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3.1.2 What type of account is *Depreciation* and what effect will it have on the profit of the business?

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3.1.3 What type of account is *Accumulated Depreciation on Vehicles*?

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3.1.4 According to the historical cost principle of GAAP, fixed assets are recorded at their cost price in the General Ledger, but in the Balance Sheet they are recorded at the carrying value. Give a reason why you think this is so.

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3.2

JC Traders

Income Statement for the year ended 28 February 2011

	Note	R	
Sales			
Cost of sales			
<b>Gross profit</b>			
<b>Other operating income</b>			
<b>Gross operating income</b>			
<b>Operating expenses</b>			
Water and electricity			
Rent expense			
Bad debts			
Telephone			
Insurance			
Salaries			
Pension fund contributions			
Stationery			
Bank charges			
<b>Operating profit (loss)</b>			
Interest income			
<b>Nett profit (loss) for the year</b>			

	54
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3.3

JC Traders

Notes to the Financial Statements for the year ended 28 February 2011

3.3.1

3. FIXED / TANGIBLE ASSETS

	Vehicles	Equipment
<b>Carrying value at beginning of year</b>		
Cost		
Accumulated depreciation		
<b>Movements</b>		
Additions		
Disposals at carrying value		
Depreciation		
<b>Carrying value at end of year</b>		
Cost		
Accumulated depreciation		

	20
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4.1.4 Debtors collection period

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4.1.5 Debt : equity

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4.1.6 Percentage earnings by partner Stofberg

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4.2 Comment on the liquidity situation at the end of the current financial year.

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4.3 Comment on the credit control of the business.

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4.4 Are the stock levels of Checkmate Suppliers appropriate? Explain.

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4.5 Has the new policy concerning operating expenses been effective this financial year? Explain.

	3
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4.6 Comment on the risk facing Checkmate Suppliers by referring to the debt : equity ratio.

	3
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4.7 C du Toit has offered his partner S Stofberg R2 500 000 to buy his share of the business. What advice would you give Stofberg concerning this offer? Should he accept or reject it? Is this offer fair?

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### Question 5 Inventory systems

(19 marks: 11 minutes)

5.1 Calculate the cost of sales for the accounting period.

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5.2 Calculate the actual mark-up achieved during the accounting period.

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5.3 Calculate the stock turnover rate for the accounting period. The rate of stock turnover in the previous financial period was 4 times per year.

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5.4 The mark-up policy of the business is 40% on the cost price. Suggest any TWO reasons why the business did not achieve this.

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5.5 Name the two inventory systems.

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5.6 Which inventory system is Mudpie Traders using?

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**» Question 6 Bank reconciliation** (31 marks: 20 minutes)

**6.1 Cash Receipts Journal of Wilteno Traders for October 2011** **CRJ**

Doc. no.	Day	Details	Fol.	Bank	Sundry accounts	
					Amount	Details
	31	Totals		13 845	2 475	

Cash Payments Journal of Wilteno Traders for October 2011

CPJ

Doc. no.	Day	Name of payee	Fol.	Bank	Debtors control	Sundry accounts	
						Amount	Details
	31	Totals		20 799	345	2 679	

	18
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6.2

General Ledger of Wilteno Traders

Dr				Bank account				Cr			
Date	Details		Fol.	Amount	Date	Details		Fol.	Amount		

	5
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6.3

Wilteno Traders

Bank Reconciliation Statement on 31 October 2011

	Debit	Credit
balance according to bank statement		
Credit outstanding deposit		
Cheques not presented for payment:		

	8
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Section A

7.1.1 Calculate the total cost price of the goods purchased from KLM Wholesalers, including transport but excluding VAT.

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7.1.2 Calculate the amount of money Books Galore will receive from James Stevens for the items sold to him (VAT inclusive).

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7.2 State whether the following statements are TRUE or FALSE.

7.2.1 When goods are sold on credit, the output tax receivable from the debtor is paid over to SARS immediately and not only when the money is received from the debtor.

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7.2.2 White bread is a zero-rated item.

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**Section B**

7.3.1 What is the penalty for tax evasion?
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_____
_____
_____

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7.3.2 How did SARS recover some of the money owed to them by Feyen?
_____
_____
_____
_____

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7.3.3 Names two ways in which Feyen evaded tax.
_____
_____
_____
_____

	4
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TOTAL:	300
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# ACCOUNTING

Grade 11

November \_\_\_\_\_

## Marking Memorandum



### Question 1 Manufacturing and cost calculations

(38 marks: 22 minutes)

1.1

#### General Ledger of Jo-Jo Shoes

Dr				Raw Material Stock				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2010	01	Balance	b/d	✓ 65 200	00	2011	30	Raw material issued ✓		✓ 993 000	00
2011	30	Creditors control ✓		✓ 960 000	00			Balance	c/d	✓ 46 500	00
		Bank ✓		✓ 14 300	00						
				<b>1 039 500</b>	<b>00</b>					<b>1 039 500</b>	<b>00</b>
2011	01	Balance	b/d	✓ 46 500	00						

	10
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1.2

Dr				Work-in-progress Stock				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2010	01	Balance	b/d	75 100	00	2011	30	Finished goods ✓✓		✓ 1 820 240	00
2011	30	Direct material cost ✓		✓ 993 000	00			Balance	c/d	✓ 65 300	00
		Direct labour cost ✓		✓ 468 000	00						
		Factory overhead ✓		✓ 349 440	00						
				<b>1 885 540</b>	<b>00</b>					<b>1 885 540</b>	<b>00</b>
2011	01	Balance	b/d	✓ 65 300	00						

	11
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1.3

Dr				Factory Overhead Costs				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2011		Indirect materials ✓✓		✓ 37 440	00	2011					
Jun	30	(1 080+38 700 –2 340)				Jun	30	Work-in-progress ✓		✓ 349 440	00
		Electricity		✓ 67 000	00						
		Rent		✓ 120 000	00						
		Maintenance		✓ 43 000	00						
		Depreciation		✓ 50 000	00						
		Insurance		✓ 32 000	00						
				<b>349 440</b>	<b>00</b>					<b>349 440</b>	<b>00</b>

	<b>10</b>
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1.4

Dr				Finished Goods Stock				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2010				✓ 121 000	00	2011					
Jul	01	Balance	b/d			Jun	30	Cost of sales ✓		✓ 1 875 040	00
2011		Work-in-progress ✓		✓ 1 820 240	00			Balance	c/d	✓ 66 200	00
				<b>1 941 240</b>	<b>00</b>					<b>1 941 240</b>	<b>00</b>
2011				✓ 66 200	00						
Jul	01	Balance	b/d								

	<b>7</b>
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**» Question 2 Budgets**

(42 marks: 25 minutes)

2.1

**Leri's Toy Shop**

**Debtors Collection Schedule for July and August 2011**

	Credit sales	July 2011	August 2011
May	100 000	15 000	
June	102 000	51 000	15 300
July	R150 000 × 70% = R105 000	✓✓ 29 925	✓✓ 52 500
August	R180 000 × 70% = R126 000		✓✓ 35 910
		<b>95 925</b>	<b>103 710</b>

	<b>6</b>
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## 2.2

**Leri's Toy Shop****Cash Budget for the period 1 July to 31 August 2011**

	Fol.	Jul 2011	Aug 2011
<b>RECEIPTS</b>			
Cash sales		✓ 45 000	✓ 54 000
Cash from debtors		✓ 95 925	✓ 103 710
Rent income		✓✓ 6 000	✓✓ 3 300
Asset disposal (13 000 – 4 000)			✓✓ 9 000
Fixed deposit		✓ 150 000	
Interest on fixed deposit		✓✓ 3 750	
<b>TOTAL RECEIPTS</b>		<b>300 675</b>	<b>170 010</b>
<b>PAYMENTS</b>			
Cash purchases		✓ 15 000	✓ 27 000
Payment to creditors		34 200	✓✓ 60 000
Salaries and wages		✓✓ 22 000	✓ 23 000
Rental of premises		✓ 15 000	✓ 16 500
SARS			✓✓ 9 760
Vehicle		✓ 20 000	✓✓ 8 000
Drawings		✓ 16 000	✓ 16 000
General expenses		✓ 14 300	✓ 15 000
<b>TOTAL PAYMENTS</b>		<b>136 500</b>	<b>175 260</b>
CASH SURPLUS/DEFICIT		✓ 164 175	✓ (5 250)
BALANCE AT BEGINNING OF MONTH		13 200	✓ 177 375
<b>CASH ON HAND AT END OF MONTH</b>		<b>✓ 177 375</b>	<b>✓ 172 125</b>

36

**Question 3**

(108 marks: 65 minutes)

**Partnership: Financial statements and asset disposal**

3.1.1 Briefly explain why a business would write off depreciation on its assets.

*The value of the assets decrease from the use of the asset ✓✓*

2

3.1.2 What type of account is *Depreciation* and what effect will it have on the profit of the business?

*Expense ✓*

*Decrease profits ✓*

2

3.1.3 What type of account is *Accumulated Depreciation on Vehicles*?

*Negative asset (or contra asset) ✓*

1

3.1.4 According to the historical cost principle of GAAP, fixed assets are recorded at their cost price in the General Ledger, but in the Balance Sheet they are recorded at the carrying value. Give a reason why you think this is so.

*The Balance Sheet should reflect the financial position as realistically as possible and therefore it is shown at the carrying value. ✓✓*

2

3.2

**JC Traders**

**Income Statement for the year ended 28 February 2011**

	Note	R
Sales (1 696 699 ✓ – 1 099 ✓ – 936 ✓)		1 694 664
Cost of sales (942 000 ✓ – 520 ✓)		(941 480)
<b>Gross profit</b>		<b>✓ 753 184</b>
<b>Other operating income</b>		<b>✓ 7 489</b>
Discount received		✓ 2 445
Bad debts recovered (680 ✓ + 600 ✓)		1 280
Provision for bad debts adjustment (1 410 ✓ – 1 296 ✓✓)		114
Profit with asset disposal (90 000 ✓ – 69 650 ✓✓✓ – 24 000 ✓)		3 650
<b>Gross operating income</b>		<b>760 673</b>
<b>Operating expenses</b>		<b>✓ (471 343)</b>
Water and electricity (13 448 ✓ + 1 023 ✓)		14 471
Rent expense (105 440 ✓ – 8 480 ✓✓✓)		96 960
Bad debts		✓ 1 044
Telephone (14 552 ✓ + 764 ✓)		15 316
Insurance (11 370 ✓ – 1 600 ✓✓)		9 770
Salaries (288 000 ✓ + 8 000 ✓✓)		296 000
Pension fund contributions (4 320 ✓ + 300 ✓✓)		4 620
Stationery (3 220 ✓ – 410 ✓)		2 810
Bank charges		✓ 2 412
Trading stock deficit (87 520 + 520 – 85 700)		✓✓✓ 2 340
Depreciation (11 200 ✓✓ + 1 650 ✓✓ + 12 750 ✓✓)		25 600
<b>Operating profit (loss)</b>		<b>✓ 289 330</b>
Interest income (330 ✓ + 9 600 ✓✓)		9 930
<b>Nett profit (loss) for the year</b>		<b>✓ 299 260</b>

54

## 3.3

## JC Traders

## Notes to the Financial Statements for the year ended 28 February 2011

## 3.3.1

## 3. FIXED / TANGIBLE ASSETS

	Vehicles	Equipment
Carrying value at beginning of year	✓ 107 000	✓ 42 500
Cost	✓ 210 000	✓ 56 000
Accumulated depreciation	✓ (103 000)	✓ (13 500)
<b>Movements</b>		
Additions	-	-
Disposals at carrying value	✓✓ (20 350)	-
Depreciation	✓✓ (14 400)	✓ (11 200)
Carrying value at end of year	✓ 72 250	✓ 31 300
Cost	✓ 120 000	✓ 56 000
Accumulated depreciation	✓✓✓ (47 750)	✓✓ (24 700)

20

## Calculations for depreciation and asset disposal:

On equipment:  $R56\ 000 \times 20\% = R11\ 200$ Sold vehicles:  $(R90\ 000 - 68\ 000) \times 15\% \times \frac{6}{12} = R1\ 650$ Old vehicles:  $(R120\ 000 - 35\ 000) \times 15\% = R12\ 750$ 

Dr				Asset Disposal				Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount				
	Vehicles		90 000 00		Accumulated depreciation on vehicles		69 650 00				
	Profit with asset disposal		3 650 00		Bank		24 000 00				
			<u>93 650 00</u>				<u>93 650 00</u>				

## 3.3.2

## 8. CURRENT ACCOUNTS

	J Jacobs	C Minnaar
Balance at beginning of year	✓ 3 777	✓ (19 620)
Net profit as per Income Statement	147 756	151 504
Partners' salaries	✓ 108 000	✓ 108 000
Interest on capital	✓✓✓ 19 500	✓✓ 30 000
Partners' bonuses		
Primary distribution of profit	127 500	138 000
Final distribution of profit	✓✓ 20 256	✓✓ 13 504
Drawings for the year	✓ (165 000)	✓ (161 000)
Undrawn profits (retained income) for the year	✓ (17 244)	✓ (9 496)

18

### Calculations

Interest on capital:

Jacobs:

$$R150\,000 \times 12\% \times \frac{9}{12} = R13\,500$$

$$R200\,000 \times 12\% \times \frac{3}{12} = \underline{R\,6\,000}$$

**R19 500**

Minnaar:

$$R250\,000 \times 12\% = R30\,000$$

Remaining profit:  $R299\,260 - 127\,500 - 138\,000 = R33\,760$

$$\text{Jacobs: } R33\,760 \times \frac{3}{5} = R20\,256 \quad \text{Minnaar: } R33\,760 \times \frac{2}{5} = R13\,504$$

### 3.3.3

### 9. TRADE AND OTHER PAYABLES

Trade creditors	✓ 37 800
SARS (PAYE)	✓ 1 430
Pension fund (200 + 300)	✓✓ 500
Creditors for salaries	✓✓ 6 370
Accrued expenses (1 023 + 764)	✓✓ 1 787
	<b>✓ 47 887</b>

9



### Question 4 Interpretation of financial statements

(45 marks: 27 minutes)

#### 4.1.1 Acid test ratio

$$3\,500\,000 - 2\,250\,000 \checkmark : 300\,000 \checkmark$$

$$= 1\,250\,000 : 300\,000$$

$$= 4,17 : 1 \checkmark$$

3

#### 4.1.2 Percentage operating expenses on sales

$$\frac{825\,000 \checkmark}{5\,000\,000 \checkmark} \times \frac{100}{1}$$

$$= 16,5\% \checkmark$$

3

#### 4.1.3 Number of days' stock on hand

$$\frac{\frac{1}{2}(2\,250 + 2\,000)}{2\,500} \times \frac{365}{1}$$

$$= \frac{2\,125}{2\,500} \times 365$$

$$= 310 \text{ days}$$

	4
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#### 4.1.4 Debtors collection period

$$\frac{\frac{1}{2}(1\,200 + 700)}{5\,000} \times 90\% \times \frac{365}{1}$$

$$\frac{950}{4\,500} \times 365$$

$$= 77 \text{ days}$$

	4
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#### 4.1.5 Debt : equity

$$2\,500 : 2\,500$$

$$= 1 : 1$$

	3
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#### 4.1.6 Percentage earnings by partner Stofberg

$$\frac{(1\,292\,500 - 517\,000)}{\frac{1}{2}(1\,000\,000 + 750\,000 + 400\,000 + 30\,000)} \times \frac{100}{1}$$

$$= \frac{775\,500}{1\,090\,000} \times 100$$

$$= 71,15\%$$

	5
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4.2 Comment on the liquidity situation at the end of the current financial year.

*Current ratio improved from 3,6 : 1 to 11,67 : 1. ✓*

*Acid test ratio improved from 0,93 : 1 to 4,17 : 1. ✓*

*Far more liquid than the previous year. ✓*

*They will be able to meet short term obligations. ✓*

*(Problem = too much tied up unproductively in debtors and cash)*

4

4.3 Comment on the credit control of the business.

*Credit control is poor.*

*Debtors are late in paying by 32 days (77 days – 45 days). Need to tighten up debtors collection by offering greater settlement discounts. ✓ ✓*

*Creditors are being paid 22 days early without any financial benefits.*

*However, this could possibly generate goodwill from suppliers. ✓ ✓*

*(Any acceptable answer)*

4

4.4 Are the stock levels of Checkmate Suppliers appropriate? Explain.

*Stock levels are very high and increased from 240 days to 310 days. ✓ ✓*

*Storing and handling cost might be a problem. ✓*

*(Any acceptable answer)*

3

4.5 Has the new policy concerning operating expenses been effective this financial year? Explain.

*Yes, their control over expenses has improved ✓ as the percentage has*

*improved from 21% to 16,5%. ✓*

*Less rand of each sale is going out as an operating expense. ✓*

*(Any acceptable answer)*

	3
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4.6 Comment on the risk facing Checkmate Suppliers by referring to the debt : equity ratio.

*The debt : equity ratio has improved from 1,35 : 1 to 1 : 1. ✓✓*

*The risk is however still high (high geared). ✓*

*(Any acceptable answer)*

	3
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4.7 C du Toit has offered his partner S Stofberg R2 500 000 to buy his share of the business. What advice would you give Stofberg concerning this offer? Should he accept or reject it? Is this offer fair? .

*Stofberg is earning 71,15% on the capital invested in the business –*

*this is very good and he would not easily get that return in an*

*alternative investment. ✓✓*

*He should reject the offer. ✓✓*

*It is not fair. ✓✓*

*(Any acceptable answer)*

	6
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**Question 5 Inventory systems**

(19 marks: 11 minutes)

5.1 Calculate the cost of sales for the accounting period.

$$R130\,800 \checkmark + 552\,225 \checkmark + 10\,230 \checkmark - 89\,320 \checkmark$$

$$= R603\,935$$

4

5.2 Calculate the actual mark-up achieved during the accounting period.

$$\frac{(797\,194 - 603\,935)}{603\,935} \times 100$$

$$= \frac{193\,259 \checkmark \checkmark}{603\,935 \checkmark} \times 100$$

$$= 32\% \checkmark (31,99\%)$$

4

5.3 Calculate the stock turnover rate for the accounting period. The rate of stock turnover in the previous financial period was 4 times per year.

$$\frac{603\,935}{\frac{1}{2}(130\,800 + 89\,320)}$$

$$= \frac{603\,935 \checkmark}{110\,060 \checkmark \checkmark}$$

$$= 5,5 \text{ times per year } \checkmark$$

4

5.4 The mark-up policy of the business is 40% on the cost price. Suggest any TWO reasons why the business did not achieve this.

*The business had sales at a lower price to increase stock turnover*

*rate from 4 times per year to 5,5 times per year. ✓✓*

*Theft/damage of stock ✓✓*

4

5.5 Name the two inventory systems.

Perpetual ✓      Periodic ✓

	2
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5.6 Which inventory system is Mudpie Traders using?

Periodic ✓

	1
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**» Question 6 Bank reconciliation** (31 marks: 20 minutes)

6.1  
**Cash Receipts Journal of Wilteno Traders for October 2011** **CRJ**

Doc. no.	Day	Details	Fol.	Bank	Sundry accounts	
					Amount	Details
	31	Totals		13 845	2 475	
BS		Maske Florist		✓ 1 200	✓ 1 200	Rent income ✓
		Walton's (cheque no. 401 incorrect)		✓ 99	✓ 99	Stationery ✓
				<b>15 144</b>		

(6)

**Cash Payments Journal of Wilteno Traders for October 2011** **CPJ**

Doc. no.	Day	Details	Fol.	Bank	Debtors control	Sundry accounts	
						Amount	Details
	31	Totals		20 799	345	2 679	
BS		SC Bank		✓ 135		✓ 135	Bank charges ✓
BS		SC Bank		✓ 51		✓ 51	Interest on overdraft ✓
BS		R Botes		✓ 225	✓✓ 225		
BS		LIFE Ltd		✓ 540		✓ 540	Insurance ✓
				<b>21 750</b>			

(12)

	18
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6.2 **General Ledger of Wilteno Traders**

Dr				Bank account				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2011 Oct	01	Balance	b/d	✓ 3 501 00	2011 Oct	31	Total payments	CPJ	✓ 21 750 00		
	31	Total receipts	CRJ	✓ 15 144 00							
		Balance	c/d	✓ 3 105 00							
				<b>21 750 00</b>					<b>21 750 00</b>		
					2011 Nov	01	Balance	b/d	✓ 3 105 00		

	5
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6.3

**Wilteno Traders**

**Bank Reconciliation Statement on 31 October 2011**

	Fol.	Debit	Credit
Debit balance according to bank statement		✓ 2 310	
Credit outstanding deposit			✓ 1 845
Cheques not presented for payment:			
No. 312		✓ 114	
No. 389		✓ 156	
No. 412		✓ 1 590	
Debit incorrect entry		✓✓ 780	
Credit balance according to <i>Bank</i> account			✓ 3 105
		<b>4 950</b>	<b>4 950</b>

	<b>8</b>
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**» Question 7 VAT and ethics**

(17 marks: 10 minutes)

**Section A**

7.1.1 Calculate the total cost price of the goods purchased from KLM Wholesalers, including transport but excluding VAT.

Merchandise	✓ R4 800
Carriage ( $456 \times \frac{100}{114}$ )	✓ R400
Cost price	✓ 1 845
	<b>✓ R 5 200</b>

	<b>4</b>
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7.1.2 Calculate the amount of money Books Galore will receive from James Stevens for the items sold to him (VAT inclusive).

Cost price	$\frac{5\ 200}{2}$	✓ 2 600
Profit	$2\ 600 \times \frac{50}{100}$	✓ 1 300
Selling price (VAT excl.)	$2\ 600 + 1\ 300$	✓ 3 900
Selling price (VAT incl.)	$3\ 900 \times \frac{100}{114}$	✓ 4 446

	<b>4</b>
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7.2	<b>State whether the following statements are TRUE or FALSE.</b>
7.2.1	When goods are sold on credit, the output tax receivable from the debtor is paid over to SARS immediately and not only when the money is received from the debtor.
	<i>TRUE ✓</i>

7.2.2	White bread is a zero-rated item.
	<i>FALSE ✓</i>

	2
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**Section B**

7.3.1	What is the penalty for tax evasion?
	<i>Imprisonment ✓</i>

	1
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7.3.2	How did SARS recover some of the money owed to them by Feyen?
	<i>By attaching his assets ✓✓</i>

	2
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7.3.3	Names two ways in which Feyen evaded tax.
	<i>He claimed input tax on expenses that never occurred. ✓✓</i>
	<i>Cash transactions were not entered in the business books. ✓✓</i>

	4
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<b>TOTAL:</b>	<b>300</b>
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## 5. CASE STUDIES

Learners are presented with a real-life situation, a problem or an incident-related topic. They are expected to assume a particular role in articulating the position. They will draw on their own experience, the experience of their peers or prior learning to interpret, analyse and solve problems.

Newspaper articles, magazine articles, television or radio presentations form excellent case studies. Learners have to read and/or listen, digest the information and then make informed decisions. Questions can be from lower order – direct quotes from the article – to higher order when they are asked to analyse comments and possibly make suggestions.

Case studies are a very good way of keeping the subject relevant and up to date.

These case studies should adhere to the following:

- A total of 50 marks (minimum)
- A marking rubric should be used if possible.
- Learning can work in small groups or by themselves.
- It can be done in class or at home.
- The case study should be done in Term 1 or Term 3.

## Assessment task: Case study 1

Read the following article, which appeared on the *Business Day* website, and answer the questions that follow.

# Business finds “green” production brings efficiency gains

Using less electricity and water in manufacturing is good for the bottom line and for the planet, writes Sue Blaine.

So-called “sustainable” business practices are looking much more enticing as the costs of electricity, water and other services rise ever higher. Businesses, as much as individuals, are looking for areas to save not only the planet, but their back pockets as well.

Introducing efficiencies that can be labelled “green” often involves some initial capital outlay. While a green label gives products a certain cachet, the resultant rise in product price is also a hard sell in SA – as in the rest of the world – because everyone is strapped for cash, says Melissa Baird, sustainability strategist for Ogilvy Earth, the sustainability practice of advertising group Ogilvy & Mather.

“Consumers often see (the label) ‘green’ as an opportunity to put prices up ... but SA has serious resource issues, coupled with growing population needs, and a company’s water use and energy consumption has an effect on your balance sheet,” says Ms Baird.

The 2011 Grant Thornton International Business Report indicates that the biggest driver for South African businesses to implement more ethical business practices is cost management.

A total of 62% of South African business owners say this is a key driver for corporate social responsibility in their organisations. Only 37% of companies are motivated by a desire to save the planet.

Factory costs have risen significantly this year, with the producer price index climbing to 6,9% year on year in May, and 6,6% in April, driven by substantial increases in the prices of electricity, fuel and commodities.

SA’s New Growth Path, which promises five million jobs by 2020 and a “more inclusive and greener economy”, is the latest in a succession of plans aimed at reducing the high unemployment rate, now at about 24%. The plan, released last November, estimates that SA could create 300 000 “green” jobs by 2020.

Twizza MD Ken Clark, whose soft-drink manufacturing business has “grown exponentially” since its 2003 start in Queenstown, in the Eastern Cape, has focused on sustainability through efficiency. Twizza sales grew 45% last year and it is aiming to match that this year.

“It’s about ensuring a competitive edge and a

differentiator. It's the culmination of a number of practices that make us stand apart that make us sustainable," Mr Clark says.

"Every single part" of Twizza's vertically integrated manufacturing and distribution chain is scrutinised to make it as efficient as possible, he says. Waste is avoided through the recycling of "clean waste" – like plastic scraps from bottle-making

– and using new bottle- and bottle cap-making technology.

Through such technology, within six weeks, all Twizza bottles will be 18% lighter than the industry standard, without detriment to shelf life or gas retention. Twizza received its ISO 9001 and HACCP food safety accreditation in 2007.

Source: <http://www.businessday.co.za/articles/Content.aspx?id=149167>  
(Accessed on 29 July 2011) Published: 2011/07/26 06:57:40 AM



## Questions

1. What is meant by the term "green production" (used in the title of the article)?
2. What is meant by the term "bottom line" (used in the first sentence of the article)?
3. Why does the writer suggest that "sustainable business practices are looking much more enticing"?
4. Give two reasons why the introduction of "green efficiencies" in the manufacturing of products may have a negative impact on the bottom line of the business.
5. According to the 2011 Grant Thornton International Business Report:
  - a. What is the main motivation for South African businesses to implement more ethical business practices?
  - b. What percentage of South African businesses are motivated by a desire to save the planet?
6. What does "SA's New Growth Path" promise?
7. What was the unemployment rate in South Africa at the time that this article was written?
8. What has Twizza focused on in order to make their soft-drink manufacturing business sustainable?
9. Give an example of a practice that is employed by Twizza that is both environmentally friendly and economically beneficial.



1. The term “green production” refers to the manufacture of products using sustainable and environmentally friendly production processes.
2. The term “bottom line” means profit. It refers to the last line of the Income Statement, which lists the net income (or net profit) of the business.
3. The writer suggest that “sustainable business practices are looking much more enticing” because the costs of electricity, water and other services are increasing.
4. The introduction of “green efficiencies” in the manufacturing of products usually results in the price of the products increasing and customers might choose other cheaper products. Also, the “green” label can cause customers to assume that the product is expensive and thus not even consider buying it.
5.
  - a. cost management
  - b. 37%
6. five-million jobs by 2020 and a “more inclusive and greener economy”
7. 24%
8. efficiency
9. Recycling of plastic scraps from their bottle-making process

## SECTION 4

### NOTES/TIPS FOR TEACHERS

#### CHAPTER 1: Ethics

##### Progression of this topic

**Grade 10:** Code of ethics and basic principles of ethics for businesses

**Grade 11:** Identification and analysis of ethical behaviour applicable to financial environments with reference to accountability, transparency and sustainability

**Grade 12:**

- Role of professional bodies for accountants
- Disciplinary and punitive measures for non-compliance with code of conduct
- Policies governing ethical behaviour, such as King Code III
- Basic principles contained in Companies Act

##### Requirements for this chapter

- Identify and analyse ethical behaviour that applies to financial environments, with reference to.
  - accountability
  - transparency
  - sustainability

##### Difficulties often experienced by learners with this chapter

- Comprehension and understanding of new terminology
- Introduction of many new concepts
- Difficulty in relating to the practical application of these concepts.

##### Suggestions, tips and tricks for teaching this chapter and overcoming difficulties of learners

- In this chapter, new terminology and many new concepts are introduced, so it may take a while for learners comprehend this section. We suggest that you pay special attention to explanations and practical examples in order to help the learners understand the new terms and become comfortable with the new concepts.
- Suggested methods of teaching this chapter:
  - Role play
  - Group or class discussion
  - Practical activities (such as those outlined in the projects at the end of the chapter)
  - Case studies
  - Newspaper articles
- Integration: This topic is integrated with other topics in the Learner's Book, so many of the concepts discussed in this chapter will be reinforced later in the year. These concepts should become clearer once they are dealt with in relation to other topics in later chapters.

## CHAPTER 2: Internal controls and audit processes

### Progression of this topic

**Grade 10:** Basic internal control processes

**Grade 11:** Demonstration of knowledge of internal audit concepts, processes and procedures

**Grade 12:**

- Application of internal control and internal audit processes in a business environment
- Understanding the difference between the roles of internal and external auditors

### Requirements of this chapter

- Demonstrate knowledge of the internal audit process
- Define and explain what is meant by internal audit
- Demonstrate knowledge of:
  - the difference between internal control and an internal audit
  - the role of the internal auditor
  - division of duties, documentation, physical controls, authorisation and reconciliations
- Identify internal audit procedures relating to:
  - handling cash
  - buying and selling on credit
  - stock / inventory
  - debtors
  - creditors

### Difficulties often experienced by learners with this chapter

- Comprehension and understanding of many new concepts
- Difficulty in relating to the practical application of these concepts with reasonably limited accounting knowledge

### Suggestions, tips and tricks for teaching this chapter and overcoming difficulties of learners

- In this chapter many new concepts are introduced, so it may take a while for learners comprehend this section. We suggest that you pay special attention to explanations and practical examples in order to help the learners understand and become comfortable with the new concepts.
- Suggested methods of teaching this chapter:
  - Role play
  - Group or class discussion: In these discussions the learners can think about the potential risks associated with various business activities; they can then identify various internal control procedures that could be used to protect the business against these risks and finally they can draw up a list of internal auditing procedures that could be used to evaluate whether the internal controls are managing the risks effectively.
  - Case studies
  - Newspaper articles
- Integration: This topic is integrated with other topics in the Learner's Book, so many of the concepts discussed in this chapter will be reinforced later in the year. These concepts should become clearer once they are dealt with in relation to other topics in later chapters.

## CHAPTER 3: Reconciliations – Bank reconciliations

### Progression of this topic

**Grade 10:** Preparation of Debtors and Creditors Lists to reconcile with the *Debtors Control* and *Creditors Control* accounts

**Grade 11:** Preparation of reconciliation statements by reconciling to bank and creditors' statements

**Grade 12:** Analysis and interpretation of bank, debtors and creditors reconciliations and debtors age analysis

### Requirements of this chapter

- Reconcile the bank statements with Cash Journals
- Prepare a Bank Reconciliation Statement
- Integrate the following concepts into the bank reconciliation process:
  - Outstanding cheques
  - Cheques not yet presented for payment
  - Deposits not yet shown on the bank statement
  - Stop/debit orders
  - Direct transfers and deposits
  - Bank charges
  - Interest received or charged
  - Correction of errors or omissions
  - Cheques R/D or cancelled
  - Post-dated cheques received or issued
- Integrate with issues of internal control and ethical issues

### Difficulties often experienced by learners with this chapter

- Learners often rush through this work and thus make silly mistakes.
- This is a relatively easy chapter but learners become overconfident and don't work meticulously.

### Suggestions, tips and tricks for teaching this chapter and overcoming difficulties of learners

- Start by making sure that all the learners understand how the CRJ and CPJ affect the *Bank* ledger account.
- They need to understand the mirror image concept because they are comparing the books of an outside organisation (bank) with the books of the business.
- Make sure they understand the layout of the bank statement and how to compare it to the CRJ and CPJ.
- Encourage your learners to follow the steps at all times.
- They need to understand this work as opposed to learning it off by heart.
- Understanding this work will benefit them in Grade 12 when they are required to analyse the Bank Reconciliation Statement.

## CHAPTER 4: Reconciliations – Creditors reconciliations

### Progression of this topic

**Grade 10:** Preparation of Debtors and Creditors Lists to reconcile with the *Debtors Control* and *Creditors Control* accounts

**Grade 11:** Preparation of reconciliation statements by reconciling to bank and creditors' statements

**Grade 12:** Analysis and interpretation of bank, debtors and creditors reconciliations and debtors age analysis

### Requirements of this chapter

- Reconcile the statements received from creditors with accounts in the Creditors Ledger
- Prepare the Creditors Reconciliation Statement
- Integrate the following concepts into the creditors reconciliation process:
  - Outstanding invoices or credit notes
  - Outstanding payments
  - Discounts not recorded
  - Corrections and omissions
- Integrate with issues of internal control and ethical issues

### Difficulties often experienced by learners with this chapter

- Learners often find this work very difficult.
- They often battle to identify the omission or error that was made and how to correct it.

### Suggestions, tips and tricks for teaching this chapter and overcoming difficulties of learners

- Suggested methods of teaching this chapter:
  - Start by making sure that all the learners know what a Debtors Ledger and Creditors Ledger look like.
  - They need to understand the mirror image concept because they are comparing the books of an outside organisation (debtor) with the books of the business (creditor).
- Allow the learners to use the ticking and circling method, as this ensures accuracy.
- They need to understand this work because it is important for Grade 12.

## CHAPTER 5: Fixed assets

### Progression of this topic

**Grade 10:** Calculation and recording of depreciation

**Grade 11:** Recording of acquisition and disposal of fixed assets

**Grade 12:** Interpreting and reporting on movement, valuation and control of fixed assets

### Requirements for this chapter

- Understand the concept of the fixed asset register.
- Record the acquisition of fixed assets.
- Calculate and record depreciation using one of the following methods:
  - On cost price (straight-line method)
  - Diminishing balance method
- Understand how fixed assets are recorded when they are fully depreciated
- Record the disposal of fixed assets (cash, credit, trade in):
  - at the beginning of the financial year
  - during the financial year
  - at the end of the financial year
- Relate to issues of internal control measures over fixed assets
- Relate to ethical issues regarding fixed assets
- Integrate issues pertaining to the responsible use of fixed assets

### Difficulties often experienced by learners with this chapter

- Learners need to know how to depreciate fixed assets.
- They often struggle because they don't understand the ledger accounts related to buying and depreciating fixed assets.

### **Suggestions, tips and tricks for teaching this chapter and overcoming difficulties of learners**

- Learners need to understand terminology related to buying and depreciating fixed assets.
- Do baseline assessments on depreciation and revise the methods before starting to teach this section.
- Teach the learners the steps; when they follow the basic steps they will find this section easier to understand.
- Do lots of homework and reinforce this section of work.

## **CHAPTER 6: Partnerships – Accounting concepts and final accounts**

### **Progression of this topic**

**Grade 10:** Preparation of final accounts of sole traders

**Grade 11:** Preparation of final accounts of partnerships

**Grade 12:** Preparation of final accounts of companies

### **Requirements of this chapter**

- Prepare the final accounts and closing transfers for the following accounts:
  - Trading account
  - Profit and Loss account
  - Appropriation account
- Perform year-end adjustments using the following accounts:
  - Trading stock deficit/surplus
  - Consumable stores on hand
  - Depreciation (on cost price/straight line and on diminishing balance)
  - Accrued income (receivable) and income received in advance (deferred)
  - Expenses prepaid and accrued expenses (payable)
  - Bad debts
  - Correction of errors and omissions
- Draw up a Pre-adjustment Trial Balance, Post-adjustment Trial Balance and Post-closing Trial Balance.
- Reverse certain year-end adjustments at the beginning of the next financial period, i.e. accruals, income received in advance and prepayments.
- When introducing the financial accounting of a partnership with regards to year-end adjustments and final accounts, the teacher should explain and integrate the following accounting concepts:
  - The accounting cycle
  - Application of GAAP principles
  - Accounting equation
  - Internal control and ethics.

### **Difficulties often experienced by learners with this chapter**

- The learners often find the adjustments very difficult.
- The necessity of doing closing transfers and adjustments must be emphasised.

### **Suggestions, tips and tricks for teaching this chapter and overcoming difficulties of learners**

- Start by showing them the bigger picture using the accounting cycle (PowerPoint®).

- Do all the different GAAP principles at the beginning of the chapter.
- Let them learn steps for the closing transfers; the learners understand better when given steps to follow.
- When introducing adjustments such as accrued income, show the writing back of the adjustment as well – do this step by step on the board, not on transparency, using different colour pens to write in balances, adjustments and closing transfers.
- Use T-accounts and time lines when explaining adjustments.
- Do the first activity of each new adjustment with them on the board and then give the next activity for homework – once again, repetition is important.
- When showing learners the short cuts to do adjustments on the Pre-adjustment Trial Balance, show it on a transparency; do not only tell them, show them.
- Integration:
  - All the GAAP principles should be integrated and are often mentioned throughout this chapter.
  - Internal control over stock can be integrated when doing trading stock deficit, and control over assets when doing depreciation.

## **CHAPTER 7: Partnerships – Financial statements**

### **Progression of this topic**

**Grade 10:** Preparation of financial statements of sole traders

**Grade 11:** Preparation of financial statements of partnerships

**Grade 12:** Preparation of financial statements of companies

### **Requirements of this chapter**

- Prepare the financial statements of a partnership:
  - Income Statement
  - Balance Sheet
- Process year-end adjustments for the following:
  - Trading stock deficit/surplus
  - Consumable stores on hand
  - Depreciation (on cost price/straight line and on diminishing balance methods)
  - Accrued income (receivable) and income received in advance (deferred)
  - Expenses prepaid and accrued expenses (payable)
  - Bad debts
  - Correction of errors and omissions.
- When introducing the financial statements, the teacher should explain and integrate the following accounting concepts:
  - The accounting cycle
  - Application of GAAP principles
  - Accounting equation
  - Internal control and ethics.

### **Difficulties often experienced by learners with this chapter**

- The learners often find the adjustments very difficult.
- The format of the Income Statement and Balance Sheet needs to be precise.

### **Suggestions, tips and tricks for teaching this chapter and overcoming difficulties of learners**

- Start by showing them the bigger picture using the accounting cycle (PowerPoint®).
- Do the first Income Statement and Balance Sheet on the board with them, step by step.
- After that you can use transparencies or PowerPoint® presentations.
- Use T-accounts and time lines to explain the adjustments.
- Integration:
  - All the GAAP principles should be integrated and are often mentioned throughout this chapter.
  - Internal control over stock, assets, debtors and creditors can be integrated throughout this chapter.

## **CHAPTER 8: Partnerships – Interpretation of financial statements**

### **Progression of this topic**

**Grade 10:** Analysis and interpretation of financial statements of sole traders

**Grade 11:** Analysis and interpretation of financial statements of partnerships

**Grade 12:** Analysis and interpretation of financial statements of companies

### **Requirements of this chapter**

- Analyse and interpret financial statements and notes for the following:
  - Gross profit on sales
  - Gross profit on cost of sales
  - Net profit on sales
  - Operating expenses on sales
  - Operating profit on sales
  - Current ratio
  - Acid test ratio
  - Solvency ratio
  - Return on equity.
- When introducing the financial statements, the teacher should explain and integrate the following accounting concepts:
  - The accounting cycle
  - Application of GAAP principles
  - Internal control and ethics.

### **Difficulties often experienced by learners with this chapter**

- Giving comments on the results found
- When to use which financial indicator

### **Suggestions, tips and tricks for teaching this chapter and overcoming difficulties of learners**

- Use the PowerPoint® presentation or write on the board and a transparency simultaneously to show the learners where to get the information they need to do the analysis.
- When talking about the comments on results found, give learners different scenarios on which they might need to comment.
- Give learners a summary of the different formulas/ ratios and let them write a class test so that they can learn these.
- Integration: Internal control over stock, assets, debtors and creditors can be integrated throughout this chapter.

## CHAPTER 9: Financial accounting of non-profit organisations – Clubs

### Progression of this topic

**Grade 10:** None

- Grade 11:**
- Definition and explanation of accounting concepts unique to non-profit organisations (clubs)
  - Accounting cycle for non-profit organisations (clubs)

**Grade 12:** None

### Requirements for this chapter

- Preparation of Analysis Cash Book
- Posting to the ledger, particularly accounts unique to non profit organisations, such as accumulated fund, membership fees, entrance fees, refreshments etc.
- Drafting a Trial Balance
- Preparation of Statement of Receipts and Payments
- Understanding of differences between receipts and income, and payments and expenses.

### Difficulties often experienced with this chapter

- Learners often find the *Membership Fees* account and the *Refreshments* account very difficult.
- Learners struggle to tell the difference between receipts and income, and payments and expenses.

### Suggestions, tips and tricks for teaching this chapter and overcoming difficulties of learners

- In this chapter, new terminology and many new concepts are introduced, so it may take a while for learners comprehend this section. We suggest that you pay special attention to explanations and practical examples in order to help the learners understand the new terms and become comfortable with the new concepts.
- Do the *Membership Fees* and *Refreshments* accounts with the learners on the board step by step – sometimes it helps to give them steps to follow.
- Use a time line to explain the three steps: writing back of adjustments at the beginning of the year, entries for the year and finally adjustments at the end of the year.
- Repeat the differences between receipts and income, and payments and expenses, every period when explaining the work.
- Use practical examples of clubs in the city / town they live in.
- The best way to master the preparation of General Ledger accounts is to practise. So get your learners to complete as many of the activities in this chapter as possible. Remember to provide them with solutions so that they can identify and learn from their mistakes.

## CHAPTER 10: Cost Accounting

### Progression of this topic

**Grade 10:** Cost concepts and basic calculations

**Grade 11:** Cost calculations and ledger accounts

**Grade 12:** Preparation, presentation, analysis, interpretation and reporting on cost information for manufacturing enterprises

### Requirements of this chapter

- Identify and classify costs in a manufacturing environment.
- Calculate the following costs in a manufacturing environment:
  - Prime cost
  - Total manufacturing cost
  - Unit cost
  - Variable and fixed costs
  - Cost of a product using variable and fixed costs
  - Contribution per unit
  - Break-even point
- Prepare General Ledger accounts of a manufacturing business
- Integrate ethical, internal control and internal audit issues relating to a manufacturing environment

### Difficulties often experienced by learners with this chapter

- Comprehension and understanding of new terminology and concepts
- Understanding and calculating the break-even point
- Understanding how to allocate and record the manufacturing costs in the various General Ledger accounts of a manufacturing business

### Suggestions, tips and tricks for teaching this chapter and overcoming difficulties of learners

- In this chapter, new terminology and many new concepts are introduced, so it may take a while for learners comprehend this section. We suggest that you pay special attention to explanations and practical examples in order to help the learners understand the new terms and become comfortable with the new concepts.
- Suggested methods of teaching this chapter:
  - Role play: For example, put learners into groups and let each group choose a product that is manufactured. The groups must then identify examples of each of the different types of costs involved in the manufacturing process for that product.
  - Practical activities: such as manufacturing popcorn or fudge and then performing break-even calculations based on real information
- If possible, arrange an outing to a local factory so that the learners can get a real sense of the different types of costs involved in the manufacturing environment.
- The best way to master the preparation of General Ledger accounts is to practice. So get your learners to complete as many of the activities in this chapter as possible. Remember to provide them with solutions so that they can identify and learn from their mistakes.

## CHAPTER 11: Budgeting

### Progression of this topic

**Grade 10:** Budget concepts

**Grade 11:** Preparation and presentation of Cash Budgets and Projected Income Statements of sole traders

**Grade 12:** Analysis, interpretation and comparison of Cash Budgets and Projected Income Statements of sole traders and companies

### Requirements of this chapter

- Understand the difference between a Cash Budget and a Projected Income Statement
- Perform basic forecasting calculations, including the:
  - Debtors Collection Schedule
  - Creditors Payment Schedule
- Prepare and present a Cash Budget for a sole trader
- Prepare and present a Projected Income Statement for a sole trader
- Integrate ethical, internal control and internal audit issues relating to budgeting

### Difficulties often experienced by learners with this chapter

- Learners struggle to comprehend and understand the fundamental difference between a Cash Budget and a Projected Income Statement.
- Learners often get confused when switching between the Cash Budget and the Projected Income Statement.
- Learners also often find the calculations relating to the replenishment of trading stock difficult.

### Suggestions, tips and tricks for teaching this chapter and overcoming difficulties of learners

- This chapter expands on many of the concepts that were introduced in Grade 10. We suggest that you pay special attention to explanations and practical examples in order to help the learners understand and become comfortable with these concepts.
- Suggested methods of teaching this chapter:
  - Role play: For example, put learners into groups and each group must choose a simple small business idea. They must then identify how the business will generate income and make a list of all the expected expenses for their business. They should then perform research into the costs involved and use the information gathered to draw up a basic Projected Income Statement for their business idea.
  - Practical activities: such as the project at the end of the chapter or drawing up a personal Cash Budget.
- As mentioned above, learners often get confused when switching between the Cash Budget and the Projected Income Statement. Probably the most critical aspect to emphasise in this chapter is that the Cash Budget is used to forecast the future cash position of a business and thus only involves expected cash transactions; whereas the Projected Income Statement is used to predict the future profitability of a business, and thus deals with expected income and expenses.
- When dealing with calculations relating to the replenishment of trading stock, encourage your learners to set out these calculations in a table – this helps to break these calculations down into more manageable steps.

## CHAPTER 12: Inventory systems

### Progression of this topic

**Grade 10:** Perpetual stock system concepts and entries in books

**Grade 11:**

- Explanation of the differences between perpetual and periodic stock systems

- Recording of transactions using periodic stock system

**Grade 12:** Validation, valuation and calculation of inventories using perpetual and periodic stock systems:

- Specific identification (of cost price per unit)
- First-in-first out (FIFO)
- Weighted average

### Requirements for this chapter

- Define and explain the following inventory systems:
  - Perpetual stock system
  - Periodic stock system
- Discuss the advantages and the disadvantages of the periodic and perpetual stock systems
- Record transactions using the periodic stock system in the:
  - subsidiary journals
  - General Ledger
- Compare the book entries of the periodic stock system with that of the perpetual stock system
- Draw up the following accounts in the General Ledger:
  - Purchases
  - Opening Stock
  - Closing Stock
  - Trading account
  - Carriage on Purchases
  - Customs and Import Duties
- Compare the *Trading* account in the perpetual stock system with the *Purchases* account in the periodic stock system.

### Difficulties often experienced with this chapter

- Learners struggle with the change in terminology from the *Trading Stock* account to the *Purchases* account.
- They often don't understand why the *Trading Stock* account is not used in this system.

### Suggestions, tips and tricks for teaching this chapter and overcoming difficulties of learners

- Explain to learners why the *Cost of Sales* account is not used in this system.
- Once they understand that they will know that the *Trading Stock* account is not used but the *Purchases* account is.
- Start explaining this section by referring to the differences between the perpetual and periodic stock systems. Learners need to study this.
- The ledger accounts are important so spend some time explaining these.
- The concept of opening stock and closing stock is very important for Grade 12.

## CHAPTER 13: Value-added tax (VAT)

### Progression of this topic

**Grade 10:** Concepts of value-added tax

**Grade 11:** Calculations of value-added tax

**Grade 12:** VAT Control ledger account

### Requirements of this chapter

- Understand the basic principles of VAT
- Perform the following VAT calculations using the current rate:
  - Add VAT to cost price plus mark-up amount
  - Extract VAT from VAT-inclusive amounts
- Explain the difference between the invoice basis and payments basis of accounting for VAT
- Describe the effect of VAT on bad debts, discounts and goods returned
- Integrate ethical, internal control and internal audit issues relating to VAT

### Difficulties often experienced by learners with this chapter

- Learners struggle to comprehend and understand many new concepts.
- Some learners may have difficulty performing the VAT calculations.

### Suggestions, tips and tricks for teaching this chapter and overcoming difficulties of learners

- In this chapter, new terminology and many new concepts are introduced, so it may take a while for learners comprehend these sections. We suggest that you pay special attention to explanations and practical examples in order to help the learners understand the new terms and become comfortable with the new concepts.
- Suggested methods of teaching this chapter:
  - Role play: For example, put learners into groups representing VAT vendors, debtors and creditors (suppliers). The VAT vendors can then pretend to purchase goods and services from the creditors and sell products to the debtors. They should then calculate the VAT amounts included in each of the transactions and determine whether the amounts should be accounted for as input or output tax. They can then pretend to write off debts as irrecoverable, receive and allow discounts and return goods. For each of these transactions, the learners should calculate the VAT amounts and determine the method that should be used to account for the VAT adjustment.
  - Practical activities: For example, collect actual cash slips and invoices from real shops and then check that the VAT listed has been calculated correctly. Also, check the cash slips and invoices to see if there are any zero-rated items.
- Any learners who are having difficulty performing the VAT calculations should do additional practice examples. Remember to get them to perform both types of calculations, namely:
  - Adding VAT to the cost price plus mark-up amount
  - Extracting VAT from VAT-inclusive amounts.

## SECTION 6

### SOLUTIONS TO ACTIVITIES

## CHAPTER 1

### Ethics

#### » Activity 1.1

LB page 7

1. A code of ethics is a written set of rules and guidelines outlining the moral standards and ethical principles by which a business and all of its employees should conduct themselves.
2. An official caution, a fine or being suspended from working as an accountant
3. The King Code is a report drawn up by a South African committee chaired by a former High Court judge, Mervyn King, which sets out principles and guidelines relating to good and ethical corporate governance.
4.
  - a. **Accountability** may be defined as the acknowledgment and assumption of responsibility for your actions, duties and decisions. It is the obligation of an individual, business or organisation to account for its activities and to be held responsible and answerable for the quality and accuracy of these activities or the results thereof.
  - b. **Transparency** may be defined as an honest way of doing things that allows other people to know exactly what you are doing. In the financial environment, transparency is essentially about conducting business activities in an open manner without withholding information or having any hidden agendas.
  - c. **Sustainability** may be defined simply as the ability to maintain economic, social and environmental resources. In the financial environment, sustainability refers to businesses operating in a manner that does not jeopardise our current and future social, environmental and economic well being.
5. Integrated reporting means companies reporting not only on their financial performance, but also on their social performance and their impact on the environment.
6. “Bottom line” accounting refers to the net income or net profit of the business (i.e. the last line of the Income Statement); in other words, reporting only on financial performance.  
“Triple bottom line” accounting refers to reporting on and disclosing information about financial, social and environmental performance. The triple bottom line is thus often referred to as “people, planet, profit”.



## Activity 1.2

LB page 8

1. *“Bafana Bafana lose again; coach must be held accountable”*  
This headline suggests that Bafana Bafana have lost a number of matches recently and calls for the coach to be held accountable for the string of poor performances. This means that the coach must either provide suitable reasons for the poor performances or must accept responsibility and resign or be fired.
2. *“Bafana Bafana coach selects nephew – where is transparency?”*  
This headline suggests that the Bafana Bafana coach was biased or showed favouritism in selecting his nephew to play for Bafana Bafana. It suggests that the selection process should be conducted in an open and honest way so that players are selected on merit.
3. *“Bafana Bafana’s seven-match winning streak – is it sustainable?”*  
This headline questions whether Bafana Bafana will be able to maintain their winning streak after having won seven matches in a row; in other words: “Can they keep on winning?”



## Activity 1.3

LB page 8

1. *“Local wildlife expert calls for oil spill accountability”*  
This headline is about a wildlife expert demanding that the company responsible for an oil spill be held accountable. This company must explain why the oil spill happened, take responsibility for cleaning up the oil, take steps to prevent it happening again and if they were found to have acted negligently, they should be fined.
2. *“Lack of accountability is big problem in schools”*  
This headline might refer to teachers and principals are not being held responsible for poor results in their schools. It suggests that these teachers and principals should be called on to explain and justify these results.
3. *“‘Transparency’ a watchword for residents of nuclear site”*  
This headline refers to the people living near a nuclear plant being concerned about the potential risks such as nuclear fallout or being exposed to radiation. They are demanding that the company running the nuclear plant discloses all information regarding potential risks and alerts the residents immediately if any dangerous situations arise.
4. *“Transparency would build public trust”*  
This headline might refer to the public being wary of certain government activities and suggests that if the government discloses all information and acts in an open manner, then the public would be more trusting.
5. *“Coca-Cola to launch sustainable plastic bottle packaging in UK”*  
This headline refers to Coca-Cola using sustainable methods in its manufacturer of plastic bottles. This probably involves using recycled plastic and other eco-friendly techniques.
6. *“Sustainability need not hurt profits”*  
This headline argues that it is possible for a business to implement and use environmentally friendly methods in an economical manner; in other words, adopting a sustainable approach does not need to be more costly.



1. South African Institute for Chartered Accountants
2. Global warming and climate change
3. SAICA advises that economic development should be “achieved in harmony with environmental priorities and social upliftment together with the eradication of poverty”.
4. SAICA believes that all organisations should:
  - entrench sustainability objectives into their strategies and operations
  - report to their stakeholders on sustainability issues, both positive and negative.
5. Any TWO of the following:
  - The cost of scarce resources is increasing.
  - Consumers are becoming more aware of choosing products that are produced in an environmentally friendly manner.
  - Regulations, fines and taxes are being introduced, which may be costly for companies that continue to employ practices that are harmful to the environment.
  - Any other reasonable answer.



1. Ethics in business relates to the business and its employees conducting themselves in a manner that is morally right. Such conduct should adhere to the principles of ethical and professional behaviour, such as integrity, objectivity, professional competence and proper care, confidentiality, respect of human rights and honesty.  
Ethics is important in a business for several reasons; it helps to protect the business from harm from within, it promotes good business practice and professional behaviour, it helps to create a harmonious work environment with a strong moral culture throughout the business and can enhance the reputation of the business.
2. Ethics Institute of SA
3. The ethical culture that already exists in the business  
The level of development of the business’s ethics infrastructure  
The nature and size of the business
4. Societal censure, company censure and fear of prosecution  
The writer concludes that fear of punishment from within the community and workplace seems to be a greater deterrent than the fear of being prosecuted by the State.
5. The presentation on the five steps to a culture of ethics should include suitable explanations of each of the five steps and should be neatly and clearly presented.
  - Obtain the commitment of the company’s senior management.
  - Assess the company’s values and vulnerabilities by conducting an ethics audit.
  - Develop a code of ethics that sets out both the company’s value statement and code of conduct.
  - Set up an organisational ethics infrastructure.
  - Integrate ethical behaviour into the culture of the company by using the ethics infrastructure

Use the assessment rubric to assess the learners' reports.

Simply circle the relevant mark in each block, and add up for a mark out of 20.

Criteria	1 Not achieved 0–29%	2 Elementary 30–39%	3 Moderate 40–49%	4 Adequate 50–59%	5 Substantial 60–69%	6 Meritorious 70–79%	7 Excellent 80–100%	Mark achieved
The report: • presentation • detail • accuracy • reasons for decision	Could not present the information properly, even with help; no reasons included.	Needed help to present information and suggest reasons.	Some of the information presented, but not in detail; reasons not really/always relevant.	Information presented in some detail, reasonably accurately and includes only one or two reasons.	Information presented in some detail, reasonably accurately and includes a few good reasons.	Information presented in detail, accurately and includes quite a number of good reasons.	Information presented in great detail, accurately and includes a variety of excellent reasons.	
	1–2	3	4	5	6	7–8	9–10	
Reference to: • ethical code • accountability • transparency	Could not provide information on these terms properly, even with help.	Needed help with these terms and relating them to the reasons for their decision.	Some of the terms referred to, but not in detail and not really/always relevant.	All three terms referred to in some detail, reasonably accurately, but not very relevant or appropriate.	All three terms referred to in some detail, reasonably accurately and with some relevance.	All three terms referred to in detail, accurately and in an appropriate and relevant manner.	All three terms referred to in great detail, accurately and in a highly appropriate and relevant manner.	
	1–2	3	4	5	6	7–8	9–10	
<b>Total:</b>								<b>/20</b>

## CHAPTER 2

### Internal controls and audit processes

#### » Activity 2.1

LB page 16

- |      |      |      |      |
|------|------|------|------|
| 1. C | 2. G | 3. A | 4. H |
| 5. B | 6. E | 7. D | 8. F |

#### » Activity 2.2

LB page 19

- A. 1. **Main risk(s):** Risk of theft (cash being stolen)  
2. **Fundamental element of internal control lacking:** Physical controls  
3. **Internal control procedure:** The business should use a cash register that locks and the excess cash should be kept in a safe.
- B. 1. **Main risk(s):** Risk of losing sales due to insufficient stock  
Risk of undetected theft of stock, due to poor stock record keeping  
2. **Fundamental element of internal control lacking:** Proper documentation  
3. **Internal control procedure:** The business should implement a system for recording sales information on proper source documents.
- C. 1. **Main risk(s):** Risk of theft and fraud (cash being stolen and being fraudulently covered up)  
2. **Fundamental element of internal control lacking:** Division of duties (segregation of duties)  
3. **Internal control procedure:** The business should separate these duties, so that one person counts the cash, another prepares the deposit slips and someone else deposits the money at the bank.
- D. 1. **Main risk(s):** Risk of not detecting errors and fraudulent transactions  
2. **Fundamental element of internal control lacking:** Reconciliations  
3. **Internal control procedure:** Michael should perform a bank reconciliation by comparing the Cash Receipts and Cash Payments Journals with the bank statement. He should then investigate any differences that cannot be accounted for.
- E. 1. **Main risk(s):** Risk of theft and fraud (stock being ordered and stolen without being detected)  
2. **Fundamental element of internal control lacking:** Authorisation of transactions  
3. **Internal control procedure:** Michael should authorise and sign all purchase orders. He should also notify the Footwear Factory that they should only process purchase orders that are signed by him and, if possible, confirm all orders directly with him.



- A. **Internal control:** Use a cash register that locks and storing excess cash in a safe.

**Internal auditing procedures:**

- Check that the cash register and the safe are secure.
- Observe Michael and the assistants in their handling of cash and verify that they are locking the cash register and using the safe to store the excess cash.

- B. **Internal control:** Use a system for recording and maintaining proper sales documentation.

**Internal auditing procedures:**

- Verify that there is a system in place for recording and maintaining proper sales documentation.
- Observe Michael and the assistants performing their duties, in order to verify whether they are adhering to sales documentation process.
- Select a representative sample of sales documents and check them for accuracy, correctness and completeness.

- C. **Internal control:** Separate the duties of counting cash, preparing deposit slips and depositing money at the bank.

**Internal auditing procedures:**

- Observe Michael and the assistants performing these tasks, in order to verify that each of these duties is performed by a different person.
- Select a representative sample of cash count records, deposit slips and bank statements and verify them against each other.

