JENN

Training and Consultancy

The path to enlightened education

SUBJECT: ACCOUNTING

GRADE 12

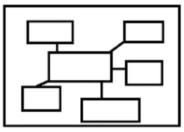
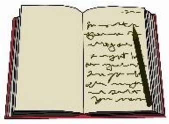
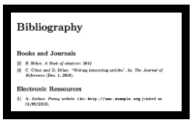
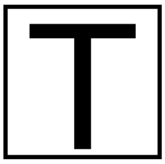
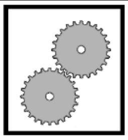
2026 WINTER CLASSES

TEACHER AND LEARNER CONTENT MANUAL

Topic

1. Statement of comprehensive income and fixed assets
2. Analysis and interpretation of financial statements
3. Corporate governance
4. Inventories
5. Cost accounting
6. Reconciliations

ICON DESCRIPTION

 MIND MAP	 EXAMINATION GUIDELINE	 CONTENTS	 ACTIVITIES
 BIBLIOGRAPHY	 TERMINOLOGY	 WORKED EXAMPLES	 STEPS

CONTENTS PAGE

ACTIVITY 1. STATEMENT OF COMPREHENSIVE INCOME AND FIXED ASSETS (55 marks; 45 minutes)

The information relates to Ivory Park Ltd for the financial year ended 29 February 2024.

REQUIRED:

1.1 **Refer to Information B (i) for fixed assets:**

Calculate the following:

1.1.1 Depreciation on equipment on 29 February 2024 (2)

1.1.2 Cost price of vehicles on 29 February 2024 (4)

1.1.9 Depreciation on vehicles on 29 February 2024 (5)

1.1.4 Profit/Loss on vehicle traded in on 1 September 2029 (5)

1.2 Complete the Statement of Comprehensive Income for the year ended 29 February 2024. (39)

NOTE: Some amounts are provided in the ANSWER BOOK.

INFORMATION:

A. Balances/totals, among others, that appeared in the books on:

	29 Feb. 2024 R	28 Feb. 2023 R
Mortgage loan: Phambili Bank	744 100	987 700
Equipment at cost	852 000	852 000
Accumulated depreciation on equipment	472 500	344 700
Vehicles at cost	?	1 250 000
Accumulated depreciation on vehicles	?	420 000
Trading stock	654 500	
Debtors' control	516 600	
Provision for bad debt	?	29 520
SARS: Income tax (provisional tax payments)	340 000	
Sales	?	
Cost of sales	4 780 900	
Audit fees	79 000	
Service fee income	1 757 700	
Sundry operating expenses	119 900	
Bad debts	24 780	
Packing material	66 550	
Salaries and wages (including contributions)	1 425 600	
Insurance	100 800	
Rent income	158 100	
Interest income	?	
Directors' fees	?	
Interest on loan	149 400	
Dividends on ordinary shares	250 000	

B. Adjustments and additional information:

(i) **Fixed assets:**

Equipment:

- No equipment was bought or sold during the year.

Vehicles:

- An old vehicle was traded in on 1 September 2023 for a new vehicle, costing R320 000. The trade-in value received was R153 660. The following extract of the vehicle sold was taken from the Fixed Asset Register:

Cost price: R240 000 **Date purchased**: 1 July 2021

Rate of depreciation: 20% p.a. on the diminishing-balance method

FINANCIAL YEAR END	DEPRECIATION	ACCUMULATED DEPRECIATION
28 February 2022	R32 000	R32 000
28 February 2023	R41 600	R73 600
1 September 2023	?	?

.Vehicles are depreciated at 20% p.a. on the diminishing-balance method.
.Depreciation on the old remaining vehicles was R132 720.

(ii) The company maintains a mark-up of 60% on cost. Note that goods costing R115 000 (included in cost of sales) were sold at a mark-up of 40% on cost to internal employees.

(iii) Physical stocktaking on 29 February 2024 revealed the following:
- Trading stock, R647 100
- Packing material used during the financial year, R58 700

(iv) Provision for bad debts must be adjusted to 5% of the outstanding debtors.

(v) (Monthly insurance premiums were fixed for the past three years and were paid up to 31 May 2024.

(vi) A tenant is renting an office from Ivory Park Ltd. Rent for this office has been received up until 30 April 2024. Rent was decreased by 8% on 1 December 2023 on the office rented.

(vii) One employee was omitted from the Salaries Journal of February 2024. His net monthly salary was R19 340 after 35% deductions were made for his pension and personal tax and R2 500 deducted for medical aid. The employer contributes 10% of his gross salary on behalf of employees towards pension

(viii) (The company had two directors who received a combined annual fee of R1 065 200 after their monthly fees were increased by R5 800 each on 1 August 2023. A third director joined the company on 1 November 2023 and received the same monthly fee as the other directors, excluding the increase of R5 800 per month.

(ix) Net profit after tax, R992 160, was calculated after taking into account all the adjustments above. Income tax is calculated at 28% of the net profit.

Activity 1

1.1.1 Depreciation on equipment on 29 February 2024

WORKINGS	ANSWER

2

1.1.2

Cost price of vehicles on 29 February 2024	
WORKINGS	ANSWER

4

1.1.3

Depreciation on vehicles on 29 February 2024	
WORKINGS	ANSWER
Depreciation on new vehicle	
Depreciation on vehicle traded in	
Depreciation on remaining vehicles	132 720

5

1.1.4

Profit/Loss on vehicle traded in on 1 September 2023	
WORKINGS	**ANSWER**

5

Question 1.2

NOTE: The relevant amounts, calculated above, must be transferred to Statement of Comprehensive Income for the year ended 29 February 2024	
Sales	
Cost of sales	**(4 780 900)**
Gross profit	
Other income	
Service fee income	**1 757 700**
Gross operating income	
Operating expenses	
Audit fees	**79 000**
Sundry operating expenses	**119 900**
Bad debts	**24 780**

Operating profit	
Interest income	
Profit before interest expense	
Interest expense	**(149 400)**
Net profit before tax	
Income tax	
Net profit after tax	**992 160**

ACTIVITY 2: FIXED ASSETS AND CALCULATION OF CORRECT NET PROFIT (STATEMENT OF COMPREHENSIVE INCOME) (55 Marks; 45 Minutes)

The information relates to Thanda LTD for the financial year ended 28 February 2025.

1 800 000 shares were in-issue on 28 February 2025.

REQUIRED:

2.1 Refer to information B for fixed assets and correction of net profit before tax for the year ended 28 February 2025:

2.1.1 Calculate the missing amounts denoted by (a) to (d) on the fixed asset note. (14)

2.1.2 Calculate profit/loss on the sale of equipment on 1 October 2024. (3)

2.1.3 Use the table provided to calculate the correct net profit after tax for the year ended 28 February 2025. Indicate '+' for an increase and '- ' for a decrease. (13)

INFORMATION:

A. List of balances, before taking into account all adjustments below:

	2025 **R**	**2024** **R**
Ordinary share capital	?	?
Retained Income	3 000 000	?
Mortgage loan: Sethu Bank	3 620 000	4 100 000
Fixed assets	?	
Fixed deposit	810 000	
SARS : Income tax (provisional tax payment)	128 000	
Trade debtors	751 800	
Bank overdraft	170 000	
Petty cash	350 000	
Creditors control	550 000	
Accrued expense	8 000	
Shareholders for dividends	650 000	420 000
Provision for bad debts	?	40 000

B. Adjustments and additional information:

(a) Net profit before tax R 1 049 749, was calculated before correcting (i) to (vi)

(i) Fixed assets :

The business is having two vehicles on 28 February 2025. The second vehicle was purchased on 1 November 2024.

Vehicles are depreciated at 15% p.a. on cost.

Equipment was sold for R40 550 on 1 October 2024. Accumulated depreciation on the equipment sold was R36 000 on 1 March 2024

Equipment are depreciated at 20% p.a. on the diminishing balance method.

Extract of the fixed assets note:

	Vehicles	**Equipment**
Cost at the beginning	460 000	360 000
Accumulated depreciation	(396 700)	(150 000)
Carrying value at the beginning	(a)	210 000
Movements		
Additions	510 000	0
Disposal at carrying value	0	(b)
Depreciation	(c)	(d)
Carrying value at the end		
Cost at the end	970 000	285 000
Accumulated depreciation		

(ii) The account of Iwazi Nkwanyana a debtor, R1 800 must be written off.

(iii) Provision for bad debts must be adjusted to 5% of outstanding debtors.

(iv) Rent of R158 000 was received from a tenant for the period 1 March 2024 to 30 April 2025. This amount takes into account reduction of R2 500 per month from 1 January 2025. **The year-end adjustment has not yet been taken into account.**

(v) The repayments on the loan are fixed at R40 000 per month (including capitalised interest).

