



2023 ACTIVITIES & WORKBOOK

Grade 11



ACCOUNTING

A joint initiative between the Western Cape Education Department and Stellenbosch University.



INTRODUCTION AND SESSIONS

Dear Grade 11 Accounting learner

Welcome to the Telematics project. The 2023 Gr 11 Accounting programme aims to strengthen your understanding of the Accounting process and focuses on the **basic knowledge and skills** necessary to be successful in Accounting.

Use this opportunity to consolidate what was taught in class. The 2023 Telematics lessons will revise Gr 10 work, unpack the depreciation calculations, focus on Gr 11 disposal of fixed assets, provide clarity on year-end adjustments, financial statements, budgeting and inventory systems.

You can work through the activities on your own or with study buddies, but you will enjoy the most value if you also join the live video lessons and interact with the presenter by asking questions via SMS, WhatsApp or the Telematics Facebook page.

With this subject you will be equipped with valuable life skills that you can apply in any career and in your own personal life, like orderliness, thoroughness, neatness, meticulousness, accuracy, ethical behaviour, sound judgement, organisation as well as critical, logical and analytical abilities. **Accounting is an exciting, interesting and dynamic subject. Decide right now to enjoy it, and even better, to love it!**

“PASSION + VISION + ACTION is the equation for success” is the winning motto of Marilyn King, an US Olympic Pentathlete.

Be passionate about your Accounting, have a vision of what you would like to achieve with it and act upon your passion and vision by working hard at the subject and you will succeed.

All the best.

Mrs JP Conradie

WCED SCP Accounting

| Session | Date | Time | Topic |
|---------|----------------------------------|-------------------------------------|-----------------------------------------------|
| 1 | 08/02/2023 Eng 09/02/2023 Afr | 16h00-17h00 | Fixed Assets: Calculations and General ledger |
| 2 | 15/02/2023 Eng 16/02/2023 Afr | 15h00-16h00 | Fixed Assets: Fixed Asset Note |
| 3 | 20/02/2023 | 15h00-16h00 Eng 16h00 -17h00 Afr | Financial Statements of Partnership |
| 4 | 21/08/2023 Eng 22/08/2023 Afr | 15h00-16h00 | Financial Statements of Partnership |
| 5 | 23/08/2023 Eng 24/08/2023 Afr | 15h00-16h00 | Budgeting |
| 6 | 25/10/2023 Eng 26/10/2023 Afr | 15h00-16h00 16h00 -17h00 | Inventory systems |



TERMINOLOGY

| Term | Definition / Description |
|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Depreciation | The decrease in the value of a fixed asset. Depreciation is an imputed expense, because part of the cost is allocated to a specific accounting period. |
| Accumulated depreciation | The total depreciation of the asset over time |
| Book value (carrying value) | The original cost price less the depreciation that accumulated over the period in which the asset has been in the business |
| Residual amount | The full amount of an asset cannot be written off as long as it is in the as it is in the business's possession. The carrying value is kept at R1. |
| Cost price method | Also called fixed-instalment method or straight-line method. |
| Diminishing balance | Also called carrying value / book value method. Depreciation is written off on the carrying value of the asset. |
| Lifespan | The period of time that the business is expected to use a depreciable asset. The physical life of an asset, for example, a computer has a physical life of five years. |
| Accounting period / Financial year | The 12-month period chosen by the owner for financial reporting, e.g. 1 July 2022 to 30 June 2023 |
| Prudence concept | Financial results are reported in a conservative manner. |
| Adjustments | The 'changes' to some figures in the Pre-adjustment trial balance in order to calculate the correct net profit for a specific financial period (and to apply the GAAP principles for the financial reporting period) |
| Statement of Comprehensive Income | The report that shows the financial RESULT of operations for one financial year, i.e., profit or loss. |
| Statement of Financial position | The report that shows the financial POSITION (wealth / value) of the business on the last day of a financial year. |
| Net worth | Assets – Liabilities |
| Partnership agreement | A contract between at least two persons, whereby they combine assets and skills with the aim of earning a profit and sharing the profits. |



