education

Department:
Education
PROVINCE OF KWAZULU-NATAL

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING

COMMON TEST

JUNE 2020

PAPER TWO

MARKS: 150

TIME: 2 HOURS

This question paper consists of 14 pages and an answer booklet of 9 pages.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show workings in order to achieve part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Where applicable, show all calculations to ONE decimal point.
7. Write neatly and legibly.
8. Use the information and table below as a guide when answering the question. Try NOT to deviate from it.

QUESTION 1: 40 Marks; 32 Minutes	
Topic of the question	**This question integrates:**
Reconciliations	Bank Reconciliation Creditors Reconciliation Debtors age analysis Internal control

QUESTION 2: 30 Marks; 24 Minutes	
Topic of the question	**This question integrates:**
Inventory Valuations	Inventory valuation: weighted average, FIFO Internal control Problem-solving

QUESTION 3: 50 Marks; 40 Minutes	
Topic of the question	**This question integrates:**
Manufacturing	Direct material cost Factory overheads Production Cost Statement Analysis and interpretation Break-even point Internal control

QUESTION 4: 30 Marks; 24 Minutes	
Topic of the question	**This question integrates:**
Fixed Assets and Internal Control	Fixed assets Asset disposal Account Internal control

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QUESTION 1 RECONCILIATIONS (40 Marks; 32 Minutes)

1.1 BANK RECONCILIATION

You are presented with information relating to Jozini Book shop for February 2020.

REQUIRED:

1.1.1 Show the entries that must be recorded in the Cash Journals by completing the table provided in the ANSWER BOOK. (8)

1.1.2 Prepare the Bank Reconciliation Statement on 29 February 2020. (9)

1.1.3 As the internal auditor you are not happy with the manner in which cash is being controlled in this business. Identify **ONE** problem and provide a figure to support your answer.
Give advice on how this problem can be avoided in future. (2)

INFORMATION:

A. Information from the Bank Reconciliation Statement on 31 January 2020.

Favourable balance as per Bank Statement		30 000
Outstanding deposit	Dated 30 January 2020	37 500
Outstanding cheques:	No.111 (dated 1 August 2019)	4 700
	No.267 (dated 27 January 2020)	8 000
	No.321 (dated 15 February 2020)	13 000
Favourable balance as per Bank Account in the ledger		41 800

B. Provisional totals in the Cash Journals on 29 February 2020:

- CRJ R107 200
- CPJ R121 160

C. A comparison of the February 2020 Bank Statement with the Bank Reconciliation Statement on 31 January 2020 revealed the following:

- Only cheque No. 267 and the deposit of R37 500 appeared on the Bank Statement for February 2020.
- Cheque No. 111 was issued to the MGM Club in payment of the owners membership fees. The club no longer exists.

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D. A comparison of the February 2020 Bank Statement with the Cash Journals for February 2020 revealed the following:

- Bank charges of R960 on the Bank Statement were not recorded in the relevant journal.
- A dishonoured cheque for R6 680 appeared on the Bank Statement. This cheque was received from Mkhize, a debtor, in settlement of his account of R7 370.
- Interest of R520 credited on the Bank Statement was not recorded in the Journals.
- Cheque No. 421 issued to a creditor appeared correctly on the Bank Statement as R8 940. This was recorded as R9 840 in the Cash Payment Journal.
- A debit order of R1 200 for the monthly insurance appeared twice on the Bank Statement in error, but no entry has been made in the Journals.

E. The February 2020 Cash Receipts Journal reflected the following outstanding deposits:

- R25 000 on 6 February 2020
- R17 000 on 27 February 2020

F. Cheques from the February 2020 Cash Payments Journal not yet presented for payment:

- No. 531 for R6 500 (dated 23 February 2020)
- No. 561 for R8 100 (dated 25 February 2020)

G. The Bank Statement reflected a favourable balance of R9 520 on 29 February 2020.

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1.2 CREDITORS RECONCILIATION

Pinetown Stores buys goods on credit from Kwamashu Suppliers.

