ACCOUNTING

GRADE 11

TERM 2 MARKING GUIDELINES

TASK 01 SOLUTION

Notes to the Balance Sheet on 29 February 2020			
	R	R	R
CAPITAL ACCOUNT	**Dan**	**Rox**	**Total**
Balance on 01 March 2019	208 000	184 000	392 000
Contribution of capital during the financial year	68 000	-	68 000
Withdrawal of capital during the year	-	-	-
Balance at 29 February 2020	**276 000**	**184 000**	**460 000**
CURRENT ACCOUNTS	**Dan**	**Rox**	**Total**
Appriation of net profit			
Salaries	78 000	78 000	156 000
Interest on capital	18 720	16 560	35 280
Primary division of profits	96 720	94 560	191 280
Final division of profits	12 321	10 899	23 220
Profit per income statement	109 041	105 459	214 500
Drawings during the year	(94 000)	(90 500)	(184 500)
Retained income /loss for the year	15 041	14 959	30 000
Balance on 01 March 2019	2 500	(11 200)	(8 700)
Balance at 29 February 2020	**17 541**	**3 759**	**21 300**

APPROPRIATION ACCOUNT									
2020 Feb	29	Salary: Dan	GJ	78 000✓	2020 Feb	29	Net profit (R208 000 ✓ + R6 500 ✓)	GJ	214 500✓
		Salary: Rox	GJ	78 000✓					
		Interest on capital (R18 720✓ + R16 560✓)	GJ	35 280✓					
		Current a/c: Dan	GJ	12 321✓					
		Current a/c: Rox	GJ	10 899✓					
			GJ	214 500					214 500

The total amount earned by each partner:			
	Dan	**Rox**	**Total**
Salary	√78 000	√78 000	√156 000
Interest on capital	√18 720	√16 560	√35 280
Share of profit (loss)	√12 321	√10 899	√23 220
Total amount earned	**109 041**	**105 459**	**214 500**

WORKINGS

Sharing of profits	
214 500 – [78 000 +78 000 + 187 20 + 16 560] = 23 220	
Share the remaining profit	
Dan	Rox
(23 220 x 208) ÷ 392 = 12 321 Simplified ratio is 26 : 23	(23 220 x 184) ÷ 392 = 10 899
Drawings	
Dan	Rox
87 500 + 6 500 = 94 000	91 000 – 500 = 90 500
Interest on capital	
Dan	Rox

208 000 x 8% x 9/12 = 12 480 208 000 x 12% x 3/12 = 6 240 18 720	184 000 x 8% x 9/12 = 11 040 184 000 x 12% x 3/12 = 5 520 16 560

Capital contribution by Dan at the end of accounting period.

Remember the ratio must be 3 : 2

Dan Rox

184 000 X 3/2 = 276 000

276 000 – 208 000 = 68 000

TASK 02 SOLUTION

GENERAL LEDGER OF SUPA STORES

Balance Sheet Accounts Section

Dr		TRADING ACCOUNT					F1		Cr
2013 Feb	28	Cost of sales	GJ	√550 000	2013 Feb	28	Sales [√935 000 - √5 000]	GJ	√930 000
		Profit and loss√	GJ	√380 000					
				930 000					**√930 000**

Final Accounts Section

Dr		PROFIT AND LOSS ACCOUNT				F2	Cr
2013 Feb	28	Advertising [√15 000 + √200]	√15 200	2013 Feb	28	Trading account	√380 000
		Sundry expenses [√12 800 + 350]	√13 150			Commission income [√36 200 + √1 400]	√37 600
		Consumable stores [√4 800 –√ 800]	4 000			Provision for bad	
		Insurance √ [7 000 - √400]	6 600☑			debts adjustment	√400
		Salaries and wages [√218 000 -√650]	217 350☑			Interest on fixed deposit [3 800 + √300]	√4 100
		Trading stock deficit [√209 000- √205 000]	☑4 000			Fee income	√92 000
		Depreciation [500 +√7 000]	7 500			Interest on current a/c	√700
		Bad debts	√2 400				
		Interest on loan	√28 800				
		Appropriation a/c	√215 800				
			514 800				**√514 800**