SESSION 1 | Fixed asset

FIVE STEPS TO FOLLOW WHEN THE BUSINESS DISPOSES OF AN ASSET:

| Steps | Transaction | Account debited | Account credited |
|-------|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| 1 | Depreciation | Calculate depreciation for the current year (if applicable) | Depreciation |
| 2 | Accumulated depreciation | Calculate the total accumulated depreciation at the date of disposal (the balance at the beginning of the year + the depreciation up to the date of sale (as calculated in Step 1)) | Accumulated depreciation |
| 3 | Cost price | Transfer the cost price of the asset | Asst Disposal |
| 4 | Selling price | Transfer the selling price at disposal of asset: <ul style="list-style-type: none"> • Sold for cash • Sold on credit • Taken by owner for own use • Donated | Asset account (e.g. Vehicle account) |
| 5 | Calculate profit/loss: | Transfer the profit or loss: <ul style="list-style-type: none"> • Transfer the profit • Transfer the loss | Bank Debtors Control Drawings Donations |
| | | | Asset Disposal |
| | | | Profit on sale of asset |
| | | | Asset disposal |



SESSION 1 | Fixed asset: Calculations and General Ledger accounts

Activity 1

The following information appeared in the books of Trudy Traders for the financial year ended 31 December 2022.

REQUIRED:

- 1.1.1 Fill in the missing amounts/details denoted by (a) to (d) in the Equipment account.
- 1.1.2 Prepare the following accounts in the General Ledger for the year ended 31 December 2022.
 - Accumulated depreciation on equipment (Balance this account)
 - Asset disposal account
 - Depreciation

INFORMATION:

| A. | | EQUIPMENT | | | | | B5 | | |
|-------------|----|-----------|-----|---------|---------------|----|---------|-----|---------|
| 2022 Jan | 1 | Balance | b/d | 160 000 | 2022 April | 30 | (a) | GJ | (d) |
| Oct | 31 | (b) | CJ | (c) | | | Balance | c/d | 132 000 |
| | | | | 202 000 | | | | | |
| | | | | | | | | | |

- B. Accumulated depreciation on equipment on 1 January 2022: R112 000.
- C. The old equipment was sold for R15 000 cash. Its accumulated depreciation was R57 000 on 1 January 2022.
- D. Depreciation on equipment is provided for at 15% p.a. on the carrying value.


SESSION 1 | Fixed asset: Calculations and General Ledger accounts

ACTIVITY 1.1 (Answer sheet)

| | |
|--------------|--------------------------------------------------------------------------------------------|
| 1.1.1 | Fill in the missing amounts/details denoted by (a) to (d) in the Equipment account. |
| (a) | |
| (b) | |
| (c) | |
| (d) | |

1.1.2
GENERAL LEDGER OF TRUDY TRADERS
Accumulated depreciation on equipment
B7

| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|
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Asset Disposal
N9

| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|
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Depreciation
N10

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SESSION 1 | Fixed Assets: Calculations and General ledger

ACTIVITY 1.2

The information below was taken from the records of Kirby Traders on 30 June 2022.

REQUIRED:

1.2.1 Calculate the following:

- Depreciation on the vehicle sold on 1 March 2022.
- Total depreciation for the year ended 30 June 2022

1.2.2 Complete the General Ledger accounts presented below.

Balance/close off at the end of the financial year.

INFORMATION:

A. The following accounts appeared in the General Ledger of Kirby Traders. Some of the information were taken into account.

