# SENIOR SECONDARY IMPROVEMENT PROGRAMME 2013



# **GRADE 10**

# ACCOUNTING

# LEARNER NOTES







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# **LEARNER NOTES**

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GAUTENG DEPARTME	NT OF EDUCATION	SENIOR SECONDAR	Y INTERVENTION PROGRAMME
ACCOUNTING	GRADE 12	SESSION 8	(LEARNER NOTES)
SESSION 8			
TOPIC: CONSOLID	ATION		
SECTION A: TYPIC	CAL EXAM QUEST	IONS	
	learn your theory or	n companies e one correct answer	
QUESTION 1:	55 marks	35 minutes	(DoE Nov 2010)

#### **BALANCE SHEET**

You are provided with information relating to Kanela Limited. The financial year-end is 28 February 2010.

#### REQUIRED

- Use the information below to prepare the Balance Sheet on 28 February 2010. All workings must be shown in brackets – the NOTES to the financial statements are not required.
- (41)

(3)

(5)

(3)

- 1.2 The Managing Director, Jan Kriel, currently owns 45% of the issued shares. The board of directors has decided to issue the unissued shares to the public. Jan wants to use this opportunity to gain control of the company.
  - 1.2.1 How many shares will he have to buy to gain control of the company?
  - 1.2.2 Jan plans to purchase the shares himself at par value without advertising the shares to the public. The current market price of a share is R3,10. If you were a shareholder in this company would you be satisfied with this arrangement? Explain.
- 1.3 Kanela Limited has donated funds to build a high school in the community and they have spent considerable amounts in cleaning up a river and a forest area which has been neglected.
  - 1.3.1 Explain why large companies like Kanela Ltd are expected to be involved in such projects.
  - 1.3.2 Explain how the directors should reflect these projects in the annual report which is published for shareholders. (3)



ACCOUNTING GRADE 12 SESSION 8 (LEARNER NOTES)

#### **INFORMATION**

- 1. The authorised share capital comprises of 1 000 000 ordinary shares of R2,00 par value each. By 28 February 2009, 600 000 ordinary shares had been issued at par. During the current financial year a further 200 000 shares were issued at a premium of R0,70 each.
- 2. The following balances were extracted from the books on 28 February 2010:
  - Land & Buildings at cost, R1 800 000
  - Equipment at cost, R300 000
  - Creditors' control, R720 000
  - Debtors' control, R530 000
  - Creditors for salaries, R36 000
  - Income receivable, R24 000
  - Cash at bank, R66 000
- 3. One of the fixed deposits, R175 000, matures on 30 September 2010. The rest matures in 2012.
- 4. A loan from Easi Bank of R1 500 000 was originally received on 1 March 2008. This is to be repaid in equal monthly instalments over 5 years.
- 5. All the equipment was purchased on the same day, 1 October 2007. Depreciation is written off at 20% p.a. on cost price.
- 6. The following financial indicators apply at the end of the financial year.
  - The net asset value is R2,58 and the price on the JSE is R3,10
  - The current ratio is 1,5 : 1

QUESTION 2: 45 marks 25 minutes

### INVENTORY

You are provided with information relating to Golf Universe, a business which sells golf clubs and golf balls. Paul Fitt owns the business. The periodic inventory system is used.

#### REQUIRED

- 2.1 Refer to Information 1. Briefly explain why it is appropriate for Paul to use the FIFO method for golf clubs, and the Weighted Average method for golf balls.
- 2.2 Calculate the value of the closing stock for the two stock items. Show all workings using both the number of units and the value of the units.
  - Golf clubs (use FIFO method)
  - Golf balls (use weighted average method)



[55]

(4)

(15)

# ACCOUNTING GRADE 12 SESSION 8 (LEARNER NOTES)

- 2.3 For golf clubs, calculate the following: (5)
  Cost of sales
  Gross profit
  VAT charged to customer on golf clubs sold
  Mark-up % (3)
  NB: You may draft a Trading account for golf clubs to assist in identifying these figures (3)
- 2.4 Paul suspects that he is not controlling his stock well.
  - He suspects that the golf clubs he is selling are not very popular with his customers.
  - He suspects that golf balls are being stolen.

Provide information from the question which will confirm his opinions. Provide an appropriate calculation in each case to support your answer.

2.5 Paul has asked you to become a partner in this business. Explain three strategies that you would want to implement in this business were you to become a partner (your strategies must be based on specific information from the question).

(6)

(6)

## INFORMATION

- 1. Inventory is valued according to the following methods:
  - Golf clubs: First-in-first-out method (FIFO)
  - Golf balls: Weighted average method
- 2. **Inventory valuations** at the beginning and end of the accounting period:

		Golf clubs	6		Golf b	oalls
	No. of units	Per unit	Total value	No. of units	Per unit	Total value
01/03/2010	90	R800	R72 000	1 200	R9,60	R11 520
28/02/2011	205	?	?	550	?	?

# 3. Carriage, exchange rates and import duties:

3.1 **Golf clubs:** These are made in South Africa. Transport costs are R50 per golf club. A total of R15 000 was paid for transporting the 300 golf clubs purchased. Transport cost is included in the opening stock figure of R800.



SENIOR SECONDARY INTERVENTION PROGRAMME

# ACCOUNTING GRADE 12 SESSION 8 (LEARNER NOTES)

3.2 Golf balls: These are imported from the USA. Prices are quoted in US Dollars (\$). The exchange rate was R7,50 = \$1.00 throughout the year. Import duties are levied at 20% of the Rand value of the purchases. Transport costs are paid by the manufacturer. Import duties cost is included in the opening stock figure of R9,60

#### 4. Purchases during the year:

		Golf	clubs		Golf bal	ls
	No. of units	f price per Rands		No. of units	Purchase price per unit in US Dollars	Total value in US Dollars
25/04/2010	75	R750	R56 250	3 000	\$1,00	\$3 000
25/07/2010	75	R800	R60 000	3 000	\$1,20	\$3 600
26/10/2010	75	R900	R67 500	3 000	\$1,20	\$3 600
25/01/2011	75	R900	R67 500	3 000	\$1,60	\$4 800
TOTALS	300		R251 250	12 000		\$15 000

### 5. Sales during the year:

- **Golf clubs:** 185 units at R1 200 each = R222 000
- **Golf balls:** 10 500 units at R19 each = R199 500

[45]



SECTION B: HOMEW	ORK		
ACCOUNTING	GRADE 12	SESSION 8	(LEARNER NOTES)
GAUTENG DEPARTMENT OF EDUCATION		SENIOR SECONDARY INT	ERVENTION PROGRAMME

#### QUESTION 1: 55 marks 30 minutes

#### **PROJECTED INCOME STATEMENT**

You are provided with the Projected Income Statement and additional information relating to Helen's Hair Stylists for the period April to June 2010. The business is owned by Helen Davids. Helen has also prepared a Cash Budget for the same time period. The financial year-end is 31 March.

#### REQUIRED

Answer the questions which follow.

#### INFORMATION

#### **HELEN'S HAIR STYLISTS**

#### **PROJECTED INCOME STATEMENT FOR APRIL TO JUNE 2010**

	APRIL	MAY	JUNE
	R	R	R
Sales of hair products	87 500	105 000	122 500
Cost of sales	50 000	60 000	70 000
Gross profit	37 500	45 000	52 500
Other operating income	122 000	122 000	162 000
Fee income from customers	120 000	120 000	160 000
Sundry income	2 000	2 000	2 000
OPERATING EXPENSES	95 350	120 072	127 372
Salary of hairdressing assistants	25 500	25 500	34 000
Wages of cleaner	3 400	3 672	3 672
Rent of premises	24 600	30 750	30 750
Consumable stores	14 400	14 400	19 200
Water & electricity	6 000	6 000	7 000
Telephone	2 200	2 200	2 200
Advertising	8 000	15 000	8 000
Motor vehicle expenses	1 400	5 600	5 600



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ACCO	UNTING	GRADE 12	<b>SESSION 1</b>	1	(LEARNER NO	TES)
	Repairs & maintena	nce of equipment	3 500	3 500	3 500	
	Sundry expenses		2 300	2 300	2 300	
	Depreciation on veh	icle	2 000	9 100	9 100	
	Depreciation on equ	ipment	2 050	2 050	2 050	
	OPERATING PROF	IT	64 150	46 928	87 128	
	Interest income		3 315	0	0	
			67 465	46 928	87 128	
	Interest on loan		750	625	500	
	NET PROFIT		66 715	46 303	86 628	

#### ADDITIONAL INFORMATION:

#### 1. Line of business:

Helen gave up her job to start this business in 2004. She invested her life savings of R800 000 in this business. The business styles hair for its customers. They also sell hair products to the public.

#### 2. Employees:

Helen employs three hair stylists. She has planned to expand the business by employing a fourth stylist from 1 June 2010. She also employs a cleaner.

#### 3. Business premises rented:

The rent is calculated on a fixed amount per square metre. She currently rents 60 square metres, but will increase this floor space as from 1 May 2010 due to expansion.

#### 4. Fixed deposit:

The fixed deposit of R468 000 for 12 months will mature on the 30 April 2010.



ACCOUNTING GRADE 12 SESSION 8 (LEARNER NOTES)

5. Fixed assets:

	Date of purchase	Cost price	Accumulated depreciation on 31 March 2010	Depreciation rate
Hairdressing equipment	1 April2004	R164 000	R147 600	15% on cost
VW Polo	1 July 2007	R120 000	R66 000	20% on cost
BMW 5-series	1 May 2010	?	?	20% on cost

Helen plans to make the following changes to fixed assets:

- VW Polo will be retained by the business.
- The new BMW will be purchased on 1 May 2010. Some of the funds from the fixed deposit will be used to buy the vehicle.
- She intends to replace all the hairdressing equipment on 1 July 2010. The old equipment will be traded in and the difference will be financed by way of a loan (interest rate 15%). The trade-in value is expected to be R23 000, while the cost of the new equipment will be R402 000.

