GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

REMOTE LEARNING ACTIVITY BOOK

(RELAB)

ACCOUNTING

GRADE: 11

Tern 1- 4

TEACHER'S GUIDE

GGT2030
GROWING GAUTENG TOGETHER

A. TABLE OF CONTENTS

B. INTRODUCTION AND PURPOSE OF THE RELAB

The pandemic has forced schools to resort to the implementation of rotational timetables-where learners who are at home during normal schooling must continue learning. Hence RELAB as a strategy towards the deployment of remote learning.
The RELAB is underpinned by the following Legislative demands:

1. Responding to GDE Strategic goal 2 promoting quality education across all classrooms and schools
2. **DBE Circular S13 of 2020** the requires the GDE to support the implementation of the Recovery Annual Teaching Plan (RATP)
3. **GDE Circular 11 of 2020** requiring districts to issue Learning Activity Packs to support schools for lockdown learning. Understanding learning constraints at home as majority of learners do not have access to devices or data to use for online learning. Many households are depending on schools to provide them with learning resources packs

RELAB is designed in a study guide format, where the content is briefly explained with related concepts as revision, in the form of e.g. notes, mind-maps, concept progression from the previous grade/s followed by exemplar exercises then practice exercises/problems . The exercises are pitched at different cognitive levels to expose learners at Grade 10 & 11 to these different cognitive levels of questioning. The NSC diagnostic reports in different subjects have revealed that learners fail to analyse questions and as a result fail to respond accordingly.

The RELAB is intended to ensure that learners work on exercises as per topics taught while at school. These exercises must be completed at home, fully and learners will receive feedback as groups or individually at school. It is therefore of paramount importance that teachers mark the work with learners in class, as a way of providing feedback. Educators must diagnose learner responses, remediate where necessary and plan further intervention.

Educators are encouraged to create WhatsApp groups to remind learners on what is expected of them in a particular week/ day(s). There shouldn't be a backlog on curriculum coverage as content will be covered simultaneously. Feedback from learners at home will confirm usage of the RELAB material.

RELAB further prepares learners for formal assessment.

BANK RECONCILIATION

ACTIVITY 1

1.1

CASH RECEIPT JOURNAL - MARCH 2020 CRJ 1

Doc	Day	Details	Bank	Amount	Details
	30	**Total**	9 200✓		
B/S		S Mart	2 400✓	2 400✓	Rent income✓
			11 600☑		

5

CASH PAYMENT JOURNAL - MARCH 2020 CPJ 1

Doc	Day	Details	Bank	Amount	Details
	30	**Total**	**10 280**		
B/S		Fast Insurers	900✓	900✓	Insurance✓
B/S		Mona Bank	85✓	85✓	Bank charges✓
			11 265☑		

7

1.2

GENERAL LEDGER OF DADDY STORES

Bank

2020 Mar 1	Balance b/d	13 890✓	2020 Mar 31	Sundry Accounts	11 625☑
2020 Mar 31	Sundry Accounts	11 600☑		Balance	14 225☑
		25 490☑			25 490
	Balance	14 225☑			

7

1.3

Prepare a Bank Reconciliation Statement for March 2020.

	Debit	Credit
Balance according to bank statement		11 325 ✓
Cr. Outstanding deposit		4 800 ✓
Dr. Outstanding EFT No 116	1 900 ✓	
Dr. Balance according to the bank account	14 225 See 1.2. ☑	
	16 125 ☑	16 125
	both figures must be the same	

5

ACTIVITY 2

2.1 CONCEPTS

2.1.1	False	✓
2.1.2	False	✓
2.1.3	True	✓

3

2.2.1 **Calculate the correct Bank Account balance on 31 July 2020.**

11 743✓ – 45✓ – 132 ✓+ 23 ✓– 800✓✓ + 522 ✓+ 189✓= 11 500☑
Favourable balance (dr)

9

2.2.2 **Bank Reconciliation Statement on 31 July 2020.**

	Debit	**Credit**
Balance according to Bank Statement		9 450✓
Cr Outstanding deposit		3 935✓
Dr Outstanding EFT	675✓	
Cr amount duplicated on bank statement		800 ✓
Dr Balance on the bank account	11 500 ☑ See 2.2.1	
	14 185	14 185
	☑ both figures must be the same	

7

2.2.3 **Provide ONE reason why the internal auditor expressed concern about Lucky's job description**

One valid reason: ✓✓

- Lucky is the sole person controlling cash. No division of duties.
- This is open to mismanagement and fraud.
- Lucky dos not have any supervision and may neglect duties/tasks.

2

2.2.4 **Explain to Lucky why it was necessary to prepare a bank reconciliation statement each month. Provide TWO points.**

Any TWO valid point ✓✓ ✓✓
Two valid points

- To check the business records against the bank records.
- To identify outstanding EFT's and deposits.
- To note and address errors and omissions.
- To note bank charges, interest and debit orders.
- Effective cash management/internal control mechanism.

4

ACTIVITY 3

3.1

CASH RECEIPT JOURNAL - JUNE 2020 CRJ 6

Doc	Day	Details	Bank	Amount	Details
	30	**Total**	**56 200**	**56 200**	
B/S		P. Nel	11 600✓	11 600✓	Rent income ✓
		Rand Bank	4 800✓	4 800✓	Telephone ✓
		N. Botha	3 400✓	3 400✓	Debtors Control✓
			76 000☑	76 000	

CASH PAYMENT JOURNAL - JUNE 2020 CPJ 6

Doc	Day	Details	Bank	Amount	Details
	30	**Total**	**67 400**	**67 400**	
		Service fees	1 500✓	1 500✓	Fee income ✓
B/S		Pro Insurers	5 890✓	5 890✓	Insurance✓
B/S		Matjhabeng	6 000✓	4 500✓	Rates and taxes ✓
				1 500✓✓	Drawings✓
B/S		YEN Bank	5 300✓	5 300✓	Loan✓
B/S		Rand Bank	910✓✓	593✓	Bank charges✓
				317✓	Interest on overdraft✓
			87 000☑	87 000	

10

21

3.2

GENERAL LEDGER OF HILTON TRADERS

Bank

2020 Jun 30	Sundry Accounts	76 000☑	2020 Jun 1	Balance	3 456✓
	Balance	14 456☑	Jun 30	Sundry Accounts	87 000☑
		90 456			90 456☑
				Balance	14 456☑

6

3.3

Bank Reconciliation Statement on 30 June 2020.

	Debit	Credit
Dr. Balance according to bank statement	balancing figure 12 645 ☑	
Cr. Outstanding deposit		17 800 ✓
Dr amount wrongly credited	16 300 ✓✓	
Cr Debit orders wrongly debited		2 244 ✓✓
Dr. Outstanding EFT – 654	5 555 ✓	
Cr. Balance according to the bank account		14 456 See 9.2 ☑
	34 500 ☑	34 500
	both figures must be the same	

9

3.4 **Provide TWO suggestions that the business can use to prevent a situation like the one experience on 26 May 2020 in the future.**

Any exceptable answers ✓✓ ✓✓

- All bank notes received must first be scanned under a UV light to detect counterfeit money.
- Encourage customers to make card / electronic payments.

`
4

3.5 **Identify the problem that is revealed by the previous reconciliation, and list TWO internal control measures to solve this problem.**

PROBLEM: ✓

Late deposits / not depositing money on time / keeping cash for a long period is risky.

TWO CONTROL MEASURES ✓✓ ✓✓

- Division of duties – ensure that the person receiving cash is not the one depositing cash
- Supervise deposits – authorised person to check and sign deposit slips
- Arrange with bank for notifications for all transactions (sms)

5

3.6 **Refer to the debit order for R2 244. Explain a possible reason how this may have occured, and provide advise on how this can be rectified.**

POSSIBLE EXPLANATION: ✓✓

Fraudulent entry; someone hacked the business security code; business entered the wrong account number for a service provider.

POINT OF ADVICE ✓✓

Cancel the debit order with the incorrect business / person receiving the funds
If that cannot be done, it may be necessary to change the business banking details Or change the security code
Closely monitor the statement / statement or transaction records can be easily accessed at regular intervals; to detect unusual entries.

4

2. CREDITORS RECONCILIATION

ACTIVITY 1

RECONCILIATION STATEMENT: BOGATSU SUPPLIERS			
	Debit	**Credit**	**Balance**
Balance			32 940
Invoice 110		1 980	30 960
Invoice 208		630	30 330
Invoice 401	9 000		**39 330**

CREDITORS' LEDGER ACCOUNT: BOGATSU SUPPLIERS			
	Debit	**Credit**	**Balance**
Balance			34 890
Discount cancelled		2 190	37 080
Invoice 309		2 250	**39 330**

ACTIVITY 2

RECONCILIATION AND INTERNAL CONTROLS
2.1 CREDITORS' RECONCILIATION

	Adjustment to the creditors ledger account of KHUMALO Suppliers	**Creditors reconciliation (adjustment to the statement)**
Balance	**19 353**	**16 502**
(i)		(450) ✓✓
(ii)	(520) ✓✓	
(iii)	(1 250) ✓✓	
(iv)	313✓✓	
(v)		188✓✓
(vi)	124✓✓	
(vii)		1 780✓✓
	18 020☑	18 020☑

16

2.2.

What advice would you offer him about this transaction? Quote a relevant GAAP principle in response.
Good explanation with the GAAP principle ✓✓✓ satisfactory explanation ✓✓ weak ✓wrong 0 • It is not good business practice to combine personal transactions with business transactions • The records of the business must reflect only business transactions so that the performance of the business can be assessed. • The owner's engagement with the business must be recorded as drawings to reflect a decrease in his equity

3

2.3

The internal auditor wants to improve the internal control of stock and creditors. Provide Two control measures that he may consider.
Any TWO valid control measures ✓✓ ✓✓ • Clear procedures for ordering, documenting, receiving and dispatching of goods. • Maintaining all documentation and ensuring that the relevant people receive and deal with them timeously • Random and regular stock check against records to detect losses and/or fraud/theft, • Update stock records against sales so that stock piling does not occur. • Division and rotation of duties for checks and balances.

