

MODULE 16 REVISION

Note to the Teacher:

This module is a revision of the year's work with an emphasis on the Accounting aspects. It can be completed at the year-end or at any time during the year as extra exercises and to consolidate work covered.

SUBSIDIARY BOOKS, POSTING AND THE TRIAL BALANCE

TASK 16.1 Crossword puzzle

				¹ J									
			² D	O	C	U	M	E	N	³ T			
				U						A		⁵ L	
				R						X		I	
	⁷ T		⁴ I	N	V	O	⁹ I	C	E			A	
	R			A			N					B	
	I			L			C					I	
⁶ V	A	T				¹¹ B	O			¹³ C		L	
	L					A	M			R		I	
	⁸ B	A	L	A	N	C	E	S	H	E	E	T	
	A				K		S			D		Y	
	¹⁰ L	O	A	N			T			I			
	A					¹⁶ C	A	P	I	T	A	L	
¹² I	N	C	O	M	E		T			N			¹⁵ A
	C						E			O			S
¹⁴ L	E	D	G	E	R		M			T			S
							¹⁸ E	X	P	E	N	S	E
							N						T
				²⁰ P	O	S	T	A	G	E			S

TASK 16.2 Jeffrey Stores: DJ, DAJ, WJ, CRJ, CPJ, GJ, Ledgers, Debtors List

**JEFFREY STORES
DEBTORS JOURNAL – JULY 20.5**

JEFFREY STORES DEBTORS JOURNAL – JULY 20.5				DJ7	
Doc no	D	Debtor	Fol	Sales	Cost of sales
101	04	J. Fourie	DL4	119	94
102		S. Proctor	DL1	285	210
103		J. Reinart	DL2	184	115
104	13	V. King	DL4	95	71
105		A. Flower	DL3	268	198
106		S. Proctor	DL1	450	360
107		J. Reinart	DL2	74	52
108	25	J. Fourie	DL4	140	85
109		A. Flower	DL3	164	102
				1 779	1 287

B5 N1

B6 N2

DEBTORS ALLOWANCES JOURNAL – JULY 20.5

DAJ7

C/N no	D	Debtor	Fol	Debtors allowances	Cost of sales
10	23	J. Fourie	DL4	28	19
11	25	A. Flower	DL3	24	16
12	28	J. Reinart	DL2	85	49
				137	84

B5/N3 B6/N2

WAGES JOURNAL - JULY 20.5

WJ7

Date	Gross wages	Deductions		Net wages	Contributions		Total contributions
		PAYE	Medical aid		UIF	Medical aid	
7	1 060	175	125	750	125	10	135
14	1 060	175	125	750	125	10	135
21	1 060	175	125	750	125	10	135
28	1 060	175	125	750	125	10	135
	4 240	700	500	3 000	500	40	540

N16 B10 B11 B12 B9 B11/N17 B12/N18

CASH RECEIPTS JOURNAL – JULY 20.5

CRJ7

Doc. no.	D	Details	Fol	Analysis of receipts	Bank	Sales	Cost of sales	Debtors control		Sundry accounts	
								Receipts	Discount allowed	Amount	Fol
CRT20	7	Sales		1 895	1 895	1 895	1 010				
A11	15	S. Proctor	DL1	450				450	27		
CRT21		Sales		2 074	2 524	2 074	1 485				
A12	18	V. King	DL5	458	458			458	30		
CRT22	21	Sales		2 004	2 004	2 004	1 965				
A13	23	A. Flower	DL3	600	600			600	30		
CRT23	28	Sales		3 450		3 450	1 830				
A14		J. Reinart	DL2	500	3 950			500			
A15	31	J. Fourie	DL4	417	497			417	26		
A16		K. Law		80	15					80	N5
B/S		NU Bank			11 943	9 423	6 290	2 425	113	15	N7
										95	

B7 N1 N2 B6 B5 N4 B5

CASH PAYMENTS JOURNAL – JULY 20.5

CPJ7

Doc. no.	D	Details	Fol	Bank	Creditors for wages	Trading stock	Sundry accounts		
							Amount	Fol	Details
241	1	Cash		520			520	B2	Drawings
242	7	Cash		750	750				
243		Cape Town Wholesalers		1 855		1 855			
244	8	Telkon		47			47	N8	Telephone
245	10	Municipality		54			54	N9	Water & electricity
246	13	RR Insurers		668			668	N10	Insurance
247	14	Cash		750	750				
248		Durban Traders		1 440		1 440			
249	16	Provincial Secretary		50			50	N11	Vehicle licence
250	20	Cash		1 200			1 200	B2	Drawings
251	21	Cash		750	750				
252		Johannesburg Distributors		1 845		1 845			
253	24	Morning News		140			140	N12	Advertising
254	26	Fixall Repair Services		245			245	N13	Repairs
255	28	RS Transport		410		410			
256		Cash		750	750				
257		Bloemfontein Suppliers		1 204		1 204			
258	30	SARS		700			700	B10	SARS - PAYE
259		HealthSure Medical Aid		1 000			1 000	B11	Medical Aid Fund
260		Unemployment Ins. Fund		80			80	B12	UIF
B/S	31	NUT Bank		80			80	N14	Bank charges
B/S		R. Morris (R/D cheque)	DL8	55			55	B5	Debtors control
				14 593	3 000	6 754	4 839		

B7

B9

B6

**JEFFREY STORES
GENERAL JOURNAL – JULY 20.5**

GJ7

No	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
26		Drawings	B2	250					
		Trading stock	B6		250				
Owner took stock for own use									
28		M. Brown/Debtors control	DL6	90		90			
		Interest on overdue debtors	N6		90				
Interest charged on overdue account									
29		Bad debts	N15	150					
		M. Blue / Debtors control	DL7		150		150		
Amount irrecoverable									
30		J. Reinert	DL2	140		140			
		J. Fourie	DL4		140		140		
Correction of error									
						230	290	-	-

B5

B5

**GENERAL LEDGER OF JEFFREY STORES
BALANCE SHEET ACCOUNTS SECTION**

Dr				CAPITAL				B1		Cr
				20.5						
				July	1	Balance	b/d		288 450	

DRAWINGS				B2						
20.5				20.5						
July	1	Bank	CPJ7	520	July	31	Balance	c/d	1 970	
	20	Bank	CPJ7	1 200						
	26	Trading stock	GJ7	250						
				1 970					1 970	
Aug	1	Balance	b/d	1 970						

LAND AND BUILDINGS				B3						
20.5										
July	1	Balance	b/d	250 000						

EQUIPMENT AND VEHICLES				B4						
20.5										
July	1	Balance	b/d	18 000						

DEBTORS CONTROL				B5						
20.5				20.5						
July	1	Balance	b/d	4 126	July	31	Bank	CRJ7	2 425	
	31	Bank (R/D cheque)	CPJ7	55			Discount allowed	CRJ7	113	
		Sales	DJ7	1 779			Debtors allowances	DAJ7	137	
		Sundry accounts	GJ7	230			Sundry accounts	GJ7	290	
				6 190					6 190	
Aug	1	Balance	b/d	3 225						

Dr					TRADING STOCK					B6		Cr	
20.5					20.5								
July	1	Balance	b/d	11 500	July	26	Drawings	GJ7					250
	31	Bank	CPJ7	6 754		31	Cost of sales	CRJ7					6 290
		Cost of sales	DAJ7	84			Cost of sales	DJ7					1 287
							Balance	c/d					10 511
				18 338									18 338
Aug	1	Balance	b/d	10 511									

BANK					B7								
20.5					20.5								
July	1	Balance	b/d	4 700	July	31	Sundry accounts	CPJ7					14 593
	31	Sundry accounts	CRJ7	11 943			Balance	c/d					2 127
				16 643									16 643
Aug	1	Balance	b/d	2 127									

CASH FLOAT					B8								
20.5													
July	1	Balance	b/d	200.00									

CREDITORS FOR WAGES					B9								
20.5					20.5								
July	31	Bank	CPJ7	3 000	July	7	Wages	WJ7					750
						14	Wages	WJ7					750
						21	Wages	WJ7					750
						28	Wages	WJ7					750
				3 000									3 000

SARS - PAYE					B10								
20.5					20.5								
July	31	Bank	CPJ7	700	July	7	Wages	WJ7					175
						14	Wages	WJ7					175
						21	Wages	WJ7					175
						28	Wages	WJ7					175
				700									700

MEDICAL AID FUND					B11								
20.5					20.5								
July	31	Bank	CPJ7	1 000	July	7	Wages	WJ7					125
							Medical aid contrib.	WJ7					125
						14	Wages	WJ7					125
							Medical aid contrib.	WJ7					125
						21	Wages	WJ7					125
							Medical aid contrib.	WJ7					125
						28	Wages	WJ7					125
							Medical aid contrib.	WJ7					125
				1 000									1 000

Dr		WATER AND ELECTRICITY				N9			Cr
20.5									
July	10	Bank	CPJ7	54					

		INSURANCE				N10		
20.5								
July	13	Bank	CPJ7	668				

		VEHICLE LICENCE				N11		
20.5								
July	16	Bank	CPJ7	50				

		ADVERTISING				N12		
20.5								
July	24	Bank	CPJ7	140				

		REPAIRS				N13		
20.5								
July	26	Bank	CPJ7	245				

		BANK CHARGES				N14		
20.5								
July	31	Bank	CPJ7	80				

		BAD DEBTS				N15		
20.5								
July	29	Debtors control	GJ7	150				

		WAGES				N16		
20.5								
July	7	Sundry accounts	WJ7	1 060				
	14	Sundry accounts	WJ7	1 060				
	21	Sundry accounts	WJ7	1 060				
	28	Sundry accounts	WJ7	1 060				
				4 240				

		MEDICAL AID CONTRIBUTION				N17		
20.5								
July	7	Medical aid fund	WJ7	125				
	14	Medical aid fund	WJ7	125				
	21	Medical aid fund	WJ7	125				
	28	Medical aid fund	WJ7	125				
				500				

Dr		UNEMPLOYMENT INSURANCE CONTRIBUTION				N18		Cr
20.5								
July	7	UIF	WJ7	10				
	14	UIF	WJ7	10				
	21	UIF	WJ7	10				
	28	UIF	WJ7	10				
				40				

**DEBTORS LEDGER OF JEFFREY STORES
S. PROCTOR**

DL1

Date		Details	Fol	Debit	Credit	Balance
20.5						
July	1	Balance	b/d			814
	4	Inv. no. 102	DJ7	285		1 099
	13	Inv. no. 106	DJ7	450		1 549
	15	Rec. no. A11	CRJ1		450	1 099
		Discount	CRJ1		27	1 072

J. REINART

DL2

Date		Details	Fol	Debit	Credit	Balance
20.5						
July	1	Balance	b/d			781
	4	Inv. no. 103	DJ7	184		965
	13	Inv. no. 107	DJ7	74		1 039
	28	C/N no. 12	DAJ7		85	954
		Rec. no. A14	CRJ7		500	454
	30	J. Fourie (Correction of error	GJ7	140		594

A. FLOWER

DL3

Date		Details	Fol	Debit	Credit	Balance
20.5						
July	1	Balance	b/d			923
	13	Inv. no. 105	DJ7	268		1 191
	23	Rec. no. A13	CRJ7		600	591
		Discount	CRJ7		30	561
	25	Inv. no. 109	DJ7	164		725
		C/N no. 11	DAJ7		24	701

J. FOURIE

DL4

Date		Details	Fol	Debit	Credit	Balance
20.5						
July	1	Balance	b/d			444
	4	Inv. no. 101	DJ7	119		563
	23	C/N no. 10	DAJ7		28	535
	25	Inv. no. 108	DJ7	140		675
	30	J. Reinart (correction of error)	GJ7		140	535
	31	Rec. no. A15	CRJ7		417	117
		Discount	CRJ7		26	91

V. KING**DL5**

Date		Details	Fol	Debit	Credit	Balance
20.5						
July	1	Balance	b/d			488
	13	Inv. no. 104	DJ7	95		583
	18	Rec. no. A12	CRJ1		458	125
		Discount	CRJ1		30	95

