



KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

CURRICULUM GRADE 10 -12 DIRECTORATE



NCS (CAPS)
TEACHER GUIDE

GRADE 12

ACCOUNTING

LAST PUSH REVISION

2025

PREFACE

This support document serves to assist Accounting teachers on how to deal with curriculum gaps and learning losses as a result of the impact of COVID-19 in 2021. It also deals with the challenging topics in the Grade 12 curriculum in Term 1 – 3.

Activities serve as a guide on how various topics are assessed at different cognitive levels to ensure quality informal and formal tasks in Accounting. It covers the following topics:



A.	Statement of Comprehensive Income & Notes	3 – 9
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ACTIVITY A1

1.1. XOLISWA LIMITED

1

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 29 FEBRUARY 2025

Sales (5 970 000 – 70 000 – 15 000)	5 885 000
Cost of sales (3 200 000 + 10 000)	(3 190 000)
Gross profit	2 695 000
Other operating income	190 039
Bad debts recovered	3 860
Rent income (234 000 – 49 500)	184 500
Provision for bad debts adjustment (22 000 – 20 321)	1 679
Gross operating income	2 885 039
Operating expenses	(2 372 572)
Salaries and Employers' contribution	921 268
Directors' fees	840 000
Loss on sale of asset	10 000
Audit fees (76 000 + 24 000)	100 000
Sundry expenses (292 330 – 10 000)	282 330
Bad debts (12 100 + 675)	12 775
Depreciation	193 199
Trading stock deficit (1 534 000 + 10 000 – 1 531 000)	13 000
Operating profit (loss)	512 467
Interest Income	27 000
Profit (loss) before interest expense	539 467

Interest Expense (600 000 + 423 000 – 948 000)	(75 000)
Profit (loss) before tax	464 467
Income Tax (150 000 + 17 000)	(167 000)
Net profit (loss) after tax	297 467



1.1. FIXED/TANGIBLE ASSETS

2

	Land and Building	Vehicles	Equipment
Carrying value beginning of year	4 789 720	416 000	110 000
Cost	4 789 720	652 000	760 000
Accumulated depreciation	-	(236 000)	(650 000)
Movement			
Additions	2 000 000	-	-
Disposal at carrying value (200 000 – 72 000)	-	(128 000)	-
Depreciation for the year	-	(83 200)	(109 999)
Carrying value end of year	6 789 720	204 800	1
Cost	6 789 720	452 000	760 000
Accumulated depreciation	-	(247 200)	(759 999)

ORDINARY SHARE CAPITAL

AUTHORISED: 3 000 000 shares

ISSUED		R
2 000 000	Ordinary shares beginning of the year	5 000 000
250 000	Ordinary shares issued during the financial year at @R7 each	1 750 000
10 000	Ordinary shares repurchased at the average share price *R3	(30 000)
2 240 000	Ordinary shares in issue at the end of the year	6 720 000

ACTIVITY A2

2.1 REDDY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

Sales (8 412 000 – 112 000 – 1 600)	8 298 400
Cost of sales (4 595 000 – 900)	(4 594 100)
Gross profit	3 704 300
Other income	166 380
Commission income	64 140
Rent income (87 720 + 6 000 + 8 520)	102 240
Gross income	3 870 680
Operating expenses	(2 775 880)
Sundry expenses	257 400
Bank charges	41 905
Audit fees	75 600
Packing material (15 400 – 2 400)	13 000
Repairs and maintenance (107 500 + 6 000)	113 500
Director's fees (736 000 + 32 000)	768 000
Salaries and wages (1 020 000 + 18 500)	1 038 500
Employer's contributions (156 000 + 5 050)	161 050
Bad debts (17 600 + 2 475)	20 075
Provision for bad debts adjustments	850
Trading stock deficit (376 000 + 900 – 369 100)	7 800
Depreciation	278 200
Operating profit	1 094 800
Interest income	3 000
Profit before interest expense	1 097 800
Interest expense (540 800 + 100 800 – 601 600)	(40 000)
Net profit before tax	1 057 800
Income tax	(300 300)
Net profit after tax	757 500

2.2. 2

TRADE AND OTHER RECEIVABLES

Debtors' control (125 000 – 1 600 – 2 025 – 2 475)	118 900
Provision for bad debts	(8 000)
	110 900
Accrued income/Receivable	8 520
SARS – Income tax	14 700
	134 120

ORDINARY SHARE CAPITAL NOTE		
Authorised Share Capital: 1 200 000 ordinary shares		
Issued Shares:		R
900 000	Shares in issue on 1 January 2024	7 785 000
120 000	Shares issued during the year at R9,50 each	1 140 000
(170 000)	Shares repurchased: ASP: R8,75	(1 487 500)
850 000	Shares in issue on 31 December 2024	7 437 500

RETAINED INCOME	
Balance at beginning of financial year	555 500
Net profit after tax	1 225 000
Buy back of shares (170 000 x 0,95c)	(161 500)
Ordinary share dividends	(1 101 000)
• Interim (900 000 x 60c) or 0,6 or 60%	540 000
• Final (1 020 000 x 55c) or 0,55 or 55%	561 000
Balance at end of financial year	518 000

ACTIVITY A3

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

WORKINGS	ANSWER
1009 JAN: 600 X R2 100 = R1 260 000 SEPT: 409 X R2020 = R826 180	2 086 180

MTHETHWA LIMITED

3.2 PREPARE TRADE AND OTHER PAYABLES	
Trade creditors (523 890 -2700)	521 190
Deferred income	24 150
Accrued income (117 250 + 85 000)	202 250
SARS (Income Tax) (1 152 000 – 1 049 000)	103 000
Shareholders for dividends	2 640 000



	3 490 590
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3.3 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2025

Sales	31 525 800
Cost of sales $(31\,252\,000 + 336\,000) \times 100/200$	(15 930 900)
Gross profit	15 594 900
Other income	619 200
Bad debts recovered	22 350
Commission income $(277\,000 + 41\,000)$	318 000
Fee income $(303\,000 - 24\,150)$	278 850
Gross operating income	16 214 100
Operating expenses	(12 063 800)
Salaries and wages	3 450 000
Sundry expenses	6 349 850
Rent expense $(279\,000 + 115\,500 + 117\,250)$	529 750
Directors fees $(1\,610\,000 + 85\,000)$	1 695 000
Loss on stock $(2\,125\,380 - 2\,086\,180)$	39 200
Operating profit	4 150 300
Interest income	20 700
Profit before interest expense	4 171 000
Interest expense	(433 750)
Net profit before tax	3 737 250
Income tax	(1 152 000)
Net profit after tax	2 585 250

ACTIVITY A4

4.1	4.1.1	E
	4.1.2	D
	4.1.3	B
	4.1.4	A

4.2 ENERGIX LTD

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

WORKINGS	ANSWER
$\begin{array}{r} \text{R3 894 000} + 27\,500 \\ \hline 55\,000 \\ \text{R71.50} \times 1\,700 \end{array}$	121 210

Calculate: Profit or loss on disposal of vehicle

WORKINGS	ANSWER
R91 500 – 88 400	3 100

Calculate: Total depreciation for the year

WORKINGS	ANSWER
Vehicles: Sold: $\text{R104 000} \times 20\% \times \frac{9}{12} = 15\,600$ Existing: R145 200 $15\,600 + 145\,200$	160 800
Equipment: $\text{R480 300} - 360\,000$	120 300
	281 100

4.2.3 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2025

Sales (17 796 150 – 53 850)	17 850 000
Cost of sales	(10 200 000)
Gross profit	7 650 000
Other income	170 900
Commission income	85 900
Rent income (89 700 - 7 800)	81 900
Profit on disposal	3 100
Gross operating income	7 820 900
Operating expenses	(4 894 900)

Salaries and wages	2 218 100
Audit fees (155 200 + 38 800)	194 000
Directors' fees (2 015 000 – 130 000)	1 885 000
Sundry expenses	219 760
Bad debts (16 200 + 2 250)	18 450
Depreciation	281 100
Trading stock deficit (2 969 800 – 2 896 010)	73 790
Provision for bad debts adj. (25 720 – 21 020)	4 700
Operating profit	2 926 000
Interest income	33 360
Profit before interest expense	2 959 360
Interest expense (165 600 X 60%)	(99 360)
Net profit before tax	2 860 000
Income tax	(858 000)
Net profit after tax	2 002 000
CURRENT ASSETS	7 605 150
Inventories (2 774 800 + 121 210)	2 896 010
Trade and other receivables (645 250 – 21 020 – 2 250 – 4 700 + 130 000 + 16 860)	764 140
Cash and cash equivalents	3 945 000

B. STATEMENT OF FINANCIAL POSITION

ACTIVITY B1

1.1 CALCULATE THE NET PROFIT AFTER TAX.

Incorrect Net Profit before Tax	2 048 800
Telephone	- 6 000
Insurance	+ 9 000
Rent Income (26 400 x 2)	- 52 800
Stationery	+ 1 000
Net profit before tax	2 000 000
Income Tax	(560 000)

Net Profit after tax	1 440 000
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1.2 STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 28 FEBRUARY 2025

ASSETS	
NON-CURRENT ASSETS	11 744 000
Fixed/Tangible Assets ($10\,004\,000 + 1\,400\,000 + 500\,000 - 527\,500 - 152\,500$)	11 224 000
Financial Assets/Fixed Deposit:	520 000
CURRENT ASSETS	2 116 000
Inventories ($650\,000 + 1\,000$)	651 000
Trade and other Receivables ($1\,392\,000 + 9\,000 + 600\,000 - 560\,000$)	1 441 000
Cash and Cash Equivalents	24 000
TOTAL ASSETS	13 860 000
EQUITY AND LIABILITIES	
SHAREHOLDERS' EQUITY	10 492 000
Ordinary Share Capital ($8\,000\,000 - 2\,500\,000 + 3\,500\,000$)	9 000 000
Retained Income ($1\,080\,000 - 500\,000 + 1\,440\,000 - 528\,000$)	1 492 000
NON-CURRENT LIABILITIES	1 560 000
Loan: UNO Bank ($2\,280\,000 - 720\,000$) $[1\,035\,000 - 315\,000]$	1 560 000
CURRENT LIABILITIES	1 808 000
Trade & Other Payables ($589\,200 + 6\,000 + 52\,800$)	648 000
Bank Overdraft	104 000
Current Portion of Loan ($1\,035\,000 - 315\,000$)	720 000
Shareholders for Dividends	336 000
TOTAL EQUITY AND LIABILITIES	13 860 000

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CALCULATION OF THE CORRECT NET PROFIT AFTER TAX

Incorrect Net Profit before Tax	2 369 250
Packing Material (45 800 - 39 700)	+ 6 100
Trading Stock Deficit (2 000 000 - 1 704 000)	-296 000
Bad Debts (35/65 x 9 750)	-5 250
Salaries and Wages (10 200 + 4 500)	-14 700
Rent Income (100/1225 x 208 250)	+ 17 000
Interest Expense (2 150 000 – 710 400 – 1 652 000) OR 1 652 000 – 1 439 600	-212 400
Net profit before tax	1 864 000
Income Tax (1 864 000 x 28 %)	(521 920)
Net Profit after tax	1 342 080

