GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PREPARATORY EXAMINATION

2019

10710

ACCOUNTING

TIME: 3 hours

MARKS: 300

22 pages

ACCOUNTING

10710E

X10

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INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show ALL workings in order to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue / black ink to answer the questions.
6. Where applicable, show all calculations to ONE decimal point (unless stated otherwise).
7. Write neatly and legibly.

8. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION 1: 40 marks; 25 minutes	
Topic of the question:	**This question integrates:**
Reconciliation	**Financial accounting** Concepts Bank Reconciliation Creditors' Reconciliation **Managing resources** Internal control processes and Ethics

QUESTION 2: 35 marks; 20 minutes	
Topic of the question:	**This question integrates:**
Manufacturing	**Managerial accounting** Production Cost Statement Break-even analysis **Managing resources** Internal control processes

QUESTION 3: 65 marks; 40 minutes	
Topic of the question:	**This question integrates:**
Balance Sheet and Audit Report	**Financial accounting** Concepts Balance Sheet and notes **Managerial Accounting** Audit processes

QUESTION 4: 70 marks; 45 minutes	
Topic of the question:	**This question integrates:**
Fixed Assets, Cash Flow Statement and Interpretation	**Financial accounting** Cash Flow Statement Interpretation of financial information **Managing resources** Fixed assets Internal control

QUESTION 5: 45 marks; 25 minutes	
Topic of the question:	**This question integrates:**
Inventory valuation and VAT	**Financial Accounting** VAT calculations **Managing Resources** FIFO and weighted-average valuation methods Internal control

QUESTION 6: 45 marks; 25 minutes	
Topic of the question:	**This question integrates:**
Budgeting	**Managerial Accounting** Interpretation of budgetary information **Managing resources** Internal control processes and Ethics

QUESTION 1: RECONCILIATION **(40 marks; 25 minutes)**

1.1 **Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.**

1.1.1 A credit balance on the statement reflects an unfavourable balance in the bank. (1)

1.1.2 Bank Reconciliation must be prepared at the end of each financial year. (1)

1.1.3 A direct deposit made by a tenant will be recorded in the Cash Receipts Journal. (1)

1.2 **BANK RECONCILIATION**

The information relates to Dendo Biza Traders for August 2019.

REQUIRED:

1.2.1 Calculate the following on 31 August 2019:

- Correct totals for the CRJ and CPJ (Use the table provided.)
- Bank Account balance (15)

1.2.2 Prepare the Bank Reconciliation Statement on 31 August 2019. (7)

1.2.3 Explain ONE benefit of using the electronic funds transfer (EFT) system rather than cheques for direct payments to suppliers. (2)

1.2.4 The internal auditor is concerned about the management of cash.

(a) Identify ONE problem that justifies his concern. Quote figures. (2)

(b) Provide ONE point of advice to avoid this problem in future. (2)

INFORMATION

A Information relating to the Bank Reconciliation Statement on 31 July 2019, the end of the previous month:

Credit balance as per Bank Statement	R3 500
Outstanding deposit for cash sales: • Dated 15 July 2019 • Dated 29 July 2019	 12 000 19 970
Outstanding cheques: • 510 (dated 19 February 2019) • 670 (dated 16 June 2019) • 672 (dated 28 August 2019) • 675 (dated 20 September 2019)	 3 700 18 610 4 100 14 360
Credit balance as per bank account	5 300

- The deposits of R12 000 and R19 970 appeared on the Bank Statement of FDC Bank on 1 August 2019.
- Cheque no. 670 is reflected in the bank statement of August as R16 810. The bank statement is correct.
- Cancel cheque no. 672 for R4 100, as it was lost in transit. The business decided to make an EFT payment together with an additional payment of R600 to settle the amount owing to creditor, Motloung Stores. The Bank will only clear the EFT payment on 1 September 2019.

B The provisional totals in the Cash Journals for August 2019 before reconciling to the bank statement were as follows:

- CRJ – R90 140
- CPJ – R100 280

C The following items <u>appeared only</u> on the August 2019 bank statement:

- Stop order for advertising, R234
- Bank charges, R380
- Interest for R200, debited on the bank statement
- A cheque for R7 560, dishonoured. This was originally received from P Padi in settlement of a debt of R8 000.
- A direct deposit of R9 600 for rent from P Malebe. This includes R6 400 for September and October 2019.