REQUIRED:

1.2.1 Use the table provided to indicate the changes that must be made:
- In the creditor's ledger account of Kwamashu Suppliers in the books of Pinetown Stores. (5)
- In the statement of account. (6)

1.2.2 Explain how the creditor's reconciliation statement can assist the business in terms of their internal control. State **TWO** points. (4)

INFORMATION:

A. The account of Kwamashu Suppliers in the Creditors Ledger of Pinetown Stores had a balance of R38 100 on 31 May 2020.
The statement of account received from Kwamashu Suppliers showed a balance of R40 800 on 25 May 2020.

B. An investigation revealed the following errors and omissions:

(i) Invoice 458 for R4 100 appeared only in the Creditors Ledger. It was for goods that Pinetown Stores bought from another supplier, Umlazi Suppliers.

(ii) Invoice 431 for R5 300 was recorded correctly on the statement of account. It appeared as R3 500 in the Creditors Ledger.

(iii) Invoice 463 for R22 000 was erroneously shown by Kwamashu Suppliers in the statement of account. An investigation revealed that it was for goods supplied to another business. Kwamashu Suppliers will rectify this error on the next statement of account.

(iv) Discount of R900 was shown correctly on the statement of account. Pinetown Stores had in error overstated this amount by R400 in the Creditors Ledger.

(v) Merchandise returned by Pinetown Stores, R1 800, was in error recorded as an invoice on the statement of account.

(vi) Merchandise, R21 000, was purchased on credit from Kwamashu Suppliers after the closing date of the statement of account. The entry appeared only in the Creditors Ledger.

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1.3 DEBTORS' AGE ANALYSIS

You are provided with the debtors Age Analysis of Skhumbuzo traders on 29 February 2020.

REQUIRED:

Identify TWO different problems shown by the Age Analysis and quote evidence from the question to support your answer. In each case suggest an internal control measures to correct the problem. (6)

INFORMATION:

DEBTORS' AGE ANALYSIS ON 29 FEBRUARY 2020

Credit policy: debtors will be given 30 days in which to settle their debts.

NAME	CREDIT LIMIT	TOTAL	CURRENT MONTH	30 DAYS	60 DAYS	60 DAYS +
Mathonsi	R5 000	R2 100	R1 000	R 500	R 600	
Shabalala	R3 500	R4 200		R1 200	R1 800	R1 200
Mbuli	R1 500	R2 004		R 704	R1 300	
Sangweni	R1 500	R1 500			R1 000	R 500
Ndinisa	R2 000	R 700	R 700			
		10 504	R1 700	R2 404	R4 700	R1 700
		100%	16%	23%	45%	16%

40

QUESTION 2 INVENTORY VALUATIONS (30 Marks; 24 Minutes)

2.1 INVENTORY VALUATION

Umlazi shop uses the periodic stock system and the weighted-average method to value stock of jackets. Philani Luthuli owns the business.

REQUIRED:

2.1.1 Explain the difference between the perpetual stock system and the periodic stock system. (2)

2.1.2 Calculate the value of the stock on hand on 31 May 2020 using the weighted-average method. (8)

2.1.3 Calculate the stock holding period (in days) for jackets using weighted-average method. (5)

2.1.4 Philani is considering a change in the method of valuing stock.

- Calculate the value of closing stock using the FIFO method. (5)

Give **ONE** reason in favour of and **ONE** reason against changing to the FIFO method. (4)

INFORMATION:

Records of jackets for the year ended 31 May 2020:

	UNITS	UNIT PRICE	TOTAL
Opening stock (1 June 2019)	300	R180	R54 000
Purchases	4 700		R895 000
June 2019	2 500	R203.60	R509 000
September 2019	1 400	R170	R238 000
December 2019	800	R185	R148 000
Subtotal	5 000		R949 000
Goods returned (from December purchases)	200		
Sales (Profit mark-up is 60% on cost)	3 600	R304	R1 094 400
Closing stock (31 May 2020)	1 200		

2.2 INTERNAL CONTROL

NM Computers sells one brand of computers. The owner, Nozipho has three branches in different shopping centres.

