

ACCOUNTING PAPER 1

GRADE 12

Time: 2 hours

Marks: 220

Instructions to Candidates:

1. This paper consists of 12 pages (including the front cover).
2. Read the questions carefully and only answer what is required.
3. There is a complete answer book. There is a clearly marked page for each answer sheet.
4. It is in your interest to write legibly and to present your work neatly.
5. You must answer the exam paper in pencil.
6. You may not use green or red ink.
7. A non-programmable calculator may be used.

Question 1: 42 marks; 20 minutes	
The topic for this task is	The learning outcomes covered are:
VAT Company ledger accounts	LO 1 Financial information <ul style="list-style-type: none"> • AS – Apply the principles of VAT in different situations • AS – Within the context of the accounting cycle, record the unique information for a company
Question 2: 30 marks; 20 minutes	
The topic for this task is	The learning outcomes covered are:
Manufacturing	LO 2 Managerial accounting <ul style="list-style-type: none"> • AS – Prepare, present and analyse information for a manufacturing concern
Question 3: 98 marks; 50 minutes	
The topic for this task is	The learning outcomes covered are:
Cash flow and ratios Income statement	LO 1 Financial information <ul style="list-style-type: none"> • Prepare financial statements and analyse financial statements of a company
Question 4: 50 marks; 30 minutes	
The topic for this task is	The learning outcomes covered are:
Managing resources	LO 3 Managing resources <ul style="list-style-type: none"> • Interpret and report on asset disposal • Validate inventories with specific reference to a manufacturing enterprise • Apply internal control and internal audit processes in a business environment

Question 1 (42 marks; 20 minutes)

The following information was extracted from the accounting records of Grade 12 Traders Ltd.

- 1.1 Grade 12 Traders Ltd is a registered vendor and they submit their VAT return every second month: February, April, June, August, October and December. The financial year of Grade 12 Traders Ltd ends annually on 28 February. Study the following information extracted from the accounting records of Grade 12 Traders Ltd and then answer the questions that follow.

Information

Summary of transaction for the VAT period ending 28 February 2009. All amounts are inclusive of VAT at 14%.

1. Total sales, R427 500
2. Total purchases (excluding fixed assets), R193 800. This includes items purchased for the owners personal use, R2 280.
3. Fixed assets purchased, R85 500.
4. Total cash and cheques received from debtors, R92 000 in settlement of accounts of R96 600.
5. Total cheques paid to creditors, R83 000. R4 731 was received in discount from creditors.
6. Bad debts written off, R2 850.

Questions to be answered

- 1.1.1 To whom is VAT paid? (1)
- 1.1.2 Calculate the Output VAT for the VAT period ending 28 February 2009. (4)
- 1.1.3 Calculate the Input VAT for the VAT period ending 28 February 2009. (5)
- 1.1.4 In which financial statement and where in the financial statement will the amount owed for VAT be recorded for the VAT period ending 28 February 2009? (2)
- 1.1.5 By what date must VAT be paid over to the relevant authority and what interest penalty is imposed by this authority? (2)
- 1.2 From the information given below prepare the following accounts in the books of Grade 12 Traders Ltd for the period 1 March 2008 to 28 February 2009.
 - o SA Revenue Services (Income Tax) (8)
 - o Ordinary Share Dividends (8)
 - o Appropriation Account (12)

Information

1. The authorised share capital of Grade 12 Trader Ltd comprises 4 000 000 ordinary shares of 100 cents each. On 1 March 2008, 2 400 000 ordinary shares were in issue at par value. On 1 September 2008, a further 300 000 ordinary shares were issued at a premium of 40 cents per share.

2. At the beginning of the current accounting period, 1 March 2008, the following balances appeared amongst others in the General ledger:
 - Accumulated Profits, R550 000
 - SA Revenue Services, R8 000 (credit)
 - Shareholders for Dividends, R135 000
3. The following transactions took place during the financial year
 - 3.1 The amounts owed to SA Revenue Services and the shareholders were paid on 1 April 2008.
 - 3.2 On 31 August 2008, the first provisional tax payment of R237 000 was made. Interim dividends of 16 cents per share were paid on that date.
 - 3.3 On 25 February 2009, the second provisional tax payment of R237 000 was made.
 - 3.4 After completion of the audit, the following were determined on 28 February 2009:
 - o net profit after tax, R945 000
 - o income tax for the year, 30% of pre-tax profits
 - o total dividend declared and paid for the current financial year amounted to 30 cents per share.

