

ACCOUNTING GRADE 12

Paper 1

Time: 2 hours

200 marks

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This paper consists of 9 pages. Please check that your question paper is complete.
2. Read the questions carefully.
3. There is a **complete** Answer Book. There is a clearly marked page for each answer.
4. It is in your interests to write legibly and present your work neatly.
5. Show all calculations in brackets.
6. You may **not** use red or green ink. **You may use pencil, but please use a soft, dark pencil.**
7. No abbreviations are allowed.
8. The allocation of marks and approximate time to be taken for each question are as follows:

QUESTION	TIME	MARKS	SECTION	Learning outcomes and assessment standards
1	30 min	50	Cash flow statement and ratio analysis	12.1.5. 12.1.6.
2	36 min	60	Close corporations	12.1.1. 12.1.5.
3	24 min	40	Manufacturing	12.2.2.
4	30 min	50	Managing resources	12.1.1. 12.2.3. 12.3.3. 12.3.4. 12.3.5. 12.3.6.
TOTAL	120 min	200		

QUESTION 1 Cash flow statement & analysis (50 marks, 30 minutes)

Bailey Ltd has an authorised share capital of 500 000 ordinary shares with a par value of R2 each. Shares in issue were sold to the public at the incorporation of Bailey Ltd.

Instructions:

- 1.1. Prepare the following with regards to the cash flow statement for 2007:
 - 1.1.1. Note showing the reconciliation between profit before taxation and cash generated from operations (20)
 - 1.1.2. Calculation of dividends paid (5)
 - 1.1.3. Calculation of taxation paid (4)
- 1.2. Calculate and comment on the debt / equity ratio for 2007. The debt / equity ratio for 2006 was 0.2 : 1. (9)
- 1.3. Calculate the following for 2007 and comment briefly:
 - 1.3.1. Dividends per share (DPS 2006 = 12c / share)
 - 1.3.2. Earnings per share (EPS 2006 = 50c / share) (12)

Information:

Extract from the Income Statement of Bailey Stores for the year ended 28 February 2007

Sales	600 000
Income tax	60 000
Net profit for the year after tax	90 000
Interest on loans	12 900
Depreciation: Equipment	?
Depreciation: Vehicles	27 200

Extract from the Balance Sheet of Bailey Stores as at 28 February 2007

	Notes	2007	2006
Fixed Assets		544 400	437 600
Current Assets			
Inventory		134 000	162 000
Trade and other receivables		28 000	36 000
Cash and cash equivalents		66 800	16 400
Ordinary share capital		500 000	400 000
Share premium		50 000	40 000
Accumulated / Retained income		72 000	32 000
Loan: Sharks Bank (15% pa)		76 000	96 000
Trade and other payables		75 200	84 000

Additional information:

- 40% of sales were on credit
- Equipment was bought during the year.
- A vehicle was sold on 28 February 2007 at carrying value.
- No other fixed assets were bought and sold
- The following dividends were declared during the financial year:

Interim dividend	R30 000
Final	R20 000
Total	R50 000

Notes to the financial statements:

3.	Fixed Assets	Land and buildings	Equipment	Vehicles
	Cost at the beginning of the year	160 000	100 000	280 000
	Accumulated depreciation	-	(33 200)	(69 200)
	Carrying value at the beginning of the year	160 000	66 800	210 800
	Cost at the end of the year	350 000	120 000	210 000
	Accumulated depreciation	-	(49 200)	(86 400)
	Carrying value at the end of the year	350 000	70 800	123 600

5.	Trade and other receivables	2007	2006
	Trade debtors	23 000	34 000
	SARS (Income Tax)	2 800	-
	Accrued income	800	500
	Prepaid expenses	1 400	1 500

10.	Trade and other payables	2007	2006
	Trade creditors	54 000	63 000
	SARS (Income Tax)	-	8 000
	Accrued expenses (telephone)	800	700
	Shareholders for dividends	20 000	12 000



50 marks

QUESTION 2

Close corporations

(60 marks, 36 minutes)

Required:

Use the information below to prepare the following statements in the books of CasNo Traders CC. The members are D. Casablance and M. Nova.