4

23

ACTIVITY 3

3.1	**The bookkeeper, Walker, says it is not necessary for her to prepare a Creditors' Reconciliation Statement because the creditors send monthly statements at the end of each month. What would you say to her? State TWO points.**	
	Any TWO valid points ✓✓✓✓ Must be 2 separate points; Award part-marks for incomplete answers **Expected responses:** • The statement could contain errors. • This is an internal control measure. • This will lead to detection of errors/omissions/fraud. • To compare/check/reconcile the account to the statement.	4

3.2

No.	Creditors' Ledger of Amber Traders	Statement of account received from Mongi Suppliers	
Balance	**110 170**	**111 600**	
A	+13 940✓		
B	-540✓✓		
C	-9 000✓	-9 000✓	
D	+370✓✓		
E		-630✓✓	
F	+2 130✓✓		
G	-5 250✓ -5250✓or -10 500		
H		+4 600✓	
	106 570☑*	**106 570☑***	
			16

Totals do not have to agree
Sign and amount must be correct to award marks;
If no sign, assume positive
Accept brackets as a negative figure

3. TANGIBLE ASSETS

ACTIVITY 1

Depreciation
90 000 x 10% = 9 000
5 000 x 10% x 6/12 =250

Total depreciation on equipment is :9 000 + 250 = 9 250

ACTIVITY 2

Depreciation

Old Asset
40 000 – 7 600 = 3 2400
32 400 x 10% = 3 240

New Asset
96 000 x 4/12 x 10% = 3 200

Depreciation : 3 240 + 3 200 = 6 440

ACTIVITY 3

1. CALCULATION OF DEPRECIATION

90 000 -9 000 = 81 000

81 000 x 10% = 8 100

2. ASSET REGISTER

Date	Cost	Depreciation	Accumulated depreciation	Book value
1 Jan 2019	**90 000**	**0**	**0**	**90 000**
31 Dec 2019		**9 000**	**9 000**	**81 000**
31 Dec 2020		8 100	17 100	72 900

GENERAL LEDGER

VEHICLES									
2020 Jan	1	Balance	b/d	**90 000**					

ACCUMULATED DEPRECIATION ON VEHICLES									
					2020 Jan	1	Balance	b/d	9 000
					2020 Dec	31	Depreciation		8 100

DEPRECIATION									
2020 Dec	31	Accumulated depreciation on vehicles		8 100					

4 NOTE TO FINANCIAL STATEMENTS

NOTE 3 – TANGIBLE / FIXED ASSETS	
	VEHICLES
Cost	90 000
Accumulated depreciation	(9 000)
Carrying value (01 January 2020)	81 000
MOVEMENTS	
Additions at cost	
Disposals at carrying value	
Depreciation for the year	(8 100)
Carrying value end of current year	72 900
Cost	90 000
Accumulated depreciation	(17 100)

BALANCE SHEET : 31 DECEMBER 2020	
ASSETS	
CURRENT ASSETS	
Fixed assets	72 100

ACTIVITY 4

Calculate the depreciation on 31 December 2020
Vehicle A 200 000 x 20% = 40 000 ***Depreciation for the current year is :*** Carrying Value – Residual Value of R1 R40 000 – R1 = R39 999
Vehicle B 250 000 x 20% = 50 000
New Vehicle 300 000 x 20% x 9/12 = 45 000
Total Depreciation 39 999 + 50 000 + 45 000 = 134 999

GENERAL LEDGER

VEHICLES									
2020 Jan	1	Balance	b/d	450 000	2020 Dec	31	Balance	c/d	750 000
April	1	Bank		300 000					
				750 000					750 000
2021 Jan	1	Balance	b/d	750 000					

ACCUMULATED DEPRECIATION ON VEHICLES									
2020 Dec	31	Balance	c/d	394 999	2020 Jan	1	Balance	b/d	260 000
					2020 Dec	31	Depreciation		134 999
				394 999					394 999
					2021 Jan	1	Balance	b/d	394 999

DEPRECIATION									
2020 Dec	31	Accumulated Depreciation on vehicles		134 999					

Income Statement – 31 December 2020	
Operating expenses	
Depreciation	(134 999)

Note on Tangible Assets – 31 December 2020		Calculations
	Vehicles	
Cost	450 000	***200 000 + 250 000***
Accumulated Depreciation	(260 000)	***160 000 + 100 000***
Carrying Value (01-01-2020)	190 000	
Movements		
Additions at cost	300 000	
Depreciation	(134 999)	***Check calculations above***
Carrying Value (31-12-2020)	355 001	
Cost	750 000	***200 000 + 250 000+300 000***
Accumulated Depreciation	(394 999)	***260 000 + 134 999***

ACTIVITY 5

GENERAL LEDGER OF NORWAY TRADERS: 28 FEBRUARY 2021

VEHICLES

2020 Mar	1	Balance	b/d	264 000	2020 Oct	1	Asset disposal	GJ	84 000
2020 Oct	1	Creditors Control		150 000	2021 Feb	28	Balance	c/d	330 000
				414 000					414 000
2021 Mar	1	Balance	b/d	330 000					

Asset disposal

2020 Oct	1	Vehicle	GJ	84 000	2020 Oct	1	Accumulated depreciation on vehicle	GJ	34 650
		Profit on sale of an asset	GJ	1 650			Creditors control	CRJ	51 000
				85 650					85 650

Accumulated depreciation on Equipment

2020 Oct	1	Asset disposal	GJ	***34 650	2020 Mar	1	Balance	b/d	86 000
2021 Feb	28	Balance	b/d	95 075	2020 Oct	1	Depreciation	GJ	7 350
					2021 Feb	28	Depreciation **(27 000 + 9 375)**	GJ	36 375
				129 725					129 725
					2021 Mar	1	Balance	b/d	95 075

Depreciation on Sold Asset		**Depreciation on old assets**
2018 Feb 28	84 000 x 15% x 2/12 = 2 100	(264 000 - 84 000) x 15% = 27 000
2019 Feb 28	84 000 x 15%= 12 600	
2020 Feb 29	84 000 x 15%= 12 600	**Depreciation on new asset**
2020 Sept 31	84 000 x 15% x 7/12 =7 350	150 000 x 5/12x15% = 9 375
Total depreciation = 34 650*		

ACTIVITY 6

6.1.1

Calculate depreciation for VEHICLES

OLD

30 000 – 1 = 29 999 ☑✓

NEW

180 000 x 15% x 10/12 = 22 500✓
29 999 + 22 500 = 52 499☑ **Depreciation for the year**

4

Calculate depreciation for EQUIPMENT

OLD
320 000 – 40 000 = 280 000
65 000 – 96 00 = 55 400
(280 000 – 55 400)✓ x 20% = 44 920✓

SOLD
40 000 x 20% x 3/12 = 2 000✓✓ **2018**
(40 000 – 2000)✓ x 20% = 7 600✓ **2019**
(40 000 – 9600)✓ x 20% x 6/12 = 3 040✓ **2020**

NEW
90 000 x 20% x 6/12 = 9 000✓✓
44 920 + 3 040 + 9 000 = 56 960☑ **Depreciation for the year**

11

6.1.2 GENERAL LEDGER OF TUMI TRADERS

Dr ASSET DISPOSAL ACCOUNT N6 Cr

Feb	29	Equipment	GJ	✓40 000	Feb	29	Acc dep on Equip (9600+3040)	GJ	☑✓12 640
		Profit on sale of asset	GJ	✓3 400			Creditors Control	GJ	☑✓30 760
				43 400					43 400

6

6.1.3	Tangible Assets [Note 3]	Land and Buildings	Vehicles	Equipment
	Carrying value on 28 February 2019	1 000 000	**30 000**	**255 000**
	Cost	✓1 000 000	**600 000**	✓ 320 000
	Accumulated Depreciation		**(570 000)**	**(65 000)**
	Movements			
	Additions at cost	✓200 000	**180 000**	✓90 000
	Disposals at carrying value			☑✓ (27 360)
	Depreciation		(52 499) see 6.1.1	(56 960) see 6.1.1
	Carrying value on 29 February 2020	1 200 000	☑157 501	☑ 260 680
	Cost	**1 200 000**	✓780 000	✓370 000
	Accumulated Depreciation		☑ (622 499)	☑ (109 320)

6.1.4 **Provide a suitable reason for the equipment being disposed (sold).**

Any ONE valid point ✓✓

The asset is no longer in use

Upgrade due to technology

Face-lift; improving the image of the company/business.