- D. **Internal control:** Perform bank reconciliations.

**Internal auditing procedures:**

- Inspect the Cash Journals, bank statements and Bank Reconciliation Statements to check for evidence of proper reconciliations being performed.
- Select a representative sample of Cash Journals, bank statements and Bank Reconciliation Statements and trace amounts or re-perform reconciliations in order to check for accuracy, correctness and completeness.
- Check for evidence of supplementary entries being recorded in the appropriate Cash Journals and that any extraordinary differences were investigated and resolved.

- E. **Internal control:** Proper authorisation of purchase orders

**Internal auditing procedures:**

- Inspect a representative sample of purchase orders to check that they have been properly authorised (signed by Michael).
- Confirm with the Footwear Factory that they will not process unsigned purchase orders from Shoemaker's Shoe Shop.
- Test this control by sending an unsigned purchase order to the Footwear Factory and see whether they process it or whether they contact Michael to query the order.



Internal audit procedures that may typically be used to evaluate the management and control of risks relating to fixed assets.

- Conducting walk-through tests, tracing a sample of transactions through the fixed assets system, in order to:
  - verify the existence of the documented internal controls.
  - gain a clear understanding of the internal control processes and procedures.

- Performing compliance tests by observing activities, interviewing key personnel and inspecting a representative sample of documents and records, in order to verify that:
  - fixed assets are physically safeguarded against theft and loss.
  - the measures taken to safeguarded fixed assets are being adhered to.
  - access to fixed assets is restricted to authorised personnel only.
  - proper authorisation and approvals are required for the acquisition of fixed assets.
  - proper authorisation and approvals are required for the disposal of fixed assets.
  - detailed records of fixed assets are maintained in a fixed assets register.
  - a physical inspection of fixed assets is carried out periodically and checked against the fixed assets register.
  - any discrepancies between the physical fixed assets inventory and the records in the fixed assets register are noted and investigated promptly.
  - depreciation policies are established and documented.
  - depreciation is calculated and recorded according to set policy.
  - movements of fixed assets are recorded promptly in the appropriate journal.
  - fixed assets are adequately insured.
  - fixed assets are properly maintained.
  - lost, stolen or destroyed items are reported immediately.
- Conducting substantive tests on a representative sample of transactions, documents and records, by checking information and re-performing tasks, in order to:
  - verify the accuracy and completeness of the records in the fixed assets register.
  - verify that the physical fixed assets inventory was accurately checked against the fixed assets register.
  - check the accuracy of the depreciation calculations.
  - verify that depreciation and fixed assets movements were recorded accurately in the journals.
  - reconcile the records in the fixed assets register against the fixed asset accounts in the General Ledger to test for accuracy and completeness.



### Case study 2.1

LB page 34

1. During recessions, companies usually look to reduce costs and this often results in internal controls being unintentionally weakened. This creates opportunities for unethical employees, who may seek to take advantages of these vulnerabilities by committing fraudulent acts that are unlikely to be detected.
2. White-collar crime refers to non-violent criminal acts, committed by people in the workplace, involving fraud and illegal financial transactions.
3. Segregation of duties: When employees are retrenched there are fewer personnel available to perform various duties, so tasks that would normally be separated in order to provide greater control, are performed by the same person.
4. Theft
  - Financial statement fraud
  - Bribery and corruption

5. a. Risk management function  
b. Internal controls
6. Internal auditing function
7. Red flags are usually used as a sign to warn of potential danger. In this context, red flags refer to signs indicating that fraudulent activities may be occurring within the organisation.
8. Employees receiving lavish gifts from suppliers  
Employees driving expensive cars that they would not ordinarily be able to afford based on their salary  
Employees living in luxury homes they would not ordinarily be able to afford based on their salary.



### Group assessment 2.1: Written report/presentation

LB page 35

**Marks: 25**

**Time: 2 hours**

Use the assessment rubric to assess the learners' reports.

Simply circle the relevant mark in each block, and add up for a mark out of 25.

Criteria	1 Not achieved 0–29%	2 Elementary 30–39%	3 Moderate 40–49%	4 Adequate 50–59%	5 Substantial 60–69%	6 Meritorious 70–79%	7 Excellent 80–100%	Mark achieved
The report itself	Could not present the information properly, even with help; no suggestions included.	Needed help to present information and make suggestions.	Some of the information presented, but not in detail; suggestions not always relevant.	Some of the information in correct order and reasonably accurately presented; includes one or two practical suggestions.	Information in correct order and reasonably accurately presented; includes a few practical suggestions.	Information in correct order and accurately presented; includes quite a number of practical suggestions.	Information presented in detail and accurately and in the correct order; includes a variety of excellent and practical suggestions.	
	1–2	3	4	5	6	7–8	9–10	
Interaction as a group	No effort made to share tasks or work together as a group.	Tasks not shared; some interaction between group members.	Shared some of the tasks; interaction as a group: not too good.	Shared some of the tasks; interaction as a group: reasonably good, but some of the group members did not cooperate, or are not involved at all.	Some tasks shared; interaction as a group: satisfactory.	Most tasks shared; interaction as a group: good.	Shared tasks equally; interaction as a group: productive.	
	1–2	3	4	5	6	7–8	9–10	
Cover page	Hardly an effort worth mentioning. Hasty and sloppy. Unacceptable.	Untidy appearance. Neither interesting nor original. Hasty and sloppy work.	Made some effort – very neat, but not particularly attractive or interesting.	Neat and reasonably interesting.	Made an effort – neat, reasonably original.	Made an effort – creative, neat, original, interesting and attractive.	An excellent cover page – creative, original, interesting and attractive. Very neat.	
	½	1	2	3	3½	4	5	
<b>Total:</b>								<b>/25</b>

## CHAPTER 3

### Reconciliations: Bank reconciliations

#### » Activity 3.1 (Case study)

LB page 38

1. The credit column
2. The debit column
3. Debit column: Cheque book fee  
Dishonoured cheque  
Debit order  
Service fee  
Cash handling fee  
Credit column: Interest
4. Cheque numbers 6 and 7 and the ATM withdrawal slip for R2 300
5. No, the deposit slip on 29th is not on the bank statement.
6. R54 511,00
7. R53 573,02
8. Because there are items on the bank statement for which the business has not accounted, as well as some cheques. Not all ATM withdrawal slips and deposit slips were taken into account at the bank.
9. He is keeping all his cheque counterfoils, ATM withdrawal slips and deposit slips, so he is keeping some sort of record. He will, however, find difficulty in calculating profit if accounting records are not formalised.

#### » Activity 3.2

LB page 54

1. a.

#### Cash Receipts Journal of Natasha Rose Designs for August 2019

Doc. no.	Day	Details	Fol.	Bank		Debtors control	Sundry accounts			
							Amount	Details		
	31	Total	b/d	177 857	00	1 550	00	151 000	00	
BS		Southern Bank		375	00			375	00	Interest on current account
		H Govender		1 000	00			1 000	00	Rent income
				<b>179 232</b>	<b>00</b>					
				<b>B6</b>						

1. b.

#### Cash Payments Journal of Natasha Rose Designs for August 2019

Doc. no.	Day	Name of payee	Fol.	Bank		Debtors control	Sundry accounts			
							Amount	Details		
	31	Total	b/d	25 058	00	1 550	00	4 200	00	
BS		Insure		475	00			475	00	Insurance
		H Govender (R/D)		1 000	00			1 000	00	Rent income
		Southern Bank		75	00			75	00	Bank charges
				<b>26 608</b>	<b>00</b>					
				<b>B6</b>						

2.

## General Ledger of Natasha Rose Designs

### Balance Sheet account

Dr				Bank (A)				B6				Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
2019 Aug 31		Total receipts		CRJ	179 232	00	2019 Aug 31		Total payments		CPJ	26 608	00		
									Balance		c/d	152 624	00		
					<u>179 232</u>	<u>00</u>						<u>179 232</u>	<u>00</u>		
2019 Sep 01		Balance		b/d	152 624	00									

3.

### Natasha Rose Designs

#### Bank Reconciliation Statement on 31 August 2019

	Fol.	Debit		Credit	
Credit balance as per the bank statement				154 643	00
Credit outstanding deposits				9 051	00
Debit outstanding cheques:					
No. 06		4 120	00		
No. 07		800	00		
No. 08		6 150	00		
Debit balance as per the <i>Bank</i> account		152 624	00		
		<u>163 694</u>	<u>00</u>	<u>163 694</u>	<u>00</u>



### Activity 3.3

LB page 56

1.

#### Cash Receipts Journal of Joe's Wholesale Store for September 2019

Doc. no.	Day	Details	Fol.	Bank	Debtors control	Sundry accounts		
						Amount	Details	Fol.
	30	Total	b/d	62 655	00	10 950	00	
		Western Bank		175	00	175	00	Interest on current account
				<u>62 830</u>	<u>00</u>			
				B6				

#### Cash Payments Journal of Joe's Wholesale Store for September 2019

Doc. no.	Day	Name of payee	Fol.	Bank	Debtors control	Sundry accounts		
						Amount	Details	Fol.
	30	Total	b/d	34 970	00	13 358	00	
BS		Sanlam		645	00	645	00	Insurance
		T Dlamini (R/D)		1 650	00	1 650	00	
		Western Bank		111	00	111	00	Bank charges
				<u>37 376</u>	<u>00</u>			
				B6				

2.

**General Ledger of Joe's Wholesale Store**  
**Balance Sheet account**

Dr					Bank (A)					B6					Cr					
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount								
2019								2019												
Sep	01	Balance		b/d	64 185	00		Sep	30	Total payments	CPJ	37 376	00							
	30	Total receipts		CRJ	62 830	00				Balance	c/d	89 639	00							
					127 015	00						127 015	00							
2019																				
Oct	01	Balance		b/d	89 639	00														

3.

**Joe's Wholesale Store****Bank Reconciliation Statement on 30 September 2019**

	Fol.	Debit		Credit	
Credit balance as per the bank statement				92 690	00
Credit outstanding deposits				7 194	00
Debit outstanding cheques:					
No. 114			3 125	00	
No. 117			7 120	00	
Debit balance as per the <i>Bank</i> account			89 639	00	
			<b>99 884</b>	<b>00</b>	<b>99 884 00</b>

**Activity 3.4**

LB page 59

1. and 2.

<b>Current Account</b>		Account Number 51 287 636 1	
Details	Debit	Credit	Balance
Balance			07-Jan - 3 168 00
Cheque book fee	19 60		07-Jan - 3 187 60
Cheque 36	1 125 00		07-Jan - 4 312 60
Debit order: to Secure for insurance premium	395 00		07-Feb - 4 707 60
Deposit		5 123 00	07-Apr 415 40
Cheque 38	910 00		07-Jun - 494 60
Deposit		3 916 00	07-Jul 3 421 40
Cheque 37	2 187 00		13/07 1 234 40
Cheque 35	852 00		13/07 382 40
Deposit		1 254 00	13/07 1 636 40
Service fees	15 20		19/07 1 621 20
Direct deposit: from M. Stofile for rent		650 00	23/07 2 271 20
Interest	52 20		25/07 2 219 00
Deposit		1 502 00	27/07 3 721 00
Cash handling fees	16 00		27/07 3 705 00
Dishonoured cheque: T Miles	1 500 00		28/07 2 205 00
Interest		26 00	28/07 2 231 00
Cheque 40	3 781 00		29/07 - 1 550 00

3. a. Increase
- b. Decrease
- c. Because the bank account has an overdraft balance and a favourable balance in the same month
- d. They could charge T Miles with interest and persuade him to pay them the money owed to them.
- e. Sell off stock for cash, encourage debtors to pay, hold a sale in order to get in some cash, sell off assets that they are not using efficiently



### Activity 3.5

LB page 60

1.

#### Cash Receipts Journal of Martin's Bakery Supply Store for March 2019

Doc. no.	Day	Details	Fol.	Bank		Debtors control		Sundry accounts	
								Amount	Details
	31	Total	b/d	44 062	00	5 650	00	14 484	00
				B6					

#### Cash Payments Journal of of Martin's Bakery Supply Store for March 2019

Doc. no.	Day	Name of payee	Fol.	Bank		Debtors control		Sundry accounts	
								Amount	Details
	31	Total	b/d	33 446	00	856	00	4 902	00
BS		Surance		344	00			344	00 Insurance
		N Desai (R/D)		1 302	00	1 320	00		
		East Bank		49	00			49	00 Bank charges
		East Bank		102	00			102	00 Interest on overdraft
				35 243 00					
				B6					

2.

#### General Ledger of Martin's Bakery Supply Store Balance Sheet account

Dr				Bank (L)				B6				Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
2019 Mar 31		Total receipts		CRJ	44 062	00	2019 Mar 30		Balance		b/d	21 863	00		
		Balance		c/d	13 044	00			Total payments		CPJ	35 243	00		
					57 106 00							57 106 00			
							2019 Apr 01		Balance		b/d	13 044	00		

3.

#### Martin's Bakery Supply Store Bank Reconciliation Statement on 31 March 2019

	Fol.	Debit		Credit	
Debit balance as per the bank statement		5 762	00		
Credit outstanding deposits				7 880	00
Debit outstanding cheques:					
No. 25		15 162	00		
Credit balance as per the <i>Bank</i> account				13 044	00
		20 924 00		20 924 00	



1.

**Cash Receipts Journal of Allied Traders for November 2019**

Doc. no.	Day	Details	Fol.	Bank		Debtors control		Sundry accounts	
				Amount	Details	Amount	Details		
	30	Total	b/d	29 477	76				
		B Hunter		1 000	00			1 000	00 Rent income
		BMW Cars		99	40			99	40 Repairs
				<b>30 577</b>	<b>16</b>				
				<b>B6</b>					

**Cash Payments Journal of Allied Traders for November 2019**

Doc. no.	Day	Name of payee	Fol.	Bank		Debtors control		Sundry accounts	
				Amount	Details	Amount	Details		
	30	Total	b/d	31 703	07				
BS		F Stein		175	60	175	60		
		Eastern Bank		16	70			16	70 Interest on overdraft
		Anti-crime		450	00			450	00 Insurance
1742		BMW Cars		99	40			99	40 Repairs
BS		Daily News		9	00			9	00 Newspaper subscription
		Eastern Bank		47	90			47	90 Bank charges
				<b>32 501</b>	<b>67</b>				
				<b>B6</b>					

**General Ledger of Allied Traders  
Balance Sheet account**

Dr		Bank				B6				Cr
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount		
2019 Nov	30 Total receipts	CRJ	30 577	16	2019 Nov	01 Balance	b/d	1 147	50	
	Balance	c/d	3 072	01		30 Total payments	CPJ	32 501	67	
			<b>33 649</b>	<b>17</b>				<b>33 649</b>	<b>17</b>	
					2019 Dec	01 Balance	b/d	3 072	01	

2.

**Allied Traders**

**Bank Reconciliation Statement on 30 November 2019**

	Fol.	Debit		Credit	
Debit balance as per the bank statement		594	13		
Credit outstanding deposits				4 860	20
Debit outstanding cheques:					
No. 1734		368	68		
No. 1741		6 870	00		
No. 1742		99	40		
Credit balance as per the <i>Bank</i> account				3 072	01
		<b>7 932</b>	<b>21</b>	<b>7 932</b>	<b>21</b>



1.

**Cash Receipts Journal of Africa Traders for April 2019**

Doc. no.	Day	Details	Fol.	Bank		Debtors control	Sundry accounts	
							Amount	Details
	30	Total	b/d	34 056	78			
BS		City Press		205	00		205	00 Advertising
		Safety Day Care		1 500	00		1 500	00 Rent income
		Quazi Bank		62	20		62	20 Interest on current account
				<b>35 823</b>	<b>98</b>			
				<b>B6</b>				

**Cash Payments Journal of Africa Traders for April 2019**

Doc. no.	Day	Name of payee	Fol.	Bank		Debtors control	Sundry accounts	
							Amount	Details
	30	Total	b/d	31 124	20			
BS		Municipality		223	80		223	80 Water and rates
		R Majiet		110	20	110	20	
		H Saunders		249	40	249	40	
		Multi Insurers		220	00		220	00 Insurance
		Quazi Bank		220	70		220	70 Bank charges
		Sales		40	00		40	00 Sales
		Buzzy Best		198	00		198	00 Equipment
				<b>32 386</b>	<b>30</b>			
				<b>B6</b>				

2.

**General Ledger of Africa Traders  
Balance Sheet account**

Dr		Bank				B6				Cr
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount		
2019 Apr	01 Balance	b/d	7 935	45	2019 Apr	30 Total payments	CPJ	32 386	30	
	30 Total receipts	CRJ	35 823	98						
			<b>43 759</b>	<b>43</b>						
2019 May	01 Balance	b/d	11 373	13						

3.

**Africa Traders  
Bank Reconciliation Statement on 30 April 2019**

	Fol.	Debit		Credit	
Credit balance as per the bank statement				12 340	00
Debit outstanding cheques:					
No. 418		765	25		
No. 427		450	00		
No. 428		3 850	00		
No. 429		4 440	00		
Debit balance as per the <i>Bank</i> account		11 373	13		
Credit amount incorrectly debited by the bank				660	00
Credit outstanding deposits				7 878	78
		<b>20 878</b>	<b>78</b>	<b>20 878</b>	<b>78</b>



1.

**Cash Receipts Journal of Nieuwoudt Traders for April 2015**

**CRJ4**

Doc. no.	Day	Details	Fol.	Bank		Debtors control	Sundry accounts	
							Amount	Details
	30	Total	b/d	61 695	00			
		Paarl Cycling Club		500	00		500	00 Donations
BS		A Bester		350	00	350	00	
BS		XY Bank		12 640	00		12 000	00 Fixed Deposit: XY Bank
							640	00 Interest on fixed deposit
BS		SARS		27	00		27	00 SARS (PAYE)
				<b>75 212</b>	<b>00</b>			
				<b>B6</b>				

**Cash Payments Journal of Nieuwoudt Traders for April 2015**

**CPJ4**

Doc. no.	Day	Name of payee	Fol.	Bank		Trading stock	Debtors control	Sundry accounts	
								Amount	Details
BS	30	Total	b/d	68 785	00				
BS		Jooste Wholesaler		90	00	90	00		
857		Paarl Cycling Club		500	00			500	00 Donations
BS		P Malherbe		1 520	00		1 520	00	
SO		Allsure insurers		500	00			500	00 Drawings
SO		Getogether insurers		600	00			600	00 Insurance
DO		Telkom		524	00			524	00 Telephone
DO		Paarl Gymnasium Primary School		480	00			480	00 Drawings
858		PP Medical Aid		4 370	00			4 370	00 Medical aid
BS		ABC Bank		584	00			584	00 Bank charges
BS		ABC Bank		247	00			247	00 Interest on overdraft
				<b>78 200</b>	<b>00</b>				
				<b>B6</b>					

2.

**General Ledger of Nieuwoudt Traders**

**Balance Sheet account**

Dr					Bank (L)					B6					Cr				
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount									
2015 Apr 30	Total receipts		CRJ4	75 212	00	2015 Apr 01	Balance		b/d	17 344	00								
	Balance		c/d	20 332	00		30 Total payments		CPJ4	78 200	00								
				<b>95 544</b>	<b>00</b>					<b>95 544</b>	<b>00</b>								
						2015 May 01	Balance		b/d	20 332	00								

3.

**Nieuwoudt Traders****Bank Reconciliation Statement on 30 April 2015**

	Fol.	Debit		Credit	
Debit balance as per the bank statement		39 683	00		
Credit incorrect entry				998	00
Credit outstanding deposit				34 221	00
Debit cheques not yet presented for payment:					
No. 844		1 664	00		
No. 850		1 100	00		
No. 854		5 678	00		
No. 856		2 556	00		
No. 857		500	00		
No. 858		4 370	00		
Credit balance as per the <i>Bank</i> account				20 332	00
		<b>55 551</b>	<b>00</b>	<b>55 551</b>	<b>00</b>

**Activity 3.9**

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1.

**Cash Receipts Journal of Freddie Stores for June 2019**

Doc. no.	Day	Details	Fol.	Bank		Sundry accounts	
						Amount	Details
BS	30	Total	b/d	67 407	00	5 393	00
BS		Boda Sports Club		1 350	00	1 350	00 Donations
BS		E Prins		4 784	40	4 784	40 Rent income
				71	20	71	20 Interest on current account
				<b>73 612</b>	<b>60</b>		
				<b>B10</b>			

2.

**Cash Payments Journal of Freddie Stores for June 2019**

Doc. no.	Day	Name of payee	Fol.	Bank		Sundry accounts	
						Amount	Details
	30	Total	b/d	65 215	50	8 005	60
BS		R Beach		1 122	00	1 122	00 Debtors control
AO		CA Insurance Company		818	10	818	10 Insurance
BS				307	20	307	20 Bank charges
				145	98	145	98 Interest on overdraft
		Basson Motors		100	00	100	00 Repairs
BS		L Bell		471	00	471	00 Debtors control
				<b>68 179</b>	<b>78</b>		
				<b>B10</b>			

3.

**General Ledger of Freddie Stores****Balance Sheet account**

Dr				Bank				B6				Cr	
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount			
2019						2019							
Jun	30	Total receipts	CRJ	73 612	60	Jun	01	Balance	b/d	7 858	92		
		Balance	c/d	2 426	10		30	Total payments	CPJ	68 179	78		
				<b>76 038</b>	<b>70</b>					<b>76 038</b>	<b>70</b>		
						2019							
						Jul	01	Balance	b/d	2 426	10		

#### 4. Freddie Stores

##### Bank Reconciliation Statement on 30 June 2019

	Fol.	Debit		Credit	
Debit balance as per the bank statement		11 082	50		
Credit outstanding deposits				14 563	80
Debit outstanding cheques:					
No. 6384		2 867	40		
No. 6440		2 166	00		
No. 6433		874	00		
Credit balance as per the <i>Bank</i> account				2 426	10
		<b>16 989</b>	<b>90</b>	<b>16 989</b>	<b>90</b>



#### Activity 3.10

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1.

#### Cash Receipts Journal of Indaba Traders for October 2019

CRJ

Doc. no.	Day	Details	Fol.	Bank		Debtors control	Sundry accounts			
							Amount	Details		
	31	Totals		28 919	00	7 920	00	3 795	00	
BS		Els Sports (cheque no. 2468 stopped)		1 142	00			1 142	00	Creditors control
BS		OW Suppliers (error corrected)		18	00			18	00	Advertising
BS				12 996	00			11 400	00	Fixed deposit
								1 596	40	Interest on fixed deposit
				<b>43 075</b>	<b>00</b>					
				<b>B6</b>						

#### Cash Payments Journal of Indaba Traders for October 2019

CPJ

Doc. no.	Day	Name of payee	Fol.	Bank		Debtors control	Sundry accounts			
							Amount	Details		
	31	Totals		40 882	00	330	00	8 135	00	
BS		Gibbs (cheque dishonoured)		1 254	00	1 254	00			
BS		Africa Motors		1 056	00			1 056	00	Vehicle finance: Africa Motors
BS		City Council		618	00			618	00	Water and electricity
BS		Smith (cheque cancelled)		808	00	808	00			
BS				177	00			177	00	Bank charges
BS				95	00			95	00	Interest on overdraft
				<b>44 890</b>	<b>00</b>					
				<b>B6</b>						

2.

#### General Ledger of Indaba Traders

##### Balance Sheet account

Dr				Bank				B6				Cr	
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount				
2019					2019								
Oct	01	Balance	b/d	733	00	Oct	31	Total payments	CPJ	44 890	00		
		Total receipts	CRJ	43 075	00								
		Balance	c/d	1 082	00								
				<b>44 890</b>	<b>00</b>					<b>44 890</b>	<b>00</b>		
						2019							
					Nov	01	Balance	b/d	1 082	00			

3.

**Indaba Traders**

**Bank Reconciliation Statement on 31 October 2019**

	Fol.	Debit		Credit	
Debit balance as per the bank statement		4 886	00		
Credit deposit not yet credited by the bank				7 326	00
Debit cheques not yet presented for payment:					
No. 2427		1 071	00		
No. 2987		812	00		
No. 2990		1 639	00		
Credit balance as per the <i>Bank</i> account				1 082	00
		<b>8 408</b>	<b>00</b>	<b>8 408</b>	<b>00</b>



**Activity 3.11**

LB page 85

1.

**General Ledger of Southern Cross Stores**

**Balance Sheet account**

Dr				Bank				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019						2019					
May	31	Balance	b/d	500	00	May	31	Debtors control (J Jupiter)		1 800	00
		Debtors control (V Venue)		3 000	00			Sales		1 620	00
		Donations		1 820	00			Insurance		3 206	00
		Deposit/mistake corrected		1 000	00			Drawings		1 654	00
		Balance	c/d	4 000	00			Bank charges (163 + 89)		252	00
								Interest on overdraft		168	00
								Equipment		1 620	00
				<b>10 320</b>	<b>00</b>					<b>10 320</b>	<b>00</b>
						2019					
						Jun	01	Balance	b/d	4 000	00

2.

**Southern Cross Stores**

**Bank Reconciliation Statement on 31 May 2019**

	Fol.	Debit		Credit	
Debit balance as per the bank statement		18 726	00		
Credit deposits outstanding				19 560	00
Debit outstanding cheques:					
No. 3869		474	00		
No. 3881		4 260	00		
Debit amount incorrectly credited		100	00		
Credit balance as per the <i>Bank</i> account				4 000	00
		<b>23 560</b>	<b>00</b>	<b>23 560</b>	<b>00</b>

1. **General Ledger of Shuttle Stores**  
**Balance Sheet account**

Dr				Bank				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2012					2012						
Feb	29	Donation		267 00	Feb	29	Balance	b/d	2 547 00		
		Packing material		180 00			Bank charges		324 00		
		Interest on current account		38 00			Debtor's control (D Daniels)		300 00		
		Rent income		2 500 00			Debtor's control (P Paul)		260 00		
		Balance	c/d	1 273 00			Insurance		400 00		
							Drawings		140 00		
							Electricity		287 00		
				4 258 00					4 258 00		
					2012						
					Mar	01	Balance	b/d	1 273 00		

2. **Shuttle Stores**  
**Bank Reconciliation Statement on 29 February 2012**

	Fol.	Debit	Credit
Debit balance as per the bank statement		3 083 00	
Credit deposits outstanding			3 150 00
Debit cheques not yet presented for payment:			
No. 376		250 00	
No. 412		340 00	
No. 465		750 00	
Credit balance as per the <i>Bank</i> account			1 273 00
		<b>4 423 00</b>	<b>4 423 00</b>

» Activity 3.13

1.  $-R13\ 260 + 19\ 320 - 2\ 300 - 1\ 820 = R1\ 940$
2. Cheque no. 241 is stale because it is older than 6 months and it should be cancelled. It is no longer legal tender and can no longer be presented for payment.
3. Add the amount of R2 300 to the Bank amount under Cash and cash equivalents and add it back to the Creditors Control amount under Trade and other payables.
4.  $R1\ 940 + 2\ 300 = R4\ 240$
5. Post-dated cheques received will not be entered into the CRJ and therefore will not affect the BRS. The post-dated cheque received must be kept in the post-dated cheque register until the valid date.
6.
  - For internal control purposes
  - To identify the correct bank balance and to update records
  - Deposits made and cheques issued not only affect the business but also the bank concerned therefore these transactions must be verified.
  - The business keeps a record of all cash transactions in the same way the bank also keeps a record of its transactions with the business, and the accuracy of these transactions must be checked.

- The books of the business and that of the bank should agree and the bank balance should be the same in both books.
- Comparisons between the books of the business and that of the bank must be made on a monthly basis by preparing a Bank Reconciliation Statement.
- Errors, fraud and dishonesty can be detected on a monthly basis.

### Activity 3.14

LB page 91

No.	Bank account			Bank Reconciliation Statement		No entry
	Contra/Details	Debit	Credit	Debit	Credit	
1.	Packing material		R18			
2.	P Zuma: Debtors control		R250			
3.					R1 600	
4.	Bank charges		R60			
5.					R3 425	
6.	Drawings		R950			
7.						No entry
8.	Interest on current account	R95				
9.	Creditors control: Quip-co Ltd		R425	R425		
10.	Debtors control: B Zulu		R850			
11.				R960		
12.	Rent income	R5 000				
13.	Advertisements	R63	R63	R63		

### Informal assessment 3.1

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Marks: 45

Time: 30 minutes

1.

#### Cash Receipts Journal of Hugo Traders for March 2019

CRJ3

Doc. no.	Day	Details	Fol.	Bank	Debtors control	Sundry accounts		Fol.
						Amount	Details	
	31	Total	b/d	✓ 19 230 00				
		XAT Bank		✓ 121 00		✓ 121 00	Interest on current account ✓	
		PEN Stationery		✓ 280 00		✓ 280 00	Stationery ✓	
		Alfie Stores		✓ 3 600 00		✓ 3 600 00	Trading stock ✓	
				✓ 23 231 00				
				B6				

[11]

**Cash Payments Journal of Hugo Traders for March 2019**
**CPJ3**

Doc. no.	Day	Name of payee	Fol.	Bank		Debtors control	Sundry accounts		Fol.
							Amount	Details	
	31	Total	b/d	✓15 990	00				
		XAT Bank		✓85	00		✓85	00	Bank charges ✓
		T Survivor		✓450	00	✓450	00		
		BSure Insurers		✓87	00		✓87	00	Drawings ✓
		P Henna		✓109	00	✓109	00		
		Unicity Computers		✓452	00		✓452	00	Creditors control ✓
				✓17 173	00				
				B6					

[15]

2.

**General Ledger of Hugo Traders  
Balance Sheet account**

Dr				Bank (B)				B6				Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
2019	Mar	01	Balance	b/d	✓✓3 694	00	2019	Mar	31	Total payments	CPJ	✓✓17 173	00		
		31	Total receipts	CRJ	✓✓23 231	00				Balance	c/d	✓9 752	00		
					26 925	00						26 925	00		
2019	Apr	01	Balance	b/d	✓9 752	00									

[8]

3.

**Hugo Traders**
**Bank Reconciliation Statement on 31 March 2019**

	Fol.	Debit		Credit	
Credit balance as per the <i>Bank</i> account				✓9 332	00
Credit outstanding deposits				✓4 200	00
Debit outstanding cheques:					
No. 1905		✓380	00		
No. 1962		✓500	00		
No. 1965		✓600	00		
No. 1970		✓1 000	00		
No. 1971		✓600	00		
No. 1972		✓700	00		
Debit balance as per the bank statement		✓9 752	00		
		✓13 532	00	✓13 532	00

[11]



Marks: 45

Time: 30 minutes

**Cash Receipts Journal of Singh Traders for December 2019**

**CRJ**

Doc. no.	Day	Details	Fol.	Bank	Sundry accounts	
					Amount	Details
	31	Totals		✓ 52 900 00	12 400 00	
BS		Dino Sports (cheque no. 2468 cancelled)		865 00	✓✓ 865 00	Donations
BS		CNA (cheque no. 2572 stopped)		1 340 00	✓✓ 1 340 00	Stationery
BS		Mermaid Advertisers (error corrected)		200 00	✓✓ 200 00	Advertising
		KZN Bank		17 250 00	✓✓ 15 000 00	Fixed deposit: KZN Bank
					✓✓ 2 250 00	Interest on fixed deposit
				✓✓ 72 555 00		
				B6		

[13]

**Cash Payments Journal of Singh Traders for December 2019**

**CPJ**

Doc. no.	Day	Name of payee	Fol.	Bank	Debtors control	Sundry accounts	
						Amount	Details
	31	Totals		✓ 78 840 00		14 360 00	
2760		CNA		1 340 00		✓✓ 1 340 00	Stationery
BS		G Gamede (cheque dishonoured)		2 800 00	✓✓ 2 800 00		
BS		Durbs Auto		1 500 00		1 500 00	Creditors control
BS		Cash		500 00		✓✓ 500 00	Drawings
BS				310 00		✓✓ 310 00	Bank charges
BS				250 00		✓✓ 250 00	Interest on overdraft
				✓✓ 81 540 00			
				B6			

[13]

2.

**General Ledger of Singh Traders  
Balance Sheet account**

Dr				Bank				B6				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount					
2019						2019									
Dec	31	Total receipts	CRJ	✓✓ 72 555	00	Dec	01	Balance	b/d	✓✓ 2 085	00				
		Balance	c/d	✓ 11 070	00		31	Total payments	CPJ	✓✓ 81 540	00				
				83 625	00					83 625	00				
						2020									
						Jan	01	Balance	b/d	✓ 11 070	00				

[8]

3.

**Singh Traders**

**Bank Reconciliation Statement on 31 December 2019**

	Fol.	Debit		Credit	
Debit balance as per the bank statement		✓✓ 17 880	00		
Credit deposit not yet credited by the bank				✓ 13 500	00
Debit cheques not yet presented for payment:					
No. 2652		✓✓ 1 000	00		
No. 2758		✓ 1 540	00		
No. 2759		✓ 2 810	00		
No. 2760		✓✓ 1 340	00		
Credit balance as per the <i>Bank</i> account				✓✓ 11 070	00
		<b>24 570</b>	<b>00</b>	<b>24 570</b>	<b>00</b>

[11]

**» Informal assessment 3.3 (challenge)**

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**Marks: 30**

**Time: 25 minutes**

No.	Details of entry in the journal			General Ledger Bank account		Bank Reconciliation Statement		No entry
	Name of journal	Name of account in General Journal/Ledger	Amount	Account Debit	Account Credit	Debit	Credit	
1.	CRJ ✓	Rent income ✓	✓ 1 000	✓ 1 000				
2.	CPJ ✓	Creditors for salaries ✓	✓✓ 13 000		✓ 13 000	✓✓ 3 500		
3.	CPJ ✓	Debtors control (A Mlaba) ✓	✓ 600		✓ 600			
4.	CRJ ✓	Donations ✓	✓ 500	✓ 500				
5.	CPJ ✓	Insurance ✓	✓ 400		✓ 400			
6.	CPJ ✓	Trading stock ✓	✓✓ 999		✓ 999			
7.								✓ 420
8.							✓ 1 760	

[30]

## CHAPTER 4

### Reconciliations: Creditors reconciliations



#### Activity 4.1

LB page 110

##### Campwell Cleaners

##### Creditors Reconciliation Statement on 30 June 2016

Balance as per creditor's statement on 28 June 2016	19 512
Incorrect debit on statement	(3 120)
Invoice no. 213 not on statement	8 165
Payment not on statement	(14 657)
Returns not on statement	(3 100)
Balance as per <i>Creditors Ledger</i> account	<b>6 800</b>

##### Notes:

- Credit the incorrect debit.
- Always add invoices.
- Always subtract payments and returns.
- The amounts in brackets ( ) are negative amounts and are credits.



#### Activity 4.2

LB page 111

##### Fragrance Boutique

##### Creditors Reconciliation Statement for Tru Blu Perfumes on 31 May 2014 (Standard format)

	Debit		Credit	
Debit balance as per creditor's statement on 24 May 2014	4 065	00		
Discount not recorded on statement			300	00
Payment not on statement			500	00
Discount not on statement			25	00
Incorrect credit on statement	1 665	00		
Returns not on statement			210	00
Credit balance as per <i>Creditors Ledger</i> account			4 695	00
	<b>5 730</b>	<b>00</b>	<b>5 730</b>	<b>00</b>

No.	Error / omission	Creditors Ledger		Creditors Reconciliation Statement	
		Debit	Credit	Debit	Credit
1.	A cheque for R6 250 appears in the Creditors Ledger but not on the creditor's statement.				6 250
2.	Interest of R160 charged by the creditor appeared on the statement but not in the Creditors Ledger.		160		
3.	An invoice was incorrectly entered in the Creditors Ledger as R2 300 instead of R3 200.		900		
4.	The creditor's statement showed a credit note that was entered as R550 instead of R350.			200	
5.	An invoice for R1 500 was entered as a receipt on the creditor's statement.			3 000	
6.	A credit note for R240 appears on the creditor's statement but not in the Creditors Ledger.	240			
7.	The Creditors Ledger showed a discount received of R610 but the creditor did not allow the discount because the payment was late.		610		

1.

**Creditors Ledger of The Happy Hiker  
Camping Gear Wholesalers**

C1

Date	Details	Debit		Credit		Balance	
31 May	Closing balance					9 290	00
	Invoice 334: correction of error			900	00	10 190	00
	Debit note: adjustment			100	00	10 290	00

2.

**Camping Gear Wholesalers**

**Creditor's Reconciliation Statement of The Happy Hiker on 31 May 2016**

	Debit		Credit	
Debit balance according to creditors statement on 25 May	15 750	00		
Discount not recorded on statement			250	00
Invoice not recorded on statement	1 390	00		
Payment not recorded on statement			6 000	00
Discount not recorded on statement			600	00
Credit balance as per <i>Creditors Ledger</i> account			10 290	00
	<b>17 140</b>	<b>00</b>	<b>17 140</b>	<b>00</b>



1. Any TWO points:

Division of duties

- Different people must take responsibility for purchasing the items bought on credit and receiving the items.
- Different people must take responsibility for checking items received against the delivery notes and recording invoices the books of the business.
- The person paying the creditors must not be the same person ordering the items from the creditors.

Items received must be checked against invoices and delivery notes.

The balance in the *Creditors Control* account must be reconciled against the balance on the Creditors List to ensure that transactions were correctly recorded.

2. a.

**Creditors Ledger of CASS Traders**

**Vries Stores**

**C1**

Date	Details	Debit		Credit		Balance	
2018							
30 Jun	Incorrect balance					12 120	00
	Invoice no. 123 – correction of error	900	00			11 220	00
	Discount cancelled			1 250	00	12 470	00
	Interest on overdue account			156	00	12 626	00
	Invoice no. 189 – incorrect creditor	600	00			12 026	00
	Invoice no. 191 – trade discount allowed	800	00			11 226	00
	Invoice no. 133 – correction of error	370	00			10 856	00
	Debit note	370	00			10 486	00

2. b.

**CASS Traders**

**Creditors Reconciliation Statement of Vries Stores on 30 June 2018**

Balance as per creditor's statement	13 886
Invoice not on statement	2 000
Payment not on statement	(5 000)
Debit note not on statement	(400)
Balance per <i>Creditors Ledger</i> account	<b>10 486</b>



	Creditors Ledger of Jo-Jo Traders		Creditors Reconciliation Statement of MacMillan Suppliers	
<b>Balance</b>	<b>10 991</b>	<b>00</b>	<b>16 091</b>	<b>00</b>
1.	+ 300	00		
2.			– 540	00
3.			– 5 000	00
4.	– 70	00		
5.	+ 4 000	00		
6.			+ 4 670	00
<b>Balance</b>	<b>15 221</b>	<b>00</b>	<b>15 221</b>	<b>00</b>

## CHAPTER 5

### Fixed assets

#### » Activity 5.1

LB page 126

Fixed Asset Register of Kuyper Traders				Folio 4
<b>Make:</b> Toyota truck (MB 234 GP) <b>Model:</b> 2015 <b>Date of purchase:</b> 1 January 2016 <b>Purchased from:</b> JS Motors <b>Cost:</b> R800 000 <b>Depreciation:</b> 20% p.a. on the cost price				
Date	Depreciation	Accumulated depreciation	Carrying value	
30 June 2016	R80 000	R80 000	R720 000	
30 June 2017	R160 000	R240 000	R560 000	
30 June 2018	R160 000	R400 000	R400 000	
30 June 2019	R160 000	R560 000	R240 000	

#### Calculations

$$R800\,000 \times \frac{20}{100} \times \frac{6}{12} = R80\,000$$

$$R800\,000 \times \frac{20}{100} = R160\,000$$

#### » Activity 5.2

LB page 128

Fixed Asset Register of Kuyper Traders				Folio 10
<b>Make:</b> Pentium 4 Mecer computer serial no. 55329 <b>Date of purchase:</b> 1 March 2015 <b>Purchased from:</b> Computron <b>Cost:</b> R5 000 <b>Depreciation:</b> 10% p.a. on the diminishing balance				
Date	Depreciation	Accumulated depreciation	Carrying value	
29 February 2016	R500 00	R500 00	R4 500	00
28 February 2017	R450 00	R950 00	R4 050	00
28 February 2018	R405 00	R1 355 00	R3 645	00
28 February 2019	R364 50	R1 719 50	R3 280	50

**Calculations**

Depreciation

$$R5\ 000 \times \frac{10}{100} = R500,00$$

$$R4\ 500 \times \frac{10}{100} = R450,00$$

$$R4\ 050 \times \frac{10}{100} = R405,00$$

$$R3\ 645 \times \frac{10}{100} = R364,50$$

Carrying value

$$R5\ 000 - 500 = R4\ 500,00$$

$$R5\ 000 - 950 = R4\ 050,00$$

$$R5\ 000 - 1\ 355 = R3\ 645,00$$

$$R5\ 000 - 1\ 719,50 = R3\ 280,50$$



**Activity 5.3 (Baseline assessment)**

LB page 128

**General Ledger of Wayne Brothers**

**Balance Sheet accounts**

Dr				Vehicles				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2015											
Mar	01	Balance	b/d	72 500	00						
Dec	31	Creditors control	CJ	55 000	00						
				<u>127 500</u>	<u>00</u>						

Dr				Accumulated Depreciation on Vehicles				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
						2015					
						Mar	01	Balance	b/d	12 125	00
						2016					
						Feb	29	Depreciation	GJ	12 250	00
										<u>24 375</u>	<u>00</u>

**Nominal account**

Dr				Depreciation				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2016						2016					
Feb	29	Accumulated depreciation on vehicles	GJ	12 250	00	Feb	29	Profit and loss	GJ	12 250	00

**Calculations**

$$R72\ 500 \times \frac{15}{100} = R10\ 875 \quad \text{– existing vehicles}$$

$$R55\ 000 \times \frac{15}{100} = R\ 8\ 250 \quad \text{– new vehicle}$$

**R12 250**



1. **General Ledger of West Discount Store**  
**Balance Sheet accounts**

Dr				Equipment				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2015	Jul	01	Balance	b/d	41 400						
2016	Jan	01	Bank	CJ	10 000						
					<u>51 400</u>						<u>00</u>

2.

Dr				Accumulated Depreciation on Equipment				Cr				
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount		
						2015	Jul	01	Balance	b/d	14 900	00
						2016	Jun	30	Depreciation	GJ	6 300	00
											<u>21 200</u>	<u>00</u>

3.

**Nominal account**

Dr				Depreciation				Cr				
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount		
2016	Jun	30	Accumulated depreciation on equipment	GJ	6 300	2016	Jun	30	Profit and Loss	GJ	6 300	00

**Calculations**

$$R41\ 400 - 14\ 900 = 26\ 500 \times \frac{20}{100} = R5\ 300 \quad \text{– existing}$$

$$R10\ 000 \times \frac{20}{100} \times \frac{6}{12} = \underline{R1\ 000} \quad \text{– new}$$

$$\underline{\underline{R6\ 300}}$$



1. Accumulated depreciation on vehicles as on 01/03/17:

**Toyota Tazz**

$$01/03/15-28/02/17 \text{ (24 months)} \quad R130\ 000 \times \frac{15}{100} \times \frac{24}{12} = R39\ 000$$

**Opel Corsa**

$$31/12/15-28/02/17 \text{ (14 months)} \quad R150\ 000 \times \frac{15}{100} \times \frac{14}{12} = R26\ 250$$

**Nissan One Tonner**

$$01/07/16-28/02/17 \text{ (8 months)} \quad R165\ 000 \times \frac{15}{100} \times \frac{8}{12} = \underline{R16\ 500}$$

$$\underline{\underline{R81\ 750}}$$

2. Depreciation on vehicles on 28/02/18:

$$R445\,000 \times \frac{15}{100} = R66\,750$$

Depreciation on equipment on 28/02/18:

$$R82\,800 - 29\,800 = R53\,000 \times \frac{20}{100} = R10\,600 \text{ – existing equipment}$$

$$R7\,500 \times \frac{20}{100} \times \frac{6}{12} = \underline{R\,750} \text{ – new equipment}$$

**R11 350**

3. Amount closed off to *Profit and Loss* for depreciation on 28/02/18:

Depreciation on vehicles R66 750

Depreciation on equipment R11 350

**R78 100**

4. Accumulated depreciation on vehicles as on 28/02/18:

$$(1) R81\,750 + (2) 66\,750 = R148\,500$$

Accumulated depreciation on equipment

$$R29\,800 + (2) 11\,350 = R41\,150$$

5. It is an imputed expense.

6. It is a negative asset.

## » Activity 5.6

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### FIXED / TANGIBLE ASSETS

	Land and buildings		Vehicles		Equipment		Total	
Carrying value at beginning of year	840 000	00	214 800	00	7 500	00	1 062 300	00
Cost	840 000	00	314 800	00	75 000	00	1 229 800	00
Accumulated depreciation	-	-	(100 000)	00	(67 500)	00	(167 500)	00
Movements								
Additions	120 000	00	60 000	00	4 800	00	184 800	00
Depreciation	-	-	*(54 960)	00	** (7 619)	00	(62 579)	00
Carrying value at end of year	960 000	00	219 840	00	4 681	00	1 184 521	00
Cost	960 000	00	374 800	00	79 800	00	1 414 600	00
Accumulated depreciation	-	-	(154 960)	00	(75 119)	00	(230 079)	00

\* Vehicles:  $R314\,800 - 100\,000 = R214\,800 \times \frac{20}{100} = R42\,960$  – existing vehicle

$$R60\,000 \times \frac{20}{100} = \underline{R12\,000} \text{ – new vehicle}$$

**R54 960**

\*\* Equipment:  $R75\,000 - 67\,500 = R7\,500$  ∴ R7 499 will be depreciated

$$R4\,800 \times \frac{15}{100} \times \frac{2}{12} = \underline{R\,120} \text{ – new equipment}$$

**R7 619**

The existing equipment cannot be fully depreciated because

$$R75\,000 \times \frac{15}{100} = R11\,250. \text{ There is not enough to write off.}$$



1.

**General Journal of Thandi's Boutique for March 2017**

Day		Fol.	Debit		Credit	
01	Asset disposal		160 000	00		
	Vehicles				160 000	00
	(Transfer of cost price to asset disposal)					
	Accumulated depreciation on vehicles		86 272	00		
	Asset disposal				86 272	00
	(Transfer of Accumulated depreciation to asset disposal)					
	Asset disposal		1 272	00		
	Profit on sale of asset				1 272	00
	(Profit realised on the sale of the asset)					

**Cash Receipts Journal of Thandi's Boutique for March 2017**

Doc. no.	Day	Details	Fol.	Analysis of receipts		Sundry accounts		Fol.
						Bank	Details	
R...	01	Buddy Motors		75 000	00	75 000	00	

2.

**General Ledger of Thandi's Boutique  
Balance Sheet accounts**

Dr				Vehicles				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017						2017					
Mar	01	Balance	b/d	280 000	00	Mar	01	Asset disposal	GJ	160 000	00
								Balance	c/d	120 000	00
				<u>280 000</u>	<u>00</u>					<u>280 000</u>	<u>00</u>
2017											
Apr	01	Balance	b/d	120 000	00						

Dr				Accumulated Depreciation on Vehicles				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017						2017					
Mar	01	Asset disposal	GJ	86 272	00	Mar	01	Balance	b/d	126 272	00
		Balance	c/d	40 000	00						
				<u>126 272</u>	<u>00</u>					<u>126 272</u>	<u>00</u>
						2017					
						Apr	01	Balance	b/d	40 000	00

**Nominal accounts**

Dr				Asset Disposal				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017						2017					
Mar	01	Vehicles	GJ	160 000	00	Mar	01	Accumulated depreciation on vehicles	GJ	86 272	00
		Profit sale of asset	GJ	1 272	00			Bank	CRJ	75 000	00
				<u>161 272</u>	<u>00</u>					<u>161 272</u>	<u>00</u>

Dr		Profit on Sale of Asset								Cr	
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
						2017 Mar	01	Asset disposal	GJ	1 272	00

### 3. Effect on the accounting equation

Date	Assets		Owner's equity		Liabilities	
	Effect	Reason	Effect	Reason	Effect	Reason
1 Mar 2017	- 73 728	Carrying value of vehicles decreases	+ 1 272	Profit on sale of asset - income		
	+ 75 000	Bank increases				

#### Calculations

$R160\ 000 - 86\ 272 = R73\ 728$  (carrying value)

$R75\ 000 - 73\ 728 = R1\ 272$  profit

SP CV

### » Activity 5.8

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1.

#### General Journal of Boots Traders for July 2018

Day		Fol.	Debit		Credit		Debtors control	
							Debit	Credit
01	Asset disposal		72 800	00				
	Vehicles				72 800	00		
	Accumulated depreciation on vehicles		60 800	00				
	Asset disposal				60 800	00		
	*J Johns		14 000	00			14 000	00
	Asset disposal				14 000	00		
	Asset disposal		2 000	00				
	Profit on sale of asset				2 000	00		

\* When an asset is sold on credit, the sale is not recorded in the DJ because the DJ is used to record the credit sales of trading stock only. The entry for the credit sale of the asset is made in the GJ.

2.

#### General Ledger of Boots Traders Balance Sheet accounts

Dr		Vehicles								Cr	
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
2018 Jul	01	Balance	b/d	325 000	00	2018 Jul	01	Asset disposal	GJ	72 800	00
								Balance	c/d	252 200	00
				<u>325 000</u>	<u>00</u>					<u>325 000</u>	<u>00</u>
2018 Aug	01	Balance	b/d	252 200	00						

Dr					Accumulated Depreciation on Vehicles					Cr				
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount		
2018								2018						
Jul	01	Asset disposal		GJ	60 800	00	Jul	01	Balance		b/d	157 000	00	
		Balance		c/d	96 200	00								
					157 000	00						157 000	00	
							2018	Aug	01	Balance		b/d	96 200	00

### Nominal accounts

Dr					Asset Disposal					Cr				
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount		
2018							2018							
Jul	01	Vehicles		GJ	72 800	00	Jul	01	Accumulated depreciation on vehicles		GJ	60 800	00	
		Profit on sale of asset		GJ	2 000	00			Debtors control		GJ	14 000	00	
					74 800	00						74 800	00	

Dr					Profit on Sale of Asset					Cr				
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount		
							2018							
							Jul	01	Asset disposal		GJ	2 000	00	

### 3. Effect on the accounting equation

Date	Assets		Owner's equity		Liabilities	
	Effect	Reason	Effect	Reason	Effect	Reason
1 July 2018	- 12 000	Carrying value of vehicles decreases	+ 2 000	Profit on sale of asset - income		
	+ 14 000	Debtors increase				

### » Activity 5.9

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1.

#### General Journal of Dlamini's Taxis for January 2018

Day		Fol.	Debit		Credit	
01	Asset disposal		150 000	00		
	Vehicles				150 000	00
	Accumulated depreciation on vehicles		75 000	00		
	Asset disposal				75 000	00
	Drawings		75 000	00		
	Asset disposal				75 000	00

2.

## General Ledger of Dlamini's Taxis

### Balance Sheet accounts

Dr				Vehicles				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018						2018					
Jan	01	Balance	b/d	450 000	00	Jan	01	Asset disposal	GJ	150 000	00
								Balance	c/d	300 000	00
				<u>450 000</u>	<u>00</u>					<u>450 000</u>	<u>00</u>
2018											
Feb	01	Balance	b/d	300 000	00						

Dr				Accumulated Depreciation on Vehicles				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018						2018					
Jan	01	Asset disposal	GJ	75 000	00	Jan	01	Balance	b/d	195 000	00
		Balance	c/d	120 000	00						
				<u>195 000</u>	<u>00</u>					<u>195 000</u>	<u>00</u>
						2018					
						Feb	01	Balance	b/d	120 000	00

### Nominal account

Dr				Asset Disposal				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018						2018					
Jan	01	Vehicles	GJ	150 000	00	Jan	01	Accumulated depreciation on vehicles	GJ	75 000	00
								Drawings*	GJ	75 000	00
				<u>150 000</u>	<u>00</u>					<u>150 000</u>	<u>00</u>

\* When an asset is sold at its carrying value, then neither a profit nor a loss was made.

#### Calculation of accumulated depreciation

$$R150\,000 \times \frac{20}{100} \times \frac{30}{12} = R75\,000 \quad (01/07/15-31/12/17 = 30 \text{ months})$$

### 3. Effect on the accounting equation

Date	Assets		Owner's equity		Liabilities	
	Effect	Reason	Effect	Reason	Effect	Reason
1 Jan 2018	- 75 000	Carrying value of vehicles decreases	- 75 000	Drawings		

1.

**General Journal of LK Brick and Block Traders for March 2018**

Day		Fol.	Debit		Credit		Debtors control						
							Debit		Credit				
01	Asset disposal		150 000	00									
	Vehicles				150 000	00							
	Accumulated depreciation on vehicles		73 200	00									
	Asset disposal				73 200	00							
	Thorp Motors		75 000	00			75 000	00					
	Asset disposal				75 000	00							
	Loss on sale of asset		1 800	00									
	Asset disposal				1 800	00							

2.

**Creditors Journal of LK Brick and Block Traders for March 2018**

Doc. no.	Day	Details	Fol.	Creditors control		Sundry accounts		
						Amount	Details	
Inv ...	01	Thorp Motors		210 000	00	210 000	00	Vehicles

3.

**General Ledger of LK Brick and Block Traders  
Balance Sheet accounts**

Dr										Vehicles				Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount					
2018	Mar	01	Balance	b/d	370 000	00	2018	Mar	01	Asset disposal	GJ	150 000	00				
			Creditors control	CJ	210 000	00				Balance	c/d	430 000	00				
					<b>580 000</b>	<b>00</b>						<b>580 000</b>	<b>00</b>				
2018	Apr	01	Balance	b/d	430 000	00											

Dr										Accumulated Depreciation on Vehicles				Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount					
2018	Mar	01	Asset disposal	GJ	73 200	00	2018	Mar	01	Balance	b/d	152 400	00				
			Balance	c/d	79 200	00											
					<b>152 400</b>	<b>00</b>						<b>152 400</b>	<b>00</b>				
							2018	Apr	01	Balance	b/d	79 200	00				

Dr										Creditors Control				Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount					
2018	Mar	01	Journal credits	GJ	75 000	00	2018	Mar	01	Total purchases	CJ	210 000	00				

## Nominal accounts

Dr				Asset Disposal				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018						2018					
Mar	01	Vehicles	GJ	150 000	00	Mar	01	Accumulated depreciation on vehicles	GJ	73 200	00
								Creditors control	GJ	75 000	00
								Loss on sale of asset	GJ	1 800	00
				<b>150 000</b>	<b>00</b>					<b>150 000</b>	<b>00</b>

Dr				Loss on Sale of Asset				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018											
Mar	01	Asset disposal	GJ	1 800	00						

The Creditors Ledger was not required but is used to explain the concept of trade-in.

### Creditors Ledger of LK Brick and Block Traders Thorp Motors

Date		Details / Document number	Fol.	Debit		Credit		Balance	
2018									
Mar	01	Invoice	CJ			210 000	00	<b>210 000</b>	<b>00</b>
		Journal voucher (vehicle trade-in)	GJ	75 000	00			<b>135 000</b>	<b>00</b>

### » Activity 5.11

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1.

#### General Journal of Mandy's Tuckshop for September 2018

Day		Fol.	Debit		Credit	
30	Asset disposal		1 500	00		
	Equipment				1 500	00
	Accumulated depreciation on equipment			1 350	00	
	Asset disposal				1 350	00
	Asset disposal			150	00	
	Profit on sale of asset				150	00
	Depreciation			1 724	00	
	Accumulated depreciation on equipment				1 724	00

2.

#### Cash Payments Journal of Mandy's Tuckshop for September 2018

Doc. no.	Day	Name of payee	Fol.	Bank	Debtors control	Sundry accounts	
						Amount	Details
	01	Buddy Motors		3 200	00	3 200	00

3.

### General Ledger of Mandy's Tuckshop

#### Balance Sheet accounts

Dr				Equipment				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017	01	Balance	b/d	8 620	00	2018	30	Asset disposal	GJ	1 500	00
2018	30	Bank	CPJ	3 200	00			Balance	c/d	10 320	00
				<u>11 820</u>	<u>00</u>					<u>11 820</u>	<u>00</u>
2018	01	Balance	b/d	10 320	00						

Dr				Accumulated Depreciation on Equipment				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018	30	Asset disposal	GJ	1 350	00	2017	01	Balance	b/d	3 220	00
		Balance	c/d	3 594	00	2018	30	Depreciation	GJ	1 724	00
				<u>4 944</u>	<u>00</u>					<u>4 944</u>	<u>00</u>
						2018	01	Balance	b/d	3 594	00

**Calculation of accumulated depreciation to date of sale**  
01/10/17–30/09/18 (asset sold)

$$R1\ 500 \times \frac{20}{100} = R300 \quad \therefore R1\ 050 + 300 = R1\ 350$$

#### Nominal accounts

Dr				Asset Disposal				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018	30	Equipment	GJ	1 500	00	2018	30	Accumulated depreciation on equipment	GJ	1 350	00
		Profit on sale of asset	GJ	150	00			Bank	CRJ	300	00
				<u>1 650</u>	<u>00</u>					<u>1 650</u>	<u>00</u>

Dr				Profit on Sale of Asset				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018	30	Profit and loss	GJ	150	00	2018	30	Asset disposal	GJ	150	00

Dr				Depreciation				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018	30	Accumulated depreciation on equipment	GJ	1 724	00	2018	30	Profit and Loss	GJ	1 724	00

**Calculation for depreciation for the financial year**

$$R8\ 620 \times \frac{20}{100} = R1\ 724$$

This amount includes the R300 depreciation on the equipment sold.  
The new equipment will not be depreciated because it was bought on the last day of the financial year.

4. Effect on the accounting equation

No.	Assets		Owner's equity		Liabilities	
	Effect	Reason	Effect	Reason	Effect	Reason
	- 150	Carrying value of equipment decreases	+ 150	Profit on sale of asset – income		
	+ 300	Bank increases				

» **Activity 5.12**

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1.

Fixed Asset Register of Zomba Transport Company				Folio 2
Make: KIA 2.8 Diesel				
Model: 2016				
Date of purchase: 1 March 2016		Date sold: 28 February 2018		
Purchased from: Craig's Motors				
Cost: R252 000				
Depreciation: 20% p.a. on the carrying value				
Date	Depreciation	Accumulated depreciation	Carrying value	
28 February 2017	* R50 400	R50 400	R201 600	
28 February 2018	** R40 320	R90 720	R161 280	

$$* R252\ 000 \times \frac{20}{100} = R50\ 400$$

$$** R252\ 000 - 50\ 400 = R201\ 600 \times \frac{20}{100} = R40\ 320$$

2. a.

**General Journal of Zomba Transport Company for February 2018**

Day		Fol.	Debit		Credit	
28	Asset disposal		252 000	00		
	Vehicles				252 000	00
	Accumulated depreciation on vehicles		90 720	00		
	Asset disposal				90 720	00
	Loss on sale of asset		1 280	00		
	Asset disposal				1 280	00
	Depreciation		67 032	00		
	Accumulated depreciation on vehicles				67 032	00

2. b.

