



**Western Cape  
Government**

Education

**Directorate: Curriculum FET**

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# **TELEMATICS 2015**

## **ACCOUNTING Grade 12 (Term 1)**

Dear Grade 12 Accounting learner

Welcome to the Telematics project. This programme will support your revision and study programme in preparation for your final Grade 12 Accounting examination.

This is an opportunity for you to consolidate what you have been taught in class. Please make use of this opportunity by attending each session. The presenters will not necessarily address all the content areas – they will however focus on more challenging topics in the curriculum in order to improve your understanding thereof.

### **Tips for success in Accounting**

**In order to succeed in Accounting you need to take heed of the following:**

- Start working from day 1
- Pay careful attention in class to ensure that you understand
- Complete Accounting homework/exercises daily  
PRACTICE...PRACTICE...PRACTICE
- Work neatly and accurately
- Show calculations in brackets
- Read instructions to questions/activities carefully to ensure you know what is being asked
- Complete tasks and assessment activities including tests diligently as if preparing for your final examination
- Use past examination papers and tests for revision
- Refine your examination technique: when you revise, choose questions that will extend you in your weaker areas. Use the time allocations provided in the question to judge whether you are completing the question in the time available.

All the best with your Grade 12 school year.

Glynis Schreuder  
Senior Curriculum Planner: Accounting

**TELEMATICS TEACHING - 2015**

**ACCOUNTING TIME TABLE – GRADE 12 (Term 1)**

<b><i>Date</i></b>	<b><i>Topic</i></b>	<b><i>By the end of this lesson you should know:</i></b>
Monday 23 February 16:00 – 17:00	<b>Companies</b> Preparation of financial statements <ul style="list-style-type: none"> <li>▪ Income Statement</li> <li>▪ Balance Sheet</li> </ul>	<ul style="list-style-type: none"> <li>▪ The purpose of preparing financial statements</li> <li>▪ The format of the Income Statement of a company</li> <li>▪ The format of the Balance Sheet of a company</li> <li>▪ How to prepare an Income Statement</li> <li>▪ How to prepare a Balance Sheet</li> </ul>
Thursday 19 March 16:00 – 17:00	<b>Companies</b> Preparation of financial statements <ul style="list-style-type: none"> <li>▪ Cash Flow Statement</li> </ul>	<ul style="list-style-type: none"> <li>▪ The purpose of preparing a Cash Flow Statement</li> <li>▪ Where to find the information in order to prepare a Cash Flow Statement</li> <li>▪ The three types of activities reflected in a Cash Flow Statement</li> <li>▪ How to prepare sections of a Cash Flow Statement</li> </ul>

# TELEMATICS TEACHING 2015

## COMPANIES

The purpose of preparing an Income Statement	
The purpose of preparing a Balance Sheet	
The purpose of preparing a Cash Flow Statement	
The three types of activities reflected in a Cash Flow Statement	

## Activity 1

- 1.1 Give ONE word/term for each of the following descriptions by choosing a word/term from the list below. Write only the word/term next to the question number (1.1.1–1.1.4) in the ANSWER BOOK.

current asset; non-current asset; income; expense; current liability; non-current liability
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- 1.1.1 Profit on the sale of an asset is a/an ...
- 1.1.2 The portion of a loan that will have to be repaid within a year is a/an ...
- 1.1.3 Consumable stores on hand are a/an ...
- 1.1.4 Interest on a bank overdraft is a/an ...

## 1.2 SELATI LIMITED

You are provided with information for the financial year ended 30 June 2013.

### REQUIRED:

- 1.2.1 Complete the Income Statement.
- 1.2.2 Prepare the note for Retained Income.