ACTIVITY B3

3.1

Calculate the correct Net Profit after tax for the year ended 28 February 2025.	
Incorrect net profit before tax	2 200 750
Gross profit (2 000 – 1 250)	-750
Profit on sale of an asset (8 000 + 8 000)	+16 000
Audit fees	-28 000
Repairs (200 000 – 80 000)	+120 000
Interest expense	-201 000
Income tax	-572 400
Net profit after tax	1 534 600

3.2



STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2025	
ASSETS	
NON-CURRENT ASSETS	5 543 160
Tangible assets ($4\,423\,160 + 120\,000$)	4 543 160
Fixed deposit	1 000 000
CURRENT ASSETS	1 277 640
Inventories ($468\,750 + 1\,250 + 18\,000$)	488 000
Trade and other receivable ($440\,500 - 2\,000 + 11\,500$)	450 000
Cash and cash equivalent	339 640
TOTAL ASSETS	6 820 800
EQUITY AND LIABILITIES	
SHAREHOLDERS' EQUITY	4 709 200
Ordinary share capital $500\,000 \times R6.50$	3 250 000
Retained income ($300\,000 + 1\,534\,600 - 200\,000 - 175\,400$)	1 459 200
NON-CURRENT LIABILITIES	1 199 000
Loan ($1\,521\,000 - 322\,000$)	1 199 000
CURRENT LIABILITIES	912 600
Trade and other payables ($437\,600 + 28\,000$)	465 600
Current portion of loan	322 000
Shareholders for dividends	100 000
SARS-Income tax	25 000
TOTAL EQUITY AND LIABILITIES	6 820 800

ACTIVITY B4

4.1

Calculate: Carrying value of buildings on 1 March 2024	
Workings	Answer
7 690 200 – 864 200	6 826 000
Calculate: Carrying value of vehicles on 28 February 2025	
Workings	Answer
419 900 + 236 000 – 144 400 OR 1 120 000 – 608 500 (464 100 + 144 400)	511 500
Calculate: Carrying value of equipment sold	
Workings	Answer
(90 000 – 38 160) 51 840 x 20% x 10/12 51 840 - 8 640	43 200
Calculate: Total depreciation on equipment	
Workings	Answer
317 440 – 51 840 (265 600 x 20%) + 8 640	61 760

4.2



Calculate the correct Net Profit after tax for the year ended 28 February 2025.	
Incorrect Net profit before tax	1 243 000
(i) Consumable stores	+ 12 440
(ii) Donation 15 050 x 100/175	-8 600
(iii) Audit fees 88 740 x 10/90	-9 860
(iv) Rent income 109 600 x 2/8	+27 400
(v) Insurance 40 050 x 105/1 325	+3 750
Net profit before tax	1 267 950
Income tax	(380 350)
Net profit after tax	887 600

4.3

Retained Income	
Balance on 1 March 2024	246 900
Net profit after tax	887 600
Shares repurchased	(84 000)
Dividends	535 500
Interim dividends	241 500
Final dividends	294 000
Balance on 28 February 2025	515 000

4.4

STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2025	
Assets	
Non-current assets	8 937 500
Fixed/ Tangible assets	8 414 180
Fixed deposit	523 320
Current assets	1 570 500
Inventories (726 040 – 8 600 + 12 440)	729 880
Trade and other receivables (546 330+27 400+3 570)	577 300
Cash and cash equivalents balancing figure	263 320
Total Assets	10 508 000
Equity and Liabilities	
Shareholders' equity	8 845 000
Ordinary share capital	8 330 000
Retained income	505 500
Non-current Liabilities	790 500
Loan (1 075 200 – 268 800 + 123 600 – 139 500)	790 500
Current Liabilities	872 500
Trade and other payables (388 790 + 9 860)	398 650
Shareholders for dividends	294 000
SARS: Income tax (380 350 – 340 000)	40 350
Current portion of loan	139 500
Total Equity and Liabilities	10 508 000

C. CASH FLOW STATEMENT

ACTIVITY C1

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

ACTIVITY C2

2.1.1 CASH GENERATED FROM OPERATIONS

Net profit before tax	844 200
Adjustments	
Depreciation	160 000
Interest expense	140 000
Net profit before changes in working capital	1 144 200
Changes in working capital	(163 100)
Inventory	66 900
Debtors/receivables	(55 000)
Creditors/Payables	(175 000)
	981 100

2.1.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2025

CASH FLOW FROM OPERATING ACTIVITIES	318 700
Cash generated from operations	981 100
Interest paid	(140 000)

Dividends paid (200 000 + 100 000) or (200 000 + 310 000 – 210 000)	(300 000)
Tax paid (15 000 + 23 000 – 260 400) or (260 400 – 15 000 – 23 000)	(222 400)
CASH FLOW FROM INVESTING ACTIVITIES	(1 410 000)
Purchases of tangible assets	(1 600 000)
Disposal of assets (4 950 000+160 000-1600 000-3 700 000)	190 000
Change in Investments	0
CASH FLOW FROM INVESTING ACTIVITIES	1 080 000
New shares (200 000 x 9)	1 800 000
Buy-back (50 000 x (4+6))	(500 000)
Loan (900 000 – 680 000)	(220 000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(11 300)
Cash and cash at the beginning	54 800
Cash and cash equivalents at the end	43 500

2.2

DECISION TAKEN (QUOTE FIGURES)	EFFECT TO THE COMPANY FUTURE
Land and building purchased for 1 600 000	Leads to future gains /improves operation efficiency
Additional shares issued for R1 800 000	Pay for the purchased land and building
Repayment of loan R220 000	Reduce interest/ minimised financial risk

ACTIVITY C3

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

Net profit before tax	
Adjustment in respect of:	
Depreciation	16 645
Interest on loan	120 000
Operating profit before change in working capital	
Change working Capital	
Debtors (1 139 000 – 1 115 000)	24 000
Inventories (1 145 000 – 1 125 000)	20 000
Creditors (1 056 800 – 880 565)	(176 235)

Cash generated from operations	
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3.2

3.2.1

Fixed assets purchased	ANSWER
$944\,800 - 1\,541\,940 - 16\,645 - 19\,430$ OR $-944\,800 + 1\,541\,940 + 16\,645 + 19\,430$	(633 215)

3.2.2

Net change in cash and cash equivalents	239 400
Cash and Cash at the beginning (153 000 – 2 500)	(150 500)
Cash and cash equivalents at the end	88 900

3.2.3

Funds used for repurchased shares	ANSWER
$(10\,000 \times R16)$ $(10\,000 \times R12.50) + (10\,000 \times R3.50)$	(R160 000)

3.2.4

Issued share capital during 2025	ANSWER
$100\,000 \times R15$	R1 500 000

3.2.5

Taxation paid	ANSWER
$197\,600 - 400 - 10\,375$ OR $-197\,600 + 4\,000 + 10\,375$	(183 225)

3.3

3.3.1

Debt-Equity ratio	ANSWER
350 000 : 2 499 900	0,14 : 1 or 1,0:1



3.3.2

Return On Total Average Capital Employed (ROTCE)	ANSWER
$\frac{520\,000 + 120\,000}{\frac{1}{2}(2\,849\,900 + 2\,187\,500)} \times 100$	25.4%
$\text{Or } \frac{640\,000}{2\,518\,700} \times 100$	

3.3.3

Earnings per share	ANSWER
$\frac{322\,400}{190\,000} \times 100$	169.68/170 cents

ACTIVITY C4

4.1. ORDINARY SHARE CAPITAL

1

480 000	shares issued on 1 March	1 770 000
200 000	shares issued on 1 March	950 000
(2 500)	shares issued at R4	(10 000)
677 500	Shares issued at the end	2 710 000

4.1.2 Retained income

Balance at the beginning	68 000
Buy back of shares (12 500 – 10 000)	(2 500)
Net profit after tax (747 000 – 224 100)	522 900
Ordinary share dividends	(427 500)
Interim dividends (348 500 – 192 000)	156 500

Final dividends	271 000
Balance at the end	160 900

4.2 CASH FLOW STATEMENT FOR YEAR ENDED 28 FEBRUARY 2025

Cash flow from operating activities	
Cash generated from operations	
Interest paid	(128 000)
Dividends paid	(348 500)
Tax paid (224 100 + 17 500 + 45 000)	(286 600)
Cash flow from investing activities	(417 000)
Purchases of Fixed assets (3 372 300 + 232 300 + 583 000 – 2 937 600)	(1 250 000)
Proceeds from sale of fixed assets	583 000
Changes in financial assets	250 000
Cash flow from financing activities	649 500
Proceeds from shares issued	950 000
Buyback of shares	(12 500)
Changes in loan	(288 000)
Net change in cash and cash equivalent	408 500
Cash and cash equivalent at the beginning (5 000 – 92 000)	(87 000)
Cash and cash equivalent at the end	321 500

4.3.1

Operating profit on sales	ANSWER
$(1\,330 \times 200/100) = 691\,000$ $\frac{691\,000}{2\,660\,000} \times 100$	25% or 25,98%

4.3.2

Net asset value per share	ANSWER
$\frac{2\,870\,900}{677\,500} \times 100$	423.75c or 424c

4.3.3

Debt-Equity Ratio	ANSWER
892 000:2 870 900	0.31:1 or 0.3:1

4.3.4

Return On Shareholders' Equity	ANSWER
$(747\,000 \times 70 / 100) = 522\,900$ $\frac{522\,900}{2\,354\,450 + (1\,838\,000 + 2\,870\,000) / 2} \times 100$	22% Or 22.21%

D. ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

ACTIVITY D1

1.1	The bookkeeper think they are managing expenses very well, do you agree or not quote Three financial indicators? I do not agree, because operating expenses is increasing from 15% to 18 %, gross profit on sales decrease from 26% to 23%, operating profit on sales decreased from 19% to 17%
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1. 2	The business did something on loans, what they did to loan? Was it beneficiary to the business? Quote two indicators. They paid back the loan debt equity ratio improved from 0, 4:1 to 0, 3:1 low risk but was not beneficiary to the business because of negative gearing where ROTCE of 14% is less than interest on loan of 15%.
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1. 3	Comment on whether the company will be able to meet the short term obligation, quote and explain three financial indicators? They will not be able to meet the short term debt because Current ratio decreased from 2, 2: 1 to 1,3 :1 and acid test ratio decreased from 1:1 to 0,6:1, debtors collection schedule increase from 29 days to 40 days. Cash is tied up in stock, business is failing to collect money from debtors.
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1. 4	The share price of this company favours existing or potential shareholders? Provide indicators to support your answer. Potential investors because NAV is R950 cents greater than issue price of R600 cents also NAV is greater than the market price of R745 cents meaning these shares were cheap and the company is not in demand.
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1. 5	Directors decided to change the dividend pay-out rate, what they did and why? Dividend pay-out rate was 44% and was increased to 91 % to attract the potential investors.
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1. 6	Should the shareholders be satisfied with their return or they must invest somewhere else? Mention Two points. • Yes they should be happy because, ROSHE is increasing from 8% to 10%. • ROSHE is 10% greater than interest on alternative business 8%.
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1. 7	Calculate his shareholding at the beginning of the year. $270\,000/575\,500 \times 100 = 47\%$
	Calculate how many shares he must buy to become the major shareholder. $725\,000 \times 51\%/100 = 446\,250 - 270\,500 = 175\,750$
	How much money is he going to need? $175\,750 \times 6 = 1\,054\,500$

ACTIVITY D2

2.1	Directors are not happy with working capital of the business. Quote three financial indicators to support this statement. Current ratio increased from 1, 7:1 to 2, 7:1. Acid test ratio decreased from 1,2 :1 to 0,6:1. Stock turnover rate decreased from 8 times to 6,4 times
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2.2	Comment about dividend pay-out rate. Dividend pay-out rate was 96% now is 66% the company has future plans. They want to expand the business.
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	Shareholder wants to exit the company and invest in a 5 year fixed deposit at her bank account. Explain if this is a good decision or not? No it was not a good idea since ROSHE is increasing from 9% to 10% also ROSHE is greater than the interest on fixed deposit of 8%
2.3	Directors decided to purchase a new fixed asset in 2025. Calculate how much they paid for fixed asset and identify two sources where they get those funds with their figures. $9\,500\,000 - 6\,250\,000 = R3\,250\,000$ LOAN OF R4 500 000 SHARE ISSUED R6 300 000 Explain how the decision affected the risk and gearing of the company. Debt equity ratio increased from 0,4:1 to 0,6:1 high risk ROTCE is 13% greater than interest on loan of 11% negative gearing
2.4	Calculate the number of shares in issue at the beginning of the Year. $2\,430\,000 \times 100 / 54 = 4\,500\,000$ Calculate the issue price per share, do you think the existing shareholders should be satisfied about this? Note there was no buyback of shares. $R26\,850\,000 - R20\,550\,000 = R6\,300\,000$ $6\,300\,000 \div 900\,000 = R7$ Comment: Happy because issue price is R700 CENTS greater than NAV 685 cents shares are in demand.

