|  |
| --- |
|  |

|  |
| --- |
| ACCOUNTING GRADE 112020 |

**QUESTION 3 (85 marks; 50 minutes)**

**PARTNERSHIP FINANCIAL STATEMENTS**

Morowa and Rani are partners in the firm trading as Queen Traders. The accountant completed the financial statements for the year. The net profit for the year amounted to R1 601 060.

**REQUIRED:**

|  |  |
| --- | --- |
| **3.1** | **MATCHING ITEMS –CONCEPTS** |
|  |  |
|  | Concepts relating to partnerships are listed in COLUMN A and explanations are listed in COLUMN B. Choose an explanation from COLUMN B that matches a concept in COLUMN A. Write only the letter (A – E) next to the question number (3.1.1 – 3.1.5) in the ANSWER BOOK |
|  |  |
|  |

|  |  |
| --- | --- |
| **COLUMN A** | **COLUMN B** |
| 3.1.1 | Income Statement | A | financial statements are prepared on the assumption that the company will continue operating for the foreseeable future |
|  |  |  |  |
| 3.1.2 | Historical cost | B | a statement that reflects the profit or loss of the business |
|  |  |  |  |
| 3.1.3 | Ethics | C | the financial position of the partnership |
|  |  |  |  |
| 3.1.4 | Balance Sheet | D | the responsible way of managing a business |
|  |  |  |  |
| 3.1.5 | Going concern | E | assets are recorded at the original purchase price unless otherwise stated |

 | **(10)** |
|  |  |  |
|  |  |  |
| 3.2 | Prepare the following notes to the Balance Sheet (Statement of Financial Position): |  |
| 3.2.1 | Current account of the partners | **(20)** |
| 3.2.2 | Trade and other payables | **(25)** |
| 3.3 | Complete the Balance Sheet (Statement of Financial Position) on 28 February 2015. **Where notes are not required, calculations must be shown in brackets for part marks to be given.** | **(30)** |

**INFORMATION**

**QUEEN TRADERS**

**Extract from PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2015**

|  |  |  |
| --- | --- | --- |
|  | Debit | Credit |
| **Balance Sheet Accounts Section** |  |  |
| Capital: Morowa |  |  1 800 000 |
| Capital: Rani |  |  1200 000 |
| Current account: Morowa |  | 250 000 |
| Current account: Rani | 11 000 |  |
| Drawings: Morowa | 576 000 |  |
| Drawings: Rani | 545 000 |  |
| Fixed deposit: Encore Bank | 200 000 |  |
| Debtors’ control | 111 200 |  |
| Creditors control |  | 239 600 |
| Loan: Money Bank |  | ? |

**ADJUSTMENTS**

|  |  |
| --- | --- |
|  |  |
| 1. | The following are some totals from the Notes to the financial statement: |
|  | Interest Income | R 15 000 |  |
|  | Interest Expense | R 90 000 |  |
|  | Inventories | R243 000 |  |
|  | Cash and Cash Equivalent | R199 994 |  |

|  |  |
| --- | --- |
| 2. | The carrying value of fixed assets at the end of the financial year amounted to R3 596 000. |
| 3. | The provision for bad debts must be adjusted to R3 324. |
| 4. | The interest on fixed deposit still owing amounted to R7 800. |
|  |  |
| 5. | Insurance prepaid is R26 400. |
| 6. | The rent income was received for March and April 2015. The rent Income increased by R1 600 from 1 September 2014. The rent Income received for the year amount to R236 800. |
| 7. | The water and electricity account, R2 800, for February is still outstanding. |
| 8. | The details of an employee were left out of the Salaries Journal for February by mistake. All payments will be made in March 2015. His details are as follows: |
|  | Gross Salary | PAYE | Pension | Medical Aid | UIF |
|  | R240 000 per annum | R3 600 | R1 500 | R1 960. | R200 |
|  | The business contributes:R1,50 to the pension fund for every R1 paid by the employee. The business also contributes to the medical aid on rand for rand basis. UIF: 1% |
| 9. | Interest on Loan has been Capitalised to the Loan amount. Balance Beginning of Year R600 000Bank (including interest) R330 000Balance end of year R360 000It is estimated that R240 000 of the capital portion will be paid for the next financial year. |
|  |  |
| 10. | **Partnership Agreement** |
| 10.1 | Each partner earned a salary of R480 000 p.a. |
| 10.2 | The partners earned interest of 10% p.a. on their capital balances. |
| 10.3 | Each partner was paid a bonus of R10 000 each. |
| 10.4 | The remaining profits/losses are shared between the partners according to the balances on their capital accounts on 28 February 2015. |
| 11. | The net profit for the year after all the above adjustments have been taken into account amounted to R1 601 060. |

