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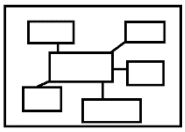
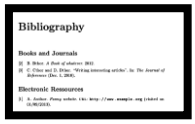
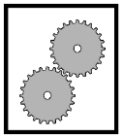
ACCOUNTING

GRADE 12

SPRING CLASSES 2026

TEACHER AND LEARNER CONTENT MANUAL

ICON DESCRIPTION

 **MIND MAP**	 **EXAMINATION GUIDELINE**	 **CONTENTS**	 **ACTIVITIES**
 **BIBLIOGRAPHY**	 **TERMINOLOGY**	 **WORKED EXAMPLES**	 **STEPS**



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VALUED ADDED TAX (VAT)

ACTIVITY 1 VALUE ADDED TAX (15 marks, 12 minutes)

1 Zolly Traders is registered for VAT. The standard VAT rate is 15%

REQUIRED:

1.1 Calculate the figures indicated by (a) to (d) in the table below **(11)**

1.2 You are an internal auditor. The owner Zolly used business funds to buy a new car valued at R1 136 200 for her husband for private use. Zolly says the vehicle must be recorded as a business asset and VAT of R148 200 must be recorded as a VAT input in the business books.

Explain what you would say to Zolly. Provide TWO points. **(4)**

INFORMATION:

	EXCLUDING VAT	INCLUDING VAT	VAT AMOUNT
Cash sales		R644 000*	**(a)**
Sales return	R7 200	(b)	
Purchases of stock	(c)		R180 000
Discount received	(d)	R5 520	

***This includes Zero-rated goods that should have been sold for R15 000**

ACTIVITY 1 ANSWER BOOK

1.1

	EXCLUDING VAT	INCLUDING VAT	VAT AMOUNT
Cash sales		R644 000*	**(a)**
Sales return	R7 200	(b)	
Purchases of stock	(c)		R180 000
Discount received	(d)	R5 520	

1.2	Explain what you would say to Zolly. Provide TWO points.	
		4

ACTIVITY 2: CONCEPTS AND VAT **(10 marks; 8 minutes)**

2.1 Choose VAT category in COLUMN B that matches a description in COLUMN A. Write only the letter (A–D) next to the question number (2.1.1 – 2.1.3) in the ANSWER BOOK.

COLUMN A		**COLUMN B**	
2.1.1	VAT added to the price when business purchase goods and services liable to VAT.	A	Zero – Rated Items
2.1.2	Items such as fresh fruits and vegetables, brown bread, milk, maize, rice, etc.	B	VAT Output
2.1.3	Items such as educational services and childcare services.	C	VAT Input
		D	Exempt Items

(3 x 1) **(3)**

2.2 VALUE ADDED TAX: VAT is charged at 15%.

Calculate the amount owing to SARS in respect of VAT at the end of February 2026 after taking transactions 1 – 5 into account. Clearly state whether the amount would be added or subtracted by using a (+) or (-) sign. **(7)**

Transactions and Information:

1. The VAT Control Account reflected that Macrozone Sports owed SARS an amount of R8 120 on 1 February 2026.
2. The owner took sports equipment for his personal use. The VAT on this transaction amounted to R912.
3. Returned defective goods to the supplier. The debit note reflected an amount of R1 680 (VAT exclusive).
4. R4 200 (VAT exclusive) worth of stock was stolen during a burglary. The insurance paid R2 300 (VAT inclusive) of the claim.
5. Macrozone Sports disposed of a second-hand vehicle at a loss of R6 000 on 28 February 202. The book value of the vehicle as at date of sale was R74 000. The depreciation on this vehicle had been recorded up to the 28 February 2026. Input VAT was claimed when this vehicle was originally bought.

10

ACTIVITY 2: ANSWER BOOK

2.1

2.1.1		
2.1.2		
2.1.3		

3

2.2 Calculate the amount owing to SARS in respect of VAT at the end of February 2026 after taking transactions 1–5 into account. Clearly state whether the amount would be added or subtracted by using a (+) or (-) sign.

NO.	**VAT AMOUNT OWING TO SARS**
1.	**R 8 120**
2.	
3.	
4.	
5.	

7

10

ACTIVITY 3: VALUE ADDED TAX

3.1 MAMELLO SUPERMARKET

Lebogang is the owner of Mamello Supermarket. The business is a registered VAT vendor. SARS levies a penalty of 10% as well as interest on late payments at 1,1% per month, or part of a month, on the amount owed.

REQUIRED:

2.1.1 Distinguish between VAT input and VAT output. (4)

2.1.2 Make use of the information provided and calculate the VAT that Mamello Supermarket must pay to or receive from SARS.

Indicate whether the amount is receivable from or payable to SARS.

VAT is calculated at **15%.** (13)

2.1.3 Lebogang accidentally forgot to submit her VAT-201A form on time. The deadline for submission was May 25, 2026. She only submitted her VAT return on 15 June 2026.
What consequences does this late filing have for Lebogang? Make use of figures to support your answer. (6)

INFORMATION:

Transactions for March and April 2026

Balance due to SARS	2 897
Total purchases of goods (excluding VAT)	75 000
Cash and credit sales (including VAT)	96 600
Rebate granted to debtors for early payments (including VAT)	8 050
Wages paid to employees	15 600
VAT on bad debts written off	263
VAT taken on stock for personal use	187
VAT on water and electricity	669
VAT on old equipment sold	489

ACTIVITY 3 ANSWER BOOK

3.1 **Distinguish between Input VAT and Output VAT.**

Input VAT	Output VAT

4

3.2 **Calculate the VAT that Mamello Supermarket has to pay to or receive from SARS. Indicate whether the amount is receivable from or payable to SARS.**

Balance due to SARS	2 897
Purchases of goods	
Sales	
Discount allowed	
Wages	
Bad debts written off	
Drawings of stock	
Water and electricity	
Old equipment sold	

Payable		**Receivable**		

13

ACTIVITY 4: VALUE ADDED TAX (10 marks; 8 minutes)

4.1 The following entries relate to Blouberg Stores. An administration clerk has compiled a spreadsheet to calculate the VAT relating to May and June 2024 for both products (shoes and jerseys) as well as other additional adjustments. She has not completed the spreadsheet and requested you to assist her.