ACTIVITY D3

3.1	The company's total sales increased from 2024 to 2025 and the operating activities have been better controlled in 2025. Quote and explain TWO financial indicators with figures, which indicate better control of operating activities. <u>% operating expenses on sales</u> decreased/improved (from 20%) to 16,3%. <u>% operating profit on sales</u> increased/improved (from 17) to 20% <u>% net profit on sales</u> increased/improved (from 14) to 18% Quote and explain ONE relevant indicator with a figure, which directly contributed to the increase in sales. Mark-up % achieved decreased (from 60%) to 40%. Reducing the mark-up % to 40% resulted in goods being cheaper; attracted more customers
3.2	Identify TWO financial indicators with figures, which indicate an improvement in the liquidity of the company Debtors' collection period – 29 days (improved from 37days) Creditors payment period – 62 days (was 35 days)
3.3	The directors decided to increase the loan at the beginning of 2025. Explain why you agree with their decision. Quote TWO financial indicators with trends. • <u>Debt-equity ratio</u> increased or deteriorated (from 0,29 : 1) to 0,45 : 1 • Although the debt-equity ratio increased, the company is lowly geared / low risk / do not rely too much on borrowed capital. • <u>% return on total capital employed</u> increased / improved from 12% to 13% • The company is positively geared / ROTCE of 13% is higher than the interest rate of 10% / making effective use of loan to generate profits
3.4	Explain how the change in the dividend pay-out policy affected the investment choices of each type of shareholder. Provide comparative figures. A drop in the DPR from 80% to 50% will not be welcomed by short-term investors Explanation • Short-term investors will view this as an opportunity lost to receive higher dividends as directors decided to retain 50% of EPS.

	• They invest in the short term to receive high returns, as achieved in 2024 when the pay-out rate was 80%. • They have no interest in the long term goals of the business or future expansions, as they buy and sell shares based on market trends, to get higher returns. They are likely to sell their shares, and invest in other companies that offer higher dividends Long-term investors will be satisfied with a change in the DPR from 80% to 50% if directors explain their intentions Explanation • Retaining 20% of EPS may be acceptable to long-term investors (compared to 20% in 2024), as it indicates that directors are as being responsible to ensure the sustainability of the company. • They may be happy with the explanations of future expansion / addressing cash flow problems / improved marketing / purchasing assets, as this will contribute to better profits in the future. • They are considered loyal investors who would expect their investment in the company to grow over time
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3.5	Provide ONE point in support of and ONE point against the price paid for shares. Quote ONE financial indicator with figures for each point In support • Directors based their price of 1300c on the upward trend of the market price which increased (from 1000c) to 1200 cents / by 200c • Although they paid 100c (R1) more than the market price, the upward trend in market price (by 200c) may be considered fair as this shareholder may get more in the future, if the trend is maintained. Against • Directors may have been irresponsible to pay 1300c or 100c more than the market price of 1 200 cents. • The company has spent more, which could have consequences on the cash resources of the business. • This may be considered irresponsible, possible collusion between directors and the shareholder.
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3.6	The directors of the company decided to issue an additional 60 000 shares in the new financial year. Calculate the minimum number of shares BRENDA must buy to become a majority shareholder $780\,000 + 60\,000 = 840\,000$ $840\,000 \times 51\% = 424\,400 - 374\,400 = 50\,000 \text{ shares}$ Mention TWO points why BRANDA wants to become a majority shareholder. • To influence strategic decisions / appointment of directors • To influence business operations • Sees potential in the company and wants to be part of the future growth.
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ACTIVITY D4

4.1	Which company is NOT handling its working capital effectively? Greytown Ltd Explain what the main problem is in respect of their working capital, by quoting TWO financial indicators There is an over-investment in their inventories / stock piling / too much cash tied up in stock • Current ratio: Mabizela Ltd [1,65: 1] and Cindi Ltd [4,40: 1] • Stock holding period: Mabizela Ltd [38 days] and Cindi Ltd [184 days] • Difference between current ratio and acid test ratio: Mabizela Ltd [0,45: 1] and Greytown Ltd [3,55: 1]
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4.2	The companies have made different decisions regarding the use of loans. Comment on the degree of risk and financial gearing. Give ONE financial indicator in EACH case for EACH company Mabizela Ltd Debt equity ratio is 0, 85:1 and ROTCE is 27% greater than interest on loan on 14% which shows that they are relying on loan high risk but with a positive gearing. Greytown Ltd Debt equity ratio is 0,01:1 and ROTCE is 4% they have low risk that did not work on their favour since they are negatively geared ROTCE is less than interest on loan
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4. 3	The dividend policy used by each company has been maintained for the past four years. Explain the policy used by EACH company. Provide figures to support your explanation in EACH case.	
	MABIZELA LTD	Mabizela Ltd has a very high dividend pay-out policy [98% or 528 out of 540 cents] as they would want to keep the shareholders satisfied. Encourages them to remain as shareholders of the company.
	GREYTOWN LTD	Greytown Ltd has a lower dividend pay-out policy [40% or 292 out of 730 cents] so that they can use retained income for expansion purposes/equalisation of dividends. The shareholders should benefit in the future.

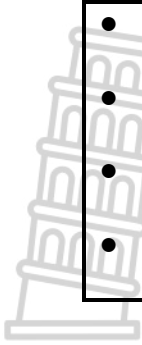
4. 4	Should EACH company be satisfied with its share price on the JSE? Explain.provide figures.	
	MABIZELA LTD	No The market price of the shares of Mabizela Ltd [875 cents] is lower than the NAV [1200 cents]
	GREYTOWN LTD	Yes The market price of the shares of Greytown Ltd [763 cents] is greater than the NAV [425 cents]

E. CORPORATE GOVERNANCE & AUDITING

ACTIVITY E1

1.1 AUDITING:

Explain ONE duty of an internal auditor. • Set up /implement / advise on internal control processes in line with external auditing requirement. • Oversee the preparation / internal audit of financial statements before and external audit • Chairperson of the internal auditing committee Give ONE reason why the accounting Records of listed company must be audited by an external auditor.	
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- It is a requirement of the Companies Act / it confirms that the company complies for standards / accounting principles / international reporting.
- Protect public investment / interest of shareholders for possible mismanagement and / or fraud / an unbiased opinion is expected.
- Comply with corporate governance / King Code requirements relating to ethical conduct / transparency.
- Shareholders will be confident that the financial results are reliable and credible / enhance confidence in financial statements.

1.2 Whistle-blowers (Informants):

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

- It is understandable that she feels victimised (lost her job) / citizens should be grateful to whistle-blowers / if whistle-blowers do not come forward with information, crime will not be brought under control.
- Whistle-blowers help to expose / minimise corruptive actions of managers / employees.
- She had no choice but to report on this behaviour as she was the appointed internal auditor at the time / could have been accused over negligence of not doing her job.
- She could take the company to court or the CCMA
- Criminals will think twice if they realise that people are watching their actions / behaviour / promote ethical conduct in the corporate world.
- SA government has stated that whistle-blowers must be protected and remain anonymous.

1.3 Shareholders' opinions and concerns:

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

CONCERN	REASON
• No protection of whistle-blowers • Their anonymity may not be respected. • Investigation of whistle-blowers	• They may not speak out on further wrong doings • The law is expected to ensure that their identity is not revealed.
• Collusion with service providers / management • Nepotism / conflict of interest	• Self-enrichment at the expense of the company / Results in financial losses for the company / financial losses not a result of performance

- Honesty / loyalty to the company is not recognised / Sphesihle lost his job unfairly / treated unfairly - Public investment is not being considered / protected / advanced	- Competence of appointees is questioned. - Growth in company profits may be compromised. - Shareholder interest in shares may be negatively affected.
- Corruption not detected over a long period - Apathy of (honest) employees - Lack of transparency - Honest workers look the other way	- Company policies can be easily manipulated / no accountability / no checks and balances in place - Corruption will continue / no consequences of crime - Fear of victimisation / lose their jobs
- Credibility & integrity of management - Labour law requirements & company policies (e.g. procurement, recruitment & performance bonus policies) - Consequences of this for the future of the company – image, share price	- Unfair dismissal may place the company in a legal battle. - Share prices will take a tumble / investor will not be interested / shareholders may want to sell their shares.

ACTIVITY E2

2.1	The three board members implicated in this case own 150 000 shares. Calculate the loss that Jane and the two directors each were able to avoid by selling their shares on 15 May 2024.	
	WORKINGS	ANSWER
	150 00 x R97 OR 15 750 000 – 1 200 000 OR (47 250 000 – 3 600 000) / 3	R14 550 000

2.2 Refer to Paragraph 3.

Explain why the text message is so important to the investigators.
It provided evidence that a crime had been committed / they would know which directors to charge / the person who leaked the information can be easily traced / It will provide evidence of parties involved / investigators will establish the intent knowledge / It provides consistency

between different sources of evidence which strengthens the case against individuals implicated.

Explain why you think this crime is referred to as 'insider trading'.

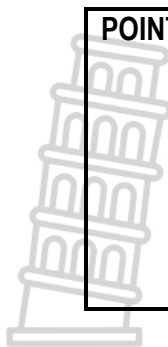
Because it is fraud based on private information regarding the trading (buying / selling) of shares which is not yet known to others who affected / The directors (insiders) did have access to this privileged information / Using of sensitive information to one's benefit – abuse of power.