### INFORMATION:

#### EXTRACT FROM THE TRIAL BALANCE ON 30 JUNE 2013:

Balance Sheet Accounts Section	R
Ordinary share capital	5 605 000
Retained income (1 July 2012)	735 000
Trading stock	1 534 000
Debtors' control	521 300
Provision for bad debts	22 000
Creditors' control	471 800
Loan: Puma Bank	630 000
Bank (Dr)	129 400
SARS: Income tax (Dr)	260 000
Pension fund	15 800
Unemployment Insurance Fund (UIF)	2 300
Fixed deposit: Sharp Bank	450 000

<b>Nominal Accounts Section</b>	<b>R</b>
Sales	?
Cost of sales	8 200 000
Salaries and wages	788 000
Directors' fees	1 840 000
Audit fees	88 000
Employer's contribution (Pension and UIF)	81 000
Bank charges	31 000
Sundry expenses	89 730
Bad debts	12 100
Rent income	69 160
Interest on fixed deposit	27 000
Repairs and maintenance	125 600
Packing material	43 900
Ordinary share dividends (interim)	?

**ADJUSTMENTS AND ADDITIONAL INFORMATION:**

1. The auditors are owed a further R7 500.
2. Goods are sold at a mark-up of 60% on cost price. The company held discounted cash sales during the year to clear excess stock. The total of trade discount given to customers was R702 000.
3. Packing material to the value of R41 000 was used during the year ended 30 June 2013.
4. Interest on the bank overdraft, R2 800, is included in the bank charges.
5. No entries have been made for stock stolen at the beginning of June 2013. The insurance company has informed Selati Ltd that they have transferred R32 000 into the business' bank account in respect of the insurance claim. Selati Ltd bears 20% of any stock loss.
6. A physical stocktaking on 30 June 2013 reflected that stock to the value of R1 475 500 was on hand.
7. An amount of R1 700 received from M Mpoani had been credited to the Debtors' Control Account in June 2013. The account of M Mpoani was written off as a bad debt during May 2013.

The provision for bad debts must be adjusted to 4% of outstanding debtors.

8. One employee was omitted from the Salaries Journal for June 2013. His salary details are:

Deductions	Employer's Contribution	Net salary
2 020	1 610	4 980

9. EZ Builders was paid R105 000 for the construction of a storeroom (R80 000) and repairs to paving (R25 000). The entire amount was debited to Land and Buildings in error.
10. The loan statement from Puma Bank on 30 June 2013 reflected:

Balance at beginning of financial year	R1 470 000
Repayments during the year	840 000
Interest capitalised	?
Balance at end of financial year	750 000

11. Rent income for July 2013 has already been received. The monthly rent was increased by 10% on 1 May 2013.

12. Depreciation is the missing figure in the Income Statement.

13. **Net profit and tax:**

- After taking all adjustments into account, the **correct** net profit after tax is R588 000.
- The income tax rate is 30% of net income before tax.

14. **Shares:**

- The ordinary share capital on 1 July 2012 consisted of 1 500 000 ordinary shares which were issued at R2,60 per share.
- 500 000 shares were issued on 1 January 2013 at R4,00 per share. This was properly recorded.
- On 28 February 2013 the directors repurchased 100 000 shares from the estate of a deceased shareholder at a price of R4,50 per share. This has not yet been recorded.

15. **Dividends:**

- Interim dividends of 14 cents per share were declared and paid on 31 December 2012.
- Final dividends of 10 cents per share were declared on 30 June 2013.

## Activity 2

You are presented with information from the records of Vijay Limited. The financial year-end is 28 February 2014.

### REQUIRED:

- 2.1 Prepare the following notes to the Balance Sheet:
- 2.1.1 Share capital
  - 2.1.2 Retained income
- 2.2 Prepare the Balance Sheet (Statement of Financial Position) on 28 February 2014. Where notes are not required, show ALL workings in brackets.

### INFORMATION:

- A. The authorised share capital consists of 750 000 ordinary shares. On 1 March 2013, only 60% of the shares were in issue.