REQUIRED:
Calculate the VAT for all transactions on the spreadsheet for the period May to June 2024. The current VAT rate is 15%. **(10)**

Note: You need to fill in the missing figures in column D only. You must indicate + for an increase, – for a decrease (or use brackets), or indicate 0 for no effect. The first item has been done for you as an example.

INFORMATION FOR VAT

A. Spreadsheet drawn up by the clerk:

A	**B**	**C**	**D**
DETAILS OF TRANSACTIONS	VAT EXCLUDED	VAT INCLUDED	VAT AMOUNT
Purchases of jersey fabric	R172 460	R198 329	– R25 869
Purchases of shoes	R234 000	R269 100	*
Sales of jerseys		R469 200	*
Sales of shoes	R364 000	R419 520	*
Salaries and wages	R70 000		*
Fixed assets purchased	R124 000		*
Bad debts		R2 645	*
AMOUNT PAYABLE/RECEIVABLE TO SARS			*

B. There was no amount owing or receivable from SARS on 30 April 2024.

10

ACTIVITY 4

4.1 VAT

A	B	C	D
DETAILS OF TRANSACTIONS	**VAT EXCLUDED**	**VAT INCLUDED**	**VAT AMOUNT**
Purchases of jersey fabric	R172 460	R198 329	– R25 869
Purchases of shoes	R234 000	R269 100	
Sales of jerseys		R469 200	
Sales of shoes	R364 000	R419 520	
Salaries and wages	R70 000		
Fixed assets purchased	R124 000		
Bad debts		R2 645	
AMOUNT PAYABLE/RECEIVABLE TO SARS			

10

BUDGETS

ACITIVITY 5: BUDGETS **(35 marks; 30 minutes)**

You are provided with the Cash Budget and related information of Leboya Stores for the two months ended 30 November 2025, owned by Lebo Yarona.

REQUIRED:

5.1 Leboya Stores' cash sales amounts to 40% of total sales, the rest being credit sales. Give TWO challenges of selling on credit. (2)

5.2 Credit terms allow debtors to settle their account by the end of the month following the month of sale. Discounts are granted to debtors who pay in the same month as sale. Bad debts are not applicable.

5.2.1 Complete the Debtors' Collection Schedule. (9)

5.2.2 Calculate the missing figures indicated by (a) – (e) in the Cash Budget (20)

5.3 Comment on internal controls regarding collection from debtors and the payment to creditors. Give TWO points. (4)

INFORMATION:

A Cash sales amounts to 40% of total sales.

B **Collection from debtors occur as follows:**

- 50% in the month of sale, subject to 5% discount.
- 30% in the month following the sale.
- 20% in the second month following the sale.
- No bad debts are budgeted for.

C **Cost of sales and purchases:**

- Goods are marked up by 25% on cost.
- Stock is replaced in the same month (a base stock is maintained).
- 80% of stock is bought on credit. Creditors are paid in full in the month following the month of purchase.

D The business invested money in a fixed deposit account on 1 October 2023. Interest is received monthly, calculated at 8% p.a. R30 000 of this fixed deposit matures on 31 October 2025.

E Salaries and wages are expected to remain the same for the budget period. Staff members on leave in November will get their pay, totaling 46 500 at the end of October.

F Commission income will increase by 7, 5% from 1 November 2025.

G Debtors' collection

Incomplete Debtors Collection Schedule

MONTH	CREDIT SALES	OCTOBER	NOVEMBER
August	90 000	18 000	
September	93 000	27 900	?
October	?	47 025	?
November	105 000		?
			?

H Cash budget for the two months ended 30 November 2025.

	October	November
Receipts		
Cash sales	66 000	**(a)**
Cash from debtors		
Commission income	**(b)**	25 800
Interest on fixed deposit	600	**(c)**
Fixed deposit	30 000	
TOTAL RECEIPTS		
Payments		
Cash purchases of trading stock	26 400	28 000
Payments to creditors	**(d)**	105 600
Insurance	7 300	9 100
Bank charges	2 025	
Salaries and wages	216 500	**(e)**
Sundry expenses	4 050	4 200
TOTAL PAYMENTS		

35

ACTIVITY 5 ANSWER BOOK

5.1

Leboya Stores' cash sales amounts to 40% of total sales, the rest being credit sales. Give TWO challenges of selling on credit.

2

5.2.1 DEBTORS COLLECTION SCHEDULE

MONTH	**CREDIT SALES**	**OCTOBER**	**NOVEMBER**
August	**90 000**	**18 000**	
September	**93 000**	**27 900**	
October		**47 025**	
November	**105 000**		

9

5.2.2 Calculate the figures indicated by (a) – (e) in the Cash Budget.

NO.	WORKINGS	ANSWER
(a)	**Cash sales**	
(b)	**Commission income**	
(c)	**Interest on fixed deposit**	
(d)	**Payment to creditors**	
(e)	**Salaries and wages**	

20

5.3	**Comment on the internal controls regarding the collection from debtors and the payment to creditors. Provide TWO points.**	
		4

TOTAL MARKS
35

ACTIVITY 6 **(30 marks; 25 minutes)**

Paddy owns Paddy's General Store, which trades in a wide variety of groceries and fresh produce.