QUESTION 2 (30 marks; 20 minutes)

The information given below was extracted from the accounting records of Grade 12 Manufacturers, a manufacturing business selling off the rail clothing.

Required

- 2.1 Supply the missing details marked A – E. (5)
 2.2 Calculate the missing amounts marked 1 – 7. (25)

Information

1. Production cost statement for the year ended 30 June 2009

Raw materials consumed	1 100 000
Raw materials on hand on 1 July 2008	2
A	1 050 000
Railage on raw materials	75 000
Raw materials available	1
Raw materials on hand on 30 June 2009	(175 000)
B	360 000
Primary costs	1 460 000
C	3
Indirect labour	4
Depreciation	175 000
Repairs to machinery	50 000
Other expenses	5
D	2 000 000
E	6
	?
Work in progress 30 June 2009	7
Cost of finished goods manufactured	8
Cost per unit	R140,00

2. Additional information

- Total salaries and wages bill for the year ended 30 June 2009 amounted to R900 000. 40% is for direct labour, R378 000 is for selling and administration salaries and the remainder is for indirect labour.
- During the course of the financial year 15000 units were produced.
- 20% of all raw materials consumed during the financial year are still in the process of being made on 30 June 2009.

Question 3 (98 marks; 50 minutes)

Part A

12 Traders 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 12 Traders Ltd.

Required

- 3.1 Prepare the following with regards to the Cash flow statement for 2009:
 - 3.1.1 Note showing the reconciliation between profit before tax and cash generated from operations. (21)
 - 3.1.2 Calculations of dividends paid (4)
 - 3.1.3 Calculation of interest paid (4)
- 3.2 Calculate and comment on the debt to equity ratio for 2009. The debt to equity ratio for 2008 was 0,2 : 1. (9)
- 3.3 Calculate the following for 2009 and comment briefly:
 - 3.3.1 Dividends per share (DPS for 2008, 12 cents per share)
 - 3.3.2 Earnings per share (EPS for 2008, 50 cents per share) (10)

Information:

Extract from the Income Statement of Bailey Stores for the year ended 28 February 2009

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

Extract from the Balance Sheet of Bailey Stores on 28 February

	Notes	2009	2008
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 2009 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	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
	Carrying value at the end of the year	350 000	70 800	123 600
	Cost at the end of the year	350 000	120 000	210 000
	Accumulated depreciation	-	(49 200)	(86 400)

5.	Trade and other receivables	2009	2008
	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	2009	2008
	Trade creditors	54 400	63 300
	SARS (Income Tax)	-	8 000
	Accrued expenses (interest on loan)	800	700
	Shareholders for dividends	20 000	12 000

Part B

3.4 Income Statement

You are provided with information relating to Samora Sports Limited. The company sells sports equipment and repairs equipment for their customers.

REQUIRED:

Prepare the Income Statement for the year ended 30 June 2009 after taking all the adjustments and additional information into account.

INFORMATION:

1. Figures extracted from the Pre-Adjustment Trial Balance on 30 June 2009:

Ordinary share capital(R5 par value)	1 200 000
Fixed deposit	160 000
Trading stock	215 000
Debtors control	39 090
Mortgage loan from Credbank	281 200
Sales	1 703 200
Debtors allowances	17 000
Cost of sales	?
Service fee income(in respect of repairs)	297 140
Rent income	105 000
Interest income	11 200
Salaries and wages	234 750
Employers' contributions to Pension Fund and UIF	53 200
Audit fees	30 000
Directors' fees	230 000
Consumable stores	51 100
Bank charges	5 240
Sundry expenses	?