**QUESTION 4 (50 marks; 30 minutes)**

**PARTNERSHIP: FIXED ASSETS AND RATIO ANALYSIS AND INTERPRETATION**

The information below was obtained from the financial statements of Razzle Dazzle Traders. The business is owned by two partners, Razzle and Dazzle.

|  |
| --- |
| **REQUIRED:** |
| 4.1.1 | Use the additional information below to complete the Fixed Asset Note to the Balance Sheet on 28 February 2015. | (22) |
| 4.1.2 | Prepare the Asset Disposal Account to record the sale of the Equipment. | (8) |
| 4.2 | Calculate the following financial indicators: |
| 4.2.1 | Debt/Equity Ratio | (3) |
| 4.2.2 | Percentage return earned by Razzle | (5) |
|  | (Round of answers to one decimal point). |  |
| 4.3 | Do you agree with Razzle opinion that the business has a sound liquidity position? Mention TWO financial indicators to support your answer. | (5) |
| 4.4 | On the other hand Dazzle is not satisfied with her return on equity. Quote figures to support why she feels this way. | (3) |
| 4.5 | The business expanded their operations by making additions to the existing building. This venture cost R600 000. By looking at the financial statements and the indicators, suggest TWO different ways in which this project was financed. | (4) |
|  |  |  |

**INFORMATION:**

**1. Information from the Balance Sheet on 28 February 2015.**

|  |  |  |
| --- | --- | --- |
|  | **FEBRUARY 2015** | **FEBRUARY 2014** |
| **Balance Sheet Accounts Section** |  |  |
| Fixed Assets at carrying value | 1 267 980 | 832 931 |
| Financial Assets (8% p.a.) | 480 000 | 260 000 |
| Current Assets | 340 680 | 372 779 |
| **TOTAL ASSETS** | 2 088 660 | 1 465 710 |
|  |  |  |
| Owners’ Equity | 1 603 740 | 904 530 |
| Capital  | 1 425 000 | 975 000 |
| Current Accounts | 178 740 | (70 470) |
| Non-Current Liabilities (Loan: Rand bank – 10.5% p.a.) | 293 520 | 415 920 |
| Current Liabilities | 200 400 | 145 260 |
| **TOTAL EQUITY AND LIABILITIES** | 2 088 660 | 1 465 710 |

**2. Additional information**

|  |  |
| --- | --- |
| **2.1** | **Fixed Assets*** Depreciation is written off as follows:
* Vehicles at 15% p.a. on cost price.
* Equipment at 20% p.a. on diminishing balance method.
 |
|  | * During the year an invoice was received from Red Construction for the R600 000 for additions to buildings.
 |
|  | * On 31 August 2014 equipment was traded in against new equipment which cost R100 000 at a loss of R12 160. The equipment that was traded in was bought on 1 March 2012 for R80 000. The total accumulated depreciation on the date of sale for the equipment sold amounted to R33 930.
 |

**2.2 CAPITAL ACCOUNT**

|  |  |  |
| --- | --- | --- |
|  | **RAZZLE** | **DAZZLE** |
| Balance at beginning of year – 28 February 2014 | 600 000 | 375 000 |
| Contributions of capital during the year | 225 000 | 225 000 |
| Withdrawal of capital during the year | 0 | 0 |
| Balance at end of year - 28 February 2015 | 825 000 | 600 000 |

**2.3 TOTAL EARNED BY EACH PARTNER**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **RAZZLE** | **DAZZLE** | **TOTAL** |
| Salary | 194 400 | 138 600 | 333 000 |
| Interest on capital | 47 250 | 22 500 | 69 750 |
| Bonus to Partners |  | 16 800 | 16 800 |
| Share on profit | 25 740 | 18 720 | 44 460 |
|  | 267 390 | 196 620 | 464 010 |

**2.4 BALANCES ON CURRENT ACCOUNT**

|  |  |  |
| --- | --- | --- |
|  | **RAZZLE** | **DAZZLE** |
| Opening balance 1 March 2014 | (74 070) | 3 600 |
| Closing balance 28 February 2015 | 51 120 | 127 620 |