REQUIRED:

Refer to Information A–D

6.1 Complete the Debtors' Collection Schedule for August 2025. (5)

6.2 Calculate the amounts indicated by **(i)** to **(iii)** in the extract from the Cash Budget. (11)

Refer to Information E

All major competitors introduced online ordering and delivery services in June 2025. Paddy did not take any action during June 2025.

6.3 Explain how the competitors' added services affected the business in June 2025. Provide figures. (2)

6.4 In July 2025, Paddy decided to introduce an online ordering and drive-through services to improve sales. Customers can order online and pick up their orders with no additional charges. He implemented new advertising strategies but is uncertain of their success.

6.4.1 Comment on the actual amount spent on advertising. Quote figures. (4)

6.4.2 The sales assistants are unhappy with the salary increase of the sales manager. How can Paddy justify the increase? (2)

Refer to Information F

6.5 Paddy made enquiries about purchasing three delivery motorcycles.

6.5.1 Calculate the total vehicle financing costs, including interest. (4)

6.5.2 Paddy is uncertain whether to maintain the online order and drive-thru services or switch to online order and delivery services. Explain ONE advantage of online ordering and drive-thru services, and ONE advantage of online ordering and delivery services for him to consider. (2)

INFORMATION:

A. Cash and credit sales:

Cash sales amount to 55% of total sales. The mark-up is 60% of the cost.

Debtors pay according to the following trends:

- 25% in the month of sales, and they receive a 5% discount
- 45% in the month following the month of sales
- 24% two months after the month of sales
- 6% to be written off in the third month after the month of sales

B. Purchases of stock and payments to creditors:

- Stock sold is replaced in the month of sales.
- 70% of purchases are on credit.

- Creditors are paid in the month following the month of purchases.

C Salaries: Sales Assistants

Paddy employed five sales assistants. At the end of July, all sales assistants received an 18% increase. An extra assistant will start on 15 August 2025 on the same salary scale but will only pay her half a salary for August.

D Extract from the Cash Budget:

	JULY 2025	AUGUST 2025
RECEIPTS	**R**	**R**
Cash sales	106 480	**(i)**
Cash from debtors	73 425	
PAYMENTS		
Payments to creditors	77 000	**(ii)**
Salaries: Sales assistants	**(iii)**	38 291
Salary: Sales Manager	40 500	40 500
Vehicle financing costs (including interest)		7 500

E Extract from budgeted and actual figures for June and July 2025:

.

	JUNE 2025		JULY 2025	
	BUDGETED	**ACTUAL**	**BUDGETED**	**ACTUAL**
Total sales	R100 240	R73 600	R95 000	R100 600
Salary: Sales Manager	32 400	32 400	40 500	40 500
Advertising	40 000	40 000	40 000	44 400

F Drive-thru or delivery service:

.

Paddy enquires about taking out a 5-year vehicle financing plan to purchase the three delivery motorcycles. The following terms will apply:

A deposit of 10% of the loan amount will have to be paid on 1 August 2025.
A fixed monthly instalment (including interest) will be payable on the last day of each month, commencing on 31 August 2025, for the full duration of the financing period.

30

ACTIVITY 6: BUDGETING

6.1 DEBTORS' COLLECTION SCHEDULE

	CREDIT SALES	AUGUST
May	**56 800**	
June	**79 200**	
July	**87 120**	
August	**90 000**	

5

6.2 **Calculate the amounts indicated by (i) to (iii) in the extract from the Cash Budget:**

WORKINGS:	ANSWER
i) Cash sales for August 2025:	
ii) Payments to creditors for August 2025:	
iii) Salaries: Sales assistants for July 2025:	

11

6.3 **Explain how the competitors' added services affected the business in <u>June 2025</u>. Provide figures.**

2

6.4	**In July 2025, Paddy decided to introduce a drive-through online ordering service to improve sales. Customers can order online and pick up their orders with no additional charges. He implemented new advertising strategies but is uncertain of their success.**	
6.4.1	**Comment on the actual amount spent on advertising. Quote figures.** .	**4**
6.4.2	**The sales assistants are unhappy with the salary increase of the sales manager. How can Paddy justify the increase?**	**2**

6.5	**Paddy made enquiries about purchasing three delivery motorcycles.**	
6.5.1	**Calculate the total vehicle financing costs, including interest.**	**4**
6.5.2	**Paddy is uncertain whether to maintain the online order and drive-thru services or switch to online order and delivery services. Explain ONE advantage of online ordering and drive-thru services, and ONE advantage of online ordering and delivery services for him to consider.**	

ONLINE ORDER AND DRIVE-THRU SERVICES	ONLINE ORDER AND DELIVERY SERVICES

2

TOTAL MARKS
30

ACTIVITY 7 (35 marks; 28 minutes)

The information relates to Ekasi Traders for the period 1 July 2025 to 31 August 2025. The business is owned by Edward Cassim and sells its own in-house electrical appliances.

REQUIRED:

7.1 Calculate the total sales for June 2025. (2)

7.2. Complete the Debtors' Collection Schedule for the period 1 July 2025 to 31 August 2025. (7)

7.3 Calculate the missing figures (i) – (iv) in the Cash Budget for the period ending 31 August 2025. (14)

7.4 Refer to Information G.

- Explain why these items may cause a challenge for the business. Provide ONE reason for each case. (4)
- There is a concern about the high advertising costs associated with printing pamphlets by the business, especially given the low sales return. Suggest and explain TWO modern and more cost-effective advertising methods that Edward could consider. (4)

7.5 Refer to information H.

- Comment on the cash flow situation during May 2025. Make ONE suggestion to improve Ekasi Traders' cash problems. (2)
- Edward is considering opening a new branch in another province. Identify

TWO challenges that may impact on the business's cash budget. (2)

INFORMATION:

A. **Sales, cost of sales and debtors' collection:**

- **Total sales were as follows:**

	May 2025	June 2025	July 2025	August 2025
Actual	1 280 000	?		
Budgeted			1 192 000	1 604 000

- Cash sales comprise 75% of total sales.
- The mark-up percentage is 60% on cost price.

