

OBE for FET  
financial management:  
a logical approach  
level 2  
lecturer's guide

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# contents

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## introduction 1

How to use this Lecturer's Guide 1

The new curriculum 4

Learning Outcomes 8

A suggested work schedule and assessment plan for *OBE for FET Colleges Financial Management Level 2* 12

## assessment 17

Assessment tools (Rubrics and checklists) 28

## chapter 1

### **Managing finances for a new venture 44**

Unit 1 Financial controls for managing a business 47

Unit 2 Accounting practices and procedures 53

Unit 3 Business accounts and records 59

Unit 4 Financial statements 63

## chapter 2

### **Performing basic business calculations 68**

Unit 1 Basic calculations in retail/wholesale practices 70

## chapter 3

### **Basic financial transactions 78**

Unit 1 Receiving and receipting payments 81

Unit 2 The petty cash system 85

Unit 3 Basic banking transactions 89

## chapter 4

### **Complete basic business calculations 99**

Unit 1 Basic Income statement 101

Unit 2 Business expenses 108

# Introduction

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This series for the subject Financial Management offers a Lecturer's Guide, a Student's Book and a Workbook for the National Certificate/Vocational (Finance, Economics and Accounting) Level 2 in the Further Education and Training (FET) Colleges. The content of the Lecturer's Guide and Student's Book has been divided into four chapters, with each chapter dealing with a particular topic and its Subject Outcome (SO). Assessment standards (AS) have also been integrated within Financial Management and with certain other subjects. Remember that an Assessment Standard cannot be integrated without linking it to its particular Subject Outcome.

## How to use this Lecturer's Guide

Possible solutions to questions in the Student's Book are provided for most of the activities. Although you will find these suggestions useful when preparing a lesson, you can choose to adapt these methods or use your own, since you know what will work best for your students.

Assessment should be continuous. At the end of each unit in the Student's Book, there is an opportunity for students to assess their own progress and do an end of unit test. The assessment questions at the end of each unit are directly linked to the Subject Outcomes and could be used as questions in tests and examinations. Where applicable, specific guidance is provided for inclusive education and LSEN.

In each unit in this Lecturer's Guide, guidance has been given on assessment for the activities in the Student's Book. Some additional assessment opportunities are also included. Rubrics and checklists have been prepared to assist you with assessment. You can choose to use these assessment tools as they are or adapt them to suit your specific needs. At the end of each chapter in this Lecturer's Guide, there is a grid that summarises the assessment for each activity. This could be used or adapted for Portfolio of Evidence assessment purposes for each student.

## Using this Lecturer's Guide with the Student's Book

Icons have been used throughout the Student's Book to consolidate and facilitate the learning process, and to promote an interactive approach between the student and the text. The icons indicate different types of activity – for example, a group or a question or feedback activity. The icons are also used to indicate what is being dealt with – for example, outcomes, assessment or a cross-reference to something else.

	<p><b>Cross-reference</b> This icon shows forward or backward links or references to other sections in the book.</p>
	<p><b>Outcomes</b> Outcomes appear in the outcomes table at the beginning of each unit. The students should achieve these unit outcomes, which are derived from the Subject Outcomes and the Learning Outcomes in the National Certificate (Finance, Economics &amp; Accounting) Financial Management Subject Guidelines.</p>
	<p><b>Minds-on</b> This icon indicates knowledge outcomes that students will acquire.</p>
	<p><b>Hands-on</b> This icon shows skills-based outcomes that students will acquire.</p>
	<p><b>Hearts-on</b> This icon shows values-based outcomes that will assist the students to express or develop particular values (or attitudes) to the issues raised.</p>
	<p><b>Individual</b> This icon indicates that students should work on their own.</p>
	<p><b>Pair work</b> This icon indicates that the students should work in pairs.</p>
	<p><b>Group work</b> This icon indicates that the students should work in groups. Groups of four or five students are usually ideal, but this depends on the type of activity.</p>
	<p><b>Time</b> This icon suggests the time it should take a student to complete the activity. Students should time themselves to see whether they are able to complete the activity within the suggested time.</p>
	<p><b>End of unit revision questions</b> This icon provides the student with opportunities for self-assessment and ensures that the learning process has taken place. Tests at the end of each unit form part of your summative assessment and assist the students to reflect on what they have learned.</p>
	<p><b>Assessment</b> This icon shows an activity that could be used as part of the internal continuous assessment (ICASS) process, which should take place throughout the year. All ICASS evidence is contained in a Portfolio of Evidence (PoE), and must be readily available for monitoring, moderation and verification purposes.</p>

We have used the following margin boxes in the Student's Book to highlight different kinds of information:

Career corner	These margin boxes provide the student with an opportunity to investigate or think about careers in the Financial Management field.
Word bank	New or difficult terms are explained or defined in these margin boxes. The aim is to extend the students' use of English and their Financial Management terminology.
Fact file	These margin boxes provide references to websites and other sources of information to extend the students' knowledge.

We have included the following types of activities in the Student's Book:

Getting started	These discussions can be found at the beginning of each chapter. They introduce students to the subject matter of the chapter and allow the lecturer to assess the students' prior knowledge.
Activities	The activities give the students the opportunity to apply their knowledge, skills and values to accounting documents and books.
Summative activities	These summative activities at the end of each unit allow students to practise all the accounting procedures learned in that unit.

## Abbreviations

AG	Assessment guidelines
CCO	Critical cross-field outcomes
DOE	Department of Education
FET	Further Education and Training
GET	General Education and Training
HET	Higher Education and Training
ICASS	Internal continuous assessment
IKS	Indigenous knowledge systems
LB	Student's Book
LG	Lecturer's Guide
LP	Learning Programme
LSEN	Students with Special Education Needs
LTSM	Learning and teaching support materials
NC	National Certificate
NSC	National Senior Certificate
NQF	National Qualifications Framework
OBE	Outcomes-based education
SAG	Subject assessment guidelines
SO	Subject Outcome

## The new curriculum

A process of transforming education and training to realise the aims of our democratic society and of the Constitution has been under way since 1994. As part of this process, the Outcomes-based curriculum (OBE) was developed as one united curriculum for all school students in the General Education and Training (GET) and Further Education and Training (FET) bands.

The OBE curriculum was designed to be student-centred, integrated and holistic, relevant to students' lives and the needs of the country, and to promote critical and creative thinking.

### Subject Outcomes and Learning Outcomes

Outcomes-based education calls for lifelong learning by demonstrating nine critical cross-field outcomes (CCOs).

Financial Management Level 2 has five topics linked to Subject Outcomes (SOs) together with corresponding Assessment standards (ASs) and Learning Outcomes (LOs) that are derived from the CCOs and which describe the knowledge, understanding, skills and values that students should demonstrate and be able to do at the end in Financial Management for the National Certificate level 2 in the FET Colleges band.

The four topics and the SOs, together with their ASs and LOs, are outlined in the table below:

#### Topic 1: Manage finances for a new venture (40% weighted value)

Subject Outcomes	Assessment Standards	Learning Outcomes
Explain financial controls for managing a business.	<ul style="list-style-type: none"> <li>The necessity of banking and banking accounts is discussed with examples of the consequences of not having them.</li> <li>Skills for interpreting bank statements and operating banking accounts are explained with examples.</li> <li>The various types of account are identified and explained in relation to own business venture. <i>Range: Types of account include, but are not limited to, cash books, journal ledgers and balance sheets.</i></li> <li>Financial concepts and principles are related to own business venture. <i>Range: Financial concepts and principles include but are not limited to start-up capital, working capital, cash flow management, profit forecasts, management of assets and liabilities.</i></li> </ul>	<ul style="list-style-type: none"> <li>Discuss the necessity of banking and banking accounts with examples of the consequences of not having them.</li> <li>Explain the skills necessary to interpret bank statements and operate banking accounts with examples.</li> <li>Identify and explain the various types of account in relation to own business venture. <i>Range: Types of account include, but are not limited to cash books, journal ledgers and balance sheets.</i></li> <li>Relate financial concepts and principles to own business. <i>Range: Financial concepts include, but are not limited to, start-up capital, working capital, cash flow management, profit forecasts, management of assets and liabilities.</i></li> </ul>

<p>Identify and apply accounting practices and procedures.</p>	<ul style="list-style-type: none"> <li>Accounting systems are explained with reference to own venture.</li> <li>Suitable accounting support structures are identified in accordance with own business requirements. <i>Range: Accounting support structures include, but are not limited to, the appointment of an accounting officer, accounting clerks, bookkeepers and coaches or mentors.</i></li> <li>Taxation requirements required in the administration of finances are explained in relation to own venture and controls for managing these requirements are identified to ensure that legislative regulations are adhered to.</li> <li>The elements of an income and expenditure statement are analysed in relation to own business venture.</li> <li>The elements of a cash flow statement are explained in relation to own business venture.</li> <li>Payment terms and procedures relating to liabilities are identified and implemented accordingly.</li> </ul>	<ul style="list-style-type: none"> <li>Explain accounting systems with reference to own venture.</li> <li>Identify suitable accounting support structures in accordance with own business requirements. <i>Range: Accounting support structures include, but are not limited to, the appointment of an accounting officer, accounting clerks, bookkeepers and coaches or mentors.</i></li> </ul>
<p>Manage business accounts and maintain business records.</p>	<ul style="list-style-type: none"> <li>Books of accounts are identified for interpretation purposes.</li> <li>All records pertaining to financial and related transactions are kept and stored for input into books of accounts.</li> <li>Key issues pertaining to books of accounts are discussed and explained in relation to own business venture.</li> <li>Books of accounts are kept on a monthly basis to ensure effective financial management of business venture.</li> </ul>	<ul style="list-style-type: none"> <li>Identify books of accounts for interpretation purposes.</li> <li>Explain how to keep and store all records pertaining to financial and related transactions for input into books of accounts.</li> <li>Explain and discuss key issues pertaining to books of accounts in relation to own business venture.</li> <li>Explain how to keep books of accounts on a monthly basis to ensure effective financial management of business.</li> </ul>
<p>Use financial statements to identify business progress.</p>	<ul style="list-style-type: none"> <li>The elements of an income and expenditure statement are analysed in relation to own business venture.</li> <li>An income and expenditure statement is compared to a cash flow statement.</li> <li>Profit or loss is ascertained to determine financial progress of business.</li> <li>Financial records are compared to business plans to determine whether business objectives are being met and problem areas are rectified accordingly.</li> </ul>	<ul style="list-style-type: none"> <li>Analyse an income and expenditure statement in relation to own business venture.</li> <li>Compare an income and expenditure statement to a cash flow statement.</li> <li>Determine profit or loss to determine financial progress of business.</li> <li>Compare financial records to business plan to determine whether business objectives are being met and rectify problem areas accordingly.</li> </ul>

**Topic 2: Perform basic calculations in retail or wholesale practices (25% weighted value)**

Subject Outcomes	Assessment Standards	Learning Outcomes
Consider options and make decisions, relating business calculations to a range of retail or wholesale practices when selling goods for profit.	<ul style="list-style-type: none"> <li>Business calculations applied to retail or wholesale practices when selling goods for profit are described and performed.</li> </ul> <p><i>Range: The basic business calculations include cost price, profit, including mark-ups and mark-downs, value-added tax (VAT) calculations, discount on cash and terms (payment of accounts).</i></p>	<ul style="list-style-type: none"> <li>Understand the legal requirements associated with value-added tax (VAT) calculations.</li> <li>Perform a range of business calculations.</li> <li>Use electronic equipment when making business calculations to enhance accuracy and efficiency.</li> </ul> <p><i>Range: Calculators, adding machines, point of sale terminals, etc.</i></p>

**Topic 3: Conduct basic financial transactions (15% weighted value)**

Subject Outcomes	Assessment Standards	Learning Outcomes
Explain and apply the basic procedures for receiving and receipting payments.	<ul style="list-style-type: none"> <li>Receipting procedures are described.</li> <li>The parties to and the legal importance of a receipt are explained.</li> <li>The procedures for the securing of monies are applied.</li> <li>The legal requirements of valid cheques are explained.</li> <li>The safekeeping of all relevant source documents is demonstrated.</li> </ul>	<ul style="list-style-type: none"> <li>Describe receipting procedures, including how to keep a receipt book, complete a receipt in duplicate, determine the validity of cheques, count money correctly and check amounts.</li> <li>Explain the parties to and the legal importance of a receipt, as well as proper keeping of duplicate receipts and correct signing of person issuing the receipt according to the requirements of a computerised or manual system to ensure successful receipting.</li> <li>Explain the validity of cheques according to legal requirements by identifying the payer and validating the amount in figures and in words, the date on the cheque and the signature.</li> <li>Explain and demonstrate the procedures for the safekeeping of money and relevant source documents in a lock-up area or safe.</li> </ul>
Use a petty cash system to purchase office items.	<ul style="list-style-type: none"> <li>Petty cashier is approached for relevant funds and justification for purchase is explained.</li> <li>The necessary application forms are completed.</li> <li>Items are purchased and receipts for items are returned to petty cash officer according to organisational procedures.</li> </ul>	<ul style="list-style-type: none"> <li>Explain procedures when using the petty cash system for purchases in an office environment.</li> <li>Complete a petty cash voucher according to organisational requirements.</li> </ul>

Conduct basic banking transactions.	<ul style="list-style-type: none"> <li>• Documentation is prepared for banking according to organisational procedures.</li> <li>• Deposit books or slips are completed.</li> <li>• Cash and cheque deposits are verified against receipt books.</li> <li>• The physical deposit of cash to the bank is ensured.</li> <li>• Deposit books or slips are secured and filed according to organisational procedures.</li> </ul>	<ul style="list-style-type: none"> <li>• Explain and demonstrate the importance of accurately preparing for banking; completing deposit books; verifying cash and cheque deposits against receipt books; depositing money at a bank and filing and safekeeping deposit books or slips according to organisational procedures.</li> </ul>
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#### Topic 4: Complete basic business calculations (20% weighted value)

Subject Outcomes	Assessment Standards	Learning Outcomes
Complete a basic income statement.	<ul style="list-style-type: none"> <li>• Income statement entries – sales, cost of goods sold, gross profit, expenses, net profit, interest, tax, dividends and retained income – are explained with their effect on the net profit of the organisation.</li> <li>• The net profit of an organisation is calculated in an exercise given the necessary amounts.</li> <li>• The impact of breakages in an outlet is explained in terms of their effect on the profits of the outlet.</li> </ul>	<ul style="list-style-type: none"> <li>• Explain the effect of entries on an income statement on the net profit. <i>Range: Entries include sales, cost of sales, gross profit, other income, expenses, net profit, interest, tax, dividends and retained income.</i></li> <li>• Complete an income statement.</li> <li>• Calculate the net profit with given amounts.</li> <li>• Explain the impact of breakages on profits of a retail or wholesale business.</li> </ul>
Identify expenses requiring improvement.	<ul style="list-style-type: none"> <li>• Different types of expenses are identified and explained as they apply to a wholesale or retail outlet.</li> <li>• The causes of increases or decreases in store expenses are explained as applicable to an outlet.</li> <li>• Expenses requiring improvement are identified as shown on an income statement.</li> </ul>	<ul style="list-style-type: none"> <li>• Identify and explain different types of expenses.</li> <li>• Explain causes of increase or decrease of expenses</li> <li>• Identify an improvement of expenses as shown in an income statement applicable to a wholesale or retail business.</li> </ul>
Identify ways to reduce shrinkage.	<ul style="list-style-type: none"> <li>• The effect of shrinkage on an outlet is explained in terms of its impact on the profits of the business.</li> <li>• The method for calculating shrinkage in the business is explained along with the various entries in the calculation.</li> <li>• General methods for reducing shrinkage are explained as they apply to the industry.</li> </ul>	<ul style="list-style-type: none"> <li>• Explain shrinkage and its effect on profit.</li> <li>• Explain and demonstrate methods of shrinkage calculation.</li> <li>• Explain general methods to reduce shrinkage as applicable to industries.</li> </ul>

The Critical Outcomes are laid down by the DOE and have been adapted in the Financial Management Curriculum as follows:

1. Identify problems using creative thinking to manage finances and to determine progress in a business venture needs.
2. Work effectively with others as a member of a team, group organisation and community while performing accounting and financial procedures in a small business venture.
3. Organise and manage oneself and one's activities responsibly and effectively through various activities to be done in a small business venture.

4. Collect, analyse, and organise information to simplify decision-making in a small business environment.
5. Communicate effectively using mathematical and/or language skills in the modes of written presentation of elementary management information.
6. Be culturally sensitive across a range of social contexts in determining factors influencing and contributing to local economy.
7. Demonstrate an understanding of the world as a set of related systems by recognising that current economic affairs impact the individual and business venture.
8. Exploring career and entrepreneurial opportunities by using a variety of strategies to learn more effectively, regarding elementary finances, recording of elementary accounting transactions and elementary economics.
9. The student is able to participate as a responsible citizen in the community by using accounting, financial and economic concepts as means to manage him/herself and plan for future needs.

### The interrelationship of topics and Subject Outcomes

In the Student's Book you will find that each chapter has been primarily based on a topic in the curriculum and that units within each chapter are based on the SOs. This is indicated in the table below and in the detailed year plan on pages 13 to 17 of this Lecturer's Guide.

Chapter in the Student's Book	Topic in the curriculum
Chapter 1	Topic 1: Manage finances for a new venture
Chapter 2	Topic 2: Perform basic calculations in retail or wholesale practices
Chapter 3	Topic 3: Conduct basic financial transactions
Chapter 4	Topic 4: Complete basic business calculations

### Learning Outcomes

Each SO has its own ASs and LOs. LOs describe the level at which students should demonstrate their achievement of the SOs. The LOs:

- are level specific
- give more detail to SOs
- serve as a benchmark to be achieved by the student in a specific level
- describe ways of achieving the SOs
- define the levels of progression within and across each level in the FET band
- change from level to level

The Financial Management ASs have been designed in such a way that there is natural progression within and across levels.

In the Student's Book, the ASs have been used to develop sections within the units of each chapter. See the detailed year plan on pages 13 to 17 of this Lecturer's Guide.

## Financial Management and the principles of the curriculum

The National Curriculum Statement (NCS) follows the principles, purpose and thrust of Curriculum 2005, including OBE.

There is an emphasis on the key principles and values of social transformation; progression; articulation and portability; human rights, inclusivity, environmental and social justice; and valuing indigenous knowledge systems.

OBE, integration and applied competence; progression, credibility, quality and efficiency; high knowledge and high skills underpin the curriculum and are all covered within the purpose, scope and the five topics.

## Social transformation

The NCS builds on the visions and values of the Constitution. The Constitution expresses the nation's social values and the roles, rights and responsibilities of citizens in a democratic South Africa. In promoting the students' personal development, we should ensure that we build a national South African identity.

## Valuing indigenous knowledge systems

The rich history and heritage of South Africans need to be recognised as important contributors to the values contained in the Constitution. Indigenous and endogenous local communities need to be included in our economic actions and thinking.

## Human rights, inclusivity, environmental and social justice

The NCS reflects the principles and practice of social justice, and respect for the environment and human rights, as defined in the Constitution. In particular, the curriculum attempts to be sensitive to issues of poverty, inequality, race, gender, age, disability and challenges such as HIV/Aids. Students are encouraged to develop an awareness and understanding of the rich diversity of cultures, beliefs and world views within the unity of South Africa.

The Bill of Rights places great value on equality, human dignity, life, freedom and security. These and other rights to freedom of religion and belief, expression and association, exist alongside socio-economic rights. Each person has a right to freedom from poverty, homelessness, poor health and hunger.

In Financial Management we have endeavoured to build these principles into the text and the activities. Items directly or implicitly included in the ASs regarding human rights, inclusivity, HIV/Aids, environmental sustainability and socio-economic justice are listed below.

i	Global economic arrangement and its impact on human rights and the environment
ii	Industrialisation and the promotion and violation of human rights and the environment
iii	National macro-economic policy and service delivery with regard to socio-economic rights, education, health, environment, social security
iv	Labour movements and labour rights (South African labour rights framework)
v	Workers' rights and responsibilities

vi	Conventions and declarations of the International Labour Organisation
vii	Convention on the rights of the child
viii	Agenda 21 (Global partnership agreement to meet the challenges of environment and development, Rio Earth Summit 1992)
ix	Mobilisation of indigenous knowledge in relation to indigenous economic systems and practices (past and contemporary)
x	Employment equity and basic condition of employment
xi	Empowerment and government tender regulations
xii	Black economic empowerment
xiii	Patterns of unequal distribution (income, land, wealth, access to natural and other resources, etc.)
xiv	Taxation and compensation for human rights abuses
xv	Land restitution
xvi	Food distribution, hunger and starvation
xvii	Trade relations, exports, imports and treaties
xviii	Economic activity and the degradation of the environment
xix	Environmental impact assessment, environmental management practices, and economic and industrial development
xx	Community participation in local economic planning and activities
xxi	The role of marginalised groups in the economy (women, refugees, etc.)
xxii	Access of marginalised groups to participate in the economy
xxiii	The structure of economy and exclusion
xxiv	Discrimination in service provisioning (such as financing) and access to economic opportunity (affirmative action, redress, etc.)
xxv	Economic exploitation, slavery, colonialism and imperialism

## Outcomes-based Education

Outcomes-based education forms the foundation of the South African curriculum. The SOs and ASs have been derived from the CCOs which were inspired by the Constitution, will ensure that knowledge, skills and values are articulated.

## High knowledge and high skills

The NCS sets standards in the learning areas and specifies the minimum knowledge and skills to be achieved by students in each level. In this way, the NCS provides direction on how to develop a high level of skills and knowledge in all students. In Financial Management the necessary knowledge and skills have been built into the text and the activities.

## Integration and applied competence and progression

Integration both within and across learning areas is central to OBE, because of the belief that fields of knowledge are connected. Some of the skills taught in one subject may also be needed to achieve a learning outcome in another subject.

Because of this a list of integration possibilities is provided at the start of each chapter. Achieving an optimal relationship between progression and integration

is central to this curriculum. Within each subject, the NCS sets out progressively more complex expectations of students from level to level. This is called conceptual progression, and the NCS describes this progression through the SOs. Integration is about making links within and across learning areas, through related SOs and ASs. It is also about students developing skills, attitudes and values, as well as acquiring knowledge by integrating theory and practice.

Complexity and depth in learning increases from the beginning to the end of a level (vertical progression) and from level to level (horizontal progression).

The table below shows some examples where Financial Management has clear links with other subjects.

Subject	Possible areas of integration
Economic Environment	<ul style="list-style-type: none"> <li>Contemporary socio-economic issues that impact on business</li> <li>Savings and investment</li> </ul>
New Venture Creation	<ul style="list-style-type: none"> <li>Principles of operating a small business</li> </ul>
Mathematical Literacy	<ul style="list-style-type: none"> <li>Numerical calculations</li> <li>Numerical relationships</li> <li>Mathematical knowledge and skills to plan personal finances to be an effective economic participant</li> <li>Data handling</li> </ul>
Language	<ul style="list-style-type: none"> <li>Communication skills (e.g. oral presentations, formal debates, comprehension tests, research activities)</li> </ul>
Financial Management	<ul style="list-style-type: none"> <li>Access to information</li> <li>Acquisitions of IT skills specific to Financial Management</li> </ul>
Life Orientation	<ul style="list-style-type: none"> <li>Acquisitions of IT skills specific to Financial Management</li> </ul>

The shift in content and the method of presentation are captured in the SOs at levels suited to the cognitive ability of students in each level.

### Credibility, quality and efficiency

Articulation refers to the relationship between qualifications in the different NQF bands (GET/FET) and portability to the extent to which parts of a qualification are transferred to another qualification in a different learning pathway of the same NQF band. This allows for mobility across and within the FET band and recognition of prior learning.