**2.5 The net profit for the year amounted to R464 010**

**2.6 FINANCIAL INDICATORS**

|  |  |  |  |
| --- | --- | --- | --- |
| **NO.** | **INDICATORS** | **2015** | **2014** |
| 1 | % return earned by Razzle | ? | 18.5% |
| 2 | % return earned by Dazzle | 15.7% | 12.3% |
| 3 | Return on partners’ equity | 37% | 31% |
| 4 | Debt : equity ratio | ? | 0.5 : 1 |
| 5 | Current ratio | 1.7 : 1 | 2.6 : 1 |
| 6 | Acid-test ratio | 1.8 : 1 | 1.1 : 1 |
| 7 | Debtors collection period | 30 days | 40 days |
| 8 | Creditors payment period | 45 days | 25 days |
| 9 | Gross profit percentage | 50% | 40% |
| 10 | Net profit percentage | 25.8% | 19.6% |

**QUESTION 5 (30 marks; 18 minutes)**

**MANUFACTURING LEDGER ACCOUNTS AND BREAK-EVEN POINT**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 5.1 | From the list below, select only the **THREE FIXED COSTS**

|  |  |
| --- | --- |
| Raw Materials Cost | Direct labour costs |
| Salary Foreman | Commission on sales: Sales Staff |
| Factory Rent | Salary of the Accountant |

 | (3) |
|  |  |  |
| 5.2 | You are provided with information relating to Studio Manufacturers for the financial year ended 28 February 2015 |  |
|  | Prepare the following Ledger Accounts in the General Ledger:  |  |
| 5.2.1 | Raw material Stock | (10) |
| 5.2.2 | Work-in-Process Stock | (8) |
|  | Some amounts have already provided on the answer sheet. |  |
|  |  |
| **INFORMATION** |  |
| 1. | Summary of transactions for the year ended 28 February 2014. |  |
|  |

|  |  |
| --- | --- |
|  | **R** |
| Office stationery purchased | 13 050 |
| Raw materials purchased for cash | 750 000 |
| Raw Material purchased on credit | 474 000 |
| Indirect materials purchased for cash | 59 700 |
| Carriage on purchases of raw materials cash | 46 200 |
| Sales of finished goods | 4 560 000 |
| Factory wages including contributions | 644 247 |
| Salaries: (including contributions) Factory Foreman | 270 000 |
|  Administrative staff | 330 000 |
|  Sales staff | 297 000 |
| Factory overhead costs | ? |

 |  |
|  |  |  |
| **ADDITIONAL INFORMATION** |  |
| 1. | Raw materials costing R48 000, purchased from Electronic Suppliers were returned on 28 February 2015. This transaction was not recorded. |  |
| 2. | Finished Goods stock ledger account is as follows: |  |
| Dr. | **Finished Goods Stock** | Cr. |
| 2014Mar  | 01 | Balance | **b/d** | 379 200 | 2015Feb | 28 | Cost of sales |  | 2 703 000 |
| 2015Feb | 28 | Work-in-process stock |  | 2 400 000 |  |  | Balance | c/d | 76 200 |
|  |  |  |  | 2 779 200 |  |  |  |  | 2 779 200 |
| 2015Mar | 01 | Balance | b/d | 76 200 |  |  |  |  |  |
| 5.3 | During the year 10 845 identical items were manufactured. |  |
| 5.3.1 | Calculate the break-even point. | (9) |

|  |  |
| --- | --- |
|  | **R** |
| Direct material costs | 888 000 |
| Direct labour costs | 736 000 |
| Factory overhead costs | 803 000 |
| Selling & Distribution cost | 328 100 |
| Administration cost | 235 840 |
| Cost of production of finished goods | 2 420 000 |
| Sales  | 4 338 000 |
| Cost of sales | 2 410 000 |
| Selling price per unit | R400 |
| Variable cost per unit | R180 |

**QUESTION 3**

**This question consists of two independent questions based on Partnerships.**

**3.1 PARTNERSHIPS [32 Marks; 7 mins]**

The information provided was drawn from the accounting records of Westridge Traders,

a partnership business owned by partners West and Ridge Their financial year ends

on 28 February 2015.

**REQUIRED**

3.1.1 **You are required to match the example in the left-hand column with the appropriate concept in the right-hand column**

.