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

Existing shareholders	They will lose their investment in the company / loss of life savings (Financial loss) / loss of dividends / will be likely to sell their shares / there may not be a demand of shares.
Workers	Employees would be retrenched / lose their jobs / no job security (job insecurity) / increase in unemployment in the country / Employee's morale and productivity / Change on compensation and benefits (reduced salary/benefits/bonus) / Cost cutting measures (layoffs)

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

POINT 1	• Were any checks done into the background of culprits before they were appointed to the Board? • Is there any way in which the losses can be recovered from the culprits e.g. confiscate and sell their possessions? • How will the board intervene to rectify this situation? • What action will be taken against the directors? • What disciplinary action will be taken by the company or the Board against the culprits? • Is it possible to rescue the company / who will take over the running of the company? • Will the matter be reported to the relevant professional bodies for disciplinary action against these directors? • What specific actions is the company taking to address the allegations of false financial statements/ Disclaimer report?

 POINT 2	• Can the board provide a detailed explanation for the circumstances leading to the disclaimer report? • Can the board provide a detailed explanation for the circumstances leading to the disclaimer report? • Can shareholders expect timely and transparent communication regarding the investigation's progress and findings?
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ACTIVITY E3

3.1	Explain how you would respond to the CEO's statement State TWO points. • The company depends on the community for its success / it is part of a community that supports it. • The wellbeing of its employees will have an effect on the profits of the company through which the CEO is remunerated. • The company should focus on its responsibility and growth rather than relying on government or other institutions. • They should work with government to achieve common goals of uplifting the community / not independently. • The government should set a good example by eliminating crime and corruption. • The King Code has established the guidelines for CSR which companies should comply with. • According to labour law, companies are responsible for skills development.
3.2	Refer to the information regarding Sbondakonke Ltd. State whether Sbondakonke Ltd is a public or private company. Public Company Explain why employees and investors (shareholders) were distressed by this incident. Comment on employees: • Future employment / retrenchment • No wage increases / bonus / overtime • Losing benefits in the future e.g. pension, medical aid • Company may close down / lead to further unemployment • Uncertain economy / jobs are scarce / high unemployment rate Comment on investors (shareholders): • Their investments / savings are now depleted or lost due to a decrease in the share price • Loss of earnings (dividends) / unable to cope with daily living costs • Low investor confidence in directors / auditors (due to their negligence or deliberate fraudulent activities) / disciplinary processes that need to be followed • Would make it difficult / impossible to sell their shares because of the reputation of the company.

Explain what went wrong in the company to allow for this fraud to occur.

- Unreliable audit reports / external or internal auditors were biased or negligent
- Directors have been acting out of character / in an unethical or fraudulent way (criminal activity)
- Personnel expected / influenced to follow irregular practices which are being sanctioned or overlooked by senior managers
- Bribery / collusion / kickback payments / producing or overlooking material transactions
- Lack of regular / effective internal control measures (e.g. internal audits, division of duties) in place
- No proper application of GAAP / IFRS in compiling financial statements.

ACTIVITY E4

4.1

Audit Report

Explain why a qualified audit report is not a good reflection of a company.

Provide Two points.

- Certain information on financial statements are not clear / missing.
- There is insufficient audit evidence for significant items; Auditors cannot verify certain information.
- Lack of internal controls; possible negligence or colluding.
- Negative impact in the future; consequences on the image / share price due to decreased demand for shares (from potential shareholders)
- Existing shareholders might decide to sell their shares

4.2

The board of Directors:

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

- Executive directors are involved with internal functioning (operations) of the company / hands-on / decisions may be based on a narrow view.
- Non-executive directors have a wider perspective of the of the business environment; and act in the best interest of the company.
- The non-executive directors would exercise a watch-dog role; keep executive directors in check.
- More regular inputs than an internal auditor or other directors.
- Their inputs would be unbiased and independent.
- They share accountability with the other directors / more people have the interests of the company in mind.
- Executive directors would be more vigilant and professional in their duties / not tempted to engage in unethical activities.
- The more the directors there are, the more opinions will be generated, which could benefit the company.
- The non-executive directors can be paid less than the other directors (because they do not work permanently in the company).

4.3

The remuneration Committee:

According to the Companies Act, 2008 (Act 11 of 2008), a company must have a Remuneration Committee.

Explain the role/responsibility of this committee and give a reason why this committee is necessary.

EXPLANATION

- Review all salaries, bonuses and other earnings.
- To prevent directors from paying themselves too much
- They must approve, and give advice on the proposals re fees, bonuses etc.

REASONS

- To ensure fairness / transparency in the payment of fees/salaries
- To prevent fraud / corruption / wastage
- Detect mismanagement or fraudulent activities
- They can compare the remuneration / earnings against financial information of other companies in the industry / fairness to workers.

4.4

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

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

- Transparency is awarding contracts, tenders or appointing service providers.
- Could result in not appointing the best suited client for the job / not adhering to or flouting company policy.
- Policy would prevent colluding with service providers.
- Directors / service providers would know the consequences of not abiding by policy and therefore not be tempted to engage in fraudulent activities / corruption.
- This could be viewed as bribery for contracts.
- This could be viewed as nepotism (if family and friends involved).
- To protect the image of the business.
- Conflict of interest (which could be corrupt / fraudulent).

AA. FIXED/TANGIBLE ASSETS

ACTIVITY AA1

1.1 CALCULATIONS

1.1.1 Depreciation of equipment on 28 February 2025

$$236\,250 - 172\,350 = 63\,900$$

1.1.2 Cost price of vehicles on 28 February 2025

$$1625\,000 - 120\,000 + 160\,000 = 665\,000$$

1.1.3 Depreciation of vehicles on 28 February 2025

Depreciation on new vehicle $160\,000 \times [20/100 \times 6/12] = 16\,000$

Depreciation on vehicle traded in $83\,200 \times [20/100 \times 6/12] = 8\,320$

Depreciation on remaining vehicles = 166 360

Total = 90 680

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

$$2120\,000 - 45\,120 - 76\,830 = 1\,950$$

1.2. INTERNAL CONTROL AND ETHICS

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

- Give information of all assets and all the movement of assets
- Physical assets can be checked against the assets register.
- Internal control measure.

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

- The asset has reached its useful life- R1 carrying value
- The assets do not serve the purpose of the business
- To buy a new asset.

ACTIVITY AA2

2.1. Complete the amounts denoted by (i) to (iii) on the Fixed Asset Note.

(i)

Cost at the beginning (land and Building)

$$9\,421\,300 + 420\,000 = 9\,841\,300$$

(ii)

Depreciation Vehicles

$$\text{Old } 526\,000 \times [15\% \times 12/12] = 78\,900$$

$$\text{New } 260\,000 \times [15\% \times 5/12] = 95\,150$$

(iii)

Disposal at carrying value

$$57\,600 - 2\,880 = 54\,720$$

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

- Tracker- the tracker can be used to monitor the vehicles travel and determine the shortest routes to save fuel.
- Logbook- the logbook can be used to sign vehicles in and out and track who has used the vehicle and helps to monitor fuel usage.
- Petrol card- a petrol card can be used to limit the amount of fuel used per month and helps to monitor fuel usage.

ACTIVITY AA3

3.1 Calculate the figures denoted by (i) to (iii) on the Fixed Asset note.

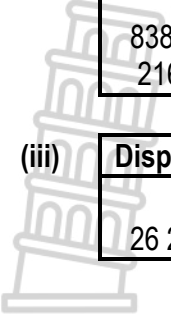
(i)

Carrying value at the beginning – Vehicles

$$838\,000 - 420\,000 = 418\,000$$

(ii)

Depreciation – Vehicles



$838\,000 \times 15\% = 125\,700$ $216\,000 \times 15\% \times 5/12 = 13\,500$

(iii) **Disposal at the carrying value- equipment**

$26\,250 - 4\,250 = 22\,000$



3.2 Prepare the Asset Disposal account on 1 January 2025.

Cost= 105 000
Accumulated depreciation= 83 000
Bank = 26 250
Therefore: 105 000-83 000-26 250= 4250 profit

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

	PROBLEM (WITH FIGURES)	ADVICE
SHOP 1 (TYALI)	Printer being over-used (140 000 copies) Printer is very old / fully depreciated (R1 carrying value) High maintenance (R8 000) Missing cash (R72 000)	Printer needs to be replaced Investigate missing cash Disciplinary action Division of duties
SHOP 2 (DUMISA)	Ink and consumables used are high (R39 000) High number of spoilt copies (11 740)	Dumisa needs training in use of printer to reduce spoilt copies, and ink and consumables Repair printer if necessary
SHOP 3 (ZWENI)	Few copies made / not meeting capacity (40 000) Printer is under-utilised (40 000/100 000) Best printer doing least copies (40 000 vs 140 000, 100 000)	Advertise to increase sales Swop printers with Shop 1 Pay Zweni commission on sales instead of fixed salary Close the shop if location is undesirable

ACTIVITY AA4

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

$500\ 000 - 280\ 000 - 245\ 000 = 25\ 000$ profit

4.2 (i) Calculate the cost of equipment purchased.

$155\ 000 + 105\ 000 - 200\ 000 = 60\ 000$

(ii) Calculate the depreciation on equipment for the year ended 28 February 2025. (Do not use the 10% mentioned in no iii.)

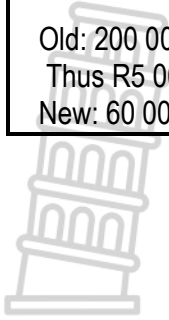
$120\ 000 + 60\ 000 - 155\ 000 = 25\ 000$

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

Old: $200\,000 \times 10\% = 20\,000$,

Thus R5 000 of the R25 000 depreciation remains for the new equipment.

New: $60\,000 \times 10\% \times \text{months}/12 = 5\,000$ $6\,000 \times \text{months}/12 = 5\,000$ months = 10



(iv) Name TWO control measures that can be put into place to avoid this.

- Tools are packed away in designated slots every evening or weekend
- Each worker is responsible for his own set of tools (signs for it)
- Regular physical counting of equipment
- Workers are searched before they leave the premises.

ACTIVITY AA5

5.1 Complete the Fixed Assets Note (A-G)

	Buildings	DELIVERY VEHICLES	EQUIPMENT
Cost	3 452 000	872 000	340 000
Accumulated depreciation	0	(458 600)	(256 800)
Carrying value: (01/07/2024)	3 452 000	413 400	83 200
Movements:			
Additions at cost	1 070 800	0	116 000
Disposal at carrying value	0	(102 800)	0
Depreciation	0	(99 399)	(22 630)
Cost	4 522 800		
Accumulated depreciation	0		
Carrying value: 30/06/2025	4 522 800	211 201	176 570



BB. INVENTORY VALUATION METHODS

ACTIVITY BB1

1.1 CONCEPTS

1.1.1	Assets
1.1.2	first-in-first-out/FIFO
1.1.3	Periodic

1.2 QUALITY PRINTERS & INK (PTY) LTD

PRINTERS:

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

$$786\,000 (30 \times 26\,200) + 1\,172\,000 (40 \times 29\,300) + 2\,979\,000 (90 \times 33\,100) \\ = 4\,937\,000$$

OR

$$1\,048\,000 + 15\,331\,000 - 11\,442\,000 = 4\,937\,000 \\ 3\,406\,000 + 4\,395\,000 + 3\,641\,000$$

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

- The Digi OZ model is selling more slowly.
- The sold 110 of 200 (55%) in 12 months = average of 9 per month

OR

- But there are 90 on hand – these will take 9 months to sell

Provide two suggestions to solve this problem.