M. BROWN**DL6**

Date		Details	Fol	Debit	Credit	Balance
20.5						
July	1	Balance	b/d			450
	28	Interest income	GJ7	90		540

M. BLUE**DL7**

Date		Details	Fol	Debit	Credit	Balance
20.5						
July	1	Balance	b/d			150
	29	Bad debts	GJ7		150	-

R. MORRIS**DL8**

Date		Details	Fol	Debit	Credit	Balance
20.5						
July	31	R/D cheque	CPJ7	55		55

DEBTORS LIST ON 31 JULY 20.5

Debtor	Fol	Amount
S. Proctor	DL1	1 072
J. Reinart	DL2	594
A. Flower	DL3	701
J. Fourie	DL4	91
V. King	DL5	95
M. Brown	DL6	540
M. Blue	DL7	-
R. Morris	DL8	55
		3 225

TASK 16.3 

Fremont Hi-Fi Stores: Journal entries

**FREMONT Hi-Fi STORE
GENERAL JOURNAL OF- MAY 20.4**

GJ

No.	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
1	2	Drawings Trading stock Owner took stock for personal use		834	834				
2	5	Bad debts Debtors control/ P. Peterson Account written off as bad		55	55		55		
3	7	Vehicles Capital Owner invested his vehicle as capital		24 000	24 000				
4	10	Debtors control/Y. Young Interest on overdue account Debtor charged interest at 15% p.a. on account three months overdue		24	24	24			
5	14	Repairs Land and buildings Correction of error in posting		72	72				
6	18	Debtors control/W. Williams Discount allowed Discount cancelled on a dishon- oured cheque		13	13	13			
						37	55	-	-



TASK 16.4 Get-It-Right: CRJ, CPJ, DJ, DAJ, GJ, Transaction analysis

SECTION A:

GET-IT-RIGHT CASH RECEIPTS JOURNAL – JUNE 20.8

CRJ1

Doc. no.	D	Details	Fol	Analysis of receipts	Bank	Debtors control	Discount allowed	Sales	Cost of sales	Sundry accounts	
										Amount	Fol
132	1	I. Rate		1 240	1 240	1 240	20				
24-56	2	Sales		1 800	1 800			1 800	1 440		
B/S	4	Bank			12 540					12 000	Fixed deposit
57	14	Sales		1 500	1 500			1 500	1 200	540	Int. on fixed deposit
133	26	U. Sless		320	320	320	-				
134	27	U.R. Nogood		294	294	294	-				
135	27	Hope Fill		225	225	225	-				
					17 919	2 079	20	3 300	2 640	12 540	

CASH PAYMENTS JOURNAL – JUNE 20.8

CPJ1

Doc. no.	D	Details	Fol	Bank	Creditors control	Discount received	Trading stock	Debtors control	Sundry accounts		
									Amount	Fol	Details
C42	1	Cash		220					200	Petty cash	
C43	3	Hammer Hardware				150			20	Cash float	
B/S	4	Bank		2 150	2 150				54	Interest on overdraft	
B/S		U.R. Nogood (r/d cheque)						1 360	41	Bank charges	
C44	5	D-I-Y Suppliers		1 700			1 700				
C45	6	D-I-Y Transporters		126			126				
C46	25	Y. Bother		1 110					1 110	Salary	
C47		West Boys' High School		760					760	Drawings	
C48	30	Char Jing		4 910					4 600	Loan: Char Jing	
				12 431	2 150	150	1 826	1 360	7 095	310	Interest on loan

DEBTORS JOURNAL – JUNE 20.8
DJ1

Doc no	D	Debtor	Fol	Sales	Cost of sales
12	3	U. Sless		124	99
13	8	Hope Fill		195	156
14	9	Hope Fill		70	49
15	14	Y.R.U. Trying		98	78
				487	382

DEBTORS ALLOWANCES JOURNAL – JUNE 20.8
DAJ1

C/N no	D	Debtor	Fol	Debtors allowances	Cost of sales
12	2	C. Red		270	216
13	8	Hope Fill		90	72
				360	288

GENERAL JOURNAL OF GET-IT-RIGHT – JUNE 20.8
GJ1

No.	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
01	4	Debtors control/U.R. NoGood Discount allowed Discount on cheque cancelled		40	40	40			
02	5	Debtors control/U.R. NoGood Interest on overdue a/c Interest charged on overdue a/c at 12% p.a. for 5 months		70	70	70			
03	10	Drawings Trading stock Bar counter taken for own use		128	128				
04	14	Advertising Trading stock Screwdriver set given to cus- tomer as an incentive		16	16				
05	17	Trading stock Drawings Bar counter previously taken for own use returned		128	128				
06	25	Salary Sales Stock charged to salary account Cost of sales Trading stock Stock sold to employee at cost		640	640				
07	26	Advertising Trading stock Stock given in competition		72	72				
08	27	Bad debts Debtors control/U.R. Nogood Account of debtor written off		1 176	1 176		1 176		
						110	1 176	-	-

SECTION B

No.	Answer	No.	Answer	No.	Answer
(a)	R2 420	(f)	R360	(k)	DJ
(b)	Bank & Discount allowed	(g)	Bank (dishonoured cheques)	(l)	R487
(c)	R2 079 + R20 = R2 099	(h)	R1 360	(m)	Petty cash refund or transport paid on behalf of a debtor out of petty cash
(d)	Petty Cash	(i)	R1 176	(n)	Interest; Cancellation of discounts on R/D cheques
(e)	DAJ	(j)	R110	(o)	Bad debts



TASK 16.5 **Vanilla's Trading Store: CPJ, DAJ, GJ**

VANILLA'S TRADING STORE
CASH PAYMENTS JOURNAL FOR MAY 20.5

CPJ5

Doc. no.	D	Details	Fol	Bank	Creditors control	Discount received	Debtors control	Creditors for wages	Trading stock	Sundry accounts	
										Amount	Fol
1		Technitronic		900	900						
B/S	3	Milly Franelli (r/d cheque)		340			340				
2	7	Cash		880				880			
3	9	INX Bank		4 340						4 000	Loan from INX Bank
4	14	Cash		968				968		340	Interest on loan
5	16	Snap Wholesalers		2 700					2 700		
6	17	Mango Deliveries		80					80		
7	21	Cash		1 040				1 040			
8	23	Astley Debt Collectors		60						60	Legal fees
9	28	Cash		1 088				1 088			
10	29	INX Bank		2 000						2 000	Fixed deposit: INX Bank
11	30	Cash		272						172	Petty cash
12	31	Technitronic		810						100	Cash float
B/S		INX Bank		98						24	Bank charges
B/S		AA Insurance Co.		101						74	Interest on o/d
										61	Insurance
										40	Drawings
				15 677	1 710	-	340	3 976	2 780	6 871	

DEBTORS ALLOWANCES JOURNAL – MAY 20.5

DAJ5

C/N no	D	Debtor	Fol	Debtors allowances	Cost of sales
01	2	E. Nigma		300	240.00
02	11	M.A. Donna		100	-
03	18	S. Sting		200	133.33
04	24	E. Nigma		*336	280.00
				936	653.33

*Refer to the Invoice amount on the 23rd to calculate the trade discount percentage:

$$R840 + 50\% = R1\ 260$$

$$R1\ 260 - R1\ 008 = R252$$

$$\frac{252}{1\ 260} \times \frac{100}{1} = 20\%$$

GENERAL JOURNAL – MAY 20.5

GJ5

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
01	3	Debtors control/Milli Franelli Discount allowed		10.00	10.00	10.00			
		Discount on dishonoured cheque cancelled							
02	4	Debtors control/Milli Franelli Interest on overdue account		13.13	13.13	13.13			
		Charged interest on overdue debtor's account at 15% p.a. for 3 months							
03	20	S. Sting Interest on overdue account		500.00		500.00			
		P. Prince Correction of error in posting		20.00	520.00		520.00		
04	22	Stationery Drawings		20.00					
		Trading stock Tippex taken for office use and personal use		20.00	40.00				
04	23	Bad debts Debtors control/Milli Franelli		254.19	254.19		254.19		
		Account written off							
05	26	Loss due to damage/Stock defi- cit		280.00					
		Trading stock Trading stock written off due to damage by workers			280.00				
06	27	Stationery Equipment		45.00	45.00				
		Correction of error in posting							
						523.13	774.19	-	-

TASK 16.6  **AM Traders: Ledger accounts**

**GENERAL LEDGER OF AM TRADERS
BALANCE SHEET ACCOUNTS SECTION**

Dr					Cr				
TRADING STOCK					B4				
20.6					20.6				
Dec	1	Balance	b/d	12 455	Dec	31	Cost of sales	DJ	2 774
	31	Creditors control	CJ	4 168			Cost of sales	CRJ	1 484
		Bank	CPJ	2 142			Creditors control	CAJ	488
		Cost of sales	DAJ	224			Balance	c/d	14 243
				18 989					18 989
20.7									
Jan	1	Balance	b/d	14 243					

DEBTORS CONTROL					B5				
20.6					20.6				
Dec	1	Balance	b/d	6 814	Dec	31	Bank	CRJ	3 615
	31	Sales	DJ	4 161			Discount allowed	CRJ	214
		Sundry accounts	GJ	168			Debtors allowances	DAJ	336
							Sundry accounts	GJ	250
							Balance	c/d	6 728
				11 143					11 143
20.7									
Jan	1	Balance	b/d	6 728					

CREDITORS CONTROL					B6				
20.6					20.6				
Dec	31	Bank	CPJ	2 613	Dec	1	Balance	b/d	8 319
		Discount received	CPJ	188		31	Total purchases	CJ	7 344
		Total allowances	CAJ	560			Sundry accounts	GJ	88
		Sundry accounts	GJ	66					
		Balance	c/d	12 324					
				15 751					15 751
					20.7				
					Jan	1	Balance	b/d	12 324

TASK 16.7 KZ Traders: Journal entries

KZ TRADERS

GENERAL JOURNAL – 28 FEBRUARY 20.9

GJ12

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
1	28	Bad debts		1 303					
		J. Dunn			353		353		
		S. Paul			950		950		
		Bad debts written off							
2		S. Buys		156		156			
		Interest on overdue a/c			156				
		Debtor charged with interest							
3		Income accrued		700					
		Rent income			700				
		Rent still due for February							
4		Income accrued		120					
		Interest on fixed deposit			120				
		Interest due for 2 months							
5		KM Wholesalers		2 600				2 600	
		Komo Wholesalers			2 600				2 600
		Correction of error credited							
6		Interest expense		151					
		Komo Wholesalers			151				151
		Charged interest on overdue account							
						156	1 303	2 600	2 751

TASK 16.8 AC Traders: Ledger accounts

GENERAL LEDGER OF AC TRADERS BALANCE SHEET ACCOUNTS SECTION

Dr				TRADING STOCK				B		Cr
20.5						20.5				
Oct	1	Balance	b/d	14 500	Oct	31	Cost of sales ^[2]	CRJ	4 050	
	31	Bank ^[3]	CPJ	5 400			Cost of sales	DJ	7 116	
		Cost of sales	DAJ	200			Creditors control ^[5]	CAJ	900	
		Creditors control	CJ	4 800			Balance	c/d	12 834	
				24 900					24 900	
Nov	1	Balance	b/d	12 834						

				DEBTORS CONTROL				B		
20.5						20.5				
Oct	1	Balance	b/d	15 368	Oct	31	Bank	CRJ	7 540	
	31	Bank (r/d)	CPJ	600			Discount allowed	CRJ	340	
		Sales	DJ	9 488			Debtors allowances	DAJ	396	
		Sundry accounts	GJ	492			Sundry accounts	GJ	236	
				25 948			Balance	c/d	17 436	
				25 948					25 948	
Nov	1	Balance	b/d	17 436						

Dr					BANK					B					Cr				
20.5					20.5					20.5					20.5				
Oct	1	Balance	b/d	2 349	Oct	31	Sundry accounts	CPJ	21 040										
	31	Sundry accounts ^[1]	CRJ	17 440															
		Balance	c/d	1 251															
				21 040															21 040
					Nov	1	Balance	b/d	1 251										