### QUESTIONS

- 1.1 Refer to the Projected Income Statement to identify / calculate the following:
  - 1.1.1 The monthly salary paid to each hair stylist. (2)
  - 1.1.2 The % increase in wages that the cleaner will receive during the projected period. (2)
  - 1.1.3 The % interest rate on the fixed deposit.
  - 1.1.4 The rental per square metre, and the number of additional square metres she will rent from 1 May 2010. (4)



(4)

# ACCOUNTING GRADE 12 SESSION 8 (LEARNER NOTES)

1.2 As the internal auditor you compare the following projected figures to the actual figures at the end of April. Provide four comments that you would include in your internal auditor's report in respect of scenarios A, B, C and D below.

		Projected	Actual
		April 2010	April 2010
А	Telephone	2 200	4 150
В	Water & electricity	6 000	4 900
С	Fee income	120 000	136 800
U	Consumable stores	14 400	15 120
	Sales of hair products	87 500	112 000
D	Cost of sales	50 000	70 000
	Gross profit	37 500	42 000

(10)

(10)

(8)

(2)

1.3 Helen is considering changes to the fixed assets owned by the business.

1.3.1	Calculate the cost of the new vehicle which she plans to purchase on 1	
	May 2010.	(4)

- 1.3.2 Prepare the expected asset disposal account for the trade-in of the old hairdressing equipment on 1 July 2010.
- 1.3.3 What effect will the purchase of the new equipment have on the expected profits of the business each month? Provide calculations to support your answer.
- 1.3.4 Helen is thinking of purchasing the business premises rather than renting them. Explain one major advantage and one major disadvantage of this option.
- 1.3.5 Has Helen acted responsibly in the decisions she has taken/planned regarding the fixed assets?
  Explain, quoting specific information from the question.
  (See Additional information 5 on previous page.)
- 1.4 Helen is not sure if she has made the right decision to give up her previous job many years ago and to invest R800 000 in this business. Refer to the projected monthly profit for this period. Based on these projections, what is your opinion (4) on the decision which Helen took? Explain. [55]



ACCOUNTING

SESSION 8

(LEARNER NOTES)

SECTION C: SOLUTIONS AND HINTS TO SECTION A

GRADE 12

#### **QUESTION 1**

#### 1.1 KANELA LIMITED BALANCE SHEET ON 28 FEBRUARY 2001

ASSETS	
Non-current assets	☑ 2 136 000
Fixed assets (1 800 000 ✓ + 300 000 ✓ - 145 000 ✓ ✓)	☑ 1 955 000
Investments	☑ 181 000
Current assets	☑ 1 584 000
✓ Inventories	☑ 789 000
✓ Trade & other receivables (530 000 ✓ + 24 000 ✓)	✓ 554 000
✓ Cash & cash equivalents (175 000 ✓ + 66 000 ✓)	✓ 241 000
TOTAL ASSETS 19	☑ 3 720 000
EQUITY & LIABILITIES	
Ordinary shareholders' equity	✓✓ 2 064 000
✓ Ordinary share capital (1 200 000 ✓ + 400 000 ✓)	✓ 1 600 000
✓ Share premium	<ul><li>✓ ✓ 140 000</li></ul>
✓ Retained income	☑ 324 000
Non-current liabilities	☑ 600 000
Loan from Easi-Bank (1 500 000 – 900 000)	<ul><li>✓ ✓ 600 000</li></ul>
Current liabilities	☑ 1 056 000
Trade & other payables (720 000 ✓ + 36 000 ✓)	✓ 756 000
✓ Current portion of loan	<ul><li>✓ ✓ 300 000</li></ul>
TOTAL EQUITY & LIABILITIES 22	☑ 3 720 000



(41)

1.2.1 He currently owns 45% of 800 000 shares = 360 000 ✓
He needs to own 50%+1 of 1 000 000 shares = 500 001 ✓ (accept 500 100 or 501 000)
He needs to purchase = 140 001 ☑ (accept 140 100 or 141 000)

(3)

1.2.2 No ✓

Explanation:  $\sqrt[4]{\sqrt[4]{4}}$ Excellent explanation = 4 marks; Good explanation = 3 marks; satisfactory explanation = 2 mark, Poor Explanation = 1 mark, incorrect = 0 marks

Candidates are expected to identify the ethical considerations, e.g. the issue should be in line with the memorandum and articles of association, or freely available to the public unless special circumstances apply such as a rights issue, the fact that the issue price should be at current market value, or that the strategy to gain control of the company is inappropriate.

# Expected response:

As this is a public company the shares should be offered to the public. The shares should be issued at the current market value of R3,10 which will bring in R620 000 to the company. If Jan pays the par value, this would amount to only R400 000. He would, therefore, be benefiting while the other shareholders will be disadvantaged through dilution of the share price. Jan was not the majority shareholder before the issue of these shares. If he sells these shares to himself, he will be have overall control of company decisions which will also impact on the other shareholders and directors.

(5)

1.3.1 Excellent explanation = 3 marks; Good explanation = 2 marks; satisfactory explanation = 1 mark, incorrect = 0 marks

### Expected responses:

- The King Code covers the triple bottom line concepts, i.e. economic, social and environmental responsibilities OR
- Big companies rely on communities and the world around them in order to sustain profits. The fact that they are contributing back to the (3) community is the right thing to do.



# ACCOUNTING GRADE 12 SESSION 8 (LEARNER NOTES)

1.3.2 Excellent explanation = 3 marks; Good explanation = 2 marks;

satisfactory explanation = 1 mark, incorrect = 0 marks

### Expected responses:

The cost of these projects should be highlighted in the income statement or the notes to the financial statements. The directors should fully inform all readers of the financial statements about the nature of these projects and the good work that the company is involved in. (3)

[55]

### **QUESTION 2**

2.1 Good explanation = 2 marks; satisfactory = 1 mark; incorrect = 0 marks  $\sqrt[4]{\sqrt{2}}$ 

Golf clubs are a more expensive item of which not many are bought and sold. The prices can also differ substantially between different purchases. It is easy to keep track of movement of stock. Hence the FIFO method is appropriate.

Good explanation = 2 marks; satisfactory = 1 mark; incorrect = 0 marks  $\checkmark \checkmark$ 

Golf balls are less expensive. Thousands are being bought. It would not be easy to keep track of which balls are bought. Hence the weighted average method would be more appropriate.

(4)

# 2.2 Calculation of value of closing stock of golf clubs (FIFO method):

R67 500 ✓ + 67 500 ✓ = (55 x 800) ✓ ✓ + 10 250 ✓ = R189 250 🗹

44 000

Calculation of value of closing stock of golf balls (Weighted Average method):

<u>R11 520 ✓ +112 500 ✓ ✓ + 22 500 ⊠</u>

1 200 🗸 + 12 000

<u>146 520</u>

13 200

R11,10 ☑ x 550√ = R6105 ☑

(15)



SENIOR SECONDARY INTERVENTION PROGRAMME

**SESSION 8** 

ACCOUNTING

2.3 Calculate cost of sales of golf clubs:

72 000 ✓ + 251 250 ✓ + 15 000 ✓ - 189 250 ✓ = R149 000 🗹

GRADE 12

# Calculate gross profit on golf clubs:

Sales – cost of sales = gross profit

222 000 ✓ - 149 000 🗹 = R73 000 🗹

Calculate the VAT charged to customer on golf clubs sold

222 000 ✓ x 14% ✓ = R31 080 ✓

Calculate the mark-up % on golf clubs:

73 000 🗹/ 149 000 🗹 x 100

= 48,9 % 🗹

(14)

(LEARNER NOTES)

2.4 Calculation regarding lack of popularity of the golf clubs:

Calculation appropriate/correct in all respects = 3 marks Calculation partially appropriate/correct = 1 to 2 marks Inappropriate/incorrect calculation = 0 marks Any appropriate calculation, e.g.

- 47% of stock available were sold (185/390 x 100) OR
- 205 / 185 X 365 = 404 days stock on hand.

# Calculation regarding theft of the golf balls:

Calculation appropriate/correct in all respects = 3 marks Calculation partially appropriate/correct = 1 to 2 marks Inappropriate/incorrect calculation = 0 marks  $\checkmark \checkmark \checkmark$ Any appropriate calculation, e.g. 1 200 + 12 000 - 10 500 = 2 700 balls should be on hand 2 700 - 550 = 2 150 missing golf balls **OR** 

2 150 X R11,10 = R23 865 shortage



ACCOUNTING GRADE 12 SESSION 8

(LEARNER NOTES)

- 2.5 Explanation of strategy:  $\checkmark \checkmark \checkmark \checkmark \checkmark \checkmark$ 
  - Implement stricter internal control measures to eliminate theft of stock, e.g. cameras, security staff, random bag searches.
  - Avoid stock piling as the clubs are produced locally it would be easy to purchase as needed.
  - Consider revising the mark-up policy on golf clubs. The current selling price may be higher than competitors.
  - Consider advertising/marketing strategies to encourage greater turnover of golf clubs.
  - Consider the possibility of purchasing golf balls locally at a lower price.
  - Consider importing the golf clubs as it appears that the customers (6) do not like the current product.

