PROVERTO
Educational Publishers • Opvoedkundige Uitgewers

FREE

tax

expenses

GR 10 11 12

# ACCOUNTING

## STUDY GUIDE

1ST PRINT RUN 2008

Proudly Sponsored by Eskom

Nelson Mandela Metropolitan University for tomorrow
sasol reaching new frontiers
MSC COLLEGE
University Of Zululand
Road Traffic Management Corporation
POTCHEFSTROOM AKADEMIE
South African academy of fashion
MONASH South Africa
NEMISA
thsbs
SAAHST
ANGLO PLATINUM WORLD LEADER IN PLATINUM
bhpbilliton Ingwe Collieries Limited
HIGHVELD STEEL AND VANADIUM CORPORATION LIMITED
SOUTH AFRICAN INSTITUTE OF PROFESSIONAL ACCOUNTANTS
ARWYP TRAINING INSTITUTE
AFRICAN BANK
EWC Ekurhuleni West College
auto PEDIGREE QUALITY USED VEHICLES
Postbank POST OFFICE SAVINGS BANK
design center college of design
UNIVERSITY OF VENDA
PC Training BUSINESS COLLEGE
SITFE
UMSOBOMVU YOUTH FUND
health Department: Health REPUBLIC OF SOUTH AFRICA
Platinum Graduate School of Business Campus
the doj & cd Department: Justice and Constitutional Development REPUBLIC OF SOUTH AFRICA
UNIVERSITY OF JOHANNESBURG
Cape Peninsula University of Technology
UNISA college of economic and management sciences
ERNST & YOUNG
UNIVERSITEIT VAN PRETORIA UNIVERSITY OF PRETORIA YUNIBESITHI YA PRETORIA
Tshwane University of Technology We empower people
PRICEWATERHOUSECOOPERS
G.E.M going the extra mile
master maths make your mark
SABS
Central University of Technology, Free State
SENTECH connecting You
TERENZO hairdressing the school
WSU Walter Sisulu University
IEC SOUTH AFRICA



THUTONG SOUTH AFRICAN EDUCATION PORTAL
these books are now available ONLINE from www.thutong.org.za
education Department: Education REPUBLIC OF SOUTH AFRICA

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.

# TABLE OF CONTENT



**Clubs**
1 Introduction
2 Ledger accounts
2.1 Membership fees
2.2 Entrance fees
2.3 Capital fund account
2.4 Refreshments
2.5 Affiliation fees
2.6 Honorarium
2.7 Income and Expenditure account
3 Statement of Receipts and Payments
4 Financial Statements
4.1 Income and Expenditure Statement
4.2 Balance Sheet

**Companies**
1 Introduction
2 Share capital
3 Income tax
4 Dividends
5 Appropriation account
6 Retained Income account
7 Financial Statements
7.1 Income Statement
7.2 Balance Sheet
7.3 Cash flow statement (Higher Grade only)
8 Analysis and interpretation of financial statements (Higher Grade only)

**Close Corporations**
1 Introduction
2 Additional ledger accounts
2.1 Members' contribution
2.2 Loans to members
2.3 Loans from members
3 Ledger accounts
3.1 Income tax
3.2 Distribution to members
3.3 Retained income
3.4 Appropriation account
4 Financial Statements (Higher Grade only)
4.1 Income Statement
4.2 Balance Sheet
5 Analysis and interpretation of financial statements (Higher Grade only)

**Cash budget**
1 Introduction
2 Debtor's collection schedule
3 Creditors payment schedule
4 Cash budget
5 Projected Income Statement

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



## SPORT CLUBS

### 1. INTRODUCTION

- A club trades as a non-profit organisation and renders a service to its' members. The income is used to upgrade and maintain the facilities used by the members.
- The difference between the income and expenditure statements is not profit/loss, but terms surplus/shortfall are applied.

### 2. LEDGER ACCOUNTS

#### 2.1 Membership fees

- The main source of income for a club is membership fees.
- A membership fee is a fixed amount determined by the club and can be paid monthly, quarterly or annually.
- Membership fees are regarded income for a club.

**MEMBERSHIP FEES**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2004 Jan. 1 | Accrued income | (1) | 800 | 2004 Jan. 1 | Income received in advance | (1) | 200 |
| Dec. 31 | Income received in advance* | (5) | *300 | Dec. 31 | Bank (2003) R700<br>Bank (2004) R3 000<br>Bank (2005)* R300 | (2) | 4 000 |
| | Bank (refunds) | (6) | 150 | | Membership fees written off | (3) | 100 |
| | Income and expenditure | (7) | 3 250 | | Accrued income | (4) | 200 |
| | | | **4 500** | | | | **4 500** |

(1) Reversal entries on the first day of the financial year:
Accrued income (previous year)
Income received in advance (previous year)
(2) Membership fees received in the bank account during the year.
Enter the amount separately if given as such, or calculate as one amount if the bank account is the unknown amount.
(3) Membership fees written off is calculated by comparing the accrued income at the beginning of the year (R800) with the receipts for the current year (R700)
(General journal entry).
(4) Accrued income for the current year.
(General journal entry)
(5) Income received in advance (for the next year) is the same amount as *Bank 2005.
(General journal entry)
(6) Refunds made to members or cheques received from memberships cancelled.
(7) Membership fees account is closed off to the Income and Expenditure account at the end of the year. If number of members is given, the number of members is multiplied by their annual membership fees (for example 65 members x R50 p.a. = R3250).

#### 2.2 Entrance fees

- An entrance fee is a single payment made by a new member when joining the club.
- Entrance fees are recorded as income and closed off to the Income and Expenditure account.
- Entrance fees must **not** be capitalised but must be included in their entirety in the Income and Expenditure Statement.

**ENTRANCE FEES**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2004 Dec. 31 | Income and Expenditure | | 2 000 | 2004 Dec. 31 | Bank | | 2 000 |
| | | | | | | | |
| | | | **2 000** | | | | **2 000** |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



**2.3 Capital Fund account**

- The Capital Fund account replaces the Capital account, as no capital is contributed.
- The Capital Fund account is a Balance Sheet account.

**CAPITAL FUND ACCOUNT**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | 2004 Jan. 1 | Balance | b/d (1) | 20 000 |
| | | | | Dec. 31 | Income and expenditure | (2) | 6 000 |
| | | | | | | | |

(1) At the beginning of the financial year the balance of the previous year is brought down.
(2) The surplus for the current year is credited to the Capital Fund account at the end of the financial year.

**2.4 Refreshments**

- Refreshments are brought for resale at a profit.

**REFRESHMENTS**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2004 Jan. 1 | Stock of refreshments | (1) | 5 000 | 2004 Dec. 31 | Bank (sales) | (4) | 8 000 |
| Dec. 31 | Bank (purchases) | (2) | 2 000 | | Debtors control (sales) | (5) | 6 000 |
| | Creditors control (purchases) | (3) | 2 500 | | Stock of refreshments | (6) | 1 500 |
| | Profit on sale of refreshments | (7) | 6 000 | | | | |
| | | | **15 500** | | | | **15 500** |

(1) The stock of refreshments at the **beginning** of the financial year.
(2) Stock purchased for cash.
(3) Stock purchased from creditors on credit.
(4) Refreshments sold for cash.
(5) Refreshments sold to debtors on credit.
(6) Final stock at the **end** of the current financial year.
(7) Profit on sale of refreshments (balance of the account).

**2.5 Affiliation fees**

- Affiliation fees are paid by the club to belong to an official body of organised sport.
- Affiliation fees are recorded as an expense and closed off to the Income and Expenditure account.

**2.6 Honorarium**

- A honorarium is an amount paid to the secretary or treasurer as a token of appreciation.
- A honorarium is recorded as an expense and closed off to the Income and Expenditure account.

**2.7 Income and Expenditure account**

- The Income and Expenditure account replaces the Profit and Loss account of a trading business.
- The surplus (income exceeding expenditure) or shortfall (expenses exceeding income) is transferred to the Capital Fund account.

**3. STATEMENT OF RECEIPTS AND PAYMENTS**

- The totals of the Analysis columns of the Cash journals are drawn up as a summary in the Statement of Receipts and Payments.
- The difference between receipts and income:
  - **Receipts**
    All cash transactions (money actually received).
  - **Income**
    Amounts received or receivable which are applicable to the accounting period. (Includes accrued income and amounts received in advance).
  - All amounts received are receipts but not necessarily income.

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.

4

- Differences between payments and expenses:
  - **Payments**
    All cash transactions (money actually paid).
  - **Expenses**
    Amounts paid or payable which are applicable to the accounting period.
    (Includes accrued expenses and prepaid amounts).
  - All amounts paid are payments but not necessarily expenditure.
- Statement of Receipts and Payments can be prepared in two ways:
  - vertical form
  - T-form
- It should contain the following information:
  - All money received
  - Less all payments
  - Add opening balances of bank accounts at beginning of accounting period
  - Equals: final balance of bank accounts at the end of the accounting period.

**Vertical Form**

**Statement of Receipts and Payments for the year ended …..**

| | Notes | R | R |
|---|---|---|---|
| **Receipts** | | | 5 350 |
| Membership fees | | 1 700 | |
| Entrance fees | | 100 | |
| Donation | | 300 | |
| Sale on refreshments | | 3 200 | |
| Interest on savings account | | 50 | |
| Etc. | | | |
| | | | |
| **Payments** | | | (3 400) |
| Wages | | 1 800 | |
| Purchases of refreshments | | 900 | |
| Repairs | | 120 | |
| Equipment | | 300 | |
| Honorarium | | 200 | |
| Bank charges | | 80 | |
| Etc. | | | |
| | | | |
| Surplus (Shortfall) for the year | | | 1 950 |
| Opening Balances: | | | 3 600 |
| Bank | | 3 000 | |
| Savings account | | 500 | |
| Petty cash | | 100 | |
| | | | |
| Closing Balances: | | | **5 550 |
| Bank | | 4 900 | |
| Savings Account | | * 550 | |
| Petty cash | | 100 | |

**T-Form**

**Statement of Receipts and Payments**

| Receipts | | | Payments | | |
|---|---|---|---|---|---|
| Balance on 1 January | | 3 600 | Purchases of Refreshments | | 900 |
| Bank | 3 000 | | Wages | | 1 800 |
| Savings account | 500 | | Repairs | | 120 |
| Petty cash | 100 | | Equipment | | 300 |
| Membership fees | | 1 700 | Honorarium | | 200 |
| Entrance fees | | 100 | Bank charges | | 80 |
| Donation | | 300 | Etc. | | |
| Sale of refreshments | | 3 200 | Balance on 31 December | | 5 550 |
| Interest on savings account | | 50 | Bank | 4 900 | |
| Etc. | | | Savings account | * 550 | |
| | | | Petty cash | 100 | |
| | | 8 950 | | | 8 950 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



* Add the R50 interest to the opening balance of R500 = closing balance of R550.
** Receipts – payments + opening balance = closing balance.

• ***Note:***
- If the Bank account is in "overdraft" the opening balance will be shown on the Payment side and the final balance (if overdrawn) on the Receipt side.
- Receipts are amounts *actually* received.
- Payments are amounts *actually* paid.
- Interest on the Savings Account must be shown as a receipt.
- Add any interest to the balance of the Savings account at the end of the accounting period.

## 4. FINANCIAL STATEMENTS

The financial statements of a club consist of the following:

- Income and Expenditure statement.
- Balance Sheet.

### 4.1 Format of Income and Expenditure Statement

| | Notes | R | R |
|---|---|---|---|
| **Income** | | | xxxxx |
| Income from membership fees | | xxxx | |
| Profit on sale of refreshments | | xxxx | |
| Entrance fees | | xxxx | |
| Donation | | xxxx | |
| Etc. | | xxxx | |
| | | | |
| **Expenses** | | | (xxxx) |
| Bank charges | | xxxx | |
| Membership fees written off | | xxxx | |
| Depreciation | | xxxx | |
| Water and electricity | | xxxx | |
| Honorarium | | xxxx | |
| Affiliation fees | | xxxx | |
| **Surplus / (Shortfall) from general activities** | | | Xxxxx |
| Interest income | 1 | | Xx |
| **Surplus (Shortfall) before interest expense** | | | Xxxxx |
| Interest expense / Finance cost | 2 | | (xx ) |
| **Net surplus (shortfall) for the year** | 7 | | Xxxxx |

### 4.2 Format of Balance Sheet

| | Notes | | |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | xxxxx |
| Fixed assets / Tangible assets / Property / Plant / Equipment | 3 | xxxx | |
| | | | |
| **Financial assets** | | | |
| Fixed deposits (maturation period longer than 12 months) | | xxxx | |
| | | | |
| **CURRENT ASSETS** | | | xxxxx |
| Inventories | 4 | xxxx | |
| Receivables (debtors) | 5 | xxxx | |
| Cash and cash equivalents | 6 | xxxx | |
| **TOTAL ASSETS** | | | **XXXXX** |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.

6

| | | | |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| Capital fund/Accumulated fund | 7 | | xxxxx |
| | | | |
| **NON-CURRENT LIABILITIES** | | | xxxxx |
| Mortgage bond (maturation period longer than 12 months) | | xxxxx | |
| | | | |
| **CURRENT LIABILITIES** | | | xxxxx |
| Payable amounts (creditors) | 8 | xxxx | |
| Bank overdraft | | xxxx | |
| Short-term loans | | xxxx | |
| **TOTAL EQUITY AND LIABILITIES** | | | **XXXX** |

**NOTES TO FINANCIAL STATEMENTS**

| | | | | |
|---|---|---|---|---|
| **1. Interest income / Investment income** | | | | |
| From investments | | | | Xxxx |
| From current account | | | | Xxxx |
| | | | | Xxxx |
| | | | | |
| **2. Interest expense / Finance costs** | | | | |
| On mortgage bond | | | | Xxxx |
| On overdraft | | | | Xxxx |
| | | | | Xxxx |
| | | | | |
| **3. Fixed Assets / Tangible assets /** | **Land and Buildings** | **Vehicles** | **Equip-ment** | **Total** |
| Cost | xxxx | xxxx | xxxx | Xxxxx |
| Accumulated depreciation | | (xx) | (xx) | (xxx) |
| Carrying value end of previous year | Xxxx | xxxx | xxxx | Xxxxx |
| **Movement** | | | | |
| Additions at cost | xxxx | xxxx | xxxx | Xxxx |
| Disposals at carrying value | | (xx) | (xx) | (xx) |
| Depreciation for the year | | (xx) | (xx) | (xx) |
| Carrying value end of current year ** | xxxx | xxxx | xxxx | Xxxx |
| Cost | | | | |
| Accumulated Depreciation | | (xx) | (xx) | (xx) |
| ** | Xxxxx | xxxxx | xxxxx | Xxxxx |
| | | | | |
| **4. Inventories** | | | | |
| | | | | |
| Stock of refreshments | | | | Xxxx |
| Stock of tennis balls | | | | Xxxx |
| Consumable stores (including stationary) | | | | Xxxx |
| Other stock (club badges, etc.) | | | | Xxxx |
| | | | | Xxxx |
| | | | | |
| **5. Receivables (debtors)** | | | | |
| Debtors for refreshments | | | | Xxxx |
| Prepaid expenses | | | | Xxxx |
| Accrued income | | | | Xxxx |
| Deposit for water and electricity | | | | Xxxx |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



| | |
|---|---|
| | Xxxx |
| | |
| **6. Cash and cash equivalents** | |
| Fixed deposits (maturing in 12 months) | Xxxx |
| Savings account | Xxxx |
| Bank | Xxxx |
| Cash float | Xxxx |
| Petty cash | Xxxx |
| | xxxx |

| | |
|---|---|
| **7. Capital Fund / Accumulated fund** | |
| Balance on last day of previous year | xxxx |
| Net surplus (shortfall) for the year | xxxx |
| Balance on last day of current year | xxxx |
| | |
| **8. Payables (creditors)** | |
| Creditors for refreshments, ties, etc. | xxxx |
| Accrued expenses | xxxx |
| Income received in advance | xxxx |
| Etc | xxxx |
| | xxxx |

## ACTIVITY 1

**INSTRUCTION**

Use the following information of Groenpunt Sports Club to prepare the following:

1.1 Membership fees account
1.2 The Statement of Receipts and Payments of the Groenpunt Sports Club for the year ended 31 December 2000.

**INFORMATION**

1. The Bank balance was favourable on 1 January 2000, R10 821.

2. Membership fees:
   2.1 The membership fees amount to R100 per member per year or part of a year.
   2.2 Membership fees in arrears for 1999 on 1 January 2000 amounted to R400.
   2.3 Membership fees of R600 for 2000 were paid during 1999.
   2.4 Membership fees banked during 2000:

| | |
|---|---|
| 1999 | R 300 |
| 2000 | R5 200 |
| 2001 | R 500 |

   2.5 The remainder of the membership fees in arrears for 1999 must be written off as irrecoverable.
   2.6 The membership fees of 3 members were still outstanding on 31 December 2000.

3. Entrance fees:
   3.1 Entrance fees of R50 per member are payable when a new member joins the club.
   3.2 Seven new members joined the club during the year. All of them paid their entrance fees.
   3.3 Entrance fees must be seen as current income.

4. Refreshments sold:

| | |
|---|---|
| Cash | R5 900 |
| On credit | R 450 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



5. Stationery bought:
   - By cheque R1 100
   - On credit R 410

6. Wages paid by cheque, R6 000. Wages due on 31 December 2000 amounted to R300.

7. Repairs and maintenance paid by cheque, R3 890.

8. Other payments by cheque:

| | | |
|---|---|---|
| Rent (11 months) | R7 700 | |
| Honorarium to treasurer | 500 | |
| Affiliation fees: 2000 | 120 | |
| 2001 | 180 | |
| Creditors | | 1 040 |

9. The following purchases were made:

| | | |
|---|---|---|
| **Paid by cheque:** | | |
| Equipment | | R950 |
| Refreshments | R1 200 | |
| **Purchased on credit:** | | |
| Equipment | | R375 |
| Refreshments | R925 | |

10. Donations received during the year:

| | | |
|---|---|---|
| Cash | | R3 550 |
| Refreshments from members | R360 | |

11. According to the Bank statement, bank charges amounted to R1 189.

## ACTIVITY 2

**INSTRUCTION**

Use the given information to prepare:

2.1 The following accounts in the General ledger, properly balanced:
- 2.1.1 Membership fees
- 2.1.2 Entrance fees
- 2.1.3 Refreshments (The profit or loss on refreshments is calculated in the refreshments account.)

2.2 The Statement of Income and Expenditure for the year ended 31 December 2000.

The financial year of Pirates Soccer Club ends on 31 December annually.

**PRE-ADJUSTMENT TRIAL BALANCE OF PIRATES SOCCER CLUB ON 31 DECEMBER 2000**

| | Debit | Credit |
|---|---|---|
| **Balance sheet accounts section** | | |
| Capital fund | | 30 481 |
| Equipment | 30 950 | |
| Accumulated depreciation on equipment | | 1 680 |
| Investment: Standard Bank | 14 000 | |
| Loan: Standard Bank | | 1 500 |
| Bank | 2 300 | |
| Petty cash | 200 | |
| | | |
| **Nominal accounts section** | | |
| Entrance fees | | 1 700 |
| Membership fees | | 29 000 |
| Interest on investment | | 1 680 |
| Interest on loan | 300 | |
| Wages | 12 610 | |
| Donations | | 5 224 |
| Affiliation fees | 250 | |
| Insurance | 2 100 | |
| Stationery | 1 187 | |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



| | | |
|---|---|---|
| Rent expense | 3 060 | |
| Bank charges | 1 234 | |
| Refreshments purchased | 2 489 | |
| Refreshments sold | | 4 640 |
| Honorarium – secretary | 1 100 | |
| Gate income | | 3 650 |
| Repairs | 6 257 | |
| Profit on annual function | | 2 482 |
| Prizes – tournament | 4 000 | |
| | 82 037 | 82 037 |

**ADJUSTMENTS**

1. According to the constitution, entrance fees are regarded as current income.

2 Membership fees:

2.1 The annual membership fees are R100 per member per annum. Four members were in arrear with their membership fees on 1 January 2000. Three of these members paid their membership fees for 1999 as well as 2000. The membership fees of the remaining member must be written off as irrecoverable and his membership must be terminated.

2.2 Five members paid their membership fees for 2001 during December 2000.

2.3 Membership fees of two members were still not received on 31 December 2000.

2.4 On request of the secretary, R100 of his honorarium was to be used as payment of his membership fees.

3. Interest on investment was received for nine months only. Make provision for the year. Interest on investment must be calculated at 16% p.a.