GENERAL LEDGER OF KIRBY TRADERS

| VEHICLES | | | | | B6 | | | | |
|-------------|----|---------|-----|---------|----|--|--|--|--|
| 2021 Jul | 1 | Balance | b/d | 570 000 | | | | | |
| Oct | 30 | ? | CJ | 60 000 | | | | | |

ACCUMULATED DEPRECIATION ON VEHICLES

B7

| | | | | | | | | | |
|--|--|--|--|--|-------------|----|--------------|-----|---------|
| | | | | | 2021 Jul | 1 | Balance | b/d | 254 000 |
| | | | | | 2022 Mar | 1 | Depreciation | GJ | ? |
| | | | | | 2022 Jun | 30 | Depreciation | GJ | ? |

ASSET DISPOSAL

N10

| | | | | | | | | | |
|-------------|---|---|----|---------|-------------|---|-----------------|----|--------|
| 2022 Mar | 1 | ? | GJ | 185 000 | 2022 Mar | 1 | ? | GJ | ? |
| | | | | | | | Debtors Control | | 45 000 |

B. A new motorbike was purchased on credit from Legit Cycles. This was taken into account.

C. An old delivery vehicle was sold on 1 March 2022. The bookkeeper made some entries to record the sale.

The accumulated depreciation on the vehicle sold was R120 875 on the 1 July 2021.

D. Vehicles is depreciated at 15% p.a. on cost price.



SESSION 1 | Fixed Assets: Calculations and General ledger



Activity 1.2 (Answer sheet)

| | | |
|-------|-------------------------------------------------------|--|
| 1.2.1 | • Depreciation on the Vehicles sold on 1 March 2022. | |
| | | |
| | • Total depreciation for the year ended 30 June 2022. | |
| | | |


SESSION 1 | Fixed Assets: Calculations and General ledger
1.2.2
GENERAL LEDGER OF KIRBY TRADERS
VEHICLES
B6

| | | | | | | | | | |
|------|----|---------|-----|---------|--|--|--|--|--|
| 2021 | | | | | | | | | |
| Jul | 1 | Balance | b/d | 570 000 | | | | | |
| Oct | 30 | ? | CJ | 60 000 | | | | | |
| | | | | | | | | | |

ACCUMULATED DEPRECIATION ON VEHICLES
B7

| | | | | | | | | | |
|--|--|--|--|--|------|----|--------------|-----|---------|
| | | | | | 2021 | | | | |
| | | | | | Jul | 1 | Balance | b/d | 254 000 |
| | | | | | 2022 | | | | |
| | | | | | Mar | 1 | Depreciation | GJ | |
| | | | | | 2022 | | | | |
| | | | | | Jun | 30 | Depreciation | GJ | |
| | | | | | | | | | |

ASSET DISPOSAL
N10

| | | | | | | | | | |
|------|---|--|----|---------|------|---|--|----|--------|
| 2022 | | | | | 2022 | | | | |
| Mar | 1 | | GJ | 185 000 | Mar | 1 | | GJ | 45 000 |
| | | | | | | | | | |
| | | | | | | | | | |
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SESSION 2 | Fixed Assets note & Asset Disposal

ACTIVITY 2:1

The information below was extracted from the records of Fanie Stores on 30 June 2022, the end of their financial year.

REQUIRED:

- 2.1.1 Prepare the Asset Disposal account.
- 2.1.2 Prepare the Fixed / Tangible Asset note on 30 June 2022. Show working in the space provided.

INFORMATION:

You are provided with the following Pre-adjustment figures of Fanie Stores at the year-end, 30 June 2022.

| | |
|----------------------------------------------------|------------|
| Land and buildings | R3 400 000 |
| Vehicles at cost | 790 000 |
| Equipment at cost | 220 000 |
| Accumulated depreciation on vehicles (01.07.2021) | 360 250 |
| Accumulated depreciation on equipment (01.07.2021) | 155 000 |

ADJUSTMENTS /ADDITIONAL INFORMATION:

Provide for depreciation as follows: on vehicles at 20% p.a. on the diminishing balance method and on equipment at 15% p.a. on cost.