Although the business is making a profit, Nozipho is concerned about the profitability of each branch. She investigated and presented the information below, for April 2020 (one month).

REQUIRED:

Identify **ONE** different problem in relation to each branch. Quote relevant figures to support your answer. In each case, offer Nozipho advice on how to solve the problem. (6)

INFORMATION:

- The shops are open 7 days a week.
- Normal time is from 8:30 to 16:30, Mondays to Fridays (160 hours per month).
- Overtime is from 16:30 to 18:30 Mondays to Fridays and 9:30 to 12:30 on weekends (56 hours per month)
- Overtime salary rate is 1,5 times the normal rate.

INFORMATION	GAMALAKHE MALL	MBALI MALL	JOZINI MALL
Salesperson (age)	Pearl (42 years)	Xolani (27 years)	Amanda (62 years)
Stock on hand – 1 April 2020	50 units	50 units	50 units
Selling price per computer.	R4 200	R4 200	R4 200
Computers sold (before returns)	42	36	22
Returns by customers	5	12	1
Credit sales	R54 600	R88 200	R21 000
Deposits from cash sales	R79 800	R12 600	R67 200
Hours worked (normal time)	154 hours	117 hours	102 hours
Overtime hours	20 hours	52 hours	2 hours
Rent expense (per month)	R6 000	R8 000	R5 500

30

QUESTION 3 MANUFACTURING (50 Marks; 40 Minutes)

3.1 CONCEPTS

Choose the cost category for examples below. Write only the cost category next to the question number (3.1.1- 3.1.4) in the ANSWER BOOK.

Selling and distribution cost; direct labour cost; administration cost; factory overhead cost; direct material cost.

3.1.1 Electricity paid for factory buildings.

3.1.2 Salaries paid to the sales personnel

3.1.3 Cost of raw materials used in the production process

3.1.4 Sundry expenses paid for the office. (4 X 1) (4)

3.2 MSELENI MANUFACTURERS

You are provided with information relating to Mseleni Manufacturers for the year ended 29 February 2020. The business produces one type of air conditioner.

REQUIRED:

3.2.1 Calculate the Direct Material Cost (7)

3.2.2 Calculate the Factory Overhead Cost (16)

3.2.3 Prepare the Production Cost Statement for the year ended 29 February 2020. (13)

INFORMATION:

A. The following balances appeared among others in the books of the business:

	29 February 2020	**1 March 2019**
Raw material stock	R86 000	R180 000
Work-in-process stock	?	R150 000
Finished good stock	R170 000	R500 000
Indirect material: factory	R18 000	R25 000
Administration cost	R13 000	-

B. Summary of transactions:

Raw material purchased	R400 000
Raw materials returned to suppliers	R7 000
Carriage on raw materials paid	R5 000
Total salaries and wages paid	R350 000
Water and electricity paid	R98 000
Factory indirect materials purchased	R35 000
Factory sundry expenses paid	R49 800
Rent expenses paid	R56 500

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C. The salaries and wages amount is distributed as following:

- 50% to employees who work directly on the production process
- 20% to indirect labour
- 15% to administrative staff
- 15% to sales and distribution staff

The employer contributes 8% to the pension fund and 1% to the UIF on behalf of each employee.

D. Water and electricity

- The water and electricity bill is shared among the factory, administration and sales section in the ratio 4:3:1.

E. Indirect materials:

- Indirect materials costing R9 000 were transferred from the factory to the administration office.

F. Rent expenses

- Rent amount for February 2020, R 5 500 will only be paid in March 2020.
- Rent is allocated according to floor area as follows:
  Factory 1 200m², administration 100m² and selling and distribution 300m²

G Factory depreciation amounted to R32 000

H. Cost of sales was correctly calculated at R1 200 000.

3.3 MAMMA'S BAKERY

The following information was extracted from the books of Mamma's Bakery for the year ended on 29 February 2020. The bakery is owned by Alwande Mbatha.