4. The balance on the loan account was R4 500 on 1 January 2000. Two thirds of the amount was paid on 1 July 2000. Interest on the loan is calculated at 20% p.a. and was paid for a part of the year only. Make provision for the amount outstanding.

5. R200 of the wages was paid in advance to the caretaker.

6. Affiliation fees for 2001 was paid during December 2000, R150.

7. An annual insurance premium of R300 was paid on 30 June 2000.

8. According to a physical stocktaking on 31 December 2000, stationery on hand amounted to R247.

9. Rent for the fourth quarter was not paid.

10. The bank statement for December 2000 was received after the trial balance had been drawn up. It showed bank charges of R85 for the month.

11. All the refreshments of R342 on hand were sold to the members at cost price on 20 December 2000:

| | |
|---|---|
| Cash sales | R103 |
| Credit sales | R239 |

These transactions were not recorded in the books.

12. Repairs of R250 to sports equipment was debited against the Equipment account. Correct the error.

13. Depreciation to be calculated on the cost price of equipment at 5% per annum.

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.

10 **ACTIVITY 3** **(Higher Grade)**

On 31 December 1999 Umgeni Sports Club had 85 members. The financial year of the club ends on 31 December annually.

**INSTRUCTION**

Use the information given to prepare the following for Umgeni Sports Club:

1 Draw up the membership fees account.
2 Prepare the Statement of Income and Expenditure for the year ended 31 December 2000.
3 Show the following Notes to the Balance sheet at 31 December 2000:
Accumulated fund / Capital fund
Property, plant and equipment
Cash and cash equivalents
Creditors / Accounts payable

**UMGENI SPORTS CLUB**
**POST-CLOSING TRIAL BALANCE ON 31 DECEMBER 1999**

| **Balance sheet accounts section** | | |
|---|---|---|
| Accumulated fund | | 95 000 |
| Clubhouse and sports grounds | 100 700 | |
| Mortgage bond from Allied Bank (15% p.a.) | | 40 000 |
| Equipment | 20 000 | |
| Accumulated depreciation on equipment | | 3 800 |
| Investment: Allied Bank (12% p.a.) | 6 000 | |
| Sundry creditors | | 5 400 |
| Inventory: track suits | 2 425 | |
| Bank | 12 765 | |
| Savings account | 375 | |
| Income received in advance (see note) | | 1 020 |
| Accrued income (membership fees) | 2 880 | |
| Accrued expenses (telephone) | | 260 |
| Prepaid expenses (stationery) | 335 | |
| | **145 480** | **145 480** |

**Note**: Income received in advance consists of:
Membership fees (2000), R900
Interest on investment, R120
(Interest on investment was received until 28 February 2000.)

**Summary of receipts and payments for the year ended 31 December 2000**

| **Receipts** | | **Payments** | |
|---|---|---|---|
| Entrance fees | 4 125 | Creditors | 21 000 |
| Membership fees | 16 410 | Wages | 10 200 |
| Sale of tracksuits | 7 560 | Purchase of tracksuits | 4 660 |
| Tournament income | 15 350 | Tournament expenses | 9 200 |
| Interest on investment | 600 | Stationery | 1 150 |
| Donations | 20 600 | Water and electricity | 5 950 |
| | | Honorarium | 1 200 |
| | | Mortgage loan: Allied Bank (repayment) | 13 000 |
| | | Investment: Allied Bank (2000/06/30) | 4 000 |
| | | Membership fees (cheque R/D – R. Daiwa) | 180 |
| | | Bank charges | 1 090 |
| | | Equipment (2000/10/01) | 2 000 |
| | | Telephone | 2 620 |
| Total | 64 645 | Total | 76 250 |

**Additional information and adjustments**

1. The constitution stipulates the following in respect of membership fees and entrance fees:
1.1 Membership fees are R180 per member per year. The membership fees of members who join during the financial year, are calculated on a pro rata basis for the unexpired months of the financial year. Any part of a month is regarded as a full month.
1.2 New members must pay an additional amount of R125 as entrance fees, that must be regarded as current income.

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



2. During July 2000, 20 new members joined the club while a further 13 new members joined during November 2000. All these members paid their entrance fees as well as their membership fees in full by cheque.

3 3.1. R2 160 of the membership fees in arrears on 31 December 1999 was received. It was decided that the remainder must be written off as irrecoverable and the membership of these members be terminated with effect from 1 January 2000.
3.2. A cheque for R180, marked R/D (insufficient funds) was received during December 2000 from R. Daiwa in payment of his membership fees.

4. During December 2000, nine members paid their membership fees for 2001, while the membership fees of some members were still due on 31 December 2000.

5. After a comparison with the Bank statement for December 2000, it was discovered that the following entry did not appear in the books of the club: Bank charges, R234

6. An invoice for R36 000 was received from Alpha Builders for the building of a new tuckshop.

7. According to a physical stocktaking on 31 December 2000, track suits with a cost price of R3 125 were on hand.

8. Stationery to the value of R378 to be used in 2001 had already been paid for.

9. The account for water and electricity for December 2000 will only be paid on 4 January 2001, R475.
10. Interest on the savings account was added directly to the savings account by the bank, R34. The club regards the savings account as a current asset.

11. An instalment of R10 000 on the mortgage bond must be paid on 30 June every year. The payment to Allied Bank was in respect of interest on mortgage bond calculated up to 30 June 2000 as well as the annual capital repayment.

12. Make provision for the interest outstanding on the investment.

13. Depreciation on the equipment must be calculated at 10% per annum according to the diminishing balance method.

## COMPANIES

### 1. INTRODUCTION

A company is a legal entity.

### 2. SHARE CAPITAL

#### 2.1 Ordinary share capital

- Capital is divided into shares sold to the public.

Example: R200 000 can be divided into 100 000 shares of R2 each. The value given to the share (R2) is called the nominal value or par value of the share.

#### 2.2 Authorised share capital

It represents the maximum number of shares which a company is *authorised* to sell to shareholders. If a company is registered to sell 100 000 shares at R2 per share, the authorised share capital will be R200 000.

#### 2.3 Issued share capital

It represents the *actual* amount of shares issued (sold) to shareholders. If a company is registered to sell 100 000 shares at R2 per share, but it only issues 60 000 shares, its' **issued share capital** will only be 60 000 at R2 = R120 000.

#### 2.4 Unissued/reserve share capital

It represents the number of shares ***not*** issued (the difference between authorised and issued share capital)

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



= R200 000 – R120 000 = R80 000.

**2.5 Ordinary Share Premiums**

- Shares are issued at a premium if they are issued *above* their par value.
- The share premium is entered in a separate account.

*example*

Shares were sold for R300 000.
The par value of a share was R2.
100 000 shares were sold.
Therefore: **Par value**: 100 000 x R2 = R200 000
(Debit Bank; Credit Ordinary Share Capital)
**Premium value**: 100 000 x R1 = R100 000
(Debit Bank; Credit Ordinary Share Premium)

**ORDINARY SHARE CAPITAL**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | 2004 Jan. 1 | Bank | | 200 000 |

**ORDINARY SHARE PREMIUM**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | 2004 Jan. 1 | Bank | | 100 000 |

## 3 INCOME TAX

**3.1 Income tax** is calculated as a percentage of net income.

**3.2 Provisional income tax**

- A company estimates the taxable income for a financial year.
- Two provisional income tax payments are paid to SARS.
  The first provisional payment is made after six months after the beginning of the accounting period.
  The second is paid at the end of the accounting period.
- The third and final amount is paid at the end of the financial year after the actual taxable income is calculated.
- Entries: Provisional income tax
  Debit: South African Revenue Services (SARS) (Income Tax)
  Credit: Bank

**3.3 Actual income tax**

The entry for the **actual income tax** for the accounting period:
Debit: Income Tax
Credit: SARS (Income Tax)

*example*

**SARS (INCOME TAX)**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2004 Jan. 1 | Bank | (1) | 5 000 | 2004 Jan. 1 | Balance | b/d (1) | 5 000 |
| Jun. 30 | Bank | (2) | 12 000 | Dec. 31 | Income tax | (4) | 25 000 |
| Dec. 20 | Bank | (3) | 12 000 | | | | |
| Dec. 31 | Balance | c/d | 1 000 | | | | |
| | | | **30 000** | | | | **30 000** |
| | | | | 2005 Jan. 1 | Balance | (5) | 1 000 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



**INCOME TAX**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2004 Dec. 31 | SARS (Income Tax) | (4) | 25 000 | 2004 Dec. 31 | Appropriation account | (6) | 25 000 |

(1) Paid the amount (R5 000) owing at the end of the previous accounting period (balance).
Debit SARS (Income Tax)
Credit Bank
(2) First provisional tax payment.
Debit SARS (Income Tax)
Credit Bank
(3) Second provisional tax payment.
Debit SARS (Income Tax)
Credit Bank
(4) The total income tax for the accounting period calculated.
Debit Income Tax
Credit SARS (Income Tax)
(5) Entered in the Balance Sheet at the end of the accounting period as a current liability.
A debit balance will be entered as a current asset.
(6) The total income tax for the year is closed off to the Appropriation Account.
Debit Appropriation Account
Credit Income Tax

## 4. DIVIDENDS

**4.1 Dividends** are paid to shareholders as a reward for their investment.

**4.2 Interim dividends**
Interim dividends are declared and paid during the accounting period.

**4.3 Final dividend**
A final dividend is the last dividend declared for the accounting period.

**4.4 Total dividend**
An interim dividend plus the final dividend represents the total dividend for the accounting period.

**4.5 Entries for dividends *declared* (*not paid*):**
Debit: Ordinary Share dividends
Credit: Shareholders for dividends

**4.6 Entries for *payments* of dividends:**
Debit: Shareholders for dividends
Credit: Bank

**4.7 Entries for interim dividends *declared and paid*:**
Debit: Ordinary Share dividends
Credit: Bank

*example*

**SHAREHOLDERS FOR DIVIDENDS**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2004 Jan. 31 | Bank | (1) | 10 000 | 2004 Jan. 1 | Balance | b/d | 10 000 |
| | | | | Dec. 31 | Ordinary share dividends | (3) | 12 000 |

The balance of the account is entered as a current liability in the Balance Sheet.

**ORDINARY SHARE DIVIDENDS**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2004 Jul. 31 | Bank | (2) | 5 000 | 2004 Dec. 31 | Appropriation account | (4) | 17 000 |
| | Shareholders for | | | | | | |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.

14

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Dec. 31 | Dividends | (3) | 12 000 | | | | |
| | | | **17 000** | | | | **17 000** |

(1) The balance at the beginning of the accounting period is the final dividend owing. This is paid early in the new accounting period.
Debit Shareholders for Dividends
Credit Bank

(2) An interim dividend declared and paid during the accounting period.
Debit Ordinary Share Dividends
Credit Bank

(3) The final dividend declared at the end of the accounting period. This will be paid early in the new accounting period.
Debit Ordinary Share Dividends
Credit Shareholders for Dividends

(4) The total dividends for the year is closed off to the Appropriation account at the end of the accounting period.
Debit Appropriation account
Credit Ordinary Share Dividends

**5. APPROPRIATION ACCOUNT**

**APPROPRIATION ACCOUNT**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2004 Dec. 31 | Income Tax | (2) | 25 000 | 2004 Dec. 31 | Profit and Loss Account | (1) | 50 000 |
| | Ordinary Share dividends | (3) | 17 000 | | Retained income (beginning of year) | (4) | 3 000 |
| | Retained income (balance) | (5) | 11 000 | | | | |
| | | | | | | | |
| | | | **53 000** | | | | **53 000** |

(1) Net income is transferred from the Profit and Loss account.
Debit Profit and Loss account
Credit Appropriation account

(2) Income tax transferred from the Income Tax account.
Debit Appropriation account
Credit Income Tax

(3) Ordinary Share dividends transferred.
Debit Appropriation account
Credit Ordinary Share dividends

(4) Retained income transferred (balance at the beginning of the year)
Debit Retained income
Credit Appropriation account

(5) Final retained income (the balance of the appropriation account) is transferred from the Appropriation account to the Retained income account.
Debit Appropriation account
Credit Retained income

**6. RETAINED INCOME ACCOUNT**

**RETAINED INCOME**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2004 Dec. 31 | Appropriation account | (2) | 3 000 | 2004 Jan. 1 | Balance | b/d (1) | 3 000 |
| | | | | Dec. 31 | Appropriation account | (3) | 11 000 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



(1) Balance at beginning of accounting period.

(2) Balance at beginning of year transferred to Appropriation account.
Debit Retained income account
Credit Appropriation account

(3) Final retained income transferred from the Appropriation account to the Retained Income account
Debit Retained income account
Credit Appropriation account

- The amount of retained income belongs to the shareholders.
- The Retained Income account is entered as an owner's equity account in the balance sheet.

**ACTIVITY 4**

**INSTRUCTION**
Use the following information to prepare the following accounts in the ledger of ABC Ltd. for the accounting period ended 30 June 2004:

1. Ordinary share capital
2. Ordinary share premium
3. Retained income
4. SARS (Income tax)
5. Shareholders for dividends
6. Income tax
7. Ordinary share dividends
8. Appropriation account

**INFORMATION**

| | | |
|---|---|---|
| 1 July 2003 | The following balances appeared in the ledger: | |
| | Ordinary share capital | R300 000 |
| | Ordinary share premium | R 40 000 |
| | Retained income | R 50 000 |
| | SARS (Income tax) | R 20 000 (Credit) |
| | Shareholders for dividends | R 10 000 |

1) 15 July 2003 The company issued a further 40 000 ordinary shares at R3,00 each. This included share premium of R1,00 per share. The proceeds of this issue were banked.

2) 20 July 2003 The SARS and the shareholders were paid the amounts due to them.

3) 31 December 2003 The company paid provisional income tax of R50 000 and interim dividends of 15c per share.

4) 30 June 2004 At the end of the accounting period, the company made a second provisional tax payment of R60 000 and the directors recommended a final dividend of 30c per share.

5) 15 August 2004 The audit was completed. The net profit for the year ended 30 June 2004 was calculated at R420 000. Income tax is to be calculated at 40% of the net profit plus 15% of dividends for the year.

## 7. FINANCIAL STATEMENTS

The financial statements of a company consists of the following:

1. Income Statement
2. Balance Sheet
3. Cash Flow Statement (HG only)

### 7.1 Format of an Income Statement

| | Notes | R | R |
|---|---|---|---|
| Sales | | | xxxxx |
| Cost of sales | | | ( xxx) |
| **Gross Profit** | | | Xxxxx |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.

16

| | | | |
|---|---|---|---|
| **Other Operating Income** | | | Xxxxx |
| Discount received | | xxx | |
| Rent income | | xxx | |
| Profit on sales of assets | | xxx | |
| Bad debts recovered | | xxx | |
| Provision for bad debts adjustment (decrease) | | xxx | |
| Etc. | | xxx | |
| **Gross Operating Income** | | | Xxxxx |
| **Operating Expenses** | | | (xxx) |
| Advertising | | xxx | |
| Salaries and wages | | xxx | |
| Depreciation | | xxx | |
| Provision for bad debts adjustment (increase) | | xxx | |
| Bad debts | | xxx | |
| Sundry expenses | | xxx | |
| Etc. | | xxx | |
| **Operating Profit (Loss)** | | | Xxxxx |
| Interest Income | 1 | | Xx |
| Profit (loss) before interest expense / finance cost | | | Xxxxx |
| Interest expense / Finance cost | 2 | | (xx) |
| **Profit (Loss) before tax** | | | Xxxxx |
| Taxation | | | (xx) |
| **Net Profit (Loss) for the year** | 9 | | **Xxxxx** |

**ACTIVITY 5**

**INSTRUCTION**
Income Statement of Ernest Ltd. for the year ended 31 October 2002.

**INFORMATION**
The following balances, amongst others, appear in the Pre-adjustment trial balance of Ernest Ltd. on 31 October 2002.

| **Balance sheet accounts section** | **R** |
|---|---|
| Ordinary share capital (R2 each) | 160 000 |
| Ordinary share premium | 10 000 |
| Accumulated profits | 34 000 |
| Loan: BOE (18% p.a.) | 80 000 |
| Trading stock | 105 000 |
| Debtors control | 38 000 |
| Provision for bad debts | 2 100 |
| Bank (Cr.) | 9 000 |
| | |
| **Nominal accounts section** | |
| Sales | 800 000 |
| Debtors allowances | 23 000 |
| Cost of sales | 490 000 |
| Advertisements | 7 100 |
| Audit fees | 5 000 |
| Bad debts | 700 |
| Commission income | 22 700 |
| Directors' fees | 30 000 |
| Interest income (debtors' accounts) | 1 200 |
| Ordinary shares dividends | 10 000 |
| Interest on loan | 8 000 |
| Rent expense | 45 500 |
| Salaries and wages | 91 000 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



**ADJUSTMENTS**

1. R2 000 commission is still owing to the business.
2. A debtor, B. Smith, returned goods to us that we sold to him on credit. The original marked price of the goods was R6 000 but we had allowed him trade discount of 10%. The cost price on these goods was R4 000.
3. J. Knowles, a debtor, who owes us R1 200 has been declared insolvent. His estate will pay out 30 cents in the rand. The balance is to be written off.
4. Certain debtors are to be charged interest amounting to R500 on their overdue accounts.
5. The Provision for bad debts is to be adjusted to R1 800.
6. In terms of the loan agreement with BOE R20 000 must be paid off on 1 June each year. This year's payment has been made. Adjust for outstanding interest.
7. Advertising includes a contract signed with Independent Newspapers amounting to R1 200 for advertising in the newspaper over the period 1 October 2002 to 31 December 2002.
8. The premises have been rented since 1 January 2002 at a cost of R5 000 per month. Make the necessary adjustment.
9. Stocktaking on 31 October revealed stock on hand worth R110 000.
10. Income tax amounted to R40 000.
11. A final dividend of 15 cents per share has been declared.

**7.2 Format of a Balance Sheet**

| | Notes | R | R |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | xxxxx |
| Fixed assets / Tangible assets / Property / Plant / Equipment | 3 | xxxx | |
| | | | |
| **Financial assets** | | | |
| Fixed deposits (maturation period longer than 12 months) | | xxxx | |
| | | | |
| **CURRENT ASSETS** | | | Xxxxx |
| Inventories | 4 | xxxx | |
| Trade and other debtors | 5 | xxxx | |
| Cash and cash equivalents | 6 | xxxx | |
| **TOTAL ASSETS** | | | **XXXXX** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **CAPITAL AND RESERVES** | | | Xxxxx |
| Ordinary share capital / equity | 7 | xxxx | |
| Share premium | 8 | xxxx | |
| Accumulated profit / Retained income | 9 | xxxx | |
| | | | |
| **NON-CURRENT LIABILITIES** | | | Xxxxx |
| Mortgage bond (maturation period longer than 12 months) | | xxxxx | |
| | | | |
| **CURRENT LIABILITIES** | | | Xxxxx |
| Trade and other creditors | 10 | xxxx | |
| Bank overdraft | | xxxx | |
| Short-term loans (including current portion of long term loans | | xxxx | |
| payable within 12 months) | | | |
| **TOTAL EQUITY AND LIABILITIES** | | | **XXXXX** |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



**NOTES TO FINANCIAL STATEMENTS**

| | | | | |
|---|---|---|---|---|
| **1. Interest income / Investment income** | | | | |
| From investments | | | | Xxxx |
| From overdue debtors | | | | Xxxx |
| From current account | | | | Xxxx |
| | | | | Xxxx |
| **2. Interest expense / Finance costs** | | | | |
| On mortgage bond | | | | Xxxx |
| On overdraft | | | | Xxxx |
| On overdue creditors | | | | Xxxx |
| | | | | Xxxx |
| **3. Fixed Assets / Tangible assets / Property / Plant / Equipment** | **Land and buildings** | **Vehicles** | **Equipm** | **Total** |
| Cost | xxxx | xxxx | xxxx | Xxxxx |
| Accumulated depreciation | | (xx) | (xx) | (xxx) |
| Carrying value end of previous year | xxxx | xxxx | xxxx | Xxxxx |
| **Movement** | | | | |
| Additions at cost | xxxx | xxxx | xxxx | Xxxx |
| Disposals at carrying value | | (xx) | (xx) | (xx) |
| Depreciation for the year | | (xx) | (xx) | (xx) |
| **Carrying value end of current year** ** | **xxxx** | **xxxx** | **xxxx** | **Xxxx** |
| Cost | xxxxx | xxxxx | xxxxx | Xxxxx |
| Accumulated Depreciation | | (xx) | (xx) | (xx) |
| ** | **xxxxx** | **xxxxx** | **xxxxx** | **Xxxxx** |
| | | | | |
| **4. Inventories** | | | | |
| Trading stock | | | | Xxxx |
| Consumables stores on hand | | | | Xxxx |
| (includes stationary on hand) | | | | Xxxx |
| | | | | |
| **5. Trade and other receivables (debtors)** | | | | |
| Trade debtors | | | | Xxxx |
| Provision for bad debts | | | | (xx) |
| Net trade debtors | | | | Xxxx |
| Prepaid expenses | | | | Xxxx |
| Accrued income | | | | Xxxx |
| Deposit for water and electricity | | | | Xxxx |
| SA Revenue Services (Income tax) | | | | Xxx |
| | | | | Xxxx |
| | | | | |
| **6. Cash and cash equivalents** | | | | |
| Fixed deposits (maturing in 12 months) | | | | Xxxx |
| Savings account | | | | Xxxx |
| Bank | | | | Xxxx |
| Cash float | | | | Xxxx |
| Petty cash | | | | Xxxx |
| | | | | Xxxx |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



| | | |
|---|---|---|
| **7. Ordinary share capital** | | |
| **Authorised** | | |
| xxx ordinary shares of Rxx each | | Xxxxx |

| | | |
|---|---|---|
| **Issued** | | |
| x issued at Rx last day of last year | | Xxxxx |
| xx shares at Rx each issued during year | | Xxxxx |
| xx shares at Rx on closing date | | Xxxxx |
| **8. Share premium** | | |
| Balance on last day of previous year | | Xxxx |
| xx shares issued during financial year at premium of x cents | | Xxxx |
| Balance on last day of current year | | Xxxx |
| **9. Accumulated profits / Retained income** | | |
| Balance on last day of previous year | | Xxxx |
| Net profit (loss) after tax for the year | | Xx |
| Ordinary dividends | | (xx) |
| Paid | (xx) | |
| Recommended | (xx) | |
| Balance on last day of current year | | Xxxx |
| | | |
| **10. Trade and other payables (creditors)** | | |
| Trade creditors | | Xxxx |
| Accrued expenses | | Xxxx |
| Income received in advance | | Xxxx |
| Creditors for salaries | | Xxxx |
| Pension fund | | Xxxx |
| Medical fund | | Xxxx |
| Shareholders for dividends | | Xxxx |
| South African Revenue Services | | Xxxx |
| - Income tax | xxx | |
| - PAYE | xxx | |
| | | Xxxx |

## ACTIVITY 6

**INSTRUCTION**

3.1 Prepare the Balance sheet of Happy Valley Limited at 28 February 2001.
3.2 Prepare the notes to the Balance sheet at 28 February 2001.