D The following appeared in the Cash Journals and not on the August 2019 Bank Statement:

- Cheque no. 720 issued to Tok Suppliers in settlement of our debt of R12 500. A discount of R1 500 was received for prompt payment.
- Cash and cheque deposits on 31 August 2019, R12 070

E The balance on the Bank Statement is missing on 31 August 2019.

1.3 CREDITORS' RECONCILIATION

The information relates to Kirsten Traders for August 2019. Kirsten Traders buys goods on credit from Amla Suppliers.

REQUIRED:

Use the table provided to indicate the changes that must be made:
- In the Creditors' Ledger Account in the books of Kirsten Traders
- In the Creditors' Reconciliation Statement on 31 August 2019 (9)

INFORMATION:

The following differences were discovered when comparing the account in the Creditors' Ledger with the statement received from Amla Suppliers:

A An invoice for R14 800 was recorded incorrectly as R1 480 on the statement received from the creditor.

B The bookkeeper of Kirsten Traders recorded an invoice for R1 350 as a credit note.

C The discount of R850 was in error, overstated by R350 in the Creditors' Ledger.

D A cheque for R7 200 issued by Kirsten Traders did not appear on the statement due to the statement been processed early.

E Goods for R2 700, returned by Kirsten Traders, was not recorded.

40

QUESTION 2: MANUFACTURING **(35 marks; 20 minutes)**

2.1 **KLEMISH MANUFACTURERS**

The business produces study desks.

REQUIRED:

Prepare the following for the financial year ended 28 February 2019:

2.1.1 Production cost statement (13)

2.1.2 Abridged Income Statement (11)

INFORMATION:

A **Stock on hand:**

	28 February 2019	28 February 2018
Work-in-progress	?	R500 800
Finished goods	R18 000	R672 000

B
- 10 800 tables were produced at a unit cost of R495 each.
- Sales of 16 000 tables amounted to R8 160 000.

C Prime cost: R4 600 000 (after adjustments)

D The bookkeeper calculated the following costs before taking into account the adjustments below:

Administration	R296 800
Factory overheads	R974 400
Direct materials	R3 100 000
Direct labour	?
Selling and distribution	R844 000

- An amount of R204 000 for raw materials, purchased on credit, was not taken into account.
- Stationery valued at R1 000, purchased for the Administration department was incorrectly allocated to the Selling and Distribution department.
- Rent Expense, R252 000, was shared between the Factory and Selling and Distribution department in the ratio of 2:1.
  85% should have been allocated to the Factory. Correct the error.

2.2 **DAMARA'S JEWELLERY**

Damara owns a jewellery business.

REQUIRED:

2.2.1 Break-even point:

(a) Calculate the break-even point for February 2019. (4)
(b) Damara is satisfied with the results. Explain ONE reason with figures to support Damara's satisfaction. (3)

2.2.2 Refer to the unit costs.

(a) Explain why the fixed costs per unit decreased. (2)
(b) Provide ONE possible reason for the change in Direct Material Costs. (2)

INFORMATION:

	February 2019	**February 2018**
Total units produced and sold	18 000 units	15 000 units
Break-even point in units	?	13 500 units
Selling price per unit	**R407,00**	**R330,00**
TOTAL VARIABLE COSTS	**R4 410 000**	**R3 510 000**
VARIABLE COSTS PER UNIT	**R245,00**	**R234,00**
Direct material cost per unit	R128,00	R135,00
Direct labour cost per unit	R80,00	R62,00
Selling and distribution cost per unit	R37,00	R37,00
TOTAL FIXED COSTS	**R1 296 000**	**R1 296 000**
FIXED COST PER UNIT	**R72,00**	**R86,40**
Factory overhead cost per unit	R52,00	R62,40
Administration cost per unit	R20,00	R24,00

35

QUESTION 3: CONCEPTS, BALANCE SHEET AND AUDIT REPORT

(65 marks; 40 minutes)

3.1 CONCEPTS

Choose an explanation from COLUMN B that matches a concept in COLUMN A. Write only the letter (A – D) next to the question number (3.1.1 – 3.1.4) in the ANSWER BOOK.