2.1. Detailed Income Statement for the year ended 31 December 2008. (40)

2.2. M Nova is concerned that the equity funds favour D Casablance. M Nova opted to invest her capital in the business in the form of a contribution while D Casablance invested his capital in the form of a loan. Explain the following to M Nova:

- The advantages of a loan account being used instead of a contribution
- The disadvantages of a loan account being used instead of a contribution
- Whether the present situation favours D Casablance or acts against her(10)

CASNO TRADERS CC

PRE-ADJUSTMENT TRIAL BALANCE ON 31 DECEMBER 2008	DEBITS	CREDITS
Balance Sheet Account Section		
Members' contribution		332 620
Retained Income (Accumulated profit)		112 000
Loan from D Casablance		515 000
Land and buildings	806 900	
Vehicles	197 860	
Equipment	129 600	
Accumulated depreciation on vehicles		118 310
Accumulated depreciation on equipment		47 580
Loan to M Nova	5 000	
Fixed deposit	15 000	
Trading Stock	127 000	
Debtors control	14 830	
Provision for bad debt		900
Bank		10 000
Cash float	370	
Creditors control		3 892
SARS (Income tax)	83 204	
Nominal Account Section		
Sales		1 400 000
Cost of sales	473 970	
Debtors allowances	11 250	
Bad debt	1 200	
Advertising	36 800	
Rent Income		61 600
Interest on fixed deposit		1 200
Interest on overdraft	500	
Remuneration: Accounting officer	77 666	
Salary: D Casablance	110 000	
Wages	258 910	
Telephone	52 200	
Consumable stores	18 560	
Bank Charges	2 800	
Rent expense	55 000	
Water and Electricity	87 660	
Commission on sales	36 822	

Adjustments and additional information:

- The following items are on hand according to stock-taking:

Trading stock	126 500
Consumable stores	1 250
- Advertisements include an amount of R12 000 paid in respect of a six-month contract that expires on 30 April 2009.
- R. Butler, a debtor owing R830 is insolvent. His account must be written off.
- Provision for bad debt must be adjusted to 6 % of outstanding debtors.
- A salary of R110 000 is paid to D. Casablance for his contribution to management of the business.
- A vehicle, cost price R50 000, was sold on 1 October 2008 to J. Eyre for R12 000 cash. On 1 January 2008 the accumulated depreciation on the vehicle sold amounted to R10 000. Depreciation on vehicles must be calculated at 20% p.a. on the diminished balance. No entries have been made.
- Rent expense for December has not yet been paid.
- The loan to M Nova was made on 30 June 2008. The interest outstanding must be brought into account at 15% p.a.
- The loan agreement with D Casablance provides that a repayment of R10 000 must be made on the 1 November every year and this was recorded. On this date the interest rate increased from 12% to 15%. Provide for outstanding interest.
- D Casablance supplied equipment on 1 July 2008 to the value of R20 000 to the corporation to increase his member's contribution. This has been recorded. Depreciation on equipment is calculated at 10% p.a. on cost.
- Income tax for the year amounts to R47 000.
- Net Income of R80 000 is distributed between the members in the following interest ratio: D. Casablance 70% and M. Nova 30%



50 marks

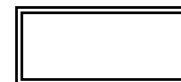
QUESTION 3 Manufacturing accounts (40 marks, 24 minutes)

Instructions:

- 3.1. Use the given information to draw up the Production Cost Statement of Prime Industries for the financial year ended 30 June 2008. (30)
- 3.2. Calculate the gross profit for the year on finished goods. (10)
- 3.3. Calculate the cost per unit produced. (4)
- 3.4. Determine the break even quantity and explain the significance of this quantity. (6)

Information:

- 1. Stock on hand on 1 July 2007:
Manufactured goods, R83 500
Raw materials, R55 000
Work in progress, R31 000
- 2. Raw materials purchased, R119 800 of which 60 % was for cash.
- 3. Carriage on purchases of raw materials, R7 600 paid by cheque.
- 4. Productive wages, R176 866
Unemployment fund contribution: R1 740 for productive wages, R900 for indirect labour.
Indirect labour, R90 000
- 5. Fuel, water and electricity, R30 600
- 6. Consumable goods for the year, R21 800
- 7. Land and buildings – Office and showroom at cost R500 000.
Factory at cost R1 000 000.
Rates at 2 % per annum on cost of buildings.
- 8. Depreciation for the year amounted to R45 000.
Repairs to machinery, R32 074.
- 9. Insurance is R1 020 per month. (Insurance for July 2008 has already been paid).
- 10. Stock on hand on 30 June 2008:
Manufactured, R72 600
Raw materials, R51 200
Work in progress, R29 800
- 11. Goods are sold at cost plus 35 %.
- 12. The number of goods produced for the year amounted to 12 356.
- 13. The following information is available:
Fixed costs = R255 846
Variable costs = R175 374
Selling price per unit = R60,75
Marginal income per unit = R46,55