The balances as per loan statement were as follows:

1 March 2024 R4 100 000

28 February 2025 R3 800 000

Provide for interest on loan.

(vi) After taking into account the corrections above, it was determined that an additional R91 000 is still owed to SARS in respect of income tax for the year ended 28 February 2025.

(b) A fixed monthly instalment of R40 000 (to cover loan repayment and interest) has to be paid over the full period of the loan. Interest will decline over the life of the loan by 10%.

(c) The company has invested in three fixed deposits of equal value. One of the fixed deposit will mature on 1 June 2025.

(d) The following financial indicators were calculated after taking the above information into account:

Current ratio	1.5 : 1
Debt-equity ratio	0.4 : 1

ACTIVITY 2

2.1

	WORKINGS	ANSWER
(a)	CARRYING VALUE AT THE BEGINNING	
(b)	DISPOSAL AT CARRYING VALUE	
(c)	DEPRECIATION ON VEHICLES	
(d)	DEPRECIATION ON EQUIPMENT	

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2.2

Calculation of profit/loss on sale of vehicle:	
WORKINGS	**ANSWER**

3

2.3

Use the table provided to calculate the correct net profit after tax for the year ended 28 February 2025. Indicate '+' for increase and '- ' for decrease.

No	WORKINGS	ANSWER
	Incorrect net profit	**1 049 749**
(i)		
(ii)		
(iii)		
(iv)		
(v)		
(vi)		

13

ACTIVITY 3 CORRECT NET PROFIT CALCULATION

The information relates to Popo Ltd. for the financial year ended 28 February 2023

REQUIRED:

3.1 Calculate the correct net profit after tax for the financial year ended on 28 February 2023. You must indicate + or – for each adjustment.

INFORMATION:

A The following figures were extracted from the Trial Balance on 28 February 2023

		R
Ordinary share capital		?
Retained income (1 March 2022)		950 000
Loan: Trouble Bank		800 000
SARS (Income tax)	Dr	1 100 000
SARS (PAYE)	Cr	33 000
Creditors' Control		250 000
Creditors for salaries		150 000
Debtors Control		400 000
Provision for bad debts		90 000
Consumable stores on hand on March 2022 (Packing material)		4 000
Trading stock		55 000
Bank overdraft		90 000
Petty cash		15 000
Packing Material		46 000
Salaries and wages (including employer' contribution)		1 130 000
Rent income		125 000
Dividends on ordinary shares (paid on 31 August 2022)		600 000

The net profit before tax was incorrectly calculated as R3 686 800.

B The following adjustments were not taken into account by the bookkeeper

(i) Stock to the value of R7 000 was destroyed by fire. The insurance company agreed to pay R6 200 on 15 March 2023.

(ii) An employee's gross salary must be reduced as he took unpaid leave. His net salary was R7 800. His personal tax rate is 22%. He has no other deductions

(iii) Debtors with credit balances of R20 000 on 28 February 2023 must be transferred to the Creditors' ledger. The provision for bad debts must be adjusted to 4% of debtors.

(iv) The bookkeeper has used the purchases figure of R46 000 in calculating the net profit. He has neglected to make entries for financial year 85% of the packing material was used.

(v) Rent has been received for 14 months. The rent increased by 10% on 1 September 2022.

(vi) The following table shows the transactions related to the loan from Trouble Bank for the financial year ending 28 February 2023:

	R
Balance at beginning of financial year	1 100 000
Interest capitalised during the year	**?**
Repayments, including interest, during the year	480 000
Closing balance at 28 February 2023	

Interest capitalised has not been recorded. The capital portion of the loan repayments will decrease by R7 000 per month in the next financial year.

(vi) Provide for income tax at 30% of the net profit.

ACTIVITY 3 ANSWER BOOK: CALCULATION OF CORRECT NET PROFIT

Incorrect profit before tax	**R3 686 800**
Correct profit before tax	
Net profit after tax	

ACTIVITY 4: FIXED ASSETS **(17 MARKS; 15 MINUTES)**

You are provided with information relating to Metro Limited, a company that is listed on the JSE. The financial year ended on 30 June 2024.

REQUIRED:

4.1 **Refer to Information E:**

Calculate the missing amounts indicated by (i), (ii), (iii) and (iv) in the Fixed assets note for the year ended 30 June 2024. (17)

INFORMATION:

A. Fixed/Tangible assets:

	Land & Buildings	**Vehicles**
Carrying value (begin. of the year)	**2 016 750**	**1 410 000**
Cost	**2 016 750**	**2 437 500**
Accumulated depreciation	**-**	**(1 027 500)**
Movements		
Additions at cost	**(i)**	**(ii)**
Disposals at carrying value	0	**(iii)**
Depreciation	0	**(iv)**
Carrying value (end of the year)	**5 055 000**	
Cost	**5 055 000**	**2 580 000**
Accumulated depreciation		

(a) New premises (land and buildings) were acquired during the financial year.

(b) A vehicle was sold for cash at carrying value on 30 September 2023. The following extract of the vehicle sold was taken from the Fixed Assets Register:

Cost: R105 000 Date purchased: 1 July 2022

Rate of depreciation: 20% p.a. on diminishing-balance method

DATE	**DEPRECIATION**	**ACCUMULATED DEPRECIATION**
30 June 2023	21 000	21 000
30 September 2023	?	?

(c) A new vehicle was purchased and paid for by EFT on 1 May 2024.

(d) Vehicles are depreciated at 20% p.a. on the diminishing balance method.

ACTIVITY 4: FIXED ASSETS

4.1 Calculate the missing amounts indicated by (i), (ii), (iii) and (iv) in the Fixed Asset note for the year ended 30 June 2024.

	Calculation	Amount
(i)		
(ii)		
(iii)		
(iv)		

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ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

ACTIVITY 5: (45 marks; 40 minutes)

DODO LTD AND NASHA LTD
You are provided with information relating to two companies.

Ben Komani holds shares in both Dodo Ltd and Nasha Ltd.

REQUIRED:

NOTE: Where comments or explanations are required, you should: • Quote financial indicators and trends with figures. • Give a reason or an explanation for the financial indicator quoted.

5.1 Profitability:

Quote TWO financial indicators with figures and trends of the company that showed an improvement in their operating efficiency. (4)

5.2 Liquidity:

- The directors of Dodo Ltd are concerned about stock control. Quote ONE financial indicator and other relevant financial data to support this concern. (4)
- Identify the company that holds more stock. Show calculations and explain using financial indicators (3)

5.3 Dividends pay-out policy:

Explain to Ben which company has accumulated sufficient money to finance expansion in the upcoming financial year. Quote relevant figures and provide a comparison to support your answer. (5)

5.4 Share price on stock exchange:

- Comment on the change of share price on the Johannesburg Security Exchange (JSE) of each company at the end of the financial year. Quote figures and trends. (4)
- Provide ONE factor for each company that could have influenced changes in their share price. (2)

5.5 Financing strategy:

- The Chief Operating Officer (COO) of Nasha Ltd persuaded the senior management team to take out a loan. Quote ONE financial indicator with figures and trends to confirm this statement. (3)

5.6 Shareholding:

Refer to information A and B.

- Calculate the total amount that Ben received from selling his shares in Dodo Ltd. (2)
- Calculate the additional amount, apart from the amount earned, from the sale of his shares in Dodo Ltd, that Ben had to contribute to buy the shares in Nasha Ltd. (4)
- Explain TWO benefits that Ben will lose after selling his shares in Dodo Ltd. (4)
- Ben's shareholding % will change after buying additional shares in Nasha Ltd. He is now the majority shareholder. Explain TWO potential challenges or problems of being a majority shareholder**.** (4)

5.7 Success of a director:

Explain THREE essential qualities of a successful director in a profitable company. (6) (6)

INFORMATION:

A. Background information:

- Ben Komani holds shares in both Dodo Ltd and Nasha Ltd.
- He sold 132 000 shares in Dodo Ltd and purchased an equal number of shares in Nasha Ltd.

NOTE: These transactions took place at the beginning of the financial year.

Share capital:

	Dodo Ltd		Nasha Ltd	
	2025	2024	2025	2024
Total number of shares in issue	600 000	600 000	1 000 000	800 000
Shares owned by Ben	?	301 000	?	389 000
% Shareholding in each company	?	50,2%	?	48,63%

- Both companies did not repurchase shares during the year.