Adjustments and additional information:

2. The auditors have identified the following errors or omissions:
- 2.1 The auditors are owed a further R28 000 after completing the audit.
- 2.2 Bank charges of R310 reflected on the June 2009 bank statement have not yet been entered in the books.

2.3 A credit note issued to a debtor, A.Mona, dated 28 June 2009 was not recorded in the books. The credit note was for:

1. Goods returned by A. Mona, R6200 (the cost was R4 800)
2. Price reduction on unsatisfactory repair of a tennis racket, R540

2.4 The stock count on 30 June 2009 revealed the following on hand:

1. Trading stock, R202 000
2. Consumable stores, R900

2.5 An employee was left out of the Salaries Journal for June 2009. The details from his pay-slip were:

Gross salary	R6 000
PAYE deduction (18%)	1 080
Pension deduction (7,5%)	450
UIF	60
Net salary	R4 410

The business contributions were:

1. Pension Fund: 10,5% of gross salary
2. UIF: Rand-for-Rand basis

2.6 The tenant paid the July and August rent in June 2009. The rent was increased by R700 per month on 1 January 2009.

2.7 Interest on the loan was capitalised. The loan statement from Credbank on 30 June 2009 reflects the following:

LOAN STATEMENT ON 30 JUNE 2009

Balance on 1 July 2008	R332 800
Interest charged	?
Monthly payments to Credbank in terms of loan agreement (12 months x R4300)	R51 600
Balance on 30 June 2009	R326 000

The interest expense for the year has not been entered in the books.

2.8 Use the following percentages to calculate the missing figures:

1. Mark-up % achieved: 60% on cost
2. Operating profit for the year is 20% on sales
3. Income tax rate: 30% of net profit

Question 4 (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 2009:

Information:

Extracted balances on	28 February 2009	1 March 2008
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 2008
Sales R65 000 (Gross profit margin of 60% for December)
Rent Expense R8 000
Salaries and wages R18 000
Cash drawings R20 000 plus an additional R2 000 of 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 2008. (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 how long it takes debtors to settle their debts and comment on this.** (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 choice. **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 09	200	110
17 March 09	150	120
31 March 09	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 businessman, 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)

ANSWER BOOKLET

NAME.....

READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This Answer Book consists of 8 pages (including the front cover).
2. There is a clearly marked page for each answer.
3. Make sure your rough work is legible and comprehensible.
4. You may not use green or red ink.

Question 1	Question 2	Question 3	Question 4	Total
42	30	98	50	220

Paper 1 220	Paper 2 100	TOTAL 320

PERCENTAGE:

SYMBOL:

Question 1

1.1

1.1.1 _____(1)

1.1.2

(4)

1.1.3

(5)

1.1.4

Financial statement: _____(1)

Where in the financial statement: _____(1)

1.1.5

Date: _____(1)

Penalty: _____(1)

1.2

General ledger of Grade 12 Traders Ltd
SARS (I/T)

(8)

Ordinary share dividend (8)

Appropriation account

(12)

Question 2

2.1

A _____

B _____

C _____

D _____

(5)

E _____

2.2

Missing amount 1	Missing amount 2
Missing amount 3	Missing amount 4
Missing amount 5	Missing amount 6
Missing amount 7	Missing amount 8

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(25)

Question 3-Part A

1.1. Notes to the Cash Flow Statement of Bailey Limited as at 28 February 2009

3.1.1	Reconciliation between profit before taxation and cash generated from operations	
	Net profit before tax	
	Adjustment for:	
	Interest expense	
	Depreciation	
	Profit before changes in working capital	
	Changes in working capital	
	In inventories	
	In receivables	
	In payables	
	Cash generated from operations	

(21)

3.1.2	Dividends paid	

(4)

3.1.3	Interest paid	

(4)

3.2 Calculate the debt to equity ratio for 2009

(5)

Comment

(4)

3.3

3.3.1 Dividends per share

(3)

3.3.2 Earnings per share

(3)

Comment

(4)

Question 3-Part B (3.4)

