 Province of the

EASTERN CAPE

EDUCATION

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

**SELF-STUDY**

**ACTIVITIES AND WORKSHEETS**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **SUBJECT** | ACCOUNTING | | **GRADE** | | 12 | **DATE** |  | | | |
| **TOPIC** | Companies | | | | | | **Term** |  | **Week** |  |
| **TIME ALLOCATION** | |  | | |  |  | | --- | --- | | **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** | **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) |
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|  |  | * Ordinary Share Capital |  |
|  |  |  |  |
|  |  | * Retained Income | (11) |
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|  | **INFORMATION:** |  |
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|  | **EXTRACT: PRE-ADJUSTMENT TRIAL BALANCE ON 29 FEBRUARY 2020** |  |
|  | |  |  |  | | --- | --- | --- | | **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 |  | |  |
| |  |  |  | | --- | --- | --- | | **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. |  | |
|  |  |  | |
| **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 | |  | |
|  |  |  | |
| **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. |  | |
|  |  |  |
|  |  | **75** |

**QUESTION 1**

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| **1.1** | **Write only the letter (A–E) next to the question number.**   |  |  | | --- | --- | | **1.1.1** |  | | **1.1.2** |  | | **1.1.3** |  | | **1.1.4** |  | |  |  | | |  | | --- | |  | | **4** | |
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| **1.2.1** | **See Income Statement on the next page.** |  |
|  |  |  |
| **1.2.2** | **Ordinary Share Capital Note** |  |
|  | |  |  |  |  | | --- | --- | --- | --- | | **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** |  |  | | |  | | --- | |  | | **10** | |
|  |  |  |
|  |  |  |
| **1.2.3** | **Retained Income** |  |
|  | |  |  | | --- | --- | | **Balance at beginning of financial year** |  | |  |  | |  |  | | **Ordinary share dividends** |  | |  |  | |  |  | | **Balance at end of financial year** |  | | |  | | --- | |  | | **11** | |
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| **1.2.1 QUEENIE LTD** | |  |
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| **INCOME STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2020** | |  |
| |  |  |  |  | | --- | --- | --- | --- | |  | **Sales** |  |  | |  | **Cost of sales** |  |  | |  | **Gross profit** |  |  | |  | **Other income** |  |  | |  |  |  |  | |  |  |  |  | |  |  |  |  | |  | **Gross operating income** |  |  | |  | **Operating expenses** |  |  | |  |  |  |  | |  |  |  |  | |  |  |  |  | |  |  |  |  | |  |  |  |  | |  |  |  |  | |  |  |  |  | |  | **Advertising** | **345 500** |  | |  | **Sundry expenses** |  |  | |  | **Operating profit** |  |  | |  |  |  |  | |  | **Profit before interest expense** |  |  | |  |  |  |  | |  | **Net profit before tax** |  |  | |  | **Income tax** |  |  | |  | **Net profit after tax** |  |  | | | |  | | --- | |  | | **50** | |

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