education

Department:
Education
PROVINCE OF KWAZULU-NATAL

GRADE 12

NATIONAL SENIOR CERTIFICATE

ACCOUNTING

COMMON TEST

JUNE 2019

MARKS: 300

TIME: 3 HOURS

N.B. This question paper consists of 19 pages and an answer book of 16 pages.

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INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show 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.

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

Question 1: 40 Marks; 25 Minutes	
Main topic of the question	**This question integrates:**
Reconciliations, GAAP, Internal Control and VAT	**Financial accounting** GAAP Principles Bank Reconciliation VAT Calculations **Managing resources** Internal Control

QUESTION 2: 70 Marks; 40 Minutes	
Main topic of the question	**This question integrates:**
Financial Statement	**Financial accounting** Income Statement with notes **Managing resources** Tangible Assets

QUESTION 3: 35 Marks; 20 Minutes	
Main topic of the question	**This question integrates:**
Stock valuation and internal control	**Managing resources** Inventory valuation: FIFO, weighted average Internal control and problem-solving

QUESTION 4: 40 Marks; 25 Minutes	
Main topic of the question	**This question integrates:**
Financial Statement	**Financial accounting** Balance Sheet and notes

QUESTION 5: 75 Marks; 45 Minutes	
Main topic of the question	**This question integrates:**
Cash Flow and interpretation of information	**Financial accounting** Cash Flow Statement Calculations and financial indicators Analysis and interpretation

QUESTION 6: 40 Marks; 25 Minutes	
Main topic of the question	**This question integrates:**
Reconciliation and interpretation	**Financial accounting** Debtors and Creditors reconciliation **Managing resources** Internal control

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QUESTION 1 (40 MARKS; 25 MINUTES)

BANK RECONCILIATION, GAAP, INTERNAL CONTROL AND VAT

1.1 Indicate whether the following statements are TRUE or FASLE. Write only 'true' or 'false' next to the question number 1.1.1 – 1.1.4 in the answer book.

1.1.1 A post–dated cheque issued by the business on 20 May 2019 but dated 24 August 2019, will only be entered in the Cash Payments Journal of Quick Traders on 24 August 2019. (1)

1.1.2 A debit balance on the bank statement reflects an unfavourable balance. (1)

1.1.3 Service fees and interest on an overdraft will be recorded as bank charges in the Cash Payment Journal. (1)

1.1.4 An internal auditor will want to inspect the bank reconciliation statement at the end of each month. (1)

1.2 BANK RECONCILIATION

You are provided with information related to Quick Traders on 31 May 2019.

REQUIRED:

1.2.1 Calculate the correct totals for the Cash Receipts Journal and Cash Payment Journal for May 2019. (9)

1.2.2 Prepare the Bank Reconciliation Statement on 31 May 2019. (10)

1.2.3 Explain how cheque No.908 should be treated when preparing the financial statements as at 31 May 2019 the end of the financial year. (2)

1.2.4 Refer **to information G**. The bookkeeper has decided to write off the amount of R50 000.

- Which GAAP principle will the bookkeeper apply in this case? (1)
- The bookkeeper wants to prevent a problem such as this in future. Give **TWO** solutions to improve internal control in this regard. (4)

INFORMATION:

A. The following items appeared in the Bank Reconciliation Statement on 30 April 2019:

	DEBIT	CREDIT
Debit balance as per Bank statement	19 310	
Outstanding deposit (10 January 2019)		50 000
Outstanding cheques:		-
No.892 (1 November 2018)	12 340	
No.897 (10 April 2019)	8 700	
Debit balance as per Bank Account	9 650	
	50 000	50 000

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B. Before receiving the May 2019 Bank Statement, the following provisional totals appeared in the Cash Journals on 31 May 2019:
   - CRJ R146 970
   - CPJ R 68 900

C. The Bank Statement for May reflected the following:
   - Bank charges R2 100.
   - Interest on an overdraft R920.
   - Debit order for insurance R600.
   - Direct deposit of R1 800 for rent received from tenant.