**Cash Receipts Journal of Zomba Transport Company for February 2018**

Doc. no.	Day	Details	Fol.	Analysis of receipts		Bank		Sundry accounts		
								Details		
	28	Salie's Builders		160 000	00	160 000	00	160 000	00	Asset disposal

3.

### General Ledger of Zomba Transport Company Balance Sheet accounts

Dr				Vehicles				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 Mar	01	Balance	b/d	441 000	00	2018 Feb	28	Asset disposal	GJ	252 000	00
								Balance	c/d	189 000	00
				<u>441 000</u>	<u>00</u>					<u>441 000</u>	<u>00</u>
2018 Mar	01	Balance	b/d	189 000	00						

Dr				Accumulated Depreciation on Vehicles				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018 Feb	28	Asset disposal	GJ	90 720	00	2017 Mar	01	Balance	b/d	105 840	00
		Balance	c/d	82 152	00	2018 Feb	28	Depreciation	GJ	67 032	00
				<u>172 872</u>	<u>00</u>					<u>172 872</u>	<u>00</u>
						2018 Mar	01	Balance	b/d	82 152	00

### Nominal accounts

Dr				Asset Disposal				B6 Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018 Feb	28	Vehicles	GJ	252 000	00	2018 Feb	28	Accumulated depreciation on vehicles	GJ	90 720	00
								Bank	CRJ	160 000	00
								Loss on sale of asset	GJ	1 280	00
				<u>252 000</u>	<u>00</u>					<u>252 000</u>	<u>00</u>

Dr				Loss on Sale of Asset				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018 Feb	28	Asset disposal	GJ	1 280	00	2018 Feb	28	Profit and Loss	GJ	1 280	00

Dr				Depreciation				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018 Feb	28	Accumulated depreciation on vehicles	GJ	67 032	00	2018 Feb	28	Profit and Loss	GJ	67 032	00

### Calculation for depreciation for the financial year

$$R441\,000 - 105\,840 = R335\,160 \times \frac{20}{100} = R67\,032$$



1.

**General Journal of Model Stores for June 2019**

Day		Fol.	Debit		Credit		Creditors control	
							Debit	Credit
30	Asset disposal		25 000	00				
	Vehicles				25 000	00		
	Accumulated depreciation on vehicles		25 000	00				
	Asset disposal				25 000	00		
	Dyson Motors		11 500	00			11 500	00
	Asset disposal				11 500	00		
	Asset disposal		11 500	00				
	Profit on sale of asset				11 500	00		
	Depreciation		5 000	00				
	Accumulated depreciation on vehicles				5 000	00		

**Calculation for depreciation for the financial year**

$$R25\ 000 \times \frac{20}{100} = R5\ 000 \quad \text{Depreciation for the year}$$

$$\therefore R20\ 000 + 5\ 000 = R25\ 000 \quad \text{Accumulated depreciation to date of sale}$$

2.

**Creditors Journal of Model Stores for June 2019**

Doc. no.	Day	Details	Fol.	Creditors control		Sundry accounts	
						Amount	Details
	30	Dyson Motors		84 000	00	84 000	00 Vehicles

3.

**General Ledger of Model Stores  
Balance Sheet accounts**

Dr				Vehicles				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018						2019					
Jul	01	Balance	b/d	25 000	00	Jun	30	Asset disposal	GJ	25 000	00
2019											
Jun	30	Creditors control	CJ	84 000	00			Balance	c/d	84 000	00
				<b>109 000</b>	<b>00</b>					<b>109 000</b>	<b>00</b>
2019											
Jul	01	Balance	b/d	84 000	00						

Dr		Accumulated Depreciation on Vehicles						Cr		
Date		Details	Fol.	Amount		Date	Details	Fol.	Amount	
2019						2018				
Jun	30	Asset disposal	GJ	25 000	00	Jul	01	Balance	b/d	20 000 00
						2019				
						Jun	28	Depreciation	GJ	5 000 00
				25 000	00					25 000 00
						2019				
						Jul	01	Balance	b/d	96 200 00

This vehicle can be fully depreciated because it is being sold and will be removed from the books of the business.

Dr		Creditors Control						Cr		
Date		Details	Fol.	Amount		Date	Details	Fol.	Amount	
2019						2019				
Jun	30	Journal debits	GJ	11 500	00	Jun	30	Sundry purchases	CJ	84 000 00

### Nominal accounts

Dr		Asset Disposal						Cr		
Date		Details	Fol.	Amount		Date	Details	Fol.	Amount	
2019						2019				
Jun	30	Vehicles	GJ	25 000	00	Jun	30	Accumulated depreciation on vehicles	GJ	25 000 00
		Profit on sale of asset	GJ	11 500	00			Creditors control	GJ	11 500 00
				36 500	00					36 500 00

Dr		Depreciation						Cr		
Date		Details	Fol.	Amount		Date	Details	Fol.	Amount	
2019										
Jun	30	Accumulated depreciation on vehicles	GJ	5 000	00					

Dr		Profit on Sale of Asset						Cr		
Date		Details	Fol.	Amount		Date	Details	Fol.	Amount	
						2019				
						Jun	30	Asset disposal	GJ	11 500 00



1.

**General Journal of Fast Printers for January 2018**

Day		Fol.	Debit		Credit		Debtors control	
							Debit	Credit
31	Asset disposal		14 000	00				
	Equipment				14 000	00		
	Depreciation		1 050	00				
	Accumulated depreciation on equipment				1 050	00		
	Accumulated depreciation on equipment		7 450	00				
	Asset disposal				7 450	00		
	Litho Print		6 300	00			6 300	00
	Asset disposal				6 300	00		
	Loss on sale of asset		250	00				
	Asset disposal				250	00		

2.

**General Ledger of Fast Printers  
Balance Sheet accounts**

Dr				Equipment				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017						2017					
Feb	01	Balance	b/d	114 000	00	Oct	31	Asset disposal	GJ	14 000	00
								Balance	c/d	100 000	00
				114 000	00					114 000	00
2018											
Feb	01	Balance	b/d	100 000	00						

Dr				Accumulated Depreciation on Equipment				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017						2017					
Oct	31	Asset disposal (6 400 + 1 050)	GJ	7 450	00	Feb	01	Balance	b/d	22 800	00
		Balance	c/d	16 400	00	2017					
				52 500	00	Oct	31	Depreciation	GJ	1 050	00
										52 500	00
						2017					
						Nov	01	Balance	b/d	16 400	00
						2018					
						Jan	31	Depreciation	GJ	10 000	00
										26 400	00

## Nominal accounts

Dr				Asset Disposal				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017	31	Equipment	GJ	14 000	00	2017	31	Accumulated depreciation on equipment	GJ	7 450	00
								Debtors control	GJ	6 300	00
								Loss on sale of asset		250	00
				<u>14 000</u>	<u>00</u>					<u>14 000</u>	<u>00</u>

### Calculation for accumulated depreciation to date of sale

$$R14\ 000 \times \frac{10}{100} \times \frac{9}{12} = R1\ 050$$

$$R6\ 400 + 1\ 050 = R7\ 450$$

### Calculation for depreciation for the financial year

$$R114\ 000 - 14\ 000 = R100\ 000 \times \frac{10}{100} = R100\ 000$$

Dr				Loss on Sale of Asset				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017	31	Asset disposal	GJ	250	00	2018	31	Profit and loss	GJ	250	00

Dr				Depreciation				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017	31	Accumulated depreciation on equipment	GJ	1 050	00	2018	31	Profit and loss	GJ	11 050	00
2018	31	Accumulated depreciation on equipment	GJ	10 000	00						
				<u>11 050</u>	<u>00</u>					<u>11 050</u>	<u>00</u>

### 3. Effect on the accounting equation

No.	Assets		Owner's equity		Liabilities	
	Effect	Reason	Effect	Reason	Effect	Reason
	- 6 550	Carrying value of equipment decreases	- 250	Loss on sale of asset - expense		
	+ 6 300	Debtors increases				

## » Activity 5.15

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### General Ledger of Phillip Traders

#### Balance Sheet accounts

Dr				Equipment				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018	01	Balance	b/d	17 100	00	2018	30	Asset disposal	GJ	2 100	00
								Balance	c/d	15 000	00
				<u>17 100</u>	<u>00</u>					<u>17 100</u>	<u>00</u>
May	01	Balance	b/d	15 000	00						
Mar	01	Creditors control	CJ	14 500	00						
		Bank	CPJ	3 500	00						
				<u>33 000</u>	<u>00</u>						

Dr				Accumulated Depreciation on Equipment				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018						2018					
Apr	30	Asset disposal (960 + 105)	GJ	1 065	00	Jan	01	Balance	b/d	3 420	00
		Balance	c/d	2 460	00	Apr	30	Depreciation	GJ	105	00
				<u>3 525</u>	<u>00</u>					<u>3 525</u>	<u>00</u>
						May	01	Balance	b/d	2 460	00
						Dec	31	Depreciation (2 250 + 2 250)	GJ	4 500	00
										<u>6 960</u>	<u>00</u>

### Calculation for accumulated depreciation to date of sale

$$R2\ 100 \times \frac{15}{100} \times \frac{4}{12} = R105$$

$$\therefore R105 + 960 = R1\ 065$$

### Nominal accounts

Dr				Asset Disposal				B6				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount					
2018						2018									
Apr	30	Equipment	GJ	2 100	00	Apr	30	Accumulated depreciation on equipment	GJ	1 065	00				
								Bank	CRJ	945	00				
								Loss on sale of asset	GJ	90	00				
				<u>2 100</u>	<u>00</u>					<u>2 100</u>	<u>00</u>				

Dr				Loss on Sale of Asset				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018						2018					
Apr	30	Asset disposal	GJ	90	00	Dec	31	Profit and loss	GJ	90	00

Dr				Depreciation				B6				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount					
2018						2018									
Apr	30	Accumulated depreciation on equipment	GJ	105	00	Dec	31	Profit and loss	GJ	4 605	00				
2018															
Dec	31	Accumulated depreciation on equipment	GJ	4 500	00										
				<u>4 605</u>	<u>00</u>					<u>4 605</u>	<u>00</u>				

1.

**General Journal of Xoseka Investments for August 2017**

Day		Fol.	Debit		Credit		Creditors control						
							Debit		Credit				
31	Asset disposal		80 000	00									
	Vehicles				80 000	00							
	Depreciation		3 200	00									
	Accumulated depreciation on vehicles				3 200	00							
	Accumulated depreciation on vehicles		51 200	00									
	Asset disposal				51 200	00							
	Reliable Motors		30 000	00			30 000	00					
	Asset disposal				30 000	00							
	Asset disposal		1 200	00									
	Profit on sale of asset				1 200	00							

2.

**General Ledger of Xoseka Investments**

**Balance Sheet accounts**

Dr		Vehicles								Cr	
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount			
2017 Mar	01 Balance	b/d	240 000	00	2017 Aug	31 Asset disposal	GJ	80 000	00		
Aug	31 Creditors control	CJ	110 000	00		Balance	c/d	270 000	00		
			<u>350 000</u>	<u>00</u>				<u>350 000</u>	<u>00</u>		
2017 Sep	01 Balance	b/d	270 000	00							

Dr		Accumulated Depreciation on Vehicles								Cr	
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount			
2017 Aug	31 Asset disposal	GJ	51 200	00	2017 Mar	01 Balance	b/d	85 000	00		
	Balance	c/d	37 000	00	Aug	31 Depreciation	GJ	3 200	00		
			<u>88 200</u>	<u>00</u>				<u>88 200</u>	<u>00</u>		
2018 Feb	28 Balance	c/d	72 600	00	2017 Sep	01 Balance	b/d	37 000	00		
			<u>72 600</u>	<u>00</u>	2018 Feb	28 Depreciation	GJ	35 600	00		
								<u>72 600</u>	<u>00</u>		
					2018 Mar	01 Balance	b/d	72 600	00		

**Nominal accounts**

Dr		Asset Disposal				B6		Cr	
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount	
2017 Aug	31 Vehicles	GJ	80 000	00	2017 Aug	31 Accumulated depreciation on vehicles	GJ	51 200	00
	Profit on sale of asset	GJ	1 200	00		Creditors control	GJ	30 000	00
			<u>81 200</u>	<u>00</u>				<u>81 200</u>	<u>00</u>

Dr		Profit on Sale of Asset						Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018						2017					
Feb	28	Profit and loss	GJ	1 200	00	Aug	31	Asset disposal	GJ	1 200	00

Dr		Depreciation						Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017						2018					
Aug	31	Accumulated depreciation on vehicles	GJ	3 200	00	Feb	28	Profit and loss	GJ	38 800	00
2018											
Feb	28	Accumulated depreciation on vehicles	GJ	35 600	00						
				38 800	00					38 800	00

#### Calculation for accumulated depreciation to date of sale

$$R80\ 000 - 48\ 000 = R32\ 000 \times \frac{20}{100} \times \frac{6}{12} = R3\ 200$$

$$\therefore R48\ 000 + 3\ 200 = R51\ 200$$

#### Calculation for depreciation on remaining assets

$$R240\ 000 - 80\ 000 = R160\ 000$$

$$R85\ 000 + 3\ 200 - 51\ 200 = R37\ 000$$

$$R160\ 000 - 37\ 000 = R123\ 000 \times \frac{20}{100} = R24\ 600$$

$$R110\ 000 \times \frac{20}{100} \times \frac{6}{12} = R11\ 000$$

### 3. Effect on the accounting equation

No.	Assets		Owner's equity		Liabilities	
	Effect	Reason	Effect	Reason	Effect	Reason
	- 28 800	Carrying value of vehicles decreases	+ 1 200	Profit on sale of asset - income	- 30 000	Creditors decrease
	+ 110 000	Vehicles increase			+ 110 000	Creditors increase

### » Activity 5.17

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### General Ledger of Trendy Outfitters Balance Sheet accounts

Dr		Equipment						Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017						2017					
Jan	01	Balance	b/d	160 000	00	Aug	31	Asset disposal	GJ	20 000	00
Nov	01	Creditors control	CJ	40 000	00	Nov	30	Balance	c/d	180 000	00
				200 000	00					200 000	00
2017											
Dec	01	Balance	b/d	180 000	00						

Dr				Accumulated Depreciation on Equipment				Cr			
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
2017 Aug	31	Asset disposal (2 250 + 2 662,50 + 1 508,75)	GJ	6 421	25	2017 Jan	01	Balance	b/d	86 125	50
		Balance	c/d	81 213	00	2017 Aug	31	Depreciation	GJ	1 508	75
				<u>87 634</u>	<u>25</u>					<u>87 634</u>	<u>25</u>
						2017 Sep	01	Balance	b/d	81 213	00
						2018 Jan	31	Depreciation	GJ	9 818	05
										<u>91 031</u>	<u>05</u>

### Nominal accounts

Dr				Asset Disposal				B6				Cr			
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount					
2017 Aug	31	Equipment	GJ	20 000	00	2017 Aug	31	Accumulated depreciation on equipment	GJ	6 421	25				
		Profit on sale of asset	GJ	1 421	25			Bank	CRJ	15 000	00				
				<u>21 421</u>	<u>25</u>					<u>21 421</u>	<u>25</u>				

Dr				Profit on Sale of Asset				Cr			
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
2017 Dec	31	Profit and loss	GJ	1 421	25	2017 Aug	31	Asset disposal	GJ	1 421	25

Dr				Depreciation				B6				Cr			
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount					
2017 Aug	31	Accumulated depreciation on equipment	GJ	1 508	75	2017 Dec	31	Profit and loss	GJ	11 326	80				
		Accumulated depreciation on equipment	GJ	9 818	05										
				<u>11 326</u>	<u>80</u>					<u>11 326</u>	<u>80</u>				

31/08/17: 31/03/15	31/12/15	31/12/16	31/08/17
$R20\,000 \times 15\% \times \frac{9}{12}$ = R2 250	$R17\,750 \times 15\%$ = R2 662,50	$R15\,687,50 \times 15\% \times \frac{8}{12}$ = R1 508,75	

$$31/12/17: (R140\,000 - 81\,213) \times 15\% = R8\,818,05$$

$$R40\,000 \times 15\% \times \frac{2}{12} = R1\,000,00$$

$$\underline{\underline{R9\,818,05}}$$

### » Activity 5.18

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1. Cost price of vehicle sold R60 000

$$\text{Accumulated depreciation} = R60\,000 \times 20\% \times \frac{6}{12} = R6\,000 \text{ (year 1)}$$

$$R60\,000 \times \frac{20}{100} \times \frac{6}{12} = R6\,000 \text{ (year 2)}$$

$$\text{Carrying value} = R60\,000 - 12\,000 = R48\,000$$

2.

Dr		Asset Disposal						Cr	
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount	
2017 Sep	01 Vehicles		60 000	00	2017 Sep	01 Accumulated depreciation on vehicles		12 000	00
						Loss on sale of asset		1 600	00
						Bank/Debtors control*		46 400	00
			<u>60 000</u>	<u>00</u>				<u>60 000</u>	<u>00</u>

\* Selling price of vehicle sold = R46 400 (balancing figure)

3. Depreciation on vehicles for the year ended 28 February 2018

$$\begin{aligned}
 & (\text{R}100\,000 \times 20\% \times \frac{12}{12}) + (\text{R}60\,000 \times 20\% \times \frac{6}{12}) \\
 & + (\text{R}100\,000 \times 20\% \times \frac{6}{12}) \\
 & = \text{R}20\,000 + 6\,000 + 10\,000 \\
 & = \text{R}36\,000
 \end{aligned}$$

4. On 28 February 2018:

Cost price of vehicles = R200 000

Accumulated depreciation on vehicles

$$= \text{R}26\,000 + 36\,000 - 12\,000$$

$$= \text{R}50\,000$$

$$\therefore \text{Carrying value of vehicles} = \text{R}200\,000 - 50\,000 = \text{R}150\,000$$

» Activity 5.19 (optimal activity)

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1.

**General Ledger of Madladlana Traders**  
**Balance Sheet accounts**

Dr		Vehicles						Cr	
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount	
2018 Jul	01 Balance	b/d	45 000	00	2019 Apr	30 Sales	GJ	10 000	00
Dec	31 Bank	CPJ	16 300	00		Balance	c/d	51 300	00
			<u>61 300</u>	<u>00</u>				<u>61 300</u>	<u>00</u>
2019 May	01 Balance	b/d	51 300	00					

2.

Dr		Equipment						Cr	
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount	
2018 Jul	01 Balance	b/d	39 000	00	2018 Dec	31 Asset disposal	GJ	3 200	00
	Creditors control	CJ	3 100	00		Balance	c/d	38 900	00
			<u>42 100</u>	<u>00</u>				<u>42 100</u>	<u>00</u>
2019 Jan	01 Balance	b/d	38 900	00					

3.

Dr				Accumulated Depreciation on Vehicles				Cr						
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount				
2019	Apr	30		Asset disposal	GJ	25 625	00	2018	Jul	01	Balance	b/d	67 500	00
				Balance	c/d	52 500	00	2019	Apr	30	Depreciation	GJ	10 625	00
						<b>78 125</b>	<b>00</b>						<b>78 125</b>	<b>00</b>
								2019	May	01	Balance	b/d	52 500	00
								Jun	30		Depreciation	GJ	56 850	00
													<b>109 350</b>	<b>00</b>

4.

Dr				Accumulated Depreciation on Equipment				Cr						
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount				
2018	Dec	31		Asset disposal	GJ	640	00	2018	Jul	01	Balance	b/d	3 900	00
				Balance	c/d	3 420	00	Dec	31		Depreciation	GJ	160	00
						<b>4 060</b>	<b>00</b>						<b>4 060</b>	<b>00</b>
								2019	Jan	01	Balance	b/d	3 420	00
								Jun	30		Depreciation	GJ	3 890	00
													<b>7 310</b>	<b>00</b>

5.

## Nominal accounts

Dr				Depreciation				B6				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount					
2018	Dec	31		Accumulated depreciation on equipment	GJ	160	00	2019	Jun	30	Profit and loss	GJ	71 525	00	
2019	Apr	30		Accumulated depreciation on vehicles	GJ	10 625	00								
	Jun	30		Accumulated depreciation on equipment	GJ	3 890	00								
				Accumulated depreciation on vehicles	GJ	56 850	00								
						<b>71 525</b>	<b>00</b>						<b>71 525</b>	<b>00</b>	

6.

Dr				Asset Disposal				Cr						
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount				
2018	Dec	31		Equipment	GJ	3 200	00	2018	Dec	31	Accumulated depreciation on equipment	GJ	640	00
											Bank	CRJ	2 000	00
											Loss on sale of asset	GJ	560	00
						<b>3 200</b>	<b>00</b>						<b>3 200</b>	<b>00</b>
2019	Apr	30		Vehicles	GJ	100 000	00	2019	Apr	30	Accumulated depreciation on vehicles	GJ	25 625	00
				Profit on sale of asset	GJ	625	00				Debtors control	GJ	75 000	00
						<b>100 625</b>	<b>00</b>						<b>100 625</b>	<b>00</b>

7.

Dr		Profit on Sale of Asset								Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2019								2019					
Jun	30	Profit and loss		GJ	625	00	Apr	30	Asset disposal		GJ	625	00

8.

Dr		Loss on Sale of Asset								Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2018								2019					
Dec	31	Asset disposal		GJ	560	00	Jun	30	Profit and loss		GJ	560	00

## Answers

### Member 1

- Accumulated depreciation on equipment on 1 July 2018

$$R39\,000 \times \frac{10}{100} = \mathbf{R3\,900}$$

- Balance in the *Equipment* account on 30 June 2019

$$R39\,000 + 3\,100 - 3\,200 = \mathbf{R38\,900}$$

- Balance in the *Vehicle* account on 30 June 2019

$$R45\,000 + 15\,000 + 1\,300 - 10\,000 = \mathbf{R51\,300}$$

### Member 2

- Additional depreciation to be written off on the equipment sold

$$R3\,200 \times \frac{10}{100} \times \frac{6}{12} = \mathbf{R160}$$

- Accumulated depreciation to date of sale on the equipment sold

$$R480 + 160 = \mathbf{R640}$$

- Balance in the *Accumulated Depreciation* account on 31 December 2018

$$R3\,900 + 160 - 640 = \mathbf{R3\,420}$$

### Member 3

- Additional depreciation to be written off on the vehicle sold

$$1\text{ July }2017\text{ to }30\text{ June }2018 \quad R100\,000 \times \frac{15}{100} = \mathbf{R15\,000}$$

$$1\text{ July }2018\text{ to }30\text{ April }2019 \quad R80\,000 \times \frac{15}{100} \times \frac{10}{12} = \mathbf{R10\,625}$$

- Accumulated depreciation to date of sale on the vehicle sold

$$R15\,000 + 10\,625 = \mathbf{R25\,625}$$

- Balance in the *Accumulated Depreciation* account on 31 April 2019

$$R67\,500 + 10\,625 - 25\,625 = \mathbf{R52\,500}$$

### Member 4 (Group leader)

- Depreciation on remaining vehicles on 30 June 2019

$$R450\,000 - 100\,000 = R350\,000 - 52\,500 \times \frac{15}{100} = R44\,625$$

$$R163\,000 \times \frac{15}{100} \times \frac{6}{12} = R12\,225$$

$$R44\,625 + 12\,225 = \mathbf{R56\,850}$$

- Depreciation on remaining equipment on 30 June 2019

$$R39\ 000 - 3\ 200 = R35\ 800 \times \frac{10}{100} = R3\ 580$$

$$R3\ 100 \times \frac{10}{100} = R310$$

$$R3\ 580 + 310 = \mathbf{R3\ 890}$$

» **Informal assessment 5.1**

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**Marks: 35**

**Time: 30 minutes**

**General Ledger of Dysan Ltd**  
**Balance Sheet accounts**

Dr				Equipment				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017						2017					
Jan	01	Balance	b/d	✓	108 690 00	Jul	01	Asset disposal	GJ	✓✓	17 600 00
Oct	01	Creditors control	CJ	✓✓	16 000 00	Oct	31	Balance	c/d	✓	107 090 00
					124 690 00						124 690 00
2017											
Nov	01	Balance	b/d	✓	107 090 00						

[7]

Dr				Accumulated Depreciation on Equipment				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017						2017					
Jul	01	Asset disposal	GJ	✓✓	4 400 00	Jan	01	Balance	b/d	✓	28 916 00
Dec	31	Balance	c/d	✓	34 905 00	Jul	01	Depreciation	GJ	✓✓	880 00
					8 235 00	Dec	31	Depreciation	GJ	✓✓✓	9 509 00
											8 235 00
						2018					
						Jan	01	Balance	b/d	✓	34 905 00

[10]

**Calculation for Accumulated depreciation to date of sale**

$$01/01/2015 - 31/12/2016 \quad R17\ 600 \times \frac{10}{100} \times \frac{24}{12} = R3\ 520$$

$$01/01/2017 - 01/07/2017 \quad R17\ 600 \times \frac{10}{100} \times \frac{6}{12} = R880$$

$$R3\ 520 + 880 = R4\ 400$$

**Nominal accounts**

Dr				Asset Disposal				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017						2017					
Jul	01	Equipment	GJ	✓✓	17 600 00	Jul	01	Accumulated depreciation on equipment	GJ	✓✓	4 400 00
		Profit on sale of asset	GJ	✓✓✓	1 786 00			Bank	CRJ	✓✓	14 986 00
					19 386 00						19 386 00

[9]

Dr				Profit on Sale of Asset				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017						2018					
Jul	01	Profit and loss	GJ	✓	1 786 00	Jul	01	Asset disposal	GJ	✓✓	1 786 00

[3]

Dr				Depreciation				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017						2017					
Jul	01	Accumulated depreciation on equipment	GJ	✓✓	880 00	Dec	31	Profit and loss	GJ	✓✓	10 389 00
Dec	31	Accumulated depreciation on equipment	GJ	✓✓	9 509 00						
					10 389 00						10 389 00

[6]

### Calculation for depreciation for the financial year

$$R108\ 690 - 17\ 600 = 91\ 090 \times \frac{10}{100} = R9\ 109$$

$$R16\ 000 \times \frac{10}{100} \times \frac{3}{12} = R400$$

$$R9\ 109 + 400 = R9\ 509$$



### Activity 5.20

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#### FIXED/TANGIBLE ASSETS

	Land and buildings	Vehicles	Equipment	Total
Carrying value on 28/02/2017	180 000	105 000	36 360	321 360
Cost	180 000	240 000	55 000	475 000
Accumulated depreciation	-	(135 000)	(18 640)	(153 640)
Movements				
Additions at cost	40 000	120 000	6 700	166 700
Disposals at carrying value (80 000 – 33 920)	-	(46 080)	-	(46 080)
Depreciation	-	(14 180)	(12 760)	(26 940)
Carrying value on 28/02/2018	220 000	164 740	30 300	415 040
Cost	220 000	280 000	61 700	561 700
Accumulated depreciation	-	(115 260)	(31 400)	(146 660)

#### Cost price of vehicles on 28 February 2018

$$R240\ 000 + 120\ 000 - 80\ 000 = R280\ 000$$

#### Accumulated depreciation on vehicles on 28 February 2018

$$R135\ 000 + 14\ 180 - 33\ 920 = R115\ 260$$

#### Cost price of equipment on 28 February 2018

$$R55\ 000 + 6\ 700 = R61\ 700$$

#### Accumulated depreciation on equipment on 28 February 2018

$$R18\ 640 + 12\ 760 = R31\ 400$$

**FIXED/TANGIBLE ASSETS**

	Land and buildings		Vehicles		Equipment		Total	
Carrying value on 30/06/2017	120 000	00	59 500	00	16 200	00	195 700	00
Cost	120 000	00	75 000	00	19 000	00	214 000	00
Accumulated depreciation	-	-	(15 500)	(00)	(2 800)	(00)	(18 300)	(00)
Movements								
Additions at cost	50 000	00	65 000	00	6 200	00	121 200	00
Disposals at carrying value (5 100 – 1 995)	-	-	-	-	(3 105)	(00)	(3 105)	(00)
Depreciation	-	-	(18 400)	(00)	(3 470)	(00)	(21 870)	(00)
Carrying value on 30/06/2018	170 000	00	106 100	00	15 825	00	291 925	00
Cost	170 000	00	140 000	00	20 100	00	330 100	00
Accumulated depreciation	-	-	(33 900)	(00)	(4 275)	(00)	(38 175)	(00)

**Calculations**

Cost price of vehicles on 30 June 2018:

$$R75\ 000 + 65\ 000 = R140\ 000$$

**Depreciation on vehicles**

$$R75\ 000 - 15\ 500 = R59\ 500 \times \frac{20}{100} = R11\ 900$$

$$R65\ 000 \times \frac{20}{100} \times \frac{6}{12} = R6\ 500$$

$$R11\ 900 + 6\ 500 = R18\ 400$$

**Accumulated depreciation on vehicles on 30 June 2018**

$$R15\ 500 + 18\ 400 = R33\ 900$$

**Accumulated depreciation on the equipment sold**

$$R5\ 100 \times \frac{15}{100} = R765$$

$$R1\ 230 + 765 = R1\ 995$$

**Cost price of equipment on 30 June 2018**

$$R19\ 000 + 6\ 200 - 5\ 100 = R20\ 100$$

**Depreciation on equipment**

$$R19\ 000 \times \frac{15}{100} = R2\ 850$$

$$R6\ 200 \times \frac{15}{100} \times \frac{8}{12} = R620$$

$$R2\ 850 + 620 = R3\ 470$$

**Accumulated depreciation on equipment on 30 June 2018**

$$R2\ 800 + 3\ 470 - 1\ 995 = R4\ 275$$

Marks: 50

Time: 20 minutes

**FIXED/TANGIBLE ASSETS**

	Land and buildings		Vehicles		Equipment		Total	
Carrying value on 28/02/2017	✓ 220 000	00	✓ 68 000	00	✓ 61 650	00	349 650	00
Cost	220 000	00	✓ 100 000	00	✓ 78 000	00	398 000	00
Accumulated depreciation	-	-	✓ (32 000)	00	✓ (16 350)	00	(48 350)	00
Movements								
Additions at cost	✓✓ 100 000	00	✓✓ 135 000	00	✓✓ 6 400	00	241 400	00
Disposals at carrying value (4 000 – 1 408)	-	-	-	-	✓✓✓✓ (2 592)	00	(2 592)	00
Depreciation	-	-	✓✓✓✓ (13 375)	00	✓✓✓✓✓ (12 650)	00	(26 025)	00
Carrying value on 28/02/2018	✓✓ 320 000	00	✓✓ 189 625	00	✓✓ 52 808	00	562 433	00
Cost	320 000	00	✓✓ 235 000	00	✓✓✓✓ 80 400	00	635 400	00
Accumulated depreciation	-	-	✓✓✓ (45 375)	00	✓✓✓✓ (27 592)	00	(72 967)	00

**Note to teacher:** the 30 marks *below* are part-marks that should be awarded if the *above* answers are incorrect.

**Calculations**

**Cost price of vehicles on 28 February 2018**

$$R100\ 000 + 35\ 000 = R135\ 000$$

**Depreciation on vehicles**

$$R100\ 000 \times \frac{10}{100} = R10\ 000 \checkmark\checkmark$$

$$R135\ 000 \times \frac{10}{100} \times \frac{3}{12} = R3\ 375 \checkmark\checkmark\checkmark$$

$$R10\ 000 + 3\ 375 = R13\ 375$$

**Accumulated depreciation on vehicles on 28 February 2018**

$$R32\ 000 \checkmark\checkmark + 13\ 375 \checkmark\checkmark = R45\ 375$$

**Accumulated depreciation on the equipment sold on 28 February 2018**

$$R4\ 000 - 760 = R3\ 240 \times \frac{20}{100} = R648 \checkmark\checkmark\checkmark$$

$$R760 + 648 = R1\ 408 \checkmark$$

**Cost price of equipment on 28 February 2018**

$$R78\ 000 \checkmark\checkmark + 6\ 400 \checkmark\checkmark - 4\ 000 \checkmark\checkmark = R80\ 400$$

**Depreciation on equipment on 28 February 2018**

$$R78\ 000 - 16\ 350 = R61\ 650 \times \frac{20}{100} = R12\ 330 \checkmark\checkmark\checkmark$$

$$R6\ 400 \times \frac{20}{100} \times \frac{3}{12} = R320 \checkmark\checkmark\checkmark$$

$$R12\ 330 + 320 = R12\ 650$$

**Accumulated depreciation on equipment on 28 February 2018**

$$R16\ 350 \checkmark + 12\ 650 \checkmark\checkmark - 1\ 408 \checkmark\checkmark = R27\ 592$$



**General Ledger of Tswala Holdings  
Balance Sheet accounts**

Dr					Vehicles					Cr				
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount				
2018	May	01	Balance	b/d	450 000	00	2019	Jan	31	Asset disposal	GJ	150 000	00	
2019	Jan	31	Creditors control	CJ	240 000	00				Balance	c/d	540 000	00	
					<b>690 000</b>	<b>00</b>						<b>690 000</b>	<b>00</b>	
2019	Feb	01	Balance	b/d	540 000	00								

Dr					Accumulated Depreciation on Vehicles					Cr				
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount				
2019	Jan	31	Sales	GJ	97 776	00	2018	May	31	Balance	b/d	210 000	00	
			Balance	c/d	121 440	00	2019	Jan	31	Depreciation	GJ	9 216	00	
					<b>219 216</b>	<b>00</b>						<b>219 216</b>	<b>00</b>	
							2019	Feb	01	Balance	b/d	121 440	00	
										Depreciation	GJ	47 712	00	
												<b>169 152</b>	<b>00</b>	

**Nominal account**

Dr					Asset Disposal					Cr				
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount				
2019	Jan	31	Vehicles	GJ	150 000	00	2019	Jan	31	Accumulated depreciation on vehicles	GJ	97 776	00	
			Profit on sale of asset	GJ	2 776	00				Creditors control	GJ	55 000	00	
					<b>152 776</b>	<b>00</b>						<b>152 776</b>	<b>00</b>	

**Calculations**

Cost price of vehicle sold on 31 January 2014

$$R450\,000 + 240\,000 - 540\,000 = R150\,000$$

**Accumulated depreciation to date of sale on the vehicle sold on 31 January 2014**

$$R150\,000 - 88\,560 = R61\,440 \times \frac{20}{100} \times \frac{9}{12} = R9\,216$$

$$R88\,560 + 9\,216 = R97\,776$$

**Depreciation on remaining vehicles on 30 April 2019**

$$R450\,000 - 150\,000 = R300\,000$$

$$R210\,000 + 9\,216 - 97\,776 = R121\,440$$

$$R300\,000 - 121\,440 = R178\,560 \times \frac{20}{100} = R35\,712$$

$$R240\,000 \times \frac{20}{100} \times \frac{3}{12} = R12\,000$$

$$R35\,712 + 12\,000 = R47\,712$$



Activity 6.1

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1.

Sole trader	Partnership
Capital account Drawings account	Capital account Drawings account Current account } for each partner
The net profit is carried over from the <i>Profit and Loss</i> account to the <i>Capital</i> account.	The net profit is carried over from the <i>Profit and Loss</i> account to the <i>Appropriation</i> account, where it is shared between partners according to the partnership agreement.
The <i>Drawings</i> account is closed off to the <i>Capital</i> account at the end of the financial year.	The <i>Drawings</i> account is closed off to the <i>Current</i> account of each partner at the end of the financial year.
The capital balance will vary each year because net profit is added and drawings are subtracted.	<i>Capital</i> accounts balances will only change if a partner decreases or increases his or her capital.

2. A sleeping partner:

- makes a contribution in the form of capital, labour, knowledge or skills
- no longer physically works for the business – often a retired person
- is known to the public
- is fully liable for debts and/or losses.

3. A quasi-partner:

- is a partner that has provided capital to the business in the form of a loan, on which the business pays interest at a rate that varies according to the net profit generated
- does not physically work for the business
- is not known to the public
- has liability that is limited to the amount invested in the business by him or her.

4. Advantages

- A bigger capital amount – two or more people are able to generate more money than one person.
- More talent – skills, expertise and knowledge of different people in various fields are combined.
- Competition is limited.
- Continuation of the business can be ensured – should a partner wish to retire or leave the business, a son or daughter or any other person could take over from him or her.

### Disadvantages

- Partners are jointly and severally liable for all debts or losses. This means that the private assets of partners could be used to pay debts incurred by the business.
  - The death or retirement of a partner could cause many problems. Should a partner pass away, a certain amount must be paid out to his or her family members: insurance policies will prevent such a setback. The partnership will have to be resolved upon the death of a partner.
  - The behaviour and attitude of one partner could negatively influence the entire business.
  - Each partner has the power to bind the business contractually. The partnership as a whole is liable for any contracts taken on.
5. If a partnership is insolvent the partners are liable for its debts. This is not limited to the amount invested by them and their personal possessions can also be used.

### » Activity 6.2

LB page 186

1.

#### General Ledger of Backmin Traders

##### Balance Sheet accounts

Dr				Capital: Back				B1		Cr	
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
						2014 Mar	01	Balance	b/d	150 000	00
						Jul	01	Bank	CRJ	50 000	00
										<u>200 000</u>	<u>00</u>

Dr				Capital: Minitzer				B2		Cr	
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
						2014 Mar	01	Balance	b/d	250 000	00

Dr				Drawings: Back				B3		Cr	
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
2015 Feb	28	Balance	b/d	103 600	00	2015 Feb	28	Current account: K Back	GJ	103 600	00
				<u>103 600</u>	<u>00</u>					<u>103 600</u>	<u>00</u>

Dr				Drawings: Minitzer				B4		Cr	
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
2015 Feb	28	Balance	b/d	113 400	00	2015 Feb	28	Current account: Y Minitzer	GJ	113 400	00
				<u>113 400</u>	<u>00</u>					<u>113 400</u>	<u>00</u>

Dr				Current account: Back				B5				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount					
2015	Feb	28		Drawings: K Back	GJ	103 600	00	2014	Mar	01		Balance	b/d	1 022	00
				Balance	c/d	29 322	00	2015	Feb	28		Interest on capital	GJ	27 500	00
												Salary: K Back	GJ	98 400	00
												Appropriation account	GJ	6 000	00
						<b>132 922</b>	<b>00</b>							<b>132 922</b>	<b>00</b>
								2015	Mar	01		Balance	b/d	29 322	00

Dr				Current account: Minitzer				B6				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount					
2015	Feb	28		Drawings: Y Minitzer	GJ	113 400	00	2014	Mar	01		Balance	b/d	2 147	00
				Balance	c/d	41 747	00	2015	Feb	28		Interest on capital	GJ	37 500	00
												Salary: Y Minitzer	GJ	90 000	00
												Bonus to partner	GJ	18 000	00
												Appropriation account	GJ	7 500	00
						<b>155 147</b>	<b>00</b>							<b>155 147</b>	<b>00</b>
								2015	Mar	01		Balance	b/d	41 747	00

### Nominal accounts

Dr				Interest on Capital				N21				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount					
2015	Feb	28		Current account: K Back	GJ	27 500	00	2015	Feb	28		Appropriation account	GJ	65 000	00
				Current account: Y Minitzer	GJ	37 500	00								
						<b>65 000</b>	<b>00</b>							<b>65 000</b>	<b>00</b>

Dr				Salary: Back				N22				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount					
2015	Feb	28		Current account: K Back	GJ	98 400	00	2015	Feb	28		Appropriation account	GJ	98 400	00
						<b>98 400</b>	<b>00</b>							<b>98 400</b>	<b>00</b>

Dr				Salary: Minitzer				N23				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount					
2015	Feb	28		Current account: Y Minitzer	GJ	90 000	00	2015	Feb	28		Appropriation account	GJ	90 000	00
						<b>90 000</b>	<b>00</b>							<b>90 000</b>	<b>00</b>

Dr				Bonus to Partners				N24				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount					
2015	Feb	28		Current account: Y Minitzer	GJ	18 000	00	2015	Feb	28		Appropriation account	GJ	18 000	00
						<b>18 000</b>	<b>00</b>							<b>18 000</b>	<b>00</b>

## Final account

Dr		Appropriation account				F3		Cr	
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount	
2015 Feb	28 Salary: K Back	GJ	98 400	00	2015 Feb	28 Profit and loss	GJ	284 900	00
	Salary: Y Minitzer	GJ	90 000	00					
	Bonus to partner	GJ	18 000	00					
	Interest on capital	GJ	65 000	00					
	Current account: K Back	GJ	6 000	00					
	Current account: Y Minitzer	GJ	7 500	00					
			<u>284 900</u>	<u>00</u>				<u>284 900</u>	<u>00</u>

### Calculations

$$\left. \begin{aligned} \text{Interest on capital: Back } & R150\,000 \times \frac{15}{100} \times \frac{4}{12} = R\,7\,500 \\ & R200\,000 \times \frac{15}{100} \times \frac{8}{12} = R20\,000 \end{aligned} \right\} R27\,500$$

$$\text{Interest on capital: Minitzer } R250\,000 \times 15\% = R37\,500$$

$$\text{Salary: Back } R8\,200 \times 12 = R98\,400$$

$$\text{Salary: Minitzer } R9\,000 \times 12 = R108\,000$$

$$\text{Remaining profit: } R284\,900 - 65\,000 - 98\,400 - 90\,000 - 18\,000 = R13\,500$$

### Appropriation of remaining profit:

$$\text{Back } R13\,500 \times \frac{20}{45} = R6\,000$$

$$\text{Minitzer } R13\,500 \times \frac{25}{45} = R7\,500$$

2.

### General Journal of Backmin Traders for February 2015

Day		Fol.	Debit		Credit	
28	Interest on capital	N21	65 000	00		
	Current account: Back	B5			27 500	00
	Current account: Minitzer	B6			37 500	00
	(Interest of 15% p.a. on capital)					
	Salary: Back	N22	98 400	00		
	Current account: Back	B5			98 400	00
	(Salary of R8 200 per month for 12 months)					
	Salary: Minitzer	N23	90 000	00		
	Current account: Back	B6			90 000	00
	(Salary of R7 500 per month for 12 months)					
	Bonus to partner	N24	18 000	00		
	Current account: Minitzer	B6			18 000	00
	(Bonus for services rendered)					
	Appropriation account	F3	271 400	00		
	Interest on capital	N21			65 000	00
	Salary: Back	N22			98 400	00
	Salary: Minitzer	N23			90 000	00
	Bonus to partner	N24			18 000	00
	(Closing transfers)					
	Appropriation account	F3	13 500	00		
	Current account: Back	B5			6 000	00
	Current account: Minitzer	B6			7 500	00
	(Appropriation of remaining profit according to capital ratio 20 : 25)					
	Current account: Back	B5	103 600	00		
	Drawings: Back	B3			103 600	00
	(Closing transfers)					
	Current account: Minitzer	B6	113 400	00		
	Drawings: Minitzer	B4			113 400	00
	(Closing transfers)					

### » Activity 6.3

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1.

### General Ledger of Coleman Brothers Balance Sheet accounts

Dr				Capital: Richard				B1		Cr	
Date		Details	Fol.	Amount		Date	Details	Fol.	Amount		
2016						2016					
Dec	31	Bank	CRJ	50 000	00	Jul	01	Balance	b/d	250 000 00	
		Balance	c/d	200 000	00						
				250 000	00					250 000 00	
						2017					
						Jan	01	Balance	b/d	200 000 00	

Dr				Capital: Peter				B2		Cr	
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
						2016 Jul	01	Balance	b/d	150 000	00
						2017 Jan	01	Bank	CRJ	50 000	00
										<u>200 000</u>	<u>00</u>

Dr				Drawings: Richard				B3		Cr	
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
2017 Jun	30	Balance	b/d	135 900	00	2017 Jun	30	Current account: Richard	GJ	135 900	00
				<u>135 900</u>	<u>00</u>					<u>135 900</u>	<u>00</u>

Dr				Drawings: Peter				B4		Cr	
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
2017 Jun	30	Balance	b/d	124 700	00	2017 Jun	30	Current account: Peter	GJ	124 700	00
				<u>124 700</u>	<u>00</u>					<u>124 700</u>	<u>00</u>

Dr				Current account: Richard				B5		Cr	
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
2017 Jun	30	Drawings: Richard	GJ	135 900	00	2016 Jul	01	Balance	b/d	2 553	00
		Balance	c/d	4 953	00	2017 Jun	30	Interest on capital	GJ	22 500	00
								Salary: Richard	GJ	115 200	00
								Appropriation account	GJ	600	00
				<u>140 853</u>	<u>00</u>					<u>140 853</u>	<u>00</u>
						2017 Jul	01	Balance	b/d	4 953	00

Dr				Current account: Peter				B6		Cr	
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
2016 Jul	01	Balance	b/d	1 556	00	2017 Jun	30	Interest on capital	GJ	17 500	00
2017 Jun	30	Drawings: Peter	GJ	124 700	00			Salary: Peter	GJ	97 200	00
								Appropriation account	GJ	600	00
								Balance	c/d	10 956	00
				<u>126 256</u>	<u>00</u>					<u>126 256</u>	<u>00</u>
2017 Jul	01	Balance	b/d	10 956	00						

## Nominal accounts

Dr				Interest on Capital				N21				Cr	
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount			
2017						2017							
Jun	30	Current account: Richard	GJ	22 500	00	Jun	30	Appropriation account	GJ	40 000	00		
		Current account: Peter	GJ	17 500	00								
				<u>40 000</u>	<u>00</u>					<u>40 000</u>	<u>00</u>		

Dr				Salary: Richard				N22				Cr	
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount			
2017						2017							
Jun	30	Current account: Richard	GJ	115 200	00	Jun	30	Appropriation account	GJ	115 200	00		
				<u>115 200</u>	<u>00</u>					<u>115 200</u>	<u>00</u>		

Dr				Salary: Peter				N23				Cr	
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount			
2017						2017							
Jun	30	Current account: Peter	GJ	97 200	00	Jun	30	Appropriation account	GJ	97 200	00		
				<u>97 200</u>	<u>00</u>					<u>97 200</u>	<u>00</u>		

## Final account

Dr				Appropriation account				F3				Cr	
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount			
2017						2017							
Jun	30	Salary: Richard	GJ	115 200	00	Jun	30	Profit and loss	GJ	253 600	00		
		Salary: Peter	GJ	97 200	00								
		Interest on capital	GJ	40 000	00								
		Current account: Richard	GJ	600	00								
		Current account: Peter	GJ	600	00								
				<u>253 600</u>	<u>00</u>					<u>253 600</u>	<u>00</u>		

### Calculations

$$\left. \begin{aligned} \text{Interest on capital: Richard} \quad & R250\,000 \times 10\% \times \frac{6}{12} = R12\,500 \\ & R200\,000 \times 10\% \times \frac{6}{12} = R10\,000 \end{aligned} \right\} R22\,500$$

$$\left. \begin{aligned} \text{Interest on capital: Peter} \quad & R150\,000 \times 10\% \times \frac{6}{12} = R7\,500 \\ & R200\,000 \times 10\% \times \frac{6}{12} = R10\,000 \end{aligned} \right\} R17\,500$$

$$\begin{aligned} \text{Salary: Richard} \quad & R9\,600 \times 12 = R115\,200 \\ \text{Salary: Peter} \quad & R8\,100 \times 12 = R97\,200 \end{aligned}$$

$$\begin{aligned} \text{Remaining profit} &= R253\,600 - 40\,000 - 115\,200 - 97\,200 = R1\,200 \\ R1\,200 \times 2 &= R600 \end{aligned}$$

2.

**General Journal of Coleman Brothers for June 2017**

Day		Fol.	Debit		Credit	
30	Interest on capital	N21	40 000	00		
	Current account: Richard	B5			22 500	00
	Current account: Peter	B6			17 500	00
	(Interest of 10% Traders on Capital)					
	Salary: Richard	N22	115 200	00		
	Current account: Richard	B5			115 200	00
	(Salary of R9 600 per month for 12 months)					
	Salary: Peter	N23	97 200	00		
	Current account: Peter	B6			97 200	00
	(Salary of R8 100 per month for 12 months)					
	Appropriation account	F3	252 400	00		
	Interest on capital	N21			40 000	00
	Salary: Richard	N22			115 200	00
	Salary: Peter	N23			97 200	00
	(Closing transfers)					
	Appropriation account	F3	1 200	00		
	Current account: Richard	B5			600	00
	Current account: Peter	B6			600	00
	(Appropriation of remaining profit is divided equally between partners) (253 600 – 252 400 = 1 200)					
	Current account: Richard	B5	135 900	00		
	Drawings: Richard	B3			135 900	00
	(Closing transfers)					
	Current account: Peter	B6	124 700	00		
	Drawings: Peter	B4			124 700	00
	(Closing transfers)					

» **Activity 6.4**

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**General Ledger of Bellsonn  
Balance Sheet accounts**

Dr					Current account: Bell					Cr				
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2018	01	Balance	b/d	4 300 00	2019	30	Interest on capital		60 000 00					
2019	30	Drawings: Bell		295 000 00			Bonus to partners		47 400 00					
		Balance	c/d	3 860 00			Salary: Bell		151 200 00					
							Appropriation account		44 560 00					
				<b>303 160 00</b>					<b>303 160 00</b>					
					2019	01	Balance	b/d	3 860 00					



## Final account

Dr		Appropriation account								Cr	
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019						2019					
Jun	30	Interest on capital		130 000	00	Jun	30	Profit and loss		632 000	00
		Bonus to partners		47 400	00						
		Salary: Bell		151 200	00						
		Salary: Sonn		192 000	00						
		Current account: Bell		44 560	00						
		Current account: Sonn		66 840	00						
				<b>632 000</b>	<b>00</b>					<b>632 000</b>	<b>00</b>

### Calculations

$$\begin{aligned} \text{Remaining profit} &= \text{R}632\,000 - 130\,000 - 47\,400 - 151\,200 - 192\,000 \\ &= \text{R}111\,400 \end{aligned}$$

$$\text{Bell: } \text{R}111\,400 \times \frac{2}{5} = \text{R}44\,560$$

$$\text{Sonn: } \text{R}111\,400 \times \frac{3}{5} = \text{R}66\,840$$

### » Activity 6.5

LB page 189

## General Ledger of Steyn & Co. Balance Sheet accounts

Dr		Current account: P Steyn								B5		Cr	
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount			
2020						2019							
Feb	29	Appropriation account	GJ	4 900	00	Mar	01	Balance	b/d	11 800	00		
		Drawings: Steyn	GJ	70 000	00	2020							
		Balance	c/d	38 900	00	Feb	29	Interest on capital	GJ	30 000	00		
								Salary: Steyn	GJ	72 000	00		
				<b>113 800</b>	<b>00</b>					<b>113 800</b>	<b>00</b>		
						2020							
						Mar	01	Balance	b/d	38 900	00		

Dr		Current account: S Roux								B6		Cr	
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount			
2019						2020							
Mar	01	Balance	b/d	1 820	00	Feb	29	Interest on capital	GJ	28 200	00		
2020													
Feb	29	Appropriation account	GJ	4 900	00			Salary: Roux	GJ	69 600	00		
		Drawings: Roux	GJ	71 400	00								
		Balance	c/d	19 680	00								
				<b>97 800</b>	<b>00</b>					<b>97 800</b>	<b>00</b>		
						2020							
						Mar	01	Balance	b/d	19 680	00		

## Final account

Dr				Appropriation account				F3				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount					
2020						2020									
Feb	29	Salary: Steyn	GJ	72 000	00	Feb	29	Profit and loss	GJ	190 000	00				
		Salary: Roux	GJ	69 600	00			Current account: Steyn	GJ	4 900	00				
		Interest on capital	GJ	58 200	00			Current account: Roux	GJ	4 900	00				
				<u>199 800</u>	<u>00</u>					<u>199 800</u>	<u>00</u>				

### Calculations

Interest on capital: Steyn  $R250\,000 \times 12\% = R30\,000$

Interest on capital: Roux  $R220\,000 \times 12\% \times \frac{6}{12} = R13\,200$  }  
 $R250\,000 \times 12\% \times \frac{6}{12} = R15\,000$  } R28 200

Salary: Steyn  $R6\,000 \times 12 = R72\,000$

Salary: Roux  $R5\,800 \times 12 = R69\,600$

Remaining loss =  $R30\,000 + 28\,200 + 72\,000 + 69\,600 - 190\,000 = R9\,800$

Appropriation of remaining loss:  $R9\,800 \div 2 = R4\,900$



### Activity 6.6

LB page 190

## General Ledger of Woody Traders

### Balance Sheet accounts

Dr				Drawings: M Dyer				B4				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount					
2017						2017									
Jun	30	Balance	c/d	110 600	00	Jun	30	Donations	GJ	8 000	00				
								Current account: M Dyer	GJ	102 600	00				
				<u>110 600</u>	<u>00</u>					<u>110 600</u>	<u>00</u>				

Dr				Current account: T Woodward				B5				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount					
2017						2016									
Jun	30	Drawings: T Woodward	GJ	101 300	00	Jul	01	Balance	b/d	1 250	00				
		Balance	c/d	6 450	00	2017									
						Jun	30	Interest on capital	GJ	13 200	00				
								Salary: Woodward	GJ	92 400	00				
								Appropriation account	GJ	900	00				
				<u>107 750</u>	<u>00</u>					<u>107 750</u>	<u>00</u>				
						2017									
						Jul	01	Balance	b/d	6 450	00				

Dr					Current account: M Dyer					B6		Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount			
2016	01	Balance	b/d	2 114 00	2017	30	Interest on capital	GJ	16 200 00			
2017	30	Drawings: M Dyer	GJ	102 600 00			Salary: M Dyer	GJ	100 800 00			
		Balance	c/d	13 096 00			Appropriation account	GJ	810 00			
				<u>117 810 00</u>					<u>117 810 00</u>			
					2017	01	Balance	b/d	13 096 00			

### Final account

Dr					Appropriation account					F3		Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount			
2017	30	Salary: Woodward	GJ	92 400 00	2017	30	Profit and loss (232 310 – 8 000)	GJ	224 310 00			
		Salary: Dyer	GJ	100 800 00								
		Interest on capital	GJ	29 400 00								
		Current account: Woodward	GJ	900 00								
		Current account: Dyer	GJ	810 00								
				<u>224 310 00</u>					<u>224 310 00</u>			

### Calculations

$$\left. \begin{aligned} \text{Interest on capital: Woodward} \quad R70\,000 \times 12\% \times \frac{6}{12} &= R4\,200 \\ R150\,000 \times 12\% \times \frac{6}{12} &= R9\,000 \end{aligned} \right\} R13\,200$$

$$\text{Interest on capital: Dyer} \quad R135\,000 \times 12\% = R16\,200$$

$$\text{Salary: Woodward} \quad R7\,700 \times 12 = R92\,400$$

$$\text{Salary: Dyer} \quad R8\,400 \times 12 = R100\,800$$

$$\text{Remaining profit} = R224\,310 - 92\,400 - 100\,800 - 29\,400 = R1\,710$$

$$\text{Woodward} \quad R1\,710 \times \frac{150}{285} = R900$$

$$\text{Dyer} \quad R1\,710 \times \frac{135}{285} = R810$$



Marks: 45

Time: 40 minutes

**General Ledger of Macadam Stores**  
**Balance Sheet accounts**

Dr				Current account: A Mac				B5				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount					
2019	Feb 28	Drawings: A Mac ✓	GJ	✓	132 600	00	2018	Mar 01	Balance	c/d	✓	6 300	00		
		Balance	c/d	✓	4 200	00	2019	Feb 28	Salary: A Mac ✓	GJ	✓	80 000	00		
									Bonus to partner ✓	GJ	✓	16 000	00		
									Interest on capital	GJ	✓	25 500	00		
									Appropriation account	GJ	✓	9 000	00		
					136 800	00						136 800	00		
							2019	Mar 01	Balance	b/d	✓	4 200	00		

[11]

Dr				Current account: C Adam				B6				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount					
2018	Mar 01	Balance	b/d	✓	1 400	00	2019	Feb 28	Interest on capital	GJ	✓	15 000	00		
2019	Feb 28	Drawings: C Adam	GJ	✓✓✓✓	115 460	00			Salary: C Adam	GJ	✓	102 000	00		
		Balance	c/d	✓✓	4 640	00			Appropriation account	GJ	✓✓	4 500	00		
					121 500	00						121 500	00		
							2019	Mar 01	Balance	b/d	✓	4 640	00		

[12]

**Nominal account**

Dr				Interest on Capital				N21				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount					
2019	Feb 28	Current account: A Mac ✓	GJ	✓✓✓	25 500	00	2019	Feb 28	Appropriation account	GJ	✓	40 500	00		
		Current account: C Adam ✓	GJ	✓✓	15 000	00									
					40 500	00						40 500	00		

[8]

**Calculations**

$$\left. \begin{aligned}
 \text{Interest on capital: Mac} \quad & R160\,000 \times 15\% \times \frac{9}{12} = R18\,000 \\
 & R200\,000 \times 15\% \times \frac{3}{12} = R7\,500
 \end{aligned} \right\} R22\,500$$

Interest on capital: Adam  $R100\,000 \times 15\% = R15\,000$

## Final account

Dr		Appropriation account				F3		Cr	
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount	
2019 Feb 28	Salary: A Mac ✓		✓ 80 000	00	2019 Feb 28	Profit and loss ✓		✓ 252 000	00
	Salary: C Adam ✓		✓ 102 000	00					
	Bonus to partners ✓		✓ 16 000	00					
	Interest on capital ✓		✓ 40 500	00					
	Current account: A Mac ✓		✓ 9 000	00					
	Current account: C Adam ✓		✓ 4 500	00					
			<b>252 000</b>	<b>00</b>				<b>252 000</b>	<b>00</b>

[14]

### Calculations

Remaining profit = R252 000 – 96 000 – 102 000 – 40 500 = R13 500

Appropriation: Mac     R13 500 × 2 ÷ 3 = R9 000

Appropriation: Adam    R13 500 × 1 ÷ 3 = R4 500

### » Activity 6.7

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1. a.

#### Cash Payments Journal of Backmin Traders for August 2019

CPJ

Doc. no.	Day	Name of payee	Fol.	Bank	Sundry accounts	
					Amount	Details
398	03	Minitzer		30 000 00	30 000 00	Capital: Minitzer
401	25	Cash		600 00	600 00	Drawings: Minitzer
411	31	Back		7 600 00	7 600 00	Drawings: Back
412		Minitzer		8 100 00	8 100 00	Drawings: Minitzer

1. b.

#### Cash Receipts Journal of Backmin Traders for August 2019

CRJ

Doc. no.	Day	Details	Fol.	Analysis of receipts	Bank	Sundry accounts	
						Amount	Details
78	01	Back		20 000 00	20 000 00	20 000 00	Capital: Back

1. c.