Collection from debtors is as follows:

- 20% pay in the month of sales and receive a 3% discount.
- 60% pay in the month following the month of sales.
- 15% pay in the second month after the sale.
- The balance will be written off as irrecoverable.

B. **Purchases:**

- 35% of all purchases are on credit.
- Stock is replaced in the month of sales. A base stock is maintained.
- Creditors are paid two months after purchase, subject to a 4% discount.

C. **Extract from the Cash Budget for July and August 2025:**

	JULY	AUGUST
RECEIPTS		
Cash sales	894 000	1 203 000
Collection from debtors	312 812	?
Rent income	9 225	8 200
Loan	0	(i)
PAYMENTS		
Cash purchases of stock	484 250	(ii)
Payments to creditors	(iii)	289 800
Rent expense	9 300	11 718
Interest on loan	1 105	2 275
Salaries and wages	29 000	(iv)

D. **Loan:**

On 1 August 2025, Ekasi Traders acquired a new loan. Interest will be charged at 13% p.a. at the end of each month, starting on 31 August 2025. VBD Bank charges interest at the same rate as the previous loan.

E. **Salaries and wages:**

The business has two employees who earn the same monthly salary. In August a third employee, who will earn a monthly salary of 30% lower than the other two employees, will be appointed.

F. **Edward is concerned about the following items that did not comply with the budget for May 2025:**

	BUDGETED R	ACTUAL R
Payments to creditors	198 600	54 000
Insurance	12 890	0
Advertising	9 750	24 375

G. **Extract from the cash budget:**

	MAY 2025 ACTUAL R	JUNE 2025 ACTUAL R
Cash surplus/(deficit)	(76 540)	105 400
Cash at the beginning	202 700	126 160
Cash at the end	126 160	231 560

ACTIVITY 7

7.1

Calculate the total sales for June 2025.	
WORKINGS	**ANSWER**

2

7.2 DEBTORS' COLLECTION SCHEDULE

MONTHS	CREDIT SALES	JULY	AUGUST
MAY	320 000	48 000	
JUNE	345 000	207 000	51 750
JULY	298 000	57 812	
AUGUST			

7

7.3 Calculate the missing figures (i) – (iv) in the Cash Budget for the period ending 31 August 2025.

(i) Loan amount acquired in August 2025	
WORKINGS	**ANSWER**

(ii)	Cash purchases of stock for August 2025	
	WORKINGS	**ANSWER**

(iii)	Payments to creditors for July 2025	
	WORKINGS	**ANSWER**

(iv)	Salaries and wages for August 2025	
	WORKINGS	**ANSWER**

14

ACTIVITY 8

Shepstone Traders sell household appliances for cash and on credit. They also charge fees for repairing appliances, but only for cash. The business owner is Brian Johns. The information relates to the budget period November 2023 to January 2024.

REQUIRED:

8.1 Calculate the amounts indicated by **(a)**–**(c)** on the Debtors' Collection Schedule provided in the ANSWER BOOK. (6)

8.2 Calculate the amounts indicated by **(a)**–**(c)** on the Cash Budget provided in Information F. (9)

8.3 Workload of employees: Refer to Information G.

Brian is concerned about the workload of his staff. He plans to reduce the sales staff by one person. The other sales staff members are not happy with this plan.

Provide TWO points that Brian can explain to his sales staff to justify his plan. Quote figures. (4)
Explain why the repair staff members are not satisfied with their workload. Quote figures. (3)
What suggestions can you offer to solve the problem of the workload of employees? Provide TWO points. (4)

8.4 Sales trends: Refer to Information G.

Comment on the cash and credit sales figures for November 2023. Explain why Brian is concerned. Quote figures. (3)

8.5 Variances: The budgeted and actual figures for November 2023 are provided.

Comment on the control over fuel for the delivery vehicle and the consumable stores used for repairs. Quote figures.

	BUDGETED R	ACTUAL R	VARIANCE
Sales	798 000	707 000	– 91 000
Fee income	32 000	66 000	+ 34 000
Fuel for leased delivery vehicle	20 800	19 900	– 900
Consumable stores for repairs	8 000	12 100	+ 4 100

(6)

INFORMATION:

A. Sales and cost of sales:

	September 2023	October 2023	November 2023	December 2023	January 2024
Total sales	R735 000	R770 000	R798 000	R910 000	R882 000
Cost of sales	R420 000	R440 000	R456 000	R520 000	R504 000

B. Credit sales: 40% of total sales are on credit.

C. Debtors paid according to the following trend:
30% paid in the month of sale and receive a 5% discount.
45% paid in the month following the month of sale.
22% paid in the second month following the month of sale.
Bad debts are taken into account in the third month.

D. Purchases and payments to creditors:
80% of the stock is purchased on credit.
Stock sold is replaced in the month of sales.
Creditors are paid two months after the purchase month.

E. Information on specific items from the Cash Budget:
Rent income will be increased by 9% p.a., effective from 1 January 2024.
Shepstone Traders undertake special and extensive cleaning and sanitisation during December each year. This has the effect of increasing the cleaning services budget by 65%, in December only. The normal monthly fee is expected to increase by 5% p.a. commencing on 1 January 2024.