D. The bank charges was over stated by R800 for May 2019. The bank has agreed to correct the error during June 2019.

E. Cheque no. 892 must be cancelled.

F. Cheque no. 897 did not appear in the May 2019 Bank Statement.

G. The outstanding deposit (10 January 2019) cannot be traced and the cashier at that time has since disappeared. It was decided to write off this amount.

H. A cheque received from Zulu Traders dated 25 August 2019 for R15 000 was not recorded in the May 2019 Cash Receipts Journal. It was also not deposited in May.

I. The following items appear in the May 2019 Cash Journals but not on the Bank Statement:
   - A deposit of R18 000, dated 27 May 2019.
   - Cheque No. 905, R1 200, dated 31 May 2019.
   - Cheque No. 908, R3 100, dated 15 September 2019.

J. The Bank Statement on 31 May 2019 reflects a favourable bank balance of R42 440.

1.3 VALUE-ADDED TAX (VAT)

The information below relates to Sun Traders for their two-month VAT period ended on 31 March 2019. All items are subject to 15% VAT.

REQUIRED

Calculate the amount receivable from or payable to SARS for VAT on 31 March 2019. Indicate whether the amount is receivable or payable. (You may complete a VAT Control Account.) (10)

INFORMATION:

A. Amount owed to SARS for February 2019, R21 375

B. Details in respect of VAT for March 2019

DETAILS	EXCLUDING VAT	VAT	INCLUDING VAT
Merchandise purchased/Expenses paid			R341 550
Goods taken by owner for personal use	R31 500		
Debtors' accounts written off		R2 130	
Total sales	R480 000		R552 000
Returns by debtors		R1 800	

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(70 MARKS; 40 MINUTES)

QUESTION 2: FINANCIAL STATEMENTS: COMPANIES

You are provided with information relating to Nongweleza Limited for the financial year ended 28 February 2019.

REQUIRED:

2.1 Complete the Income Statement (Statement of Comprehensive Income) for the year ended 28 February 2019. (47)

2.2 Calculate the missing amount denoted (a) to (d) in the following Tangible/Fixed asset note: **(use information J and K)** (11)

Tangible/Fixed asset

	Land and buildings	vehicles	Equipment
Carrying value at the beginning	3 800 000	1 450 000	
Cost price	3 800 000	2 800 000	
Accumulated depreciation		(1 350 000)	(450 000)
Movements			
Additions	**(a)**		36 000
Disposal at carrying value		**(b)**	
Depreciation		**(c)**	**(d)**
Carrying value at the end	5 700 000		
Cost price	5 700 000		
Accumulated depreciation			

2.3 Complete the note for Trade and other payables on 28 February 2019. (12)

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INFORMATION:

The following balances and totals were extracted from the Pre-adjustment Trial Balance of Nongweleza Ltd on 28 February 2019:

Balance Sheet Accounts Section	
Ordinary share capitâl (3 060 000 shares issued)	10 710 000
Retained income	800 000
Mortgage Loan: MM Bank	1 200 000
Land and buildings	3 800 000
Vehicles	2 800 000
Equipment	950 000
Accumulated depreciation on vehicles (1 March 2018)	1 350 000
Accumulated depreciation on equipment (1 March 2018)	450 000
Fixed Deposit: MM Bank	900 000
Creditors Control	660 000
Debtors Control	458 500
Trading stock	1 500 000
Provision for bad debts (1 March 2018)	21 985
Pension fund	45 400
SARS: PAYE	64 100
SARS: Income tax (provisional tax payments)	190 000
Nominal Accounts Section	
Sales	6 200 000
Cost of sales	3 000 000
Debtors allowances	20 000
Audit fees	33 800
Insurance	21 000
Bad debts	14 000
Directors fees	260 000
Rent income	128 740
Salaries and wages	1 220 000
Pension fund contributions	36 200
Interest on loan	30 000
Interest on fixed deposit	?
Packing material	22 000
Bad debts recovered	2 760
Bank charges	3 200
Sundry expenses	?
Ordinary share dividends	180 000

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ADJUSTMENTS AND ADDITIONAL INFORMATION:

A. An invoice was issued on 28 February 2019, to a debtor, for a credit sale of R80 000 upon which a trade discount of 20% was granted. These goods were sold at cost plus 60% profit mark-up. No entries were made for this transaction.

