 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: Financial statements:  Activities for consolidation | | | | **Term** | 2 | **Week** | 3 |
| **TIME ALLOCATION** | One week | |  |  | | --- | --- | | **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)** | | | | | | | |

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| **The following will be covered in the activities for this week:** | |  |
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| **1.** | **CLASS TEST** (work covered in the previous week). |  |

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| **CLASS TEST 1 (WORKSHEET 1) (25 marks; 20 minutes)** | | | | | | | |
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| The information relates to TX Traders (with partners Thandi and Xola) for the financial year ended 28 February 2018. | | | | | | |  |
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| **REQUIRED:** | | | | | | |  |
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| Complete the Current Account Note by filling in the missing amounts. | | | | | | |  |
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| **INFORMATION:** | | | | | | |  |
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| **A.** | | **Information extracted from the financial statements:** | | | | |  |
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|  | | |  |  |  | | --- | --- | --- | |  | **28 February 2018** | **1 March 2017** | | Capital: Thandi | 800 000 | 800 000 | | Capital: Xola | 1 000 000 | 900 000 | | Current Account: Thandi | ? | 22 320 Cr | | Current Account: Xola | ? | 17 670 Dr | | Drawings: Thandi | 148 800 |  | | Drawings: Xola | 127 100 |  | | Loan: Swazi Bank | 800 000 | 800 000 | | Total Current Assets | 407 340 |  | | Debtors Control | 167 300 | 219 200 | | Total Current Liabilities | 226 300 |  | | Sales | 2 136 000 |  | | Net profit for the year | 471 250 |  | | | | | |  |
|  | |  | |  | | |  |
| **B.** | | The partnership agreement makes provision for the following: | | | | |  |
|  | |  | | | | |  |
|  | | * Salaries:   Thandi is entitled to a monthly salary allowance of R12 400.  Xola receives 2,5% more than Thandi’s allowance. | | | | |  |
|  | |  | | | | |  |
|  | | * Interest on Capital is provided for at 8% p.a. on capital balances.   Xola has increased her capital on 1 December 2017. | | | | |  |
|  | |  | | | | |  |
|  | | * Thandi is entitled to a production bonus of 0,5% of turnover (sales). | | | | |  |
|  | |  | | | | |  |
|  | | * Profits/Losses are shared in the ratio of capital balances.   The change in capital was not considered for the current financial year. | | | | |  |
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| **2.** | | | **FINANCIAL STATEMENTS & NOTES**   * Statement of Comprehensive Income and Statement of Financial Position) * Problem solving/ internal control/ ethical behaviour | | |
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| **REMEMBER:** | | | | | |  | |
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| 1. | | | Know the **format** of the Financial Statements. | | |  | |
|  | | |  | | |  | |
| 2. | | | Know what is included in each Note to the Financial Statements. | | |  | |
|  | | |  | | |  | |
| 3. | | | Consider adjustments to reflect the correct amounts for the financial period. | | |  | |
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| **STEPS' IN COMPLETING FINANCIAL STATEMENTS:** | | | | | |  | |
|  | | |  | | |  | |
| 1. | | | Enter the names of the accounts from the Trial balance in their respective place in the statement, for example, Interest on loan will appear under Interest Expense in the Statement of Comprehensive Income. | | |  | |
|  | | |  | | |  | |
| 2. | | | Open the bracket and enter the amount that appears in the Pre-adjustment trial balance next to the account (NOTE: DO NOT CLOSE THE BRACKET). | | |  | |