Note:

- A. Renovations were made on the buildings, R80 000. This has been correctly recorded.
- B. A new vehicle costing R290 000 was purchased on 1 January 2022. This has been correctly recorded.
- C. Equipment with a cost price of R35 000 was sold to an employee for R3 500 cash on 31 October 2022.
The carrying /book value of this equipment on the 1st day of the financial year was R3 800. The bookkeeper made no entries for this transaction as he was unsure of the procedure.
- D. Additional equipment costing R36 500 was purchased on 30 October 2021. This has been not been recorded.



SESSION 2 | Fixed Assets note & Asset Disposal



ACTIVITY 2.1 (Answer Sheet)

GENERAL LEDGER OF FANIE STORES

ASSET DISPOSAL

| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|
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| FIXED / TANGIBLE ASSETS | Land & buildings | Vehicles | Equipment |
|-------------------------------------|------------------|----------|-----------|
| Carrying value at beginning of year | | | |
| Cost | | | |
| Accumulated depreciation | | | |
| Movements: | | | |
| Additions at cost | | | |
| Disposals at carrying value | | | |
| Depreciation for the year | | | |
| Carrying value at end of year | | | |
| Cost | | | |
| Accumulated depreciation | | | |



SESSION 2 | Fixed Assets note & Asset Disposal

ACTIVITY: 2.2

The fixed asset information appeared in the books of Layla Traders for the financial year ended 28 February 2022.

REQUIRED:

- 2.2.1 Calculate the missing amounts denoted by (a) to (e) on the incomplete Fixed Asset note provided.
- 2.2.2 The preparation of a Fixed Assets Register serves as an important control measure for any business. Briefly explain why. Provide TWO suitable points

A.

| FIXED / TANGIBLE ASSETS | Land & buildings | Equipment |
|-------------------------------------|-----------------------------|------------------|
| Carrying value at beginning of year | 1 300 000 | (b) |
| Cost | 1 300 000 | 420 000 |
| Accumulated depreciation | | (186 000) |
| Movements: | | |
| Additions at cost | (a) | 160 000 |
| Disposals at carrying value | | (c) |
| Depreciation for the year | | (d) |
| Carrying value at end of year | 1 750 000 | |
| Cost | 1 750 000 | (e) |
| Accumulated depreciation | | |

B. A new storeroom was constructed during the year.

C. Equipment:

- On 30 October 2021, old equipment, cost price of R90 000, was traded in for new equipment valued at R160 000. The trade-in value received was R58 200. The accumulated depreciation on the equipment traded-in was R27 000 on 1 March 2021.
- Equipment is depreciated at 15% on carrying value


SESSION 2 | Fixed Assets note & Asset Disposal

ACTIVITY : 2.2 (Answer sheet)

| | | |
|-------|---------------------------------------------------------------------------------------------------------|---------------|
| 2.2.1 | Calculate the missing amounts denoted by (a) to (e) on the incomplete Fixed Asset note provided. | |
| | WORKINGS | ANSWER |
| (a) | | |
| (b) | | |
| (c) | | |
| (d) | Disposal: | |
| | | |
| | New: | |
| | | |
| | Old: | |
| | | |
| (e) | | |

| | |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.2.2 | The preparation of a Fixed Assets Register serves as an important control measure for any business. Briefly explain why. Provide TWO suitable points. |
| | |



SESSION 3 | Financial Statements



Remember:

- Statement of Comprehensive Income (Income Statement) – **reflects** the financial result (profit or loss) for one financial year
- Statement of Financial position (Balance Sheet) – reflects the financial **wealth** of the business since it started

ACTIVITY 3.1

The following information relates to Calana Stores. The financial year ended on 30 June 2022. The business uses the perpetual (continuous) system.

REQUIRED:

3.1.1 Refer to Information B.

Use the table provided to calculate the correct net profit after tax for the year ended 30 June 2021. Indicate '+' for increase and '-' for decrease.

