JENN

Training and Consultancy

The path to enlightened education

SUBJECT: ACCOUNTING

GRADE 12

WINTER CLASSES

TEACHER AND LEARNER CONTENT MANUAL

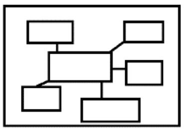
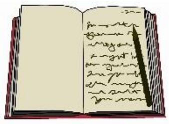
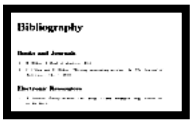
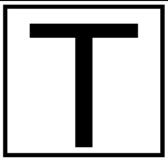
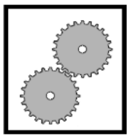
Topic

1. Inventories
2. Statement of Financial Position and Fixed Assets
3. Analysis of Financial Statements
4. Cost Accounting

JENN MAREMATLOU TRAINING INSTITUTE

A Division of Marematlou Group Holdings

ICON DESCRIPTION

 MIND MAP	 EXAMINATION GUIDELINE	 CONTENTS	 ACTIVITIES
 BIBLIOGRAPHY	 TERMINOLOGY	 WORKED EXAMPLES	 STEPS

CONTENTS **PAGE**

ACTIVITY 1

1.1 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:

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

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

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

1.1.4 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

1.2 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 1

1.1. Stock Valuation

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

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

1.1.3	Comment on the stock-holding period and explain how this would affect the business.	
	Comment How this would affect the business.	4

1.1.4	Calculate the value of the closing stock by using the FIFO method.	
		7

1.2 **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 2 STOCK VALUATION (35 MARKS: 30 MINUTES)

2.1 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 applicablej. The business is managed by Paul Saver. The financial year ended on 28 February 2025.

REQUIRED

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

2.1.2 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)

2.1.3 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.

2.2 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:

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

2.2.2 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)

2.2.3 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:

2.3.1 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)

2.3.2 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 00.	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 2 ANSWER BOOK

2.1 LILYFONTEIN SUPERMARKET

2.1.1

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

7

2.1.2

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

2.1.3

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

4

2.2 NOLITHA PRINTERS

2.2.1

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

4

2.2.2 Punches model:

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

2.2.3 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

2.3.1 Electric fans:

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

2.3.2 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 3 STATEMENT OF FINANCIAL POSITION AND NOTES

(35 marks, 30 Minutes)

MARIASDAL LTD

The following information relates to Mariasdal Ltd. The financial year ended 30 June 2025.

REQUIRED:

Refer to information A – G.

3. Prepare the following on 30 June 2025:

3.1 Retained Income Note (7)

3.2 Statement of Financial Position (28)

NOTE: Show workings, some amounts are provided in the ANSWER BOOK.

INFORMATION:

A. List of balances on 30 June before taking into account all adjustments below

BALANCE SHEET ACCOUNTS SECTION	**2025 R**	**2024 R**
Ordinary share capital	9 600 000	10 000 000
Retained income	?	670 100
Loan: Welkom Bank	?	1 800 000
Fixed assets at carrying value	?	8 647 000
Fixed deposit: Virginia Bank	?	1 500 000
Trading stock	?	
Net trade debtors	424 000	
Cash and cash equivalents	192 300	
SARS (Income tax)	235 000 Dr	
Creditors' control	116 860	
NOMINAL ACCCOUNTS SECTION		
Directors' fees	1 126 250	
Rent income	105 100	

B. **Net profit before taxation of R1 153 150 was calculated before correcting the following:**

(i) Provision for bad debts must be increased by R7 350.

(ii) R12 000 of the insurance contract was for the period 1 July 2025 to 31 December 2025.

(iii) Rent has been received for the period 1 July 2024 to 31 August 2025. Due to additional storage, the rent was increased by R500 per month for three months only, from 1 May 2025 to 31 July 2025.

(iv) The company had two directors at the beginning of the financial year. Both directors were not paid their fees for June 2025. A third director was appointed on 1 February 2025, at a fee of 10% lower than the existing directors and he received his fees for the current year.

(v) A further R55 000 is owed for income tax on 30 June 2025.

C. **Fixed Assets**

After considering all the changes affecting fixed assets during the year until the end of the financial period, the total movement of fixed assets amounted to R1 352 000.