B. A credit note was issued to a debtor on 27 February 2019 for merchandise returned, R70 000.The cost price of these goods was R43 750. This was not recorded.

C. On 28 February 2019, R2 400 was received from J Smith, whose account had previously been written off as irrecoverable. The amount was entered in the debtor's column in the CRJ. This must be corrected.

D. The provision for bad debts must be adjusted to 4% of good book debts.

E. Packing material to the value of R18 000 was used during the year ended 28 February 2019.

F. A physical stock taking on 28 February 2019 reflected that stock to the value of R1 400 000 was on hand.

G. The directors' fees for R260 000 is still outstanding.

H. An employee's details were omitted from the Salaries Journal. He has not been paid. His details are as follows:

Deductions		Employer's contribution	Net salary
PAYE	Pension	Pension	
2 880	1 950	3 900	10 538

I. The rent has been received three months in advance. The monthly rent increased by 10% on 1 November 2018.

J. An old vehicle was sold for cash on 31 December 2018 for R13 001.
No entries have been made. Vehicles are depreciated at 20% p.a. on cost.

The fixed asset register for the vehicle sold revealed the following:

Cost price	294 000
Accumulated depreciation at the beginning of the year	270 000

K. Make provision for depreciation as follows:

- On vehicles at 20% p.a. on cost.
- On equipment at 10% p.a. on the diminishing balance method. A new computer was purchased on 1 January 2019 for R36 000. This was properly recorded.

L. Operating profit amounted to R618 000.

M. Final dividends were declared at 8 cents per share.

N. Income tax of R186 000 was calculated at 30% of the net profit. This must still be brought into account.

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QUESTION 3: INVENTORY SYSTEMS (35 MARKS; 20 MINUTES)

3.1 Cool Traders (Pty.) Ltd

You have been appointed as an accountant at Cool Traders (Pty.) Ltd.

Cool Traders (Pty.) Ltd. import and sell one size of air-conditioning unit from China. Air-conditioners are imported and paid for in US dollars. Cool Traders have been using the Periodic Stock system and the Weighted Average Method of valuing inventory since the beginning of the financial year, 1 April 2018.

The CEO of Cool Traders is concerned about the effect of exchange rate fluctuations on his financial results. A friend of his has suggested that he prepare his books using the FIFO method as this might save Cool Traders (Pty.) Ltd. taxation.

The CEO has asked you to prepare a comparison for him and has asked for your advice in changing to the FIFO method. He is also concerned about possible stock losses. He also needs you to provide him with details of your skills and responsibilities.

REQUIRED:

3.1.1 Calculate the value of closing stock using the FIFO method of stock valuation. The value of closing stock according to the Weighted Average method is R756 750. (7)

3.1.2 Calculate Cost of Sales using the FIFO method. (5)

3.1.3 Calculate the number of units missing. (5)

3.1.4 The CEO is concerned that a number of units are missing. What solutions would you offer to the CEO to help solve the problem of the missing units. Provide TWO good solutions. (4)

3.1.5 Cool Traders uses the Periodic Stock system. Briefly explain to the CEO how the Perpetual Stock System works. In your explanation state TWO main advantages of the Perpetual Stock System. (4)

3.1.6 The CEO has asked you to prepare the financial report based on the FIFO method. Would you agree to comply with the request? Provide a detailed explanation to support your answer. (3)

3.1.7 What other method of stock validation can Cool Traders use? (1)

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INFORMATION:

A.