**[**Business Entity, Historical Cost, Prudence, Matching, Materiality, Going concern]

|  |  |
| --- | --- |
| **Examples of year-end adjustments** | **Appropriate principle applied** |
| **A** | Trading stock is reflected at R23 500 in the financial statements of the partnership. The trading stock will sell at R35 250 in the next financial year |  |
| **B** | Postage stamps purchased for R250 is recorded as Sundry Expenses. |  |
| **C** | One of the partners receives R1,5 million as part of his inheritance. The amount is not recorded in the books o the partnership |  |
| **D** | The partnership has purchased dental equipment for R1,7 million. Technology is changing virtually every day. The equipment will be useless to anyone in the future. Therefore the partnership decides to depreciate it over its useful life time of 8 years. |  |
| **E** | The Income Statement of the partnership will reflect the telephone account with the amount paid for the11 months and the accrual amount. |  |
| **F** | Land and Building is recorded in the Balance Sheet for R300 000 for the past 5 years. It was recently appraised at R2,3 million. |  |

 **(10)**

3.1.2 Appropriation account properly completed on 28 February 2015. (20)

3.1.3 **Answer the following question:**

West suggests that the interest on capital of 12 % p.a., as stipulated in the partnership agreement, be reduced to 8 % p.a. for the next financial year so that the interest rate is

in line with current interest rates offered by commercial banks.

 How would this decision affect the partners if the partners were to share in a remaining

 loss? (2)

**INFORMATION**

**1.**

|  |
| --- |
| **Balances as at 1 March 2011** |
| Capital: West | 1 500 000 |  |
| Capital: Ridge | 2 000 000 |  |
| Current Account: West | 250 000 | Credit |
| Current Account: Ridge | 300 000 | Debit |

**2 Additional Information**

1 On 1 September 2014 the partners equalised their capital contributions to R1 750 000.

2 Provide for interest on capital at 12% p.a. Take into account the

adjustments in capital contributions. Mat’s interest on capital is R195 000. Calculate Ridge’s interest on capital. **Show calculations in the space provided.**

3 Partners are entitled to **monthly** salaries as follows:

* West R60 000
* Ridge R75 000

4. Each partner earned a Bonus of R20 000 each.

4 The remaining profit is shared between West and Ridge in the ratio 2**:**3 respectively. West’s share of the remaining profit is R420 000.

**3.2 FINANCIAL STATEMENTS – BALANCE SHEET [20 Mark; 13 mins]**

The following information was extracted from the accounting records of RM Traders, a partnership business owned by Raymond and Mhlaba. The financial year ends on 28 February 2015.

**REQUIRED**

The **Equity and Liabilities** section of the Balance Sheet on 29 February 2012. (20)

**Note:** Adjustments must be shown in brackets on the balance sheet.

**INFORMATION**

**[A] The following balances appeared amongst others in the General Ledger of**

**RM Traders on 28 February 2015.**

|  |  |
| --- | --- |
| Capital: Raymond  | 1 000 000 |
| Capital: Mhlaba | 850 000 |
| Current Account: Raymond [Debit] | 8 450**Dr** |
| Current Account: Mhlaba [Credit] | 51 800 **Cr** |
| Tangible Assets at carrying value | 1 160 000 |
| Fixed Deposit: Money Bank – 9% p.a. | 350 000 |
| Loan: Ching Bank – 12% p.a. | 200 000 |
| Trading Stock | 429 900 |
| Debtors Control | 320 000 |
| Creditors’ Control | 45 350 |
| SARS: PAYE | 17 500 |
| Bank overdraft | 101 250**Cr** |
| Petty Cash | 6 000 |
| Cash Float | 2 000 |
| Provision for bad debts | 4 450 |
| Pension Fund | 2 500 |
| Income Received in Advance | 3 500 |

**[B] Adjustments and additional information**

1. A cheque for R75 000 dated 31 March 2015 was issued to Wiseman Builders for improvements to the property. The transaction was properly recorded in the CPJ and posted to the general ledger. Make the necessary adjustment on the Balance Sheet.
2. On 28 February 2015 partner Mhlaba contributed Equipment to the value of R150 000 to equalize his capital contribution. This entry was not recorded.

3. The partners have agreed to pay off R100 000 of the Loan from Ching Bank by 30 April 2015.

**QUESTION 5 (35Marks; 21 min)**

**ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS [35]**

5.1 Match the information in column A with the information in column B.

 Write the only the alphabet indicating the correct answer. [10]

|  |  |  |  |
| --- | --- | --- | --- |
| **No.** | **Column A** |  | **Column B** |
| 5.1.1 | Total assets : Total liabilities | A | Period for which there is enough stock on hand |
| 5.1.2 | Aaaaaa Average debtors / Credit sales X 365  | B | Current ratio |
| 5.1.3 | Current assets : Current liabilities | C | Solvency |
| 5.1.4 | Non-current liabilities : Owners’ equity | D | Debtors’ collection period |
| 5.1.5 | Average stock / Cost of sales X 365 | E | Debt to equity |

5.2 The information provided below was drawn from the accounting records of Anchor Traders on

28 February 2015.

**REQUIRED**

5.2.1 Comment on whether the business was more profitable in 2015 than in 2014. Support your answer with a suitable financial indicator.