50 marks

QUESTION 4**Managing resources****(50 marks, 30 minutes)**

The following information has been extracted from the books of Sparkey Stores, a trading business owned by Michelle Sparke.

Use the given information to answer the following questions for the year ended 28 February 2008:

Information:

<i>Extracted balances on</i>	28 February 2008	1 March 2007
Debtors Control	R27 990	R24 090
Trading Stock	R46 000	R48 000
Creditors Control	R53 400	R47 600
Sales	R720 000	
Purchases	R398 000	
Carriage on Purchases	R32 000	

Questions:

- 4.1. Michelle has discovered that SARS will allow her to fully depreciate her computer software over one year, even though she will use the software for two years. She is unsure if she must therefore record the purchase of her new inventory recording programme as a depreciating asset or as a stock expense.
Suggest how she should record the new programme and what she should consider over the next two years. (5)
- 4.2. Each recent increase in the petrol price on average increases the fuel expense by R500 per month. The bookkeeper is concerned about the regular donation to the SPCA, as she says that the profit from these goods could go towards recouping the increase in the fuel expense. Michelle is adamant that the donations continue.
Give two reasons why the business should continue to donate the stock. (4)
- 4.3. The following figures were extracted from the ledgers for December 2007
Sales R65 000 (Gross profit margin of 60% for December)
Rent Expense R 8 000
Salaries & Wages R18 000
Drawings R20 000 (plus an additional 10% in goods for her own use)
Donations of goods to SPCA R5 000
The business employs the fixed base stock method for the replacement of stock over December. The business purchases 80% of all goods on credit.
Calculate the credit purchase of stock for the month of December 2007. (7)
- 4.4. The average creditors' payment period is calculated to be 53 days. The business sells 40% of all goods on credit.
- 4.4.1. **Determine the credit policy of the business and its suppliers.** (7)
- 4.4.2. **What effect has this on the businesses cash flow?** (2)
- 4.4.3. Michelle feels that she should increase the interest that she charges on debtors overdue accounts by 4% p.a. However she is unsure if this is an ethical decision. **Advise Michelle on this matter and suggest an alternative strategy to encourage her debtors to pay faster.** (5)

4.5. Michelle is budgeting for 2009 and has calculated the following:

Date of Stock Purchase	Number of Units	Cost per Unit
Opening Stock	480	100
3 March 08	200	110
17 March 08	150	120
31 March 08	170	100
Closing Stock	460	

She needs to insure her stock at the highest possible value. Determine which stock valuation method she should use i.e. FIFO or Weighted Average. (14)

4.6. The bookkeeper is concerned that the auditors will object to her monthly drawings of stock, as she read in the newspaper that a local business man, Z Jacob, was charged with defrauding the business by drawing stock for his own use. **Briefly explain why Michelle can safely assure her bookkeeper that the two cases are different and that no fraud is taking place at Sparkey Stores.** (6)



50 marks

ANSWER BOOK

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This Answer Book consists of 8 pages. Please check that your Answer Book is complete.
2. There is a clearly marked page for each answer.
3. Make sure that your work is legible and comprehensible.
4. Show all your workings in brackets.
5. Do not abbreviate.
6. You may **not** use red or green ink, but you may use pencil.

QUESTION	MARKS	ACTUAL MARKS	Assessment standards focus
1	50		12.1.5.
2	60		12.1.5.
3	40		12.2.2.
4	50		12.3.3 - 6
TOTAL	200		

QUESTION 5 Cash flow statement & analysis (50 marks, 30 minutes)

5.1. Notes to the Cash Flow Statement of Bailey Limited as at 28 February 2007 (20)

5.1.1.	Reconciliation between profit before taxation and cash generated from operations	

5.1.2.	Dividends paid	(5)

5.1.3.	Taxation paid	(4)

5.2. Calculate the debt / equity ratio for 2007

(9)

Comment

9

5.3.