[45]

**Learner Note:** From the above you can see the importance of understanding your concepts of companies. As you attempt the homework, you need to ensure that you are able to answer the questions in the allocated time frames. If you get stuck, you should refer either to the additional notes or your class teacher.



	GAUTENG DEPARTMENT OF EDUCATION		SENIOR SECONDARY I	NTERVENTION PROGRAMME	
	ACCOUNTING	GRADE 12	SESSION 9	(LEARNER NOTES)	
	SESSION 9				
	TOPIC: CONSOLIDATIO		6		
	SECTION A: TYPICA	_ EXAM QUES <sup>-</sup>	TIONS		
	QUESTION 1: 70 marks		43 minutes		
	<ul> <li>Learner Note:</li> <li>Always answer in period</li> <li>Make sure you learn</li> <li>Open ended question</li> </ul>	n your theory on	•		
<b>CASH-FLOW STATEMENT AND RATIO ANALYSIS</b> The information given below was extracted from the financial statements of Manchester Ltd, distributors of exquisite perfumes.					

REQUIRED

1.1 Prepare the following:

1.1.1	Complete the note for reconciliation between profit before taxation and cash generated from operations.	(8)
1.1.2	Prepare the Cash-Flow Statement for the year ended 28 February 2009. All workings must be shown in brackets to earn part-marks.	(28)
1.2	Calculate the following for 2009:	
	1.2.1 Current ratio	(3)
	1.2.2 Acid-test ratio	(4)
	1.2.3 Net asset value per share	(4)
	1.2.4 Debt/Equity ratio (Gearing ratio)	(3)
1.3	Explain why the directors decided to reduce the long-term loan significantly during the current financial year. In your opinion, was this a wise decision? Explain, quoting evidence (figures/financial indicators) from the question.	(6)
1.4	Calculate the premium at which the new shares were issued.	(6)
1.5	Comment on the return on shareholders' equity, earnings and dividends earned by the shareholders. Quote evidence (figures/financial indicators) from the question.	(5)
1.6	The existing shareholders are unhappy with the price at which the additional shares were sold. Discuss, quoting ONE figure or financial indicator to support your answer.	(3)



ACCOUNTING	GRADE 12	SESSION 9	(LEARNER NOTES)

## INFORMATION

1.	Extract from the Income Statement	R
	Depreciation	33 500
	Interest expense	164 450
	Net profit before tax	844 300
	Income tax (rate 30% of net profit)	?

2.	BALANCE SHEET	28 February 2009	28 February 2008
	ASSETS		
	Non-current assets	3 490 885	3 017 500
	Fixed/Tangible assets at carrying value	3 440 885	2 967 500
	Fixed deposit at PDV Bank	50 000	50 000
	Current assets	320 000	231 250
	Inventories	251 250	110 250
	Trade debtors	60 000	76 000
	Cash and cash equivalents	1 250	45 000
	SARS – Income tax	7 500	0
	TOTAL ASSETS	3 810 885	3 248 750
	EQUITY AND LIABILITIES		
	Capital and reserves	3 120 000	1 443 000
	Ordinary share capital (par value R5)	2 085 000	1 050 500
	Share premium	268 970	0
	Retained income	766 030	392 500
	Non-current liabilities	300 000	1 525 000
	Loan: Enid Bank at 15% p.a.	300 000	1 525 000



SENIOR SECONDARY INTERVENTION PROGRAMME

ACCOUNTING	GRADE 12	SESSION 9	(LEARNER NOTES)
Current lia	bilities	390 885	280 750
Trade credi	tors	209 945	220 475
Bank overd	raft	47 500	0
Shareholde	rs for dividends	133 440	52 525
SARS – Inc	SARS – Income tax		7 750
TOTAL EQ	UITY AND LIABILITIE	S 3 810 885	3 248 750

#### 3. ADDITIONAL INFORMATION

- A. Additional new shares were issued at a premium halfway through the year on 31 August 2008. These shares did not qualify for interim dividends.
- B. Fixed assets were sold for R100 000 cash at carrying value.
- C. Earnings and dividends per share were as follows:

	2009	2008
Earnings per share	189 cents per share	135 cents per share
Total dividends	72 cents per share	105 cents per share
Interim dividends	40 cents per share	80 cents per share
Final dividends	32 cents per share	25 cents per share

D. You are also provided with the following financial indicators:

	2009	2008
% return on shareholders' equity	26%	21%
% return on capital employed (after tax)	24%	10%
Net asset value per share	?	687 cents

 E. The price of the shares on the Johannesburg Securities Exchange (JSE) has fluctuated between 680 cents and 780 cents over the past year.





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ACCO	OUNT	ING	GRADE 12	<b>SESSION 9</b>	(LEARNE	R NOTES)
QUE	STIC	ON 2: 30 r	narks 18 m	ninutes		
DEB	TOR		ON AND CASH	BUDGET		
				He sells a wide rang from the books:	ge of ceramic tiles.	
REQ	UIR	ED				
2.1		nplete and total ember 2009.	the Debtors Co	ollection Schedule fo	r November and	(13)
2.2					igures to the actual figu e TWO points in each c	
	• •	Advertising Repairs and r Delivery expe				(6)
2.3	(a)	•	problems you ł upport your ans		uote figures from the	
	(b)	Give ONE po	int of advice in o	each case.		(4)
2.4	are	in line with the	budget, would y	you expect the bank	suming all other items balance at the end of son for your answer.	(3)

# INFORMATION

# 1. DEBTORS COLLECTION SCHEDULE OF AFRICA CERAMICS FOR THE PERIOD ENDING 31 DECEMBER 2009

		DEBT	ORS' COLLEC	TION
Month	Credit sales	October 2009	November 2009	December 2009
	R	R	R	R
August	360 000	64 800		
September	540 000	270 000		
October	450 000	129 600		
November	420 000			
December	420 000			
TOTALS		464 400		



#### ACCOUNTING GRADE 12 SESSION 9

(LEARNER NOTES)

#### 2. EXPECTED COLLECTION FROM DEBTORS

- 75% of all sales are expected to be on credit.
- 30% of debtors settle accounts during the transaction month to benefit from a 4% discount for prompt payment.
- 50% of debtors settle accounts in the month following the transaction month.
- 18% settle accounts during the second month after the transaction month.
- 2% is written off as irrecoverable after 60 days.

#### 3. BUDGETED AND ACTUAL FIGURES

At the end of October, the following actual figures were identified and compared to the budgeted figures:

From the Projected Income Statement:	OCTOBER BUDGET	OCTOBER ACTUAL
	R	R
Total sales	600 000	672 000
Cash sales	150 000	70 000
Credit sales	450 000	602 000

From the Cash Budget:	OCTOBER	OCTOBER
	BUDGET	ACTUAL
	R	R
Collections from debtors	464 400	238 588
Purchase of trading stock	375 000	420 000
Advertising	15 000	25 000
Repairs and maintenance	16 500	3 800
Delivery expenses	20 000	42 000
Bank balance at end of month	120 000	?





ACCOUNTING GRADE 12 SESSION 9 (LEARNER NOTES)

**SECTION B: HOMEWORK** 

QUESTION 1: 35 marks 21 minutes

BUDGETING

#### 1.1 PRESENTATION OF A CASH BUDGET

Sebata's store is a sole proprietor, located in the Strand. The owner, Bally Voice, prepared the budget below:

#### SEBATA`S STORE

#### CASH BUDGET FOR THREE MONTHS ENDING 31 MAY 2010

	2010 MARCH	2010 APRIL	2010 MAY
CASH RECEIPTS	338800	460 000	140000
Cash sales	338800	280000	140000
Loan		180000	
CASH PAYMENTS	239800	254520	392910
Cash purchases of stock	169400	140000	70000
Payment to creditors(after 60 days)	33600	78140	72600
Salaries and wages	12000	12000	9000
Rent expenses	7800	8580	8580
Advertising	2000	2000	
Other overheads	12400	11200	8230
Vehicles			68000
Construction of restaurant section			150000
Interest on loan	1400	1400	3500
Repayment of loan	1200	1200	3000
Surplus (Deficit) for the month	99000	205480	?
Cash at beginning of month	(21100)	?	?
Cash at the end of the month	?	?	?



GAUTENG DEPARTMENT OF EDUCATION			SENIOR SECONDARY INTERVENTION PROGRAMME		
ACCO	UNTING	GRADE 12	SESSION 9	(LEARNER NOTES)	
REQU	JIRED				
1.1.1	What is the purpos	se of the Cash Bu	idget?	(2)	
1.1.2	Rent increases an that will be applica	• •	What is the percentage increa 010?	ase (4)	
1.1.3	Depreciation amout the cash budget. Is	•	r month, but does not appear	in (3)	
1.1.4	R300 000. He ex	pects it to appro	crease his loan from R120000 oved, and for the money to he loan's interest rate.		
1.1.5	creditors are paid	after 60 days, an	on cost price, assuming the assuming the assuming that 30% of all stopplaced in the same month).		
1.1.6	5	r hired two stude	nd April are higher than usunts for the two months. What on?		
				[35]	

SECTION C: SOLUTIONS AND HINTS TO SECTION A

# **QUESTION 1**

1.1.1	Reconciliation between profit be cash generated from operations			
	Net profit before tax			844 300
	Adjustments i.r.o.			
	Depreciation			33 500
	Interest on borrowed funds			164 450
	Operating profit before changes capital	in working		1 042 250
	Changes in working capital	Check operation	V	(135 530)
	Inventory		Figure ✓ Operation ✓	(141 000)
	Debtors		Figure ✓ Operation ✓	16 000
	Creditors		Figure ✓ Operation ✓	(10 530)
	Cash generated from operations	Check operation	V	906 720