F. Extract from the Cash Budget:

RECEIPTS	**Dec. 2023**	**Jan. 2024**
Cash sales	R546 000	R529 200
Fee income (repairs)	38 400	52 200
Rent income	**(a)**	20 056
PAYMENTS		
Cash purchases	104 000	100 800
Payments to creditors	352 000	**(b)**
Consumable stores (repairs)	9 600	13 050
Fuel	21 840	23 930
Cleaning services	15 510	**(c)**
Salaries to sales staff	82 000	87 330
Wages to repair staff	11 000	11 715
Advertising	36 400	35 280

G. Information for November 2023:

Number of sales employees, including the driver	5	
Number of repairs employees	2	
	BUDGETED	**ACTUAL**
Number of customers: Sales	230	175
Number of customers: Repairs	70	136
Total sales	R798 000	R707 000
Cash sales	478 800	142 000
Credit sales	319 200	565 000
Gross profit	342 000	303 000
Fee income (cash only)	32 000	66 000
Salaries: Sales staff	82 000	82 000
Wages: Repairs staff	11 000	11 000

35

ACTIVITY 8 ANSWER BOOK

8.1 DEBTORS' COLLECTION SCHEDULE

Calculate the amounts denoted by (a)–(c)

	Credit Sales R	December 2023 R	January 20224 R	Bad debts
Oct 2023	308 000	67 760		(a)
Nov 2023	319 200	143 640	70 224	
Dec 2023	364 000	103 740	(b)	
Jan 2024	352 800		(c)	
		315 140		

6

8.2 Calculate the amounts denoted by (a)–(c) on the Cash Budget.

(a) Rent income for December 2023:	
WORKINGS	**ANSWER**

(b) Payment to creditors in January 2024	
WORKINGS	**ANSWER**

(c) Payment for cleaning services in January 2024	
WORKINGS	**ANSWER**

9

8.**3** **Workload of employees:**

Provide TWO points that Brian can explain to his sales staff to justify his plan. Quote figures.	4
Explain why the repair staff members are not satisfied with their workload. Quote figures	3
What suggestions can you offer to solve the problem of the workload of employees? Provide TWO points.	4

8.4 Sales trends:

Comment on the cash and credit sales figures for November 2023. Explain why Brian is concerned. Quote figures.

3

8.5 Comment on the control over fuel for the delivery vehicle and the consumable stores used for repairs. Quote figures.

EXPENSE	COMMENT (with figures)
Fuel for delivery vehicle	
Consumable stores for repairs	

6

TOTAL MARKS	**35**

ACTIVITY 9: BUDGETING (35 marks; 25 minutes)

9.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (9.1.1 to 9.1.2) in the ANSWER BOOK.

9.1.1 A Projected Statement of Comprehensive Income would reflect the expected income and expenses for the projected period. (1)

9.1.2 A Cash Budget is prepared to determine the expected bank balance at the end of a specific period. (1)

9.2 Indicate the amounts for the transactions below in the appropriate columns for the Cash Budget and the Projected Statement of Comprehensive Income for October 2025 in the ANSWER BOOK.

Example: The Water and Electricity Account of R3 200 is paid for the month of October 2025.

9.2.1 Expected credit sales for the week will amount to R6 000. Cost of sales will be R3 400. (2)

9.2.2 Received R1 700 from a debtor, which is equal to 40c to the rand. The rest of the debt will be written off as bad debts during October 2025. (3)

9.2.3 A total repayment of R25 000 on the loan still needs to be recorded. R15 000 of the payment was towards the capital balance of the loan. Interest on the loan is not capitalised. (3)

9.3 CASH KONTANT LTD

The information relates to the budget period ended 31 October 2025. The business has two streams of income, namely selling motorcar parts and servicing vehicles. ALL services of vehicles are paid in cash.
REQUIRED:

9.3.1 Complete the Debtors' Collection Schedule for the budget period ended 31 October 2025. (5)

9.3.2 **Calculate the following amounts**
(a) Cash sales for September 2025 (2)
(b) Rent expense for September 2025 (2)
(c) Creditors' payment for October 2025 (4)
(d) Increase of loan on 1 October 2025 (5)

9.3.3 Income policy: Refer to Information H.

Thembi Nuwegeld effected changes to the income policy from October 2025.

- Explain the change in the income policy implemented with effect from October 2025. Provide ONE point with figures. (3)

- Comment on the control over bad debts and consumable stores for October 2025. Quote figures. (4)

INFORMATION:

A. Extract from the Cash Budget for the period ended 31 October 2025:

	Sept. 2025 (R)	Oct. 2025 (R)
RECEIPTS		
Cash sales	(a)	180 000
Service Income	300 000	400 000
Collection from debtors		
Additional loan	0	(d)
PAYMENTS		
Cash purchases	102 857	137 143
Payment to creditors		(c)
Instalment on production plant	2 500	0
Balloon payment on production plant (residual value)	?	0
Rent expense	(b)	8 400
Interest on loan	1 125	1 875

B. Sales:

	August	September	October
Total sales	420 000	450 000	600 000

- 70% of total sales is credit sales.
- Goods are sold at a mark-up of 75% on cost.

C. Debtors' collection:

Debtors pay their accounts as follows:

- 55% in the month of sales, to qualify for a 5% discount
- 35% in the month thereafter
- 10% after 60 days

D. Stock purchases:

- Trading stock on hand is maintained through monthly purchases (fixed-base stock level).
- 60% of all purchases are on credit.
- Creditors are paid in the second month (60 days) after purchases.

E. Rent expense:

- The rental agreement is renewed in October each year.
- The agreement states that the rent will each year increase by inflation plus 5%. The inflation rate is 7%.

F. Additional loan:

- The business decided to take out an additional loan on 1 October 2025.
- 50% of the loan will be used to pay 25% balloon payment on the newly constructed production plant.

NB: A balloon payment is a large single payment at the end of the loan, that is after all the regular or monthly payments.