- Reduce the mark-up%
- Order fewer quantities
- Advertise more/cash discount/promotions

INK CARTRIDGES:

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

$$\frac{243\,210 + 743\,250 - 16\,500}{(300 + 900 - 20)} \\ = \frac{770\,000}{1\,180} \\ = R822 \times 130 = R106\,860$$

1.2.4

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

$$\frac{106\ 860}{969\ 960 - 106\ 860} \times 365 \text{ days} = 45,2 \text{ days accept 45 days}$$

$$863\ 100$$

$$\frac{130}{1\ 032} \times 365 \text{ days} = 46 \text{ days}$$

$$1\ 032$$

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

Yes, the stock is selling quickly OR

No, he might run out of stock.

1.2.5

Mark suspects that ink cartridges are being stolen from the shop despite security cameras being installed. Provide a calculation to verify his suspicion.

$$1\ 180 - 1\ 032 - 130 = 18 \text{ missing}$$

Provide TWO internal control measures that Mark Lex can use to improve the control of stock.

Expected responses:

- Do regular physical stock counts.
- Place security coded tags on the packaging.
- Provide secure display cabinets for the stock.
- Improve security at the doors/inspect items and compare with sales slips (CRTs).
- Division of duties (if staff is suspected).
- Buy in smaller quantities/more regularly.

ACTIVITY BB2

2.1 CONCEPTS

2.1.1	First in first out (FIFO)
2.1.2	Perpetual system
2.1.3	Expense

2.2 PHOTO-FIX TRADERS

2.2.1 Calculate:

Value of closing stock of cameras	
$33\ 000 + 402\ 500 + 40\ 000 + 105\ 000$ $= 580\ 500$	OR: Using COS to calculate stock $110\ 000 + 1\ 104\ 000 + 1\ 380\ 000 - 2\ 013\ 500$ $= 580\ 500$



2.2.2	Value of closing stock of photo frames
	$7\,200 + 108\,000 - 4\,500 \times 80 = 11\,808$
2.2.3	The owner suspects that photo frames are being stolen. Provide a calculation to confirm his suspicions.
	$750 - 657 - 80 = 13$
	What control measures can the owner do to prevent this problem in future. Mention Two points
	• Regular stock count • Improve physical security • Division of duties- the one who orders should not be the one who receives the inventory/rotation of duties • Check the invoices against the delivery notes • Limit excess to the storeroom

2.2.4	Tom is thinking of employing an assistant at a wage of R3 500 per month to control the stock of photo frames. Explain why this is NOT a good idea. Provide TWO points with figures/calculations.	
	Note: Explanation could differ depending on figures calculated above in 2.2.2 and 2.2.3	
	EXPLANATION	FIGURES
Point 1	It is not worthwhile to employ the assistant OR Wages greatly exceed the cost of the missing units	Wages one mark $R42\,000 \text{ p.a.} / R\,3\,500 \text{ pm}$ Cost of units missing: one mark $13 \times R147,60 = R1\,918,80$ see 2.2.2 / 2.2.3 above
Point 2	Missing items are relatively insignificant OR Units missing are a very small % of units available	Units missing = 13 Units available = 750 % missing = Less than 2% OR: Units sold p.a. = 657 Units sold per day = 1,8 or 2

2.3 MANAGEMENT OF INVENTORIES

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

Product	Problem	Solution
Cupboards	High returns, 500 OR 500 / 1 800 (27, 7%) OR 1 000 cupboards missing	Possible change to new supplier Ensure high quality ordered Order as per customer specifications Check quality before accepting stock delivered Improve security
Tables	Missing money, R40 000 (510 000 – 470 000) OR 20 tables missing Credit sales much higher than cash sales (liquidity issues) 2 400 / 600 or 1 800 units more 2 400/3 000 (80%); 600/3 000 (20%)	Division of duties/ banking of money Improve physical security Promote cash sales by providing incentives such as cash discount
Chairs	Slow selling item / too much stock on hand (1 300 and 2 950) Purchases much higher than sales (6 000/4 350)	Change to a different type of chair. Advertise more to increase sales Buy stock according to sales. Reduce mark-up%



ACTIVITY BB3

HEADPHONES

3.1	Calculate the value of closing stock on 28 February 2025, using the FIFO method. <table border="1"> <thead> <tr> <th data-bbox="193 398 1203 465">WORKINGS</th><th data-bbox="1203 398 1431 465">ANSWER</th></tr> </thead> <tbody> <tr> <td data-bbox="193 465 1203 636"> $\begin{array}{rcl} \frac{[320 - 80]}{(240 \times 160)} & + & \frac{[140 + 20]}{[350 - 240]} + \frac{[135 + 20]}{(110 \times 155)} \\ 38\,400 & & 17\,050 \\ \text{OR } (33\,600 + 4\,800) & + & (14\,850 + 2\,200) \end{array}$ </td><td data-bbox="1203 465 1431 636">55 450</td></tr> </tbody> </table>	WORKINGS	ANSWER	$ \begin{array}{rcl} \frac{[320 - 80]}{(240 \times 160)} & + & \frac{[140 + 20]}{[350 - 240]} + \frac{[135 + 20]}{(110 \times 155)} \\ 38\,400 & & 17\,050 \\ \text{OR } (33\,600 + 4\,800) & + & (14\,850 + 2\,200) \end{array} $	55 450
WORKINGS	ANSWER				
$ \begin{array}{rcl} \frac{[320 - 80]}{(240 \times 160)} & + & \frac{[140 + 20]}{[350 - 240]} + \frac{[135 + 20]}{(110 \times 155)} \\ 38\,400 & & 17\,050 \\ \text{OR } (33\,600 + 4\,800) & + & (14\,850 + 2\,200) \end{array} $	55 450				
3.2	Provide TWO points that show her customers are unhappy with the quality of the headphones purchased from the new suppliers. Quote figures. 80 units were returned/R11 200 had to be refunded. - Closing stock has increased (from 170 units) to 350 units / by 180 units / by 106%. 350 of the 620 (56%) units available for sale remains unsold. 310 new units sold (R68 200) compared to 680 old units sold (R149 600) / customers had negative reviews reflected on website or suggestion box, therefore sales decreased by 370 (R81 400).				
	What advice would you give to Helen about changing the supplier in the future? Provide ONE point. - Ensure that the quality of the headphones is not going to be compromised. - Her decision must not be influenced by family or employees, but should be based on an informed decision by herself or her own research. - Do background checks on new suppliers before changing. - Compare warranty of new suppliers with that from current supplier. - Conduct market research to ensure new headphones meets market demand. - Evaluate product performance through customer response before buying in bulk.				

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

TV MODEL	WORKINGS	ANSWER
Electra		
Magic	$ \begin{array}{l} 6\,500 \times 33 \\ \text{OR} \\ 1\,677\,000 - 1\,462\,500 \\ [468\,000 + 1\,209\,000] \quad [2\,193\,750 \times 6] \\ \quad \quad \quad 500/9\,750] \end{array} $	214 500
Universe	$ \begin{array}{l} 7\,200 \times 21 \\ \text{OR} \\ 828\,000 - 676\,800 \\ [987\,000 \times 7\,200/10\,500] \end{array} $	151 200
TOTAL		365 700

3.4	Calculate the cost of sales of the Universe TVs	
	WORKINGS	ANSWER
	828 000 – 151 200 OR 94 x 7 200 OR 987 000 x [7 200/10 500]	676 800
	Calculate how long (in days) it will take Helen to sell the closing stock of the Universe TVs	
	WORKINGS	ANSWER
	151 200 676 800 see 3.4 OR 21 94 x 90	20,1 days Accept 20 days
	Helen feels that she has made a wise decision by replacing the Electra TVs with the Universe TVs. Give ONE possible reason (with figures) to substantiate her opinion.	
	• Higher profit earned per unit. (Quantum: R1 150 / Limpid: R3 300) • Higher average monthly sales. (Quantum units: 11,7 (8,8) / Limpid: 31) • Unsold stock of Quantum (18 units) had to be donated.	

3.5	Explain how this will have a positive effect on her business. Provide ONE point. ● Corporate social responsibility / increased support from the community / increase customer loyalty / increase in sales. ● Creates a positive image as latest technology is sold/ it will enhance brand perception. ● Increase reputation as a business that cares for the community/ increase opportunity to gain positive publicity. ● Can result in tax benefits / result in lower taxable income.
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3.6 VACUUM CLEANERS

Identify ONE problem with vacuum cleaners. Quote figures. What advice would you give? State ONE point.	
PROBLEM (with figures)	ADVICE
Decrease of 80 units (22,2%) in cash sales / increase of 40 (21,1%) units in credit sales.	• Encourage more cash sales by increasing discounts on cash sales / Launch targeted in-store deals that favor cash transactions. • Reduce current payment terms / review the process to check credit records of potential debtors / revise credit limit regularly.
Returns increased by 7 units (46,7%)	• Supply quality goods / check the product before dispatching it to customers / Offer customers store voucher rather than full refund / Upgrade to a newer and more advanced vacuum cleaner / change the supplier

3.7 PRESSURE CLEANERS

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

DECISION (with figures)		IMPROVEMENT IN RESULTS
Decision 1	Increased the trade discount on cash sales (from 5%) to 10% / 5% points.	Increase in cash sales
Decision 2	Changed the credit policy (from 150 days) to 120 days / Interest rate decreased (from 18%) to 15%	Better debtors' collection / reduce bad debts (defaulters)
Decision 3	Decrease in mark-up % (from 60%) to 40%.	Increase in total number of units sold

ACTIVITY BB4

KETTLES

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

WORKING

$$(255 \times 1\,320) + (50 \times 1\,188)$$

$$336\,600 \quad 59\,400$$

ANSWER

R396 000

4.2 4.2.1 Calculate the mark up% achieved in 2024

1

WORKING

$$\frac{4\,103\,750 - 2\,685\,900}{2\,685\,900} \times 100$$

$$1\,417\,850$$

ANSWER

52,78% / 52,8% / 53%

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

2

- Sales increased to R4 103 750 (from R3 831 500) / by R272 250 / by 7%
- Total customers increased to 41 (from 30) / by 11 / by 36%

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

3 Provide one point (with figures) to support his opinion.

- The gross profit decreased to 1 417 850 (from 1 491 500) / by R73 650 / by 4.9% / Cost of sales increased to R2 685 900 (from 2 340 000) / by R345 900/ by 14.78 %
- Average number of units per customer decrease to 57 (from 81) (2 425/30) (2 345/41) /by 24 / by 29%
- Units sold decrease from 2 425 to 2 345/ by 80/ by 3.29%

Give the directors advice to solve this problem.

- Limit (be selective with) trade discount to good customers.
- Find cheaper supplier (to compensate for keeping selling prices low).
- Increase marketing/advertising in areas outside the current target area.
- Provide other incentives such as after-sales service, maintenance or free delivery.

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

WORKING

$$\frac{64\,125}{950\,365} \times \frac{365}{1}$$

$$\frac{285}{3750} \times \frac{365}{1}$$

ANSWER

25 (24,6) days OR 0,8 months
OR
28 (27,7) days OR 0,9 months

4.4 The number of missing toasters.

WORKING

$$625 + 3\,875 - 285 - 3\,750$$

ANSWER

465

Give TWO suggestions to solve this problem.