(8)



SENIOR SECONDARY INTERVENTION PROGRAMME

ACCOUNTING GRADE 12 SESSION 9 (LEARNER NOTES)

### 1.1.2 MANCHESTER LIMITED

### CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2009

CASH FLOW FROM OPERATING ACTIVITIES	Check operation	☑ 337 16
Cash generated from operations	See 1.1.1	☑ 906 72
Interest paid	Figure must	✓ (164 450
	correct &	
Dividende a sid	outflow	
Dividends paid	If one part correct, figure	☑ (136 565
$52\ 525\ \checkmark\ +\ 217\ 480\ \checkmark\ -\ 133\ 440\ \checkmark$	must be outflow	
<b>OR</b> – 52 525 – 217 480 + 133 440 <b>OR</b> 52 525 1 mark + 84 040 2 marks	much be outliow	
Taxation paid	If one part	☑ (268 540
7 750 ✓ + 253 290 ✓ + 7 500 ✓	correct, figure	₾ (200 540
<b>OR</b> – 7 750 – 253 290 – 7 500 <b>V</b>	must be outflow	
CASH FLOW FROM INVESTING ACTIVITIES	Check operation	☑ (506 88
	figure must	
	show correct	
	flow	
Purchase of fixed assets		
	If one part	
3 440 885 ✓ – [2 967 500 ✓ – 100 000 ✓ – 33 500 ✓]	correct, figure	☑ (606 885
<b>OR</b> 3 440 885 – 2 967 500 + 100 000 + 33 500	must be -ve	
<b>OR</b> –3 440 885 + 2 967 500 – 100 000 – 33 500		
Proceeds from the sale of fixed assets		✓ 100 00
CASH FLOW FROM FINANCING ACTIVITIES	Check operation	⊠78 47
Proceeds of shares issued 1 034 500√√ + 268 970√		✓ 1 303 47
<b>OR</b> 2 085 000 (1 mark) – 1 050 500 (1 mark) + 268 970		
(1 mark)		
<b>OR</b> 2 353 970 (2 marks) – 1 050 000 (1 mark)		
Repayment of long term loans	Figure ✓	(1 225 000
	Outflow√	(1 223 000
Net change in cash and cash equivalents	Check	☑ (91 250
	operation, do	
	not accept 46250 or 47500	
	46250 01 47500 or 1250	
Cash and cash equivalents at the beginning of the year	Must be +ve	√45 00
Cash and cash equivalents at the end of the year	Figure must	√ (46 250
and one of the second of the second of the year		



(LEARNER NOTES)

(28)

#### ACCOUNTING

GRADE 12

Fixed Assets T-account		
2 967 500 100 000		
606 885	33 500	
	3 440 885	

1.2 Calculate the following for 2009:

> 1.2.1 **Current ratio**  $\mathbf{N}$  $\checkmark$  $320\ 000: 390\ 885 = 0.8: 1\ (accept\ 0.82:\ 1)$ (3)1.2.2 Acid-test ratio  $\checkmark\checkmark$  $\mathbf{\nabla}$ 68750:390885=0.2:1 (Accept 0.18:1) (4) 1.2.3 Net asset value per share  $\mathbf{\nabla}$ R3 120 000 / 417 000 shares = 748,2 cents or R7,48 (4) 1.2.4 Debt/Equity ratio (Gearing ratio)  $\nabla$ (3)300 000 : 3 120 000 = 0,1 : 1 or 0,096 : 1

**SESSION 9** 

#### 1.3 Explanation of directors' decision: $\sqrt{\sqrt{2}}$

Any one reason:

- The sale of extra shares has brought about an inflow of cash
- In the previous year the ROTCE (10%) was lower than the interest rates (15%).
- In the previous year the company was highly geared with a very high debt/equity ratio (> 1 : 1)

Opinion: Yes or No ✓

### Explanation: $\checkmark \checkmark$ Evidence: $\checkmark$

Any one explanation for Yes:

- The debt/equity ratio is now very low (0,1:1) which indicates a low-risk situation
- The saving on interest has increased the profits as indicated by EPS from 135c to 189c or ROSHE from 21% to 26%
- The company is now in a positive gearing situation with ROTCE of 24% which is much higher than the interest rates.

Any one explanation for No:

- The directors have over-reacted because the evidence shows that they should now consider taking out more loans (ROTCE of 24% exceeds interest rates) and debt/equity ratio of 0,1:1 is low, indicating low risk
- The short-term liquidity is now a problem as the acid-test ratio is now 0,2:1 and the current ratio is 0,8:1
- The net change in cash was a negative of R91 250 which has • caused short-term liquidity concerns.

(6)

ACCOUNTING GRADE 12 SESSION 9 (LEARNER NOTES)

### 1.4 Returns on shareholders' equity

Quote financial indicator ✓	Any valid <u>specific</u> comment related to the indicator, e.g. ✓	
ROSHE has increased from 21% to	This exceeds the returns	
26%	on alternative investments	
OR: ROSHE is now 26%		
<b>OR</b> : ROSHE increased by <u>5%</u> points		
<b>OR</b> : ROSHE increased by 23,8%		

#### Earnings

Quote financial indicator 🗸	Any valid <u>specific</u> comment related to the indicator, e.g. ✓	
EPS has improved from 135c to 189c	This compares well to the	
<b>OR</b> : EPS is now 189c	value of the share	
<b>OR</b> : EPS increased by 54c or 40%		

#### Dividends

Quote financial indicator ✓	Any valid <u>specific</u> comment related to the indicator, e.g.✓
DPS has declined from 105c to 72c OR: DPS is now 72c OR: DPS decreased by 33c or 31,4%	The company is retaining more of its profits <b>OR</b> : This increases the NAV
	<b>OR</b> : The dividend payout rate dropped to less than 50% of profits
	<b>OR</b> : Increases the infrastructure of the company

# 1.5 Calculate the premium at which the new shares were issued.

Number of shares issued = (2 085 000 - 1 050 500)/R5 = 206 900 shares 268 970  $\checkmark \checkmark \checkmark$  / 206 900  $\checkmark$ 

= R1,30 ⊠

(5)

(6)



#### ACCOUNTING GRADE 12 SESSION 9 (LEARNER NOTES)

1.6 Quoting of figures / financial indicator ✓

Comment ✓✓

Expected responses:

- The shares were issued at a price of R6,30 which is lower than the NAV (R6,87 or R7,48) which means that the existing shareholders are being disadvantaged
- The shares were issued at a price of R6,30 which is lower than the market price (R6,80 to R7,80) which means that the existing (3) shareholders are being disadvantaged

[70]

#### **QUESTION 2**

## 2.1 DEBTORS COLLECTION SCHEDULE OF AFRICA CERAMICS FOR THE PERIOD ENDING 31 DECEMBER 2009

		DEBTORS' COLLECTION			
Month	Credit sales R	October 2009	November 2009	December 2009	
		R	R	R	
August	360 000	64 800			
September	540 000	270 000	<b>√</b> √97 200		
October	450 000	129 600	√√225 000	√√81 000	
November	420 000		√√120 960	√√210 000	
December	420 000			☑ 120 960	
TOTALS		464 400	☑ 443 160	☑ 411 960	

(13)

2.2 Any two valid and separate points in each case

#### Advertising

Candidates must compare advertising to sales  $\checkmark$ 

- This led to an increase in sales of R72 000
- Sales increased by only 12%
- Sales increased by R72 000 (credit sales up by R152 000, cash sales down by R80 000)

One other factor: 🗸

- Over-spent / Under-budgeted by R10 000 (investigate reason)
- Over-spent by 66% / Under-budgeted by 66% (investigate reason)
- They used a different strategy, e.g. advertise on TV instead of in press.



#### ACCOUNTING GRADE 12 SESSION 9

(LEARNER NOTES)

(6)

Repairs & maintenance Any two valid comments 🗸 🗸

- Under-spent / Over-budgeted by R12 700
- Consider if this is wise fixed assets must not be neglected as they generate income for the business and neglecting repairs will lead to more expenditure in future
- Repairs & maintenance was well-managed / Good use of equipment that is why they under-spent

#### **Delivery expenses**

Candidates must compare delivery expenses to sales ✓

- Does not correlate with sales which increased by 12% while delivery expenses increased by 110%
- Over-spend of R22 000 led to a R72 000 increase in sales
- One other factor: 🗸
- Over-spent / under-budgeted by R22 000 / they spent more than double the budget
- Investigate possible abuse / lack of control / poor strategies (e.g. out-sourcing might be too expensive)
   Poor maintenance of vehicles has led to high fuel costs
- 2.3 Any valid explanations <u>related to numbers of customers</u> based on information from the question, e.g.

	(a) Description of problem, quoting figures:	(b) Advice:	
1	Describe problem ✓ Quote figure√ Credit sales were R152 000 more than expected, while cash sales were R80 000 less than expected (this creates a cash flow problem).	Comment (part-marks possible): ✓✓ Offer more favourable trade discounts to customers who buy for cash	
2	Describe problem ✓ Quote figure√ Collections from debtors are R225 812 less than budget / This is expected to lead to increased bad debts (2%) or extra administration costs.	•	



GAUTENG DEPARTMENT OF EDUCATION			SENIOR SECONDARY INTERVENTION PROGRAMM	
ACCOUNTI	NG	GRADE 12	SESSION 9	(LEARNER NOTES)
Unf Rea • • • Als •	avourable ✓ ason: ✓✓ Debtors collec Cash sales are Cash purchase o accept:	e well under bud es of trading sto es are more than riances on figure		ors collections (3) [ <b>30]</b>
Learner N	ote: From the	e above vou can	see the importance of un	derstanding your

concepts of companies. As you attempt the homework, you need to ensure that you are able to answer the questions in the allocated time frames. If you get stuck, you should refer either to the additional notes or your class teacher.