CREDITORS CONTROL					B														
20.5					20.5					20.5					20.5				
Oct	31	Bank	CPJ	7 040	Oct	1	Balance	b/d	12 420										
		Discount received	CPJ	340		31	Sundry accounts ^[4]	CJ	9 200										
		Total allowances	CAJ	2 400			Sundry accounts	GJ	298										
		Sundry accounts	GJ	632															
		Balance	c/d	11 506															
				21 918															21 918
					Nov	1	Balance	b/d	11 506										

NOMINAL ACCOUNTS SECTION					SALES					N									
					20.5					20.5					20.5				
					Oct	1	Total	b/f	39 640										
						31	Bank	CRJ	5 400										
							Debtors control	DJ	9 488										
									54 528										

COST OF SALES					N														
20.5					20.5					20.5					20.5				
Oct	1	Total	b/f	29 700	Oct	31	Trading stock	DAJ	200										
	31	Trading stock ^[2]	CRJ	4 050															
		Trading stock	DJ	7 116															
				40 866															200

[1] $7\,540 + 5\,400 + 4\,500 = R17\,440$

[2] $5\,400 \times \frac{100}{133.33} = R4\,050$

[3] $21\,040 - 600 - 3\,800 - 7\,040 - 4\,200 = R5\,400$

[4] $4\,800 + 1\,600 + 700 + 1\,300 + 800 = R9\,200$

[5] $2\,400 - 600 - 300 - 200 - 400 = R900$

TASK 16.9 Bank Statement

16.9.1

▲ FIRSTBANK GROUP

FirstBank of South Africa Limited
Registered Bank

PIETERMARITZBURG NORTH
PO Box 3211 PIETERMARITZBURG 3200

Reg. No. 19433/24356560
VAT Reg. No. 41500209871

MR G. Van Rover
PO Box 991
PIETERMARITZBURG
3200

23 March 20.5

PIETERMARITZBURG NORTH 7925
MONTHLY MAIL

Statement No. 231
Page 1 of 1

BANK STATEMENT / TAX INVOICE

Masterplan Cheque Account

Account Number: 05 114 006 7

Details	Service fees	Debits	Credits	Date	Balance
BALANCE BROUGHT FORWARD				03 01	238.91
AUTOBANK CASH WITHDRAWAL AT CASCADES 11H01 460098	11.80	1 000.00		03 02	-761.09
INTEREST ON OVERDRAFT		42.45		03 14	-803.54
CHEQUE 423	3.40	120.00		03 14	-923.54
ELECTRONIC BANKING PAYMENT: SALARY 324	4.73		8 000.48	03 20	7 076.94
SERVICE FEE		19.93			7 057.01
INTERNET PAYMENT TO TELKOM 460098	5.19	555.66		03 20	6 501.35
MCHOICE SERVICE AGREEMENT 1017989	8.59	579.00		03 21	5 922.35
QW MEDICAL AID 12345	5.19	789.00		03 21	5 133.35
OLD MUTUAL INSURANCE PREMIUM 34446	5.19	1 210.00		03 22	3 923.35
CHEQUE 425	2.80	4 578.99		03 22	-655.64
ELECTRONIC TRANSFER: R. JACKSON 21311	2.80		300.75	03 22	-354.89
SERVICE FEE		29.76		03 22	-384.65

These fees are inclusive of VAT at 14.00%.

Please verify all transactions reflected on this statement and notify any discrepancies to the bank as soon as possible.

- 16.9.2** The bank statement is addressed to a private individual and not a business institution; an electronic transfer in respect of a salary is reflected; only two deposits for the month. A business would be making far more deposits as it receives cash daily, etc.
- 16.9.3** The bank statement is dated 23rd. The deposit was, therefore, made after the bank statement date, i.e. the 24th.
- 16.9.4** Cheque no. 424 may be lost in transit. It has not been presented for payment.
- 16.9.5** The transaction on the 20th – Internet payment to Telkom.
- 16.9.6** Yes. Payment is almost immediate or takes place after one working day; errors on cheques are avoided; cheques can be lost or stolen; internet banking fees are cheaper than using cheques, etc.

INTERPRETATION OF LEDGER ACCOUNTS

TASK 16.10 Accounting equation

No.	Source document	Journal	Account debit	Account credit	Amount	A	O	L
1.	Journal voucher	GJ	Donation	Trading stock	740	-	-	0
2.	Invoice	DJ	Debtors control	Sales	90	+	+	0
			Cost of sales	Trading stock	63	-	-	0
3.	Credit note	DAJ	Debtors allowances	Debtors control	176.40	-	-	0
4.	Bank statement	CRJ	Bank	Rent income	1 800	+	+	0
5.	Journal voucher	GJ	Vehicles/Equipment	Trading stock	130	±	0	0
6.	Bank statement	CPJ	Debtors control	Bank	455	±	0	0
	Journal voucher	GJ	Debtors control	Discount allowed	15	+	+	0
7.	Petty cash voucher	PCJ	Trading stock	Petty cash	70	±	0	0
8.	Cheque counterfoil	CPJ	Petty cash	Bank	458	±	0	0
9.	No entry							

TASK 16.11 Brown Stores: Control accounts, Theory

- 16.11.1 Balance sheet accounts section.
- 16.11.2 Total of the Debtors' List from the Debtors' Ledger.
- 16.11.3 The control accounts are drawn up independently of the Debtors' and Creditors' Ledgers so that fraud and errors can be detected if there are differences.
- 16.11.4 Many different accounts are debited and credited.
- 16.11.5 DJ.
- 16.11.6 Inferior quality.
- 16.11.7 R100 in Debtors Control (7) and R30 in Creditors Control (13).
- 16.11.8 Charge interest on overdue accounts (7) or offer discounts for early settlement (2).
- 16.11.9 R405 (6). Before allowing someone to buy on account, their credit history should be carefully analysed. Depending on this history, they should then be set reasonable limits.
- 16.11.10 CPJ.
- 16.11.11 Interest charged by creditors on our account; cancellation of discount received on a stale cheque.
- 16.11.12 Cancellation of a dishonoured cheque or a refund to customer to a customer who has overpaid.
- 16.11.13 A petty cash refund to customer who has overpaid or payment of delivery to a customer out of petty cash when the customer is to be charged for the delivery.
- 16.11.14 (a) debit note issued.
(b) credit note received.

TASK 16.12 ABC Traders: Control accounts, Theory

- 16.12.1 R6 610
- 16.12.2 Sales (and VAT Output)
- 16.12.3 Debtors allowances (and VAT Output)
- 16.12.4 R452
- 16.12.5 DAJ and DJ
- 16.12.6 R170
- 16.12.7 Compare it to the total of the Debtors' List drawn from the Debtors' Ledger balances. They must agree.
- 16.12.8 Do a physical stock count.
- 16.12.9 Interest charged on an overdue account or cancellation of discount allowed on a R/D cheque.
- 16.12.10 R200
- 16.12.11 Separate the tasks allocated to employees, e.g. one employee to write up the debtors' ledger and another to prepare the control account; use a system of task rotation; carefully screen prospective employees before employing them; check source documents (invoices, statements, orders, etc.) against entries recorded in debtors' accounts; carry out random checks; employ an external auditor; etc.

TASK 16.13 Expanded equation

No.	Source document	Subsidiary book	Assets	Drawings	Expenses
1.	C/N	DAJ	-20		20
2.	C/C ^[1]	CPJ	-300		
3.	B/S	CRJ	22		
4.	Invoice	CJ	900		
5.	C/N	DAJ	-150		150
			110		-110
6.	JV ^[2]	GJ	-90	90	
7.	Receipt	CRJ	±450		
	JV		-900		900
8.	Invoice	DJ	253		
			-203		203
9.	JV	GJ	15		
10.	JV	GJ			
11.	JV	GJ			450
12.	Receipt	CRJ	±200		
			-10		10
13.	C/C	CPJ	±515		
14.	Invoice	CJ	400		
15.	JV	GJ	-200		200
16.	C/C	CPJ	-1 600		
17.	C/C	CPJ	-5 600		
18.	Receipt	CRJ	20 000		
19.	JV	GJ	-2 400		2 400
20.	JV	GJ	230		-230
			10 457	90	3 993
			A + D + E = R14 540		

Liabilities	Capital	Income
-315		15
		22
900		
		253
		15
300		-300
450		
400		
-1 600		
-5 600		
20 000		
14 535	-	5
L + C + I = R14 540		

^[1] Cheque counterfoil

^[2] Journal voucher

Note: Debtors allowances can be treated as a negative income or as an expense



TASK 16.14 Tembisa General Dealers: Transaction analysis, Expanded equation

No.	Source document	Subsidiary book	Account to be debited	Account to be credited
1.	Receipt	CRJ	Bank	Capital
2.	Invoice	CJ	Trading stock	Creditors control
3.	Invoice	CJ	Vehicle	Creditors control
4.	D/N	CAJ	Creditors control	Trading stock
5.	Invoice	DJ	Debtors control	Sales
			Cost of sales	Trading stock
6.	C/N	DAJ	Debtors allowance	Debtors control
7.	Invoice	CJ	Stationery	Creditors control
8.	P/C voucher	PCJ	Postage	Petty cash
9.	C/C	CPJ	Trading stock	Bank
10.	JV	GJ	Debtors control	Interest income
11.	Receipt	CRJ	Bank	Rent income
12.	C/C	CPJ	Creditors control	Bank
			Creditors control	Discount received
13.	Receipt	CRJ	Bank	Debtors control
			Discount allowed	Debtors control
14.	C/C	CPJ	Creditors control	Bank
			Creditors control	Discount received
15.	J/V	GJ	Drawings	Trading stock
	J/V	GJ	Drawings	Stationery
	C/C	CPJ	Drawings	Bank

Assets	Drawings	Expenses	Liabilities	Capital	Income
60 000				60 000	
22 400			22 400		
57 600			57 600		
-2 200			-2 200		
4 450					4 450
-3 338		3 338			
-450					-450
		358	358		
-30		30			
±18 660					60
60					2 000
2 000					
-20 000			-20 000		
			-500		500
±2 000					
-50		50			
-19 695			-19 695		
			-505		505
-300	300				
	22	-22			
-800	800				
99 647	1 122	3 754	37 458	60 000	7 065
A + D + E = R104 523			L + C + I = R104 523		

TASK 16.15 

CDE Traders: Depreciation, Fixed/Tangible asset note

16.15.1

**GENERAL LEDGER OF CDE TRADERS
BALANCE SHEET ACCOUNTS SECTION**

Dr					VEHICLES					B		Cr
20.6												
Mar	1	Balance	b/d	54 000								

					EQUIPMENT					B		
20.6												
Mar	1	Balance	b/d	18 000								

ACCUMULATED DEPRECIATION ON VEHICLES					ACCUMULATED DEPRECIATION ON VEHICLES					B		
20.7					20.6							
Feb	28	Balance	c/d	26 352	Mar	1	Balance	b/d	19 440			
					20.7							
				26 352	Feb	28	Depreciation	GJ	6 912			
									26 352			
20.8					Mar	1	Balance	b/d	26 352			
Feb	28	Balance	c/d	31 882	20.8							
				31 882	Feb	28	Depreciation	GJ	5 530			
									31 882			
20.9					Mar	1	Balance	b/d	31 882			
Feb	28	Balance	c/d	36 306	20.9							
				36 306	Feb	28	Depreciation	GJ	4 424			
									36 306			
					Mar	1	Balance	b/d	36 306			

ACCUMULATED DEPRECIATION ON EQUIPMENT					ACCUMULATED DEPRECIATION ON EQUIPMENT					B		
20.7					20.6							
Feb	28	Balance	c/d	5 400	Mar	1	Balance	b/d	3 600			
					20.7							
				5 400	Feb	28	Depreciation	GJ	1 800			
									5 400			
20.8					Mar	1	Balance	b/d	5 400			
Feb	28	Balance	c/d	7 200	20.8							
				7 200	Feb	28	Depreciation	GJ	1 800			
									7 200			
20.9					Mar	1	Balance	b/d	7 200			
Feb	28	Balance	c/d	9 000	20.9							
				9 000	Feb	28	Depreciation	GJ	1 800			
									9 000			
					Mar	1	Balance	b/d	9 000			