B. Financial indicators, market prices of shares and other financial data on 90 April

	Dodo Ltd		Nasha Ltd	
	2025	2024	2025	2024
Mark-up percentage	45%	45%	65%	60%
% Operating expense on sales	25,2%	23,4%	18%	22%
% Net profit after tax on sales	9,4%	10,2%	13,8%	13,1%
Solvency ratio	1,6 : 1	1,4 : 1	2,8 : 1	2,9 : 1
Current ratio	2,9 : 1	2,5 : 1	1,9 : 1	1,8 : 1
Acid-test ratio	0,8 : 1	0,9 : 1	1,1 : 1	1,1 : 1
Stock turnover rate	8,2 times	8,9 times	15 times	14 times
Return on shareholders' equity	10,2%	10,8%	15,9%	14,8%
Earnings per share	89c		143c	
Dividend per share	86c		72c	
Dividend pay-out rate	97%		50%	
Net asset value per share	792c		1 028c	
Debt-equity ratio	0,8 : 1	0,8 : 1	0,5 : 1	0,4 : 1
Market price per share	720c	933c	1 320c	1 129c
Interest rate on loans	13%	12%	13%	12%
Interest rate on fixed deposits	7,5%	7%	7,5%	7%
Balances				
Trading stock deficit	R25 030	R12 470	R0	R1 870

ACTIVITY 5

5.1 Profitability:

Quote TWO financial indicators with figures and trends of the company **that** showed an improvement in their operating efficiency.

4

5.2 Liquidity:

The directors of Dodo Ltd are concerned about stock control. Quote ONE financial indicator and other relevant financial data to support this concern.

4

Identify the company that holds more stock. Show calculations and explain using financial indicators.

3

5.3 Dividends pay-out policy:

Explain to Ben which company has accumulated sufficient money to finance expansion in the upcoming financial year. Quote relevant figures and provide a comparison to support your answer.

5

5.4 Share price on stock exchange:

Comment on the change of the share price on the Johannesburg Security Exchange (JSE) of each company at the end of the financial year. Quote figures and trends.	
Dodo Ltd	
Nasha Ltd	

4

Provide ONE factor for each company that could have influenced changes in their share price.	
Dodo Ltd	
Nasha Ltd	

2

5.5 Financing strategy:

The Chief Operating Officer (COO) of Nasha Ltd persuaded the senior management team to take out a loan. Quote ONE financial indicator with figures and trends to confirm this statement.

3

5.6 Shareholding:

Calculate the total amount that Ben received from selling his shares in Dodo Ltd.	
WORKINGS	**ANSWER**

2

Calculate the additional amount, apart from the amount earned, from the sale of his shares in Dodo Ltd, that Ben had to contribute to buy the shares in Nasha Ltd.	
WORKINGS	**ANSWER**

4

Explain TWO benefits that Ben will lose after selling his shares in Dodo Ltd.

4

Ben's shareholding % will change after buying additional shares in Nasha Ltd. Explain TWO potential challenges or problems of being a majority shareholder.

4

5.7 Success of a director:

Explain THREE essential qualities of a successful director in a profitable company.

6

TOTAL MARKS
45

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ACTIVITY 6 CONCEPTS AND INTERPRETATION OF FINANCIAL INFORMATION

(40 marks; 30 minutes)

SHORTS LTD AND LYNN LTD

The information relates to Shorts Ltd and Lynn Ltd, operating in the same industry, for the year ended 28 February 2025.

NOTE: Where comments or explanations are required, you should: • Quote financial indicators and trends with figures • Give a reason or an explanation for the financial indicators quoted

Use this key for abbreviations: CEO: Chief executive officer CFO: Chief financial officer JSE: Johannesburg Securities Exchange

REQUIRED:

6.1 Choose the correct word(s) to complete each of the following descriptions Write only the word(s) next to the question numbers (9.1.1 to 9.1.3) in the ANSWER BOOK.

Companies and Intellectual Properties Commission (CIPC); director; International Financial Reporting Standards (IFRS); Internal auditor

6.1.1 Guidelines for the preparation of financial statements to ensure consistency

6.1.2 An elected board member responsible for the running of the company and implementing policy

6.1.3 Responsible for maintaining records and control of new and existing companies

(3 x 1) (3)

6.2 Shorts Ltd

6.2.1 **Operating efficiency:**

The CEO believes that the company's pricing policy, when compared to its competitors, is well managed. Quote TWO financial indicators/financial data with trends to support his statement.

(4)

6.2.2 **Liquidity:**

Explain how the credit policy has improved the liquidity of the company. Quote TWO financial indicators with trends. (4)

6.2.3 **Shareholding of Lewis Clark in Shorts Ltd**

Refer to Information A, B, and C.

- Provide a calculation to show the effect which the repurchase of shares had on Lewis's % shareholding. (4)

- Give TWO reasons why the internal auditor expressed concern about the CFO persuading the board of directors to repurchase shares. (4)

- Calculate the additional amount that the company paid for the shares repurchased, compared to the share price on the JSE. (2)

6.3 **Shorts Ltd and Lynn Ltd**

6.3.1 **Returns and dividends pay-out policy:**

- The CEOs of both companies will discuss their companies' performance. Comment on what they should mention regarding % returns. Quote ONE financial indicator with figures. (4)

- A potential investor believes that **Lynn Ltd** has a better dividend pay-out policy when compared to **Shorts Ltd.** Explain why you would agree with her. Provide TWO points with figures. (4)

6.3.2 **Share price:**

Comment on the shareholders' satisfaction with the performance of their share price. Quote TWO financial indicators to support your response. (4)

6.4 **Lynn Ltd**

The debt-equity ratio indicates that additional loans were acquired during the financial year. The directors are of the opinion that this was a good decision. Quote ONE financial indicator to support their opinion. (3)

6.5 **Audit report of Lynn Ltd**

- Explain why the shareholders should be concerned about this audit report. Provide TWO points. (2)

- State TWO possible decisions that the shareholders could make based on this audit report. (2)

INFORMATION:

A. Background information for Shorts Ltd:

- Lewis Clark, the CFO, is a shareholder of Shorts Ltd.
- He has convinced the board of directors to repurchase 400 000 shares from a dissatisfied shareholder at R3 each. These shares will not qualify for final dividends.
- The transaction above occurred before the final dividends were declared. All parties involved agreed to the offer and the EFT payment was made accordingly.

B. Share capital of Shorts Ltd:

Number of shares	28 Feb. 2025	29 Feb. 2024
Authorised shares	3 000 000	3 000 000
Repurchase of shares	(400 000)	0
Number of shares in issue	1 383 250	1 783 250

Shareholding of Lewis Clark, the CFO:

	28 Feb. 2025	29 Feb. 2024
% shareholding	?	40%

C. Financial data, financial indicators, market prices of shares and interest rates:

	Shorts Ltd		Lynn Ltd	
	28 Feb. 2025	29 Feb. 2024	28 Feb. 2025	29 Feb. 2025
Sales	R77 m	R48 m	R85 m	R90 m
Mark-up %	50%	65%	60%	45%
% operating expenses on sales	17,8%	18,2%		
% net profit after tax on sales	26,4%	22%		
Current ratio	2,4 : 1	2,2 : 1		
Acid-test ratio	1,8 : 1	1,4 : 1		
Debtors' collection period	31 days	42 days		
Creditors' payment period	90 days	71 days		
Debt equity ratio			0,6 : 1	0,4 : 1
% return on total capital employed			21,8%	19,2%
% return on shareholders' equity	6%	14,7%	16,1%	14,5%
Earnings per share	130 cents	165 cents	510 cents	528 cents

Dividends per share	162 cents	81 cents	275 cents	260 cents
Dividend pay-out rate	124,6%	49,1%	53,9%	49,2%
Net asset value per share	270 cents	258 cents	958 cents	930 cents
Market price on last day for year	256 cents		976 cents	
Interest on loans	14,2%		12,5%	
Interest on fixed deposit	7,1%		6,7%	

D. Extract from the audit report of Lynn Ltd:

… Audit Opinion

In our opinion, the financial statements fairly represent the financial position of the company, except for matters mentioned below.

The audit evidence revealed that supporting documentation of some expenditures were missing and could not be traced.

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ACTIVITY 6 - ANSWER BOOK

6.1

6.1.1	
6.1.2	
6.1.3	

3

6.2 Shorts Ltd

6.2.1 Operating efficiency:

The CEO believes that the company's pricing policy, when compared to its competitors, is well managed. Quote TWO financial indicators/financial data with trends to support his statement.

4

6.2.2 Liquidity:

Explain how the credit policy has improved the liquidity of the company. Quote TWO financial indicators with trends.

4

6.2.3 Shareholding of Lewis Clark in Shorts Ltd:

Provide a calculation to show the effect which the repurchase of shares had on Lewis's % shareholding.	
WORKINGS	ANSWER

4

'

Give TWO reasons why the internal auditor expressed concern about the CFO persuading the board of directors to repurchase shares.

4

Calculate the additional amount that the company paid for the shares repurchased, compared to the share price on the JSE.	
WORKINGS	ANSWER

2

6.3 Shorts Ltd and Lynn Ltd

6.3.1 Returns and dividends pay-out policy:

The CEO's of both companies will discuss their companies' performance. Comment on what they should mention regarding % returns. Quote ONE financial indicator with figures.