Show your calculation. **[Refer to information A]** (7)

5.2.2 Comment on whether the owner should be pleased with his return. Use a suitable financial indicator to support your answer.

Show your calculation. **[Refer to information A]** (10)

5.2.3 Do you think that the business will run into liquidity problems? Support your answer by

quoting **two** financial indicators.

Show calculations. **[Refer to information B]** (8)

**INFORMATION**

|  |  |  |
| --- | --- | --- |
| **A** | 2015 | 2014 |
| Sales | 1 470 000 |  |
| Cost of sales | 1 050 000 |  |
| Other operating incomes | 18 000 |  |
| Operating expenses | 138 000 |  |
| Operating profit | 300 000 |  |
| Owners’ equity | 1 246 620 | 1 100 000 |
| Actual mark-up achieved | 40% | 45% |
| Operating profit on turnover | ? | 16% |
| Return on equity | ? | 20% |

|  |  |  |
| --- | --- | --- |
| **B** | 2015 | 2014 |
| Current assets [including inventories] | 162 500 | 175 000 |
| Current liabilities | 117 500 | 105 000 |
| Inventories | 70 000 | 60 000 |
| Stock turnover rate | 6 times | 8 times |
| Acid test ratio | ? | 1,1 : 1 |

**QUESTION 5 MANUFACTURING (64 marks; 38 minutes)**

**5.1**

|  |
| --- |
| You are provided with information relating to Smug-Fit Calculators for the financial year ended28 February 2015 |
|  |  |  |
| 5.1.1 | Calculate Direct Labour Cost | (10) |
| 5.1.2 | Prepare the following Ledger Accounts in the General Ledger: |  |
|  | Raw material Stock | (16) |
|  | Work-in-Process Stock | (14) |
|  | Finished Good Stock | (9) |
|  |  | **[49]** |
| **INFORMATION** |  |
| 1. | The following indicates the stock on hand |  |
|  |

|  |  |  |
| --- | --- | --- |
|  | **R****Feb 2015** | **R****Feb 2014** |
| Raw materials stock | 85 500 | 107 000 |
| Work-in-process stock | 86 414 | 25 800 |
| Stock of finished goods | 25 400 | 126 400 |
| Consumables stores on hand (Indirect materials) | 1 800 | 9 600 |

 |  |
|  |  |  |
| 2. | Summary of transactions for the year ended 28 February 2015. |  |
|  |

|  |  |
| --- | --- |
|  | **R** |
| Office stationery purchased | 4 350 |
| Raw materials purchased for cash | 250 000 |
| Raw Material purchased on credit | 158 000 |
| Indirect materials purchased for cash | 19 900 |
| Carriage on purchases of raw materials cash | 15 400 |
| Sales of finished goods | 1 520 000 |
| Advertising | 28 200 |
| Vehicle expenses | 14 500 |
| Factory wages | 192 600 |
| Salaries: Factory Foreman | 90 000 |
|  Administrative staff | 110 000 |
|  Sales staff | 99 000 |
| Rates  | 20 040 |
| Insurance | 31 200 |
| Electricity and water | 30 000 |

 |  |
|  |  |  |
| **ADDITIONAL INFORMATION** |  |
|  |  |  |
| 1. | Raw materials costing R16 000, purchased from Electronic Suppliers were returned on 28 February 2014. This transaction was not recorded |
| 2. | UIF deductions of 1% apply to all employees. The business contributes an additional 1%.All employees contribute to the Pension fund. The deduction from earnings of 7,5%, while the business contributes 10,5% of monthly earnings towards the Pension fund. |
| 3 | The Total Fixed Overhead Cost for the year amounted R216 965 |  |

**1.2**

|  |
| --- |
| MEED Manufacturers manufactures toddler’s tracksuits. Tracksuits are sold at a mark-up of 50% on cost. The owner of MEED Manufacturers has provided you with the following information:* Selling price per tracksuit: R80
* Variable cost per tracksuit: R53,75
* Total fixed costs: R945 000

