 Province of the

EASTERN CAPE

EDUCATION

**DIRECTORATE SENIOR CURRICULUM MANAGEMENT (SEN-FET)**

**HOME SCHOOLING SELF-STUDY**

**NOTES AND ACTIVITIES**

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| **SUBJECT** | ACCOUNTING | | **GRADE** | | 11 | **DATE** |  | | | |
| **TOPIC** | PARTNERSHIP | | | | | | **Term** | 2 | **Week** | 9 |
| **TIME ALLOCATION** | | 2 DAYS | | |  |  | | --- | --- | | **TIPS TO KEEP HEALTHY** | | |  |  | | 1. | **WASH YOUR HANDS** thoroughly with soap and water for at least 20 seconds. Alternatively, use hand sanitizer with an alcohol content of at least 60%. | |  |  | | 2. | **PRACTICE SOCIAL DISTANCING** – keep a distance of 1m away from other people. | |  |  | | 3. | **PRACTISE GOOD RESPIRATORY HYGIENE**: cough or sneeze into your elbow or tissue and dispose of the tissue immediately after use. | |  |  | | 4. | **WEAR A MASK AND TRY NOT TO TOUCH YOUR FACE.** The virus can be transferred from your hands to your nose, mouth and eyes. It can then enter your body and make you sick. | |  |  | | 5. | **STAY AT HOME.** | | | | | | | |
| **INSTRUCTIONS** | See requirements per activity | | |
| **RESOURCES** | **USE YOUR TEXTBOOK(S) & PREVIOUS ACTIVITIES** | | | | | | | | | |

**ACTIVITY**

**NTSANE TILES**

You are provided with the Pre-Adjustment trial balance of Ntsane Tiles, a partnership with B. Istain and D.Knowballa as partners. Their financial year ended on 29 February 2020.

**REQUIRED**

1. Prepare the Financial statements

2. Notes to the Financial statements

**Note:** Use the ledger accounts attached to the solution to explain.

3.1. Comment on the following accounts:

* Debtors allowances
* Partners’ Drawings

3.2. What internal control procedures can be applied to minimise the problems above?

**INFORMATION**

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| **NTSANE TILES**  **PRE- ADJUSTMENT TRIAL BALANCE ON 29 FEBRUARY 2020** | | | |
| **BALANCE SHEET ACCOUNTS SECTION** |  | **DEBIT** | **CREDIT** |
| Capital :Istain | B1 |  | 600 000 |
| Capital : Knowballa | B2 |  | 400 000 |
| Current A/c : Istain | B3 | 41 000 |  |
| Current A/c : Knowballa | B4 |  | 50 000 |
| Drawings :Istain | B5 | 185 000 |  |
| Drawings :Knowballa | B6 | 175 000 |  |
| Vehicles | B7 | 666 000 |  |
| Equipment (at cost) | B8 | 230 000 |  |
| Accumulated depreciation on vehicles | B9 |  | 299 700 |
| Accumulated depreciation on equipment | B10 |  | 95 000 |
| Loan : Bank of Africa | B11 |  | 205 000 |
| Fixed Deposit : Bank of Africa | B12 | 150 000 |  |
| Trading stock | B13 | 667 000 |  |
| Debtors control | B14 | 265 000 |  |
| Provision for bad debts | B15 |  | 16 500 |
| Bank | B16 | 66 000 |  |
| Cash float | B17 | 2 500 |  |
| Petty cash | B18 | 2 000 |  |
| Creditors control | B19 |  | 281 500 |
| SARS –(PAYE) | B20 |  | 19 600 |
| Medical Aid Fund | B21 |  | 6 200 |
| UIF | B22 |  | 900 |
| **NOMINAL ACCOUNTS SECTION** |  |  |  |
| Sales | N1 |  | 3000 000 |
| Debtors allowances | N2 | 500 000 |  |
| Cost of sales | N3 | 1810 000 |  |
| Fee income (for services rendered) | N4 |  | 1105 000 |
| Rent expense | N5 | 95 400 |  |
| Salaries and wages | N6 | 765 176 |  |
| Employer’s contribution to UIF and Medical Aid | N7 | 78 500 |  |
| Vehicles expenses | N8 | 95 000 |  |
| Bank charges | N9 | 28 600 |  |
| Bad debts | N10 | 4 800 |  |
| Electricity and water | N11 | 17 600 |  |
| Discount allowed | N12 | 3 500 |  |
| Telephone | N13 | 19 100 |  |
| Insurance | N14 | 28 800 |  |
| Printing and stationery | N15 | 17 200 |  |
| Consumable stores | N16 | 132 500 |  |
| Interest income (on current bank account) | N17 |  | 1 100 |
| Sundry expenses | N18 | 34 824 |  |
|  |  | **6080 500** | **6080 500** |