4

A potential investor believes that Lynn Ltd has a better dividend pay-out policy when compared to Shorts Ltd. Explain why you would agree with her. Provide TWO points with figures.

4

6.3.2 Share price:

Comment on the shareholders' satisfaction with the performance of their share price. Quote TWO financial indicators to support your response.

4

6.4 Lynn Ltd

The debt-equity ratio indicates that additional loans were acquired during the financial year. The directors are of the opinion that this was a good decision. Quote ONE financial indicator to support their opinion.

3

6.5 Audit report of Lynn Ltd

Explain why the shareholders should be concerned about this audit report. Provide TWO points.

2

State TWO possible decisions that the shareholders could make based on this audit report.

2

TOTAL MARKS
40

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CORPORATE GOVERNANCE

ACTIVITY 7

CORPORATE GOVERNANCE **(15 marks; 10 minutes)**

Use the information presented and your knowledge on companies to answer the questions.

REQUIRED:

7.1 Sponsorship and other parties:

Refer to paragraph 1.

- Provide a reason why trade unions would want to be interested in the financial records and the performances of companies. (2)
- Explain why listed companies like Rainbow Hotels Ltd might want to spend money to sponsor such projects. (2)

7.2 Directors:

Refer to paragraph 2.

Explain the difference between an *executive* and *a non-executive director.* (2)

7.3 Concerns of shareholders:

Refer to paragraphs 1, 2 and 3.

As a concerned shareholder, what questions would you ask at AGM? Provide THREE different questions. In EACH case explain an appropriate reason. (9)

INFORMATION:

RAINBOW HOTELS LIMITED SLAMMED FOR INAPPROPRIATE DECISIONS [By Helen Brown, Daily Views, 24 Nov 2022] *adapted*
Paragraph 1 The decision by Rainbow Hotels Ltd to sponsor the Highveld Rugby tournament to the amount of R10 million at a time when the company is seeking extra loans and finance from investors has been criticised by **shareholders and trade unions**.
Paragraph 2 One of the shareholders, Star Cloud, said this week that the business made a loss of R166 million during the 2021/2022 financial year. He said that one of the **non-executive director**, Joyce Drinkwater, needed to be held accountable and action taken against her at a special board meeting. Rainbow Hotels Ltd is the main sponsor and owns hotels in South Africa. In response Nelly McNelly, who is the **executive director** of the company, said Rainbow Hotels had reduced its sponsorships from more than 40 to only 5 sporting events and had budgeted for **8% salary and wage increases** for their employees in the next financial year.
Paragraph 3 "We are taking our strong South African brand to the rest of the country with this sponsorship and we are also making our presence felt", said Drinkwater.

ACTIVITY 7 ANSWER BOOK

RAINBOW HOTELS LTD

7.1 Sponsorship and other parties

Refer to paragraph 1.

Provide a reason why trade unions would want to be interested in the financial records and the performances of companies.

2

Explain why listed companies like Rainbow Hotels Ltd might want to spend money to sponsor such projects.

2

7.2 Directors:

Refer to paragraph 2

Explain the difference between an *executive* and *a non-executive director.*   **Executive director:**   **Non-executive director:**

2

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7.3 Concerns of shareholders:

Refer to paragraphs 1, 2 and 3.

As a concerned shareholder, what questions would you ask at AGM? Provide THREE different questions. In EACH case explain an appropriate reason.

Different questions	Reason

9

TOTAL MARKS
15

Activity 8

(20 marks; 20 minutes)

8.1 **AUDIT REPORT**

Read through the extract below and answer the questions that follow:

> TT and Associates conducted an Audit of XYZ International Limited as per the relevant provision of the Companies Act and observed that Sundry Accounts Receivable includes an amount of R4 000 000 which is due from an enterprise that has closed down.
> As such, in my opinion (Auditor Remark), except for the matter described above as the basis for an Audit report …

8.1.1 Who appoints the external auditors and why do they appoint the auditors? (2)

8.1.2 XYZ International Limited received a qualified audit report. Give a reason why they received this type of audit report. (2)

8.1.3 At the AGM what concerns would you raise, based on the above extract. Mention ONE other concern. (2)

8.1.4 A company appoints internal auditors. Mention TWO duties that the internal auditor performs in the company. (4)

8.2 **CORPORATE GOVERNANCE**

Read through the extract below and answer the questions that follow.

Tafy Limited inflated its profits and assets by R250 billion. Tafy Limited did deals with companies that were secretly linked to former CEO Z. Zenani and her friends. It also used many accounting tricks (and forged documents) and also cooked up fake income to boost some of its underperforming companies Zenani resigned days later.

8.2.1 Corporate governance is a set of rules and procedures by which companies are directed.
Does the company above practice good corporate governance? Substantiate your answer. Mention TWO points. (4)

8.2.2. There is clear evidence in the extract that there is conflict of interest, the fact that Tafy Limited entered into business with a company that is linked to the CEO. Because of this explain why companies must have policies regarding entering into contracts with other entities. Mention ONE point. (2)

8.2.3 At the AGM, shareholders had to find a replacement for Zenani. If you were a shareholder, what factors or characteristics would you want to find out about the directors who would get your vote? Explain ONE point and give a reason for your choice. (4)

Activity 8 Answer Book

8.1.1 **Who appoints the external auditors and why do they appoint the auditors?**

	2

8.1.2. **ABC International Limited received a qualified audit report. Give a reason why they received this type of audit report.**

	2

8.1.3 **At the AGM what concerns would you raise, based on the above extract. Mention ONE other concern.**

2

8.1.4 **A company appoints internal auditors. Mention TWO duties that the internal auditor performs in the company.**

4

8.2.1 **Corporate governance is a set of rules and procedures by which companies are directed.**
Does the company above practice good corporate governance. Substantiate your answer.

4

8.2.2. **There is clear evidence in the extract that there is conflict of interest, the fact that Reed Limited entered into business with a company that is linked to the CEO. Because of this explain why companies must have policies regarding entering into contracts with other entities. Mention ONE point.**

2

8.2.3. **At the AGM, shareholders had to find a replacement for Jerro. If you were a shareholder, what factors or characteristics would you want to find out about the directors who would get your vote? Explain ONE point and give a reason for your choice.**

EXPLANATION	REASON

4

TOTAL MARKS
20

QUESTION 9: CORPORATE GOVERNANCE (15 marks; 10 minutes)

You are provided with a summarised version of a media release from Kings Ltd. Read the adapted extract of the media statement and use your knowledge of companies to answer the questions that follow.

REQUIRED:

NOTE: Do NOT repeat responses in the various questions.

9.1 Choose the correct word(s) from those in the brackets. Write only the answer next to the question numbers (4.1.1 to 4.1.2) in the ANSWER BOOK.

9.1.1 The (directors/internal auditor/external auditor) review(s) the company's financial records and internal controls to identify any accounting discrepancies.

9.1.2 Companies prepare accurate financial statements in accordance with (the audit committee/International Financial

Reporting Standards (IFRS)/the shareholders) to ensure transparency and accountability. (2 x 1) (2)

9.2 Identify TWO corporate governance issues evident in the Kings Ltd case. (2)

9.3. Provide TWO points indicating why transparency is crucial as an element of ethics in corporate governance within a company. (4)

9.4. Explain TWO roles of an audit committee in preventing discrepancies in financial reporting. (4)

9.5. List THREE consequences of poor corporate governance for a company like Kings Ltd. (3)

EXTRACT FROM THE MEDIA STATEMENT:

KINGS LTD: A CORPORATE SCANDAL AND ITS AFTERMATH
Kings Ltd, a multinational retail corporation, was involved in a major corporate scandal. The company recently reported "accounting irregularities" which subsequently uncovered fraudulent activities amounting to billions of rands. This led to a substantial and prolonged drop in its share price, ultimately resulting in the resignation of key executives. The scandal exposed serious flaws in corporate governance, including a lack of transparency, inadequate board oversight, and insufficient financial controls. The company has faced difficulties in regaining stability, leading to shareholder withdrawals.

Activity 9 Answer Book

9.1

9.1.1		
9.1.2		2

9.2

Identify TWO corporate governance issues evident in the Kings Ltd case.	
	2

9.3

Provide TWO points indicating why transparency is crucial as an element of ethics in corporate governance within a company.

4

9.4

Explain TWO roles of an audit committee in preventing discrepancies in financial reporting.

4

9.5

List THREE consequences of poor corporate governance for a company like Kings Ltd.

3

TOTAL MARKS
15

ACTIVITY 10: CORPORATE GOVERNANCE (15 marks; 15 minutes)

AUDIT REPORTS

You are provided with extracts from the independent audit reports of Dalton Ltd and Harding Ltd.

