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GRADE 12

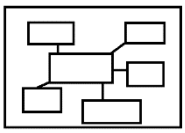
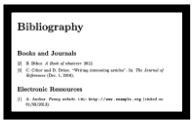
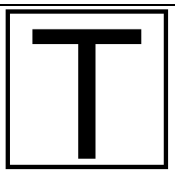
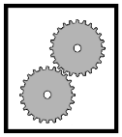
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2026

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ICON DESCRIPTION

 MIND MAP	 EXAMINATION GUIDELINE	 CONTENTS	 ACTIVITIES
 BIBLIOGRAPHY	 TERMINOLOGY	 WORKED EXAMPLES	 STEPS



CONTENTS **PAGE**

1. Statement of Financial Position and Fixed assets	3-16
2. Analysis of financial Statements	17-27
3. Budgeting	28-49
4. Bibliograghy	50

ACTIVITY 1: COMPANY FINANCIAL STATEMENTS (50 marks; 45 minutes)

The following information was taken from the accounting records of Vukayibambe Limited. The financial year ended on 28 February 2026. The company trades with women's and men's clothing.

REQUIRED:

1.1 **Refer to Information B.**

Calculate the correct value of the closing stock of men's informal shirts. (6)

1.2 Prepare the Ordinary Share Capital Note. (8)

1.3 Prepare the Statement of Financial Position on 28 February 2026. (36)

NOTE:

- Show ALL workings in brackets.
- Certain figures are provided in the ANSWER BOOK.
- Missing amounts in shaded areas must NOT be filled in.

INFORMATION:

A. The following amounts were extracted from the accounting records on:

	28 Feb. 2026 R	**29 Feb. 2025 R**
Fixed deposit: Time Bank	**?**	
Trading stock	4 598 000	
Debtors' control	735 000	
Provision for bad debts	**?**	
Ordinary shareholders' equity	**?**	**16 200 000**
Ordinary share capital	17 875 000	11 395 000
Retained income	**?**	4 805 000
Mortgage loan: Delta Bank	3 200 000	
Creditors' control	878 500	
Bank (unfavourable)	**?**	

B. Trading stock:

It was discovered that the closing stock of one specific brand of men's informal shirts was valued according to the first-in-first-out stock valuation method instead of the weighted-average stock valuation method. This must be corrected.

The following records are applicable to this brand of informal shirts:

		Cost	
	Quantity	Per unit R	Total R
Stock (1 March 2025)	300		97 500
Purchases	4 800		1 605 000
Returns	100		42 500
Closing stock (28 Feb. 2026)	820		285 500

C. Fixed deposit: Time Bank

- A fixed deposit of R320 000 matured on 31 July 2026.
- The remaining 60% of the fixed deposit will mature on 31 December 2028.

D. Transfer of balance and provision for bad debts:

- A debtor, who had overpaid his account by R5 000 in the Debtors' Ledger, requested that this overpayment be transferred to his account in the Creditors' Ledger. This transfer has not yet been recorded.
- The provision for bad debts must be adjusted to 4% of the outstanding debtors.

E. Extract from the Statement of Comprehensive Income for the year ended 28 February 2026:

	R
Operating income	
Commission income	169 400
Rent income	430 500
Operating expenses	
Directors' fees	1 998 750

NOTE: The following year-end adjustments were taken into consideration in the statement above:

ADDITIONAL INFORMATION:

- Commission income for February 2026, R6 400, was still outstanding.
- Rent for March and April 2026 was received and recorded. The rent was increased by 10% on 1 December 2025.
- The company had two directors on 1 March 2025, the beginning of the financial year. They both earned the same monthly directors' fees and were paid in full. A third director, Jack Jele, was employed on 1 June 2025, earning a monthly fee of 25% lower than the other directors. Jack was paid up to 31 March 2026.

F. Mortgage loan: Delta Bank

- Fixed monthly repayments of R45 000, including capitalised interest, has been made and correctly recorded for the financial year ended 28 February 2026.
- The monthly repayments will remain the same until the loan is fully repaid in approximately four years' time.
- Interest for the next financial year is expected to be R290 000.

G. Shares and dividends:

NOTE: The relevant entries have already been recorded.

- The company had an authorised share capital of 9 000 000 shares.
- 750 000 new shares were issued on 31 March 2025.
- An interim dividend was paid on 1 September 2025.
- 150 000 shares were repurchased on 31Andileuary 2026. EFT payments totalling R1710 000 were made in favour of shareholders.
- The directors declared a final dividend of 90 cents per share on the 2 750 000 shares in issue on 28 February 2026.