### Planning for the Financial Management curriculum

It is imperative that Lecturers plan ahead. Students will not be able to attain the SOs prescribed by the LOs for a specified level if the Lecturer does not plan adequately. Planning could be summarised as follows:

- a three-year subject framework (*macro planning*)
- a one-year work schedule that sets out the pace and sequence of teaching and learning activities, and assessment. This work schedule will spell out term plans of work to be covered in a particular term (*meso planning*)
- weekly and daily planning (lesson plans or learning experiences) specifying activities (*micro planning*)

## A suggested work schedule and assessment plan for OBE for FET Colleges Financial Management Level 2

Term	Week	SO	AS	Chapter, Unit and Section in the Student's Book	Assessment activity and page number in the Student's Book	
1	1-4	1	1.1	<b>Chapter 1: Manage finances for a new business venture</b>	Getting started (p. 4)	
			1.2			
				1.3	<b>Unit 1: Financial controls for managing a business</b>	
				1.4	1. Cash in the business	Activity 1 (p. 8) Activity 2 individual (p. 9) Activity 3 (p. 10) Activity 4 individual (p. 11)
					2. Bank statements	Activity 5 (p. 14) Activity 6 (p. 15) Activity 7 group (p. 18) Activity 8 (p. 18) Activity 9 (p. 20) Assess your progress (p. 20) Questions for revising Unit 1 (p. 21)
		5-7			<b>Unit 2: Accounting practices and procedures</b>	Activity 1 (p. 25) Activity 2 pair (p. 25)
				2.1		
				2.2	1. Users of financial information	
				2.3	2. The accounting cycle	Activity 3 (p. 27)
				2.4	3. Accounting terms	Activity 4 pair (p. 28)
				2.5	4. What an account looks like	
				2.6	5. Basic accounting equation	Activity 5 (p. 14)
					6. Entering transactions in the general ledger	
					7. Asset accounts	
					8. Liability and equity accounts	Activity 6 individual (p. 34)
					9. Balancing the accounts in the general ledger	
					10. Trial balance	Activity 7 (p. 36) Activity 8 individual (p. 14)
					11. Accounting support	Assess your progress (p. 37)
			3	3.1	<b>Unit 3: Business accounts and records</b>	Activity 1 pair (p. 40)
			3.2			
		8-11		3.3	1. Taxable income	Activity 2 (p. 41)
			3.4	2. Tax requirements of a new venture		
				3. Choosing the type of business	Activity 3 (p. 43) Activity 4 (p. 43)	
				4. Value added tax	Activity 5 (p. 44)	
				5. Income and expenditure statement		
				6. <i>Income statement</i>	Activity 6 (p. 46)	
				7. Effect of profit/loss on equity	Activity 7 individual (p. 48)	
				8. Income statement (continued)	Activity 8 (p. 49)	
				9. Cash flow statement	Activity 9 (p. 50)	
					Assess your progress (p. 50) Questions for revising Unit 3 (p. 51)	

Term	Week	SO	AS	Chapter, Unit and Section in the Student's Book	Assessment activity and page number in the Student's Book
	1-3			TEST	
		4	4.1 4.2 4.3 4.4	<i>Unit 4: Financial statements</i>	Activity 1 pair (p. 53)
2				1. A service business	Activity 2 (p. 55) Activity 3 individual (p. 56) Activity 4 (p. 56)
				2. A trading business	Activity 5 (p. 57) Activity 6 (p. 60) Activity 7 group (p. 62) Assess your progress (p. 63) Questions for revising Unit 4 (p. 63) Chapter challenge (p. 64)
	4-7	1	1.1	<b>Chapter 2: Performing basic business calculations</b>	Getting started (p. 68)
				<i>Unit 1: Basic calculations in retail/wholesale practices</i>	
				1. Basic calculations	Activity 1 (p. 70) Activity 2 pair (p. 70)
				2. Using a calculator	Activity 3 (p. 72) Activity 4 individual (p. 72)
				3. Calculating percentages	Activity 5 (p. 74) Activity 6 (p. 75) Activity 7 pair (p. 75)
				4. Business calculations	Activity 8 individual (p. 77) Activity 9 (p. 79) Activity 10 group (p. 80) Activity 11 group (p. 80) Activity 12 (p. 81) Activity 13 (p. 81)
				5. Value-added tax	Activity 14 (p. 83) Activity 15 (p. 83)
				6. Buying and selling on credit	Activity 16 (p. 86) Activity 17 group (p. 86)
				7. Enhancing accuracy and efficiency	Activity 18 pair (p. 89) Activity 19 (p. 86) Assess your progress (p. 89) Chapter challenge (p. 91)
	8-10	1	1.1	<b>Chapter 3: Basic financial transactions</b>	Getting started (p. 94)
			1.2	<i>Unit 1: Receiving and receipting payments</i>	
			1.3 1.4	1. Receipting procedures	Activity 1 (p. 97) Activity 2 pair (p. 98) Activity 3 group (p. 99) Activity 4 (p. 99)
				2. Receipting coins and bank notes	
				3. Receipting cheques	Activity 5 (p. 103) Activity 6 group (p. 104) Activity 7 individual (p. 106) Activity 8 individual (p. 106)

Term	Week	SO	AS	Chapter, Unit and Section in the Student's Book	Assessment activity and page number in the Student's Book
	1-4	2	2.1 2.2 2.3	4. Storage and safeguarding of money received	Activity 9 group (p. 108) Activity 10 pair (p. 108) Assess your progress (p. 108) Questions for revising Unit 1 (p. 109)
				MID-YEAR EXAMS	
				<i>Unit 2: The petty cash system</i>	Activity 1 individual (p. 112)
				1. Transferring cash to the petty cash	Activity 2 individual (p. 113) Activity 1 (p. 114)
				2. Obtaining authorisation for the petty cash transaction	Activity 3 individual (p. 114) Activity 4 (p. 115)
				3. Reconciliation of the change received and the cash slip	Activity 5 individual (p. 115) Activity 6 individual (p. 115) Activity 7 individual (p. 115) Activity 8 (p. 116)
				4. What can the petty cash money be used for?	Activity 9 group (p. 116) Activity 10 group (p. 116)
				5. Source documents for petty cash	Activity 11 individual (p. 117) Activity 12 individual (p. 118) Activity 13 individual (p. 118) Activity 14 individual (p. 118) Activity 15 individual (p. 119) Activity 16 (p. 119) Assess your progress (p. 120) Questions for revising Unit 2 (p. 121)
				<i>Unit 3: Basic banking transactions</i>	
	5-7	3	3.1 3.2	1. Preparation for banking	Activity 1 (p. 123) Activity 2 pair (p. 123)
			3.3 3.4 3.5	2. Completing deposit slips/books	Activity 3 (p. 125) Activity 4 individual (p. 125) Activity 5 individual (p. 126) Activity 6 pair (p. 126) Activity 7 group (p. 126)
				3. Filing and safe-keeping of financial documents	Activity 8 individual (p. 128) Activity 9 pair (p. 128)
				4. Importance of filing deposit books/slips	Chapter challenge (p. 132)
	8-10	1	1.1 1.2	<b>Chapter 4: Complete basic business calculations</b>	Getting started (p. 136)
			1.3	<i>Unit 1: A basic income statement</i>	Activity 1 individual (p. 137) Activity 2 individual (p. 138) Activity 3 individual (p. 138)
				1. Effect of certain entries on net profit	Activity 5 pair (p. 139) Activity 6 individual (p. 139) Activity 7 (p. 140) Activity 8 individual (p. 141) Activity 9 individual (p. 141) Activity 10 pair (p. 142) Activity 11 individual (p. 142) Activity 12 (p. 142)

Term	Week	SO	AS	Chapter, Unit and Section in the Student's Book	Assessment activity and page number in the Student's Book
				2. Income statement	Activity 13 individual (p. 144) Activity 14 individual (p. 144) Activity 15 individual (p. 145) Activity 16 individual (p. 146) Assess your progress (p. 146) Questions for revising Unit 1 (p. 147)
				TEST	
4	1-4	2	2.1	<i>Unit 2: Business expenses</i>	
			2.2	1. Registering a private company with limited liability	Activity 1 group (p. 151) Activity 2 (p. 151)
			2.3	2. Private companies and additional entries to the income statement	Activity 3 pair (p. 153) Activity 4 individual (p. 153) Activity 5 individual (p. 153) Activity 6 (p. 154)
				3. Retained income	Activity 7 pair (p. 155) Activity 8 individual (p. 155) Activity 9 individual (p. 155) Activity 10 (p. 156) Activity 11 pair (p. 157) Activity 12 individual (p. 158) Activity 13 individual (p. 158) Activity 14 individual (p. 158) Activity 15 individual (p. 159) Activity 16 individual (p. 160)
				4. Different types of expenses	Activity 17 pair (p. 161) Activity 18 individual (p. 162) Activity 19 individual (p. 163) Activity 20 (p. 163)
	5-7	3	3.1	5. Shrinkage	Activity 21 pair (p. 165) Activity 22 individual (p. 166) Activity 23 individual (p. 166) Activity 24 group (p. 169) Activity 25 pair (p. 169) Activity 26 pair (p. 170) Activity 27 (p. 170) Assess your progress (p. 170) Questions for revising Unit 2 (p. 171)
	8-9			EXAM REVISION	
	10-11			END-OF-YEAR EXAMS	

A number of activities, projects and assignments are available in the Student's Book and can be used for the internal assessment component of the student's mark. Note that the Chapter Challenges at the end of each chapter in the Student's Book are also well suited as recorded assessment tasks for your internal assessment mark.



# assessment



Assessment is part of the learning process in OBE and should not be seen as a separate activity. Assessment is done to:

- determine what students know and at what point to start with the new learning experience
- identify and diagnose any barriers to learning
- provide information for reviewing and evaluating learning programmes
- encourage students to participate in the learning process
- apply and use knowledge in real-life contexts

The following aspects are assessed:

- SOs
- ASs
- LOs
- Knowledge, skills, values and abilities
- Metacognition
- Integrated assessment tasks

**Baseline assessment** takes place *at the beginning* of an activity or a learning process so that lecturers and students find out what students already know. The recording of baseline assessment is usually informal.

**Diagnostic assessment** takes place *throughout* the learning process and is used to identify and diagnose barriers that students may have so that lecturers can plan to overcome these. It includes extended opportunities and activities for gifted students.

**Formative assessment** is used *throughout* the learning process to inform whether teaching and learning is successful in achieving the outcomes. Any form of assessment that gives feedback to the student fulfils a formative purpose.

**Summative assessment** takes place *over time and at the end* of a learning experience. It can occur at the end of a single learning activity, a unit, a cycle, a term, a semester or a year.

Methods of assessment (Who carries out the assessment?)	
Self-assessment Peer assessment	Group assessment Lecturer assessment
Assessment forms	
Presentation Debate or argument Interview Demonstration Questionnaire Role-play Test	Examination Project Simulation Research or investigation Assignment Case study Practical task
Tools for assessing student performance	
Rubric Rating scale Checklist	Observation sheet Marking memorandum Assessment grid, etc.
Recording tools	
Class list Mark sheet	Day-by-day assessment sheet Promotion schedule, etc.
Reporting tools	
Report card using national codes and comments on competence Lecturer–parent interview	Lecturer–student interview Written comments in student's workbook Day-by-day assessment sheet, etc.

The table below can be used as a checklist to determine whether the assessment target meets the method. For example if you want to assess skills, performance-based and observation-based assessment are the best methods to do this (check that they both have a rating of 5).

	Objective	Exercise/ Activity	Performance based (Individual)	Oral questions	Observation	Self-assessment
Knowledge	5	4	3	4	3	2
Reasoning	2	5	4	4	2	2
Skills	1	3	5	2	5	3
Product	1	1	5	2	4	4
Values and attitudes	1	2	4	4	4	5

Note: Higher numbers indicate better matches (e.g. 5 = high, 1 = low). Table adapted from McMillan (1997) *Classroom Assessment: Principles and Practice for Effective Instruction*

## Assessment methods

Some of the assessment methods used in OBE and other education systems are explained below.

- **Self-assessment.** Students assess themselves against given criteria (skills that are important for lifelong learning), which may be reflected on a checklist. Students reflect on their own performance and recognise the limitations of their work.

- **Peer assessment.** Students assess each other in pairs or groups and may use checklists to do this. Peer assessment should not be interpreted as students marking each other's work and/or counting the marks.
- **Three-way assessment.** This provides an opportunity for students, lecturers and care-givers to acknowledge a student's progress and achievement. Students take work home that has been assessed by the lecturer and by themselves. Care-givers respond with a comment on the student's achievement and progress.
- **Test-based assessment.** The same evidence is gathered for all students in the same way and at the same time. It is a far more rigid process. A mark or a score verifies tests and examinations. In the past, too much emphasis was placed on tests and examinations.
- **Task-based assessment.** These include well-structured assessment activities that show whether students are competent at applying the skills and knowledge they have learned to unfamiliar contexts or contexts outside the classroom. Task-based assessment has its own range of scoring instruments in a marking memorandum. Criteria or standards have to be carefully selected (and sometimes negotiated with the students) and should be described in a rubric.
- **Performance-based assessment.** This is a direct or systematic observation of a student's performance or an examination. Performance-based assessment requires students to engage in activities where they demonstrate specific skills or develop specified tasks (e.g. projects, debates, assignments, speeches and presentations).

All ICASS evidence is contained in a Portfolio of Evidence (PoE), and must be readily available for monitoring, moderation and verification purposes.

ICASS:

- allows lecturers to use any planned learning experience to assess student achievements and progress
- is a necessary feature of the total evaluation of every student
- takes place over a long period
- is diagnostic and allows the lecturer to monitor strengths
- assists in addressing the needs of the student
- enables lecturers to pace students and provide enrichment
- sets well-defined outcomes for the students to achieve
- ensures that the learning programme is significant for the student, and prevents 'teaching for a test'
- covers a wide spectrum of learning activities and tasks
- is transparent as students are aware of the assessment criteria
- develops a sound assessment record to track the learning progress
- provides useful data for reporting and progression
- involves assessment of knowledge, skills, values and attitudes
- encourages lecturers and students to appraise their own work

A compulsory component of ICASS is the Integrated Summative Assessment Task (ISAT), which is a major assessment task that draws on the students' cumulative learning achieved throughout the full year. The task requires integrated application of competence and is executed under strict assessment conditions. The duration

of the task should aim to equate a 4–7 hour work session and should take place in a simulated or structured work environment. This is the most significant test of the students' ability to apply the knowledge acquired. The integrated assessment approach allows for the student to be assessed in more than one subject within the same ISAT.

### Number and forms of assessment for Level 2 assessment programme

At Level 2, an internal assessment component counts 50% of the final assessment mark. An example of the requirements of the internal assessment programme for Level 2 is summarised as follows:

Term 1	Term 2	Term 3	Total
1 x Task e.g. Assignment	1 x Task e.g. Project	1 x Task e.g. Presentation (oral and written)	3 x tasks
1 x Test		1 x Test	2 x tests
	June or September examination		1 x exams
			6

**Please note:** See pages 13 to 17 of this Lecturer's Guide for a detailed summary of all the tasks in the Student's Book. A number of activities, projects and assignments are available in the Student's Book and can be used for the internal assessment component of the Student's mark. Note that the Chapter Challenges at the end of each chapter in the Student's Book are also well suited as recorded assessment tasks for your internal assessment mark.

**Examinations** should conform to the requirements set by the Department of Education. They should be carefully designed and weighted to cover all the ASs of Financial Management

The tasks should be carefully designed and which will give the students opportunities to research and explore the subject in a focused and exciting manner. Examples of assessment forms are debates, presentation, projects, simulations, assignments, models, case studies, long essays and research projects.

#### Instrument 1: Control tests (2 per year) and examinations (1 per year)

The following conditions apply to control tests:

- All classes in the same level write the same test at the same time.
- The tests should be based on accumulative work.
- Moderation of the question paper and answer scripts should take place at school level (internal school moderation).
- Tests should be written under examination conditions.
- Questions should comply with the end of year examination standards.
- Where there is more than one lecturer teaching the subject, agreement should be reached on the scope, date and time of the test.

The structure and mark allocation should be similar to the final National Senior Certificate (NSC) Level 2 examination.

### **Instrument 2: Research assignment (minimum of 1 per year)**

For assignments, students are required to investigate and report on certain issues. Ideally the task should be phrased as a question so that the students can form their own opinions based on acquired subject knowledge. Assignments may also be in the form of practical research.

### **Instrument 3: Project (minimum of 1 per year)**

- A project is a learning activity involving investigation and solving problems by an individual or small group of students. It could consist of a task in which the student sets out to attain some definite goal of real personal value.
- Students should be encouraged to develop research, critical thinking and problem solving skills.
- Projects should be tackled without close supervision, but with assessor (lecturer) guidance and support.
- Students should be given the assessment criteria before starting the project.
- Students will need to complete at least one project according to CASS requirements. The lecturer can decide whether to give the students a range of topics to choose from or select only one topic for all the students to do.
- It is suggested that projects are dealt with in the first term.
- The project should consist of 4–10 handwritten pages, excluding pictures, graphs, displays etc.

When preparing a project, the following minimum requirements should be met:

- a title page
- a table of contents
- text divided into paragraphs
- references for sources
- the text could include pictures, photos, diagrams, graphs, etc.
- the project should be presented in an acceptable way (bound or stapled)

### **Instrument 4: Oral presentation (minimum of 1 per year)**

Presentations allow students to demonstrate manual and/or behavioural skills. The assessment may be based on the end result of the activity (the product), or the carrying out of the activity (the process), or a combination of both.

Presentations can be based on a project, but also given as separate tasks or assignments. The presentation can be written or oral, but proof of the presentation must be included in the portfolio. All criteria used to assess the presentation must be discussed with the students before they start.

## Day-by-day assessments: Practical application

### Simulations

Simulations mirror actual activities or conditions. They are suitable for assessments where demonstrations and observation will provide reliable and valid results, but where, for a number of reasons, it is difficult or impractical to assess under actual conditions.

### Scenario/Case study

Students are presented with a real-life situation, a problem or an incident related to the learning outcome and expected to assume a particular role in articulating the position. They could draw on their own experiences, the experiences of peers or prior learning to interpret, analyse and solve problem. Solutions/recommendations related to the case study/scenario are then made and presented.

### Role-plays

Students are presented with a situation, often a problem or an incident, to which they have to respond by assuming a particular role. The enactment may be unrehearsed, or the student may be briefed in the particular role to be played. Such assessments are open-ended and are person-centred.

### Oral questions

These are mainly used to generate evidence of a student's ability to listen/sign, interpret, communicate ideas and sustain a conversation in the language of assessment. Oral questions include oral examinations, interviews, conferences and other conversations in which information is obtained about a student's learning.

### Observations

This is the type of assessment that is commonly used by lecturers without consciously thinking about it. Lecturers constantly observe students informally to assess their understanding and progress. They watch students as they respond to questions or as they study. The lecturer listens to students as they speak and discuss issues with others. Observation is also used extensively in performance-based assessment and other formal techniques.

### Class tests

Educators design their own diagnostic tests and conduct these during instruction time and at their discretion according to the needs of the class.

- Objective tests could include multiple choice, matching, true or false, and short answer completion, and used to assess the theory parts of the subject.
- Class tests should cater for the multiple intelligences of the students, and appropriate rubrics could be used for assessment.

### Debates

Topics for debates should relate to the ASs and be formulated as contentious statements. Students should be given sufficient time to research their topics and prepare their arguments. Students should not exceed a time limit of three minutes per speaker. Students engage in a formal debate in groups not larger than eight.

### Portfolios

Lecturers and students should have portfolios in which they collect evidence of school-based learning and assessment. Portfolios facilitate moderation and verification processes, and should be readily available for this purpose. The lecturer's portfolio should contain all the instructions, assessment criteria and rubrics relating the Annual Assessment Plan given to the students. Each student should have a student's portfolio that contains assessed items as evidence used to calculate their internal assessment mark. Portfolios should have a clear intent and purpose that is linked to AS.

### Grading students' work

Financial Management, as is the case for all the other vocational subjects, will be assessed according to five levels of competence. Each level description is contained in the table below.

#### Scale of achievement for the vocational component

RATING CODE	RATING	MARKS (%)
5	Outstanding	80–100
4	Highly competent	70–79
3	Competent	50–69
2	Not yet competent	40–49
1	Not achieved	0–39

Subject competencies have been described to distinguish the level expectations of what students must know and be able to achieve. The descriptions for Financial Management are outlined in the Subject Assessment Guidelines for Financial Management (National Certificate Level 2 – Finance, Economics and Accounting).

Both college-based and external assessment should be criterion-referenced. Marks could be used to evaluate specific assessment tasks, but the tasks should be assessed against rubrics. Tasks or questions should address an aspect of a particular outcome and the AS should be used when creating a rubric for assessing that task or question.

### Assessment in Financial Management

External Assessment in Level 2 Financial Management will count 50% and college-based assessment or internal assessment counts 50% towards the progression mark of the student. The college-based assessment (ICASS) component, in turn, has a summative component (internal examinations and standardised tests) and a formative component (assignments and tasks to develop subject skills: such as

monitoring and research activities, presentations, debating, numerical calculations, summarising, memorising.)

Tests and examinations will focus on assessing knowledge and understanding, through mainly the application of the acquired subject-specific knowledge and skills of the student (case studies, analysis and interpretation of economic data, critical discussion of economic issues, numerical calculations of economic data).

## Summative assessment

The summative component of college-based assessment comprises 50% of the total for the year. At Level 2, the summative component of ICASS includes standardised tests.

Questions typically start with command or key words. These words indicate which skills are required when answering the question. If candidates are asked to evaluate a problem, but only show knowledge and understanding, they will lose most of the marks for that question. The meanings of the most frequently used verbs are listed.

Knowledge and understanding	
Define	Give the exact meaning of a term or concept using words or mathematical symbols. (e.g. Define assets.)
Describe	Give an account. (e.g. Describe the double entry principle.)
Identify	Single out from other information. (e.g. Identify the assets, liabilities, expenses and income from the following list of items.)
Illustrate	Use examples to explain a point. (e.g. Illustrate by means of an example the double entry principle.)
List	State briefly. (e.g. List three possible sources of capital for a new business.)
Outline	Give a short description of the main aspects or features. (e.g. Outline by means of a diagram the 8 steps in the accounting cycle.)
State	Give or say. (e.g. State three reasons why the bank can dishonour a cheque.)
Summarise	Bring out the main points from a complex set of data (e.g. Draw a mind map that summarises the nine different types of businesses.)
What	Clarify a point. (e.g. What are the main characteristics of a company?)
Application	
Apply	Use knowledge of Financial Management to understand an issue or to solve a problem. (e.g. Apply your knowledge on equity to identify whether the following transactions would have a positive or a negative effect on equity.)
Calculate	Use mathematics to work out an answer. (e.g. Calculate the cost price of a T-shirt if the selling price is R150 and the profit mark-up is 25%.)
Distinguish between	Identify the characteristics that make two or more ideas, concepts, issues, etc. different. (e.g. Distinguish between the characteristics of a Partnership and a Close Corporation.)
Explain	Make clear. (e.g. Explain the two main sections that the General ledger is divided into.)
Suggest	Give possible reasons or ideas that are plausible but not necessarily correct. 'Suggest' may require candidates to analyse a problem and not just apply Financial Management problems. (e.g. Suggest reasons why a business would sell to customers on credit.)