2

4. PARTNERSHIP LEDGER ACCOUNTS

ACTIVITY 1

GENERAL LEDGER OF REXEL STORES: FEBRUARY 2020

Balance Sheet Accounts Section

Dr		**CURRENT ACCOUNT : ALEX**						**B5**	**Cr**
2020 Feb	29	Drawings : Alex **[250 800 – 14 000]**	GJ	236 800	2019 March	01	Balance	b/d	7 000
		Balance	c/d	431	2020 Feb	29	Salary : Alex	GJ	189 000
							Interest on capital	GJ	24 000
							Appropriation	GJ	17 231
				237 231					237 231
					2020 March	01	Balance	c/d	431

Dr		**CURRENT ACCOUNT : REX**						**B6**	**Cr**
2020 Feb	29	Drawings : Rex **[157 500 + 14 000]**	GJ	171 500	2019 March	01	Balance	b/d	6 500
		Balance	c/d	31 769	2020 Feb	29	Salary :Rex	GJ	168 000
							Interest on capital	GJ	18 000
							Appropriation	GJ	10 769
				203 269					203 269
					2020 March	01	Balance	c/d	31 769

Final Accounts Section

Dr		**APPROPRIATION ACCOUNT**						**F3**	**Cr**
2020 Feb	29	Salary :Alex	GJ	189 000	2020 Feb	29	Profit and loss	GJ	427 000
		Salary :Rex	GJ	168 000					
		Interest on capital **[24 000 +18 000]**	GJ	42 000					
		Current a/c: Alex	GJ	17 231					
		Current a/c: Rex	GJ	10 769					
				427 000					**427 000**

Workings	
Interest on capital	
Alex	**Rex**
160 000 x 15% =24 000	40 000 x 15% x $\frac{6}{12}$ = 3 000 100 000 x 15% = 15 000 3 000 + 15 000 = 18 000
Salaries	
Alex	**Rex**
(14 500 x 12) + (60 000 x $\frac{3}{12}$) = 174 000 + 15 000 = 189 000	14 000 x 12 = 168 000
Remaining income	
427 000 –[189 000+168 000+ 18 000+24 000] =28 000	
Alex's Share	Rex's share
$\frac{16}{26}$ x 28 000 = 17 231	$\frac{10}{26}$ x 28 000 = 10 769

NOTES TO THE BALANCE SHEET ON 29 FEBRUARY 2020			
7.Capital Accounts	**Alex**	**Rex**	**Total**
Balance on 01 March 2019	R 160 000	R 100 000	R 260 000
Contribution of capital during the financial year	-	40 000	40 000
Withdrawal of capital during the year	-	-	-
Balance at 29 February 2020	160 000	140 000	300 000
8.Current Accounts	**Alex**	**Rex**	**Total**
Appropriation of net profit			
Salaries	189 000	168 000	357 000
Interest on capital	24 000	18 000	42 000
Bonus	-	-	-
Primary division of profits	213 000	186 000	399 000
Final division of profits	17 231	10 769	28 000
Profit per income statement	230 231	196 769	427 000
Drawings during the year	(236 800)	(171 500)	(408 300)
Retained income /loss for the year	(6 569)	25 269	18 700
Balance on 01 March 2019	7 000	6 500	13 500
Balance at 29 February 2020	**431**	**31 769**	**32 200**

ACTIVITY 2

GENERAL LEDGER OF SG TRADERS

Dr		CURRENT ACCOUNT : GREY						B5	Cr
2021 Feb	28	Drawings : Grey [110 000 + 1 800]	GJ	111 800	2020 March	01	Balance	b/d	22 000
		Balance	c/d	137 800	2021 Feb	28	Salary :Grey	GJ	132 000
							Interest on capital	GJ	50 000
							Appropriation	GJ	45 600
				249 600					249 600
					2021 March	01	Balance	c/d	137 800

Dr		CURRENT ACCOUNT : SIMON						B6	Cr
2020 March	01	Balance	b/d	14 000	2021 Feb	28	Salary :Simon	GJ	120 000
2021 Feb	28	Drawings : Simon	GJ	100 000			Interest on capital [30 000 +4 000]	GJ	34 000
		Balance	c/d	70 400			Appropriation	GJ	30 400
				184 400					184 400
					2021 March	01	Balance	c/d	70 400

Final Accounts Section

Dr		APPROPRIATION ACCOUNT						F3	Cr
2021 Feb	28	Salary: Grey	GJ	132 000	2021 Feb	28	Profit and loss	GJ	412 000
		Salary :Simon	GJ	120 000					
		Interest on capital [50 000 + 34 000]	GJ	84 000					
		Current a/c: Grey	GJ	45 600					
		Current a/c: Simon	GJ	30 400					
				412 000					412 000

Calculation of the correct net profit	
Net profit before adjustment	420 000
Interest on fixed deposit	1 300
Bank charges	(800)
Depreciation	(8 500)
	412 000

Sharing of profits	
412 000 – 132 000-120 000-50 000-34 000 = 76 000	
Share the remaining profit	
Grey	**Simon**
(76 000 x 3) ÷ 5 = 45 600	(76 000 x 2) ÷ 5 = 30 400

ACTIVITY 3

STATEMENT	CONCEPT
A. Interest on overdraft is shown as a separate amount in the Income Statement.	Materiality
B. The lotto ticket of partner Mr.Manzini wins R100 000.This is not reflected in the Income Statement.	Business entity
C. The damages payable to a client will be finalised next year, an estimated amount of R10 000 is recorded this year.	Prudence
D. The trading stock is shown in the Balance sheet at R20 000, even though the business will get R17 000 if the business was to sell the stock at the flea market the following day.	Going concern
E. Land and buildings are shown in the Balance sheet as R300 000 even though the estate agent say they could be sold for R750 000.	Historical cost or Prudence
F. Whenever the debtor settles an account the discounts should be recorded at the same time.	Matching

ACTIVITY 4			
Notes to the Balance Sheet on 29 February 2020			
	R	**R**	**R**
CAPITAL ACCOUNT	**Neo**	**Rocks**	**Total**
Balance on 01 March 2019	✓208 000	✓184 000	✓392 000
Contribution of capital during the financial year	✓✓68 000	-	✓68 000
Withdrawal of capital during the year	-	-	-
Balance at 29 February 2020	**✓276 000**	**✓184 000**	**✓460 000**
CURRENT ACCOUNTS	**Neo**	**Rocks**	**Total**
Appropriation of net profit			
Salaries	✓78 000	✓78 000	✓156 000
Interest on capital	✓✓18 720	✓✓16 560	✓35 280
Primary division of profits	✓96 720	✓94 560	✓191 280
Final division of profits	✓✓12 321	✓✓10 899	✓23 220
Profit per income statement	✓109 041	✓105 459	✓214 500
Drawings during the year	✓ (94 000)	✓ (90 500)	✓ (184 500)
Retained income /loss for the year	✓15 041	✓14 959	✓30 000
Balance on 01 March 2019	✓2 500	✓ (11 200)	✓ (8 700)
Balance at 29 February 2020	**✓17 541**	**✓3 759**	**✓21 300**

The total amount earned by each partner:			
	Neo	**Rocks**	**Total**
Salary	78 000	78 000	156 000
Interest on capital	18 720	16 560	35 280
Share of profit (loss)	12 321	10 899	23 220
Total amount earned	**109 041**	**105 459**	**214 500**

Dr		**APPROPRIATION ACCOUNT**						**F3**	**Cr**
2020 Feb	29	Salary: Neo	GJ	78 000✓	2020 Feb	29	Net profit (R208 000✓ + R6 500✓)	GJ	214 500✓
		Salary: Rocks	GJ	78 000✓					
		Interest on capital (R18 720✓ + R16 560✓)	GJ	35 280✓					
		Current a/c: Neo	GJ	12 321✓					
		Current a/c: Rocks	GJ	10 899✓					
			GJ	214 500					214 500

Sharing of profits	
214 500 – [78 000 +78 000 + 187 20 + 16 560] = 23 220	
Share the remaining profit	
Neo	**Rocks**
(23 220 x 208) ÷ 392 = 12 321 ***Simplified ratio is 26 : 23***	(23 220 x 184) ÷ 392 = 10 899
Drawings	
Neo	**Rocks**
87 500 + 6 500 = 94 000	91 000 – 500 = 90 500
Interest on capital	
Neo	**Rocks**
208 000 x 8% x 9/12 = 12 480 208 000 x 12% x 3/12 = 6 240 18 720	184 000 x 8% x 9/12 = 11 040 184 000 x 12% x 3/12 = 5 520 16 560
Capital contribution by Dan at the end of accounting period.	
Remember the ratio must be 3 : 2 **Neo : Rocks** 184 000 X 3/2 = 276 000 276 000 – 208 000 = 68 000	

5. FINANCIAL STATEMENTS

ACTIVITY 1

INCOME STATEMENT FOR 28 FEBRUARY 2021- JOZI TILES		
Sales [3000 000 – 500 000 – 21 500]		2478 500
Cost of sales [1810 000 – 13 000]		(1797 000)
Gross Profit		681 500
Other Operating Income		1111 545
Fee income [1105 000 -2 800 -2 500]		1099 700
Provision for bad debts adjustment 16 500 – (243 100 x 5%) ***Check the Ledger***		4 345
Profit on sale of an asset [222 000 – 133 200 – 96 300] ***Check the Ledger***		7 500
Gross Operating income		1793 045
Operating Expenses		(1450 950)
Water and lights [17 600 + 1 300]		18 900
Loss due to theft (56 000 x 10%) + (2 500 x 10%) or [5 600 +250]		5 850
Bank charges [28 600 + 2 000]		30 600
Discount allowed [3 500 - 300]		3 200
Insurance [28 800 + 2 500]		31 300
Stock deficit ***Check the Trading stock A/C***		5 000
Consumable stores ***Check the Trading stock A/C***		112 000
Bad debts [4 800 + 3 000]		7 800
Depreciation [9 000 +122 100] ***Check calculations***		131 100
Rent expense		95 400
Salaries and wages		765 176
Employer's contribution		78 500
Vehicle expenses		95 000
Telephone		19 100
Printing and stationery		17 200
Sundry expenses		34 824
Operating Profit		342 395
Interest Income **[1 100 + 250 + 9 000]**	**1**	10 350
Profit Before Interest Expense		352 445
Interest Expense ***Check the Loan A/C***	**2**	(25 000)
Net Profit for the year	**8**	327 445