SAMORA SPORTS LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

Sales 1 703 200	
Cost of Sales	
GROSS PROFIT	
Operating Income	
Service fee income 297140	
Rent income 105 000	
Operating Expenses	
Salaries and wages 234 750	
Employer's contributions 53 200	
Audit fees 30 000	
Director's fees	230 000
Consumable stores 51 100	
Bank charges 5 240	
Sundry expenses	
Operating Profit for the year	
Net profit before tax	
Income Tax	
NET PROFIT FOR THE YEAR	

(50)

Question 4

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

4.2 Give two reasons why the business should continue to donate the stock. (5)

4.3 Calculate the credit purchase of stock for the month of December 2009. (4)

4.4
4.4.1 Determine the credit policy of the business. (7)
(5)

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

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

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

(14)

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)

**MEMORANDUM
GRADE 12 – 2009**

Question 1

1.1

1.1.1 SARS ✓(1)

1.1.2 (4)

427 500 x 14/114 = 52 500 ✓ sales
 4 600 x 14/114 = (564,91) ✓ disc allow
 2 850 x 14/114 = (350) ✓ bad debts
 Output VAT = R51 585,09 ✓

1.1.3 (5)

(193 800 – 2 280) x 14/114 = 23 520 ✓✓ purchases/drawings
 85 500 x 14/114 = 10 500 ✓ fixed assets
 4 731 x 14/114 = (581) ✓ disc rec
 Input VAT = R33 439 ✓

1.1.4

Financial statement: Balance sheet ✓ (1)

Where in the financial statement: Trade and other payables ✓ (1)

1.1.5

Date: 25th of next month ✓ (1)

Penalty: 10% interest ✓ (1)

1.2

General ledger of Grade 12 Traders Ltd
SARS (I/T)

2008			✓	2008			✓
Apr	01	Bank	8 000	Mar	01	Balance	8 000
			✓	2009			✓
Aug	31	Bank	237 000	Feb	28	Income tax ✓	405 000
2009			✓		28	Balance	69 000✓
Feb	25	Bank	237 000				
			474 000				474 000
Mar	01	Balance	69 000✓				

(8)

Ordinary share dividend (8)

2008			✓✓	2009			(✓)
Aug	31	Bank ✓	384 000	Feb	28	Appropriation ✓	762 000
2009			✓✓				
Feb	28	Shareholders for dividends ✓	378 000				

			762 000				762 000
Appropriation account (12)							
2009 Feb	28	Income tax ✓	405 000 ✓✓	2009 Feb	28	Accumulated Profit ✓	550 000 ✓
	28	Ordinary share dividend ✓	762 000 (✓)		28	Profit and loss ✓	1 350 000 ✓✓
	28	Accumulated profit ✓	733 000 (✓)				
			1 900 000				1 900 000

Question 2

2.1 (5)

- A Raw materials purchased ✓
- B Direct labour ✓
- C Factory overheads ✓
- D Total cost of manufactured goods ✓
- E Work in progress: 1 July 2008 ✓

2.2

Missing amount 1	Missing amount 2
1 100 000 + 175 000 = R1 275 000 ✓✓✓	1 275 000 – 1 050 000 – 75 000 = R150 000 ✓✓✓✓
Missing amount 3	Missing amount 4
2 000 000 – 1 460 000 = R540 000 ✓✓✓	900 000 – 360 000 – 378 000 = R162 000 ✓✓✓
Missing amount 5	Missing amount 6
540 000 - 162 000 – 175 000 – 50 000 = R153 000 ✓✓✓	2 320 000 – 2 000 000 = R320 000 ✓✓✓
Missing amount 7	Missing amount 8
1 100 000 x 20% = R220 000 ✓✓✓	140 x 15000 = R2 100 000 ✓✓✓

(25)

Question 3

Notes to the Cash Flow Statement of Bailey Limited as at 28 February

Reconciliation between profit before taxation and cash generated from operations (21)	
Profit before tax (60 000 ✓ + 90 000 ✓)	✓ 150 000
Adjustment in respect of:	56 100
Interest on loans (49200 – 33200)	✓ 12 900
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 (162000-134000)	✓✓✓28 000
Decrease in trade and other receivables(36000-25200)	✓✓✓10 800
Decrease in trade and other payables (63300-54400)	✓✓✓ (8 900)
Cash generated from operations	(✓) 236 000