Dr		APPROPRIATION ACCOUNT			F3			Cr	
2013 Feb	28	Salary :Chauke	GJ	√60 000	2013 Feb	28	Profit and loss	GJ	√215 800
		Salary :Nkosi	GJ	√60 000					
		Bonus :Nkosi	GJ	√10 000					
		Interest on capital [√47 200 +√ 23 200]	GJ	√70 400					
		Current a/c: Chauke	GJ	√10 267					
		Current a/c: Nkosi	GJ	√5 133					
				215 800					√215 800

Dr		CURRENT ACCOUNT : CHAUKE			B3			Cr	
2012 March	01	Balance	b/d	√24 000	2013 Feb	28	Salary :Chauke√	GJ	√ 60 000
2013 Feb	28	Drawings: Chauke√	GJ	91 000			Interest on capital☑	GJ	47 200
		Balance	c/d	√2 467			Appropriation	GJ	√10 267
				117 467					117 467
					2013 March	01	Balance	c/d	2 467

Dr		CURRENT ACCOUNT : NKOSI			B4			CR	
2013 Feb	28	Drawings : Nkosi	GJ	√109 000	2012 March	01	Balance	b/d	√33 000
		Balance	c/d	√22 333	2013 Feb	28	Salary :Nkosi	GJ	60 000
							Interest on capital	GJ	√23 200
							Bonus :Nkosi	GJ	√10 000
							Appropriation	GJ	5 133
				131 333					√131 333
					2013 March	01	Balance	c/d	22 333

INCOME STATEMENT FOR 28 FEBRUARY 2013		
Sales [3 000 000 – 500 000 – 21 500]		☑2478 500
Cost of sales [1810 000 – 13 000]		☑(1797 000)
Gross Profit		681 500☑
Other Operating Income		☑1111 545
Fee income [1 105 000 - 2 800 - 2 500]		1099 700☑
Provision for bad debts adjustment 16 500 – (243 100 x 5%)		4 345☑
Profit on sale of an asset [222 000 – 133 200 – 96 300] **Check the Ledger**		7 500☑
Gross Operating income		1793 045☑
Operating Expenses		(1450 950) ☑
Water and lights [17 600√ + 1 300] √		18 900☑
Loss due to theft (56 000 x 10%) + (2 500 x 10%) or [5 600 + 250]		5 850☑
Bank charges [28 600 + 2 000√]		30 600☑
Discount allowed [3 500 - 300√]		3 200☑
Insurance [28 800 + 2 500√]		31 300☑
Stock deficit **Check the Trading stock A/C**		5 000☑
Consumable stores		112 000☑
Bad debts [4 800 + 3 000√]		7 800☑
Depreciation [9 000√ + 122 100√] **Check calculations**		131 100☑
Rent expense		95 400√
Salaries and wages		765 176√
Employer's contribution		78 500√
Vehicle expenses		95 000√
Telephone		19 100√
Printing and stationery		17 200√
Sundry expenses		34 824√
Operating Profit		342 395☑

Interest Income [1 100 + 250√ + 9 000√]	1	☑10 350
Profit Before Interest Expense		352 445☑
Interest Expense **Check the Loan A/C**	2	(25 000) ☑
Net Profit for the year	8	327 445☑

NOTES TO THE FINANCIAL STATEMENTS

1 Interest income	
Interest on fixed deposit **[1 100√ + 9 000√]**	√10 100
Interest on current account	√250
	10 350

2 Interest Expense /Finance cost	
Interest on loan	√25 000

CALCULATIONS

Depreciation : Equipment	Depreciation: Vehicles
New	666 000 ÷ 3 = 222 000
54 000 x 10% x 2/12 = 900	**Disposed vehicle**
Old	222 000 x 20% x 9/12 = 33 300
230 000 – 54 000 = 176 000	**Remaining vehicles**
176 000 - 95 000 = 81 000	444 000 x 20 % 88 800
81 000 x 10 % = 8 100	**33 300 + 88 800 = 122 100**
900 + 8 100 = 9 000	