TANGIBLE ASSETS	Vehicles	Equipment	Total
Carrying Value (beginning of the year)	**366 300**	**81 000**	**447 300**
Cost **[230 000- 54 000 =176000]**	666 000	176 000	842 000
Accumulated Depreciation	(299 700)	(95 000)	(394 700)
Movements	**(210 900)**	**45 000**	**(165 900)**
Additions at Cost		54 000	54 000
Disposal at Carrying Value **[222 000 – 133 200]**	(88 800)	-	(88 800)
Depreciation for the year	(122 100)	(9 000)	(131 100)
Carrying Value (end of the year)	**155 400**	**126 000**	**281 400**
Cost Veh[666 000-222 000] Equip [176 000 + 54 000]	444 000	230 000	674 000
Accumulated Depreciation [299 700 +122 100-133 200]	(288 600)	(104 000)	(392 600)

7.Capital Accounts	**Mogashoa**	**Mokotedi**	**Total**
Balance at the beginning of the year	600 000	400 000	1000 000
Contribution of capital during the financial year	-	-	-
Withdrawal of capital during the year	-	-	-
Balance at the end of the year	**600 000**	**400 000**	**1000 000**
8.Current Accounts	**Mogashoa**	**Mokotedi**	
Appropriation of net profit			
Salaries	108 000	84 000	192 000
Interest on capital	42 000	28 000	70 000
Bonus	-	-	-
Primary division of profits	150 000	112 000	262 000
Final division of profits	39 267	26 178	65 445
Profit per income statement	189 267	138 178	327 445
Drawings during the year **[175 000+96 300]**	(185 000)	(271 300)	(456 300)
Retained income /loss for the year	4 267	(133 122)	(128 855)
Balance at the beginning of the year	(41 000)	50 000	9 000
Balance at the end of the year	**(36 733)**	**(83 122)**	**(119 855)**

Workings

Trading stock			
Balance b/d	667 000	Creditors Contr	49 000
Cost of sales	13 000	Accrued income	50 400
		Loss of stock	5 600
		Stock deficit	5 000
		Balance c/d	570 000
	680 000		680 000
Balance b/d	570 000		

Consumable stores			
Total b/d	132 500	Accrued Inc.	2 250
		Loss of stock	250
		Profit & loss	112 000
		Consumable	
		store on hand	18 000
	132 500		132 500

Debtors control			
Balance b/d	265 000	Debtors	
Bank and		allowance	21 500
discount	5 100	Fee income	2 500
[4 800+300]		Bad debts	3 000
		Balance c/d	243 100
	270 100		270 100
Balance c/d	243 100		

Asset disposal			
Vehicle	222 000	Acc dep on	
Profit on sale	7 500	vehicles	133 200
		Drawings:	
		Mokotedi	96 300
	229 500		229 500

Loan : Bank of Africa			
Bank	70 000	Balance b/d	275 000
Balance c/d	230 000	Interest on loan	25 000
	300 000		300 000
		Balance b/d	230 000

The information is extracted from the Loan statement

Loan : Bank of Africa			
		Balance b/d	205 000
Balance c/d	230 000	Interest on loan	25 000
	230 000		230 000
		Balance b/d	230 000

The Loan in the Trial balance is R205 000
[275 000 – 70 000]
The interest of 25 000 was updated after reconciling our records with the bank statement

Accumulated depreciation
299 700 ÷ 3 = 99 900
99 900 + 33 300 =133 200

Depreciation : Equipment

New
54 000 x 10% x 2/12 = 900

Old
230 000 – 54 000 = 176 000
176 000 - 95 000 = 81 000
81 000 x 10 % = 8 100

900 + 8 100 = 9 000

Depreciation: Vehicles

666 000 ÷ 3 = 222 000

Disposed vehicle
222 000 x 20% x 9/12 = 33 300

Remaining vehicles
444 000 x 20 % 88 800

33 300 + 88 800 = 122 100

ACTIVITY 2

MAGIX TRADERS BALANCE SHEET ON 28 FEBRUARY 2021	Note	
ASSETS		
Non-current assets		**372 700**
Tangible/Fixed assets	**3**	306 700
Financial Assets - Fixed Deposit : Future Bank **[110 000 x 60%]**		66 000
Current assets		**208 940**
Inventories **[75 400 + 1 660]**	**4**	77 060
Trade and other receivables	**5**	52 880
Cash and cash equivalents	**6**	79 000
Total assets		**581 640**
EQUITY AND LIABILITIES		
Capital and Reserves /Owners' Equity		**465 100**
Capital	**7**	450 000
Current Accounts	**8**	15 100
Non-current liabilities		**38 000**
Loan: Future Bank **[50 000 – 12 000]**		38 000
Current liabilities	**9**	**78 540**
Trade and other payables		75 540
Bank overdraft		3 000
Total Equity and Liabilities		**581 640**

NOTE 3

TANGIBLE ASSETS	**Vehicles**	**Equipment**	**Total**
Carrying Value (beginning of the year)	**310 800**	**116 640**	**427 440**
Cost [332 000 +112 000] [164 000 – 20000]	444 000	144 000	588 000
Accumulated Depreciation [Equip:39 900-12 540]	(133 200)	(27 360)	(160 560)
Movements	**(128 200)**	**7 460**	**(120 740)**
Additions at Cost	-	**20 000**	**20 000**
Disposal at Carrying Value [112 000 – 50 400]	(61 600)		(61 600)
Depreciation for the year	(66 600)	(12 540)	(79 140)
Carrying Value (end of the year)	**182 600**	**124 100**	**306 700**
Cost	332 000	164 000	496 000
Accumulated Depreciation	(149 400)	(39 900)	(189 300)

Accumulated Depreciation on vehicles							
2021				2020			
Feb 28	Asset disposal		50 400	March		Balance b/d	133 200
				2021			
		Balance c/d	149 400	Feb 28		Depreciation	66 600
			199 800				199 800

5 Trade and other receivables	
Net trade debtors	34 630
Trade debtors **[35 200 + 1 200]**	36 400
Provision for bad debts	(1 770)
Income receivable or accrued	10 450
Expenses prepaid	7 800
	52 880

6 Cash and cash equivalents	
Fixed Deposit: Future bank **[110 000 X 40%]**	44 000
Savings accounts	34 000
Petty cash	1 000
	79 000

7.Capital Accounts	Naidoo	Williams	Total
Balance at the beginning of the year	120 000	320 000	440 000
Contribution of capital during the financial year	30 000	-	30 000
Withdrawal of capital during the year	-	(20 000)	(20 000)
Balance at the end of the year	**150 000**	**300 000**	**450 000**
8.Current Accounts	**Naidoo**	**Williams**	**Total**
Appropriation of net profit			
Salaries	156 000	84 000	240 000
Interest on capital	10 800	24 800	35 600
Primary division of profits	166 800	108 800	275 600
Final division of profits	6 800	13 600	20 400
Profit per income statement	173 600	122 400	296 000
Drawings during the year	(170 000)	(105 000)	(275 000)
Retained income /loss for the year	3 600	17 400	21 000
Balance at the beginning of the year	11 500	(17 400)	(5 900)
Balance at the end of the year	**15 100**	**0**	**15 100**

9 Trade and other payables	
Trade creditors **[45 000 + 1 200]**	46 200
Income received in advance /deferred income	900
Accrued expenses	1 590
Creditors for salaries	12 050
SARS-PAYE	2 800
Short term loan	12 000
	75 540

Interest on capital	
Naidoo	**Williams**
120 000 x 6/12 x 8% =4 800 150 000 x 6/12 x 8% =6 000 10 800	320 000 x 6/12 x 8% =12 800 300 000 x 6/12 x 8% =12 000 24 800
Sharing of remaining profit 296 000 -10 800-24 800 – 156 000-84 000 = 20 400	
Naidoo	**Williams**
20 400 x 1/3 = 6 800	20 400 x 2/3 = 13 600

ACTIVITY 3: PARTNERSHIP- CONCEPTS AND INCOME STATEMENT

3.1 CONCEPTS

Compare the Sole trader and Partnership in terms of unique accounts

Description	**Sole trader**	**Partnership**
Equity accounts	• Capital✓ • Drawings✓	• Partners' Capital Accounts ✓ • Partners' Drawings Accounts ✓ • Partners 'Current Accounts✓ Accept each partner will have drawings, capital and current account. (Three marks)
Net Profit	Net profit is transferred from Profit and Loss a/c to the Capital account✓	Net profit is transferred from Profit and Loss a/c to the Appropriation account✓
Appropriation of profit	Not applicable/No appropriation of profit/ owner is entitled to all profits. ✓	The profit is appropriated/ shared according to the partnership agreement. ✓

9

3.2 Calculate the correct Net Profit for the year ended 28 February 2021	
Net Profit before the adjustments	**852 765**
Water and Electricity	✓ (1 260)
Carpet and installation prepaid	✓ #(1 500)
Fee Income (Income received in advance)	✓ #(750)
Cost of sale of the carpet sold	✓✓1 125
Rent Expense prepaid (57 600 x 220/1 440)	✓✓☑*8 800
Insurance excess	✓ (5 000)
Bad debts	✓ (3 000)
Provision for bad debts adjustment (8 000 – 6 225)	✓☑*1 775
Trading stock surplus (338 500 + 1 125 – 40 000 – 302 100)	✓✓☑* 2 475
Interest on loan (37 000 – 22 300) **OR** (119 700 + 37 000 – 142 000)	✓✓ (14 700)
NB: Do not allocate a mark if a sign is correct *☑ one part correct – means operation and one part correct	☑ 840 730