Analysis	
Analyse	Break down into constituent parts in order to be able to understand an issue or problem. Analysis involves recognising what is important, and applying knowledge and understanding of Financial Management. (e.g. Analyse the following transactions using the basic accounting equation.)
Compare and contrast	Show similarities and differences between two or more ideas or problems (e.g. Compare by tabulating the similarities and differences between a partnership and a close corporation.)
Examine	Break down an issue or problem to understand it. (e.g. Examine the following ledger account and point out the possible errors.)
Investigate	Look for evidence to explain and analyse. (e.g. Investigate the initial problems when starting a business by interviewing the owner of a mall business and present your findings in a report.)
Evaluation	
Assess	Analyse an accounting issue or problem, and then weigh up the relative importance of different strands. (e.g. Assess the success of the different methods used by the business to encourage debtors to pay their accounts on time.)
Comment on	Invites students to make judgements based upon the evidence they have presented. (e.g. Comment on why good management is the key to a successful business.)
Critically analyse	Analyse an issue/problem and weigh up the relative importance. (e.g. Critically analyse the three options to obtain capital to start a new business.)
Do you think	Invites students to give their own opinions about an issue or problem. However, marks will always be awarded for the quality of the argument and not for any individual opinions. (e.g. Do you think it is better for a business to sell on credit than only for cash?)
Discuss	Compare a number of possible views about an issue and weigh up their relative importance. A conclusion is essential. (e.g. Discuss the importance of screening customers before allowing them to buy on credit.)
Evaluate	Similar to discuss; to compare a number of possible views. A final judgement is essential. (e.g. Evaluate the advantages and disadvantages of buying on credit.)
To what extent	Explain and analyse and then comment upon the relative importance of the arguments. (e.g. To what extent should a owner make use of loans to finance his/her business?)

Summative assessment involves a minimum of three control tests (at least one per term for the first three terms).

## Formative assessment

Formative assessment informs the lecturer and the student of the student's progress. It contributes towards the formation and the development of the student's formative years. The formative component of college-based assessment comprises 50% of the total for the year. The formative component of ICASS must include various activities. For example:

- research and monitoring of relevant, contemporary economic issues
- other ongoing tasks to develop skills that are necessary for successful functioning within the subject
- creative responses to problems within the subject field
- more informal assessment of day-to-day knowledge and skills acquired through creative class tests, presentations of the previous day's work, class quizzes, etc.

The formative component should cater for the multiple intelligences (i.e. verbal-linguistic, interpersonal, intra-personal, musical-rhythmic, bodily-kinaesthetic, mathematical-logical, spatial) in an inclusive education context.

A **performance assessment** is a direct observation of an actual student performance or an examination of products created. During a performance assessment, students are engaged in activities that require the demonstration of specific skills or the development of specific products. The demonstrations can take place in a controlled environment (such as laboratory or a classroom), or in a real-life environment, where the complexities faced by the students are much higher. In the latter case, the performance assessment is also called an 'authentic assessment'. Students are expected to demonstrate complex learning that integrates knowledge, skills and values in a single performance.

Characteristics of performance assessments:

- Students are expected to perform, produce, create or do something.
- The skills are those displayed by individuals outside the classroom (i.e. in society or in the workplace).
- Higher-order thinking processes and problem-solving skills are required for these tasks.
- They provide opportunities for students to present and explain their work.

The following steps are suggested in developing a performance assessment:

- Clearly identify the outcome(s) to be assessed (i.e. create a clear and appropriate target for the students).
- Determine the purpose of the assessment and the use of the results.
- Design a performance task that will elicit the expected outcome(s).
- Specify the assessment criteria.
- Select and construct the storing and recording instrument(s).

Performances include everyday teaching and learning activities such as projects, debates, assignments and speeches. When performing, students are applying their skills in a way that is integral to the teaching and learning process.

### **The external assessment component (50%) – Level 2**

External assessment is conducted by an entity such as a provincial examining body, a national agency, or a private agency that is not directly involved with the instruction of the students. It consists of a written examination paper that is externally set, marked and moderated.

An example of a typical Financial Management Level 2 examination which is externally set, marked and moderated is outlined in the table on the following page:

A typical Financial Management Level 2 examination (external assessment) question paper	
Number of papers	1
Time	3 hours
Marks	200
Format	
Section A (compulsory):	This section will include different types of objective questions, i.e.
Subtotal = 80	Q1 multiple choice (30) Q2 short theoretical questions (20) Q3 calculations (30)
Section B (compulsory):	Q1 Journals (40) Q2 Posting to General ledger (30) Q3 Final accounts and Balance sheet (30) Q4 Influence on accounting equation (20)
Subtotal = 120	

Suggested guidelines for the distribution of the levels of questioning are indicated in the table below.

Level of questioning	Percentage
Level 1 – Knowledge and comprehension	40%
Level 2 – Application	20%
Level 3 – Analysis, synthesis and evaluation	10%

The total mark obtained in the examination paper is then converted into an appropriate rating and code on the seven-point scale.

### National examination

A formal theory examination is conducted in October/November each year by means of a paper set externally and marked and moderated externally. The following distribution of cognitive application should be followed:

KNOWLEDGE AND COMPREHENSION	APPLICATION	ANALYSIS, SYNTHESIS AND EVALUATION
40%	40%	20%

The following guidelines are offered for the setting of Financial Management Level 2 exam:

- Nature of paper: External
- Number of papers: 1
- Duration: 2½ hours
- Total mark allocation: 150 marks
- Number of sections: 2 sections
- Compulsory sections: 2 sections
- Total number of questions: 6 questions

**Mark allocation per question:**

Section 1: Compulsory (must cover all topics):

Two questions of 25 marks each, covering short questions, e.g. true/false, missing words, monkey puzzle, etc.

Total marks for Section 1: 50 marks

Section 2: Compulsory

Four compulsory application questions:

Question 1: Manage finances for a new venture: 40 marks

Question 2: Perform basic business calculations in retail/wholesale practices: 20 marks

Question 3: Conduct basic financial transactions: 20 marks

Question 4: Complete basic business calculations (income statement, shrinkage): 20 marks

Total marks for Section 2: 100 marks

**Action verbs according to the cognitive level of Bloom's taxonomy**

Knowledge	Understanding	Application	Analysis	Synthesis	Evaluation
define	compare	adapt	categorise	combine	appraise
describe	define	compute	classify	compose	critique
identify	describe	discover	compare	create	decide
label	distinguish	draw	contrast	depict	evaluate
locate	explain	gather	deduce	design	judge
name	generalise	graph	differentiate	develop	justify
recognise	illustrate	modify	distinguish	incorporate	recommend
select	infer	operate	explain	integrate	consider
state	interpret	prepare	generalise	invent	support
memorise	match	revise	infer	organise	relate
	summarise	show	predict	plan	summarise
	rewrite	solve	relate	predict	
	paraphrase	survey	solve	produce	
	express	use	modify	structure	

**Assessment tools (Rubrics and Checklists)**

**Rubrics** are a combination of rating codes and descriptions of standard. They consist of a hierarchy of standards with benchmarks that describe the range of acceptable performance in each code band. Rubrics require lecturers to know exactly what is required by the outcome. Rubrics can be holistic, giving a global picture of the standard required, or analytical, giving a clear picture of the distinct features that make up the criteria, or can combine both.

Holistic rubrics score the overall process, while analytical rubrics score the individual parts. It is important to note that:

- the student is only assessed once for each criterion within a rubric
- the comments column should be completed as this makes the moderation process easier
- rubrics can be used individually or combined with others
- rubrics may be joined together for ease of marking

- lecturers are encouraged to formulate rubrics in consultation with other lecturers at cluster or school level
- working in clusters and setting up collaborative rubrics would bring about comparable standards

The following steps may help you in drawing up a rubric:

Step 1: Examine the AS that describes the task.

Step 2: Specify the skills, knowledge and attitudes to be evaluated.

Step 3: Identify the observable attributes.

Step 4: Identify the attributes that you do not wish to see.

Step 5: Brainstorm the characteristics that describe each attribute and how they can be described so that they can be classified into average, above average and below average.

Step 6: Write descriptions for excellent and poor performances.

Step 7: Write descriptions for other levels.

Step 8: Collect samples of work that represent each level.

The following section includes 16 sample tables or rubrics that can be adapted where necessary for particular activities. These are referred to throughout the Lecturer's Guide.

### RUBRIC 1

Criteria	Not achieved (0–39%)	Not yet competent (40–49%)	Competent (50–69%)	Highly competent (70–79%)	Outstanding (80–100%)
<b>CONTENT</b> Range Coverage Relevance					
<b>CONTEXT</b> Command word requirements					
<b>SKILLS and VALUES</b> Skills Values					
<b>MECHANICS</b> Subject terms Language Format					

The following checklist may be used to evaluate a rubric.

	Yes	No
Does the rubric emphasise the most important content and skills of the SO/AS/LO?		
Are the criteria used in the rubric of appropriate importance?		
Are there sufficient levels of performance to discriminate between the quality of students and work?		
Are the levels clearly described in terms of performance?		
Do the levels accommodate students' diversity?		
Does the rubric distinguish between content and skills as well as the communication thereof?		
Does the rubric contribute to an efficient marking process?		
Was a careful decision made between using marks and level descriptors or letter symbols?		
Does the rubric offer appropriate guidance to the students?		

## Checklists

**Checklists or task lists** show what has to be done. Marks given are assigned to the most important parts of a task.

Checklists list a number of predetermined criteria against which the lecturer or student makes a tick to indicate that the student is able to do what is stated or that the work complies with the criteria. Checklists differ from rubrics in that they do not use a set of standards or a scoring scale.

Checklists can be devised by the lecturer and then used by the students to assess how well they coped with a particular task or activity. Alternatively, the lecturer, together with the students, can list the criteria before the task is undertaken and then the students can use this checklist to assess their performance. The criteria should be stated in such a way that the students can respond by ticking the 'yes' or the 'not yet' column, or simply using a tick to show that they can do or have done what is stated.

## Reflective self-assessment checklist

Individual projects are very personal and more difficult to assess. They are also process-orientated rather than product-orientated.

## RUBRIC 2

Amount of time spent on project (time scale to be determined)	less than	1	2	3	4	5	or more
Number of family members spoken to							
Do you feel you learned anything about yourself when doing this project?	Yes			No			
<b>Comment:</b>							
Do you feel the project helped you understand yourself?	Yes			No			
<b>Comment:</b>							
Did you think you expressed this information about yourself in an interesting and exciting way?	Yes			No			
<b>Comment:</b>							
Do you think you put a lot of effort into this project?	Yes			No			

## Group work and group assessment

Teamwork is an important part of learning skills and constructing knowledge. Sharing the workload and being aware of personal contributions to the community is important for every student. In a group, the roles and responsibilities are essential to the success of the activity. Evaluating students in different roles assists in their awareness of management processes and effective co-ordination. The lecturer or the students may use this instrument for evaluating each member of the group or to evaluate each other's contributions. This rubric should have space for comments on how the students in the group experience group work, and how they are able to improve or change the roles they play within the group.

Roles within the group should be rotated to allow each student to develop or become aware of their different capabilities.

**T**ogether  
**E**ach  
**A**chieves  
**M**ore

Different group/team roles include:

- timekeeper
- team leader/chairperson/manager
- resources manager
- scribe/note taker/record keeper
- reporter
- motivator
- assessor
- peace maker

Each member of the group can assess all the roles except the one that he or she performed. The mark for each criterion within a role can be added to give a total score for the role.

Students can also decide which roles are required for a particular activity, mark them off and assign the roles before continuing with the activity.

- |                          |               |                          |                     |
|--------------------------|---------------|--------------------------|---------------------|
| <input type="checkbox"/> | Voice monitor | <input type="checkbox"/> | Time keeper         |
| <input type="checkbox"/> | Motivator     | <input type="checkbox"/> | Record keeper       |
| <input type="checkbox"/> | Assessor      | <input type="checkbox"/> | Chairperson/manager |
| <input type="checkbox"/> | Peace maker   | <input type="checkbox"/> | Reporter            |

**RUBRIC 3 [Group skills]**

Group name/Number:.....			
NAMES:.....			
	<b>YES</b>	<b>NO</b>	<b>Comment</b>
Did our group members:			
Listen to each other?			
Talk about the task?			
Co-operate within the group?			
Suggest good ideas?			
Encourage each other?			
Achieve the outcomes?			
What went well? .....			
What could we have done better? .....			
Signed:..... Date .....			

## RUBRIC 4 [Co-operative group skills assessment sheet]

TASK SKILLS	Student #					
Gives ideas						
Asks questions						
Stays on task						
Follows directions						
Checks the understanding of others						
Gets group back on track						
<b>SOCIAL SKILLS</b>						
Encourages others						
Explains ideas						
Discusses						
Listens well						
Resolves conflict						
Praises others						

ASSESSMENT

\* Add the names of each student in the group under 'Student' and enter a tick ✓ (Yes) or an ✕ (No) under the name of each student for each of the criteria.

## RUBRIC 5

Process	Everyone took part equally.	Not yet	1	2	3	4	5	Yes
	The group held a meeting to plan.	Not yet	1	2	3	4	5	Yes
	Each student did what they were supposed to do.	Not yet	1	2	3	4	5	Yes
	Everyone in the group feels happy about the project.	Not yet	1	2	3	4	5	Yes
	The project offers a lot of information.	Not yet	1	2	3	4	5	Yes
	The group explored the following sources: school library, public library, internet, people, newspapers, clinics, advice offices, other.	Give one mark for each source explored (up to five marks).						
Product	The information is set out in a way that is clearly understood.	Not yet	1	2	3	4	5	Yes
	There are interesting drawings and illustrations.	Not yet	1	2	3	4	5	Yes
	Written information is easy to read and to follow; ideas are described well.	Not yet	1	2	3	4	5	Yes
	The ideas are shown in an unusual and interesting way.	Not yet	1	2	3	4	5	Yes
	There are a lot of the students' own ideas – not only copied materials.	Not yet	1	2	3	4	5	Yes
	Information is presented clearly; you know what the message is.	Not yet	1	2	3	4	5	Yes

Presentation	The group uses drama, speaking, music, singing, pictures, objects to help the presentation.	Give two marks for each thing used (up to six marks).						
	All group members took part in the presentation.	Not yet	1	2	3	4	5	Yes
	The presentation is interesting and unusual.	Not yet	1	2	3	4	5	Yes
	You can hear what everyone is saying.	Not yet	1	2	3	4	5	Yes

### Assessing a research project

The following marking grid could be used where marks allocated are circled according to the sub-criteria (below the grid) and are then transferred to this grid by the different persons assessing the project.

### RUBRIC 6

Criteria	MARK AWARDED			
	Self	Peer/group	Consensus	Lecturer
1. planning				
2. quality of research				
3. continuous collection of information and material				
4. final product: creativity				
5. final product: quality of contents				
6. technical quality				
7. oral presentation				
8. Individual/Group role				
<b>Converted to</b>				

### General guideline

- 5 Excellent
- 4 Exceeds the requirement
- 3 Meets the requirement
- 2 Does not meet the requirement – student needs support
- 1 Made very little effort – student needs substantial support
- 0 Student made no/almost no effort – student needs substantial support and guidance

**Planning**

- 5 Most practicable planning schedule, independently drawn up by student
- 4 Very good, practicable planning schedule, with only minor adjustments by lecturer needed
- 3 Good planning schedule, with a only a number of small adjustments by lecturer needed
- 2 Planning schedule not totally practicable – a substantial degree of adjustments needed
- 1 Planning schedule totally impracticable – totally new planning necessary
- 0 Planning schedule not handed in at all

**Quality of research**

- 5 Wide variety of sources used
- 4 More than required number of sources used
- 3 Adequate number of sources used
- 2 Less than adequate number of sources used
- 1 No recognised resources used; no research done

**Continuous collection of information and material**

- 5 A lot of information collected continuously/submitted before due dates
- 4 More than adequate information collected/submitted before/on due dates
- 3 Adequate information collected continuously/submitted on due dates
- 2 Less than adequate information collected/some due dates missed
- 1 Very little information collected/seldom met due dates; no information collected or handed in at all

**Final project: Originality/creativity**

- 5 Unique presentation of extremely high quality
- 4 Original presentation – however, based upon existing ideas
- 3 Standard presentation – content is relevant and interesting
- 2 Requirements have been met, and no more
- 1 Content entirely/almost entirely copied directly from sources; no effort made

**Final project: Quality of content**

- 5 In-depth presentation pertaining to real-world practice/evidence is shown of insight into relationship between subject theory and real-world practice
- 4 Relevant and well-researched presentation – student demonstrates very good insight
- 3 Relevant content shows good insight, area of research well covered.
- 2 Some part of content is relevant – partly copied directly from sources – insight lacking
- 1 Very little effort made – content largely copied directly from sources; content only slightly in line with topic – copied directly from sources

**Technical quality**

- 5 Proof of pride and very hard work – impressive final product
- 4 Excellent presentation – made full use of available sources/technology
- 3 Good final project
- 2 Minimal effort made – presentation still acceptable
1. Very little trouble taken – untidy, shabby presentation; project not handed in/  
unacceptable presentation and/or appearance of content

**RUBRIC 7 [Analytical rubric]**

	Inadequate	Not yet competent	Competent	Highly competent	Outstanding
Knowledge and understanding	Demonstrates little understanding of some concepts, principles and theories	Demonstrates understanding of ordinary concepts, principles and theories	Demonstrates good understanding of advanced concepts, principles and theories	Demonstrates very good understanding of advanced concepts, principles and theories	Demonstrates complete understanding of all concepts, principles and theories
	Demonstrates little command of relevant factual knowledge	Demonstrates general command of relevant factual knowledge	Demonstrates good command of relevant factual knowledge	Demonstrates comprehensive command of relevant factual knowledge	Demonstrates complete command of relevant factual knowledge
	Shows little understanding of composition and structure	Shows general understanding of composition and structure	Shows good understanding of composition and structure	Shows comprehensive understanding of composition and structure	Shows complete understanding of composition and structure
Context	Shows little ability to mould content in the required context	Shows general ability to mould content in the required context	Shows good ability to mould content in the required context	Shows comprehensive ability to mould content in the required context	Shows complete ability to mould content in the required context
Skills	Shows little ability to construct tables and present data graphically	Shows a general ability to construct tables and present data graphically	Shows good ability to construct tables and present data graphically	Shows comprehensive ability to construct tables and present data graphically	Shows a general ability to construct tables and present data graphically
	Makes inadequate interpretations based on data and other evidence	Makes reasonable interpretations and conclusions based on data and other evidence	Uses a variety of means to analyse and present data and draws defensible conclusions	Uses a variety of means to analyse and present data and draws defensible conclusions	Uses a variety of means to analyse and present data and draws valid conclusions
Attitudes/values	Demonstrates wrong attitudes/values	Demonstrates appropriate attitudes/values adequately	Demonstrates appropriate attitudes/values exceptionally well	Demonstrates good attitudes/values exceptionally well	Demonstrates significant attitudes/values exceptionally well

Communication	Shows a limited Financial management vocabulary and no ability to use linguistics principles.	Uses standard Financial management terminology and 'good practice' linguistic principles.	Uses advanced Financial management terminology and 'best practice' linguistic principles	Uses very advanced Financial management terminology and 'best practice' linguistic principles	Shows exceptional command of advanced Financial management terminology and 'best practice' linguistic principles
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**ASSESSMENT**

### Assessing oral presentation

Some examples of rubrics to assess oral presentations are supplied. These were designed to assess specific tasks or processes. They could be adapted to assess similar tasks or processes, but are primarily meant to illustrate how rubrics can be designed.

#### RUBRIC 8

Circle the number indicating the rating, where 1 is the lowest rating and 5 is the highest rating					
Location	1	2	3	4	5
Appeal	1	2	3	4	5
Neatness/tidiness	1	2	3	4	5
Communication	1	2	3	4	5
Variety	1	2	3	4	5
Appropriateness	1	2	3	4	5
Content	1	2	3	4	5
Technique	1	2	3	4	5
<b>Total</b>	...../40			.....%	

The following assessment grid was designed for an Economics presentation, but may be used or adapted for Financial management.

**Explanation and example:** Relate the activity/work to the skills areas and rate that skill on a rating scale of 1–5, e.g. if observation and recording is achieved adequately, tick the appropriate cell:

Name:					
Skills areas	Not achieved	Not yet competent	Competent	Highly competent	Outstanding
Observation			✓		
Recording				✓	
Inference					
Investigative					✓
Evaluation			✓		
Marks	0	0	70	100	80
Total			70	100	80
					$\frac{250}{400} = 62.5\%$ Competent

### RUBRIC 9

Name:					
Skills areas	Not achieved	Not yet competent	Competent	Highly competent	Outstanding
Observation					
Recording					
Inference					
Investigative					
Evaluation					
Marks					
Total					

## Observation skills

**Observation skills** are demonstrated when students are able to:

- match, classify and identify items
- interpret drawings, diagrams, graphs, figures and written passages
- observe features and characteristics

**Recording skills** are demonstrated when students are able to:

- record information exposed to by reading, observation and interaction
- summarise written and/or spoken and/or demonstrated or acted information
- present data graphically, i.e. draw curves and other presentations such as charts and histograms, scale axes and label appropriate components meaningfully

**Skills of inference** are demonstrated when students are able to:

- calculate data correctly and accurately (averages, percentages, and fractions)
- recognise patterns and trends in raw or ordered data, extract information from results, interpolate and extrapolate
- distinguish between observations (statements describing what has been seen, heard, etc., whether qualitative or quantitative) or from inferences
- make plausible generalisations from observations

**Investigative skills** are demonstrated when students are able to:

- identify aspects of a problem that can be investigated
- formulate the aim and a general strategy for an investigation
- write a research outline, and collect relevant data and other information
- make valid observations, deductions and interpretations, and argue soberly
- proof or reject hypotheses convincingly
- show a clear understanding of the three basic methods used in research

**Evaluation of processes** are demonstrated when students are able to:

- identify weaknesses and strong points (in arguments and policies)
- recognise that results may be incomplete or inconclusive
- formulate constructive criticisms and appraisals

**RUBRIC 10 [Verbal presentation rubric]**

ASSESSMENT CRITERIA		ACHIEVEMENT				
CONTENT	Development: Structure; Organisation; Support material	5	4	3	2	1
	Effectiveness: Purpose; Interest; Reception	5	4	3	2	1
	Value: Ideas; Logic; Originality	5	4	3	2	1
	Content sub-total	5	4	3	2	1
DELIVERY	Physical: Appearance; Body language	5	4	3	2	1
	Voice: Flexibility; Volume	5	4	3	2	1
	Manner: Directness; Assurance; Enthusiasm	5	4	3	2	1
	Delivery sub-total	5	4	3	2	1
COMMUNICATION	Appropriateness: To purpose and audience	5	4	3	2	1
	Correctness: Grammar; Punctuation; Word selection	5	4	3	2	1
	Language sub-total	20				
TOTAL MARKS:						

**RUBRIC 11 [Values assessment]**

5	<b>Excellent</b> <ul style="list-style-type: none"> <li>Comprehensive understanding and implementation of all instructions; consistently produces exemplary and neat work.</li> <li>Exceptionally polite and respectful.</li> <li>Participates with enthusiasm, listens well; does more work than expected.</li> <li>Sets an excellent example and commands others to behave well.</li> <li>Can confidently/with conviction express opinions, even against popular opinion.</li> </ul>
4	<b>Exceeds the requirement</b> <ul style="list-style-type: none"> <li>Understands and implements all instructions; can be depended upon to produce neat/thorough work.</li> <li>Respectful towards peers and others.</li> <li>Sets a good example and encourages others to behave.</li> <li>Regularly shows interest; asks questions and show a willingness to learn.</li> <li>Can express opinions even against popular opinion.</li> </ul>
3	<b>Meets the requirement</b> <ul style="list-style-type: none"> <li>Follows instructions regularly; makes an effort to produce neat work.</li> <li>Shows acceptable level of respect and courtesy.</li> <li>Well behaved and not disruptive.</li> <li>Can answer questions, even if unsure; expresses opinions.</li> </ul>
2	<b>Does not meet the requirement – needs support</b> <ul style="list-style-type: none"> <li>Instructions often not followed; work untidy and rushed.</li> <li>Shows respect towards some; disrespectful to others.</li> <li>Sometimes disrupts and distracts; need to focus more on work.</li> <li>Only does the minimum work required; erratic interest shown.</li> <li>Hesitant to express self in class; needs to be drawn out.</li> </ul>
1	<b>Makes very little effort</b> <ul style="list-style-type: none"> <li>Does not follow instructions; work always untidy and incomplete.</li> <li>Ill-mannered; sometimes rude.</li> <li>Disruptive and distracts others.</li> <li>Shows very little interest; passive towards schoolwork.</li> <li>Seems shy/reluctant to answer questions; never expresses an opinion.</li> </ul>

<b>Mark allocation</b>	Self		Lecturer		Final mark	
		5		5		5

**RUBRIC 12 [Poster communication skills assessment]**

Criteria	Range			Comments
	0	1	2	
<b>Content</b> Main points Facts/concepts Expressing facts	Points irrelevant Facts incorrect Poorly expressed	Some points irrelevant Some facts incorrect Partially expressed	Main points selected All facts correct Clearly expressed	
<b>Presentation</b> Size of poster (A <sub>3</sub> ) Headings Font/print size  Organisation/layout  Use of colour Public appeal Personal information	Incorrect size Not descriptive All too small  Muddled  Poor Not eye-catching Not included	Correct size Partially descriptive Some large enough  Organisation clear and logical Good Eye-catching Included	Correct size Descriptive Large enough to read at one metre Organisation clear and logical Good Eye-catching Included	

**RUBRIC 13 [Interview skills assessment]**

Criteria	Performance indicator		
	0	1	Comments
Prior research knowledge	Not visible	Visible	
Suitable environment/conditions	Not considered	Considered	
Comfortable voice, tone and pitch	Too loud/too soft	Appropriate	
Body language and manner of interviewer	Not acceptable	Acceptable	
Pacing of interactions/interview	Too fast/too slow	Appropriate	
Focus of questions asked	Not focused on the topic	Focused on the topic	
Clarity of questions asked	Not understandable/ clear to the person being interviewed	Understandable/clear to the person being interviewed	
Value to community	Not obtained through the questions	Obtained through the questions	
Written/oral report of interview	Not brief, focused and integrated	Brief, focused and integrated	

**RUBRIC 14 [Mind map construction assessment]**

Criteria	Range				Comment
	0	1	2	3	
Use of concepts/key words	More than four errors	3-4 errors	1-2 errors	All correct	
Use of linking words	More than four errors	3-4 errors	1-2 errors	All correct	
Layout and spatial organisation	Too small and cramped	Cramped	Clearly laid out		
Use of highlighting and focal points	Not used	Colours used, but not in a logical way	Colours used are linked to the logic		
Neatness	Untidy	Neat			

### RUBRIC 15 [Assessment of questionnaire development and conducting a survey]

Criteria	Range				Comment
	0	1	2	3	
Questionnaire clarity and relevance	Confusing and irrelevant	Not clear or relevant	Clear and relevant		
Questionnaire brevity and focus	Too long/too short	Sufficient length			
Sensitivity to responses/ person being interviewed (gender/age/race/disability)	Insensitive	Only sensitive towards one or two aspects	Sensitive towards three aspects	Shows sensitivity towards all categories	
Representative sample (sufficient responses)	Insufficient/ Too few responses	Sufficient number of responses			

ASSESSMENT

### Portfolio assessment

Students look through written assignments in their portfolios and reflect on the changes they see over a period of time.