|  | | |  | | |  | |
| 3. | | | If notes to the financial statements are required, follow the same procedure as above. The totals of these notes will be transferred to the respective statement. | | |  | |
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| 4. | | | Read each adjustment and make the necessary changes as per the requirements of the adjustment. | | |  | |
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| 5. | | | Once you have attended to all the adjustments – close the bracket and enter the amount in the total column. | | |  | |
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| 6. | | | When all the adjustments have been done, calculate your final figures and enter it correctly. | | |  | |
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| **REVISION ACTIVITY** (Fixed asset note) | | | | | |  | |
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| Complete the missing information **A – D**  **Note:** Vehicles with a cost price of R80 000 was sold during the year. | | | | | | | |
| |  |  |  | | --- | --- | --- | | **TANGIBLE ASSETS / FIXED ASSETS** | **LAND & BUILDINGS** | **VEHICLES** | | **Carrying value on 28 February 2019** | 600 000 | **A** | | Cost | 600 000 | 280 000 | | Accumulated depreciation |  | (148 000) | | **Movements** |  |  | | Additions at cost | **B** | 150 000 | | Disposals at carrying value |  | **C** | | Depreciation |  | (86 000) | | **Carrying value on 29 February 2020** | 700 000 | 166 000 | | Cost | 700 000 | **D** | | Accumulated depreciation |  |  | | | | | | | | |
|  | | | | | | | |
| **Solution:** | | | | | | | |
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| **A** | 280 000 – 148 000 = 132 000 | | | | | | |
|  |  | | | | | | |
| **B** | 700 000 – 600 000 = 100 000 | | | | | | |
|  |  | | | | | | |
| **C** | 166 000 + 86 000 – 150 000 – 132 000 (A) = 30 000 | | | | | | |
|  |  | | | | | | |
| **D** | 280 000 + 150 000 – 80 000 = 350 000 | | | | | | |
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| **ACTIVITY 1 (WORKSHEET 2)** | | | | | |  |
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| The information below, appeared in the books of PB Stores (with partners Pinky and Brian) on 28 February 2017, at the end of the current financial year. | | | | | |  |
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| **REQUIRED:** | | | | | |  |
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| 1.1 | Complete the Income Statement for the financial year ended  28 February 2017. Some amounts are provided in the worksheet. | | | | |  |
|  |  | | | | |  |
| 1.2 | Complete the following notes to the Balance Sheet: | | | | |  |
|  | 1.2.1 | | Capital | | |  |
|  | 1.2.2 | | Current Account | | |  |
|  |  | | | | |  |
| 1.3. | Pinky is unhappy with the way Brian is managing his investment in the partnership. | | | | |  |
|  |  | | | | |  |
|  | 1.3.1 | | Provide TWO reasons to justify why he feels this way. In each case provide relevant figures to support your comments. | | |  |
|  |  | |  | | |  |
|  | 1.3.2 | | Give ONE suggestion that the partnership can use to address the concern expressed by Pinky. | | |  |
|  |  | | | | |  |
| **INFORMATION:** | | | | | |  |
| **A.** | **Balances on 28 February 2017 (unless otherwise indicated):** | | | | |  |
|  | Capital: Pinky | | | R 280 000 |  |  |
|  | Capital: Brian | | | 350 000 |  |  |
|  | Drawings: Pinky | | | 26 409 |  |  |
|  | Drawings: Brian | | | 57 403 |  |  |
|  | Current Account: Pinky (1 March 2016) | | | 22 369 |  |  |
|  | Current Account: Brian (1 March 2016) | | | 32 412 | (Dr) |  |
|  |  | | |  |  |  |
| **B.** | **Pre-Adjustment amounts (amongst others) from the General Ledger on 28 February 2017:** | | | | |  |
|  | Loan: Rode Bank | | | ? |  |  |
|  | Fixed Deposit (9% p.a) | | | 220 000 |  |  |