D. **Financial Assets**

A third of the fixed deposit will mature on 31 December 2025

E. **Loan Statement: Welkom Bank**

	R
Repayments for the year inclusive of interest	**?**
Interest capitalised for the year. This accounts for 30% of the total repayment for the year	234 000

- R270 000 of the loan will be repaid within the next financial year.

F. **Ordinary shares and dividends**

Date	**Details**
1 July 2024	2 500 000 ordinary shares in issue
31 October 2024	4% of the issued shares were repurchased at R6, 10. This transaction was recorded.
30 June 2025	**?** ordinary shares in issue

NOTE: Additional shares were not issued during the financial year.

- Interim dividends were not declared during the year.
- Final dividends of 21 cents per share were declared at the end of the financial year.

ACTIVITY 3 ANSWER BOOK

MARIASDAL LTD

3.1. RETAINED INCOME NOTE

Balance at the beginning of the year	670 100
Ordinary share dividends	
Interim dividend	
Final dividend	
Balance at the end of the year	

3.2 Statement of Financial Position

7

ASSETS	
NON-CURRENT ASSETS	
Fixed assets	
Fixed deposit	
CURRENT ASSETS	
Trade and other receivables (424 000	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
SHAREHOLDERS' EQUITY	
Ordinary share capital	9 600 000
Retained income	
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
Trade and other payables (116 860	
Current portion of loan	
TOTAL EQUITY AND LIABILITIES	

28

ACTIVITY 4 FIXED ASSETS AND STATEMENT OF FINANCIAL POSITION
(42 marks, 34 minutes)

THABANG LTD

The information relates to Thabang Ltd for the financial year ended 28 February 2025.

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

REQUIRED:

4.1 Refer to information B for the year ended 28 February 2025:

4.1.1 Calculate the missing amounts denoted by (a) to (d) on the Fixed Asset note. (14)

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

4.2 Complete the Statement of Financial Position as at 28 February 2025. (25)

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 is 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 Lwazi 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

42

ACTIVITY 4 ANSWER BOOK

4.1.1

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

14

4.1.2 Calculation of profit/loss on sale of vehicle:

WORKINGS	ANSWER

3

4.2 **Statement of Financial Position on 28 February 2025.**

Assets	
Non-current assets	
Tangible assets	
Fixed deposit	
Current assets	
Total assets	
Equity and liabilities	
Shareholders' equity	
Retained income	
Non-current liabilities	
Loan	
Current liabilities	
Total equity and liabilities	

25

TOTAL MARKS
42

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ACTIVITY 5: FIXED ASSETS AND STATEMENT OF FINANCIAL POSITION.

(55 marks; 40 minutes)

TSHOLO LTD

The following information relates to Tsholo Ltd. The financial year ended on 28 February 2025.

REQUIRED:

5.1 **Refer to information B.**
Calculate the missing amounts denoted by **(a)** to **(e).** (16)

5.2. Prepare the Ordinary Share Capital Note for the year ended 28 February 2025. (8)

5.3. Complete the Statement of Financial Position for the year ended 28 February 2025. (31)
NOTE: Some amounts are provided in the ANSWER BOOK.

INFORMATION:

A. Amount extracted from the records on 28 February 2025.

Balance Sheet account section	**R**
Fixed/Tangible assets (carrying value)	?
Fixed deposit: Mopi Bank	915 000
Ordinary share capital	?
Loan from DBSA Bank	?
Trading stock (balancing figure)	?
Net trade debtors	1 808 149
Bank (favourable)	2 490 000
SARS: Income tax (provisional payments)	415 000
Creditors' Control	418 000
Nominal accounts section (pre-adjustment amounts)	
Advertising	113 000
Directors' fees	340 400
Rent income	177 600

B Fixed Assets:

	Land & Buildings	**Vehicles**	**Equipment**
Carrying value at the beginning	**1 450 000**	**120 000**	**270 000**
Cost	1 450 000	880 000	450 000
Accumulated depreciation	-	**(b)**	(180 000)
Movements			
Additions		360 000	50 000
Disposals	**(a)**	-	(46 080)
Depreciation		**(c)**	**(d)**
Carrying value at the end			
Cost	1 200 000		**(e)**
Accumulated depreciation	-		(160 080)

- During the financial year land and buildings were sold. This has been properly recorded.
- A new vehicle was bought on credit for R350 000 on 1 November 2024. The owner also paid to have a tracking device installed costing R10 000.
- Vehicles are depreciated at 15% p.a. on cost.
- On 28 February 2025 equipment which was bought for R120 000 was traded in against new equipment which cost R50 000 at a profit of R3 920.This transaction was recorded.
- Equipment is depreciated by 20% p.a. on the diminishing balance method.