SENIOR SECONDARY INTERVENTION PROGRAMME

ACCOUNTING

SESSION 10

(LEARNER NOTES)

#### **SESSION 10**

**TOPIC: CONSOLIDATION** 

## SECTION A: TYPICAL EXAM QUESTIONS

#### Learner Note:

- Always answer in point form
- Make sure you learn your theory on companies
- Open ended questions do not not have one correct answer

GRADE 12

### QUESTION 1: 65 marks 30 minutes

### COMPANY REPORTING

## 1.1 INCOME STATEMENT

You are provided with information relating to Samora Sports Limited. The company sells sports equipment and repairs equipment for their customers.

#### REQUIRED

Prepare the Income Statement for the year ended 30 June 2008 after taking all the adjustments and additional information into account.

#### [50]

#### **INFORMATION:**

#### 1. Figures extracted from the Pre-Adjustment Trial Balance on 30 June 2008:

Ordinary share capital (R5 par value)	R 1 200 000
Fixed deposit	160 000
Trading stock	215 000
Debtors' control	39 090
Equipment (for office and shop)	224 000
Accumulated depreciation on office and shop equipment	130 000
Mortgage loan from Credbank	281 200
Sales	1 703 200
Debtors' allowances	17 000
Cost of sales	?
Service fee income (in respect of repair services)	297 140
Rent income	105 000
Interest income	11 200
Salaries and wages	234 750
Employers' contributions to Pension Fund and UIF	53 200
Audit fees	30 000
Directors' fees	230 000
Consumable stores	51 100
Bank charges	5 240
Sundry expenses	?



(LEARNER NOTES)

# ACCOUNTING GRADE 12 SESSION 13

# 2. Adjustments and additional information

The auditors have identified the following errors or omissions:

- 2.1 The auditors are owed a further R28 000 after completing the audit.
- 2.2 Bank charges of R310 reflected on the June 2008 bank statement have not yet been entered in the books.
- 2.3 A credit note issued to a debtor, A Mona, dated 28 June 2008 was not recorded in the books. The credit note was for:
  - Goods returned by A Mona, R 6 200 (the cost was R4 800)
  - Price reduction on unsatisfactory repair of a tennis racket, R540
- 2.4 The stock count on 30 June 2008 revealed the following on hand:
  - Trading stock, R202 000
  - Consumable stores, R900
- 2.5 An employee was left out of the Salaries Journal for June 2008. The details from his pay-slip were:

Gross salary	R6 000
PAYE deduction (18%)	(1 080)
Pension deduction (7,5%)	(450)
UIF	(60)
Net salary	R4 410

The business contributions were:

- Pension Fund: 10,5% of gross salary
- UIF: Rand-for-rand basis
- 2.6 The tenant paid the July and August rent in June 2008. The rent was increased by R700 per month on 1 January 2008.
- 2.7 Provide for depreciation on office and shop equipment at 10% p.a. on the diminishing-balance method. Note that new shop equipment costing R30 000 was purchased half-way through the financial year (this was properly recorded).
- 2.8 Interest on the loan was capitalised. The loan statement from Credbank on 30 June 2008 reflects the following:

CREDBANK	
Loan statement on 30 June 2008	
Balance on 1 July 2007	R332 800
Interest charged	?
Monthly payments to Credbank in terms of the loan agreement (12 months x R4 300)	R 51 600
Balance on 30 June 2008	R326 000

The interest expense for the year has not yet been entered in the books.

- 2.9 Use the following percentages to calculate the missing figures:
  - Mark-up % achieved: 60% on cost
  - Operating profit on sales: 20%
  - Income tax rate: 30% of net profit



#### ACCOUNTING GRADE 12 SESSION 10 (LEARNER NOTES)

#### 1.2 CORPORATE GOVERNANCE AND AUDITING

The following audit report was issued by the auditors of Samora Sports Ltd:

#### Audit opinion – To the shareholders:

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the group at 30 June 2008 and the results of their operations and cash flows for the year ended, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa.

# I.M. Wright & Associates Chartered Accountants (SA) Registered Accountants and Auditors Pretoria 10 August 2008

- 1.2.1 Why does the Companies Act make it a requirement for public companies to be audited? (2)
- 1.2.2 Although this audit opinion is addressed to the shareholders, other interested persons will also want to read it.

Name ONE other person who would be interested in this audit opinion, and give a reason for his/her interest in the opinion. (3)

- 1.2.3 At the AGM, one of the shareholders says that he is not happy with the words 'fairly present' in the audit report. He wants the auditors to say that the financial statements are 'correct in all respects'. What explanation should be given to this shareholder? State ONE point.
- 1.2.4 The directors are not happy with the high audit fees reflected in the Income Statement.
  Explain why improvement in internal control will have a positive effect on the external auditors' fees. State ONE point. (3)
- 1.2.5 SAICA is one of the main professional bodies governing accountants in this country. (4)Explain TWO of the main roles performed by SAICA.

[65]

(3)

#### QUESTION 2: 35 marks 20 minutes

#### INVENTORY VALUATION

You are provided with information in respect of Magic Soccer Balls Shop for the year ended 28 February 2009. The business is owned by Peter Pule.

The business uses the perpetual inventory system and the FIFO method of valuing stock.



GAUTENG DEPARTMENT OF EDUCATION SENIOR SECONDARY INTERVENTION PROGRAMME						
ACCOUNTING GRADE 12		SESSION 10	(LEARNER I	NOTES)		
REQUIRED						
2.1	Explain the mean	ning of the term	FIFO.		(2)	
2.2	The selling price Calculate the sel		s was kept constant throughou ccer ball.	it the year.	(3)	
2.3			e that some soccer balls were s entry has been made.	stolen from	(5)	
	What double		s that are missing. u make in the books to record th	iis?	(3)	
2.4	Value the stock of	on hand at the ye	ear-end according to the FIFO n	nethod.	(7)	
2.5	Calculate following	ng:			(5)	
0.0	<ul> <li>Cost of sale</li> <li>Gross profit</li> </ul>	for the year	in an air an star a tha an an bailte		(3)	
2.6	Peter is not sure	when to place h	is next order of soccer balls.		(3)	
	calculation t	o support your a e will you offer P	e closing stock to last? Provide f Inswer. Peter in respect of the final stocl	-	(4)	

# INFORMATION

# Accounting records relating to the soccer balls

Details	Date	Number of balls	Unit price	Total
Opening stock	1 March 2008	750	R110	R82 500
		2 480		R340 800
	20 May 2008	800	R150	R120 000
Purchases	25 October 2008	1 200	R120	R144 000
	16 December 2008	480	R160	R76 800
Closing stock	28 February 2009	1 100	?	?
Sales	1 March 2008 to 28 February 2009	2 100	?	R430 500





ACCOUNTING GRADE 12 SESSION 10 (LEARNER NOTES)

SECTION B: HOMEWORK

QUESTION 1:35 marks21 minutes

### INVENTORY VALUATION, VAT AND CONTROL

1.1 You are provided with information relating to Tiger music for the financial year ended 28 February 2010. The business is situated in Pretoria. The business sells music in the form of compact discs. (CDs).

### REQUIRED

- 1.1.1 Calculate the value of stock on hand at the end of the year according to the weighted average method.
- 1.1.2 Calculate the NUMBER of CDs that have apparently been shop-lifted. (5)
- 1.1.3 Calculate the VALUE of CDs that have apparently been shop-lifted. (3)
- 1.1.4 Provide three points of practical advice to Tiger Music on how to improve control over their stock. (6)

#### INFORMATION

- 1. The business uses the perpetual inventory system and the weighted average method of valuing stock.
- 2. Units of CDs for the year.

	Units	Unit price	Total value
CDs on hand on 1 March 2009	2 500	R70	R175 000
CDs on hand on 28 February 2010	3 020	?	?
CDs bought on credit during the year	15 000		R1 150 000
Bought on 30 April 2009	4 000	R60	R240 000
Bought on 31 August 2009	3 000	R90	R270 000
Bought on 30 November 2009	8 000	R80	R640 000
CDs sold during the year ended 28 February 2010.	14 400	R125	R1 800 000

1.2 You have been appointed as the accountant for Bawinile's Mini Market. After an internal audit you discover a discrepancy with the till slips. It appears that the information of Cashier 5 is incorrect.

The manager of Bawinile's Mini Market feels that he is not required to pay to SARS all the VAT that he has collected from customers. Till 5 was programmed to charge VAT on certain zero-rated items. However, none of the cash slips of Till 5 were accounted for in the accounting records of Bawinile's Mini Market.