|  | Debtors Control | | | 97 200 |  |  |
|  | Provision for bad debts (1 March 2016) | | | 5 440 |  |  |
|  | Trading stock | | | 133 390 |  |  |
|  | Sales | | | 993 250 |  |  |
|  | Cost of sales | | | 685 000 |  |  |
|  | Rent income | | | 117 250 |  |  |
|  | Insurance | | | 25 665 |  |  |
|  | Commission income | | | 58 545 |  |  |
|  | Packing material | | | 19 710 |  |  |
|  | Water and electricity | | | 32 180 |  |  |
|  | Salaries and wages | | | 45 000 |  |  |
|  | Depreciation | | | 17 150 |  |  |
|  | Interest on investment | | | 14 850 |  |  |
|  | Sundry expenses | | | ? |  |  |
|  |  | | |  | |  |
| **C.** | **Adjustments:** | | |  | |  |
|  |  | | | | |  |
|  | (i) | The annual stock take revealed the following stock on hand: | | | |  |
|  |  | * Trading stock, R130 540 | | | |  |
|  |  | * Packing material unused, R3 600. | | | |  |
|  | (ii) | Adjust the Provision for Bad Debts to 5% of debtors. | | | |  |
|  | (iii) | Interest on loan is capitalised. The loan statement received from Biltong Bank showed the following: | | | |  |
|  |  | |  |  | | --- | --- | | Loan balance on 1 March 2016 | R 374 600 | | Repayments for the year (including interest) | 86 400 | | Interest capitalised | ? | | Loan balance on 28 February 2017 | 327 000 | | | | |  |
|  | (iv) | The rent for March 2017 was received. Note that the rent increased by R875 per month from 1 December 2016. | | | |  |
|  | (v) | Insurance includes an annual policy for R5 820 taken out on 1 June 2016. | | | |  |
|  | (vi) | The water and electricity account for February 2017 was not yet paid, R2 150. | | | |  |
|  | (vii) | Interest on investment is not capitalised. Interest for the last quarter of this financial year was not received. | | | |  |
|  |  |  | | | |  |
| **D.** | **The Profit and Loss Account** reflected a net profit of R311 135 after taking into account all the adjustments. | | | | |  |
|  |  |  | | | |  |
| **E.** | **Transactions relating to partners to be reflected in the partners’ accounts only:** | | | | |  |
|  |  |  | | | |  |
|  | (i) | Pinky took goods from stock for her personal use at a selling price of R9 590. Goods are sold at a mark-up of 75% on cost. | | | |  |
|  | (ii) | Brian used a business cheque for R5 100 for his personal telephone account. | | | |  |
|  | (iii) | The partnership agreement provided for the following salary allowances : | | | |  |
|  |  | * Pinky, R113 400 p.a. | | | |  |
|  |  | * Brian, R7 800 per month. | | | |  |
|  |  | The partners are entitled to an annual increase of 10% effective on the 1 December each year. This was not taken into account. | | | |  |
|  | (iv) | Interest on capital is calculated at 8% of the capital balances. | | | |  |
|  |  | On 1 June 2016, Pinky increased her capital by R40 000, and Brian decreased his capital by R10 000. These changes were recorded | | | |  |
|  | (v) | Pinky is entitled to a production bonus equal to 2% of total sales. | | | |  |
|  | (vi) | The remaining profit or loss is shared in the ratio of the partners’ capital balances at the end of the financial year. | | | |  |

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| **ACTIVITY 2 (WORKSHEET 3)** | | | | |  |
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| The following information was taken from the records of Benz Traders, with partners Benito and Zendo. The financial year ended on 28 February 2018. | | | | |  |
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| **REQUIRED:** | | | | |  |
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| 2.1 | Complete the following notes to the Financial Statements: | | | |  |
|  |  |  | | |  |
|  | 2.1.1 | Fixed assets (Vehicles and Equipment only). | | |  |
|  |  |  | | |  |
|  | 2.1.2 | Partners’ Current accounts | | |  |
|  |  |  | | |  |
|  | 2.1.3 | Trade and other receivables | | |  |