G. New production plant:

- Construction will be completed on 30 September 2025 and the plant will be operational from 1 October 2025.
- The plant was paid over 18 months; the last payment will be made on 30 September 2025.
- The balloon payment of 25% is due on 1 October 2025.

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

	SEPTEMBER 2025	**OCTOBER 2025**	
	BUDGETED	**BUDGETED**	**ACTUAL**
Sales	450 000	600 000	450 000
Service charge income	300 000	400 000	675 000
Bad debts	36 000	48 000	18 000
Consumable stores	37 500	50 000	135 000

ACTIVITY 9

9.1

9.1.1	
9.1.2	

2

9.2

	CASH BUDGET		PROJECTED STATEMENT OF COMPREHENSIVE INCOME	
	RECEIPT	PAYMENT	INCOME	EXPENSE
E.g.		3 200		3 200
9.2.1				
9.2.2				
9.2.3				

8

9.3.1 Complete the Debtors' Collection Schedule for the budget period ended 31 October 2025.

	CREDIT SALES	SEPTEMBER	OCTOBER
August		147 000	
September	315 000	164 588	
October	420 000		

5

9.3.2

(a) Cash sales for September 2025	
WORKINGS	**ANSWER**

2

(b) Rent expense for September 2025	
WORKINGS	**ANSWER**

2

(c) Creditors' payment for October 2025	
WORKINGS	**ANSWER**

4

(d) Increase in loan on 1st October 2025	
WORKINGS	**ANSWER**

5

9.3.3

Explain the change in the income policy implemented with effect from October 2025. Provide ONE point with figures.

3

Comment on the control over bad debts and consumable stores for October 2025. Quote figures.		
Bad debts		
Consumable stores		**4**

TOTAL MARKS
35

ACTIVITY 10: BUDGETING **(40 marks; 35 minutes)**

You are provided with information relating to Ramsgate (Pty) Ltd.

REQUIRED:

10.1 Refer to Information G.

10.1.1 Identify TWO items that the bookkeeper recorded incorrectly in the Cash Budget. (2)

10.1.2 Identify TWO items in the Cash Budget that would NOT appear in a Projected Income Statement. (2)

10.2 Complete the Debtors' Collection Schedule for August 2025. **(9)**

10.3 Calculate the missing amounts indicated by (a) to (d) in the Cash Budget. **(18)**

10.4 The directors compared the budgeted figures to the actual figures for July 2025.

	BUDGETED	**ACTUAL**
Sales	R288 000	R489 600
Salaries: Salespersons	R40 000	R12 000
Commission: Salespersons	R0	R66 150
Packing material	R14 400	R17 280

10.4.1 The directors changed the method of payment to the salespersons. Explain how this has benefited the salespersons and the business. Quote figures. (4)

10.4.2 The directors are not concerned about the overspending on packing material. Explain why this is so. Quote figures or calculations. (5)

INFORMATION:

A. Projected Statement of Comprehensive Income:
Information extracted for the three months ended 31 August 2025:

	JUNE	**JULY**	**AUGUST**
	R	**R**	**R**
Sales	252 000	288 000	?
Cost of sales	?	(160 000)	?
Rent income	?	?	12 960
Discount received	3 600	4 000	?
Depreciation	5 400	5 400	5 400
Bad debts	2 800	3 350	?
Interest on loan	6 875	6 875	?

B. Sales:

- Sales are expected to increase by 15% in August 2025.
- Credit sales comprise 60% of total sales.
- The mark-up percentage is 80% on cost.

C. Debtors' collection:

- 50% is collected in the month of sale.
- 40% is collected in the month following the month of sale.
- 7% is collected two months after the sale.
- 3% is written off as irrecoverable.

D. Purchases:

- All purchases of stock are on credit.
- Stock is replaced in the month of sale. A base stock is maintained.
- Creditors are paid two months after purchase, subject to a 4% discount**.**

E. Directors' fees:

- The business had three directors earning the same monthly fee.
- On 30 July 2025 one of the directors resigned.
- The remaining directors will receive an increase of 35% in their monthly fee from

1 August 2025.

F. Loan:

- The loan was reduced by R52 800 on 30 July 2025.
- Interest at 12,5% p.a. is payable every month and is not capitalised.

G. Extract from the Cash Budget prepared by the bookkeeper:

	JULY 2025	AUGUST 2025
	R	R
RECEIPTS		
Cash sales	(a)	132 480
Cash from debtors	155 280	?
Rent income	12 000	12 960
Discount received	3 600	5 600
Fixed deposit	56 000	0
PAYMENTS		
Payments to creditors	156 000	(b)
Directors' fees	216 000	(c)
Salaries of salespersons	40 000	40 000
Repayment of loan	52 800	0
Interest on loan	6 875	(d)
Delivery expenses	27 500	27 500
Audit fees	60 000	0
Bad debts	3 200	3 600
Depreciation	17 400	17 400

40

ACTIVITY 10 ANSWER BOOK

10.1.1 TWO items recorded incorrectly in the Cash Budget:

2

10.1.2 TWO items in the Cash Budget that would NOT appear in a Projected Statement of Comprehensive Income:

2

10.2 DEBTORS' COLLECTION SCHEDULE

MONTHS	CREDIT SALES	JULY	AUGUST
May	120 000	8 400	
June	151 200	60 480	
July	172 800	86 400	
August			

9

10.3 AMOUNTS FOR THE CASH BUDGET

	WORKINGS	AMOUNT
(a)	Cash sales for July	
(b)	Payments to creditors for August	
(c)	Directors' fees for August	
(d)	Interest on loan for August	

18

10.4.1 The directors changed the method of payment to the salespersons.

Explain how this has benefited the salespersons. Quote figures.

Explain how this has benefited the business. Quote figures.