STOCK:	Number of units	Unit cost	Total cost
Balance - 1 April 2018	20	R3 500	?
Balance - 31 May 2019 (physical count)	120	?	?
Purchases:	380		R1 930 000
▪ 1 April 2018	160	R4 000	R640 000
▪ 1 January 2019	140	R5 500	R770 000
▪ 1 May 2019	80	R6 500	R520 000

B. Import duties R1 375 per unit (constant for the year)

C. Carriage on sales R1 500 (constant for the year)

D. Sales for the year, R2 064 000. (258 units)

3.2 PROBLEM-SOLVING

Best Phones sells one brand of cellphone. The owner, Secret Malinga, has three branches in different shopping malls. The table below reflects annual figures of the branches for the financial year ended 28 February 2019 as presented by the bookkeeper.

REQUIRED:

Identify ONE problem relating to each branch. Quote figures to support your answer. In EACH case, offer Secret advice. (6)

INFORMATION FOR 2019	MALAHLENI BRANCH	MBIZENI BRANCH	SIVUKILE BRANCH
Number of cellphones available for sale	440	390	280
Number of orders received	110	300	400
Number of cellphones sold	110	300	280
Closing stock	330	90	0
Selling price per cellphone	R7 200	R6 000	R6 400
Mark-up percentage	80%	50%	60%
Amount deposited during the year	R792 000	R1 680 000	R1 792 000

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QUESTION 4 (40 MARKS; 25 MINUTES)

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

4.1 CONCEPTS

Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (4.1.1 to 4.1.5) in the ANSWER BOOK

4.1.1 A fixed deposit maturing within the next 12 months will be shown as cash and cash equivalent in the Balance Sheet.

4.1.2 Earnings per share are calculated using the net profit before tax.

4.1.3 Provision for bad debts is a liability.

4.1.4 Total capital employed consists only of ordinary shareholders' capital and retained income. (4 x 1) (4)

You are provided with information related to Mfundo Limited. The company sells pairs of shoes.

REQUIRED:

4.2 Prepare the Balance Sheet (Statement of Financial Position) on 28 February 2019. Show workings. (36)

INFORMATION :

A. Amounts extracted from the records on 28 February 2019.

Ordinary share capital		?
Retained income		950 000
Fixed assets		?
Fixed deposit		?
Loan		?
Creditors control		208 250
Debtors control		210 000
Provision for bad debts		11 000
Bank overdraft		178 000
Petty cash		5 000
Cash float		1 000
Deposit: water and electricity		9 000
Shareholders for dividends		150 000
SARS- income tax	CR	- 6 000
SARS- PAYE		15 000
Accrued income		4 000
Accrued expenses		7 400
Income received in advance		8 000

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B. Mfundo limited issued 1 600 000 shares on 28 February 2019.

C. 30% of fixed deposit amounted to R195 000 will mature on 1 August 2019.

D. Stock is valued using weighted average method and all our stock is purchased on credit.

Date	Pair of shoes	Total cost including carriage
Opening stock (1 March 2018)	520	320 770
Closing stock (28 February 2019)	325	?
April 2018	1 160	795 880
February 2018	500	370 000
January 2019	300	226 500
	1 960	1 392 380

Thirty pairs of shoes from the purchases on January 2019 were not of a high quality. These were returned to the supplier including the carriage on purchases. **This transaction was not recorded.**

E. Financial indicators:

	2019	2018
Net asset value per share (NAV)	175 cents	101 cents
Solvency	2 : 1	1.5 : 1
Debt/equity ratio	0.6 : 1	0.7 : 1
Stock holding period in days	?	90 days

40

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QUESTION 5 (75 MARKS; 45 MINUTES)

CASH FLOW STATEMENT AND IN INTERPRETATION OF INFORMATION

The given information relates to Paarl Ltd for the financial year ended 28 February 2019.

REQUIRED:

5.1 Prepare the following notes to the Balance Sheet on 28 February 2019:

5.1.1 Ordinary share capital (7)
5.1.2 Retained income (6)

5.2 Complete the Cash Flow Statement for the year ended 28 February 2019. (Where applicable, show calculations/workings in brackets to earn part marks.) (21)

5.3 Calculate the current ratio for 28 February 2019: (3)

5.4 The directors have taken significant decisions which will be reflected in the Cash Flow Statement. Identify TWO of these major decisions and quote figures (above 500 000). In each case give ONE consequence of the decision to the business. (6)

INFORMATION:

A. Information from the Income Statement for the financial year ended 28 February 2019:

Depreciation	320 000
Interest expense	86 100
Operating profit	697 000
Income tax (30% of the net profit)	187 770
Net profit after income tax	?