#### General Journal of Backmin Traders for August 2019

GJ12

Day	Details	Fol.	Debit		Credit	
02	Drawings: Minitzer		4 500	00		
	Trading stock				4 500	00
	(Took stock for personal use)					
04	Drawings: Back		56	00		
	Stationery				56	00
	(Partner took stationery for personal use)					

## 2. Effect on the accounting equation

Date	Assets		Owner's equity		Liabilities	
	Effect	Reason	Effect	Reason	Effect	Reason
01	+ 20 000	Cash increases	+ 20 000	Capital contribution partner Back		
02	- 4 500	Trading stock decrease	- 4 500	Drawings: Minitzer		
03	- 30 000	Cash decreases	- 30 000	Capital contribution partner Minitzer decreases		
04			- 56	Drawings: Back		
			+ 56	Stationery - expense decreases		
25	- 600	Cash decreases	- 600	Drawings: Minitzer		
31	- 15 700	Cash decreases	- 7 600	Drawings: Back		

### » Activity 6.8

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No.	Source document	General Ledger				Accounting equation		
		Supplementary journal	Account debited	Account credited	Amount	A	O	L
1.	Cheque counterfoil	CPJ	Drawings: Richard	Bank	520	- 520	- 520	0
2.	Journal voucher	GJ	Drawings: Peter	Trading stock	3 200	- 3 200	- 3 200	0
3.	Journal voucher	GJ	Vehicles	Capital: Peter	30 000	+ 30 000	+ 30 000	0
4.	Deposit slip	CRJ	Bank	Capital: Richard	50 000	+ 50 000	+ 50 000	0
5.	Cheque counterfoil	CPJ	Drawings: Richard	Bank	8 900	- 8 900	- 8 900	0

### » Activity 6.9

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Remember: Assets = Owner's equity + Liabilities

No.	Assets		Owner's equity		Liabilities	
	Effect	Reason	Effect	Reason	Effect	Reason
1.	+ 70 000	Cash increase	+ 70 000	Capital contribution by partner Bezuidenhout		
2.	+ 60 000	Vehicle increase	+ 60 000	Capital contribution by partner Goliath		
3.	+ 1 792	Debtors increase	+ 672	Profit gained		
		Trading stock decrease				
4.	- 1 120	Trading stock increase			+ 4 320	Debt to creditor increase
5.	- 3 496	Cash decrease	+ 184	Discount received - income	- 3 680	Debt to creditor decrease
6.	- 3 100	Trading stock decrease	- 3 100	Drawings by partner Bezuidenhout		
7.	- 12 000	Cash decrease	- 12 000	Drawings by partner Goliath		

**General Journal of Clorette Traders for February 2019**

Day		Fol.	Debit		Credit	
28	Water and electricity		533	00		
	Telephone		497	00		
	Accrued expenses				1 030	00
	Accrued income		325	00		
	Interest on fixed deposit $(26\ 000 \times 5\% \times \frac{3}{12})$				325	00
	Rent income		2 500	00		
	Income received advance $(\frac{17\ 500}{14} \times 2)$				2 500	00
	Prepaid expenses		480	00		
	Advertising $(\frac{720}{6} \times 4)$				480	00
	Depreciation $(11\ 300 + 2\ 500)$		13 800	00		
	Accumulated depreciation on vehicles $[(90\ 000 - 33\ 500) \times 20\%]$				11 300	00
	Accumulated depreciation on equipment $(25\ 000 \times 10\%)$				2 500	00
	Trading stock deficit		1 300	00		
	Trading stock $(23\ 200 - 21\ 900)$				1 300	00
	Consumable stores on hand		1 120	00		
	Packaging				976	00
	Stationery				144	00

**Calculations**

$R11\ 400 \times 5\% = R570$

1.

**General Journal of Binchy Stores for June 2012**

**GJ12**

Day		Fol.	Debit		Credit	
30	Provision for bad debts adjustment	N21	570	00		
	Provision for bad debts	B9			570	00
	(Create the account to make provision for bad debts at 5% of debtors)					

2.

**General Ledger of Binchy Stores**

**Balance Sheet accounts**

Dr					Provision for Bad Debts					B9		Cr	
Date	Details		Fol.	Amount	Date	Details		Fol.	Amount				
					2012								
					Jun	30	Provision for bad debts adjustment	GJ	570	00			

Dr					Provision for Bad Debts Adjustment					N21		Cr	
Date	Details		Fol.	Amount	Date	Details		Fol.	Amount				
2012													
Jun	30	Provision for bad debts	GJ	570	00								

**Calculations**

$$R12\ 040 \times 5\% = R602$$

$$R602 - 570 = R32$$

1.

**General Journal of Binchy Stores for June 2013**

**GJ12**

Day		Fol.	Debit		Credit	
30	Provision for bad debts adjustment	N21	32	00		
	Provision for bad debts	B9			32	00
	(Adjust provision for bad debts to 5% of debtors)					

2.

**General Ledger of Binchy Stores**

**Balance Sheet account**

Dr				Provision for Bad Debts				B9				Cr	
Date	Details			Fol.	Amount		Date	Details			Fol.	Amount	
							2012 Jul	01	Balance	b/d	570	00	
							2013 Jun	30	Provision for bad debts adjustment	GJ	32	00	
											<u>602</u>	<u>00</u>	

**Nominal accounts**

Dr				Provision for Bad Debts Adjustment				N21				Cr	
Date	Details			Fol.	Amount		Date	Details			Fol.	Amount	
2013 Jun	30	Provision for bad debts		GJ	32	00	2013 Jun	30	Profit and loss	GJ	32	00	
					<u>32</u>	<u>00</u>					<u>32</u>	<u>00</u>	

3. Effect on the accounting equation

Date	Assets		Owner's equity		Liabilities	
	Effect	Reason	Effect	Reason	Effect	Reason
30	- 32	Negative asset: Provision for bad debts increase	- 32	Provision for bad debts adjustment is an expense		

**Calculations**

$$(R10\ 800 - 440) \times 5\% = R518$$

$$R602 - 518 = R84$$

1.

**General Journal of Binchy Stores for June 2014**

**GJ12**

Day		Fol.	Debit		Credit		Debtors control	
							Debit	Credit
30	Bad debts	N20	440	00				
	T Block	D1			440	00		440 00
	(Write off as bad debt)							
	Provision for bad debts	B8	84	00				
	Provision for bad debts adjustment	W21			84	00		
	(Adjust provision for bad debts to 5% of debtors)							

2.

## General Ledger of Binchy Stores

### Balance Sheet accounts

Dr		Debtors Control						B7		Cr
Date		Details	Fol.	Amount		Date	Details	Fol.	Amount	
2014						2014				
Jun	30	Balance	b/d	10 800	00	Jun	30	Bad debts	GJ	440 00
								Balance	c/d	10 360 00
				<u>10 800</u>	<u>00</u>					<u>10 800 00</u>
2014										
Jun	30	Balance	b/d	10 360	00					

Dr		Provision for Bad Debts						B8		Cr
Date		Details	Fol.	Amount		Date	Details	Fol.	Amount	
2014						2013				
Jun	30	Provision for bad debts adjustment	GJ	84	00	Jul	01	Balance	b/d	602 00
		Balance	c/d	518	00					
				<u>602</u>	<u>00</u>					<u>602 00</u>
						2014				
						Jun	01	Balance	b/d	518 00

### Nominal accounts

Dr		Bad Debts						N20		Cr
Date		Details	Fol.	Amount		Date	Details	Fol.	Amount	
2014						2014				
Jun	30	Balance	b/d	1 386	00	Jun	30	Profit and loss	GJ	1 826 00
				440	00					
		T Block	GJ	<u>1 826</u>	<u>00</u>					<u>1 826 00</u>

Dr		Provision for Bad Debts						N21		Cr
Date		Details	Fol.	Amount		Date	Details	Fol.	Amount	
2014						2014				
Jun	30	Profit and loss	GJ	84	00	Jun	30	Provision for bad debts	GJ	84 00

## 3. Effect on the accounting equation

Date	Assets		Owner's equity		Liabilities	
	Effect	Reason	Effect	Reason	Effect	Reason
30	+ 84	Negative asset: Provision for bad debts decrease	+ 84	Provision for bad debts adjustment is an income		
	- 440	Debtors decrease	- 440	Bad debt is an expense		


**Activity 6.14**

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**General Journal of Vanessa & Mandy's Coffee Shop for February 2020 GJ12**

Day		Fol.	Debit		Credit	
29	Trading stock deficit		170	00		
	Trading stock				170	00
	Consumable stores on hand		210	00		
	Stationery				210	00
	Prepaid expenses		2 400	00		
	Rent expense				2 400	00
	Telephone		542	00		
	Water and electricity		487	00		
	Accrued expenses				1 029	00
	Accrued income		200	00		
	Interest on fixed deposit				200	00
	Depreciation		11 770	00		
	Accumulated depreciation on vehicles				8 900	00
	Accumulated depreciation on equipment				2 870	00
	Bad debts		150	00		
	K Malan				150	00
	Provision for bad debts adjustment		96	00		
	Provision for bad debts (11 900 × 4%) = 476 – 380				96	00


**Activity 6.15**

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1.

**General Journal of Dan the Handyman for June 2017 GJ**

Day		Fol.	Debit		Credit	
28	Interest on loan		22 400	00		
	Loan: Conbank				22 400	00
	(Adjustment for interest on loan for the year)					

2.

**General Ledger of Dan the Handyman  
Balance Sheet account**

Dr				Loan: Conbank				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 Jun	28	Bank	CPJ	25 800	00	2016 Jul	01	Balance	b/d	166 400	00
		Balance	c/d	163 000	00	2017 Jun	30	Interest on loan	GJ	22 400	00
				<b>188 800</b>	<b>00</b>					<b>188 800</b>	<b>00</b>
						2017 Jul	01	Balance	b/d	163 000	00

**Nominal account**

Dr				Interest on Loan				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 Jun	30	Loan: Conbank	GJ	22 400	00	2017 Jun	30	Profit and loss	GJ	22 400	00

**Note:**

The *Interest on Loan* account is closed off to the *Profit and Loss* account as it is regarded as an expense for the financial period. It is the cost of borrowing the money from the bank, the finance cost.

### 3. Effect on the accounting equation

Details	Assets		Owner's equity		Liabilities	
	Effect	Reason	Effect	Reason	Effect	Reason
Payments on loan during the year (R2150 × 12)	-25 800	Cash in bank decreases			-25 800	Loan decreases
Interest capitalised			-22 400	Interest on loan – expense	+22 400	Loan increases

## » Activity 6.16

LB page 219

### 1. General Ledger of Xoseka & Co. Balance Sheet accounts

Dr					Current account: Xoseka					B5		Cr	
Date	Details		Fol.	Amount	Date	Details		Fol.	Amount				
2020 Feb	29	Drawings: Xoseka	GJ	106 200 00	2019 Mar	01	Balance	b/d	10 833 00				
		Balance	c/d	12 200 00	2020 Feb	29	Interest on capital	GJ	22 000 00				
							Salary: Xoseka	GJ	66 000 00				
							Bonus to partner	GJ	8 400 00				
							Appropriation account	GJ	11 167 00				
				<b>118 400 00</b>								<b>118 400 00</b>	
					2020 Mar	01	Balance	b/d	12 200 00				

Dr					Current account: Yawa					B6		Cr	
Date	Details		Fol.	Amount	Date	Details		Fol.	Amount				
2020 Feb	29	Drawings: Yawa	GJ	119 120 00	2019 Mar	01	Balance	b/d	6 035 00				
					2020 Feb	29	Interest on capital	GJ	24 000 00				
							Salary: Yawa	GJ	66 000 00				
							Appropriation account	GJ	11 167 00				
							Balance	c/d	11 918 00				
				<b>119 120 00</b>								<b>119 120 00</b>	
2020 Mar	01	Balance	b/d	11 918 00									

### Final accounts

Dr					Trading account					F1		Cr	
Date	Details		Fol.	Amount	Date	Details		Fol.	Amount				
2020 Feb	29	Cost of sales	GJ	620 400 00	2020 Feb	29	Sales (933 010 – 2 410)	GJ	930 600 00				
		Profit and loss	GJ	310 200 00									
				<b>930 600 00</b>								<b>930 600 00</b>	

Dr		Profit and Loss account				B6		Cr	
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2020					2020				
Feb	29	Bank charges	GJ	2 532 00	Feb	29	Trading account	GJ	310 200 00
		Discount allowed	GJ	1 054 00			Rent income (14 950 – 1 150)	GJ	13 800 00
		Stationery (1 685 – 112)	GJ	1 573 00			Interest on current account	GJ	870 00
		Wages and salaries	GJ	86 800 00			Discount received	GJ	1 464 00
		Insurance (7 240 – 1 540)	GJ	5 700 00			Provision for bad debts adjustment	GJ	88 00
		Bad debts (589 + 120)	GJ	709 00					
		Telephone (5 379 + 521)	GJ	5 900 00					
		Water and electricity (4 944 + 466)	GJ	5 410 00					
		Trading stock deficit (23 410 – 22 980)	GJ	430 00					
		Depreciation (5 160 + 2 420)	GJ	7 580 00					
		Appropriation account	GJ	208 734 00					
				<b>326 422 00</b>					<b>326 422 00</b>

Dr		Appropriation account				F3		Cr	
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2020					2020				
Feb	29	Interest on capital (22 000 + 24 000)	GJ	46 000 00	Feb	29	Profit and loss	GJ	208 734 00
		Salary: Xoseka	GJ	66 000 00					
		Salary: Yawa	GJ	66 000 00					
		Bonus to partner	GJ	8 400 00					
		Current account: Xoseka	GJ	11 167 00					
		Current account: Yawa	GJ	11 167 00					
				<b>208 734 00</b>					<b>208 734 00</b>

2.

**Post-closing Trial Balance of Xoseka & Co. as at 29 February 2020**

	Fol.	Debit		Credit	
<b>Balance Sheet accounts</b>					
Capital: Xoseka				220 000	00
Capital: Yawa				240 000	00
Current account: Xoseka				12 200	00
Current account: Yawa		11 918	00		
Land and buildings		400 000	00		
Vehicles		60 000	00		
Equipment		24 200	00		
Accumulated depreciation on vehicles (25 600 + 5 160)				30 760	00
Accumulated depreciation on equipment (10 800 + 2 420)				13 220	00
Trading stock (23 410 – 430)		22 980	00		
Debtors control (10 560 – 120)		10 440	00		
Provision for bad debts (610 – 88)				522	00
Bank		5 641	00		
Cash float		1 000	00		
Creditors control				18 992	00
Consumable stores on hand		112	00		
Income received in advance				1 150	00
Accrued expenses (521 + 466)				987	00
Prepaid expenses		1 540	00		
		<b>537 831</b>	<b>00</b>	<b>537 831</b>	<b>00</b>

» **Activity 6.17**

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1.

**General Journal of Batts Traders for February 2018**

**GJ12**

Day		Fol.	Debit		Credit	
28	Rent income	N5	2 000	00		
	Income received in advance	B20			2 000	00
	(Adjustment)					
	Water and electricity	N6	778	00		
	Accrued expense	B21			778	00
	(Adjustment)					
	Consumable stores on hand	B22	390	00		
	Stationery	N7			390	00
	(Adjustment)					
	Prepaid expenses	B23	4 400	00		
	Advertisements	N8			4 400	00
	(Adjustment)					

2.

**General Journal of Batts Traders for March 2018****GJ12**

Day		Fol.	Debit		Credit	
01	Income received in advance	B20	2 000	00		
	Rent income	N5			2 000	00
	(Reversal of adjustment)					
	Accrued expense	B21	778	00		
	Water and electricity	N6			778	00
	(Reversal of adjustment)					
	Stationery	N7	390	00		
	Consumable stores on hand	B22			390	00
	(Reversal of adjustment)					
	Advertisements	N8	4 400	00		
	Prepaid expenses	B23			4 400	00
	(Reversal of adjustment)					

1. and 2.

**General Ledger of Batts Traders**  
**Balance Sheet accounts**

Dr		Income Received in Advance				B20				Cr
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount		
2018 Mar	01 Rent income	GJ	2 000	00	2018 Feb	28 Rent income	GJ	2 000	00	

Dr		Accrued Expense				B21				Cr
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount		
2018 Mar	01 Water and electricity	GJ	778	00	2018 Feb	28 Water and electricity	GJ	778	00	

Dr		Consumable Stores on Hand				B22				Cr
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount		
2018 Feb	28 Stationery	GJ	390	00	2018 Mar	01 Stationery	GJ	390	00	

Dr		Prepaid Expense				B23				Cr
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount		
2018 Feb	28 Advertisements	GJ	4 400	00	2018 Mar	01 Advertisements	GJ	4 400	00	

**Nominal accounts**

Dr		Rent Income				N5				Cr
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount		
2018 Feb	28 Income received in advance	GJ	2 000	00	2018 Feb	28 Balance	b/d	26 000	00	
	Profit and loss	GJ	24 000	00						
			26 000	00				26 000	00	
					2018 Mar	01 Income received in advance	GJ	2 000	00	

Dr					Water and Electricity					N6		Cr
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount		
2018						2018						
Feb	28	Balance	b/d	9 552	00	Feb	28	Profit and loss	GJ	10 330	00	
		Accrued expense	GJ	778	00							
				10 330	00					10 330	00	
						2018						
						Mar	01	Accrued expense	GJ	778	00	

Dr					Stationery					N7		Cr
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount		
2018						2018						
Feb	28	Balance	b/d	2 094	00	Feb	28	Consumable stores on hand	GJ	390	00	
								Profit and loss	GJ	1 704	00	
				2 094	00					2 094	00	
2018												
Mar	01	Consumable stores on hand	GJ	390	00							

Dr					Advertisements					N8		Cr
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount		
2018						2018						
Feb	28	Balance	b/d	9 700	00	Feb	28	Prepaid expense	GJ	4 400	00	
								Profit and loss	GJ	5 300	00	
				9 700	00					9 700	00	
2018												
Mar	01	Prepaid expense	GJ	4 400	00							

## CHAPTER 7

### Partnerships – Financial statements

#### » Activity 7.1

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1.

**S Ackerman and J Steenkamp**

**Trading as Sanjah Clothing**

**Income Statement for the year ended 30 June 2016**

	Note	R
Sales (1 621 778 – 5 778)		1 616 000
Cost of sales		(966 250)
<b>Gross profit</b>		<b>649 750</b>
Other operating income		12 723
Rent income (13 650 – 1 050)		12 600
Provision for bad debts adjustment [867 – (18 600 × 4%)]		123
<b>Gross operating income</b>		<b>662 473</b>
Operating expenses		(285 909)
Salaries and wages		210 000
Consumable stores (5 680 – 870)		4 810
Advertising (12 340 – 800)		11 540
Bad debts		1 430
Insurance		7 680
Water and electricity (10 976 + 643)		11 619
Telephone		11 320
Sundry expenses		18 665
Depreciation [(60 000 – 12 300) × 15%]		7 155
Trading stock deficit (54 890 – 53 200)		1 690
<b>Operating profit (loss)</b>		<b>376 564</b>
Interest income	1	1 436
<b>Profit (loss) before interest expense</b>		<b>378 000</b>
Interest expense	2	(33 000)
<b>Net profit (loss) for the year</b>		<b>345 000</b>

2.

**S Ackerman and J Steenkamp  
Trading as Sanjah Clothing  
Balance Sheet at 30 June 2016**

	Note	R
<b>ASSETS</b>		
NON-CURRENT ASSETS		710 545
Fixed / tangible assets	3	710 545
Financial assets		–
CURRENT ASSETS		92 117
Inventories	4	54 070
Trade and other receivables	5	18 656
Cash and cash equivalents	6	19 391
<b>TOTAL ASSETS</b>		<b>802 662</b>
<b>EQUITY AND LIABILITIES</b>		
OWNER'S EQUITY		515 199
Capital	7	500 000
Current accounts	8	15 199
NON-CURRENT LIABILITIES		228 000
Loan from AB Bank (264 000 – 36 000)		228 000
CURRENT LIABILITIES		59 463
Trade and other payables	9	23 463
Current portion of loan		36 000
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>802 662</b>

**S Ackerman and J Steenkamp**  
**Trading as Sanjah Clothing**  
**Notes to the Financial Statements at 30 June 2016**

**1. INTEREST INCOME**

On current bank account	1 436
	<b>1 436</b>

**2. INTEREST EXPENSE**

On loan	33 000
	<b>33 000</b>

**3. FIXED / TANGIBLE ASSETS**

	Land and buildings	Equipment	Total
Carrying value at beginning of year	670 000	47 700	717 700
Cost	670 000	60 000	730 000
Accumulated depreciation	–	(12 300)	(12 300)
Movements			
Additions	–	–	–
Disposals at carrying value	–	–	–
Depreciation		(7 155)	(7 155)
Carrying value at end of year	670 000	40 545	710 545
Cost	670 000	60 000	730 000
Accumulated depreciation	–	(19 455)	(19 455)

**4. INVENTORIES**

Trading stock	53 200
Consumable stores on hand	870
	<b>54 070</b>

**5. TRADE AND OTHER RECEIVABLES**

Trade debtors	18 600
Provision for bad debts (18 600 × 4%)	(744)
Net trade debtors	17 856
Expenses prepaid	800
	<b>18 656</b>

**6. CASH AND CASH EQUIVALENTS**

Bank	16 891
Cash float	2 500
	<b>19 391</b>

**7. CAPITAL**

	S Ackerman	J Steenkamp	Total
Balance at beginning of year	300 000	200 000	500 000
Additional capital contributed	–	–	–
	300 000	200 000	500 000
Decreasing of capital	–	–	–
<b>Balance at end of year</b>	<b>300 000</b>	<b>200 000</b>	<b>500 000</b>

## 8. CURRENT ACCOUNTS

	S Ackerman	J Steenkamp	Total
Balance at beginning of year	4 220	(1 021)	3 199
Net profit as per Income Statement	178 560	166 440	345 000
Partners' salaries	120 000	132 000	252 000
Interest on capital	30 000	20 000	50 000
Partners' bonuses	6 900	–	6 900
Primary distribution of profit	156 900	152 000	308 900
Final distribution of profit	21 660	14 440	36 100
Drawings for the year	(176 000)	(157 000)	(333 000)
Undrawn profits (retained income) for the year	2 560	9 440	12 000
<b>Balance at end of year</b>	<b>6 780</b>	<b>8 419</b>	<b>15 199</b>

## 9. TRADE AND OTHER PAYABLES

Trade creditors	21 770
Expenses accrued (payable)	643
Income received in advance (deferred)	21 770
	<b>23 463</b>

### » Activity 7.2

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**M Tshaba and S Zika**

**Trading as Halala Stores**

**Income Statement for the year ended 31 December 2020**

	Note	R
Sales (994 317 – 3 210)		991 107
Cost of sales		(600 000)
<b>Gross profit</b>		<b>391 107</b>
Other operating income		15 574
Rent income (16 120 – 1 240)		14 880
Discount received		694
<b>Gross operating income</b>		<b>406 681</b>
Operating expenses		(188 107)
Bad debts (540 + 160)		700
Telephone (6 480 + 536)		7 016
Wages		49 920
Salaries		96 000
Stationery (2 410 – 632)		1 778
Insurance (8 740 – 450)		8 290
Bank charges		2 147
Pension Fund contribution		998
Discount allowed		343
Trading stock deficit		300
Depreciation (10 800 + 9 729)		20 529
Provision for bad debts adjustment		86
<b>Operating profit (loss)</b>		<b>218 574</b>
Interest income	1	3 100
<b>Net profit (loss) for the year</b>		<b>221 674</b>

**M Tshaba and S Zika**  
**Trading as Halala Stores**  
**Balance Sheet at 31 December 2020**

	Note	R
<b>ASSETS</b>		
NON-CURRENT ASSETS		459 371
Fixed / tangible assets	3	422 371
<b>Financial assets</b>		–
Fixed deposit: AR Bank		37 000
CURRENT ASSETS		79 781
Inventories	4	38 752
Trade and other receivables	5	24 799
Cash and cash equivalents	6	16 230
<b>TOTAL ASSETS</b>		<b>539 152</b>
<b>EQUITY AND LIABILITIES</b>		
OWNER'S EQUITY		510 418
Capital	7	450 000
Current accounts	8	60 418
CURRENT LIABILITIES		28 734
Trade and other payables	9	28 734
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>539 152</b>

**M Tshaba and S Zika**  
**Trading as Halala Stores**  
**Notes to the Financial Statements at 31 December 2020**

**1. INTEREST INCOME**

On investment (2 175 + 925)	3 100
	<b>3 100</b>

**3. FIXED / TANGIBLE ASSETS**

	Land and buildings	Vehicles	Equipment	Total
Carrying value at beginning of year	340 000	54 000	48 900	442 900
Cost	340 000	90 000	64 860	494 860
Accumulated depreciation	–	(36 000)	(15 960)	(51 960)
Movements				
Additions	–	–	–	–
Disposals at carrying value	–	–	–	–
Depreciation	–	(10 800)	(9 729)	(20 529)
Carrying value at end of year	340 000	43 200	39 171	422 371
Cost	340 000	90 000	64 860	494 860
Accumulated depreciation	–	(46 800)	(25 689)	(72 489)

**4. INVENTORIES**

Trading stock	38 120
Consumable stores on hand	632
	<b>38 752</b>

## 5. TRADE AND OTHER RECEIVABLES

Trade debtors (24 560 – 160)	24 400
Provision for bad debts	(976)
Net trade debtors	23 424
Expenses prepaid	450
Income accrued (receivable)	925
	<b>24 799</b>

## 6. CASH AND CASH EQUIVALENTS

Bank	15 230
Cash float	1 000
	<b>16 230</b>

## 7. CAPITAL

	Tshaba	Zika	Total
Balance at beginning of year	200 000	220 000	420 000
Additional capital contributed	30 000	–	30 000
<b>Balance at end of year</b>	<b>230 000</b>	<b>220 000</b>	<b>450 000</b>

## 8. CURRENT ACCOUNTS

	Tshaba	Zika	Total
Balance at beginning of year	2 760	1 084	3 844
Net profit as per Income Statement	111 737	109 937	221 674
Partners' salaries	69 600	72 000	141 600
Interest on capital	25 800	26 400	52 200
Partners' bonuses	4 800	–	4 800
Primary distribution of profit	100 200	98 400	198 600
Final distribution of profit	11 537	11 537	23 074
Drawings for the year	(86 500)	(78 600)	(165 100)
Undrawn profits (retained income) for the year	25 237	31 337	56 574
<b>Balance at end of year</b>	<b>27 997</b>	<b>32 421</b>	<b>60 418</b>

### Calculations

$$\left. \begin{array}{l} \text{Interest on capital: Tshaba } R200\,000 \times 12\% \times \frac{6}{12} = R12\,000 \\ R230\,000 \times 12\% \times \frac{6}{12} = R13\,800 \end{array} \right\} R25\,800$$

$$\text{Interest on capital: Zika } R220\,000 \times 12\% = R26\,400$$

## 9. TRADE AND OTHER PAYABLES

Trade creditors	22 438
Expenses accrued (payable)	536
Income received in advance (deferred)	1 240
SA Revenue Services	1 980
Pension Fund	2 540
	<b>28 734</b>

**Alta Traders**  
**Statement of Owner's equity**

**1. CAPITAL**

	Alta	Johan	Total
Balance at beginning of year	350 000	150 000	500 000
Additional capital contributed	–	50 000	50 000
	350 000	200 000	550 000
Decreasing of capital	(50 000)	–	(50 000)
<b>Balance at end of year</b>	<b>300 000</b>	<b>200 000</b>	<b>500 000</b>

**2. CURRENT ACCOUNTS**

	Alta	Johan	Total
Balance at beginning of year	2 456	(1 602)	854
Net profit as per Income Statement	130 949	114 716	245 665
Partners' salaries	96 000	84 000	180 000
Interest on capital	31 250	16 250	47 500
Partners' bonuses	–	12 000	12 000
Primary distribution of profit	127 250	112 250	239 500
Final distribution of profit	3 699	2 466	6 165
Drawings for the year	(129 400)	(115 600)	(245 000)
Undrawn profits (retained income) for the year	1 549	(884)	665
<b>Balance at end of year</b>	<b>4 005</b>	<b>(2 486)</b>	<b>1 519</b>

**Calculations**

$$\left. \begin{aligned} \text{Interest on capital: Johan } & \text{R}150\,000 \times 10\% \times \frac{9}{12} = \text{R}11\,250 \\ & \text{R}200\,000 \times 10\% \times \frac{3}{12} = \text{R}5\,000 \end{aligned} \right\} \text{R}16\,250$$

1. **General Ledger of Macadam Stores**  
**Balance Sheet accounts**

Dr				Debtors Control				Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
2020 Feb	29 Balance	b/d	43 970 00	2020 Feb	29 Debtors allowances		336 00				
	Bad debts recovered		300 00		Bad debts		274 00				
					Balance	c/d	43 660 00				
			44 270 00				44 270 00				
2020 Mar	01 Balance	b/d	43 660 00								

Dr				Provision for Bad Debts				Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
2020 Feb	29 Provision for bad debts adjustment		567 00	2020 Feb	29 Balance	b/d	2 750 00				
	Balance	c/d	2 183 00								
			2 750 00				2 750 00				
				2020 Mar	01 Balance	b/d	2 183 00				

2.

**M Mac and A Adam**

**Trading as Macadam Stores**

**Income Statement for the year ended 29 February 2020**

	Note	R
Sales [683 600 – (18 230 + 336)]		665 034
Cost of sales (276 420 – 240)		(276 180)
<b>Gross profit</b>		<b>388 854</b>
Other operating income		10 497
Rent income (7 700 + 700)		8 400
Discount received		1 230
Provision for bad debts adjustment		567
Bad debts adjustment		300
<b>Gross operating income</b>		<b>399 351</b>
Operating expenses		(203 741)
Salaries and wages		123 000
Property rates and taxes		8 000
Municipal services		1 570
Advertising		12 700
Bad debts (585 + 274)		859
Packaging material (4 130 – 940)		3 190
Insurance (7 300 – 2 400)		4 900
Bank charges		1 050
Stationery (3 120 – 90)		3 030
Sundry expenses		21 902
Trading stock deficit (56 240 + 240) – (57 670 – 2 900)		1 710
Depreciation (10 950 + 10 880)		21 830
<b>Profit (loss) before interest expense</b>		<b>195 610</b>
Interest expense	1	(26 970)
<b>Net profit (loss) for the year</b>		<b>168 640</b>

**M Mac and A Adam**  
**Trading as Macadam Stores**  
**Balance Sheet at 29 February 2020**

	Note	R
<b>ASSETS</b>		
NON-CURRENT ASSETS		233 670
Fixed / tangible assets	2	233 670
CURRENT ASSETS		101 537
Inventories	3	55 710
Trade and other receivables	4	44 577
Cash and cash equivalents	5	1 250
<b>TOTAL ASSETS</b>		<b>335 207</b>
<b>EQUITY AND LIABILITIES</b>		
OWNER'S EQUITY		154 462
Capital	6	150 000
Current accounts	7	4 462
NON-CURRENT LIABILITIES		
Mortgage loan (125 000 – 20 000)		105 000
CURRENT LIABILITIES		75 745
Trade and other payables	8	35 175
Bank overdraft		20 570
Short-term loans		20 000
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>335 207</b>

**M Mac and A Adam**  
**Trading as Macadam Stores**  
**Notes to the Financial Statements at 29 February 2020**

**1. INTEREST EXPENSE**

On loan	24 300
On overdraft	2 670
	<b>26 970</b>

**2. FIXED / TANGIBLE ASSETS**

	Land and buildings	Vehicles	Equipment	Total
Carrying value at beginning of year	160 000	54 400	41 100	255 500
Cost	160 000	85 000	63 000	308 000
Accumulated depreciation	–	(30 600)	(21 900)	(52 500)
Movements				
Additions	–	–	–	–
Disposals at carrying value	–	–	–	–
Depreciation	–	(10 880)	(10 950)	(21 830)
Carrying value at end of year	160 000	43 520	30 150	233 670
Cost	160 000	85 000	63 000	308 000
Accumulated depreciation	–	(41 480)	(32 850)	(74 330)

### 3. INVENTORIES

Trading stock (56 240 + 240 – 1 710)	54 770
Consumable stores on hand	940
	<b>55 710</b>

### 4. TRADE AND OTHER RECEIVABLES

Trade debtors (43 970 – 336 + 300 – 274)	43 660
Provision for bad debts (2 750 – 567)	(2 183)
Net trade debtors	41 477
Expenses prepaid	2 400
Income accrued (receivable)	700
	<b>44 577</b>

### 5. CASH AND CASH EQUIVALENTS

Cash float	1 000
Petty cash	250
	<b>1 250</b>

### 6. CAPITAL

	Mac	Adam	Total
Balance on the last day of previous year	60 000	60 000	120 000
Additional capital contributed	30 000	–	30 000
<b>Balance on last day of current year</b>	<b>90 000</b>	<b>60 000</b>	<b>150 000</b>

### 7. CURRENT ACCOUNTS

	Mac	Adam	Total
Balance at beginning of year	15 412	(4 800)	10 612
Net profit as per Income Statement	83 784	84 856	168 640
Partners' salaries	84 000	84 000	168 000
Interest on capital	7 500	6 000	13 500
Primary distribution of profit	91 500	90 000	181 500
Final distribution of profit	(7 716)	(5 144)	(12 860)
Drawings for the year	(88 690)	(86 100)	(174 790)
Undrawn profits (retained income) for the year	(4 906)	(1 244)	(6 150)
<b>Balance at end of year</b>	<b>10 506</b>	<b>(6 044)</b>	<b>4 462</b>

#### Calculations

$$\left. \begin{aligned} \text{Interest on capital: Mac} \quad & R60\,000 \times 10\% \times \frac{6}{12} = R3\,000 \\ & R90\,000 \times 10\% \times \frac{6}{12} = R4\,500 \end{aligned} \right\} R7\,500$$

$$\text{Interest on capital: Adam} \quad R60\,000 \times 10\% = R6\,000$$

### 8. TRADE AND OTHER PAYABLES

Trade creditors	35 175
	<b>35 175</b>



1.

**Jenny King and Graham King****Trading as King Traders****Income Statement for the year ended 28 February 2018**

	Note	R
Sales (1 001 500 – 2 750)		998 750
Cost of sales		(511 200)
<b>Gross profit</b>		<b>487 550</b>
Other operating income		16 393
Rent income (15 400 – 1 400)		14 000
Bad debts recovered		2 246
Provision for bad debts adjustment		147
<b>Gross operating income</b>		<b>503 943</b>
Operating expenses		(255 038)
Rates and taxes		2 808
Stationery (1 962 – 101)		1 861
Bad debts (206 + 465)		671
Repairs (1 386 + 670)		2 056
Telephone (5 120 + 508)		5 628
Insurance (4 772 – 440)		4 332
Wages		47 520
Bank charges		1 841
Water and electricity		4 251
Salaries		172 000
Trading stock deficit		340
Depreciation (5 580 + 450)		11 730
<b>Operating profit (loss)</b>		<b>248 905</b>
Interest income	1	2 955
<b>Net profit (loss) for the year</b>		<b>251 860</b>

2.

**Jenny King and Graham King  
Trading as King Traders  
Balance Sheet at 28 February 2018**

	Note	R
<b>ASSETS</b>		
NON-CURRENT ASSETS		440 810
Fixed / tangible assets	2	423 810
Financial assets		–
Fixed deposit: AB Bank		17 000
CURRENT ASSETS		71 476
Inventories	3	39 061
Trade and other receivables	4	10 205
Cash and cash equivalents	5	22 210
<b>TOTAL ASSETS</b>		<b>512 286</b>
<b>EQUITY AND LIABILITIES</b>		
OWNER'S EQUITY		484 725
Capital	6	396 000
Current accounts	7	88 725
CURRENT LIABILITIES		27 561
Trade and other payables	8	27 561
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>512 286</b>

**Jenny King and Graham King  
Trading as King Traders  
Notes to the Financial Statements at 28 February 2018**

**1. INTEREST INCOME**

On investment	2 955
	<b>2 955</b>

**2. FIXED / TANGIBLE ASSETS**

	Land and buildings	Vehicles	Equipment	Total
Carrying value at beginning of year	340 000	55 800	27 740	423 540
Cost	340 000	72 000	38 000	450 000
Accumulated depreciation	–	(16 200)	(10 260)	(26 460)
Movements				
Additions	–	–	12 000	12 000
Disposals at carrying value	–	–	–	–
Depreciation	–	(5 580)	(6 150)	(11 730)
Carrying value at end of year	340 000	50 220	33 590	423 810
Cost	340 000	72 000	50 000	462 000
Accumulated depreciation	–	(21 780)	(16 410)	(38 190)

**3. INVENTORIES**

Trading stock (40 500 – 1 200 – 340)	38 960
Consumable stores on hand	101
	<b>39 061</b>

#### 4. TRADE AND OTHER RECEIVABLES

Trade debtors (9 765 – 465)	9 300
Provision for bad debts	(465)
Net trade debtors	8 835
Expenses prepaid	440
Income accrued (receivable)	930
	<b>10 205</b>

#### 5. CASH AND CASH EQUIVALENTS

Bank	22 210
	<b>22 210</b>

#### 6. CAPITAL

	Jenny	Graham	Total
Balance on the last day of previous year	216 000	180 000	396 000
Balance on last day of current year	216 000	180 000	396 000

#### 8. CURRENT ACCOUNTS

	Jenny	Graham	Total
Balance at beginning of year	4 201	4 504	8 705
Net profit as per Income Statement	130 630	121 230	251 860
Partners' salaries	93 600	93 600	187 200
Interest on capital	32 400	27 000	59 400
Partners' bonuses	4 000	–	4 000
Primary distribution of profit	130 000	120 600	250 600
Final distribution of profit	630	630	1 260
Drawings for the year	(81 320)	(90 520)	(171 840)
Undrawn profits (retained income) for the year	49 310	30 710	80 020
<b>Balance at end of year</b>	<b>53 511</b>	<b>35 214</b>	<b>88 725</b>

#### 9. TRADE AND OTHER PAYABLES

Trade creditors (24 983 + 670)	25 653
Expenses accrued (payable)	508
Income received in advance (deferred)	1 400
	<b>27 561</b>

**E Palmer and J Harker****Trading as Island Traders****Income Statement for the year ended 28 February 2019**

	Note	R
Sales (1 428 200 – 3 200)		1 425 000
Cost of sales		(930 000)
<b>Gross profit</b>		<b>495 000</b>
Other operating income		25 475
Rent income (24 000 + 2 000 – 2 000)		24 000
Profit on sale of assets		875
Bad debts recovered		600
<b>Gross operating income</b>		<b>520 475</b>
Operating expenses		(247 845)
Salaries (177 300 + 7 800)		185 100
Bank charges (1 760 + 120)		1 880
Discount allowed (2 522 – 10)		2 512
Consumable goods (1 650 – 720)		930
Pension fund contribution (5 146 + 170)		5 316
Advertising (18 000 – 10 500)		7 500
Donations (12 850 + 800)		13 650
Bad debts (1 800 + 200)		2 000
Insurance (10 560 + 460)		11 020
Stationery (2 930 – 230)		2 700
Depreciation (10 590 + 3 125)		13 715
Trading stock deficit (35 800 – 800 – 34 260)		740
Provision for bad debts adjustment		62
Loss due to fire		720
<b>Operating profit (loss)</b>		<b>272 630</b>
Interest income (1 562 + 3 750)	1	5 312
<b>Profit (loss) before interest expense</b>		<b>277 942</b>
Interest expense	2	(26 500)
<b>Net profit (loss) for the year</b>		<b>251 442</b>

**Calculations**

Interest expense

$$\left. \begin{aligned} R150\,000 \times 18\% \times \frac{6}{12} &= R13\,500 \\ R130\,000 \times 20\% \times \frac{6}{12} &= R13\,000 \end{aligned} \right\} R26\,500$$

**Depreciation**Old equipment:  $R70\,600 \times 15\% = R10\,590$ Sold equipment:  $R25\,000 \times 15\% \times \frac{10}{12} = R3\,125$

### Asset Disposal

		Accumulated depreciation on equipment (18 750 + 3 125)	
Equipment	25 000		21 875
Profit with asset disposal	875	Bank	4 000
	<u>25 875</u>		<u>25 875</u>

**E Palmer and J Harker**  
**Trading as Island Traders**  
**Balance Sheet at 28 February 2019**

	Note	R
<b>ASSETS</b>		
NON-CURRENT ASSETS		718 160
Fixed / tangible assets	3	693 160
Financial assets: Fixed deposit: SP Bank		25 000
CURRENT ASSETS		99 448
Inventories	4	34 490
Trade and other receivables	5	25 928
Cash and cash equivalents	6	39 030
<b>TOTAL ASSETS</b>		<b>817 608</b>
<b>EQUITY AND LIABILITIES</b>		
OWNER'S EQUITY		633 468
Capital	7	620 000
Current accounts	8	13 468
NON-CURRENT LIABILITIES		
Loan from HJ Building Society (130 000 – 20 000)		110 000
CURRENT LIABILITIES		74 140
Trade and other payables	9	54 410
Bank overdraft		–
Current portion of loan		20 000
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>817 608</b>

**E Palmer and J Harker**  
**Trading as Island Traders**  
**Notes to the Financial Statements at 28 February 2019**

**1. INTEREST INCOME**

On fixed deposit	3 750
On current bank account	1 562
	<b>5 312</b>

**2. INTEREST EXPENSE**

On loan	26 500
	<b>26 500</b>

### 3. FIXED / TANGIBLE ASSETS

	Land and buildings	Equipment	Total
Carrying value at beginning of year	590 000	80 000	670 000
Cost	590 000	95 600	685 600
Accumulated depreciation	–	(15 600)	(15 600)
Movements			
Additions	40 000	–	40 000
Disposals at carrying value	–	(3 125)	(3 125)
Depreciation	–	(13 715)	(13 715)
Carrying value at end of year	630 000	63 160	693 160
Cost	630 000	70 600	700 600
Accumulated depreciation	–	(7 440)	(7 440)

### 4. INVENTORIES

Trading stock	34 260
Consumable stores on hand	230
	<b>34 490</b>

### 5. TRADE AND OTHER RECEIVABLES

Trade debtors (16 240 + 200 – 200)	16 240
Provision for bad debts	(812)
Net trade debtors	15 428
Expenses prepaid	10 500
	<b>25 928</b>

### 6. CASH AND CASH EQUIVALENTS

Bank (32 650 – 120 – 460 – 190 + 2 000 + 4 000)	37 880
Cash float	1 000
Petty cash	150
	<b>39 030</b>

### 7. CAPITAL

	Palmer	Harker	Total
Balance at beginning of year	310 000	250 000	560 000
Additional capital contributed	–	60 000	60 000
Decreasing of capital	–	–	–
<b>Balance at end of year</b>	<b>310 000</b>	<b>310 000</b>	<b>620 000</b>

## 8. CURRENT ACCOUNTS

	Palmer	Harker	Total
Balance at beginning of year	3 200	(4 400)	(1 200)
Net profit as per Income Statement	122 121	129 321	251 442
Partners' salaries	98 400	102 000	200 400
Interest on capital	24 800	22 400	47 200
Partners' bonuses	–	6 000	6 000
Primary distribution of profit	123 200	130 400	253 600
Final distribution of profit	(1 079)	(1 079)	(2 158)
Drawings for the year	(129 974)	(106 800)	(236 774)
Undrawn profits (retained income) for the year	(7 853)	22 521	14 668
<b>Balance at end of year</b>	<b>(4 653)</b>	<b>18 121</b>	<b>13 468</b>

### Interest calculations:

Palmer:  $R310\,000 \times 8\% = R24\,800$

Harker:  $R250\,000 \times 8\% \times \frac{6}{12} = R10\,000$   
 $R310\,000 \times 8\% \times \frac{6}{12} = R12\,400$  } R22 400

## 9. TRADE AND OTHER PAYABLES

Trade creditors	23 370
Expenses accrued (payable)	13 000
Income received in advance (deferred)	2 000
Creditors for salaries	5 510
Pension fund (2 400 + 340 + 170)	2 910
SARS (PAYE) (5 400 + 1950)	7 350
	<b>54 140</b>



### Activity 7.7

LB page 251

1.

### General Ledger of CC Stores Balance Sheet account

Dr				Trading Stock				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2013 Jun	30	Balance	b/d	35 794 00	2013 Jun	30	Donations		1 500 00		
		Drawings: Collett		2 250 00			Trading stock deficit		1 460 00		
		Creditors control		546 00			Balance	c/d	35 630 00		
				<b>38 590 00</b>					<b>38 590 00</b>		
2013 Jul	01	Balance	b/d	35 630 00							

2.

**D Collett and P Cole  
Trading as CC Stores  
Balance Sheet at 30 June 2013**

	Note	R
<b>ASSETS</b>		
NON-CURRENT ASSETS		365 200
Fixed / tangible assets	3	365 200
CURRENT ASSETS		71 494
Inventories	4	35 940
Trade and other receivables	5	30 996
Cash and cash equivalents	6	4 558
<b>TOTAL ASSETS</b>		<b>436 694</b>
<b>EQUITY AND LIABILITIES</b>		
OWNER'S EQUITY		405 189
Capital	7	360 000
Current accounts	8	45 189
CURRENT LIABILITIES		31 505
Trade and other payables	9	31 505
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>436 694</b>

**D Collett and P Cole  
Trading as CC Stores  
Notes to the Financial Statements at 30 June 2013**

**3. FIXED / TANGIBLE ASSETS**

	Land and buildings	Equipment	Total
Carrying value at beginning of year	268 000	77 000	345 000
Cost	268 000	114 000	382 000
Accumulated depreciation	–	(37 000)	(37 000)
Movements			
Additions	22 000	16 000	38 000
Depreciation	–	(17 800)	(17 800)
Carrying value at end of year	290 000	75 200	365 200
Cost	290 000	130 000	420 000
Accumulated depreciation	–	(54 800)	(54 800)

**4. INVENTORIES**

Trading stock (35 994 + 2 250 – 1 500 + 546 – 1 460)	35 630
Consumable stores on hand	310
	<b>35 940</b>

**5. TRADE AND OTHER RECEIVABLES**

Trade debtors (31 500 – 900)	30 600
Provision for bad debts (1 540 – 316)	(1 224)
Net trade debtors	29 376
Expenses prepaid	1 620
	<b>30 996</b>

## 6. CASH AND CASH EQUIVALENTS

Bank	3 558
Cash float	1 000
	<b>4 558</b>

## 7. CAPITAL

	Palmer	Harker	Total
Balance on last day of current year	160 000	200 000	<b>360 000</b>

## 8. CURRENT ACCOUNTS

	D Collett	P Cole	Total
Balance at beginning of year	1 246	2 522	<b>3 768</b>
Net profit as per Income Statement	106 968	109 476	<b>216 444</b>
Partners' salaries	85 000	85 000	<b>170 000</b>
Interest on capital	16 000	20 000	<b>36 000</b>
Primary distribution of profit	101 000	105 000	<b>206 000</b>
Final distribution of profit	5 968	4 476	<b>10 444</b>
Drawings for the year	(87 980)	(87 043)	<b>(175 023)</b>
Undrawn profits (retained income) for the year	18 988	22 433	<b>41 421</b>
<b>Balance at end of year</b>	<b>20 234</b>	<b>24 955</b>	<b>45 189</b>

## 9. TRADE AND OTHER PAYABLES

Trade creditors (28 634 + 546)	29 180
Expenses accrued (payable)	580
Income received in advance (deferred)	1 610
Unemployment Insurance Fund (10 + 10)	20
SA Revenue Services (PAYE)	115
	<b>31 505</b>

### » Informal assessment 7.1

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**Marks: 50**

**Time: 45 minutes**

1.

**P Joubert and M Bosman**

**Trading as Sunshine Coast Traders**

**Extract from the Balance Sheet at 28 February 2018**

	Note	R
<b>EQUITY AND LIABILITIES</b>		
<b>OWNER'S EQUITY</b>		<b>✓ 537 382</b>
Capital	1	<b>✓ 500 000</b>
Current accounts	2	<b>✓ 37 382</b>
<b>NON-CURRENT LIABILITIES</b>		
Mortgage bond: XY Bank		<b>✓✓✓ 176 000</b>
<b>CURRENT LIABILITIES</b>		<b>✓ 59 185</b>
Trade and other payables	3	<b>✓ 35 185</b>
Short-term loans		<b>✓✓ 24 000</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>✓ 772 567</b>

[11]

2. a.

### 1. CAPITAL

	P Joubert	M Bosman	Total
Balance on last day of previous year	✓ 250 000	✓ 300 000	550 000
Net profit (loss) for the year	-	-	-
Additional capital contributed	✓ 50 000	-	50 000
	✓ 300 000	✓ 300 000	600 000
Decreasing of capital	-	✓ (100 000)	(100 000)
<b>Balance at end of year</b>	<b>✓ 300 000</b>	<b>✓ 200 000</b>	<b>✓ 500 000</b>

[9]

### Calculations

$$\left. \begin{array}{l} \text{Interest on capital: Joubert } R250\,000 \times 12\% \times \frac{3}{12} = R\,7\,500 \\ R300\,000 \times 12\% \times \frac{9}{12} = R27\,000 \end{array} \right\} R34\,500$$

$$\left. \begin{array}{l} \text{Bosman } R300\,000 \times 12\% \times \frac{6}{12} = R18\,000 \\ R200\,000 \times 12\% \times \frac{6}{12} = R12\,000 \end{array} \right\} R30\,000$$

2. b.

### 2. CURRENT ACCOUNTS

	P Joubert	M Bosman	Total
Balance at beginning of year	✓ 2 567	✓ (1 965)	602
Net profit as per Income Statement	190 794	200 206	✓ 391 000
Partners' salaries	✓✓ 144 000	✓✓ 158 100	302 100
Interest on capital	✓✓✓ 34 500	✓✓✓ 30 000	64 500
Partners' bonuses	-	✓✓ 3 910	3 910
Primary distribution of profit	178 500	192 010	370 510
Final distribution of profit	✓✓✓ 12 294	✓✓✓ 8 196	20 490
Drawings for the year	✓ (165 420)	✓ (189 300)	(354 720)
Undrawn profits (retained income) for the year	25 374	10 906	36 280
<b>Balance at end of year</b>	<b>✓ 27 941</b>	<b>✓ 8 941</b>	<b>36 882</b>

[25]

2. c.

### 3. TRADE AND OTHER PAYABLES

Trade creditors	✓ 23 675
Expenses accrued (payable)	✓ 1 340
Income received in advance (deferred)	✓ 1 600
Pension Fund	✓ 2 680
SA Revenue Services (PAYE)	✓ 5 890
	<b>35 185</b>

[5]



1.  $(200\,000 \times \frac{6}{12} \times \frac{x}{100}) + (300\,000 \times \frac{6}{12} \times \frac{x}{100}) = 40\,000$   
 $1\,000x + 1\,500x = 40\,000$   
 $x = 16$   
 Interest rate is 16%
2. Interest on capital =  $(300\,000 \times \frac{9}{12} \times 16\%) + (200\,000 \times \frac{3}{12} \times 16\%)$   
 $= (R36\,000 + 8\,000)$   
 $= R44\,000$   
 Primary distribution =  $R44\,000 + R45\,000 = R89\,000$
3. R7 825
4.  $R168\,100 + 44\,000 + 45\,000 + 7\,825 - 110\,000 = R154\,925$
- 5.

**S Mlata & S Festus**

**Trading as Fessim Stores**

**Income Statement for the year ended 28 February 2021**

	Note	R
Sales (878 550 – 20 550 – 6 000)		852 000
Cost of sales (516 800 – 4 800)		(512 000)
<b>Gross profit</b>		<b>340 000</b>
Other operating income		23 537
Rent income (26 600 – 3 325)		23 275
Provision for bad debts adjustment		262
<b>Gross operating income</b>		<b>363 537</b>
<b>Operating expenses</b>		<b>(156 337)</b>
Trading stock deficit (77 300 + 4 800 + 3 900 – 85 000)		1 000
Stationery (4 810 – 1 020)		3 790
Salaries (88 100 + 5 600)		93 700
Pension fund contributions (5 000 + 450)		5 450
Insurance (6 250 – 1 600)		4 650
Bad debts (1 000 + 170)		1 170
Depreciation (29 999 + 5 268 + 300)		35 567
Repairs		4 300
Telephone (1 900 + 100)		2 000
Bank charges		4 710
<b>Operating profit (loss)</b>		<b>207 200</b>
Interest income (2 250 + 900)		3 150
<b>Profit before interest expense</b>		<b>210 350</b>
Interest expense		(20 700)
<b>Net profit (loss) for the year</b>		<b>189 650</b>

6.

**TRADE AND OTHER PAYABLES**

Trade creditors	23 675
Expenses accrued (payable)	1 340
Income received in advance (deferred)	1 600
Income received in advance (deferred)	1 600
Income received in advance (deferred)	1 600
Pension Fund	2 680
SA Revenue Services (PAYE)	5 890
	<b>35 185</b>

[5]

7.

**Extract from the Balance Sheet of Fessim Stores at 28 February 2021**

	Note	R
<b>EQUITY AND LIABILITIES</b>		
<b>OWNER'S EQUITY</b>		802 430
Capital (300 000 + 200 000)	7	500 000
Current accounts (154 925 + 147 505)	8	302 430
<b>NON-CURRENT LIABILITIES</b>		80 000
Loan from SB Bank (100 000 – 20 000)		80 000
<b>CURRENT LIABILITIES</b>		63 285
Trade and other payables		38 285
Bank overdraft	9	1 000
Short-term loans		20 000
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>945 715</b>

## » Activity 8.1

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$$1. \text{ Percentage gross profit on sales/turnover} = \frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$$

**2019**

$$\frac{388\,854}{665\,034} \times \frac{100}{1}$$

$$= 58,5\%$$

**2018**

$$\frac{400\,200}{667\,034} \times \frac{100}{1}$$

$$= 60\%$$

$$2. \text{ Percentage profit mark-up on cost} = \frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$$

**2019**

$$\frac{388\,854}{276\,180} \times \frac{100}{1}$$

$$= 140,8\%$$

**2018**

$$\frac{400\,200}{266\,800} \times \frac{100}{1}$$

$$= 150\%$$

3. • The percentage gross profit on sales decreased from 60% in 2018 to 58,5% in 2019.
- The percentage gross profit on cost of sales decreased from 150% in 2018 to 140,8% in 2019.
- Both ratios thus indicate that in 2019 the business operated below the profit margin of the previous year.
- The reasons could be one of the following and the business should investigate this:
- Regular sales at discount prices took place to increase the rate of stock turnover or because of competitors in the market.
  - Cost of sales could have increased due to an increase in prices from suppliers.
  - Mistakes could have been made in calculating prices, on source documents or in the journals.
  - In the case of the periodic inventory system it can be due to normal stock losses, such as theft or damage.

$$4. \text{ Percentage net profit on sales} = \frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$$

**2019**

$$\frac{168\,640}{665\,034} \times \frac{100}{1}$$

$$= 25,4\%$$

**2018**

$$\frac{153\,418}{667\,034} \times \frac{100}{1}$$

$$= 23\%$$

$$5. \text{ Percentage operating expenses on sales} = \frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$$

**2019**

$$\frac{214\,244}{665\,034} \times \frac{100}{1}$$

$$= 32,2\%$$

**2018**

$$\frac{238\,782}{667\,034} \times \frac{100}{1}$$

$$= 35,8\%$$

$$6. \text{ Percentage operating profit on sales} = \frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$$

**2019**

$$\frac{195\,610}{665\,034} \times \frac{100}{1}$$

$$= 29,4\%$$

**2018**

$$\frac{181\,418}{667\,034} \times \frac{100}{1}$$

$$= 27,2\%$$

7. • The percentage net profit on sales increased from 23% in 2018 to 25,4% in 2019.
- The percentage operating profit on sales increased from 27,2% in 2018 to 29,4% in 2019.
- An increase in both these ratios is positive – it indicates that the business operated more efficient in 2019.
- The percentage operating expenses on sales decreased slightly from 35,8% in 2018 to 32,2% in 2019.
- This is good. It indicates that the business had better control over expenses and was more productive.
- The business will investigate if they can reduce expenses further in the future.
- Good planning and staying within the budget can improve these figures further.

$$8. \text{ Current ratio} = \text{Current assets} : \text{Current liabilities}$$

**2019**

$$101\,537 : 75\,745$$

$$= 1,3 : 1$$

**2018**

$$60\,536 : 60\,424$$

$$= 1 : 1$$

$$9. \text{ Acid test ratio} = (\text{Current assets} - \text{Stock}) : \text{Current liabilities or}$$

$$= (\text{Trade and other receivables} + \text{Cash and cash equivalents}) : \text{Current liabilities}$$

**2019**

$$(101\,537 - 55\,710) : 75\,745$$

Or  $(44\,577 + 1\,250) : 75\,745$

$$= 45\,827 : 75\,745$$

$$= 0,6 : 1$$

**2018**

$$(60\,536 - 28\,252) : 60\,424$$

$$(26\,650 + 5\,634) : 60\,424$$

$$= 32\,284 : 60\,424$$

$$= 0,5 : 1$$

10. • The current ratio improved from 1 : 1 in 2018 to 1,3 : 1 in 2019.
- It is relatively low and the business should try to improve it further, so that there are at least TWO assets for every ONE liability.
- The acid test ratio improved from 0,5 : 1 in 2018 to 0,6 : 1 in 2019.
- Although there is an improvement it is also relatively low. They should try to improve this ratio to at least 1 : 1.
- The bank overdraft shows liquidity problems and has a negative influence on the ratio.
- These ratios indicate that the business could have a hard time meeting short-term obligations. They should continue to try and improve these ratios.

$$\begin{aligned}
11. \text{ Stock turnover rate for 2019} &= \frac{\text{Cost of sales}}{\text{Average stock}} = \text{times per year} \\
&= \frac{276\,180}{\frac{1}{2}(55\,710 + 28\,252)} \\
&= \frac{276\,180}{41\,981} \\
&= 6,6 \text{ times per year}
\end{aligned}$$

**Comments**

- The rate of stock turnover decreased from 9 times per year in 2018 to 6,6 times per year in 2019.
- The business should try to increase their rate in stock turnover as still will have a positive effect on the liquidity ratio.

$$\begin{aligned}
12. \text{ Stock holding period} &= \frac{\text{Average stock}}{\text{Cost of sales}} \times 12 \\
&= \frac{\frac{1}{2}(55\,710 + 28\,252)}{276\,180} \times 12 \\
&= \frac{41\,981}{276\,180} \times 12 \\
&= 1,8 \text{ months}
\end{aligned}$$

$$\text{OR} \quad \frac{\text{Average stock}}{\text{Cost of sales}} \times 365$$

$$\begin{aligned}
&= \frac{\frac{1}{2}(55\,710 + 28\,252)}{276\,180} \times 365 \\
&= \frac{41\,981}{276\,180} \times 365 \\
&= 55 \text{ days}
\end{aligned}$$

$$\begin{aligned}
13. \text{ Average debtors collection period} &= \frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1} \\
&= \frac{\frac{1}{2}(43\,660 + 25\,210)}{354\,130} \times \frac{365}{1} \\
&= \frac{34\,435}{354\,130} \times \frac{365}{1} \\
&= 35,5 \text{ days}
\end{aligned}$$

**Comments**

- The average debtors collection period improved from 40 days in 2018 to 35,5 days in 2019.
- This could be one of reasons there is an improvement in liquidity.
- The credit control, however, is still not very good – they should try to collect debts within 30 days.
- Ways to improve debt collection can be:
  - Charge overdue accounts with interest.
  - Allow discount for early payments.
  - Apply credit limits – a customer first need to settle account before further purchases can be made.

$$14. \text{ Average creditors payment period} = \frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365}{1}$$

$$\frac{\frac{1}{2}(25\ 000 + 32\ 100)}{212\ 472} \times 365$$

$$= \frac{28\ 550}{212\ 472} \times 365$$

$$= 49 \text{ days}$$

**Comments**

- The average creditors payment period increased from 36 days from 2018 to 49 days in 2019.
- The business should negotiate with creditors for a longer payment period between 60 to 90 days.
- They should, however, still make sure to pay creditors on time to avoid paying interest on overdue accounts and to make use of discount.

$$15. \text{ Solvency ratio} = \text{Total assets} : \text{Total liabilities}$$

<b>2019</b>	<b>2018</b>
735 207 : (105 000 + 75 745)	716 036 : (125 000 + 60 424)
= 735 207 : 180 745	= 716 036 : 185 424
= 4,1 : 1	= 3,9 : 1

**Comments**

- The solvency ratio improved from 3,9 : 1 in 2018 to 4,1 : 1 in 2019.
- The solvability is good. For every 1 liability there is 4,1 assets.
- Assets exceed liabilities.

$$16. \text{ Debt : equity ratio} = \text{Long-term liabilities} : \text{Owner's equity}$$

<b>2019</b>	<b>2018</b>
105 000 : 554 462	125 000 : 530 612
= 0,19 : 1	= 0,24 : 1

**Comments**

- The debt : equity ratio improved slightly from 0,24 : 1 in 2018 to 0,19 : 1 in 2019.
- The business is low geared and credit worthy – the financial risk is low.
- Own capital is more than foreign capital.
- They will be able to apply for an additional loan – they should, however, keep in mind that the current portion of an additional loan might have an influence on the liquidity of the business, which is not so good.

$$17. \text{ Return on owner's equity} = \frac{\text{Net profit}}{\text{Average owner's equity}} \times \frac{100}{1}$$

$$\frac{168\ 640}{\frac{1}{2}(554\ 462 + 530\ 612)} \times \frac{100}{1}$$

$$= \frac{168\ 640}{542\ 537} \times \frac{100}{1}$$

$$= 31,1\%$$

$$18. \text{ Percentage earnings of partner} = \frac{\text{Total earning of partner}}{\text{Average partner's equity}} \times \frac{100}{1}$$

**Partner Mac**

$$\frac{80\,000 + 7\,500 + 4\,000 - 7\,716}{\frac{1}{2}(290\,000 + 260\,000 + 10\,506 + 15\,412)} \times \frac{100}{1}$$

$$= \frac{83\,784}{287\,959} \times \frac{100}{1}$$

$$= 29,6\%$$

**Partner Adam**

$$\frac{84\,000 + 6\,000 - 5\,144}{\frac{1}{2}(260\,000 + 260\,000 - 4\,800 - 6\,044)} \times \frac{100}{1}$$

$$= \frac{84\,856}{254\,578} \times \frac{100}{1}$$

$$= 33,3\%$$

19. Comments on return on investment:

- The business made a return of 31,1%. This is good.
- Both partners should feel satisfied with their return on their investment. It is worth the effort and risk.
- Compared with alternative forms of investment, it is a good percentage.