4

10.4.2 The directors are not concerned about the overspending on packing material. Explain why this is so. Quote figures or calculations.

5

TOTAL MARKS
40

ACTIVITY 11

11.1 Insert the relevant amount(s) for EACH transaction below into the appropriate columns for the following Cash Budget and Projected Income Statement for July 2024.

Example: Monthly telephone costs are expected to be R4 200.

NO.	CASH BUDGET FOR JULY		PROJECTED INCOME STATEMENT FOR JULY	
	RECEIPT	PAYMENT	INCOME	EXPENSE
e.g.		4 200		4 200

(8)

TRANSACTIONS FOR JULY 2021:

11.1.1 A three-month advertising contract for R6 000 will be paid on 1 July 2024. R2 000 of this amount relates to the next financial year.

11.1.2 On 1 July 2024, R45 000 will be invested in a fixed deposit at 8% interest p.a. Interest is not capitalised and is received at the end of each month.

11.1.3 Budgeted cash sales, R23 200 (cost of sales; R16 000).

11.2 ANOKHI (PTY) LTD

The business sells electrical appliances. The financial year ends on 30 April. Kayla Bester is the sole shareholder and CEO of the business.

REQUIRED:

11.2.1 Complete the Creditors' Payment Schedule for the budget period ending 31 July 2024. **(9)**

11.2.2 Calculate the amounts for (a) to (d) in the Cash Budget. **(16)**

11.2.3 Kayla extracted the following actual and budgeted figures for May 2024:

	BUDGETED	ACTUAL
Total sales	R882 000	R705 600
Cash from debtors	522 828	402 600
Advertising	35 280	35 280
Delivery expenses (ABC Deliveries)	57 330	51 200

Comment and quote figures on the:

- Effectiveness of the advertising
- Control over delivery expenses

Quote figures in EACH case. **(6)**

11.2.4 Kayla decided that the business will purchase a delivery vehicle on 1 June 2024.

- State TWO benefits of this decision. **(2)**

- Apart from the items reflected in the Cash Budget (Information F), list FOUR other items that Kayla should include in the budget. **(4)**

INFORMATION:

A. Total sales:

ACTUAL SALES		**BUDGETED SALES**	
APRIL 2024	MAY 2024	JUNE 2024	JULY 2024
R878 400	R882 000	R918 000	R936 000

B. Credit sales comprise 60% of total sales.

C. Goods are sold at a mark-up of 80% on cost.

D. The business maintains a fixed-stock base level. Stock sold in a month is replaced in the same month. The cash purchases are 65% of total purchases.

E. Creditors are paid according to the following trend:

- 40% – settled in the month of purchase to earn 5% discount
- 50% – settled in the month following the purchase month
- 10% – settled in the second month after the purchase month

F. Extract: Cash Budget for the three months ended 30 July 2024

	MAY 2024 R	JUNE 2024 R	JULY 2024 R
Receipts			
Cash sales	352 800	367 200	374 400
Cash from debtors	522 828	535 140	548 640
Rent income	15 500	15 500	(a)
Loan: Jane Investments	0	(b)	0
Payments			
Cash purchases	318 500	331 500	338 000
Payments to creditors	167 020	170 660	?
Salaries of sales assistants	41 000	41 000	(c)
Director's fees	(d)	98 880	98 880
Advertising	35 280	36 720	37 440
Interest on loan	0	3 150	3 150
Delivery expenses (ABC Deliveries)	57 330	59 670	0
Delivery vehicle deposit		140 000	

(a) Rent income is expected to increase by 9% p.a. from 1 July 2024.

(b) The business has negotiated a loan which will be received on 1 June 2024. Interest at 13,5% p.a. is payable at the end of each month, commencing from 30 June 2024.

(c) The business employed five sales assistants in May and June on the same salary scale. Three of them will receive an annual bonus of 75% of their earnings in July 2024. A part-time sales assistant will be employed during July 2024 and will earn 50% of the monthly amount applicable to the others.

(d) Kayla earns directors' fees of R720 000 for the year. The company also employed another director, Martin, for the entire year. Martin will receive an increase of 8% p.a. on his directors' fees from 1 June 2024.

45

ACTIVITY 11 ANSWER BOOK

11.1

NO.	CASH BUDGET FOR JULY		PROJECTED INCOME STATEMENT FOR JULY		
	RECEIPT	**PAYMENT**	**INCOME**	**EXPENSE**	
e.g.		4 200		4 200	
11.1.1					
11.1.2					
11.1.3					
					8

11.2 ANOKHI (PTY) LTD

11.2.1 CREDITORS' PAYMENT SCHEDULE

	CREDIT PURCHASES	**MAY 2024**	**JUNE 2024**	**JULY 2024**	
March 2024	164 500	16 450			
April 2024	170 800	85 400	17 080		
May 2024	171 500	65 170	85 750		
June 2024	178 500		67 830		
July 2024					
Payment to creditors		**167 020**	**170 660**		
					9

11.2.2 Calculate:

WORKINGS		ANSWER
(a)	Rent income in July 2024	
(b)	Amount of the loan	
(c)	Salaries of sales assistants	
(d)	Directors' fees	

16

11.2.3 Comment on the effectiveness of the advertising. Quote figures.

3

Comment on the control over delivery expenses. Quote figures.

3

11.2.4 State TWO benefits of this decision.

2

Apart from the items reflected in the Budget (Information F), list FOUR other items that Kayla should include in the budget.

4

TOTAL MARKS	**45**

ACTIVITY 12

Blossom (Pty) Ltd sells expensive ladies' dresses of high quality. They also repair dresses for customers, but they aim to break even on this service.

Customers are allowed to buy dresses for cash or on credit, but they are required to pay cash for all repairs.

The information relates to the budget period ending 31 May 2024.