3.1.2 Prepare the Current account note on 30 June 2022.

A. Extract from list of balances / totals on 30 June 2022:

| Statement of Financial Position accounts section | | |
|--------------------------------------------------|-----------|----|
| Capital: Calum | 2 800 000 | |
| Capital: Anna | 2 400 000 | |
| Current account: Calum (1 July 2021) | 140 000 | Cr |
| Current account: Anna (1 July 2021) | 4 000 | Dr |
| Drawings: Calum | 265 000 | |
| Drawings: Anna | 230 000 | |
| Trading stock | 406 400 | |
| Debtors Control | 632 000 | |
| Provision for bad debts (1 July 2021) | 22 800 | |
| SA Medical Aid Fund | 12 400 | |
| Creditors control | 462 000 | |



SESSION 3 | Financial Statements

- B. Net profit of R4 987 200 was determined BEFORE taking into account / correcting the following information:
- (i) Trading stock on 30 June 2022 was valued at R383 800.
 - (ii) Provision for bad debts must be adjusted to R18 000
 - (iii) Rent income:
Rent of R74 000 was received from a tenant for the period 1 July 2021 to 31 August 2022. This has been recorded. This amount takes into account a reduction of R750 per month from 1 May 2021. The year-end adjustment has not yet been made.
 - (iv) An annual insurance premium of R12 000 was paid for the period 1 November 2021 to 31 October 2022.
 - (v) The auditor discovered that the profit on disposal of a vehicle, R13 600, was incorrectly shown as a loss.
 - (vi) The amount owing to the SA Medical Aid Fund had in fact been paid but the bookkeeper had forgotten to record this payment in the CPJ.
- C. Share of profits and capital contributions:
- (i) Primary distributions of profits:
 - Both partners are entitled to a salary of R35 000 per month.
 - Calum is entitled to a production bonus of R12 000 for his additional management role in the partnership.
 - Interest on capital is calculated at 8% of the capital balances.
 - On 1 October 2021, Calum increased his capital by contributing a vehicle to the partnership, R60 000. This has already been correctly recorded.
 - On 30 June 2022, Anna decreased her capital by R20 000. This has not yet been taken into account.
 - Partners share the remaining profits/losses in the ratio 3 : 2



SESSION 3 | Financial Statements



ACTIVITY 3.1 CALCULATION OF NET PROFIT

| | |
|----------------------|--|
| Incorrect net profit | |
| | |
| | |
| | |
| | |
| | |
| Net profit | |

CURRENT ACCOUNT NOTE ON 30 JUNE 2022

| | Calum | Anna |
|-------------------------------------------------|-------|------|
| Profit as per Statement of Comprehensive Income | | |
| Salaries | | |
| Interest on capital | | |
| Bonus | | |
| | | |
| Final distribution of profits | | |
| | | |
| Remaining income for the year | | |
| Retained income at beginning of year | | |
| Retained income at end of year | | |



SESSION 4: Financial Statements

ACTIVITY 4

The information was extracted from the books of JayZee Traders on 28 February 2023.

REQUIRED:

| REQUIRED: | |
|-----------|----------------------------------------------------------------------------------------------------------------------|
| 4.1.1 | Prepare the Statement of Financial position on 28 February 2023. Some figures have been inserted in the Answer Book. |
| 4.1.2 | Prepare the Trade and other payables note to the financial statements. |

List of balances on 28 February 2023

| | |
|----------------------------------------------|----------|
| Current account: Jayde | R800 000 |
| Current account: Zeenat | 900 000 |
| Fixed deposit: QR Bank | 380 000 |
| Bank Overdraft | 25 000 |
| Savings account | 15 000 |
| Petty cash | 1 850 |
| Expenses payable/Accrued | 7 100 |
| Income received in advance / Deferred income | 5 800 |
| Creditors control | ? |
| Loan: AB Bank | ? |



SESSION 4 | Financial Statements

ADDITIONAL INFORMATION:

- (i) The fixed deposit with QR Bank consists of TWO deposits:
- R120 000 matures 31 July 2022
 - R260 000 matures 31 July 2023
- (ii) The loan statement received from AB Bank on the 28 February 2023 showed the following:

| | |
|---------------------------------|-----------|
| Balance on 1 March 2022 | 1 680 000 |
| Interest | 90 000 |
| Repayments (including interest) | 225 000 |
| Balance on 28 February 2023 | ? |

In terms of the loan agreement a fixed capital portion of the loan is repaid annually.