18

27

ACTIVITY 4 : BALANCE SHEET, INTERNAL CONTROL AND ETHICS

4.1. JV TELEVISIONS

BALANCE SHEET ON 28 FEBRUARY 2021

ASSETS	Note	
NON-CURRENT ASSETS		☑ 807 000
Fixed Assets (779 500 – 27 500)		✓✓752 000
FINANCIAL ASSETS		
Fixed Deposits: Tshwane Bank	**4**	✓ 55 000
CURRENT ASSETS		☑ 468 000
Inventory (362 500 + 7 000)		✓✓369 500
Trade and other receivable (45 500✓ + 11 500✓ + 7 500✓ - 7 000✓)		☑ 57 500
Cash and cash equivalents (6 000+ 35 000)		✓✓41 000
TOTAL ASSETS	**11**	☑1 275 000
EQUITY AND LIABILITIES		
ONWERS EQUITY		☑ 813 000
Capital		✓ 700 000
Current Accounts see 4.2	**3**	☑ 113 000
NON-CURRENT LIABILITIES		☑ 311 250
Mortgage loan: Tshwane bank (180 000✓ + 2 250✓ ✓– 21 000✓)		☑ 161 250
Loan from Jele	**7**	✓150 000
CURRENT LIABILITIES		☑ 150 750
Trade and other payable (82 500✓ +3 500✓+ 4 500✓ - 16 500✓- 7 000✓**)**		☑ 67 000
Current portion of loan see long-term loan		☑ 21 000
Bank overdraft (51 750✓ – 5 500 ✓+ 16 500✓)	**13**	☑ 62 750
TOTAL EQUITY AND LIABILITIES		☑1 275 000

38

4.2 CURRENT ACCOUNTS	JELE	VUYI	TOTAL
Net Income for the year	☑147 500	☑94 500	
Salaries	✓120 000	✓✓96 000	
Bonus	✓40 000		
Interest on capital	*☑✓✓30 000	✓✓24 000	
Primary distribution	☑ 190 000	☑ 120 00	
Share of remaining loss	☑ ✓ (42 500)	✓(25 500)	
Drawings	✓ (55 000)	✓ (100 000)	
Retained income for the year	☑ 92 500	☑ (5 500)	
Balance at beginning of year	✓38 000	☑ (12 000)	
Balance at end of year	**130 500**	**(17 500)**	

22

ALTERNATIVE PRESENTATION			
CURRENT ACCOUNTS	**JELE**	**VUYI**	**TOTAL**
Salaries	✓120 000	✓✓96 000	
Bonus	✓40 000		
Interest on capital	*☑✓✓30 000	✓✓24 000	
Primary distribution	☑190 000	☑120 000	
Share of remaining loss (**25 500X5/3)- Jele**	☑ ✓ (42 500)	✓(25 500)	
Net Income for the year	☑147 500	☑94 500	
Drawings	✓ (55 000)	✓(100 000)	
Retained income for the year	☑ 92 500	☑ (5 500)	
Balance at beginning of year	☑ 38 000	☑ (12 000)	
Balance at end of year	**130 500**	**(17 500)**	

22

Interest on capital

Jele	Vuyi
350 000 x 6/12 x8% =14 000	300 000 x 8% =24 000
400 000 x 6/12 x8% =16 000	
30 000	

4.3 INTERNAL CONTROL AND ETHICS	
Read the following statements and respond to the questions provided.	
Jele feels that the partners have not been controlling their cash resources well. Support your explanation by quoting relevant figures from the information provided in 4.1. Provide **TWO** points.	**6**
Explanation✓✓ figure(s) ✓ Allocate one mark for partly correct explanation • They have a huge overdraft of R51 750, this is costing them a large amount of interest. • The business took a loan of R180 000 and interest charged is 15% p.a. • Investing R35 000 into savings account and R55 000 into fixed deposit was not the best decision, these two accounts attract very little interest compared to interest payable for loans or overdraft facilities. (3 marks for savings or fixed deposit, they cannot be regarded as separate points)	
Jele feels that he is bearing an unfair financial burden in this business. In **TWO** points explain why do you agree with him and provide figures to support your answers.	**4**
Explanation✓ figure(s) ✓ Allocate one mark for partly correct explanation • Jele increased his capital by R50 000 and Vuyi decrease his capital By R100 000. • Jele's capital is R100 000 / a quarter or 25% above Vuyi's capital. • Jele has provided a loan of R150 000 at zero-rated interest to assist the business in overcoming the cash problems.	
Do you think Vuyi's decision of buying the television sets at the reduced price was a fair? Explain in **ONE POINT** how best this transaction could have been handled to benefit both partners.	**3**
YES/NO **No** ✓ **Explanation✓✓ Allocate one mark for partly correct explanation** • This transaction should have been discussed with Jele because partners are jointly responsible for losses or profits. **OR** Both partners could have benefitted equally if the television sets were sold to both partners at a reduced price. • The business could have taken a decision reduce the price by less than 50%, they might have succeeded to attract customers who will be interested in the reduced price. (Any percentage below 50%)	

13

73

6. ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

ACTIVITY 1

1.1 Calculate the following:

1.1.1 The total current liabilities

Trade debtors	300 520
Cash and cash equivalents	40 480
Trading stock	194 700
Total	**535 700**
Current liabilities (535 700 / 2.5)	214 280

1.1.2 Percentage return earned by David

$$\frac{(165\ 000 + 46\ 200 + 21\ 120)}{½\ (577\ 500 + 440\ 000 + 16\ 940 – 10\ 010)} \times \frac{100}{1}$$

$$= \frac{232\ 320}{512215} \times \frac{100}{1}$$

= 45.4%

1.1.3 Debt equity ratio

440 000 : (577 500 + 385 000 – 10 010 + 11 660
= 440 000 : 964 150
= 0.5 : 1

1.1.4 Acid-test ratio

(300 520 + 40 480) : 214 280

= 341 000 : 214 280

= 1.6 : 1

1.2 Comment on the liquidity of the business.
Quote TWO financial indicators (with figures) in your answer.

Current ratio : moved from 1,8 : 1 to 2,5 : 1
Acid test ratio : moved from 1,2 : 1 to 1,6 : 1

The business appears to be in a good liquidity position. Both ratios showed an improvement. There is however, stock piling and poor collection from debtors. This could lead to liquidity problems in the future.

1.3 Do you think that David is satisfied with his return on investment? Explain.
Quote TWO relevant financial indicators (with figures) to support your answer.

Return earned by David : decreased from 48% to 45%
Return earned by Moses : improved from 57% to 61%

Although David may be getting a return above the return earned by the business, he may be disappointed with the decrease in his return compared to the increase in Moses's return.

Other factors: He has contributed more capital but he also has debit balance on his current account.

ACTIVITY 2: ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

2.1	**Calculate the Acid Test Ratio for February 2020**
	(95 200✓ -38 000✓) : 48 000✓ **57 200 two marks** 1.2 :1 **OR** 1.19 :1 ☑ One part correct

4

2.2	**Calculate the debtors collection period for the year ended 29 February 2020**
	✓ ✓ ✓ $\frac{(45\ 000 + 75\ 000) / 2}{303\ 800 ✓✓}$ x 365 (or 12) 3 marks = $\frac{60\ 000 \times 365 \text{ (or 12)}}{303\ 800}$ =72 days or 2.37 or 2.4 months ☑ One part correct

6

2.3	**Calculate the Debt-Equity ratio for the year ended 29 February 2020**
	250 000 ✓: (550 000 +700 000 +145 000 +175 000) ✓✓ **250 000 : 1 570 000** = 0.16 :1 ☑ One part correct

4

2.4 Comment on the liquidity position of the business. Quote at least TWO financial indicators and figures in your answer.
Indicator (one mark) **trend and figures** (one mark) **comment** (one mark) **Current ratio** ✓ • It improved from 1.4:1 to 1.9:1 or by 0.5:1, ✓ it is enough to pay off short-term debts. ✓ **Acid-Test ratio** ✓ • It improved from 0.63:1 to 1.2:1 or by 0.57:1, ✓ they can pay off all their short-term debts.✓ **Refer to calculation 2.1** • The percentage of trading stock to current assets has improved from 56.3% (40000/71000 x 100) to 39.9% (38000/95200 x 100) or by 16.4% **Stock Turnover Rate** • Improved from 7 times to 9 times, the business is selling the goods quickly **OR** there is considerable demand for their products. **Debtors' average collection period** • The collection period has increased from 68 to 72 days (by 4 days), the period is **beyond** the normal and acceptable credit terms of 30 days **OR** debtors take longer to pay. **Refer to calculation 2.2** **Creditors Payment Schedule** • The payment period has reduced/improved from 62 to 58 days (by 4 days), the payment period is **within** the normal credit terms of 60 days / business can also negotiate for 90 days.

6

2.5 Based on your calculations in 3.2, should the business be happy with payments received from debtors?
NO **TWO Points supporting the answer** • Debtors are poorly controlled or inadequately screened, the collection has increased from 68 days t0 78 days. ✓✓ • Debtors are taking more than 30 days to make payments. ✓✓ **OR** • Debtors are not adhering to terms of credit which is 30 days. • Debtors are not making payments timeously and this will affect the working capital of the business. **Advice (One Point)** • Offer discount to improve collection / Send statements or sms to remind debtors on outstanding amounts/Handover debtors who don't pay to lawyers or collecting agencies / Negotiate with suppliers to extend the repayment period to avoid cash flow problems or interest charged on borrowed funds used to pay creditors.