**Activity 8.2**

LB page 277

1.  $135\,551 : 62\,500$   
 $= 2,2 : 1$

**Comments**

- It has slightly decreased from 2,4 in 2018 to 2,2 in 2019.
- The business should nevertheless be able to meet its short-term liabilities.

2. Acid test ratio = (Current assets [CA] – stock) : Current liabilities (CL)  
 $= 1,3 : 1$

$\therefore \text{CA} - \text{stock} = 62\,500 \times 1,3$   
 $\text{CA} - \text{stock} = 81\,250$   
 $\text{Stock} = 135\,551 - 81\,250$   
 $= 54\,301$

3.

Current account: Balsamo				Current account: Du Toit			
Drawings	50 600	Balance	b/d 5 820	Balance	b/d 1 810	Total earnings	32 770
Balance	c/d 2 490	Total earnings	47 270	Drawings	29 800		
	<u>53 090</u>		<u>53 090</u>	Balance	c/d 1 160		
		Balance	b/d 2 490		<u>32 770</u>		<u>32 770</u>
					Balance	b/d 1 160	

4. Percentage earnings of Balsamo

$$= \frac{47\,270}{\frac{1}{2}(180\,000 + 180\,000 + 5\,820 + 2\,490)} \times \frac{100}{1}$$

$$= \frac{47\,270}{184\,155} \times \frac{100}{1}$$

$$= 25,7\%$$

Yes, she should be satisfied – this is far more than whatever she would have earned from the bank.

5. **Debt : owner's equity ratio**

Before loan	After loan
R20 000 : (180 000 + 108 000 + 2 490 + 1 160)	R200 000 : 291 650
= R20 000	= 0,7 : 1
= 0,07 : 1	

**Comments**

- The business is low geared and credit worthy before and after the loan.
- The business will be able to take on another loan without any problem.

» **Activity 8.3**

LB page 278

1. Yes, the percentage net value on sales has improved from 26,4% to 31,2%.
2. No.
  - The current ratio has improved from 2,3 : 1 to 4,6 : 1.
  - The acid test ratio has improved from 1,1 : 1 to 1,9 : 1.
  - The turnover speed of stock has also improved from 5,6 to 7,4 times per year.
3. Yes, they will easily be able to obtain a loan, as the debt : owner's equity ratio is 0,06 : 1. The business is low geared and credit worthy. The earnings on the capital employed is 29%, while interest on the loan amounts to only 17%.

I would recommend this.

$$4. \frac{188\,900}{\frac{1}{2}(500\,000 + 9\,923 + 500\,000 + 1\,223)} \times \frac{100}{1}$$

$$= 37,4\%$$

Yes, he should feel satisfied, as it is a good investment.

5.

Current account: Michael					
Drawings		183 360	Balance	b/d	1 090
			Total appropriation		176 200
			Balance	c/d	6 070
		<u>183 360</u>			<u>183 360</u>
Balance	b/d	6 070			

This is not much more than the amount Hanno himself has withdrawn, but it is far more than the amount appropriated to Michael. Yes, he could feel unhappy.

$$6. \frac{\frac{1}{2}(8\,920 + 9\,960)}{91\,250} \times \frac{365}{1}$$

$$= 38 \text{ days}$$

#### Comments

- Charge interest on overdue accounts.
- Allow discount on early payments.



### Activity 8.4

LB page 279

1. a. Ratio of total assets to total liabilities for 2017:  
 $3\,847\,000 : 1\,333\,300$   
 $= 2.9 : 1$

- b. No, assets outweigh liabilities.  
 For every 1 liability there is 2,9 assets.

2. a. Debt : equity ratio for 2017:  
 $1\,000\,000 : 2\,513\,700$   
 $= 0,04 : 1$

- b. The debt : equity ratio has increased from 0,28 to 0,4. The degree of risk is increasing.  
 The only reason the debt/equity ratio is still reasonable (0,4 : 1) is that Laing has invested extra capital of R700 000 into the business.

Interest on the loan (14%) exceeds return on capital employed (7,2%)  
 – returns are being negatively affected by the loan.

3. a. Laing's percentage return on average equity for 2017

$$\frac{(70\,000 + 46\,000 + 8\,000)}{\frac{1}{2}(41\,200 + 90\,200 + 800\,000 + 1\,500\,000)} \times \frac{100}{1}$$

$$= \frac{124\,000}{1\,215\,700} \times \frac{100}{1}$$

$$= 10,2 \%$$

- b. Laing's return has dropped from 14,9% to 10,2%.  
 Nkewu's return has dropped from 12,5% to 11,7%.

Nkewu has withdrawn R300 000 capital while Laing has increased his capital with R700 000 – this is affecting their returns.

Nkewu has a large unfavourable balance in his current account, while Laing has not drawn all the profits she is entitled to as reflected by her favourable current account balance of R90 200.

4. a. Average debtors collection period for 2017

$$\frac{\frac{1}{2}(395\ 000 + 236\ 000)}{1\ 038\ 000} \times \frac{365}{1}$$

$$= \frac{315\ 500}{1\ 038\ 000} \times \frac{365}{1}$$

= 110,9 days

b. Sales have declined from R3 920 400 to R2 595 000.  
Trading stock has declined from R326 000 to R170 000.  
Turnover rate of stock has decreased from 7,4 to 6,9.

c. Nkewu is not worried:

- Current ratio has decreased from 3,5 : 1 to 2,2, but is still above 2 : 1.
- Acid test ratio has increased from 1,6 : 1 to 1,7 : 1.

Laing is worried: (any TWO points)

- Debtors are taking too long to pay (110 days).
- Creditors are being paid too early (23 days).
- Sales are decreasing (R3 920 400 to R2 595 000).
- Loans are now R1 000 000, which mean high interest to pay and large loan repayments.

## » Activity 8.5

LB page 282

1.

### General Ledger of The Great Outdoors

Dr		Current account: S Yolisa								Cr	
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2018					2017						
Feb	28	Drawings: Yolisa		85 534 00	Mar	01	Balance	b/d	3 450 00		
		Balance	c/d	12 666 00	2018						
					Feb	28	Interest on capital		45 000 00		
							Salary: Yolisa		40 000 00		
							Appropriation account		9 750 00		
				98 200 00					98 200 00		
					2018						
					Mar	01	Balance	b/d	12 666 00		

#### Calculations

Interest on capital

$$\text{S Yolisa: } R400\ 000 \times 10\% \times \frac{6}{12} = R20\ 000$$

$$R500\ 000 \times 10\% \times \frac{6}{12} = R25\ 000 \quad R45\ 000$$

2. Percentage earnings of Yolisa:

$$\frac{(45\ 000 + 40\ 000 + 9\ 750)}{\frac{1}{2}(400\ 000 + 3\ 450 + 500\ 000 + 12\ 666)} \times \frac{100}{1}$$

$$= \frac{94\ 750}{458\ 058} \times \frac{100}{1}$$

= 20,7%

3. Average rate of inventory turnover

$$\frac{1\,235\,000}{\frac{1}{2}(375\,000 + 195\,000)} \times \frac{100}{1}$$

$$= \frac{1\,235\,000}{285\,000} \times \frac{100}{1}$$

$$= 4,3 \text{ times per year}$$

4. Profit = R1 976 000 – 1 235 000 = R741 000

$$\frac{741\,000}{1\,235\,000} \times \frac{100}{1}$$

$$= 60\%$$

Yes, the percentage increased from 40% to 60%.

5. Unfavourable

Sales are less.

Rate of inventory turnover decreased from 9 times to 4,3 times .

6. Current ratio:

$$520\,000 : 227\,500$$

$$= 2,3 : 1$$

7. The current ratio increased from 1,6 : 1 to 2,3 : 1.

For every 1 liability there is 2,3 assets.

The business will be able to meet short-term obligations.

Rate of stock turnover decreased from 9 times per year to 4,3 times per year.



### Activity 8.6

LB page 284

1. **2019**

$$\frac{389\,600}{974\,000} \times 100$$

$$= 40\%$$

OR

$$\frac{389\,600}{1\,363\,600} \times 100$$

$$= 28,6\%$$

- 2018**

$$\frac{280\,500}{935\,000} \times 100$$

$$= 30\%$$

OR

$$\frac{280\,500}{1\,215\,500} \times 100$$

$$= 23,1\%$$

#### Comment

- The profit margin increased from 30% on the cost price to 40% on the cost price (or 23% to 28,6% on turnover).

2. Favourable

Even though the profit margin is higher, the cost of sales did not decrease from 2018 to 2019. Sales therefore did not decrease.

The gross profit/sales amount is higher than the previous year.

The operating profit is higher than the previous year.

3. Calculations:

$$\frac{348\,870}{1\,363\,600} \times \frac{100}{1}$$
$$= 25,6\%$$

**Comments**

- The percentage increased from 23,4 in 2018 to 25,6% in 2019.
- The control is worse than the previous year.

4. Areas of concern:

- Damaged stock written off increased from R1 000 to R12 000.
- Trading stock deficit increased from R790 to R8 560.

Methods of internal control: (any THREE)

- Division of duties should be applied with employees working with stock.
- Invoices received should be compared to stock delivered.
- Stock should be stored in a safe place.
- Stock purchases and sales should be properly recorded.

5. What will alternative premises cost and are there any available?  
Will they lose customers if they move the premises?

6. Calculations:

$$221\,000 : 85\,000$$
$$= 2,6 : 1$$

**Comments**

- The ratio decreased from 3 : 1 in 2018 to 2,6 : 1 in 2019.
- There is however still 2,6 assets for every 1 liability.
- They will still be able to meet short-term obligations.

7. Calculations:

$$120\,000 : 249\,600$$
$$0,5 : 1$$

**Comments**

- They are low geared and creditworthy.
- They should be able to secure a loan.



**Informal assessment 8.1**

LB page 286

**Marks: 40**

**Time: 45 minutes**

1. Current assets : Current liabilities = 128 750 ✓ : 45 881 ✓  
= 2,8 : 1 ✓

**Comments**

- The operating capital ratio has increased from 1,9 : 1 in 2016 to 2,8 : 1 in 2017. ✓✓
- For every 1 current liability there are 2,8 current assets. ✓✓
- The business should be able to meet its short-term obligations. ✓✓✓

[10]

2.

Current account: Joubert				Current account: Conradie			
Drawings	✓ 60 890	Balance	b/d ✓ 5 470	Balance	b/d ✓ 2 740	Total earnings	✓ 81 180
Balance	c/d ✓ 2 450	Total earnings	✓ 57 870	Drawings	✓ 76 550		
	<u>63 340</u>		<u>63 340</u>	Balance	c/d ✓ 1 890		
					<u>81 180</u>		<u>81 180</u>

[8]

3. Percentage earnings: Joubert

$$\frac{\overset{\checkmark}{57\,870}}{\frac{1}{2}(\underset{\checkmark}{200\,000} + \underset{\checkmark}{250\,000} + \underset{\checkmark}{5\,470} + 2\,450)} \times \frac{100}{1}$$

$$= \frac{57\,870}{228\,960} \times \frac{100}{1} \checkmark$$

$$= 25,3\% \checkmark \checkmark$$

Percentage earnings: Conradie

$$\frac{\overset{\checkmark}{81\,180}}{\frac{1}{2}(\underset{\checkmark}{250\,000} + \underset{\checkmark}{300\,000} + \underset{\checkmark}{1\,890} - 2\,740)} \times \frac{100}{1}$$

$$= \frac{81\,180}{274\,575} \times \frac{100}{1} \checkmark$$

$$= 29,6\% \checkmark \checkmark$$

Conradie benefits a little more from the business than Joubert does.

[14]

4. Debtors collection period

$$= \text{average debtors} / \text{credit sales} \times \frac{365}{1}$$

$$\frac{\overset{\checkmark}{\frac{1}{2}}(\overset{\checkmark}{20\,774} + \overset{\checkmark}{18\,972})}{\underset{\checkmark}{189\,752}} \times \frac{365}{1}$$

$$= \frac{19\,873}{189\,752} \times \frac{365}{1} \checkmark$$

$$= 38 \text{ days } \checkmark$$

The business practises fairly good credit control. ✓

The business should, however, try to collect debts within 30 days. ✓

[8]

1. **General Ledger of Ride It**  
**Balance Sheet account**

Dr				Current account: Le Roux				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2015 Jun	30	Drawings: Le Roux		97 000 00	2015 Jun	30	Salary: Le Roux		84 000 00		
		Balance	c/d	22 425 00			Interest on capital		33 750 00		
							Appropriation account		1 675 00		
				<b>119 425 00</b>					<b>119 425 00</b>		
					2015 Jul	01	Balance	c/d	22 425 00		

2. **Final account**

Dr				Appropriation account				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2015 Jun	30	Interest on capital		101 250 00	2015 Jun	30	Profit and Loss		272 600 00		
		Salaries: Maree		84 000 00							
		Salaries: Le Roux		84 000 00							
		Current account: Maree		1 675 00							
		Current account: Le Roux		1 675 00							
				<b>272 600 00</b>					<b>272 600 00</b>		

**Interest on capital**

Maree  $R450\,000 \times 15\% = R67\,500$

Le Roux  $R200\,000 \times 15\% \times \frac{6}{12} = R15\,000$   
 $R250\,000 \times 15\% \times \frac{6}{12} = R18\,750$  } R33 750

Salary: Le Roux/month  $\frac{97\,000 - 6\,000}{13} = R7\,000$

Maree R84 000

3. Larger capital / Combination of talents and skills / Eliminate competition (any ONE)

4. Total earnings: Le Roux  $R84\,000 + 33\,750 + 1\,675 = R119\,425$   
 Total earnings: Maree  $R84\,000 + 67\,500 + 1\,675 = R153\,175$

5. Technical skills/talents  
 Competition eliminated  
 Advertisements are focused on one business  
 (Any acceptable answer)

$$6. \frac{272\,600}{\frac{1}{2}(450\,000 + 450\,000 + 250\,000 + 200\,000 + 69\,175 + 22\,425)} \times \frac{100}{1}$$

$$\frac{272\,600}{720\,800} \times \frac{100}{1}$$

$$= 37,8\%$$

$$7. \text{ a. \% earnings: Maree} \quad \frac{153\,175}{\frac{1}{2}(450\,000 + 450\,000 + 69\,175)} \times \frac{100}{1}$$

$$\frac{153\,175}{484\,587,50} \times \frac{100}{1}$$

$$= 31,6\%$$

$$\text{\% earnings: Le Roux} \quad \frac{119\,425}{\frac{1}{2}(200\,000 + 250\,000 + 22\,428)} \times \frac{100}{1}$$

$$\frac{119\,425}{236\,212,50} \times \frac{100}{1}$$

$$= 50,6\%$$

- b. • Yes, his reasons are valid. His earnings have decreased from R155 000 to R153 175.  
 • His percentage earnings are less than those of Le Roux.
- c. Partnership agreement
- Maree should receive a larger share of the final profit – he invested more capital.
  - Le Roux's percentage earnings are larger than Maree's – this is unfair.
  - They should lay down rules with regards to drawings in the partnership agreement.
- (Any acceptable solution to the problem)

## CHAPTER 9

### Financial accounting of non-profit organisations – Clubs

#### » Activity 9.1

LB page 296

#### Analysis Cash Book of Lingelihle Soccer Club for January to December 2019

CASH RECEIPTS							CASH PAYMENTS						
Doc. no.	Day	Details	Analysis of receipts	Bank	Member-ship fees	Sundry accounts		Doc. no.	Day	Details	Bank	Sundry accounts	
						Amount	Details					Amount	Details
b/d	1/1	Bank balance		4 112				187	25/1	Silwana Suppliers	1 021	1 021	Refreshments
34	20/1	R Seteni	400		400			188	31/1	Top Sport	460	460	Soccer balls
35		N Tuku	400		400			189	15/3	Hippo Rock	2 400	2 400	Soccer jerseys
36		B Kwezi	400		400			190	16/5	Green Finger Garden Service	1 500	1 500	Maintenance
37		K Bango	400	1 600	400			191	31/8	Municipality	345	345	Water and electricity
38	10/3	N Tshiwo	400		400			192	13/9	EP Soccer Union	1 680	1 680	Affiliation fees
39		B Madinge	600		400	200	Entrance fee	193	11/11	Silwana Suppliers	1 449	1 449	Refreshments
40		W Butler	600	1 600	400	200	Entrance fee	194	22/11	M Tantsi	300	300	Honorarium
41	9/5	Tams Stores	1 800	1 800		1 800	Donation	195	30/11	Green Finger Garden Service	1 500	1 500	Maintenance
42	22/5	J King	400		400			BS	31/12	SB Bank	129	129	Bank charges
43		M Tantsi	400		400			c/d		Bank balance	4 407		
44		A Xhaso	400	1 200	400								
BS	23/8	Cash		1 655		1 655	Refreshments						
BS	8/9	Cash		1 560		1 560	Soccer jerseys						
BS	1/12	Cash		1 664		1 664	Refreshments						
				<b>15 191</b>	<b>4 000</b>						<b>15 191</b>		
b/d	1/1	Bank balance		4 407									

1.–3.

**Analysis Cash Book of The Fish Eagle Angling Club for January to December 2019**

CASH RECEIPTS							CASH PAYMENTS						
Doc. no.	Day	Details	Analysis of receipts	Bank	Member-ship fees	Sundry accounts		Doc. no.	Day	Details	Bank	Sundry accounts	
						Amount	Details					Amount	Details
b/d	1/1	Balance		3 254				119	26/1	Sportman's Den	610	610	Fishing gear
43	13/1	D Conradie	500		500			120	23/2	Makro	1 050	1 050	Refreshments
44		C du Toit	500		500			121	19/3	KJ Sport	2 021	2 021	Fishing gear
45		S Stofberg	700		500	200	Entrance fee	122	21/4	EP Fishing Union	900	900	Affiliation fees
46		J de Ridder	700	2 400	500	200	Entrance fee	123	16/7	Dan the Handyman	600	600	Repairs
47	8/2	M Burger	500		500			124	19/10	Outdoor Shop	1 300	1 300	Prize giving
48		D Nel	700		500	200	Entrance fee	125	22/10	King Catering	1 090	1 090	Prize giving
49		Y Xhaso	500	1 700	500			126	2/12	Municipality	1 589	1 589	Water and electricity
50	21/2	L Ngwenya	2 000	2 000		2 000	Donation	127	6/12	D Conradie	350	350	Honorarium
51	5/3	K Abrahams	500		500			BS	31/12	XY Bank	133	133	Bank charges
52		D Swart	500	1 000	500			c/d		Balance	3 165		
53	25/8	L Pete	500	500	500								
	2/9	Cash	1 340	1 340		1 340	Refreshments						
BS	31/12	G Daniels		500	500								
BS		XY Bank		114		114	Interest on current account						
				<b>12 808</b>							<b>12 808</b>		
b/d	1/1 2020	Balance	3 165										

4.

**Fish Eagle Angling Club**

**Bank Reconciliation Statement on 31 December 2019**

	Debit		Credit	
Credit balance as per bank statement			3 515	00
Debit outstanding cheque no.127	350	00		
Debit balance of <i>Bank</i> account (as per Analysis Cash Book)	3 165	00		
	<b>3 515</b>	<b>00</b>	<b>3 515</b>	<b>00</b>

**General Ledger of Ace Tennis Club**

Dr				Membership Fees				Cr			
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount				
2012 Jan	01		Accrued income (13 × 180)	2012 Jan	01		Income received in advance (9 × 180)				
			2 340 00				1 620 00				
Dec	31		Income received in advance (7 × 180)	Dec	31		Bank (1 800 + 13 140 + 1 260)				
			1 260 00				16 200 00				
			Income and expenditure				Membership fees written off (2 340 – 1 800)				
			15 480 00				540 00				
							Accrued income (4 × 180)				
							720 00				
			<b>19 080 00</b>				<b>19 080 00</b>				

**General Ledger of Umzinyathi Canoe Club**

Dr				Membership Fees				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2019					2019						
Jan	01	Accrued income (9 × 480)		4 320 00	Jan	01	Income received in advance (3 × 480)		1 440 00		
Dec	31	Bank (480 × $\frac{3}{12}$ )		120 00	Dec	31	Bank		58 080 00		
		Income received in advance (10 × 480)		4 800 00			Membership fees written off (4 320 – 2 400)		1 920 00		
		Income and expenditure		53 160 00			Accrued income (2 × 480)		960 00		
				<u>62 400 00</u>					<u>62 400 00</u>		

**Calculation of Income and Expenditure amount**

Ex-members:	100 – 4 (members written off) → 96 × R480	46 080
	15 new members → 15 × R480	7 200
	3 months' membership fees paid back	<u>(120)</u>
		<b><u>53 160</u></b>

**Procedure**

Fill in all the amounts and work back to Bank on the credit side.

**General Ledger of Giant Cycling Club**

Dr				Membership Fees				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2013					2013						
Jan	01	Accrued income (15 × R100)		1 500 00	Jan	01	Income received in advance (3 × R100 × 8)		2 400 00		
Dec	31	Income received in advance (6 × R100)		600 00	Dec	31	Bank		83 000 00		
		Income and expenditure		*86 000 00			Accrued income		**2 700 00		
				<u>88 100 00</u>					<u>88 100 00</u>		

**Procedure**

Fill in all the amounts in and work back to the *Bank* amount on the credit side.

**Calculation of Income and Expenditure amount**

1 Jan–31 Oct	[70 members × (R100 × 10 month)]	70 000
Nov	[(70 members + 10 new members) × R100]	8 000
Dec	[80 members × R100]	<u>8 000</u>
		<b><u>*86 000</u></b>

**Calculation of the Accrued Income amount on the credit side**

All membership fees up to October have been received		
November (80 members – 68 received) × R100		1 200
December (80 members – 65 received) × R100		<u>1 500</u>
		<b><u>**2 700</u></b>



General Ledger of Image Photo Club

Dr		Membership Fees						Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2020						2020					
Mar	01	Accrued income (9 × 450)		4 050	00	Mar	01	Income received in advance (3 × 450)		1 350	00
								Bank – 2020: (4 × 450)		1 800	00
2021						2021		2021:			
Feb	28	Income received in advance (2 × 450)		900	00	Feb	28	{[(229 + 10) × 450] – 1 350}		106 200	00
								2022: (2 × 450)		900	00
		Income and expenditure		112 500	00			Membership fees written off (5 × 450)		2 250	00
								Honorarium		450	00
								Accrued income		4 500	00
				<u>117 450</u>	<u>00</u>					<u>117 450</u>	<u>00</u>

**Procedure**

Fill in all the amounts and work back to *Accrued income* on the credit side.

**Calculation of *Income and Expenditure* amount**

Ex-members (245 – 5) × R450	108 000
10 new members × R450	<u>4 500</u>
	<b><u>112 500</u></b>



1.

**Golden Gate Cycling Club****Statement of Receipts and Payments for the year ended 31 December 2019**

	Note	R
<b>RECEIPTS</b>		<b>50 701</b>
Membership fees (900 + 2 500 + 600)		24 000
Entrance fees		2 000
Dinner		8 000
Donations		2 690
Sale of refreshments		5 887
Cycling gear		7 900
Interest on savings account		224
<b>PAYMENTS</b>		<b>(46 954)</b>
Dinner		6 560
Purchase of refreshments		3 690
Cycling gear		8 400
Honorarium		500
Affiliation fees		8 000
Bank charges		1 104
Prizes for achievers		2 100
Equipment		4 200
Rental expense		2 400
Fixed deposit		10 000
<b>Surplus (deficit) for the year</b>		<b>3 747</b>
<b>Opening balances</b>		<b>6 199</b>
Bank		1 879
Savings account		4 320
<b>Closing balances</b>		<b>9 946</b>
Bank		5 402
Savings account		4 544

2.

**General Ledger of Golden Gate Cycling Club**  
**Nominal accounts**

Dr				Membership Fees				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019						2019					
Jan	01	Accrued income		900	00	Jan	01	Income received in advance		300	00
Dec	31	Income received in advance		600	00	Dec	31	Bank (900 + 22 500 + 600)		24 000	00
		Income and expenditure		23 100	00			Accrued income		300	00
				<u>24 600</u>	<u>00</u>					<u>24 600</u>	<u>00</u>

Dr				Refreshments				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019						2019					
Dec	31	Bank		3 690	00	Dec	31	Bank		5 887	00
		Profit on sale of refreshments		2 197	00						
				<u>5 887</u>	<u>00</u>					<u>5 887</u>	<u>00</u>

Dr				Club Cycling Gear				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019						2019					
Dec	31	Bank		8 400	00	Dec	31	Bank		7 900	00
		Profit on sale of cycling gear		700	00			Cycling gear on hand		1 200	00
				<u>9 100</u>	<u>00</u>					<u>9 100</u>	<u>00</u>



1.

**Rovers Tennis Club****Statement of Receipts and Payments for the year ended 31 December 2020**

	Note	R
<b>RECEIPTS</b>		<b>117 076</b>
Membership fees (960 + 28 320 + 720)		30 000
Entrance fees (10 × R50)		500
Sale of refreshments		9 870
Function		9 450
Tournament		1 980
Donations		5 000
Interest on savings account		276
Loan: AB Bank		60 000
<b>PAYMENTS</b>		<b>(55 002)</b>
Purchase of refreshments		5 972
Stationery		320
Affiliation		12 000
Wages		9 900
Honorarium		700
Rental expense (11 × R300)		3 300
Function		5 980
Tournament		1 241
Tennis balls		5 400
Equipment		1 890
Water and electricity		3 744
Repairs		340
Creditors		1 965
Interest on loan		2 250
<b>Surplus (deficit) for the year</b>		<b>62 074</b>
<b>Opening balances</b>		<b>4 700</b>
Bank		700
Savings account		4 000
<b>Closing balances</b>		<b>66 774</b>
Bank		62 498
Savings account		4 276

2.

**General Ledger of Rovers Tennis Club**  
**Nominal accounts**

Dr				Membership Fees				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2020						2020					
Jan	01	Accrued income		1 200	00	Jan	01	Income received in advance		480	00
								Bank		960	00
										28 320	00
Dec	31	Income received in advance		720	00	Dec	31	2020		720	00
								2021			
		Income and expenditure [(120 – 1 + 10) × R240]		30 960	00			Membership fees written off		240	00
								Accrued income		2 160	00
				<b>32 880</b>	<b>00</b>					<b>32 880</b>	<b>00</b>

Dr				Refreshments				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2020						2020					
Jan	01	Refreshments on hand		564	00	Dec	31	Bank		9 870	00
Dec	31	Bank		5 972	00			Refreshments on hand		674	00
		Profit on sale of refreshments		4 008	00						
				<b>10 544</b>	<b>00</b>					<b>10 544</b>	<b>00</b>

Dr				Stationery				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2020						2020					
Dec	31	Bank		320	00	Dec	31	Stationery on hand		54	00
		Creditors		113	00			Income and expenditure		379	00
				<b>433</b>	<b>00</b>					<b>433</b>	<b>00</b>

Dr				Honorary				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2020						2020					
Dec	31	Bank		700	00	Dec	01	Accrued expenses		100	00
							31	Income and expenditure		600	00
				<b>700</b>	<b>00</b>					<b>700</b>	<b>00</b>



1.

**Fish River Canoe Club**

**Statement of Receipts and Payments for the year ended 31 December 2021**

	Note	R
<b>RECEIPTS</b>		<b>129 262</b>
Membership fees (600 + 11 880 + 720)		13 200
Entrance fees (8 × R60)		480
Loan: XYZ Bank (01/01/2021)		70 000
Interest on savings account		215
Sale of refreshments		11 567
Bequest		30 000
Competition entries		3 800
<b>PAYMENTS</b>		<b>(99 908)</b>
Equipment (01/07/2021)		1 900
Honorarium		170
Affiliation fees		5 400
Repairs		700
Land and Buildings		62 000
Loan (01/07/2021)		10 000
Interest on loan		7 500
Insurance (R200 × 12)		2 400
Bank charges		331
Purchase of refreshments		4 652
Creditors		1 963
Water and electricity		2 892
<b>Surplus (deficit) for the year</b>		<b>29 354</b>
<b>Opening balances</b>		<b>3 614</b>
Bank		1 014
Savings account		2 600
<b>Closing balances</b>		<b>32 968</b>
Bank		30 153
Savings account		2 815

2.

## General Ledger of Fish River Canoe Club

### Nominal accounts

Dr				Membership Fees				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2021					2021						
Jan	01	Accrued income		900 00	Jan	01	Income received in advance		660 00		
Dec	31	Income received in advance		720 00	Dec	31	Bank: 2020		600 00		
		Income and expenditure		13 860 00			2021		11 880 00		
							2022		720 00		
							Membership fees written off		300 00		
							Accrued income		990 00		
							Honorarium		330 00		
				15 480 00					15 480 00		

Dr				Refreshments				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2021					2021						
Jan	01	Refreshments on hand		246 00	Dec	31	Bank		11 567 00		
Dec	31	Bank		4 652 00			Debtors for refreshments		230 00		
		Creditors		2 134 00			Refreshments on hand		336 00		
		Profit on sale of refreshments		5 101 00							
				12 133 00					12 133 00		

Dr				Honorarium				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2021					2021						
Dec	31	Membership fees		330 00	Dec	01	Accrued expenses		500 00		
		Bank		170 00		31	Income and expenditure		700 00		
		Accrued expenses		700 00							
				1 200 00					1 200 00		

### » Activity 9.10

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1.

## General Ledger of Fish River Canoe Club

### Nominal accounts

Dr				Competition Entries				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2021					2021						
Dec	31	Income and expenditure		3 800 00	Dec	31	Bank		3 800 00		

Dr				Entrance Fees				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2021					2021						
Dec	31	Income and expenditure		480 00	Dec	31	Bank		480 00		

Dr				Affiliation Fees				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2021					2021						
Dec	31	Bank		5 400 00	Dec	31	Income and expenditure		5 400 00		

Dr		Repairs						Cr	
Date		Details	Fol.	Amount	Date	Details	Fol.	Amount	
2021 Dec	31	Bank		700 00	2021 Dec	Income and expenditure		700 00	

Dr		Interest on Loan						Cr	
Date		Details	Fol.	Amount	Date	Details	Fol.	Amount	
2021 Dec	31	Bank		7 500 00	2021 Dec	Income and expenditure		9 750 00	
		Accrued expenses		2 250 00					
				<u>9 750 00</u>				<u>9 750 00</u>	

### Calculations

$$R70\,000 \times 15\% \times \frac{6}{12} = R5\,250$$

$$R60\,000 \times 15\% \times \frac{6}{12} = \underline{R4\,500}$$

$$\underline{\underline{R9\,750}}$$

Dr		Insurance						Cr	
Date		Details	Fol.	Amount	Date	Details	Fol.	Amount	
2021 Dec	31	Bank		2 400 00	2021 Dec	Income and expenditure		2 400 00	

Dr		Interest on Savings						Cr	
Date		Details	Fol.	Amount	Date	Details	Fol.	Amount	
2021 Dec	31	Income and expenditure		215 00	2021 Dec	Savings account		215 00	

Dr		Bank Charges						Cr	
Date		Details	Fol.	Amount	Date	Details	Fol.	Amount	
2021 Dec	31	Bank		331 00	2021 Dec	Income and expenditure		331 00	

Dr		Water and Electricity						Cr	
Date		Details	Fol.	Amount	Date	Details	Fol.	Amount	
2021 Dec	31	Bank		2 892 00	2021 Dec	Income and expenditure		3 133 00	
		Accrued expenses		241 00					
				<u>3 133 00</u>				<u>3 133 00</u>	

Dr		Depreciation						Cr	
Date		Details	Fol.	Amount	Date	Details	Fol.	Amount	
2021 Dec	31	Accumulated depreciation on equipment		567 00	2021 Dec	Income and expenditure		567 00	

### Calculations

$$\text{Old equipment: } (R6\,700 - 1\,980) \times 10\% \quad R472$$

$$\text{New equipment: } R1\,900 \times 10\% \times \frac{6}{12} \quad \underline{R\,95}$$

$$\underline{\underline{R567}}$$

Dr		Membership Fees Written Off								Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2021								2021					
Dec	31	Membership fees			300	00		Dec	31	Income and expenditure		300	00

Dr		Profit on Sale of Refreshments								Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2021								2021					
Dec	31	Income and expenditure			5 101	00		Dec	31	Refreshments		5 101	00

### Balance Sheet accounts

Dr		Accumulated Funds								Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
								2021					
								Jan	01	Balance	b/d	106 357	00
								Dec	31	Bequest		30 000	00
												<u>136 357</u>	<u>00</u>

Dr		Clubhouse								Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2021													
Jan	01	Balance	b/d	100 000	00								
Dec	31	Bank		62 000	00								
				<u>162 000</u>	<u>00</u>								

Dr		Equipment								Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2021													
Jan	01	Balance	b/d	6 700	00								
Jul	01	Bank		1 900	00								
				<u>8 600</u>	<u>00</u>								

Dr		Accumulated Depreciation on Equipment								Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
								2021					
								Jan	01	Balance	b/d	1 980	00
								Dec	31	Depreciation		567	00
												<u>2 547</u>	<u>00</u>

Dr		Accrued Income								Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2021								2021					
Jan	01	Balance	b/d	900	00			Jan	01	Membership Fees		900	00
Dec	31	Membership fees		990	00								

Dr				Income Received in Advance				Cr					
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2021	Jan	01	Membership fees		660	00	2021	Jan	01	Balance	b/d	660	00
								Dec	31	Membership fees		720	00

Dr				Refreshments on Hand				Cr					
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2021	Jan	01	Balance	b/d	246	00	2021	Jan	01	Refreshments		246	00

Dr				Accrued Expenses				Cr					
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2021	Jan	01	Honorarium		500	00	2021	Jan	01	Balance	b/d	500	00
								Dec	31	Honorarium		700	00
												2 250	00
												241	00
												<b>3 191</b>	<b>00</b>

Dr				Creditors				Cr						
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount		
2021	Dec	31	Bank		1 963	00	2021	Jan	01	Balance	b/d	1 963	00	
			Balance	c/d	2 134	00		Dec	31	Refreshments		2 134	00	
												<b>4 097</b>	<b>00</b>	
								2022	Jan	01	Balance	b/d	2 134	00

Dr				Debtors				Cr					
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2021	Dec	31	Refreshments		230	00							

Dr				Loan: XYZ Bank				Cr						
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount		
2021	Dec	31	Bank		10 000	00	2021	Jan	01	Bank		70 000	00	
			Balance	c/d	60 000	00								
												<b>70 000</b>	<b>00</b>	
								2022	Jan	01	Balance	b/d	60 000	00

2.

**Post-adjustment Trial Balance of Fish River Canoe Club as at 31 December 2021**

	Fol.	Debit		Credit	
<b>Balance Sheet accounts</b>					
Accumulated funds				136 357	00
Clubhouse		162 000	00		
Bank		30 153	00		
Savings account		2 815	00		
Equipment		8 600	00		
Accumulated depreciation on equipment				2 547	00
Accrued income		990	00		
Income received in advance				720	00
Refreshments on hand		336	00		
Accrued expenses				3 191	00
Creditors				2 134	00
Debtors		230	00		
Loan: XYZ Bank				60 000	00
<b>Nominal accounts</b>					
Membership fees				13 860	00
Membership fees written off		300	00		
Entrance fees				480	00
Honorarium		700	00		
Affiliation fees		5 400	00		
Repairs		700	00		
Interest on loan		9 750	00		
Insurance		2 400	00		
Interest on savings account				215	00
Bank charges		331	00		
Profit on sale of refreshments				5 101	00
Water and electricity		3 133	00		
Competition entries				3 800	00
Depreciation		567	00		
		<b>228 405</b>	<b>00</b>	<b>228 405</b>	<b>00</b>

3.

**Income and Expenditure**

Dr				Cr					
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2021					2021				
Dec	31	Honorarium		700 00	Dec	31	Membership fees		13 860 00
		Affiliation fees		5 400 00			Profit on sale of refreshments		5 101 00
		Repairs		700 00			Entrance fees		480 00
		Interest on loan		9 750 00			Interest on savings account		215 00
		Insurance		2 400 00			Competition entries		3 800 00
		Bank charges		331 00					
		Water and electricity		3 133 00					
		Depreciation		567 00					
		Membership fees written off		300 00					
		Accumulated funds		175 00					
				<b>23 456 00</b>					<b>23 456 00</b>

4.

**Post-closing Trial Balance of Fish River Canoe Club as at 31 December 2021**

	Fol.	Debit		Credit	
<b>Balance Sheet accounts</b>					
Accumulated funds				136 532	00
Clubhouse		162 000	00		
Bank		30 153	00		
Savings account		2 815	00		
Equipment		8 600	00		
Accumulated depreciation on equipment				2 547	00
Accrued income		990	00		
Income received in advance				720	00
Refreshments on hand		336	00		
Accrued expenses				3 191	00
Creditors				2 134	00
Debtors		230	00		
Loan: XYZ Bank				60 000	00
		<b>205 124</b>	<b>00</b>	<b>205 124</b>	<b>00</b>

» **Activity 9.11**

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1. **General Ledger of Lingelihle Soccer Club**  
**Balance Sheet accounts**

Dr				Accumulated Funds				Cr			
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
						2019 Jan	01	Balance	b/d	199 944	00
						Dec	31	Income and expenditure		599	00
										<b>200 543</b>	<b>00</b>

Dr				Equipment				Cr			
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
2019 Jan	01	Balance	b/d	10 300	00						
May	01	Bank		3 000	00						
				<b>13 300</b>	<b>00</b>						

Dr				Accumulated Depreciation on Equipment				Cr			
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
						2019 Jan	01	Balance	b/d	2 600	00
						Dec	31	Depreciation		970	00
										<b>3 570</b>	<b>00</b>

**Calculations**

$$(R10\ 300 - 2\ 600) \times 10\% \quad R770$$

$$R3\ 000 \times 10\% \times \frac{8}{12} \quad R200$$

**R970**

Dr				Savings account				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019						2019					
Jan	01	Balance	b/d	4 000	00	Dec	31	Fixed deposit: Best Bank		3 000	00
Dec	31	Interest on savings account		134	00			Balance	c/d	1 134	00
				<u>4 134</u>	<u>00</u>					<u>4 134</u>	<u>00</u>
2020											
Jan	01	Balance	b/d	1 134	00						

Dr				Fixed Deposit: Best Bank				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019											
Dec	31	Savings account		3 000	00						
		Bank		2 000	00						
				<u>5 000</u>	<u>00</u>						

Dr				Creditors				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019						2019					
Dec	31	Bank		997	00	Dec	31	Stationery		198	00
		Balance	c/d	188	00			Sports day		987	00
				<u>1 185</u>	<u>00</u>					<u>1 185</u>	<u>00</u>
						2020					
						Jan	01	Balance	b/d	188	00

Dr				Accrued Expenses				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019						2019					
Jan	01	Wages		400	00	Jan	01	Balance	b/d	400	00
						2019					
						Dec	31	Water and electricity		189	00
								Honarium		780	00
										<u>969</u>	<u>00</u>

Dr				Accrued Income				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019						2019					
Jan	01	Balance	b/d	720	00	Jan	01	Membership fees		720	00
Dec	31	Membership fees		720	00						

Dr				Income Received in Advance				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019						2019					
Jan	01	Membership fees		240	00	Jan	01	Balance	b/d	240	00
						Dec	31	Membership fees		360	00

Dr				Prepaid Expenses				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019						2019					
Jan	01	Balance	b/d	1 000	00	Jan	01	Rates		1 000	00
Dec	31	Affiliation fees		1 120	00						
		Rates		1 200	00						
				<u>2 320</u>	<u>00</u>						

Dr		Refreshments on Hand								Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	
2019					2019					
Jan	01	Balance	b/d	384 00	Jan	01	Refreshments		384 00	
Dec	31	Refreshments		578 00						

### Nominal accounts

Dr		Entrance Fees								B6	Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2019					2019						
Dec	31	Income and expenditure		400 00	Dec	31	Bank		400 00		

Dr		Membership Fees								Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	
2019					2019					
Jan	01	Accrued income		720 00	Jan	01	Income received in advance		240 00	
Dec	31	Income received in advance		360 00	Dec	31	Bank		6 240 00	
		Income and expenditure		6 360 00			Membership fees written off		240 00	
							Accrued income		720 00	
				<u>7 440 00</u>					<u>7 440 00</u>	

Dr		Stationery								Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	
2019					2019					
Dec	31	Bank		165 00	Dec	31	Income and expenditure		363 00	
		Creditors		198 00						
				<u>363 00</u>					<u>363 00</u>	

Dr		Refreshments								Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	
2019					2019					
Jan	01	Refreshments on hand		384 00	Dec	31	Bank		11 562 00	
Dec	31	Bank		6 447 00			Catering		460 00	
		Profit on sale of refreshments		5 769 00			Refreshments on hand		578 00	
				<u>12 600 00</u>					<u>12 600 00</u>	

Dr		Wages								Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	
2019					2019					
Dec	31	Bank		7 200 00	Jan	01	Accrued expenses		400 00	
							Income and expenditure		6 800 00	
				<u>7 200 00</u>					<u>7 200 00</u>	

Dr		Affiliation Fees								Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	
2019					2019					
Dec	31	Bank		3 370 00	Dec	31	Prepaid expenses		1 120 00	
							Income and expenditure		2 250 00	
				<u>3 370 00</u>					<u>3 370 00</u>	

Dr				Rates and Taxes				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2019					2019						
Jan	01	Prepaid expenses		1 000 00	Dec	31	Prepaid expenses		1 200 00		
Dec	31	Bank		2 400 00			Income and expenditure		2 200 00		
				<u>3 400 00</u>					<u>3 400 00</u>		

$$R2\ 400 \times \frac{6}{12} = R1\ 200$$

Dr				Sports Day				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2019					2019						
Dec	31	Bank		6 221 00	Dec	31	Bank		11 564 00		
		Creditors		987 00							
		Income and expenditure		4 356 00							
				<u>11 564 00</u>					<u>11 564 00</u>		

Dr				Interest on Fixed Deposit				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2019					2019						
Dec	31	Income and expenditure		100 00	Dec		Bank		100 00		

$$R5\ 000 \times 8\% \times \frac{3}{12} = R100$$

Dr				Interest on Savings Account				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2019					2019						
Dec	31	Income and expenditure		134 00	Dec	31	Savings account		134 00		

Dr				Water and Electricity				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2019					2019						
Dec	31	Bank		2 268 00	Dec	31	Income and expenditure		2 457 00		
		Accrued expenses		189 00							
				<u>2 457 00</u>					<u>2 457 00</u>		

Dr				Honorarium				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2019					2019						
Dec	31	Accrued expenses		780 00	Dec	31	Income and expenditure		780 00		

Dr				Depreciation				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2019					2019						
Dec	31	Accumulated depreciation on equipment		970 00	Dec	31	Income and expenditure		970 00		

Dr				Membership Fees Written Off				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2019					2019						
Dec	31	Membership fees		240 00	Dec	31	Income and expenditure		240 00		

Dr		Catering						Cr	
Date		Details	Fol.	Amount	Date	Details	Fol.	Amount	
2019 Dec	31	Refreshments		460 00	2019 Dec	Income and expenditure		460 00	

Dr		Profit on Sale of Refreshments						Cr	
Date		Details	Fol.	Amount	Date	Details	Fol.	Amount	
2019 Dec	31	Income and expenditure		5 769 00	2019 Dec	Refreshments		5 769 00	

2.

### Lingelihle Soccer Club

#### Statement of Receipts and Payments for the year ended 31 December 2019

	Note	R
<b>RECEIPTS</b>		<b>30 000</b>
Entrance fees (10 × R40)		400
Membership fees (480 + 5 400 + 360)		6 240
Sale of refreshments		11 562
Sports day		11 564
Interest on fixed deposit		100
Interest on savings account		134
<b>PAYMENTS</b>		<b>(37 068)</b>
Stationery		165
Purchase of refreshments		6 447
Wages		7 200
Affiliation fees		3 370
Equipment (01/05/2020)		3 000
Rates		2 400
Sports day		6 221
Fixed deposit: Best Bank		5 000
Creditors		997
Water and electricity		2 268
<b>Surplus (deficit) for the year</b>		<b>(7 068)</b>
<b>Opening balances</b>		<b>10 780</b>
Bank		6 780
Savings account		4 000
<b>Closing balances</b>		<b>3 712</b>
Bank		2 578
Savings account		1 134

3.

Dr				Income and Expenditure				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2019 Dec	31	Membership fees written off		240 00	2019 Dec	31	Membership fees		6 360 00		
		Depreciation		970 00			Entrance fee		400 00		
		Catering		460 00			Profit on sale of refreshments		5 769 00		
		Stationery		363 00			Profit from sports day		4 356 00		
		Wages		6 800 00			Interest income		234 00		
		Affiliation fees		2 250 00							
		Rates		2 200 00							
		Water and electricity		2 457 00							
		Honorarium		780 00							
		Accumulated funds		599 00							
				<b>17 119 00</b>					<b>17 119 00</b>		

4.

**Post-closing Trial Balance of Lingelihle Soccer Club as at 31 December 2019**

	Fol.	Debit	Credit
<b>Balance Sheet accounts</b>			
Accumulated funds			200 543 00
Land and buildings		180 000 00	
Equipment		13 300 00	
Accumulated depreciation on equipment			3 570 00
Savings account		1 134 00	
Current bank account		2 578 00	
Fixed deposit: Best Bank		5 000 00	
Creditors			188 00
Accrued expenses			969 00
Accrued income		720 00	
Income received in advance			360 00
Prepaid expenses		2 320 00	
Refreshments on hand		578 00	
		<b>205 630 00</b>	<b>205 630 00</b>

**General Ledger of Sunshine Coast Sports Club**

Dr				Accumulated Funds				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
						2012					
						Jan	01	Balance	b/d	9 844	00
						Dec	31	Donation		10 000	00
								Income and expenditure		5 047	00
										<u>24 891</u>	<u>00</u>

Dr				Membership Fees				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2012						2012					
Jan	01	Accrued income		720	00	Jan	01	Income received in advance		1 920	00
Dec	31	Income received in advance		1 200	00	Dec	31	Bank (240 + 11 280 + 1 200)		12 720	00
		Bank		120	00			Membership fees written off		480	00
		Donations		120	00			Honorarium		240	00
		Income and expenditure		14 880	00			Accrued income		1 680	00
				<u>17 040</u>	<u>00</u>					<u>17 040</u>	<u>00</u>

**Calculate the *Income and expenditure* amount and work back to *Accrued income*:**  
 (55 + 10 new members – 2 members written off) × R240 R15 120  
 Members transferred (2 × R120) R (240)  
**R14 880**

Dr				Tuck Shop				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2012						2012					
Jan	01	Tuck shop stock		2 640	00	Dec	31	Bank		20 250	00
Dec	31	Creditors		3 978	00			Debtors for tuck shop		1 042	00
		Bank		12 510	00			Tuck shop stock		2 996	00
		Donations		1 400	00						
		Profit from tuck shop		3 760	00						
				<u>24 288</u>	<u>00</u>					<u>24 288</u>	<u>00</u>

Dr				Tracksuits				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2012						2012					
Jan	01	Tracksuits on hand		8 750	00	Dec	31	Bank		17 250	00
Dec	31	Bank		6 250	00			Prices (R250 × 2)		500	00
		Profit on sale of tracksuits		*5 750	00			Tracksuits on hand		**3 000	00
				<u>20 750</u>	<u>00</u>					<u>20 750</u>	<u>00</u>

\*  $R17\,250 \times \frac{50}{150}$   
 \*\*  $(35 + 25 - 2 - 46) \times 250 = R3\,000$   
 Selling price of tracksuits:  $R250 \times \frac{150}{100} = R375$

Dr				Honorarium				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2012					2012						
Dec	31	Membership fees		240 00	Jan	01	Accrued expenses		400 00		
		Bank		160 00	Dec	31	Income and expenditure		500 00		
		Accrued expenses		500 00							
				<u>900 00</u>					<u>900 00</u>		

» Informal assessment 9.1

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Marks: 25

Time: 20 minutes

General Ledger of Kenton Sports Club

Dr				Membership Fees				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2016					2016						
Sep	01	Accrued income ✓		✓ 750 00	Sep	01	Income received in advance ✓		✓ 500 00		
2017					2017						
Aug	31	Income received in advance ✓		✓ 1 250 00	Aug	31	Bank ✓		✓ 31 250 00		
		Income and expenditure ✓		✓ 32 500 00			Membership fees written off ✓		✓ 250 00		
							Accrued income ✓		✓ 2 500 00		
				<u>34 500 00</u>					<u>✓ 34 500 00</u>		

[15]

Dr				Refreshments				B6 Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2016					2017						
Sep	01	Refreshments on hand ✓		✓ 385 00	Aug	31	Bank ✓		✓ 65 400 00		
2017							Refreshments on hand ✓		✓ 300 00		
Aug	31	Bank ✓		✓ 21 700 00							
		Profit on sale of refreshments ✓		✓ 43 615 00							
				<u>65 700 00</u>					<u>65 700 00</u>		

[10]

No.	Statement of Receipts and Payments		Income and Expenditure Statement	
	Receipts	Payments	Income	Expenditure
1.		20 000		
2.	600	10 000	800	
3.	5 800		6 300	400
4.	8 772	5 332	2 449	
5.		2 978		
6.				1 240
7.		600		1 100
8.		9 700		9 000

**T-accounts and calculations**

2.

Interest on Fixed Deposit			
I + E	800	Bank	600
		AI	200
	<u>800</u>		<u>800</u>

3.

Membership Fees					
01 Jan	Acc. income	1 200	01 Jan	Income received in advance	900
31 Dec	Income received in advance	600	31 Dec	Bank – 2011	*800
				– 2012	4 400
		6 300		– 2013	600
				Mem. fees wr. off	400
				Accrued income	1 000
		<u>8 100</u>			<u>8 100</u>

4.

Refreshments					
01 Jan	Refr. on hand	389	01 Jan	Bank	8 772
31 Dec	Bank	5 332	31 Dec	Refr. on hand	422
	Credit	1 024			
	Profit	2 449			
		<u>9 194</u>			<u>9 194</u>

8.

Affiliation Fees					
	Bank	9 700	01 Jan	Acc. exp.	700
	Accum. exp.		31 Dec	I + E	9 000
		<u>9 700</u>			<u>9 700</u>



No.	Statement of Receipts and Payments		Income and Expenditure Statement	
	Receipts	Payments	Income	Expenditure
1.	139 500		141 000	15 000
2.	9 000		5 400	
3.	1 605	1 110	375	100
4.	5 640		640	
5.	4 890	4 480	4 710	
6.		6 250		2 000
7.	50		250	2 050
8.	84		84	
9.	3 400	2 250	950	
10.		740		
11.		266		435
12.		2 000		2 400
13.		4 480		* 480
14.	10 000			
15.				1 500
16.		880		58

**\* Interest on loan**

$$R4\ 000 \times 18\% \times \frac{8}{12} = R480$$

**T-accounts and calculations**

1.

Membership Fees					
01 Jan	Acc. income	2 500	01 Jan	Income received in advance	1 500
31 Dec	Income received in advance	3 000	31 Dec	Bank	139 500
		141 000		Mem. fees wr. off	1 500
				Acc. income	4 000
		<u>146 500</u>			<u>146 500</u>

2.

Entrance Fees					
31 Dec	Accum. funds	3 600	31 Dec	Bank	9 000
	Inc. exp.	5 400			
		<u>9 000</u>			<u>9 000</u>

3.

Refreshments					
01 Jan	Refr. on hand	360	31 Dec	Bank	1 605
31 Dec	Bank	1 110		Don. exp.	100
	I + E	375		Refr. on hand	140
		<u>1 845</u>			<u>1 845</u>

5.

Sports Day					
31 Dec	Bank	4 480	31 Dec	Bank	4 890
	Acc. exp.	700		Acc. income	5 000
	I + E	4 710			
		<u>9 890</u>			<u>9 890</u>

6.

Affiliation Fees					
31 Dec	Bank	6 250	01 Jan	Acc. exp.	1 750
			31 Dec	PE	2 500
				I + E	2 000
		<u>6 250</u>			<u>6 250</u>

7.

Tennis Balls					
01 Jan	Ten. on hand	500	31 Dec	Bank	50
31 Dec	Credit	1 480		T/balls on hand	130
	Comp.	250		I + E	2 050
		<u>2 230</u>			<u>2 230</u>

9.

Club Tracksuits					
01 Jan	Club tr. suits on hand	1 500	31 Dec	Bank	3 400
31 Dec	Bank	2 250		Debtors	400
	I + E	950		Club tr. suits on hand	900
		<u>4 700</u>			<u>4 700</u>

11.

Stationery					
01 Jan	Stationery on hand	135	31 Dec	Stationery on hand	123
31 Dec	Bank	266		I + E	435
	Creditors	157			
		<u>558</u>			<u>558</u>



1. General Ledger of Egoli Judo Club

Dr				Membership Fees				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2012					2012						
Jul	01	Accrued income		720 00	Jul	01	Income received in advance		1 680 00		
Dec	31	Income received in advance		1 440 00	Dec	31	Bank		26 640 00		
		Bank		240 00			Membership fees written off		480 00		
		Income and expenditure		27 600 00			Accrued income		1 200 00		
				<u>30 000 00</u>					<u>30 000 00</u>		

Dr				Tracksuits				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2012					2012						
Jan	01	Inventory: tracksuits		5 750 00	Dec	31	Bank		18 216 00		
Dec	31	Bank		9 200 00			Creditors		460 00		
		Creditors		4 600 00			Development		690 00		
		Profit from tracksuits		3 036 00			Stock of tracksuits		3 220 00		
				<u>22 586 00</u>					<u>22 586 00</u>		

2. a. Profit = R276 – 230 = R46

$$\text{Profit percentage} = \frac{46}{230} \times \frac{100}{1}$$

$$= 20\%$$

b. 108 + 10 – 2 – 1 = 115

or

$$\frac{27\,600}{249} = 115$$

c.  $\frac{35\,889}{115} = R312,07$

$$R313 - 240 = R73$$

Therefore the membership fees should increase by R73.

d.  $\frac{35\,889}{240} = 149,5$

$$150 - 115 = 35 \text{ new members}$$

e. Any fundraising project e.g. sponsorship, donations, refreshments, functions


**1. General Ledger of Cheetah Sports Club**

Dr				Membership Fees				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2013						2013					
Jul	01	Accrued income		1 000	00	Jul	01	Income received in advance		750	00
Dec	31	Income received in advance		500	00	Dec	31	Bank		15 500	00
		Income and expenditure		15 750	00			Membership fees written off		250	00
								Accrued income		750	00
				<u>17 250</u>	<u>00</u>					<u>17 250</u>	<u>00</u>

Dr				Telephone				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2013						2013					
Dec	31	Bank		2 646	00	Jan	01	Accrued expenses		193	00
		Accrued expenses		211	00	Dec	31	Income and expenditure		2 664	00
				<u>2 857</u>	<u>00</u>					<u>2 857</u>	<u>00</u>

Dr				Insurance				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2013						2013					
Jan	01	Prepaid expenses		185	00	Dec	31	Prepaid expenses		230	00
Dec	31	Bank		2 585	00			Income and expenditure		2 540	00
				<u>2 770</u>	<u>00</u>					<u>2 770</u>	<u>00</u>

Dr				Interest on Fixed Deposit				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2013						2013					
Dec	31	Bank		550	00	Dec	31	Income and expenditure		750	00
		Accrued income		200	00						
				<u>750</u>	<u>00</u>					<u>750</u>	<u>00</u>

$$R5\ 000 \times 15\% = R750$$

Dr				Stationery				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2013						2013					
Jan	01	Stock of stationery		145	00	Dec	31	Stock of stationery		109	00
Dec	31	Bank		374	00			Income and expenditure		410	00
				<u>519</u>	<u>00</u>					<u>519</u>	<u>00</u>

2.