H. Profit and income tax:

- The assessment from SARS for the financial year ended 28 February 2026 indicated that the company qualifies for a tax refund of R70 000.
- The net profit after tax was accurately calculated to be R4 721 700 for the financial year ended 28 February 2026.

I. Financial indicators calculated on 28 February 2026 after the above have been taken into account:

Current ratio	1,3 **:** 1
% return on average shareholders' equity	24%

ACTIVITY 1

1.1 Calculate the correct value of the closing stock of men's informal shirts.

WORKINGS	ANSWER

6

1.2 ORDINARY SHARE CAPITAL NOTE

NUMBER	DETAILS	AMOUNT
2 750 000	Shares issue at the end of the year	

8

1.3 STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2026

Assets		
Non-current assets		
Fixed assets at carrying value		
Current assets	**5 798 000**	
Trade and other receivables (735 000		
Cash and cash equivalents		
Total assets		
Equity and liabilities		
Shareholders' equity		
Non-current liabilities		
Current liabilities		
Trade and other payables (878 500		
Bank overdraft		
Total equity and liabilities		**36**

TOTAL MARKS	
	50

ACTIVITY 2: STATEMENT OF FINANCIAL POSITION (58 marks, 47 minutes)

2.1 Choose a description from COLUMN B that matches the term in COLUMN A. Write only the letter (A–E) next to the question number (2.1.1– 2.1.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
2.1.1	Income Statement	**A**	an explanation of the operations of the company during a financial year
2.1.2	Balance Sheet	**B**	reflects whether or not the shareholders can rely on the financial statements
2.1.3	Cash Flow Statement	**C**	reflects the profit/loss of the company for the year
2.1.4	Directors' report	**D**	reflects the effect of the operating, financing and investing activities on the cash resources
2.1.5	Independent audit report	**E**	reflects the net worth of the company

(5 x 1) (5)

2.2 NGALONKULU LTD

Refer to the information from the records of **NGALONKULU** Ltd for the financial year ended 30 June 2026.

REQUIRED:

2.2.1 Prepare the following notes to the Statement of Financial Position:

(a) Ordinary share capital (8)

(a) Retained income (11)

2.2.2 Complete the Statement of Financial Position on 30 June 2026. Where notes are not required, show ALL workings in brackets. (28)

2.2.3 The CFO (chief financial officer), Barry Wright, has convinced the company to buy back a further 400 000 shares from his close relative during the next financial year. Barry currently owns 1 904 400 shares in this company, which is 46% of the issued shares.

As a shareholder, explain your concern regarding the proposed buy-back of shares. Provide calculations to support your concern. (6)

INFORMATION:

A. Extract from the books on 30 June 2026:

Fixed/Tangible assets (carrying value)	**?**
Fixed deposit: Morocco Bank	380 000
Ordinary share capital (1 July 2025)	3 150 000
Retained income (1 July 2025)	874 000
Bank (favourable)	250 700
Loan: Helping Bank	302 400
Trading stock	478 000
Debtors' control	317 000
Creditors' control	239 800
Income received in advance	6 600
SARS: Income tax (provisional payments)	390 000
Dividends on ordinary shares (interim dividends)	630 000

B. Share capital:

The business has an authorised share capital of 6 000 000 shares.
70% of the shares were in issue on 1 July 2025.
60 000 ordinary shares were repurchased from a disgruntled shareholder on 1 December 2025. The company paid R3,50 per share. This was paid and recorded on 1 December 2025.

C. A final dividend of 22 cents per share was declared on 30 June 2026. Only shares in the share register qualify for final dividends.

D. The following adjustments have not been taken into account yet:

Provision for bad debts is set at 5% of the outstanding debtors.
Insurance included an annual premium of R31 800, paid for the period 1 October 2025 to 30 September 2026.

E. The loan statement from Helping Bank reflected the following:

Balance on 1 July 2025	R480 000
Repayments during financial year (including interest)	R177 600
Interest capitalised	R57 600
Balance on 30 June 2026	**?**

R40 000 of the loan will be paid back in the next financial year.

F Income tax for the year amounted to R408 800. This was calculated at 28% of the corrected net profit.