COLUMN A		COLUMN B	
3.1.1	Finance cost	A	Consumable stores not used at the end of the financial year
3.1.2	Dividends	B	Interest on bank overdraft on the Income Statement
3.1.3	Inventory	C	A financial indicator which reflects liquidity
3.1.4	Current liability	D	Profits distributed to shareholders in proportion to the number of shares held
		E	Debts payable over a short period of time

(4)

3.2 PHAMBILI LIMITED

The information below relates to Phambili Ltd. The financial year ended on 28 February 2019.

REQUIRED:

3.2.1 Prepare the following notes for the financial year ended 28 February 2019.

(a) Ordinary share capital (11)

(b) Retained income (11)

3.2.2 Complete the Balance Sheet (Statement of Financial Position) on 28 February 2019. Where notes are not required, show ALL workings. (29)

INFORMATION:

A **Balances extracted from the accounting records on 28 February 2019 (unless otherwise stated).**

	R
Ordinary share capital (1 March 2018)	1 220 000
Retained income (1 March 2018)	355 500
Loan from VDS Bank	1 376 000
Fixed assets at carrying value	1 499 500
Fixed deposit: Sandton Bank	**?**
Trading stock	480 000
Creditors' control	177 500
Debtors' control	400 000
Packing material on hand	16 000
Accrued expenses (expenses payable)	10 000
Income received in advance (deferred income)	11 500
Bank (favourable)	1 010 100
Provision for bad debts (1 March 2018)	6 200
SARS: Income tax (provisional tax payments)	1 180 000
Ordinary share dividends	350 000

B **Share capital:**

- Phambili Ltd. is authorised to sell 6 000 000 ordinary shares.
- 500 000 shares were in issue on 1 March 2018.
- 900 000 new shares were issued on 1 August 2018 at R3,00 per share. This has been properly recorded.
- 150 000 shares were repurchased on 10 January 2019 from a disgruntled shareholder for 75 cents above the average share price. This transaction was not recorded. This shareholder does not qualify for final dividends.

C **Dividends:**
The Directors declared a final dividend of 50 cents per share on 28 February 2019.

D **Provision for bad debts:**
The provision for bad debts must be decreased to R5 400.

E **Loan:**

- The loan was received on 1 September 2016.
- This loan is to be repaid over 6 years in equal monthly instalments with effect from 1 October 2016. All payments have been made.
- Interest is not capitalised and has been paid in full.

F **Taxation:**
After taking into account all relevant information, taxation for the year was accurately calculated to be R1 148 000 at 28%.

3.3 AUDITING

You are provided with an extract from the report of the independent auditors.

Audit Opinion – To the shareholders:

We have examined the financial statements as set out on Pages 23 to 89. In our opinion, the financial statements fairly present, in all material respects, the financial position of the company as at 28 February 2019 and the results of their operation and cash flows for the year ended are in accordance with International Financial Reporting Standards (IFRS), and in the manner as required by the Companies Act in South Africa.

Mxo and Frank
Chartered Accountants (SA)
Registered Accountants and Auditors
Midrand, 31 March 2019

REQUIRED:

3.3.1 Explain why the shareholders would be satisfied with this audit report. (2)

3.3.2 Tello Motloung, the managing director, has informed the auditors that he intends to buy the unissued shares for himself without informing the other shareholders. What advice should the auditors give to Tello? Explain. (2)

3.3.3 Explain why the auditors found it necessary to stipulate the page numbers in the report. (2)

3.3.4 Explain TWO major consequences for Mxo and Frank should they be negligent in performing their duties. (4)

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QUESTION 4: FIXED ASSETS, CASH FLOW STATEMENT AND INTERPRETATION
(70 marks; 45 minutes)

The given information relates to Hadley Ltd. The company has an authorised share capital of 900 000 ordinary shares. The financial year ended on 28 February 2019.

REQUIRED:

4.1 **Refer to Information A, B and C.**

Calculate the missing figures indicated by **(a)** to **(e)** in the Fixed Asset Note below. (17)

4.2 Prepare the Cash Flow Statement for the year ended 28 February 2019. (Where applicable show calculations / figures in brackets to earn part marks). (30)

4.3 Calculate the Debt-Equity ratio for 2019.
(Round-off to TWO decimal points.) (3)

4.4 The directors decided to increase the loan during the current financial year. Explain TWO financial indicators to indicate why this was a good decision. Quote figures. (8)

4.5 The board of directors is of the opinion that the shareholders should be happy with their percentage return and the market price of their shares. Quote and explain TWO financial indicators with figures to support their opinion. (6)

4.6 The Cash Flow Statement reflects some important decisions taken by the Directors.

Apart from the loans, identify TWO good decisions. Explain the effect of these decisions on the company. Quote figures. (6)

INFORMATION:

A **Extract from the Income Statement for the year ended 28 February 2019**

	R
Depreciation	?
Interest expense	208 800
Net profit before tax	?
Income tax	713 250
Net profit after tax	?