C. Share capital and dividends

1 March 2024	The issued share capital consisted of 800 000 ordinary shares.
1 September 2024	200 000 Ordinary shares were issued at R8,00 per share.
1 January 2025	….. ordinary shares were repurchased from a retired shareholder at R8.00 per share. This transaction was not recorded.
28 February 2025	There were? shares in issue.
28 February 2025	Final dividends of 25 cents per share was declared

D. **The following figures were obtained from the Retained income note to the financial statement on 28 February 2025.**

Net profit after tax	895 300
Repurchase of 75 000 shares	(60 000)
Retained income at the end of the year	506 850

E A debtor with a credit balance of R16 300 is to be transferred to the creditors' ledger.

F. Advertising includes an amount of 27 000 paid for six advertisements in the daily news, by 28 February 2025 only three of that advertisement had appeared in the newspaper.

G. The company has two directors. Each director receives the same monthly remuneration. One of the directors did not receive his directors' fee for February 2025.

H. Rent income for March and April was already received. The rent was increased on 1 September 2024 by 10%.

I. The Income Tax for the year is calculated at 30% of the net profit before tax.

J. Total assets amounted to R9 437 250

K. The debt/equity ratio is 0,2 : 1 on 28 February 2025.

55

ACTIVITY 5 ANSWER BOOK

5.1. Calculate:

(a)

Disposal of Land and Building at Carrying Value during the year.	
WORKINGS	**ANSWER**

2

(b)

Accumulated depreciation on vehicles on 1 March 2024	
WORKINGS	**ANSWER**

2

(c)

Depreciation on vehicles on 28 February 2025	
WORKINGS	**ANSWER**
Depreciation on new vehicle	
Depreciation on old vehicle	
TOTAL DEPRECIATION ON VEHICLES	

6

(d)

Depreciation on equipment on 28 February 2025	
WORKINGS	**ANSWER**

2

(e)

Cost price of equipment on 28 February 2025	
WORKINGS	**ANSWER**

4

5.1 ORDINARY SHARE CAPITAL NOTE AT 28 FEBRUARY 2025

800 000		
200 000		
	Shares repurchased @	

8

TSHOLO LTD

5.3. Statement of financial position for the year ended 28 February 2025

ASSETS	
NON CURRENT ASSETS	**2 776 921**
Fixed assets	**1 861 921**
Fixed deposit	**915 000**
CURRENT ASSETS	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
ORDINARY SHAREHOLDERS EQUITY	
NON CURRENT LIABILITIES	
Loan: DBSA Bank	
CURRENT LIABILITIES	
Short term loan	
TOTAL EQUITY AND LIABILITIES	

TOTAL MARKS
55

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Activity 6 INTERPRETATION OF FINANCIAL STATEMENTS

6.1 Choose a category of indicators from COLUMN B that matches the description in COLUMN A. write only the letter (A – D) next to the question numbers (6.1.1 to 6.1.3) in the ANSWER BOOK.

COLUMN A		COLUMN B	
6.1.1	Liquidity	**A.**	Is the business managing expenses effectively to increase profitability.
6.1.2	Return to shareholders	**B.**	Is the investment in the company better than investing in a fixed deposit?
6.1.3	Operating efficiency	**C.**	Will the company be able to pay off its current debts?
		D.	Will the company be able to pay off all its debts using existing assets?

(3x1)

6.2 HAPPINESS LTD AND DEPPO LTD

You are presented with financial information of TWO companies operating in the same industry and of similar size, for the year ended 28 February 2025.

Wendy Zungu owns shares in both companies.

REQUIRED:

NOTE: Provide figures, trends, financial indicators or calculations in EACH case to support your comments and explanations.