ACTIVITY 2 ANSWER BOOK

2.1

2.1.1		
2.1.2		
2.1.3		
2.1.4		
2.1.5		

5

2.2 NGALONKULU LTD

2.2.1

(a) ORDINARY SHARE CAPITAL

Authorised		
6 000 000 shares		
Issued		

8

(b) RETAINED INCOME

Balance on 1 July 2025	**874 000**
Ordinary share dividends	
Balance on 30 June 2026	

11

2. 2

NGALONKULU LTD
STATEMENT OF FINANCIAL POSITION ON 30 JUNE 2026

ASSETS **NON-CURRENT ASSETS**	
Fixed/Tangible Assets	
Fixed deposit	**380 000**
CURRENT ASSETS	
Inventory	**478 000**
TOTAL ASSETS	
EQUITY AND LIABILITIES **SHAREHOLDERS' EQUITY**	
Ordinary share capital	
Retained income	
NON-CURRENT LIABILITIES	
Loan: Helping Bank	
CURRENT LIABILITIES	
Trade and other payables	
TOTAL EQUITY AND LIABILITIES	

28

2.2.3 As a shareholder, explain your concern regarding the proposed buy-back of shares. Provide calculations to support your concern.

6

ACTIVITY 3

CONCEPTS AND FINANCIAL STATEMENTS (55 marks: 60 minutes)

3.1. Choose the correct word from COLUMN B to match the description in COLUMN A. Write only the letter (A — E) next to the question number (3.1.1 to 3.1.5) in the ANSWER BOOK.

(5)

NO	COLUMN A	COLUMN B
3.1.1.	Sets out the rights, duties and responsibilities of shareholders and directors.	**A** Matching concept
3.1.2.	The total number of shares that a company can issue.	**B** International Financial Reporting Standards (IFRS)
3.1.3.	Revenue generated during an accounting period should be in line with the expenses during the same period.	**C** Memorandum of Incorporation (MOI)
3.1.4.	Guidelines for the preparation of financial statements to ensure consistency.	**D** Shareholders
3.1.5.	The.....are the owners of the entity	**E** Authorised share capital

3.2 BERGVIEW LIMITED

You are provided with the information relating to BERGVIEW Ltd, for the year ended 28 February 2026.

REQUIRED:

3.2.1. Prepare the following note to the Statement of Financial Position for the financial year ended 28 February 2026

- Trade and other receivables (12)
- Ordinary share capital (11)

3.2.3. Prepare the Statement of Financial Position of BERGVIEW Ltd as at 28 February 2026.
(Where notes are not required, show your workings in brackets in order to earn part marks) (27)

INFORMATION:

A. The following figures were extracted from the accounting records at the end of the financial year on 28 February 2026.

Ordinary share capital	**?**
Retained income (28 February 2022)	910 000
Fixed assets (at carrying value on 28 February 2022)	5 180 652
Loan: Canara Bank (28 February 2022)	622800
Fixed deposit: Fargo Bank (1 March 2021)	504000
Bank (Dr)	
Creditors' control	**?**
Debtors' control	64 800
Inventory	757 800
Provision for bad debts	3 420
SARS: Income tax (Provisional tax payments)	524 520

B. Share Capital

- The company has an authorised share capital of 1 000 000 shares.
- 60% of the authorised share capital was issued at the beginning of the financial year.
- On 31 March 2025, the directors received R1 100 000 on additional shares issued of 200 000 shares.
- On 31 December 2025, the directors decided to buy back 100 000 shares from the estate of the deceased shareholder.

C. Dividends

- An interim dividend of 45 cents per share was declared and paid on 1 August 2025. The new shareholders qualified for the interim dividend.
- A final dividend of 81 cents per share was declared on 28 February 2026. The shareholder whose shares were bought back are not entitled to the final dividend.

D. The loan statement received from Canara bank showed the following:

Opening balance (01/03/2025)	R 846 000
Repayment during the year (interest included)	R 223 200
Closing balance (28/02/2026)	R 709 200

- Provide for interest on loan.
- The capital repayment of the loan will remain the same as the previous financial year

E. Interest on fixed deposit is earned at 10% per annum and is not capitalised. No interest has been received. 40% of the fixed deposit will mature on 30 June 2026.

F. Provision for bad debts must be adjusted to 5% of the outstanding debtors.

G. Trading stock, R25 200 was damaged by a storm during the year. The insurance company accepted the claim and will cover 70% of the claim. The insurance claim will be processed during May 2026.