B **Extract from the Balance Sheet on 28 February**

	2019	2018
Land and Buildings	5 800 000	6 800 000
Vehicles	2 700 000	?
Equipment	?	850 000
Accumulated depreciation on vehicles	?	960 000
Accumulated depreciation on equipment	?	180 000
Financial Assets (Fixed Deposit)	2 000 000	2 000 000
Trade and other receivables	**405 750**	**168 300**
Trade debtors	378 675	144 600
Accrued income	27 075	0
SARS (Income tax)	0	23 700
Inventories	360 750	436 185
Cash and cash equivalents	2 841 250	1 429 465
Shareholders' equity	**11 000 250**	**10 200 000**
Ordinary share capital	10 260 000	9 000 000
Retained income	740 250	1 200 000
Mortgage loan SS Bank	2 100 000	1 380 000
Trade and other payables	?	**763 950**
Trade creditors	55 200	72 450
Income received in advance	19 350	15 000
SARS (Income tax)	31 950	0
Shareholders for dividends	?	676 500

C **Fixed Asset Note**

	Land and Building	Vehicles	Equipment
Carrying value on 28 Feb 2018	6 800 000	840 000	**(c)**
Cost	6 800 000	**(b)**	850 000
Accumulated depreciation	0	(960 000)	(180 000)
Movements			
Additions at cost		900 000	400 000
Disposals	**(a)**	0	**(d)**
Depreciation		(171 000)	**(e)**
Carrying value on 28 Feb 2019	5 800 000		
Cost	5 800 000	2 700 000	
Accumulated depreciation			

Land and Building

- Part of the Land and Building was sold at carrying value during the financial year.

Vehicles

- A new delivery van was bought on 1 November 2018.
- No vehicles were sold during the financial year.

Equipment

- A printer bought for R150 000 on 1 March 2016, was sold at carrying value on 31 August 2018.
- A new printer was purchased on 31 August 2018.
- Depreciation on equipment is written-off at 10% p.a. on the cost price.

D **The following is an extract from Note 1 to the Cash Flow Statement: Reconciliation between Net Profit before Tax and Cash Generated from Operations**

	R
Operating profit before changes in working capital	2 854 800
Cash effects of changes in working capital	(198 615)

E **Share capital and Dividends**

- Authorised shares: 900 000
- On 1 March 2018, there were 600 000 shares in issue.
- On 31 August 2018 an interim dividend of 243 cents per share was paid.
- On 1 November 2018, 40% of the unissued shares were issued for R1 800 000.
- On 28 February 2019, 5% of the issued shares were repurchased at R16 each.
- A final dividend of 90 cents per share was recommended. All shares, including the shares repurchased, qualified for final dividends.

F **Income Tax**

- Tax is 30% of the net profit.

G **Financial indicators on 28 February:**

	2019	**2018**
Earnings per share	252 cents	110 cents
% return on average shareholders' equity (ROSHE)	15,7%	12,3%
% return on average capital employed (ROTCE)	20,9%	21,3%
Net asset value per share	1 608 cents	1 700 cents
Debt-equity ratio	?	0,13:1
The market price of shares on the JSE	1 680 cents	1 560 cents
Interest on alternative investments	7,5%	6,5%
Interest on loans	12,0%	10,5%

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QUESTION 5: STOCK VALUATION AND VAT (45 marks; 25 minutes)

5.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (5.1.1 – 5.1.4) in the ANSWER BOOK.

5.1.1 In the (perpetual / periodic) inventory system, the cost of sales must be calculated at the end of the year.

5.1.2 The (specific identification / weighted-average) stock valuation method is best suited for unique high-value products.