6

2.6	**The partners are considering to take an additional loan of R300 000 in the next financial year at the same interest rate .Do you think this is a wise decision? Explain and quote ONE financial indicator to support your answer.**

Yes ✓

Debt-Equity Ratio ✓
Financial risk is low ✓at 0.16:1✓

Refer to calculation 2.3

OR
Return on Partners Equity ✓
Is 57%, higher than interest rate on loan, 12%,✓ positively geared. ✓

4

Total Marks
30

7. BUDGETS

ACTIVITY 1

Debtors Collection Schedule					
			Collection period		
Month	**Credit sales**	**Terms**	**January**	**February**	**March**
Nov	**36 000**	**× 20 % (Jan)**	**7 200**		
		× 15 % (Feb)		5 400	
Dec	48 000	× 60 % (Jan)	28 800		
		× 20 % (Feb)		9 600	
		× 15 % (Mar)			7 200
Jan	30 000	× 60 % (Feb)		18 000	
		× 20% (Mar)			6 000
		× 15 % (Apr)			
Feb	31 200	× 60 % (Mar)			18 720
Receipts from debtors			**36 000**	**33 000**	**31 920**

ACTIVITY 2

DEBTORS' COLLECTION SCHEDULE – PHAKISO TRADERS			
Credit sales		**Debtors collection**	
		January	**February**
November	45 000 x 15%	6 750	
December	[48 000 x 50%] [48 000 x 15%]	24 000	7 200
January	[60 000 x 30%] [60 000 x 50%]	18 000	30 000
February	[54 000 x 30%]		16 200
Expected receipts		**48 750**	**53 400**

CASH BUDGET OF PHAKISO TRADERS – 01January - 28 February 2021		
RECEIPTS	**January**	**February**
Cash sales	40 000	36 000
Receipts from debtors	48 750	53 400
Rent income 2 500 X (115 ÷ 100)	2 500	2 875
Fixed Deposit	24 000	
Interest on fixed deposit (24 000 x 8%) ÷ 12	160	
Equipment	3 000	
TOTAL RECEIPTS	118 410	92 275
PAYMENTS		
Cash purchases of stock	20 000	17 000
Payments to creditors	21 850	28 500
Salaries [J,4 000 x 3] [F,5 000 x 2]	12 000	10 000
Loan : Future Bank [36 000 x 50%]	18 000	
Equipment		4 000
Other expenses	18 400	19 000
Interest on loan	420	210
TOTAL PAYMENTS	90 670	78 710
Cash Surplus (Shortfall)	27 740	13 565
Bank –Opening balance	(6 200)	21 540
Bank –Closing balance	21 540	35 105

Workings	
Payment to creditors *January: 23 000 x (100% -5%)* *23 000 x 95% = 21 850* *February: 30 000 x 95% = 28 500*	***Interest on loan*** *January :(36 000 x 14%) ÷12 = 420* *February :(18 000 x 14%) ÷12 = 210*

ACTIVITY 3

BALOYI TRADERS			
DEBTORS COLLECTION SCHEDULE FROM 1 APRIL TO 31 MAY 2021			
	CREDIT SALES	**APRIL**	**MAY**
FEBRUARY	29 500	5 310	
MARCH	32 500	19 500	5 850
APRIL	28 500	5 415	17 100
MAY	34 500		6 555
CASH FROM DEBTORS		**30 225**	**29 505**

BALOYI TRADRES		
CASH BUDGETS FOR THE MONTH 01 APRIL TO 31 MAY 2021		
	APRIL	**MAY**
CASH RECEIPTS		
Cash sales	27 500	36 000
Cash from debtors	30 225	29 505
Fixed deposit		45 000
Interest on fixed deposit		4 000
TOTAL RECEIPTS	**57 725**	**114 505**
CASH PAYMENTS		
Cash purchases	12 400	14 700
Payments to creditors	15 450	14 800
Operating expenses	7 600	7 980
Drawings	300	300
Vehicles	53 000	
TOTAL PAYMENTS	**88 750**	**37 780**
Cash surplus (Shortfall)	(31 025)	76 725
Bank - opening balance	18 400	(12 625)
Bank – closing balance	(12 625)	64 100

<u>Workings</u> : Credit sales (April) 28 500 × 20% =5 700	**Expenses** 7 600 × (100% + 5%)
5 700 × (100% -5%) 5 700 × 95% = 5 415	7 600 × 105% = 7 980

ACTIVITY 4

4.1

4.1.1	Debtors collection schedule	✓
4.1.2	Discount allowed	✓
4.1.3	Cash Budget	✓
4.1.4	Projected Income statement	✓
4.1.5	Creditors payment schedule	✓

5

4.2 **THUMAMINA TRADERS**

4.2.1 **DEBTORS COLLECTION SCHEDULE**

	Credit sales	September	October
July	71 400 ✓	**8 568**	
August	67 200 ✓	**36 960**	8 064 ✓✓
September	84 000 ✓	25 200 ✓✓	46 200 ✓✓
October	62 160 ✓		18 648 ✓✓
		70 728 ☑	72 912 ☑

14

4.2.2 **CASH BUDGET**

	September	October
CASH RECEIPTS		
Cash sales	**28 000**	20 720 ✓
Fixed Deposit	**80 000**	
Cash from debtors	70 728 ☑ See 1.2.1	72 912 ☑ See 1.2.1
Interest on Fixed Deposit	2 000 ✓✓	
TOTAL RECEIPTS	180 728	93 632
CASH PAYMENTS		
Trading Stock	**40 000**	29 600 ✓✓
Payments to creditors	**30 400**	38 000 ✓✓
Sundry expenses	**8 600**	9 030 ✓
Salaries and wages	32 000 ✓	33 920 ✓
Motor expenses	10 000 ✓✓	10 000 ☑
Instalment on loan		40 000 ✓
Interest on loan	2 400 ✓✓	2 000 ✓✓
TOTAL PAYMENTS	123 400	162 550
Cash surplus / deficit	57 328 ☑	(68 918) ☑
Bank (opening balance)	(4 288) ✓	53 040 ☑
Bank (closing balance)	53 040 ☑	(15 878) ☑

26

4.2.3 **Name TWO items from the cash budget in question 1.2.2 that will not appear in the projected income statement.**

Any TWO relevant items ✓ ✓

Cash from debtors / fixed deposit / purchase of trading stock / payments to creditors / instalment on loan

2

4.2.4 **Give TWO reasons why it is important to compare actual figures with budgeted figures.**

Any TWO valid reasons ✓✓ ✓✓

- To assess whether forecasts are realistic
- To improve future forecasts
- To identify and investigate deviations
- For effective cash and profit control
- To determine the effectiveness of current controls

4

4.2.5 **You have noticed that the actual motor vehicle expense for August 2019 was R5 000 more than the budgeted amount. Suggest TWO possible explanations for this overspending.**

Any TWO valid explanations ✓✓ ✓✓

- Unexpected increase in fuel prices
- Emergency repairs
- Abuse of vehicles by personnel
- Unforeseen increase in sales to be delivered

4

TOTAL MARKS
55

ACTIVITY 5: BUDGETS, ETHICS AND FINANCIAL INDICATORS

5.1.1 DEBTORS COLLECTION SCHEDULE

Credit Sales		November	December
September	**144 000**	**14 400**	
October	**149 760**	✓✓89 856	✓✓14 976
November	**161 280**	✓✓40 320	**96 786**
December	**187 200**		**46 800**
		*☑ 144 576	158 562

*☑ One mark for both totals

7

5.1.2 CASH BUDGET FOR TWO MONTHS ENDING DECEMBER 2018

RECEIPTS		**November**	**December**
Cash sales		**241 920**	✓280 800
Collection from debtors	Check 5.1.1	☑144 576	☑158 562
Interest on fixed deposit			✓✓1 300
Rent income		**5000**	✓5 000
TOTAL RECEIPTS	One mark for both totals	*☑ 391 496	445 662
PAYMENTS			
Cash purchases of trading stock		✓✓67 200	**78 000**
Payments to creditors		**138 320**	✓✓✓148 960
Loan repayment			✓24 000
Interest on loan		**3 000**	✓✓2 800
Salary including bonus (store manager)		**20 000**	✓✓48 000
Sales assistants salaries		**60 000**	✓✓62 400
Drawings		**30 000**	✓50 000
Equipment			✓20 000
Other operating expenses		✓✓138 000	**145 866**
TOTAL PAYMENTS		*☑ 456 520	580 026
Cash surplus (shortfall)	**Operation**	☑ (65 024)	☑ (134 364)
Balance at the beginning of the month		**138 400**	☑73 376
Balance at the end of the month	**Operation**	☑73 376	☑ (60 988)

29

5.1.3	Refer to transaction J, and explain why the employees should not be satisfied with the increase of 4% in their salaries.

- The increase given to employees is below the inflation rate, compared to the 20% increase given to management. ✓✓

(Accept any inflation rate between 4.1% and 6%) / Current rate of 4.96%

Above 4%

2

ACTIVITY 6

Projected Income statement of Thuthuka Traders for July, August 2021		
	July	**August**
Sales '(900 000 ÷ 6) + 10 000	160 000	160 000
Cost of sales (450 000 ÷ 6) + 5 000 **check calculations**	(80 000)	(80 000)
Gross profit	**80 000**	**80 000**
Other operating income	**4 000**	**4 600**
Rent income (Aug 24 000÷ 6) × 115%	4 000	4 600
Gross operating income	**84 000**	**84 600**
Operating expenses	**(31 380)**	**(32 079)**
Salaries and wages (90 000 ÷ 6) × 110 %	16 500	16 500
Telephone (7 800×110%) (8 580 × 105%)	8 580	9 009
Bank charges	350	350
Depreciation	2 100	2 100
Insurance	600	800
Advertising	1 500	1 500
Stationery	400	420
Consumable stores	1 000	1 050
Bad debts	350	350
Operating profit	**52 620**	**52 521**
Interest income (50 000 × 9%) ÷ 12	-	375
Profit before interest Expense	**52 620**	**52 896**
Interest expense	(2 500)	(2 500)
Net profit for the year	**50 120**	**50 396**