Extract from audit report of Dalton Ltd: In our opinion, the financial statements <u>fairly present, in all material respects</u>, the financial position of this company on 28 February 2025 and the results of their operations and cash flow for the year ended, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. **Siyabonga and Sinqobile associates, chartered accounting (SA).**

Extract from audit report of Harding Ltd: We found that the internal control procedures were not adhered to – and that documentation did not exist for a significant portion of the transactions tested. Because of the significance of the matter described in the previous paragraph, we could not obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Therefore, <u>we do not express an opinion on the financial statements</u> for the year ended 28 February 2025. **Noguda and Anele associates, chartered accounting (SA).**

REQUIRED:

10.1 **The board of directors has different committees with different functions. Choose the function in COLUMN B that matches the committee in COLUMN A. Write only the letter (A–D) next to the question numbers (4.2.1 to 4.2.4) in the ANSWER BOOK.**

10.1.1	Audit committee	A	Review salaries, bonuses and other earnings.
10.1.2	Remuneration committee	B	Responsible for performing risk assessment regularly.
10.1.3	Social and ethics committee	C	Ensure that the appointment of an auditor complies with the Companies Act and the legislation.
10.1.4	Risk committee	D	Monitor the impact of the company activities and their products or service to the environment, health and public safety.

(4)

10.2 Comment on the audit reports of both companies. If you want to buy shares in a company, explain how the report will affect your decision concerning the (5) shares you would purchase in the company. In which company would you invest in?

10.3 The purpose of a business rescue plan is to provide a company with temporary supervision and protection against its creditors, to give them a 'breathing space' to reorganise and restructure its financial affairs. Name TWO parties who might be affected by a business rescue plan. (2)

10.4 Give TWO reasons why the companies Act requires public companies to be audited by an independent auditor. (4)

15

ACTIVITY 10 ANNSWER BOOK

10.1

10.1.1		**10.1.3**	
10.1.2		**10.1.4**	

4

10.2

Comment on the audit reports of both companies. If you want to buy shares in a company, explain how the report will affect your decision concerning the shares you would purchase in the company.
Dalton Ltd: **Harding Ltd:** **In which company would you invest in?**

5

10.3

The purpose of a business rescue plan is to provide a company with temporary supervision and protection against its creditors, to give them a 'breathing space' to reorganise and restructure its financial affairs. Name TWO parties who might be affected by a business rescue plan.

2

10.4	Give TWO reasons why the companies Act requires public companies to be audited by an independent auditor.	
		4

TOTAL MARKS		15

ACTIVITY 11

11.1 STOCK VALUATION

You are provided with information relating to Ntafufu Stores. The business sells one type of leather jackets. The financial year ended on 28 February 2025. The business uses the weighted-average method for stock valuation and the periodic stock system.

REQUIRED:

11.1.1 Calculate the value of the closing stock on 28 February 2025 using the weighted-average method. (9)

11.1.2 Calculate the average stock-holding period (in days) on 28 February 2025. (6)

11.1.3 Comment on the stock-holding period and explain how this would affect the business. Stock-holding period for 2024 was 100 days. (4)

11.1.4 Calculate the value of the closing stock using the FIFO method. (7)

INFORMATION:

A. Stock balances:

Date	Jackets	Total value (including carriage)
1 March 2024	610	R312 900
28 February 2025	420	**?**

B. Purchases:

Date	Number of jackets	Cost price per jacket	Total purchases	Carriage per jacket	Total cost (including carriage)
15/03/2024	500	R450	R225 000	R20	R235 000
20/08/2024	800	R480	R384 000	R25	R404 000
28/11/2024	700	R620	R434 000	R20	R448 000
05/02/2025	400	R650	R260 000	R25	R270 000
TOTAL	2 400		R1 303 000		R1 375 000

C Returns:

Twenty (20) jackets from the purchases on 5 February 2025 were returned to the supplier. The supplier agreed to refund the business the full amount for the cost including the carriage per jacket.

D. Sales for the financial year ended:

28 February2025	29 February 2024
R3 100 000	R1 800 000

11.2 INTERNAL CONTROL

Velile Computers sells one brand of computer. The owner, Loyiso Mabida has three branches in different shopping centres. Although the business is making a profit; Loyiso is concerned about the profitability of each branch. She investigated and presented the information below, for August 2025 (one month).

REQUIRED:

Identify ONE different problem in relation to each branch. Quote relevant figures to support your answer. In each case, offer Loyiso advice on how to solve the problem. (9)

INFORMATION:

- The shops are open 7 days a week.
- Normal time is from 8:30 to 16:30, Mondays to Fridays (160 hours per month).
- Overtime is from 16:30 to 18:30 Mondays to Fridays and 9:30 to 12:30 on weekends (56 hours per month)
- Overtime salary rate is 1,5 times the normal rate.

INFORMATION	**KWA-KOMANI MALL**	**CRADOCK MALL**	**KWA-BHACA MALL**
Salesperson (age)	Jan (42 years)	Den (27 years)	Han (62 years)
Stock on hand – 1 Aug 2025	50 units	50 units	50 units
Selling price per computer.	R4 200	R4 200	R4 200
Computers sold (before returns)	42	36	22
Returns by customers	5	12	1
Credit sales	R54 600	R88 200	R21 000
Deposits from cash sales	R79 800	R12 600	R67 200
Hours worked (normal time)	154 hours	117 hours	102 hours
Overtime hours	20 hours	52 hours	2 hours
Rent expense (per month)	R6 000	R8 000	R5 500

35

ACTIVITY 11 Answer Book

11.1. Stock Valuation

1.1.1	Calculate the value of the closing stock on 28 February 2025 using the weighted-average method.	
		9

11.1.2	Calculate the average stock-holding period (in days) on 28 February 2025.	
		6

11.1.3	Comment on the stock-holding period and explain how this would affect the business.	
	Comment How this would affect the business.	4
11.1.4	Calculate the value of the closing stock by using the FIFO method.	
		7

11.2	Identify ONE different problem in relation to each branch. Quote relevant figures to support your answer. In each case, offer Loyiso advice on how to solve the problem.	
BRANCH	**Problem with / and figures**	**Advice**
KWA-KOMANI MALL		
CRADOCK MALL		
KWA-BHACA MALL		

9

TOTAL MARKS
35

ACTIVITY 12 STOCK VALUATION (35 MARKS: 30 MINUTES)

12.1 LILYFONTEIN SUPERMARKET

The following information was taken from the accounting records of Lilyfontein Supermarket in respect of flavoured juices (2 litre bottles) that they trade with. The first in first out (FIFO) stock valuation method is applicable. The business is managed by Paul Saver. The financial year ended on 28 February 2025.

REQUIRED

12.1.1 Calculate the value of closing stock on 28 February 2025 using FIFO method (7)

12.1.2 Paul has noticed that some of the stock of flavoured juices has exceeded their shelf. life (sell by date) of 65 days. Identify the value of stock that Paul is referring to, using the FIFO stock valuation method. (2)

12.1.3 How can Paul manage the stock of flavoured juices to avoid losses incurred by the businesses? Provide TWO points. (4)

INFORMATION

A Balances

DATE	NUMBER OF UNITS	TOTAL (R)
1 March 2024	630	
28 February 2025	980	?

B Purchases and returns during the year:

	Number of Units	**Unit Price**	**Total R**
Purchases	10500		
March – November 2024	6900	32	220 800
December 2024	2600	37	96 200
January 2025	150	37	5 550
February 2025	850	42	35 700
Returns	32	?	1 344

C Sales

10 118 units were sold at R47 per bottle: R475 546.

12.2 NOLITHA PRINTERS

NOLITHA Printers sells different models of printers. The business is owned by Loyiso Lutateni. Printers are valued at using specific identification method. The financial year ended on 30 June 2025

REQUIRED

12.2.1 Rotrim model
Calculate value of closing stock on 30 June 2025 using the specific identification method. (4)

12.2.2 Punchies Model
• Calculate the stockholding period (in days) using the closing stock. (5)

• Comment on the stockholding period. Provide ONE point, with figures. The stockholding period for the year ended 30 June 2024 was 69 days. (2)

12.2.3 Clear View model
• Although the Clear View model had units returned, Loyiso is very pleased with his decision to introduce it as a new model. Provide TWO points (with figures) to explain why Loyiso is pleased. (4)

• Loyiso wants to reduce the number of units being returned to the suppliers. Give ONE suggestion on how this can be achieved. (2)

INFORMATION

A Opening stock

DATE	MODEL	NUMBER OF UNITS	UNIT PRICE	TOTAL R
1 July 2024	Rotrim	30	15 500	465 000
	Punchies	25	22 300	557 500
				1 022 500

B Purchases and returns:

DATE	MODEL	NUMBER OF UNITS	UNIT PRICE	TOTAL R
Purchases				
Sept 2024	Rotrim	90	15 500	1 395 000
Nov 2024	Punches	110	22 300	2 453 000
Feb 2025	Clear View	90	35 000	3 150 000
Returns				
Feb 2025	Clear View	15	35 000	(525 000)
Net Purchases				6 473 000

C Sales for the year ended 30 June 2025

MODEL	NUMBER OF UNITS	UNIT PRICE	TOTAL R

Rotrim	79	21 700	1 714 300
Punches			3 108 000
Clear View	65	49 000	3 185 000
			8 007 300

D **Closing stock**

DATE	**MODEL**	**TOTAL R**
30 June 2025	Rotrim	**?**
	Punches	**780 500**
	Clear View	**350 000**
		?