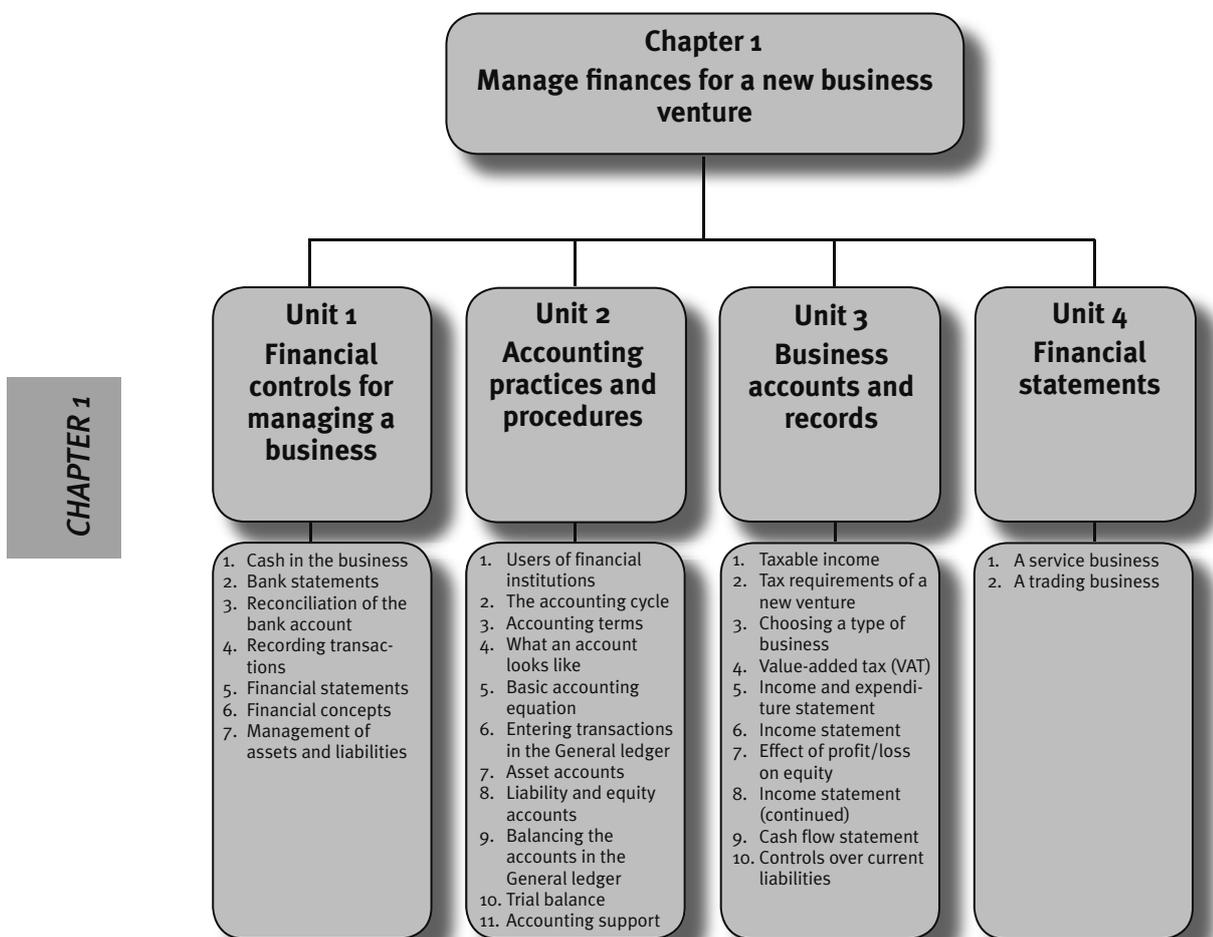
### RUBRIC 16

Name	Level
What do you know now that you did not know before?	
What do you do better now?	
What improvements would you still like to make?	
Write a short paragraph reflecting on your progress.	

# chapter 1

## manage finances for a new venture

This diagram summarises the work covered in Chapter 1.



## This chapter and the curriculum

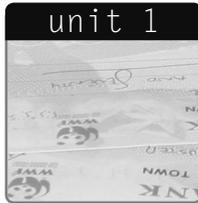
This chapter addresses Topic 1: Manage finances for a new venture.

Topic and Subject Outcomes	Assessment Standards	Units
1.1 Explain financial controls for managing a business.	<ul style="list-style-type: none"> <li>The necessity of banking and banking accounts is discussed with examples of the consequences of not having them.</li> <li>Skills for interpreting bank statements and operating banking accounts are explained with examples.</li> <li>The various types of account are identified and explained in relation to own business venture. <i>Range: Types of account include, but are not limited to, cash books, journal ledgers and balance sheets.</i></li> <li>Financial concepts and principles are related to own business venture. <i>Range: Financial concepts and principles include but are not limited to start-up capital, working capital, cash flow management, profit forecasts, management of assets and liabilities.</i></li> </ul>	Chapter 1 Unit 1
1.2 Identify and apply accounting practices and procedures.	<ul style="list-style-type: none"> <li>Accounting systems are explained with reference to own venture.</li> <li>Suitable accounting support structures are identified in accordance with own business requirements. <i>Range: Accounting support structures include, but are not limited to, the appointment of an accounting officer, accounting clerks, bookkeepers and coaches or mentors.</i></li> <li>Taxation requirements required in the administration of finances are explained in relation to own venture and controls for managing these requirements are identified to ensure that legislative regulations are adhered to.</li> <li>The elements of an income and expenditure statement are analysed in relation to own business venture.</li> <li>The elements of a cash flow statement are explained in relation to own business venture.</li> <li>Payment terms and procedures relating to liabilities are identified and implemented accordingly.</li> </ul>	Chapter 1 Unit 2
1.3 Manage business accounts and maintain business records.	<ul style="list-style-type: none"> <li>Books of accounts are identified for interpretation purposes.</li> <li>All records pertaining to financial and related transactions are kept and stored for input into books of accounts.</li> <li>Key issues pertaining to books of accounts are discussed and explained in relation to own business venture.</li> <li>Books of accounts are kept on a monthly basis to ensure effective financial management of business venture.</li> </ul>	Chapter 1 Unit 3
1.4 Use financial statements to identify business progress.	<ul style="list-style-type: none"> <li>The elements of an income and expenditure statement are analysed in relation to own business venture.</li> <li>An income and expenditure statement is compared to a cash flow statement.</li> <li>Profit or loss is ascertained to determine financial progress of business.</li> <li>Financial records are compared to business plans to determine whether business objectives are being met and problem areas are rectified accordingly.</li> </ul>	Chapter 1 Unit 4

## Getting started (Student's Book, page 4)

### *Suggested answers*

1. To keep cash in the business safe.
2. A bank statement is the bank's record of transactions that have been recorded in its books on behalf of the business. A business receives these statements to compare its records with those of the business.
3. Students' own responses
4. This reconciles the differences between the bank's records and the records of the business.
5. It should be kept in a cash safe until the cash can be banked, as soon as possible.
6. They are recorded in the accounting books of the business (General ledger).
7. These are recorded in the Cash receipts journal and the Cash payments journal.
8. Start-up capital is the money needed to start a business and working capital is needed to keep it running.
9. Assets are the possessions of the business.
10. Liabilities are the debts of the business.
11. The money earned when the income of a business is greater than its expenses.
12. This is important so that the possessions of the business aren't lost or stolen.
13. A Balance sheet describes the financial position of a business on a certain day and an Income statement shows the financial results over a period (a month or a year).



# financial controls for managing a business

## Unit outcomes

Topic and Subject Outcomes	Assessment Standards
1.1 Explain financial controls for managing a business.	<ul style="list-style-type: none"> <li>• The necessity of banking and banking accounts is discussed with examples of the consequences of not having them.</li> <li>• Skills for interpreting bank statements and operating banking accounts are explained with examples.</li> <li>• The various types of account are identified and explained in relation to own business venture. <i>Range: Types of account include, but are not limited to, cash books, journal ledgers and balance sheets.</i></li> <li>• Financial concepts and principles are related to own business venture. <i>Range: Financial concepts and principles include but are not limited to start-up capital, working capital, cash flow management, profit forecasts, management of assets and liabilities.</i></li> </ul>

### Activity 1 (Student's Book, page 8)

*Suggested answers*

1. Because cash is easy to hide or steal, it is essential to have good controls over it.
2. Opening a bank account
3. The cash in the business can be kept to a minimum and the balance compared with that in the records of the business.

## Activity 2 (Student's Book, page 9)

Suggested answers

Here is the completed deposit slip:

 <b>Eagle Bank Ltd</b> Cheque account deposit slip												
DATE	2	0	0	7	0	1	0	3				
CREDIT ACCOUNT NO:	0	1	0	1	8	0	1	1	1	9	8	
NAME	Just Sport											
	Bank notes										2 340	00
	Nickel										5	05
	Bronze											50
	Postal and money orders											
	Subtotal											
Drawer's name	Bank	Branch code		Amount								
1 AP Zodwa	XX Bank	01-04-05		500 00								
2 TL Radebe	Best Bank	01-66-49		1 200 00								
3												
4												
Cheques, etc. as above for collection to be available as cash when paid. While acting in good faith and exercising reasonable care, the Bank will not accept responsibility for ensuring that depositors/account holders have lawful title to cheques, etc. collected.				TOTAL								
*For office use	*DEBIT			*CREDIT		4 045 55						
DEPOSITED BY: <i>S Jones</i>												

### Activity 3 (Student's Book, page 10)

Suggested answers

1. A business can make use of debit orders and stop orders, where the bank pays certain accounts on behalf of the business as well as direct electronic payments.
2. The date, amount of the cheque and name of the payee (the person/firm the cheque is made out to)
3. If there are no controls, cheques can be issued to fictitious people or companies or cashed, with potentially huge losses to the company.

### Activity 4 (Student's Book, page 11)

Suggested answers

Date	30/03/07	 <b>EAGLE BANK LIMITED</b> Port Elizabeth	60-20-50-20
To	Telkom		Date: 30/03/07
For			
Balance b/d		Pay Telkom	or Bearer
Deposit			
Subtotal		The sum of <i>Two thousand four hundred and thirty rands</i>	<b>R 2 430,00</b>
This cheque	2 430,00		
Balance			
113		0113: 50023001: 0111212114 01	for : Just Sport <i>S. Jones</i>

Date	30/03/07	 <b>EAGLE BANK LIMITED</b> Port Elizabeth	60-20-50-20
To	Max's Agency		Date: 30/03/07
For			
Balance b/d		Pay Max's Agency	or Bearer
Deposit			
Subtotal		The sum of <i>Three thousand rands</i>	<b>R 3 000,00</b>
This cheque	3 000,00		
Balance			
114		0114: 50023001: 0111212114 01	for : Just Sport <i>S. Jones</i>

Date	30/03/07	 <b>EAGLE BANK LIMITED</b> Port Elizabeth	60-20-50-20
To	<i>Pittsburgh Sports</i>		Date: 30/03/07
For			
Balance b/d		Pay <i>Pittsburgh Sports Wholesalers</i>	or Bearer
Deposit		<b>R 12 000,00</b>	
Subtotal			
This cheque	12 000,00		
Balance			
115		0115: 50023001: 0111212114 01	for : <i>Just Sport</i> <b>S. Jones</b>

### Activity 5 (Student's Book, page 14)

*Suggested answers*

1. This is the bank's records of all the transactions that have taken place in the bank account of the business.
2. Deposits, cheque payments, bank charges, correction of errors
3. Bank charges

### Activity 6 (Student's Book, page 15)

*Suggested answers*

1. The records of all transactions affecting the bank account of the business, but from the bank's perspective
2. Bank charges, electronic payments paid straight into the bank account of the business (commercial bank)
3. Payments made and amounts received by the business and recorded in the records of the business, but not yet banked
4. The records of the business must be updated with transactions recorded by the bank but not by the business. The bank must update its records with transactions recorded by the business but not yet reflected in its own records.
5. The debit column shows payments made and the credit column shows deposits made.
6. A bank reconciliation brings the books of the bank and those of the business into agreement.

### Activity 7 (Student's Book, page 18)

Students' own answers depending on the bank statement chosen

## Activity 8 (Student's Book, page 18)

*Suggested answers*

1. Subsidiary journals; used for recording financial information at various stages
2. Debtors journal, Creditors journal, Cash payments journal and Cash receipts journal

## Activity 9 (Student's Book, page 20)

*Suggested answers*

1. Start-up capital = the capital/money needed to start a business; working capital = the money needed to keep a business running; liabilities = the debts of a business
2. Loans, selling shares/interest in the business and using one's own funds

## Questions for revising Unit 1 (Student's Book, page 21)

### Question 1

*Suggested answers*

- 1.1 Creditors journal (CJ)
- 1.2 Cash payments journal (CPJ)
- 1.3 Cash receipts journal (CRJ)
- 1.4 Debtors journal (DJ)
- 1.5 Petty cash journal (PCJ)

### Question 2

*Suggested answer*

Zandile Dealers		
Bank reconciliation for the month of August 20.6		
	Debit	Credit
Bank statement balance		R7 250
Cash receipt		R400
Cash payment	R150	
Bank account balance	R7 500	
Balance	R7 650	R7 650

### Question 3

*Suggested answers*

- 3.1 Students' own explanations

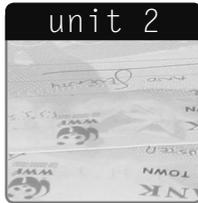
3.2

Date	4/04/07	 <b>EAGLE BANK LIMITED</b> Port Elizabeth	60-20-50-20
To	Accountant		Date: 4/04/07
For			
Balance b/d		Pay Accountant	or Bearer
Deposit			
Subtotal		The sum of <i>Five thousand rands</i>	R 5 000,00
This cheque	5 000,00		
Balance			
258		0258: 50023001: 0111212114 01	for : <i>Just Sport</i> <b>S. Jones</b>

**Question 4**

*Suggested answer*

 <b>Eagle Bank Ltd</b> Cheque account deposit slip																
DATE	2 0 0 7 0 1 0 3															
CREDIT ACCOUNT NO:	0 1 0 1 8 0 1 1 1 9 8															
NAME	<i>Just Sport</i>															
<table border="1" style="width: 100%;"> <tr> <td>Bank notes</td> <td></td> <td></td> </tr> <tr> <td>Nickel</td> <td></td> <td></td> </tr> <tr> <td>Bronze</td> <td></td> <td></td> </tr> <tr> <td>Postal and money orders</td> <td></td> <td></td> </tr> <tr> <td>Subtotal</td> <td style="text-align: right;">8 990</td> <td style="text-align: right;">34</td> </tr> </table>		Bank notes			Nickel			Bronze			Postal and money orders			Subtotal	8 990	34
Bank notes																
Nickel																
Bronze																
Postal and money orders																
Subtotal	8 990	34														
Drawer's name	Bank Branch code Amount															
1 <i>Mr Langa</i>	<i>Best Bank</i> <i>01-66-49</i> <i>1 000 00</i>															
2 <i>Mrs Philemon</i>	<i>Ace Bank</i> <i>01-09-09</i> <i>3 125 00</i>															
3																
4																
Cheques, etc. as above for collection to be available as cash when paid. While acting in good faith and exercising reasonable care, the Bank will not accept responsibility for ensuring that depositors/account holders have lawful title to cheques, etc. collected.																
TOTAL <b>13 115 34</b>																
*For office use	*DEBIT															
DEPOSITED BY: <b>S. Jones</b>																



unit 2

# accounting practices and procedures

## Unit outcomes

Topic and Subject Outcomes	Assessment Standards
1.2 Identify and apply accounting practices and procedures.	<ul style="list-style-type: none"> <li>Accounting systems are explained with reference to own venture.</li> <li>Suitable accounting support structures are identified in accordance with own business requirements. <i>Range: Accounting support structures include, but are not limited to, the appointment of an accounting officer, accounting clerks, bookkeepers and coaches or mentors.</i></li> <li>Taxation requirements required in the administration of finances are explained in relation to own venture and controls for managing these requirements are identified to ensure that legislative regulations are adhered to.</li> <li>The elements of an income and expenditure statement are analysed in relation to own business venture.</li> <li>The elements of a cash flow statement are explained in relation to own business venture.</li> <li>Payment terms and procedures relating to liabilities are identified and implemented accordingly.</li> </ul>

### Activity 1 (Student's Book, page 25)

*Suggested answers*

- It provides information about the finances of a business.
- When income is greater than the expenses, a profit will be made.
- Identifying transactions  
Recording transactions  
Interpreting the results  
Communicating the information to users, using financial statements

### Activity 2 (Student's Book, page 25)

*Suggested answers*

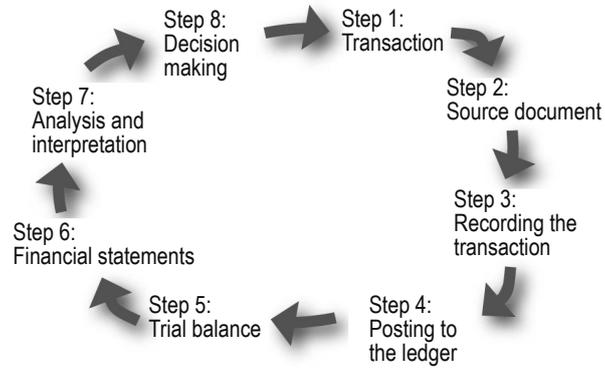
- Record the transactions in journals.
- There will be a profit if the income is greater than the expenses.
- In the General ledger there will be a separate account for every item affecting the business, to record all transactions that will affect the business.
- Assets: The possessions of the business  
Liabilities: Debts of the business
- Mentors or coaches who can act as good business role models



### Activity 3 (Student's Book, page 27)

Suggested answers

1. Investors, employees, customers, lenders and suppliers
- 2.



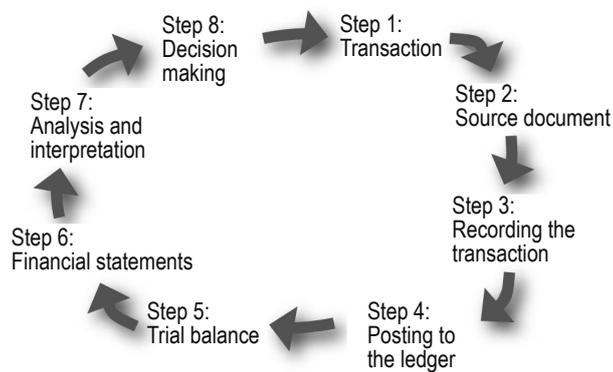
### Activity 4 (Student's Book, page 28)

Suggested answers

- 1.

Current asset	All possessions of a business that have a life-span of less than one year
Non-current liability	Debts of the business, payable over a period of more than one year
Owner's equity	The difference between the assets and the debts of a business
General ledger	Where all the accounts of a business are kept
Posting	Closing accounts and transferring the information to another account
Non-current asset	Possessions that have a life-cycle of more than one year

- 2.



### Activity 5 (Student's Book, page 30)

Suggested answers

1.

Assets	desks, printers, debtors
Liabilities	creditors, bank loan, tax payable
Owner's equity	capital
Income	sales, commission received, interest received
Expenses	telephone, salaries, electricity

2. The double entry principle means that every transaction is recorded twice in the General ledger of the business: once on the debit side and once on the credit side.

### Activity 6 (Student's Book, page 34)

Suggested answers

	ASSETS	OWNERS' EQUITY	LIABILITIES
1.	Printer + 900 Bank - 900		
2.	Bank + 1 500	Sales + 1 500	
3.	Goods + 2 000		Creditor + 2 000
4.	Bank + 10 000		Loan + 10 000
5.	Bank - 5 000	Salaries - 5 000	

### Activity 7 (Student's Book, page 36)

Suggested answers

1. The balance is the difference between the total debits and total credits in an account.
2. The Trial balance lists all the accounts, with their debit or credit balances.