(8)

# ACCOUNTING GRADE 12 SESSION 10 (LEARNER NOTES)

### REQUIRED

- 1.2.1 How would you respond to the manager who feels that not all VAT must be paid over to SARS. List ONE response. (2)
  1.2.2 Calculate the total amount of VAT that was charged on zero-rated items if the amount including the VAT on the cash slip of cashier 5 was R29,10. (3)
- 1.2.3 In the scenario described above, the management acted unethically.Provide TWO reasons to support the statement.
- 1.2.4 What will the consequences be for management, in the above scenario if their actions were discovered? Provide TWO consequences. (4)
  - [35]

## SECTION C: SOLUTIONS AND HINTS TO SECTION A

### **QUESTION 1**

#### 1.1 SAMORA SPORTS LIMITED

INCOME STATEMENT FO	R THE YEAR ENDED 30 JUN	E 2008	
Sales 1 703 200 ✓ - 17 000	✓ 1 680 000		
Cost of sales	☑☑ (1 050 000)		
Gross profit	lf = Sales - COS	☑ 630 000	(7)
Other income	Inspection	☑ 386 000	
Service fee income 297	í 140 ✓ – 540 ✓	<b>√</b> 296 600	1
Rent income 105 000 🗸	( – ☑ 15 600 ✓ ✓	✓ 89 400	
Do not accept Interest here			(9)
		1 016 000	1
Operating expenses Ins	spection, brackets not essential	☑ (680 000)	
Salaries and wages 2	234 750 🗸 + 6 000 🗸	<b>√</b> 240 750	1
Employer's contributi	ons 53 200 ✓ + 690 ✓	✓ 53 890	
Audit fees 30 000√ +	- 28 000 ✓	✓ 58 000	
Directors' fees		✓ 230 000	
Consumable stores 5	51 100√ – 900 √	✓ 50 200	
Bank charges 5 240	∕ +310 ✓	<b>√</b> 5 550	
Sundry expenses	Inspection - reasonable	☑ 15 910	
Trading stock deficit figure	13 000 + 4 800 Any	⊠√√ 17 800	
Depreciation 6 400 ✓	<b>√</b> 7 900	(25)	
Do not accept Interest here			1
Operating profit $If = 2$ post-adj)	0% of Sales (either pre- or	团团 336 000	
Interest income		✓ 11 200	1
		347 200	1
Interest expense		√√ (44 800)	1



#### SENIOR SECONDARY INTERVENTION PROGRAMME

GAUTEN	G DEPARIMENT O	FEDUCATION	SENIOR SECONDAR	RY INTERVENTION PROP	SRAMME
ACCOUN	ITING	GRADE 12	<b>SESSION 10</b>	(LEARN	ER NOTES)
Net p appli	orofit before tax	Inspection, inspe	ect operations	☑ 302 400	
Inco	me tax If = 30%	of NP, brackets n	ot essential	团团 (90 720)	
Net p	orofit after tax	Inspection –	if tax deducted	☑ 211 680	(9)
					[50]
1.2					
1.2.1	<ul> <li>OR Public function</li> <li>OR To ensure to</li> <li>OR To ensure to</li> <li>OR To be accord</li> <li>OR To discourate</li> <li>Any one of the construction</li> <li>Shareholders not</li> <li>Prospective</li> <li>investments</li> <li>Lenders - their loans</li> <li>Suppliers -</li> <li>SARS - To</li> </ul>	e shareholders / s Is are used hat it is a fair refle hat directors are n untable to stakeho age fraud other stakeholders of acceptable in thi e investors (Final S	ction of financial s ot misrepresenting olders e.g. shareho ✓ Reason ✓ ✓ is answer. ncial Institutions) - e company is solv is owed can be pa	g the figures olders, SARS - To make ent and security for	(2)
1.2.3	<ul> <li>Trade unio</li> <li>Board of di</li> <li>Government</li> <li>Registrar of</li> </ul> Any one valid exercise Excellent = 3 Expected respondent <ul> <li>Auditors of everythin</li> </ul>	<b>ns</b> – For wage negligated by $rectors / CFO - T$ <b>nt</b> – For statistical of <b>Companies</b> – T <b>if Companies</b> – T <b>if Companies</b> – Satistical of the second	gotiations / job sec To assess perform information o comply with legi sfactory = 1 Inco ssurance because he company (sam	ance slation prrect = $0$ they do not check pling test only).	(3)
1.2.4	$\sqrt{\sqrt{2}}$ Excellent = 3	xplanation that ind Good = 2 Satis itors will reduce m	sfactory = 1 Inco	prrect = 0	

- •
- Internal auditors will reduce mistakes made by employees External auditors will spend less time auditing the books. Admin should be in place documents filed correctly. • (3)



GAUTENG DEPARTMENT OF	EDUCATION	SENIOR SECON	DARY INTERVENT	ION PROGRAMME
ACCOUNTING	GRADE 12	SESSION ?	10	(LEARNER NOTES)
<ul> <li>Compliance v</li> <li>Compliance v</li> <li>Professional o</li> <li>Ensure high o</li> <li>Control qualif</li> <li>Market the pr</li> </ul>	rocedure agair vith Code of Et vith GAAP and development / competence lev ications	nst member who i hics / credibility IFRS training / updated vels		(4)
				[65]
QUESTION 2 2.1 <i>FIFO</i> . First-in first				
OR The oldest soccer ba		s that are sold firs	st.	(2)
2.2 ✓ ✓ R430 500 / 2 100 bal	✓ ls = R205 eacł	ו		(3)
<ul> <li>2.3 Total balls available = Number sold</li> <li>Number stolen</li> <li>What entry would year of the other stolen</li> <li>✓ Debit Trading stoce</li> <li>✓ Credit Trading stoce</li> </ul>	<b>ou make in th</b> < deficit/Loss d	e books to recor	= 2 100 balls • = 30 balls • rd this?	
2.4 ✓ 480 balls at R160 ✓ 620 balls at R120 ✓ TOTAL	= R 768	400 🗸		(7)
Purchases Stolen - Closing stock - Cost of sales F Calculate gross pro Sales F	82 500 ✓ 340 800 ✓ 3 300 ✓ 151 200 ✓ 268 800 ✓	r.		(8)



# ACCOUNTING GRADE 12 SESSION 10 (LEARNER NOTES)

2.6 Responses may be expressed differently  $\checkmark \checkmark \checkmark$ 

Excellent = 3; Good =2; Poor=1; Incorrect=0 On average, 175 balls are sold per month – stock will last 6,3 months Cost of sales for the year is R268 800 (R22 400) – final stock is R151 200 – stock could last 6,8 months

# What advice will you offer Peter in respect of the final stock? Provide TWO points.

Any two valid points, e.g.  $\checkmark \checkmark$ 

- Purchase in smaller quantities more often
- Only order when they reach their minimum stock level (re-order level)
- Better security
- Stock must be insured
- Offer discounts to clear stock (7)
- Good idea to increase stock in view of 2010 World Cup

[35]



# ACCOUNTING GRADE 12 SESSION 11 (LEARNER NOTES)

**SESSION 11** 

**TOPIC: COMPANIES - FINANCIAL STATEMENTS** 

# SECTION A: TYPICAL EXAM QUESTIONS

#### Learner Note:

- Always answer in point form
- Make sure you learn your theory on companies
- Open ended questions do not not have one correct answer

#### QUESTION 1: 80 marks 49 minutes

# **BALANCE SHEET, CORPORATE GOVERNANCE AND AUDIT**

# 1.1 STONES LIMITED

Stones Ltd., a dealer in gem stones, provided the following information for the year ended 30 June 2010

#### REQUIRED

1.1.1 Complete the following notes to the Balance Sheet on 30 June 2010:					
	Distributable Reserves(Retained Income)	(31)			

- Trade and other payables
- 1.1.2 Complete the Equity and Liabilities Section of the Balance Sheet on 30 June 2010.

(24)

#### INFORMATION

- The following balances appeared in the Pre-Adjustment Trial Balance on 30 June 2010. The adjustments that are given were already taken into account in order to calculate the correct net income. This amounted to R 988 000 as calculated in the Profit and Loss Account.
- 2. The Adjustments **MUST** still be taken into account in order to complete the balance sheet and notes.



GAUTENG DEPARTMENT OF EDUCATION

ACCOUNTING GRADE 12 SESSION 11 (LEARNER NOTES)

#### 3. STONES LTD

# EXTRACT: PRE-ADJUSTMENT TRIAL BALANCE AS AT 30 JUNE 2010

	DEBIT	CREDIT
Balance Sheet Accounts Section	R	R
Ordinary share capital		1 250 000
Share premium		?
Retained income (1 July 2009)		450 000
UIF		590
SARS(PAYE)		9 000
Star Medical Fund		4 200
Bank		109 000
Creditors Control		87 000
Loan: Shaids Bank		300 000
Petty cash	2 200	
SARS – Income tax	248 976	
Creditors for salaries		22 120
Etc.		

Nominal Accounts Section	R	R
Salaries and wages	192 000	
Rent income		184 800
Ordinary share dividends	88 000	
Interest on loan: Shaids Bank	39 600	
Etc.		

# 4. ADJUSTMENTS AND ADDITIONAL INFORMATION

A On 1 July 2009, the start of the financial year, the authorised share capital consisted of 300 000 ordinary shares at a par value of R10 per share. Up to the present date, 125 000 shares have been issued. 50% of these shares have been issued at a premium of 300c per share.



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# ACCOUNTING GRADE 12 SESSION 11 (LEARNER NOTES)

B An employee, who joined the company on 1 July 2010, was inadvertently entered into the salaries journal for June .The amount due to her **was not** paid out. Details of her salary are as follows:

Gross salary	R18 000
Deductions:	
PAYE	30%
Medical aid	R1 500
UIF	1%

The company contributes on a rand for rand basis to both the Medical Aid as well as the UIF.