**Cheetah Sports Club****Statement of Receipts and Payments for the year ended 31 December 2013**

	Note	R	
<b>RECEIPTS</b>		<b>24 810</b>	<b>00</b>
Membership fees		15 500	00
Rent income		2 760	00
Donations received		6 000	00
Interest on fixed deposit		550	00
<b>PAYMENTS</b>		<b>(38 334)</b>	<b>00</b>
Maintenance of fields		7 580	00
Water and electricity		2 445	00
Stationery		374	00
Donation expense		2 011	00
Interest on loan		1 800	00
Honorarium		2 000	00
Telephone		2 646	00
Insurance		2 585	00
Diverse expenses		1 893	00
Land and buildings		10 000	00
Fixed deposit		3 000	00
Loan: XY Bank		2 000	00
<b>Deficit for the year</b>		<b>(13 524)</b>	<b>00</b>
Opening balance		16 468	00
<b>Closing balance</b>		<b>2 944</b>	<b>00</b>

**Activity 9.17 (working backwards) (for enrichment only)**

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1.

**General Ledger of Eastern Soccer Club**

Dr				Membership Fees				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2011					2011						
Jan	01	Accrued income		1 200 00	Jan	01	Income received in advance		900 00		
Dec	31	Income received in advance		600 00	Dec	31	Bank		23 700 00		
		Income and expenditure		24 000 00			Membership fees written off		300 00		
							Accrued income		900 00		
				<b>25 800 00</b>					<b>25 800 00</b>		

Dr				Soccer Balls				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2011					2011						
Jan	01	Stock of soccer balls		900 00	Dec	31	Stock of soccer balls		780 00		
Dec	31	Bank		2 710 00			Income and expenditure		2 830 00		
				<b>3 610 00</b>					<b>3 610 00</b>		

Dr		Insurance						Cr	
Date		Details	Fol.	Amount	Date	Details	Fol.	Amount	
2011					2011				
Jan	01	Prepaid expenses		210 00	Dec	31	Prepaid expenses	250 00	
Dec	31	Bank		5 340 00			Income and expenditure	5 300 00	
				<u>5 550 00</u>				<u>5 550 00</u>	

Dr		Repairs						Cr	
Date		Details	Fol.	Amount	Date	Details	Fol.	Amount	
2011					2011				
Dec	31	Bank		5 605 00	Jan	01	Accrued expenses	180 00	
		Accrued expenses		385 00	Dec	31	Income and expenditure	5 810 00	
				<u>5 990 00</u>				<u>5 990 00</u>	

### Calculation of equipment purchases

Carrying value on 31/12/2010	R4 800
Depreciation for the year	<u>(630)</u>
Carrying value of old equipment on 31/12/2011	4 170
Carrying value on 31/12/2011	7 170
	<u>(4 170)</u>
New equipment purchased	<b><u>R3 000</u></b>

2.

### Eastern Soccer Club

#### Statement of Receipts and Payments for the year ended 31 December 2011

	Note	R
<b>RECEIPTS</b>		<b>46 700</b>
Membership fees		23 700
Donations received		15 000
Entrance fees		4 000
Fixed deposit		4 000
<b>PAYMENTS</b>		<b>(49 925)</b>
Repairs		5 605
Insurance		5 340
Wages		8 300
Sundry expenses		1 910
Soccer balls		2 710
Telephone		3 060
Land and buildings		20 000
Equipment		3 000
<b>Deficit for the year</b>		<b>(3 225)</b>
Opening balance		7 055
<b>Closing balance</b>		<b><u>3 830</u></b>



Marks: 24

Time: 10 minutes

Column 1: Concepts of clubs		Column 2: Explanation	
1.	Treasurer	C.	Responsible for the bookkeeping and for submitting financial statements to the members at the AGM
2.	Constitution of a club	E.	A set of principles according to which a club is governed
3.	Annual General Meeting (AGM)	J.	A meeting that is held once a year
4.	Membership fees	F.	A fee, payable on an annual or monthly basis, to be part of a club or society and to use their facilities
5.	Entrance fees	H.	A fee that is payable when you join a club
6.	Affiliation fees	A.	The money that a club has to pay to the body that organises the particular sport in their province
7.	Honorarium	B.	Remuneration that is paid to one of the committee members for services rendered
8.	Accumulated funds	D.	A surplus that accumulated over the years of money not spent in previous years
9.	Bequests	L.	The sum of money that is left to the club in a will when a member of a club passes away
10.	Statement of Receipts and Payments	K.	A summary of all the receipts and payments made from the Analysis Cash Book
11.	<i>Income and Expenditure</i> account	G.	The surplus or deficit for the financial year is calculated here.
12.	Trial Balance	I.	A summary of all the accounts in the General Ledger

[12 × 2 = 24]

## CHAPTER 10

### Cost Accounting

#### » Activity 10.1

LB page 340

No.	Type of manufacturing cost
1.	Factory overhead
2.	Factory overhead (indirect labour cost)
3.	Direct material cost
4.	Direct labour cost
5.	Direct material cost
6.	Factory overhead (indirect material cost)
7.	Factory overhead (indirect labour cost)
8.	Factory overhead
9.	Direct labour cost
10.	Direct material cost
11.	Sales and distribution costs
12.	Finance cost
13.	Administrative costs
14.	Sales and distribution costs
15.	Administrative costs

#### » Activity 10.2

LB page 343

1. Direct material cost = Wool + Buttons  
= R60 000 + 10 000  
= R70 000
2. Direct labour cost = Wages paid to knitting machine operators  
= R20 000
3. Prime cost = Direct material cost + Direct labour cost  
= R70 000 + 20 000  
= R90 000
4. Factory overheads  
= Wages paid to cleaner + Rent of machines + General  
= R4 000 + 30 000 + 36 000  
= R70 000

5. Total manufacturing cost = Prime cost + Factory overheads  
 = R90 000 + 70 000  
 = R160 000
6. Unit cost of a jersey =  $\frac{\text{Total manufacturing cost}}{\text{Total number of units produced}}$   
 =  $\frac{\text{R160 000}}{4\ 000}$   
 = R40
7. Selling price of a jersey = Cost price + Profit mark-up  
 = R40 + (R40 × 75%)  
 = R40 + 30  
 = R70



### Activity 10.3

LB page 346

No.	Manufacturing cost according to behaviour
1.	Fixed cost
2.	Semi-fixed cost
3.	Variable cost
4.	Variable cost
5.	Semi-variable cost
6.	Variable cost
7.	Fixed cost
8.	Variable cost
9.	Semi-fixed cost
10.	Semi-variable cost



### Activity 10.4

LB page 348

Number of units	Variable costs	Fixed costs	Total manufacturing cost	Unit cost
10	R100	R400	R500	R50
20	R200	R400	R600	R30
50	R500	R400	R900	R18
* 100	R1 000	R400	R1 400	R14

$$\begin{aligned} \text{Total manufacturing costs} &= \text{Variable costs} + \text{Fixed costs} \\ &= (\text{R}10 \times n) + \text{R}400 \end{aligned}$$

$$\begin{aligned} \text{Total manufacturing costs} &= \text{Unit cost} \times \text{Number of units} \\ &= \text{R}14 \times n \\ \therefore 10n + 400 &= 14n \\ \therefore 4n &= 400 \\ \therefore n &= 100 \end{aligned}$$

### » Activity 10.5

LB page 348

1. Total manufacturing cost = R20 000 + 5 000 = R25 000
2. Unit cost =  $\frac{\text{R}25\,000}{500} = \text{R}50$
3. Variable cost per unit =  $\frac{\text{R}20\,000}{500} = \text{R}40$
4. Fixed cost per unit =  $\frac{\text{R}5\,000}{500} = \text{R}10$
5. Total manufacturing cost = (R40 × 2 500) + 5 000 = R105 000
6. Unit cost =  $\frac{\text{R}105\,000}{2\,500} = \text{R}42$
7. Variable cost per unit = R40 (remains constant)
8. Fixed cost per unit =  $\frac{\text{R}5\,000}{2\,500} = \text{R}2$

### » Activity 10.6

LB page 350

$$\text{Fixed costs} = \text{R}1\,000 + 2\,800 + 400 = \text{R}4\,200$$

$$\begin{aligned} \text{Variable cost per kite} &= \frac{\text{R}4\,500}{100} + 30 \\ &= \text{R}45 + 30 \\ &= \text{R}75 \end{aligned}$$

$$\begin{aligned} \text{Contribution} &= \text{Selling price per unit} - \text{Variable cost per unit} \\ &= \text{R}195 - 75 \\ &= \text{R}120 \end{aligned}$$

$$\begin{aligned} \text{Break-even point} &= \frac{\text{Fixed costs}}{\text{Contribution}} \\ &= \frac{\text{R}4\,200}{120} \\ &= 35 \text{ kites} \end{aligned}$$

$$\text{Fixed costs} = R1\,700 + 500 + 200 = R2\,400$$

$$\text{Variable cost (per person)} = R35 + 5 = R40$$

$$\begin{aligned} \text{Contribution} &= \text{Selling price per ticket} - \text{Variable cost per person} \\ &= R100 - 40 \\ &= R60 \end{aligned}$$

$$\begin{aligned} \text{Break-even point} &= \frac{\text{Fixed costs}}{\text{Contribution}} \\ &= \frac{R2\,400}{60} \\ &= 40 \text{ tickets} \end{aligned}$$

**Notes:**

- Income generated from the sale of 40 tickets =  $R100 \times 40 = R4\,000$
- Total cost of dance for 40 people =  $R2\,400 + (R40 \times 40) = R4\,000$

Therefore, the income will be exactly equal to the costs if 40 tickets are sold.

- Unit cost of coffee:**  
 Number of units per tin =  $500 \text{ g} \div 5 \text{ g}$   
 $= 100 \text{ units}$   
 Cost per unit =  $R60,00 \div 100$   
 $= R0,60$  (or 60 cents)
  - Unit cost of sugar:**  
 Number of units per bag =  $2\,500 \text{ g} \div 10 \text{ g}$   
 $= 250 \text{ units}$   
 Cost per unit =  $R12,50 \div 250$   
 $= R0,05$  (or 5 cents)
  - Unit cost of milk:**  
 Number of units per bottle =  $2\,000 \text{ ml} \div 25 \text{ ml}$   
 $= 80 \text{ units}$   
 Cost per unit =  $R12,00 \div 80$   
 $= R0,15$  (or 15 cents)
  - Unit cost of a cup:**  
 Number of units per box = 50 units  
 Cost per unit =  $R10,00 \div 50$   
 $= R0,20$  (or 20 cents)
- Total cost per cup of coffee  
 $= R0,60 + 0,05 + 0,15 + 0,20$   
 $= R1,00$
- Gross profit per cup of coffee  
 $= R4,00 - 1,00$   
 $= R3,00$

4. Number of cups to be sold to cover the cost of the kettle  
 = R300 ÷ 3  
 = 100 cups

» **Activity 10.9**

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Variable cost per unit  
 =  $\frac{R1\ 900 + 1\ 000 + 60}{200}$   
 = R14,80

Contribution per unit  
 = R25 – 14,8  
 = R10,20

Break-even point  
 =  $\frac{300 + 120 + 90}{10,20}$   
 = 50 packets of rusks

» **Activity 10.10**

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**General Ledger of Stormers Manufacturers**  
**Balance Sheet accounts**

Dr					Raw Material Stock					Cr	
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017					2017						
Mar	01	Balance	b/d	50 000 00	Mar	31	Raw materials issued		93 000 00		
	31	Bank		45 000 00			Balance	c/d	32 000 00		
		Creditors control		30 000 00							
				<u>125 000 00</u>					<u>125 000 00</u>		
2017											
Apr		Balance	b/d	32 000 00							

Dr					Work-in-progress					Cr	
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017					2017						
Mar	31	Direct material cost		93 000 00	Mar	31	Finished goods		135 000 00		
		Direct labour cost		24 000 00			Balance	c/d	15 000 00		
		Factory overheads		33 000 00							
				<u>150 000 00</u>					<u>150 000 00</u>		
2017											
Apr	01	Balance	b/d	15 000 00							

Dr					Finished Goods					Cr	
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017											
Mar	31	Work-in-progress		135 000 00							

## Nominal accounts

Dr				Raw Materials Issued				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017					2017						
Mar	31	Raw materials		93 000 00	Mar	31	Direct material cost		93 000 00		

Dr				Indirect Materials				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017					2017						
Mar	31	Bank		7 000 00	Mar	31	Factory overheads		7 000 00		

Dr				Wages				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017					2017						
Mar	31	Gross wages		30 000 00	Mar	31	Direct labour cost		24 000 00		
							Factory overheads		6 000 00		
				30 000 00					30 000 00		

Dr				Electricity				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017					2017						
Mar	31	Bank		5 000 00	Mar	31	Factory overheads		3 500 00		
							Balance	c/d	1 500 00		
				5 000 00					5 000 00		
2017											
Apr	01	Balance	b/d	1 500 00							

Dr				Rent of Factory				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017					2017						
Mar	31	Bank		12 000 00	Mar	31	Factory overheads		12 000 00		

Dr				Repairs				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017					2017						
Mar	31	Bank		2 500 00	Mar	31	Factory overheads		2 500 00		

Dr				Depreciation				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017					2017						
Mar	31	Accumulated depreciation on machinery		2 000 00	Mar	31	Factory overheads		2 000 00		

## Cost accounts

Dr				Direct Material Costs				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017					2017						
Mar	31	Raw material issued		93 000 00	Mar	31	Work-in-progress		93 000 00		

Dr				Direct Labour Costs				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017					2017						
Mar	31	Wages		24 000 00	Mar	31	Work-in-progress		24 000 00		

Dr <span style="float: right;">Factory Overheads</span> <span style="float: right;">Cr</span>													
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2017	Mar	31	Indirect materials		7 000	00	2017	Mar	31	Work-in-progress		33 000	00
			Wages		6 000	00							
			Factory rent		12 000	00							
			Repairs: factory		2 500	00							
			Electricity		3 500	00							
			Depreciation		2 000	00							
					<b>33 000</b>	<b>00</b>						<b>33 000</b>	<b>00</b>

» **Activity 10.11**

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**General Ledger of BB Manufacturers**  
**Balance Sheet accounts**

Dr <span style="float: right;">Raw Material Stock</span> <span style="float: right;">Cr</span>													
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2017	Jan	01	Balance	b/d	30 000	00	2017	Jan	31	Raw materials issued *		47 300	00
		31	Bank (25%)		10 000	00				Balance	c/d	22 700	00
			Creditors control (75%)		30 000	00							
					<b>70 000</b>	<b>00</b>						<b>70 000</b>	<b>00</b>
2017	Feb	01	Balance	b/d	22 700	00							

\* Raw materials issued – balancing figure

Dr <span style="float: right;">Work-in-progress</span> <span style="float: right;">Cr</span>													
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2017	Jan	01	Balance	b/d	55 000	00	2017	Jan	31	Finished goods *		118 125	00
		31	Direct material cost		47 300	00				Balance	c/d	39 375	00
			Direct labour cost		17 000	00							
			Factory overheads		38 200	00							
					<b>157 500</b>	<b>00</b>						<b>157 500</b>	<b>00</b>
2017	Feb	01	Balance	b/d	39 375	00							

\* Finished goods = R157 500 × 75% = R118 125

Dr				Finished Goods				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017	01	Balance	b/d	22 000 00	2017	31	Balance	c/d	140 125 00		
	31	Work-in-progress		118 125 00							
				<u>140 125 00</u>					<u>140 125 00</u>		
2017	01	Balance	b/d	140 125 00							

### Cost account

Dr				Factory Overheads				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017	31	Indirect materials		6 700 00	2017	31	Work-in-progress		38 200 00		
		Wages		3 000 00							
		Water and electricity		8 600 00							
		Rent expense		13 800 00							
		Insurance		3 800 00							
		Repairs		2 300 00							
				<u>38 200 00</u>					<u>38 200 00</u>		

$$\text{Wages} = (\text{R}17\,000 \div 85) \times 15 = \text{R}3\,000$$

$$\text{Rent expense} = (\text{R}144\,000 \div 12) \times 115\% = \text{R}13\,800$$

### Activity 10.12

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### General Ledger of Viking Manufacturers Balance Sheet accounts

Dr				Raw Materials Stock				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017	31	Bank		30 000 00	2017	31	Raw materials issued		45 000 00		
		Creditors control		35 000 00			Balance	c/d	25 000 00		
		Bank (carriage)		5 000 00							
				<u>70 000 00</u>					<u>70 000 00</u>		
2017	01	Balance	b/d	25 000 00							

Dr				Work-in-progress				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017	31	Direct materials		45 000 00	2017	31	Finished goods		107 700 00		
		Direct labour		28 000 00							
		Factory overheads		34 700 00							
				<u>107 700 00</u>					<u>107 700 00</u>		

Dr		Finished Goods						Cr	
Date		Details	Fol.	Amount	Date	Details	Fol.	Amount	
2017 Jul	31	Work-in-progress		107 700 00	2017 Jul	31	Cost of sales	100 000 00	
							Balance	c/d 7 700 00	
				<u>107 700 00</u>				<u>107 700 00</u>	
2017 Aug	01	Balance	b/d	7 700 00					

### Nominal accounts

Dr		Cost of Sales						Cr	
Date		Details	Fol.	Amount	Date	Details	Fol.	Amount	
2017 Jul	31	Finished goods		100 000 00					

Dr		Raw Materials Issued						Cr	
Date		Details	Fol.	Amount	Date	Details	Fol.	Amount	
2017 Jul	31	Raw materials		45 000 00	2017 Jul	31	Direct materials	45 000 00	

Dr		Indirect Material						Cr	
Date		Details	Fol.	Amount	Date	Details	Fol.	Amount	
2017 Jul	31	Bank		5 000 00	2017 Jul	31	Factory overheads	5 000 00	

Dr		Wages						Cr	
Date		Details	Fol.	Amount	Date	Details	Fol.	Amount	
2017 Jul	31	Gross wages		35 000 00	2017 Jul	31	Direct labour	28 000 00	
							Factory overheads	8 000 00	
				<u>35 000 00</u>				<u>35 000 00</u>	

Work-in-progress = R35 000 × 80% = R28 000  
 Factory overheads = R35 000 × 20% = R7 000

Dr		Salaries						Cr	
Date		Details	Fol.	Amount	Date	Details	Fol.	Amount	
2017 Jul	31	Gross salaries		15 000 00	2017 Jul	31	Factory overheads	7 000 00	
							Balance	c/d 8 000 00	
				<u>15 000 00</u>				<u>15 000 00</u>	
2017 Aug	01	Balance	b/d	8 000 00					

Dr		Electricity						Cr	
Date		Details	Fol.	Amount	Date	Details	Fol.	Amount	
2017 Jul	31	Bank		6 000 00	2017 Jul	31	Factory overheads	5 700 00	
							Balance	c/d 300 00	
				<u>6 000 00</u>				<u>6 000 00</u>	
2017 Aug	01	Balance	b/d	300 00					

Dr		Rent Expense								Cr	
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017					2017						
Jul	31	Bank		8 000 00	Jul	31	Factory overheads		8 000 00		

Dr		Maintenance								Cr	
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017					2017						
Jul	31	Bank		2 000 00	Jul	31	Factory overheads		2 000 00		

### Cost accounts

Dr		Direct Materials								Cr	
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017					2017						
Jul	31	Raw materials issued		45 000 00	Jul	31	Work-in-progress		45 000 00		

Dr		Direct Labour								Cr	
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017					2017						
Jul	31	Wages		28 000 00	Jul	31	Work-in-progress		28 000 00		

Dr		Factory Overheads								Cr	
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2017					2017						
Mar	31	Indirect materials		5 000 00	Mar	31	Work-in-progress		34 700 00		
		Wages		7 000 00							
		Salaries		7 000 00							
		Electricity		5 700 00							
		Rent expense		8 000 00							
		Maintenance		2 000 00							
				34 700 00					34 700 00		

### » Activity 10.13

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## General Ledger of Creative Gear CC

### Balance Sheet accounts

Dr		Raw Material Stock								B6		Cr	
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount				
2017					2018								
Mar	01	Balance	b/d	42 100 00	Feb	28	Raw materials issued		375 540 00				
2018													
Feb	28	Bank		204 300 00			Balance	c/d	39 860 00				
				415 400 00					415 400 00				
2018													
Mar	01	Balance	b/d	39 860 00									

Dr					Work-in-progress					B7		Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount			
2017	Mar	01			2018	Feb	28					
		Balance	b/d	8 750 00			Finished goods		730 309 00			
2018	Feb	28					Balance	c/d	12 550 00			
		Direct material cost		375 540 00								
		Direct labour cost		207 520 00								
		Factory overheads		151 049 00								
				<u>742 859 00</u>					<u>742 859 00</u>			
2018	Mar	01										
		Balance	b/d	12 550 00								

Dr					Finished Goods					B8		Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount			
2017	Mar	01			2018	Feb	28					
		Balance	b/d	30 870 00			Cost of sales		734 279 00			
2018	Feb	28					Balance	c/d	26 900 00			
		Work-in-progress		730 309 00								
				<u>761 179 00</u>					<u>761 179 00</u>			
2018	Mar	01										
		Balance	b/d	26 900 00								

Dr					Consumable Stores on Hand					B9		Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount			
2017	Mar	01			2018	Feb	28					
		Balance	b/d	2 156 00			Indirect materials		2 156 00			
2018	Feb	28										
		Indirect materials		2 041 00								

### Nominal accounts

Dr					Sales					N1		Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount			
2018	Feb	28			2018	Feb	28					
		Trading account		1 223 890 00			Balance	b/d	1 233 890 00			

Dr					Cost of Sales					N2		Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount			
2018	Feb	28			2018	Feb	28					
		Finished goods		734 279 00			Trading account		734 279 00			

Dr					Raw Materials Issued					N3		Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount			
2018	Feb	28			2018	Feb	28					
		Raw materials		375 540 00			Direct material cost		375 540 00			

Dr					Indirect Material					N4		Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount			
2017	Mar	01			2018	Feb	28					
		Consumable stores on hand		2 156 00			Factory overheads		9 091 00			
2018	Feb	28					Consumable stores on hand		2 041 00			
		Bank		8 976 00								
				<u>11 132 00</u>					<u>11 132 00</u>			

Dr				Salaries and Wages				N5				Cr	
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2018							2018						
Feb	28	Balance		b/d	343 000	00	Feb	28	Direct labour cost			203 000	00
									Factory overheads			36 000	00
									Administration cost			104 000	00
					<u>343 000</u>	<u>00</u>						<u>343 000</u>	<u>00</u>

Dr				Unemployment Insurance Fund Contributions				N6				Cr	
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2018							2018						
Feb	28	Balance		b/d	4 520	00	Feb	28	Direct labour cost			4 520	00

Dr				Repairs and Maintenance				N7				Cr	
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2018							2018						
Feb	28	Balance		b/d	18 200	00	Feb	28	Factory overheads			16 200	00
									Sales and distribution cost			2 000	00
					<u>18 200</u>	<u>00</u>						<u>18 200</u>	<u>00</u>

Dr				Rental Expense				N8				Cr	
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2018							2018						
Feb	28	Balance		b/d	84 000	00	Feb	28	Factory overheads			67 200	00
									Administration cost			16 800	00
					<u>84 000</u>	<u>00</u>						<u>84 000</u>	<u>00</u>

Dr				Municipal Levies				N9				Cr	
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2018							2018						
Feb	28	Balance		b/d	8 970	00	Feb	28	Factory overheads			6 558	00
									Administration cost			2 412	00
					<u>8 970</u>	<u>00</u>						<u>8 970</u>	<u>00</u>

Dr				Stationery				N10				Cr	
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2018							2018						
Feb	28	Balance		b/d	1 236	00	Feb	28	Administration cost			1 236	00

Dr				Insurance				N11				Cr	
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2018							2018						
Feb	28	Balance		b/d	11 000	00	Feb	28	Factory overheads			8 000	00
									Administration cost			3 000	00
					<u>11 000</u>	<u>00</u>						<u>11 000</u>	<u>00</u>

Dr				Telephone				N12				Cr	
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2018							2018						
Feb	28	Balance		b/d	13 580	00	Feb	28	Administration cost			13 580	00

Dr		Depreciation				N13				Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	
2018					2018					
Feb	28	Balance	b/d	13 660 00	Feb	28	Factory overheads		8 000 00	
							Sales and distribution cost		4 100 00	
							Administration cost		1 560 00	
				<u>13 660 00</u>					<u>13 660 00</u>	

Dr		Advertisements				N14				Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	
2018					2018					
Feb	28	Balance	b/d	2 541 00	Feb	28	Sales and distribution cost		2 541 00	

Dr		Bad Debts				N15				Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	
2018					2018					
Feb	28	Balance	b/d	2 363 00	Feb	28	Sales and distribution cost		2 363 00	

Dr		Commission Paid				N16				Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	
2018					2018					
Feb	28	Balance	b/d	12 000 00	Feb	28	Sales and distribution cost		12 000 00	

Dr		Fuel				N17				Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	
2018					2018					
Feb	28	Balance	b/d	12 300 00	Feb	28	Sales and distribution cost		12 300 00	

Dr		Bank Costs				N18				Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	
2018					2018					
Feb	28	Balance	b/d	15 210 00	Feb	28	Administration cost		15 210 00	

### Cost accounts

Dr		Direct Material Costs				C1				Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	
2018					2018					
Feb	28	Raw materials issued		375 540 00	Feb	28	Work-in-progress		375 540 00	

Dr		Direct Labour Costs				C2				Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	
2018					2018					
Feb	28	Wages		203 000 00	Feb	28	Work-in-progress		207 520 00	
		Unemployment Insurance Fund contribution		4 520 00						
				<u>207 520 00</u>					<u>207 520 00</u>	

Dr				Factory Overheads				C3				Cr	
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2018							2018						
Feb	28	Salaries			36 000	00	Feb	28	Work-in-progress			151 049	00
		Repairs and maintenance			16 200	00							
		Rent expense			67 200	00							
		Municipal levy			6 558	00							
		Insurance			8 000	00							
		Depreciation			8 000	00							
		Indirect material			9 091	00							
					<b>151 049</b>	<b>00</b>						<b>151 049</b>	<b>00</b>

Dr				Administration Costs				C4				Cr	
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2018							2018						
Feb	28	Salaries			104 000	00	Feb	28	Profit and Loss			157 798	00
		Rent expense			16 800	00							
		Municipal levy			2 412	00							
		Stationery			1 236	00							
		Insurance			3 000	00							
		Telephone			13 580	00							
		Depreciation			1 560	00							
		Bank charges			15 210	00							
					<b>157 798</b>	<b>00</b>						<b>157 798</b>	<b>00</b>

Dr				Sales and Distribution Costs				C5				Cr	
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2018							2018						
Feb	28	Repairs and maintenance			2 000	00	Feb	28	Profit and Loss			35 304	00
		Depreciation			4 100	00							
		Advertising			2 541	00							
		Bad debts			2 363	00							
		Commission paid			3 000	00							
		Telephone			12 000	00							
		Delivery vehicle expenses			12 300	00							
					<b>35 304</b>	<b>00</b>						<b>35 304</b>	<b>00</b>

### Final accounts

Dr				Trading account				F1				Cr	
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2018							2018						
Feb	28	Cost of sales			734 279	00	Feb	28	Sales			1 223 890	00
		Profit and Loss			489 611	00							
					<b>1 223 890</b>	<b>00</b>						<b>1 223 890</b>	<b>00</b>

Dr					Profit and Loss account					F1		Cr	
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount				
2018					2018								
Feb	28	Administration costs		157 798 00	Feb	28	Trading account		489 611 00				
		Sales and distribution cost		35 304 00									
		Appropriation account		29 650 00									
				<b>489 611 00</b>					<b>489 611 00</b>				

» **Activity 10.14**

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**General Ledger of Slip-Slops Manufacturers  
Balance Sheet accounts**

Dr					Raw Material Stock					B6		Cr	
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount				
2017					2018								
Mar	01	Balance	b/d	145 000 00	Feb	28	Raw materials issued		424 630 00				
2018													
Feb	28	Bank		279 600 00			Balance	c/d	71 260 00				
		Creditors control		65 970 00									
		Bank		5 320 00									
				<b>495 890 00</b>					<b>495 890 00</b>				
2018													
Mar	01	Balance	b/d	71 260 00									

Dr					Work-in-progress					B7		Cr	
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount				
2017					2018								
Mar	01	Balance	b/d	63 000 00	Feb	28	Finished goods		947 570 00				
2018													
Feb	28	Direct material cost		424 630 00			Balance	c/d	65 400 00				
		Direct labour cost		332 950 00									
		Factory overheads		192 390 00									
				<b>1 012 970 00</b>					<b>1 012 970 00</b>				
2018													
Mar	01	Balance	b/d	65 400 00									

Dr					Finished Goods					B8		Cr	
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount				
2017					2018								
Mar	01	Balance		57 400 00	Feb	28	Cost of sales		932 600 00				
2018													
Feb	28	Work-in-progress		947 570 00			Balance	c/d	72 370 00				
				<b>1 004 970 00</b>					<b>1 004 970 00</b>				
2018													
Mar	01	Balance	b/d	72 370 00									

Dr				Consumables on Hand				B9				Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
2017	Mar	01	Balance	b/d	7 980	00	2017	Mar	01	Indirect materials		7 980	00		
2018	Feb	28	Indirect materials		6 320	00									

### Nominal accounts

Dr				Sales				N1				Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
2018	Feb	28	Trading account		1 398 900	00	2018	Feb	28	Balance	b/d	1 398 900	00		

Dr				Cost of Sales				N2				Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
2018	Feb	28	Finished goods		932 600	00	2018	Feb	28	Trading account		932 600	00		

Dr				Raw Materials Issued				N3				Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
2018	Feb	28	Raw materials		424 630	00	2018	Feb	28	Direct material cost		424 630	00		

Dr				Indirect Material				N4				Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
2017	Mar	01	Consumable stores on hand		7 980	00	2018	Feb	28	Factory overheads		17 060	00		
2018	Feb	28	Bank		15 400	00				Consumable stores on hand		6 320	00		
					23 380	00						23 380	00		

Dr				Wages				N5				Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
2018	Feb	28	Balance	b/d	369 550	00	2018	Feb	28	Direct labour cost		332 950	00		
										Factory overheads		36 600	00		
					369 550	00						369 550	00		

Dr				Salaries				N6				Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
2018	Feb	28	Balance	b/d	231 450	00	2018	Feb	28	Sales and distribution cost		87 920	00		
										Factory overheads		77 000	00		
										Administration cost		66 530	00		
					231 450	00						231 450	00		

Dr					Depreciation					N7		Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount			
2018					2018							
Feb	28	Balance	b/d	31 640 00	Feb	28	Factory overheads		5 400 00			
							Administration cost		5 100 00			
							Sales and distribution cost		21 140 00			
				<u>31 640 00</u>					<u>31 640 00</u>			

Dr					Factory Maintenance					N8		Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount			
2018					2018							
Feb	28	Balance	b/d	13 650 00	Feb	28	Factory overheads		13 650 00			

Dr					Insurance					N9		Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount			
2018					2018							
Feb	28	Balance	b/d	38 340 00	Feb	28	Factory overheads		18 680 00			
							Administration cost		19 660 00			
				<u>38 340 00</u>					<u>38 340 00</u>			

Dr					Bad Debts					N10		Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount			
2018					2018							
Feb	28	Balance	b/d	1 085 00	Feb	28	Sales and distribution cost		1 085 00			

Dr					Commission on Sales					N11		Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount			
2018					2018							
Feb	28	Balance	b/d	22 870 00	Feb	28	Sales and distribution cost		22 870 00			

Dr					Sundry Administrative Expenses					N12		Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount			
2018					2018							
Feb	28	Balance	b/d	31 100 00	Feb	28	Administration cost		31 100 00			

Dr					Rent Expense					N13		Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount			
2018					2018							
Feb	28	Balance	b/d	33 600 00	Feb	28	Factory overheads		24 000 00			
							Administration cost		9 600 00			
				<u>33 600 00</u>					<u>33 600 00</u>			

### Cost accounts

Dr					Direct Material Costs					C1		Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount			
2018					2018							
Feb	28	Raw materials issued		424 630 00	Feb	28	Work-in-progress	b/d	424 630 00			

Dr					Direct Labour Costs					C2		Cr
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount			
2018					2018							
Feb	28	Wages		332 950 00	Feb	28	Work-in-progress	b/d	332 950 00			

Dr				Factory Overheads				C3				Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
2018							2018								
Feb	28	Indirect material			17 060	00	Feb	28	Work-in-progress			192 390	00		
		Wages			36 600	00									
		Salaries			77 000	00									
		Depreciation			5 400	00									
		Factory maintenance			13 650	00									
		Insurance			18 860	00									
		Rent expense			24 000	00									
					<u>192 390</u>	<u>00</u>						<u>192 390</u>	<u>00</u>		

Dr				Administration Costs				C4				Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
2018							2018								
Feb	28	Salaries			66 530	00	Feb	28	Profit and Loss			131 990	00		
		Depreciation			5 100	00									
		Insurance			19 660	00									
		Sundry administration expenses			31 100	00									
		Rent expense			9 600	00									
					<u>131 990</u>	<u>00</u>						<u>131 990</u>	<u>00</u>		

Dr				Sales and Distribution Costs				C5				Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
2018							2018								
Feb	28	Salaries			87 920	00	Feb	28	Profit and Loss			133 015	00		
		Depreciation			21 140	00									
		Bad debts			1 085	00									
		Commission			22 870	00									
					<u>133 015</u>	<u>00</u>						<u>133 015</u>	<u>00</u>		

### Final accounts

Dr				Trading account				F1				Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
2018							2018								
Feb	28	Cost of sales			932 600	00	Feb	28	Sales			1 398 900	00		
		Profit and Loss			466 300	00									
					<u>1 398 900</u>	<u>00</u>						<u>1 398 900</u>	<u>00</u>		

Dr				Profit and Loss account				F2				Cr			
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount			
2018							2018								
Feb	28	Administration cost		b/d	131 990	00	Feb	28	Trading account			466 300	00		
		Sales and distribution			133 015	00									
		Capital			201 295	00									
					<u>466 300</u>	<u>00</u>						<u>466 300</u>	<u>00</u>		

**General Ledger of Siyanda Manufacturers  
Balance Sheet accounts**

Dr					Raw Material Stock					Cr				
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2017					2017					2017				
Mar	01	Balance	b/d	32 300 00	Mar	31	Raw materials issued		214 800 00	Mar	31	Balance	c/d	77 700 00
	31	Bank		51 100 00										
		Creditors control		204 400 00										
		Bank (import duty)		4 700 00										
				<u>292 500 00</u>										<u>292 500 00</u>
2017														
Apr	01	Balance	b/d	77 700 00										

Bank = (R255 500 × 20%) = R51 100

Creditors control = (R255 500 × 80%) = R204 400

Dr					Work-in-progress					Cr				
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2017					2017					2017				
Mar	01	Balance	b/d	14 400 00	Mar	31	Finished goods		380 400 00	Mar	31	Balance	c/d	121 700 00
	31	Direct material cost		214 800 00										
		Direct labour cost		165 600 00										
		Factory overheads		107 300 00										
				<u>502 100 00</u>										<u>502 100 00</u>
2017														
Apr	01	Balance	b/d	121 700 00										

Finished goods = R502 100 – 121 700 = R380 400

Dr					Finished Goods					Cr				
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2017					2017					2017				
Mar	01	Balance	b/d	23 700 00	Mar	31	Cost of sales		352 200 00	Mar	31	Balance	c/d	51 900 00
	31	Work-in-progress		380 400 00										
				<u>404 100 00</u>										<u>404 100 00</u>
2017														
Apr	01	Balance	b/d	51 900 00										

Cost of sales = (R528 300 ×  $\frac{100\%}{150\%}$ ) = R352 200

**Nominal account**

Dr					Wages					Cr				
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2017					2017					2017				
Mar	31	Gross wages		220 800 00	Mar	31	Direct labour cost		165 600 00	Mar	31	Factory overheads		55 200 00
				<u>220 800 00</u>										<u>220 800 00</u>

Direct labour = R220 800 × 75% = R165 000

Factory overheads = R220 800 × 25% = R55 200

## Cost account

Dr				Factory Overheads				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017						2017					
Mar	31	Indirect material		13 300	00	Mar	31	Work-in-progress		107 300	00
		Wages		55 200	00						
		Insurance		2 600	00						
		Rent expense		12 000	00						
		Maintenance		3 500	00						
		Electricity (23 000 × 90%)		20 700	00						
				<b>107 300</b>	<b>00</b>					<b>107 300</b>	<b>00</b>



### Case study 10.1

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1. George Foreman. He oversees the production and is not directly involved.
2. John Blade. He is directly involved in the production (cutting the leather).  
Cathy Cotton. She is directly involved in the production (sewing the leather).  
or:  
Naomi Needle. She is directly involved in the production (sewing the leather).  
Sally Sewright. She is directly involved in the production (sewing the leather).  
Jerry Packer. He is directly involved in the production (the special plastic container forms part of the final product).  
(any TWO employees)
3. Leather. It can be identified in (forms part of) the final product.  
Plastic container. It can be identified in (forms part of) the final product.
4. Thread. Although it can be identified in (forms part of) the final product, it forms a relatively insignificant part of the finished product.  
Polishing spray. It does not forms part of the final product.  
(Also it is a relatively insignificant part of the finished product.)
5. **Total wages for the month**  
= R4 200 + 5 100 + 5 100 + 5 100 + 3 800 + 6 200  
= R29 500
6. Direct labour cost = R29 500 – 6 200 = R23 300  
Indirect labour cost = R6 200
7. **Opening balance in Raw Materials Stock account**  
Leather = R8 000 × 5 = R40 000  
Plastic containers = R40 × 500  
= R20 000  
Opening balance  
= R40 000 + 20 000  
= R60 000

**Opening balance in Indirect Materials account**

Thread = R30 × 10 = R300

Polishing spray = R50 × 5 = R250

Opening balance

= R300 + 250

= R5 500

**8. Total cost of materials purchased**

Leather = R8 000 × 2 = R16 000

Thread = R30 × 4 = R120

Polishing spray = R50 × 5 = R250

Plastic containers = R40 × 200 = R8 000

Total cost of materials purchased

= R16 000 + 120 + 250 + 8 000

= R24 370

**9. Total cost of direct materials issued to production**

Leather = R8 000 × 4 = R32 000

Plastic containers = R40 × 400 = R16 000

Total cost of direct materials issued to production

= R32 000 + 6 000

= R48 000

**10. Total cost of indirect materials issued to production**

Thread = R30 × 3 = R90

Polishing spray = R50 × 1 = R50

Total cost of indirect materials issued to production

= R90 + 50

= R140

11.

**General Ledger of Carry All Manufacturers****Balance Sheet accounts**

Dr				Raw Material Stock				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017						2017		Raw materials issued			
Dec	01	Balance	b/d	60 000	00	Dec	31	(32 000 + 16 000)		48 000	00
	31	Creditors control (16 000 + 8 000)		24 000	00			Balance	c/d	36 000	00
				<u>84 000</u>	<u>00</u>					<u>84 000</u>	<u>00</u>
2018											
Jan	01	Balance	b/d	36 000	00						

Dr				Work-in-progress				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017						2017					
Dec	31	Direct material cost		48 000	00	Dec	31	Finished goods		97 400	00
		Direct labour costs		23 300	00						
		Factory overheads		26 100	00						
				<u>97 400</u>	<u>00</u>					<u>97 400</u>	<u>00</u>

## Cost account

Dr				Factory Overheads				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 Dec	31	Indirect materials	b/d	140	00	2017 Dec	31	Work-in-progress		26 100	00
		Wages		6 200	00						
		Rent expense		10 000	00						
		Water and electricity		4 960	00						
		Insurance		4 800	00						
				<b>26 100</b>	<b>00</b>					<b>26 100</b>	<b>00</b>

Rent expense = R12 000 – 2 000 = R10 000

Water and electricity = R6 200 × 80% = R4 960

12. 400 units 400 plastic containers were issued to production during the month and all production started was completed.

13. Unit cost = R97 400 ÷ 400 = R243,50

14. Selling price = Cost price + Mark-up  
= R243,50 + 243,50 = R487,90

### » Activity 10.16

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## General Ledger of Sihle Manufacturers Balance Sheet accounts

Dr				Raw Material Stock				B6				Cr					
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2016 Mar	01	Balance	b/d	33 000	00	2017 Feb	28	Raw materials issued		740 000	00						
2017 Feb	28	Bank		357 000	00			Balance	c/d	79 320	00						
		Creditors control		421 520	00												
		Bank (carriage)		7 800	00												
				<b>819 320</b>	<b>00</b>					<b>819 320</b>	<b>00</b>						
2017 Mar	01	Balance	b/d	79 320	00												

Dr				Work-in-progress				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2016 Mar	01	Balance		74 600	00	2017 Feb	28	Finished goods		1 400 000	00
2017 Mar	28	Direct materials		740 000	00			Balance	c/d	107 800	00
		Direct labour		393 200	00						
		Factory overheads		300 000	00						
				<b>1 507 800</b>	<b>00</b>					<b>1 507 800</b>	<b>00</b>
2017 Mar	01	Balance	b/d	107 800	00						

Dr				Finished Goods				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2016	Mar	01				2017	Feb	28			
		Balance	b/d	445 000	00			Cost of sales		1 315 968	00
2017	Feb	28						Balance	c/d	529 032	00
				1 845 000	00					1 845 000	00
2017	Mar	01									
		Balance	b/d	529 032	00						

### Nominal account

Dr				Indirect Materials				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2016	Feb	28				2017	Feb	28			
		Consumable stores stock	b/d	1 320	00			Factory overheads		8 220	00
2017	Feb							Consumable stores stock		1 300	00
		Bank		3 480	00						
		Creditors control		4 720	00						
				9 520	00					9 520	00

### Cost accounts

Dr				Factory Overheads				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017	Feb	28				2017	Feb	28			
		Wages		70 660	00			Work-in-progress		300 000	00
		UIF contribution		840	00						
		Salaries		139 300	00						
		Insurance		19 300	00						
		Maintenance		35 280	00						
		Depreciation		26 400	00						
		Indirect materials		8 220	00						
				300 000	00					300 000	00

Dr				Administration Costs				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017	Feb	28				2017	Feb	28			
		Consumables		1 740	00			Profit and Loss		174 460	00
		Salaries		153 080	00						
		Insurance		2 440	00						
		Depreciation		17 200	00						
				174 460	00					174 460	00

Dr				Sales and Distribution Costs				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017	Feb	28				2017	Feb	28			
		Wages		49 600	00			Profit and Loss		282 000	00
		Salaries		225 500	00						
		Insurance		6 900	00						
				282 000	00					282 000	00

**SECTION A**

1. Direct labour costs:
  - Normal time  $9 \times R2\,200 \times 16 = R316\,800$
  - Overtime  $9 \times R100 \times 24 = \underline{R21\,600}$
  - R338 400**

2. **General Ledger of Kaden T-shirt Manufacturers**  
**Balance Sheet accounts**

Dr				Raw Material Stock				Cr						
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount				
2018	Jul	01		Balance	b/d	38 600	00	2019	Jun	30	Creditors control	7 500	00	
2019	Jun	30		Creditors control		439 000	00				Raw materials damaged	3 000	00	
				Bank		120 000	00				Raw materials issued	581 400	00	
				Bank		18 200	00				Balance	c/d	23 900	00
						<b>615 800</b>	<b>00</b>					<b>615 800</b>	<b>00</b>	
2019	Jul	01		Balance	b/d	23 900	00							

Dr				Work-in-progress Stock				Cr						
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount				
2018	Jul	01		Balance	b/d	89 700	00	2019	Jun	30	Finished goods	1 171 800	00	
2019	Jun	30		Direct material cost		581 400	00				Balance	c/d	80 400	00
				Direct labour cost		338 400	00							
				Factory overheads		242 700	00							
						<b>1 252 200</b>	<b>00</b>					<b>1 252 200</b>	<b>00</b>	
2019	Jul	01		Balance	b/d	80 400	00							

**Nominal account**

Dr				Factory Overheads				Cr					
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount			
2019	Jun	30		Indirect materials (2 400 + 18 700 – 4 300)		16 800	00	2019	Jun	30	Work-in-progress	242 700	00
				Indirect labour		76 000	00						
				Factory maintenance		34 000	00						
				Electricity		35 900	00						
				Rent (108 000 × $\frac{1}{2}$ )		54 000	00						
				Depreciation		26 000	00						
						<b>242 700</b>	<b>00</b>					<b>242 700</b>	<b>00</b>

**SECTION B**

3. a. Possible reasons for the difference in direct material cost per unit:
  - They could negotiate a better price because large quantities were purchased.

- Goods purchased were of a slightly poorer quality.
  - There was a general price decrease in raw material.  
(Any TWO reasons)
- b. Possible reasons for the difference in factory overhead cost per unit:
- Total production was lower than expected.
  - Maintenance of factory was higher than expected.
  - There was an increase in price of electricity/rent.  
(Any TWO reasons)
- c. Ways in which Rainbow T-shirt manufacturers could increase their profits next year:
- Increase profit margin percentage.
  - Increase production – by doing this the fixed cost per unit decreases.
  - Increase sales.
  - Try to exercise better control over expenses.  
(Any TWO ways)

$$4. R200 \times \frac{114}{100} = R228$$

» **Informal assessment 10.1**

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**Marks: 63**

**Time: 35 minutes**

**SECTION A**

1. **General Ledger of Abrahams Manufacturers**  
**Balance Sheet accounts**

Dr				Raw Material Stock				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 Mar	01	Balance	b/d	✓ 78 456	00	2018 Feb	28	Work-in-progress / Raw materials issued ✓		✓✓✓ 557 200	00
2018 Feb	28	Bank		✓ 416 985	00			Balance	c/d	✓ 41 991	00
		Creditors control		✓ 93 300	00						
		Bank		✓ 10 450	00						
				599 191	00					599 191	00
2018 Mar	01	Balance	b/d	✓ 41 991	00						

[10]

Dr				Work-in-progress Stock				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 Mar	01	Balance	b/d	✓ 18 460	00	2018 Feb	28	Finished goods stock ✓		✓ 1 299 000	00
2018 Feb	28	Direct material costs ✓		✓ 557 200	00			Balance	c/d	✓ 12 430	00
		Direct labour costs ✓ (354 700 + 800)		✓✓✓ 355 500	00						
		Factory overheads ✓		✓ 380 270	00						
				1 311 430	00					1 311 430	00
2018 Mar	01	Balance		✓ 12 430	00						

[13]

Finished Goods Stock									
Dr					Cr				
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2017					2018				
Mar	01	Balance	b/d	✓ 48 210 00	Feb	28	Cost of sales ✓		✓✓ 1 304 700 00
2018									
Feb	28	Work-in-progress ✓		✓ 1 299 000 00			Balance	c/d	✓ 42 510 00
				<u>1 347 210 00</u>					<u>1 347 210 00</u>
2018									
Mar	01	Balance	b/d	✓ 42 510 00					

[8]

### Nominal account

Factory Overheads									
Dr					Cr				
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2018					2018				
Feb	28	Indirect material ✓ (2 300 + 50 000 – 2 140)		✓✓✓ 50 160 00	Feb	28	Work-in-progress ✓		✓ 380 270 00
		Wages / Indirect labour		✓ 145 650 00					
		Rent ✓ (120 000 × $\frac{120}{200}$ )		✓✓ 72 000 00					
		Insurance		✓ 31 500 00					
		Maintenance		✓ 48 500 00					
		Depreciation		✓ 32 460 00					
				<u>380 270 00</u>					<u>380 270 00</u>

[13]

### SECTION B

2. a. The cost of production will decrease. ✓✓ [2]

b. The quality of the plastic ✓✓  
 Is the supplier trustworthy in supplying the goods on time? ✓✓  
 Terms of agreement regarding payment ✓✓  
 (Any TWO answers) [4]

3. a. Break-even point  
 Contribution per unit = R150✓ – 89✓ = R61✓  
 Break-even point =  $\frac{453\,200\checkmark}{61\checkmark}$   
 = R7 429,51 = R7 430✓✓ [7]

b.  $\frac{1\,884\,000\checkmark}{150\checkmark} = 12\,560\checkmark$   
 Yes ✓, they have sold 12 560 units. ✓  
 The break-even point is 7 430 units. ✓ [6]



1. The term “green production” refers to the manufacture of products using sustainable and environmentally friendly production processes.
2. The term “bottom line” means profit. It refers to the last line of the Income Statement, which lists the net income (or net profit) of the business.
3. The writer suggest that “sustainable business practices are looking much more enticing” because the costs of electricity, water and other services are increasing.
4. The introduction of “green efficiencies” in the manufacturing of products usually results in the price of the products increasing and customers might choose other cheaper products. Also, the “green” label can cause customers to assume that the product is expensive and thus not even consider buying it.
5.
  - a. cost management
  - b. 37%
6. five million jobs by 2020 and a “more inclusive and greener economy”
7. 24%
8. efficiency
9. recycling of plastic scraps from their bottle-making process

## CHAPTER 11

### Budgeting

#### » Activity 11.1

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#### Cash Receipts of Polela Mdala from 1 July 2017 to 31 December 2017

Salary (after living expenses) $[\text{R}2\,500 \times 6]$	15 000
Private lessons $[(\text{R}200 \times 6) \times 5]$	6 000
Chef salary $[\text{R}1\,000 + (\text{R}1\,000 \times 120\% \times 5)]$	7 000
<b>Total receipts</b>	<b>28 000</b>

#### Cash Payments of Polela Mdala from 1 July 2017 to 31 December 2017

Grandmother's birthday present	500
Clothes $[\text{R}600 \times 3]$	1 800
Business School fees $[\text{R}300 \times 5]$	1 500
Cell phone airtime $[\text{R}75 \times 6]$	450
<b>Total payments</b>	<b>4 250</b>

#### Cash Receipts of Polela Mdala from 1 July 2017 to 31 December 2017

Cash on hand on 30 June 2017	24 000
Net cash from 1 June to 31 December 2017 $[\text{R}28\,000 - \text{R}4\,250]$	23 750
<b>Cash on hand on 31 December 2017</b>	<b>47 750</b>

Therefore, Polela can expect to have R47 750 cash on hand on 31 December 2017 and will be able to open her restaurant.

#### » Activity 11.2

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#### Polela Mdala

#### Cash Budget for the period 1 July 2017 to 31 December 2017

<b>RECEIPTS</b>	
Salary (after living expenses) $[\text{R}2\,500 \times 6]$	15 000
Private lessons $[(\text{R}200 \times 6) \times 5]$	6 000
Chef salary $[\text{R}1\,000 + (\text{R}1\,000 \times 120\% \times 5)]$	7 000
<b>TOTAL RECEIPTS</b>	<b>28 000</b>
<b>PAYMENTS</b>	
Grandmother's birthday present	500
Clothes $[\text{R}600 \times 3]$	1 800
Business School fees $[\text{R}300 \times 5]$	1 500
Cell phone airtime $[\text{R}75 \times 6]$	450
<b>TOTAL PAYMENTS</b>	<b>4 250</b>
CASH SURPLUS / DEFICIT	23 750
CASH BALANCE AT BEGINNING OF PERIOD	24 000
<b>CASH ON HAND AT END OF PERIOD</b>	<b>47 750</b>

**Green Fingers Garden Services**

**Cash Budget for the period 1 March 2017 to 30 April 2017**

	Mar 2017	Apr 2017	Total budget
<b>RECEIPTS</b>			
Services rendered [R500 × 25] [R500 × 30]	12 500	15 000	27 500
Rent income [1 500 × 120%]	1 500	1 800	3 300
Interest on fixed deposit [20 000 × 15% × $\frac{1}{12}$ ]	250	250	500
Equipment sold	500	–	500
<b>TOTAL RECEIPTS</b>	<b>14 750</b>	<b>17 050</b>	<b>31 800</b>
<b>PAYMENTS</b>			
General office expenses	800	800	1 600
Equipment purchased [2 700 ÷ 3]	–	900	900
Wages [2 000 × 115%]	2 000	2 300	4 300
Petrol [1 000 × 125%]	1 250	1 250	2 500
<b>TOTAL PAYMENTS</b>	<b>4 050</b>	<b>5 250</b>	<b>9 300</b>
CASH SURPLUS / DEFICIT	10 700	11 800	22 500
CASH BALANCE AT BEGINNING OF PERIOD	7 200	17 900	7 200
<b>CASH ON HAND AT END OF PERIOD</b>	<b>17 900</b>	<b>29 700</b>	<b>29 700</b>

**One-Stop Traders**

**Debtors Collection Schedule for the period 1 June 2017 to 31 July 2017**

Period	Credit sales	Collections Jun 2017	Collections Jul 2017	Bad debts
March 2017	R56 000 (56 000 × 17%)	9 520		
	(56 000 × 3%)			1 680
April 2017	R68 000 (68 000 × 20%)	13 600		
	(68 000 × 17%)		11 560	
	(68 000 × 3%)			2 040
May 2017	R63 000 (63 000 × 60%)	37 800		
	(63 000 × 20%)		12 600	
June 2017	R72 000 (72 000 × 60%)		43 200	
		<b>60 920</b>	<b>67 360</b>	<b>3 720</b>

Actual and budgeted sales	August	September	October	November
Total sales (160 000 × 110%)	150 000	160 000	176 000	186 000
Credit sales (60% of total sales)	90 000	96 000	105 600	111 600

**Hewlett Traders**

**Debtors Collection Schedule for the period 1 October 2017 to 31 November 2017**

Period	Credit sales	Collections Oct 2017	Collections Nov 2017	Bad debts
August 2017	R90 000 (90 000 × 15%)	13 500		
	(90 000 × 5%)			4 500
September 2017	R96 000 (96 000 × 50%)	48 000		
	(96 000 × 15%)		14 400	
October 2017	R105 600 (105 600 × 30% × 95%)	30 096		
	(105 600 × 50%)		52 800	
November 2017	R111 600 (111 600 × 30% × 95%)		31 806	
		<b>91 596</b>	<b>99 006</b>	<b>4 500</b>



**Activity 11.6**

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**Brooke Traders**

**Creditors Payment Schedule for the period 1 September 2017 to 31 October 2017**

Credit purchases	September	October
July (80 000 × 75%)	60 000 00	
August (90 000 × 75%)		67 500 00
	<b>60 000 00</b>	<b>67 500 00</b>



**Activity 11.7**

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**Ashwell Traders**

**Debtors Collection Schedule for the period 1 July 2017 to 31 August 2017**

Period	Credit sales	Collections Jun 2017	Collections Jul 2017	Bad debts
May 2017	R80 000 (80 000 × 15%)	12 000		
June 2017	R88 000 (88 000 × 25%)	22 000		
	(88 000 × 15%)		13 200	
July 2017	R95 000 (95 000 × 60% × 95%)	54 150		
	(95 000 × 25%)		23 750	
August 2017	R100 000 (100 000 × 60% × 95%)		57 000	
		<b>88 150</b>	<b>93 950</b>	

**Ashwell Traders**

**Creditors Payment Schedule for the period 1 July 2017 to 31 August 2017**

Period	Credit purchases	Payments Jul 2017	Payments Aug 2017
May 2017	R65 000 (65 000 × 70%)	45 500	
June 2017	R60 000 (60 000 × 30% × 97,5%)	17 550	
	(60 000 × 70%)		42 000
July 2017	R72 000 (72 000 × 30% × 97,5%)		21 060
		<b>63 050</b>	<b>63 060</b>



**Nomvete Traders**

**Cash Budget for the period 1 April 2017 to 30 June 2017**

	Apr 2017	May 2017	Jun 2017
<b>RECEIPTS</b>			
Cash sales	65 600	63 000	62 900
Cash from debtors	35 852	39 366	39 075
Interest on fixed deposit ( $50\,000 \times 18\% \times \frac{6}{12}$ )	–	–	4 500
Equipment	–	20 000	–
<b>TOTAL RECEIPTS</b>	<b>101 452</b>	<b>122 366</b>	<b>106 475</b>
<b>PAYMENTS</b>			
Cash purchases	54 000	50 800	58 500
Payments to creditors (40 000 × 95%)	38 000	–	–
(34 800 × 95%)	–	33 060	–
(35 000 × 95%)	–	–	33 250
Drawings (3 000 – 800 – 50)	2 150	2 150	2 150
Wages (15 000 × 110%)	15 000	15 000	16 500
Other operating expenses	12 000	12 000	12 000
Vehicle [(50 000 – 20 000) ÷ 3]	–	20 000	10 000
<b>TOTAL PAYMENTS</b>	<b>121 150</b>	<b>133 010</b>	<b>132 400</b>
CASH SURPLUS/DEFICIT	(19 698)	(10 644)	(25 925)
CASH BALANCE AT BEGINNING OF PERIOD	32 850	13 152	2 508
<b>CASH ON HAND AT END OF PERIOD</b>	<b>13 152</b>	<b>2 508</b>	<b>(23 417)</b>

Cash from debtors	April	May	June
January (42 000 × 20%)	8 400		
February (38 000 × 25%)	9 500		
(38 000 × 20%)		7 600	
March (37 400 × 50% × 96%)	17 952		
(37 400 × 25%)		9 350	
(37 400 × 20%)			7 4808
April (46 700 × 50% × 96%)		22 416	
(46 700 × 25%)			11 675
May (41 500 × 50% × 96%)			19 920
	<b>35 853</b>	<b>39 366</b>	<b>39 075</b>

**Mayosi Traders**

**Cash Budget for the period 1 January 2018 to 28 February 2018**

	Jan 2018	Feb 2018	Totals
<b>RECEIPTS</b>			
Cash sales (228 000 × 50%) (283 000 × 50%)	114 000	141 500	<b>255 500</b>
Collections from debtors	113 067	123 462	<b>236 529</b>
Loan: BF Bank	–	20 000	<b>20 000</b>
Vehicles	35 000	–	<b>35 000</b>
<b>TOTAL RECEIPTS</b>	<b>262 067</b>	<b>284 962</b>	<b>547 029</b>
<b>PAYMENTS</b>			
Cash purchases (231 000 × 20%) (192 000 × 20%)	46 200	38 400	<b>84 600</b>
Payments to creditors (222 000 × 80% × 97%) (231 000 × 80% × 97%)	172 272	179 256	<b>351 528</b>
Salaries (42 000 + 6 000 – 8 000) [(42 000 × 150%) + 8 000]	40 000	71 000	<b>111 000</b>
Drawings (8 000 – 2 600) (9 000 – 2 600)	5 400	6 400	<b>11 800</b>
Vehicles (120 000 ÷ 10)	–	12 000	<b>12 000</b>
Sundry expenses [3 800 + (44 500 × 90%)] [4 450 + (45 600 × 90%)]	43 850	45 490	<b>89 340</b>
Interest on loan (30 000 × 18% × $\frac{1}{12}$ ) (50 000 × 18% × $\frac{1}{2}$ )	450	750	<b>1 200</b>
<b>TOTAL PAYMENTS</b>	<b>308 172</b>	<b>353 296</b>	<b>661 468</b>
<b>CASH SURPLUS/DEFICIT</b>	<b>(46 105)</b>	<b>(68 334)</b>	<b>(114 439)</b>
<b>CASH BALANCE AT BEGINNING OF PERIOD</b>	<b>(8 800)</b>	<b>(54 905)</b>	<b>(8 800)</b>
<b>CASH ON HAND AT END OF PERIOD</b>	<b>(54 905)</b>	<b>(123 239)</b>	<b>(123 239)</b>

**Mayosi Traders**

**Debtors Collection Schedule for the period 1 January 2018 to 28 February 2018**

Period	Credit sales	Collections Jan 2018	Collections Feb 2018	Bad debts
November 2017	R127 500 (× 15%) (× 5%)	19 125	–	6 375
December 2017	R135 000 (× 25%) (× 15%) (× 5%)	33 750	20 250	6 750
January 2018	R114 000 (× 55%) (× 96%) (× 25%)	60 192	28 500	–
February 2018	R141 500 (× 55%) (× 96%)	–	74 712	–
		<b>113 067</b>	<b>123 462</b>	<b>13 125</b>

**Mbalula Traders****Cash Budget for the period 1 to 31 August 2016**

	<b>August 2016</b>
<b>RECEIPTS</b>	
Cash sales	22 600
Cash from debtors	70 520
June ( $88\,200 \times 15\%$ )	13 230
July ( $60\,500 \times 30\%$ )	18 150
August ( $82\,400 \times 50\% \times 95\%$ )	39 140
Rent income ( $6\,000 \times 115\%$ )	6 900
<b>TOTAL RECEIPTS</b>	<b>100 020</b>
<b>PAYMENTS</b>	
Cash purchases [ $(22\,600 + 82\,400) \times \frac{100}{150} \times 30\%$ ]	21 000
Payments to creditors [ $(18\,400 + 60\,500) \times \frac{100}{150} \times 70\%$ ]	36 820
Drawings	2 000
Salaries ( $20\,000 \times 108\%$ )	21 600
Other operating expenses	14 500
Bank charges	1 500
<b>TOTAL PAYMENTS</b>	<b>97 420</b>
CASH SURPLUS/DEFICIT	2 600
CASH BALANCE AT BEGINNING OF PERIOD	(8 200)
<b>CASH ON HAND AT END OF PERIOD</b>	<b>(5 600)</b>



**Marley Traders**

**Cash Budget for the period 1 January 2017 to 31 March 2017**

	Jan 2017	Feb 2017	Mar 2017
<b>RECEIPTS</b>			
Cash sales ( <i>see calculations below</i> )	1 300	1 500	1 350
Collections from debtors	10 746	11 205	11 907
November (9 900 × 36%)	3 564	–	–
December (12 600 × 60% × 95%)	7 182	–	–
(12 600 × 36%)	–	4 536	–
January (11 700 × 60% × 95%)	–	6 669	–
(11 700 × 36%)	–	–	4 212
February (13 500 × 60% × 95%)	–	–	7 695
Rent income* (1 650 × 110%)	1 650	1 650	1 815
Interest on fixed deposit (24 000 × 14% × $\frac{3}{12}$ )	–	–	840
Vehicles [(25 000 – 18 000) + 2 800]	9 800	–	–
<b>TOTAL RECEIPTS</b>	<b>23 496</b>	<b>14 355</b>	<b>15 912</b>
<b>PAYMENTS</b>			
Cash purchases ( <i>see calculations below</i> )	1 300	1 500	1 350
Payments to creditors ( <i>see calculations below</i> )	5 600	5 200	6 000
Insurance (800 + 3 000)	800	3 800	800
Sundry expenses (66 000 ÷ 12)	5 500	5 500	5 500
Wages (2 750 × $\frac{100}{110}$ %)	2 500	2 500	2 750
<b>TOTAL PAYMENTS</b>	<b>15 700</b>	<b>18 500</b>	<b>16 400</b>
<b>CASH SURPLUS/DEFICIT</b>	<b>7 796</b>	<b>(4 145)</b>	<b>(488)</b>
<b>CASH BALANCE AT BEGINNING OF PERIOD</b>	<b>(3 400)</b>	<b>4 396</b>	<b>251</b>
<b>CASH ON HAND AT END OF PERIOD</b>	<b>4 396</b>	<b>251</b>	<b>(237)</b>

\* Let rent income per month at the beginning of the previous year =  $r$

Then:  $(2 \times r) + (10 \times 1,1 \times r) = R19\ 500$

$$13r = R19\ 500$$

$$r = R1\ 500$$

Rent per month from 1 March 2016 =  $R1\ 500 \times 110\% = R1\ 650$

**Calculations**

Credit sales	November 2016	December 2016	January 2017	February 2017	March 2017
Total sales [(120 000 ÷ 12) × 130%] (15 000 × 90%)	11 000	14 000	13 000	15 000	13 500
Cash sales (10%)	1 100	1 400	1 300	1 500	1 350
Credit sales (90%)	9 900	12 600	11 700	13 500	12 150
Total purchases (50% of total sales)	5 500	7 000	6 500	7 500	6 750
Cash purchases (20%)	1 100	1 400	1 300	1 500	1 350
Credit purchases (80%)	4 400	5 600	5 200	6 000	5 400



1.