**NOMINAL ACCOUNTS SECTION
DEPRECIATION**

Dr				DEPRECIATION				N		Cr
20.7				20.7						
Feb	28	Acc dep on vehicles	GJ	6 912	Feb	28	Profit and loss	GJ	8 712	
		Acc dep on equip.	GJ	1 800						
				8 712					8 712	
20.8				20.8						
Feb	28	Acc dep on vehicles	GJ	5 530	Feb	28	Profit and loss	GJ	7 330	
		Acc dep on equip.	GJ	1 800						
				7 330					7 330	
20.9				20.9						
Feb	28	Acc dep on vehicles	GJ	4 424	Feb	28	Profit and loss	GJ	6 224	
		Acc dep on equip.	GJ	1 800						
				6 224					6 224	

16.15.2 Note to the financial statements on 28 February 20.9

FIXED/TANGIBLE ASSETS	Vehicles	Equipment	Total
Carrying value at beginning of year	22 118	10 800	32 918
Cost	54 000	18 000	72 000
Accumulated depreciation	[31 882]	[7 200]	[39 082]
Movements	[4 424]	[1 800]	[6 224]
Additions at cost	-	-	-
Disposals at carrying value	-	-	-
Depreciation	[4 424]	[1 800]	[6 224]
Carrying value at end of year	17 694	9 000	26 694
Cost	54 000	18 000	72 000
Accumulated depreciation	[36 306]	[9 000]	[45 306]

TASK 16.16 Lesia Store: Transaction analysis, Expanded equation

No.	Account to be debited	Account to be credited
1.	Telephone	Expenses payable/Accrued expenses
2.	Bad debts	J. Peter/Debtors control
3.	Rent expense	Expenses payable/Accrued expenses
4.	Interest expense	Creditors control/AB Wholesalers
5.	Fixed deposit	Interest on fixed deposit
6.	Motor expenses	Expenses payable/Accrued expenses
7.	Bank charges	Bank
	Interest on overdraft	Bank
	Debtors control/Mr NoGo	Bank
	Debtors control/Mr NoGo	Discount allowed
8.	Depreciation	Accum. depreciation on vehicles
	Salaries	Pension fund
9.		SARS – PAYE
		UJF
		Creditors for salaries
	Pension contribution	Pension fund
	Unem. Ins. contribution	UJF
10.	Trading stock deficit	Trading stock
	Consumables on hand	Consumables

Assets	Drawings	Expenses
-125		560
		125
		1 960
		142
1 800		
		1 550
		451
		512
1 200		
80		-80
-26 400		26 400
		420
		1 400
		60
		4 120
		600
		60
-1 452		1 452
657		-657
-24 240	-	39 075
A + D + E = R14 835		

Liabilities	Capital	Income
560		
1 960		
142		
		1 800
1 550		
451		
512		
1 200		
420		
1 400		
60		
4 120		
600		
60		
13 035	-	1 800
L + C + I = R14 835		

FINAL ACCOUNTS AND YEAR-END PROCEDURES

TASK 16.17 Thulo Traders: Journal/Closing entries, Ledger, Final accounts, Trial Balances

THULO TRADERS PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 20.8

Balance sheet accounts section	Fol	Debit	Credit
Capital	B1		335 000
Drawings	B2	40 000	
Mortgage loan: AS Bank	B3		20 000
Land and buildings	B4	240 000	
Vehicles at cost	B5	90 000	
Equipment at cost	B6	52 600	
Accumulated depreciation on vehicles	B7		35 200
Accumulated depreciation on equipment	B8		21 040
Fixed deposit at XR Bank	B9	10 000	
Trading stock	B10	30 825	
Debtors control	B11	20 780	
Bank (dr)	B12	2 420	
Cash float	B13	800	
Petty cash	B14	300	
Creditors control	B15		57 960
Pension fund	B16		2 000
SARS – PAYE	B17		1 027
Nominal accounts section			
Sales	N1		265 890
Cost of sales	N2	145 321	
Debtors allowances	N3	14 240	
Advertisements	N4	2 611	
Bad debts	N5	184	
Bad debts recovered	N6		1 559
Bank charges	N7	3 111	
Insurance	N8	14 261	
Interest on investments	N9		1 125
Licence	N10	1 200	
Motor expenses	N11	12 090	
Packing material	N12	3 211	
Rent income	N13		33 000
Repairs to equipment	N14	245	
Stationery	N15	1 296	
Telephone	N16	6 810	
Wages	N17	73 842	
Water and electricity	N18	7 654	
		773 801	773 801

GENERAL JOURNAL – 28 FEBRUARY 20.8

GJ

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
	28	Motor expenses	N11	1 200					
		Water and electricity	N18	520					
		Expenses payable/Accrued expenses	B18		1 720				
		Accounts not yet paid							
		Income receivable/Accrued income	B19	3 375					
		Rent income	N13		3 000				
		Interest on fixed deposit	N9		375				
		Amounts still receivable							
		Prepaid expenses	B20	80					
		Advertisements	N4		80				
		Amount paid in advance							
		Bad debts	N5	400					
		J. Fox			400		400		
		Account written off as bad							
		Depreciation	N19	21 156					
		Accum. depreciation on vehicles	B7		18 000				
		Accum. depreciation on equipment	B8		3 156				
		Depreciation of vehicles & equipment							
		Trading stock deficit	N20	1 711					
		Trading stock	B10		1 711				
		Stock deficit as per stock take							
		Consumables on hand	B21	892					
		Packing material	N12		892				
		Material on hand as per stock take							
		Interest on loan	N21	2 400					
		Mortgage loan	B3		2 400				
		Interest on loan brought into account							
						-	400	-	-

B11

**GENERAL LEDGER OF THULO TRADERS
BALANCE SHEET ACCOUNTS SECTION**

Dr				CAPITAL				B1		Cr
20.8					20.7					
Feb	28	Profit and loss	GJ1	7 542	Mar	1	Balance	b/d	335 000	
		Drawings	GJ1	40 000						
		Balance	c/d	287 458						
				335 000						335 000
					20.8					
					Mar	1	Balance	b/d	287 458	

DRAWINGS

B2

20.8					20.8					
Feb	28	Balance	b/d	40 000	Feb	28	Capital	GJ1	40 000	

MORTGAGE LOAN: AS BANK

B3

20.8					20.8					
Feb	28	Balance	c/d	22 400	Feb	28	Balance	b/d	20 000	
							Interest on loan	GJ1	2 400	
				22 400					22 400	
					Mar	1	Balance	b/d	22 400	

Dr		LAND AND BUILDINGS				B4		Cr	
20.8									
Feb	28	Balance	b/d	240 000					

		VEHICLES				B5			
20.8									
Feb	28	Balance	b/d	90 000					

		EQUIPMENT				B6			
20.8									
Feb	28	Balance	b/d	52 600					

		ACCUMULATED DEPRECIATION ON VEHICLES				B7			
20.8					20.7				
Feb	28	Balance	c/d	53 200	Mar	1	Balance	b/d	35 200
					Feb	28	Depreciation	GJ1	18 000
				53 200					53 200
					Mar	1	Balance	b/d	53 200

		ACCUMULATED DEPRECIATION ON EQUIPMENT				B8			
20.8					20.7				
Feb	28	Balance	c/d	24 196	Mar	1	Balance	b/d	21 040
					Feb	28	Depreciation	GJ1	3 156
				24 196					24 196
					Mar	1	Balance	b/d	24 196

		FIXED DEPOSIT AT XR BANK				B9			
20.8									
Feb	28	Balance	b/d	10 000					

		TRADING STOCK				B10			
20.8					20.8				
Feb	28	Balance	b/d	30 825	Feb	28	Trading stock deficit	GJ1	1 711
							Balance	c/d	29 114
				30 825					30 825
Mar	1	Balance	b/d	29 114					

		DEBTORS CONTROL				B11			
20.8					20.8				
Feb	28	Balance	b/d	20 780	Feb	28	Sundry accounts	GJ1	400
							Balance	c/d	20 380
				20 780					20 780
Mar	1	Balance	b/d	20 380					

		BANK				B12			
20.8									
Feb	28	Balance	b/d	2 420					

Dr		CASH FLOAT					B13		Cr
20.8									
Feb	28	Balance	b/d	800					

		PETTY CASH					B14		
20.8									
Feb	28	Balance	b/d	300					

		CREDITORS CONTROL					B15		
						20.8			
						Feb	28	Balance	
								b/d	
								57 960	

		PENSION FUND					B16		
						20.8			
						Feb	28	Balance	
								b/d	
								2 000	

		SARS - PAYE					B17		
						20.8			
						Feb	28	Balance	
								b/d	
								1 027	

		EXPENSES PAYABLE/ACCRUED EXPENSES					B18		
20.8						20.8			
Feb	28	Balance	c/d	1 720		Feb	28	Motor expenses	
								GJ1	
								1 200	
								Water and electricity	
								GJ1	
								520	
								1 720	
						Mar	1	Balance	
								b/d	
								1 720	

		INCOME RECEIVABLE/ACCRUED INCOME					B19		
20.8						20.8			
Feb	28	Rent income	GJ1	3 000		Feb	28	Balance	
		Interest on fixed dep.	GJ1	375				c/d	
								3 375	
								3 375	
Mar	1	Balance	b/d	3 375					

		PREPAID EXPENSES					B20		
20.8									
Feb	28	Advertisements	GJ1	80					

		CONSUMABLE STORES ON HAND					B21		
20.8									
Feb	28	Consumable stores	GJ1	892					

		NOMINAL ACCOUNTS SECTION							
		SALES					N1		
20.8						20.8			
Feb	28	Debtors allowances	GJ1	14 240		Feb	28	Total	
		Trading account	GJ1	251 650				b/f	
								265 890	
								265 890	

Dr		COST OF SALES				N2		Cr	
20.8					20.8				
Feb	28	Total	b/f	145 321	Feb	28	Trading account	GJ1	145 321

		DEBTORS ALLOWANCES				N3			
20.8					20.8				
Feb	28	Total	b/f	14 240	Feb	28	Sales	GJ1	14 240

		ADVERTISEMENTS				N4			
20.8					20.8				
Feb	28	Total	b/f	2 611	Feb	28	Prepaid expenses	GJ1	80
							Profit and loss	GJ1	2 531
				2 611					2 611

		BAD DEBTS				N5			
20.8					20.8				
Feb	28	Total	b/f	184	Feb	28	Profit and loss	GJ1	584
		J. Fox/Debtors cont.	GJ1	400					
				584					584

		BAD DEBTS RECOVERED				N6			
20.8					20.8				
Feb	28	Profit and loss a/c	GJ1	1 559	Feb	28	Total	b/f	1 559

		BANK CHARGES				N7			
20.8					20.8				
Feb	28	Total	b/f	3 111	Feb	28	Profit and loss a/c	GJ1	3 111

		INSURANCE				N8			
20.8					20.8				
Feb	28	Total	b/f	14 261	Feb	28	Profit and loss a/c	GJ1	14 261

		INTEREST ON INVESTMENT (FIXED DEPOSIT)				N9			
20.8					20.8				
Feb	28	Profit and loss	GJ1	1 500	Feb	28	Total	b/f	1 125
							Income receivable /	GJ1	375
				1 500			Accrued income		
									1 500

		LICENCE				N10			
20.8					20.8				
Feb	28	Total	b/f	1 200	Feb	28	Profit and loss a/c	GJ1	1 200

Dr					MOTOR EXPENSES					N11		Cr
20.8					20.8							
Feb	28	Total	b/f	12 090	Feb	28	Profit and loss	GJ1			13 290	
		Expenses payable / Accrued expenses	GJ1	1 200								
				13 290							13 290	

					PACKING MATERIALS					N12		
20.8					20.8							
Feb	28	Total	b/f	3 211	Feb	28	Cons. stores on hand	GJ1			892	
							Profit and loss	GJ1			2 319	
				3 211							3 211	

					RENT INCOME					N13		
20.8					20.8							
Feb	28	Profit and loss	GJ1	36 000	Feb	28	Total	b/f			33 000	
							Income receivable / Accrued income	GJ1			3 000	
				36 000							36 000	

					REPAIRS TO EQUIPMENT					N14		
20.8					20.8							
Feb	28	Total	b/f	245	Feb	28	Profit and loss a/c	GJ1			245	