- C The tenant paid the rent for July and August 2010 in advance. Owing to the poor economic conditions, it was agreed to reduce the rent by 10% on 1 January 2010.
- D The loan from Shaids Bank was taken out on 1 January 2005. The terms of the loan stipulated that the loan must be repaid OVER 10 YEARS in ten equal instalments starting on 31 December 2005. The interest has been calculated correctly.
- E The Bank reconciliation process for June 2010 revealed the following additional entries which have to be made:
  - 1. Outstanding cheque no. 786 for R20 000 issued to a creditor dated 28 August 2010.
  - 2. Bank charges of R7 000 as well as interest on overdraft of R18 900.
  - 3. A direct deposit by a creditor, R5 000 being an overpayment on their account from the previous month.
- F. A final dividend of 150c per share was declared.
- G On 30 June 2010, the business traded in equipment at a loss of R1 500. The cost price of this equipment was R27 000 and the depreciation for the current year amounted to R750. The new equipment had a cost of R80 000. Depreciation is calculated at 20% p.a. on the diminishing balance method.
- H The income tax as per the tax assessment for the year amounted to R276 640.
- 1.2 Answer the questions that follow.

# REQUIRED

- 1.2.1 Give ONE reason why it is important that financial statements should be prepared according to GAAP & IFRS principles.
- 1.2.2 Explain what is meant by Historical Cost and Going-Concern principles. (4)



(2)

# ACCOUNTING GRADE 12 SESSION 11 (LEARNER NOTES)

- 1.2.3 Apart from the Income Statement and Balance Sheet, list another TWO parts of a company's published annual report, AND explain what the purpose of these two parts would be.
- 1.2.4 Audit reports are categorised into FOUR categories. Disclaimer of opinion and withheld are two of these. Name and explain the other two reports. (4)
- 1.2.5 Why is important that all directors of companies in South Africa adopt an approach of good corporate governance at all times? (3)[80]

#### QUESTION 2: 40 marks 24 minutes

# **PROJECTED INCOME STATEMENT**

The final abridged Income Statement for the half year ended 30 September 2010 of Florence Traders is provided. You are also given an incomplete Projected Income Statement .The business is owned by Bongi Florence

#### REQUIRED

2.1. Calculate the missing figures, labelled A to H on the Projected Income (31) Statement 2.2 List one item that you would find in the cash budget but not in the (1) **Projected Income Statement** 2.3 State two reasons why Florence Traders might not achieve their (4) intended mark-up on cost of goods sold 2.4 (2) To minimise the risk of bad debts, there are certain steps that should be taken before allowing a customer to open an account. Name one step. 2.5 Will discount allowed be shown in the Projected Income Statement (2) or the Cash Budget or both? Explain your answer in full.



Actual Figures for the half year ended 30 September 2010Budgeted Figures for the ending 31 December 2010Sales450 000200 000Cost of sales(300 000)AGross Profit150 0000BOther income35 0001 000Bad debts recovered5 0001 000Gross operating income185 000CGross operating expenses(110 400)DDepreciation45 000DBad debts8 90017 000Rates and taxes4 5009 000Water and Electricity15 00030 000Sundry expenses23 000ESalaries and wages14 00015 400Loss on sale of assetF?GOperating Profit74 600Interest Income24 000HProfit before interest expense98 600Interest expense (15% p.a.)NET PROFIT FOR THE YEAR53 600	ACCOUNTING	GRADE 12	SESSION 11	(LEARNER NOTES)
Cost of sales         (300 000)         A           Gross Profit         150 0000         B           Other income         35 000         1000           Bad debts recovered         5 000         1 000           Rent Income         30 000         C           Gross operating income         185 000         C           Operating expenses         (110 400)         D           Depreciation         45 000         D           Bad debts         8 900         17 000           Rates and taxes         4 500         9 000           Water and Electricity         15 000         30 000           Salaries and wages         14 000         15 400           Loss on sale of asset         F         G           ?         G         G           Operating Profit         74 600         H           Interest Income         24 000         H           Profit before interest expense         98 600         H           Interest expense (15%p.a.)         (45 000)         9 000			for the half year ended 30	Figures for the third quarter ending 31
Gross Profit150 0000BOther income35 0001 000Bad debts recovered5 0001 000Rent Income30 000CGross operating income185 000COperating expenses(110 400)CDepreciation45 000DBad debts8 90017 000Rates and taxes4 5009 000Water and Electricity15 00030 000Sundry expenses23 000ESalaries and wages14 00015 400Loss on sale of assetF?GOperating Profit74 600Interest Income24 000HProfit before interest expense98 600Interest expense (15%p.a.)(45 000)9 000	Sales		450 000	200 000
Other income         35 000           Bad debts recovered         5 000         1 000           Rent Income         30 000         C           Gross operating income         185 000         C           Operating expenses         (110 400)         C           Depreciation         45 000         D           Bad debts         8 900         17 000           Rates and taxes         4 500         9 000           Water and Electricity         15 000         30 000           Sundry expenses         23 000         E           Salaries and wages         14 000         15 400           Loss on sale of asset         F         G           Qperating Profit         74 600         H           Profit before interest expense         98 600         H	Cost of sa	les	(300 000)	A
Bad debts recovered         5 000         1 000           Rent Income         30 000         C           Gross operating income         185 000         C           Operating expenses         (110 400)         C           Depreciation         45 000         D           Rates and taxes         4 5000         D           Rates and taxes         4 5000         9 000           Water and Electricity         15 000         30 000           Sundry expenses         23 000         E           Loss on sale of asset         F         G           Qperating Profit         74 600         H           Interest Income         24 000         H           Profit before interest expense         98 600         G           Interest expense (15%p.a.)         (45 000)         9 000	Gross Pro	fit	150 0000	В
Rent Income       30 000       C         Gross operating income       185 000          Operating expenses       (110 400)          Depreciation       45 000       D         Bad debts       8 900       17 000         Rates and taxes       4 500       9 000         Water and Electricity       15 000       30 000         Sundry expenses       23 000       E         Salaries and wages       14 000       15 400         Loss on sale of asset       F       G         Operating Profit       74 600       H         Profit before interest expense       98 600       9 000         Interest Income       24 000       H       9 000	Other inco	me	35 000	
Gross operating income185 000Operating expenses(110 400)Depreciation45 000Bad debts8 900Rates and taxes4 5009 0009 000Water and Electricity15 000Sundry expenses23 000Salaries and wages14 000Loss on sale of assetF?GOperating Profit74 600Interest Income24 000Profit before interest expense98 600Interest expense (15%p.a.)(45 000)9 0009 000	Bad de	bts recovered	5 000	1 000
Operating expenses(110 400)Depreciation45 000DBad debts8 90017 000Rates and taxes4 5009 000Water and Electricity15 00030 000Sundry expenses23 000ESalaries and wages14 00015 400Loss on sale of assetF?GOperating Profit74 600Interest Income24 000Profit before interest expense98 600Interest expense (15% p.a.)(45 000)9 0009 000	Rent In	come	30 000	С
Depreciation       45 000       D         Bad debts       8 900       17 000         Rates and taxes       4 500       9 000         Water and Electricity       15 000       30 000         Sundry expenses       23 000       E         Salaries and wages       14 000       15 400         Loss on sale of asset       F       G         Operating Profit       74 600       H         Interest Income       24 000       H         Profit before interest expense       98 600       9 000	Gross ope	erating income	185 000	
Bad debts       8 900       17 000         Rates and taxes       4 500       9 000         Water and Electricity       15 000       30 000         Sundry expenses       23 000       E         Salaries and wages       14 000       15 400         Loss on sale of asset       F       G         Operating Profit       74 600       H         Interest Income       24 000       H         Profit before interest expense       98 600       9 000	Operating	expenses	(110 400)	
Rates and taxes4 5009 000Water and Electricity15 00030 000Sundry expenses23 000ESalaries and wages14 00015 400Loss on sale of assetFGOperating Profit74 600HInterest Income24 000HProfit before interest expense98 6009 000	Deprec	iation	45 000	D
Water and Electricity15 00030 000Sundry expenses23 000ESalaries and wages14 00015 400Loss on sale of assetF?GOperating Profit74 600Interest Income24 000Profit before interest expense98 600Interest expense (15%p.a.)(45 000)	Bad de	bts	8 900	17 000
Sundry expenses23 000ESalaries and wages14 00015 400Loss on sale of assetF?GOperating Profit74 600Interest Income24 000Profit before interest expense98 600Interest expense (15%p.a.)(45 000)9 000	Rates a	and taxes	4 500	9 000
Salaries and wages14 00015 400Loss on sale of assetF?GOperating Profit74 600Interest Income24 000Profit before interest expense98 600Interest expense (15%p.a.)(45 000)9 0001	Water a	and Electricity	15 000	30 000
Loss on sale of assetF?GOperating Profit74 600Interest Income24 000Profit before interest expense98 600Interest expense (15%p.a.)(45 000)9 000	Sundry	expenses	23 000	E
?GOperating Profit74 600Interest Income24 000Profit before interest expense98 600Interest expense (15%p.a.)(45 000)	Salarie	s and wages	14 000	15 400
Operating Profit74 600Interest Income24 000Profit before interest expense98 600Interest expense (15%p.a.)(45 000)	Loss o	n sale of asset		F
Interest Income24 000HProfit before interest expense98 600Interest expense (15%p.a.)(45 000)9 000		?		G
Profit before interest expense       98 600         Interest expense (15%p.a.)       (45 000)       9 000	Operating	Profit	74 600	
Interest expense (15%p.a.)         (45 000)         9 000	Interest In	come	24 000	н
	Profit bef	ore interest expense	98 600	
NET PROFIT FOR THE YEAR     53 600	Interest ex	pense (15%p.a.)	(45 000)	9 000
	NET PRO	FIT FOR THE YEAR	53 600	



ACCOUNTING	GRADE 12	SESSION 11	(LEARNER NOTES)
AUUUUIIIIU			

# ADDITIONAL INFORMATION

- 1. Florence Traders intends to increase the mark-up to 100% on cost from the 1 September 2010
- 2 The rental agreement with the tenant stipulates that the rental increases annually on the 1 October by 9%p.a.
- 3. Fixed assets with a carrying value of R100 000 will be disposed of on 31 December 2010 for R80 000.The carrying value of the assets after the disposal would amount to R500 000.Depreciation will remain unchanged at 20% p.a.on the diminishing balance method.
- 4.. Sundry expense are expected to increase by 10% for the quarter ended 31 December 2010
- 5. Owing to the increase in bad debts, Florence Traders decided to create a provision for bad debts of R2 500 on 1 December 2010
- The Fixed Deposit at Remo Investment will be increased as of the 1 December 2010 from R300 000 to R480 000. The interest on the fixed deposit will remain unchanged

# SECTION B: HOMEWORK

QUESTION 1: 53 marks 32 minutes

# FIFO / WEIGHTED AVERAGE

MTN sells cell phones to the public and they make use of the periodic stock system. The financial year ends on 29 February 2008.