MANAGEMENT OF INVENTORIES

You are provided with information from the books of Sinolwazi Electric Fans Suppliers. The business is owned by Robin Sinolwazi. They sell electric fans and fridges to households in Middleburg. The financial year ended on 30 September 2025

REQUIRED:

12.3.1 Electric fans:

- Identify the decision that Robin implemented about the electric fans. (1)
- Explain how this decision had a positive result for the business. Provide ONE point, with figures. (2)

12.3.2 Fridges

Robin changed the brand of fridges that he was selling. Provide ONE point, with figures, to show that this was not a good idea. (2)

INFORMATION

	ELECTRIC FANS		FRIDGES	
	2025	**2024**	**2025**	**2024**
Total sales	R137 700	R112 000	R2 418 750	R5 161 500
Gross profit	R61 200	R42 000	R806 250	R1 720 500
Selling price per unit	R270	R200	R5 625	R6 975
Cost price per unit	R150	R125	R3 750	R4 650
Units available	750	600	960	820
Units sold	510	560	430	740
Mark-up %	80%	60%	50%	50%

35

ACTIVITY 12 ANSWER BOOK

12.1 LILYFONTEIN SUPERMARKET

12.1.1

Calculate the value of closing stock on 28 February 2025 using FIFO method	
WORKINGS	**ANSWER**

7

12.1.2

Paul has noticed that some of the stock of flavoured juices has exceeded their shelf. life (sell by date) of 65 days. Identify the value of stock that Paul is referring to, using the FIFO stock valuation method.	
WORKINGS	**ANSWER**

2

12.1.3	**How can Paul manage the stock of flavoured juices to avoid losses incurred by the businesses? Provide TWO points.**

4

12.2 NOLITHA PRINTERS

12.2.1 **Calculate the value of closing stock on 30 June 2025 using the specific identification method.**

WORKINGS	**ANSWER**

4

12.2.2 Punches model:

Calculate the stockholding period (in days) using the closing stock (5)

WORKINGS	**ANSWER**

5

Comment on the stockholding period. Provide ONE point, with figures. The stockholding period for the year ended 30 June 2024 was 69 days.

2

12.2.3 Clear View model

Although the Clear View model had units returned, Loyiso is very pleased with his decision to introduce it as a new model. Provide TWO points (with figures) to explain why Loyiso is pleased.

4

Loyiso wants to reduce the number of units being returned to the suppliers. Give ONE suggestion on how this can be achieved

2

MANAGEMENT OF INVENTORIES

12.3.1 Electric fans:

Identify the decision that Robin implemented about the electric fans.
Explain how this decision had a positive results for the business. Provide ONE point, with figures.

1

2

12.3.2 Fridges:

Robin changed the brand of fridges that he was selling. Provide ONE point, with figures, to show that this was not a good idea.

2

TOTAL MARKS
35

ACTIVITY 13 COST ACCOUNTING

13.1 LOCKSMITTH MANUFACTURES

The business manufactures security jackets. Their financial year ends on 28 February 2025.

REQUIRED

13.1.1 Complete the Factory Overhead Cost Note (16)

13.1.2 Calculate the cost of production of finished goods for the year ended 28 February 2025. (4)

INFORMATION

A Extract from balances:

	28 February 2025	**29 February 2024**
Factory Equipment	5 400 000	?
Accumulated Depreciation on factory equipment	?	1 680 000
Work in progress stock	93 000	125 000

B

Summary of totals for the year ended 28 February 2025		
Prime Cost		6 025 000
Water and electricity		915 000
Insurance		78 000
Rent Expense		240 400
Advertising		380 000
Other factory expenses		737 010

C **Additional information and adjustments:**

- 75% of the water and electricity must be allocated to the factory. The remainder must be shared equally between the other departments.
- Insurance includes an additional premium of R10 800 paid for the period of 1 December 2024 to 30 November 2025. This expense is allocated between the factory and the sales department in a ratio of 3:2.
- Locksmith Manufacturers rent their premises from Dynamic Properties at a fixed rate per m^2. Due to expansion, Locksmith Manufacturers had to rent additional space for the factory only, from 1 October 2024, at same fixed rate per m^2. The following floor space was applicable for the year ended 28 February 2025:

	1 Marc. 2024 to 30 Sept 2024	**1 Oct 2024 to 28 Feb 2025**
	$200m^2$	$225m^2$
	$40m^2$	$40m^2$
	$240m^2$	**$265m^2$**

Provide for depreciation on factory equipment at 20% p.a on the diminishing balance method

NOTE New factory equipment costing R684 000 was installed on 1 November 2024. This was properly recorded.

13.2 PICASO MANUFACTURERS

Picaso Manufacturers is a business producing cellphone screen covers and cases. The business is owned by Dawn Mthembu. The financial year ends on 31 August each year.

NOTE Where comments or explanation are required, you should:

- Quote calculations, figures and /or trends

REQUIRED

CELLPHONE CASES

13.2.1 **Calculate the break-even point on 31 August 2025.** **(4)**

13.2.2 **Comment on whether Dawn should be satisfied with the number of units produced and sold. Provide ONE point with figures.** **(2)**

13.2.3 **Dawn is concerned about a fixed cost item that has been poorly controlled, despite the decrease in fixed cost per unit in 2025. Identify the fixed cost (with figures) that has been poorly controlled. Give a possible reason for this concern.** **(3)**

CELLPHONE SCREEN COVERS

13.2.4 Variable costs per unit

Identify the following:

- Variable cost item (with figures) that has been poorly controlled. Give advice on how to improve control over this cost item. (3)
- Variable- cost item (with figures) that has been well controlled. Explain how this item was well controlled. (3)

INFORMATION

	CELLPHONE CASES		**CELLPHONE SCREEN COVERS**	
	31 Aug. 2025	**31 Aug. 2024**	**31 Aug. 2025**	**31 Aug. 2024**
Break –even point	?	20 000		
Units produced and sold	28 750	25 000		
Selling price per unit	R265	R250	R152	R140
Total Fixed Cost per unit	**R80**	**R92**	**R78**	**R63**
Factory Overheads Cost	R34	R50	R47	R38
Administration cost	R46	R42	R31	R25
Total Variable Cost	**R146**	**R135**	**R68**	**R55**
Direct Material Cost	R73	R67	R38	R24
Direct Labour Cost	R52	R49	R20	R22
Selling and Distribution	R21	R19	R10	R9

Activity 13 Answer Book

13.1 LOCKSMITTH MANUFACTURES

13.1.1 FACTORY OVERHEAD COST NOTE

Other factory expenses	737 010

16

13.1.2

Calculate the cost of production of finished goods for the year ended 28 February 2025.	
WORKINGS	ANSWER

4

13.2 PICASO MANUFACTURERS

CELLPHONE CASES

13.2.1

Calculate the break-even point on 31 August 2025.	
WORKINGS	ANSWER

4

13.2.2 **Comment on whether Dawn should be satisfied with the number of units produced and sold. Provide ONE point with figures.**

2

13.2.3 **Identify the fixed-cost (with figures) that has been poorly controlled. Give a possible reason for this concern.**

COST ITEM	REASON FOR CONCERN

3

13.2.4

Variable cost item (with figures) that has been poorly controlled. Give advice on how to improve control over this cost item.	
COST ITEM	ADVICE
Variable- cost item (with figures) that has been well controlled. Explain how this item was well controlled.	
COST ITYEM	REASON

3

3

TOTAL MARKS
35

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ACTIVITY 14

14.1 NONGOMA MANUFACTURERS

Nongoma Manufacturers is a manufacturing business that produces one style of jersey. The financial year ended on 30 June 2025.

REQUIRED:

14.1.1 Calculate the following:

- Direct material cost (4)
- Direct labour cost (5)
- Factory overhead cost (using **information D**.) (4)

14.1.2 Prepare the Production Cost Statement for the year ended 30 June 2025. (9)

14.1.3 The accountant is of the opinion that the workers are not properly supervised.

- Identify TWO separate problems relating to the supervision of workers. Quote figures to support your answer.
- In EACH case, provide a solution. (6)

INFORMATION:

A Stock balances:

	30 JUNE 2025	**1 JULY 2024**
Raw material stock	R 314 550	R 115 200
Work-in-process stock	**?**	R22 108
Finished goods	R15 000	R23 208

B Raw materials are purchased only on credit. Invoices totalling R723 600 were received for the financial year.

