 Province of the

EASTERN CAPE

EDUCATION

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

 **SELF-STUDY**

**ACTIVITIES AND WORKSHEETS**

|  |  |  |  |  |  |
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| **SUBJECT** | ACCOUNTING | **GRADE** | 12 | **DATE** |  |
| **TOPIC** | Companies | **Term**  |  | **Week** |  |
| **TIME ALLOCATION** |  |

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| **TIPS TO KEEP HEALTHY** |
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| 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%. |
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| 2. | **PRACTICE SOCIAL DISTANCING** – keep a distance of 1m away from other people. |
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| 3. | **PRACTISE GOOD RESPIRATORY HYGIENE**: cough or sneeze into your elbow or tissue and dispose of the tissue immediately after use. |
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| 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. |
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| 5. | **STAY AT HOME.**  |

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| **INSTRUCTIONS** | See requirements per activity |
| **RESOURCES** | **TEXTBOOK(S) & PREVIOUS ACTIVITIES** |

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| 1.1 | Choose an explanation from COLUMN B that matches the GAAP principle in COLUMN A. Write only the letter (A–E) next to the number (1.1.1–1.1.4) in the ANSWER BOOK. |  |
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| **COLUMN A** |  | **COLUMN B** |
| 1.1.1 Historical cost | A | Amounts reflected on financial statements are expected to be realistic (conservative). |
| 1.1.2 Matching | B | Items of significance should be shown separately in financial statements. |
| 1.1.3 Going concern | C | Income and expenses must be recorded in the correct financial year. |
| 1.1.4 Materiality | D | Financial statements are prepared with the assumption that the company will continue operating in the future. |
|  | E | Fixed assets are recorded at their original cost price, although their market value may be different.  |

 | (4) |
| 1.2 | **QUEENIE LTD** |  |
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|  | The information presented is for the financial year ended 29 February 2020. |  |
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|  | **REQUIRED:** |  |
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|  | 1.2.1 | Complete the Income Statement for the year ended 29 February 2020. | (50) |
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|  | 1.2.2 | Prepare the following notes to the Balance Sheet:  | (10) |
|  |  |  |  |
|  |  | * Ordinary Share Capital
 |  |
|  |  |  |  |
|  |  | * Retained Income
 | (11) |
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|  | **INFORMATION:** |  |
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|  | **EXTRACT: PRE-ADJUSTMENT TRIAL BALANCE ON 29 FEBRUARY 2020** |  |
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| **Balance Sheet Accounts Section** | **Dr** | **Cr** |
| Ordinary share capital |  | 8 925 000 |
| Retained income (1 March 2019) |  | 555 500 |
| Loan: U-Lend Bank |  | 1 466 000 |
| Trading stock | 1 142 000 |  |
| Debtors' control | 465 000 |  |
| SARS (Income tax) | 523 600 |  |
| Provision for bad debts (1 March 2019) |  | 21 340 |
| Fixed deposit: Money Bank (8%) | 620 000 |  |

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| **Nominal Accounts Section** |  |  |
| Sales |  | **?** |
| Cost of sales | 10 600 000 |  |
| Debtors allowances  | 35 000 |  |
| Rent income |  | 264 420 |
| Interest on fixed deposit |  | 37 200 |
| Bad debts recovered |  | 8 140 |
| Audit fees  | 150 000 |  |
| Advertising | 345 500 |  |
| Salaries and wages | 1 054 260 |  |
| Directors' fees | 932 200 |  |
| Depreciation  | 189 500 |  |
| Packing material | 55 400 |  |
| Sundry expenses | **?** |  |
| Bad debts | 14 000 |  |

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|  | **ADJUSTMENTS AND ADDITIONAL INFORMATION:** |  |