H. Insurance included an annual policy of R15 120 paid on 1 August 2025.

I. Income tax for the year amounted to R483 120.

J. Financial indicators:

Current ratios	25:1
Debt Equity ratios	01: 1
Net asset value per share (NAV)	880 cents

ACTIVITY 3 ANSWER BOOK

3.1

3.1.1	
3.1.2	
3.1.3	
3.1.4	
3.1.5	

3.2 BERGVIEWLIMITED

3.2.1. TRADE ANDOTHER RECEIVABLES

Debtors' Control	64 800

3.2.2 ORDINARY SHARE CAPITAL

AUTHORISED SHARE CAPITAL

1 000 000 ordinary shares

ISSUED SHARE CAPITAL

3.2.3 BERGVIEW LTD

STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2026

ASSETS	
NON-CURRENT ASSETS	
Fixed deposit (504 000	
CURRENT ASSETS	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
SHAREHOLDERS' EQUITY	
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
Trade and other payables	
TOTAL EQUITY AND LIABILITIES	

ACTIVITY 4: INTERPRETATION OF FINANCIAL INFORMATION

(35 marks; 25 minutes)

BLUE LTD

You are provided with extracts from the financial records of Blue Ltd for the financial year ended 30 June 2025.

REQUIRED:

4.1 **Share price:**
Shares are being offered to the existing shareholders at 130 cents each. Would you consider buying additional shares in this company? Briefly explain by quoting TWO financial indicators, with figures. **(4)**

4.2 **Liquidity:**
Although the company is not experiencing any liquidity problems, the directors are very concerned about the liquidity of the company. Explain why they are concerned. Quote TWO financial indicators with figures to support their concerns **(6)**

4.3 **Risk and gearing:**
Blue Ltd is considering taking out an additional loan of R240 000 at an interest rate of 17% p.a. What advice would you give the directors? Quote TWO financial indicators with figures to support your answer. (6)

4.4 **Dividend payout policy:**
Comment on the dividend payout policy by quoting figures and explain why the directors decided to change the dividend payout policy. **(3)**

4.5 **Shareholding:**
Mark is one of the shareholders in the company. He owned 200 000 shares at the start of the year. He then purchased another 50 000 shares when the new shares were issued on 2025.

4.5.1 Calculate Mark's % shareholding after the issuing of new shares on February 2025 **(3)**

4.5.2 Calculate Mark's % shareholding after the repurchase of shares on 1 May 2025. **(2)**

4.5.3 How has Mark's % shareholding in the company been affected by the repurchase of the shares? **(2)**

4.6 **Earnings and returns:**
As a shareholder of Blue Ltd, would you be satisfied with the performance of the company for 2025? Quote TWO financial indicators with figures. (5)

4.7 One director has queried the fact that, whilst the operating profit on sales has improved, the percentage net profit before tax on sales has declined. Provide a brief explanation to the director. (4)

INFORMATION:

A. Share capital:

400 000 shares on 1 July 2024 valued at R3 240 000
200 000 shares were issued on February 2025 at R6,80
On 1 May 2025, 240 000 shares were repurchased from a deceased shareholder at R7,70.

B. The following financial indicators were calculated on 30 June:

	2025	**2024**
Operating profit on sales	27%	25%
Net profit before tax on sales	19%	24%
Current ratio	5,2 : 1	2,2 : 1
Acid-test ratio	2,8 : 1	1,2 : 1
Stock turnover rate	6,2 times	4,7 times
Solvency ratio	3,3 : 1	6,5 : 1
Debt-equity ratio	0,32 : 1	0,06 : 1
Return on average capital employed (ROTCE)	22%	31%
Return on shareholders' equity (ROSHE)	31%	36%
Earnings per share (EPS)	29 cents	33 cents
Dividends per share (DPS)	24 cents	18 cents
Dividend payout rate	82,7%	54,5%
Net asset value per share (NAV)	132 cents	127 cents
Market price	140 cents	150 cents
Interest on loan	17%	17%
Interest on fixed deposit	8%	8%

ACTIVITY 4

4.1 Share price:

Shares are being offered to the existing shareholders at 130 cents each. Would you consider buying additional shares in this company? Briefly explain by quoting TWO financial indicators, with figures.	
	4

4.2 Liquidity:

Although the company is not experiencing any liquidity problems, the directors are very concerned about the liquidity of the company. Explain why they are concerned. Quote TWO financial indicators with figures to support their concerns.	
	6

4.3 Risk and gearing:

Blue Ltd is considering taking out an additional loan of R240 000 at an interest rate of 17% p.a. What advice would you give the directors? **Quote TWO financial indicators with figures to support your answer.**	
	6

4.4 Dividend payout policy:

Comment on the dividend payout policy by quoting figures and explain why the directors decided to change the dividend payout policy.	
	3

4.5 Shareholding:

4.5.1

Calculate Mark's % shareholding on 1Andileuary 2025 after the issuing of new shares.	
	3