					STATIONERY					N15		
20.8					20.8							
Feb	28	Total	b/f	1 296	Feb	28	Profit and loss a/c	GJ1			1 296	

					TELEPHONE					N16		
20.8					20.8							
Feb	28	Total	b/f	6 810	Feb	28	Profit and loss a/c	GJ1			6 810	

					WAGES					N17		
20.8					20.8							
Feb	28	Total	b/f	73 842	Feb	28	Profit and loss a/c	GJ1			73 842	

					WATER AND ELECTRICITY					N18		
20.8					20.8							
Feb	28	Total	b/f	7 654	Feb	28	Profit and loss	GJ1			8 174	
		Expenses paya- ble/Accrued expens- es	GJ1	520								
				8 174							8 174	

Dr				DEPRECIATION				N19		Cr
20.8					20.8					
Feb	28	Acc dep on vehicles	GJ1	18 000	Feb	28	Profit and loss	GJ1	21 156	
		Acc dep on equip.	GJ1	3 156						
				21 156					21 156	

				TRADING STOCK DEFICIT				N20	
20.8					20.8				
Feb	28	Trading stock	GJ1	1 711	Feb	28	Profit and loss	GJ1	1 711

				INTEREST ON MORTGAGE LOAN				N21	
20.8					20.8				
Feb	28	Mortgage loan	GJ1	2 400	Feb	28	Profit and loss a/c	GJ1	2 400

**FINAL ACCOUNTS SECTION
TRADING ACCOUNT**

				F1					
20.8					20.8				
Feb	28	Cost of sales	GJ1	145 321	Feb	28	Sales	GJ1	251 650
		Profit and loss	GJ1	106 329					
				251 650					251 650

PROFIT AND LOSS ACCOUNT

				F2					
20.8					20.8				
Feb	28	Advertisements	GJ1	2 531	Feb	28	Trading account	GJ1	106 329
		Bad debts	GJ1	584			Bad debts recovered	GJ1	1 559
		Bank charges	GJ1	3 111			Int. on investments	GJ1	1 500
		Insurance	GJ1	14 261			Rent income	GJ1	36 000
		Int. on mortgage loan	GJ1	2 400			Capital (net loss)	GJ1	7 542
		Licence	GJ1	1 200					
		Motor expenses	GJ1	13 290					
		Packing material	GJ1	2 319					
		Repairs to equipment	GJ1	245					
		Stationery	GJ1	1 296					
		Telephone	GJ1	6 810					
		Wages	GJ1	73 842					
		Water and electricity	GJ1	8 174					
		Depreciation	GJ1	21 156					
		Trading stock deficit	GJ1	1 711					
				152 930					152 930

POST-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 20.8

Balance sheet accounts section	Fol	Debit	Credit
Capital	B1		335 000
Drawings	B2	40 000	
Mortgage loan: AS Bank	B3		22 400
Land and buildings	B4	240 000	
Vehicles at cost	B5	90 000	
Equipment at cost	B6	52 600	
Accumulated depreciation on vehicles	B7		53 200
Accumulated depreciation on equipment	B8		24 196
Fixed deposit at XR Bank	B9	10 000	
Trading stock	B10	29 114	
Debtors control	B11	20 380	
Bank (dr)	B12	2 420	
Cash float	B13	800	
Petty cash	B14	300	
Creditors control	B15		57 960
Pension fund	B16		2 000
SARS – PAYE	B17		1 027
Expenses payable/Accrued expenses	B18		1 720
Income receivable/Accrued income	B19	3 375	
Prepaid expenses	B20	80	
Consumable stores on hand	B21	892	
Nominal accounts section			
Sales	N1		265 890
Cost of sales	N2	145 321	
Debtors allowances	N3	14 240	
Advertisements	N4	2 531	
Bad debts	N5	584	
Bad debts recovered	N6		1 559
Bank charges	N7	3 111	
Insurance	N8	14 261	
Interest on investments	N9		1 500
Licence	N10	1 200	
Motor expenses	N11	13 290	
Packing material	N12	2 319	
Rent income	N13		36 000
Repairs to equipment	N14	245	
Stationery	N15	1 296	
Telephone	N16	6 810	
Wages	N17	73 842	
Water and electricity	N18	8 174	
Depreciation	N19	21 156	
Trading stock deficit	N20	1 711	
Interest on mortgage loan	N21	2 400	
		802 452	802 452

GENERAL JOURNAL – CLOSING ENTRIES ON 28 FEBRUARY 20.8

GJ1

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
	28	Sales	N1	14 240					
		Debtors allowances	N3		14 240				
		Closing entry							
		Trading account	F1	145 321					
		Cost of sales	N2		145 321				
		Closing entry							
		Sales	N1	251 650					
		Trading account	F1		251 650				
		Closing entry							
		Profit and loss account	F2	106 329					
		Trading account	F1		106 329				
		Gross profit transferred to Profit and Loss account							
		Bad debts recovered	N6	1 559					
		Interest on investments	N9	1 500					
		Rent income	N13	36 000					
		Profit and loss account	F2		39 059				
		Closing entry							
		Profit and loss account	F2	152 930					
		Advertisements	N4		2 531				
		Bad debts	N5		584				
		Bank charges	N7		3 111				
		Insurance	N8		14 261				
		Licence	N10		1 200				
		Motor expenses	N11		13 290				
		Packing material	N12		2 319				
		Repairs to equipment	N14		245				
		Stationery	N15		1 296				
		Telephone	N16		6 810				
		Wages	N17		73 842				
		Water and electricity	N18		8 174				
		Depreciation	N19		21 156				
		Trading stock deficit	N20		1 711				
		Interest on mortgage loan	N21		2 400				
		Closing entry							
		Capital	B1	7 542					
		Profit and loss account	F2		7 542				
		Net loss transferred to capital account							
		Capital	B1	40 000					
		Drawings	B2		40 000				
		Drawings transferred to capital							

POST-CLOSING TRIAL BALANCE ON 28 FEBRUARY 20.8

Balance sheet accounts section	Fol	Debit	Credit
Capital	B1		287 458
Mortgage loan: AS Bank	B3		22 400
Land and buildings	B4	240 000	
Vehicles at cost	B5	90 000	
Equipment at cost	B6	52 600	
Accumulated depreciation on vehicles	B7		53 200
Accumulated depreciation on equipment	B8		24 196
Fixed deposit at XR Bank	B9	10 000	
Trading stock	B10	29 114	
Debtors control	B11	20 380	
Bank (dr)	B12	2 420	
Cash float	B13	800	
Petty cash	B14	300	
Creditors control	B15		57 960
Pension fund	B16		2 000
SARS – PAYE	B17		1 027
Expenses payable/Accrued expenses	B18		1 720
Income receivable/Accrued income	B19	3 375	
Prepaid expenses	B20	80	
Consumable stores on hand	B21	892	
		449 961	449 961

TASK 16.18  **DML Optometrists: Final accounts, Calculations**

16.18.1 GENERAL LEDGER OF DML OPTOMETRISTS

FINAL ACCOUNTS SECTION

Dr				TRADING ACCOUNT				F1	Cr
20.5				20.5					
Feb	28	Cost of sales [310 600 – 300]	310 300	Feb	28	Sales [417 400 - 3 250 – 450]		413 700	
		Profit and loss	103 400						
			413 700					413 700	

16.18.2 PROFIT AND LOSS ACCOUNT

F2

20.5				20.5			
Feb	28	Bad debts [310 + 150 ^[2]]	460	Feb	28	Trading account	103 400
		Bank charges [405 + 80 + 124]	609			Fee income [24 320 – 90]	24 230
		Consum. stores [2 780 – 280]	2 500			Int. on fixed deposit [840 + 120]	960
		Discount allowed [520 + 150]	670			Rent income [12 600 – 1 800 ^[1]]	10 800
		Insurance [34 000 – 9 270 ^[3]]	24 730				
		Int. on loan	10 800				
		Int. on overdraft [1 350 + 150]	1 500				
		Salaries and wages	44 000				
		Stationery [3 300 – 120]	3 180				
		Depreciation [2 570 + 6 880]	9 450				
		Loss due to theft ^[4]	247				
		Trading stock deficit ^[5]	1 270				
		Capital (net profit)	39 974				
			139 390				139 390

^[1] $12\ 600 \div 14 \times 2$

^[2] $350 \times \frac{30}{70}$

^[3] $12\ 360 \div 12 \times 9$

^[4] $2\ 470 \times 10\%$

^[5] $33\ 580 + 300 - 2\ 470 = R31\ 410$

Deficit = $R31\ 410 - 30\ 140 = R1\ 270$

16.18.3

- (a) Accrued income /Income receivable
R120 + 2 223 = R2 343
- (b) Deferred income/Income received in advance
R1 800 + 90 = R1 890
- (c) Prepaid expenses
R120 + 9 270 = R9 390
- (d) Accrued expenses /Expenses payable
Nil
- (e) Consumable stores on hand
R280
- (f) Accumulated depreciation on equipment
R2 570 + 6 880 = R9 450

TASK 16.19  **Theory: Year-end procedures**

1. Pre-Adjustment Trial Balance
2. Adjustments in the General Journal and Ledger
3. Post-Adjustment Trial Balance
4. Closing transfers in the General Journal
5. Final account in the ledger
6. Post-Closing Trial Balance
7. Financial statements
8. Reversals

TASK 16.20  **Best Buy Shoes: Ledger, Final accounts, Post-Closing Trial Balance**

16.20.1 **GENERAL LEDGER OF BEST BUY SHOES
BALANCE SHEET ACCOUNTS SECTION**

(a) Dr **TRADING STOCK** B13 Cr

Dr					Cr				
20.5					20.5				
Feb	28	Balance	b/d	12 000	Feb	28	Creditors control		3 200
		Expenses payable		170			Donation		740
							Drawings		392
							Trading stock deficit		338
							Balance	c/d	7 500
				12 170					12 170
Mar	1	Balance	b/d	7 500					

NOMINAL ACCOUNTS SECTION

(b) **SALES** N1

Dr					Cr				
20.5					20.5				
Feb	28	Debtors allowances		1 620	Feb	28	Total	b/f	706 040
		Trading account		704 420					
				706 040					706 040

**FINAL ACCOUNTS SECTION
TRADING ACCOUNT**

(c) **F1**

Dr					Cr				
20.5					20.5				
Feb	28	Cost of sales		510 000	Feb	28	Sales	[706 040 - 1 620]	704 420
		Profit and loss		194 420					
				704 420					704 420

(d) Dr

PROFIT AND LOSS ACCOUNT

F2

Cr

20.5				20.5			
Feb 28				Feb 28			
		Salaries and wages	118 800			Trading account	194 420
		Interest on loans [9 500 + 2 850]	12 350			Fee income [34 530 – 220]	34 310
		Advertising	7 000			Rent income [9 800 + 1 960]	11 760
		Bad debts [2 000 + 400]	2 400			Discount received	350
		Bank charges [1 550 + 77]	1 627			Int. on investments	400
		Consumable stores	8 660			Interest on overdue debtors	40
		[9 330 + 310 – 560 – 420]					
		Delivery expenses [910 + 100]	1 010				
		Discount allowed [600 – 20]	580				
		Sundry expenses	13 000				
		[12 260 + 740]					
		Interest on overdraft	386				
		Depreciation	4 500				
		Trading stock deficit	338				
		Capital (net profit)	70 629				
			241 280				241 280

16.20.2 POST-CLOSING TRIAL BALANCE ON 28 FEBRUARY 20.5

Balance Sheet accounts section		Debit	Credit
	Capital [360 580 + 70 629 – (48 960 + 392)]		381 857
	Drawings [48 960 + 392 – (48 960 + 392)]	-	
	Loan from Dusi Bank (19% p.a.) [50 000 + 9 500]		59 500
	Loan from Umgeni Bank (19% p.a.) [15 000 + 2 850]		17 850
	Land and buildings	416 540	
	Equipment	45 000	
	Accum. depreciation on equipment [19 000 + 4 500]		23 500
	Fixed deposit: BB Bank [12 000 + 400]	12 400	
	Debtors control [17 805 + 480 + 20 + 40 – 400]	17 945	
	Prepaid expenses [310 – 310 + 560*]	560	
	Bank [2 450 – 77 – 386 – 480]	1 507	
	Creditors control [23 835 – 3 200]		20 635
	Trading stock [12 000 – 3 200 + 170 – 740 – 392 – 338]	7 500	
	Income receivable/Accrued income	1 960	
	Deferred income/Income received in advance		220
	Expenses payable/Accrued expenses [170 + 100]		270
	Consumables on hand	420	
		503 832	503 2

*The R560 could be debited to Consumable stores on hand making the total R980.