**INFORMATION**

Happy Valley Limited has an authorised share capital of 200 000 ordinary shares of R2 per share.

**1. Information extracted from a list of balances and totals on 28 February 2001.**

| | Debit | Credit |
|---|---|---|
| Ordinary share capital | | 300 000 |
| Ordinary share premium | | 80 000 |
| Accumulated profits (1 March 2000) | | 40 000 |
| Mortgage bond: ERH Bank | | 110 000 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.

20

| | | |
|---|---|---|
| Land and buildings | 359 680 | |
| Vehicles at cost price | 170 640 | |
| Equipment at cost price | 95 000 | |
| Accumulated depreciation on vehicles (1 March 2000) | | 53 120 |
| Accumulated depreciation on equipment (1 March 2000) | | 22 300 |
| Trading stock | 67 936 | |
| Consumable stores on hand | 4 200 | |
| Debtors control | 24 200 | |
| Creditors control | | 52 013 |
| Provision for bad debts (1 March 2000) | | 800 |
| Bank | 45 396 | |
| Cash float | 1 200 | |
| Petty cash | 500 | |
| SARS (Income tax) | 42 500 | |
| Unemployment Insurance Fund | | 1 600 |
| Prepaid expenses | 6 500 | |
| Accrued expenses | | 3 000 |
| Income received in advance | | 1 505 |
| Accrued income | 5 000 | |
| Ordinary share dividends (Dividends on ordinary shares) | 25 000 | |
| Profit and loss account (net profit) | | 105 000 |

**2. General ledger**

The relevant entries in the accounts below were not posted to the following accounts:

Accumulated depreciation on vehicles
Accumulated depreciation on equipment
Provision for bad debts

All the postings to the Profit and loss account were made:

NOTE: The net income is correct and must not be adjusted.

**DEPRECIATION**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2001 Feb. 28 | Accumulated depreciation on vehicles | | 23 504 | 2001 Feb. 28 | Profit and loss | | 33 004 |
| | Accumulated depreciation on equipment | | 9 500 | | | | |
| | | | **33 004** | | | | **33 004** |

**PROVISION FOR BAD DEBTS ADJUSTMENT**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2001 b. 28 | Provision for bad debts | | 410 | 2001 Feb. 28 | Profit and loss | | 410 |
| | | | **410** | | | | **410** |

**3. Adjustments and additional information must still be taken into account.**

3.1 The total income tax for the financial year ended 28 February 2001 amounted to R45 000.

3.2 A final dividend of 20c per share was declared on 28 February 2001.

**4.** The accumulated profits on 28 February 2001 amounts to R90 000.

**7.3 CASH FLOW STATEMENT (HIGHER GRADE)**

- The Cash flow statement gives details of:
  - cash generated by operating activities.
  - cash generated from investing activities.
  - cash generated from financing activities.

- The Cash flow statement indicates the movement of cash; whether the bank balance has increased or decreased during an accounting period.

- Information comes from the Income Statement and Balance Sheet of the current year, and together with the Balance Sheet of the previous year, the cash flow for the current year is determined.

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



**Format of a Cash Flow Statement of a company.**

| | Notes | R | R |
|---|---|---|---|
| **Cash flow from operating activities** | | | XXXX |
| Cash generated from operations | 1 | xxxx | |
| Interest paid | | (xx) | |
| Dividends paid | 3 | (xx) | |
| Income tax paid | 4 | (xx) | |
| | | | |
| **Cash flow from investing activities** | | | (XXX) |
| Purchase of fixed assets / Non-current assets | 5 | (xxxx) | |
| Proceeds from sale of fixed assets / non- current assets | | xxxx | |
| | | | |
| **Cash flow from financing activities** | | | XXXX |
| Proceeds from shares issued | | xxxx | |
| Proceeds from long term loans | | xxxx | |
| Payment of long term loans | | (xxx) | |
| Net change in cash and cash equivalents | 2 | | XXXX |
| Cash and cash equivalents at beginning of year | 2 | | Xxx |
| Cash and cash equivalents at end of year | 2 | | XXXXX |

**NOTES TO THE CASH FLOW STATEMENT**

| **1 Reconciliation between profit before taxation and cash generated from operations** | | | |
|---|---|---|---|
| Profit before taxation | | xxx | |
| Adjustments - | | | |
| - Depreciation | | xxx | |
| - Interest paid | | xxx | |
| Operating profit before changes in working capital | | | xxxx |
| (Increase) / Decrease in inventory | | xxx | |
| (Increase) /Decrease in debtors | | xxx | |
| (Increase) / Decrease in creditors | | xxx | xxxx |
| Cash generated from operations | | | Xxxxx |
| | | | |
| **2. Cash and cash equivalents** | **Net change** | **This year** | **Previous Year** |
| Bank (Bank overdraft) | xx | xxxx | Xxxx |
| Cash float | | xxxx | Xxxx |
| Petty cash | | xxx | Xxx |
| | xx | xxxx | Xxxx |

**The following notes are not required, but calculations should be shown.**
**Ledger accounts are acceptable**

| **3. Dividends paid** | | | |
|---|---|---|---|

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.

22

| | | | |
|---|---|---|---|
| Amount in financial statements | | | (xxxx) |
| Balance on last day of previous year | | | (xxxx) |
| Balance on last day of current year | | | Xxxx |
| | | | (xxxx) |
| **4. Taxation paid** | | | |
| Amount in income statement | | | (xxxx) |
| Balance on last day of previous year | | | (xxxx) |
| Balance on last day of current year | | | Xxxx |
| | | | (xxxx) |
| **5 Tangible assets purchased / Fixed assets purchased/ Property, plant and equipment purchased** | | | |
| Land and buildings | | | (xxx) |
| Equipment | | | (xxx) |
| Vehicles | | | (xxx) |
| | | | (xxx) |

## ACTIVITY 7

**INFORMATION**
You are provided with a summarised Income Statement and Balance Sheet of XYZ Limited.

**XYZ LIMITED**
**INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2004**

| | | |
|---|---|---|
| Turnover | | 1 000 000 |
| Cost of sales | | (600 000) |
| **Gross profit** | | 400 000 |
| **Operating expenses** | | (320 000) |
| Wages | 190 000 | |
| Depreciation | 25 000 | |
| Audit fees | 15 000 | |
| Director's fees | 80 000 | |
| Sundry expenses | 10 000 | |
| **Operating profit** | | 80 000 |
| Interest income | | --- |
| Profit before interest expense | | 80 000 |
| Interest expense / financing cost | | (16 000) |
| **Net profit before tax** | | 64 000 |
| Taxation | | (25 000) |
| **Net profit after tax** | | **39 000** |

**Notes to the Financial Statements**

| | | |
|---|---|---|
| **9. Accumulated profit / Retained income** | | |
| Balance (last date of previous year) | | 15 000 |
| Net profit after tax for the year | | 39 000 |
| | | 54 000 |
| Distribution of ordinary share dividends | | (20 000) |
| Paid | (8 000) | |
| Recommended | (12 000) | |
| Balance (closing date) | | 34 000 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



**XYZ LIMITED**
**BALANCE SHEET AT 28 FEBRUARY 2004**

| | N | 2004 | 2003 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | **360 000** | **300 000** |
| Tangible assets (fixed assets) | 3 | 360 000 | 300 000 |
| Financial assets (Investments > 12 months) | | - | - |
| Fixed deposits | | | |
| | | | |
| **Current assets** | | **183 000** | **190 000** |
| Inventories | 4 | 120 000 | 104 000 |
| Trade and other receivables | 5 | 42 000 | 52 000 |
| Cash and cash equivalents | 6 | 21 000 | 34 000 |
| | | | |
| **Total assets** | | **543 000** | **490 000** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Share capital and reserves** | | | |
| Ordinary share capital | 7 | 300 000 | 240 000 |
| Share premium | 8 | 32 000 | 20 000 |
| Retained income | 9 | 34 000 | 15 000 |
| **Shareholders' equity** | | **366 000** | **275 000** |
| | | | |
| **Non-current liabilities** | | **111 000** | **152 000** |
| Mortgage loan | | 111 000 | 152 000 |
| Loan | | - | - |
| | | | |
| **Current liabilities** | | **66 000** | **63 000** |
| Trade and other payables | 10 | 66 000 | 63 000 |
| Bank overdraft | | - | - |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **543 000** | **490 000** |

**ADDITIONAL INFORMATION**

1. Details of Tangible assets:

| | 2004 | 2003 |
|---|---|---|
| Land and Buildings | 240 000 | 190 000 |
| Equipment (Carrying value) | 120 000 | 110 000 |
| | **360 000** | **300 000** |

XYZ Ltd. sold equipment at carrying value during the year, R10 000.

2. Details of Trade and other payables:

| | 2004 | 2003 |
|---|---|---|
| Trade creditors | 50 000 | 48 000 |
| SARS – Income tax | 4 000 | 6 000 |
| Shareholders for dividends | 12 000 | 9 000 |
| | **66 000** | **63 000** |

**INSTRUCTION**
Draw up the Cash Flow Statement for the year ended 28 February 2004.

**8. ANALYSIS OF FINANCIAL STATEMENTS (HIGHER GRADE)**

**8.1 Liquidity ratios**

- **»current ratio**
  current assets **:** current liabilities
  Ideal ratio is 2:1
- **»acid test ratio**

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.

24

current assets (less stock) **:** current liabilities
Ideal ratio is 1:1

- **»average debtor collection period**

$$= \frac{\text{average debtors}}{\text{credit sales}} \times \frac{365}{1}$$

$$= \frac{\frac{1}{2}(\text{debtors this year} + \text{last year})}{\text{credit sales}} \times \frac{365}{1}$$

= _____ days

The shorter the period, the more liquid the business will be.

- **»average creditors collection period**

$$= \frac{\text{average creditors}}{\text{credit purchases}} \times \frac{365}{1}$$

= _____ days

**or** $\frac{\text{average creditors}}{\text{credit purchases}} \times \frac{12}{1}$

= _____ months

The longer it takes to pay the creditor, the better for the business if no interest is charged.

- **»ratio of stock turnover**

$$= \frac{\text{cost of sales}}{\text{average stock}}$$

[average stock = (opening stock + closing stock) ÷ 2]
The higher the rate, the sooner money becomes available to the business.

- **»number of months' stock on hand**

$$= \frac{\text{average stock}}{\text{cost of sales}} \times \frac{12}{1}$$

= _____ months.

**8.2** • **Debt / equity ratio**

non-current liabilities **:** shareholders' equity
(Shareholders' equity = ordinary share capital + ordinary share premium + retained income.)
Ideal ratio is 1:1

**8.3** • **Return on capital employed (ROTCE)**

$$\frac{\text{net profit before tax} + \text{interest on loan}}{\text{average capital employed}} \times \frac{100}{1}$$

= _____%

Rate should be higher than the bank rate.

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



**8.4** • **Return on shareholders' equity (ROSHE)**

$$= \frac{\text{net profit after tax}}{\text{average shareholders' equity}} \times \frac{100}{1}$$

= _____ %

Rate should be higher than the bank rate.

**8.5** • **Earnings per share (EPS)**

$$= \frac{\text{net profit after tax}}{\text{number of shares issued}} \times \frac{100}{1}$$

= _____ cents.
Must be competitive with similar investments.

**8.6** • **Dividends per share (DPS)**

$$= \frac{\text{dividends}}{\text{number of shares issued}} \times \frac{100}{1}$$

= _____ cents.
Compare it with the par value.

**8.7** • **Net asset value per share (NAV)**

$$= \frac{\text{shareholders' equity}}{\text{number of shares issued}} \times \frac{100}{1}$$

= _____ cents.
Compare with par value.
The higher the value the better.

**8.8** • **Net income before tax on turnover (or Net income percentage)**

$$= \frac{\text{Net income before tax}}{\text{turnover / sales}} \times \frac{100}{1}$$

= _____%
Compare with market conditions.

## CLOSE CORPORATIONS

**1. INTRODUCTION**

- A close corporation is a legal entity.
- The owners are known as members.
- The interest of a member in a close corporation is expressed as a percentage.
- The interest does not have to be in relation to a member's contribution.

**2. ADDITIONAL LEDGER ACCOUNTS**

**2.1 MEMBERS' CONTRIBUTIONS**

- Contributions by members can be in the form of:
  - cash
  - assets (land, equipment)
  - services rendered to the business.

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



- Members' Contributions account is the same as the Capital account and is regarded as owners' equity.
- No account is opened separately for contributions made by each member.

*example*

>ABC CC was registered on 1 January 2004 with 3 members who made the following contributions:
(1) A. Adams – R20 000 cash.
(2) B. Baloy – Equipment to the value of R15 000.
(3) C. Cohen – Services rendered to the value of R14 000.

| | Account debited | Account credited | Amount |
|---|---|---|---|
| (1) | Bank | Members' contribution | 20 000 |
| (2) | Equipment | Members' contribution | 15 000 |
| (3) | Services rendered | Members' contribution | 14 000 |

**2.2 LOANS TO MEMBERS**

- Loans to members are regarded as assets of the business.
- Interest received on the loans are regarded as an income.

**2.3 LOANS FROM MEMBERS**

- Loans borrowed from members are regarded as a liability to the business.
- Interest paid on the loans are regarded as an expense.

*example*

>ABC CC has 3 members: A. Adams, B. Baloy and C. Cohen.
>The following transactions took place:
(1) Made a loan, R10 000, interest free to A. Adams.
(2) B. Baloy made a loan of R100 000 to the business. Interest of 15% is payable quarterly.

| | Account debited | Account credited | Amount |
|---|---|---|---|
| (1) | Loan to A. Adams | Bank | 10 000 |
| (2) | Bank | Loan from B. Baloy | 100 000 |

**2.4 PAYMENTS TO MEMBERS**

There are routine transactions made in the ordinary course of business:

- salaries
- interest
- repayment of loan
- repayment of members' contribution

*example*

>ABC CC has 3 members. The following transactions took place:
(1) Paid salary of R5 000 to B. Baloy.
(2) Paid R600 to C. Cohen for interest payable on a loan granted to the business.
(3) Paid R6 000 to A. Adams as part-payment on a loan granted to the business.
(4) Issued a cheque to A. Adams for R5 000 as part-payment of his members' contribution.

| | Account debited | Account credited | Amount |
|---|---|---|---|
| (1) | Salary: B. Baloy | Bank | 5 000 |
| (2) | Interest on loan: C. Cohen | Bank | 600 |
| (3) | Loan from A. Adams | Bank | 6 000 |
| (4) | Members' contribution | Bank | 5 000 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



## 3. FINAL LEDGER ACCOUNTS

### 3.1 INCOME TAX

- A close corporation must pay two provisional income tax payments to the S.A. Revenue Service (SARS). The first payment is made about six months after the beginning of the accounting period, and a second at the end of the accounting period.
- At the end of the accounting period the actual amount of income tax is calculated.
  Dr. Income tax;
  Cr. SARS (Income tax)

*example*

> ABC CC paid provisional tax on 1 July 2004 of R10 000 and R5 000 on 30 December 2004. The income tax was calculated at R20 000 on 31 December (at the end of the accounting period.)

| Dat. | Account debited | Account credited | Amount |
|---|---|---|---|
| July 1 | SARS (Income tax) | Bank | 10 000 |
| Dec. 30 | SARS (Income tax) | Bank | 5 000 |
| Dec. 31 | Income tax | SARS (Income tax) | 20 000 |

- SARS (Income tax) is regarded a liability and appears under current liabilities in the balance sheet. If the account has a debit balance at the end of the year, it is regarded as an asset and appears under current assets in the balance sheet.
- The Income Tax account is regarded as an expense account.
- The Income Tax account is closed off to the Appropriation account.

### 3.2 DISTRIBUTION OF NET INCOME

- Each member is entitled to this part of the net income according to the percentage interest in the close corporation.
- Once the distribution of net income is approved, an entry is made to show that the close corporation owes money to the members.
  Debit Distribution to members account
  Credit Distribution payable to members account
- The Distribution payable to members account is shown under current liabilities in the balance sheet.
- Distribution of net income after tax is done in the ratio of the member's interest (percentage) and **not** to the member's contributions.

### 3.3 RETAINED INCOME ACCOUNT

- If no distribution of profit is done in a specific financial year, the net profit after tax is transferred to the Retained Income account.
  The Retained Income account is an owners' equity account.
- If part of the profit is not distributed, this amount is also transferred to the Retained Income account.
- The balance, if any, in the Retained Income account at the beginning of the financial year, must be added to the net profit after tax for the current year to calculate the total amount available for distribution. This amount is transferred to the Appropriation account.

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



### 3.4 APPROPRIATION ACCOUNT

**APPROPRIATION ACCOUNT**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2004 Dec. 31 | Income tax | (1) | 30 000 | 2004 Dec. 31 | Profit and loss | (3) | 80 000 |
| | Distribution to members | (2) | 40 000 | | Retained income | (4) | 5 000 |
| | Retained income (balance) | (5) | 15 000 | | | | |
| | | | | | | | |
| | | | **85 000** | | | | **85 000** |
| | | | | | | | |

**Explanation**

(1) The total income tax for the accounting period is transferred to the appropriation account.
Debit Appropriation account;
Credit Income tax.

(2) The total Distribution to members is shown in the appropriation account.
Debit Appropriation account;
Credit Distribution to members.

(3) The net income is transferred from the profit and loss account.
Debit Profit and loss account;
Credit Appropriation account.

(4) The retained income at the beginning of the accounting period id transferred to the appropriation account at the end of the accounting period to calculate the total amount for appropriation.
Debit Retained income;
Credit Appropriation account.

(5) This amount is the balance of the appropriation account. It is transferred to the retained income account at the end of the accounting period.
Debit Appropriation account;
Credit Retained income.

## ACTIVITY 8

Cheetah Traders is a Close corporation with D. Dawie and F. Fralize as members.
The accounting period ends on 28 February annually.

**INSTRUCTION**

Use the information supplied below and prepare the following accounts in the General ledger.
Close/balance the accounts on 28 February 2002.

