 Province of the

EASTERN CAPE

EDUCATION

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

**HOME SCHOOLING SELF-STUDY**

**NOTES AND ACTIVITIES**

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| **SUBJECT** | ACCOUNTING | **GRADE** | 11 | **DATE** |  | | | |
| **TOPIC** | Partnership: Financial statements:  Income statement | | | | **Term** | 2 | **Week** | 1 |
| **TIME ALLOCATION** | One week | |  |  | | --- | --- | | **TIPS TO KEEP HEALTHY** | | |  |  | | 1. | **WASH YOUR HANDS** thoroughly with soap and water for at least 20 seconds. Alternatively, use hand sanitizer with an alcohol content of at least 60%. | |  |  | | 2. | **PRACTICE SOCIAL DISTANCING** – keep a distance of 1m away from other people. | |  |  | | 3. | **PRACTISE GOOD RESPIRATORY HYGIENE**: cough or sneeze into your elbow or tissue and dispose of the tissue immediately after use. | |  |  | | 4. | **WEAR A MASK AND TRY NOT TO TOUCH YOUR FACE.** The virus can be transferred from your hands to your nose, mouth and eyes. It can then enter your body and make you sick. | |  |  | | 5. | **STAY AT HOME.** | | | | | | | |
| **INSTRUCTIONS** | See requirements per activity |
| **RESOURCES** | **USE YOUR TEXTBOOK (S)** | | | | | | | |