FINANCIAL STATEMENTS

TASK 16.21 Seaforth Stores: Financial statements

SEAFORTH STORES INCOME STATEMENT FOR YEAR ENDED 30 JUNE 20.5

	Note	
Sales [623 000 – 2 145 – 1 000]		619 855
Cost of sales [282 000 – 700]		(281 300)
Gross profit		338 555
Other operating income		23 410
Fee income		22 750
Commission income		660
Gross operating income		361 965
Operating expenses		(207 308)
Rent expense [44 950 + 4 000]		48 950
Salaries		113 600
Bank charges [1 490 + 43 + 100 + 30]		1 663
Municipal rates [4 840 + 440]		5 280
Sundry expenses [9 025 + 280]		9 305
Bad debts [1 200 + 620]		1 820
Vehicle expenses [3 565 + 1 050]		4 615
Trading stock deficit		850
Depreciation [9 600 + 11 625]		21 225
Operating profit		154 657
Interest income	1	2 303
Profit before interest expense		156 960
Interest expense	2	(20 300)
Net profit for the year	7	136 660

BALANCE SHEET AT 30 JUNE 20.5

	Note	
ASSETS		
Non-current assets		449 250
Fixed/Tangible assets	3	425 900
Financial assets:		
Shares: JSE [4 230 + 1 120]		5 350
Fixed deposit		18 000
Current assets		60 230
Inventory	4	39 200
Trade and other receivables	5	10 383
Cash and cash equivalents	6	10 647
Total assets		509 480
EQUITY AND LIABILITIES		
Owner's equity	7	323 875
Non-current liabilities		110 300
Loan from PQ Lenders [140 000 + 20 300* – 50 000]		110 300
Current liabilities		75 305
Trade and other payables	8	75 305
Total equity and liabilities		509 480

* $(14\% \times 140\,000 \div 2) + (15\% \times 140\,000 \div 2) = 9\,800 + 10\,500 = R20\,300$

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 20.5

1. INTEREST INCOME	
from investments [1 450 + 243]	1 693
from current account	210
from savings account	400
	2 303
2. INTEREST EXPENSE	
on Loan from PQ Lenders	20 300
	20 300

3. FIXED/TANGIBLE ASSETS	Land and Buildings	Vehicles	Equipment	Total
Carrying value at beginning of year	355 000	48 000	44 125	447 125
Cost	355 000	132 000	77 500	564 500
Accumulated depreciation	-	(84 000)	(33 375)	(117 375)
Movements	-	(9 600)	(11 625)	(21 225)
Additions at cost	-	-	-	-
Disposals at carrying value	-	-	-	-
Depreciation	-	(9 600)	(11 625)	(21 225)
Carrying value at end of year	355 000	38 400	32 500	425 900
Cost	355 000	132 000	77 500	564 500
Accumulated depreciation	-	(93 600)	(45 000)	(138 600)

4. INVENTORY	
Trading stock [39 500 + 700 – 150 – 850]	39 200
	39 200
5. TRADE AND OTHER RECEIVABLES	
Trade debtors [11 760 – 1 000 – 620]	10 140
Income receivable/accrued	243
	10 383
6. CASH AND CASH EQUIVALENTS	
Savings account	4 000
Bank [12 020 – 43 – 100 – 4 000 – 30 – 1 120 – 280]	6 447
Cash float	200
	10 647
7. OWNER'S EQUITY	
Balance at beginning of year (198 015 – 30 000)	168 015
Net profit for the year	136 660
Additional capital contributions	30 000
Drawings [10 650 + 150]	(10 800)
Balance at end of year	323 875
8. TRADE AND OTHER PAYABLES	
Trade creditors	23 815
Accrued expenses/Expenses payable [440 + 1 050]	1 490
Current portion of loan	50 000
	75 305

TASK 16.22 RAM Computers: Financial statements

RAM COMPUTERS INCOME STATEMENT FOR YEAR ENDED 31 OCTOBER 20.8

	Note	
Sales [598 000 - 7 600 – 6 300]		584 100
Cost of sales [366 000 – 3 700]		[362 300]
Gross profit		221 800
Other operating income		66 750
Fee income for repairs [59 000 – 100]		58 900
Rent income [3 900 + 600]		4 500
Discount received		3 350
Gross operating income		288 550
Operating expenses		[206 493]
Discount allowed [1 400 – 20]		1 380
Bad debts [350 + 120]		470
Wages and salaries [83 600 + 850 ^[1]]		84 450
Comm. to Sales Representative [38 500 + 750]		39 250
Advertising [29 000 + 6 000 – 4 800]		30 200
Repairs to Fixed/Tangible assets [10 500 + 300]		10 800
Bank charges [470 + 45]		515
Sundry expenses [4 300 + 8 + 160 - 240]		4 228
Depreciation [8 000 + 24 000]		32 000
Trading stock deficit [2 400 + 800]		3 200
Operating profit		82 057
Interest income	1	3 885
Profit before interest expense		85 942
Interest expense	2	[8 104]
Net profit for the year	7	77 838

^[1] [25 x 25.00] + [6 x 37.50] = 625 + 225 = R850

BALANCE SHEET AT 31 OCTOBER 20.8

	Note	
ASSETS		
Non-current assets		943 200
Fixed/Tangible assets	3	925 800
Financial assets:		
Investment in Kruger Rands [6 800 – 3 400]		3 400
Fixed deposit: East Bank [22 000 – 8 000]		14 000
Current assets		185 875
Inventory	4	145 240
Trade and other receivables	5	32 035
Cash and cash equivalents	6	8 600
Total assets		1 129 075
EQUITY AND LIABILITIES		
Owner's equity	7	1 006 438
Non-current liabilities		73 000
Loan: AT Building Society [60 000 + 6 000 – 10 000]		56 000
Loan: Nedperm [20 000 + 2 000 – 5 000]		17 000
Current liabilities		49 637
Trade and other payables	8	44 568
Bank overdraft [8 800 + 45 + 104 + 120 – 4 000]		5 069
Total equity and liabilities		1 129 075

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 20.8

1. INTEREST INCOME	
from fixed deposit [1 670 + 1 570 ^[1]]	3 240
from profit on sale of Kruger Rands [4 000 – 3 400]	600
from overdue debtors	45
	3 885
2. INTEREST EXPENSE	
on loans [6 000 + 2 000]	8 000
on overdraft	104
	8 104

^[1] $[32\,000 \times 12\% \times \frac{6}{12}] + [22\,000 \times 12\% \times \frac{6}{12}] = 1\,920 + 1\,320 = R3\,240$
 Amount due = 3 240 – 1 670 = R1 570

3. FIXED/TANGIBLE ASSETS	Land and Buildings	Vehicles	Equipment	Total
Carrying value at beginning of year	849 800	40 000	68 000	957 800
Cost [850 100 – 300]	849 800	152 000	96 000	1 097 800
Accumulated depreciation	-	[112 000]	[28 000]	[140 000]
Movements	-	[8 000]	[24 000]	[32 000]
Additions at cost	-	-	-	-
Disposals at carrying value	-	-	-	-
Depreciation	-	[8 000]	[24 000]	[32 000]
Carrying value at end of year	849 800	32 000	44 000	925 800
Cost	849 800	152 000	96 000	1 097 800
Accumulated depreciation	-	[120 000]	[52 000]	[172 000]

4. INVENTORY	
Trading stock [148 600 + 3 700 – 3 700 – 400 – 2 400 - 800]	145 000
Consumables on hand	240
	145 240
5. TRADE AND OTHER RECEIVABLES	
Trade debtors [31 300 + 120 + 20 – 6 300 + 45 – 120]	25 065
Prepaid expenses	4 800
Accrued income [600 + 1 570]	2 170
	32 035
6. CASH AND CASH EQUIVALENTS	
Fixed deposit: East Bank	8 000
Petty cash [300 – 100]	200
Cash float	400
	8 600
7. OWNER'S EQUITY	
Balance at beginning of year	934 000
Net profit for the year	77 838
Additional capital contributions	20 000
Drawings [25 000 + 400]	[25 400]
Balance at end of year	1 006 438
8. TRADE AND OTHER PAYABLES	
Trade creditors [25 500 – 3 700]	21 800
Expenses payable/accrued [750 + 160 + 6 000]	6 910
SARS – PAYE	102
UIF [8 + 8]	16
Creditors for wages [850 – 102 - 8]	740
Current portion of loans [10 000 + 5 000]	15 000
	44 568

TASK 16.23 Jennings Traders: Financial statements

JENNINGS TRADERS INCOME STATEMENT FOR YEAR ENDED 28 FEBRUARY 20.2

	Note	
Sales [916 000 – 8 000 – 540]		907 460
Cost of sales [510 000 – 450]		(509 550)
Gross profit		397 910
Income from services rendered		16 000
Fee income		16 000
Other operating income		12 950
Rent income [10 000 + 2 200]		12 200
Discount received [260 + 300]		560
Bad debts recovered		190
Gross operating income		426 860
Operating expenses		(312 945)
Salaries and wages		175 000
Repairs		14 500
Advertising [19 900 – 3 000]		16 900
Stationery and printing [4 700 + 1 200]		5 900
Discount allowed [600 – 35]		565
Bad debts		6 550
Insurance [5 400 – 1 800]		3 600
Consumable stores [13 000 – 3 250]		9 750
Sundry expenses		36 750
Loss due to theft [500 – 350]		150
Donation		460
Depreciation [33 600 + 5 230]		38 830
Trading stock deficit		3 990
Operating profit		113 915
Interest income	1	3 580
Profit before interest expense		117 495
Interest expense / financing cost	2	(23 625)
Net profit for the year	7	93 870

BALANCE SHEET AT 28 FEBRUARY 20.2

	Note	
ASSETS		
Non-current assets		624 970
Fixed/Tangible assets	3	617 470
Financial assets:		
Fixed deposit: SAFE Bank [15 000 – 7 500]		7 500
Current assets		161 655
Inventory	4	71 250
Trade and other receivables	5	70 115
Cash and cash equivalents	6	20 290
Total assets		786 625
EQUITY AND LIABILITIES		
Owner's equity	7	626 450
Non-current liabilities		0
Mortgage bond: AB Bank [105 000 + 23 625 – 128 625]		0
Current liabilities		160 175
Trade and other payables	8	160 175
Total equity and liabilities		786 625

Notes to the financial statements for the year ended 28 February 20.2

1. INTEREST INCOME	
from investments [2 750 + 1 100 - 550]	3 300
from overdue debtors	40
from current account	240
	3 580
2. INTEREST EXPENSE	
on mortgage loan	23 625
	23 625

3. FIXED/TANGIBLE ASSETS	Land and Buildings	Vehicles	Equipment	Total
Carrying value at beginning of year	510 000	94 000	52 300	656 300
Cost	510 000	168 000	85 500	763 500
Accumulated depreciation	-	(74 000)	(33 200)	(107 200)
Movements	-	[33 600]	(5 230)	(38 830)
Additions at cost	-	-	-	-
Disposals at carrying value	-	-	-	-
Depreciation	-	(33 600)	(5 230)	(38 830)
Carrying value at end of year	510 000	60 400	47 070	617 470
Cost	510 000	168 000	85 500	763 500
Accumulated depreciation	-	(107 600)	(38 430)	(146 030)