## Activity 8 (Student's Book, page 36)

Suggested answers

Trial balance

	Debit	Credit
Bank	13 000	
Creditors		4 000
Telephone	2 000	
Debtors	4 000	
Loan		20 000
Computer	10 000	
Office furniture	25 000	
Capital		30 000
	<b>54 000</b>	<b>54 000</b>

## Questions for revising Unit 2 (Student's Book, page 38)

### Question 1 and 2

Suggested answers

General ledger

Sales							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
	Balance	c/d	13 700		Bank		10 250
					Debtor		3 450
			13 700				13 700
					Balance	b/d	13 700

Creditors							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
	Balance	c/d	34 810		Inventory		6 500
					Inventory		6 700
					Inventory		5 500
					Inventory		8 900
					Inventory		7 210
			34 810				34 810
					Balance	b/d	34 810

Loan							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
	Bal c/d		20 000		Bank		20 000
			20 000				20 000
					Balance	b/d	20 000

Debtors							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
	Sales		3 450		Balance	c/d	3 450
			3 450				3 450
	Balance	b/d	3 450				

Bank							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
	Sales		10 250		Telephone		354
	Loan		20 000		Rent		6 000
					Salaries		10 000
					Stationery		238
					Balance	c/d	13 658
			30 250				30 250
	Balance	b/d	13 658				

Inventory							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
	Creditor		6 500		Balance c/d		34 810
	Creditor		6 700				
	Creditor		5 500				
	Creditor		8 900				
	Creditor		7 210				
			34 810				34 810
	Balance	b/d	34 810				



Rent expense							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
	Bank		6 000		Balance	c/d	6 000
			6 000				6 000
	Balance	b/d	6 000				

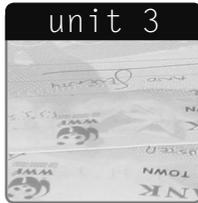
Telephone							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
	Bank		354		Balance	c/d	354
			354				354
	Balance	b/d	354				

Salaries							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
	Bank		10 000		Balance	c/d	10 000
			10 000				10 000
	Balance	b/d	10 000				

Stationery							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
	Bank		238		Balance c/d		238
			238				238
	Balance	b/d	238				

**CHAPTER 1**





# business accounts and records

## Unit outcomes

Topic and Subject Outcomes	Assessment Standards
1.3 Manage business accounts and maintain business records.	<ul style="list-style-type: none"> <li>• Books of accounts are identified for interpretation purposes.</li> <li>• All records pertaining to financial and related transactions are kept and stored for input into books of accounts.</li> <li>• Key issues pertaining to books of accounts are discussed and explained in relation to own business venture.</li> <li>• Books of accounts are kept on a monthly basis to ensure effective financial management of business venture.</li> </ul>

### Activity 1 (Student's Book, page 40)

Suggested answers

1. Income: credit sales:  $1\ 500 + 2\ 300 + 1\ 800 = 5\ 600$   
 cash sales:  $2\ 800 + 1\ 600 + 1\ 100 + 12\ 000 = 17\ 500$   
 Expenses:  $1\ 320 + 6\ 000 + 440 + 5\ 000 = 12\ 760$

Income	R17 500
Less: Expenses	<u>R12 760</u>
Profit	<b><u>R10 340</u></b>

2. Sales increase equity; expenses decrease equity.  
 3. Sole traders and partnerships do not pay tax from the business. The owners will pay tax in their personal capacities on money they earn from the business. Companies and CCs are regarded as legal persons and pay taxes on profits made.  
 4. Any business with a turnover greater than R 300 000  
 5. Value-added tax is a tax collected by businesses on behalf of the government.  
 6. It is similar to an Income statement, but simpler and shows the profits or losses made for a period.  
 7. Calculates the profits or losses for a period
- |                |                      |
|----------------|----------------------|
| 8. Revenue     | R20 000              |
| Less: Expenses | <u>R13 000</u>       |
| Profit         | <b><u>R7 000</u></b> |
9. It shows the flows of cash into and out of a business with the resulting net cash position. (Has more cash flowed in or flowed out?)



### Activity 2 (Student's Book, page 41)

Suggested answers

1. Gross income less exempt income less deductions
2. The close corporation or company will pay tax on profits made in the business.

### Activity 3 (Student's Book, page 43)

Suggested answers

1. The close corporation and company will pay taxes on business profits.
2. The owners of partnerships and sole traders will pay taxes in their personal capacities.

### Activity 4 (Student's Book, page 43)

Suggested answers

Gross income	R54 000
Less: Exempt income	<u>R12 000</u>
Income	R42 000
Less: Deductions	<u>R8 000</u>
Taxable income	R34 000

### Activity 5 (Student's Book, page 44)

Suggested answers

1. Value-added tax, paid on most goods and services bought
2. Any business with a turnover greater than R300 000
3. Businesses collect VAT on behalf of the government.

### Activity 6 (Student's Book, page 46)

Suggested answers

1. Profit and loss
2. Income less expenses = profit/loss
3. Sales, commission income, interest received
4. Telephone, salaries and wages, rent expense, advertising

### Activity 7 (Student's Book, page 48)

Suggested answers

Pay telephone	Decrease
Cash sale	Increase
Credit sale	Increase
Buy equipment	Nil
Commission received	Increase
Pays electricity bill	Decrease
Pays salaries	Decrease
Receives rent on building let out	Increase
Pays for stationery	Decrease



## Activity 8 (Student's Book, page 49)

*Suggested answers*

1. The Income statement shows the income, all expenses and the difference between income and expenses. The difference is called a profit if the income is more than the expenses or a loss if expenses are greater than the income.
2.  $\text{Income less expenses} = \text{profit/loss}$

## Activity 9 (Student's Book, page 50)

*Suggested answers*

1. It shows the inflow and outflow of cash in a business.
2. To ensure there is enough cash in a business to pay suppliers, salaries and other expenses

## Questions for revising Unit 3 (Student's Book, page 51)

### Question 1

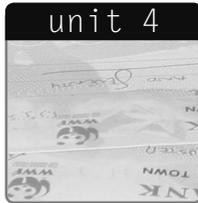
*Suggested answers*

Alma Traders Income statement for the year ended 28 February 20.7		
REVENUE		64 000
Gross income		64 000
LESS EXPENSES		(30 000)
Rent expense		10 000
Telephone		1 300
Advertising		4 000
Electricity		800
Salaries		12 000
Cleaning		1 400
Stationery		500
Net profit for the year		34 000

## Question 2

*Suggested answers*

<b>Alma Traders</b> <b>Income statement for the year ended 28 February 20.7</b>		
Membership fees		40 000
Bar income		25 000
GROSS INCOME		65 000
LESS EXPENSES		(23 000)
Salaries		12 000
Repairs		3 000
Admin. expenses		8 000
SURPLUS		42 000



unit 4

# financial statements

## Unit outcomes

Topic and Subject Outcomes	Assessment Standards
1.4 Use financial statements to identify business progress.	<ul style="list-style-type: none"> <li>• The elements of an income and expenditure statement are analysed in relation to own business venture.</li> <li>• An income and expenditure statement is compared to a cash flow statement.</li> <li>• Profit or loss is ascertained to determine financial progress of business.</li> <li>• Financial records are compared to business plans to determine whether business objectives are being met and problem areas are rectified accordingly.</li> </ul>

### Activity 1 (Student's Book, page 53)

*Suggested answers*

1. All income less all expenses
2. The transactions are recorded in the accounts in the General ledger and closed off to the profit and loss account.
3. Gross profit = Sales – Cost of sales  
Net profit = gross profit – expenses
4. Income statement: All revenue (income) less all expenses to calculate the profit or loss
5. Service businesses provide a service such as hairdressing or banking.  
Trading businesses buy and then sell products to consumers.
6. Cost of sales = opening inventory + purchases – closing inventory
7. The amount added to the cost price of a product (including profits), to give the selling price.

### Activity 2 (Student's Book, page 55)

*Suggested answers*

1. All transactions that are not recorded in any of the other journals, i.e. Sales journal, Purchases journal, Cash receipts and Cash payments journals
2. A business that provides a service
3. Income and expense accounts
4. Transfer the amount or balance of the account to another account
5. Credit  
Debit
6. Credit



### Activity 3 (Student's Book, page 56)

Suggested answers

	Details	Debit	Credit
1.	Computer	10 000	
	Creditor		10 000
2.	Bank	1 000	
	Office furniture		1 000
3.	Bank	200	
	Computer		200
4.	Vehicle	150 000	
	Creditor		150 000

### Activity 4 (Student's Book, page 56)

Suggested answers

1. credit
2. debit
3. profit and loss account
4. General journal

### Activity 5 (Student's Book, page 57)

Suggested answers

1. Buys and sells a product
2. Producers make or manufacture products; consumers buy the products.
3. The amount added to the cost price, to get the selling price
4. Sales
  - Cost of sales
  - Distribution, admin and other expenses
  - Finance costs, e.g. interest charged on loans

### Activity 6 (Student's Book, page 60)

Suggested answers

1. Sales less cost of sales
2. Gross profit less expenses
3. Trading account
4. Gross profit



## Activity 7 (Student's Book, page 62)

Suggested answers

Trading account							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
	Cost of sales		12 000		Sales		62 000
	Profit and loss		50 000				
			62 000				62 000

Profit and loss account							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
	Salaries		10 000		Trading account		50 000
	Telephone		2 000				
	Stationery		200				
	Rent expense		8 000				
	Advertising		500				
	Admin. expenses		1 200				
	Net profit		28 100				
			50 000				50 000

## Questions for revising Unit 4 (Student's Book, page 63)

### Question 1

Suggested answers

Trading account							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
	Cost of sales		120 000		Sales		500 000
	Profit and loss		380 000				
			500 000				500 000

Profit and loss account							
Date	Details	Fol.	Amount	Date	Details	Fol.	Amount
	Salaries		72 000		Trading account		380 000
	Rent expense		60 000				
	Cleaning		12 000				
	Electricity		6 000				
	Rates		18 000				
	Admin. expenses		15 600				
	Interest paid		2 300				
	Net profit		194 100				
			380 000				380 000

## Chapter challenge (Student's Book, page 64)

### Question 1

Suggested answers

 <b>Eagle Bank Ltd</b> Cheque account deposit slip														
DATE	2	0	0	6	3	1	1	0						
CREDIT ACCOUNT NO:	0	1	0	1	8	0	1	1	1	9	8			
NAME	Just Sport													
	Bank notes										1 350	00		
	Nickel										3	20		
	Bronze											50		
	Postal and money orders													
	Subtotal										1 353	20		
Drawer's name	Bank	Branch code		Amount										
1 Thandi	Eagle Bank	01-04-05		2 500 00										
2 Jabu	Eagle Bank	01-66-49		1 789 00										
3														
4														
Cheques, etc. as above for collection to be available as cash when paid. While acting in good faith and exercising reasonable care, the Bank will not accept responsibility for ensuring that depositors/account holders have lawful title to cheques, etc. collected.				TOTAL										
*For office use	*DEBIT			*CREDIT	5 642 22									
DEPOSITED BY: <i>S Jones</i>														

### Question 2

Suggested answers

Date	17/11/06	 <b>EAGLE BANK LIMITED</b> Port Elizabeth	60-20-50-20
To	Sports Stuff		Date: 17/11/06
For			
Balance b/d		Pay Sports Stuff	or Bearer
Deposit			
Subtotal		The sum of <i>Eight thousand five hundred rands only</i>	R 8 500,00
This cheque	R8 500,00		
Balance			
807		0807: 50023001: 0111212114 01	for : Just Sport <i>S. Jones</i>

### Question 3

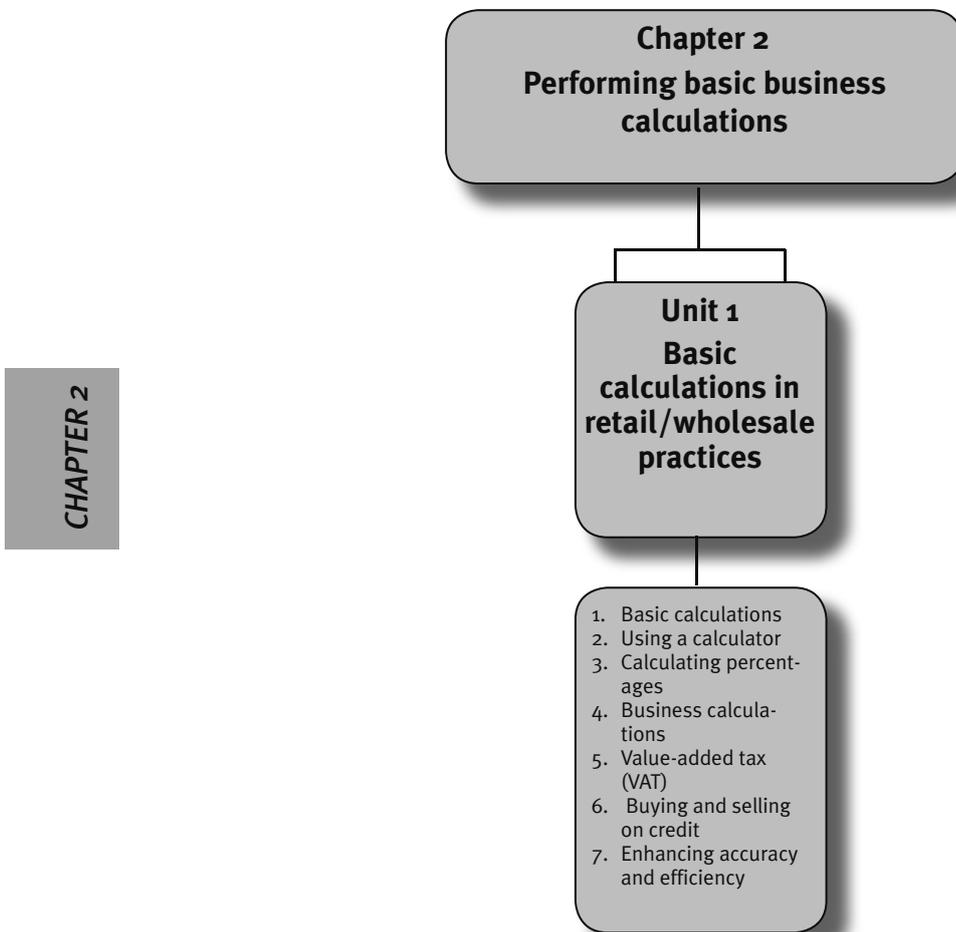
Suggested answers

A1 Traders Bank reconciliation for the month of July 20.6		
	Debit	Credit
Bank statement balance		R2 650
Cash receipt		R100
Cash payment	R100	
Bank account balance	R2 650	
Balance	R2 750	R2 750

# chapter 2

## performing basic business calculations

This diagram summarises the work covered in Chapter 2.



## This chapter and the curriculum

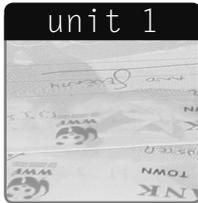
This chapter addresses Topic 2: Perform basic calculations in retail or wholesale practices.

Topic and Subject Outcomes	Assessment Standards	Units
2.1 Consider options and make decisions, relating business calculations to a range of retail or wholesale practices when selling goods for profit.	<ul style="list-style-type: none"><li>Business calculations applied to retail or wholesale practices when selling goods for profit are described and performed. <i>Range: The basic business calculations include cost price, profit, including mark-ups and mark-downs, value-added tax (VAT) calculations, discount on cash and terms (payment of accounts).</i></li></ul>	Chapter 2 Unit 1.

## Getting started (Student's Book, page 68)

Suggested answers

- 2 April 20.8
- Sports Stuff Wholesalers
- Cheque
- $20 \times R55 = R1\ 100$  not  $R1\ 010$   
Subtotal must equal  $R6\ 000$
- R350
- Value-added tax
- Errors and Omissions Excepted



unit 1

## basic calculations in retail/wholesale practices

### Unit outcomes

Topic and Subject Outcomes	Assessment Standards
2.1 Consider options and make decisions, relating business calculations to a range of retail or wholesale practices when selling goods for profit.	<ul style="list-style-type: none"><li>Business calculations applied to retail or wholesale practices when selling goods for profit are described and performed. <i>Range: The basic business calculations include cost price, profit, including mark-ups and mark-downs, value-added tax (VAT) calculations, discount on cash and terms (payment of accounts).</i></li></ul>

### Activity 1 (Student's Book, page 70)

Suggested answers

- Brackets of Divide Multiply Add Subtract
- Many different variations but usually a sentence
- $6 + \frac{1}{3}$  of  $(3 \times 4)$   
 $(3 \times 4) = 12$  [brackets]  
 $\frac{1}{3}$  of  $12 = 4$  [of]  
 $6 + 4 = 10$  [add]

### Activity 2 (Student's Book, page 70)

Suggested answers

- $3 + 12 \times 2$   
 $= 3 + 24 = 27$
  - $6 \times 6 + 3 \times 2$   
 $= 36 + 6 = 42$
  - $\frac{1}{2}$  of  $20 + 8$   
 $= 10 + 8 = 18$
  - $\frac{1}{4}$  of  $40 \times 3$   
 $= 10 \times 3 = 30$
  - $50 - 20 \times 2$   
 $= 50 - 40 = 10$
  - $(4 + 4) \times 4$   
 $= 8 \times 4 = 32$
  - $90 - 10 \times 5$   
 $= 90 - 50 = 40$
  - $6 + 6 - 6 + 6$   
 $= 12 - 12 = 0$
  - $7 \times 7 \div 7$   
 $49 \div 7 = 7$
  - $200 + 200 - 200$   
 $= 400 - 200 = 200$

70

chapter 2: performing basic business calculations

2.

The number	multiply by	answer	multiply by	answer
37037	1	37037	3	111111
37037	2	74074	3	222222
37037	3	111111	3	333333
37037	4	148148	3	444444
37037	5	185185	3	555555
37037	6	222222	3	666666
37037	7	259259	3	777777
37037	8	296296	3	888888
37037	9	333333	3	999999

3. Students practise multiplying and learn to think ahead.

### Activity 3 (Student's Book, page 72)

*Suggested answers*

1. C.CE: to clear the screen
2. R.CM: press twice to clear the memory of the calculator
3. The M+ key allows you to store the result of a calculation in the memory of the calculator for later use. A small M will appear on the screen, indicating that there is an amount in memory. The user can now continue to do other calculations.
4. M-: If there is already an amount in the memory and you would like to subtract an amount from it, simply key in the amount and then press the M- key. This amount will then automatically be subtracted from the existing amount in the memory.

### Activity 4 (Student's Book, page 72)

*Suggested answers*

1. Use the M+ key to store  $139 \times 160$  and then recall to complete the calculation.
2.  $22 \times 45c$  (M+) (CE)  $14 \times 75c = R10.50$  (M+) = R20.40  
R50 (M-) = R29.60 change
3.  $130 + 5 + 3$  (M+) (CE)  $60 + 20 = 80 \times$  (M+) = 11 040

### Activity 5 (Student's Book, page 74)

*Suggested answers*

1. a) 125  
b) 126  
c) 126
2. a) 64,2  
b) 64,3  
c) 64,2

### Activity 6 (Student's Book, page 75)

Suggested answers

1. The cost price of an item is R50 and the profit margin on the item is 25%, the selling price will then be R62,50 (R50 + 25%).
2.  $50\% = \frac{1}{2}$ ;  $33\frac{1}{3}\% = \frac{1}{3}$ ;  $25\% = \frac{1}{4}$ ;  $20\% = \frac{1}{5}$  (pattern = 2 - 5)

### Activity 7 (Student's Book, page 75)

Suggested answers

1. How many boxes?  $2\ 400 \div 24 = 100$  boxes  
100 boxes  $\times$  R360 = R36 000  
Cost price = R36 000 add VAT (14%) = R41 040  
Add delivery fee (R50)  
Final invoice price = R41 090
2. The business sold 65 of the 100 boxes,  $65 \div 100 \times 100 = 65\%$
3.  $R11 \times \frac{100}{122} = R9,06$
4.  $\frac{2007 \text{ total} - 2006 \text{ total}}{2006 \text{ total}} \times \frac{100}{1} = \%$   
Four flower:  $\frac{2\ 911 - 2\ 567}{2\ 567} \times \frac{100}{1} = 13,4\%$  (increase)  
Lusiki green:  $\frac{500 - 800}{500} \times \frac{100}{1} = -6\%$  (decrease)  
Black bush natural:  $\frac{1\ 320 - 1\ 200}{1\ 200} \times \frac{100}{1} = 10\%$  (increase)  
Lemon tea:  $\frac{1\ 900 - 1\ 522}{1\ 522} \times \frac{100}{1} = 24\%$  (increase)
5.  $R94\ 200 + 4\% = R97\ 968$  (new salary)  
Previous monthly salary ( $94\ 200 \div 12 = 7\ 850$ )  
New monthly salary ( $97\ 968 \div 12 = 8\ 164$ )  
 $8\ 164 - 7\ 850 = R314$  extra money each month

## Activity 8 (Student's Book, page 77)

Suggested answers

987 Cape Road Newton Park Port Elizabeth 6045	<b>KAYAK BOATS</b>			No: 321 Date: 23 May 20.8
To: <i>JUST SPORT</i> 5th Avenue Summerstrand	<b>Tax invoice</b>  VAT registration number: 765432123			Payment method • Cheque • Debit card • Cash • Credit card • On account <input checked="" type="checkbox"/>
Code	Description	Qty	Price	Total price
X4G	Hobie Cat 14 ft	2	R5516,19	R11 032,38
Subtotal (1)				R11 032,38
Discount (17%)				R1 875,51
Subtotal (2)				R12 907,89
Delivery charge				R250,00
Subtotal (3)				R13 157,89
VAT (14%)				R1 842,11
Amount tendered (VAT inclusive)				R15 000,00
E. & O.E				

Calculations

$$\begin{aligned} \text{VAT (14\%):} \quad & R15\,000 - (R15\,000 \times \frac{100}{114}) - R15\,000 \\ & = R15\,000 - R13\,157,89 = R1\,842,11 \end{aligned}$$

$$\text{Subtotal (3):} \quad R15\,000 - R1\,842,11 = R13\,157,89$$

$$\text{Subtotal (2):} \quad R13\,157,89 - R250,00 = R12\,907,89$$

$$\begin{aligned} \text{Discount (17\%):} \quad & R12\,907,89 - (R12\,907,89 \times 100/117) \\ & = R1\,875,51 \end{aligned}$$

$$\text{Subtotal (1):} \quad R12\,907,89 - R1\,875,51 = R11\,032,38$$

$$\text{One Hobie Cat} = R11\,032,38 \text{ divided by } 2 = R5\,516,19$$

## Activity 9 (Student's Book, page 79)

Suggested answers

1. In a non-manufacturing business the cost price of the goods purchased with the intention of reselling them should be obtained from the invoices provided by the suppliers (wholesalers and manufacturers). The **net cost price** should be used.



This means that discounts and VAT must be deducted. Transport costs must be included in the **net cost price** as other suppliers may transport for free, but the cost is then usually built into the cost price. The **mark-up** added to the cost price has to cover the **operating expenses** and must include the **profit** that the owner(s) of the business would like to make. However, discounts can influence the final selling price.

2. The concept **gross profit** refers to the amount that is left after deducting the cost price of the product from the selling price. The concept **net profit** is the gross profit minus the operating expenses, and refers to the money the owner(s) would earn.
3. Initial mark-up percentage =  $(\text{Projected operating expenses} + \text{desired profit}) \div \text{projected sales} \times 100$ . In the case of Just Sport this was determined at 25%.
4.
  - Prescribed by the manufacturer
  - Popularity of the product (whether it is in fashion)
  - Prices of competitors' products
  - Projected turnover of the product
  - Expenses linked to the specific product (after-sales service)
  - The product is damaged
  - The business has too many of the product
5. a) Selling price =  $R325 - R48,75 \left(\frac{15}{100} \times R325\right) = R276,25$   
 b) Original cost price =  $R325 \times \frac{100}{125} = R260$   
 c) Gross profit = Selling price – Cost price =  $R325 - R260 = R65$   
 d) Net profit possible after sale? Not likely as gross profit will only be R17,25.  
 (Selling price – Cost price =  $R276,25 - R260$ )

### Activity 10 (Student's Book, page 80)

Adapt and use a standardised rubric from the introduction to this Lecturer's Guide to assess the reports.