C The business employs FIVE factory workers, with the following conditions:

- they must work 8 hours normal time per day for 5 days a week,
- 48 weeks a year, and
- they must produce two jerseys an hour during normal and overtime.

Details relating to total number of hours worked by workers and remuneration rates for the financial year ended 30 June 2025:

	HOURS PER WORKER	**RATE PER HOUR**	**NUMBER OF WORKERS**	**TOTAL**
Normal time	1 680	R47	5	?
Overtime	1 152	R94	5	R 541 440
	2 832			**?**

NOTE: Employers' contribution: 11,5% of normal wage.

D. The bookkeeper calculated the factory overhead cost as R610 000.

However, he made the following errors, which must still be adjusted:

- He included the entire insurance expenses of R40 000 to the factory overhead cost, instead of 70% of these expenses.
- He allocated R80 000 to factory water and electricity using the ratio 4 : 3 : 2 for factory, sales and office respectively. The expense should have been split in the ratio 3: 1 : 1
- The telephone account of R30 000 was posted in error to the factory overhead cost. This expense relates to the office.

E. Additional information

- Total sales amounted to R 2 622 635
- Mark-up of 25% on cost was maintained.
- 22 400 jerseys were produced during the year.

14.2 MELON HANDBAGS

This business produces and sells handbags. The owner is Muffin Zwide. The financial year ended on 31 August 2025.

REQUIRED:

14.2.1 Comment on the level of production and break-even point on 31 August 2025. (4)

14.2.2 Identify the production cost that should be of serious conern. Provide TWO valid solutions to this problem. (4)

14.2.3 Muffin wants to improve his profit by R214 800 during the next financial year, while maintaining costs. Calculate the additional units that must be produced to achieve this target. (3)

INFORMATION:

	31 August 2025		31 August 2024	
	Total	**Per unit**	**Total**	**Per unit**
FIXED COST	R1 104 000	R46.00	R1 069 600	R56.00
Factory overheads cost	R792 000	R33.00	R754 450	R39.50
Administration cost	R312 000	R13.00	R315 150	R16.50
VARIABLE COST	R2 064 000	R86.00	R1 212 850	R63.50
Direct material cost	R1 156 800	R48.20	R800 290	R41.90
Direct labour cost	R528 000	R22.00	R221 560	R11.60
Selling and distribution cost	R379 200	R15.80	R191 000	R10.00
Selling price per unit	R146.00		R118.50	
Number of units produced and sold	24 000		19 100	
Break-even point (units)	18 400		19 448	

40

ACTIVITY 14 ANSWER BOOK

14.1.1 DIRECT MATERIAL COST

4

DIRECT LABOUR COST

5

FACTORY OVERHEAD COST

TOTAL	R 610 000

5

14.1.2 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 30 JUNE 2025

Prime cost	
Total manufacturing cost	
Work-in-process (1 July 2024)	22 108
Total cost of production of finished goods	

9

14.1.3

The accountant is of the opinion that workers are not properly supervised.

	Identify separate problems	Solution
Problem 1		
Problem 2		

6

14.2.1	Comment on the level of production and break-even point on 31 August 2025.

4

14.2.2	Identify the production cost that should be of serious conern. Provide TWO valid solutions to this problem.

4

14.2.3 Muffin wants to improve his profit by R214 800 during the next financial year, while maintaining costs. Calculate the additional units that must be produced to achieve this target.

CALCULATION	ANSWER

3

TOTAL MARKS
40

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ACTIVITY 15: RECONCILIATIONS (35 MARKS;25 MINUTES)

15.1 State whether the statements below are TRUE or FALSE. WRITE only TRUE or FALSE next to the question number (15.1.1 – 15.1.3) in the ANSWER BOOK.

15.1.1 Bank Reconciliation Statement is prepared by the bank.

15.1.2 Bank column of the CPJ is always transferred to the debit side of the Bank Account in the general ledger.

15.1.3 Bank Reconciliation Statement is prepared to reconcile the Bank (3) balance as shown on the Cash Book and the balance shown on the Bank Statement.

(3x1) (3)

15.2 BANK RECONCILIATION

The information relates to Pritt Traders on 31st August 2025.

The business receive the official bank statement on the 27th of each month.

REQUIRED:

15.2.1 Use the table provided in the ANSWER BOOK to calculate the totals of the Cash Journals on the 31st of August 2025. (6)

15.2.2 Prepare the Bank Reconciliation Statement on the 31st of August 2025. (7)

Refer to the outstanding deposit on 15 July 2025:

- State the GAAP principle that applies to this decision. (1)
- Explain TWO procedures, besides division of duties, to be implemented to prevent such a loss in future. (4)

INFORMATION:

A. Extract from the Bank Reconciliation Statement on 31 July 2025.

Outstanding deposits:	
15 July 2025	29 500
30 July 2025	11 605
Outstanding EFT's:	
No. 141	4 200
No. 142	7 500

NOTE :

The outstanding deposit of R11 605 and EFT, number 141, appeared on the bank statement for August 2025.

- EFT No. 142 appears on the bank statement correctly as R6 100 on the bank statement of August 2025
- The outstanding deposit of R29 500 on 15 July 2025 was never deposited.
  It was stolen and must be written off.

B Provisional totals for Cash Journals on 31 August 2025 are as follows:

Cash Receipts Journal (CRJ)	R369 000
Cash Payment Journal (CPJ)	R286 500

C A comparison of the August 2025 Bank Statement with the Cash Journals revealed the following:

(i) Service fee, R350.
(ii) A debit order to the City Municipality for R16 500 for water and electricity.
(iii) The direct deposit was received from a debtor DE Witt, R4 600 in settlement of her account of R5 000.
(iv) EFT no 301, R1 300 in favour of Zwane Traders was duplicated in error in the bank Statement. The Bank will rectify it on the following month.

D The following entries appeared in the August 2025 Cash Journals but did not appear on the Bank Statement for August 2025:

- A deposit of R12 000 from cash sales on the 31st of August 2025.
- EFT no. 189 for R7 660
- EFT no. 200 for 3 510

E The Bank Statement showed a favourable balance of R33 000 on 27 August 2025.

15.3 CREDITORS RECONCILIATION

Pure Traders buys goods on credit from Pros Suppliers.

REQUIRED:

15.3.1 Use the table provided in the ANSWER BOOK to show changes to the Creditors Ledger account of Pros Suppliers in the books of Pure Traders and the statement of account received from Pros Suppliers, to take into account the differences identified. (10)
Indicate with a '+' or '-'next to each amount.

15.3.2 The internal auditor insists that direct payments (EFT) must be used to pay suppliers.

- Provide one reason to support her decision. (2)
- Provide one internal procedure to ensure control over this system. (2)

INFORMATION:

A. Creditors ledger of Pure Traders:

PROS SUPPLIERS

DATE		DETAILS	DEBIT	CREDIT	BALANCE
2025	1	Balance			67 500
Aug	10	Invoice 209		81 000	
		EFT	33 750		
	17	Debit note 674	8 640		
		Invoice 282		40 950	
		Invoice 301		25 000	
	21	Invoice 360		50 250	
	24	Debit note 995		8 100	
	25	Journal voucher 570	5 400		
	31	EFT	77 190		147 820

B. Statement of account from Pros Suppliers

PURE TRADERS 103 Mevas Road				24 February 2025	
DATE		**DETAILS**	**DEBIT**	**CREDIT**	**BALANCE**
2025 Aug	1	Balance			67 500
	10	Invoice 209	81 000		
		Receipt 695		33 750	
	17	Credit note 741		6 840	
		Invoice 301	25 000		
	21	Invoice 360	20 250		
	24	Credit note 811		8 100	145 060

Differences note:

(i) The incorrect entry for debit note 674 in the creditor's ledger account of Pros Suppliers related to the Credit note 741 on the statement. The statement of account is correct.

(ii) Invoice 282 was incorrectly reflected in the account of Pros Suppliers in the creditor's ledger. The goods were purchased from Pres Suppliers.

(iii) Invoice 360 was incorrectly recorded on the Statement from Pros Suppliers.
The amount on the creditor's ledger is correct.

(iv) Pros Suppliers also purchased goods on credit from Pure Traders, Pure Traders has transferred a debit balance from the ledger (Journal voucher 570). Pros Suppliers will offset this on the next statement.

(v) The transaction on 24 August 2025 is for merchandise returned to Pros Suppliers.

(vi) The statement reflects transactions up to 24 August 2025.

15.4 DEBTORS' AGE ANALYSIS AND INTERNAL CONTROL

Tshepiso Traders sells sports equipment on credit and is owned by Tshepiso Mofokeng.