4. INVENTORY	
Trading stock [72 000 + 450 - 460 - 3 990]	68 000
Consumable stores on hand	3 250
	71 250
5. TRADE AND OTHER RECEIVABLES	
Trade debtors [63 000 + 40 + 230 + 35 - 540]	62 765
Accrued income/Income receivable [350 + 2 200 ^[1]]	2 550
Prepaid expenses [1 200 - 1 200 + 3 000 + 1 800 ^[2]]	4 800
	70 115
6. CASH AND CASH EQUIVALENTS	
Fixed deposit	7 500
Savings account	7 000
Bank [5 450 - 230 + 190 - 420]	4 990
Petty cash [1 300 - 500]	800
	20 290
7. OWNER'S EQUITY	
Balance at beginning of year	591 000
Net profit for the year	93 870
Additional capital contributions	-
Drawings [58 000 + 420]	(58 420)
Balance at end of year	626 450
8. TRADE AND OTHER PAYABLES	
Trade creditors	31 000
Income received in advance/Deferred income	550
Current portion of loan [105 000 + 23 625]	128 625
	160 175

^[1] 10 000 ÷ 10 = R1 000

1 000 + 10% = R1 100

1 100 x 2 = R2 200

^[2] 5 400 ÷ 12 x 4

TASK 16.24 Mills Music: Financial statements

MILLS MUSIC INCOME STATEMENT FOR YEAR ENDED 30 NOVEMBER 20.5

	Note	
Sales [1 540 000 - 20 540 - 450]		1 519 010
Cost of sales [800 000 - 300]		[799 700]
Gross profit		719 310
Other operating income		50 800
Rent income [42 100 + 8 600]		50 700
Bad debts recovered		100
Other operating income		770 110
Operating expenses		[219 424]
Bad debts [1 740 + 480]		2 220
Stationery		730
Consumable stores [250 - 80]		170
Delivery expenses		460
Salaries and wages [164 000 + 2 300 + 290 + 26 + 26]		166 642
Insurance [24 000 - 14 000]		10 000
Repairs [3 874 + 186]		4 060
Discount allowed [460 - 30]		430
Depreciation [12 123 + 21 469]		33 592
Trading stock deficit		1 120
Operating profit		550 686
Interest income	1	1 864
Profit before interest expense		552 550
Interest expense / financing cost	2	[21 560]
Net profit for the year	7	530 990

BALANCE SHEET AT 30 NOVEMBER 20.5

	Note	
ASSETS		
Non-current assets		672 483
Fixed/Tangible assets	3	660 383
Financial assets: Fixed deposit		12 100
Current assets		140 648
Inventory	4	79 180
Trade and other receivables	5	58 768
Cash and cash equivalents	6	2 700
Total assets		813 131
EQUITY AND LIABILITIES		
Owner's equity	7	655 460
Non-current liabilities		120 810
Mortgage loan [102 000 + 18 810]		120 810
Current liabilities		36 861
Trade and other payables	8	27 451
Bank overdraft [8 950 + 310 + 150]		9 410
Total equity and liabilities		813 131

Notes to the financial statements for the year ended 30 November 20.5

1. INTEREST INCOME	
from fixed deposit [1 815 - 363]	1 452
from overdue debtors [230 – 18]	212
from savings account	200
	1 864
2. INTEREST EXPENSE	
on mortgage loan	18 810
on overdraft [2 600 + 150]	2 750
	21 560

3. FIXED/TANGIBLE ASSETS	Land and Buildings	Vehicles	Equipment	Total
Carrying value at beginning of year	489 314	121 230	78 431	688 975
Cost	489 314	250 380	143 128	882 822
Accumulated depreciation	-	[129 150]	[64 697]	[193 847]
Movements	5 000	[12 123]	[21 469]	[28 592]
Additions at cost	5 000	-	-	5 000
Disposals at carrying value	-	-	-	-
Depreciation	-	[12 123]	[21 469]	[33 592]
Carrying value at end of year	494 314	109 107	56 962	660 383
Cost	494 314	250 380	143 128	887 822
Accumulated depreciation	-	[141 273]	[86 166]	[227 439]

4. INVENTORY	
Trading stock [80 300 + 300 – 300 - 200 + 120 – 1 120]	79 100
Consumable stores on hand	80
	79 180
5. TRADE AND OTHER RECEIVABLES	
Trade debtors [36 390 + 100 – 18 + 190 – 450 - 480 + 340 + 96]	36 168
Accrued income/Income receivable	8 600
Prepaid expenses	14 000
	58 768
6. CASH AND CASH EQUIVALENTS	
Savings account [2 000 + 200]	2 200
Cash float	500
	2 700
7. OWNER'S EQUITY	
Balance at beginning of year	100 400
Net profit for the year	530 990
Additional capital contributions	50 000
Drawings [25 630 + 300]	[25 930]
Balance at end of year	655 460
8. TRADE AND OTHER PAYABLES	
Trade creditors [24 240 + 190]	24 430
Creditors for salaries [2 300 – 200]	2 100
SARS – PAYE	290
UIF [26 + 26]	52
Income received in advance/Deferred income ^[1]	363
Accrued expenses/Expenses payable [120 + 96]	216
	27 451

^[1] 1 815 ÷ 5

TASK 16.25 Handy Hardware: Financial statements

HANDY HARDWARE INCOME STATEMENT FOR YEAR ENDED 28 FEBRUARY 20.4

	Note	
Sales [416 800 - 3 100 – 1 320]		412 380
Cost of sales [245 100 - 800]		[244 300]
Gross profit		168 080
Other operating income		28 876
Fee income		10 100
Rent income [23 517 - 4 941 ^[3]]		18 576
Bad debts recovered		200
Other operating income		196 956
Operating expenses		[198 551]
Delivery expenses [5 300 – 900]		4 400
Salaries & wages [140 460 – 5 940]		134 520
Sundry expenses		22 108
Bad debts [500 + 214]		714
Advertising		12 300
Discount allowed [700 – 15]		685
Repairs [3 650 + 2 600]		6 250
Pension contribution [8 000 – 770]		7 230
Unemployment insurance contribution [1 400 – 55]		1 345
Water and electricity [2 100 + 300]		2 400
Bank charges [1 010 + 114]		1 124
Loss due to theft [5 000 + 300 – 3 975]		1 325
Depreciation [2 400 + 1 750]		4 150
Operating loss		[1 595]
Interest income	1	1 994
Profit before interest expense		399
Interest expense / financing cost	2	[16 129]
Net loss for the year	7	[15 730]

BALANCE SHEET AT 28 FEBRUARY 20.4

	Note	
ASSETS		
Non-current assets		480 550
Fixed/Tangible assets	3	460 550
Financial assets: Fixed deposit		20 000
Current assets		126 352
Inventory	4	63 570
Trade and other receivables	5	62 582
Cash and cash equivalents	6	200
Total assets		606 902
EQUITY AND LIABILITIES		
Owner's equity	7	479 971
Non-current liabilities		62 080
Mortgage loan [64 000 + 16 080 – 18 000]		62 080
Current liabilities		64 851
Trade and other payables	8	59 399
Bank overdraft [5 605 – 200 – 321 + 114 + 49 + 205]		5 452
Total equity and liabilities		606 902

Notes to the financial statements for the year ended 28 February 20.4

1. INTEREST INCOME	
from fixed deposit [1 050 + 200 ^[1]]	1 250
from current bank account	700
from overdue debtors	44
	1 994
2. INTEREST EXPENSE	
on loan	16 080
on overdraft	49
	16 129

3. FIXED/TANGIBLE ASSETS	Land and Buildings	Computers	Equipment	Total
Carrying value at beginning of year	440 000 ^[2]	7 200	17 500	464 700
Cost	440 000	12 000	30 000	482 000
Accumulated depreciation	-	[4 800]	[12 500]	[17 300]
Movements	-	[2 400]	[1 750]	[4 150]
Additions at cost	-	-	-	-
Disposals at carrying value	-	-	-	-
Depreciation	-	[2 400]	[1 750]	[4 150]
Carrying value at end of year	440 000	4 800	15 750	460 550
Cost	440 000	12 000	30 000	482 000
Accumulated depreciation	-	[7 200]	[14 250]	[21 450]

4. INVENTORY	
Trading stock [69 200 – 5 000 + 800 – 800 – 630]	63 570
	63 570
5. TRADE AND OTHER RECEIVABLES	
Trade debtors [59 098 – 1 320 – 321 – 214 + 44 + 205 + 15]	57 507
Prepaid expenses	900
Accrued income/Income receivable [3 975 + 200 ^[1]]	4 175
	62 582
6. CASH AND CASH EQUIVALENTS	
Cash float [500 – 300]	200
	200
7. OWNER'S EQUITY	
Balance at beginning of year	530 331
Net loss for the year	[15 730]
Additional capital contributions	30 000
Drawings [64 000 + 630]	[64 630]
Balance at end of year	479 971
8. TRADE AND OTHER PAYABLES	
Trade creditors [33 423 – 800]	32 623
Creditors for salaries [5 600 – 4 400]	1 200
Pension fund [2 400 – 385 – 770]	1 245
UIF [300 – 55 – 55]	190
SARS – PAYE [2 000 – 1 100]	900
Accrued expenses/Expenses payable	300
Current portion of loan	18 000
Income received in advance/Deferred income ^[3]	4 941
	59 399

^[1] $20\,000 \times 7.5\% \times \frac{10}{12} = R1\,250$
 Amount due = 1 250 – 1 050 = R200

^[2] 442 600 - 2 600 = R440 000

$$\begin{aligned}
^{[3]} 01:03:20.3 - 30:06:20.3 &: 4 \times 100 = 400\% \\
01:07:20.3 - 31:05:20.4 &: 11 \times [100 + 22\%] = \underline{1\,342\%} \\
&= \underline{1\,742\%} \\
R23\,517 &= 1\,742\% \\
x \text{ (deferred income)} &= 366\% (3 \times 122\%) \\
x \text{ (deferred income)} &= 23\,517 \times \frac{366}{1\,742} \\
&= R4\,941
\end{aligned}$$

$$^{[4]} 3 \times R6\,000 = R18\,000$$

RATIO ANALYSIS AND INTERPRETATION

TASK 16.26 UR Nuts & Co: Ratio analysis and interpretation

$$\begin{aligned}
\mathbf{16.26.1} \quad \text{Gross profit for 20.5} &= 410\,000 - 300\,000 \\
&= R110\,000 \\
\text{Mark-up achieved} &= \frac{110\,000}{300\,000} \times \frac{100}{1} = \underline{36.7\%}
\end{aligned}$$

$$\begin{aligned}
\text{Gross profit for 20.4} &= 400\,000 - 280\,000 \\
&= R120\,000 \\
\text{Mark-up achieved} &= \frac{120\,000}{280\,000} \times \frac{100}{1} = \underline{42.9\%}
\end{aligned}$$

No. He should not be happy. He is discounting his prices below the target mark-up and his gross profit has dropped from the previous year. The decision to decrease his mark-up % is not working.

$$\begin{aligned}
\mathbf{16.26.2} \quad (a) \quad (106\,000 + 68\,000 + 12\,000) &: 156\,000 = 186\,000 : 156\,000 = \underline{1.2 : 1} \\
(b) \quad (186\,000 - 106\,000) &: 156\,000 = 80\,000 : 156\,000 = \underline{0.5 : 1}
\end{aligned}$$

(c) Yes. The business could experience liquidity problems in the future as the current liabilities exceed the liquid assets significantly (the acid test ratio is only 0.5 : 1). Also, by including stock, the current assets barely exceed the current liabilities (the current ratio is 1.2 : 1). Stock may take some time to sell.

$$\begin{aligned}
\mathbf{16.26.3} \quad (a) \quad \text{Average monthly cost of sales} &= 300\,000 \div 12 = R25\,000 \\
\text{Stock expected to last} &= \frac{\frac{1}{2}[106\,000 + 114\,000]}{300\,000} \\
&= \frac{110\,000}{300\,000} \times 12 \text{ months} \\
&= \underline{4.4 \text{ months}}
\end{aligned}$$

$$\text{OR } 110\,000 \div 25\,000 = 4.4 \text{ months}$$

(b) Obsolescence (gets out of date), danger of theft, ties up working capital in an asset which does not generate income with time.