5.3.1. Dividends per share

(12)

5.3.2. Earnings per share

Comment

QUESTION 7 Manufacturing accounts (40 marks, 24 minutes)

3.1 PRIME INDUSTRIES

PRODUCTION COST STATEMENT FOR THE YEAR ENDED 30 JUNE 2008 (25)

Direct raw materials	
Direct labour	
Primary cost of production	
Manufacturing overheads	

3.2 CALCULATION OF GROSS PROFIT (6)

3.3 COST PER UNIT (3)

3.4 BREAK EVEN QUANTITY (6)



50 marks

QUESTION 8 Managing resources (50 marks, 30 minutes)

8.1. Suggest how she should record the new programme and what she should consider over the next two years. (5)

8.2. Give two reasons why the business should continue to donate the stock. (4)

8.3. Calculate the credit purchase of stock for the month of December 2007. (7)

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8.4.

8.4.1. Determine the credit policy of the business. (7)

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8.4.2. What effect has this on the businesses cash flow? (2)

8.4.3. Advise Michelle on this matter and suggest an alternative strategy to encourage her debtors to pay faster. (5)

8.5. Determine which stock valuation method she should use i.e. FIFO or Weighted Average.

(14)

8.6. Briefly explain why Michelle can safely assure her bookkeeper that the two cases are different and that no fraud is taking place at Sparkey Stores. (6)

50 marks

MEMORANDUM

QUESTION 9 Cash flow statement & analysis (50 marks, 30 minutes)**9.1.1. Notes to the Cash Flow Statement of Bailey Limited as at 28 February 2007 (20)**

1.	Reconciliation between profit before taxation and cash generated from operations	
	Profit before tax (60 000 ✓ + 90 000 ✓)	✓ 50 000
	Adjustment in respect of:	56 100
	Interest on loans	✓ 2 900
	Depreciation (27 200 ✓ + 16 000 ✓✓)	☑ 43 200
	Operating profit before changes in working capital	☑ 206 100
	Changes in working capital	☑ 29 900
	Decrease in inventory	✓✓✓ 28 000
	Decrease in trade and other receivables	✓✓✓ 10 800
	Decrease in trade and other payables	✓✓✓ (8 900)
	Cash generated from operations	☑ 236 000

4.	Dividends paid (5)	
	Amount owing at the end of the previous year	✓ 12 000
	Dividends paid and recommended	✓✓ 50 000
	Amount owing at the end of the current year	✓ (20 000)
	Amount paid	☑ 2 000

5.	Taxation paid (4)	
	Taxation owing at the end of the previous year	✓ 8 000
	Income Statement amount	✓ 60 000
	Taxation prepaid at the end of the current year	✓ 2 800
	Amount paid	☑ 70 800

9.2. Calculate the debt / equity ratio for 2007

LTL : Shareholder's Equity
76 000 ✓ : (500 000 ✓ + 50 000 ✓ + 72 000 ✓)
76 000 : 622 000
0.12 : 1 ✓

Comment

- Ratio has improved from 0,2 : 1 to 0,1 : 1 ✓✓
- Financial risk low as the company has R1 of own capital to cover 10c of borrowed capital ✓✓
- The business would be seen as creditworthy by banks ✓✓
- The decrease in the ratio is due to the decreased loan and the new share issue ✓✓

9

9.3.

9.3.1. Dividends per share

Dividend / Issued shares Issued shares = 500 000 / 2
50 000 ✓ (see divs calc) / 250 000 ✓ = 250 000
20c per share ✓

9.3.2. Earnings per share

Earnings / Issued shares
90 000 ✓ / 250 000 ✓ (see 1.3.1.)
36c per share ✓

Comment 2 x ✓✓

- Dividends have increased from 12c to 20c per share.
- Earnings have decreased from 50c to 36c per share.
- In spite of decreased earnings, the company has paid out over 50% of earnings as a dividend.
- Shareholder may not be happy – co. should be retaining some of earnings to improve profitability
- Shareholder happy – good return, better than other financial institutions.
- High dividends possibly to keep shareholders happy and distract them from reduced earnings.