- B. The following amounts were extracted from the records:

	28 Feb. 2014	28 Feb. 2013
Ordinary share capital	?	3 215 000
Retained income	?	322 500
Total ordinary shareholders' equity	?	3 537 500
Fixed assets (carrying value)	?	
Fixed deposit: Sam Bank	650 000	
Loan: William Bank	482 600	
Inventories	275 400	
Debtors' Control	243 500	
Creditors' Control	62 460	
Cash in the bank and petty cash	336 600	
Income received in advance (Rent)	12 120	
Prepaid expenses (Insurance)	7 600	
Provisional income tax payments	299 980	
Interim dividends	270 000	

- C.** On 1 November 2013, the company issued a further 80 000 shares at R9,50 per share.
- D.** On 28 February 2014, the directors decided to repurchase 75 000 ordinary shares from the estate of a shareholder who had died. This shareholder had originally purchased his shares on the JSE at various times and at different prices. A repurchase price of R10,40 was accepted as being a fair price.
- E.** On 27 February 2014, a final dividend of 40 cents per share was declared. All shares, including the new shares issued and repurchased, qualify for final dividends.
- F.** The loan statement from William Bank received on 28 February 2014 reflected interest capitalised at R81 400. This was not recorded in the books. The business expects to settle 20% of the outstanding balance in the next financial year.
- G.** After all the above adjustments were taken into account the net profit before tax was calculated to be R1 161 000. The income tax is calculated at 30% of net income before tax.

### Activity 3

You are provided with information relating to Derby Ltd.

#### REQUIRED:

- 3.1 Complete the note for reconciliation between profit before taxation and cash generated from operations.
- 3.2 Complete the Cash Flow Statement for the year ended 31 December 2013

#### INFORMATION:

#### DERBY LTD BALANCE SHEET ON 31 DECEMBER 2013

ASSETS		2013	2012
<b>Non-current assets</b>		4 140 000	2 760 000
Fixed assets		3 552 000	2 532 000
Financial assets		588 000	228 000
<b>Current assets</b>		1 740 000	1 804 800
Inventories		1 094 400	1 392 000
Trade and other receivables		156 000	324 000
Cash and cash equivalents		489 600	88 800
<b>TOTAL ASSETS</b>		<b>5 880 000</b>	<b>4 564 800</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Ordinary shareholders' equity</b>		3 993 600	2 142 800
Ordinary share capital		2556 000	1 440 000
Retained income		1 437 600	702 800
<b>Non-current liabilities</b>		804 000	960 000
Loan from Hero Bank		804 000	960 000
<b>Current liabilities</b>		1 082 400	1 432 000
Trade and other payables		1 082 400	1 432 000
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5 880 000</b>	<b>4 564 800</b>

## NOTES TO FINANCIAL STATEMENTS

<b>1. TRADE AND OTHER RECEIVABLES</b>	<b>2013</b>	<b>2012</b>
Trade debtors	121 200	312 000
Income receivable	4 800	12 000
SARS (Income tax)	30 000	0
	<b>156 000</b>	<b>324 000</b>
<b>2. CASH AND CASH EQUIVALENTS</b>		
Cash in bank	453 600	72 800
Cash float	24 000	16 000
Petty cash	12 000	0
	<b>489 600</b>	<b>88 800</b>
<b>3. TRADE AND OTHER PAYABLES</b>		
Trade creditors	310 800	778 000
Income received in advance	18 000	84 000
Shareholders for dividends	753 600	432 000
SARS (Income tax)	0	168 000
	<b>1 082 400</b>	<b>1 462 000</b>

### Additional information

1. The net profit before tax is R2 480 160.
2. Income tax for the year amounted to R692 000
3. Dividends for the 2013 financial year consisted of:
  - Interim dividends R263 760
  - Final dividends R753 600
4. Depreciation for the year as in the Income Statement R348 000
5. Derby Ltd paid R27 360 per month to Club Bank which included interest and loan repayments. Interest is capitalised to the loan.
6. A vehicle was sold at book value:
  - Cost price R226 000
  - Accumulated depreciation R152 000
7. Details of share capital
  - The authorised share capital comprised of 3 000 000 shares
  - On 1 January 2013 there were 360 000 ordinary shares in issue. On this same day the directors decided to repurchase 36 000 ordinary shares from a disgruntled shareholder at a price of 500 cents per share.
  - On 31 December 2013 the company issued 150 000 new shares at a price of 840 cents each.