(c) Hold a discounted sale, other incentives to reduce stocks, etc.

$$\begin{aligned}
\mathbf{16.26.4} \quad (a) \quad 12\,000 + 42\,000 + 17\,000 &= \underline{R71\,000} \text{ for 20.5} \\
2\,000 + 41\,000 + 26\,100 &= \underline{R69\,100} \text{ for 20.4} \\
(b) \quad \text{Operating expenses on sales} &= \frac{71\,000}{410\,000} \times \frac{100}{1} = \underline{17.3\%} \text{ for 20.5} \\
&= \frac{69\,100}{400\,000} \times \frac{100}{1} = \underline{17.3\%} \text{ for 20.4}
\end{aligned}$$

Yes. Control of operating expenses has been equivalent to the previous year.

16.26.5 (a) Net profit = 110 000 + 1 000 – 71 000 – 9 000 = R31 000

(b) Percentage return = $\frac{31\,000}{\frac{1}{2}[100\,000 + 108\,000]} \times \frac{100}{1}$
 = $\frac{31\,000}{104\,000} \times \frac{100}{1}$
 = 29.8%

(c) Yes, he should be satisfied as his percentage return exceeds that which can be earned on alternative investments in the money market, but he should be disappointed that this has dropped from the previous year, when he was earning over 40%.

16.26.6 Percentage advertising on sales = $\frac{12\,000}{410\,000} \times \frac{100}{1} = \underline{2.9\%}$ for 20.5
 $\frac{2\,000}{400\,000} \times \frac{100}{1} = \underline{0.5\%}$ for 20.4

It appears that this has not been successful. Advertising increased by R10 000 and sales increased by only R10 000. This is also borne out by the above percentage.

16.26.7 Percentage increase in wages = $\frac{1\,000}{41\,000} \times \frac{100}{1} = \underline{2.4\%}$

This is well below the inflation rate. The employees will not be satisfied. The proprietor might find himself dealing with demotivated employees, so he should not be satisfied either. However, net profit has dropped in 20.5. Employees should realise that they need to generate income to support salary increases.

16.26.8 This is not essential as the return being earned by the business exceeds the interest rate on the loan. However, it does not make sense to have surplus cash invested at a lower rate than the 15% (e.g. the fixed deposit). It would make sense to repay the loan provided there is no other urgent use for the money.

TASK 16.27 Katie's Clothing Store: Ratio analysis & interpretation

16.27.1 Mark-up percentage = $\frac{105\,000}{305\,000} \times \frac{100}{1} = \underline{34.4\%}$

No. She should not be satisfied. Significant trade discounts are being given in order to move the stock.

16.27.2 Current assets = 2.3 x 81 500 = R187 450
 Owner's equity = 155 000 + 58 000 – 37 000 = R176 000

Assets		Owner's Equity and Liabilities	
Fixed assets	x	Owner's equity	176 000
Investments	10 000	Non-current liabilities	81 500
Current assets	187 450	Current liabilities	83 000
	340 500		340 500

Fixed assets (x) = R143 050 (340 500 – 187 450 – 10 000)

The liquidity position of the business is good. Both the current and acid-test ratios have declined since 20.8 but this is an improvement as there is now less investment in working capital. Current assets comfortably cover current liabilities. Even without relying on stock, the business can settle almost all its current debtors in the short-term.

16.27.3 Average monthly cost of sales = 305 000 ÷ 12
 = R25 417
 Stock should last = $\frac{110\,480}{25\,417}$
 = 4.3 months

Although not a severe problem, this is quite long for a clothing store as fashions are subject to frequent change.

16.27.4 Solvency ratio = 340 500 : 164 500 = 2.1 : 1
The business is not in danger of going bankrupt as assets are more than double the liabilities.

16.27.5 Average equity = (155 000 + 176 000) ÷ 2 = R165 500
Percentage return = $\frac{58\,000}{165\,500} \times \frac{100}{1} = \underline{35\%}$

This is a good return as it exceeds that which could be earned on alternative investments, and it represents an increase on the previous year.

TASK 16.28 Question & Answer: Ratio analysis and interpretation

16.28.1 (a) Income Statement

Sales	R120 000		
Cost of sales	(80 000)	(i)	$\frac{2}{3}$ of sales
Gross profit	40 000	(ii)	$\frac{1}{3}$ of sales
Other operating income	4 900	(iv)	Operating profit plus (iii) minus (ii)
Operating expenses	(21 600)	(iii)	18% of sales
Operating profit	23 300		
Financing cost	(5 000)		
Net profit	18 300	(v)	

(b) The difference is due to trade discounts. Although these are a loss to the business, they might be necessary to boost sales.

16.28.2 (a) (i) Current assets = 2.8 x 8 000 = R22 400
(ii) Liquid assets = 0.6 x 8 000 = R4 800
Trading stock = R22 400 – 4 800 = R17 600
(iii) Trade and other receivables = R22 400 – 17 600 – 500 = R4 300

(b) The current ratio appears to be high, but the acid test ratio is low. The business could experience liquidity problems if stock cannot be sold quickly. However, three months might be appropriate for this business, depending on the type of trade.

16.28.3 (a) In order to increase sales revenue and improve stock turnover.

(b)

	<u>Jetset</u>	<u>Woolies</u>
Average monthly credit sales	R100 000	R150 000
Debtors at year-end	R200 000	R150 000
This represents	<u>2 months</u>	<u>1 month</u>

(c) Woolies appear to be more efficient in controlling debtors. Their debtors take a shorter time to settle their debts, more discounts have been allowed to entice them to pay earlier and bad debts are approximately the same for both businesses. The lower interest on overdue accounts for Woolies reflects fewer slow payers.

TASK 16.29 ABC Dealers: Ratio analysis and interpretation

16.29.1	A	16.29.5	B	16.29.9	D
16.29.2	C	16.29.6	C	16.29.10	D
16.29.3	B	16.29.7	D	16.29.11	C
16.29.4	D	16.29.8	A	16.29.12	C

TASK 16.30 Banana Boys Stores: Ratio analysis and interpretation

16.30.1

JACKY SMALL TRADING AS BANANA BOYS STORES ABRIDGED INCOME STATEMENT FOR YEAR ENDED 28 FEBRUARY 20.7

Sales	787 500
Less Cost of sales	(450 000)
Gross profit	337 500
Add other operating income	50 250
	387 750
Less operating expenses	(330 750)
Operating profit	57 000
Interest income	5 000
Profit before interest expense/financing cost	62 000
Interest expense/financing cost	(6 000)
Net profit for the year	56 000

JACKY SMALL TRADING AS BANANA BOYS STORES ABRIDGED BALANCE SHEET AT 28 FEBRUARY 20.7

ASSETS	
Non-current assets	180 000
Tangible assets	120 000
Financial assets	60 000
Current assets	80 000
Inventory	10 000
Trade and other receivables	30 000
Cash and cash equivalents	40 000
Total assets	260 000
EQUITY AND LIABILITIES	
Owner's equity (Note 1)	210 000
Non-current liabilities	30 000
Current liabilities	20 000
	260 000

NOTES TO THE BALANCE SHEET

1. OWNER'S EQUITY	
Balance at beginning of the year	150 000
Net profit for the year	56 000
Additional capital contributed	40 000
Drawings	(36 000)
Balance at end of year	210 000

16.30.2 Percentage return = $\frac{56\,000}{180\,000} \times \frac{100}{1} = \underline{31.1\%}$

16.30.3 This is a favourable return as it exceeds that which can be earned on alternative investments in the money market. There has been a good improvement in this return over the past year.

16.30.4 Average monthly cost of sales = R37 500
 The stock is expected to last = $\frac{10\,000}{37\,500}$
 = 0.3 months

This is clearly not sufficient to meet the expected demands of customers.

16.30.5 The business is extremely liquid as current assets are four times the current liabilities, and liquid assets are more than three times the current liabilities. This represents an investment in working capital which is not necessary, and this will earn a return for the business. The debtors and the cash figures are too high. Additional investment in financial assets is advised.

16.30.6 The percentage operating expenses on sales has increased slightly from the previous year. Ways in which this can be controlled are: economise on large expenses or try to increase sales, (e.g. by way of advertising).

TASK 16.31 Apex Advertising Agency: Problem-solving

Suggested rubric for this Task:

CRITERIA	LEVELS				Total
	0-3 marks	4-6 marks	7-9 marks	10-12 marks	
Identify pros and cons of increasing charges to clients	Struggle to identify pros and cons of increasing charge rates	Reasonable explanation of an implication of increasing charge rates	Explains either pros or cons well, but does not cover both comprehensively	Fully explains that increased charge rates could lead to a reduction in the number of customers, but that relocation could also have a positive effect.	
Rental option	Identifies new rental but has simplistic interpretation of effect on business results	Only one of the three aspects is well explained	Only two of the three aspects are well explained	Identifies new rental, compares to current rental and assesses ability to pay the increased rental in future	
Purchasing option	Identifies one of the five points	Identifies at least two of the five points	Identifies at least three of the five points	Identifies need to borrow as well as savings in rental, capital appreciation of the property, increase in interest expense and increase in maintenance costs	
Effect on % return	Is not able to express a logical opinion on the effect on the % return – poor knowledge of how this is assessed	Expresses opinions which are not entirely valid and not entirely consistent with points mentioned under the rent/buy options	Expresses valid opinions but not entirely consistent with points mentioned under the rent/buy options	Based on conclusions above, is able to express a logical opinion on the effect on the % return – must also indicate knowledge of how the % return is assessed	
Quality of written report	Poorly structured and does not hold interest	Not well written and contains several flaws in style and does not hold interest throughout	Well written but contains some flaws in style and is reasonably interesting	Concise, easy to read and interesting.	
<i>Maximum marks</i>					60

TASK 16.32 Pam's Sports Dealership: Problem-solving

16.32.1

	Manager:		
	Serena	Miles	JP
Department:	TENNIS RACKETS	HOCKEY STICKS	CRICKET BATS
Mark-up % used	50%	100%	80%
Stock deficit (units)	20	0	2
Theft of cash	R0	R0	R11 000
Stock deficit (Rand)	R16 000	R0	R1 300
Total wages	R7 500	R7 500	R10 000

16.32.2 Problems & solutions

No.	Problem identified	Possible solution
1.	There are 20 tennis rackets missing. At R800 each this is a loss of R16 000. There are only 2 cricket bats missing (cost $R650 \times 2 = R1\ 300$).	Proper stock counts at the end of each day or week, to be supervised by Pam. Security tags on products. Disciplinary action against those stealing the products.
2.	There is cash missing from sales of cricket bats. Sales should be $R1\ 170 \times 100$ units = R117 000. R11 000 missing.	Proper documentation must be in place. Cash slips must agree to bank deposit slips. Pam to check these. Disciplinary action against those stealing the cash.
3.	Hockey sticks are not selling well. Bought 200 but sold only 60. Maybe mark-up of 100% is too high.	Undertake market research into prices of competitors. Reducing mark-up might lead to increase in customers.
4.	Purchases of cricket bats are too low. Bought 120 and sold 100. They could run out of stock quite quickly.	Increase purchases to make sure that there is enough stock on hand to cover sales for 3 or 4 weeks.
5.	There is unfairness in the salaries of the managers. Miles is paid the same as Serena, yet his department sold only 60 units compared to Serena's 150.	Contracts must be reviewed. Possibly pay a lower fixed salary but offer commission on the net profit earned by each manager in each department.
6.	There is unfairness in the number of assistants employed. The Tennis department sells the most yet they have 3 assistants compared to cricket's 4. Also cannot justify Hockey having 3 assistants to sell 60 units in a month (only 2 per day sold).	The employees must be fully occupied. Undertake a 'time & motion' study and retrench assistants who are not needed. This must be done before they have an expectation of renewal of their contracts.
7.	The floor area is not well thought out. Hockey is a very small department yet they have the same space as Tennis and Cricket, and bear the same portion of the rent (R7 000 each).	Think of closing down the Hockey department if sales do not pick up, then reduce the area rented in order to save rent. Alternatively redistribute the floor area to focus on the more profitable product lines.
8.	Fixed wages of R2 500 per month in a sales environment need to be reconsidered. Employees paid the same even if they don't work too hard.	Consider reducing the fixed wage, and rather pay a commission on the units sold by each assistant.
9.	Any other valid problem and solution may be provided, e.g. diversify into other product lines, advertise to increase customers.	