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| **A.** | Goods are sold at a profit mark-up of 45% on cost.  |  |
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| **B.** | Stock-take on 29 February 2020 reflected the following stock on hand: |  |
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|  | * Trading stock R1 130 000
* Packing material R7 900
 |  |
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| **C.** | One of the old directors is still owed his February 2020 fees. He has received R173 800 to date. There were no changes to the fee structure.  |  |
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| **D.** | The bookkeeper calculated depreciation on fixed assets as R189 500. He did not take into account that a new vehicle, cost R140 000 was purchased on 1 January 2020. Vehicles are depreciated at 15% on carrying value.  |  |
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| **E.** | A debtor, B Khotho, with an outstanding balance of R19 000, must be written off as bad debts.  |  |
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| **F.** | The provision for bad debts at 4% of the outstanding debtors must be taken into account |  |
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| **G.** | An employee on leave was omitted from the Salary Journal for February 2020. His salary details are as follows:* Net salary: R17 550
* Total deductions (including Pension, UIF and Tax): 25%
* Employer’s contribution: R2 340
 |  |
|  | All employers' contributions are debited to the Salaries and Wages Account. |  |
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| **H.** | Outstanding interest on fixed deposit must still be taken into account. The fixed deposit was unchanged during the year and interest is not capitalised. |  |
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| **I.** | The rent income includes rent received for March 2020. The rent income increased by **R1 560** per month from 1 September 2019. |  |
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| **J.** | Loan statement from U-Lend Bank on 29 February 2020 reflected:  |  |
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|  | **R** |
| Balance at beginning of financial year | 1 850 000 |
| Repayments during financial year | 384 000 |
| Interest capitalised  | **?** |
| Balance at end of financial year | 1 671 000 |

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| **K.** | Income tax at 30% of the net profit for the financial year was R525 000.  |  |
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| **L.** | Sundry expenses is the balancing figure on the Income Statement. |  |
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| **M.** | **Shares and dividends:** |  |
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|  | * The authorised ordinary share capital consists of 1 200 000 ordinary shares of which 75% were in issue before 1 March 2019.
* Interim dividends of 60 cents per share was paid on 1 September 2019.
* During October 2019 a further 120 000 shares were issued at R9,50 each. This was taken into account.
* On 29 February 2020, final dividend of 55 cents per share was declared.
* On 29 February 2020, 170 000 shares were repurchased at R9,70 per share. This transaction has not been recorded yet. These shareholders qualify for final dividends.
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|  |  | **75** |

**QUESTION 1**

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| **1.1** | **Write only the letter (A–E) next to the question number.**

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| **1.1.1** |  |
| **1.1.2** |  |
| **1.1.3** |  |
| **1.1.4** |  |
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| **1.2.1** | **See Income Statement on the next page.** |  |
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| **1.2.2** | **Ordinary Share Capital Note** |  |
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| **Authorised Share Capital**  |
| **1 200 000 ordinary shares**  |
|  |
| **Issued Shares:**  |
|  | **Shares in issue on 1 March 2019** |  |  |
|  | **Shares issued at R9,50 each**  |  |  |
|  | **Shares repurchased: ASP**:  |  |  |
|  | **Shares in issue on 29 February 2020** |  |  |

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| **10** |

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| **1.2.3** | **Retained Income** |  |
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| **Balance at beginning of financial year** |  |
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| **Ordinary share dividends**  |  |
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| **Balance at end of financial year**  |  |

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| **1.2.1 QUEENIE LTD** |  |
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|  **INCOME STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2020** |  |
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|  | **Sales**  |  |  |
|  | **Cost of sales** |  |  |
|  | **Gross profit**  |  |  |
|  | **Other income**  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  | **Gross operating income**  |  |  |
|  | **Operating expenses**  |  |  |
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|  | **Advertising**  | **345 500** |  |
|  | **Sundry expenses**  |  |  |
|  | **Operating profit**  |  |  |
|  |  |  |  |
|  | **Profit before interest expense**  |  |  |
|  |  |  |  |
|  | **Net profit before tax**  |  |  |
|  | **Income tax** |  |  |
|  | **Net profit after tax**   |  |  |

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|  |
| **50** |

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| **TOTAL MARKS** |
|  |
| **75** |