- (iii) A new employee joined the business half-way through February. The bookkeeper only processed the expense part of the transaction.
- Net salary: R18 300 (half month)
 - PAYE: 18%
 - UIF: 1%
 - UIF contributions 1%
- (iv) Current ratio on 28 February 2023 is 2,5 : 1
- (v) Acid test ratio on 28 February 2023 is 1,5 : 1


SESSION 4 | Financial Statements

ACTIVITY 4 (Answer sheet)
JAYZEE TRADERS
STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2023

| | |
|-------------------------------------|--|
| ASSETS | |
| Non-current assets | |
| Fixed assets | |
| Financial assets | |
| Current assets | |
| Inventory | |
| Trade and other receivables | |
| Cash and cash equivalents | |
| TOTAL ASSETS | |
| EQUITY AND LIABILITIES | |
| Partners equity | |
| Capital | |
| Current account | |
| Non-current liabilities | |
| Loan: AB Bank | |
| Current liabilities | |
| Trade and other payables | |
| | |
| | |
| TOTAL EQUITY AND LIABILITIES | |

| | |
|---------------------------------|--|
| Trade and other payables | |
| Creditors' control | |
| | |
| | |
| | |
| | |
| | |



SESSION 5 | Budgeting



Remember:

The cash budget: focuses on the future inflow and outflow of cash i.e. shows the future cash position of the business (receipts and payments)
Projected Statement of Comprehensive Income: indicates the expected net profit /loss (income and expenses)

ACTIVITY 5.1

You are provided with information relating to Daisy Traders.

REQUIRED:

- 5.1.1 Complete the Debtors Collection Schedule for November 2023
- 5.1.2 Calculate the missing figures indicated by (i) – (v) on the Cash Budget
- 5.1.3 Calculate the amount of bad debts to be written off on 31 October 2023
- 5.1.4 The rent will increase on 1 November 2023. Calculate the percentage increase.
- 5.1.5 Interest on loan is paid on the last day of each month and is not capitalized.
Calculate the loan balance on 1 October 2023.
- 5.1.6 Refer to the actual figures for October 2023 (Information F).
Comment on the control over the Advertising and the Maintenance as budgeted.

INFORMATION:

A. Sales and cost of sales figures:

| Month | Total sales | Cost of sales |
|----------------|-------------|---------------|
| August 2023 | 188 000 | 117 500 |
| September 2023 | 200 000 | 125 000 |
| October 2023 | 240 000 | 150 000 |
| November 2023 | 224 000 | 140 000 |

NOTE: 70% of total sales are for cash

B. Debtors currently pay according to the following trend:

- 10% pay in the month of sale and receive 5% discount.
- 70% pay in the first month following the month of sale.
- 18% pay in the second month following the month of sale.
- The balance is written off in the third month following the month of sale.

C. A fixed base stock is maintained. Stock is replaced in the month sold

D. 60% of the total purchases are on credit. Creditors are paid in the second month following the month of purchase.



SESSION 5 | Budgeting

E. Extract: Cash budget for the period October to November 2023

| | October | November |
|-------------------------------------|----------|----------|
| RECEIPTS | | |
| Cash sales | (i) | |
| Collection from debtors | | |
| Rent income | 8 200 | 8 774 |
| Total receipts | | |
| PAYMENTS | | |
| Cash purchases | (ii) | 56 000 |
| Payments to creditors | 70 500 | (iii) |
| Salary – store manager | 14 000 | 16 100 |
| Salaries – shop assistants | | |
| Maintenance of equipment | 4 600 | 4 600 |
| Advertising | 9 000 | 12 000 |
| Loan instalment | | 30 000 |
| Interest on loan (15% p.a.) | 2 375 | 2 000 |
| Deposit on motor vehicle | 30 000 | |
| Vehicle instalment | | 9 800 |
| Other operating expenses | | |
| Total payments | | |
| Cash surplus / Deficit | (17 900) | 34 800 |
| Bank Balance | (25 600) | (iv) |
| Bank balance at end of month | (43 500) | (v) |