- Divide duties / delegate to different employees
- Threaten strong disciplinary action (in future) / recover cost from culprit
- Increase supervision at regular intervals / random physical inspection of stock
- Change to the perpetual inventory system to record stock
- CCTV as an internal control measure
- Insist on proper documents for all stock supplied

CC. COST ACCOUNTING

ACTIVITY CC1

1.1 Calculate Direct labour cost

$$(1\,920 \times 5 \times R40) + (90 \times 70) + (384\,000 \times 11,5\%) = R459\,660 \quad \text{OR}$$

$$5 \times [(1\,920 \times R40) + (90 \times 70) + (76\,800 \times 11,5\%)] = R459\,660$$

Calculate Direct material cost

$$131\,500 + 584\,000 \times 5\,500 = R583\,000 \quad \text{OR}$$

$$1\,350 + 5\,400$$

Total VC – DLC – S&DC = DMC

$$(4\,200 \times 300) - 459\,660 - 217\,340 = R583\,000$$

1.2

Production Cost Statement for the year ended 28 February 2025	
Direct material cost (see 1.1)	583 000
Direct labour cost (see 1.1)	459 660
Prime Cost	1 042 660
Factory overheads cost	343 340
Cost of production of finished goods	1 386 000

1.3

Calculate the break-even point for 2025.	
$\frac{343\,340 + 226\,660}{450 - 300} = 3\,800 \text{ units}$	
Explain whether the owner should be concerned or not. Provide figures	
Possible answers: - The owner should not be concerned as the business produced (4 200 – 3 800) 400 units more than the break-even point. - The owner should be concerned as the business produced (4 200 – 3 800) only 400 units more than the break-even point. Owner should be concerned because they make a profit on 400 units only.	

1.4

The owner is not satisfied with the internal control of the raw material (fabric).		
	STOREROOM: Raw material stolen	FACTORY: Raw material wasted
CALCULATION: Metres of fabric	$\begin{aligned} &6\,750 \\ &1\,350 + 5\,400 \\ &- 5\,500 - 940 \\ &= 310 \text{ metres} \end{aligned}$	$\begin{aligned} &5\,500 - 5\,250 \\ &= 250 \text{ metres} \\ &200 \text{ units} \\ &[(5\,500 / 1,25) - 4\,200] \times 1,25 \\ &= 250 \text{ m } 4\,400 \text{ metres} \end{aligned}$
STRATEGY	Improve physical security / Regular stock counts / Foreman to supervise / sign / account for all raw materials taken from the storeroom / division of duties.	Train workers to improve efficiency / Use new updated equipment (new technology) / Use templates in cutting fabric to reduce offcuts / recycle the offcuts. Improve supervision. Do not accept theft

ACTIVITY CC2

2.1

2.1.1

PRODUCTION COST STATEMENT

Direct material cost [1050 000 + 102 000	1 050 000
Direct labour cost	750 000
Prime cost	1 800 000
Factory overheads cost [487 200 +16 800]	504 000
Total manufacturing cost	2 304 000
Work-in-progress stock (1 July 2024)	160 000
	2 464 000
Work-in-progress stock (30 June 2025)	(88 000)
Cost of production of finished goods [7 200 X R300]	2 376 000

2.1.2

ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

Sales	4 080 000
Cost of sales (132 000 - 2 376 000 -336 000)	(2 580 000)
Gross profit	1 500 000
Selling and distribution cost [422 000 – 102 000]	(320 000)
Administration cost [148 400 – 16 800]	(131 600)
Net profit	1 148 400

2.2

2.2.1

Calculate the break-even point for shirts.

530 000

$$\frac{530\,000}{R302 - R238} = 8\,281,25 \text{ units} / 8\,282 \text{ units} / 8\,283 \text{ units}$$

Identify ONE variable cost (with figures) that has not been well controlled.

Direct labour cost increased from R100 to R131 or by R31 or by 31%

Give TWO possible reasons for this problem.

- Unskilled employees who are working extra hours to complete tasks
- Work hours lost due to training time (workers paid for training) / due to load-shedding (power-cuts) / due to paid sick leave • Errors in calculation of wages (over-paid)

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

Comment on DMC:

- Using cheaper material
- Inferior quality.
- Economising on material
- May affect the quality of the product

Comment on S&DC:

- Reduced advertising or reduced
- May cause sales to drop / may demotivate commission / reduced remuneration of salespersons
- Reduced distances for deliveries
- Leads to loss of customers discontinuing the service in certain areas

- Out-sourcing / using cheaper service providers
- Might be inferior and negatively affect business in future

Nkosi does not understand why the unit cost of production has increased when neither his fixed costs nor the variable costs have increased.

Explain why this is so. State ONE point (with figures).

- No economies of scale / decrease in production by 8 900 units (25 000 to 16 100)
- Lower production increased FC per unit by R11,72 or 55,2% (R21,20 to R32,92)

2.2.2

Calculate the % increase in the selling price of shoes.

$$1\ 640 - 1\ 260 = 380 / 1\ 260 \times 100 = 30,2\%$$

$$\text{OR } 130,2\% - 100\% = 30,2\%$$

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

- DMC increased from R330 to R456 (by R126/by 38%/38,2%)
- S&DC increased from R28 to R194 (by R166/by 593%/592,8%)

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

- Sales increased (by 1 250 units) / customers still supported the business (despite increase in price)
- Net profit increased (by R1 196 750) / price did not negatively affect sales)
- BEP decreased (due to increased contribution per unit) by 475 units / The business now exceeds BEP by bigger margin (3 908 units).

ACTIVITY CC3

3.1	
3.1.1	Fixed cost
3.1.2	Factory overhead cost
3.1.3	Selling and distribution
3.1.4	Variable cost
3.1.5	Administration cost

3.2

3.2.1

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

$$(55\ 000 + \frac{1\ 135\ 000}{1\ 190\ 000} \div \frac{9\ 520}{9\ 020 + 500}) \times 560 = R70\ 000$$

$$\text{OR } 125 \times 560 = R70\ 000$$

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

$$\begin{array}{rcl} 55\,000 + 1\,135\,000 & & \\ 1\,190\,000 - 70\,000 & = & R1\,120\,000 \\ \text{OR } (9\,520 - 560) \times 125 & & \end{array}$$

3.2.3

Factory overhead cost	616 280
Indirect material (4 500 + 260 000 - 2 730) x 1/5 - 1750	50 604
Insurance (124 992 - 19 096) - 59 520 - 7 440	38 936
	705 820

3.2.4

PRODUCTION COST STATEMENT	
Direct material cost	1 120 000
Direct labour cost (467 720 + 312 850 + (7 002 + 2 428))	790 000
Prime cost	1 910 000
Factory overhead cost	705 820
Manufacturing cost	2 615 820
Work-in-progress stock (beginning)	65 050
	2 680 870
Work-in-progress stock (end) (balancing figure)	(188 870)
Cost of production of finished goods (2 512 950 + 80 500 – 101 450)	2 492 000

ACTIVITY CC4

4.1.1

B

4.1.2

D

4.1.3

A

4.2

FACTORY OVERHEAD COST NOTE

Incorrect amount calculated by bookkeeper	258 200
Water and Electricity	+ 28 800
Rent expense (-142 800 +74 800) or 13 600 X 5	-68 000
Insurance (-48 000 + 52 500) or 12 000 – 7 500 or 12 000 X 3/8	+ 4 500
TOTAL	223 500

4.3

PRODUCTION COST STATEMENT ON 30 JUNE 2025

Direct material cost (579 600 + 115 900 or 823 600 – 128 100)	695 500
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Direct labour cost (balancing figure)	710 300
Prime cost	1 405 800
Factory overhead cost (see 4.2)	223 500
Total manufacturing cost	1 629 300
Work-in-progress stock (1 July 2024)	30 700
	1 660 000
Work-in-progress stock (30 June 2025)	(64 200)
Cost of production of finished goods	1 595 800

4.3 RUNNING SHOES

4.3.1 **Comment on the control over direct material cost of running shoes. Quote figures.**
Not well controlled (above the inflation rate of 6%) as DMC increased (from R230) to R320/by R90 / by 39%

Give two reasons that may have contributed to the change in the unit cost.

- Wastage / theft of material in production
- Scarcity of material caused increase in price/market conditions
- Change of supplier
- Additional transport/storage costs/import duties/exchange rate
- Poor quality of materials
- Lack of supervision/poor internal control
- Faulty equipment / poor technology

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

- An increase in BEP (from 2 273 units) to 4 328 units / by 2 055 units / by 90%
- A very small increase in production (from 4 000 units) to 4 200 units / by 200 units / by 5%
- A loss on 128 bags in 2025 against a profit of 1 727 bags in 2024 / A loss of R21 120 for 2025 against a profit of R531 916 in 2024

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

WORKINGS

$(2\,500 \times 165) - 21\,120$ OR
 $1\,105\,500 - 714\,120$ OR
 $(4\,200 + 2\,500 - 4\,328) \times 165$

ANSWER

391 380
 Also accept
 391 500

RUNNING SHORTS

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



Although the fixed cost per unit increased (from R130) to R196,50 / by R66,50/ by 51.1% , the total fixed cost is relatively constant and well controlled and fixed costs are not related to the level of production.

Explanation on major cause of dis-economies of scale

- A decrease in production (from 6 000 units to 4 000 units) contributed to the increase in the fixed cost per unit / resulted in less units produced to carry the fixed cost i.e. dis-economies of scale
- Insufficiency in manufacturing process due to equipment breakdowns or wastage of resources.



4.3.5

Identify the production cost of running shorts that should be of serious concern to Esther

Direct labour cost

DLC increased (from R110) to R175 / by R65 / by 59%

Provide Two valid solutions to this problem.

- Monitor overtime usage to identify area of concern / control overtime
- Monitor/ better supervision of work during normal time
- Have back-up plans for load-shedding (disruptions)
- Set targets to be completed at regular intervals
- Training/cross-training of employees to perform multiple tasks
- Recruit skilled employees
- Adopt new technology (advanced machinery) to complete running shoes in less time.

D. RECONCILIATIONS

ACTIVITY DD 1 : BANK RECONCILIATION BASELINE

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

18.	Previous month-end bank account balance (favourable).				X
19.	Current month-end bank account balance (unfavourable).			–	
20.	Incorrect credit entry made in the bank statement.			–	
21.	Debit orders as reflected in the bank statement.		X		
22.	Deposit not yet reflected on bank statement.			+	
23.	Credit card levies as reflected in bank statement.		X		

ACTIVITY DD2

2.1 BANK RECONCILIATION

2.1.1	CASH RECEIPTS JOURNAL	CASH PAYMENTS JOURNAL
	108 000	36 800
	900	12 400
	11 000	3 600
	7 000	650
		450
	126 900	53 900

2.1.2	Bank Account balance in the General Ledger on 31 July 2024	
	WORKINGS	ANSWER
	-20 400 + 126 900 – 53 900	52 600

2.1.3

BANK RECONCILIATION STATEMENT ON 31 JULY 2024		
	DEBIT	CREDIT
Balance as Bank Statement		34 000
Outstanding deposit		27 900
Outstanding ETFs:		
205	5 100	
206	7 200	
Dr EFT 129 wrongly recorded	4 000	
EFT payment by a debtor		7 000
Balance as per Bank Account	52 600	
	68 900	68 900

2.1.4 Explain the problem relating to deposits. Quote evidence.

Expected responses:

- Missing or theft of cash, R12 400
- Late deposits/ Deposits not being done promptly, Deposit of R88 000 18 June Approximately 13 days was outstanding at month end.