**Sharp Stores****Cash Budget for the period 1 March 2016 to 30 April 2016**

	Mar 2016	Apr 2016	Total budget
<b>RECEIPTS</b>			
Cash sales	52 500	67 500	120 000
Collections from debtors	195 750	228 750	424 500
Previous month	96 000	48 000	144 000
March	99 750	52 500	152 250
April	–	128 250	128 250
Capital contribution	–	20 000	20 000
Vehicles sales (30 000 – 12 000 + 4 000)	–	22 000	22 000
Interest on fixed deposit	1 875	–	1 875
<b>TOTAL RECEIPTS</b>	<b>250 125</b>	<b>338 250</b>	<b>588 375</b>
<b>PAYMENTS</b>			
Payments to creditors	*136 500	**181 500	318 000
Drawings	2 500	2 500	5 000
Interest on mortgage loan	2 400	1 200	3 600
Mortgage loan	–	60 000	60 000
Salaries	48 000	24 000	72 000
Operating expenses (other)	41 600	49 175	90 775
Purchase of vehicle	–	60 000	60 000
<b>TOTAL PAYMENTS</b>	<b>231 000</b>	<b>378 375</b>	<b>609 375</b>
<b>CASH SURPLUS/DEFICIT</b>	<b>19 125</b>	<b>(40 125)</b>	<b>(21 000)</b>
<b>CASH BALANCE AT BEGINNING OF PERIOD</b>	<b>(17 000)</b>	<b>2 125</b>	<b>(17 000)</b>
<b>CASH ON HAND AT END OF PERIOD</b>	<b>2 125</b>	<b>(38 000)</b>	<b>(38 000)</b>

\* R135 000 + 1 500

\*\* R180 000 + 1 500

2. The following problems may arise:

- The business's account will exceed its limit as a result of the vehicle that was purchased.
- Jacques should rather have waited until he had the necessary cash before selling the old vehicle and buying the new one.
- He could possibly increase his capital contribution to buy the new vehicle, should he have enough money available.
- His best option is to use the money invested in fixed deposits to buy the vehicle.
- He could borrow the money to buy the vehicle, but then he will have to pay interest on the loan.



**Sipho Stores**

**Projected Income Statement for the month ended 31 March 2017**

Sales (18 000 × [160%/60%])		R48 000
LESS: Cost of sales (18 000 × [100%/60%])		(30 000)
Gross profit		18 000
ADD: Other income		5 220
Rent income		5 220
<b>Gross operating income</b>		<b>23 220</b>
LESS: Operating expenses		(18 480)
Wages [(84 000 ÷ 12) × $\frac{2}{3}$ ]		10 500
Advertising (7 800 ÷ 3)		2 600
Insurance (18 000 ÷ 12) + (4 800 ÷ 6)		2 300
Stationery		550
Sundry expenses [(27 600 × 110%) ÷ 12]		2 530
<b>Operating profit (loss)</b>		<b>4 740</b>
ADD: Interest income (78 000 × 14% × $\frac{1}{12}$ )		910
<b>Profit (loss) before interest expense</b>		<b>5 650</b>
LESS: Interest expense		–
<b>Net profit (loss) for the month</b>		<b>5 650</b>

$$* \text{ Mark-up} = \frac{150\,000}{250\,000} \times \frac{100}{1} = 60\%$$



1.

**Kylie's Surf Shop**

**Projected Income Statement for the two months ended 31 December 2017**

	Nov 2017	Dec 2017
Sales*	28 400	55 000
LESS: Cost of sales (28 400 × $\frac{100}{133\frac{1}{3}}$ ) (55 000 × $\frac{100}{133\frac{1}{3}}$ )	(21 300)	(41 250)
Gross profit	7 100	13 750
ADD: Other income	2 500	5 000
Rent income (2 500 × 2)	2 500	5 000
<b>Gross operating income</b>	<b>9 600</b>	<b>18 750</b>
LESS: Operating expenses	(16 950)	(9 150)
Advertising (3 500 + 1 500)	5 000	1 500
Salaries	2 800	2 800
Rent expense	2 200	2 200
Repairs	4 300	–
Depreciation (18 000 × 10% × $\frac{1}{12}$ )	150	150
Sundry expenses	2 500	2 500
<b>Operating profit (loss)</b>	<b>(7 350)</b>	<b>(9 600)</b>
ADD: Interest income	–	–
<b>Profit (loss) before interest expense</b>	<b>(7 350)</b>	<b>9 600</b>
LESS: Interest expense (50 000 × 15% × $\frac{1}{12}$ )	(625)	(625)
<b>Net profit (loss)</b>	<b>(7 975)</b>	<b>8 975</b>

$$* \text{ Sales for November} = (1\,800 \times 8) + (1\,400 \times 10) = \text{R}28\,400$$

$$\text{Sales for December} = (1\,800 \times 15) + (1\,400 \times 20) = \text{R}55\,000$$

2. Answer could be “yes” or “no”, but answer should be supported by reasons and references to the Projected Income Statement, such as:
- Yes, Kylie should start the business because:
    - although she can expect to make a loss of about R8 000 in the first month, she should make a profit of about R9 000 in the second month.
    - the expected loss in the first month is mainly due to the limited sales volumes and the additional start-up expenses (advertising and repairs).
    - from the second month the sales volumes are expected to almost double, while the operating expenses are expected to decrease by about R7 800 (R16 950 – R9 150).
    - the sales volumes should hopefully increase as her shop becomes more established.
    - from the second month, the rent income of R5 000 per month will cover about half her monthly expenses (of about R10 000), so her monthly profit from sales will only have to be about R5 000 to break even.

OR:

- No, Kylie should not start the business because:
  - it is expected that she will make a loss of about R8 000 in the first month and will have to almost double her sales in the second month just to cover this loss.
  - even if she can sustain the profit expected in the second month, she still has to take into account the tax that she will need to pay. The amount that she will earn after paying tax is not worth taking on the risks involved with running a business.
  - these projections are based on two month during middle of summer (November and December), which is a time when many people take up surfing. Her sales volumes and rental income might be expected to decrease substantially during the winter month.

» **Case study 11.1**

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1.

**Bag It**

**Projected Income Statement for the period 1 September 2016 to 28 February 2017**

	Sep 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017
Sales	–	45 000	48 000	90 000	63 000	27 000
LESS: Cost of sales	–	(21 000)	(22 000)	(36 000)	(26 000)	(15 000)
<b>Gross profit</b>	<b>–</b>	<b>24 000</b>	<b>26 000</b>	<b>54 000</b>	<b>37 000</b>	<b>12 000</b>
ADD: Other income						
LESS: Operating expenses	(17 000)	(17 300)	(17 300)	(19 700)	(17 850)	(17 850)
Salaries	6 000	6 000	6 000	6 000	6 300	6 300
Wages	5 000	5 000	5 000	5 600	5 250	5 250
Rent expense	3 300	3 300	3 300	3 300	3 300	3 300
Water and electricity	500	500	500	500	500	500
Telephone	500	500	500	500	500	500
Insurance	–	300	300	300	300	300
Advertising/Marketing	–	–	–	1 800	–	–
Other overheads	1 000	1 000	1 000	1 000	1 000	1 000
Depreciation	700	700	700	700	700	700

Operating profit (loss)	(17 000)	6 700	8 700	34 300	19 150	(5 850)
ADD: Interest income	-	-	-	-	-	-
LESS: Interest expense	-	(800)	(800)	(800)	(800)	(800)
<b>Net profit (loss)</b>	<b>(17 000)</b>	<b>5 900</b>	<b>7 900</b>	<b>33 500</b>	<b>18 350</b>	<b>(6 650)</b>

2.

### Bag It

#### Debtors Collection Schedule for the period 1 September 2016 to 28 February 2017

Period	Credit sales	Collections Sep 2016	Collections Oct 2016	Collections Nov 2016	Collections Dec 2016	Collections Jan 2017	Collections Feb 2017
October 2016	R15 000			6 000	9 000		
November 2016	R16 000				6 400	9 600	
December 2016	R30 000					12 000	18 000
January 2017	R21 000						8 400
		-	-	6 000	15 400	21 600	26 400

3.

### Bag It

#### Cash Budget for the period 1 September 2016 to 28 February 2017

	Sep 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017
<b>RECEIPTS</b>						
Cash sales	-	30 000	32 000	60 000	42 000	18 000
Collections from debtors	-	-	6 000	15 400	21 600	26 400
Capital contribution	100 000	-	-	-	-	-
Loan	100 000	-	-	-	-	-
<b>TOTAL RECEIPTS</b>	<b>200 000</b>	<b>30 000</b>	<b>38 000</b>	<b>75 400</b>	<b>63 600</b>	<b>44 400</b>
<b>PAYMENTS</b>						
Cash purchases of stock	10 000	10 700	20 000	13 000	6 000	6 000
Payments to creditors	-	-	5 000	5 300	10 000	7 000
Repayment of loan	-	400	400	400	400	400
Interest on loan	-	800	800	800	800	800
Purchase of equipment	70 000	-	-	-	-	-
Salaries	6 000	6 000	6 000	6 000	6 300	6 300
Wages	5 000	5 000	5 000	5 600	5 250	5 250
Rent expense	6 600	3 300	3 300	3 300	3 300	3 300
Water and electricity	-	500	500	500	500	500
Telephone	-	500	500	500	500	500
Insurance	-	300	300	300	300	300
Advertising/Marketing	-	-	-	1 800	-	-
Other overheads	1 000	1 000	1 000	1 000	1 000	1 000
<b>TOTAL PAYMENTS</b>	<b>98 600</b>	<b>28 500</b>	<b>42 800</b>	<b>38 500</b>	<b>34 350</b>	<b>31 350</b>
<b>CASH SURPLUS/DEFICIT</b>	<b>101 400</b>	<b>1 500</b>	<b>(4 800)</b>	<b>36 900</b>	<b>29 250</b>	<b>13 050</b>
<b>CASH BALANCE AT BEGINNING OF PERIOD</b>	<b>-</b>	<b>101 400</b>	<b>102 900</b>	<b>98 100</b>	<b>135 000</b>	<b>164 250</b>
<b>CASH ON HAND AT END OF PERIOD</b>	<b>101 400</b>	<b>102 900</b>	<b>98 100</b>	<b>135 000</b>	<b>164 250</b>	<b>177 300</b>

4. a. The reason for Marie's anticipated high sales figures in December can be ascribed to her planned marketing campaign, as well as to the fact that it will be holiday season, when people spend more than at other times.
- b. No, it is not necessary for Marie to take out a loan. If she does not have to pay the interest, the capital contribution of R100 000 would be enough for her to make all her payments.

» **Informal assessment 11.1**

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**Marks: 66**

**Time: 40 minutes**

1.

**Camel Traders**

**Debtors Collection Schedule for the period 1 March 2018 to 30 April 2018**

Period	Credit sales	Collections Mar 2018	Collections Apr 2018
January 2018	$(25\ 000 \times 60\% \times 15\%)$	✓✓✓ 2 250	-
February 2018	$(32\ 000 \times 60\% \times 30\%)$	✓✓✓ 5 760	-
	$(32\ 000 \times 60\% \times 15\%)$	-	✓✓✓ 2 880
March 2018	$(26\ 000 \times 60\% \times 50\% \times 96\%)$	✓✓✓✓ 7 488	-
	$(26\ 000 \times 60\% \times 30\%)$	-	✓✓✓ 4 680
April 2018	$(28\ 000 \times 60\% \times 50\% \times 96\%)$	-	✓✓✓✓ 8 064
		<b>15 498</b>	<b>15 624</b>

[20]

2.

**Camel Traders**

**Cash Budget for the period 1 March 2018 to 30 April 2018**

	Mar 2018	Apr 2018
<b>RECEIPTS</b>		
Cash sales $(26\ 000 \times 40\%)$ $(28\ 000 \times 40\%)$	✓✓ 10 400	✓✓ 11 200
Collections from debtors	✓ 15 498	✓ 15 624
Interest on fixed deposit $(20\ 000 \times 12\frac{1}{2}\% \times \frac{3}{12})$	✓✓✓ 625	
Rent income $(990 \times 2)$	✓✓✓ 1 980	✓✓ 990
<b>TOTAL RECEIPTS</b>	<b>28 503</b>	<b>27 874</b>
<b>PAYMENTS</b>		
Cash purchases of stock $(13\ 000 \times 30\%)$ $(14\ 000 \times 30\%)$	✓✓✓ 3 900	✓✓✓ 4 200
Payments to creditors $(16\ 000 \times 70\% \times 95\%)$ $(13\ 000 \times 70\% \times 95\%)$	✓✓✓✓ 10 640	✓✓✓✓ 8 645
Stationery $(5\ 600 \times 25\%)$ $(5\ 600 \times 75\%)$	✓✓ 1 400	✓✓ 4 200
Drawings $(3\ 600 - 100)$	✓ 3 500	✓ 3 500
Insurance $[(4\ 800 \div 12) \div 75]$	✓✓ 475	✓ 475
Sundry expenses $[(18\ 000 \div 12) \times 108\%]$	✓✓ 1 620	✓ 1 620
<b>TOTAL PAYMENTS</b>	<b>21 535</b>	<b>22 640</b>
<b>CASH SURPLUS/DEFICIT</b>	<b>✓ 6 968</b>	<b>✓ 5 234</b>
<b>CASH BALANCE AT BEGINNING OF PERIOD</b>	<b>✓ (3 450)</b>	<b>✓ 3 518</b>
<b>CASH ON HAND AT END OF PERIOD</b>	<b>✓ 3 518</b>	<b>✓ 8 752</b>

\* Let rent income per month at the beginning of the previous year =  $r$

Then:  $(10 \times r) + (2 \times 1,1 \times r) = R10\ 980$

$$12,2 r = R10\ 980$$

$$r = R900$$

Rent per month from 1 January 2018 =  $R900 \times 110\% = R990$

[46]



Use the rubric below to assess the learners' competence in drawing up a Projected Income Statement.

Criteria	7	6	5	4	3	2	1																					
Learner has drawn up a basic business plan showing how the business would generate and manage income, main expenses, target market, competitive edge, number of employees, advertising strategy, and so on.																												
Projected Income Statement: the data and information selected from resources are relevant. Information is coherent and presented logically.																												
Comment on the viability of the business: knowledge and understanding. Conclusion is based on the evidence and shows independent reasoning.																												
Presentation: All sources that were consulted are properly acknowledged. Technical quality: effort made.																												
Originality and creativity																												
<p><b>Key:</b></p> <table> <tr> <td>7</td> <td>Outstanding</td> <td>80–100%</td> </tr> <tr> <td>6</td> <td>Meritorious</td> <td>70–79%</td> </tr> <tr> <td>5</td> <td>Substantial</td> <td>60–69%</td> </tr> <tr> <td>4</td> <td>Adequate</td> <td>50–59%</td> </tr> <tr> <td>3</td> <td>Moderate</td> <td>40–49%</td> </tr> <tr> <td>2</td> <td>Elementary</td> <td>30–39%</td> </tr> <tr> <td>1</td> <td>Not achieved</td> <td>20–29%</td> </tr> </table>								7	Outstanding	80–100%	6	Meritorious	70–79%	5	Substantial	60–69%	4	Adequate	50–59%	3	Moderate	40–49%	2	Elementary	30–39%	1	Not achieved	20–29%
7	Outstanding	80–100%																										
6	Meritorious	70–79%																										
5	Substantial	60–69%																										
4	Adequate	50–59%																										
3	Moderate	40–49%																										
2	Elementary	30–39%																										
1	Not achieved	20–29%																										
<b>Total: _____ out of 35</b>																												

## CHAPTER 12

### Inventory systems

#### » Activity 12.1

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	Criteria	Perpetual	Periodic
1.	When stock is bought, the cost price is debited to the:	<i>Cost of Sales</i> account	No entry as there is no <i>Cost of Sales</i> account
2.	When stock is sold, the cost price is credited to the:	<i>Trading Stock</i> account	No entry as the cost price cannot be determined
3.	How is cost of sales determined?	By using a profit mark-up percentage	Cost of sales cannot be determined
4.	Carriage on purchases and custom duty is debited to the:	<i>Trading Stock</i> account	<i>Carriage on Purchases</i> and <i>Customs Duty</i> accounts
5.	When stock is returned by a customer, the cost price is debited to the:	<i>Trading Stock</i> account	No entry as cost price cannot be determined
6.	When stock is returned to a supplier, the cost price is credited to:	<i>Trading Stock</i> account	<i>Purchases</i> account
7.	How is the value of closing stock determined?	By checking the closing balance in the <i>Trading Stock</i> account and by doing a physical stock take	By doing a physical stock take
8.	How does the business determine stock losses?	By comparing the closing balance in the <i>Trading Stock</i> account with the value of the stock take	By determining the profit mark-up % attained with the intended profit mark-up %

#### » Activity 12.2

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1. Because in this system, no continuous record of stock is kept
2. Cost of sales cannot be determined at the point of sale because a fixed profit mark-up is not maintained.
3. Account to be debited: *Purchases*  
Account to be credited: *Creditors Control*
4. Account to be debited: *Bank*  
Account to be credited: *Sales*
5. Account to be debited: *Carriage on Purchases*  
Account to be credited: *Bank*
6. In order to determine the amount of stock they are holding and in order to determine possible stock losses
7. A business selling a variety of items that are marked up differently
8. The government charged taxes on imports to increase their revenue and to encourage South African businesses to buy goods within our borders.

Perpetual stock system	
Advantages	Disadvantages
<i>Trading Stock</i> account is continually updated when stock is bought and sold therefore there is better control over the movement of stock.	Because this system is complex, expensive computer equipment is required to administer it.
The balance in the <i>Trading Stock</i> account (closing stock) should, at any time, be equal to the actual value of stock in the store therefore stock losses can easily be detected.	
Easy to determine trading stock deficit (Book value – Physical value).	

Periodic stock system	
Advantages	Disadvantages
This system is cheaper to administer as it does not require expensive computer equipment.	The value of closing stock is determined by a physical stock take done periodically therefore it is very difficult to determine stock losses after a stock take has been done.
	No <i>Trading Stock Deficit</i> account. It is difficult to determine because a continuous balance of stock on hand is not kept.

1.

**Cash Receipts Journal of Affordable Building Supplies for August 2019**

Doc. no.	Day	Details	Fol.	Analysis of receipts	Bank		Sales		Debtors control		Discount allowed		Sundry accounts	
													Amount	Details
	03	Sales		2 288 00			2 288 00							
64		Naran Paints		1 729 00	4 017 00				1 850 00		121 00			
	07	Sales		2 400 00	2 400 00		2 400 00							
	14	MT Plumbers		1 200 00	1 200 00								1 200 00	Bad debts recovered
	15	Sales		8 480 00			8 480 00							
66		Naran Paints		937 00	9 417 00				937 00					
	22	Sales		6 600 00			6 600 00							
67		Maxi Builders		2 400 00	9 000 00								2 400 00	Rent income
B/S	28	National Bank			84 00								84 00	Interest on current account
					<b>26 118 00</b>		<b>19 768 00</b>		<b>2 787 00</b>		<b>121 00</b>		<b>3 684 00</b>	

2.

**Cash Payments Journal of Affordable Building Supplies for August 2019**

Doc. no.	Day	Name of payee	Fol.	Bank	Purchases	Creditors control	Discount received	Debtors control	Sundry accounts	
									Amount	Details
187	01	Milestone Traders		4 400 00	4 400 00					
188	02	Ash Suppliers		1 649 00		1 736 00	87 00			
189	06	Giardino Moulds		6 400 00	6 050 00				350 00	Drawings
190	12	Cavalry Stationery		214 00					214 00	Stationery
181		Cash		3 569 00					3 569 00	Creditors for wages
D/N	13	Naran Paints		1 729 00				1 729 00		
192	18	Zamani Traders		5 280 00	4 500 00				780 00	Stationery
193	22	Municipality		640 00					640 00	Water & rates
194										
195	25	Employees		14 336 00					14 336 00	Creditors for salaries
B/S	28	National Bank		293 00					293 00	Bank charges
		N-Sure		500 00					500 00	Insurance
		CarFin		2 400 00					2 400 00	Loan: CarFin
196	30	Cash		850 00					850 00	Drawings
				<b>42 260 00</b>	<b>14 950 00</b>	<b>1 736 00</b>	<b>87 00</b>	<b>1 729 00</b>	<b>23 932 00</b>	

3.

**Debtors Journal of Affordable Building Supplies for August 2019**

Doc. no.	Day	Debtor	Fol.	Sales
89	07	D'Argie Builders		1 224 00
90		Seal Roofing		3 122 00
91		Balu Electricians		4 780 00
92	22	D'Argie Builders		3 200 00
				<b>12 326 00</b>

4.

**Debtors Allowances Journal of Affordable Building Supplies for August 2019**

Doc. no.	Day	Debtor	Fol.	Debtors allowances
21	09	D'Argie Builders		24 00

5.

**Creditors Journal of Affordable Building Supplies for August 2019**

Doc. no.	Day	Creditor	Fol.	Creditors control	Purchases	Sundry accounts	
						Amount	Details
52	06	Tiger Brands		2 848 00	2 848 00		
53	08	Auto Repairs		887 00		887 00	Repairs
54	22	Alpha Building Supplies		8 210 00	8 210 00		
				<b>11 945 00</b>	<b>11 058 00</b>	<b>887 00</b>	

6.

**Creditors Allowances Journal of Affordable Building Supplies for August 2019**

Doc. no.	Day	Creditor	Fol.	Creditors control	Creditors allowances	Sundry accounts	
						Amount	Details
7	23	Alpha Building Supplies		525 00	525 00		

7.

**General Journal of Affordable Building Supplies for August 2019**

Day	Details	Fol.	Debit		Credit		Debtors Control	
							Debit	Credit
12	Donations		850	00				
	Purchases				850	00		
13	Naran Paints		121	00			121	00
	Discount allowed				121	00		
	Naran Paints		24	00			24	00
	Interest received/Interest income				24	00		
15	Bad debts		937	00				
	Naran Paints				937	00		937 00
23	Drawings		650	00				
	Purchases				650	00		
							145	00
								937 00

8.

**Petty Cash Journal of Affordable Building Supplies for August 2019**

Doc. no.	Day	Details	Fol.	Petty cash		Purchases		Carriage on purchases		Sundry accounts		Fol.
										Amount	Details	
18	08	Star Express		128	00			128	00			
19	18	Star Express		150	00			150	00			
20	22	Packing material		28	00					28	00	Packing material
21	23	Postage		32	00					32	00	Postage
				338	00			278	00	60	00	

**Activity 12.5**

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1.

**Cash Receipts Journal of The Plant People for August 2020**

Doc. no.	Day	Details	Fol.	Analysis of receipts		Bank		Sales		Debtors control		Discount allowed	Sundry accounts		Fol.
													Amount	Details	
144	02	L Truter		740	00					800	00	60	00		
		Sales		6 736	00	7 476	00	6 736	00						
145	08	J Jacobs		365	00								365	00	Bad debts recovered
		Sales		8 368	00	8 733	00	8 368	00						
146	10	K Joubert		1 560	00					1 560	00				
		Sales		3 632	00	5 192	00	3 632	00						
	27	Sales		6 848	00	6 848	00	6 848	00						
147	29	D Conradie		1 050	00	1 050	00			1 200	00	150	00		
				29 299	00	25 584	00	3 560	00			210	00	365	00

2.

**Cash Payments Journal of The Plant People for August 2020**

Doc. no.	Day	Name of payee	Fol.	Bank	Purchases	Wages	Creditors control	Discount received	Sundry accounts		Fol.
									Amount	Details	
188	01	Cash		200 00					200 00	Petty cash	
189	04	George Hardware		1860 00			2 000 00	140 00			
190	06	Forest Wholesalers		4010 00			4 010 00				
191	14	Cash		6 580 00		6 400 00			180 00		
192	15	Municipality		570 00					570 00	Water and electricity	
193	16	Piet's Farm		6 880 00	6 880 00						
194	17	JJ the Handyman		3 625 00					3 625 00	Equipment	
195	20	Cash		6400 00		6 400 00					
196	21	Telkom		625 00					625 00	Telephone	
197	27	DJ Printers		670 00			700 00	30 00			
				<b>31 420 00</b>	<b>6 880 00</b>	<b>12 800 00</b>	<b>6 710 00</b>	<b>170 00</b>	<b>5 200 00</b>		

3.

**Creditors Journal of The Plant People for August 2020**

Doc. no.	Day	Creditor	Fol.	Creditors control	Purchases	Stationery	Equipment	Sundry accounts		Fol.
								Amount	Details	
112	04	Forest Wholesalers		3 112 00	3 112 00					
113	13	George Hardware		1 860 00			1 860 00			
114	23	Forest Wholesalers		6 550 00	4 220 00		2 330 00			
115	28	DJ Printers		2 680 00		1 230 00		1 450 00	Advertising	
				<b>14 202 00</b>	<b>7 332 00</b>	<b>1 230 00</b>	<b>4 190 00</b>	<b>1 450 00</b>		

**Creditors Allowances Journal of The Plant People for August 2020**

Doc. no.	Day	Creditor	Fol.	Creditors control	Creditors allowances	Stationery	Equipment	Sundry accounts		Fol.
								Amount	Details	
56	06	Forest Wholesalers		500 00	500 00					
57	16	George Hardware		330 00			330 00			
58	29	DJ Printers		100 00		100 00				
				<b>930 00</b>	<b>500 00</b>	<b>100 00</b>	<b>330 00</b>			

4.

**Debtors Journal of The Plant People for August 2020**

Doc. no.	Day	Debtor	Fol.	Sales
104	02	D Conradie		480 00
105	15	K Joubert		896 00
106	24	E Wilken		1 032 00
				<b>2 568 00</b>

**Debtors Allowances Journal of The Plant People for August 2020**

Doc. no.	Day	Debtor	Fol.	Debtors Allowances
23	17	K Joubert		88 00
24	25	E Wilken		72 00
				<b>160 00</b>

5.

**Petty Cash Journal of The Plant People for August 2020**

Doc. no.	Day	Details	Fol.	Petty cash		Purchases		Stationery		Sundry accounts		Fol.
										Details		
32	05	Mill Stores		80	00	80	00					
33	19	Makro		60	00			60	00			
34	25	Wages		40	00					40	00	Wages
				<b>180</b>	<b>00</b>	<b>80</b>	<b>00</b>	<b>60</b>	<b>00</b>	<b>40</b>	<b>00</b>	

6.

**General Journal of The Plant People for August 2020**

Day	Details	Fol.	Debit		Credit		Debtors Control		Creditors Control	
							Debit	Credit	Debit	Credit
01	Vehicles		50 000	00						
	Capital				50 000	00				
	(Owner gave personal van for business use)									
05	Drawings		560	00						
	Purchases				560	00				
	(Owners wife took plants for own use)									
09	Interest paid		16	00						
	DJ Printers				16	00				16 00
	(Creditor charged interest on overdue account)									
16	D Conradie		12	00			12	00		
	Interest received				12	00				
	(Charged overdue debtor's account with interest)									
27	Bad debts		1 250	00						
	L Truter				1 250	00		1 250	00	
	(Wrote off account as irrecoverable)									
31	Stationery		210	00						
	Purchases				210	00				
	(Correction of error)									
							<b>12 00</b>	<b>1 250 00</b>		<b>16 00</b>

No.	Perpetual stock system		Periodic stock system	
	Account to be debited	Account to be credited	Account to be debited	Account to be credited
1.	Trading stock	Creditors control	Purchases	Creditors control
2.	Debtors control	Sales	Debtors control	Sales
	Cost of sales	Trading stock	/	/
3.	Trading stock	Bank	Carriage on purchases	Bank
4.	Donations	Trading stock	Donations	Purchases
5.	Bank	Sales	Bank	Sales
	Cost of sales	Trading stock	/	/
6.	Debtors allowances	Debtors control	Debtors allowances	Debtors control
	Trading stock	Cost of sales	/	/
7.	Creditors control	Trading stock	Creditors control	Purchases



**General Ledger of Tembisa Dealers**  
**Balance Sheet accounts**

Dr					Debtors Control					Cr				
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount		
2019	Oct	01	Balance	b/d	23 000	00	2019	Oct	31	Bank and discount allowed	CRJ	12 700	00	
		31	Sales	DJ	57 000	00				Debtors allowances	DAJ	3 600	00	
										Balance	c/d	63 700	00	
					<b>80 000</b>	<b>00</b>						<b>80 000</b>	<b>00</b>	
2019	Nov	01	Balance	b/d	63 700	00								

Dr					Creditors Control					Cr				
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount		
2019	Oct	31	Bank and discount received	CPJ	25 700	00	2019	Oct	01	Balance	b/d	37 000	00	
			Sundry returns	CAJ	2 900	00			31	Sundry purchases	CJ	55 760	00	
			Balance	c/d	64 160	00								
					<b>92 760</b>	<b>00</b>						<b>92 760</b>	<b>00</b>	
							2019	Nov	01	Balance	b/d	64 160	00	

**Nominal accounts**

Dr					Purchases					Cr				
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount		
2019	Oct	01	Balance	b/d	270 000	00	2019	Oct	31	Creditors control	CAJ	2 200	00	
		31	Bank	CPJ	15 800	00				Drawings	GJ	1 200	00	
			Creditors control	CJ	22 800	00				Stationery	GJ	200	00	
			Petty cash	PCJ	160	00				Donations	GJ	1 700	00	
										Balance	c/d	303 460	00	
					<b>308 760</b>	<b>00</b>						<b>308 760</b>	<b>00</b>	
2019	Nov	01	Balance	b/d	303 460	00								

Dr					Sales					Cr				
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount		
							2019	Oct	01	Balance	b/d	450 000	00	
									31	Bank	CRJ	10 600	00	
										Debtors control	DJ	57 000	00	
												<b>517 600</b>	<b>00</b>	

Dr					Carriage on Purchases					Cr				
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount		
2019														
Oct	01		Balance	b/d	17 800	00								
	31		Bank	CPJ	4 000	00								
			Creditors control	CJ	650	00								
			Petty cash	PCJ	80	00								
					<b>22 530</b>	<b>00</b>								

Dr					Debtors Allowances					Cr				
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount		
2019														
Oct	01		Balance	b/d	11 400	00								
	31		Debtors control	DAJ	3 600	00								
					<b>15 000</b>	<b>00</b>								

» **Activity 12.8**

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1. – 2.

**General Ledger of Du Toit Traders**  
**Balance Sheet accounts**

Dr					Debtors Control					Cr				
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount		
2019							2019							
Nov	01		Balance	b/d	8 742	00	Nov	30	Bank and discount allowed	CRJ	33 200	00		
	30		Sales	DJ	62 480	00			Debtors allowances	DAJ	5 560	00		
			Journal debits	GJ	127	00			Journal credits	GJ	475	00		
									Balance	c/d	32 114	00		
					<b>71 349</b>	<b>00</b>					<b>71 349</b>	<b>00</b>		
2019														
Dec	01		Balance	b/d	32 114	00								

Dr					Equipment					Cr				
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount		
2019							2019							
Nov	01		Balance	b/d	120 205	00	Nov	30	Creditors control	CAJ	2 370	00		
	30		Creditors control	CJ	28 230	00			Balance	c/d	146 065	00		
					<b>148 435</b>	<b>00</b>					<b>148 435</b>	<b>00</b>		
2019														
Dec	01		Balance	b/d	146 065	00								

Dr					Creditors Control					Cr				
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount		
2019							2019							
Nov	30		Bank and discount received	CPJ	25 980	00	Nov	01	Balance	b/d	3 508	00		
			Sundry returns	CAJ	25 980	00		30	Sundry purchases	CJ	86 120	00		
			Journal debits	GJ	132	00			Journal credits	GJ	350	00		
			Balance	c/d	53 071	00								
					<b>89 978</b>	<b>00</b>					<b>89 978</b>	<b>00</b>		
							2019							
							Dec	01	Balance	b/d	53 071	00		

## Nominal accounts

Dr				Sales				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
						2019					
						Nov	01	Balance	b/d	55 150	00
							30	Debtors control	DJ	62 480	00
								Bank	CRJ	88 800	00
										<b>206 430</b>	<b>00</b>

Dr				Purchases				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019						2019					
Nov	01	Balance	b/d	104 400	00	Nov	30	Creditors control	CAJ	6 240	00
	30	Creditors control	CJ	53 310	00			Balance	c/d	234 695	00
		Bank	CPJ	83 225	00						
				<b>240 935</b>	<b>00</b>					<b>240 935</b>	<b>00</b>
2019											
Dec	01	Balance	b/d	234 695	00						

Dr				Stationery				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019						2019					
Nov	01	Balance	b/d	700	00	Nov	30	Creditors control	CAJ	55	00
	30	Creditors control	CJ	480	00			Balance	c/d	1 805	00
		Bank	CPJ	680	00						
				<b>1 860</b>	<b>00</b>					<b>1 860</b>	<b>00</b>
2019											
Dec	01	Balance	b/d	1 805	00						

Dr				Debtors Allowances				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019											
Nov	01	Balance	b/d	807	00						
	30	Debtors control	DAJ	5 560	00						
				<b>6 367</b>	<b>00</b>						

### » Activity 12.9

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#### 1. General Ledger of Jouba Lights Balance Sheet account

Dr				Trading Stock				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018						2019					
Jul	01	Balance	b/d	64 250	00	Jun	30	Opening stock	GJ	64 250	00
2019											
Jun	30	Closing stock	GJ	47 679	00						

## Nominal accounts

Dr				Sales				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019						2019					
Jun	30	Debtors allowances	GJ	18 590	00	Jun	01	Balance	b/d	1 254 000	00
		Trading account	GJ	1 344 910	00		30	Bank	CRJ	48 700	00
								Debtors control	DJ	60 800	00
				<u>1 363 500</u>	<u>00</u>					<u>1 363 500</u>	<u>00</u>

Dr				Purchases				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019						2019					
Oct	01	Balance	b/d	855 014	00	Oct	31	Creditors control	CAJ	5 800	00
	31	Bank	CPJ	44 700	00			Drawings	GJ	520	00
		Creditors control	CJ	28 960	00			Trading account	GJ	922 354	00
				<u>928 674</u>	<u>00</u>					<u>928 674</u>	<u>00</u>

Dr				Debtors Allowances				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019						2019					
Jun	01	Balance	b/d	16 720	00	Jun	30	Sales	GJ	18 590	00
	30	Debtors control	DAJ	1 870	00						
				<u>18 590</u>	<u>00</u>					<u>18 590</u>	<u>00</u>

Dr				Carriage on Purchases				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019						2019					
Jun	01	Balance	b/d	34 100	00	Jun	30	Trading account	GJ	35 985	00
	30	Bank	CPJ	840	00						
		Creditors control	CJ	1 045	00						
				<u>35 985</u>	<u>00</u>					<u>35 985</u>	<u>00</u>

Dr				Opening Stock				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019						2019					
Jun	30	Trading stock	GJ	64 250	00	Jun	30	Trading account	GJ	64 250	00

Dr				Closing Stock				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019						2019					
Jun	30	Trading stock	GJ	47 679	00	Jun	30	Trading account	GJ	47 679	00

2.

**General Journal of Jouba Lights for June 2019**

Day		Fol.	Debit		Credit	
30	Sales		18 590	00		
	Debtors allowances				18 590	00
	(Closing transfer)					
	Opening stock		64 250	00		
	Trading stock				64 250	00
	(Opening stock transferred to nominal account)					
	Trading account		1 022 589	00		
	Opening stock				64 250	00
	Purchases				922 354	00
	Carriage on purchases				35 985	00
	(Closing transfer)					
	Trading stock		47 679	00		
	Closing stock				47 679	00
	(Closing stock taken into consideration)					
	Sales		1 344 910	00		
	Closing stock		47 679	00		
	Trading account				1 392 589	00
	(Closing transfer)					
	Trading account		370 000	00		
	Profit and loss				370 000	00
	(Transfer of gross profit)					

3.

Dr				Trading account				Cr			
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
2019 Jun 30	Opening stock		GJ	64 250	00	2019 Jun 30	Sales		GJ	1 344 910	00
	Purchases		GJ	922 354	00		Closing stock		GJ	47 679	00
	Carriage on purchases		GJ	35 985	00						
	Profit and Loss		GJ	370 000	00						
				<u>1 392 589</u>	<u>00</u>					<u>1 392 589</u>	<u>00</u>

Dr				Profit and Loss account				Cr			
Date	Details		Fol.	Amount		Date	Details		Fol.	Amount	
						2019 Jun 30	Trading account		GJ	370 000	00

4.

Opening stock	R64 250
Purchases	922 354
Carriage on purchases	35 985
Goods available	1 022 589
Closing stock	(47 679)
Cost of sales	<u>R974 910</u>

$$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$$

$$\frac{370\,000}{974\,910} \times \frac{100}{1}$$

= 37,95% (profit mark-up achieved)

**General Ledger of Dube Traders  
Balance Sheet account**

Dr					Trading Stock					Cr				
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2019					2019					2019				
Feb	20	Balance	b/d	27 255 00	Feb	28	Opening stock	GJ	27 830 00					
	28	Purchases	GJ	575 00										
				<u>27 830 00</u>										<u>27 830 00</u>
	28	Closing stock	GJ	26 400 00										

**Nominal accounts**

Dr					Purchases					Cr				
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2019					2019					2019				
Feb	01	Balance	b/d	243 455 00	Feb	28	Trading stock	GJ	575 00					
	28	Donations	GJ	570 00			Creditors control	CAJ	3 910 00					
		Creditors control	CJ	3 610 00			Trading account	GJ	243 150 00					
				<u>247 635 00</u>										<u>247 635 00</u>

Dr					Carriage on Purchases					Cr				
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2019					2019					2019				
Feb	01	Balance	b/d	4 945 00	Feb	28	Trading account	GJ	5 335 00					
	28	Creditors control	CJ	390 00										
				<u>5 335 00</u>										<u>5 335 00</u>

**Final account**

Dr					Trading account					Cr				
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2019					2019					2019				
Feb	28	Opening stock	GJ	27 830 00	Feb	28	Sales (372 190 – 3 220)	GJ	368 970 00					
		Purchases	GJ	243 150 00			Closing stock	GJ	26 400 00					
		Carriage on purchases	GJ	5 335 00										
		Custom duty	GJ	3 950 00										
		Profit and loss	GJ	115 105 00										
				<u>395 370 00</u>										<u>395 370 00</u>

1. **General Ledger of Bergvliet Pet Store  
Nominal account**

Dr					Purchases					Cr				
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2019					2019					2019				
Sep	01	Balance	b/d	166 000 00	Sep	29	Drawings: T Scott	GJ	760 00					
		Creditors control	CJ	2 100 00			Trading account	GJ	167 340 00					
				<u>168 100 00</u>										<u>168 100 00</u>

## Final account

Dr				Trading account				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019 Sep	30	Opening stock	GJ	55 000	00	2019 Sep	30	Sales (290 000 – 2 450)	GJ	287 550	00
		Purchases	GJ	167 340	00			Closing stock (61 000 + 1 400)	GJ	62 400	00
		Carriage on purchases (11 000 + 105)	GJ	11 105	00						
		Profit and loss	GJ	116 505	00						
				<u>349 950</u>	<u>00</u>					<u>349 950</u>	<u>00</u>

2. Sales – Gross profit = Cost of sales

$$R287\,550 - 116\,505 = R171\,045$$

$$\frac{116\,505}{171\,045} \times \frac{100}{1} = 68\%$$

3. Sales – Cost of sales = Gross profit

$$R300\,000 - 194\,000 = R106\,000$$

$$\frac{106\,000}{194\,000} \times \frac{100}{1} = 54,6\%$$

No, she need not be concerned. Although her sales have dropped, she has made a higher percentage profit off her sales. She is actually better off than in the previous financial year because she is earning a higher percentage gross profit on cost of sales.

She should, however, be concerned that she has not achieved her intended profit mark-up of 75%. This could be due to the following factors: Theft, allowing too much discount or not marking her goods correctly.

4. **Main advantages of the perpetual stock system**

- A continuous record of stock on hand is kept.
- The value of stock losses can be easily determined.
- The cost price can be determined at the point of sale.

5. **Main advantages of the periodic stock system**

- It is easy to administer.
- Record keeping is simple.
- It can be used in any type of business.

### » Activity 12.12 (challenge)

LB page 456

1. Sales – Gross profit = Cost of sales

$$R1\,590\,770 - 433\,590 = R1\,157\,180$$

2.  $\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$

$$= \frac{433\,590}{1\,157\,180} \times \frac{100}{1}$$

$$= 37,4\%$$

3. Yes, expenses are quite high. It is nearly 50% of gross profit.
  - They could only employ one shop assistant.
  - The owners might want to become more involved in the daily running of the business.
  - They could rent a smaller shop.
  - The business owns two vehicles.
  - The running costs of the vehicles are quite high.
  - They could reduce their loan and overdraft to avoid the high finance costs.
  - If they reduce their stock holding they might pay less insurance.
4. Yes, they must increase their profit mark-up. They must, however, remain competitive and not charge exorbitant prices. They might improve service delivery and thus keep loyal customers.
5. No, the debtors allowances are quite high, 2% of total sales. Too many debtors are returning stock. The owners need to tighten up on their returns policy.
6. No, they are either not counting their stock correctly during the stock take process or they are not recording their transactions correctly. They cannot account for 2,6% of their stock.  
Advice: They need to take stock more regularly or process their transactions more thoroughly.
7. The amount is shared among the partners according to the partnership agreement. It will be transferred to the *Appropriation* account where it will be divided into:
  - interest on capital
  - salaries
  - remaining profit share.

» **Activity 12.13**

LB page 457

1. **General Ledger of Sunshine Café**  
**Nominal accounts**

Dr				Carriage on Purchases				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2019 Feb	28	Balance		9 775 00	2019 Feb	28	Trading account		10 105 00		
		Creditors control		330 00							
				10 105 00					10 105 00		

Dr				Purchases				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2019 Feb	28	Balance		210 765 00	2019 Feb	28	Drawings		690 00		
		Creditors control		4 800 00			Donations		1 380 00		
							Creditors control		15 470 00		
							Trading account		198 025 00		
				215 565 00					215 565 00		

## Final account

Dr		Trading account						Cr	
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount	
2019 Feb 28	Opening stock		98 000	00	2019 Feb 28	Sales (430 900 00 12 430)		418 470	00
	Purchases		198 025	00		Closing stock		87 640	00
	Carriage on purchases		10 105	00					
	Profit and loss		199 980	00					
			<u>506 110</u>	<u>00</u>				<u>506 110</u>	<u>00</u>

2. Cost price = R98 000 + 198 025 + 10 105 – 87 640 = R218 490

OR = R418 470 – 199 980 = R218 490

Profit mark up % =  $\frac{199\,980}{218\,490} \times \frac{100}{1}$   
= 91,53%

- The person ordering the stock must not count the stock when it arrives. Compare invoices with physical stock to delivery not when stock is delivered.  
Ensure that regular a stock take is done.  
Keep stock in a secure place to ensure that stock does not get stolen.  
The person entering the invoices in the books must not also check the delivery note.  
Ensure that staff at the tills are scanning all stock that is sold.
- Prudence principle – If stock is bought at different prices then it should be valued at the most accurate and concervative realisable price.



### Activity 12.14 (challenge)

LB page 458

## General Ledger of Seedgrow Seed Traders

### Final account

Dr		Trading account						Cr	
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount	
2019 Feb 28	Opening stock		33 000	00	2019 Feb 28	Sales		111 000	00
	Purchases		79 500	00		Closing stock		* 34 800	00
	Profit and loss		## 33 300	00					
			<u>145 800</u>	<u>00</u>				<u>145 800</u>	<u>00</u>

\* Balancing figures

# Calculation for gross profit:

$$111\,000 \times \frac{30}{100} = R33\,300$$

Claim from insurance company:

$$R34\,800 - 800 = R34\,000$$

**Note:**

The closing stock should have been R34 800 if no fire took place.



### Informal assessment 12.1

LB page 459

Marks: 35

Time: 25 minutes

No.	Source document	Journal	Account to debit	Account to credit	Amount
1.	Original invoice ✓	CJ	Purchases ✓✓	Creditors control ✓	✓4 104
			Packing material ✓✓	Creditors control ✓	680
2.	Cheque counterfoil ✓	CPJ	Carriage on purchases ✓✓	Bank ✓✓	166
3.	Debit note ✓	CAJ	Creditors control ✓	Purchases ✓✓	340
			Creditors control ✓	Packing material ✓✓	90
4.	Duplicate invoice ✓	DJ	Debtors control ✓✓	Sales ✓✓	720
5.	Credit note ✓	DAJ	Debtors allowances ✓✓	Debtors control ✓✓	240
6.	Voucher ✓	GJ	Drawings ✓✓	Purchases ✓✓	460

[35]



### Informal assessment 12.2

LB page 460

Marks: 39

Time: 25 minutes

#### General Ledger of Mike Traders Balance Sheet account

Dr				Trading Stock				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018 Jul ✓	01	Balance	b/d	✓	28 620 00	2019 Jun	30	Opening stock	GJ	✓✓	28 620 00
2019 Jun	30	Closing stock	GJ	✓✓	30 980 00						

[6]

#### Nominal accounts

Dr				Purchases				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019 Jun	01	Balance	b/d	✓✓	285 795 00	2019 Jun	30	Donations	GJ	✓✓✓	1 200 00
	30	Creditors control	CJ	✓✓✓	4 320 00			Drawings: Mike	GJ	✓✓✓	675 00
								Creditors control	CAJ	✓✓	4 590 00
								Trading account	GJ	✓✓	283 650 00
					290 115 00						290 115 00

[15]

Dr				Carriage on Purchases				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019 Jun	01	Balance	b/d	✓	5 805 00	2019 Jun	30	Trading account	GJ	✓✓✓	6 205 00
	30	Creditors control	CJ	✓✓	400 00						
					6 205 00						6 205 00

[6]

## Final account

Dr				Trading account				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2019						2019				✓✓✓✓	
June	30	Opening stock	GJ	✓✓	28 620 00	June	30	Sales (436 255 – 3 780)	GJ	432 475	00
		Purchases	GJ	✓	283 650 00			Closing stock	GJ	✓	30 980 00
		Carriage on purchases	GJ	✓	6 205 00						
		Profit and loss	GJ	✓✓	144 980 00						
					<b>463 455 00</b>					<b>✓</b>	<b>463 455 00</b>

[12]

» Activity 13.1

LB page 471

1. Value-added tax
2. VAT is the tax that is charged whenever goods are sold or services are rendered, by a registered VAT vendor.
3. **Compulsory registration** is the registration as a VAT vendor of a business enterprise whose annual income exceeds R1 million. This is required by law.  
**Voluntary registration** occurs when any enterprise whose annual income is less than R1 million (but more than R50 000) registers voluntarily as a VAT vendor.
4. 14%
5. Exempt items are goods or services on which VAT is not charged at either the standard rate or zero-rate.
6. Financial services, rental of a private residence, transportation of people by road or rail, educational services when supplied by the State (Any **two**)
7. Zero-rated items are goods or services which are taxed at a rate of 0%.
8. Brown bread, maize products, rice, milk, milk powder, milk blends, fruit, vegetables, lentils, dried beans and legumes, vegetable oil, eggs, canned pilchards, export of moveable goods, petrol, diesel, international transport of passengers and goods (Any **three**)
9. Input tax is the VAT **paid** by a registered VAT vendor on its purchases (“inputs”) from another registered VAT vendor.  
Output tax is the VAT **charged** by a registered VAT vendor to its customers for its goods or services (“outputs”).
10. VAT payable = Output tax – Input tax
11. Each vendor in the production and distribution chain is responsible for collecting VAT equal to 14% of the “value” he “added” (the difference between selling price and the cost involved in selling the product) to the product. This is why this tax is called “value-added” tax.
12. The benefit of this system to SARS is that they don’t have to wait for the product to be sold to the end customer before receiving tax.  
Tax is collected from each vendor in the production and distribution chain, as it is sold from vendor to vendor.

» Activity 13.2

LB page 475

1. Price (excl. VAT) = R200 + (R200 × 50%) = R300  
Price (incl. VAT) =  $R300 \times \frac{114}{100} = R342$
2. Price (excl. VAT) = R500 + (R500 × 100%) = R1 000  
Price (incl. VAT) =  $R1\ 000 \times \frac{114}{100} = R1\ 140$
3. Price (excl. VAT) = R40 + (R40 × 150%) = R100  
Price (incl. VAT) =  $R100 \times \frac{114}{100} = R114$

$$4. \text{ Price (excl. VAT)} = R150 + (R150 \times 33\frac{1}{2}\%) = R200$$

$$\text{Price (incl. VAT)} = R200 \times \frac{114}{100} = R228$$

$$5. \text{ Price (excl. VAT)} = R176 + (R176 \times 25\%) = R220$$

$$\text{Price (incl. VAT)} = R220 \times \frac{114}{100} = R250,80$$

### » Activity 13.3

LB page 475

$$1. \text{ VAT} = R4,56 \times \frac{14}{114} = R0,56 \text{ (or 56 cents)}$$

$$2. \text{ VAT} = R250,80 \times \frac{14}{114} = R30,80$$

$$3. \text{ VAT} = R741 \times \frac{14}{114} = R91,00$$

$$4. \text{ VAT} = R8,15 \times \frac{14}{114} = R1,00$$

$$5. \text{ VAT} = R1\,995 \times \frac{14}{114} = R245,00$$

### » Activity 13.4

LB page 475

No.	Cost price	% mark-up on cost	Selling price (excl. VAT)	VAT (at 14%)	Selling price (incl. VAT)
1.	R250	100%	R500	R70	R570
2.	R300	33 $\frac{1}{3}$ %	R400	R56	R456
3.	R4 200	25%	R5 250	R735	R5 985
4.	R100	150%	R250	R35	R285
5.	R500	100%	R1 000	R140	R1 140

### » Activity 13.5

LB page 476

**Tax invoice:** Invoice No. 223      **Date:** 2 May 2017

**From:** Bill's Computer Suppliers

**To:** CBA Data Company

Description	Amount
2 × HP Laser Printers	R6 000 00
VAT @ 14%	R840 00
<b>Total</b>	<b>R6 840 00</b>

**Tax invoice:** Invoice No. 237      **Date:** 11 May 2017

**From:** Bill's Computer Suppliers

**To:** Sea View Hotels

Description	Amount
2 × Dell Laptops	R15 000 00
VAT @ 14%	R2 100 00
<b>Total</b>	<b>R17 100 00</b>

**Tax invoice:** Invoice No. 229                      **Date:** 6 May 2017

**From:** Bill's Computer Suppliers

**To:** CompuStudy CC

Description	Amount	
18 × Compaq 17 inch monitors	R12 000	00
VAT @ 14%	R1 680	00
<b>Total</b>	<b>R13 680</b>	<b>00</b>

**Tax invoice:** Invoice No. 245                      **Date:** 15 May 2017

**From:** Bill's Computer Suppliers

**To:** Learn-well High School

Description	Amount	
10 × Mecer keyboards	R2 500	00
10 × HP Genius mouse	R1 000	00
Sub-total	R3 500	00
VAT @ 14%	R490	00
<b>Total</b>	<b>R3 990</b>	<b>00</b>

Bill's Computer Supplies

Cash sales slip 323

Total (excl. VAT)                      R56,00

VAT @ 14%                                      **R7,84**

Total (incl. VAT)                              **R63,84**

Bill's Computer Supplies

Cash sales slip 334

Total (excl. VAT)                      **R79,00**

VAT @ 14%                                      **R11,06**

Total (incl. VAT)                              **R90,06**

Bill's Computer Supplies

Cash sales slip 351

Total (excl. VAT)                      **R152,50**

VAT @ 14%                                      R21,35

Total (incl. VAT)                              **R173,85**

### » Activity 13.6

LB page 482

- E.
  - D.
  - A.
  - F.
  - B.
  - C.
- the VAT 201 return form
- 25th
- a penalty (fine) and interest
- The invoice basis of accounting for VAT requires vendors to account for VAT based on the tax period in which invoices are issued or received. However, where payment is received (or made) prior to an invoice being issued (or received), then the vendor must account for VAT at the time of the payment.  
The payments basis of accounting for VAT requires vendors to account for VAT only when payments are actually received and payments actually made.
- the accrual basis
- the receipts basis and the cash basis

8. **Advantages of using the invoices basis to account for VAT:**

- VAT on credit purchases can be deducted before payment is made to creditors.
- It is relatively easy to calculate and administer.

**Disadvantages of using the invoices basis to account for VAT:**

- VAT on credit sales is included before payment is received from debtors.
- It can lead to cash-flow problems.

9. **Advantages of using the payments basis of accounting for VAT:**

- VAT on credit sales is only included when payment is received from debtors.
- It can assist cash flow.

**Disadvantages of using the payments basis of accounting for VAT:**

- VAT on credit purchases can only be deducted after payment is made to creditors.
- It can be more difficult to calculate and administer.