F. Actual figures for October

| | |
|--------------------------|--------|
| Advertising | R9 700 |
| Maintenance of equipment | R900 |



SESSION 5 | Budgeting



ACTIVITY 5.1 (Answer sheet)

5.1.1 DEBTORS COLLECTION SCHEDULE FOR NOVEMBER 2023

| MONTH | CREDIT SALES | OCTOBER | NOVEMBER |
|-----------|--------------|---------|----------|
| August | 56 400 | | |
| September | 60 000 | | 10 800 |
| October | | 6 840 | |
| November | 67 200 | | |
| | | | |

5.1.2

| | WORKINGS | ANSWER |
|-------|----------|--------|
| (i) | | |
| (ii) | | |
| (iii) | | |
| (iv) | | |
| (v) | | |



SESSION 5 | Budgeting

| | |
|--------------|---------------------------------------------------------------------------------------------------------------------------------|
| 5.1.3 | Calculate the amount of bad debts to be written off on 31 October 2023. |
| | |
| 5.1.4 | The rent will increase on 1 November 2023. Calculate the percentage increase. |
| | |
| 5.1.5 | Interest on loan is paid on the last day of each month and is not capitalized. Calculate the loan balance on 1 October 2023. |
| | |
| 5.1.6 | Comment on the control over the Advertising and the Maintenance budget. |
| Advertising: | |
| | |
| Maintenance: | |
| | |



SESSION 5 | Budgeting

ACTIVITY 5.2

5.2.1 Refer to information A and B and calculate the following:

- (i) The credit sales expected for December 2023.
- (ii) Total cost of sales expected for October 2023.
- (iii) Calculate the amounts represented by the letters **(a)** to **(c)**.

5.2.2 Should the management of Zizi Clothing Shop be satisfied with the way debtors are settling their accounts? Quote figures to support your answer.

5.2.3 Refer to Information C.

5.2.3.1 Sales strategy:

- Identify TWO strategies (except advertising) that the business used to achieve sales targets for December 2023. Quote figures.
- Explain whether these were good strategies or not. Provide **ONE** point with figures.

| A. | October | November | December |
|---------------------------|------------|------------|------------|
| CASH RECEIPTS | | | |
| Cash sales | 900 000 | 192 000 | 216 000 |
| Cash from debtors | 750 000 | 1 780 000 | (b) |
| Loan: KC Bank | | 600 000 | |
| Rent income | (a) | 9 430 | 9 430 |
| | | | |
| CASH PAYMENTS | | | |
| Cash purchases of stock | 1 800 000 | ? | ? |
| Payment to creditors | 400 000 | (c) | ? |
| Loan and interest payment | | | 22 500 |
| Salaries and wages | 198 000 | 201 960 | 206 900 |



SESSION 5 | Budgeting

Additional information:

- The business uses a mark-up of 50% on cost at all times.
- Credit sales represent a fixed percentage of total sales.
- Credit sales for October 2023 are expected to be R3 600 000 and in November 2023, R768 000.

Debtors are expected to settle their accounts in 30 days.

- 80% in the month following the credit sale
- 15% in the second month after the credit sale
- 5% are expected to become irrecoverable
- The business operates on a fixed base stock level.
- Cash purchases are expected to comprise 60% of all stock bought.
- Creditors terms are 30 days. These terms will be complied with at all times.
- Rental income is subject to an annual increase of 15% on 1 November each year.