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| **PARTNERSHIPS: FINANCIAL STATEMENTS** | | |
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| The following content was covered in term 1: | |  |
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| * Year-end adjustments (most of these covered in grade 10.) | |  |
| * Final accounts: Trading account, Profit & Loss account and Appropriation account. Note: Trading account and Profit & Loss account were also covered in grade 10) | |  |
| * Applying the relevant GAAP principles e.g. matching when preparing financial statements. | |  |
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| **ACTIVITY 1** | |  |
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| **1.1** | Choose a GAAP principle in COLUMN B that matches the description in COLUMN A. Write only the letters (A–E) next to the question numbers (1.1.1 to 1.1.5) in the WORKSHEET. |  |
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| |  |  |  |  | | --- | --- | --- | --- | | **COLUMN A** | | **COLUMN B** | | | 1.1.1 | The tenant has paid R45 500, which includes rent for one month of the following year. Only R42 000 is recorded in the Income Statement. | A | materiality | | 1.1.2 | Although the cost prices of the stock items are fluctuating, the stock is recorded at cost, assuming that it will be sold some time in future | B | Prudence | | 1.1.3 | The partners' salaries must be reflected separately from salaries and wages | C | Matching | | 1.1.4 | Land and building is recorded at the original purchase price of RI 200 000 | D | Going-concern | | 1.1.5 | Money lost due to theft of stock is written off even though there is a possibility that it may be recovered in future | E | historical cost | | |  |
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| **1.2** | Choose ONE word/term for each of the following statements by choosing a GAAP principle from the list below. Write only the GAAP principle next to the question numbers (1.2.1 to 1.2.5) in the WORKSHEET. |  |
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|  | matching; going concern; prudence; materiality; business entity |  |
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| 1.2.1 | Service fees, cash deposit fees and ATM charges on the Bank  Statement, are added together and disclosed as bank charges. |  |
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| 1.2.2 | Defaulting debtors' accounts are written off as bad debts, even though it may be recovered in the future. |  |
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| 1.2.3 | Insurance includes R340, which relates to the next financial year. |  |
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| 1.2.4 | The owner decides to purchase additional trading stock, which was offered at a discounted rate, as he knows that these can be sold in the following financial periods. |  |
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| 1.2.5 | The owner pays her personal cellphone account with a business cheque. She does not record the amount as an expense to the business. |  |
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| **1.3** | Analise the following adjustments according to the following table. |  |
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| 1.3.1 | Received R36 000 for rent during the financial year of which R3 500 is for the next financial year. |  |
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| 1.3.2 | Trading stock account balance: R210 000. Trading stock value according physical stock count, R195 000. |  |
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| 1.3.3 | The account for water and electricity for the financial year amounts to R44 600 of which R41 400 was paid. |  |
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| 1.3.4 | Adjust the provision for bad debts from R4 500 to R6 200. |  |
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| 1.3.5 | Interest on loan capitalised, R12 600. |  |
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| **STATEMENT OF COMPREHENSIVE INCOME (INCOME STATEMENT)** | | |
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| In grade 10 you have been introduced to this statement. There is no difference in the structure of the Income statement for both sole trader and partnership. This statement as you know focuses on the nominal account section. The number of owners do therefore not affect it. | |  |
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| This statement represent the information in the Trading account and the Profit & Loss account. | |  |
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| **NOTE:** | |  |
| 1. | Know the **format** of the Statement of Comprehensive Income. |  |
| 2. | Consider adjustments to reflect the correct amounts for the financial period. |  |
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| **ACTIVITY 2** | |  |
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| Complete the Income statement by filling in the missing information (A - N). | |  |
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| **INCOME STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2020** | |  |
| |  |  | | --- | --- | | Sales (RXXX XXX – Debtors Allowances) | 350 700 | | **A** | **B** | | **Gross profit** | 110 200 | | **Other income** | 1 060 | | Discount received | 900 | | Bad debts recovered | **C** | | **D** | **E** | | **F** | (97 720) | | Rent expense | 5 400 | | Insurance | 2 170 | | Rates | **G** | | Loss on sale of assets | 890 | | Depreciation (10 000 + 7 000 + **H**) | 21 000 | | Bad debts | 380 | | Salaries and wages | 25 800 | | Stationery | 800 | | Sundry expenses | 20 350 | | **I** | **J** | | Interest income | **K** | | **L** | 14 900 | | Interest expense | **M** | | **N** | 13 700 | | |  |
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| **ACTIVITY 3** | |  |
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| The following information relates to BB Carpets for the financial year ended  29 February 2020. The business uses a profit mark-up of 50 % on cost. | |  |
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| **REQUIRED:** | |  |
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| Prepare the Statement of Comprehensive Income for the year ended  29 February 2020. | |  |
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| **EXTRACT OF PRE-ADJUSTMENTED BALANCES ON 29 FEBRUARY 2020** | |  |
| |  |  | | --- | --- | | Equipment | 100 000 | | Accumulated depreciation on equipment | 35 000 | | Fixed Deposit: ABC Bank 10% p.a. | 36 000 | | Trading stock | 92 500 | | Debtors control | 73 500 | | Loan: XYZ Bank | 50 000 | | Sales | 980 000 | | Debtors' Allowances | 10 500 | | Cost of sales | 680 000 | | Bank charges | 3 700 | | Stationery | 6 500 | | Salaries and wages | 185 180 | | Rent income | 31 000 | | Advertising | 4 500 | | Bad debts | 1 600 | | Sundry expenses | 20 200 | | Interest on fixed deposit | 2 700 | | Interest on loan | 8 570 | | Commission income | 6 250 | | Water and electricity | 6 000 | | Telephone | 11 805 | | |  |
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| **ADJUSTMENTS AND ADDITIONAL INFORMATION** | |  |
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| 1. | Brown took trading stock to the value of R2 250 for personal use. This was not recorded. |  |
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| 2. | A debtor, M News returned goods she bought for R750 to the business on 26 February 2020. No entries were made of this transaction. These goods were put back on the shelves. |  |
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| 3. | The business needs to write off the account of D. Gilks, R600. |  |
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| 4. | An amount of R1 700 received from M Maid had been credited to the debtors' control in February 2020. The account of M Maid was written-off as bad debts during January 2020. |  |
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| 5. | The provision for bad debts must be reduced by R300. |  |
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| 6. | According to a physical stock taking on 29 February 2020, the following were on hand: |  |
|  | * Trading stock R90 000 |  |
|  | * Stationery R750 |  |
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| 7. | A new filling cabinet for the office costing R4 000 was purchased on  31 August 2019 and was in error debited to the sundry expenses account. Correct the error. |  |
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| 8. | Old office equipment was sold on credit for R2 000 on 1 December 2019. This equipment originally cost R10 000 and the accumulated depreciation on 29 February 2019 was R7 600. The bookkeeper has made no entry for this transaction. The business depreciates equipment at 20 % p.a. on the diminishing balance. |  |
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| 9. | Interest on fixed deposit has been received for nine months only. Provide for outstanding interest. |  |
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| 10. | Advertising includes an amount of R2 700 paid for six advertisements in the City Press newspaper. By 29 February 2020 only three of these adverts appeared in the newspaper. |  |
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| 11. | The tenant has paid two months' rent in advance.  Note: The rent amount was increased by R500 on 1 November 2019. |  |
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| 12. | The water and electricity account of R1 200 for February 2020 is still payable. |  |
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