6.2.1 **Profitability:**

Quote and explain TWO financial indicators to show which company is managing its expenses more efficiently and is thereby more profitable. **(4)**

6.2.2 **Dividends, Earnings and Returns**

- Comment on the dividend pay-out-policy of Happiness Ltd and explain why this is an irresponsible change in policy. Provide ONE point. **(3)**
- Explain why the shareholders of Deppo Ltd should be satisfied with the earnings of the company. **(2)**
- Comment on the % return on shareholders' equity of each company. **(4)**

6.2.3 **Directorship:**

Explain whether the directors of both companies should be satisfied or not with the share prices of the companies at the end of the financial year. Quote TWO financial indicators in each company **(6)**

6.2.4 **Shareholding of Wendy Zungu in both companies: Refer to information A and B**

- Calculate the number of shares that Wendy purchased in Happiness Ltd with the money she received from the share buy back at Deppo Ltd. **(3)**
  Note: only Wendy's share was repurchased by Deppo Ltd in 2025 financial year.

- Explain the effect of the shares repurchased and additional shares on the % shareholding of Wendy Zungu in each company. **(4)**

6.2.5 **Financing strategies and gearing of Happiness Ltd.**

- What were the causes of the change in the Debt-equity ratio? Provide TWO causes with figures. **(4)**

- Explain why it was wise for the company to make more use of loans. Quote and explain ONE other financial indicator to support this opinion. **(2)**

A. Extracts from the records for the financial year ended on February:

	HAPPINESS LTD		DEPPO LTD	
	2025	**2024**	**2025**	**2024**
Ordinary share capital	R15 400 000	R11 000 000	R6 000 000	R8 000 000
Mortgage loan	R3 570 000	R2 100 000	R5 700 000	R4 000 000
Purchase of fixed assets	R1 500 000	R700 000	R 900 000	R900 000
Number of shares in-issue	1 400 000	1 100 000	620 000	880 000

Note: No new shares were issued by Deppo LTD in 2025 financial year.

B Shareholding of Wendy Zungu in both companies

	HAPPINESS LTD		DEPPO LTD	
	2025	**2024**	**2025**	**2024**
Shares in each company	?	506 000	?	448 000
% shareholding in each company	?	46%	?	51%
Repurchase price			R8.00	

C. Financial Indicators calculated on February:

	HAPPINESS LTD		DEPPO LTD	
	2025	**2024**	**2025**	**2024**
% Operating expenses on sales	14.9%	18.1%	21%	16.5%
% Operating profit on sales	23%	19.3%	17%	20%
% Net profit on sales	18.3%	16.9%	11%	13%
Debt-equity ratio	0.2 : 1	0.3 : 1	0.6 : 1	0.2 : 1
% Return on average capital employed	17%	14%	12%	15%
Return on average shareholders' equity	8%	13.1%	14.9%	11.3%
Dividends per share	95 cents	85 cents	42 cents	75 cents
Earnings per share	90 cents	119 cents	70 cents	60 cents
Net asset value per share	1100 cents	1 200 cents	650 cents	600 cents
Dividend pay-out-rate	106%	71%	60%	125%

D. Additional information of February:

	HAPPINESS LTD		DEPPO LTD	
	2025	**2024**	**2025**	**2024**
Market price of shares on stock exchange	1000 cents	1900 cents	670 cents	630 cents
Interest rate on loan	14%	14%	14%	14%
Interest rate on alternative investment	11%	11%	11%	11%

35

Activity 6

6.1

6.1.1	
6.1.2	
6.1.3	

6.2.1

Quote and explain TWO financial indicators to show which company is managing its expenses more efficiently and is thereby more profitable.

4

6.2.2

Comment on the dividend pay-out-policy of Happiness Ltd and explain why this is an irresponsible change in policy. Provide ONE point. **Explanation:**	
Explain whether the shareholders of Deppo Ltd should be satisfied with the earnings of the company.	
Comment on the % Return on shareholders' equity of each company	
HAPPINESS LTD	**DEPPO LTD**

3

2

4

6.2.3

Explain whether the directors of both companies should be satisfied or not with the share prices of the companies at the end of the financial year. Quote TWO financial indicators in each company.	
HAPPINESS LTD	**DEPPO LTD**

6

6.2.4

Calculate the number of shares that Wendy purchased in Happiness Ltd with the money she received from the share buyback at Deppo Ltd.	
WORKINGS	**ANSWER**

3

Explain the effect of the shares repurchased and additional shares on the % shareholding of Wendy Zungu in each company.	
HAPPINESS LTD	**DEPPO LTD**

4

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6.2.5	**What were the causes of the change in the Debt-equity ratio? Provide TWO causes with figures.**	
		4

Explain why it was wise for the company to make more use of loans. Quote and explain ONE other financial indicator to support this opinion.