A. The owner of Zizi Clothing Shop is concerned about the following items for December 2023:

| | BUDGETED R | ACTUAL R | VARIANCE R |
|-------------------------|---------------|-------------|---------------|
| Cash sales | 192 000 | 174 000 | -18 000 |
| Credit sales | 486 000 | 512 000 | +26 000 |
| Collection from debtors | 445 000 | 340 000 | -105 000 |
| Payment to creditors | 195 000 | 110 000 | -85 000 |
| Delivery expenses | 0 | 29 000 | -29 000 |
| Packing materials | 4 100 | 3 400 | -700 |


SESSION 5 | Budgeting

ACTIVITY 5.2 (Answer sheet)

| | | |
|--------------|--------------|---------------------------------------------------------------------|
| 5.2.1 | (i) | The credit sales expected for December 2023. |
| | | |
| | (ii) | Total cost of sales expected for October 2023. |
| | | |
| | (iii) | Calculate the amounts represented by the letters (a) to (c). |

| | WORKINGS | ANSWER |
|------------|----------|--------|
| (a) | | |
| (b) | | |
| (c) | | |



SESSION 5 | Budgeting

| | |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| 5.2.2 | Should the management of Zizi Clothing Shop be satisfied with the way debtors are settling their accounts? Quote figures to support your answer. |
| | |
| 5.2.3.1 | Sales strategy: |
| | Identify TWO strategies (except advertising) that the business used to achieve sales targets for December 2023. Quote figures. |
| | |
| | Explain whether these were good strategies or not. Provide ONE point with figures. |
| | |



SESSION 6 | Inventory systems



Periodic inventory system: Cost of sales and Trading Stock accounts show the movement of stock

Periodic inventory system: Trading stock is replaced by a Purchases account. There is no Cost of sales account

ACTIVITY 6.1

Cleo Stores sells sports Clothes. The business uses the periodic inventory system and applies a mark-up of 50% on all products.

REQUIRED:

- 6.1.1 Calculate the cost of sales for the period ending 30 June 2023.
- 6.1.2 Calculate the gross profit for the year.
- 6.1.3 Calculate the actual mark-up percentage achieved.
- 6.1.4 Give TWO reasons why the business did not achieve the intended mark-up.

INFORMATION:

The information below was extracted from the General Ledger on 30 June 2023.

| | |
|--------------------------|---------|
| Opening stock | R96 000 |
| Sales | 378 000 |
| Purchases | 229 200 |
| Carriage on purchases | 43 200 |
| Carriage on sales | 39 600 |
| Purchases returns | 39 800 |
| Debtors allowances | 50 200 |
| Other operating expenses | 129 600 |



SESSION 6 | Inventory systems

No entries were made for the following transactions:

- A. An invoice for goods purchased amounting to R1 600 was incorrectly recorded as R1 060. The error must be corrected.
- B. Cleo took merchandise for her personal use on 20 June 2023 at a cost price of R400. The selling price was 1 200.
- C. A debtor returned goods on 30 June 2023, with a selling price of R3 600, which he said he did not order.
- D. An invoice for stock purchased on credit on 25 June 2023 from Junaid Traders was not recorded. The invoice reflected the cost price of R1 350 and the delivery charge of R200.
- E. Goods returned to creditors, R2 600, at the end of the accounting period were not recorded in the books.
- F. After consideration of all of the above, the physical stock count on 30 June 2023 revealed that trading stock costing R84 200 was on hand.



SESSION 6 | Inventory systems



ACTIVITY 6.1 (Answer sheet)

6.1.1 Cost of sales for the period ending 30 June 2023

| | |
|----------------------|--|
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| | |
| | |
| | |
| | |
| | |
| | |
| | |
| COST OF SALES | |

| | |
|--------------|--------------------------------------------------------------------------------|
| 6.1.2 | Calculate the gross profit for the year. |
| | |
| 6.1.3 | Calculate the actual mark-up achieved. |
| | |
| 6.1.4 | Give TWO reasons why the business did not achieve the intended mark-up. |
| | |
| | |