TASK 03 SOLUTION

PHAKAMA TRADERS **INCOME STATEMENT FOR 28 FEBRUARY 2013**		
Sales [1300 000 – 5 000 - 85 000]		1210 000
Cost of sales [690 000 -3 125]		(686 875)
Gross Profit		523 125
Other Operating Income		39 150
Rent income [42 500 - 3 500]		39 000
Provision for bad debts adjustment [1 500 -1 350]		150
Gross Operating income		562 275
Operating Expenses		(257 425)
Insurance [13 000 – 1000]		12 000
Telephone [8 500 + 650 - 350]		8 800
Water and lights [600 + 6 300 + 400]		7 300
Donation		2 500
Packing material [18 000 – 4 200]		13 800
Stock deficit [206 000 + 3 125 – 6 000 - 2 500 - 196 000]		4 625
Bank charges [11 200 + 1 200]		12 400
Depreciation		22 500
Salaries and Wages		140 000
Advertising		15 500
Bad debts		18 000
Operating Profit		304 850
Interest Income [3 500 + 300 + (60 000 x 10% x 1/12)]	**1**	4 300
Profit Before Interest Expense		309 150
Interest Expense (550 +23 500)	**2**	(24 050)
Net Profit for the year	**8**	285 100

GENERAL LEDGER OF PHAKAMA STORES

Dr		APPROPRIATION ACCOUNT					F3		Cr
2013 Feb	28	Salary :Ndlovu	GJ	96 000	2013 Feb	28	Profit and loss	GJ	285 100
		Salary :Dube	GJ	102 000					
		Bonus :Dube	GJ	6 800					
		Interest on capital [30 000 + 24 800]	GJ	54800					
		Current a/c: Ndlovu	GJ	14167					
		Current a/c: Dube	GJ	11333					
				285 100					285 100

TASK 04 SOLUTION

MAGIX TRADERS **BALANCE SHEET ON 28 FEBRUARY 2013**		
	Note	
ASSETS		
Non-current assets		☑ **372 700**
Tangible/Fixed assets	**3**	306 700
Financial Assets - Fixed Deposit : Future Bank **[110 000 x 60%]**		☑66 000
Current assets		
Inventories **[75 400√ + 1 660√]**		☑ **208 940**
Trade and other receivables	**4**	☑77 060
Cash and cash equivalents	**5**	☑52 880 ☑79 000
Total assets	**6**	☑ **581 640**
EQUITY AND LIABILITIES		
Capital and Reserves /Owners Equity		☑**465 100**
Capital		☑450 000
Current Accounts		☑15 100
Non-current liabilities		
Loan: Future Bank **[50 000√ – 12 000√]**	**7**	☑ **38 000**
	8	☑38 000
Current liabilities		
Trade and other payables		☑ **78 540**
Bank overdraft **[6 000√ - 3 000√]**		☑75 540 ☑3 000
Total Equity and Liabilities		☑ **581 640**
	9	

NOTE 3

TANGIBLE ASSETS	Vehicles	Equipment	Total
Carrying Value (beginning of the year)	**310 800**	**116 640**	**427 440**
Cost [332 000 +112 000] [164 000 – 20000]	☑444 000	☑144 000	588 000
Accumulated Depreciation [Equip 39 900 -12 540]	☑ (133 200)	☑ (27 360)	(160 560)
Movements	**(128 200)**	**7 460**	**(120 740)**
Additions at Cost	-	**20 000**	**20 000**
Disposal at Carrying Value [112 000 – 50 400]	☑ (61 600)		☑ (61 600)
Depreciation for the year	☑ (66 600)	☑ (12 540)	(79 140)
Carrying Value (end of the year)	**182 600**	**124 100**	**306 700**
Cost	√332 000	√164 000	496 000
Accumulated Depreciation	√ (149 400)	√ (39 900)	(189 300)