B. Information from the Balance Sheet on 28 February :

	2019 (R)	2018 (R)
Fixed assets (carrying value)	6 177 000	4 975 000
Fixed deposits	220 000	300 000
Loan: Mbuso Bank	985 000	450 000
Current assets	637 000	663 300
Current liabilities	490 000	614 300
Shareholders' equity	?	?
Ordinary share capital	5 292 000	?
Retained income	?	147 370
Cash and cash equivalents	23 400	2 500
Bank overdraft	-	65 100
Shareholders for dividends	?	120 000
SARS: Income tax	11 800 (Cr)	2 400 (Dr)

C. Share capital and dividends

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- The authorised share capital comprises 1 200 000 ordinary shares.
- 900 000 ordinary shares were in issue on 1 March 2018.
- The company issued 150 000 ordinary shares at R6,30 per share on 30 September 2018.
- 70 000 ordinary shares were repurchased from shareholders on 27 February 2019. A cheque for R437 500 was issued for these shares. These shareholders qualify for final dividends.
- An interim dividend of 12 cents per share was paid on 1 September 2018.
- A final dividend of 16 cents per share was declared on 28 February 2019.

D. **Fixed assets:** Transactions during the current financial year.

- Old equipment was sold for cash at the carrying value of R324 000.
- Additional equipment and delivery vehicles were purchased.

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5.5 ALWANDE LTD AND SUKOLUHLE LTD

You are provided with information relating to two companies.

BACKGROUND INFORMATION:

- Sizwe Smith owns 550 000 shares in each company.
- **Alwande Ltd** issued 150 000 new shares only to existing shareholders at the average issue price (R10.20). These funds were used to establish a new branch. No new loans were raised.
- **SUKOLUHLE Ltd** paid R4 800 000 to repurchase 240 000 shares. **Note:** none of Sizwe's share were repurchased.

REQUIRED:

NOTE: Where comments or explanations are required, quote financial indicators and figures to support your answer.

ALWANDE LTD

5.5.1 Comment on the price of R10.20 charged by Alwande Ltd for the new shares issued. (3)

5.5.2 Explain how the issue of new shares has affected the financial gearing and risk of Alwande Ltd. Quote TWO financial indicators. (6)

5.5.3 Sizwe had the option to buy some of the new shares issued by Alwande Ltd. He had saved sufficient funds (interest rate 4.5% p.a.) for this purpose.

- If Sizwe wanted to retain his 55% shareholding in the company, how many shares would he have had to buy and how much would he have had to pay? (5)
- Sizwe decided NOT to buy these shares. Apart from the % shareholding, explain TWO reasons why he has made a mistake by not taking up this option. (4)

SUKOLUHLE LTD

5.5.4 Comment on the liquidity of Sukoluhle Ltd. Quote TWO financial indicators. (6)

5.5.5 Comment on the price paid by Sukoluhle Ltd for the repurchase (buy-back) of shares. (2)

5.5.6 Explain THREE ways in which Sizwe has benefited from the repurchase of the shares by Sukoluhle Ltd. (6)

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ADDITIONAL INFORMATION:

Financial indicators and additional information from annual reports:

	ALWANDE LTD		SUKOLUHLE LTD	
	2017	2016	2017	2016
Debt-equity ratio	0,5 : 1	0,8 : 1		
Current ratio			1,9 : 1	3,5 : 1
Acid-test ratio			1,1 : 1	1,7 : 1
Stock-holding period			54 days	54 days
Number of shares in issue	1 150 000	1 000 000	900 0000	1 375 000
Average share issue price	R9,10		R11,50	
Price paid for share repurchase			R17,00	
Price of share on JSE	R14,00		R17,00	
Net asset value per share	R11,70	R12,38	R15,40	R15,12
% return on shareholders' equity	25%	20%	16%	14%
% return on total capital employed	21%	19%		
Earnings per share	150 cents	200 cents	270 cents	190 cents
Total dividends	R586 500	R650 000	R1 152 000	R988 800
Dividends per share	51 cents	65 cents	160 cents	103 cents

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QUESTION 6: RECONCILIATIONS (40 MARKS; 25 MINUTES)

6.1 Choose the correct answer from the words provided within brackets. Write only the answer, next to each number (1.1.1 – 1.1.4) in the ANSWER BOOK.