Calculations

Mark-up % on cost

Gross profit ÷ Cost of sales × 100

450 ÷ 450 × 100 = 100%

Cost of sales

(900 000 ÷ 6) + 10 000 = 160 000

(160 000 × 100)÷ 200 = 80 000

8. INVENTORY

ACTIVITY 1

Business A	Business B	Business C
A 198 000 – (8 000 +60 000) = 130 000	**B** 198 000-55 000 = 143 000	**C** $\frac{\text{Gross profit}}{\text{Cost of sales}} \times 100$ $\frac{71\ 500}{143\ 000} \times 100 = 50\%$
D 56 000 + 120 000 + 7 500 =183 500	**E** 183 500 – 135 500 = 48 000	**F** 135 500+ 54 200 =189 700
G $\frac{\text{Gross profit}}{\text{Sales}} \times 100$ $\frac{54\ 200}{189\ 700} \times 100 = 28.57\%$	**H** 169 000 – (48 000+115 000) = 6 000	**I** 169 000 – 130 000 =39 000
J 208 000 -130 000 =78 000	**K** $\frac{\text{Gross profit}}{\text{Cost of sales}} \times 100$ $\frac{78\ 000}{130\ 000} \times 100 = 60\%$	**L** $\frac{\text{Gross profit}}{\text{Sales}} \times 100$ $\frac{78\ 000}{208\ 000} \times 100 = 37.5\%$

ACTIVITY 2

Calculations for cost of sales and gross profit	
Opening stock	105 000
Net Purchases (35 000 + 105 000 – 4 000)	136 000
Carriage on purchases	1 000
Cost price of goods available to be sold	242 000
Closing stock	(140 000)
Cost of sales	**102 000**
37 500	
Sales (net) [90 000 + (30 000 x 125/100) -1 200]	126 300
Cost of sales	(102 000)
Gross Profit	**24 300**

ACTIVITY 3

1.Cost of sales	
Opening stock	320 000
Purchases (710 000+240 000-2 900+3 400-1 400)	974 070
Carriage on purchases (162 000+1 800)	163 800
Custom duty	56 000
	1 513 870
Closing stock (210 000-3 400 – 1 400)	(205 200)
Cost of sales	**1 308 670**

2.Calculate gross profit

Gross profit = sales – cost of sales
= (1 024 500 + 850 000 – 42 000 – 3 000) – 1 308 670
= 1 829 500 – 1 308 670
= 520 830

3. Calculate the actual mark-up percentage achieved.

$$\text{Mark-up} = \frac{\text{gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$$

$$= \frac{520\ 830}{1\ 308\ 670} \times \frac{100}{1}$$

$$= 40\%$$

4. Supply two reasons why the business did not achieve the intended mark-up.

- Too high trade discounts to clients
- Errors in recording
- Very high transport costs
- The use of incorrect mark-up
- Any possible reason

5. The owner is concerned about the high transport costs on purchases. Is there a way to solve this problem? Explain.

- Look around for other service providers who are cheaper.
- Consider buying a vehicle to transport the goods to the business.
- Any possible reason.

6. The business regularly donates cash and trading stock to several charity organizations. How does the business benefit from making donations? Explain in two points.
• Reduce income tax • Good publicity for the business • Social responsibility – people see his business in a good light and the sales may increase. • Any relevant explanation

7. The owner is considering changing to the perpetual system the following year.What should he consider before taking this action?
• He should consider the high cost of implementation the perpetual system – compare it to the benefit. • Any relevant explanation

ACTIVITY 4

4.1 INVENTORY SYSTEMS

Calculate the cost of sales for the year ended 31 December 2020.

Opening stock **(3 000 T-shirts at R25 each)**	75 000
Purchases **(875 000 + 250 000 - 20 000 - 5 000)**	1 100 000
Carriage on purchases **(90 250 + 16 000)**	106 250
Custom duties **(87 500 + 25 000)**	112 500
	1 393 750
Closing stock (3 750 T-shirts at R25 each)	(93 750)
Cost of Sales	1 300 000

ACTIVITY 5

CALCULATE:			**ANSWERS**
5.1.	**Cost of Sales** Opening stock Purchases (342 000 – 900) Carriage on purchases (12 700 + 150) Customs duty Cost of goods available to be sold Closing stock	 56 000 341 100 12 850 5 500 415 450 (48 000)	**R367 450**
5.2	**Gross Profit** (280 000 + 325 000 – 21 000) 584 000 –367 450		**R216 550**
5.3	**% Mark-up achieved** $\frac{216\ 550}{367\ 450} \times \frac{100}{1}$		**59%** **(58,9%)**

ACTIVITY 6

6.1	**Perpetual inventory system**		**Periodic inventory system**	
	Account debited	**Account credited**	**Account debited**	**Account credited**
(i)	Trading stock ✓	**Bank**	Purchases ✓	**Bank**
(ii)	Creditors control ✓	Trading stock ✓	**Creditors control**	Creditors allowance / Purchases ✓
(iii)	Debtors control □	**Sales**	Debtors control ✓	Sales ✓
	Cost of sales ✓	**Trading stock**	-1 per entry	-1 per entry
(iv)	Trading stock ✓	**Creditors control**	Carriage on purchases ✓	**Creditors control**

6.2 **Calculate cost of sales**

	R	
Opening stock	48 000	✓
Purchases (224 000 – 12 000)	212 000	✓✓
Carriage on purchases	18 000	✓
	278 000	
Closing stock	(55 500)	✓
Cost of sales	222 500	✓☑

-1 for carriage on sales

9. COST ACCOUNTING

ACTIVITY 1

GENERAL LEDGER OF JELE MANUFACTURERS

BALANCE SHEET ACCOUNTS SECTION

Raw Material Stock

Dr									Cr
2020 Mar	1	Balance	b/d	16 800	2021 Feb	28	Direct material cost issued	GJ	78 900
2021 Feb	28	Bank	CPJ	55 000			Balance	c/d	20 400
		Creditors control	CJ	25 000					
		Bank – carriage	CPJ	2 500					
				99 300					**99 300**
2021 Mar	1	Balance	b/d	20 400					

Factory overheads

Dr									Cr
2021 Feb	28	Indirect labour	GJ	17 000	2021 Feb	28	Work in process	GJ	67 100
		Indirect material (6 700 +14 500 – 9 800)	GJ	11 400					
		Insurance	GJ	2 900					
		Rent expense	GJ	16 000					
		Depreciation	GJ	8 600					
		Sundry expense	GJ	11 200					
				67 100					**67 100**

Work in process

Dr									Cr
2020 Mar	1	Balance	b/d	5 900	2021 Feb	28	Finished goods	GJ	182 300
2021 Feb	28	Direct material costs	GJ	78 900			Balance	c/d	9 400
		Direct labour cost	GJ	39 800					
		Factory overheads	GJ	67 100					
				191 700					**191 700**
2021 Mar	1	Balance	b/d	9 400					

Finished goods stock

Dr									Cr
2020 Mar	1	Balance	b/d	25 100	2021 Feb	28	Cost of sales	GJ	**175 500**
2021 Feb	28	Work in process	GJ	182 300			Balance	c/d	31 900
				207 400					**207 400**
2021 Mar	1	Balance	b/d	31 900					

Indirect material account (consumables)

Dr									Cr
2020 Mar	1	Balance	b/d	6 700	2021 Feb	28	indirect material cost issued to factory	GJ	11 400
2021 Feb	28	Bank	CPJ	14 500			Balance	c/d	6 700
				21 200					**21 200**
2021 Mar	1	Balance	b/d	6 700					

Final accounts section

Trading account

Dr									Cr
2021 Feb	28	Cost of sales	GJ	**175 500**	2021 Feb	28	Sales	GJ	325 000
		Profit and loss (Gross profit)	GJ	149 500					
				325 000					**325 000**

ACTIVITY 2

Total Fixed Cost:
Factory overheads + Admin cost = total fixed costs 200 000 ✓+ 70 000 ✓ = R270 000☑
Variable cost per soccer ball:
(**Direct cost : Direct material + direct labour)** $\frac{\text{Direct cost + selling \&distribution cost}}{\text{no of units}}$ $\frac{250\,000 ✓ + 50\,000 ✓}{10\,000 ✓}$ $\frac{R300\,000 ✓}{10\,000}$ = R30 per unit☑
Contribution per unit :
Selling price per unit – Variable cost per unit = contribution per unit R70 ✓ - R30 ✓ = R40 ☑contribution per unit
Break-even point:
$\frac{\text{Total fixed cost}}{\text{Selling price – variable cost per unit}}$ = no of units before any profit can be made $\frac{270\,000 ✓}{R40 ✓}$ = 6750 ☑ units

ACTIVITY 3

3.1.1 Calculate the following:

Direct material costs

23 400✓ + 342 600✓ – 15 700✓ + 155 000✓ + 19 400✓ – 38 700✓ =
486 000☑ one part correct

7

Direct labour costs

4 x 1 440 x R35	R 201 600✓☑ one part correct
Overtime	R 33 600✓
Contribution 201 600 x 10	R 20 160☑ If 10 % of basic salary
Total	R255 360☑ one part correct

5

3.1.2		GENERAL LEDGER OF JELE MANUFACTURERS							
		WORK- IN -PROCESS STOCK							
2020 Mar	**1**	**Balance**		45 300✓	2021 Feb	28	Finished goods✓		1 000 000☑ balance figure
2021 Feb	28	Direct material cost✓		486 000☑ See 1.1.1			Balance	c/d	60 000✓
		Direct labour cost✓		255 360☑ See 1.1.1					
		Factory overheads✓ cost		273 340✓					
				1 060 000					1 060 000
2021 Mar	1	Balance	b/d	60 000					

10

FINISHED GOODS STOCK ACCOUNT									
2020 Mar	1	Balance	b/d	27 000✓	2021 feb	28	Cost of sales		1 005 000☑ balancing figure
2021 Feb	28	Work-in-progress		1 000 000☑ See above			Balance	c/d	22 000✓
				1 027 000					1 027 000
2021 Mar	1	Balance	b/d	22 000					

6

3.1.3

The owner is concerned about the control of workers in production. Provide TWO points that justify his concern. Quote relevant figures. TWO valid points ✓✓ ✓✓ figures ✓✓ ✓✓	
Point 1: Normal hours worked is below the contracted hours	Figures: They should be working 1 800 hours (40 x 45) but only 1 440 hours are worked (80%).
Point 2: Overtime hours are relatively high.	Figures: 640/1 440 (44,4%) 640/1 800 (35,5%)

6

3.2.1

Break- even point

<u>30 600✓+ 45 900✓ .</u>

95✓ – (23✓+14✓+28✓)

= <u>76 500</u> two marks

30 four marks

= 2550 units ☑ one part correct

7

Comparison of units produced to BEP✓✓ comment✓

The number of units produced and sold is equal to the BEP of 2 550 The business managed to break-even but was not able to make a profit.