1.1 Members' contributions
1.2 SARS (Income tax)
1.3 Distribution to members
1.4 Appropriation account

**INFORMATION**

**Extract from the list of balances on 1 March 2001**

Members' contributions R320 000
Accumulated depreciation R 21 600
SARS (Income tax) R 2 500

**TRANSACTIONS**

**2001**

March 10 Issued cheque no. 333 for the outstanding income tax.
August 31 Issued cheque no. 546 for R22 000 to pay the first provisional income tax.
31 A vehicle valued at R55 000 was introduced into the business by D. Dawie to increase his members' contribution. F. Fralize gave her permission for this

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



transaction.

November 18 F. Fralize rendered a bookkeeping service to the business to the value of R12 000. Approval was given to her to increase her members' contribution by this amount.
This amount is regarded as salary.

**2002**

February 26 Issued a cheque no. 661 for R23 000 to pay the second provisional tax.
28 The profit and loss account shows a net profit of R110 000.
28 The total income tax for the year was calculated at R44 800.
28 The members decided to share 50% of the net income before tax in the ratio: D. Dawie 55% and F. Fralize 45%.

## 4. FINANCIAL STATEMENTS (HIGHER GRADE)

The financial statements of a close corporation consist of:

- Income statement
- Balance sheet

### 4.1 FORMAT OF INCOME STATEMENT

| | Notes | R | R |
|---|---|---|---|
| Sales | | | Xxxxx |
| Cost of sales | | | ( xxx) |
| **Gross Profit** | | | Xxxxx |
| **Other Operating Income** | | | Xxxxx |
| Discount received | | xxx | |
| Rent income | | xxx | |
| Profit on sales of assets | | xxx | |
| Bad debts recovered | | xxx | |
| Provision for bad debts adjustment (decrease) | | xxx | |
| Etc. | | xxx | |
| **Gross Operating Income** | | | Xxxxx |
| **Operating Expenses** | | | (xxx) |
| Advertising | | xxx | |
| Salaries and wages | | xxx | |
| Depreciation | | xxx | |
| Provision for bad debts adjustment (increase) | | xxx | |
| Bad debts | | xxx | |
| Sundry expenses | | xxx | |
| Etc. | | xxx | |
| **Operating Profit (Loss)** | | | Xxxxx |
| Interest Income | 1 | | xx |
| Profit (loss) before interest expense / finance cost | | | Xxxxx |
| Interest expense / finance cost | 2 | | (xx) |
| Profit (loss) before tax | | | Xxxxx |
| Taxation | | | (xxx) |
| **Net Profit (Loss) for the year** | 9 | | Xxxxx |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



**4.2 FORMAT OF BALANCE SHEET**

| | Notes | R | R |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | xxxxx |
| Fixed assets / Tangible assets / Property / Plant / Equipment | 3 | xxxx | |
| Loans to members | 4 | xxxx | |
| | | | |
| **Financial assets** | | | |
| Fixed deposits (maturation period longer than 12 months) | | xxxx | |
| | | | |
| **CURRENT ASSETS** | | | Xxxxx |
| Inventories | 5 | xxxx | |
| Trade and other debtors | 6 | xxxx | |
| Cash and cash equivalents | 7 | xxxx | |
| **TOTAL ASSETS** | | | **XXXXX** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **MEMBERS FUNDS** | | | Xxxx |
| Members contributions | 8 | xxxx | |
| Accumulated profit / Retained income | 9 | xxxx | |
| | | | |
| **NON-CURRENT LIABILITIES** | | | Xxxxx |
| Mortgage bond (maturation period longer than 12 months) | | xxxxx | |
| Loans from members | 10 | xxxx | |
| | | | |
| **CURRENT LIABILITIES** | | | Xxxxx |
| Trade and other creditors | 11 | xxxx | |
| Bank overdraft | | xxxx | |
| Short-term loans (including current portion of long term loans | | xxxx | |
| payable within 12 months) | | | |
| **TOTAL EQUITY AND LIABILITIES** | | | **XXXXX** |

**NOTES TO FINANCIAL STATEMENTS**

| **1 Interest income/ Investment income** | |
|---|---|
| From loans to members | Xxxx |
| From investments | Xxxx |
| From overdue debtors | Xxxx |
| From current accounts | Xxxx |
| | Xxxx |
| | |
| **2. Interest expense / Finance cost** | |
| On loans from members | Xxxx |
| On mortgage bond | Xxxx |
| 0n overdraft | Xxxx |
| On overdue creditors | Xxxx |
| | Xxxx |

| **3. Fixed Assets / Tangible assets /** | **Land and** | **Vehicles** | **Equipm** | **Total** |
|---|---|---|---|---|

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



| | | | | |
|---|---|---|---|---|
| **Property / Plant / Equipment** | **building** | | | |
| Cost | xxxx | xxxx | xxxx | Xxxxx |
| Accumulated depreciation | | (xx) | (xx) | (xxx) |
| Carrying value end of previous year | xxxx | xxxx | xxxx | Xxxxx |
| | | | | |
| **Movement** | | | | |
| Additions at cost | xxxx | xxxx | xxxx | Xxxx |
| Disposals at carrying value | | (xx) | (xx) | (xx) |
| Depreciation for the year | | (xx) | (xx) | (xx) |
| **Carrying value end of current year *** | **xxxx** | **xxxx** | **xxxx** | **Xxxx** |
| Cost | xxxxx | xxxxx | xxxxx | Xxxxx |
| Accumulated Depreciation | | (xx) | (xx) | (xx) |
| * | **xxxxx** | **xxxxx** | **xxxxx** | **Xxxxx** |
| | | | | |
| **4. Loans to members** | | **A** | **B** | **TOTAL** |
| Balance on last day of previous year | | xxx | xxx | Xxx |
| Repayments during the year | | (xx) | (xx) | (xx) |
| New loans during current year | | xxx | xxx | Xxx |
| Balance on last day of current year | | xxx | xxx | Xxx |
| | | | | |
| Interest at x% per annum is charged on these loans to be repaid on_____ | | | | |
| | | | | |
| **5. Inventories** | | | | |
| Trading stock | | | | Xxxx |
| Consumables stores on hand | | | | Xxxx |
| (includes stationary on hand) | | | | |
| | | | | Xxxx |
| | | | | |
| **6 Trade and other receivables (debtors)** | | | | |
| Trade debtors | | | | Xxxx |
| Provision for bad debts | | | | (xx) |
| Net trade debtors | | | | Xxxx |
| Prepaid expenses | | | | Xxxx |
| Accrued income | | | | Xxxx |
| Deposit for water and electricity | | | | Xxxx |
| SA Revenue Services (Income tax) | | | | Xxxx |
| | | | | Xxxx |
| | | | | |
| **7. Cash and cash equivalents** | | | | |
| Fixed deposits (maturing in 12 months | | | | Xxxx |
| Savings account | | | | Xxxx |
| Bank | | | | Xxxx |
| Cash float | | | | Xxxx |
| Petty cash | | | | Xxxx |
| | | | | Xxxx |
| **8. Members' contributions** | | | | |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



| | | | |
|---|---|---|---|
| Members' contributions on last day of previous year | | | Xxxx |
| New contributions made during current year | | | Xxxx |
| Contributions withdrawn during current year | | | (xx) |
| Closing balance on last day of current year | | | Xxxx |
| | | | |
| **9 Accumulated profits / Retained income** | | | |
| Balance on last day of previous year | | | Xxxx |
| Net profit (loss) after tax for the year | | | Xxxx |
| Distribution to members | | | (xx) |
| Balance on last day of current year | | | Xxxx |
| | | | |
| **10. Loans from members** | **A** | **B** | **TOTAL** |
| Balance on last day of previous year | xxxx | xxxx | Xxxx |
| Repayments during the year | (xx) | (xx) | (xx) |
| New loans during current year | xxxx | xxxx | Xxxx |
| Closing balance on the last day of the current year | xxxx | xxxx | Xxxx |
| Interest is charged at x% per annum on loans and to be repaid on | | | |
| **11 Trade and other payables (creditors)** | | | |
| Trade creditors | | | Xxxx |
| Accrued expenses | | | Xxxx |
| Income received in advance | | | Xxxx |
| Creditors for salaries | | | Xxxx |
| Pension fund | | | Xxxx |
| Medical fund | | | Xxxx |
| Distribution payable to members | | | Xxxx |
| SA Revenue Services | | | Xxxx |
| - Income tax | | xxx | |
| - PAYE | | xxx | |
| | | | Xxxx |

| | | | |
|---|---|---|---|
| **12. Transactions with members** | | | |
| Profit before taxation is shown after the following transactions with members: | | | |
| | **A** | **B** | **TOTAL** |
| Interest income | xxx | xxx | Xxx |
| Rent income | xxx | xxx | Xxx |
| | xxx | xxx | Xxx |
| Interest paid | (xx) | (xx) | (xx) |
| Rent expense | (xx) | (xx) | (xx) |
| Members' remuneration | (xx) | (xx) | (xx) |
| | xxx | xxx | Xxx |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



**5 ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS (Higher Grade)**

The formulae in the chapter on companies are also relevant to close corporations, except for the following two formulae which are relevant to close corporations only.

**(a) Debt / equity ratio**

= long-term liabilities : (members' equity + loans from members)

**(b) Return on members' equity**

$$= \frac{\text{net income after tax} + \text{interest on loans from members}}{\text{average members' equity} + \text{average loans from members}} \times \frac{100}{1}$$

## ACTIVITY 9 (Higher Grade)

The following information was extracted on 28 February 2002, the last day of the finacial year, from the books of Govette Traders CC, a close corporation with members M. Goetham and S. Nomvette.

**INSTRUCTION**

1 Prepare the Income Statement for the year ended 28 February 2002.
2 Prepare the following notes to the financial statements for the year ended 28 February 2002:
  2.1 Interest income
  2.2 Interest expense
  2.3 Accumulated profits

Note: Show calculations in brackets.

**INFORMATION**

**GOVETTE TRADERS CC**
**PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2002**

| | Debit | Credit |
|---|---|---|
| **Balance sheet accounts section** | | |
| Members' contribution | | 200 000 |
| Accumulated profits | | 38 200 |
| Loan from M. Goetham | | 30 000 |
| Land and buildings | 277 375 | |
| Equipment at cost | 48 000 | |
| Accumulated depreciation on equipment (2001/03/01) | | 22 800 |
| Loan to S. Nomvette (10% p.a.) | 25 000 | |
| Trading inventory / Stock | 38 650 | |
| Debtors control | 22 250 | |
| Provision for bad debts | | 1 100 |
| Creditors control | | 55 210 |
| SARS (income tax) | 15 410 | |
| Bank | | 6 370 |
| Petty cash | 300 | |
| Cash float | 1 500 | |
| | | |
| **Nominal accounts section** | | |
| Sales | | 532 400 |
| Cost of sales | 266 720 | |
| Debtors allowances | 7 380 | |
| Rent income: M. Goetham | | 62 280 |
| Interest on loan: S. Nomvette | | 2 500 |
| Interest received (overdue accounts) | | 4 900 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



| | | |
|---|---|---|
| Packing material | 11 800 | |
| Wages | 84 200 | |
| Salary: S. Nomvette | 30 250 | |
| Salary: M. Goetham | 36 000 | |
| Advertising | 9 810 | |
| Bad debts | 2 500 | |
| Bad debts recovered | | 1 600 |
| Repairs | 6 600 | |
| Interest on loan: M. Goetham | 3 575 | |
| Interest on bank overdraft | 3 740 | |
| Sundry expenses | 66 300 | |
| | 957 360 | 957 360 |

**Adjustments and additional information**

1. Donated merchandise with a selling price of R2 800 (cost plus 75%) to the local school. This was done before stocktaking, but no entries were made in the books.

2. Packing material returned to The Raj, R300, was incorrectly recorded in the Trading inventory account. This error has not been corrected.

3. Stock on hand according to a physical stocktaking on 28 February 2002:
   Trading inventory, R36 370
   Packing material, R1 500

4. Part of the building was let to member M. Goetham. The monthly rent of R4 500 was increased by R540 from 1 September 2001. The rent for one month was received in advance.

5. Advertising included an amount of R3 600 paid for the period 1 January 2002 to 30 June 2002.
6. J. Molfert, a debtor, was declared insolvent. The estate paid a dividend of 40c in the rand and the balance on the account must be written off as a bad debt. A cheque for R700 was received, properly recorded and banked.

7. The provision for bad debts must be decreased to R1 045.

8. Make provision for the outstanding interest on the loan from member M. Goetham at 13% p.a. for the last quarter.

9. Equipment included an amount of R2 000 for repairs to the computers on 28 February 2002. Correct the error.

10. Make provision for depreciation on equipment at 15% p.a. on the diminished balance.

11. The income tax for the financial year was calculated at R17 500.

12. Net profit of R25 000 was made available for distribution among members.

## ACTIVITY 10 (Higher Grade)

Summer Wear CC is owned by members S. Long and B. More.

**INSTRUCTION**

1 Complete the Balance sheet of Summer Wear CC as at 31 October 2002.
   **Note**: All calculations must be shown in brackets. Calculate to the nearest Rand where necessary.
2 Answer the questions that are given after the information.

The following alphabetical list of balances appeared in the ledger of Summer Wear CC at 31 October 2002:

| | |
|---|---|
| Bank (Dr.) | 6 250 |
| Cash float | 900 |
| Creditors control | 12 050 |
| Debtors control | 8 874 |
| Distribution payable to members | 22 600 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



| | |
|---|---|
| Expenses payable | 4 600 |
| Expenses prepaid | 1 820 |
| Fixed deposit: AB Bank | 16 000 |
| Fixed deposit: FBN Bank | 8 000 |
| Income receivable | 1 700 |
| Income received in advance | 2 750 |
| Loan from Long | 400 000 |
| Loan to More: | 10 000 |
| Members' contribution | 470 000 |
| Mortgage loan | 85 000 |
| Petty cash | 500 |
| Property, plant and equipment (to be calculated) | |
| Provision for bad debts (5% of good book debts) | |
| SARS (income tax) (Dr.) | 1 450 |
| Savings account | 2 450 |
| Trading inventory (to be calculated) | |
| Undrawn/Accumulated profits (to be calculated) | |

- The accumulated profits was R22 000 on 1 November 2001.
  The net profit before tax for the year ended 31 October 2002 was R51 000.
  Two provisional tax payments of R10 925 each were paid during the year.
  There was no interim distribution paid out. However a final distribution was agreed to, but it had not yet been paid as at the end of the financial year.
- No portion of the loan from Long or the loan to More will be paid back within the next financial year.
- The fixed deposit at AB Bank matures on 1 November 2005. The other fixed deposit at FBN Bank matures on 31 January 2003.
- The following ratios were calculated as at 31 October 2002:
  Current ratio 2,1 : 1
  Acid test ratio 0,75 : 1

2 **Questions**

2.1 Comment on the liquidity position of Summer Wear CC on 31 October 2002.
2.2 Calculate the Debt/Equity ratio as at 31 October 2002.
2.3 Give one reason why you think S. Long has put R400 000 into the business in the form of a loan, rather than simply increasing his contribution to the business.
2.4 Close corporations have limited liability. Briefly explain what this means.
2.5 In certain circumstances a close corporation can lose its limited liability. Give one such circumstance.

## CASH BUDGET

### 1. INTRODUCTION

- The main aim of any business is to make the largest possible profit.
- To achieve these goals, thorough planning and control are necessary.
- During the process of planning, certain objectives for the business are formulated. Certain actions have to be taken to reach these objectives.
- Budgeting forms an important part of this planning.
- Forecasts are based on the inflow and outflow of **cash** during a certain period.
- Results are regularly measured and adjustments made when necessary.

- The following sections will be discussed:
  - Cash budget (Sole traders & Companies)
    - Debtors collection schedule
    - Creditors payment schedule
  - Projected income statement (Sole traders & Companies)

- The Cash budget contains the following information:
  - bank balance at the beginning of the period.
  - bank balance at the end of the period.
  - expected **cash** receipts (included expected cash received from debtors).
  - expected **cash** payments (included expected cash payments to creditors)

- **Not** included in the cash budget:
  - Bad debt – it does not involve cash.
  - Depreciation – it does not involve cash.

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



## 2. DEBTORS COLLECTION SCHEDULE (DEBTORS BUDGET)

- The debtors' collection schedule is prepared first, as the amounts expected to receive from debtors appear in the cash budget.
- Each business has a credit policy which determine the collection of debtors accounts – whether within 30, 60 or 90 days.
- When preparing the debtors collection schedule, the pattern of payments by debtors in the past is taken into consideration.
- **CREDIT SALES** figures are used when preparing the debtors collection schedule.
- When a cash discount is granted on amounts settled within a certain period, the discount is subtracted from the amount in question.

*example*

**INFORMATION**

- ABC Traders' credit sales were as follows:

| | Actual | Budgeted |
|---|---|---|
| January | 30 000 | |
| February | 32 000 | |
| March | | 36 000 |
| April | | 40 000 |
| May | | 45 000 |

- Debtors usually settle their debt as follows:
  - 50% during the month of sales.
  - 30% during the month following the month of sales (after 30 days).
  - 18% during the second month after sales (after 60 days).
  - 2% irrecoverable after 90 days (bad debts).

**INSTRUCTION**

Calculate the expected collection from debtors for the months March, April and May.

**SOLUTION**

| DEBTORS COLLECTION SCHEDULE | | | | | |
|---|---|---|---|---|---|
| Month | Credit Sales | Terms | Collection period | | |
| | | | March | April | May |
| January | 30 000 | Jan. 50% = R15 000 | | | |
| | | Feb. 30% = R 9 000 | | | |
| | | Mar. 18% = R 5 400 | 5 400 | | |
| | | 2% bad debt = R600 | | | |
| February | 32 000 | Feb. 50% = R16 000 | | | |
| | | Mar. 30% = R 9 600 | 9 600 | | |
| | | Apr. 18% = R 5 760 | | 5 760 | |
| March | 36 000 | Mar. 50% = R18 000 | 18 000 | | |
| | | Apr. 30% = R10 800 | | 10 800 | |
| | | May 18% = R 6 480 | | | 6 480 |
| April | 40 000 | Apr. 50% = R20 000 | | 20 000 | |
| | | May 30% = R12 000 | | | 12 000 |
| | | Jun. 18% = R 7 200 | | | |
| May | 45 000 | May 50% = R22 500 | | | 22 500 |
| | | Jun. 30% = R13 500 | | | |
| | | Jul. 18% = R 8 100 | | | |
| | | | | | |
| **Receipts from debtors** | | | 33 000 | 36 560 | 40 980 |

**Alternative method**

| DEBTORS COLLECTION SCHEDULE | | | | |
|---|---|---|---|---|
| Month | Credit Sales | Collection period | | |
| | | March | April | May |
| January | 30 000 | 5 400 | | |
| February | 32 000 | 9 600 | 5 760 | |
| March | 36 000 | 18 000 | 10 800 | 6 480 |
| April | 40 000 | | 20 000 | 12 000 |
| May | 45 000 | | | 22 500 |
| **Receipts from debtors** | | 33 000 | 36 560 | 40 980 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



**3. CREDITORS PAYMENT SCHEDULE (CREDITORS BUDGET)**

- Credit purchases figures are used when preparing the creditors payment schedule.

*example*

**INFORMATION**

| | Actual information | | Budgeted information | | |
|---|---|---|---|---|---|
| | **Nov. 2003** | **Dec. 2003** | **Jan. 2004** | **Feb. 2004** | **Mar. 2004** |
| Cash purchases | 10 000 | 12 000 | 10 000 | 13 000 | 14 000 |
| Credit purchases | 12 000 | 13 000 | 11 000 | 12 000 | 13 000 |
| | | | | | |

- Creditors are paid in full in the month following the purchases.

**INSTRUCTION**

Calculate the expected payments to creditors for credit purchases for the budget period January 2004 to March 2004.

**SOLUTION**

| CREDITORS PAYMENT SCHEDULE | | | | | |
|---|---|---|---|---|---|
| **Month** | **Credit Purchases** | **Terms** | **Payments** | | |
| | | | **January** | **February** | **March** |
| November | 12 000 | 30 days – December | - | - | - |
| December | 13 000 | 30 days – January | 13 000 | | |
| January | 11 000 | 30 days – February | | 11 000 | |
| February | 12 000 | 30 days – March | | | 12 000 |
| March | 13 000 | 30 days – April | - | - | - |
| **Payments to creditors** | | | 13 000 | 11 000 | 12 000 |

*example*

**INFORMATION**

- Sales forecast
  - January 2004 R100 000
  - February 2004 R111 000
  - March 2004 R125 000
- Balances at 31 December 2003
  - Trading stock R70 000
  - Creditors R58 000
- Cost of sales is equal to 60% on turnover.
- Cash purchases of trading stock amounts to 30% of total purchases.
- All credit purchases are payable in the month following the month of purchase.