4.5.2

Calculate Mark's % shareholding after the repurchase of shares on 1 May 2025.	
	2

4.5.3

How has Mark's % shareholding in the company been affected by the repurchase of the shares?	
	2

4.6 Earnings and returns:

As a shareholder of Blue Ltd, would you be satisfied with the performance of the company for 2025? Quote TWO financial indicators with figures.	
	5

4.7

One director has queried the fact that, whilst the operating profit on sales has improved, the percentage net profit before tax on sales has declined. Provide a brief explanation to the director.	
	4

TOTAL MARKS
35

ACTIVITY 5: INTERPRETATION OF FINANCIAL STATEMENTS

(40 marks; 32 minutes)

FLAG LIMITED AND STAFF LIMITED

The information relates to two companies which operate in the same industry. Andile Faku own shares in both companies.

NOTE: Where comments or explanations are required, quote financial indicators, with figures and trends to support your answer.

REQUIRED:

5.1 Liquidity:

- Identify the company that is managing its liquidity more efficiently. Quote THREE financial indicators, with figures, to support your choice. (6)
- Flag Ltd reportedly increased their advertising budget in 2025. Was this advertising effective? Quote one liquid indicator to support your answer. (3)
- The bookkeeper of Flag Ltd forgot to calculate the stockholding period. Calculate the stockholding period for Flag Ltd for 2025. (2)

5.2 Returns, earnings and dividends:

- Explain whether the shareholders of FLAG Ltd should be satisfied with the earnings and returns on the investment. Quote figures. (2)

The directors of STAFF Ltd changed their dividend pay-out policy.

- Explain this change. Quote figures. (3)
- Explain why you would consider this change to be either a responsible or an irresponsible decision. Provide TWO points. (4)
- Andile feels that the dividends he received in STAFF Ltd is better than that of Flag Ltd. Quote figures and explain w hy you support his opinion. (4)

5.3 Risk and gearing:

Compare the risk and gearing of each company and explain which company is managing debt more effectively. Quote TWO financial indicators with figures. (6)

5.4 Share and shareholding:

5.4.1 Andile lost the majority shareholding of STAFF Ltd because the directors issued additional shares during the financial year. Explain why he wants to maintain his position as the majority shareholder. Provide ONE point. (2)

5.4.2 Calculate the number of shares that he must purchase to achieve this objective, and the amount he will require to purchase these shares. (4)

5.4.3 What advice would you offer STAFF about his share in STAFF Ltd? Provide TWO points. Quote figures. (4)

INFORMATION

A. Financial indicators, interest rates and market prices of shares:

	FLAG LTD		STAFF LTD	
	2025	**2024**	**2025**	**2024**
Debt/Equity ratio	0,5 : 1	0.2 : 1	0,2 : 1	0,6 : 1
Current ratio	2,4 : 1	2,1 : 1	2,0 : 1	1,9 : 1
Acid-test ratio	0,7 : 1	0,8 : 1	1,1 : 1	0,9 : 1
Stock turnover rate	5,6 times	7,4 times	9,9 times	9,5 times
Debtors average collection period	42 days	38 days	34 days	32 days
Earnings per share	99 cents	112 cents	83 cents	64 cents
Dividends per share	85 cents	95 cents	79 cents	33 cents
Dividends pay out rate	86%	85%	95%	51%
% Return on average shareholders' equity	8,3%	9,2%	9,4%	6,8%
% Return on total average capital employed	11,9%	13,4%	13,4%	9,8%
Net asset value per share	1 195 cents	1 192 cents	932 cents	943 cents

B. Additional information:

Market price on stock exchange	1 177 cents	1 186 cents	945 cents	940 cents
Interest rate on loans	12,5%	12,5%	12,5%	12,5%
Interest rate on fixed deposit	8,5%	8,5%	8,5%	8,5%

C. Shares and shareholding of Andile Faku:

	FLAG LTD		STAFF LTD	
	2025	**2024**	**2025**	**2024**
Total number of shares in each company	1 800 000	1 800 000	2 080 000	1 700 000
Shares owned by Andile	450 000	450 000	920 000	920 000
% shareholding in each company	25%	25%	?	54,1%

(35)

ACTIVITY ANSWER BOOK

5.1. Liquidity:

Identify the company that is managing its liquidity more efficiently. Quote THREE financial indicators, with figures, to support your choice.	
Flag Ltd reportedly increased their advertising budget in 2025. Was this advertising effective? Quote one liquid indicator to support your answer.	
The bookkeeper of Flag Ltd forgot to calculate the stockholding period . Calculate the stockholding period for Flag Ltd for 2025.	
	11