REQUIRED:

3.3.1 Calculate the Break-even point for 2020. (4)

3.3.2 Explain why the owner should be concerned about the break-even point. Provide **TWO** points. (4)

3.3.3 Provide **ONE** reason for the decrease in the Direct Material Cost. (2)

INFORMATION:

Fixed and variable cost	**2020**		**2019**
	Total	**Per unit**	**Per unit**
Variable costs: Direct Materials	R91 500	R7.50	R8.00
: Direct Labour	R73 200	R6.00	R5.70
: Selling & Distribution	R42 700	R3.50	R3.40
	R207 400	R17.00	R17.10
Fixed costs : Factory overheads	R63 440	R5.20	R4.70
: Administration	R34 160	R2.80	R2.50
	R97 600	R8.00	R7.20
Break-even point		?	7 795
Units produced		12 200	11 800
Selling price (per unit)		R25	R25

50

QUESTION 4 FIXED ASSETS AND INTERNAL CONTROL (30 Marks; 24 Minutes)

4.1 FIXED ASSETS

The following information relates to the fixed/tangible assets of Babanango limited for the year ended 31 May 2020.

REQUIRED:

4.1.1 Calculate the amounts indicated by (i)-(iii). Show the workings in the space provided in the ANSWER BOOK. (11)

4.1.2 Prepare the Asset disposal Account for the computer sold on 30 September 2019. (9)

INFORMATION:

A. Information from the financial statements for the year ended 31 May 2020.

FIXED/TANGIBLE ASSETS	LAND AND BUILDINGS	VEHICLES	EQUIPMENT
Carrying value on 1June 2019	2 500 000	82 000	51 840
Cost	2 500 000	552 000	90 000
Accumulated depreciation	0	(470 000)	(38 160)
Movement			
Additions	(i)	850 000	
Disposals at carrying value	0	0	
Depreciation	0	(ii)	
Carrying value on 31 May 2020	3 200 000	(iii)	
Cost	3 200 000		
Accumulated depreciation	0		

B. The business has three computers; all three computers were purchased on 1 December 2016 for R30 000 each.

A computer was sold for R6 128 cash to Razz traders on 30 September 2019.

C. The new vehicle was purchased on 31 August 2019.

D. The business provides for depreciation on its fixed assets as follows:

- On vehicles at 15% p.a. on cost
- On equipment at 20% p.a. on the diminishing balance method.

4.2 INTERNAL CONTROL

You are the internal auditor of Juba supermarket. The owner has asked you to investigate the control of trolleys and baskets used in the business.

4.2.1 Explain how the Fixed Assets Register will assist you in your duties as internal auditor. Provide **ONE** point. (2)

4.2.2 The stock of trolleys and baskets is classified as a fixed asset. Give **ONE** suitable reason for this. (2)

4.2.3 The owner has received numerous complaints from his customers about the trolleys and baskets. On a busy day the business often has up to 510 customers in the shop at the same time.

Identify and explain **THREE** major problems (with figures) relating to the control of the trolleys and baskets. In EACH case, provide a valid, practical solution to improve the control over these assets. (6)

INFORMATION:

The following information refers to the trolleys and baskets of the business:

	TROLLEYS	**BASKETS**
Number of units on hand on 1 May 2019	170	150
Additional units purchased during the financial year at R2 100 each for the trolleys and R300 each for the baskets.	115	40
Number of damaged units written off during the financial year.	25	80
Number of units on hand as per physical count on 30 April 2020	230	110
Repair and maintenance cost for units during the financial year.	R1 080	R10 200
Number of trolley controllers	3	-
Salary per trolley controller	R1 200	-

30

TOTAL MARKS: 150

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET		
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities	
(Current assets – Inventories) : Current liabilities		$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$
(Trade and other receivables + Cash and cash equivalents) : Current liabilities		
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$		$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
Long-term liabilities : Shareholders' equity	$\frac{\text{Net profit after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$	
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$		
$\frac{\text{Net income after tax + Interest on loans}}{\text{Average Shareholders' equity + Average Long-term liabilities}} \times \frac{100}{1}$		
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$

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ACCOUNTING

ANSWER BOOK

JUNE 2020

PAPER TWO

NATIONAL SENIOR CERTIFICATE

GRADE 12

Name:_____ **Grade:**_____

QUESTION	MARKS	MOD BY THE SCHOOL	MOD BY THE CLUSTER	MOD BY THE PROVINCE
1				
2				
3				
4				
TOTAL				

N.B. This answer book consists of 9 pages.