2

TOTAL MARKS
35

ACTIVITY 7: 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:

7.1 Choose the correct word(s) to complete each of the following descriptions
Write only the word(s) next to the question numbers (7.1.1 to 7.1.3) in the ANSWER BOOK.

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

7.1.1 Guidelines for the preparation of financial statements to ensure consistency

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

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

(3 x 1) (3)

7.2 **Shorts Ltd**

7.2.1 **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)

7.2.2 **Liquidity:**

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

7.2.3 **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)

7.3 **Shorts Ltd and Lynn Ltd**

7.3.1 **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)

7.3.2 **Share price:**

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

7.4 **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)

7.5 **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.

40

ACTIVITY 7 - ANSWER BOOK

7.1

7.1.1	
7.1.2	
7.1.3	

3

7.2 Shorts Ltd

7.2.1 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

7.2.2 Liquidity:

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

4

7.2.3 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

'

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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

7.3 Shorts Ltd and Lynn Ltd

7.3.1 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

7.3.2 Share price:

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

4

7.4 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

7.5 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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ACTIVITY 8: INTERPRETATION OF FINANCIAL INFORMATION

(40 marks; 30 minutes)

VENUS LTD

The information relates to Venus Ltd for the financial year ended 28 February 2025.

BACKGROUND INFORMATION:

Denzel Crous was appointed as the chief financial officer (CFO) on a 2-year contract which will be reviewed on 31 August 2025. He is also a shareholder in Venus Ltd.

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

REQUIRED:

8.1 Choose the correct word from those given in brackets. Write only the word next to the question numbers (8.1.1 to 8.1.3) in the ANSWER BOOK.

8.1.1 Effective control of expenses in the business is a reflection of (risk/profitability).

8.1.2 When a company is liquidated, the shareholders' liability will be (limited/unlimited), as they will not be held responsible for company debts.

8.1.3 (Solvency/Liquidity) is the ability of the business to pay off all its debts using existing assets.

(3 x 1) (3)

8.1 **Liquidity:**

The liquidity position of the company has improved. Quote TWO financial indicators with figures to support this statement. (4)

8.2 **Dividend pay-out policy:**

- Calculate the dividend pay-out rate for the year ended 28 February 2025. (2)
- Explain why the directors decided to change the policy. Give ONE reason. (2)

8.4 % shareholding and repurchase decision-making:

- Calculate the number of new shares that Denzel purchased on 31 July 2024. (4)
- Calculate Denzel's % shareholding on 28 February 2025. (3)
- The independent auditor discovered that Denzel had made the decision to repurchase the shares from the estate of a deceased relative on 1 December 2024 without informing the board of directors.

  Why should the independent auditor be concerned about this? Give ONE reason. (2)

8.5 Gearing and risk:

- The directors of Venus Ltd want to expand the business by opening more branches in other provinces. Explain why you would recommend that they should not borrow more money. Quote TWO financial indicators, with figures. (6)
- The other option of financing the proposed expansions is to issue more shares. Explain how this will benefit the company. Provide TWO points. (4)

8.6 Share value:

Explain why the shareholders should not be satisfied with the share prices of the company at the end of the financial year. Quote TWO relevant financial indicators and other related data. (4)

8.7 Renewal of the CFO's contract:

- Explain ONE reason why any company should appoint a suitably qualified person as their chief financial officer (CFO). (2)
- Apart from the factors and financial indicators covered in QUESTIONS 8.2 to 8.6, quote and explain TWO financial indicators why you feel that Denzel's contract should not be renewed. (4)

INFORMATION:

A. Financial indicators calculated:

	28 Feb. 2025	29 Feb. 2024
% operating expenses on sales	18,3%	22,7%
Current ratio	1,6 : 1	0,3 : 1
Acid-test ratio	0,8 : 1	0,1 : 1
Debtors' collection period	36 days	43 days
Creditors' payment period	63 days	63 days
Solvency ratio	2,2 : 1	2,6 : 1
Debt-equity ratio	0,8 : 1	0,5 : 1
Return on average capital employed	8,2%	9,5%
Return on average shareholders' equity	4,5%	6,2%
Earnings per share	51 cents	58 cents
Dividends per share	55 cents	35 cents
Dividend pay-out rate	**?**	60,3%
Net asset value per share	1 025 cents	1 060 cents

B. Additional information:

	28 Feb. 2025	29 Feb. 2024
Market price per share	1 000 cents	1 030 cents
Interest rate on loans	12% p.a.	12% p.a.
Interest rate on investments	7% p.a.	7% p.a.

C. Shares of Venus Ltd:

	Number of shares
In issue:	
on 29 February 2024	900 000
on 28 February 2025	950 000
New shares issued on 31 July 2024 at R10,50 each	125 000
Repurchased on 1 December 2024 at R12,00 each	75 000

D. Shareholding of Denzel Crous in Venus Ltd:

% shareholding on 29 February 2024	45%
Number of shares owned on 28 February 2025	494 000

40

ACTIVITY 8

8.1

8.1.1	
8.1.2	
8.1.3	

3

8.2 **Liquidity:**

The liquidity position of the company has improved. Quote TWO financial indicators with figures to support this statement.

4

8.3 **Dividend pay-out policy:**

Calculate the dividend pay-out rate for the year ended 28 February 2025.	
WORKINGS	**ANSWER**

2

Explain why the directors decided to change the policy. Give ONE reason.

2

8.4 % shareholding and repurchase decision-making:

Calculate the number of new shares that Denzel purchased on 31 July 2024.	
WORKINGS	**ANSWER**

4

Calculate Denzel's % shareholding on 28 February 2025.	
WORKINGS	**ANSWER**

3

The independent auditor discovered that Denzel had made the decision to repurchase the shares from the estate of a deceased relative on 1 December 2024 without informing the board of directors.

Why should the independent auditor be concerned about this? Give ONE reason.

2

8.5 Gearing and risk:

The directors of Venus Ltd want to expand the business by opening more branches in other provinces. Explain why you would recommend that they should not borrow more money. Quote TWO financial indicators, with figures.

6

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The other option of financing the proposed expansions is to issue more shares. Explain how this will benefit the company. Provide TWO points.

4

8.6 Share value:

Explain why the shareholders should not be satisfied with the share prices of the company at the end of the financial year. Quote TWO relevant financial indicators and other related data.

4

8.7 Renewal of the CFO's contract:

Explain ONE reason why any company should appoint a suitably qualified person as their chief financial officer (CFO).

2

Apart from the factors and financial indicators covered in QUESTIONS 8.2 to 8.6, quote and explain TWO financial indicators why you feel that Denzel's contract should not be renewed.

4

TOTAL MARKS
40

ACTIVITY 9 COST ACCOUNTING

9.1 LOCKSMITTH MANUFACTURES

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

REQUIRED

9.1.1 Complete the Factory Overhead Cost Note (16)

9.1.2 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	R
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 March 2024 to 30 Sept 2024	1 Oct 2024 to 28 Feb 2025
Factory	200m^2	225m^2
Other departments	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.

9.2 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

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

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

9.2.3 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

9.2.4 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

(35)

Activity 9 Answer Book

9.1 LOCKSMITTH MANUFACTURES

9.1.1 FACTORY OVERHEAD COST NOTE

Other factory expenses	737 010

16

9.1.2

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

4

9.2 PICASO MANUFACTURERS

CELLPHONE CASES

9.2.1

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

4

9.2.2

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

2

9.2.3

Identify the fixed-cost (with figures) that has been poorly controlled. Give a possible reason for this concern.	
COST ITEM	REASON FOR CONCERN

3

9.2.4

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

ACTIVITY 10

10.1 NONGOMA MANUFACTURERS

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

REQUIRED:

10.1.1 Calculate the following:

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

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

10.1.3 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.