5.2 Returns, earnings and dividends:

Explain whether the shareholders of Flag Ltd should be satisfied with the earnings and returns on the investment. Quote figures.	
	2

The directors of STAFF Ltd changed the dividend pay-out policy. Explain this change and quote figures.	
	3
Explain why you consider this change to be either a responsible or an irresponsible decision. Provide TWO points.	
	4
Andile feels that the dividends he received in STAFF Ltd is better than that of Flag Ltd. Quote figures and explain why you support his opinion.	
	4

5.3 Risk and gearing:

Compare the risk and gearing of each company and explain which company is managing debt more effectively. Quote TWO financial indicators, with figures.
Flag Ltd
Staff Ltd

6

5.4 Shares and shareholding:

5.4.1

Andile, lost his majority shareholding of STAFF Ltd because the directors issued additional shares during the financial year. Explain why he wants to maintain his position as the majority shareholder. Provide ONE point.

2

5.4.2 **Calculate the number of shares that he must purchase to achieve this objective, and the amount he will require to purchase these shares.**

	4

5.4.3 **What advice would you offer Andile about his shares in Flag Ltd? Provide TWO points. Quote figures.**

	4

TOTAL MARKS
35

QUESTION 6 BUDGETING (40 marks, 32 minutes)

6.1 CASH BUDGET

POPANO (PTY) LTD

Lineo Motaung is the sole shareholder and CEO of the business.

REQUIRED:

6.1.1 Calculate the amounts for (i) - (v) in the Cash Budget. (19)

6.1.2 Lineo extracted the following actual and budgeted figures for August 2024:

	Budgeted	Actual
Total sales	R864 000	R648 000
Cash from debtors	R550 000	410 000
Advertising	R36 000	R36 000
Delivery expenses	R60 000	R51 000

Comment and quote figures on the:

- Effectiveness of the advertising (3)
- Control over delivery expenses (3)

INFORMATION:

A. Total sales:

July	August	September	October
792 000	864 000	900 000	918 000

.

- Credit sales comprise 60% of total sales

B.
- Goods are sold at a mark-up of 80% on cost.
- The business maintains a fixed stock base level. Stock sold in a month is replaced in the same month.

C.
- The cash purchases are 65% of total purchases.
- Creditors are paid in the month following the month of purchases to take advantage of a 5% discount.

D. Extract from the Cash Budget for two months ended 31 October 2024:

	September	October
Cash sales	360 000	367 200
Rent income	15 500	**(i)**
Cash purchases	124 300	**(ii)**
Payment to creditors for stock	**(iii)**	107 350
Salaries of sales assistants	41 000	**(iv)**
Telephone	**(v)**	48 600

E. Rent income is expected to increase by 9% from 1 October 2024.

F. The business will have five sales assistants employed in September 2024 on the same monthly salary. Three of them will receive an annual bonus of 75% of their earnings in October 2024. A part-time sales assistant will also be employed during October 2024 and will earn 50% of the monthly amount applicable to the others.

G. A tariff increase of 8% will be implemented on the telephone account from 1 October 2024. The business has entered into a fixed monthly fee contract with the service provider.

6.2 PROJECTED STATEMENT OF COMPREHENSIVE INCOME

SEDITI TRADERS

Khotso Molefe owns SEDITI Traders, which sell cycling equipment. You are provided with a Projected Statement of Comprehensive Income for July and August 2024. The actual figures are also provided.

REQUIRED:

6.2.1 Khotso budgeted to achieve a 100% mark-up on cost. However, due to increased competition, he found it necessary to reduce his price during the budgeted period.

- Calculate the mark-up % that the business actually achieved in July 2024. (3)

- Khotso feels that the business benefited from the price reduction. Quote figures from the question to support his opinion. (2)

6.2.2 Over the past two months Khotso has needed to contribute capital in order to settle the debts of the business. Explain why the Projected Statement of Comprehensive Income will not help him in identifying the reasons for this problem. Provide ONE suitable reason. (2)

6.2.3 On 1 July 2024 the business had a loan from Ladysmith Bank at an interest rate of 15% p.a. Interest is not capitalized.

Additional loan was taken on 1 August 2024 at the same interest rate.