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| **ADJUSTMENTS AND ADDITIONAL INFORMATION** |
| 1. The water and electricity account for February has not been paid, R1 300. |
| 1. A cash customer B.Ntuli paid R2 800 for installation fees in February but the job will be done in March 2020. |
| 1. The following items were stolen in February :  * Trading stock (tiles ) R56 000 * Consumable stores R2 500     **Note**: Eastern Insurers has agreed to pay out 90% of the stolen items, but this  amount has not been received. |
| 1. A debtor B.White complained about the defective tiles that were fitted in his house ,Ntsane Tiles issued a credit note for the following ,but this has not been recorded in the books : |
| |  |  | | --- | --- | | **NTSANE TILES CN 2200**  **29 February 2020**  **Mr. White**  **4544 Vincent**  **2061** | | | Tiles returned ( cost price R 13 000) | R 21 500 | | Unsatisfactory fitting (Fee income) | 2 500 | |  | 24 000 | |
| On closer inspection of the stock it was discovered that tiles costing R49 000 were  defective. These tiles were returned to Imported Tiles Ltd, but no entry has been made. |
| 1. The following appeared in the bank statement of Bank of Africa on 27 February 2020, the information has not been entered in the books:  |  |  | | --- | --- | | Bank charges | R2 000 | | Interest on current account | R250 | | Dishonoured cheque from Bentley (in settlement of R5 100) | R4 800 | | Stop order for insurance for February 2020 | R2 500 | |
| 1. A physical stock count at the end of the year reflects the following on hand at cost price :  * Trading stock, R570 000 * Consumable stores, R18 000 |
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| 1. Further bad debts of R3 000 are to be written off and the provision for bad debts is to be adjusted to 5% of trade debtors. |
| 1. New equipment costing R54 000 was bought on 01 January 2020.This has been properly recorded. Depreciation is to be calculated at 10% p.a. on a diminishing balance method. |

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| 1. The business owned three identical vehicles which were all purchased on the same date. Depreciation is calculated at 20% p.a. on cost .On 30 November 2018 one of the vehicles was taken over by a partner Knowballa at the market value of R96 300.No entry has been made to record depreciation or the sale of the vehicle. |
| 1. The loan statement from the Bank of Africa reflects the following:  |  |  | | --- | --- | | Balance at the beginning of the year: 01 March 2019 | R 275 000 | | Interest capitalized | ? | | Repayments during the year including interest | 70 000 | | Balance at the end of the year: 29 February 2020 | 230 000 | |
| All the repayments have been debited to the loan account in the ledger but no  entry has been made to record interest. According to the loan agreement the loan  will be reduced by R47 000 over the next 12 months. |
| 1. On the 29th of February the business received an SMS notification from the bank of R9 000 for interest on fixed paid into their account. **No entry has been made**.   The interest is not capitalised and one of the fixed deposit valued at R35 000 will mature on 30 April 2020 |
| 1. **The partnership agreement provides for the following :**  * Salary to Istain, R108 000 p.a. * Salary to Knowballa, R84 000 p.a. * Interest on capital at 7% p.a. * Remaining profits to be in the ratio 3:2 between Istain and Knowballa. |
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| **ANSWER SHEET : ACTIVITY** |

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| **NTSANE TILES**  **INCOME STATEMENT FOR 29 FEBRUARY 2020** | | |
|  | **Note** |  |
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| **Gross Profit** |  |  |
| **Other Operating Income** |  |  |
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| **Gross Operating income** |  |  |
| **Operating Expenses** |  |  |
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| **Operating Profit** |  |  |
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| **Profit Before Interest Expense** |  |  |
|  | **2** |  |
| **Net Profit for the year** | **8** |  |

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| **NTSANE TILES**  **BALANCE SHEET ON 29 FEBRUARY 2020** | | |
|  | **Note** |  |
| **ASSETS** |  |  |
| **Non-current assets** |  |  |
|  | **3** |  |
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| **Current assets** |  |  |
|  | **4** |  |
|  | **5** |  |
|  | **6** |  |
| **Total assets** |  |  |
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| **EQUITY AND LIEASTERNLITIES** |  |  |
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| **Capital and Reserves /Owners Equity** |  |  |
|  | **7** |  |
|  | **8** |  |
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| **Non-current liEasternlities** |  |  |
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| **Current liEasternlities** |  |  |
|  | **9** |  |
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| **Total Equity and LiEasternlities** |  |  |
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**NOTES TO THE FINANCIAL STATEMENTS**

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| **1 Interest income** | |
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| **2 Interest Expense /Finance cost** | |
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**NOTE 3**

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| **TANGIBLE ASSETS** | **Vehicles** | **Equipment** | **Total** |
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| **Movements** |  |  |  |
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| Carrying Value (end of the year) |  |  |  |
| Cost |  |  |  |
| Accumulated Depreciation |  |  |  |

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| **4 Inventories** | |
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| **5 Trade and other receivables** | |
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| **6 Cash and cash equivalents** | |
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| **7.Capital Accounts** | |  |  |  |  | **Istain** | **Knowballa** |  |
| Balance at the beginning of the year | | |  |  |  |  |  |  |
| Contribution of capital during the financial year | | | | |  |  |  |  |
| Withdrawal of capital during the year | | | |  |  |  |  |  |
| Balance at the end of the year | | |  |  |  |  |  |  |
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| **8.Current Accounts** | |  |  |  |  | **Istain** | **Knowballa** |  |
| Appropriation of net profit | | |  |  |  |  |  |  |
| Salaries |  |  |  |  |  |  |  |  |
| Interest on capital | |  |  |  |  |  |  |  |
| Bonus | |  |  |  |  |  |  |  |
| Primary division of profits | | |  |  |  |  |  |  |
| Final division of profits | | |  |  |  |  |  |  |
| Profit per income statement | | |  |  |  |  |  |  |
| Drawings during the year | | |  |  |  |  |  |  |
| Retained income /loss for the year | | |  |  |  |  |  |  |
| Balance at the beginning of the year | | |  |  |  |  |  |  |
| Balance at the end of the year | | |  |  |  |  |  |  |

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| **9 Trade and other payables** | |
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| **3.1. Comment on the following accounts:** |
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| **Debtors allowances** |
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| **Partners’ Drawings** |
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| **3.2. What internal control procedures can be applied to minimise the problems above?** |
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| **Debtors allowances** |
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| **Partners’ Drawings** |
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