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QUESTION 1

1.1.1

CASH RECEIPTS JOURNAL	CASH PAYMENT JOURNAL
107 200	121 160

8

1.1.2 **Bank reconciliation statement on 29 February 2020.**

9

1.1.3 **As the internal auditor you are not happy with the manner in which cash is being controlled in this business. Identify ONE problem and provide a figure to support your answer.**
Give advice on how this problem can be avoided in future.

Problem	Advice

2

1.2.1

	Creditors ledger	Creditors reconciliation statement
	38 100	**40 800**
(i)		
(ii)		
(iii)		-
(iv)		
(v)		
(vi)		

11

1.2.2 **Explain how the creditor's reconciliation statement can assist the business in terms of their internal control measures. State TWO points.**

4

1.3

Identification of TWO different problems, with evidence from the question		Internal control measure to correct each problem
Problem 1		
Problem 2		

6

TOTAL MARKS
40

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QUESTION 2

2.1.1 **Explain the difference between the perpetual stock system and the periodic stock system.**

Perpetual stock system	Periodic stock system

2

2.1.2 **Calculate the value of the stock on hand on 31 May 2020 using the weighted-average method.**

8

2.1.3 **Calculate the stock holding period (in days) for calculators using weighted-average method.**

5

2.1.4 **Calculate the value of closing stock using the FIFO method.**

5

Give ONE reason in favour of changing to the FIFO method

2

Give ONE reason against changing to the FIFO method.

2

2.2 **Identify ONE different problem in relation to each branch. Quote relevant figures to support your answer.**
In each case, offer Nozipho advice on how to solve the problem.

BRANCH	Problem and Figures	Advice
GAMALAKHE MALL		
MBALI MALL		
JOZINI MALL		

6

TOTAL MARKS
30

QUESTION 3

3.1

3.1.1		
3.1.2		
3.1.3		
3.1.4		**4**

3.2.1 **Calculate the Direct Material Cost**

		7

3.2.2 **Calculate the Factory Overhead Cost**

Depreciation	32 000	
Sundry expenses (85 600 – 2 600) x 60/100	49 800	
		16

3.2.3 **Production cost statement for the year ended 29 February 2020.**

		13

3.3.1 **Calculate the Break-even point for 2020.**

	4

3.3.2 **Explain why the owner should be concerned about the break-even point. Provide TWO points.**

	4

3.3.3 **Provide one reason for the decrease in the Direct Material Cost.**

	2

TOTAL MARKS
50

QUESTION 4

4.1.1

	CALCULATIONS	**ANSWER**
(i)		
(ii)		
(iii)		

11

4.1.2 General Ledger

Asset Disposal

9

4.2.1 **Explain how the Fixed Assets Register will assist you in your duties as internal auditor. Provide ONE point.**

2

4.2.2 **The stock of trolleys and baskets is classified as a fixed asset. Give ONE suitable reason for this.**

2

4.2.3 **Identify and explain THREE major problems (with figures) relating to the control of the trolleys and baskets. In EACH case, provide a valid, practical solution to improve the control over these assets.**

PROBLEM WITH FIGURES	PRACTICAL SOLUTION TO IMPROVE INTERNAL CONTROL

6

TOTAL MARKS
30

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Department:
Education
PROVINCE OF KWAZULU-NATAL

ACCOUNTING

MARKING GUIDELINE

JUNE 2020

PAPER TWO

NATIONAL SENIOR CERTIFICATE

GRADE 12

MARKS: 150

MARKING PRINCIPLES:

1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that 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. Full marks for correct answer. If answer incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as the final figure, award one mark. Not the method mark for the answer. Note: if figures are stipulated in memo for components of workings, these do not carry the method for final answer.
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. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in a certain question.
8. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.
10. Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'. Note: check operation must be +,-,x,÷, or per candidates operation.
11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect, indicate with a ☒. Note: do not award marks for workings if numerator and denominator are swapped-this also applies to ratios.
12. Be aware of candidates who provide valid alternatives beyond the marking guideline.
13. Codes: f=foreign item; p=placement.

