education

Department of Education
FREE STATE PROVINCE

PREPARATORY EXAMINATION

GRADE 12

ACCOUNTING P2

SEPTEMBER 2022

MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guidelines, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Unless otherwise stated, give full marks for correct answer. If answer incorrect, mark workings.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer). Note: if figures are stipulated in memo for components of workings, these do not carry the method mark for final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. If candidates provide more that the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if earning full marks not related to Q (max -2 per Q).
8. This memorandum is not for public distribution; as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
9. Where penalties are applied, the marks for that section of the question cannot be a final negative.
10. Where method marks are awarded for operation, marker must inspect reasonableness of answer.
11. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
13. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a 🕯.
14. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 12 pages.

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QUESTION 1:

1.1.1 **Calculate the VAT amount payable to/receivable from SARS on 30 June 2022.**

Mark one line only. Cannot mix signs. Inspect candidate's responses. Award highest mark.

+ 7 590 + 23 700 – 13 356 – 867 + 760 + 93 – 1 125 = +16 795
 One part correct

Payable

OR

– 7 590 – 23 700 + 13 356 + 867 – 760 – 93 + 1 125 = –16 795

VAT CONTROL	
✓ 13 356	✓ 7 590
✓ 867	✓ 23 700
✓ 1 125	✓ 760
16 795	93
32 143	32 143

VAT CONTROL	
✓ 7 590	✓ 13 356
✓ 23 700	✓ 867
✓ 760	✓ 1 125
✓ 93	**16 795**
32 143	32 143

11

1.2.1 **COMPLETE THE CRJ AND CPJ:**

Cash Receipts Journal (figures only)			Cash Payments Journal (figures only)	
47 220			**97 860**	
36 400			2 800	
15 300		# 2 130 Two marks	# 1 250	
9 100		32 300 CRJ 23 200 CPJ	# 880	
			2 160	
			11 000	
108 020			115 950	

11

Bank balance on 30 June 2022:

– 49 700 + 108 020 – 115 950 = – 57 630 one part correct

Unfavourable

5

1.2.2 **Prepare the Bank Reconciliation Statement on 30 June 2022.**

	Debit	Credit
Debit balance as per bank statement balancing figure	55 020	
Credit outstanding deposit		34 620
Debit amount incorrectly credited	23 000	
Rectify error		10 570
Debit outstanding EFT 633	24 800	
Credit balance as per bank account		57 630 see 1.2.1
	102 820	102 820 Both must be the same

9

1.2.3 **Refer to Information H.**
Explain why the internal auditor would be concerned (provide figures). What actions should be taken? Provide TWO points.

Concern (with figures):
- R10 000 less cash from sales were recorded and deposited.

Actions:

Any ONE action

- Division of duties
- Control deposits before going to the bank

4

TOTAL MARKS
40

QUESTION 2

2.1.1 FACTORY OVERHEAD COST NOTE

Factory salary	**102 400**	
Sundry expenses	**47 040**	
Consumable stores (29 800 – 3 900)	25 900 ✓✓	
Water and electricity (54 400 + 5 600) x 75%	45 000 ✓✓	
Rent expense (12 200 x 6/2)	36 600 ✓✓	
Insurance (33 500 – 3 800) x $^{4}/_{5}$	23 760 ✓✓	
one part correct Foreign items -1 max -2	280 700 ✓	9

2.1.2 Production Cost Statement for the year ended 28 February 2022.

Direct material cost PC - DLC	792 740 ✓	
Direct labour cost 11 315/73x100 if 12% 525 000 + 44 900✓ + 15 500✓✓ + 1 860✓)	587 260 ✓	
Prime cost	**1 380 000**	
Factory overhead cost see 2.1.1	280 700 ✓	
Total manufacturing cost (PC + FOH)	1 660 700 ✓	
Work in progress in the beginning	**35 100**	
	1 695 800 ✓	
Work in progress at the end of the year operation	(145 800) ✓	
The total cost of production (2 500 x 620)	1 550 000 ✓✓	12

STYLE MANUFACTURERS

2.2.1 **Calculate the break-even point for laptop bags for 2021.**

WORKINGS	ANSWER
450 000 ☐ 400 ☐– 304 ☐ 96 two marks	= 4 688 ☐/ 4 687,50 one part correct

4

Comment on whether Helen should be satisfied with the break-even points and levels of production for the past two years. Quote figures to support your opinions.