**NOTE:** Round off all calculations to the nearest Rand.

#### REQUIRED

Use the weighted average method to calculate the following:

1.1	Value of stock on hand on 29 February 2008.	(8)
1.2	Gross profit for the year ended 29 February 2008	(7)
1.3 1.3.1	Calculate the number of cell phones stolen.	(4)
1.3.2	The owner is concerned that he only learnt that the cell phones had been	

1.3.2 The owner is concerned that he only learnt that the cell phones had been stolen, at the end of the year. Explain to him why this was so, and what he can possibly do in future to be aware of any theft during the course of the year. Discuss at least 2 measures.



(6)

GAUTENG DEPARTMENT OF EDUCATION			SENIOR SECONDARY II	NTERVENTION PR	OGRAMME
ACCOL	JNTING	GRADE 12	<b>SESSION 11</b>	(LEAF	RNER NOTES)
1.4	The owner, S. Sip method from the		hether to change the s to FIFO.	stock valuation	
1.4.1	Calculate the valu	ie of closing stock	cusing the FIFO meth	od.	(3)
1.4.2	Calculate the Gro	ss Profit using the	e FIFO method.		(7)
1.4.3			er he should consider appropriate, in your ex		(4)
1.5		•	keeper to write off dou es figure to take this in		of c
1.5.1	What benefit coul benefits.	d the business de	erive out of the fraud?	Discuss at least	t 2 (4)
1.5.2	payments to SAR	S are less as he f	t concerned if this mea reels they already colle regarding the consequ	ect so much	(6)
1.6	•	ible reason for thi	creased from last yea is based on the inform problem.	•	(4) [53]

# INFORMATION

The following information appeared in the records of MTN for the year ended 29 February 2008.

	UNITS	UNIT PRICE	TOTAL PRICE
Cell phones on hand : 1 March 2007	290	R540	R156 600
Purchase of cell phones :	1 830		R1 045 500
June 2007	300	R570	R171 000
September 2007	180	R600	R108 000
November 2007	950	R550	R522 500
January 2008	400	R610	R244 000
Return of cellphones to suppliers:			
On November 2007 purchases	30	?	?
Cellphones on hand as per stocktaking :	300	?	?
29 February 2008			
Sale of cellphones	1750	R990	?

The business uses a fixed selling price of R990 to remain competitive in the market.



#### GAUTENG DEPARTMENT OF EDUCATION

SENIOR SECONDARY INTERVENTION PROGRAMME

ACCOUNTING

GRADE 12

**SESSION 11** 

(LEARNER NOTES)

# SECTION C: SOLUTIONS AND HINTS TO SECTION A

#### **QUESTION 1**

1.1.1	RETAINED INCOME		
	Balance on the last day of the previous year	~	450 000
	Net profit after tax for the year (988 000 ✓ - 276 640 ✓ )	V	711 360
	Dividends on ordinary share		(275 500)
	Paid	~	88 000
	Recommended	<b>~ ~</b>	187 500
	Balance on the last day of the current year	V	885 860
			(8)

1.1.1	TRADE AND OTHER PAYABLES		
	$\checkmark \qquad \checkmark \qquad$		
		$\checkmark$	190 500
	Trade creditors(87 000 + 20 000 + 5 000 + 80 000 - 1 500)@		
	SARS.(PAYE) (9 000 ✓ - 5 400 ✓)	V	3 600
	SARS Income Tax (276 640-248 976)	✓ ✓	27 664
	UIF(590✓ -180✓-180✓)		230
	Star medical aid (4 200 ✓ - 1 500 ✓ - 1 500 ✓)	V	1 200
	Creditors for salaries (22 120 ✓ - 10920√)	₹	11 200
	(5 400 + 1 500 + 180)		
	Shareholders for dividends (125 000 x 50% x R3)	✓ ✓	187 500
	Deferred income/income received in advance *		✓✓✓✓✓25 200
	* allocate part marks		447 094团
	<u> </u>	1	(31



ACCOUNTING		GRADE 12	SESSION 1	1	(LEARNER NOTES)
<u>@ ASS</u>	SET DISPO	<u>SAL</u>	* 6 X10	00=600	
CP27 000	AD	24 000	8x90=	<u>720</u>	
	LOSOA	1 500	1 320	=184 800	
	C/CONT	1 500	180=	×	
			x =2	5 200	

#### Note: SARS INCOME TAX APPEARS UNDER TRADE AND OTHER RECEIVABLES

# 1.1.2 **STONES LIMITED**

# **BALANCE SHEET AT 30 JUNE 2010**

EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES	Ø	2 323 360
Ordinary share capital ✓	✓	1 250 000
Ordinary share premium ✓	✓	187 500
Retained Income ✓		885 860
NON CURRENT LIABILITIES		240 000
Loan: Shaids Bank ✓ (300 000√-60 000√)	V	240 000
CURRENT LIABILITIES		616 994
Trade and other payables ✓	$\checkmark$	447 094
Bank overdraft ✓	$\checkmark$	109 900
(109 000 √ - 20 000 √ +7 000 √ +18 900 √ -5 000 √)		
Short term loan ✓	√	60 000
	M	3 180 354

(24)



ACCOUNTING	GRADE 12	SESSION 11	(LEARNER NOTES)
Accounting			

- F 1.2 1.2.1 Any acceptable answer  $\checkmark\checkmark$ So that comparisons can be made To maintain standards (2)1.2.2 **Historical:** Assets are valued at the price they were bought for  $\checkmark \checkmark$ Going Concern: It is assumed that this business is continuing with operations in the foreseeable future  $\checkmark$ (4)  $\checkmark \checkmark \checkmark \checkmark \checkmark$ 1.2.3 Any two Cash flow statement - check the quality of cash flows across the activities of the business • Directors report - to assess other relevant information to the company that may not be evident from figures • Audit report - to assess whether the financial statements are (4) reliable or not 1.2.4 Ungualified VV Good report issued when auditors determine that the financial statements are free of material misstatements and in accordance with GAAP Adverse opinion ✓✓ Adverse opinion - is issued when the auditors determine that the financial statement are materially misstated and do not confirm to GAAP (4) 1.2.5 Marks: Excellent = 3 Satisfactory = 2 Poor = 1 Wrong = 0 Directors are entrusted with using other people's money - separation of ownership (by shareholders) from control (by directors) Shareholders want their money secure and the enterprise to be sustainable. If the (3) directors are unethical in conducting the affairs of the business, the company will not be in favour with customers, lenders [08] **QUESTION 2**
- 2.1 Calculate the missing figures, labelled A to I on the Projected Income Statement
  - A 100/200√ x200 000√ =100 000 (3)
  - B 200 000√-100 000⊠= 100 000⊠ (3)
  - C 30 000/6 =5 000√x9%√=5 450x3=16 350⊠ (4)
  - D 600 000√ x20/100 x 2/12√=20 000☑ 500 000√x20/100 x 1/12√=8 333.33⊠ 28 333.33 (7)



GAUTENG DEPARTMENT OF EDUCATION SENIOR SECONDARY INTERVENTION PROGRAMME						
ACCO	DUNTING	GRADE 12	SESSION 11	(LEARNER NOTES)		
	E 3 months	=11 500√				
	Increase	= <u>1 150</u> ✓	12 650√	(3)		
	F Loss on sale	of asset 20 00	00√√	(2)		
	G Provision for bad debt adjustment $\checkmark$ 2 500 $\checkmark$					
	H 300 000 X x	x/100 X 6/12	=24 000√			
	х		=16%团			
	300 000√x1	6%x2/12 ✓= 80	00			
	480 000√x1	6%x1/1√2=6 40	0			
	14 400团			(7)		
2.2	Fixed deposit m	aturing/ loans /pi	urchase of assets/ any acce	ptable answer ✓ (1)		
2.3	3 Trade discount granted too liberally					
	Poorly controlled seasonal sales at excessively low prices					
		king price on sto iles and stock (pe	ck or mistakes in the books			
	Any two√√ ✓			(4)		
2.4	Residential add	ress-owned or re	nted			
	Employers name	e and address ar	nd duration of employment			
	Names of other	businesses whe	re the prospective customer	has accounts		
	Customer's ban	king details				
	Any one√  ✓			(2)		
2.5		ver, since no cas	cted Income Statement beca h has been paid out it will no			
	Any acceptable					
	Good answer=	2 marks, satisfa	ctory answer 1 mark, wroi	ng answer=0 marks [40]		

**Learner Note:** From the above you can see the importance of understanding your concepts of companies. As you attempt the homework, you need to ensure that you are able to answer the questions in the allocated time frames. If you get stuck, you should refer either to the additional notes or your class teacher.