12

QUESTION 10

Close corporations

(60 marks, 36 minutes)

CASNO TRADERS CC

(50)

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 20.8

	Note	20.8	
Sales [1 400 000 ✓ - 11 250 ✓]		1 388 750	
Cost of sales		(473 970)	✓
Gross profit		914 780	☑
Other operating income		61 660	☑
Rent income		61 600	✓
Provision for bad debts adjustment (900 - 840)		60	✓✓
Operating expenses		(782 568)	☑
Bad debts 1 200 ✓ 830 ✓		2 030	
Advertising 36 800 ✓ - 8 000 ✓✓		28 800	
Remuneration: Acc officer		77 666	✓
Salary: Casablanca 110 000		110 000	✓
Wages 258 910		258 910	✓
Telephone 52 200		52 200	✓
Consumable stores 18 560 ✓ - 1 250 ✓		17 310	
Bank charges		2 800	✓
Rent 55 000 ✓ + 5 000 ✓✓		60 000	
Water and electricity		87 660	✓
Commission on sales		36 822	✓
Trading stock deficit (127 000 - 126 500)		500	✓✓
Depreciation (6 000 ✓✓ + 7 910 ✓✓ + 1 000 ✓✓ + 10 960 ✓✓)		26 537	
Loss on sale of asset (50 000 ✓ - 12 000 ✓ - 10 000 ✓ - 6 000 ☑ see dep)		21 333	
Operating profit		193 872	☑
Interest income (1 200 ✓ + 375 ✓)	1	1 575	
Profit before interest expense / financing cost		194 247	☑
Interest expense/financing cost (500 ✓ + 52 500 ✓ + 12 875 ✓)	2	(65 875)	
Net Profit before tax		128 372	☑
Income Tax		(47 000)	✓
Net profit after tax	9	81 372	☑

Suggested rubric to assess this task

Criteria	0 - 1	2	3	4
Advantages	Fails to highlight advantages	Some advantages are mentioned	Shows good understanding of the advantages	Shows great insight in the discussion of the advantages
Disadvantages	Fails to highlight disadvantages	One disadvantage mentioned	Shows good understanding of the disadvantages	Shows great insight in the discussion of the disadvantages
Discussion as to whether Casablanca is favoured	0	1	2	
	Fails to discuss this topic with any meaning	Some parts of the discussion are acceptable	Good discussion on whether Casablanca is favoured	Excellent discussion on whether Casablanca is favoured

Suggested answers:

Advantages:

- Earns interest
- Paid out before the owners capital in case of liquidation
- Can be repaid after a period of time
- More flexible as changes can be made without changing the founding statement

Disadvantages:

- Capital can be withdrawn and affect the CC
- Lack of commitment

Discussion:

Own opinion but must be substantiated.

(10)

QUESTION 11 Manufacturing accounts (40 marks, 24 minutes)

3.1 PRIME INDUSTRIES

PRODUCTION COST STATEMENT FOR YEAR ENDED 30 JUNE 2008 (25)

Direct raw materials	<input checked="" type="checkbox"/> 131 200
Raw materials at beginning of year	<input checked="" type="checkbox"/> 55 000
Raw materials purchased	<input checked="" type="checkbox"/> 119 800
Carriage on raw materials	<input checked="" type="checkbox"/> 7 600
Raw materials available	182 400
Raw materials at end of year	<input checked="" type="checkbox"/> (51 200)
Direct labour (176 866 <input checked="" type="checkbox"/> + 1 740 <input checked="" type="checkbox"/>)	<input checked="" type="checkbox"/> 178 606
Primary cost of production	<input checked="" type="checkbox"/> 309 806
Manufacturing overheads	<input checked="" type="checkbox"/> 352 614
Indirect labour (90 000 <input checked="" type="checkbox"/> + 900 <input checked="" type="checkbox"/>)	<input checked="" type="checkbox"/> 90 900
Fuel, water and electricity	<input checked="" type="checkbox"/> 30 600
Consumable goods	<input checked="" type="checkbox"/> 21 800
Rates	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 20 000
Depreciation	<input checked="" type="checkbox"/> 45 000
Repairs to machinery	<input checked="" type="checkbox"/> 32 074
Insurance	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 12 240
Total cost of goods manufactured	<input checked="" type="checkbox"/> 562 420
Work in progress at beginning of year	<input checked="" type="checkbox"/> 31 000
	593 420
Work in progress at end of year	<input checked="" type="checkbox"/> (29 800)
Cost of finished goods	<input checked="" type="checkbox"/> 563 620