Dividends paid (4)	
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	(✓)(42 000)

Interest paid (4) ✓ ✓ ✓ ✓	
Accrued at beginning of year or 700+12900-800=12800 or	✓700
Income Statement amount	✓12 900
Accrued at end of year	✓ (800)
Amount paid	✓12 800

Calculate the debt / equity ratio for 2009 (5)

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

Comment (4)

- Ratio has improved from 0,2 : 1 to 0,12 : 1 ✓✓
- Financial risk low as the company has R1 of own capital to cover 12c 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

Dividends per share (3)

Dividend / Issued shares	Issued shares = 500 000 / 2
50 000 (✓) (see divs calc) / 250 000 ✓	= 200 000
20c per share (✓)	

Earnings per share (3)

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.

Question 3-Part B (3.4)

SAMORA SPORTS LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

√√ √√

(√)

Sales 1703200-17000-6200	1680000
Cost of Sales 1680000x100/160	1050000 √√ or(√)
GROSS PROFIT	630000 (√)
Operating Income	386000 (√)
Service fee income 297140-540 √√	296600 √
Rent income 105000-15600 √√√	89400(√)
Operating Expenses(630000+386000-336000)	(680000)(√)
Salaries and wages 234750+ 6000 √√	240750(√)
Employer's contribution 53200+630+60√√	53890 (√)
Audit fees 30000+28000√	58000 √
Director's fees	230 000
Consumable stores 51100-900√	50200√
Bank charges 5240+310√	5550√
Sundry expenses (Balancing figure)	23810 (√) (√)
Trading stock deficit 215000+4800-202000	17800√√√
Operating Profit for the year 20%x1680000	336000√√or(√)
Interest income√	11200√
Profit before Interest expense√	347200 (√)
Interest expense √ 326000-281200	(44800) √√√
NET PROFIT BEFORE TAX FOR THE YEAR	302400 (√)
Income Tax 30%x302400	(90720) (√) or√√
NET PROFIT FOR THE YEAR	211680(√)

(50)

Rent income 105000=14 mths
6 mths=x + 700
+ 2 mths= 8x700=5600
105000-5600=99400/14=7100
=7100+700=7800x2mths
7800x2=15600

105000-(700x8mths)
5600
=99400/14mths

Question 4

4.1.(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. Prepaid expense at year end ✓✓

4.2. (4)

Goodwill within the community ✓✓

Tax deduction ✓✓

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

4.3.(7)

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

+ Drawings of Stock = R 2 000 ✓✓

+ Donations of Stock = R 5 000 ✓

R33 000 ☑ x 80% = R26 400 ☑

4.4.1.(7)

Ave Debtors x 365

(27 990 ✓ + 24 090 ✓) / 2

26 400

Credit Sales 1

720 000 x 40%

= 288 000 ✓✓

= 33 days ✓

Good as the norm is 30 days. ✓✓

4.4.2. (2)

This has a favourable effect on the cash flow.

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

4.4.3. (5)

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 (14)

FIFO

$$170 \times 100 = 17\,000 \checkmark$$

$$150 \times 120 = 18\,000 \checkmark$$

$$\underline{140 \checkmark} \times 100 = \underline{15\,400 \checkmark}$$

$$460 \qquad 50\,400 \boxtimes$$

Weighted Average

$$480 \times 100 = 48\,000 \checkmark$$

$$200 \times 110 = 22\,000 \checkmark$$

$$150 \times 120 = 18\,000 \checkmark$$

$$\underline{170 \checkmark} \times 110 = \underline{17\,000 \checkmark}$$

$$1\,000 \qquad 105\,000 \checkmark / 1\,000 \checkmark = R105 \boxtimes \times 460 \text{ units} = R48\,300 \boxtimes$$

First In, First Out \boxtimes is the higher

4.6 (6)

Michelle

Recording all drawings in the business books ✓ ✓ ✓

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

Offse against her capital contribution so value of her equity I accurate

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