6.1.1 The debtor's cheque marked "R/D" insufficient funds by the bank is recorded in the (**Cash Receipts Journal/Cash Payments Journal**).

6.1.2 A (**debit/credit**) entry is made in the debtors account for goods supplied on credit.

6.1.3 A (**debit note/credit note**) is the source document used by the business for goods returned by a debtor.

6.1.4 A (**cash discount/trade discount**) is offered when accounts are settled within a certain time. (4 X 1) (4)

6.2 DEBTORS RECONCILIATION AND AGE ANALYSIS

The information below, relates to MGM Traders for May 2019.

REQUIRED:

6.2.1 Calculate the correct Debtors Control balance on 31 May 2019. (4)

6.2.2 Calculate the balances for the debtors listed in the ANSWER BOOK. (12)

6.2.3 **Refer to the Age Analysis (Information C):**

- Calculate the percentage of debtors that are not complying with the 30 days credit terms. (3)
- List TWO internal control measures that MGM Traders can use to ensure that only reliable clients are granted credit. (4)

INFORMATION:

A. Balances on 31 May 2019 (before errors and omissions):

Debtors Control balance	R74 600
Debtors list balance	70 000
• N. Zulu	21 600
• Y. Bosman	12 400
• C. Ntazi	24 900
• A. Botha	?

B. Errors and omissions discovered:

(i) The Debtors Journal was overcast by R3 500.

(ii) An allowance of R800 granted to Zulu for damaged goods dispatched was entered in the wrong side of her account.

(iii) Goods sold on credit to Botha for R6 300 was entered incorrectly to his account as R3 600. Posting to the General Ledger was correct.

(iv) A cheque for R2 500 received from Ntazi was recorded in the account of Bosman in error.

(v) A cheque for R4 230 received from Zulu was returned by the bank marked "R/D – insufficient funds". A discount of R270 was granted when this cheque was received. This was not recorded.

C. **DEBTORS AGE ANALYSIS**

AMOUNT OWING	CURRENT MONTH	30 DAYS	60 DAYS	More than 60 DAYS
R70 000	12 600	21 000	28 000	8 400

Debtors are allowed 30 days to settle their accounts.

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6.3 CREDITORS RECONCILIATION

Veli Traders buys goods on credit from Pillay Suppliers. The information presented is for May 2019.

REQUIRED:

Reconcile the Creditors Ledger account of Pillay Suppliers in the books of Veli Traders with the statement received.

Commence with the opening balances as provided in the ANSWER BOOK. (13)

INFORMATION:

A. Creditors Ledger of Veli Traders

Pillay Suppliers (CL6)

DATE		DETAILS	FOL	DEBIT	CREDIT	BALANCE
May	1	Balance	b/d			34 200
	5	Invoice No. 443	CJ		4 770	38 970
	10	Cheque No. 2810	CPJ	15 000		23 970
		Discount	CPJ	750		23 220
	12	Invoice No. 568	CJ		5 640	28 860
	18	Debit Note No. 114	CAJ	980		27 880
	28	Invoice No. 667	CJ		7 120	35 000

B. Statement received from Pillay Suppliers

PILLAY SUPPLIERS
STATEMENT OF ACCOUNT

No. A732

Customer: *Veli Traders*

Statement date: 25 May 2017

112 Willow Street
Willowmore
5 570

DATE		DETAILS	DEBIT	CREDIT	BALANCE
April	28	Account rendered			38 830
	30	Invoice No. 376	3 370		42 200
May	1	Receipt No. 1144		8 000	34 200
	5	Invoice No. 443	7 740		41 940
	10	Receipt No. 1328		15 000	26 940
	12	Invoice No. 568	6 640		33 580
	18	Credit Note No. 743	980		34 560
	22	Invoice No. 772	3 860		38 420

Includes transactions up to 25th of each month

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C. Differences noted:

(i) Invoice No. 443 was recorded incorrectly in the creditors ledger.