### Activity 11 (Student's Book, page 80)

*Suggested answers*

The answers are given directly after the activity in the Lecturer's Guide. Ask students to close their textbooks before doing the brainstorming exercise.

### Activity 12 (Student's Book, page 81)

*Suggested answers*

- Prescribed by the manufacturer
- Popularity of the product (whether it is in fashion)
- Prices of competitors
- Projected **turnover** of the product
- Expenses linked to the specific product (after-sales service)
- The product is damaged
- The business has too many of the product



### Activity 13 (Student's Book, page 81)

Suggested answers

The break-even sales:

$R212\,500 \div 30 \times 100$  (30%) = R708 333 worth of pool cleaners need to be sold.

### Activity 14 (Student's Book, page 83)

Suggested answers

- Just Sport must collect VAT from customers and pay this VAT to SARS. Just Sport can claim back any VAT that they have paid on anything bought for the business. When the business buys items, it also pays VAT. VAT paid by the business is known as input VAT. When the business charges VAT on its sales, it is called output VAT. The VAT Act determines that the business must only pay the difference between output VAT received and input VAT paid over to the SARS.
- Invoices from Just Sport to customers
  - Invoices from suppliers to Just Sport
  - A list of debtors (that owe Just Sport money) and creditors (that Just Sport owes money to)
  - Bank statements, deposit slips, copies of cheques
  - Books of account, where Just Sport records how much money has come into the business every month, and how much money has been spent and on what

### Activity 15 (Student's Book, page 83)

Suggested answers

TV Aerial Manufacturers		Elains	
Input tax R420 (R3 420 – [R3 420 $\times \frac{100}{114}$ = R3 000])	Output tax R487,20 (R3 967,20 – [R3 967,20 $\times \frac{100}{114}$ = R3 480])	Input tax R487,20 (R3 967,20 – [R3 967,20 $\times \frac{100}{114}$ = R3 480])	Output tax R540,79 (R4 403,59 – [R4 403,59 $\times \frac{100}{114}$ = R 3 862,80])
Payable to SARS = R487,20 – R420,00 = R67,20		Payable to SARS = R540,79 – R487,20 = R53,59	

### Activity 16 (Student's Book, page 86)

Suggested answers

- Direct loans; instalment sale transactions (also called hire-purchase sales or HP); revolving credit; buying on account
- Instalment sale transactions** (also called hire-purchase sales or HP): This type of credit transaction is usually arranged for the purchase of large items. The agreement will stipulate that a sum of money (usually the purchase price plus financing charges) will be paid back at a future date, in full or in instalments over a period of time. It is important to note that in terms of an instalment sale transaction, the purchaser does not become the owner of the goods when they are delivered to him. He only becomes the owner after full payment of the last instalment. These transactions usually have built-in or even hidden costs. For example, the cost of compulsory group credit life and disability insurance.

**Revolving credit transactions:** This plan involves the issue of a credit card, which



establishes a 'line of credit' that may be used whenever the card is presented. Normally, a time period is granted during which no finance charge is added to the account. Most credit cards also have a budget facility which allows the credit card holder to make use of additional credit facilities, over and above the limit set on the card, for once off large purchases.

### 3. National Credit Act

## Activity 17 (Student's Book, page 86)

*Suggested answers*

Let different groups work on the calculations of the same item to be purchased and then compare their answers. Also compare similar products for sale at different stores.

## Activity 18 (Student's Book, page 89)

*Suggested answers*

1.
  - It would help you streamline customer transactions and keep operations running smoothly.
  - It streamlines and simplifies the checkout process at the tills.
  - Accurate pricing and fast credit and debit card processing minimise human error. For example, when buying groceries at a supermarket, every item is just scanned and the checkout process is quick and efficient.
  - Many restaurants and coffee shops also make use of the POS system. It is very efficient, because the menu is on a touch screen and the waiter/waitress can just enter their order and the order will automatically go through to the kitchen. At the end of the day the manager can see what sales each waiter has made and work out their commission.
  - You can also see, for example, that 10 cans of Coke have been sold and you would be able to estimate the different levels of inventory on hand and how much you need to order.
2. Students' own research

## Chapter challenge (Student's Book, page 91)

### Question 1

*Suggested answers*

$$1.1 \quad 106 - (28 \times 2) = 106 - 56 = 50$$

$$1.2 \quad \left(\frac{1}{3} \text{ of } 63\right) + 6 = 21 + 6 = 27$$

$$1.3 \quad \left(\frac{7}{7}\right) + (7 \times 7) = 1 + 49 = 50$$

$$1.4 \quad (3 + 6) \times 12 - 3 = (9 \times 12) - 3 = 72 - 3 = 69$$

### Question 2

*Suggested answers*

$$2.1 \quad R2\,500 \times 14\% = R350$$

$$2.2 \quad R250 - R230 \div R230 = 8,7\%$$



$$2.3 \quad R1\,250 \times \frac{100}{125} = R1\,000$$

$$2.4 \quad R1\,300 + 6\% = R1\,378$$

$$2.5 \quad R950 - 7\% = R883,5$$

### Question 3

*Suggested answers*

3.1

- Prescribed by the manufacturer
- Popularity of the product (whether it is in fashion)
- Prices of competitors
- Projected **turnover** of the product
- Expenses linked to the specific product (after-sales service)
- The product is damaged
- The business has too many of the product

3.2

- Cash discount for prompt payment: For example, the wholesaler would normally allow Just Sport 30 days to pay for an order, but would offer them 2% discount if they pay within 10 days. Just Sport can also allow discount for some of their customers who pay their accounts earlier.
- Quantity discounts: Where suppliers of Just Sport give price reductions for large purchases.
- Trade discounts: Larger retail stores would keep large quantities of stock in their warehouses on behalf of manufacturers, or agree to keep shelves full of a certain product. For providing these services the suppliers give a percentage discount.
- Seasonal discount: These are price discounts given when an order is placed in a slack period (e.g. if Just Sport orders rugby boots in the summer).
- Promotional allowance: These are price reductions given to the buyer for performing some promotional activity like an in-store display.

3.3

$$\text{VAT INPUT:} \quad R14\,500 \times \frac{14}{100} = R2\,030$$

$$\text{VAT OUTPUT:} \quad R21\,100 \times \frac{14}{100} = R2\,954$$

$$\text{Payable to SARS:} \quad R2\,954 - R2\,030 = R924$$

### Question 4

*Suggested answers*

$$4.1 \quad \text{Price} + \text{VAT} = R3\,400 + R476 \text{ (VAT)} \left[ \frac{14}{100} \times R3\,400 \right] = R3\,876$$

$$\text{Price (incl. VAT) - deposit} = R3\,876 - R4\,65,12 \left( \frac{12}{100} \times R3\,876 \right) = R3\,410,88$$

$$\text{Plus interest} = R3\,410,88 + R1\,296,13 \left( 2 \times \frac{19}{100} \times R3\,410,88 \right) = R4\,707,01$$

$$\text{Plus delivery charge} = R4\,707,01 + R100 = R4\,807,01$$

$$\text{Monthly instalments} = R4\,807,01 \div 24 \text{ months} = R200,29$$

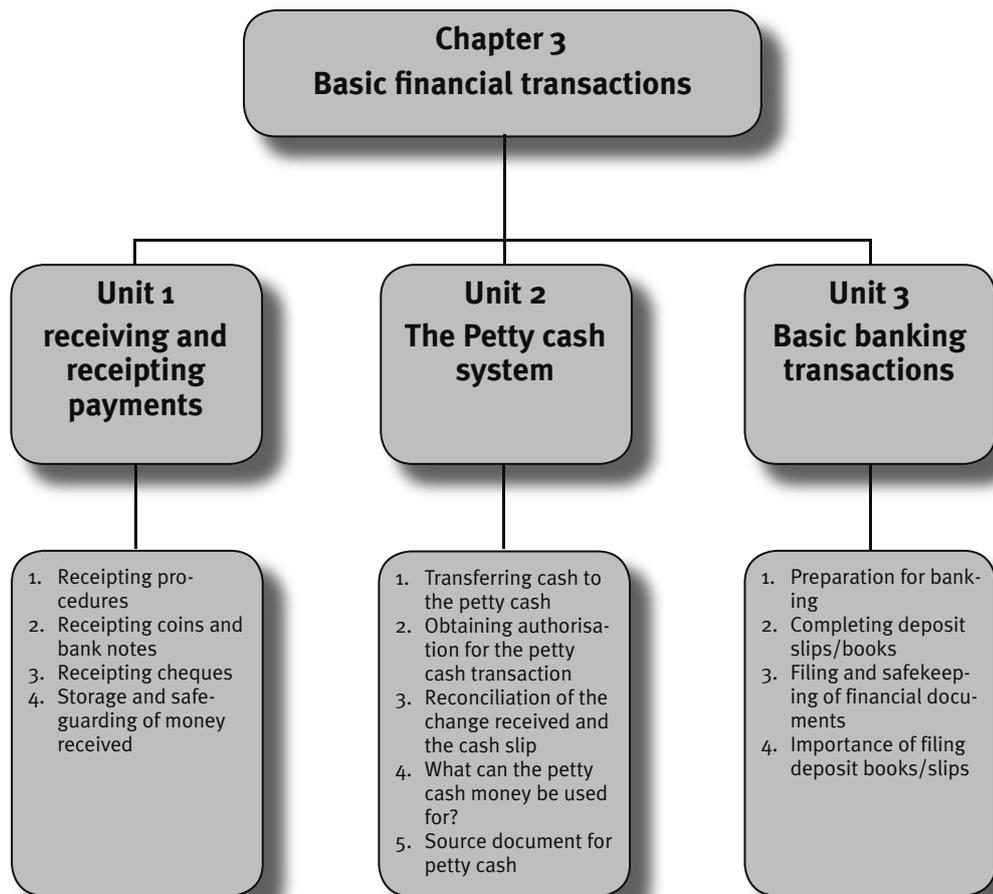
*Note: Answers will differ if R100 is included for interest calculations.*

4.2 See answers to Activity 18.

# chapter 3

## basic financial transactions

This diagram summarises the work covered in Chapter 3.



## This chapter and the curriculum

This chapter addresses Topic 3: Conduct basic financial transactions.

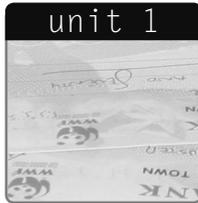
Topic and Subject Outcomes	Assessment Standards	Unit
3.1 Explain and apply the basic procedures for receiving and receipting payments.	<ul style="list-style-type: none"><li>• Receipting procedures are described.</li><li>• The parties to and the legal importance of a receipt are explained.</li><li>• The procedures for the securing of monies are applied.</li><li>• The legal requirements of valid cheques are explained.</li><li>• The safekeeping of all relevant source documents are demonstrated.</li></ul>	Chapter 3 Unit 1
3.2 Use a petty cash system to purchase office items.	<ul style="list-style-type: none"><li>• Petty cashier is approached for relevant funds and justification for purchase is explained.</li><li>• The necessary application forms are completed.</li><li>• Items are purchased and receipts for items are returned to petty cash officer according to organisational procedures.</li></ul>	Chapter 3 Unit 2
3.3 Conduct basic banking transactions.	<ul style="list-style-type: none"><li>• Documentation is prepared for banking according to organisational procedures.</li><li>• Deposit books or slips are completed.</li><li>• Cash and cheque deposits are verified against receipt books.</li><li>• The physical deposit of cash to the bank is ensured.</li><li>• Deposit books or slips are secured and filed according to organisational procedures.</li></ul>	Chapter 3 Unit 3

## Getting started (Student's Book, page 94)

*Suggested answers*

1. Areas of poor cash control:
  - No proper record keeping system or filing systems are in place.
  - There is no proper authorisation for cash payments.
  - The cash received for the day is not banked daily.
  - Cash is not locked away in a safe place.
  - There is no proper division of duties among staff members.
  - No clear job descriptions and responsibilities have been given to staff members.
  - Certain members are to accept certain responsibilities when handling cash.
  - It seems as though staff members are not trained in aspects of cash receipts such as checking validity of cheques, notes, etc.
2. It is important to record the receipt of money:
  - To be able to calculate profits and to be able to calculate the income tax to be paid
  - For control purposes and to be able to check your records against the records of the bank (bank statement)
  - To be able to respond to queries quickly when they arise
  - Auditors often need to check entries made in the accounting system against corresponding source documents.
3. No, it is not safe. It would get stolen.
4. It should rather be kept in a safe and secure place such as a cash box or a safe that can lock.
5. Petty means small. Petty cash is used for the payment of small sundry transactions that do not justify issuing a cheque.

6. Each cashier should cash up their cash registers at the end of the day and be accountable for any cash missing. Money taken out of the cash register should be replaced by the cashier. Each cashier should also make sure that no other member of staff takes money out of their cash register.
7. An old cheque, usually older than six months
8. A cheque that has been dated for a future date.
9. No signature; incorrect numbers and letters of amount; incorrect date; any mistakes made on the cheque
10. The income tax laws of South Africa require businesses to keep all their source documents and supporting documents for at least five years.
11. Students' own answers
12. Students' own answers



unit 1

# receiving and receipting payments

## Unit outcomes

Topic and Subject Outcomes	Assessment Standards
3.1 Explain and apply the basic procedures for receiving and receipting payments.	<ul style="list-style-type: none"> <li>• Receipting procedures are described.</li> <li>• The parties to and the legal importance of a receipt are explained.</li> <li>• The procedures for the securing of monies are applied.</li> <li>• The legal requirements of valid cheques are explained.</li> <li>• The safekeeping of all relevant source documents are demonstrated.</li> </ul>

## Activity 1 (Student's Book, page 97)

Suggested answers

1. It serves as proof that cash has been received.
2. Receipt details should contain the following information:
  - A serial number for reference purposes
  - The date when the money was received
  - The name of the person who paid the money
  - The amount received written in words and figures
  - An explanation of what the payment was for
  - The signature of the person who received the money

## Activity 2 (Student's Book, page 98)

Suggested answers

<b>CASH RECEIPT</b> NO: 078 Received from <i>M. Conradie</i> the sum of: <i>Four hundred and seventy eight</i> RANDS <i>Sixty five</i> CENTS in payment of <i>account</i> With thanks <i>R Jones</i>	<i>8 November 20.8</i>	R	C
		478	65
<b>CASH RECEIPT</b> NO: 079 Received from <i>M. Conradie</i> the sum of: <i>Two thousand three hundred and thirty six</i> RANDS <i>Nil</i> CENTS in payment of <i>rent</i> With thanks <i>M Rabe</i>	<i>25 November 20.8</i>	R	C
		2 336	00

**Activity 3 (Student's Book, page 99)***Suggested answers*

Students' own answers

**Activity 4 (Student's Book, page 99)***Suggested answers*

Students' own answers

**Activity 5 (Student's Book, page 103)***Suggested answers*

- When a customer writes out a cheque to a business as a payment, the customer gives an instruction to his/her bank to pay a stated amount to a third party (the business).
- The **drawer**: The account holder (owner of the cheque) who issues and signs the cheque and instructs his/her bank to pay a specific amount.  
The **drawee**: The bank where the drawer has his/her current account.  
The **payee**: The person who the cheque is made out to and to whom payment must be made.
- Drawer's name and signature agree
  - No alterations or mistakes are allowed
  - Words and figures correspond
  - Cheque is not post-dated, that is dated in the future
  - The date on the cheque is not stale, meaning the cheque is not older than six months
- A cash cheque**: This is almost the same as paying cash because the cheque can be exchanged for cash.  
**A bearer cheque**: This can be made out to any person or business, and can even be a cash cheque. This cheque is payable to the bearer or the payee as indicated on the cheque.  
**An order cheque**: This is when the drawer of a cheque doesn't want the cheque to be cashed across the counter. A line must be drawn through the word 'bearer'. The word 'order' can be written instead of the word 'bearer'. The cheque is then payable only to the payee or his/her order.  
**A bank-guaranteed cheque**: These are certified by the bank up to a certain value. The bank guarantees that the business will receive payment, even if the customer doesn't have enough money in their account.

**Activity 6 (Student's Book, page 104)***Suggested answers*

- A cheque that has been dishonoured by the bank for various reasons.
- Ask to see identification, preferably with a photograph and check the customer's physical characteristics against identification.
- Smudge marks on the cheque; smooth edges on cheques; smudged handwriting or signs that the handwriting has been erased.

4. A large majority of bad cheques are written on new accounts.
5. To prevent customers from making a purchase by cheque and returning the merchandise the next day for a cash refund.
6. It helps prevent unhappiness when customers wait in line, only to find at the till point that you don't accept their cheques.
7. Contact the customer, either by phone or mail, explain the situation calmly and request immediate payment plus reimbursement for any bank charges you have incurred.
8. Students' own answers.

### Activity 7 (Student's Book, page 106)

Suggested answers

Students' own answers

### Activity 8 (Student's Book, page 106)

Suggested answers

1. Wrong signature
2. Error on the cheque that has been scratched out
3. Amounts differ in words and numbers
4. Cheque is post-dated
5. Cheque is stale (older than six months)

### Activity 9 (Student's Book, page 108)

Suggested answers

Students' own answers

### Activity 10 (Student's Book, page 108)

Suggested answers

Students' own answers

## Questions for revising Unit 1 (Student's Book, page 109)

### Question 1

Suggested answers

<b>CASH RECEIPT</b>		20 December 20.8	R	C
NO: 088				
Received from <i>A. Mbonambi</i>				
the sum of: <i>Four hundred and sixty</i>		RANDS		
<i>Nil</i>		CENTS	460	00
in payment of <i>account of R500. Discount allowed, R40.</i>				
With thanks <i>A Dlamini</i>				

## Question 2

Suggested answers

2.1

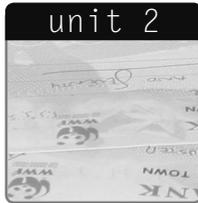
Date	15/12/8	<b>NU-WAVE BANK LIMITED</b> Main Street Branch	60-20-50-20
To	Fast Traders		Date: 15 December 20.8
For	R55 000		
Balance b/d	R62 000	Pay Fast Traders	or Bearer
Deposit	-	The sum of <i>Fifty-five thousand rands only</i>	<b>R 55 000,00</b>
Subtotal	R62 000		
This cheque	R55 000		
Balance	R7 000		
0000 0035		0035: 04352203 : 0578458631-01	C. Chetty <i>C. Chetty</i>

- 2.2 a) The drawer: The account holder (owner of the cheque) who issues and signs the cheque and instructs his/her bank to pay a specific amount.  
b) The drawee: The bank where the drawer has his/her current account.  
c) The payee: The person who the cheque is made out to and to whom payment must be made.

## Question 3

Suggested answers

- Insufficient funds
- Errors on the cheque
- Cheque post-dated



unit 2

## the petty cash system

### Unit outcomes

Topic and Subject Outcomes	Assessment Standards
3.2 Use a petty cash system to purchase office items.	<ul style="list-style-type: none"> <li>• Petty cashier is approached for relevant funds and justification for purchase is explained.</li> <li>• The necessary application forms are completed.</li> <li>• Items are purchased and receipts for items are returned to petty cash officer according to organisational procedures.</li> </ul>

### Activity 1 (Student's Book, page 112)

*Suggested answers*

Students' own answers

### Activity 2 (Student's Book, page 113)

*Suggested answers*

- a) Employee going to cashier of business and getting a cheque
  - b) Employee standing at the bank teller window with the cheque
  - c) Employee back at her desk counting money and placing it in the petty cash box.
  - d) Employee putting petty cash box in the drawer of the desk
  - e) Employee locking the drawer and putting key away.
- From the bank account of the business
- The business
- To check that the money received from the bank is the correct amount
- It is meant to be used as petty cash and the petty cash float must be kept in the box according to the specifications of the company.
- For protection
- For extra protection and due to specifications of the financial policy of the business
- For extra protection and due to specifications of the financial policy of the business

### Activity 3 (Student's Book, page 114)

*Suggested answers*

1. For small purchases

- From the bank account of the business
- The petty cashier will complete a requisition form for the petty cash float and submit it to the cashier. The cashier will check that the form is completed correctly and sign it. The cashier will also get a second approver to sign the form. Then a cheque will be completed and given to the petty cashier. The petty cashier will go to the bank and cash the cheque. Then he/she will return to the business with the money and check that the correct amount has been received from the bank. Thereafter the money will be placed in the petty cash box.
- The petty cash box will be locked and then the box will be locked away in the drawer of the petty cashier during the day. At the end of the day the locked box will be placed in the safe of the business to be locked away over night.

#### Activity 4 (Student's Book, page 114)

*Suggested answers*

- To purchase items that are relatively cheap and when it is not economical to issue a cheque.
- Petty cash is an asset and no business can afford to neglect looking after their assets.
- All requests for purchases from petty cash must be approved by the person in authority.  
Petty cash money must be locked away at all times – in the safe/strong room overnight or in a desk drawer during day. Petty cash money must always be in a locked petty cash box.
- Person in authority who controls budget – normally the head of a section or department.
- The petty cashier receives a signed note from the approver.
- The purchase is made. The change and cash slip/invoice is returned to the petty cashier.
- The petty cashier checks that the correct amount of change is returned and then places the money in the petty cash box. He/she then completes a petty cash voucher, staples the voucher and the cash slip together and files it.
- Source documents that provide details about the cash purchase.

#### Activity 5 (Student's Book, page 115)

*Suggested answers*

- Assess the student's diagram and make sure that all the following aspects are covered: Requests for purchase – approval of transaction – presentation of note of approval to petty cashier – handing over of money – purchase transaction – return of change and cash slip – reconciliation of change and cash slip – issuing of petty cash voucher – stapling and filing of documents.
- Assess the description.

#### Activity 6 (Student's book, page 115)

*Suggested answers*

$$\begin{aligned}
 \text{Total amount taken} &= \text{value of purchase} + \text{change} \\
 &= R45,50 + R16,50 \\
 &= R62,00
 \end{aligned}$$

### Activity 7 (Student's Book, page 115)

*Suggested answers*

$$\begin{aligned}\text{Change} &= \text{Total taken} - \text{value of purchase} \\ &= R60 - R43,70 \\ &= R16,30\end{aligned}$$

### Activity 8 (Student's Book, page 115)

*Suggested answers*

$$\begin{aligned}\text{Total amount taken} &= \text{Value of purchase} + \text{change} \\ &= R35,55 + R17,85 \\ &= R53,40\end{aligned}$$

### Activity 9 (Student's Book, page 116)

*Suggested answers*

1. Petty cashier
2. Requests for purchase – approval of transaction – presentation of note of approval to petty cashier – handing over of money – purchase transaction – return of change and cash slip – reconciliation of change and cash slip – issuing of petty cash voucher – stapling and filing of documents.
3. a) Change = amount paid – value of purchase  
b) Price of product = amount taken from petty cash – change received

### Activity 10 (Student's Book, page 116)

*Suggested answers*

Check individual lists. The amounts must be relatively small; it must be uneconomical to pay by cheque.

### Activity 11 (Student's Book, page 116)

*Suggested answers*

- Check individual exercises to make sure that there are a variety of transactions included.
- Swop exercises in class and let the different groups complete the exercises.
- Hand completed exercises back to groups that designed them for assessment.

### Activity 12 (Student's Book, page 117)

*Suggested answers*

See Student's Book, page 117.

### Activity 13 (Student's Book, page 118)

*Suggested answers*

See Student's Book, page 117. The voucher should be simple enough so that it is economical for the business to duplicate.



### Activity 14 (Student's Book, page 118)

*Suggested answers*

<b>PETTY CASH VOUCHER</b>	R	C
DATE: <u>03/03/07</u>		
REQUIRED FOR <u>Postage</u>		
Signature: _____		
Authorised by: _____		
	12	60

Check that the voucher has been completed correctly and that there are separate vouchers for the different petty cash payment transactions.