## Activity 4

You are provided with information relating to Meteor Supermarkets Limited, a public company. The financial year-end is 28 February 2014.

### REQUIRED:

#### 4.1 Refer to Information E:

Calculate the missing amounts (indicated by **a**, **b** and **c**) in the Fixed/Tangible Asset Note for the year ended 28 February 2014.

4.2 Complete the Cash Flow Statement for the year ended 28 February 2014. Some of the details and figures have been entered in the ANSWER BOOK. Show workings in brackets.

4.3 At the AGM, a shareholder stated that the Cash Flow Statement reflects poor decisions by the directors.

Explain TWO points, with relevant figures, to support his opinion.

### INFORMATION:

#### A. Extract from the Income Statement for the year ended 28 February 2014:

Interest on loan (all capitalised)	88 500
Net profit before tax	1 575 000
Income tax	441 000

**B. Extract from the Balance Sheet as at:**

	28 Feb. 2014	28 Feb. 2013
<b>Current assets</b>	<b>3 337 300</b>	<b>4 641 000</b>
Inventories	818 200	641 000
Trade debtors	2 377 600	1 512 000
SARS: Income tax	128 000	-
Cash and cash equivalents	13 500	2 488 000
<b>Shareholders' equity</b>	<b>8 839 000</b>	<b>7 400 000</b>
Ordinary share capital	8 700 000	6 600 000
Retained income	139 000	800 000
<b>Mortgage loan: Excel Bank</b> (interest rate: 12,5% p.a.)	<b>908 000</b>	<b>508 000</b>
<b>Current liabilities</b>	<b>2 063 700</b>	<b>1 302 000</b>
Trade creditors	678 700	700 000
Shareholders for dividends	870 000	480 000
Bank overdraft	515 000	-
SARS: Income tax	-	122 000

**C. Shareholders' register:**

DATE	DETAILS
1 March 2013	1 200 000 shares in issue
31 March 2013	300 000 shares issued at R8 each
31 December 2013	The company bought back 50 000 shares from a dissatisfied shareholder, S Smit, at R9,50 each. The average price of all shares issued to date was R6 per share.
28 February 2014	1 450 000 shares in issue

**D. Dividends for the financial year ending 28 February 2014:**

Interim dividends paid on 31 August 2013	R750 000
Final dividends declared on 28 February 2014	R870 000



**FORMATS OF FINANCIAL STATEMENTS**

..... LIMITED  
**INCOME STATEMENT FOR THE YEAR ENDED .....**

	Note	R
Sales		
Cost of sales		
Gross profit		
Other operating income		
Fee income		
Operating expenses		
Operating profit (loss)		
Interest income	1	
Interest expense	2	
Profit (loss) before tax		
Income tax		
Net profit (loss) after tax	9	

..... LIMITED  
**BALANCE SHEET AT .....**

	Note	R
<b>ASSETS</b>		
NON-CURRENT ASSETS		
Fixed / Tangible assets	3	
Financial assets		
CURRENT ASSETS		
Inventories	4	
Trade & other receivables	5	
Cash & cash equivalents	6	
<b>TOTAL ASSETS</b>		
<b>EQUITY &amp; LIABILITIES</b>		
SHAREHOLDERS' EQUITY		
Ordinary share capital	7	
Retained income	8	
NON-CURRENT LIABILITIES		
Loan from		
Loan from		
CURRENT LIABILITIES		
Trade & other payables	9	
Bank overdraft		
Current portion of loan <i>(NB could be placed in Note 9)</i>		
<b>TOTAL EQUITY &amp; LIABILITIES</b>		

..... LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS AT .....**

**1 INTEREST INCOME**

On fixed deposit	
On savings account	
On current bank account	
On overdue debtors	
	<b>=====</b>
	<b>=====</b>

**2 INTEREST EXPENSE**

On loan from	
	<b>=====</b>
	<b>=====</b>

**3 FIXED ASSETS**

	Land & buildings	Vehicles	Equipment	Total
Carrying value at beginning of year				
Cost				
Accumulated depreciation				
Movements				
Additions				
Disposals at carrying value				
Depreciation				
Carrying value at end of year				
Cost				
Accumulated depreciation				

**4 INVENTORIES**

Trading stock	
Consumable stores on hand	
	<b>=====</b>
	<b>=====</b>

**5 TRADE & OTHER RECEIVABLES**

Trade debtors	
Provision for bad debts	
Net trade debtors	
SARS (Income tax)	
Expenses prepaid	
Income accrued (receivable)	
	<b>=====</b>
	<b>=====</b>

**6 CASH & CASH EQUIVALENTS**

Fixed deposit (maturing within 12 months)	
Savings account	
Bank	
Cash float	
Petty cash	

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**7 ORDINARY SHARE CAPITAL****AUTHORISED**

Number of authorised ordinary shares: XXX ordinary shares	
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**ISSUED**

XXX ordinary shares in issue at beginning of year	
XXX additional shares issued during the financial year	
XXX ordinary shares repurchased (average price of RXXX)	

XXX ordinary shares in issue at end of the year

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**8 RETAINED INCOME**

Balance at beginning of year	
Net profit (loss) after tax for the year	
Shares repurchased	
Dividends on ordinary shares	
Paid	
Recommended	

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Balance at end of year

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**9 TRADE & OTHER PAYABLES**

Trade creditors	
Expenses accrued (payable)	
Income received in advance (deferred)	
Shareholders for dividends	
SA Revenue Services (Income tax)	
Creditors for salaries	
Unemployment Insurance Fund	
Pension Fund	
Medical Aid Fund	

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..... LIMITED  
**CASH FLOW STATEMENT FOR THE YEAR ENDED .....**

	Note	R
<b>Cash effects of operating activities</b>		
Cash generated (utilised) from operations	1	
Interest paid		
Dividends paid	3	
Income tax paid	4	
<b>Cash effects of investing activities</b>		
Purchase of fixed assets	5	
Proceeds from sale of fixed assets		
Investments matured / placed		
<b>Cash effects of financing activities</b>		
Proceeds of shares issued		
Shares repurchased		
Long-term loans received / repaid		
<b>Net change in cash &amp; cash equivalents</b>	2	
<b>Cash &amp; cash equivalents at beginning of year</b>	2	
<b>Cash &amp; cash equivalents at end of year</b>	2	

**NOTES TO THE CASH FLOW STATEMENT FOR YEAR ENDED .....**

**1 RECONCILIATION BETWEEN NET PROFIT BEFORE TAX AND CASH GENERATED FROM OPERATIONS**

Net profit before taxation	
Adjustments in respect of:	
Depreciation	
Interest expense	
Operating profit before changes in working capital	
Cash effects of changes in working capital	
Change in inventory	
Change in receivables	
Change in payables	
Cash generated from operations	

**2 CASH & CASH EQUIVALENTS**

	Net change	Year 2	Year 1
Bank			
Cash float			
Petty cash			

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**3 DIVIDENDS PAID**

Dividends for year as reflected in financial statements	
Balance at beginning of year	
Balance at end of year	

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**4 INCOME TAX PAID**

Income tax for year as reflected in financial statements	
Balance at beginning of year	
Balance at end of year	

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**5 FIXED ASSETS PURCHASED**

Land & buildings	
Vehicles	
Equipment	

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**WORKINGS** *FA at Net Book Value*

Start	
Add: Buy	
Less: Sell	
Less: Depr	
= End	