Explain TWO strategies to prevent this in future.

- Receiving and banking of cash should be done by different people / division of duties / rotation of duties – to prevent rolling over of cash, leading to theft.
- Request SMS notifications from the bank / check bank statements (mini statements on App) regularly – ensure correct amounts deposited.
- Outsource the transportation of cash to security companies (large amounts).
- Accompany the person in charge of depositing cash / escorted by security guard.
- Encourage customers to pay online (EFTs) / strive towards cashless or minimal cash handling.

ACTIVITY DD3

3.1.1

CASH RECEIPTS JOURNAL	CASH PAYMENT JOURNAL
Amount	Amount
R389 504	R287 000
5 400	30 000
1 400	400
	20 000
	2 910
R396 304	R340 310

3.1.2

BANK RECONCILIATION STATEMENT ON 31 August 2025

	ONE COLUMN METHOD	DEBIT	CREDIT
Balance per Bank Statement	R24 000		R24 000
Credit outstanding deposit	R16 000		R16 000
Debit outstanding EFT:			
No 189	(7 000)	7 000	
Credit incorrect amount	R1 800		R1 800
Balance as per Bank Account	(R34 800)	R34 800	
		R41 800	R41 800

3.1. State the GAAP principle that applies to this decision.

3

Principle of prudence

Any two valid point

- Consider using cash in transit services.
- Regular and timely supervision / monitor cash.
- Cash must be deposited daily
- Encourage EFT payment by customers
- Request the bank to send confirmation of all transactions

ACTIVITY DD4

4.1

4.1.1	True
4.1.2	True
4.1.3	False

4.2 OMPHILE STORES

THE CASH JOURNALS FOR 30 APRIL 2025

4.2.1

CASH RECEIPTS JOURNAL			CASH PAYMENT JOURNAL	
	Amount			Amount
Total	115 600		Total	217 800
	900 (548 – 4 580)			15 000
	8400			2880
	18300			740
				580 (360 + 220)
	143 200			237 000

4.2.2

Calculate the correct bank balance in the ledger on 30 April 2025 .

WORKINGS	ANSWER
49 720 + 143 200 – 237 000	(44 080)

4.2.3

BANK RECONCILIATION STATEMENT ON 30 APRIL 2025			
	Alternative	DEBIT	CREDIT
Balance per Bank Statement	20 110		20 110
Outstanding deposit	22 500		22 500
Outstanding EFT No. 883	(9 520)	9 520	
No. 884	(12 530)	12 530	
Error on statement	(65 000)	65 000	
Correction of error	360		360
Balance as per Bank Account	(44 080)		44 080
		87 050	87 050

4.2.4

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

DEBTORS AND CREDITORS RECONCILIATIONS

ACTIVITY DD5

Identify FOUR problems shown in the Age Analysis below. Quote evidence and figures to support your answer. In each case suggest an internal measure to correct the problem.	
PROBLEM WITH FIGURES / EVIDENCE	INTERNAL CONTROL MEASURES
1. Exceeded credit limit – Xolani – by R2 800 AND 2. Madlokovu by R500	Do not sell to debtors exceeding credit limit
3. Exceeded the credit term – Xolani – owing R2 200 at 60 days	Charge interest on overdue accounts
4. Possibility of Bad debt – Sugar – on 90 days	Conduct Screening before selling to a debtor

ACTIVITY DD6

Calculate the correct balance of the Debtors' Control on 31 July 2025.	
Balance before errors and omissions	179 550
(i)	+2 250
(ii)	0
(iii)	-5 500
(iv)	0
(v)	+1 350
(vi)	0

Correct balance of Debtors' Control Account	177 650
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Complete the correct total of the Debtors' list on 31 July 2025.	
Balance before errors and omissions	R179 550
N Naidoo (31 500 + 2 250)	33 750
S Sibiya (34 500 + 9 000)	43 500
V Vezi (57 000 – 9 000 + 1 350)	49 350
J Nyoka (47 850 – 1 725 – 1 725)	44 400
W Mweli (5 750 + 3 750 – 2850)	6 650
Correct balance of Debtors' Control Account	177 650

Provide a calculation or figures to show why Timo Traders should not be satisfied with the figures in the Debtors' Age Analysis.	
WORKINGS	ANSWER
$(29\,200 + 18\,800) \div 240\,000 \times 100$	80%
OR	
$(36\,000 + 38\,000 + 11\,800) \div 240\,000 \times 100$	OR
They did not adhere to 90%	20%

Explain TWO points of advice that you will offer to the owner:
• Encourage customers to pay using debit order to avoid delayed payments. • Implement automated reminder system (SMS, email and phone calls) to notify customers of upcoming due dates, overdue accounts and payment confirmation. • Proper screening of debtors or background check to assess debtors' financial status before credit is offered. • Decrease credit limit of customers who are not adhering to credit terms / Assess creditworthiness (credit score / credit history) regularly and adjust credit limits accordingly. • Offer various payment options available / payment plans to debtors not adhering to credit terms. • Suspend / block / freeze the accounts of debtors who fail to pay on time. • Utilize debt collection service / hand over debtors to debt collectors / legal action. • Offer discounts / charge interest

ACTIVITY DD7

7.1 CREDITORS RECONCILIATION

NO	CREDITORS' CONTROL	CREDITORS' LIST
Provisional Balances	175 940	186 350
(i)	-3 600	0
(ii)	0	+990 or (15 240-14 250)
(iii)	0	0
(iv)	0	-15 000 or (-7 500-7 500)
(v)	+1 660 or (14 940- 13 280)	+1 660

TOTAL	174 000	174 000
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7.2

Imbali Traders intends settling the account of Umngeni Wholesalers on 31 August 2025. Calculate the amount due to them.	56 400
$64\,950 + 990 - 9\,540$	

ACTIVITY DD8

8.1.1

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

- Identity document/ smart card
- Salary Advise/ proof of income
- Proof of residence/ residential address
- Credit history/ not listed on the credit bureau/ credit score
- Bank Statement (3 months)
- Criminal Record/ police clearance

8.1.2

Calculate: Correct closing balance of the Debtors Control Account on 30 September 2025. Indicate changes with + for an increase, - for a decrease.

PROVISIONAL BALANCE	228 000
(i)	+1 750
(ii)	0
(iii)	-2 700 (62 500- 65 200)
(iv)	+7 000 (+3 500 +3 500)
(v)	+5 200
(vi)	-450 (250-700)
(vii)	0
	R238 800

Calculate: Correct amounts owed by the following debtors only:

DEBTOR	WORKINGS	ANSWER
S. Mhlanga	$(13\,500 + 1\,750 - 450)$	14 800
Z. Bhengu	$(25\,000 + 3\,500 + 3\,500)$	32 000
K. Tshezi	$(18\,300 - 2\,500 - 7\,850)$	7 950

8.1.3

Provide THREE different problems highlighted by the debtors' age analysis. Provide the name of a debtor and/or figures in each case.	
PROBLEM	NAME OF DEBTOR AND/OR FIGURES
Not adhering to credit terms/ slow payers	• V. Shoji, R20 000 > 30 days • E. Shaw, R4 000 > 90 days • Other debtors, R42 864 > 60 days • 28% of debtors do not comply with terms (66 864/238 800)
Exceeding Credit Limits	• J. Naidoo, Exceeds credit limit by R7 000 (Limit R22 000, balance R29 000)
Poor/ ineffective internal controls over debtors, (Allowing defaulting debtors to buy on credit/ exceed limits)	• E. Shaw, current purchase of R2 000 whilst R4 000 of balance > 90 days • V. Shoji, current purchase of R18 000 whilst R20 000 of balance > 60 days • Other debtors with current purchases of R55 244 whilst R30 148 of balance is > 60 days and R12 716 > 90 days

8.1.4

Provide TWO points to support internal auditor's concern that Viola's job description could lead to potential fraud. • Too many related functions performed by one person- could compromise efficiency/ job not done well • Lack of supervision could lead to negligence/ rolling over of cash/ theft/ no authorization for returns/ not applying returns policy effectively. • No division of duties- temptation to engage in fraudulent transactions/ manipulating sales or returns/ creating false documents/ mismanagement/ poor record keeping (stock sheets/ debtors) • No continuity of tasks/ tasks may not get done/ lag behind if Viola is on leave/ absent • Cash is easily stolen (not using electronic payments/ credit cards/ EFT)
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ACTIVITY DD9

CREDITORS RECONCILIATION

	Creditors' Ledger Account of Macksons in the books of Khaya Stores	Statement of Account from Macksons Suppliers
Balance	101 000	85 380
(i)	(8 000)	
(ii)		(1 200)
(iii)	+1 140	
(iv)	-6 100	
(v)		(1 180)
(vi)		(2 660)
(vii)		+7 700
TOTAL	88 040	88 040

State TWO benefits of using electronic funds transfers (EFT's) for payments to creditors.

- It fast- no queues
- Cheaper- lower charges
- Convenient- can operate outside business hours
- Easy to use- in the comfort of the business or home
- Safe- instant feedback (notifications/ proof of payment)/ reduces theft

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

Explain why he feels this way.

- The accountant, generally as a senior employee in the business is expected to be responsible, professional and trustworthy/ work independently
- This was a deliberate action (nepotism) to defraud the business, which is not expected from an employee of his professional standing (loyal/ ethical)
- The management should be aware of the potential for fraud of this nature and have internal control measures in place to prevent this/ his competence may be questioned/ he could be charged or sued for fraud or negligence.
- Preventative controls should have been in place to ensure employees are not tempted/ consequences for defaulters should be in their contracts.

Explain how this could have been prevented. State TWO points.

- Could have appointed two people to authorize each EFT payment/ division of duties/ one person serves as a check on another.
- Screen suppliers properly to ensure that they are reliable/ credible organizations/ ensure that they actually exist.
- Do character checks in newly appointed employees as a reference for ethical conduct from their previous employers.
- Bank notifications (SMS)/ OTP to the owner or a supervisor for all bank transactions.

EE. BUDGETING

ACTIVITY EE1

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

- Discount allowed
- Discount received
- Bad debts
- Depreciation
- Provision for bad debts adjustment

1.2 DEBTORS' COLLECTION SCHEDULE FOR OCTOBER AND NOVEMBER 2025

MONTH	CREDIT SALES	OCTOBER	NOVEMBER
August	R270 000	R40 500	
September	R252 000	R151 200	37 800
October	R288 000	R50 688	172 800
November			54 912

		R242 388	265 512
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1.3 CASH BUDGET FOR OCTOBER AND NOVEMBER 2025

	OCTOBER	NOVEMBER
CASH RECEIPTS		
Cash sales	192 000	208 000
Cash from debtors	242 388	265 512
Interest on fixed deposit	4 800	3 360
Fixed deposit expires	216 000	
TOTAL RECEIPTS	655 188	476 872
CASH PAYMENTS		
Payments to creditors	196 875	183 750
Cash purchases	90 000	97 500
Salaries and wages	55 000	46 700
Advertising	11 500	8 600
Vehicles	120 000	15 000
Sundry operating expenses	13 800	14 490
TOTAL PAYMENTS	487 175	366 040
SURPLUS/(SHORTFALL)	168 013	110 832
Bank balance at the beginning of the month	(153 650)	14 363
Bank balance at the end of the month	14 363	125 195



ACTIVITY EE2

2.1

State ONE difference between a Projected Statement of Comprehensive Income and Cash Budget.