**INSTRUCTION**

Prepare the creditors payment schedule for January to March 2004.

**SOLUTION**

| CREDITORS PAYMENT SCHEDULE | | | | | |
|---|---|---|---|---|---|
| **Month** | **Credit Purchases** | **Terms** | **Payments** | | |
| | | | **January** | **February** | **March** |
| December | Creditors balance (3) | January | 58 000 | | |
| January | 42 000 (2) | 30 days – February | | 42 000 | |
| February | 46 2000 | 30 days – March | | | 46 200 |
| March | 52 500 | 30 days – April | - | - | - |
| **Payments to creditors** | | | 58 000 | 42 000 | 46 200 |

**Explanation:**

| **Month** | **Total sales (turnover)** | **Purchases = 60% of total sales (1)** | **Credit purchases = 70% of purchases(2)** |
|---|---|---|---|
| January | 100 000 | (60% x 100 000) 60 000 | (70% x 60 000) 42 000 |
| February | 110 000 | (60% x 110 000) 66 000 | (70% x 66 000) 46 200 |
| March | 125 000 | (60% x 125 000) 75 000 | (70% x 75 000) 52 500 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.

38 (1) Cost of sales (purchases) = 60% of turnover (total sales)
Therefore purchases = 60% of sales

(2) Cash purchases = 30% of total purchases
Therefore credit purchases = 70% of total purchases.

(3) The balance of the creditors on 31 December 2003 = R58 000.
This must be paid January 2004.

## 4. CASH BUDGET

*example*

**INSTRUCTION**

Use the following information of ABC Traders to draw up the:

a) Debtors Collection Schedule for August to October 2004.
b) Cash budget for the period 1 August to 31 October 2004.

**INFORMATION**

| | Actual information | | Budgeted information | | |
|---|---|---|---|---|---|
| | June | July | August | September | October |
| | R | R | R | R | R |
| Cash sales | 15 000 | 20 000 | 19 000 | 21 000 | 25 000 |
| Credit sales | 19 000 | 24 000 | 23 000 | 25 000 | 19 000 |
| Wages | 7 000 | 7 000 | 7 000 | 7 700 | 7 700 |
| Rent income | 2 000 | 2 000 | 2 000 | 2 200 | 2 200 |
| Credit purchases | 15 000 | 20 000 | 20 000 | 22 000 | 24 000 |
| Income tax | | | | 8 000 | |
| Other expenses | 11 000 | 11 000 | 11 000 | 12 000 | 12 000 |
| Depreciation | 300 | 300 | 300 | 300 | 300 |
| Drawings | 6 000 | 6 000 | 6 000 | 6 000 | 6 000 |

**Other information**

- ABC Traders had a favourable bank balance of R14 300 on 1 August 2004.
- Debtors normally paid their accounts as follows:
  - 60% one month after date of sale.
  - 38% two months after date of sale.
  - 2% written off as irrecoverable after 90 days of sale.
- Creditors are paid in full one month after purchase to take advantage of 5% discount offered.
- Other expenses are paid during the month they occur.
- The owner withdraws R4 000 cash per month. In addition to this he also draws trading stock.

**SOLUTION**

**ABC TRADERS**

**DEBTORS COLLECTION SCHEDULE**

| Month | Credit Sales | Terms | Collection period | | |
|---|---|---|---|---|---|
| | | | August | September | October |
| June | 19 000 | 19 000 x 60% (July)<br>x 38% (Aug) =7 220 | 7 220 | | |
| July | 24 000 | 24 000 x 60% (Aug)=14 400<br>x 38% (Sept)= 9 120 | 14 400 | 9 120 | |
| August | 23 000 | 23 000 x 60% (Sept)=13 800<br>x 38% (Oct) = 8 740 | | 13 800 | 8 740 |
| September | 25 000 | 25 000 x 60% (Oct) 15 000<br>x 38% (Nov) | | | 15 000 |
| October | 19 000 | 19 000 x 60% (Nov)<br>x 38% (Dec) | | | |
| **Receipts from debtors** | | | 21 620 | 22 920 | 23 740 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



**CASH BUDGET FOR THE PERIOD AUGUST TO OCTOBER 2004**

| | August | September | October |
|---|---|---|---|
| **Cash receipts** | | | |
| Cash sales | 19 000 | 21 000 | 25 000 |
| Cash from debtors | 21 620 | 22 920 | 23 740 |
| Rent income | 2 000 | 2 200 | 2 200 |
| Total receipts | 42 620 | 46 120 | 50 940 |
| | | | |
| **Cash payments** | | | |
| Payments to creditors | 19 000 | 19 000 | 20 900 |
| Wages | 7 000 | 7 700 | 7 700 |
| Income tax | - | 8 000 | - |
| Drawings | 4 000 | 4 000 | 4 000 |
| Other operating expenses | 11 000 | 12 000 | 12 000 |
| Total payments | 41 000 | 50 700 | 44 600 |
| Cash surplus (shortfall) | 1 620 | (4 580) | 6 340 |
| Bank opening balance (overdraft) | 14 300 | 15 920 | 11 340 |
| Bank closing balance (overdraft) | 15 920 | 11 340 | 17 680 |

**Explanations:**

1. Only **cash receipts** and **cash payments** are shown.
2. Depreciation is not shown, as it is **not** a cash payment.
3. Drawings: only the R4 000 **cash drawings** is shown. The balance is trading stock, therefore not a cash payment.
4. Payments to creditors: Paid after one month **less** 5% discount.
5. Cash surplus (shortfall) – Cash receipts **less** cash payments.
6. Bank opening balance as on 1 August 2004 is the opening balance on 1 August. Cash surplus added to bank balance equals Bank closing balance on 31 August. Bank closing balance on 31 August (R15 920) is the opening balance on 1 September.

## ACTIVITY 11

You operate a tuckshop, Pembroke Pie, as part of your entrepreneurship programme at school.

**INSTRUCTION**

In order to renew your trading license for next year you have to submit a budget for February and March 2003, including a debtors' collection schedule.

**INFORMATION**

1. Your business runs from 1 February to 30 November each year, for 10 months.

2. The following figures appeared in your financial statements on 30 November 2002:

| | |
|---|---|
| Sales | R90 000 |
| Cost of sales | R60 000 |
| Bank (Dr.) | R2 000 |
| Creditors control | R 0 |

3. In order to increase your turnover you have decided to sell on credit with effect from 1 February 2003. You therefore expect your turnover (sales) to increase by 50% this year, with an even distribution throughout the year.

4. You expect your cash sales to amount to 60% of your sales.

5. From surveys you have done, you expect 30% of your debtors to pay within the same month, and to encourage this you will allow a 10% discount. The balance you expect to receive one month later.

6. The mark-up % on goods sold will be maintained at 50% on cost.

7. Purchases of trading stock bought in January, so that you can start trading in February,

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.

40 amounted to R11 000.

8. All purchases are on credit and are payable one month later (30 days).
9. You will purchase whatever you sell on a monthly basis in order to maintain your stock balance at R11 000.

10. You will have to pay the school rent to the value of R200 per month.

11. In order to assist you, you employ fellow pupils to do your selling. You pay them a commission of 10% on total sales, payable on the last day of the month.

## ACTIVITY 12 (Higher Grade)

The given information was taken from the records of Makaya Traders.

**INSTRUCTION**

1. Complete the Cash payments section of the Cash budget for the period 1 November 2002 to 31 December 2002.
2. Answer the following questions:
   - 2.1 Name two operating expenses, taken from the given information, that appear in the Income statement, but not in the Cash budget.
   - 2.2 A business can sell its merchandise for cash or on credit or both. How does Makaya Traders sell its merchandise?

2.3 Calculate the following:
   - 2.3.1 Cash received from debtors during November 2002.
   - 2.3.2 Bad debts written off during the budgeted period.
   - 2.3.3 Discount allowed during December 2002.

**INFORMATION**

1. Partially completed Cash budget

| | November | December |
|---|---|---|
| TOTAL RECEIPTS | 168 000 | 120 000 |
| CASH PAYMENTS | | |
| Cash purchases | 27 000 | ? |
| Payments to creditors | 38 250 | ? |
| Other operating expenses | 14 000 | 14 000 |

2. Balances on 1 November 2002

| | |
|---|---|
| Equipment at cost price | 80 000 |
| Accumulated depreciation on equipment | 34 000 |
| Bank overdraft | 40 000 |
| Accrued expenses (Salaries) | 3 000 |

3. Extract from Income statement for the year ended 31 October 2002
   Operating expenses

| | |
|---|---|
| Salaries | 180 000 |
| Depreciation | 4 600 |
| Advertising | 21 500 |
| Discount allowed | 11 900 |
| Bad debts | 12 000 |
| Other operating expenses | 168 000 |

4. Total sales: 2002

| Actual | | | Budgeted | |
|---|---|---|---|---|
| **August** | **September** | **October** | **November** | **December** |
| R60 000 | R70 000 | R85 000 | R90 000 | R94 000 |

Cost of sales is equal to 75% of the turnover.

The monies due by the debtors from the above sales are collected as follows:
• 40% in the month of sale, to take advantage of the 12½% settlement discount allowed

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



for prompt payment.
- 35% in the month following the sale (after 30 days).
- 20% in the second month following the sale (after 60 days).
- The rest is written off as irrecoverable in the third month after the sale (after 90 days).

5. 40% of the purchases are effected in cash. Creditors for credit purchases are paid in the month following the purchases (after 30 days). Trading inventory on hand is maintained through monthly purchases.

6. Advertising costs are based on projected monthly sales and are paid in the same month by cheque. The advertising costs are expected to increase on 1 December 2002 from 3% to 4% of the sales.

7. The business has 5 employees who are paid R3 000 each per month. Salaries are paid by cheque. The salary due for October 2002 will be paid in November 2002.

8. Other operating expenses will amount to R14 000 per month.

9. A new computer valued at R8 700 will be bought on credit during November 2002. The amount will be paid in three equal monthly installments starting 15 December 2002.

## 5. PROJECTED INCOME STATEMENT

The following must be taken into consideration when preparing a projected income statement:

1. Take as starting point the actual income statement of the previous year.
2. Divide the figures by 12 to get the monthly figures.
3. Take the following into account:
    - 3.1 Mark-up on cost of sales.
    - 3.2 Increases in some expenses/income:
        - wages
        - rent income
        - interest rate (increase or decrease)
    - 3.3 Additional purchase or sale of fixed assets – it affects the depreciation.
    - 3.4 Expected increase or decrease in sales.

**INSTRUCTION (Example)**
Prepare a forecast monthly Income Statement for the three month period ended 31 March 2004.

**INFORMATION**

**INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003**

| | | |
|---|---|---|
| Sales | | 360 000 |
| Cost of sales | | (210 000) |
| **Gross profit** | | 150 000 |
| **Other operating income** | | 24 000 |
| Rent income | 24 000 | |
| **Gross operating income** | | 174 000 |
| | | |
| **Operating expenses** | | (138 000) |
| Wages | 84 000 | |
| Advertising | 7 200 | |
| Depreciation on equipment | 4 800 | |
| Sundry expenses | 42 000 | |
| **Operating profit (loss)** | | 36 000 |
| Interest income | | - |
| **Profit before interest expense** | | 36 000 |
| Interest expense (Interest on loan) | | ( 3 600) |
| **Net profit (loss) for the year** | | 32 400 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.

42 **Other information**

1. Mark-up on cost of sales will be 100% in 2004.
2. Advertising will be maintained at 2% of expected turnover.
3. Sales are expected to decrease by 20% for January only and is expected to increase by 10% per month from March onward.
4. A payment of R5 000 was made on the mortgage loan on 31 December 2003. The interest rate of 18% remains the same.
5. Depreciation on equipment is expected to remain the same.
6. Sundry expenses is expected to increase by 10% in 2004.
7. The monthly rent will increase by 10% from 1 March 2004.

**SOLUTION :**
**PROJECTED INCOME STATEMENT FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2004**

| | January | February | March | Total |
|---|---|---|---|---|
| Sales | 24 000 | 30 000 | 33 000 | 87 000 |
| Cost of sales | (12 000) | (15 000) | (16 500) | (43 500) |
| **Gross profit** | 12 000 | 15 000 | 16 500 | 43 500 |
| **Other operating income (Rent)** | 2 000 | 2 000 | 2 200 | 6 200 |
| **Gross operating income** | 14 000 | 17 000 | 18 700 | 49 700 |
| **Operating expenses** | (11 730) | (11 850) | (11 910) | (35 490) |
| Wages | 7 000 | 7 000 | 7 000 | 21 000 |
| Advertising | 480 | 600 | 660 | 1 740 |
| Depreciation | 400 | 400 | 400 | 1 200 |
| Sundry expenses | 3 850 | 3 850 | 3 850 | 11 550 |
| **Operating profit (loss)** | 2 270 | 5 150 | 6 790 | 14 210 |
| Interest income | - | - | - | - |
| **Profit before interest expense** | 2 270 | 5 150 | 6 790 | 14 210 |
| Interest expense (Interest on loan) | (225) | (225) | (225) | (675) |
| **Net profit (loss)** | 2 045 | 4 925 | 6 565 | 13 535 |

**Calculations**

(1) Sales

R360 000 ÷ 12 = R30 000 p.m.
Jan. = R30 000 – 20% = R30 000 – R6 000 = R24 000
Feb. = the same
Mar. = R30 000 + 10% = R30 000 + R3 000 = R33 000

(2) Cost of sales

Mark-up will be 100%; Cost of sale = $\frac{1}{2}$ of turnover

Jan. = $\frac{1}{2}$ x R24 000 = R12 000 (or $\frac{24000}{1} \times \frac{100}{200}$ )

Feb. = $\frac{1}{2}$ x R30 000 = R15 000 (or $\frac{30000}{1} \times \frac{100}{200}$ )

Mar. = $\frac{1}{2}$ x R33 000 = R16 500 (or $\frac{33000}{1} \times \frac{100}{200}$ )

(3) Rent

R24 000 ÷ 12 = R2 000 p.m.
Jan. = the same
Feb. = the same
Mar. = R 2 000 + 10% = R2 000 + 200 = R2 200

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



(4) Wages R80 000 ÷ 12 = R7 000 p.m. (stays the same)

(5) Advertising
Jan. = R24 000 x 2% = R480
Feb. = R30 000 x 2% = R600
Mar. = R33 000 x 2% = R660

(6) Depreciation R4 800 ÷ 12 = R400 (stays the same)

(7) Sundry expenses
R42 000 ÷ 12 = R3 500
Jan. = R3 500 + 10% = R3 500 + 350 = R3 850
Feb. = R3 850
Mar. = R3 850

(8) Interest on loan
Interest = R3 600 = 18%
Amount of loan: R3 600 x $\frac{100}{18}$ = R20 000
Amount of loan – 1 Jan. 2004: R20 000 – R5 000 = R15 000
Interest = 15 000 x $\frac{18}{100} \times \frac{1}{12}$ = R225 p.m.

## ACTIVITY 13 **(Higher Grade)**

You are given the Cash budget of Small Toys Ltd. for December 2001 to February 2002, and other related information. Their financial year ends on 28 February.

**INSTRUCTION**
1 Prepare the Income forecast up the "Net profit before tax" for each month.
2 Answer the questions given at the end. All calculations must be rounded off to two decimal points.

**INFORMATION**

**CASH BUDGET OF SMALL TOYS LTD: DECEMBER 2001 TO FEBRUARY 2002**

| | December | January | February |
|---|---|---|---|
| **Cash receipts** | | | |
| Cash sales | 40 000 | 32 000 | 26 000 |
| Cash from debtors | 55 000 | 50 000 | 60 000 |
| Loan: Nedbank | - | - | 84 000 |
| Rent income | 2 000 | 2 500 | 2 500 |
| **Total receipts** | 97 000 | 84 500 | 172 500 |
| | | | |
| **Cash payments** | | | |
| Inventory bought cash | 64 000 | 51 200 | 41 600 |
| Payments to creditors | 17 500 | 16 000 | 12 800 |
| Interest on loan | - | - | 1 120 |
| Other cash expenses | 6 100 | 6 500 | 6 800 |
| Vehicle bought | - | 126 000 | - |
| Income tax | - | - | 16 800 |
| Dividends | - | - | 15 000 |
| **Total payments** | 87 600 | 199 700 | 94 120 |
| | | | |
| Cash surplus (shortfall) | 9 400 | (115 200) | 73 380 |
| Bank opening balance (overdraft) | 45 000 | 54 400 | (60 800) |
| Bank closing balance (overdraft) | 54 400 | (60 800) | 17 580 |

**Additional information**
(i) 40% of sales are for cash.
(ii) The company aims to keep a fixed base inventory level of R320 000. Goods are to be replaced on a monthly basis.
(iii) Inventory is the only credit purchase. 20% of inventory is bought on credit and creditors allow 30 days credit. The business will comply with these terms.
(iv) The business owns equipment that cost R35 000. They plan to buy their only vehicle on 1 January 2002. Equipment is depreciated at a rate of R200 per month and vehicles at

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



25% on cost.

(v) Their only loan will be taken out on 1 February 2002 and it will be repaid in full in 2007. Interest is to be repaid monthly.

**2 Questions**

1. Small Toys Ltd. anticipate needing an overdraft in January 2002. What can be done to avoid needing the overdraft? Provide one suggestion.

2. What does the tax payment of R16 800 represent?

3. What is the intended mark-up percentage on cost of sales?

4. If the expected yearly cost of sales is R768 000,calculate the number of months for which there is enough goods on hand.

5. Considering their stock buying policy, comment on whether you think that this is acceptable and necessary for this business.

6. Give three disadvantages of keeping too much stock.

7. Calculate the expected percentage of net profit before tax on turnover for December 2001 and February 2002.

8. Give three reasons why the net profit has decreased over three months.

9. If the debt-equity ratio on 28 February 2002 is 0,16 : 1, what is the value of the shareholders' equity on this date?

10. What is the annual interest rate charged on the loan?

11. Small Toys Ltd. are unsure as to whether the strategy of taking out a loan was the correct one in financing the company in the long term.

    a) Calculate the expected return on total capital employed for 2002 assuming that net profit for 2002 will be R105 000 and that the shareholders' equity and the loan will remain constant. (Capital employed = shareholders' equity + long-term liabilities)

    b) Explain whether you think it is wise for Small Toys Ltd. to take out the loan. Quote suitable calculations/ratios to support your answer.

    c) Give one alternative source of finance that they can use if they decide not to take out the loan.

END

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.