This memorandum consists of 9 pages

QUESTION 1

1.1.1

CASH RECEIPTS JOURNAL	CASH PAYMENT JOURNAL
107 200	**121 160**
4 700 ✓	960 ✓
520 ✓	6 680 ✓
900 ✓	1 200 ✓
Operation	Operation
113 320 ☑	130 000 ☑

or 9840 CRJ
8940 CPJ
Both one mark

Or 122 260 Or 138 940

8

1.1.2

Bank reconciliation statement on 29 February 2020.

		Debit	Credit	
Credit balance as per bank statement	9 520		9 520 ✓	
Credit outstanding deposit	25 000		25 000 ✓	
Credit outstanding deposit	17 000		17 000 ✓	
Credit amount wrongly debited	1 200		1 200 ✓	
Debit outstanding cheques				
No. 321	(13 000)	13 000 ✓		
531	(6 500)	6 500 ✓		
561	(8 100)	8 100 ✓		
Debit balance as per bank account	25 120*	25 120 ☑	Balancing figure	
Operation for both totals ☑		52 720	52 720	9

*two method marks for balancing figure

1.1.3

As the internal auditor you are not happy with the manner in which cash is being controlled in this business. Identify ONE problem and provide a figure to support your answer. Give advice on how this problem can be avoided in future.

Problem	Advice	
Outstanding deposit of R25 000 on 6 February 2020. ✓	Create a policy for regular or daily depositing. ✓ Accept any relevant answer related to the deposit of R25 000	2

1.2.1

	Creditors ledger	Creditors reconciliation statement
	38 100	**40 800**
(i)	- 4 100 ✓	
(ii)	+ 1 800 ✓✓	
(iii)		- 22 000 ✓✓
(iv)	+ 400 ✓✓	
(v)		-1 800✓ - 1 800✓ or – (3 600)
(vi)		+ 21 000✓
	Operation for both totals ☑	
	36 200	36 200

11

1.2.2

Explain how the creditor's reconciliation statement can assist the business in terms of their internal control measures. State TWO points.

Any TWO relevant answers ✓✓ ✓✓ Part mark for incomplete / unclear reason

- It will assist the business in detecting errors/omissions in their books.
- It will show errors/omissions in the statement received.
- Detect fraudulent activities and take action against it.

4

1.3

Identification of TWO different problems, with evidence from the question		Internal control measure to correct each problem
Problem 1	Identify problem ✓ Mention evidence ✓ **Problem**: Certain debtors are exceeding their credit limits **Evidence**: • Shabalala exceeds by R700 • Mbuli exceeds by R504	Any valid advice ✓ • Do not sell on credit to debtors who are likely to exceed their limits. • Ensure that they settle previous month's debt before buying on credit.
Problem 2	**Problem**: Most of the debtors are paying over periods longer 30 days **Evidence**: 61% or R6 400 are taking longer 39% within 30 days Shabalala and sangweni	• Charge interest on overdue accounts. • Offer discount for early payment. • Consider legal action against problem debtors

6

TOTAL MARKS
40

QUESTION 2

2.1.1 **Explain the difference between the perpetual stock system and the periodic stock system.**

Any valid difference with comparison ✓✓

Part mark incomplete/one- system only explanation

Perpetual stock system	Periodic stock system
Cost of sales calculated at point of sale.	Cost of sales calculated at end of financial period.
Stock value can be determined at any time from records.	Stock value determined / identified by stock count.
Cost of sales account used	Purchases account used
Stock bought regarded as an asset	Stock bought regarded as an expense