CALCULATIONS

Accumulated Depreciation on vehicles	
2013	2012
Feb 28 Asset disposal 50 400	March Balance b/d 133 200
Balance c/d 149 400	2013
199 800	Feb 28 Depreciation 66 600
	199 800

5 Trade and other receivables	
Net trade debtors √	☑34 630
Trade debtors [35 200√ + 1 200√]	☑36 400
Provision for bad debts	√ (1 770)
Income receivable or accrued √	√10 450
Expenses prepaid	√7 800
	52 880

6 Cash and cash equivalents	
Fixed Deposit: Future bank [110 000 X 40%]	√44 000
Savings accounts	√34 000
Petty cash	√1 000
	79 000

7.Capital Accounts	Naidoo	Williams	Total
Balance at the beginning of the year	√120 000	√320 000	440 000
Contribution of capital during the financial year	√30 000	-	30 000
Withdrawal of capital during the year	-	√ (20 000)	(20 000)
Balance at the end of the year	**150 000**	**300 000**	**450 000**
8.Current Accounts	**Naidoo**	**Williams**	**Total**
Appropriation of net profit			
Salaries	√156 000	√84 000	240 000
Interest on capital	√10 800	√24 800	35 600
Primary division of profits	√166 800	√108 800	275 600
Final division of profits	☑6 800	☑13 600	20 400
Profit per income statement	☑173 600	☑122 400	296 000
Drawings during the year	√ (170 000)	√ (105 000)	(275 000)
Retained income /loss for the year	3 600	17 400	21 000
Balance at the beginning of the year	√11 500	√ (17 400)	(5 900)
Balance at the end of the year	**15 100**	**0**	**15 100**

9 Trade and other payables	
Trade creditors [42 000√ + 1 200√ +3 000√]	46 200
Income received in advance /deferred income √	√900
Accrued expenses	√1 590
Creditors for salaries	√12 050
SARS-PAYE√	√2 800
Short term loan	√12 000
	75 540

CALCULATIONS

Interest on capital	
Naidoo	Williams
120 000 x 6/12 x 8% =4 800	320 000 x 6/12 x 8% =12 800
150 000 x 6/12 x 8% =6 000	300 000 x 6/12 x 8% =12 000
10 800	24 800
Sharing of remaining profit	
296 000 -10 800-24 800 – 156 000-84 000 = 20 400	
Naidoo	Williams
20 400 x 1/3 = 6 800	20 400 x 2/3 = 13 600

TASK 05 SOLUTION

Dr		APPROPRIATION ACCOUNT					F3	Cr	
2013 Feb	28	Salary :Moloi	GJ	120 000	2013 Feb	28	Profit and loss	GJ	289 400
		Salary :Kubheka	GJ	120000			**[290 000 – 400-500 +300]**		
		Bonus :Moloi	GJ	8 000			**One mark for each amount 4**		
		Interest on capital **[16 500 + 24 750]**	GJ	41 250					
		Current a/c: Moloi	GJ	14460					
		Current a/c: Kubheka	GJ	21 690					
				289 400					289 400

Current account of Kubheka on 28 February 2013	
Balance (01 March 2012)	10 200
Salary	102 000
Interest on capital	24 750
Share of remaining profit	21 690
Drawings [125 000 + 4 500]	(129 500)
Balance (28 February 2012)	**29 140**

Calculations	
Interest on capital	
Moloi	**Kubheka**
[200 000 x 9/12 x 8%] +[200 000 x 3/12 x 9%] 12 000 + 4 500 =16 500	[300 000 x 9/12 x 8%] +[300 000 x 3/12 x 8%] 18 000 + 6 750 = 24 750
Share of remaining profit	
289 400 – (102 000 x 2) – 8000 – 16 500 – 24 750 = 36 150	