# SOLUTIONS / OPLOSSINGS



## ACTIVITY 1 OEFENING

**GROENPUNT SPORTKLUB / *GROENPUNT SPORTS CLUB***

**LEDEGELD /*MEMBERSHIP FEES***

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2000 Jan. 1 | Opgelope inkomste/ *Accrued income* | | 400 | 2000 Jan. 1 | Vooruitontvange Inkomste/*Income received in advance* | | 600 |
| Dec. 31 | Vooruitontvange Inkomste /*Income received in advance* | | 500 | Dec. 31 | Bank (300 + 5 200 + 500) | | 6 000 |
| | Inkomste-en uitgawe/ *Income and expenditure* | (2) | 6 100 | | Ledegeld afgeskryf/ *Membership fees written off* | (1) | 100 |
| | | | | | Opgelope inkomste/ *Accrued income* | | 300 |
| | | | **7 000** | | | | **7 000** |

**GROENPUNT SPORTKLUB / *GROENPUNT SPORTS CLUB***
**STAAT VAN INKOMSTE EN UITGAWE VIR DIE JAAR GEËNDIG 31 DESEMBER 2000**
***STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 DECEMBER 2000***

| **ONTVANGSTE / *RECEIPTS*** | | | **BETALINGS / *PAYMENTS*** | | |
|---|---|---|---|---|---|
| Saldo / Balance (2000/01/01) | | | Skryfbehoeftes / *Stationery* | | 1 100 |
| Bank | | 10 821 | Lone/*Wages* | | 6 000 |
| Ledegeld/ *Membership fees*: | | 6 000 | Reparasies/*Repairs* | | 3 890 |
| 1999 | 300 | | Huur uitgawe / *Rent expense* | | 7 700 |
| 2000 | 5 200 | | Honorarium | | 500 |
| 2001 | 500 | | Affiliasiefooie/ *Affiliation fees* | | 300 |
| Intreegeld/ *Entrance fees* | | 350 | Krediteure / *Creditors* | | 1 040 |
| Donasies / *Donations* | | 3 550 | Toerusting/ *Equipment* | | 950 |
| Verversings verkoop / *Refreshments sold* | | 5 900 | Verversings gekoop/ *Refreshments purchased* | | 1 200 |
| | | | Bankkoste/ *Bank charges* | | 1 189 |
| | | | Saldo/Balance (2000/12/31) | | |
| | | | Bank | | 2 752 |
| | | 26 621 | | | 26 621 |

(1) Opgelope 1999 R400 – betaal R300 = R100 /*Accrued 1999 R400 – paid R300 = R100*
(2) Saldo / *Balance of account*

## ACTIVITY 2 OEFENING

**PIRATES SOKKER KLUB / *PIRATES SOCCER CLUB***
**ALGEMENE GROOTBOEK / *GENERAL LEDGER***

**LEDEGELD / *MEMBERSHIP FEES***

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2000 Jan. 1 | Opgelope inkomste/ *Accrued income* | | 400 | 2000 Dec. 31 | Bank (300 + 28 600 + 500) | | 29 400 |
| Dec. 31 | Vooruitontvange inkomste/ *Income received in advance* | | 500 | | Ledegeld afgeskryf/ *Membership fees written off* | | 100 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Inkomste-en uitgawe<br>*Income and expenditure* | | 28 900 | | Opgelope inkomste/<br>*Accrued income* | | 200 |
| | | | | | Honorarium | | 100 |
| | | | **29 800** | | | | **29 800** |

**INTREEGELD / *ENTRANCE FEES***

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2000<br>Dec.<br>31 | Inkomste-en uitgawe<br>*Income and expenditure* | | 1 700 | 2000<br>Dec.<br>] 31 | Bank | | 1 700 |

**VERVERSINGS / *REFRESHMENTS***

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2000<br>Dec.<br>31 | Koste van verversings / *Cost of Refreshments* | | 2 489 | 2000<br>Dec.<br>31 | Verkoop van verversings /*Sale of refreshments* | | 4 640 |
| | Wins met verkoop van verversings / *Profit on sale of refreshments* | | 2 493 | | Bank | | 103 |
| | | | | | Debiteurekontrole/<br>*Debtors control* | | 239 |
| | | | | | | | |
| | | | **4 982** | | | | **4 982** |

**PIRATES SOKKER KLUB / *PIRATES SOCCER CLUB***
**STAAT VAN INKOMSTE EN UITGAWES VIR DIE JAAR GEËNDIG 31 DESEMBER 2000**
***STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2000***

| | | |
|---|---|---|
| **Inkomste /Income** | | 44 449 |
| Inkomste van ledegeld/<br>Income from membership fees | 15 549 | |
| Intreegeld/Entrance fees | 1 700 | |
| Wins op verkoop van verversings /<br>Profit on sale of refreshments | 2 493 | |
| Wins met jaarfunksie/Profit on annual function | 2 482 | |
| Hekgelde / Gate fees | 3 650 | |
| Donasies / Donations | 5 224 | |
| | | |
| **Uitgawes / Expenses** | | (34 141) |
| Ledegeld afgeskryf/Membership fees written off | 100 | |
| Lone/Wages (12 610 – 200) | 12 410 | |
| Affiliasiefooie/Affiliation fees (250 – 150) | 100 | |
| Versekering/Insurance (2 100 – 150) | 1 950 | |
| Skryfbehoeftes/Stationery (1 187 – 247) | 940 | |
| Huuruitgawe/Rent expense (3 060 + 1 020) | 4 080 | |
| Bankkoste/Bank charges (1 234 + 85) | 1 319 | |
| Honorarium (1 100 + 100) | 1 200 | |
| Reparasies/Repairs (6 257 + 250) | 6 507 | |
| Waardevermindering/Depreciation | 1 535 | |
| Pryse vir toernooi/Prizes – tournament | 4 000 | |
| **Oorskot van algemene aktiwiteite/<br>Surplus from general activities** | | 10 308 |
| Rente-inkomste/Interest income (1 680 + 560) | | 2 240 |
| **Oorskot voor rente-uitgawe/<br>Surplus before interest expense** | | 12 548 |
| Rente-uitgawe/Interest expense<br>(300 + 150 + 150 = 600; 450 + 150 = 600) | | (600) |
| **Netto surplus vir die jaar/Net surplus for the year** | | 11 948 |

**ACTIVITY 3 OEFENNG**

**LEDEGELD / *MEMBERSHIP FEES***

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2000<br>Jan.<br>1 | Opgelope inkomste<br>*Accrued income* | | 2 880 | 2000<br>Jan.<br>1 | Vooruitontvange inkomste /<br>*Income received in advance* | | 900 |
| Dec.<br>31 | Bank (V/T)<br>*Bank (R/D)* | | 180 | Dec.<br>31 | Bank / *Bank* | | 16 410 |
| | Vooruitontvange inkomste /<br>*Income received in advance* | | 1 620 | | Ledegeld afgeskryf/<br>*Membership fees written off* | | 720 |
| | Inkomste-en uitgawe/<br>*Income and expenditure* | | | | Opgelope inkomste/ | | |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | 16 770 | | *Accrued income* | | 3 420 |
| | | | **21 450** | | | | **21 450** |

**UMGENI SPORTKLUB / *UMGENI SPORTS CLUB***
**STAAT VAN INKOMSTE EN UITGAWES VIR DIE JAAR GEËINDIG 31 DESEMBER 2000**
***STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2000***

| | Notes | R | R |
|---|---|---|---|
| **Inkomste/*Income*** | | | 51 245 |
| Inkomste van ledegeld/*Income from membership fees* | | 16 770 | |
| Wins met verkoop van sweetpakke/*Profit on sale of tracksuits* | | 3 600 | |
| Intreegeld/*Entrance fees* | | 4 125 | |
| Wins met toernooi/*Profit on tournament*(15 350 – 9 200) | | 6 150 | |
| Donasies/*Donations* | | 20 600 | |
| **Uitgawes/*Expenses*** | | | (25 006) |
| Bankkoste/*Bank charges* (1 090 + 234) | | 1 324 | |
| Ledegeld afgeskryf/*Membership fees written off* (2 880 – 2 160) | | 720 | |
| Waardevermindering/*Depreciation* | | 1 670 | |
| Water en elektrisiteit/*Water and electricity* (5 950 + 475) | | 6 425 | |
| Skryfbehoeftes/*Stationery* (335 + 1 150 – 378) | | 1 107 | |
| Telefoon/*Telephone* (2 620 – 260) | | 2 360 | |
| Honorarium/*Honorarium* | | 1 200 | |
| Lone/*Wages* | | 10 200 | |
| **Oorskot van algemene aktiwiteite** ***Surplus from general activities*** | | | 26 239 |
| Rente-inkomste/*Interest income* | 1 | | 994 |
| **Oorskot voor rente-uitgawe** ***Surplus before interest expense*** | | | 27 233 |
| Rente-uitgawe /*Interest expense* | 2 | | (5 250) |
| **Netto surplus vir die jaar** ***Net surplus for the year*** | | | 21 983 |

**NOTAS TOT DIE FINANSIËLE STATE / *NOTES TO FINANCIAL STATEMENTS***

| | |
|---|---|
| **1. Rente-inkomste/Beleggingsinkomste** ***Interest income/Investment income*** | |
| Van beleggings / *From investments* | 960 |
| Van spaarrekening /*From savings account* | 34 |
| | 994 |
| | |
| **2. Rente-uitgawe/Finaniseringskoste** **Interest expense / *Finance costs*** | |
| Op verbandlening / *On mortgage bond* | 5 250 |
| | 5 250 |

| **3. Eiendom, aanleg en toerusting** ***Property, plant and equipment*** | **Grond en geboue** ***Land and Buildings*** | **Toe-rusting** ***Equip-ment*** | **Totaal** ***Total*** |
|---|---|---|---|
| Kosprys/*Cost* | 100 700 | 20 000 | 120 700 |
| Opgehoopte waardevermindering *Accumulated depreciation* | - | (3 800) | (3 800) |
| Drawaarde einde van vorige jaar *Carrying value end of previous year* | 100 700 | 16 200 | 116 900 |
| **Bewegings / *Movement*** | | | |
| Verkrygings teen kosprys / *Additions at cost* | 36 000 | 2 000 | 38 000 |
| Verkoop teen drawaarde / *Disposals at carrying value* | - | - | - |
| Waardevermindering vir die jaar/*Depreciation for the year* | - | (1 670) | (1 670) |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



| | | | |
|---|---|---|---|
| Drawaarde einde van huidige jaar *Carrying value end of current year* ** | 136 700 | 16 530 | 153 230 |
| Kosprys*Cost* | 136 700 | 22 000 | 158 700 |
| Opgehoopte waardevermindering*Accumulated Depreciation* | - | (5 470) | (5 470) |
| ** | 136 700 | 16 530 | 153 230 |
| | | | |
| **4. Kontant en kontantekwivalente** ***Cash and cash equivalents*** | | | |
| Spaarrekening / *Savings account* (375 + 34) | | | 409 |
| Bank / *Bank* (12 765 + 64 645 – 76 250 – 234) | | | 926 |
| | | | 1 335 |
| | | | |
| **5. Rekeninge betaalbaar (krediteure)** ***Payables (creditors)*** | | | |
| Krediteure / *Creditors* (5 400 – 21 000 + 36 000) | | | 20 400 |
| Opgelope uitgawes / *Accrued expenses* (475 + 2 250) | | | 2 725 |
| Vooruitontvange inkomste / *Income received in advance* | | | 1 620 |
| | | | 24 745 |
| | | | |
| **6. Kapitaalfondse / *Capital funds*** | | | |
| Saldo op 1999/12/31 / *Balance on 1999/12/31* | | | 95 000 |
| Netto surplus vir die jaar / *Net surplus for the year* | | | 21 983 |
| Saldo op 2000/12/31 / *Balance on 2000/12/31* | | | 116 983 |
| | | | |

**Berekeninge / *Calculations***

(1) Lede se lidmaatskap beëindig / *Members' membership terminated*:

$(720 \div 180) = 4$

(2) Inkomste: ledegeld / *Income: membership fees*:
[(85 – 4) x 180] + [20 x 90] + [13 x 30] = 16 770

(3) Waardevermindering op toerusting / *Depreciation on equipment*:

$[(20\,000 - 3\,800) \times 10\% \times 1] + [2\,000 \times 10\% \times \frac{3}{12}] = 1\,620 + 50 = 1\,670$

(4) Beleggingsinkomste / *Interest on investment*

$(6\,000 \times 12\% \times \frac{6}{12}) + (10\,000 \times 12\% \times \frac{6}{12}) = 960$

| Rente op belegging/*Interest on investment* | | | |
|---|---|---|---|
| I&U/*I&E* | 960 | VI/*IRA* | 120 |
| | | B/*B* | 600 |
| | | OI/*AI* | 240 |
| | 960 | | 960 |

(5) Rente op verbandlening / *Interest on mortgage bond*

$[3\,000 + (30\,000 \times 15\% \times \frac{6}{12})] = 5\,250$

(6) Sweetpakke / *Tracksuits*

| Sweetpakke / *Tracksuits* | | | |
|---|---|---|---|
| V/*I* | 2 425 | B/*B* | 7 560 |
| B/*B* | 4 660 | V/*I* | 3 125 |
| W/*P* | 3 600 | | |
| | 10 685 | | 10 685 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.

**ACTIVITY 4 OEFENING**



**ALGEMENE GROOTBOEK VAN ABC BPK.**
***GENERAL LEDGER OF ABC LTD.***

**Balansstaat rekeninge-afdeling / *Balance sheet accounts section***

**GEWONE AANDELEKAPITAAL / *ORDINARY SHARE CAPITAL***

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2004 Jun. 30 | Saldo *Balance* | c/d | 380 000 | 2003 Jul. 1 | Saldo *Balance* | b/d | 300 000 |
| | | | | 15 | Bank / *Bank* | (1) | 80 000 |
| | | | **380 000** | | | | **380 000** |
| | | | | 2004 Jul. 1 | Saldo *Balance* | b/d | 380 000 |

**GEWONE AANDELEPREMIE / *ORDINARY SHARE PREMIUM***

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2004 Jun. 30 | Saldo *Balance* | c/d | 80 000 | 2003 Jul. 1 | Saldo *Balance* | b/d | 40 000 |
| | | | | 15 | Bank / *Bank* | (1) | 40 000 |
| | | | **80 000** | | | | **80 000** |
| | | | | 2004 Jul. 1 | Saldo *Balance* | b/d | 80 000 |

**OPGEHOOPTE WINS / *RETAINED INCOME***

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2004 Jun. 30 | Verdelingsrekening *Appropriation account* | (A) | 50 000 | 2003 Jul. 1 | Saldo *Balance* | b/d | 50 000 |
| | Saldo *Balance* | c/d | 203 675 | 2004 Jun. 30 | Verdelingsrekening *Appropriation account* | (D) | 203 675 |
| | | | **253 675** | | | | **253 675** |
| | | | | 2004 Jul. 1 | Saldo *Balance* | b/d | 203 675 |

**SAID (Inkomstebelsting) / *SARS (Income tax)***

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2003 Jul. 15 | Bank *Bank* | (2) | 20 000 | 2003 Jul. 1 | Saldo *Balance* | b/d | 20 000 |
| 31 | Bank *Bank* | (3) | 50 000 | 2004 Jun. 30 | Inkomstebelasting *Income tax* | (5) | 180 825 |
| Des. *Dec.* 30 | Bank *Bank* | (4) | 60 000 | | | | |
| 2004 Jun. 30 | Saldo *Balance* | c/d | 70 825 | | | | |
| | | | **200 825** | | | | **200 825** |
| | | | | 2004 Jul. 1 | Saldo *Balance* | b/d | 70 825 |

**AANDEELHOUERS VIR DIVIDENDE / *SHAREHOLDERS FOR DIVIDENDS***

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2003 Jul. 15 | Bank *Bank* | (2) | 10 000 | 2003 Jul. 1 | Saldo *Balance* | b/d | 10 000 |
| 2004 Jun. 30 | Saldo *Balance* | c/d | 57 000 | 2004 Jun. 30 | Gewone aandele dividende/*Ordinary share dividends* | (4) | 57 000 |
| | | | **67 000** | | | | **67 000** |
| | | | | 2004 Jul. 1 | Saldo *Balance* | b/d | 57 000 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.

50 **Nominale rekeninge afdeling / *Nominal accounts section***

**INKOMSTEBELASTING / *INCOME TAX***

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2004 Jun. 30 | SAID(Inkomstebelas-*Ting)/SARS (Income tax)* | (5) | **180 825** | 2004 Jun. 30 | Verdelingsrekening/ *Appropriation account* | (B) | **180 825** |

**GEWONE AANDELE-DIVIDENDE / *ORDINARY SHARE DIVIDENDS***

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2003 Des. *Dec.* 31 | Bank/ *Bank* (190 000 x 15c) | (3) | 28 500 | 2004 Jun. 30 | Verdelingsrekening/ *Appropriation account* | (C) | 85 500 |
| 2004 Jun. 30 | Aandeelhouers vir dividende/*Shareholders for dividends* | (4) | 57 000 | | | | |
| | | | **85 500** | | | | **85 500** |

**Finale rekeninge-afdeling / *Final accounts section***

**VERDELINGSREKENING / *APPROPRIATION ACOUNT***

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2004 Jun. 30 | Inkomstebelasting *Income tax* | (B) | 180 825 | 2004 Jun. 30 | Wins- en verliesrek. *Profit and loss* | (5) | 420 000 |
| | Gewone aandele dividende/*Ordinary share dividends* | (C) | 85 500 | | Opgehoopte wins *Retained income* | (A) | 50 000 |
| | Opgehoopte wins *Retained income* | (D) | 203 675 | | | | |
| | | | **470 000** | | | | **470 000** |
| | | | | | | | |

**EXPLANATIONS**

(1) Ordinary share capital: 40 000 x R2 = R80 000
Ordinary share premium: 40 000 x R1 = R40 000

(2) SARS: Pay the R20 000 balance b/d from the previous year.
Shareholders: Pay the R10 000 balance b/d from the previous year.

(3) SARS: Pay provisional tax R50 000.
Dividends: Pay interim dividends:
Calculate number of shares:
300 000 ÷ R2 = 150 000 shares
\+ 40 000 new shares
190 000 shares 190 000 x 15c = R28 500

(4) SARS: Pay provisional tax R60 000.
Dividend: 190 000 x 30c = R57 000

(5) Calculation of Income tax:
• Dividends for the year: R57 000 + R28 500 = R85 500 x 15% = R 12 825
• Net profit: R420 000 = 420 000 x 40% = 168 000
Total income tax R 180 825

(A) Balance of Retained Income transferred to the Appropriation account.
(B) Income tax transferred to the Appropriation account.
(C) Ordinary Share Dividends transferred to the Appropriation account.
(D) New Retained Income (balance of Appropriation account) transferred to Retained Income account.

**VERDUIDELIKINGS**

(1) Gewone aandelekapitaal – 40 000 x R2 = R80 000
Gewone aandelepremie - 40 000 x R1 = R40 000

(2) SAID – Betaal die saldo van R20 000 van die vorige jaar.
Aandeelhouers vir dividende – Betaal die saldo van R10 000 afgebring van die vorige jaar.

(3) SAID – Betaal voorlopige belsting R50 000
Dividende – Betaal interim dividend.
Berekening van aantal aandele- R300 000 ÷ R2 = 150 000 aandele
\+ 40 000 aandele
= 190 000 aandele
Dividende = 190 000 x 15c = R28 500

(4) SAID – Betaal voorlopige belasting R60 000
Dividend – 190 000 x 30c = R57 000

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



(5) Berekening van inkomstebelasting
*Dividende vir die jaar - R57 000 + R28 500 = R 85 500 x 15% = R 12 825
Netto inkomste - R420 000 = R420 000 x 40% = R 168 000
Totale inkomstebelasting betaalbaar =R 180 825

(A) Saldo van Opgehoopte wins oorgedra na Verdelingsrekening.
(B) Inkomstebelasting oorgedra na Verdelingsrekening.
(C) Gewone aandeledividende oorgedra na Vedelingsrekening.
(D) Nuwe saldo van Verdelingsrekening oorgedra na Opgehoopte winsrekening.