2

2.1.2 **Calculate the value of the stock on hand on 31 May 2020 using the weighted-average method.**

949 000 ✓ – 37 000 ✓
5 000 ✓ - 200 ✓
operation one part correct

R190 ☑ X 1 200 ✓
operation one part correct

R 228 000 ✓☑ Closing stock

8

2.1.3 **Calculate the stock holding period (in days) for calculators using weighted-average method.**

½(54 000 ✓ + 228 000 ✓) x 365
684 000 ✓✓ 1

75 days ☑ operation one part correct

5

2.1.4 **Calculate the value of closing stock using the FIFO method.**

(800 -200) 600 x 185 = 111 000 ✓✓
600 x 170 = 102 000 ✓✓
= 213 000 ☑ closing stock (FIFO) operation one part correct

5

Give ONE reason in favour of changing to the FIFO method
Any valid reason ✓✓ Part mark for incomplete / unclear reason

- Gross profit will be lower because closing stock would be lower.
- Easy to count or identify jackets individually.
- Value of jackets is continuously changing and valued at more recent prices.

2

Give ONE reason against changing to the FIFO method.
Any valid reason ✓✓ Part mark for incomplete / unclear reason

- No need to change as profit will be the same in the long-term.
- Unethical to manipulate the profit by changing the method of stock valuation.
- Tax would decreased in first year as result of decreased profit.
- The change would affect comparisons across financial years.

2

2.2 **Identify ONE different problem in relation to each branch. Quote relevant figures to support your answer. In each case, offer Nozipho advice on how to solve the problem.**

BRANCH	Problem and Figures ✓ ✓ ✓	Advice ✓ ✓ ✓
GAMALAKHE MALL	Missing cash, R21 000 (24 cash sales = R100 800, but only R79 800 deposited)	Regular internal audit for sales and deposits / separation of duties
MBALI MALL	Returns too high, 12 computers. Only worked 73% of normal time (117/160) and choose to cash in on the overtime 93% (52 hours)	Purchase quality computers / make sure sales assistant knows product specifications. Time sheet for normal time Set targets/ minimise overtime.
JOZINI MALL	Very low sales volume, 42% (21/50) computers.	Provide Han with sales assistant/ set sales targets

6

TOTAL MARKS
30

QUESTION 3

3.1

3.1.1	Factory overhead cost✓	
3.1.2	Selling and distribution cost ✓	
3.1.3	Direct material cost ✓	
3.1.4	Administration cost✓	**4**

3.2.1

Calculate the Direct Material Cost		
Opening stock	180 000 ✓	
Purchases (400 000✓ – 7 000 ✓)	393 000 ✓	
Carriage on purchases	5 000 ✓	
Less closing stock	(86 000) ✓	
Operation one part correct	492 000 ☑	**7**

3.2.2

Calculate the Factory Overhead Cost		
Depreciation	**32 000**	
Sundry expenses (85 600 – 2 600) x 60/100	**49 800**	
Indirect material (25 000✓ + 35 000✓ – 9 000✓– 18 000✓)	33 000 ☑ One part correct	
Indirect labour 70 000✓ + 6300✓	76 300 ☑ One part correct	
Rent expenses (56 500✓ + 5 500✓) 1 200/1 600✓	46 500 ☑ One part correct	
Water and electricity (98 000✓) 4/8✓	49 000 ☑	
Operation one part correct	286 600 ☑	**16**

3.2.3

Production cost statement for the year ended 29 February 2020.		
Direct material See 3.2.1	492 000 ☑	
Direct labour (175 000✓ + 15 750✓)	190 750 ☑	
Prime cost Operation	682 750 ☑	
Factory overheads See 3.2.2	286 600 ☑	
Production cost Operation	969 350 ☑	
Work-in-process at the beginning	150 000 ✓	
	1 119 350	
Work-in-process at the end Operation one part correct (1 119 350 – 870 000)	(249 350) ☑	
Production cost of finished goods (1 200 000✓ + 170 000✓ – 500 000✓)	870 000 ✓	**13**

3.3.1 Calculate the Break-even point for 2017.

97 600 ✓
25 ✓– 17 ✓
8 two marks)

12 200 units ☑ operation one part correct

4

3.3.2 Explain why the owner should be concerned about the break-even point. Provide TWO points.

Any two valid point ✓✓ ✓✓ Part mark for incomplete / unclear point
Number of units produced is 12 200 same as the break-even point of 12 200. Which means the business is making no profit or loss.