- Calculate the amount of the additional loan taken on 1 August 2024. (4)

- Khotso decided to use the additional loan which was taken on 1 August 2024 to purchase the shop premises instead of renting premises. How has this decision affected the profit he is earning? Provide TWO points with figures to support your answer. (4)

INFORMATION:

SEDITI TRADERS

Projected Statement of Comprehensive Income for July and August 2024:

	July Budgeted	**July Actual**	**August Budgeted**	**August Actual**
Sales	400 000	640 000	432 000	680 000
Cost of sales	(200 000)	(400 000)	(216 000)	(425 000)
Gross profit	200 000	240 000	216 000	255 000
Other income	90 000	120 000	118 000	138 000
Operating expense	(120 000)	(130 000)	(140 000)	(145 000)
Rent expense	30 000	30 000	30 000	0
Rates	0	0	0	15 000
Operating profit	170 000	230 000	194 000	248 000
Interest expense (15% p.a)	(2 500)	(2 500)	(12 500)	(12 500)
Net profit for the month	**167 500**	**227 500**	**181 500**	**235 500**

40

ACTIVITY 6 ANSWER BOOK

6.1.1 (i)

Rent income for October 2024	
WORKINGS	**ANSWER**

(ii)

Cash purchases for October 2024	
WORKINGS	**ANSWER**

(iii)

Payment to creditors in September 2024	
WORKINGS	**ANSWER**

(iv)

Salaries of sales assistants in October 2024	
WORKINGS	**ANSWER**

(v)

Telephone for September 2024	
WORKINGS	**ANSWER**

19

6.1.2

Effectiveness of the advertising

3

Control over delivery expenses

3

6.2.1 **Calculate the mark-up % that the business achieved in July 2024.**

WORKINGS	ANSWER

3

Khotso feels that the business benefited from the price reduction. Quote figures from the question to support his opinion.

2

6.2.2 **Over the past two months Khotso has needed to contribute capital in order to settle the debts of the business. Explain why the Projected Statement of Comprehensive Income will not help him in identifying the reasons for this problem. Provide ONE suitable reason.**

2

6.2.3 **Calculate the amount of the additional loan taken on 1 August 2024.**

WORKINGS	ANSWER

4

Khotso decided to use the additional loan which was taken on 1 August 2024 to purchase the shop premises instead of renting premises. How has this decision affected the profit he is earning? Provide TWO points with figures to support your answer.

4

ACTIVITY 7: BUDGETING AND PROBLEM-SOLVING (40 marks; 30 minutes)

7.1 ILANGA TRADERS

Information is provided for the budget period ending 31 January 2026.

REQUIRED:

7.1.1 Complete the Debtors' Collection Schedule for January 2026 (6)

7.1.2 Calculate the amounts denoted by (i) to (iv) in the extract of the Projected Statement of Comprehensive Income. (13)

7.1.3 Calculate the following for January 2026:
- Cash purchases of trading stock (3)
- Payments to creditors (2)

7.1.4 Calculate the amount of the fixed deposit which will mature on 31 January 2026. (4)

INFORMATION:

A. Sales and purchases:

	NOVEMBER	DECEMBER	JANUARY
Total sales	R1 925 000	R1 995 000	R2 030 000
Cost of sales	R1 203 125	R1 246 875	**?**

- Credit sales account for 75% of total sales.
- Debtors pay according to the following trends:
  - 30% in the month of sales, subject to a 4% discount
  - 50% in the month following the month of sales
  - 14% two months after the month of sales
  - The remaining amount will be written off as irrecoverable in the third month after sales.
- The mark-up is 60% on cost.
- Stock is replaced in the month of sales. A fixed-base stock level is maintained
- 20% of stock is bought for cash.
- Creditors are paid in full in the second month after the month of purchases.

B. Extract from the Projected Statement of Comprehensive Income:

	Dec. 2025 R	Jan. 2026 R
Sales	1 995 000	2 030 000
Bad debts	78 600	**(i)**
Salary: sales manager	29 000	**(ii)**
Salaries: assistants	**(iii)**	88 000
Advertising	**(iv)**	182 700
Interest on fixed deposit	0	5 440

C. Additional information:

- The sales manager is paid for 20 days per month at a fixed daily rate. She will apply for four days' unpaid leave in January 2026 to attend to personal matters.

- All assistants will receive a 60% bonus in December 2026.

  NOTE: All assistants will receive their annual salary increase of 10% on 1 January 2026.

- A fixed deposit, including the quarterly interest, will mature on 31 January 2026. The interest rate is 8% p.a., receivable quarterly. Interest is not capitalised.

- Advertising is budgeted at a fixed percentage of the monthly sales.

7.2 NOXOLO TRADERS

The business sells gas stoves, and the information relates to the period September and October 2025.