|  |  |  | | |  |
|  | 2.1.4 | Trade and other payables. | | |  |
|  |  | | | |  |
| 2.2 | Complete the Statement of Financial Position (Balance Sheet) on  28 February 2018. Where notes are not required, show all workings. | | | |  |
|  |  | | | |  |
| **INFORMATION:** | | | | |  |
|  |  | | | |  |
| **A.** | **List of balances on 28 February 2018 (amongst others):** | | | |  |
|  |  | | | |  |
|  | Capital: Benito | | 850 000 |  |  |
|  | Capital: Zendo | | 550 000 |  |  |
|  | Current Account: Benito (1 March 2017) | | 23 000 |  |  |
|  | Current Account: Zendo (1 March 2017) | | 7 500 | Dr |  |
|  | Drawings: Benito | | 45 250 |  |  |
|  | Drawings: Zendo | | 56 250 |  |  |
|  | Land and buildings | | 1 103 550 |  |  |
|  | Vehicles | | 700 000 |  |  |
|  | Equipment | | 430 000 |  |  |
|  | Accumulated depreciation on vehicles (1/3/2017) | | 280 000 |  |  |
|  | Accumulated depreciation on equipment (1/3/2017) | | 193 500 |  |  |
|  | Fixed deposit: ABSA Bank (8%p.a) | | 85 000 |  |  |
|  | Trading stock | | 248 910 |  |  |
|  | Debtors control | | 127 300 |  |  |
|  | Creditors control | | 77 360 |  |  |
|  | Bank (favourable balance) | | 95 635 |  |  |
|  | Cash float | | 1 200 |  |  |
|  | Loan: Unity Bank (9,5%p.a.) | | 320 000 |  |  |
|  |  | |  |  |  |
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|  |  | | | |  |
| **B.** | The partnership agreement made provision for the following: | | | |  |
|  |  | | | |  |
|  | * Both partners are entitled to a salary allowance. Zendo’s salary is   R1 000 per month more than Benito’s salary allowance. Benito’s salary allowance for the current financial year was R118 750. | | | |  |
|  | * Both partners receive interest on their capital balance at 12% p.a. Note that Benito decreased his capital balance by R50 000 on   1 December 2017. | | | |  |
|  | * It was agreed that Zendo receive an incentive bonus of R15 000 for the extra hours spent finalising an advertising campaign. | | | |  |
|  | * Remaining profits (or losses) are shared in the ratio 3 : 2 between Benito and Zendo respectively. | | | |  |
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| **C.** | The net profit (after taking into account all the adjustments) was R462 000. | | | |  |
|  |  | | | |  |
| **D.** | The total primary distribution for the financial year amounted to R437 000. | | | |  |
|  |  | | | |  |
| **E.** | The following adjustments were taken into account in determining the net profit amount of R462 000: | | | |  |
|  |  | | | |  |
|  | * Unused consumable stores amounted to R3 290. | | | |  |
|  | * The business makes allowance for a provision for bad debts equal to 5% of the debtors control balance. | | | |  |
|  | * An insurance policy for R4 260 was entered into on 1 May 2017. The annual premium was paid in full. | | | |  |
|  | * The telephone account for February 2018, R1 840 was only settled on   5 March 2018. | | | |  |
|  | * The rent for March 2018 was received and deposited. The rent amount of R69 600 was closed off to the profit and loss account. | | | |  |
|  | * A commission fee of R3 225 was still receivable on 28 February 2018. | | | |  |
|  | * Depreciation on vehicles at 20% p.a. on carrying value and on equipment at 15% on cost. A new vehicle, costing R145 000 was purchased on 1 June 2017. | | | |  |
|  | * The profit of R320 on sale of an old office desk sold on   31 December 2017. The cost of the desk was R5 400.  It was sold for R1 750 cash. | | | |  |
|  |  | | | |  |
| **F.** | R25 000 of the Fixed Deposit amount will mature on 30 July 2019. | | | |  |
|  |  | | | |  |
| **G.** | Interest on loan is capitalised. A fixed monthly instalment of R8 600 inclusive of interest was paid from the time the loan was received. This instalment is expected to remain constant for the next financial year. | | | |  |