**ACTIVITY 5 OEFENING**

**ERNEST BPK. / *ERNEST LIMITED***
**INKOMSTESTAAT VIR DIE JAAR GEËINDIG 31 OKTOBER 2002**
***INCOME STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2002***

| | | R | R |
|---|---|---|---|
| Verkope/*Sales* | | | 771 600 |
| Koste van verkope/*Cost of sales* | | | (486 000) |
| **Bruto Wins/*Gross Profit*** | | | 285 600 |
| **Ander Bedryfsinkomste/*Other Operating Income*** | | | 26 000 |
| Kommissie-inkomste/*Commission income* | | 24 700 | |
| Handelsvoorraad-surplus/*Trading stock surplus* | | 1 000 | |
| Voorsiening vir oninbare skulde-aansuiwering / *Provision for bad debts adjustment* | | 300 | |
| | | | |
| **Bruto Bedryfsinkomste/*Gross Operating Income*** | | | 311 600 |
| **Bedryfsuitgawes/*Operating Expenses*** | | | (183 840) |
| Oninbare skulde/*Bad debts* | | 1 540 | |
| Advertensies/*Advertising* | | 6 300 | |
| Huuruitgawe/*Rent expense* | | 50 000 | |
| Ouditfooi/*Audit fees* | | 5 000 | |
| Direkteursvergoeding/*Directors' fees* | | 30 000 | |
| Salarisse en lone/*Salaries and wages* | | 91 000 | |
| | | | |
| **Bedryfswins / *Operating Profit*** | | | 127 760 |
| Rente-inkomste (debiteure-rekeninge) *Interest income (debtors' accounts)* | | | 1 700 |
| Wins voor rente-uitgawe/*Profit before interest expense* | | | 129 460 |
| Rente-uitgawe (Rente op verbandlening) *Interest expense (Interest on mortgage loan)* | | | (16 500) |
| **Wins voor belasting / *Profit before tax*** | | | 112 960 |
| Belasting/*Taxation* | | | (40 000) |
| **Netto wins vir die jaar/*Net Profit for the year*** | | | **72 960** |

**ACTIVITY 6 OEFENING**

**HAPPY VALLEY BEPERK / *HAPPY VALLEY LIMITED***
**BALANSSTAAT OP 28 FEBRUARIE 2001 / *BALANCE SHEET AT 28 FEBRUARY 2001***

| | Notas/*Notes* | R | R |
|---|---|---|---|
| **BATES/*ASSETS*** | | | |
| **NIE-BEDRYSBATES/*NON-CURRENT ASSETS*** | | | 516 896 |
| Vaste bates / Tasbare bates / Eiendom / Aanleg / Toerusting *Fixed assets / Tangible assets / Property / Plant / Equipment* | 3 | 516 896 | |
| | | | |
| **Finansiële bates / *Financial assets*** | | | |
| Vaste deposito (vervaldatum meer as 12 maande) *Fixed deposits (maturation period longer than 12 months)* | | - | |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



| | | | |
|---|---|---|---|
| **BEDRYSBATES / *CURRENT ASSETS*** | | | 153 722 |
| Voorraad/*Inventories* | 4 | 72 136 | |
| Handels-en ander debiteure/*Trade and other debtors* | 5 | 34 490 | |
| Kontant en kontantekwivalente/*Cash and cash equivalents* | 6 | 47 096 | |
| **TOTALE BATES / *TOTAL ASSETS*** | | | **670 618** |
| | | | |
| **EKWITEIT EN LASTE / AANSPREEKLIKHEDE** *EQUITY AND LIABILITIES* | | | |
| **KAPITAAL EN RESERWES / *CAPITAL AND RESERVES*** | | | 470 000 |
| Gewone aandelekapitaal / ekwiteit /*Ordinary share capital / equity* | 7 | 300 000 | |
| Aandelepremie / *Share premium* | 8 | 80 000 | |
| Opgehoopte wins Behoue inkomste *Accumulated profit / Retained income* | 9 | 90 000 | |
| **NIE-BEDRYSLASTE / *NON-CURRENT LIABILITIES*** | | | 110 000 |
| Verbandlening: ERH Bank *Mortgage bond: ERH Bank* | | 110 000 | |
| | | | |
| **BEDRYFSLASTE / *CURRENT LIABILITIES*** | | | 90 618 |
| Handels –en ander krediteure/*Trade and other creditors* | 10 | 90 618 | |
| Oortrokke bank / *Bank overdraft* | | - | |
| **TOTALE EKWITEIT EN LASTE / AANSPREEKLIKHEDE** *TOTAL EQUITY AND LIABILITIES* | | | **670 618** |

**NOTAS TOT DIE FINANSIËLE STATE OP 28 FEBRUARIE 2001**
***NOTES TO THE FINANCIAL STATEMENTS AT 28 FEBRUARY 2001***

| **3 Vaste bates / Tasbare bates / Eiendom,aanleg en toerusting/** ***Fixed Assets / Tangible assets / Property, plant and equipment*** | **Grond en geboue/** ***Land and buildings*** | **Voertuie** ***Vehicles*** | **Toerus-ting/** ***Equip-ment*** | **Totaal** ***Total*** |
|---|---|---|---|---|
| Kosprys/*Cost* | 359 680 | 170 640 | 95 000 | 625 320 |
| Opgehoopte waardevermindering *Accumulated depreciation* | | (53 120) | (22 300) | (75 420) |
| Drawaarde op 2001/12/31 *Carrying value on 2001/12/31* | 359 680 | 117 520 | 72 700 | 549 900 |
| **Beweging/*Movement*** | | | | |
| Verkrygings teen kosprys/*Additions at cost* | | | | |
| Verkope teen drawaarde *Disposals at carrying value* | | | | |
| Waardevermindering vir die jaar *Depreciation for the year* | | (23 504) | (9 500) | (33 004) |
| **Drawaarde op 2002/12/31 * *Carrying value on 2002/12/31**** | **359 680** | **94 016** | **63 200** | **516 896** |
| Kosprys/*Cost* | 359 680 | 170 640 | 95 000 | 625 320 |
| Opgehoopte waardevermindering *Accumulated Depreciation* | | (76 624) | (31 800) | (108 424) |
| * | **359 680** | **94 016** | **63 200** | **516 896** |
| | | | | |
| **4. Voorraad / *Inventories*** | | | | |
| Handelsvoorraad/*Trading stock* | | | | 67 936 |
| Verbruiksgoedere voorhande *Consumables stores on hand* | | | | 72 136 |
| | | | | 72 136 |
| | | | | |
| **5. Handels- en ander debiteure** ***Trade and other receivables (debtors)*** | | | | |
| Handelsdebiteure/*Trade debtors* | | | | 24 200 |
| Voorsiening vir oninbare skulde | | | | (1 210) |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



| | | | | |
|---|---|---|---|---|
| *Provision for bad debts* | | | | |
| Netto handelsdebiteure/*Net trade debtors* | | | | 22 990 |
| Vooruitbetaalde uitgawes/*Prepaid expenses* | | | | 6 500 |
| Opgelope inkomste/*Accrued income* | | | | 5 000 |
| | | | | 34 490 |
| | | | | |
| **6. Kontant en kontantekwivalente** ***Cash and cash equivalents*** | | | | |
| Bank/*Bank* | | | | 45 396 |
| Wisselgeld/*Cash float* | | | | 1 200 |
| Kleinkas/*Petty cash* | | | | 500 |
| | | | | 47 096 |
| **7. Gewone aandelekapitaal** ***Ordinary share capital*** | | | | |
| **Gemagtig/*Authorised*** | | | | |
| 200 000 gewone aandele van R2 elk<br>*200 000 ordinary shares of R2 each* | | | | 400 000 |
| **Uitgereik/*Issued*** | | | | |
| 150 000 aandele uitgereik teen R2 elk<br>*150 000 shares issued at R2 each* | | | | 300 000 |
| **8. Aandelepremie / *Share premium*** | | | | |
| Saldo op 28 Februarie 2000<br>*Balance on 28 February 2000* | | | | 80 000 |
| Aandele gedurende die jaar uitgereik<br>*Shares issued during financial year* | | | | - |
| Saldo op 28 Februarie 2001<br>*Balance on 28 February 2001* | | | | 80 000 |
| | | | | |
| **9. Opgehoopte wins / Behoue inkomste** ***Accumulated profits / Retained income*** | | | | |
| Saldo op 28 Februarie 2000<br>*Balance on 28 February 2000* | | | | 40 000 |
| Netto wins na belasting vir die jaar<br>*Net profit after tax for the year* | | | | 105 000 |
| Gewone dividende/*Ordinary dividends* | | | | (55 000) |
| Betaal/*Paid* | | | (25 000) | |
| Aanbeveel/*Recommended* | | | (30 000) | |
| Saldo op 28 Februarie 2001<br>*Balance on 28 February 2001* | | | | 90 000 |
| | | | | |
| **10. Handels-en ander krediteure** ***Trade and other payables (creditors)*** | | | | |
| Handelskrediteure/*Trade creditors* | | | | 52 013 |
| Opgelope uitgawes/*Accrued expenses* | | | | 3 000 |
| Vooruitontvange inkomste<br>*Income received in advance* | | | | 1 505 |
| Werkloosheidsversekeringsfonds<br>*Unemployment Insurance Fund* | | | | 1 600 |
| Aandeelhouers vir dividende<br>*Shareholders for dividends* | | | | 30 000 |
| Suid-Afrikaanse Inkomstediens<br>*South African Revenue Services* | | | | 2 500 |
| - Inkomstebelasting/*Income tax* | | | 2 500 | |
| - LBS/*PAYE* | | | - | |
| | | | | 90 618 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from
www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



**ACTIVITY 7 OEFENING**

**XYZ BPK. / *XYZ LTD*.**
**KONTANTVLOEISTATE VIR DIE JAAR GEËINDIG 28 FEBRUARIE 2004**
***CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2004***

| | | | |
|---|---|---|---|
| **Kontantvloei uit bedryfsaktiwiteite**<br>***Cash flow from operating activities*** | | | **42 000** |
| Kontant uit bedrywighede voortgebring<br>*Cash generated from operations* | 1 | 102 000 | |
| Rente betaal / *Interest paid* | | (16 000) | |
| Dividende betaal */ Dividends paid* | 3 | (17 000) | |
| Inkomstebelasting betaal / *Income tax paid* | 4 | (27 000) | |
| | | | |
| **Kontantvloei uit beleggingsaktiwiteite**<br>***Cash flow from investing activities*** | | | **(85 000)** |
| Aankoop van vaste bates / nie-bedryfsbates<br>*Purchase of fixed assets / Non-current assets* | 5 | (95 000) | |
| Opbrengs met die verkoop van vaste bates / nie-bedryfsbates<br>*Proceeds from sale of fixed assets / non- current assets* | | 10 000 | |
| | | | |
| **Kontantvloei uit finansieringsaktiwiteite**<br>***Cash flow from financing activities*** | | | **31 000** |
| *(1)Opbrengs verkry uit aandele uitgereik<br>**(1)Proceeds from shares issued* | | 72 000 | |
| Opbrengs van langtermynlenings<br>*Proceeds from long term loans* | | - | |
| Terugbetaling van langtermynlenings'<br>*Payment of long term loans* | | (41 000) | |
| Netto verandering in kontant en kontantekwivalente<br>*Net change in cash and cash equivalents* | 2 | | ***(13 000)** |
| Kontant en kontantekwivalente aan die begin van die jaar<br>*Cash and cash equivalents at beginning of year* | 2 | | 34 000 |
| Kontant en kontantekwivalente aan die einde van die jaar<br>*Cash and cash equivalents at end of year* | 2 | | 21 000 |

***N.B. Net change in Cash and cash equivalents is the balancing and reconciliation amount.***

**XYZ BEPERK / *XYZ LIMITED***
**NOTAS TOT DIE KONTANTVLOEISTAAT / *NOTES TO THE CASH FLOW STATEMENT***

| | | |
|---|---|---|
| **1 Rekonsiliasie van netto wins voor belasting en kontant verkry uit bedrywighede.**<br>***Reconciliation between profit before taxation and cash generated from operations*** | | |
| Wins voor belasting/*Profit before taxation* | 64 000 | |
| Aangesuiwer vir: */ Adjustments for*: | | |
| -Waardevermindering/*Depreciation* | 25 000 | |
| - Rente betaal/*Interest paid* | 16 000 | |
| Wins uit bedrywighede voor veranderinge in bedryfskapitaal/*Operating profit before changes in working capital* | | 105 000 |
| | | ( 4 000) |
| (Toename) / Afname in voorraad<br>(*Increase) / Decrease in inventory*<br>(120 000 – 104 000) | (16 000) | |
| (Toename) / Afname in debiteure<br>(*Increase) /Decrease in debtors*<br>(52 000 – 42 000) | 10 000 | |
| Toename / (Afname) in krediteure<br>*Increase / (Decrease) in creditors*<br>(50 000 – 48 000) | 2 000 | |
| Kontant deur bedrywighede voortgebring<br>*Cash generated from operations* | | 101 000 |
| | | |
| **2 Kontant en kontantekwivalente/** **Netto** | | |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



| ***Cash and cash equivalents*** | **verandering** ***Net change*** | **2004** | **2003** |
|---|---|---|---|
| Bank (Oortrokke bank) *Bank (overdraft)* | (13 000) | 21 000 | 34 000 |
| Wisselgeld / *Cash float* | -- | -- | -- |
| *Kleinkas / Petty cash* | -- | -- | -- |
| | (13 000) | 21 000 | 34 000 |

**Die volgende notas word nie vereis nie, maar berekeninge moet getoon word./**
***The following notes are not required, but calculations should be shown.***

**Grootboekrekeninge is aanvaarbaar/**
***Ledger accounts are acceptable***

| | |
|---|---|
| **3. Dividends betaal / *Dividends paid*** | |
| Bedrag in finansiële state<br>*Amount in financial statements* | (20 000) |
| Saldo op laaste dag van die vorige jaar<br>*Balance on last day of previous year* | (9 000) |
| Saldo op laaste dag van die huidige jaar<br>*Balance on last day of current year* | 12 000 |
| | (17 000) |
| **4. Inkomstebelasting betaal / *Taxation paid*** | |
| Bedrag in inkomstestaat<br>*Amount in income statement* | (25 000) |
| Saldo op laaste dag van vorige jaar<br>*Balance on last day of previous year* | (6 000) |
| Saldo op laaste dag van huidige jaar<br>*Balance on last day of current year* | 4 000 |
| | (27 000) |
| | |
| **5 Tasbare bates aangekoop / Vaste bates aangekoop /Eiendom, aanleg en toerusting aangekoop**<br>***Tangible assets purchased / Fixed assets purchased/Property, plant and equipment purchased*** | |
| Grond en geboue / *Land and buildings* | (50 000) |
| Toerusting / *Equipment* | (45 000) |
| Voertuie / *Vehicles* | -- |
| | (95 000) |

**Verduidelikings**

*1. 332 000 – 260 000 = 72 000

2. Berekening van toerusting aangekoop:

| | | |
|---|---|---|
| Begin | 110 000 | (Drawaarde) |
| Waardevermindering | (25 000) | (per Inkomstestaat) |
| Verkoop | (10 000) | (Drawaarde) |
| Sub-totaal | 75 000 | |
| Einde | (120 000) | (Drawaarde) |
| Aangekoop | **(45 000)** | **Dit is die vermiste bedrag.** |

3. Die bedrag aangedui met (*) in die kontantvloeistaat (R13 000) moet balanseer met die balans tussen kontant in die balansstate van 2004 en 2003. Die belangrikste oogmerk van die staat is om the verduidelik waarom die kontant-bedrag verhoog of verlaag het. In hierdie geval is die R13 000 'n uitvloei/verlaging.

4. Waardevermindering het geen invloed op die vloei van kontant nie. Dit word dus bygetel om te bepaal wat die wins was voor waardevermindering.

5. Rente op lenings word apart in die kontantvloeistaat getoon, dus word dit eers bygetel. (Nota 1).

6. Dieselfede geld vir rente ontvang – dit word eers afgetrek. Rente ontvang word apart op die kontantvloeistaat getoon.

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.

56 **Explanations**

*1. 332 000 – 260 000 = 72 000

2. Calculation of equipment purchased:

| | | |
|---|---|---|
| Beginning | 110 000 | (Carrying value) |
| Depreciation | (25 000) | (per Income Statement) |
| Sold | (10 000) | (Carrying value) |
| Sub-total | 75 000 | |
| End | (120 000) | (Carrying value) |
| Purchased | **(45 000)** | **This is the missing figure.** |

3. The bottom line of the Cash Flow Statement, i.e. R13 000 (*), must be checked by subtracting the figures for cash in the Balance Sheets for 2004 and 2003. The main objective of the statement is to explain why the figure for cash increased or decreased. In this exercise the R13 000 is an outflow/decrease.

4. Depreciation does not involve a flow of cash. It is therefore added back to determine what the net profit was before the depreciation. (Note 1).

5. Interest on borrowed money has to be shown separately on the Cash Flow Statement; this is why it is added back. (Note 1).

6. Similarly interest income must be subtracted from this note and shown on the body of the Cash Flow Statement as inflow of funds.

## ACTIVITY 8 OEFENING

**CHEETAH HANDELAARS / CHEETAH TRADERS**
**ALGEMENE GROOTBOEK / GENERAL LEDGER**

**Balansstaatrekeninge-afdeling / *Balance sheet accounts section***

**LEDEBYDRAES / *MEMBERS' CONTRIBUTIONS***

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2002 Feb. 28 | Saldo *Balance* | o/b c/d | 387 000 | 2001 Mr. 1 | Saldo *Balance* | a/b b/d | 320 000 |
| | | | | Aug. 31 | Voertuie/*Vehicles* | | 55 000 |
| | | | | Nov. 18 | Salaris: F. Fralize *Salary: F. Fralize* | | 12 000 |
| | | | **387 000** | | | | **387 000** |
| | | | | 2002 Mr. 1 | Saldo *Balance* | a/b b/d | 387 000 |

**SAID (INKOMSTEBELASTING / *SARS (INCOME TAX*)**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2001 Mr. 10 | Bank | | 2 500 | 2001 Mr. 1 | Saldo *Balance* | a/b b/d | 2 500 |
| Aug. 31 | Bank | | 22 000 | 2002 Feb. 28 | Inkomstebelasting *Income tax* | | 44 800 |
| 2002 Feb. 26 | Bank | | 23 000 | | Saldo *Balance* | o/b c/d | 200 |
| | | | | | | | |
| | | | **45 000** | | | | **45 000** |
| 2002 Mr. 1 | Saldo *Balance* | a/b b/d | 200 | | | | |

**Nominale rekeninge-afedeling / *Nominal accounts section***

**VERDELING AAN LEDE / *DISTRIBUTION TO MEMBERS***

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2002 Feb. 28 | Verdeling betaalbaar aan lede / *Distribution payable to members* | | 55 000 | 2002 Feb. 28 | Verdelingsrekening *Appropriation account* | | 55 000 |

**VERDELINGSREKENING / *APPROPRIATION ACCOUNT***

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2002 Feb. | Inkomstebelasting *Income tax* | | 44 800 | 2002 Feb. | Wins-en-verlies *Profit and loss* | | 110 000 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 28 | | | | 28 | | | |
| | Verdeling aan lede<br>*Distribution to members* | | 55 000 | | Opgehoopte wins<br>*Accumulated profits* | | 21 600 |
| | Opgehoopte wins<br>*Accumulated profits* | | 31 800 | | | | |
| | | | **131 600** | | | | **131 600** |

**ACTIVITY 9 OEFENING**

**GOVETTE HANDELAARS BK / GOVETTE TRADERS CC**
**INKOMSTESTAAT VIR DIE JAAR GEËINDIG 28 FEBRUARIE 2002**
***INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2002***

| | | | |
|---|---|---|---|
| Verkope/*Sales* (532 400 – 7 380) | | | 525 020 |
| Koste van verkope/*Cost of sales* | | | (266 720) |
| **Bruto Wins/*Gross Profit*** | | | 258 300 |
| **Ander Bedryfsinkomste/*Other Operating Income*** | | | 58 895 |
| Huurinkomste: M. Goetham / *Rent income: M. Goetham*<br>(4 500 x 6) + (5 040 x 6) of/*or* 62 280 – (4 500 + 540) | | 57 240 | |
| Oninbare skulde verhaal/*Bad debts recovered* | | 1 600 | |
| Voorsiening vir oninbare skulde-aansuiwering /<br>*Provision for bad debts adjustment* (1 100 – 1 045) | | 55 | |
| **Bruto Bedryfsinkomste/*Gross Operating Income*** | | | 317 195 |
| **Bedryfsuitgawes/*Operating Expenses*** | | | (252 370) |
| Oninbare skulde/*Bad debts* | | 3 550 | |
| Advertensies/*Advertising* | | 7 410 | |
| Donasies / *Donations* | | 1 600 | |
| Verpakkingsmateriaal/*Packing material*<br>(11 800 – 300 – 1 500) | | 10 000 | |
| Handelsvoorraadtekort/*Trading inventory deficit*<br>(38 650 + 300 – 1 600 – 36 370) | | 980 | |
| Herstelwerk/*Repairs* (6 600 + 2 000) | | 8 600 | |
| Wardevermindering/*Depreciation*<br>(48 000 – 2 000 – 22 800) x 15% x 1 | | 3 480 | |
| Lone/*Wages* | | 84 200 | |
| Salaris: S. Nomvette / *Salary: S. Nomvette* | | 30 250 | |
| Salaris: M. Goetham / *Salary: M. Goetham* | | 36 000 | |
| Diverse uitgawes/*Sundry expenses* | | 66 300 | |
| **Bedryfswins / *Operating Profit*** | | | 64 825 |
| Rente-inkomste / *Interest income* | 1 | | 7 400 |
| Wins voor rente-uitgawe/*Profit before interest expense* | | | 72 225 |
| Rente-uitgawe / *Interest expense* | 2 | | (8 290) |
| **Wins voor belasting / *Profit before tax*** | | | 63 935 |
| Belasting/*Taxation* | | | (17 500) |
| **Netto wins vir die jaar/*Net Profit for the year*** | | | **46 435** |

**NOTAS TOT FINANSIËLE STATE / *NOTES TO FINANCIAL STATEMENTS***

| **1. Rente-inkomste/*Interest income*** | | |
|---|---|---|
| Rente op lening: S. Nomvette<br>*Interest on loan: S. Nomvette* | | 2 500 |
| Rente ontvang van debiteure<br>*Interest received from debtors* | | 4 900 |
| | | 7 400 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from
www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



| | | |
|---|---|---|
| | | |
| **2. Rente-uitgawe/*Interest expense*** | | |
| Rente op lening: M. Goetham<br>*Interest on loan: M. Goetham* | | 4 550 |
| Rente op oortrekking/ *Interest on overdraft* | | 3 740 |
| | | 8 290 |
| **3. Opgehoopte fonds/*Accumulated funds*** | | |
| Saldo op 2001/02/28<br>*Balance on 2001/02/28* | | 38 200 |
| Netto wins vir die jaar<br>*Net profit for the year* | | 46 435 |
| Verdeling aan lede<br>*Distribution to members* | | (25 000) |
| Saldo op 2002/02/28<br>*Balance on 2002/02/28* | | 59 635 |