3

3.2.2 **Did the business achieve the targeted gross profit on sales? Provide a calculation to support your opinion.**

Yes/No ✓
(71 400 + 58 650 + 45 900) x 150%✓
175 950✓ ☑one part correct
= 263 925 expected sales ☑ one part correct
242 250 actual sales✓
OR: if unit costs are used.
(28 + 23 + 18) x 150%
= 103,50 expected selling price
95,00 actual selling price

6

TOTAL MARKS
50

ACTIVITY 4

4.1 Calculate the following:

4.1.1 Direct material costs

R62 100 + R1 914 450 ✓ + R39 300✓ – R49 050✓– R85 050✓

= R1 881 750☑ one part correct

5

4.1.2 Direct labour costs

10 x R6 000 x 12	R 720 000✓✓
Overtime	R 382 800✓
Pension fund 10%	R 72 000☑ If 10 % of basic salary
UIF of basic	R 7 200☑
	R1 182 000☑ one part correct

6

4.2.1		**GENERAL LEDGER OF C & A CLOTHING**							
				FACTORY OVERHEADS					
2020 Jun	**30**	**Indirect material**		**53 595**	2020 Jun	30	Work in progress		821 761☑
		Depreciation		**48 585**					
		Water and electricity (219 000 x3/4)		164 250✓☑					
		Rent (R418 000 + R38 000 x 2/3)		304 000✓☑					
		Insurance (R45 000 – R4 500 x 60%)		24 300✓☑					
		Maintenance (R29 106 + 2 925)		32 031✓☑					
		Salaries		156 000✓					
		Wages 58 500 x 2/3		39 000✓☑					
				821 761					821 761
			☑	One part correct					

-1 max-2 for foreign items

☑ **One part must be correct in order to be rewarded a part mark**

12

WORK - IN - PROCESS STOCK									
2019 Jul	1	Balance	b/d	✓63 900	2020 Jun	30	Fininshed goods		☑3 904 411
2020 Jun	30	Direct material		☑1 881 750 **See 4.1.1**			Balance	c/d	✓45 000
		Direct labour costs		☑1 182 000 **See 4.1.1**					
		Factory overheads		☑821 761 **See 4.1.2**					
				3 949 411					3 949 411
2020 Jul	1	Balance	b/d	45 000					

☑ One part must be correct in order to be rewarded a part mark

6

4.3.1 **Calculate the following:**

Variable costs per unit

R18 + R12 + R6,50 = R36,50✓✓ no part marks
OR
492 750 / 13 500 = R36,50

2

4.3.1 **Break- even point**

$$\frac{126\ 896✓}{88{,}00✓ - 36{,}50☑}$$

= $\frac{126\ 896}{51{,}50}$ Two marks

= 2 464 units ☑ one part correct

4

4.3.2 **Comment on the break - even point. Quote figures.**

The break -even point is 2464 units and the number of units produced was 13 500. We are are therefore making 11036 units more then the Break even point. They are therefore making a profit.

2

4.3.3. **Calculate the percentage increase of the selling price.**

$\dfrac{R8}{R80✓}$.✓ x 100

= 10%☑ one part correct

3

TOTAL MARKS
40

ACTIVITY 5

5.1.1 Calculate the raw materials used for production.
138 800 + 382 000✓ + 11 600✓ – 73 600✓ = 458 800☑

4

5.1.2 GENERAL LEDGER OF MONGEZI MANUFACTURERS

FACTORY OVERHEADS COST ACCOUNT					
2021 Jun 30	Factory maintenance	✓26 000	2021 Jun 30	Work-in-Process Stock✓	☑224 140 Balancing figure
	Indirect material (23 600✓ + 69 200✓ – 16 800✓)	☑76 000 One part correct			
	Wages (cleaner)	✓✓30 400			
	Rent expense	✓✓26 580			
	Water and electricity	✓✓37 500			
	Depreciation	✓26 400			
		224 140			**224 140**

14

WORK-IN-PROCESS STOCK ACCOUNT					
2020 Jul 1	Balance	✓31 200	2021 Jun 30	Finished goods stock ✓	✓✓1 001 000
2021 June 30	Direct material✓	☑458 800		Balance	81 140
	Direct labour✓	✓368 000			
	Factory overheads✓	✓224 140			
		1 082 140			**1 082 140**
2021 Jul 1	Balance	81 140			

10

FINISHED GOODS STOCK ACCOUNT					
2020 Jul 1	Balance	✓93 200	2021 Jun 30	Cost of sales (41 400✓ x 100/3✓ x 70%✓)	☑966 000 One part correct
2021 Jun 30	Work-in-process✓	☑1 001 000		Balance	128 200
		1 094 200			**1 094 200**
2021 Jul	Balance	128 200			

7

5.1.1 Explain to Katlego why it is necessary to calculate the Break-even point
Any 1 ✓✓ • It shows how many units must be sold before a profit can be made. • It shows how many units must be sold to cover all cost

2

5.1.2 Calculate the Break-even point achieved by Katlego
6 860✓ + 700✓ 28✓– (10+6+3)✓✓ 7 560 28 - 19 7 560 two marks 9 three marks =840 units☑ one part correct

6

5.2.3 Comment on the level of production achieved by Katlego.
He is producing 1 100 units, and only needs to produce and sell 840 in order for him to make a profit.✓✓

2

TOTAL MARKS
45

10. VALUE ADDED TAX

ACTIVITY 1

No	Exclusive selling price	VAT @ 15%	Inclusive selling price
1	**400**	**60**	**460**
2	**700**	105	805
4	840	126	**966**
5	1 100	165	**1 265**
9	1 500	**225**	1 725

ACTIVITY 2

Complete the following table by calculating the amounts indicated by A – G.

No.	VAT exclusive	VAT	VAT inclusive
1	R3 000	**R450**	R3 450
2	R22 500	R3 375	**R25 875**
3	**R25 000**	R3 750	R28 750
4	**R8 400**	R1 260	**R9 660**
5	R10 000	**R1 500**	**R11 500**

ACTIVITY 3 : VAT ETHICS

3.1.1 Is it ethical for Rakgetsi Traders to charge VAT on zero-rated items? Explain the consequences/results of his action in ONE point.

No, it is unethical✓
Rakgetsi will be penalised by SARS for failing to comply with tax laws. ✓✓

3

3.1.2 Give ONE reason why you would agree that "the government is raising prices by charging VAT", and ONE reason why you would not agree with the statement.

Reason for agreeing

- Not all people can afford the goods, therefore, this will make poverty worse.✓✓
- It creates a tax burden on the poor

Reason for not agreeing:

- The want to collect as much VAT as possible since it is their second major source of revenue. ✓✓
- Helps to raise money to fund projects for the poor

Any other valid reason

4

3.2.1	**Calculate the VAT that the business must either pay or receive.**
	5 280 – 279 – 3 870 = 1 311 ✓☑ one part correct

2

3.2.2	**You discovered that the VAT amount was not being submitted on due dates. On enquiry, it was discovered that the manager was using the VAT money to pay for business expenses. Give ONE point of advice to the manager and explain why you offer this advice.**

ADVICE ✓✓	**REASON** ✓✓
He must submit the VAT collected directly to SARS on due dates. He must not use the money for any other purposes.	Failure to do so will result in SARS investigating and imposing penalties. He is an agent of SARS – money collected does not belong to him/business. Using SARS money means he has a cash flow problem which he is not solving.

4

3.2.3 **Mpumi, the owner, suggested to the bookkeeper that they charge VAT on all goods sold (including the zero rated goods) but keep a separate journal for the VAT payable to SARS.**
Comment on this suggestion. Provide ONE point.

Any relevant explanation that illustrates an understanding of zero-rated VAT ✓✓

Possible responses:

- A supermarket will sell zero rated products and they are not allowed to charge VAT on these goods. (illegal/unethical).
- Fraud. Want to disadvantage customers by using SARS as a front.
- If they are caught, they will be fined; may have to close down; lose customers.
- Keeping a separate journal implies they want to deliberately defraud the customers and give SARS the false impression of their income.

2

TOTAL MARKS
15

ACTIVITY 4

Complete the following calculations :

Cost price	% mark-up	Selling price (VAT exclusive)	Selling price (VAT inclusive)
Example R460	**15%**	**R460 x 115/100 = R529**	**R529 x 115/100 = R608,35**
R1 800	20%	R1 800 x 120/100 = R2 160	R2 160 x 115/100 = R2 484
R1 250	40%	R1 250 x 140/100 = R1 750	R1 750 x 115/100 = R2 012,50

ACTIVITY 5

Number	Cost price (no VAT)	% mark-up	Selling price	VAT	VAT Inclusive
	R		R	R	R
1	120	50%	180	27	207
2	250	40%	350	52.5	402.5
3	280	30%	364	54.6	418,6
4	160	25%	200	30	230

ACTIVITY 6

Date	Subsidiary book	Vat Amount	Input Vat	Ouput Vat
8	Creditors Journal	420	✓	
15	Cash Receipts Journal	4 620		✓
16	General Journal	165	✓	
20	Creditors Journal	6 000	✓	
23	Creditors Allowances Journal	560	✓	
25	Debtors Journal	1 125		✓
27	General Journal	75		✓