3.2 CALCULATION OF GROSS PROFIT

(6)

Sales	<input checked="" type="checkbox"/> 775 602
Cost of sales	<input checked="" type="checkbox"/> (574 520)
Finished goods at beginning of year	<input checked="" type="checkbox"/> 83 500
Cost of finished goods	(see 3.1.) <input checked="" type="checkbox"/> 563 620
Cost of goods available for sale	647 120
Finished goods at end of year	<input checked="" type="checkbox"/> (72 600)
Gross profit	<input checked="" type="checkbox"/> 201 082

3.3 563 620 (see 3.1.) ÷ 12 356 = R45 per unit. (3)

3.4 R255 846 ÷ R46,55 = 5 496 units. The least amount of goods that must be produced to neither make a profit or loss. (6)

QUESTION 12**Managing resources****(50 marks, 30 minutes)**

4.1. Suggest how she should record the new programme and what she should consider over the next two years. (5)

Asset ✓

Depreciate over 1 year ✓ – then book value at R1 ✓✓ for second year

Can't sell it – licensing restrictions – so scrap ✓ when replace.

or

Expense ✓

More realistic as not a sellable asset ✓✓

Record full price as expense – as used over 2 years at year end record half the value as Prepaid expense ✓✓ – Accrual System

4.2. Give two reasons why the business should continue to donate the stock. (4)

Goodwill within the community ✓✓

Tax deduction ✓✓

Older stock not becoming obsolete and therefore having to be written off

4.3. Calculate the monthly credit purchase of stock for December 2007. (7)

Cost of Sales 65 000 x (100% – 60%) = R26 000 ✓✓

+ Drawings of Stock (20 000 x 10%) = R 2 000 ✓✓

+ Donations of Stock = R 5 000 ✓

R33 000 ✓ x 80% = R26 400 ✓

4.4.1. Determine the credit policy of the business. (7)

Ave Debtors x 365 (27 990 ✓ + 24 090 ✓) / 2 = 26 400

Credit Sales 1 720 000 x 40% = 288 000 ✓✓ = 33 days ✓

The business gives its debtors 30 days ✓ to pay whilst has 60 days to pay its creditors ✓.

4.4.2. What effect has this on the business's cash flow? (2)

This has a favourable effect on the cash flow.

Cash is collected faster than it is paid out. ✓✓

4.4.3. Advise Michelle on this matter and suggest an alternative strategy to encourage her debtors to pay faster. (5)

No ✓ - allowed to increase the interest rate ✓
May have contractual issues - depending on original debt contract. ✓
Customers not keeping to their 30 day obligation
Increase in repo rate by reserve bank led to increase in prime lending rates by banks thus increase in all debt rates linked to prime.

Yes - customers already struggling to meet the 30 days allowed
Increasing interest is causing customers to be in position not able to repay their debt
Could have goods repossessed - effect customers credit rating
In difficult current economy already

Alternative:
Offer more settlement discount ✓✓
Improve admin system (credit collection, accounts)
Threaten legal action

4.5. Determine which stock valuation method she should use i.e. FIFO or Weighted Average.
(14)

FIFO
 $170 \times 100 = 17\,000$ ✓
 $150 \times 120 = 18\,000$ ✓
 140 ✓ $\times 110 = 15\,400$ ✓
460 50 400 ✓

Weighted Average
 $480 \times 100 = 48\,000$ ✓
 $200 \times 110 = 22\,000$ ✓
 $150 \times 120 = 18\,000$ ✓
 $170 \times 100 = 17\,000$ ✓
 $1\,000$ $105\,000$ ✓ / $1\,000$ ✓ = $R105$ ✓ $\times 460$ units = $R48\,300$ ✓

First In, First Out ✓ is the higher

4.6. Briefly explain why Michelle can safely assure her bookkeeper that the two cases are different and that no fraud is taking place at Sparkey Stores (6)

Michelle

Recording all drawings in the business books ✓✓✓

Not passing her own expenses off onto the business ✓✓✓

Offset against her capital contribution so value of her equity is accurate

Z Jacob probably did not record his drawings or passed off his personal use of goods as a business expense

50 marks