Compulsory response:
Compare BEP to level of production for 2021 ☐☐ Figures ☐☐

The BEP is 4 688 units, and production is 4 500 units. The business produced 188 units less than BEP/making a loss on 188 units.

Optional response: Max two marks in total (mark one optional response only)
Compare BEP 2020 to 2021 OR Production 2020 to 2021

Break-even increased from 3341 to 4 688 units.
Production remained constant at 4 500 units per year.

4

2.2.2 **Identify ONE variable cost for each item, that would be of concern to Helen. Quote figures. Provide ONE possible reason for the problem, in each case.**

ONE VARIABLE COST WITH FIGURES Variable cost ☐ ☐ Figures ☐ ☐	REASONS ☐ ☐ Any two <u>different</u> reasons
LAPTOP BAGS Direct material cost increased from R120 per unit to R150 per unit/ R30 or 25%	Greater demand for material/wastage in the production process/poor quality material caused mistakes/poor supervision/Pay more for better quality If imported – exchange rate, carriages expensive.
LUGGAGE BAGS Direct labour cost increased from R102 to R160/R58 or 56,8%	Poor supervision of normal time/ excessive overtime/disruptions in working hours/power cuts/high increases negotiated.

6

2.2.3 **Helen was concerned about the increase in the fixed cost per unit of luggage bags. What would you say to her? Provide ONE point and quote figures to support your answer.**

Valid comment explaining economies of scale/Economy of scale ☐☐

2

	Production decreased by 800 units (40%), but fixed costs are not influenced by the level of production, would remain almost constant, divided by a smaller number of units, will be much higher per unit.	
2.2.4	**Helen feels that she can improve the sales of luggage bags. Provide TWO suggestions on how this can be achieved.** TWO valid suggestions ✓✓ ✓✓ ● She could decrease the mark-up % (or selling price) ● She can set targets for completion during normal time and try to reduce overtime pay ● She can spend more money on advertising and sales promotion and explore new target markets ● Team up with tour/holiday companies – to provide luggage bags	4
2.2.5	**Assume that costs and workers' efficiency will remain unchanged in 2022. If production and sales of luggage bags increased by 500 units, calculate how much additional profit she can expect.** 500✓ x R203✓✓ = R101 500✓ one part correct	4

TOTAL MARKS
45

QUESTION 3

GOLF BALLS

3.1.1 **Calculate the value of closing stock on 30 April 2022.**

WORKINGS	ANSWER
55 200 + 359 900 – 17 550 + 8 075 / 14 750 ✓ ✓ ✓ ✓ 4 marks 405 625 / 14 750 = 27,50 x 2 960 5 marks	81 400 ✓ operation one-part correct x 2 960

6

The stock holding period in days using the closing stock.

WORKINGS	ANSWER
✓ 81 400 x 365 324 225 ✓✓ 405 625 – 81 400 **OR** one mark 2 960 x 365 11 790 one mark one part mark	91,6 days / 92 days✓ one part correct

4

GOLF CLUBS

3.1.2 **Calculate the value of closing stock on 30 April 2022.**

WORKINGS	ANSWER
STRAIGHT DRIVERS/CLUBS (35 – 30 = 5 X 4 900) 24 500 ✓✓ one part correct SHANKY DRIVERS/CLUBS (22 – 10 = 12 X 7 000 + (23 – 7 = 16 X 7 000 84 000 ✓✓ + 112 000 ✓✓ one part correct one part correct **OR** (45 – 17) x 7 000 = 196 000	220 500 ✓ operation one part correct and must use both products

7

LEO APPLIANCES

3.2.1 **Leo Appliances changed their supplier. Do you agree with the decision? Explain and provide figures.**

Yes

Units returned in 2021 was 35 and in 2022 returns was 0.

3

3.2.2 **Explain the decision that Leo took regarding the selling price of the microwave ovens and explain the effect of this decision. State TWO points with relevant figures.**

Decision with figure:

Decision Figure

- He increased the mark-up from 50% to 80%.
- He increased the selling price from R1 920 to R2 610/by R690/by 35,9%.