### Activity 15 (Student's Book, page 118)

*Suggested answers*

Check that the voucher has been completed correctly and that there are separate vouchers for the different petty cash payment transactions.

### Activity 16 (Student's Book, page 119)

*Suggested answers*

Check that the voucher has been completed correctly and that there are separate vouchers for the different petty cash payment transactions.

### Activity 17 (Student's Book, page 119)

*Suggested answers*

1. Cheque
2. Petty cash voucher
3. Petty cash journal
4. Reduces the money in the box
5. See page 117 in the Student's Book.

### Questions for revising Unit 2 (Student's Book, page 121)

*Suggested answers*

#### Question 1

- 1.1 Mark individual vouchers – 5 marks each
- 1.2 M. Maloyi
- 1.3 S. Jones or P. Booi

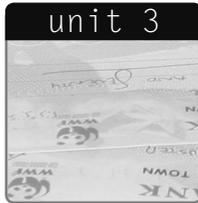
#### Question 2

See page 117 in the Student's Book.

#### Question 3

See page 117 in the Student's Book.





## basic banking transactions

### Unit outcomes

Topic and Subject Outcomes	Assessment Standards
3.3 Conduct basic banking transactions.	<ul style="list-style-type: none"> <li>• Documentation is prepared for banking according to organisational procedures.</li> <li>• Deposit books or slips are completed.</li> <li>• Cash and cheque deposits are verified against receipt books.</li> <li>• The physical deposit of cash to the bank is ensured.</li> <li>• Deposit books or slips are secured and filed according to organisational procedures.</li> </ul>

### Activity 1 (Student's Book, page 123)

*Suggested answers*

1. Deposit slip – this document has to be completed by the person or business who wants to pay money into a bank account. This document serves as proof that money has been deposited into a bank account.
2. a) daily  
b) should
3. Step 1: Total receipts (also referred to as total takings) for the day must be verified against the receipt book before it is banked. Any discrepancies must be followed up and resolved. The depositing of cash should not be postponed because of discrepancies.  
Step 2: Once the cash and cheques are counted and a document called the **deposit slip** or book is then completed. The total amount of the completed bank deposit slip must correspond with the total amount of cash, cheques or postal orders received.  
Step 3: Money is then placed in a secured bank bag and taken to the bank together with the **deposit slip/book**. The person banking the money should adhere to the bank's prescription in terms of how notes and coins need to be packaged for deposit purposes (e.g. how many R20 notes in a bundle, or how many 50c coins in a bag).

### Activity 2 (Student's Book, page 123)

*Suggested answers*

Students' own answers

### Activity 3 (Student's Book, page 125)

Suggested answers

- The date of the deposit  
The payer's name (the person you got the funds from)  
The amount of each deposit
- a) triplicate  
b) duplicate
- The teller receives the bank deposit slip/book together with the cash, counts the cash and cheques, checks that it corresponds with the amounts on the deposit slip and stamps all copies.

### Activity 4 (Student's Book, page 125)

Suggested answers

Stratus Bank Ltd													
Deposit slip													
DATE	1	0	1	0	2	0	0	8					
CREDIT ACCOUNT NO:	0	8	3	3	8	9	2	7	7	7			
NAME	Just Sport												
	Bank notes										1 110	00	
	Nickel										104	30	
	Bronze												
	Postal and money orders												
	Subtotal										1 214	30	
Drawer's name	Bank			Branch code				Amount					
1 W. Watson	SA Bank			44345				1 340		55			
2													
3													
Cheques, etc. as above for collection to be available as cash when paid. While acting in good faith and exercising reasonable care, the Bank will not accept responsibility for ensuring that depositors/account holders have lawful title to cheques, etc. collected.								TOTAL		2 554		85	
*For office use	*DEBIT							*CREDIT					
DEPOSITED BY: <i>S Jones</i>													

Stratus Bank Ltd													
Deposit slip													
DATE	2	1	1	0	2	0	0	8					
CREDIT ACCOUNT NO:	0	8	3	3	8	9	2	7	7	7			
NAME	Just Sport												
	Bank notes										5 660	00	
	Nickel										140	10	
	Bronze												
	Postal and money orders												
	Subtotal										5 800	10	
Drawer's name	Bank				Branch code				Amount				
1 Y. Pilbeam	BEE Bank				72732				4 779 00				
2 R. Duma	Honey Bank				78641				342 50				
3													
Cheques, etc. as above for collection to be available as cash when paid. While acting in good faith and exercising reasonable care, the Bank will not accept responsibility for ensuring that depositors/account holders have lawful title to cheques, etc. collected.								TOTAL		10 921		60	
*For office use	*DEBIT								*CREDIT				
DEPOSITED BY: <i>S Jones</i>													

CHAPTER 3

### Activity 5 (Student's Book, page 126)

Suggested answers

Stratus Bank Ltd														
Deposit slip														
DATE	2	0	0	8	2	0	0	8						
CREDIT ACCOUNT NO:	3	3	4	6	6	5	6	2	3	2				
NAME	<i>Busi Traders</i>													
	Bank notes											840	00	
	Nickel											43	00	
	Bronze													
	Postal and money orders													
	Subtotal											883	00	
Drawer's name	Bank			Branch code			Amount							
1. <i>R. Doig</i>	<i>ABA</i>			<i>83877</i>			255		60					
2. <i>K. Mari</i>	<i>UBB</i>			<i>99986</i>			3 702		00					
3														
Cheques, etc. as above for collection to be available as cash when paid. While acting in good faith and exercising reasonable care, the Bank will not accept responsibility for ensuring that depositors/account holders have lawful title to cheques, etc. collected.								TOTAL		3 957			00	
*For office use	*DEBIT						*CREDIT							
												DEPOSITED BY: <i>B Busi</i>		

Stratus Bank Ltd													
Deposit slip													
DATE	0	5	1	1	2	0	0	8					
CREDIT ACCOUNT NO:	9	0	9	8	7	9	5	5	4	5			
NAME	DB Stores												
	Bank notes										940	00	
	Nickel										36	00	
	Bronze												
	Postal and money orders												
	Subtotal										976	00	
Drawer's name	Bank			Branch code				Amount					
1 M. De Jager	FBB			12399				113		20			
2 L. Shezi	STD			87623				13 460		30			
3 W. Clarence	ABC			58925				976		15			
Cheques, etc. as above for collection to be available as cash when paid. While acting in good faith and exercising reasonable care, the Bank will not accept responsibility for ensuring that depositors/account holders have lawful title to cheques, etc. collected.							TOTAL		15 525		65		

### Activity 6 (Student's Book, page 126)

Suggested answers

Students' own answers

### Activity 7 (Student's Book, page 126)

Suggested answers

Students' own answers

### Activity 8 (Student's Book, page 128)

Suggested answers

- The auditors need to check entries made in the accounting system against the corresponding source documents. These documents must therefore be filed properly and logically for easy access. The income tax laws of South Africa require businesses to keep all their source and supporting documents for at least five years. Banks and creditors if the business wants to acquire credit.
- Good filing practices
- Decide on the right type of storage for the business.  
File documents routinely, daily, if possible.



- Remove all paper clips, pins and rubber bands.
- Do not file envelopes with incoming correspondence.
- File by subject if the file plan of the business does not provide for file codes.
- Write the file code in the upper right corner of the document.
- Do not file non-record material in the same folder with record material.

### Activity 9 (Student's Book, page 128)

*Suggested answers*

Students' own answers to be assessed

### Questions for revising Unit 3 (Student's Book, page 131)

#### Question 1

*Suggested answers*

- 1.1 Step 1: Total receipts (also referred to as total takings) for the day must be verified against the receipt book before it is banked. Any discrepancies must be followed up and resolved. The depositing of cash should not be postponed because of discrepancies.  
Step 2: Once the cash and cheques are counted, a document called the **deposit slip** or book is then completed. The total amount of the completed bank deposit slip must correspond with the total amount of cash, cheques or postal orders received.  
Step 3: Money is then placed in a secured bank bag and taken to the bank together with the **deposit slip/book**. The person banking the money should adhere to the bank's prescription in terms of how notes and coins need to be packaged for deposit purposes (e.g. how many R20 notes in a bundle, or how many 50c coins in a bag).
- 1.2 Important records need to be protected from things such as moisture, insects, fire and theft.  
The bookkeeper must be able to record the transactions in the accounting system of the business without having to spend time sorting out piles of paper.  
The business must be able to respond to queries quickly when they arise.  
The auditors need to check entries made in the accounting system against the corresponding source documents. These documents must therefore be filed properly and logically for easy access.  
The income tax laws of South Africa require businesses to keep all their source and supporting documents for at least five years.
- 1.3 In case there are queries or discrepancies in the future
- 1.4 Cardboard or plastic storage box  
Cardboard or plastic folders  
Drawer in a desk  
Shelves  
Filing cabinet  
Fire-resistant metal box  
Fireproof, burglarproof safe



- Safe deposit box
- 1.5 Decide on the right type of storage for the business.  
 File documents routinely, daily, if possible.  
 Remove all paper clips, pins and rubber bands.  
 Do not file envelopes with incoming correspondence.  
 File by subject if the file plan of the business does not provide for file codes.  
 Write the file code in the upper right corner of the document.  
 Do not file non-record material in the same folder with record material.

**Question 2**

*Suggested answers*

See Activity 2 for correct way of completing deposit slips. You can change the amounts for these two deposit slips.

**Chapter challenge (Student’s Book, page 132)**

**Question 1**

*Suggested answers*

- 1.1 When a customer writes out a cheque to a business as a payment, the customer gives an instruction to his/her bank to pay a stated amount to a third party (the business).
- 1.2 The **drawer**: The account holder (owner of the cheque) who issues and signs the cheque and instructs his/her bank to pay a specific amount.
- 1.3 The **payee**: The person who the cheque is made out to and to whom payment must be made.
- 1.4 The **drawee**: The bank where the drawer has his/her current account.
- 1.5 The amounts differ in words and numbers.
- 1.6 Insufficient funds, post-dated cheque
- 1.7 It prevents anybody, including the payee from cashing the cheque at the bank across the counter.
- 1.8 Students’ own answers
- 1.9

Date	22/11/08
To	Just Sport
For	R1 000,70
Balance b/d	R3 200,00
Deposit	-
Subtotal	R3 200,00
This cheque	R1 000,70
Balance	R2 199,30
0000 0035	



### Question 2

Suggested answers

2.1 It serves as proof that cash has been received.

2.2

CASH RECEIPT		20 November 20.8	R	C
NO: 030				
Received from S. Jones				
the sum of: Ten thousand five hundred	RANDS			
Nil	CENTS		10 500	00
in payment of account of R500. Discount allowed, R40.				
With thanks <i>S Vusi</i>				

2.3 A false note that has not been issued by the South African Reserve Bank.

- 2.4
- All cash received must be kept in a safe, secure place until it is deposited.
  - Money could either be kept in a desk drawer that can lock, a locked cash box, a filing cabinet that can lock or a safe. The place where money will be kept and the level of security required will depend on the amount of cash collected. The bigger the amount of cash on hand, the higher the level of security needed.
  - The place where money is kept should not be left unlocked when unattended.
  - Money should not be left in files, desks or cabinets that cannot be locked, even if it is just overnight.
  - The keys to drawers, cash boxes, filing cabinets or safes should be restricted to the keeper of the cash.
  - All losses or theft of cash should be reported immediately to the owner, manager or the person in charge of the cash.
  - It is advisable for the records of cash collections to be kept in a safe place separate from the cash.

### Question 3

Suggested answers

- 3.1
- The voucher number
  - Date of transaction
  - Details of the purchase
  - The amount (in figures)
  - The signature of the person who authorised the transaction



3.2

<b>PETTY CASH VOUCHER</b>	NO: <u>033</u>	R	C
DATE: <u>11/12/2008</u>			
REQUIRED FOR <u>Courier costs on a parcel</u>			
Signature: _____			
Authorised by: _____		45	20

<b>PETTY CASH VOUCHER</b>	NO: <u>034</u>	R	C
DATE: <u>25/12/2008</u>			
REQUIRED FOR <u>Repairs to broken tap</u>			
Signature: _____			
Authorised by: _____		80	50

3.3 Student's name

3.4 The owner, D.A. Master

3.5 When a request for the purchase of an item is made, the request must first be approved by the person in authority – normally a head of the department or section where the requester is placed in the business or the person who controls the budget of that specific section of the business. The petty cashier will receive a signed note from the authorised approver and will then take money from petty cash and give it to the person who requested the money in the first place. Once he/she has received the money from the Petty cashier, he/she goes to the retailer and makes the purchase. He/she receives the change as well as a cash slip from the cashier at the retailer and returns the change as well as the cash slip to the Petty cashier.

**Question 4**

*Suggested answers*

4.1 Deposit slip – This document has to be completed by the person or business who wants to pay money into a bank account. This document serves as proof that money has been deposited in a bank account.

- 4.2
- To protect the documents from insects, fire and theft
  - The bookkeeper must be able to record the transactions in the accounting system of the business without having to spend time sorting out piles of paper.
  - The business must be able to respond to queries quickly when they arise.
  - The auditors need to check entries made in the accounting system against the corresponding source documents. These documents must therefore be filed properly and logically for easy access.
  - The income tax laws of South Africa require businesses to keep all their source and supporting documents for at least five years.

4.3

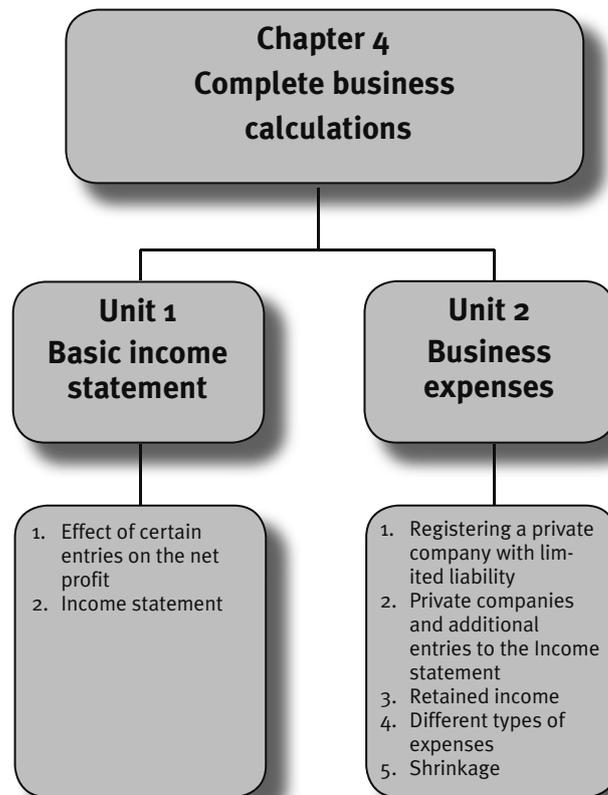
Stratus Bank Ltd													
Deposit slip													
DATE	1	0	1	2	2	0	0	8					
CREDIT ACCOUNT NO:	1	2	2	2	9	1	3	2	4	9			
NAME	Total Stores												
	Bank notes										6 900	00	
	Nickel										1 280	00	
	Bronze										41	80	
	Postal and money orders												
	Subtotal										8 221	80	
Drawer's name	Bank			Branch code				Amount					
1 M. Bahal	BFN			246890				3 300		00			
2 S. Ramaposa	ASB			341567				369		00			
3 D. Henn	DTS			543267				784		00			
Cheques, etc. as above for collection to be available as cash when paid. While acting in good faith and exercising reasonable care, the Bank will not accept responsibility for ensuring that depositors/account holders have lawful title to cheques, etc. collected.								TOTAL		12 674		80	

# chapter 4

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## complete basic business calculations

This diagram summarises the work covered in Chapter 4.



## This chapter and the curriculum

This chapter addresses Topic 4: Complete basic business calculations.

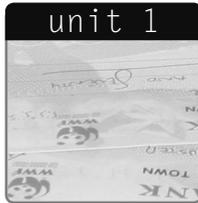
Topic and Subject Outcomes	Assessment Standards	Unit
4.1 Complete a basic income statement.	<ul style="list-style-type: none"><li>Income statement entries – sales, cost of goods sold, gross profit, expenses, net profit, interest, tax, dividends and retained income – are explained with their effect on the net profit of the organisation.</li><li>The net profit of an organisation is calculated in an exercise given the necessary amounts.</li><li>The impact of breakages in an outlet is explained in terms of their effect on the profits of the outlet.</li></ul>	Chapter 4 Unit 1
4.2 Identify expenses requiring improvement.	<ul style="list-style-type: none"><li>Different types of expenses are identified and explained as they apply to a wholesale or retail outlet.</li><li>The causes of increases or decreases in store expenses are explained as applicable to an outlet.</li><li>Expenses requiring improvement are identified as shown on an income statement.</li></ul>	Chapter 4 Unit 2
4.3 Identify ways to reduce shrinkage.	<ul style="list-style-type: none"><li>The effect of shrinkage on an outlet is explained in terms of its impact on the profits of the business.</li><li>The method for calculating shrinkage in the business is explained along with the various entries in the calculation.</li><li>General methods for reducing shrinkage are explained as they apply to the industry.</li></ul>	Chapter 4 Unit 2

### CHAPTER 4

## Getting started (Student's Book, page 136)

*Suggested answers*

1. Capital
2. Profit
3. Expense
4. Gross
5. Income
6. Net



# basic income statement

## Unit outcomes

Topic and Subject Outcomes	Assessment Standards
4.1 Complete a basic income statement.	<ul style="list-style-type: none"> <li>Income statement entries – sales, cost of goods sold, gross profit, expenses, net profit, interest, tax, dividends and retained income – are explained with their effect on the net profit of the organisation.</li> <li>The net profit of an organisation is calculated in an exercise given the necessary amounts.</li> <li>The impact of breakages in an outlet is explained in terms of their effect on the profits of the outlet.</li> </ul>

### Activity 1 (Student's Book, page 137)

*Suggested answers*

Gross profit = Sales – Cost of sales

Net profit = (gross profit + other income) – operating expenses

### Activity 2 (Student's Book, page 138)

*Suggested answers*

Gross profit = Sales – Cost of sales  
 = R52 800 – R35 200  
 = R17 600

Net profit = (Gross profit + other income) – operating expenses  
 = (R17 600 + 31 886) – (R484 + 22 000 + 1 120 + 4 480)  
 = R49 486 – R 28 084  
 = R21 402

### Activity 3 (Student's Book, page 133)

*Suggested answers*

Gross profit = Sales – Cost of sales  
 = R83 706 – R55 804  
 = R27 902

Net profit = (Gross profit + other income) – operating expenses  
 = (R27 902 + 3 200) – (R640 + 800 + 22 000 + 1 120 + 760 + 10 000 + 1 280)  
 = R31 102 – R36 600

**Net loss = (R5 498)**

**Activity 4 (Student's Book, page 139)***Suggested answers*

- Interest on loan =  $R8000 \times \frac{20}{100} \times \frac{4}{12}$   
= R533,33
- Interest on loan =  $R18\ 000 \times \frac{17}{100} \times \frac{7}{12}$   
= R1 785
- Interest on loan is an expense that should be added to operating expenses.  
When it is added, operating expenses will increase and ultimately net profit will decrease.
- It will decrease the net profit since since it is an operating expense and operating expenses will increase.  
Gross profit will not be influenced (Sales – Cost of sales)

**Activity 5 (Student's Book, page 139)***Suggested answers*

- Interest on loan =  $R12\ 000 \times \frac{18}{100} \times \frac{5}{12}$   
= R900
- Interest on loan =  $R25\ 000 \times \frac{14}{100}$   
= R 3 500
- Gross profit is unaffected (Sales – Cost of sales)  
Net profit will decrease since operational expenses increase (Net profit = gross profit + other income – operational expenses)
- Net profit (net profit will decrease since operational expenses increase;  
Net profit = gross profit + other income – operational expenses)

**Activity 6 (Student's Book, page 140)***Suggested answers*

- a) Gross profit = Sales – Cost of sales  
b) Net profit = gross profit + other income – operational expenses.
- The single owner
- a) There is no effect on gross profit.  
b) It will reduce net profit since it increases operational expenses.

**Activity 7 (Student's Book, page 141)***Suggested answers*

$$\begin{aligned} \text{Net profit} &= [(\text{Gross profit} + \text{other income}) - \text{operating expenses}] + \text{interest income} \\ &= [(R34\ 680 + 12\ 240) - 16\ 780] + 439 \\ &= 46\ 920 - 16\ 780 + 439 \\ &= R\ 30\ 579 \end{aligned}$$

### Activity 8 (Student's Book, page 141)

*Suggested answers*

$$\begin{aligned}\text{Net profit} &= [(\text{Gross profit} + \text{other income}) - \text{operating expenses}] + \text{interest income} \\ &= [(\text{R}64\,674 + 42\,345) - 16\,780] + 920 \\ &= [107\,019 - 16\,780] + 920 \\ &= \text{R}91\,159\end{aligned}$$

### Activity 9 (Student's Book, page 142)

*Suggested answers*

1. Breakage =  $10 \times \text{R}80$   
= R800
2. Breakage must be added to operational expenses. If the total income of the business remains constant but the operational expenses increase, the Net profit will decrease (Net profit = gross profit + other income – operational expenses).

### Activity 10 (Student's Book, page 142)

*Suggested answers*

1. Total breakage =  $\text{R}10,50 \times 9$   
= R94,50
2. Net profit will decrease by R94,50, since breakage is an expense and operational expenses will increase when the breakage is added.
3. Gross profit will not be affected: Gross profit = Sales – Cost of sales

### Activity 11 (Student's Book, page 142)

*Suggested answers*

1. When the business has a positive bank balance.
2. a) None: Gross profit = Sales – Cost of sales.  
b) Net profit will increase, since interest received on current account will be added to other income. The income of the business will increase while the expenses remain constant.
3. A business involved in the process of turning raw materials into products that people can buy and use
4. Breakage is a term used to refer to the damage of products so that the product is no longer suitable for selling to customers.
5. Net profit will decrease since breakage increases the value of operational expenses.
6. Gross profit = Sales – Cost of sales. Breakage does not affect either of the two and can therefore not influence the gross profit of the business.
7. The wholesaler buys in bulk from the manufacturer and sells in smaller quantities to the retailer or the consumer.  
The retailer buys from the wholesaler (or sometimes from the manufacturer) and sells in small quantities to the consumer.