REQUIRED:

15.4.1 Why are the preparation of a debtors' collection schedule and debtors' age analysis important internal control measures? Provide ONE explanation for each. (2)

15.4.2 Tshepiso is satisfied with the debtors' adherence to the credit terms. He feels it has improved from the previous year, when the outstanding debtor's balance was R252 910 on 31 August 2024.

- Calculate the total credit sales for the year. (2)

- Calculate the average debtors' collection period for the year ended 31 August 2025 and comment. (6)

15.4.3 Tshepiso Traders already charges maximum interest on overdue accounts and offers discounts on early payments. Give TWO other suggestions on how to address A Xumz as being a problem debtor. (4)

INFORMATION:

- The total outstanding debtors on 31 August 2025 amounted to 20% of the total credit sales for the year.
- The credit terms are strictly 60 days.

Debtors' age analysis on 31 August 2025:

Debtors	TOTAL	CURRENT	30–60 DAYS	61–90 DAYS	MORE THAN 90 DAYS
	R	R	R	R	R
B Fox	25 140	11 140	1 000	3 300	9 700
S Gold	12 900				12 900
P King	20 190	8 800	3 190	8 200	
A Xumz	153 950	49 750	43 200	26 400	34 600
	212 180	69 690	47 390	37 900	57 200

35

ACTIVITY 15

15.1.1	
15.1.2	
15.1.3	

3

15.2.1

Show the entries that must be recorded in the Cash Journals

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CASH RECEIPTS JOURNAL	CASH PAYMENTS JOURNAL
Amount	Amount
R369 000	R286 500

15.2.2 BANK RECONCILIATION STATEMENT ON 31 August 2025

	Debit	Credit

6

15.2.3	
	State the GAAP principle that applies to this decision.
	TWO procedures, besides division of duties, to be implemented to prevent such a loss in future.

1

4

15.3 CREDITORS RECONCILIATION

15.3.1

Use the table provided to indicate the changes that must be made in the Creditors' Control ledger and Creditors' reconciliation statement

	Creditors' Control	Creditors' List
Provisional balance/total	R 147 820	R145 060
(i)		
(ii)		
(iii)		
(iv)		
(v)		
(vi)		

10

15.3.2

The internal auditor insists that direct payments (EFT) must be used to pay suppliers explain.
One reason to support her decision.

2

One internal procedure to ensure control over this system.

2

15.4 AGE ANALYSIS AND INTERNAL CONTROL:

15.4.1 **Why are the preparation of a debtors' collection schedule and debtors' age analysis important internal control measures? Give ONE explanation for each.**

Debtors' collection schedule:

Debtors' age analysis:

2

15.4.2 **Tshepiso is satisfied with the debtors' adherence to the credit terms. He feels it has improved from the previous year, when the outstanding debtor's balance was R252 910 on 31 August 2024.**

Calculate the total credit sales for the year.

WORKINGS	ANSWER

2

Calculate the average debtors' collection period for the year ended 31 August 2025 and comment.

WORKINGS	ANSWER

Comment:

6

15.4.3	**Tshepiso Traders already charges maximum interest on overdue accounts and offers discounts on early payments. Give TWO other suggestions on how to address A Xumz as being a problem debtor.**	
		4

TOTAL MARKS		**49**

16.1 BANK RECONCILIATION

QUESTION 16: RECONCILIATIONS (40 marks; 32 minutes)

16.1 BANK RECONCILIATION

The information below relates to Khaya Traders, a business owned by Khaya Smith. The business receives the Bank Statement on the 25th day of each month. Khaya uses this to complete the bank reconciliation.

REQUIRED:

16.1.1 Use the table provided in the ANSWER BOOK to calculate the final totals of the Cash Journals on 31 May 2025. (10)

16.1.2 Calculate the correct bank account balance in the General Ledger on 31 May 2025. (4)

16.1.3 Prepare the Bank Reconciliation Statement on 31 May 2025. (7)

16.1.4 Khaya has noticed that a long-serving cashier has recently been experiencing cash shortages. Suggest TWO possible reasons for these shortages and provide a solution for each reason given. (4)

16.1.5 Provide TWO reasons why Khaya authorises all EFT payments of his business. (2)

INFORMATION:

A Extract from the Bank Reconciliation Statement on 30 April 2025

Outstanding deposits:	Dated 14 April 2025	R6 000
	Dated 28 April 2025	15 000
Outstanding EFTs:	No. 135	2 100
	No. 139	6 700
Unfavourable balance as per bank account		15 550

NOTE:
The outstanding deposit of R15 000 appeared on the bank statement on 15 May 2025

The outstanding deposit of R6 000 did not appear on the bank statement for May 2025. An investigation revealed that this amount was never deposited and must be written-off.
EFT 135 is correctly reflected as R210 on the bank statement.
The bank statement of May 2025 shows that EFT 139 was recorded correctly.

Before receiving the May 2025 Bank Statement, the Cash Journals reflected the following provisional totals:

CASH RECEIPTS JOURNAL	CASH PAYMENTS JOURNAL
R102 675	R86 150

B Information on the May 2025 Bank Statement which did not appear in the May 2025 Cash Journals:

DATE	DETAILS	DEBIT (R)	CREDIT (R)
1	P. Sello (tenant)		3 160
9	Cash withdrawal (K. Smith)	2 800	
15	Debtors' control (K. Phumi)		6 400
25	Debit order 00125	5 100	
28	Interest	365	
30	Transaction fees	830	

NOTE:

- K. Phumi made an electronic transfer before a 5% discount was granted. Khaya instructed the bookkeeper to refund the discount electronically. He authorised the refund and the bookkeeper processed it.

- An unauthorised debit order appeared on 25 May. The bank will rectify the error in June.

C. Entries in the Cash Journals after 25 May 2025:

Deposit on 30 May 2025	R31 250
EFT 384 to DS Packaging, dated 27 May 2025	9 650
EFT 392 to MJ Stationers, dated 29 May 2025	5 440

Bank Statement balance on 31 May 2025 …?

16.2 CREDITORS' RECONCILIATION

Soweto Traders buys goods on credit from, among others, PP Distributors. The business receives their account statement promptly every month

REQUIRED:

16.2.1 Use the table provided to indicate all corrections that must be made to the Creditors' Control Account and the Creditors' List. Indicate changes with a (+) for an increase, a (–) for a decrease or a (0) for no change. (9)

16.2.2 PP Distributors is happy with the way Soweto Traders manages its account and is willing to increase their credit limit. Explain TWO actions that should be taken by Soweto Traders to help them to maintain a good relationship with the creditor. (4)

INFORMATION:

A Balances and totals on 30 June 2025 (before correcting the errors and omissions):

Creditors' Control Account balance	R64 800
Creditors' List total in the Creditors' Ledger	R79 300

B The Creditors' Journal was overcast by R1 000.

C S. Snow, a debtor with a credit balance of R900, was mistakenly included in the list of creditors.

D The total of the Creditors' Allowance Journal was inaccurately added as R23 500 instead of R17 900.

E The Debtors' Control column of R4 400 in the Cash Payments Journal was erroneously posted to the Creditors' Control Account.

F Packing material costing R2 300 returned to PP Distributors was recorded correctly in the relevant journal. It was however posted to the PP Distributors account as a credit purchase.

Activity 16

16.1.1 BANK RECONCILIATION

CASH RECEIPTS JOURNAL	CASH PAYMENTS JOURNAL
Amount	Amount
R102 675	R86 150

10

16.1.2

Bank Account balance in the General Ledger on 31 May 2025	
WORKINGS	ANSWER

4

16.1.3 Choose only ONE template below to answer this question.
TWO-COLUMN METHOD
Choose only ONE template below to answer this question.

TWO-COLUMN METHOD

BANK RECONCILIATION STATEMENT ON 31 MAY 2025		
	DEBIT	CREDIT

7

OR ONE-COLUMN METHOD

BANK RECONCILIATION STATEMENT ON 31 MAY 2025	

16.1.4

Khaya has noticed that a long serving cashier has recently been experiencing cash shortages. Suggest TWO possible reasons for these shortages and provide a solution for each reason given.	
Reason	Solution

4

16.1.5

Provide TWO reasons why Khaya authorises all EFT payments of his business.

2

16.2.1 Creditors Reconciliation

Use the table provided to indicate corrections that must be made to the Creditors' Control Account and the Creditors' List. Indicate changes with a (+) for an increase, a (–) for a decrease or a (0) for no change.		
	CREDITORS' CONTROL ACCOUNT	CREDITORS' LIST
BALANCE	64 800	79 300
B		
C		
D		
E		
F		
Corrected Balance		

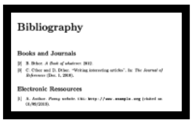
9

16.2.2

PP Distributors is happy with the way Soweto Traders manages its account and is willing to increase its credit limit. Explain TWO actions taken by Soweto Traders that helped them to maintain a good relationship with the creditor.

4

TOTAL MARKS
40



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