IKAGENG TRADERS BALANCE SHEET ON 28 FEBRUARY 2013	Note	
ASSETS		
Non-current assets		**447 390**
Tangible/Fixed assets [361 890 + 15 500]	3	377 390
Financial Assets – Fixed Deposit :Unity bank [120 000 – 50 000]		70 000
Current assets		**221 510**
Inventories [84 000+1 000 - 4 500]	4	80 500
Trade and other receivables [86 500 -3 440 + 1 200+600+4 400]	5	89 260
Cash and cash equivalents [50 000 +1 250 +500]	6	51 750
Total assets		668 900
EQUITY AND LIABILITIES		
Capital and Reserves /Owners Equity		**563 500**
Capital [200 000 + 300 000]	7	500 000
Current Accounts [**34 360** +29 140]	8	63 500
Non-current liabilities		**45 000**
Mortgage loan [15 000 x 0.75 /0.25]		45 000
Current liabilities		
Trade and other payables [17 000 +15 500 +15 000+1 200 +800+1700+3500]	9	**60 400**
Bank overdraft [4 500 + 500+400 +600 – 300]		54 700 5 700
Total Equity and Liabilities		668 900

Workings

Interest on capital	
Chauke	Nkosi
590 000 x 8% = 47 200	290 000 x 8% = 23 200

Remaining income	
215 800 – 60 000 – 60 000 – 10 000 - 47 200-23 200 = 15 400	
Chauke's Share	Nkosi's share
2 x 15 400= 10 267 3	1 x 15 400= 5 133 3

TASK 07 SOLUTON

Percentage gross profit on sales	
2013	**2012**
Gross profit x 100 sales 1 R788 000 √ x 100 = **43,1 %** ☑ R1 828 000 √ 1	Gross profit x 100 sales 1 R790 000 . x 100 = **47,2%** ☑ R1 650 000√ 1
There is a decrease from 47,2% to 43,1%. It can be due to sales prices incorrectly marked, too much trade discount or goods sold for less than mark-up policy. The business can check pricing and avoid too much discount	

Percentage gross profit on cost of sales (mark-up %)	
2013	**2012**
Gross profit x 100 Cost of sales 1 R788 000 √ x 100 = **75,8%** ☑ R1 040 000√ 1	Gross profit x 100 Cost of sales 1 R790 000√ x 100 = **91,9%** ☑ R860 000√ 1
There is a decrease from 91,9% to 75,8%. The business does not meet their mark-up of 100% on cost price. It can be due to prices incorrectly marked, too much trade discount, goods are sold for less than mark-up policy, theft or incorrect valuation of stock. The business should check pricing, avoid too much discount and Improve stock control. √√√	

Percentage operating profit on sales	
2013	**2012**
Operating profit x 100 Turnover 1 R463 760 √ x 100 = **25,4%** ☑ R1 828 000√ 1	Operating profit x 100 Turnover 1 R489 520 √ x 100 = **29,7%** ☑ R1 650 000√ 1
There is a decrease from 29,7% to 25,4%. Sales have increased yet operating profit has decreased. A large amount of the income is used to pay for expenses. The business should increase the control over expenses. Expenses are not well managed. √√	

Percentage operating expenses on sales	
2013	**2012**
Operating exp x 100 Turnover 1 R530 800√ x 100 = **29%** ☑ R1 828 000 √ 1	Operating exp x 100 Turnover 1 R493 600 √ x 100 = **29,9%** ☑ R1 650 000 √ 1
It decreased from 29,9% to 29%. Costs should be controlled. √√	

Percentage net profit on sales	
2013	**2012**
Net profit x 100 Turnover 1 R437 060 √ x 100 = **23,9%**☑ R1 828 000√ 1	Net profit x 100 Turnover 1 R464 520 √ x 100 = **28,2%**☑ R1 650 000√ 1
There is a decrease from 28,2% to 23,9%. It indicates that 1,5% (25,4% - 23,9%) is used to pay for finance cost (interest). √√	

Solvency ratio	
2013	**2012**
Total assets : Total liabilities R2 776 660√ : R529 600√ = 5,2 : 1☑	Total assets : Total liabilities R2 661 600√ : R653 600√ = 4,1 : 1☑
Ratio improved from 4,1:1 to 5,2:1. For every R1 liabilities there are R5,20 assets to pay for it. The business is solvent.	