REQUIRED:

12.1 Complete the Debtors' Collection Schedule for March to May 2024. **(9)**

12.2 Calculate the missing amounts indicated by (a) to (d) in the Cash Budget. **(14)**

12.3 Refer to Information G and H.

Advertising:

- Explain the decisions that the directors took regarding the budgeted and actual expenditure for advertising in May 2024. Quote figures or calculations. **(4)**

- The directors ask you for a report on the effect that the advertising decisions have actually had on customers and sales in May 2024.
- Provide TWO points that you would include in your report. Quote figures or calculations. **(4)**
- Explain how the decline in the national economy has affected the average amount that customers spent in May 2024. Quote figures. **(3)**

Consumable stores:

- Comment on whether the consumable stores have been well controlled or not. Quote figures or calculations. **(2)**

12.4 Refer to Information F and H.

Rental and customers:
The owners of the property, Propco Ltd, informed the directors of Blossom Ltd of the increase in rent planned with effect from 1 April 2024.
In order to economise on rent, the directors asked the owners, Propco Ltd, for a reduction of the area rented from 1 May 2024. Propco Ltd agreed to this request. Calculate the reduction of the area rented (in square metres). **(4)**

INFORMATION:

A. Total sales and cost of sales:

	MARCH	APRIL	MAY
Sales	**R560 000**	**R630 000**	**R770 000**
Cost of sales	320 000	360 000	440 000

- Goods are sold at a mark-up of 75% on cost.
- Credit sales are expected to be 65% of total sales.

B. Expected debtors' collection based on the past:

- 40% collected in the month of sale, less 6% discount for early payment
- 50% collected in the month following the month of sale
- 8% collected two months after the sale
- 2% regarded as uncollectable two months after the sale

C. Purchases of stock:

- All purchases of stock are on credit.
- Trading stock is replaced in the month of sale. A fixed stock level is maintained.
- Creditors are paid in full in the month after purchasing stock.

D. Loan from Janet Bloom:

- Janet Bloom has provided a loan to the business at an interest rate of 9% p.a. Interest is not capitalised and one-third of the loan is repaid to her on 31 December each year.
- As the company was still experiencing cash flow problems owing to the Coronavirus lockdown in 2020, Janet agreed to increase her loan to the business on 1 April 202.

E. Salaries of sales assistants:

- The sales assistants all earn the same monthly salary.
- They were promised a 5% increase in salaries with effect from 1 April 2024.
- The business employed two sales assistants in March and planned to employ an additional assistant from 1 April 2024.

F. Rent and number of customers:

- The directors secured premises in a local shopping mall from Propco Ltd with enough space to cater for the expected number of customers.
- Rent is charged per square metre according to the floor area. The rent increased by 11% p.a. commencing on 1 April.
- The following figures were identified for planning purposes:

	MARCH	**APRIL**	**MAY**
Floor area in square metres (m^2)	120 m^2	120 m^2	?
Rent expense per m^2	?	?	?
Expected average sales per customer	R7 000	R7 000	R7 000
Expected number of customers	80 customers	90 customers	110 customers

G. Extract from the Cash Budget:

	MARCH	**APRIL**	**MAY**
RECEIPTS	**R**	**R**	**R**
Cash sales	196 000	(a)	269 500
Cash from debtors	278 369	355 992	?
Fee income (for repairs)	15 000	15 000	15 000
Loan from Janet Bloom (see Information D)		(b)	
PAYMENTS			
Payments to creditors	220 000	320 000	360 000
Salaries of sales assistants (see Information E)	22 400	(c)	?
Wages of repair staff	9 000	10 000	10 000
Consumable stores (for repairs)	4 200	4 200	4 200
Interest on loan	1 365	2 625	2 625
Rent expense (see Information F)	(d)	39 960	39 960
Advertising	10 000	12 000	30 000
Audit fees			60 000

H. Comparison of budgeted figures to actual figures for May 2024:

	BUDGETED	**ACTUAL**
Number of customers	110 customers	135 customers
	R	R
Sales	770 000	690 000
Fee income (repair service)	15 000	21 000
Advertising	30 000	42 000
Consumable stores (for repairs)	4 200	5 520
Wages (for repair staff)	12 000	18 000
Audit fees	60 000	48 000
Rent expense	39 960	31 968
Salaries (shop assistants)	35 280	37 044
Delivery expenses	6 930	4 850
Packing material	19 250	13 480

ACTIVITY 12 ANSWER BOOK

12.1 DEBTORS' COLLECTION SCHEDULE FOR MARCH TO MAY 2024

MONTHS	CREDIT SALES R	MARCH R	APRIL R	MAY R
January	204 750	16 380		
February	250 250	125 125	20 020	
March	364 000	136 864	182 000	
April	409 500		153 972	
May				
		278 369	355 992	

9

12.2 AMOUNTS FOR THE CASH BUDGET

	Workings	Amount
(a)	Cash sales for April	
(b)	Increase in loan from Janet Bloom	
(c)	Salaries for April 2024	
(d)	Rent expense for March 2024 ‘ ‘	

14

12.3 Explain the decisions that the directors took regarding the budgeted and actual expenditure for advertising in May 2024. Quote figures or calculations.

4

The directors ask you for a report on the effect that the advertising decisions have actually had on customers and sales in May 2024.

Provide TWO points that you would include in your report. Quote figures or calculations.

4

Explain how the decline in the national economy has affected the average amount that customers spent in May 2024. Quote figures.

3

Comment on whether the consumable stores have been well controlled or not. Quote figures or calculations.

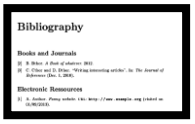
2

12.4 Calculate the reduction in the area rented (in square metres).

Workings	Answer

4

TOTAL MARKS	40



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