5.1.3 In the perpetual inventory system, merchandise purchased is recorded as an (asset / expense) to the business.

5.1.4 The (first-in-first-out / weighted-average) stock valuation method is best suited for products of similar value purchased in large quantities. (4)

5.2 **KROOKED SKATEBOARD TRADERS**

You are provided with information relating to Krooked Skateboard Traders owned by G Gonzales. The business sells a type of skateboard that is imported from California. The financial year ended on 28 February 2019. The business uses the weighted-average method to value their stock and uses the periodic inventory system.

REQUIRED:

5.2.1 Calculate the following on 28 February 2019:

(a) The value of closing stock using the weighted-average method. (9)
(b) Cost of Sales (4)
(c) Gross Profit (3)

5.2.2 G Gonzales wants to alternate between using the weighted-average method and a FIFO method, depending on which will result in the higher cost of sales.

(a) In your opinion, why do you think G Gonzales wants to increase the value of cost of sales in the financial statements? (2)

(b) Provide ONE reason why the bookkeeper says that alternating between two methods of valuing stock does not comply with the requirements of GAAP. (2)

INFORMATION:

A **Stock records of skateboards**

Date	Number of units	Total value
01 March 2018	860	R238 600
28 February 2019	420	?

B **Purchases of skateboards**

Purchases:

DATE	NO. OF UNITS	PRICE PER UNIT	TOTAL PURCHASES	CARRIAGE ON PURCHASES	TOTAL CARRIAGE ON PURCHASES	TOTAL PURCHASE COST
		R	R	R	R	R
31/05/18	1 200	280	336 000	20	24 000	**360 000**
01/07/18	1 600	300	480 000	20	32 000	**512 000**
12/09/18	1 000	290	290 000	24	24 000	**314 000**
15/01/19	600	320	192 000	24	14 400	**206 400**
Totals	**4 400**		**1 298 000**		**94 400**	**1 392 400**

C **Returns of skateboards**

Forty (40) skateboards from the July purchases that were not of good quality were returned to the supplier. They credited the business account with the total cost, including carriage on purchases.

D **Sales**

4 800 units at R350 each: R1 680 000

5.3 PROTEC TRADERS

Patrick Ace is the owner of PROTEC Traders, who sells safety helmets. He has three different stores that are managed by Lucas, Pitso and Pepe. He is concerned that the stores are not running effectively and gave you the following information to analyse for February 2019.

REQUIRED:

Identify a different problem in each store. Quote figures to support the problem identified in each case and give Patrick Ace advice on how to solve each problem. (9)

	Store 1 Lucas	Store 2 Pitso	Store 3 Pepe
Sales	R280 000	R340 000	R300 000
Returns from customers for the month	R4 000	R28 000	R3 000
Returns policy	7 days	21 days	7 days
Stock stolen during the month	0 units	4 units	50 units
Advertising	R30 000	R10 000	R24 000
Number of employees	6	4	6

5.4 VALUE ADDED TAX (VAT)

Mandla Traders is a VAT-registered business. All items are subject to VAT at 15%.

5.4.1 Calculate the amount of VAT either receivable from, or payable to SARS on 30 June 2019. Indicate whether this amount is receivable or payable. (10)

5.4.2 The owner wants to change the VAT amount on bad debts from R900 to R6 000. Give ONE reason why you would disagree with him. (2)

INFORMATION:

The following transactions relate to Mandla Traders for the VAT period ended 30 June 2019.

		R
A	Balance owing by SARS on 1 June 2019	33 600
B	Purchase of trading stock (VAT exclusive)	1 625 000
C	Cash and credit sales (VAT inclusive)	2 415 000
D	VAT on discount received from suppliers	1 200
E	VAT on bad debts written-off	900

QUESTION 6: BUDGETING **(45 marks; 25 minutes)**

6.1 **SEAGATE TRADERS**

The information relates to Seagate Traders.

REQUIRED:

Complete the table in the ANSWER BOOK by filling in only the amounts for July 2019 in the appropriate columns.

EXAMPLE: Commission will be received on promotion items sold, R3 300.