Current ratio	
2013	**2012**
Current assets : Current liabilities R732 660√ : R129 600√ = 5,7 : 1	Current assets : Current liabilities R665 600√ : R229 600√ = 2,9 : 1
Ratio increased from 2,9:1 to 5,7:1. This means that for every R1 current liability (short term debt) the business has R5,70 current assets to pay for it. The high ratio is an indication that the stock levels are very high and that too much cash is tied up in stock. The business should check that stock levels are not too high, check obsolete stock and whether the prices are not too high. √√	

Acid-test ratio	
2013	**2012**
Current assets - inventories : Current liabilities (R732 600√ – R420 800) √ : R129 600√ = R311 800 √: R129 600√ = 2,4 : 1√	Current assets - inventories : Current liabilities (R665 600√ – R398 600√) : R229 600√ = R267 000√ : R229 600√ = 1,2 : 1
Ratio increased from 1,2:1 to 2,4:1. This means that the business can pay its short term debts without having to sell stock√. √	

Average debtors collection period	
2013	**2012**
Average Debtors x 365 Credit Sales 1 ½(R156 600√ + R159 660√) x 365√ R1 828 000√ 1 = 31,6 days☑	Average Debtors x 365 Credit Sales 1 ½(R156 600√ + R169 400√) x 365√ R1 650 000 1 = 36,1 days☑

The period decreased from 36,1 days to 31,6 days which is an improvement. Debtors are paying their accounts quicker. Encourage debtors by offering discount for early payments and charge interest on debtors who take more than 30 days to settle their accounts. √ √

Average creditors payment period	
2013	**2012**
Average Creditors / Credit Purchases X 365 / 1 ½(R229 600√ + R129 600√) / R1 040 000 √ X 365√ / 1 = 63 days	Average Creditors / Credit Purchases X 365 / 1 ½(R230 400√ + R229 600√) / R860 000 X 365√ / 1 = 97,6 days
The period decreased from 97,6 days to 63 days. The business is paying their creditors quicker. The business receives payments from debtors before they pay the creditors which is good for the cash flow of the business. Paying within the credit terms leads to creditworthiness and obtaining interest from creditors.	

Rate of stock turnover	
2013	**2012**
Cost of sales / Average inventories R1 040 000 √ / ½(R398 600√ + R420 800√) = 2,5 times per year ☑	Cost of sales / Average inventories R860 000√ / ½(R398 600√ + 3R60 000√) = 2,3 times per year ☑
There is an improvement of 2,3 to 2,5 times per year. This is satisfactory as the business sells furniture.	

Stock holding period	
2013	**2012**
Average inventories / Cost of sales . x 365 / 1 ½(R398 600√ + R420 000√. / R 1 040 000 x 365 / 1 = 143,6 days ☑	Average inventories / Cost of sales . x 365 / 1 ½(R398 600√ + R360 000√) / R860 000√ . x 365 / 1 =161 days ☑
Here is an improvement from 161 to 143,6 days. It is still a long time for stock to be on hand. The business can look at a better buying policy or a strategy to increase sales.	

Debt / Equity ratio (gearing ratio)	
2013	**2012**
Non-current liabilities : Owners' equity = R400 000√ : R2 274 060√ = 0,18 : 1 ☑	Non-current liabilities : Owners' equity = R424 000√: R2 008 000√ = 0,21 : 1 ☑
The ratio improved from 0,21:1 to 0,18:1. For every R1 equity there is 18 cents worth of borrowed money. The business is a low risk / low gearing. The business is creditworthy. The bank will consider a loan to the business.	