**Berekeninge / Calculations**

(1) Oninbare skulde / *Bad debts*

[2 500 + (700 x $\frac{60}{40}$)] = [2 500 + 1 050]

(2) Advertensies / *Advertising*

[9 810 – (3 600 x $\frac{4}{6}$ ] = [ 9 810 – 2 400]

(3) Donasies/ *Donations*

(2 800 x $\frac{100}{175}$)

(4) Rente op lening:M Goedham/ *Interest on loan: M Goedham*

[(30 000 x 13% x $\frac{3}{12}$) = 975] en/*and*

3 575 + 975 = 4 550

**ACTIVITY 10 OEFENING**

**SOMERDRAG BK/*SUMMER WEAR CC***
**BALANSSTAAT OP 31 OKTOBER 2002/*BALANCE SHEET AT 31 OCTOBER 2002***

| | **Notas/*Notes*** | **R** | **R** |
|---|---|---|---|
| **BATES/*ASSETS*** | | | |
| **NIE-BEDRYSBATES/*NON-CURRENT ASSETS*** | | | 938 800 |
| Vaste bates / Tasbare bates / Eiendom / Aanleg / Toerusting<br>*Fixed assets / Tangible assets / Property / Plant / Equipment* | 3 | 912 800 | |
| | | | |
| **Finansiële bates / *Financial assets*** | | | |
| Vaste deposito / *Fixed deposit* | | 16 000 | |
| Lenings aan lede / *Loans to members* | | 10 000 | |
| | | | |
| **BEDRYFSBATES / *CURRENT ASSETS*** | | | 88 200 |
| Voorraad/*Inventories* | 4 | 56 700 | |
| Handels-en ander debiteure/*Trade and other debtors* | 5 | 13 400 | |
| Kontant en kontantekwivalente/*Cash and cash equivalents* | 6 | 18 100 | |
| **TOTALE BATES / *TOTAL ASSETS*** | | | **1 027000** |
| | | | |
| **EKWITEIT EN LASTE / AANSPREEKLIKHEDE**<br>***EQUITY AND LIABILITIES*** | | | |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



| | | | |
|---|---|---|---|
| **LEDEFONDSE / *MEMBERS' FUNDS*** | | | 500 000 |
| Ledebydraes/*Members' contributions* | | 470 000 | |
| Opgehoopte wins/*Accumulated profits* | | 30 000 | |
| | | | |
| **NIE-BEDRYSLASTE / *NON-CURRENT LIABILITIES*** | | | 485 000 |
| Verbandlening / *Mortgage bond* | | 85 000 | |
| Lening van lede / *Loan from members* | | 400 000 | |
| | | | |
| **BEDRYFSLASTE / *CURRENT LIABILITIES*** | | | 42 000 |
| Handels –en ander krediteure/*Trade and other creditors* | 10 | 42 000 | |
| | | - | |
| **TOTALE EKWITEIT EN LASTE / AANSPREEKLIKHEDE** ***TOTAL EQUITY AND LIABILITIES*** | | | **1 027000** |

**Berekeninge / *Calculations***

* Handels-en ander debiteure/*Trade and other debtors*:
8874 + 1 820 + 1 700 + 1 450 – 444* = 13 400

* Voorsiening vir oninbare skulde/**Provision for bad debts*:
8 874 x 5% = 443,70

* Kontant en kontantekwivalente/*Cash and cash equivalents*:
6 250 + 900 + 500 + 2 450 + 8 000 = 18 100

* Opgehoopte wins/*Accumulated profits*:
22 000 + 51 000 - *20 400 – 22 600 = 30 000
*21 850 – 1450 = 20 400

* Handels-en ander krediteure/*Trade and other creditors*:
12 050 + 22 600 + 4 600 + 2 750 = 42 000

**VRAAG 2**

**2.1 Likiditeitsposisie**

* Bedryfskapitaalverhouding beter as die minimum aanvaarbare verhouding van 2 : 1.
Hiervolgens geoordeel is likiditeit goed.

* Vuurproefverhouding is swakker as die minimum aanvaarbare verhouding van 1 : 1
Hiervolgens geoordeel is likiditeit onbevredigend.
Probeer om die vuurproefverhouding tot by 1 : 1 te kry deur verkope, verkieslik kontantverkope, te verhoog.

**2.2 Skuld/ekwiteitsverhouding**

| | | | |
|---|---|---|---|
| = langtermynlaste | : | ledefondse + lenings van lede |
| = 85 000 | : | (500 000) + 400 000) |
| = 85 000 | : | 900 000 |
| = 0,09 | : | 1 |

**2.3 Rede vir lening in plaas van ledebydrae**
'n Lening is terugbetaalbaar, dus is dit makliker om die geld weer terug te kry.
Elke keer wat lede hul bydrae aan die BK verander, moet 'n nuwe stigtingsverklaring voltooi word.

**2.4 Beperkte aanspreeklikheid**
Indien die BK gelikwideer word, is die lede se aanspreeklikheid tot hul belegging in die BK beperk.

**2.5 Beperkte aanspreeklikheid verbeur**
**(Een van die volgende omstandighede)**
* As hulle 'n transaksie aangaan waarin die naam van die BK sonder die afkorting BK gebruik word.
* As hulle versuim om die bydraes, soos bepaal in die Stigtingsverklaring, te maak.
* As die aantal lede vir 'n tydperk van ses maande meer as tien is.
* As 'n onbevoegde persoon deelneem aan die bestuur van die BK.
* As betalings aan lede gedoen word terwyl die BK nie aan die solvensie-en likiditeitsvereistes van die Wet op Beslote Korporasies voldoen nie.

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



***QUESTION 2***

***2.1 Liquidity position***

*Current ratio better than minimum accepted ratio of 2 : 1.*
*Judging by this the liquidity is good.*

*Acid test ratio is weaker than the minimum accepted ratio of 1 : 1.*
*Judging by this the liquidity is unsatisfactory.*
*Aim to get the acid test ratio to 1 : 1 by increasing sales, preferably cash sales.*

***2.2 Debt-equity ratio***

*= long-term liabilities : members' funds + loans from members*
*= 85 000 : (500 000) + 400 000)*
*= 85 000 : 900 000*
*= 0,09 : 1*

***2.3 Reason for loan rather than members' contribution***

*A loan is repayable so it is easier to get one's money back.*
*Each time the members change their contribution to the CC, a new Founding statement has to be completed.*

***2.4 Limited liability***

*If the CC is liquidated, the members' liability is limited to their investment in the CC.*

***2.5 Lose limited liability***

***(One of the following circumstances)***

* *By entering into a transaction, using the name of the CC, but without adding the abbreviation CC.*
* *By failing to make the contributions as stated in the Founding statement.*
* *By having more than ten members for a period of six months.*
* *By participating in the management of the CC although disqualified from doing so.*
* *By making payments to members when the CC cannot meet the solvency and liquidity requirements of the Close Corporations Act.*

**ACTIVITY 11 OEFENING**

Berekening van verkope en koste van verkope/*Calculation of sales and cost of sales*.

| | November 2002<br>*November 2002* | Februarie 2002<br>*February 2002* | Maandeliks<br>*Monthly* |
|---|---|---|---|
| Verkope<br>*Sales* | 90 000 | 135 000 | 135 000 ÷10=<br>13 500 |
| Koste van verkope<br>*Cost of sales* | 60 000 | 90 000 | 90 000÷10=<br>9 000 |

**KONTANTBEGROTING VAN PEMBROKE PIE/*CASH BUDGET OF PEMBROKE PIE***
**Begrotingsperiode – 1 Februarie 2003 tot 31 Maart 2003**
***Budgeted period – 1 February 2003 to 31 March 2003***

| | **Februarie**<br>***February*** | **Maart**<br>***March*** |
|---|---|---|
| **Kontantontvangste/*Cash receipts*** | | |
| Kontantverkope/*Cash sales* | 8 100 | 8 100 |
| Kontant van debiteure/*Cash from debtors* | 1 458 | 5 238 |
| Totale ontvangste/*Total receipts* | 9 558 | 13 338 |
| | | |
| **Kontantbetalings/*Cash payments*** | | |
| Betalings aan krediteure<br>*Payments to creditors* | 11 000 | 9 000 |
| Huuruitgawe/*Rent expense* | 200 | 200 |
| Kommissie-uitgawe/*Commission expense* | 1 350 | 1 350 |
| Totale betalings/*Total payments* | 12 550 | 10 550 |
| | | |
| Kontantoorskot (tekort)<br>*Cash surplus (shortfall)* | (2 992) | 2 788 |
| Bank beginsaldo<br>*Bank opening balance* | 2 000 | (992) |
| Bank eindsaldo<br>*Bank closing balance* | (992) | 1 796 |

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



**DEBITEURE-INVORDERINGSKEDULE/*DEBTORS COLLECTION SCHEDULE***

Begrotingsperiode – 1 Februarie 2003 tot 31 Maart 2003
*Budgeted period – 1 February 2003 to 31 March 2003*

| **Maand** *Month* | **Kredietverkope** *Credit sales* | **Februarie** *February* | **Maart** *March* |
|---|---|---|---|
| Februarie/*February* | 5 400 | 1 458 (1) | 3 780 (2) |
| Maart/*March* | 5 400 | | 1 458 (1) |
| Totaal/*Total* | 10 800 | 1 458 | 5 238 |

(1) 30% x R5 400 = R1 620 – 105 = R1 458
(2) R5 400 – R1 620 = R3 780

**ACTIVITY 12 OEFENING**

**MAKAYA HANDELAARS / *MAKAYA TRADERS***
**KONTANTBEGROTING VIR DIE TWEE MAANDE NOVEMBER EN DESEMBER 2002**
***CASH BUDGET FOR THE TWO MONTHS NOVEMBER AND DECEMBER 2002***

| | **November** *November* | **Desember** *December* |
|---|---|---|
| **KONTANTONTVANGSTE/*CASH RECEIPTS*** | | |
| | | |
| TOTALE ONTVANGSTE/*TOTAL RECEIPTS* | 168 000 | 120 000 |
| **KONTANTBETALINGS/*CASH PAYMENTS*** | | |
| Kontantaankope/*Cash purchases* (94 000 x 75% x 40% = 28 200) | 27 000 | 28 200 |
| Betalings aan krediteure/*Payments to creditors* (90 000 x 75% x 60% = 40 500) | 38 250 | 40 500 |
| Bedryfsuitgawes/*Operating expenses* | 14 000 | 14 000 |
| Advertensies/*Advertising* (90 000 x 3% = 2 700) en/*and* (94 000 x 4% = 3 760) | 2 700 | 3 760 |
| Salarisse/*Salaries* | 18 000 | 15 000 |
| Toerusting/*Equipment* | - | 2 900 |
| TOTALE BETALINGS/*TOTAL PAYMENTS* | 99 950 | 104 360 |
| Kontantoorskot (tekort)/*Cash surplus (shortfall)* | 68 050 | 15 640 |
| Bank (beginsaldo)/*Bank (opening balance)* | (40 000) | 28 050 |
| Bank (eindsaldo)/*Bank (closing balance)* | 28 050 | 43 690 |

**Vrae** ***Questions***

**Twee bedryfsuitgawes wat nie in die Kontantbegroting hoort nie.** ***Two operating expenses that do not belong in the Cash budget.***

Waardevermindering — *Depreciation*
Korting toegestaan — *Discount allowed*
Oninbare skulde — *Bad debts*
(Enige twee) — *(Any two)*

**Hoe verkoop die besigheid sy handelsware?** ***How does the business sell its merchandise?***

Op krediet/Op rekening — *On credit/On account*

**Kontant van debiteure ontvang November 2002** ***Cash received from debtors November 2002***

| **Maand** *Month* | **Kredietverkope** *Credit sales* | **Berekening** *Calculation* | **November** *November* |
|---|---|---|---|
| September/*September* | R70 000 | (70 000 x 20%) | 14 000 |
| Oktober/*October* | R85 000 | (85 000 x 35%) | 29 750 |
| November/*November* | R90 000 | (90 000 x 40% x 87½%) | 31 500 |
| | | | 75 250 |

**Oninbare skuld afgeskryf – begrotingstydperk**
***Bad debts written off – budgeted period***

| | **Kredietverkope** *Credit sales* | **Berekening** *Calculation* | **Bedrag** *Amount* | **Maand** *Month* |
|---|---|---|---|---|
| Augustus *August* | R60 000 | (60 000 x 5%) | 3 000 | November *November* |
| September *September* | R70 000 | (70 000 x 5%) | 3 500 | Desember *December* |
| | | | 6 500 | |

**Korting toegestaan – Desember 2002** ***Discount allowed – December 2002***
94 000 x 40% x 12½% = R4 700

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



**ACTIVITY 13 OEFENING**

**SMALL TOYS BPK./*SMALL TOYS LTD.***
**MAANDELIKSE INKOMSTE-VOORSPELLING: DESEMBER 2001 TOT FEBRUARIE 2002**
***MONTHLY INCOME FORECAST: DECEMBER 2001 TO FEBRUARY 2002***

| | **Desember** ***December*** | **Januarie** ***January*** | **Februarie** ***February*** |
|---|---|---|---|
| Verkope/*Sales* | 100 000 | 80 000 | 65 000 |
| Koste van verkope/*Cost of sales* | (80 000) | (64 000) | (52 000) |
| **Bruto wins/*Gross profit*** | 20 000 | 16 000 | 13 000 |
| **Ander bedryfsinkomste** ***Other operating income*** | | | |
| Huurinkomste/*Rent income* | 2 000 | 2 500 | 2 500 |
| **Bruto bedryfsinkomste** ***Gross operating income*** | 22 000 | 18 500 | 15 500 |
| **Bedryfsuitgawes/*Operating expenses*** | (6 300) | (9 325) | (9 625) |
| Waardevermindering/*Depreciation* | 200 | 2 825 | 2 825 |
| Ander kontantuitgawes *Other cash expenses* | 6 100 | 6 500 | 6 800 |
| **Bedryfswins (verlies)** ***Operating profit (loss)*** | 15 700 | 9 175 | 5 875 |
| Rente-inkomste/*Interest income* | - | - | - |
| **Wins voor rente-uitgawe** ***Profit before interest expense*** | 15 700 | 9 175 | 5 875 |
| Rente-uitgawe (Rente op lening) *Interest expense (Interest on loan)* | - | - | (1 120) |
| **Netto wins (verlies)/*Net profit (loss)*** | 15 700 | 9 175 | 4 755 |

2.1 Koop die voertuig op krediet.
(Moenie die voertuig koop nie)

3.2.1 *Buy the vehicle on credit.*
*(Do not buy the vehicle)*

2.2 Voorlopige inkomstebelasting.

3.2.2 *Provisional income tax.*

2.3 25% $\left(\frac{20000}{80000}\times\frac{100}{1}=25\%\right)$ of/*or* $\left(\frac{16000}{64000}\times\frac{100}{1}=25\%\right)$ of/*or* $\left(\frac{13000}{52000}\times\frac{100}{1}=25\%\right)$

2.4 Getal maande se voorraad voorhande/*Number of months' inventory on hand*

2.5

$$= \frac{\text{gemiddelde voorraad / } \textit{average inventory}}{\text{koste van verkope / } \textit{cost of sales}}\times\frac{12}{1}$$

$$= \frac{\frac{1}{2}(320000+320000)}{768000}\times\frac{12}{1}$$

$$= \frac{320000}{768000}\times\frac{12}{1}$$

= 5 maande/5 *months*

2.5 Dit behoort nie nodig te wees om genoeg handelsvoorraad (wat uit speelgoed bestaan) vir 5 maande in voorraad te hou nie. Dit is nie 'n item wat normaalweg moeilik bekombaar is nie. Dit is goed om elke maand die verkoopte voorraad aan te vul, maar hulle sou 'n vermindering in die basiese voorraad-waarde kan oorweeg.

3.2.5 *It should not be necessary to have enough trading inventory (consisting of toys) on hand for 5 months. It is not an item that (under normal circumstances) is difficult to come by. It is good to replace goods that are sold on a monthly basis, but they should consider a decrease in the fixed base inventory level.*

2.6 Voorraad kan verouder.
Voorraad kan uit die mode raak.
Te veel bedryfskapitaal in voorraad opgesluit.

3.2.6 *Inventory can become obsolete.*
*Inventory can go out of fashion.*
*Too much working capital in inventory.*

2.7 Des./*Dec.* 2001 Feb./*Feb.* 2002

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



%netto wins op omset/*% net profit on turnover* = $\frac{15700}{100000} \times \frac{100}{1}$ $\frac{4755}{65000} \times \frac{100}{1}$

= 15,7% 7,32%

2.8 Omset (dus ook bruto wins) het afgeneem.
Waardevermindering het toegeneem.
Ander kontantuitgawes het toegeneem.

2.8 *Turnover (therefore also gross profit) decreased.*
*Depreciation increased.*
*Other cash expenses increased.*

2.9 Aandeelhouersbelang/*Shareholders' equity* = 84 000 ÷ 0,16 = R525 000.

2.10 Rentekoers op lening/*Interest rate on loan* = $\frac{1120}{84000} \times \frac{12}{1} \times \frac{100}{1}$

= 16% per jaar/*per annum*

2.11

a) $\frac{\text{Netto wins voor rente en belasting / } \textit{Net profit before interest and tax}}{\text{Gemiddelde kapitaal aangewend / } \textit{Average capital employed}} \times \frac{100}{1}$

$= \frac{(105000 + 1120)}{\frac{1}{2}(525000 + 609000)} \times \frac{100}{1}$

$= \frac{106120}{567000} \times \frac{100}{1}$

= 18,72%

b) Rente op lening beloop 16% per jaar. Netto verdienste op kapitaal aangewend is 18,72%.
∴ Was wys om lening aan te gaan.

b) *Interest on loan amounts to 16% per annum.Net earning on capital employed is 18,72%.*
∴ *It was wise to take out loan.*

c) Uitreik van bykomende aandele.

c) *Issue of additional shares.*

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL

Deloitte.
Your job is waiting. Apply online. www.deloitte.com/za
Move. Earn. Grow.



**SALARISJOERNAAL VAN PROTEA TRADERS VIR DIE MAAND GEËINDIG 30 SEPTEMBER 2000**
***SALARY JOURNAL OF PROTEA TRADERS FOR THE MONTH ENDED 30 SEPTEMBER 2000***

| Werknemer *Employee* | Bruto salaris *Gross salary* | Aftrekkings *Deductions* | | | | Totaal *Total* | Netto salaris *Net salary* | Werkgewersbydraes *Employer's contributions* | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Pensioen-fonds *Pension fund* | Sieke-fonds *Medical aid* | WVF *UIF* | LBS *PAYE* | | | Pensioen-fonds *Pension fund* | WVF *UIF* | Totaal *Total* |
| H. Cronjé | 6 000 | 480 | 110 | 60 | 1 820 | 2 470 | 3 530 | 480 | 60 | 540 |
| A. Adams | 5 000 | 400 | 70 | 50 | 1 250 | 1 770 | 3 230 | 400 | 50 | 450 |
| (60 000/12) | | | | | | | | | | |
| | **11 000** | **880** | **180** | **110** | **3 070** | **4 240** | **6 760** | **880** | **110** | **990** |

**Verduideliking / *Explanation***

1. LBS/*PAYE*
   H. Cronjé: R6 000 x 12 = R72 000
   (72 000 – 70 000) = R2 000
   R2 000 x 42% = R840
   R21 000 + R840 = R21 840 p.j./*p.a*.
   R21 840 ÷ 12 = R1 820 p.m.

   A. Adams: LBS/*PAYE* = R60 000 = R15 000 p.j./*p.a*.
   R15 000 ÷ 12 = R1 250 p.m.

2. Pensioenfonds/*Pension fund*
   H. Cronjé = R6 000 x 8% = R480
   A. Adams = R60 000 ÷ 12 = R5 000 p.m. x 8% = R400

3. WVF/*UIF*
   H. Cronjé = R6 000 x 1% = R60
   A. Adams = R5 000 x 1% = R50

4. Siekefonds/*Medical Aid*
   H. Cronjé = R1 080 + R120 + R120 = R1 320 p.j./*p.a.* ÷ 12 = R110 p.m.
   A. Adams = R840 p.j./*p.a.* ÷ 12 = R70 p.m.

end

education
Department: Education
REPUBLIC OF SOUTH AFRICA
These books can now be downloaded from www.thutong.org.za
THUTONG
SOUTH AFRICAN EDUCATION PORTAL