No.	Amount in the Cash Budget for July 2019		Amount in the Projected Income Statement for July 2019	
	RECEIPT	PAYMENT	INCOME	EXPENSE
Example	R3 300		R3 300	

Transactions for July 2019:

6.1.1 Expected cash sales will amount to R49 500 (cost of sales, R23 300).

6.1.2 Payments to creditors, R19 800, are expected to be made. Discount of R990 will be claimed.

6.1.3 Bad debts to be written-off will amount to R1 320.

6.1.4 Depreciation for the 2019 financial year will be R36 960.

6.1.5 Directors' fees to be paid, R55 000

6.1.6 Interim dividends to be paid to shareholders, R27 500

(10)

6.2 **BRITE TRADERS**

You are provided with an incomplete Cash Budget of Brite Traders for the period 1 August 2019 to 30 September 2019. Cleve Brite is the owner.

6.2.1 Calculate the credit sales for August 2019 and then complete the Debtors' Collection Schedule for September 2019. (7)

6.2.2 Calculate the missing amounts indicated by **(a) – (e)** on the Cash Budget. (12)

6.2.3 Refer to information **F**

(a) Cleve, the owner, decided to offer special discounts to customers during August. The customers will be reminded weekly by telephone or sms about this offer.
You are of opinion that this has NOT benefited the business. Provide TWO reasons to support your opinion. Quote figures. (4)

(b) Explain what you would say to Cleve about the control of the following costs. Quote figures to support your answer and provide ONE point of advice in EACH case.

- Delivery costs
- Advertising (6)

6.2.4 Refer to information **G** and **H**.

(a) Calculate the purchase price of the new vehicle. (4)

(b) Apart from the deposit and the monthly instalment of R6 875 on the new vehicle, explain how the next month's Cash Budget will be affected. State TWO points. (2)

INFORMATION:

A **Sales, cost of sales and debtors' collection**

- Actual and budgeted sales and cost of sales:

	TOTAL			
	SALES (R)		COST OF SALES (R)	
	BUDGETED	ACTUAL	BUDGETED	ACTUAL
June	115 500	85 800	77 000	57 200
July	135 000	98 010	90 000	65 340
August	118 800		79 200	
September	92 400		?	

- 60% of the total sales are for cash.

- Credit sales are collected as follows:
  - 20% in the month of sale
  - 70% in the first month following the sale
  - 8% in the second month following the sale
  - The balance is written-off in the third month following the month of the sale.

B **Stock levels and payments to creditors**

- Brite Traders uses a mark-up of 50% on cost.
- A fixed-based stock level is maintained by replacing stock on a monthly basis.
- 75% of the total purchases are on credit.
- Creditors are paid in the month following the month of purchase to take advantage of the 5% discount.

C **Delivery costs**

- All goods sold are delivered to customers free of charge.
- Dell Deliveries has been contracted to render this service.
- The delivery costs are budgeted at 10% of sales.

D **Salaries**

- Workers will receive an increase of 6% on 1 September 2019.

E **Insurance**

- The insurance premium is paid at the end of each month.
- The monthly premium will increase by 10% on 1 September 2019.

F A comparison of budgeted and actual amounts revealed the following:

	AUGUST 2019	
	BUDGETED	**ACTUAL**
Sales	**R**118 800	**R**89 400
Cost of sales	79 200	66 000
Gross profit	39 600	26 400
Delivery costs	11 880	13 860
Telephone costs	5 500	8 250
Advertising	19 800	21 400

G **Details relating to the delivery costs and new vehicle**

Cleve is considering the following to improve the cash flow:

- Purchasing a delivery vehicle in October 2019
- Paying a 10% deposit
- Borrowing an interest-free loan from his uncle for the remaining balance
- Making a repayment of R6 875 per month over 36 months
- Stopping the services of Dell Deliveries

H **Extract from the Cash Budget for the two months ending 30 September 2019**

Receipts	**August**	**September**
Cash sales of goods	71 280	55 440
Collection from debtors	51 000	
Rent income	8 250	9 075
Additional capital to be contributed		110 000
Total receipts		
Payments		
Cash purchase of trading stock	19 800	**(a)**
Payment to creditors	**(b)**	56 430
Salary: Five workers	35 200	**(c)**
Telephone	5 500	6 600
Advertising	19 800	13 200
Insurance	**(d)**	5 808
Delivery costs (payable to Dell Deliveries)	11 880	9 240
Other operating expenses		
Drawings	16 500	16 500
Total payments		
Cash surplus / deficit	(24 860)	
Bank balance at beginning of month	(11 220)	**(e)**
Bank balance at end of month		

45

TOTAL: 300

END