Although the number of units produced increased from 11 800 to 12 200 still no profits were realised because fixed costs also increased.

4

3.3.3 Provide one reason for the decrease in the Direct Material Cost.

Any valid explanation ✓✓ Part mark for incomplete / unclear explanation

- There was less wastage of raw material during production.
- More efficiency during the production process.
- Sourcing out cheaper suppliers.
- Buying in bulk to negotiate discounts.

2

TOTAL MARKS
50

QUESTION 4

4.1.1

CALCULATIONS		ANSWER
(i)	3 200 000 – 2 500 000 Two or nothing	700 000 ✓✓
(ii)	✓ ✓ 850 000 x 15/100 x 9/12 = 95 625 ✓ 82 000 – 1 = 81 999 ✓	177 624 ☑ Operation one part correct
(iii)	82 000✓ + 850 000✓ – 177 624✓	Operation one part correct 754 376 ☑

11

4.1.2

Asset Disposal

2019 Sept	30	Vehicle✓	30 000✓	2019 Sept	30	Accumulated depreciation (12 720 ✓+ 1 152✓)	13 872☑ Operation one part correct
						Bank✓	6 128✓
						Loss on sale of an asset✓	10 000☑
			30 000			Operation one part correct	30 000

9

4.2.1

Explain how the Fixed Assets Register will assist you in your duties as internal auditor. Provide ONE point.

Any valid point ✓✓ Part mark for incomplete / unclear point

- Physical count should agree with register.
- The internal audit has to verify the physical presence of items listed in the fixed assets register.
- The internal auditor will be able to follow the lifespan of the item of fixed asset and make recommendations for timeous replacements.
- Calculations of depreciation amounts can be checked.

2

4.2.2

The stock of trolleys and baskets is classified as a fixed asset. Give ONE suitable reason for this.

Any valid point ✓✓ Part mark for incomplete / unclear point

- A trolley/basket is expected to have a lifespan of more than twelve months
- The trolleys/basket are not part of trading stock

2

4.2.3 **Identify and explain THREE major problems (with figures) relating to the control of the trolleys and baskets. In EACH case, provide a valid, practical solution to improve the control over these assets.**

PROBLEM WITH FIGURES Problem and a figure ✓ ✓ ✓	PRACTICAL SOLUTION TO IMPROVE INTERNAL CONTROL Solution relating to the problem ✓ ✓ ✓ *(Do not accept improvement of control as a solution.)*
30 trolleys were stolen (170 + 115 – 25 – 230). / R63 000 lost on this theft (30 x R2 100).	All trolleys used should be returned to the business. / Can introduce a fee for the return of a trolley. / Secure trolleys when not in use.
A large amount of R10 200 has been spent on repairs of baskets. / Instead of repairing baskets, 34 new baskets could have been bought.	Before doing repairs to baskets, consider whether it would be more cost-effective to replace old baskets with newer ones.
Number of trolley controllers are too many (3), 230 trolleys can be controlled by one person and save (2 400x120) 28 800 for salaries.	Save salary for two trolley controllers and buy new trolleys (13 or 14) or buy new baskets (98)
On a busy day there is not enough trolleys and baskets. For the 510 customers there are only 230 trolleys and 110 baskets (total 3340/short of 170).	Buy more baskets as they are easier to control and cheaper to replace (R250).
25 damaged trolleys were written off. (Cost of replacement R27 000).	Monitor usage of trolleys to ensure that customers do not abuse them.

6

TOTAL MARKS
30