Partners' earnings	
2013	**2012**
B Big Partner's earnings . x 100 Average partner's equity 1 R243 036 √. x 100 R1 897 518√ 1 =12,8% ☑	**B Big** Partner's earnings . x 100 Average partner's equity 1 R206 040 √. x 100 R1 708 000√ 1 = 12,1% ☑
F Foot Partner's earnings . x 100 Average partner's equity 1 R194 024. √ x 100 R830 012√ 1 = 23,4% ☑	**F Foot** Partner's earnings . x 100 Average partner's equity 1 R258 400 √. x 100 R760 000 √ 1 =34% ☑
The earning of Big increased from 12,1% to 12,8%. The earnings of Foot decreased from 34% to 23,4%. It is still much higher than the interest rates on other investments. The partners can be satisfied with the return they are earning.	

1	**Calculate the % gross profit on cost of sales.**	(4)
	3 000 000 – 1 800 000 = 1 200 000 Therefore $\frac{1\ 200\ 000}{1\ 800\ 000} \times \frac{100}{1}$ = 66,67% **(only if 1 amount correct)**	
2	**Should the owner's be happy with the mark-up achieved? Quote figures to support your answer.**	(3)
	No. The target mark up is 80% on cost	
3	**Calculate the average debtor's collection period. Comment on your answer using figures to support your answer.**	(6)
	$\frac{240\ 000 + 280\ 000)/2}{1\ 500\ 000} \times \frac{365}{1}$ $\frac{260\ 000}{1\ 500\ 000} \times \frac{365}{1}$ = 63 days (only if 1 amount correct) This is much longer than the 32 days agreed upon. The business must introduce strict collection procedures.	
4	**Name TWO control measures should be used before allowing customer's to buy on credit.**	(4)
	Screen Debtors thoroughly Require & check credit references Set a lower credit limit in the beginning. Any other acceptable answer **Any 2 x 2**	
5	**Name TWO other liquidity ratios.**	(2)
	Current ratio Acid test ratio Creditor's payment period Stock turnover rate Number. of months for which stock is on hand. **Any 2 x 1**	
6	**Calculate the return earned by Rise on his average equity invested.**	(6)
	$\frac{300\ 000}{(600\ 000 + 500\ 000+18\ 000+153\ 000)/2} \times \frac{100}{1}$ = 47,21% **(only if 1 amount correct)**	

7	**The partners are considering taking out a loan. Advise them as to whether they are likely to be granted a loan by the bank. Calculate a relevant indicator to support your answer.**	**(5)**
	520 000 : (1 000 000 + 168 000) □ **(only if 1 amount correct)** □□ 520 000 : 1 168 000 0,44 : 1 □ **(only if 1 amount correct)** The business is likely to get a loan as the business is low geared. □ **OR** Depending on how big the loan is, they may not get a loan because after the loan their gearing may be greater than 1 : 1	

TASK 08 SOLUTION

Calculate the total fixed costs
TC = FC + VC FC = TC – VC = 26 000√ – 11 700√ = 14 300☑

Calculate the total cost per unit
26 000√ ÷ 650 √ = R40☑

Calculate the variable cost per unit
11 700√ ÷ 650√ = R18☑

Calculate the fixed cost per unit
14 300√ ÷ 650√ = R22☑

TASK 09 SOLUTION

Total Fixed Cost:
Factory overheads + Admin cost = total fixed costs

200 000√ + 70 000√ = R270 000☑

Variable Cost per soccer ball:

$$\frac{\text{Direct cost + selling \&distribution cost}}{\text{no of units}}$$

$$\frac{250\,000√ + 50\,000√}{15\,000}$$

$$\frac{R300\,000√}{15\,000\,√}$$

= R20 per unit☑

Contribution per unit :

Selling price per unit – Variable cost per unit = contribution per unit
R110√ - R20√ = R 90☑ contribution per unit