Effect the business

Any two valid points Figure

- Gross profit increased from R208 000 to R348 000/by R140 000/ by 67,3%.
- Stock turnover rate decreased from 7,2 to 6,0 times.
- Orders of ovens decreased from 390 to 350 units/by 40 units/by 10,3%.
- Sales of ovens decreased to 325 to 300 units/by 25 units/by 7,7%.

6

3.2.3 **Leo significantly reduced the selling price of frying pans in the 2022 financial year.**
Explain why Leo found it necessary to do this.

Competitor decreased his price.
Leo wanted to increase sales and profits. ✓✓

Provide TWO separate suggestions with figures to Leo on how to improve profit on frying pans in 2022.

One valid point for pricing ✓ One valid point for orders ✓

- Must keep more stock because orders are more than nett sales.
- Leo should increase the price just below the R1 200 of the competitor.
- Leo should increase MU%; Any % between 10% to 20%.
- Mark-up % of competitor at least 60%.
- Leo must plan purchases of pans / must follow up on orders to meet the demand of 850 units (i.e., 125 more than current sales).

4

TOTAL MARKS
30

QUESTION 4

FERNANDES TRADERS

4.1.1 Debtors' Collection Schedule

MONTH	CREDIT SALES	SEPTEMBER	OCTOBER
JULY	126 000	6 300	
AUGUST	131 400	72 270	6 570
SEPTEMBER	133 200	53 280	73 260 ✓✓
OCTOBER	136 800		54 720 ✓
CASH FROM DEBTORS		131 850	134 550 ✓

4

Operation one part correct and R6 570 included

4.1.2 Calculate the missing amounts indicated by (a)–(e) on the Cash Budget.

	WORKINGS	ANSWER
(a)	**CASH PURCHASES: SEPTEMBER** (222 000 x 100/150) 148 000 ✓ x 30% ✓	44 400 ✓ Operation one part correct **3**
(b)	**PAYMENTS TO CREDITORS: OCTOBER** 148 000 ✓ x 70% ✓x 96%✓ OR: 148 000 – 44 400 x 96%	99 456 ✓ Operation one part correct **4**
(c)	**SALARIES AND WAGES: OCTOBER** 41 500 x 107%	44 405 ✓✓ one part correct **2**
(d)	**INSURANCE: SEPTEMBER** 13 952 x 100/109	12 800 ✓✓ one part correct **2**

(e)	**LOAN INSTALMENT: OCTOBER** 1 875 – 1750 125 □ x 12 □ 0,125 □	12 000 □ one part correct **4**	**15**

4.1.3 **Refer to Information G.**
Comment on how the online sales have affected the actual cash and credit sales in August. Quote figures or calculations

TWO valid points (with figures) ✓✓ ✓✓

- Cash sales increased from R87 600 to R162 000
- Credit sales increase from R131 400 to R133 650

4

Refer to Information H.
Identify TWO other costs already in the budget that were affected by the decision to go online and explain whether they were well controlled or not. Quote figures or calculations.

Any TWO: ✓✓ ✓✓

- Delivery cost is more by R20 367 (is now 18% of sales but the budget is for 15% of sales) so not well controlled.
- Packing material increased by 7 880 (18% of sales was budgeted; 15,6%) was the actual – so this was well controlled.
- Telephone is more than budgeted by 8 400 (80%) possibly due to extended use of data and the internet – resulting in increased sales.
- Advertising more than budgeted by 6 132 (35%) possibly needed to attract customers for online sales.

4

Provide ONE point that he should consider to manage online sales as a permanent feature.

ONE point ✓✓

- More than one person must be trained.
- The computer operator must be supervised and provide reports daily.
- Arrange SMS facilities with bank for notifications of all transactions.
- Get feedback from customers on service offered.

2

4.1.4 **Calculate the cost price of the new delivery vehicle.**

WORKINGS	ANSWER
R360 000 (2 marks) (R7 500 x 48) x 100/80	450 000 One part correct

4

List TWO other costs related to the vehicle that Claudio will have to include in the budget. Figures are not required.

Any 2 points

- Fuel costs must be included.
- Salary of a driver must be provided for.
- Insurance on the vehicle.
- Vehicle maintenance cost.

2

TOTAL MARKS
35

TOTAL: 150

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