- The Projected Statement of Comprehensive Income focuses on predicting net profit or loss./Focus on income/expenses.
- The Cash Budget focuses on the expected balance in the Bank account./Focus on receipts/payments.

2.2.1

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

$$34\,350/45\,800 \times 100 = 75\%$$

OR

$$50\,625/67\,500 \times 100 = 75\%$$

2.2.2

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

$$20\,160/224\,000 \times 100 = 9\%$$

2.2.3

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

$$9\,000/75 = R120$$

$$13\,800/R120 = 115\text{ m}^2$$

$$\text{Additional space} = 115 - 75 = 40\text{ m}^2$$

OR

$$13\,800 - 9\,000 = 4\,800/120 = 40\text{ m}^2$$

2.2.4

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

$$4\,500 \times 12/675\,000 \times 100 = 8\%$$

2.3

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

- Trading stock deficit reduced by R18 900/from R21 000 to R2 100/by 90%.
- Increase in security expenses by R6 300/from R7 500 to R13 800/by 84%.

2.4

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

- Customers will be forced to have the spare parts fitted as part of the service offered by the business.
- The business will be saving on the running cost of the delivery vehicle.
- The main line of business is repairing of vehicles – the sale of spare parts supports this.

2.5.1

Comment on the control over:

Service fee expenses

Service fee income was less than budgeted by R33 750 (15%) whilst Service fee expenses were more than the budget by R9 675 (21,5%).

Conclusion:

A decrease in actual Service fee income should also see a decrease in Service fee expenses used since fewer repair services are provided hence fewer consumables are needed. This indicates a lack of control.

Water and electricity

This expense has been well-controlled. If the budgeted amount of R6 750 considered the increase, it would have been R7 762,50. Only R7 500 was spent (R262,50 less than the adjusted budgeted amount.)

OR

The budgeted amount (R6 750) has not taken into account the tariff increases of 15% affected on 1 July 2025, which would have led to an adjusted budgeted amount of R7 762,50. (Only 11,11% not 15%)

2.5.2

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

The advertising actual amount spent is R4 350 (62%) less than the budget./ The amount spent (R2 700) is lower than the budgeted amount (R7 050).

This had a negative effect on Service fee income, R33 750 less than budgeted, and sales of bodywork parts R47 250 less than budgeted. Also given the markup on cost was adjusted from the budgeted 65% to 80%, he should have spent more on advertising.

ACTIVITY EE3

3.1 CREDITORS' PAYMENT SCHEDULE

MONTH	CREDIT PURCHASES	OCTOBER	NOVEMBER
August	R60 000	R6 000	
September	R67 500	R10 125	6 750
October	75 000	R53 438	11 250
November	R90 000		64 125
		R69 653	82 125

3.2

NO.	CALCULATION	AMOUNT
(i)	Cash sales $R150\,000 \times 40\%$	R60 000
(ii)	Cash purchases of stock $R180\,000 \times 100/150 \times 25\%$	R30 000
(iii)	Delivery expenses $R9\,000/R150\,000 \times R180\,000$	R10 800
(iv)	Salaries and wages $R38\,700 \times 100/107,5$	R36 000
(v)	Repayment of loan $R168\,000 - R120\,000$ OR $600 \times 100/15 \times 12$ OR $7\,200 \times 100/15$	
(vi)	Cash at the end of the month	R53 250
(vii)	Cash surplus or deficit for the month $(10\,950 + 53\,250)$	(64 200)

3.3

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

- Legal action can be taken by the creditors.
- Business will be charged interest for slow payment.
- The credit ratings of the business will decrease/ could be blacklisted
- Credit to the business will be stopped by the creditors.

3.4

Briefly explain ONE advantage and ONE disadvantage of EACH option.

OPTION	ADVANTAGE	DISADVANTAGE
Request a friend to become equal partner	She will have necessary funds to purchase the assets (which will then belong to the business)/share workload and skills/partner will share losses.	She will to share half his profits with her new partner.
Lease the equipment from Dave Computers	She does have to raise a loan/does not have to pay interest on the loan/will not have to pay repair costs.	The lease charges are expensive/lease is over five years/never owns the assets but continues to pay.
Acquire a new loan	She will own the assets/they could last longer than five years if she takes good care of them.	She has interest/pay a monthly instalment (which must include interest).

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

Expected response for 3 marks: Advertising increased by R4 500 but Sales increased by R24 500.

OR

Advertising increased by 37,5% while Sales increased by 20% on bigger base.

ACTIVITY EE4

4.1

NO.	CASH BUDGET		PROJECTED STATEMENT OF COMPREHENSIVE INCOME	
	RECEIPT	PAYMENT	INCOME	EXPENSE
4.1.1	R132 000		132 000 OR R31 000	101 000
4.1.2		R34 000		
4.1.3	R264 600		R19 600	

4.2.1

- (i) **Rent expense for December 2025**
- | WORKINGS | ANSWER |
|---|---------|
| $R29\,000 \times 106/100$ OR $R29\,000 + R1\,740$ | R30 740 |
- (ii) **Interest on loan for December 2025**
- | WORKINGS | ANSWER |
|---|--------|
| $R3\,500 - R700$ OR $R240\,000 \times (14/100 \times 1/12)$ | R2 080 |
- (iii) **Deposit to be paid on 30 November 2025 for the new computers installed.**
- | WORKINGS | ANSWER |
|--|---------|
| $R352\,800 \times 20/80$
OR $R441\,000 - R352\,800$
OR $R441\,000 \times 20/100$ | R88 200 |
- (iv) **Insurance for December 2025**
- | WORKINGS | ANSWER |
|--|---------|
| $R17\,500 + R1\,260$ OR $R5\,760 + R13\,000$ | R18 760 |
- (v) **Salaries for November 2025**
- | WORKINGS | ANSWER |
|--|----------|
| $R143\,750 \times 9/12,5$ OR $R143\,750 - R40\,250$ OR $R46\,000 \times 9/4$ | R103 500 |

4.2.2

Explain the change in the sales policy effected by Gift in compiling his budget for October 2025. Provide ONE point with figures.

Cash sales changed (from 40%) to 60% / (from R58 000) to R96 000 / by R38 000 / by 65,5% / by 20 % points.

OR

Credit sales changed (from 60%) to 40% / (from R87 000) to R64 000 / by R23 000 / by 26,4% / by 20 % points.

The actual credit sales were higher than the budget credit sales for October 2025. Explain why Gift should not be concerned. Provide TWO points with figures.

- The number of customers grew (from 540) to 729 / by 189 / by 35%.
- Gross profit has improved (from R60 000) to R82 875/ by R22 875 / by 38,1%.
- Total sales has improved (from R160 000) to R221 000 / by R61 000 / by 38%.

Comment on the control over delivery expenses and packing materials from October 2025. Quote figures.

Delivery expenses	• Effective control budgeted at 15% of sales; actual is 15% of sales. (100% utilised). • Overspent by R9 150 / (from R24 000) to R33 150 / by 38,1%, while total sales also increased by 38,1% only / actual sales of R221 000 exceeds the budgeted sales (R160 000).
Packing material	• Not well controlled; actual exceeded budgeted by 33,3% / budgeted for 9% on sales and 12% has been spent. • Overspent by R12 120 (from R14 400) to R26 520 / by 84,2%, while total sales increased by 38,1% only.

FF. VALUE ADDED TAX (VAT)

ACTIVITY FF1

1.1	CONCEPTS
1.1.1	Exempted items
1.1.2	An indirect
1.1.3	Input
1.1.4	The Minister of Finance
1.1.5	False

1.2.1	Calculate the amount owing to SARS in respect of VAT at the end of February 2025 after taking the transactions into account.	
NO	CALCULATIONS	VAT
A	59 325-33 585	25 740
B	3 220x15/115	(420)
C	30 800x15/100	4 620
D	(25 300x5/100=1 265)x15/115	165
E	(92x500=46 000)x15/115	(6 000)
F		560
G	(2 280-2 050=230)x15/115	30
H	427-247	(180)
	Amount payable/ receivable from SARS	24 515

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

No

REASON:

It is tax fraud which is a very serious offence. It is unethical.

SARS can charge interest and penalties and could have the guilty party imprisoned

2.1	WORKINGS	ANSWER
A	3 900x15/100	585
B	195x115/15	1 495
C	(169 395x100/115=147 300-17 300=130 000)x15/100 OR (169 395x15/115=22 095)-(17 300x15/100=2 595)	19 500

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

COMMENT	ADVICE
- Unethical to use money not earned by the business to pay the loan back - The business is an agent of SARS and must make payments timeously - The business can be fined for non-compliance/evasion/manipulation/deferring of payment of VAT	- Keep proper records/ensure that the funds are always available to make payments - Note submission dates and plan in advance. - Only use business funds to cover business commitments/work within the budget

3.1

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

$$184\,680 - 142\,800 + 9\,240 - 5\,520 - 2\,340 + 252 = 43\,512$$

OR

$$-184\,680 + 142\,800 - 9\,240 + 5\,520 + 2\,340 - 252 = -43\,512$$

OR

VAT OUTPUT:

$$184\,680 + 9\,240 + 252 = 194\,172$$

VAT INPUT:

$$142\,800 + 5\,520 + 2\,340 = 150\,660$$

VAT CONTROL:

$$194\,172 - 150\,660 = 43\,512$$

3.2

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

- Unethical. He should not go along with the owner's request.
- They make use of the invoice basis to record VAT, so it has to be recorded and paid.

ACTIVITY FF4

4.1

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

$$12\,540 + 43\,800 - 29\,700 + 3\,150 - 1\,200 + 450 - 1\,320 = 27\,720$$

OR

$$-12\,540 - 43\,800 + 29\,700 - 3\,150 + 1\,200 - 450 + 1\,320 = -27\,720$$

OR

VAT OUTPUT:

$$43\,800 + 3\,150 + 450 = 47\,400$$

VAT INPUT:

$$29\,700 + 1\,200 + 1\,320 = 32\,220$$

VAT CONTROL:

$$47\,400 - 32\,220 = 15\,180$$

4.2

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

- Adjusting any figures is illegal and unethical. (Evasion of tax.)
- VAT will be illegally understated if it is regarded as a donation (i.e., at no selling price).
- Do not engage in altering any figures, because you as bookkeeper will be kept responsible.
- Do not Decrease output VAT to claim back from money due to SARS as this is fraud and will tarnish the image of the business.

ACTIVITY FF5

5.1	WORKINGS	ANSWER
A	$138\,000 \times 15/115$	18 000
B	$(138\,000 \times 100/115 = 120\,000 \times 25/75 = 40\,000) \times 15/100$ OR $18\,000 \times 25/75$	6 000
C	$6\,000 \times 15/100$	900

5.2

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

OUTPUT:

$15\,360 + 23\,040 + 900 + 1\,800$
 $= 41\,100$

INPUT:

$576 + 2\,304 + 18\,000 + 6\,000$
 $= 26\,880$

VAT CONTROL:

$41\,100 - 26\,880$
14 220 PAYABLE/Current liability

5.3

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

- Bad debts
- Discount allowed