The owner informs you that he has discovered a new supplier for raw material. The Material will fade after one wash. However, this will reduce the variable cost to R49,80. If the business charges the same selling price it will ensure greater profits. |
| 1.2.1 | From the list below, select only the **THREE FIXED COSTS**

|  |  |
| --- | --- |
| Raw Materials Cost | Direct labour costs |
| Salary Foreman | Commission on sales: Sales Staff |
| Factory Rent | Salary of the Accountant |

 | (3) |
| 1.2.2 | Calculate the break even value of MEED Manufacturers. | (5) |
| 1.2.3 | In your opinion should MEED Manufacturers change to the cheaper supplier? Give TWO reasons for your answer. | (7) |
|  |  | **[15]** |

**QUESTION 6 BUDGETS (30 marks; 18 minutes)**

|  |  |
| --- | --- |
| **REQUIRED** |  |
| 6.1 | Complete the Debtors’ Collection Schedule of Kudu Traders for November and December 2015.  | (8) |
| 6.2 | Complete the Cash Budget of Kudu Traders for December 2015 | (20) |
| 6.3 | Name TWO operating expenses, taken from the information below, which appear in the Income Statement, but not in the Cash Budget. | (2) |
|  |  |  |
| INFORMATION |  |
| 1. | PROVISIONAL BUDGETED AMOUNTS |  |
| 1.1 | **Sales** |  |
|  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER |
| Cash | R40 000 | R48 000 | R42 600 | R60 000 |
| Credit | R60 000 | R72 000 | ? | ? |

 |  |
|  | 60% of the total sales are sold on credit |  |
| 1.2 | **Purchases of Trading Stock** |  |
|  |

|  |  |  |
| --- | --- | --- |
|  | NOVEMBER | DECEMBER |
| Cash | R18 000 | R20 700 |
| Credit | R56 000 | R48 300 |

 |  |
| 1.3 | **Purchases of Consumable Stores** |  |
|  |

|  |  |  |
| --- | --- | --- |
|  | NOVEMBER | DECEMBER |
| Cash | R8 000 | R8 000 |

 |  |
| 1.4 | **Drawings** |  |
|  |

|  |  |  |
| --- | --- | --- |
|  | NOVEMBER | DECEMBER |
| Cash | R6 000 | R7 500 |
| Trading Stock | R2 750 | R3 500 |

 |  |
| 1.5 | **Bad Debts written off** |  |
|  |

|  |  |
| --- | --- |
| NOVEMBER | DECEMBER |
| R800 | R1 160 |

 |  |
|  |  |  |
| **2.** | **ADDITIONAL INFORMATION** |  |
| 2.1 | Debtors paid their accounts as follows: |  |
|  | * 20% during the month of the transaction
* 77% during the first month following the month of the transaction
* The remainder will be written off in the second month following the month of transaction
 |  |
| 2.2 | Creditors are paid in full in the month of purchases to qualify for a 5% discount.  |  |
| 2.3 | Wages: |  |
| 2.3.1 | Bonuses are normally paid at the end of November. Employees receive a bonus of 60% of their normal wages |  |
| 2.3.2 | Wages are increased annually on 1 December. The increase is expected to amount to 7,5%. |  |
| 2.3.3 | The annual stocktaking takes place during December. Temporary workers are employed to help. The additional wages will amount to R4 500. No provision was made for this in the provisional budget. |  |
| 2.4 | On 1 December 2014 Kudu Traders obtained a loan of R80 000 at 15% p.a. The loan is payable in annual instalments of R10 000 on 30 November. The Interest is payable monthly. |  |
| 2.5 | Kudu Traders plans to buy an additional vehicle for R150 000 on 1 November 2015. 45% will be paid on 1 November and the balance will be paid in three equal instalments commencing 1 December 2015 |  |

|  |  |  |
| --- | --- | --- |
| 2.6 | The depreciation on vehicles for the year ending 31 December 2015 is calculated at 20% p.a. on the diminishing balance method. |  |
| 2.7 | Kudu Traders makes an annual donation on 1 November 2015 to the local high school, consisting of:* Trading stock, cost price R5 000
* Cash contribution to the bursary fund, R2 000
 |  |
| 2.8 | A flat, that is part of the building, is let by Kudu Traders. The rental is received on the first day of each month by means of a stop order. The rent amounts to R5 500 per month. There is an increase of 15% on 1 December each year. |  |
|  |  |  |