10.2 MELON HANDBAGS

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

REQUIRED:

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

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

10.2.3 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 10 ANSWER BOOK

10.1.1 DIRECT MATERIAL COST

4

DIRECT LABOUR COST

5

FACTORY OVERHEAD COST

TOTAL	R 610 000

5

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10.1.2 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

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

	Identify separate problems	**Solution**
Problem 1		
Problem 2		

6

10.2.1	**Comment on the level of production and break-even point on 31 August 2025.**	
		4
10.2.2	**Identify the production cost that should be of serious conern. Provide TWO valid solutions to this problem.**	
		4

10.2.3	**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 11

COST ACCOUNTING

11.1 **PLAN-B MANUFACTURES**

You are provided with information from the records of Plan-B Manufacturers for the financial year ended 31 August 2025. The business manufacture coffee tables.

REQUIRED

11.1.1 **Refer to information A and B.**
Calculate the direct material cost for the year ended 31 August 2025. (6)

11.1.2 **Refer to information C.**
Calculate the correct factory overhead cost for the year ended 31 August 2025. (11)

11.1.3 Prepare the Production Cost Statement for the year ended 31 August 2025. (9)

INFORMATION:

A. Stock on hand:

	31 August 2025	**1 September 2024**
Raw material	R75 200	R84 800
Work-in-progress stock	73 600	55 200

B Raw material purchased during the financial year, R1 492 500.

- Carriage paid on raw material purchased, R77 000.
- Raw material returned to suppliers, R1 500.

C. Factory overheads:

Foreman's salary	R396 000
Depreciation on factory equipment	173 120
Rent expense	214 480
Water and electricity	237 040
Insurance	69 690
Indirect material	45 00

- Rent expense must be shared between the factory, sales department and office in the ratio 5 : 1 : 1.
- The factory is responsible for 75% of the water and electricity expenses.
- ⅔ of the insurance expenses must be allocated to the factory.
- Indirect material was used as follows: 10% by the offices, 25% by the sales department and the rest by the factory.

D. The business produced 396 tables at a cost price of R8 100 each.

E. Direct labour cost is the balancing amount.

11.2 **UNIT COST AND BREAK-EVEN**

Efemini Ltd produces rechargeable battery units for use during load reduction. The financial year ends on the 31 August 2025

REQUIRED:

11.2.1 Calculate the break-even point for the year ended 31 August 2025. (4)

11.2.2 Compare and comment on the break-even point and the level of production for 2024 and 2025. Quote figures. (4)

11.2.3 Provide TWO possible reasons for the increase in direct material cost per unit for the current financial year and suggest ONE way in which this can be controlled. (6)

INFORMATION:

A. **Costs for the year ended 31 August 2025:**

	2025		2024
	TOTAL AMOUNT	**UNIT COST**	**UNIT COST**
Direct material cost	R345 600	R360	R312
Direct labour cost	489 600	510	484
Selling and distribution cost	297 600	310	304
Total variable cost	**1 132 800**	**1 180**	**1 100**
Factory overhead cost	307 200	320	312
Administration cost	240 000	250	258
Total fixed cost	**547 200**	**570**	**570**

B. **Additional information for the financial year ended 31 August 2025**

	2025	2024
Total sales	R651 200	R1 836 000
Selling price per unit	R1 720	R1 700
Number of units produced and sold	960 units	1 080 units
Break-even point	?	1 016 units

40

ACTIVITY 11 ANSWER BOOK

11.1 PLAN-B MANUFACTURES

11.1.1

Calculate the direct material cost for the year ended 31 August 2025.	
Workings	**Answer**

6

11.1.2

Calculate the correct factory overhead cost for the year ended 31 August 2025.	

6

11.1.3

Production Cost Statement for the year ended 31 August 2025.	
Direct material cost	
Prime cost	
Total manufacturing cost	
Work-in-progress (1 Sept 2024)	

11

EFEMINI LTD

11.2.1

Calculate the break-even point for the year ended 31 August 2025	
Workings	**Answer**

4

11.2.2

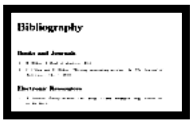
Compare and comment on the break-even point and the level of production for 2024 and 2025. Quote figures.

4

11.2.3

Provide TWO possible reasons for the increase in direct material cost per unit for the current financial year and suggest ONE ways in which this can be controlled.	
TWO REASONS:	**ONE SUGGESTION:**

6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