Break-even Point:

$$\frac{\text{Total fixed cost}}{\text{Selling price – variable cost per unit}}$$

$$\frac{270\,000√}{R90√}$$

= 3 000 units ☑

TASK 10 SOLUTION

GENERAL LEDGER OF BIG BEN MANUFACTURERS

BALANCE SHEET ACCOUNTS

RAW MATERIAL STOCK

2013 Mar	1	Balance	b/d	70 200	2014 Feb	28	Direct materials cost			231 000
	31	Bank		191 800			Balance		c/d	37 600
		Bank (carriage)		6 600						
				268 600						268 600
Apr	1	Balance	b/d	37 600						

WORK-IN-PROCESS STOCK

2013 Mar	1	Balance	b/d	16 400	2014 Feb	28	Finished goods stock	??		490 950
2014 Feb	28	Direct material cost		231 000			Balance		c/d	41 600
		Direct labour cost		184 800						
		Factory overhead cost		100 350						
				532 550						532 550
Apr	1	Balance	b/d	41 600						

FINISHED GOODS STOCK

2013 Mar	1	Balance	b/d	47 400	2014 Feb	28	Cost of sales			461 750
2014 Feb	28	Work-In-Process stock		490 950			Balance		c/d	76 600
				538 350						538 350
2014 Mar	1	Balance	c/d	76 600						

NOMINAL ACCOUNTS

INDIRECT MATERIALS

2013 Mar	1	Consumable stores on hand		12 600	2014 Feb	28	Consumable stores stock			38 800
2014 Feb	28	Bank		35 400			Factory overhead cost			9 200
				48 000						48 000

COST ACCOUNTS

DIRECT MATERIAL COST

2014					2014			
Feb	28	Raw material stock		231 000	Feb	28	Work-In-Process stock	231 000
				231 000				231 000

DIRECT LABOUR COST

2014					2014			
Feb	28	Bank		184 800	Feb	28	Work-In-Process stock	184 800
				184 800				184 800

FACTORY OVERHEAD COSTS

2014					2014			
Feb	28	Indirect materials		38 800	Feb	28	Work-In-Process stock	100 350
		Factory rent		14 400				
		Water & electricity		19 350				
		Depreciation		14 000				
		Maintenance		13 800				
				100 350				100 350

TASK 11 SOLUTION

1.1

1.1 RAW MATERIAL STOCK

Mar	1	Balance	b/d	180 000√	Feb	28	Work-in-process √	GJ	1 326 000√
Feb	28	Creditors C√	CJ	600 000√			Balance	c/o	☑64 000
		Bank√	CPJ	460 000√					
		Creditors C	CAJ	150 000√					
				☑1 390 000					1 390 000
Mar	1	Balance	b/d	64 000					

1.2 WORK-IN-PROCESS STOCK

Mar	1	Balance	b/d	80 000√	Feb	28	Finished goods	GJ	2 410 000√
Feb	28	Dir material cost√	GJ	√1 326 000			Balance	c/d	☑8 000
		Direct labour	GJ	√180 000					
		Factory overh√	GJ	√832 000					
				☑2 418 000					√2 418 000
Mar	1	Balance	b/d	8 000					

1.3 FINISHED GOODS STOCK

Mar	1	Balance	b/d	7√0 000	Feb	28	Cost of Sales	GJ	√2 400 000
Feb	28	Work-in-process√	GJ	√2 410 000			Balance	c/o	☑80 000
				☑2 480 000					2 480 000
Mar	1	Balance	b/d	80 000					

1.2

Calculate how many rocking chairs Thabo has to sell to break even.

Selling price - direct cost = contribution

= 300 √ - (85√ + 9,20√ + 3,40√)

= 202,40☑

Break-even = Fixed costs / Contribution

= (100√ + 900√ + 150√ + 180√) / 202,40 √ = 1 230√ / 202,40√ = 6 units ☑