Banele Mkhize, the manager, is impressed with the performance of Noxolo Traders. The business has consistently outperformed its only competitor in the area, Woodlands Traders, due to a bigger client base and being competitive. Woodlands Traders decided to close their business in September 2025. As a result, Noxolo Traders became the only gas stove supplier in the area.

REQUIRED:

7.2.1. Explain why it is important to compare the budgeted figures with the actual figures. Provide ONE point. (2)

7.2.2. **Loss of sales:**

- The number of units sold in October has decreased. Give a reason, with figures, for this decrease. (2)
- Provide a calculation to show the amount of cash that was lost in October 2025 sales when compared to September 2025 sales. (2)

7.2.3. State TWO benefits that Noxolo Traders will forfeit by failing to meet its financial obligations with suppliers in October 2025. (2)

7.2.4. **Remuneration to employees:**

- Give ONE reason for Banele awarding his employees with commission during September 2025. Quote figures. (2)
- Give ONE reason why the employees will not be satisfied with the revised remuneration policy. Quote figures. (2)

INFORMATION:

A. Extract from the Cash Budget:

	Sept. 2025		Oct. 2025	
	BUDGETED	**ACTUAL**	**BUDGETED**	**ACTUAL**
	R	**R**	**R**	**R**
Collection from debtors	95 456	95 456	97 784	97 784
Payments to creditors	320 000	306 000	306 000	61 200
Salaries	38 400	38 400	27 000	27 000
Commission on sales	0	3 900	4 500	4 500
Cash surplus/deficit	63 800	98 950	80 120	(72 400)
Opening balance	103 000	120 000	166 800	218 950
Closing balance	**166 800**	**218 950**	**246 920**	**146 550**

Units sold	**90**	**124**	**90**	**61**
Selling price per unit	**R1 600**	**R1 600**	**R2 480**	**R2 480**

B. Additional information:

- The business budgets to sell 90 stoves per month.
- Creditors are paid one month after purchase, subject to a 4% discount.
- The business has three employees.
- Banele decided to introduce commission on sales and from October 2025 onwards, a reduced monthly salary.

ACTIVITY 7

7.1 ILANGA TRADERS

7.1.1

MONTHS	CREDIT SALES R	DECEMBER 2025 R	JANUARY 2026 R
October 2025	1 417 500	198 450	
November 2025	1 443 750	721 875	
December 2025	1 496 250	430 920	
January 2026			
RECEIPTS FROM DEBTORS		1 351 245	

6

7.1.2 Calculate:

WORKINGS	ANSWER
(i) Bad debts in January 2026	
(ii) Salary: sales manager for January 2026	
(iii) Salaries: assistants for December 2025	
(iv) Advertising for December 2025	

13

7.1.3 Calculate:

WORKINGS	ANSWER
Cash purchases of trading stock in January 2026	
Payments to creditors in January 2026	

3

2

7.1.4 Calculate the amount of the fixed deposit which will mature on 31 January 2026.

WORKINGS	ANSWER

4

7.2 NOXOLO TRADERS

7.2.1 Explain why it is important to compare the budgeted figures with the actual figures. Provide ONE point.

2

7.2.2 Loss of sales:

The number of units sold in October has decreased. Give a reason, with figures, for this decrease.

2

Provide a calculation to show the amount of cash that was lost in October 2025 sales when compared to September 2025 sales.

WORKINGS	ANSWER

2

7.2.3 **State TWO benefits that Noxolo Traders will forfeit by failing to meet its financial obligations with suppliers in October 2025.**

2

7.2.4 **Remuneration to employees:**

Give ONE reason for Banele awarding his employees with commission during September 2025. Quote figures.

2

Give ONE reason why the employees will not be satisfied with the revised remuneration policy. Quote figures.

2

TOTAL MARKS
40

ACTIVITY 8 BUDGETING (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:

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

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

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

8.4 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)

8.5 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.

B. 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.

C. 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.

D. 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)

E. 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.

F. 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.

G. 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

H. 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 8

8.1

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

2

8.2 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

8.3. 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 9

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:

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

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

9.3 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)

9.4 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)

9.5 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 1Andileuary 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 1Andileuary 2024.

G 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 9 ANSWER BOOK

9.1 DEBTORS' COLLECTION SCHEDULE

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

	Credit Sales R	December 2023 R	January 2024 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

9.2 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

9.3 **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

9.4 Sales trends:

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

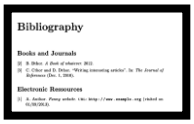
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9.5 Comment on the control over fuel for the delivery vehicle and the consumable stores used for repairs. Quote figures.

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

6

TOTAL MARKS	**35**



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