**Activity 13.7**

LB page 485

<b>TAX INVOICE</b>			
<b>From:</b> Cellular Warehouse (Pty) Ltd 17 Cell Park Johannesburg 2001 VAT No. 4030251382			<b>Invoice No.:</b> 1004765
<b>To:</b> Cele Cellphone Stores 28 Maseru Street Orlando, Soweto 1840 VAT No. 6578236575			<b>Date:</b> 08 August 2016
DATE	DESCRIPTION	QUANTITY	AMOUNT
8/8/2016	Vodafone 252 Oscar @ R75 each	40	R3 420
	Nokia 1280 @ R100 each	25	<b>R2 850</b>
	Samsung E250 @ R250 each	20	R5 700
	Nokia 5130 Xpress Music @ R400 each	10	R4 560
	BlackBerry Curve 9300 @ R1 500 each	6	<b>R10 260</b>
		<b>TOTAL</b>	<b>R26 790</b>
		VAT included	<b>R 3 290</b>

**Calculations:**

Nokia 1280: Amount (incl. VAT) =  $(R100 \times 25) \times \frac{114}{100} = R2\ 850$

Samsung E250: Quantity =  $(R5\ 700 \times \frac{100}{114}) \div R250 = 20$

Nokia 5130 Xpress Music: Unit price (excl. VAT) =  $(R4\ 560 \times \frac{100}{114}) \div 10 = R400$

BlackBerry Curve 9300: Amount (incl. VAT) =  $(R1\ 500 \times 6) \times \frac{114}{100} = R10\ 260$

VAT included:  $R26\ 790 \times \frac{14}{114} = R3\ 290$

No.	Effect on the amount of VAT payable to SARS		Workings
	Decrease (-)	Increase (+)	
E.g.		R280	$R2\,280 \times \frac{14}{114} = R280$
1.		R210	$R1\,710 \times \frac{14}{114} = R210$
2.	R350		$R2\,850 \times \frac{14}{114} = R350$
3.	R105		$R855 \times \frac{14}{114} = R105$
4.		R91	$R741 \times \frac{14}{114} = R91$
5.	R11,20		$(R1\,824 \times 5\%) \times \frac{14}{114} = R11,20$
6.		R49	$R399 \times \frac{14}{114} = R49$
7.	R98		$R798 \times \frac{14}{114} = R98$
8.	R39,20		$R319,20 \times \frac{14}{114} = R39,20$
9.		R12,04	$(R2\,451 \times 4\%) \times \frac{14}{114} = R12,04$

» Activity 13.9

1. E.
2. H.
3. F.
4. B.
5. A.
6. D.

» Activity 13.10

1. False. When a vendor issues an invoice to a debtor, the vendor must account for the VAT amount on the invoice as output tax.
2. False. When a vendor writes off a debt as irrecoverable, the amount of VAT payable by the vendor should be decreased by the VAT portion of the amount written off.
3. False. A debt is seldom written off in the same tax period as it originated. OR A debt is usually written off after the tax period in which it originated.
4. True
5. False. In order to decrease the amount of VAT payable, a vendor must make an adjustment that either decreases output tax or increases input tax.
6. True.
7. True.
8. False. When a vendor issues a credit note to a debtor, the vendor must make an adjustment that decreases the amount of VAT payable.
9. False. If a vendor receives a payment from a customer whose debt had previously been written off, then the vendor must account for the VAT on the amount received as output tax.
10. True.

1. R1 008,00
2. output tax
3. March
4. R1 368,00
5. input tax
6. decrease
7. R342,00
8. decrease
9. output tax
10. input tax

» Case study 13.1

1. R6,4 million
2. “issuing false VAT invoices”
3. The Eksteens created two sets of invoices. They issued proper invoices with the correct amount of VAT to their customers, but accounted to SARS using false invoices for lesser amounts. Therefore they paid SARS less VAT than they actually collected and kept the difference for themselves.
4. 10 years
5. 4 years
6. the most devious and deceitful fraudulent act
7. It is an easy way for the public to provide SARS with information about someone who they suspect may be committing tax fraud.

» Informal assessment 13.1

**Marks: 25**

**Time: 15 minutes**

1. Price (excl. VAT) = R450 + (R450 × 50%) = R675 ✓✓  
 Price (incl. VAT) = R675 ×  $\frac{114}{100}$  = R769,50 ✓✓✓ [5]
2. VAT = R85,50 ×  $\frac{114}{100}$  = R10,50 ✓✓✓  
 Price (excl. VAT) = R85,50 – R10,50 = R75,00 ✓✓ [5]
- 3.

No.	Cost price	% mark-up on cost	Selling price (excl. VAT)	VAT (at 14%)	Selling price (incl. VAT)
a.	R400	100%	R800 ✓✓	R112 ✓✓	R912 ✓
b.	R2 200	50% ✓✓	R3 300 ✓✓	R462 ✓	R3 762
c.	R2 080 ✓✓	150%	R5 200 ✓✓	R728	R5 928 ✓

[15]

## CHAPTER 14

### Revision activities

#### Activity 14.1 Bank reconciliation

LB page 502

1.

#### Cash Receipts Journal of Caron's Boutique for April 2016

CRJ

Doc. no.	Day	Details	Fol.	Bank	Sundry accounts	
					Amount	Details
	30	Totals		54 600 00		
		Vergelegen Retirement Home		500 00	500 00	Donations
BS		Elzaan Properties		1 900 00	1 900 00	Rent income
BS		Southern Bank		107 00	107 00	Interest on current account
		Pen & Ink (chq 574 error)		360 00	360 00	Stationery
				<b>57 467 00</b>		

#### Cash Payments Journal of Caron's Boutique for April 2016

CPJ

Doc. no.	Day	Name of payee	Fol.	Bank	Debtors control	Sundry accounts		Fol.
						Amount	Details	
	30	Totals		42 120 00				
BS		Southern Bank		389 00		389 00	Bank charges	
BS		Allsure		890 00		890 00	Insurance	
BS		L King		405 00	405 00			
				<b>43 804 00</b>				

2.

#### General Ledger of Caron's Boutique

Dr					Bank					Cr	
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2016					2016						
Apr	01	Balance	b/d	13 930 00	Apr	30	Total payments	CPJ	43 804 00		
	31	Total receipts	CRJ	57 467 00			Balance	c/d	27 593 00		
				<b>71 397 00</b>					<b>71 397 00</b>		
2016											
May	01	Balance	b/d	27 593 00							

3.

#### Caron's Boutique

#### Bank Reconciliation Statement on 30 April 2016

	Fol.	Debit	Credit
Credit balance according to bank statement			24 794 00
Credit outstanding deposit			7 659 00
Debit cheques not presented for payment:			
No. 599		500 00	
No. 591		1 980 00	
No. 526		2 380 00	
Debit balance according to <i>Bank</i> account		27 593 00	
		<b>32 453 00</b>	<b>32 453 00</b>

1. Rent income, R2 600  
Cheque no. 877 expired, Ring o’ Roses Creche, R800
2. Dishonoured cheque, K Habana, R465  
Bank charges, R389

3.

**LL Stores**

**Bank Reconciliation Statement on 31 October 2015**

	Fol.	Debit		Credit	
Credit balance according to bank statement				68 439	00
Credit outstanding deposit				9 980	00
Debit cheques not presented for payment:					
no. 1997		7 400	00		
no. 2052		5 780	00		
no. 2101		7 500	00		
Debit balance according to <i>Bank</i> account		57 739	00		
		<b>78 419</b>	<b>00</b>	<b>78 419</b>	<b>00</b>

4. Add to *Creditors Control* and add to *Bank*.
5. Control measures:  
Record information from bank statements  
or any acceptable reason

1. **General Ledger of Breede River Traders**

Dr		Bank				B7				Cr
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount		
2013 Sep	30 Donations		300	00	2013 Sep	30 Balance	b/d	1 979	00	
	Packing material		1 056	00		Packing material		1 056	00	
	Creditors for wages		27	00		Debtors control: P Marais		582	00	
	Rent income		1 240	00		Insurance		400	00	
	Bad debts recovered		650	00		Drawings		200	00	
	Balance	c/d	1 413	00						
			<b>4 686</b>	<b>00</b>				<b>4 686</b>	<b>00</b>	
				00	2013 Oct	01 Balance	b/d	1 413	00	

2.

**Breede River Traders**  
**Bank Reconciliation Statement on 30 September 2013**

	Fol.	Debit		Credit	
Debit balance according to bank statement		1 664	00		
Credit incorrect entry				1 480	00
Credit outstanding deposit				4 899	00
Debit cheques not presented for payment:					
no. 2473		610	00		
no. 2489		997	00		
no. 2500		2 465	00		
no. 2501		1 056	00		
Credit balance according to <i>Bank</i> account				1 413	00
		<b>7 792</b>	<b>00</b>	<b>7 792</b>	<b>00</b>



**Activity 14.4 Creditors reconciliation**

LB page 506

1.

**Creditors Ledger of Joseph Stores**

**Adam Dealers**

Date	Details / Document number	Fol.	Debit		Credit		Balance	
2020 Mar 31	Balance						18 187	00
	Incorrect invoice		900	00			19 087	00
	Incorrect invoice		490	00			19 577	00
	Interest				97	00	16 894	00

2.

**Creditors Reconciliation Statement of Adam Dealers on 31 March 2020**

	Fol.	Debit		Credit	
Debit balance according to statement of account		21 044	00		
Credit note incorrect				400	00
Discount not entered				250	00
Payment after 29 March				3 500	00
Balance according to Creditors Ledger				16 894	00
		<b>21 044</b>	<b>00</b>	<b>21 044</b>	<b>00</b>

**General Ledger of Trendy Trading  
Balance Sheet accounts**

Dr				Accumulated Depreciation on Vehicles				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2013					2013						
Oct	01	Asset disposal		33 734 00	Jul	01	Balance	b/d	52 100 00		
	31	Balance	c/d	19 748 00	Oct	01	Depreciation		1 382 00		
				<b>53 482 00</b>					<b>53 482 00</b>		
					Nov	01	Balance	b/d	19 748 00		
					2014						
					Jun	30	Depreciation		13 383 00		
									<b>33 131 00</b>		

Dr				Asset Disposal				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2013					2013						
Oct	01	Vehicles		60 000 00	Oct	01	Accumulated depreciation on vehicles		33 734 00		
							Bank		20 000 00		
							Loss on sale of asset		6 266 00		
				<b>60 000 00</b>					<b>60 000 00</b>		

**Calculations  
Mazda Bakkie**

01/01/2010	30/06/2010	30/06/2011	30/06/2012	30/06/2013	1/10/2013
$R60\,000 \times 20\% \times \frac{6}{12}$ = R6 000	$R54\,000 \times 20\%$ = R10 800	$R43\,200 \times 20\%$ = R8 640	$R34\,560 \times 30\%$ = R6 912	$R27\,648 \times 20\% \times \frac{3}{12}$ = R1 382	

**Depreciation – 30 June 2014**

Old vehicles       $(R60\,000 - 19\,748) \times 20\% = R\,8\,050$

New vehicles       $R80\,000 \times 20\% \times \frac{4}{12} = R\,5\,333$

**R13 383**

**General Ledger of Dolphin Coast Traders  
Balance Sheet accounts**

Dr				Vehicles				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2014						2014					
Mar	01	Balance	b/d	67 000	00	Jul	01	Asset disposal		60 000	00
Jul	01	Creditors control		90 000	00		31	Balance	c/d	97 000	00
				<u>157 000</u>	<u>00</u>					<u>157 000</u>	<u>00</u>
2014											
Aug	01	Balance	b/d	97 000	00						

Dr				Accumulated Depreciation on Vehicles				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2014						2014					
Jul	01	Asset disposal		15 369	00	Mar	01	Balance	b/d	14 530	00
	31	Balance	c/d	700	00	Jul	01	Depreciation		1 539	00
				<u>16 069</u>	<u>00</u>					<u>16 069</u>	<u>00</u>
						2014					
						Aug	01	Balance	b/d	700	00
						2015					
						Feb	28	Depreciation		6 630	00
										<u>7 330</u>	<u>00</u>

Dr				Computers				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2014						2014					
Mar	01	Balance	b/d	8 600	00	May	01	Asset disposal		4 000	00
May	01	Bank		7 000	00		31	Balance	c/d	11 600	00
				<u>15 600</u>	<u>00</u>					<u>15 600</u>	<u>00</u>
2014											
Jun	01	Balance	b/d	11 600	00						

Dr				Accumulated Depreciation on Computers				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2014						2014					
May	01	Asset disposal		2 150	00	Mar	01	Balance	b/d	2 280	00
	03	Balance	c/d	230	00	May	01	Depreciation		100	00
				<u>2 380</u>	<u>00</u>					<u>2 380</u>	<u>00</u>
						2014					
						Jun	01	Balance	b/d	230	00
						2015					
						Feb	28	Depreciation		1 565	00
										<u>1 795</u>	<u>00</u>

Dr				Asset Disposal				Cr					
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2014 May		01 Computers			4 000 00		2014 May		01 Accumulated depreciation on computers			2 150 00	
									Bank			1 200 00	
									Loss on sale of asset			650 00	
					<b>4 000 00</b>							<b>4 000 00</b>	
2014 Jul		01 Vehicles			60 000 00		2014 Jul		01 Accumulated depreciation on vehicles			15 369 00	
		Profit on sale of asset			369 00				Creditors control			45 000 00	
					<b>60 369 00</b>							<b>60 369 00</b>	

### Calculations for depreciation Computers

#### Intel Celeron

01/01/2010	28/02/2011	28/02/2012	28/02/2013	28/02/2014	01/05/2014
$R4\ 000 \times 15\% \times \frac{5}{12}$ = R250	$R4\ 000 \times 15\%$ = R600	$R4\ 000 \times 15\% \times \frac{2}{12}$ = R100			
2 050					

#### AMD Athlon

01/11/2013	28/02/2014	28/02/2015
$R4\ 000 \times 15\% \times \frac{4}{12}$ = R230	$R4\ 000 \times 15\% \times \frac{4}{12}$ = R230	

#### Intel Pentium

01/05/2014	28/02/2015
$R7\ 000 \times 15\% \times \frac{10}{12} = R875$	



Dr		Accumulated Depreciation on Vehicles						Cr	
Date		Details	Fol.	Amount	Date	Details	Fol.	Amount	
2018					2018				
May	31	Asset disposal		31 360 00	Mar	01	Balance	b/d 52 100 00	
		Balance	c/d	23 300 00	May	31	Depreciation	2 560 00	
				<u>54 660 00</u>				<u>54 660 00</u>	
					Jun		Balance	b/d 23 300 00	
					2019				
					Feb	28	Depreciation	13 740 00	
								<u>37 040 00</u>	

### Calculations

Depreciation on equipment

Old equipment:  $R32\ 000 \times 15\% = R4\ 800$

New equipment  $R7\ 000 \times 15\% \times \frac{10}{12} = \underline{R\ 875}$   
**R5 675**

Depreciation on vehicles

Vehicle stolen:  $(R80\ 000 - 28\ 800) \times 20\% \times \frac{3}{12} = R\ 2\ 560$

Old vehicles:  $(R42\ 000 - 23\ 300) \times 20\% = R\ 3\ 740$

New vehicle:  $R120\ 000 \times 20\% \times \frac{5}{12} = \underline{R10\ 000}$   
**R13 740**

2.

### FIXED / TANGIBLE ASSETS

	Vehicles		Equipment	
Carrying value at beginning of year	69 900	00	17 200	00
Cost	233 000	00	32 000	00
Accumulated depreciation	(52 100)	(00)	(14 800)	(00)
Movements				
Additions	120 000	00	7 000	00
Disposals at carrying value	(48 640)	(00)	-	-
Depreciation	(16 300)	(00)	(5 675)	(00)
Carrying value at end of year	124 960	00	18 525	00
Cost	162 000	00	39 000	00
Accumulated depreciation	(37 040)	(00)	(20 475)	(00)

3. The driver should not be allowed to take the vehicle home at night or over weekends.

The vehicle should be parked in a garage at night and over weekends.

Safekeeping of assets

(Any acceptable answer)

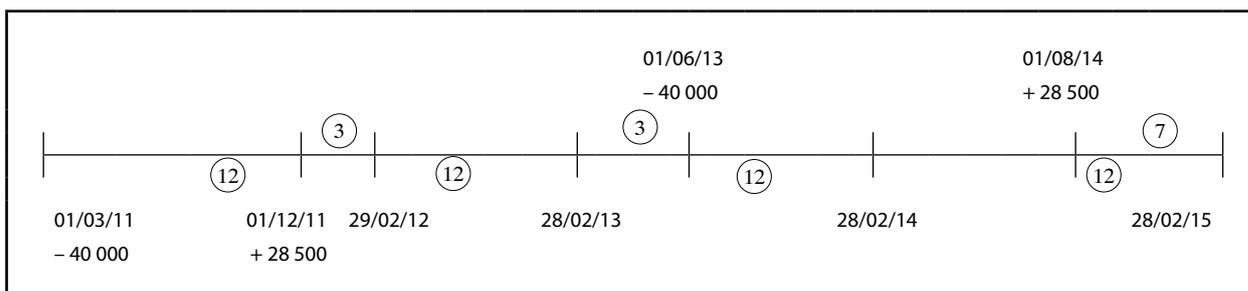
1. **General Ledger of Adam Traders**  
**Balance Sheet accounts**

Dr					Accumulated Depreciation on Equipment					Cr				
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount		
2013	Jun	01	Asset disposal (e)	CJ	15 680	00	2012	Feb	29	Depreciation (a)	GJ	9 000	00	
2014	Feb	28	Balance (h)	c/d	7 840	00	2013	Jun	30	Depreciation (b)	GJ	10 200	00	
							2013	Jun	01	Depreciation (d)	GJ	1 280	00	
							2014	Feb	28	Depreciation (f)	GJ	3 040	00	
				(e)	23 520	00				(g)	23 520	00		
							2014	Mar	01	Balance (h)	b/d	7 840	00	
							2015	Feb	28	Depreciation (i)	GJ	5 757	00	
										(j)	13 597	00		

2.

Dr					Asset Disposal					Cr				
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount		
2013	Jun	01	Equipment (c)	GJ	40 000	00	2013	Jun	01	Bank	CRJ	22 600	00	
										Accumulated depreciation on equipment (e)	GJ	15 680	00	
										Loss on sale of asset	GJ	1 720	00	
					40 000	00						40 000	00	

**Calculations**  
**Timeline**



$$(a) R40\ 000 \times \frac{20}{100} = R8\ 000$$

$$R20\ 000 \times \frac{20}{100} \times \frac{3}{12} = R1\ 000$$

$$R8\ 000 + 1\ 000 = R9\ 000$$

$$(b) R40\ 000 - 8\ 000 = R32\ 000 \times \frac{20}{100} = R6\ 400$$

$$R20\ 000 - 1\ 000 = R19\ 000 \times \frac{20}{100} = R3\ 800$$

$$R6\ 400 + 3\ 800 = R10\ 200$$

(c) R40 000

(d)  $R40\,000 - (8\,000 + 6\,400) = R25\,600 \times \frac{20}{100} \times \frac{3}{12} = R1\,280$

(e)  $R8\,000 + 6\,400 + 1\,280 = R15\,680$

(f)  $R20\,000 - (1\,000 + 3\,800) = R15\,200 \times \frac{20}{100} = R3\,040$

(g)  $R9\,000 + 10\,200 + 1\,280 + 3\,040 = R23\,520$

(h)  $R23\,520 - 15\,680 = R7\,840$

(i)  $R20\,000 - (1\,000 + 3\,800 + 3\,040) = R12\,160 \times \frac{20}{100} = R2\,432$

$R28\,500 \times \frac{20}{100} \times \frac{7}{12} = R3\,325$

$R2\,432 + 3\,325 = R5\,757$

(j)  $R7\,840 + 5\,757 = R13\,597$



**Activity 14.9 Partnerships: General Ledger accounts**

LB page 512

1. **General Ledger of Bessie Best**

Dr				Current account: Batt				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2020						2019					
Jun	30	Drawings: Batt		22 260	00	Jul	01	Balance	b/d	8 000	00
		Balance	c/d	9 100	00	2020					
						Jun	30	Interest on capital		6 400	00
								Salary: Batt		13 200	00
								Appropriation account		3 760	00
				<b>31 360</b>	<b>00</b>					<b>31 360</b>	<b>00</b>
						2020					
						Jul	01	Balance	b/d	9 100	00

2.  $R12\,800 + 8\,400 + \frac{7\,520}{160\,000} + 8\,000 \times 100$   
 $= \frac{28\,720}{160\,000} \times 100$   
 $= 17,1\%$

3. • In interest =  $R1\,280 \times \frac{100}{8}$   
 $= R16\,000$

or: capital on 1 July 2019 =  $R11\,520 \times \frac{100}{8}$   
 $= R144\,000$

• In capital =  $R160\,000 - 144\,000$   
 $= R16\,000$



1.

**General Journal of Sleptight Mattresses for June 2015**

Day		Fol.	Debit		Credit	
30 Jun	Drawings: Powell		17 650	00		
	Trading stock				17 650	00
	Drawings: Firman		780	00		
	Telephone				780	00
	Interest on capital		133 500	00		
	Current account: Powell				64 800	00
	Current account: Firman				68 700	00
	Salary: Powell		67 320	00		
	Current account: Powell				67 320	00
	Salary: Firman		84 000	00		
	Current account: Firman				84 000	00
	Current account: Powell		84 970	00		
	Drawings: Powell				84 970	00
	Current account: Firman		35 780	00		
	Drawings: Firman				35 780	00
	Profit and loss		317 470	00		
	Appropriation account				317 470	00
	Appropriation account		317 470	00		
	Salary: Powell				67 320	00
	Salary: Firman				84 000	00
	Interest on capital				133 500	00
	Current account: Powell				16 325	00
	Current account: Firman				16 325	00

2.

**General Ledger of Sleptight Mattresses**

Dr		Appropriation account						Cr	
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount	
2015 Jun 30	Salary: Powell	GJ	67 320	00	2015 Jun 30	Profit and loss (299 040 + 780 + 17 650)	GJ	317 470	00
	Salary: Firman	GJ	84 000	00					
	Interest on capital	GJ	133 500	00					
	Current account: Powell	GJ	16 325	00					
	Current account: Firman	GJ	16 325	00					
			<b>317 470</b>	<b>00</b>				<b>317 470</b>	<b>00</b>

### Calculations

Salaries: Powell  $R5\,500 \times 8 = R44\,000$   
 $R5\,500 \times \frac{106}{100} = R5\,830 \times 4 = \underline{R23\,320}$   
**R67 320**

Firman  $R7\,000 \times 12 = R84\,000$

Interest on capital: Powell  $R530\,000 \times 12\% \times \frac{6}{12} = R31\,800$   
 $R550\,000 \times 12\% \times \frac{6}{12} = \underline{R33\,000}$   
**R64 800**

Firman  $R595\,000 \times 12\% \times \frac{6}{12} = R35\,700$   
 $R550\,000 \times 12\% \times \frac{6}{12} = \underline{R33\,000}$   
**R68 700**

$R64\,800 + 68\,700 = R133\,500$

Remaining profit:  $(R299\,040 + 780 + 17\,650) - 67\,320 - 84\,800 - 133\,500$   
 $= R32\,650$

Powell: R16 325

Firman: R16 325

Drawings: Powell  $R67\,320 + 17\,650 = R84\,970$   
Firman  $R35\,000 + 780 = R35\,780$



1.

**S Sam and B Banga**

**Trading as Samba Traders**

**Income Statement for the year ended 28 February 2015**

	Note	R	
Sales [1 540 230 – (2 587 + 1 008 )]		1 536 635	00
Cost of sales (855 200 – 560 )		(864 640)	00)
<b>Gross profit</b>		<b>671 995</b>	<b>00</b>
Other operating income		22 785	00
Rent income (21 280 – 1 760)		19 520	00
Bad debts recovered		1 087	00
Discount received		1 778	00
Profit on sale of asset		400	00
<b>Gross operating income</b>		<b>694 780</b>	<b>00</b>
Operating expenses		(328 656)	00)
Discount allowed (2 544 – 250 )		2 294	00
Bad debts		1 870	00
Stationery (1 026 – 340 )		686	00
Water and electricity (9 624 + 334 )		9 958	00
Telephone (8 389 + 478 )		8 867	00
Insurance (15 800 – 1 200 )		14 600	00
Depreciation (243 + 4 423 )		4 666	00
Bank charges (2 532 + 189 )		2 721	00
Salaries and wages		266 410	00
Unemployment Insurance Fund contribution		2 664	00
Advertising		10 870	00
Provision for bad debts adjustment (948 – 750 )		198	00
Trading stock deficit [(44 632 + 560 ) – (41 780 + 560 )]		2 852	00
<b>Operating profit (loss)</b>		<b>366 124</b>	<b>00</b>
Interest income		-	-
<b>Profit (loss) before interest expense</b>		<b>366 124</b>	<b>00</b>
Interest expense (10 880 + 6 760 + 34 )		(17 674)	00)
<b>Net profit (loss) for the year</b>		<b>348 450</b>	<b>00</b>

**Interest on loan**

01/03/14	31/03/14	28/02/15
$R144\,000 \times 14\% \times \frac{4}{12}$ $= R5\,040$	$R120\,000 \times 14\% \times \frac{9}{12}$ $= R12\,600$	

**Rent income**

$$10x + 3\left(x \times \frac{110}{100}\right) = \text{R}21\,280$$

$$13,3x = \text{R}21\,280$$

$$\therefore x = \text{R}1\,600$$

$$x \times \frac{110}{100} = \text{R}1\,760$$

2. **General Ledger of Samba Traders**

Dr				Accumulated Depreciation on Equipment				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2014					2014						
Aug	31	Asset disposal		1 383 00	Mar	01	Balance	b/d	37 880 00		
		Balance	c/d	36 740 00	Aug	31	Depreciation		243 00		
				<b>38 123 00</b>					<b>38 123 00</b>		
					2014						
					Sep	01	Balance	b/d	36 740 00		
					2015						
					Feb	28	Depreciation		4 423 00		
									<b>41 163 00</b>		

$$3. (\text{R}6\,000 - 1\,383) + 400 = \text{R}5\,017$$

$$4. \frac{671\,995}{1\,536\,635} \times \frac{100}{1}$$

$$= 43,7\%$$

Sales, theft

5. a.

**TRADE AND OTHER RECEIVABLES**

Trade debtors (17 718 – 1 008 + 2 250)		18 960	00
Provision for bad debts		(948)	00
Net trade debtors		18 012	00
Creditors for wages		400	00
Expenses prepaid		1 200	00
		<b>19 612</b>	<b>00</b>

5. b.

**TRADE AND OTHER PAYABLES**

Trade creditors		22 480	00
Expenses accrued (payable) (334 + 478 + 6 760)		7 572	00
Income received in advance (deferred)		1 760	00
SARS (PAYE)		6 890	00
		<b>38 702</b>	<b>00</b>



6.

**S Sam and B Banga**

**Trading as Samba Traders**

**Extract from Balance Sheet at 28 February 2015**

	Note	R	
OWNER'S EQUITY		330 322	00
Capital		175 000	00
Current accounts		155 322	00
NON-CURRENT LIABILITIES		96 000	00
Loan from SA Bank		96 000	00
CURRENT LIABILITIES		75 777	00
Trade and other payables		38 702	00
Bank overdraft (10 452 + 400 + 189 + 2 000 + 34)		13 075	00
Short term loans		24 000	00
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>502 099</b>	<b>00</b>



**Activity 14.12 Partnerships: Interpretation of financial statements**

LB page 516

1.

**General Ledger of King Traders**

Dr				Appropriation account				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2015					2015						
Feb	28	Salary: Jenny		165 000 00	Feb	28	Profit and loss		420 100 00		
		Salary: Graham		110 000 00							
		Interest on capital		108 000 00							
		Current account: Jenny		18 550 00							
		Current account: Graham		18 550 00							
				<u>420 100 00</u>					<u>420 100 00</u>		

$$2. \frac{R110\,000 + 60\,000 + 18\,550}{\frac{1}{2}(500\,000 + 600\,000 + 5\,562 - 2\,988) \times \frac{100}{1}}$$

$$\frac{R188\,550}{551\,287} \times \frac{100}{1}$$

$$= 34,2\%$$

Yes, it is a good investment.

$$3. \quad 250\,000 : 1\,038\,154 \\ = 0,24 : 1$$

4. Yes, the proceeds on capital applied amount to 32,2%, while the interest is only 20%. The debt/owner's equity ratio is 0,24 : 1. The business is credit worthy.

$$5. \quad (68\,000 - 28\,000) : 482\,000 \\ = 39\,600 : 48\,200 \\ = 0,82 : 1$$

6. The acid ratio has decreased from 1,1 to 0,8 : 1.  
 The rate of stock turnover has improved from 8,4 to 9,2 times p.a.  
 The liquidity position is reasonable, but they may have a hard time paying their creditors.

» **Activity 14.13 Clubs (challenge)**

LB page 517

1. **General Ledger of Rovers Rugby Club**  
**Nominal accounts**

Dr				Membership Fees				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2014					2014						
Jan	01	Accrued income		300 00	Jan	01	Income received in advance		440 00		
Dec	31	Income received in advance		600 00	Dec	31	Bank – 2013		200 00		
		Income and expenditure		6 380 00			– 2014		5 610 00		
							– 2015		600 00		
							Membership fees written off		100 00		
							Honorarium		110 00		
							Accrued income		220 00		
				<u>7 280 00</u>					<u>7 280 00</u>		

Dr				T-shirts				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2014					2014						
Jan	01	Inventory: T-shirts		840 00	Dec	31	Bank		4 704 00		
Dec	31	Bank		4 200 00			Stock of club T-shirts		1 120 00		
		Profit from T-shirts	*	784 00							
				<u>5 824 00</u>					<u>5 824 00</u>		

**Calculations**

$$* \frac{840}{70} + \frac{4\,200}{70} - 16 = 56$$

$$56 \times R70 = R3\,920$$

$$R3\,920 \times \frac{20}{100} = R784$$

Dr				Stationery				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2014					2014						
Dec	31	Bank		328 00	Dec	31	Stationery on hand		87 00		
		Creditors		126 00			Income and expenditure		367 00		
				<u>454 00</u>					<u>454 00</u>		

Dr				Depreciation				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2014					2014						
Dec	31	Accumulated depreciation on equipment		3 700 00	Dec	31	Income and expenditure		3 700 00		
				<u>3 700 00</u>					<u>3 700 00</u>		

### Calculations

$$\begin{aligned} \text{c/d} \quad R25\,000 \times 12\% &= R3\,000 \\ \text{New} \quad R10\,000 \times 12\% \times \frac{7}{12} &= R\,700 \\ &\underline{\underline{R3\,700}} \end{aligned}$$

Dr				Insurance				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2014					2014						
Jan	1	Accrued expenses		400 00	Dec	31	Accrued expenses		210 00		
Dec	31	Bank		3 520 00			Income and expenditure		3 710 00		
				<u>3 920 00</u>					<u>3 920 00</u>		

Dr				Interest on Investment				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2014					2014						
Dec	31	Income and expenditure		2 000 00	Dec	31	Bank		1 500 00		
							Accrued income		500 00		
				<u>2 000 00</u>					<u>2 000 00</u>		

### Calculations

$$\begin{aligned} R20\,000 \times 10\% &= R\,2\,000 \\ &= \underline{R-1\,500} \\ &= \underline{\underline{R\,500}} \end{aligned}$$

Dr				Interest on Mortgage Bond				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2014					2014						
Dec	31	Bank		7 000 00	Dec	31	Income and expenditure		11 125 00		
		Accrued expenses		4 125 00							
				<u>11 125 00</u>					<u>11 125 00</u>		

### Calculations

$$\begin{aligned} R50\,000 \times 16\% \times \frac{7}{12} &= R\,7\,000 \\ R55\,000 \times 18\% \times \frac{5}{12} &= \underline{R\,4\,125} \\ &\underline{\underline{R11\,125}} \end{aligned}$$

Dr				Refreshments				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2014					2014						
Jan	01	Refreshments on hand		310 00	Dec	31	Bank		33 770 00		
Dec	31	Bank		23 410 00			Refreshments on hand		1 430 00		
		Creditors		3 200 00							
		Profit on sale of refreshments		8 280 00							
				<u>35 200 00</u>					<u>35 200 00</u>		

Dr				Rugby Balls				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2014					2014						
Jan	01	Rugby balls on hand		560 00	Dec	31	Rugby balls on hand		650 00		
		Bank		2 080 00			Income and expenditure		1 990 00		
				<u>2 640 00</u>					<u>2 640 00</u>		

Dr				Wages				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2014					2014						
Dec	31	Bank		11 000 00	Dec	31	Income and expenditure		12 000 00		
		Accrued expenses		1 000 00							
				<u>12 000 00</u>					<u>12 000 00</u>		

Dr				Telephone				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2014					2014						
Dec	31	Bank		2 676 00	Jan	01	Accrued expenses		254 00		
							Income and expenditure		2 422 00		
				<u>2 676 00</u>					<u>2 676 00</u>		

Dr				Honorarium				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2014					2014						
Dec	31	Bank		500 00	Jan	01	Accrued expenses		250 00		
		Membership fees		110 00	Dec	31	Income and expenditure		500 00		
		Accrued expenses		440 00							
				<u>750 00</u>					<u>750 00</u>		

### Final accounts

Dr				Accumulated Funds				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2014					2014						
Dec	31	Income and expenditure		734 00	Jan	01	Balance	b/d	171 040 00		
		Balance	c/d	170 806 00	Dec	31	Entrance fees		500 00		
				<u>171 540 00</u>					<u>171 540 00</u>		
					2015						
					Jan	01	Balance	b/d	170 806 00		

Dr				Income and Expenditure				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2014					2014						
Dec	31	Membership fees written off		100 00	Dec	31	Entrance fees		1 000 00		
		Ruby balls		1 990 00			Membership fees		6 380 00		
		Wages		12 000 00			Profit from sale of T-shirts		784 00		
		Stationery		367 00			Profit from sale of refreshments		8 280 00		
		Telephone		2 422 00			Interest on fixed deposit		2 000 00		
		Bank charges		364 00			Donations		1 000 00		
		Affiliation		600 00			Sponsor		17 000 00		
		Honorarium		800 00			Accumulated funds		734 00		
		Insurance		3 710 00							
		Interest on loan		11 125 00							
		Depreciation		3 700 00							
				<u>37 178 00</u>					<u>37 178 00</u>		

2.

**Post-closing Trial Balance for Rovers Rugby Club as at 31 December 2014**

	Fol.	Debit		Credit	
<b>Balance Sheet accounts</b>					
Accumulated profit				170 806	00
Club building (200 000 + 30 000)		230 000	00		
Equipment (25 000 + 10 000)		35 000	00		
Accumulated depreciation (8 200 + 3 700)				11 900	00
Loan: AMR Bank				55 000	00
Fixed deposit: Tedbank		20 000	00		
Savings account		600	00		
Bank				42 950	00
Creditors (1 540 + 126 + 3 200 – 1 980)				2 886	00
Accrued expenses (440 + 1 000 + 4 125)				5 565	00
Accrued income (110 + 500)		610	00		
T-shirts on hand		1 120	00		
Stationery on hand		87	00		
Prepaid expenses		210	00		
Refreshments on hand		1 430	00		
Rugby balls on hand		650	00		
Income received in advance				600	00
		<b>289 707</b>	<b>00</b>	<b>289 707</b>	<b>00</b>

3. Yes, as expenses have increased in price
4. No, they should rather pay off the loan to decrease interest expenses.
5. Cost price = R310 + 23 410 + 3 200 – 1 430 = R25 490

$$\begin{aligned} \text{Gross profit on cost price} &= \frac{8\,280}{25\,490} \times \frac{100}{1} \\ &= 32,5\% \end{aligned}$$

**» Activity 14.14 Clubs**

LB page 520

1. **General Ledger of Berg-en-Dal Hiking Club**

Dr		Membership Fees						Cr	
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount	
2016 Jan 01	Accrued income		1 800	00	2016 Jan 01	Income received in advance		1 500	00
Dec 31	Income received in advance		900	00	Dec 31	Bank 2015		1 200	00
	Income and expenditure (249 – 2 + 30) × R300		113 100	00		2016		108 000	00
						2017		900	00
						Membership fees written off		600	00
						Honorarium		300	00
						Accrued income		3 300	00
			<b>115 800</b>	<b>00</b>				<b>115 800</b>	<b>00</b>

Dr				Backpacks				Cr					
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2016							2016						
Jan	01	Stock: Backpacks			6 300	00	Dec	31	Bank			20 709	00
Dec	31	Bank			10 350	00			Gifts			1 350	00
		Creditors			7 200	00			Stock: Backpacks			4 950	00
		Profit on backpacks $(20\,709 \times \frac{18}{118})$			3 159	00							
					<u>27 009</u>	<u>00</u>						<u>27 009</u>	<u>00</u>

- Membership fees can remain the same.  
Use fixed deposits to pay off loan for lower interest.

### Activity 14.15 Clubs (challenge)

LB page 521

#### 1. General Ledger of Stellenbosch Tennis Club

Dr				Membership Fees				Cr					
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2014							2014						
Jan	01	Accrued income			15 600	00	Jan	01	Income received in advance			8 400	00
Dec	31	Income received in advance			9 600	00	Dec	31	Bank (4 800 + 109 200)			123 600	00
		Bank			2 400	00			Membership fees written off			10 800	00
		Income and expenditure			*134 400	00			Accrued income			19 200	00
					<u>162 000</u>	<u>00</u>						<u>162 000</u>	<u>00</u>

$$* (109 + 18 - 4 - 9 - 2) \times R1\,200$$

- No, they won't be happy. Membership fees of R10 800 were written off.
- Yes, the club shows a surplus of R76 000.
- Decrease membership fees.  
Improve facilities, with money from the investment.  
Any acceptable suggestion

- Fixed costs do not fluctuate; variable costs fluctuate e.g. rent, telephone. Variable costs vary according to the amount/number of units produced, e.g. material, embroidery.
- $R60 + 56 + 7 + 3 + 8 + 0,2 = R134,20$
- $R134,20 \times \frac{140}{100} = R187,88$
- Fixed costs  $R2\ 300 + 1\ 450 + 870 + 600 = R5\ 220$   
Profit  $R187,88 - 134,20 = R53,68$   
 $\frac{5\ 220}{53,68} = 98$  blazers
- $R187,88 \times \frac{14}{100} = R26,30$
- SARS receive tax throughout the entire process – not only at the end of it.

- Fixed costs =  $R1\ 000 + 2\ 300 + 9\ 000 = R12\ 300$   
  
Contribution per unit =  $\frac{12\ 300}{300} = R41$   
  
Selling price to break even = contribution/unit + variable cost/unit  
=  $R41 + 40 + 20 = R101$
- She must increase the number of units produced in a month.

1. **General Ledger of Withit Wellies**  
**Balance Sheet accounts**

Dr		Raw Material Stock				Cr			
Date	Details	Fol.	Amount		Date	Details	Fol.	Amount	
2010 Mar	01 Balance	b/d	87 330	00	2011 Feb	28 Raw materials issued / Work-in-progress/Direct material		965 690	00
2011 Feb	28 Creditors control		866 900	00		Balance	c/d	11 528	00
	Bank		22 988	00					
			<b>977 218</b>	<b>00</b>				<b>977 218</b>	<b>00</b>
2011 Mar	Balance	b/d	11 528	00					

Dr Work-in-progress Cr													
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2010	Mar	01	Balance	b/d	36 200	00	2011	Feb	28	Finished goods		2 125 891	00
2011	Feb	28	Direct material cost		965 690	00				Balance	c/d	39 870	00
			Direct labour cost		829 300	00							
			Factory overheads		334 571	00							
					<u>2 165 761</u>	<u>00</u>						<u>2 165 761</u>	<u>00</u>
2011	Mar	01	Balance	b/d	39 870	00							

Dr Consumable Stores Stock Cr													
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2010	Mar	01	Balance	b/d	6 880	00	2011	Feb	28	Factory overheads / Indirect material factory		21 556	00
2011	Feb	28	Bank		25 890	00				Sales and distribution / Indirect material sales		3 452	00
										Balance	c/d	7 762	00
					<u>32 770</u>	<u>00</u>						<u>32 770</u>	<u>00</u>
2011	Mar	01	Balance	b/d	7 762	00							

### Nominal account

Dr Factory Overheads Cr													
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount	
2011	Feb	28	Indirect material		21 556	00	2011	Feb	28	Work-in-progress		334 571	00
			Indirect labour		68 700	00							
			Rent (150 000 × $\frac{2}{3}$ )		100 000	00							
			Insurance		38 870	00							
			Maintenance		45 682	00							
			Depreciation on factory equipment		49 200	00							
			Depreciation on vehicle (24 647 × $\frac{3}{7}$ )		10 563	00							
					<u>334 571</u>	<u>00</u>						<u>334 571</u>	<u>00</u>

2. Cost of sales:

$$R64\ 630 + 2\ 125\ 891 - 56\ 400 = R2\ 134\ 121$$

### » Activity 14.19 Budgets (challenge)

LB page 525

1.

#### First Traders

#### Debtors Collection Schedule for the period 1 January 2015 to 28 February 2015

Date	Details		Jan 2015	Feb 2015
28	December	40 000	30 000	
	January	28 000	5 320	21 000
	February	32 000		6 080
			<u>35 320</u>	<u>27 080</u>

2.

**First Traders**

**Cash Budget for the period 1 January 2015 to 28 February 2015**

	Jan 2015	Feb 2015
<b>RECEIPTS</b>		
Cash sales	7 000	8 000
Collections from debtors	35 320	27 080
Interest on fixed deposit	500	500
Fixed deposit	–	50 000
<b>TOTAL RECEIPTS</b>	<b>42 820</b>	<b>85 580</b>
<b>PAYMENTS</b>		
Cash purchases of stock	7 000	8 000
Payments to creditors	30 000	21 000
Vehicles	33 000	3 100
Salaries	1 100	1 650
Drawings	1 500	1 500
Stationery	–	500
Insurance	–	2 160
Rent expense	2 880	2 880
<b>TOTAL PAYMENTS</b>	<b>75 480</b>	<b>40 790</b>
CASH SURPLUS/DEFICIT	(32 660)	44 790
BALANCE AT BEGINNING OF PERIOD	(2 000)	(34 660)
<b>CASH ON HAND AT END OF PERIOD</b>	<b>(34 660)</b>	<b>10 130</b>

3. a. It is an investment.  
It saves on rent expense. (any ONE answer)
- b. Capital           R40 000  
Fixed deposit    R50 000  
Loan                R110 000

**Activity 14.20 Budgets**

LB page 527

1.

**Green Store**

**Debtors Collection Schedule for the period 1 to 31 October 2014**

	Credit sales		October 2014
July 2014	18 000	× 20%	3 600
August 2014	2 000	× 20%	10 500
September 2014	24 000	× 20%	6 000
October 2014	20 000	× 20%	–
			<b>20 100</b>

2.

**Green Store**

**Cash Budget for the month 1 to 31 October 2014**

	OCT 2014
<b>RECEIPTS</b>	
Cash sales	18 000
Collections from debtors	20 100
Rent income	1 925
<b>TOTAL RECEIPTS</b>	<b>40 025</b>
<b>PAYMENTS</b>	
Cash purchases of stock	4 900
Payments to creditors	7 900
Current expenses	1 400
Drawings	500
Equipment	3 000
<b>TOTAL PAYMENTS</b>	<b>17 700</b>
CASH SURPLUS/DEFICIT	22 325
CASH BALANCE AT BEGINNING OF PERIOD	(2 135)
<b>CASH ON HAND AT END OF PERIOD</b>	<b>20 190</b>



**Activity 14.21 Budgets**

LB page 528

**Bennie Stores**

**Projected Income Statement for the period 1 September to 30 November 2020**

	Sep 2020	Oct 2020	Nov 2020
Sales	273 000	198 000	217 800
LESS: Cost of sales	(182 000)	(132 000)	(130 680)
Gross profit	91 000	66 000	87 120
ADD: Other income	2 100	2 415	2 415
Rent income	2 100	2 415	2 415
Gross income	93 100	68 415	89 535
LESS: Operating expenses	(56 910)	(53 351)	(54 015)
Bad debts	8 190	5 940	6 534
Depreciation	1 400	1 400	1 400
Salaries	40 600	38 640	38 640
Insurance	315	315	385
Stationery	105	126	126
Advertising	6 300	6 930	6 930
Operating profit (loss)	36 190	15 064	35 520
ADD: Interest income	200	-	-
<b>Net profit (loss)</b>	<b>36 390</b>	<b>15 064</b>	<b>35 520</b>



1. **General Ledger of Li-an Outfitters**  
**Nominal account**

Dr				Purchases				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2016						2016					
Feb	29	Balance	b/d	280 240	00	Feb	29	Creditors control		17 380	00
		Creditors control		3 460	00			Drawings		1 340	00
								Trading account		264 980	00
				<b>283 700</b>	<b>00</b>					<b>283 700</b>	<b>00</b>

**Final account**

Dr				Trading account				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2016						2016					
Feb	29	Opening stock		82 800	00	Feb	29	Sales (504 840 – 15 420 – 576)		488 844	00
		Purchases		264 980	00			Closing stock (76 900 + 320)		77 220	00
		Carriage on purchases (6 160 + 350)		6 510	00						
		Profit and loss		211 774	00						
				<b>566 064</b>	<b>00</b>					<b>566 064</b>	<b>00</b>

2.

**Cost of sales**

Opening stock	82 800	00
Purchases	264 980	00
Carriage on purchases	6 510	00
	354 290	00
Closing stock	(77 220)	00
<b>Cost of sales</b>	<b>277 070</b>	<b>00</b>

3. Percentage mark-up achieved:

$$\frac{211\,774}{277\,070} \times \frac{100}{1}$$

$$= 76,4\%$$

4. Need not worry.

Possible reasons for difference:

- sales
- stock losses



1. **General Ledger of Sunshine Café**  
**Nominal accounts**

Dr				Purchases				Cr			
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2015						2015					
Jun	30	Balance	b/d	304 210	00	Jun	30	Creditors control		4 682	00
		Creditors control		24 500	00			Trading account		324 028	00
				<b>328 710</b>	<b>00</b>					<b>328 710</b>	<b>00</b>

Dr					Carriage on Purchases					Cr				
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount		
2015							2015							
Jun	30	Balance		b/d	10 475	00	Jun	30	Trading account			12 175	00	
		Creditors control			1 700	00								
					<b>328 710</b>	<b>00</b>						<b>328 710</b>	<b>00</b>	

### Final account

Dr					Trading account					Cr				
Date		Details		Fol.	Amount		Date		Details		Fol.	Amount		
2015							2015							
Jun	30	Opening stock			34 650	00	Jun	30	Sales (598 520 – 2 541)			595 979	00	
		Purchases			324 028	00			Closing stock			54 800	00	
		Carriage on purchases			12 175	00								
		Customs duties			3 620	00								
		Profit and loss			376 306	00								
					<b>650 779</b>	<b>00</b>						<b>650 779</b>	<b>00</b>	

2. Periodic – cheaper  
 Continuous – better control over stock  
 or any acceptable answer.

### » Activity 14.24 Periodic stock system

LB page 531

No.	Source document	Subsidiary book	General Ledger		Amount
			Account debited	Account credited	
e.g.	Cheque counterfoil	CPJ	Stationery	Bank	R210
1.	Original invoice	CJ	Purchases	Creditors control	R34 200
2.	Cheque counterfoil	CPJ	Carriage on purchases	Bank	R450
3.	Debit note	CAJ	Creditors control	Purchases	R2 100
4.	Journal voucher	GJ	Drawings	Purchases	R980
5.	Journal voucher	GJ	Stationery	Purchases	R430
6.	Duplicate invoice	DJ	Debtors control	Sales	R1 392
7.	Credit note	DAJ	Debtors allowances	Debtors control	R120



1.  $R689\,088 + 22\,360 - 21\,660 - 442\,900 - 23\,400 = R223\,488$

$$\frac{223\,488}{689\,088} \times 100 = 32,4\%$$

2. Sales could have been held.  
Theft of stock  
Incorrect entries in books  
Delivery notes and stock were not checked

3. *Profit and Loss* account

4. *Closing Stock* account

5. Opening stock	R 23 400
Purchases	R442 900
Carriage on purchases	<u>R 21 660</u>
	R487 960
Closing stock	<u>R(22 360)</u>
Cost of sales	<u><b>R465 600</b></u>

6. **Advantages:** (any ONE)

- Better control over stock
- Always knows how much stock is on hand
- Will see if there is a deficit of stock

**Disadvantages:** (any ONE)

- More expensive
- More administration involved



1.  $R2\,667,60 \times \frac{14}{114} = R327,60$

2.  $\frac{2\,340}{20} = R117$

3.  $R117 \times \frac{160}{100} \times \frac{114}{100} = R213,41$

4. Input tax is what the business pays when they purchase stock / services.  
Output tax is what the business collects on behalf of SARS when sales take place.



1. Sales – zero-rated items  
= R133 632 – 21 000  
= R112 632  
 $R112\,632 \times \frac{14}{114} = R13\,832$
2. Output tax – Input tax  
= R13 832 – 5 977  
= R7 855
3. Cost price (VAT exclusive)  
= (R3 990 + 228)  $\times \frac{100}{114}$   
= R 3 700  
  
Selling price (VAT exclusive)  
= R3 700  $\times \frac{180}{100}$   
= R6 660  
  
Selling price (VAT inclusive)  
= R6 660  $\times \frac{114}{100}$   
= R7 592,40



1. When they have a turnover of R1 000 000 or more per annum
2. Output = VAT received by the business with sales
3. Every two months
4.  $R1\,580 \times \frac{14}{100} = R221,20$
5.  $R130 \times \frac{160}{100} = R208$   
 $R208 \times \frac{114}{100} = R237,12$
6. Input tax  
=  $R1\,580 \times \frac{14}{100} = R221,20$   
  
Output tax  
=  $R1\,580 \times \frac{160}{100} \times \frac{14}{100}$   
= R353,92  
  
Amount payable to SARS:  
= R353,92 – 221,20  
= R132,72



1. **General Ledger of Sam's Sport Shop**

Dr				Trading account				Cr			
Date		Details	Fol.	Amount	Date		Details	Fol.	Amount		
2018					2018						
Feb	28	Opening stock		76 120 00	Feb	28	Sales (1 259 500 – 3 100)		1256 400 00		
		Purchases (791 950 – 9 880)		782 070 00			Closing stock		33 420 00		
		Carriage on purchases		12 830 00							
		Profit and loss (1 256 500 × 33 $\frac{1}{3}$ %)		418 800 00							
				<b>1 289 820 00</b>					<b>1 289 820 00</b>		

2. Compare invoices to stock delivered  
 Limited entry to stock  
 Split responsibilities – person ordering and paying for stock is not the same  
 (Any acceptable answer)
  
3. Yes or no  
**Yes – reasons**
  - Better control of stock using the perpetual stock system
  - Install computer with scanning devices**OR**  
**No – reasons**
  - It is not possible to constantly change systems – it is very costly.
  - Perpetual system is very expensive to set up.
  
4. Prudence principle
  
5. This means the business is registered with SARS and collects VAT for SARS.  
 If a business has a turnover larger than R1 000 000 per annum
  
6. Selling price =  $R100 \times \frac{150}{100} = R150$   
 Marked price =  $R150 \times \frac{114}{100} = R171$
  
7. No he should not do this.  
 It is unethical.  
 His business can get into trouble if SARS traces this.

**MODERATION OF ASSESSMENT**

Moderation refers to the process that ensures that the assessment tasks are fair, valid and reliable.

Moderation should be implemented at school, district, provincial and national levels. Comprehensive and appropriate moderation practices must be in place for the quality assurance of all subject assessments.

Moderation at the school will be carried out by the head of department responsible for the subject. Teachers' portfolios and evidence of learner performance must be moderated to ensure that a variety of assessment tasks have been used to address the curriculum and that assessment covered a range of cognitive levels.

All assessment tasks should be moderated before they are handed out to learners. After an assessment task has been marked, at least three learners' tasks should be moderated.

The following moderation templates are provided to assist the teacher in the moderation process:

- template for the assessment of teacher portfolios
- template for the moderation of learner portfolios
- template for the moderation of examination papers/tests
- tracking moderation tool
- template for learner portfolio: contents/consolidation/intervention.











## Learner portfolio: Contents/Consolidation/Intervention ACCOUNTING Grade 11

Name:	Your goal for Accounting for the year:		
Contact detail of parents:	Home:	Work:	Cell phone:

CASS activities	Date	Total mark	Mark achieved	%	Comment of teacher/parent	Signature parent	Signature moderator	Calculation of year mark
<b>Term 1</b>								
Presentation								/10
Control test								/20
<b>Term 2</b>								
Project								/20
Mid-year examination								/20
<b>Term 3</b>								
Report								/10
Control test								/20
<b>TOTAL FOR YEAR MARK</b>								
<b>End-of-year examination</b>								
<b>TOTAL</b>								
								/100
								/300
								/400

**Statement of Authenticity:**

I hereby declare that ALL items in my portfolio are my own original work, and that where I have used any other source, I have given credit to it. These items were also not previously handed in for assessment / moderation.

Signature of learner: .....



	<b>SECTION 8</b>	
	<b>ANSWER SHEET TEMPLATES</b>	

**FORMAT FOR INCOME STATEMENT FOR PARTNERSHIP**

**Names of partners**

**Name of business**

**INCOME STATEMENT FOR THE YEAR ENDED .....**

	Note	R
Sales		
Cost of sales		
<b>Gross profit</b>		
<b>Other operating income</b>		
Discount received		
Rent income		
Profit on sale of assets		
Bad debts recovered		
etc.		
Salaries and wages		
Advertising		
Depreciation		
Bad debts		
Sundry expenses		
etc.		
<b>Operating profit (loss)</b>		
Interest income	1	
<b>Profit (loss) before interest expense</b>		
Interest expense	2	
<b>Net profit (loss) for the year</b>		

## FORMAT FOR BALANCE SHEET FOR PARTNERSHIP

Names of partners

Name of business

BALANCE SHEET AT .....

	Note	R
<b>ASSETS</b>		
NON-CURRENT ASSETS		
Fixed / tangible assets	3	
Financial assets		
CURRENT ASSETS		
Inventories	4	
Trade and other receivables	5	
Cash and cash equivalents	6	
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
OWNER'S EQUITY		
Capital	7	
Current accounts	8	
NON-CURRENT LIABILITIES		
Loan from ...		
Loan from ...		
CURRENT LIABILITIES		
Trade and other payables	9	
Bank overdraft		
Current portion of loan		
<b>TOTAL EQUITY AND LIABILITIES</b>		

## FORMAT FOR NOTES TO THE FINANCIAL STATEMENTS FOR PARTNERSHIP

**Names of partners**

**Name of business**

**NOTES TO THE FINANCIAL STATEMENTS AT .....**

### 1. INTEREST INCOME

On fixed deposit	
On savings account	
On current bank account	
On overdue debtors	

### 2. INTEREST EXPENSE

On loan from .....	
On overdraft	
On overdue creditors	

### 3. FIXED / TANGIBLE ASSETS

	Land and buildings	Vehicles	Equipment	Total
Carrying value at beginning of year				
Cost				
Accumulated depreciation				
Movements				
Additions				
Disposals at carrying value				
Depreciation				
Carrying value at end of year				
Cost				
Accumulated depreciation				

### 4. INVENTORIES

Trading stock	
Consumable stores on hand	

### 5. TRADE AND OTHER RECEIVABLES

Trade debtors	
Provision for bad debts	
Net trade debtors	
Expenses prepaid	
Income accrued (receivable)	
Deposits paid for water and electricity	

## 6. CASH AND CASH EQUIVALENTS

Fixed deposits (maturing within 12 months)	
Savings account	
Bank	
Cash float	
Petty cash	
Deposits paid for water and electricity	

## 7. CAPITAL

Balance at beginning of year	
Net profit (loss) for the year	
Additional capital contributed	
Decreasing of capital	
<b>Balance at end of year</b>	

## 8. CURRENT ACCOUNTS

	Partner A	Partner B	Total
Balance at beginning of year			
Net profit as per Income Statement			
Partners' salaries			
Interest on capital			
Partners' bonuses			
Primary distribution of profit			
Final distribution of profit			
Drawings for the year			
Undrawn profits (retained income) for the year			
<b>Balance at end of year</b>			

## 9. TRADE AND OTHER PAYABLES

Trade creditors	
Expenses accrued (payable)	
Income received in advance (deferred)	
Creditors for salaries	
Pension Fund	
Medical Aid	
SARS	

## FORMAT FOR STATEMENT OF RECEIPTS AND PAYMENTS FOR CLUB

Name of club

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED .....

	Note	R
<b>RECEIPTS</b>		
Membership fees		
Entrance fees		
Donations		
Sale of refreshments		
Fixed deposit matured		
Interest on fixed deposit		
Interest on savings account		
Etc.		
<b>PAYMENTS</b>		
Salaries and wages		
Purchase of refreshments		
Investment in fixed deposit		
Repairs		
Equipment		
Bank charges		
Creditors		
Etc.		
<b>Surplus (deficit) for the year</b>		
<b>Opening balances</b>		
Bank		
Savings account		
<b>Closing balances</b>		
Bank		
Savings account		

<b>INVESTMENT IN FIXED DEPOSIT</b>	
Balance at beginning of year	
Changes during the year	
Interest capitalised	
<b>Balance at end of year</b>	

## FORMAT FOR PRODUCTION COST STATEMENT FOR MANUFACTURING

Name of manufacturer

PRODUCTION COST STATEMENT FOR THE YEAR ENDED .....

	Note	R	
Direct material cost	1		
Direct labour cost	2		
Prime cost			
Factory overhead cost	3		
Total cost of production			
ADD: Work in progress at beginning of year			
LESS: Work in progress at end of year			
Cost of production of finished goods			

## FORMAT FOR CASH BUDGET

Name of business

CASH BUDGET FOR THE PERIOD ..... TO .....

*[actual & variance columns optional]*

	MMM YY	MMM YY	MMM YY	Total budget	Actual	Variance
<b>RECEIPTS</b>						
Cash sales						
Collections from debtors						
<b>TOTAL RECEIPTS</b>						
<b>PAYMENTS</b>						
Cash purchases of stock						
Payments to creditors						
<b>TOTAL PAYMENTS</b>						
CASH SURPLUS/DEFICIT						
BALANCE AT BEGINNING OF MONTH						
<b>CASH ON HAND AT END OF MONTH</b>						



# Study & Master

## Accounting

*Study & Master Accounting Grade 11* has been especially developed by an experienced author team according to the Curriculum and Assessment Policy Statement (CAPS). This new and easy-to-use course helps learners to master essential content and skills in Accounting.

The comprehensive Learner's Book includes:

- case studies which deal with issues related to the real world, and move learners beyond the confines of the classroom
- margin notes to assist learners with new concepts – especially GAAP flashes, that give learners guidance on General Accepted Accounting Practice
- examples with solutions after the introduction of each new concept.

The Teacher's Guide includes:

- a daily teaching plan, divided into the four terms, that guides the teacher on what to teach per day and per week
- moderation templates to assist teachers with assessment
- solutions to all the activities in the Learner's Book.



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