## Activity 12 (Student's Book, page 144)

Suggested answers

### Just Sport Income statement for the year ended 31 December 20.6

Sales		240 000,00
Cost of sales		160 000,00
Gross profit		80 000,00
Plus other income		10 800,00
Rent income	10 800,00	
Gross operating income		90 800,00
Less Operating expenses		37 160,00
Telephone	5 600,00	
Water and electricity	4 200,00	
Salaries and wages	18 300,00	
Stationery	3 300,00	
Rent expense	680,00	
Packing materials	1 280,00	
Breakage	3 800,00	
Operating profit		53 640,00
Interest income		150,00
Net Income/profit before interest expense		53 790,00
Interest expense		3 150,00
Net income/profit for the year		50 640,00

## CHAPTER 4

## Activity 13 (Student's Book, page 144)

Suggested answers

### Just Sport Income statement for the year ended 31 December 20.7

Sales		250 000,00
Cost of sales		170 000,00
Gross profit		80 000,00
Plus other income		11 800,00
Rent income	11 800,00	
Gross operating income		91 800,00
Less Operating expenses		37 830,00
Telephone	6 600,00	
Water and electricity	6 200,00	
Salaries and wages	17 300,00	
Stationery	1 300,00	
Rent expense	600,00	
Packing materials	2 180,00	
Breakage	3 650,00	
Operating profit		53 970,00
Interest income		350,00
Net Income/profit before interest expense		54 320,00
Interest expense		2 150,00
Net income/profit for the year		52 170,00

## Activity 14 (Student's Book, page 145)

Suggested answers

### Tembisa Traders Income statement for the year ended 28 February 20.6

Sales		1 396 000,00
Cost of sales		920 000,00
Gross profit		460 000,00
Plus other income		113 800,00
Bad debts recovered	360,00	
Rent income	113 800,00	
Gross operating income		573 800,00
Less Operating expenses		351 270,00
Salaries and wages	204 000,00	
Discount allowed	460,00	
Packing materials	5 400,00	
Insurance	3 800,00	
Bank charges	3 610,00	
Sundry expenses	8 800,00	
Depreciation	17 200,00	
Rent expense	28 000,00	
Directors fees	80 000,00	
Operating profit		222 530,00
Interest income		8 800,00
Net Income/profit before interest expense		231 330,00
Interest expense		7 200,00
Net income/profit for the year		224 130,00
Less ordinary share dividends		24 000,00
Net income/profit for the year		200 130,00

$$\begin{aligned}\text{Dividend per share} &= 200 \times \frac{130}{200\,000} \\ &= R1,00/\text{share}\end{aligned}$$

## Activity 15 (Student's Book, page 146)

Suggested answers

### Salie Wholesalers Income statement for the year ended 31 December 20.6

Sales		401 700,00
Cost of sales		246 340,00
Gross profit		155 360,00
Plus other income		10 991,00
Bad debts recovered	560,00	
Commission income	231,00	
Rent income	10 200,00	
Gross operating income		166 351,00
Less Operating expenses		126 400,00
Salaries and wages	79 880,00	
Discount allowed	2 350,00	
Breakage	450,00	
Bad debts	234,00	
Insurance	470,00	
Telephone	246,00	
Sundry expenses	26 860,00	
Depreciation	14 470,00	
Trading stock deficit	1 440,00	
Operating profit		39 951,00
Interest income		–
Net Income/profit before interest expense		39 951,00
Interest expense		16 196,00
Interest expense	3 776,00	
Interest on mortgage bond	12 420,00	
Net income/profit for the year		23 755,00
Less ordinary share dividends		4 500,00
Net income/profit for the year		19 255,00

CHAPTER 4

$$\begin{aligned}\text{Dividend per share} &= 200 \times \frac{130}{200\,000} \\ &= \text{R}1,00/\text{share}\end{aligned}$$

## Questions for revising Unit 1 (Student's Book, page 147)

### Question 1

Suggested answers

**Mayaba Traders**  
**Income statement for the year ended 30 June 20.4**

Sales		90 706,00
Cost of sales		52 084,00
Gross profit		38 622,00
Plus other income		10 500,00
Rent income	8 000,00	
Commission income	2 500,00	
Gross operating income		49 122,00
Less Operating expenses		15 740,00
Salaries and wages	12 000,00	
Packing materials	2 500,00	
Stationery	420,00	
Breakage	280,00	
Rent expense	1 020,00	
Telephone	1 200,00	
Water and electricity	820,00	
Operating profit		33 382,00
Interest income		180,00
Net Income/profit before interest expense		33 202,00
Interest expense		1 400,00
Net income/profit for the year		31 802,00

### Question 2

Suggested answers

$$2.1 \text{ Interest on loan} = R30\,000 \times \frac{16}{100} \times \frac{8}{12} \\ = R3\,200$$

2.2 No effect: (Gross profit = Sales – Cost of sales)

2.3 Net profit will decrease. Interest on loan will increase operating expenses and will therefore decrease net profit.

### Question 3

Suggested answers

The retailer buys from the wholesaler and sells to the customers in small quantities. The wholesaler buys in large quantities from the manufacturer and sells in smaller quantities to retailers or customers.

### Question 4

Suggested answers

4.1 No effect: (Gross profit = Sales – Cost of sales)

4.2 No effect: (Gross profit = Sales – Cost of sales)

4.3 No effect: (Gross profit = Sales – Cost of sales)

### Question 5

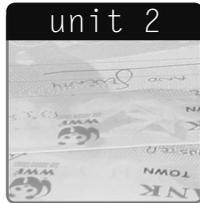
Suggested answers

5.1 Increases total operating expenses and therefore decreases net profit

5.2 Increases total income and therefore increases total net profit

5.3 Increases total operating expenses and therefore decreases net profit

unit 1: basic income statement



## business expenses

### Unit outcomes

Topic and Subject Outcomes	Assessment Standards
4.2 Identify expenses requiring improvement.	<ul style="list-style-type: none"> <li>• Different types of expenses are identified and explained as they apply to a whole sale or retail outlet.</li> <li>• The causes of increases or decreases in store expenses are explained as applicable to an outlet.</li> <li>• Expenses requiring improvement are identified as shown on an income statement.</li> </ul>
4.3 Identify ways to reduce shrinkage.	<ul style="list-style-type: none"> <li>• The effect of shrinkage on an outlet is explained in terms of its impact on the profits of the business.</li> <li>• The method for calculating shrinkage in the business is explained along with the various entries in the calculation.</li> <li>• General methods for reducing shrinkage are explained as they apply to the industry.</li> </ul>

### Activity 1 (Student's Book, page 151)

#### Suggested answers

1. Larger supply of capital; limited liability of owners; continued existence of the business; business is taxed on its profits; business has legal personality. (Consider other valid advantages as well.)
2. More complicated to establish a private company; profits must be shared among shareholders; company decisions made by directors, no longer by sole owner; only entitled to a dividend when directors decide to declare a dividend; double taxation – first in form of company tax and then shareholders are taxed on their dividends in their private capacity; shares may only be sold to a selected group of people and not to everyone. (Consider other valid disadvantages as well.)
3. Does not want to sell shares to public, he wants to keep it between family members or friends; does not need that much capital; does not want to go to the trouble of issuing a prospectus; wants to maintain the ownership within a selected group of people. (Consider other valid disadvantages as well.)
4. He needed a business with a legal personality.  
He wanted limited liability for the debts of the business.  
The capital needs are greater than those provided by a partnership.  
He wanted continued existence of the business, irrespective of the lifetime of the partners.
5. *Private company:*  
Name ends with Pty (Ltd)  
Minimum of 1 and maximum of 50 shareholders  
Shares can only be sold to selected group of people

May not issue a prospectus

Public company:

Name ends with Ltd.

Minimum of 7 shareholders; Maximum depends on registered share capital

Shares can be sold to anyone

Must issue a prospectus

6. Access to more capital; slightly larger business that can be managed by 10 people  
(Accept any other logical and correct reason.)

### Activity 2 (Student's Book, page 151)

Suggested answers

1. Close corporation, Private and public company
2. In the eye of the law, the business is not regarded as an independent person.  
Therefore the business cannot sign contracts, get involved in legal disputes, etc.
3. Close corporation, Private and public company
4. a) minimum – one, maximum – one  
b) minimum – two, maximum – twenty  
c) minimum – one, maximum – ten  
d) minimum – one, maximum – fifty
5. a) partners  
b) members  
c) shareholders
6. Smaller type of business, requires less capital

### Activity 3 (Student's Book, page 153)

Suggested answers

Operating profit before interest expense		103 600,00
Less Interest expense		2 300,00
Profit before tax		101 300,00
Taxation		50 650,00
Net profit for the year		50 650,00

### Activity 4 (Student's Book, page 153)

Suggested answers

Operating profit before interest expense		205 480,00
Less Interest expense		3600,00
Profit before tax		201 880,00
Taxation		82 192,00
Net profit for the year		119 688,00

**Activity 5 (Student's Book, page 153)***Suggested answers*

Operating profit before interest expense		250 000,00
Less Interest expense		7 800,00
Profit before tax		242 200,00
Taxation		121 100,00
Net profit for the year		121 100,00

**Activity 6 (Student's Book, page 154)***Suggested answers*

1. Reduces net profit
2. Legal personality – therefore liable to pay tax
3. Government
4. None

**Activity 7 (Student's Book, page 155)***Suggested answers*

Operating profit before interest expense		48 000,00
Less Interest expense		24 000,00
Profit before tax		24 000,00
Taxation		12 000,00
Net profit for the year		12 000,00

**Activity 8 (Student's Book, page 155)***Suggested answers*

Operating profit before interest expense		96 000,00
Less Interest expense		40 320,00
Profit before tax		55 680,00
Taxation		27 840,00
Net profit for the year		27 840,00

**Activity 9 (Student's Book, page 155)***Suggested answers*

Operating profit before interest expense		300 000,00
Less Interest expense		144 000,00
Profit before tax		156 000,00
Taxation		78 000,00
Net profit for the year		78 000,00

### Activity 10 (Student's Book, page 156)

Suggested answers

1. Decreases net profit
2. To use the money for investment purposes
3. Shareholders
4. None

### Activity 11 (Student's Book, page 157)

Suggested answers

Operating profit before interest		480 000,00
Plus Interest income		4 800,00
		484 800,00
Less Interest expense		5 900,00
Profit before tax		478 900,00
Less company tax		220 294,00
Profit after taxation		258 606,00
Less Retained income		25 860,60
Net profit for dividends		232 745,40

$$\begin{aligned}\text{Dividend per share} &= \frac{\text{R}232\,745,40}{90\,000} \\ &= \text{R}2,59 \text{ per share}\end{aligned}$$

### Activity 12 (Student's Book, page 158)

Suggested answers

Operating profit before interest		280 000,00
Plus Interest income		800,00
		280 800,00
Less Interest expense		1 200,00
Profit before tax		279 600,00
Less company tax		134 208,00
Profit after taxation		145 392,00
Less Retained income		14 539,20
Net profit for dividends		130 852,80

$$\begin{aligned}\text{Dividend per share} &= \frac{\text{R}130\,852,80}{90\,000} \\ &= \text{R}1,45 \text{ per share}\end{aligned}$$

### Activity 13 (Student's Book, page 158)

Suggested answers

Operating profit before interest		600 000,00
Plus Interest income		7 600,00
		607 600,00
Less Interest expense		1 200,00
Profit before tax		606 400,00
Less company tax		242 560,00
Profit after taxation		363 840,00
Less Retained income		72 768,00
Net profit for dividends		291 072,00

$$\begin{aligned} \text{Dividend per share} &= \frac{R291\,072,00}{50\,000} \\ &= R5,82 \text{ per share} \end{aligned}$$

### Activity 14 (Student's Book, page 158)

Suggested answers

#### Ibayi Traders (Pty) Ltd Income statement

Sales		83 706,00
Cost of sales		55 084,00
Gross profit		28 622,00
Plus other income		3 000,00
Rent income	3 000,00	
Gross operating income		31 622,00
Less operating expenses		12 630,00
Cleaning materials	250,00	
Salaries and wages	8 900,00	
Stationery	120,00	
Breakage	1 280,00	
Rent expense	680,00	
Telephone	640,00	
Water and electricity	760,00	
Operating profit		18 992,00
Interest income		200,00
Net Income/profit before interest expense		19 192,00
Interest expense		1 100,00
Net income/profit before tax		18 092,00
Less Company tax		7 598,64
Net income after tax		10 493,36
Less retained income		1 049,34
Net profit for dividends		9 444,02

$$\begin{aligned} \text{Dividend per share} &= \frac{R9\,444,02}{200\,000} \\ &= R0,047 = \mathbf{R0,05} \text{ per share} \end{aligned}$$

## Activity 15 (Student's Book, page 159)

Suggested answers

1.

**Kouga Traders (Pty) Ltd**  
**Income statement for the year ended 20 June 20.5**

Sales		400 000,00
Cost of sales		280 000,00
Gross profit		120 000,00
Plus other income		12 000,00
Rent income	12 000,00	
Gross operating income		108 000,00
Less operating expenses		49 050,00
Cleaning materials	1 350,00	
Salaries and wages	21 900,00	
Stationery	1 120,00	
Breakage	11 380,00	
Rent expense	900,00	
Telephone	2 400,00	
Water and electricity	10 000,00	
Operating profit		58 950,00
Interest income		700,00
Net Income/profit before interest expense		59 650,00
Interest expense		11 100,00
Net income/profit before tax		48 550,00
Less Company tax		20 391,00
Net income after tax		28 159,00
Less retained income		8 447,70
Net profit for dividends		19 711,30

2. Dividend per share =  $\frac{R19\,711,30}{200\,000}$   
= R0,098 = **R0,10** per share

## Activity 16 (Student's Book, page 160)

Suggested answers

1. Decreases the income after tax and therefore also the dividends
2. To encourage people to invest money in the company
3. Decreases the ordinary share dividends

### Activity 17 (Student's Book, page 161)

*Suggested answers*

Controllable expenses	Uncontrollable expenses	Reason
	Cost of sales	Can only control by selecting cheapest supplier, thereafter must pay what is charged
Telephone		Control number of calls, time when call is made and duration of call
Water and electricity		Controllable by switching off appliances to limit use; cannot control tariff of municipality
Wages/salaries		Can control number of labourers hired and hours that they work
Stationery		Controllable – can lock stock away
Rent expense		Controllable over short run according to lease
	Breakage	Will never be able to eliminate breakage completely
Interest on loan		Depends on amount of loan and period of the loan
	Company tax	The bigger the profit the more company tax
Ordinary share dividends		Company can decide whether they want to pay or not

### Activity 18 (Student's Book, page 162)

*Suggested answers*

Controllable expenses	Uncontrollable expenses	Reason
	Cost of sales	Can only control by selecting cheapest supplier, thereafter must pay what is charged
Telephone		Control number of calls, time when call is made and duration of call
Water and electricity		Controllable by switching off appliances to limit use; cannot control tariff of municipality
Wages/salaries		Can control number of labourers hired and hours that they work
Stationery		Controllable – can lock stock away
Rent expense		Controllable over short run according to lease
	Breakage	Will never be able to eliminate breakage completely
Cleaning material		Controllable – can lock stock away
Interest on loan		Depends on amount of loan and period of the loan
	Company tax	The bigger the profit the more company tax
Ordinary share dividends		Company can decide whether they want to pay or not

## Activity 19 (Student's Book, page 163)

*Suggested answers*

Controllable expenses	Uncontrollable expenses	Reason
	Cost of sales	Can only control by selecting cheapest supplier, thereafter must pay what is charged
Telephone		Control number of calls, time when call is made and duration of call
Water and electricity		Controllable by switching off appliances to limit use; cannot control tariff of municipality
Wages/salaries		Can control number of labourers hired and hours that they work
Stationery		Controllable – can lock stock away
Rent expense		Controllable over short run according to lease
	Breakage	Will never be able to eliminate breakage completely
Cleaning material		Controllable – can lock stock away
Interest on loan		Depends on amount of loan and period of the loan
	Company tax	The bigger the profit the more company tax
Ordinary share dividends		Company can decide whether they want to pay or not

## Activity 20 (Student's Book, page 163)

*Suggested answers*

1. Expenses that the business can control to ensure that it remains within certain parameters
2. Expenses that the business finds difficult to keep within certain parameters
3. The business must know which of the expenses can be controlled so that they can plan how to reduce that in order to increase the profit.
4. In order to increase the income of the business, more people have to be convinced to buy the products of the business so that sales can increase. This is much more complicated than trying to cut back on certain expenses.
5. Consider all reasonable suggestions.

## Activity 21 (Student's Book, page 165)

Suggested answers

Total merchandise		
Opening inventory	90 000	00
Plus purchases	70 000	00
Plus mark-up	450	00
Plus sales return	350	00
	160 800	00
Book inventory		
Net sales	120 000	00
Plus mark-downs	150	00
Plus employee discount	180	00
Plus returns to suppliers	11 000	00
Plus transfers out	260	00
	131 590	00

$$\begin{aligned}\text{Shrinkage} &= \text{Total merchandise} - \text{Book inventory} \\ &= \text{R}160\,800 - \text{R}131\,590 \\ &= \text{R}29\,210\end{aligned}$$

## Activity 22 (Student's Book, page 166)

Suggested answers

Total merchandise		
Opening inventory	159 000	00
Plus purchases	55 000	00
Plus mark-up	690	00
Plus sales return	245	00
	214 935	00
Book inventory		
Net sales	201 000	00
Plus mark-downs	110	00
Plus employee discount	120	00
Plus returns to suppliers	10 000	00
Plus transfers out	140	00
	211 370	00

$$\begin{aligned}\text{Shrinkage} &= \text{Total merchandise} - \text{Book inventory} \\ &= \text{R }214\,935,00 - \text{R}211\,370,00 \\ &= \text{R}3\,565,00\end{aligned}$$

### Activity 23 (Student's Book, page 166)

Suggested answers

Total merchandise		
Opening inventory	200 000	00
Plus purchases	60 000	00
Plus mark-up	780	00
Plus sales return	180	00
	260 960	00
Book inventory		
Net sales	239 000	00
Plus mark-downs	320	00
Plus employee discount	70	00
Plus returns to suppliers	15 000	00
Plus transfers out	430	00
	254 820	00

$$\begin{aligned}\text{Shrinkage} &= \text{Total merchandise} - \text{Book inventory} \\ &= \text{R}60\,960 - \text{R}254\,820 \\ &= \text{R}6\,140\end{aligned}$$

### Activity 24 (Student's Book, page 169)

Suggested answers

Students' own interpretations

### Activity 25 (Student's Book, page 169)

Suggested answers

Students' own answers

### Activity 26 (Student's Book, page 170)

Suggested answers

1. Assess the newspaper article to ensure that it focuses on some form of shrinkage in the business world.
2. The discussion with partners is aimed at clarifying what has been said in the article and to focus the attention of the student on the fact that the problem actually exists in the real world.
3. You can use the table on page 118 to assess the written report.

Criteria	Good (5 marks)	Average (3 marks)	Satisfactory (2 marks)	Needs attention (1 mark)
Introduction				
Description of the size of the loss to business				
Description of the causes of shrinkage				
Description of the impact of shrinkage on the business				
Description of the proposed steps to address the loss				
Language used				
<b>Total: out of 30 marks</b>				

### Activity 27 (Student's Book, page 170)

*Suggested answers*

- Rate at which products are lost between when purchased from the manufacturer and sold to the customer.
- See Student's Book, page 164.
- See Student's Book, page 165.
- a) no effect  
b) will decrease net profit
- See Student's Book, pages 168 and 169.

### Questions for revising Unit 2 (Student's Book, page 171)

#### Question 1

*Suggested answers*

Total merchandise		
Opening inventory	340 000	00
Plus purchases	95 000	00
Plus mark-up	420	00
Plus sales return	290	00
	435 710	00
Book inventory		
Net sales	421 750	00
Plus mark-downs	310	00
Plus employee discount	120	00
Plus returns to suppliers	12 100	00
Plus transfers out	720	00
	435 000	00

$$\begin{aligned}
 \text{Shrinkage} &= \text{Total merchandise} - \text{Book inventory} \\
 &= R435\,710 - 435\,000 \\
 &= R710
 \end{aligned}$$

## Question 2

Suggested answers

- 2.1 Loss of products due to theft, fraud or faulty accounting procedures
- 2.2 Cost to business; can lead to significant losses.
- 2.3 Bookkeeping errors
  - Shoplifting
  - Employee theft
  - Fraudulent activities(For appropriate measures refer to Student's Book, pages 164 to 170.)
- 2.4 Gross profit – no effect: Gross profit = sales – cost of sales  
Net profit – decreases since shrinkage is a loss

## Question 3

Suggested answers

**Madiba Bay Traders (Pty) Ltd**  
**Income statement for the year ended 31 July 20.6**

Sales		700 000,00
Cost of sales		437 500,00
Gross profit		262 500,00
Plus other income		66 670,00
Discount received	1 100,00	
Bad debts recovered	290,00	
Rent income	65 280,00	
Gross operating income		329 170,00
Less operating expenses		137 010,00
Insurance	12 000,00	
Salaries and wages	105 000,00	
Stationery	860,00	
Discount allowed	940,00	
Bad debts	710,00	
Bank charges	3 040,00	
Audit fees	14 460,00	
Operating profit		192 160,00
Interest income		2 140,00
Interest received	360,00	
Interest received on current account	1 780,00	
Net income/profit before interest expense		194 300,00
Interest expense		17 000,00
Net income/profit before tax		177 300,00
Less Company tax		74 466,00
Net income after tax		102 834,00
Less Ordinary share dividends		60 000,00
		42 834,00
Less Retained income		42 834,00
		-

## Chapter challenge (Student's Book, page 173)

### Question 1

*Suggested answers*

See Student's Book, pages 168 and 169.

### Question 2

*Suggested answers*

Total merchandise		
Opening inventory	95 000	00
Plus purchases	238 000	00
Plus mark-up	12 090	00
Plus sales return	2 450	00
	347 540	00
Book inventory		
Net sales	301 000	00
Plus mark-downs	410	00
Plus employee discount	2 320	00
Plus returns to suppliers	40 000	00
Plus transfers out	600	00
	344 330	00

$$\begin{aligned}\text{Shrinkage} &= \text{Total merchandise} - \text{Book inventory} \\ &= R347\,540 - R344\,330 \\ &= R3\,210\end{aligned}$$

### Question 3

Suggested answers

3.1

**Egoli Traders (Pty) Ltd**  
**Income statement for the year ended 31 July 20.6**

Sales		504 220,00
Cost of sales		254 680,00
Gross profit		249 540,00
Plus other income		13 710,00
Discount received	620,00	
Rent income	13 090,00	
Gross operating income		263 250,00
Less operating expenses		161 756,00
Insurance	5 620,00	
Salaries and wages	143 670,00	
Stationery	4 258,00	
Discount allowed	350,00	
Advertising	2 470,00	
Packing materials	2 548,00	
Consumable goods	1 875,00	
Breakage	965,00	
Operating profit		101 494,00
Interest income		–
Net Income/profit before interest expense		101 494,00
Interest expense		–
Net income/profit before tax		101 494,00
Less Company tax		12 000,00
Net income after tax		89 494,00
Less Ordinary share dividends		25 000,00
		64 494,00
Less Retained income		64 494,00
		–

## 3.2

Controllable expense	Uncontrollable expense	Reason
	Cost of sales	Controllable in the selection of the supplier that offers product at lowest cost; other elements of cost of sales are not controllable
Debtors allowances		Controllable by applying the company policy; also by buying from a good supplier
Salaries and wages		Controllable through contracts that are binding for a certain period
	Packing materials	Depend on volume of sales
Discount allowed		Controllable through credit policy of business
	Discount received	Depends on the supplier – can negotiate but there is no guarantee
Advertising		Controllable – determined by the marketing campaign of company – depends on availability of funds
Insurance		Premium fixed for year – contract with company
Stationery		Can be stored in secure place and controlled by signing of register
Consumable goods		Can be stored in secure place and controlled by signing of register
	Breakage	Accidents/damage cannot always be prevented
Ordinary share dividends		Company can decide whether to declare dividends or not as well as the amount per share
	Income tax	Tax rate determined by SARS.

#### Question 4

*Suggested answers*

Criteria	Sole trader	Partnership	Close corporation	Private company
Minimum and maximum number of people required	1	2–20	1–10	1–50
Requirements about the name of the firm	None	None	Name of business ends with CC	Name of business ends with (Pty) Ltd
Legal personality of firm	No legal personality	No legal personality	Legal personality	Legal personality
Liability for debts of business	Unlimited (the owner is personally responsible for the debts of the business)	Partners are jointly and severally liable for the debts of the business	Limited liability for debts of business. Only responsible for the amount of capital contributed.	Limited liability for debts of business
Amount of capital required	Limited capital (usually a small business as a result)	All partners contribute towards capital in agreed amounts	Owners have an interest in the business that is expressed as a percentage.	Shares are purchased privately; only selected shareholders
Tax	Can apply for personal tax deductions against income	Each partner's share of profits is added to his/her personal income and taxed	The business is taxed on profits	The profits and dividends of the company are taxed



CHAPTER 4





**CHAPTER 4**