(ii) The statement did not reflect the discount for early payment on the 10th. This will be rectified on the next statement.

(iii) It was discovered that Invoice No. 568 on the statement included goods valued at R1 000 ordered by the warehouse manager. The manager is facing disciplinary action.

(iv) Goods valued at R980 were returned on the 18th. It is shown as a debit entry in both the creditor's ledger account as well as the statement of account.

(v) Invoice No. 772 on the statement was an error made by Pillay Suppliers. These goods were not purchased by Veli Traders.

(vi) The statement was received on 25 May 2019.

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TOTAL MARKS: 300

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Department:
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PROVINCE OF KWAZULU-NATAL

GRADE 12

NATIONAL SENIOR CERTIFICATE

ACCOUNTING

ANSWER BOOK

COMMON TEST

JUNE 2019

Name:_____ Grade:_____

QUESTION	MARKS	MOD BY THE SCHOOL	MOD BY THE CLUSTER	MOD BY THE PROVINCE
1				
2				
3				
4				
5				
6				
TOTAL				

N.B. This answer book consists of 16 pages.

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QUESTION 1

1.1 Indicate whether the following statements are TRUE or FASLE. Write only 'true' or 'false' next to the question number (i) – (iv) in the answer book.

1.1.1	
1.1.2	
1.1.3	
1.1.4	

4

1.2.1 Calculate the correct totals for the Cash Receipts Journal and Cash Payment Journal for May 2019.

Cash Receipts Journal
146 970

Cash Payment Journal
68 900

9

1.2.2 Prepare the Bank Reconciliation Statement on 31 May 2019.

	Debit	Credit

10

1.2.3 Explain how cheque No. 908 should be treated when preparing the financial statements as at 31 May 2019 the end of the financial year.

2

1.2.4 Refer to information G. The bookkeeper has decided to write off the amount of R50 000.

- Which GAAP principle will the bookkeeper be applying?
- The bookkeeper wants to prevent a similar problem in future. Give TWO suggestions to improve internal control in this regard.

5

1.3 Calculate the amount receivable from or payable to SARS for VAT on 31 March 2019.

Receivable/Payable:

10

TOTAL MARKS
40

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QUESTION 2

2.1 INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2019.

Sales	
Cost of sales	
Gross profit	
Other operating income	
Gross income	
Operating expenses	
Audit fees	33 800
Insurance	21 222
Bad debts	74 000
Bank charges	3 200

47

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2.2.1

	CALCULATIONS	ANSWER	
A.			1
B.			2
C.			3
D.			5

2.2.2

Trade and other payables	
Creditors	660 000

12

TOTAL MARKS
70

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QUESTION 3: INVENTORY SYSTEMS (40 marks; 18 minutes)

3.1.1 Value of closing stock using the FIFO method of stock valuation. The value of closing stock according to the Weighted Average method is R756 750.

First in First Out (FIFO)	Weighted Average
	R756 750

7

3.1.2 Calculate Cost of Sales using the FIFO method.

5

3.1.3 Calculate the number of units missing.

5

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3.1.4 **What solutions would you offer to the CEO to help solve the problem of the missing units. Provide TWO good solutions.**

Solution 1:

Solution 2:

4

3.1.5 **Cool Traders uses the Periodic Stock system. Briefly explain to the CEO how the Perpetual Stock System works. In your explanation state TWO main advantages of the Perpetual Stock System.**

Explanation:

Advantages:

4

3.1.6 **The CEO has asked you to prepare the financial report based on the FIFO method. Would you agree to comply with the request? Provide a detailed explanation to support your answer.**

Opinion:

Explanations

3

3.1.7 **What other method of stock validation can Cool Traders use?**

1

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3.2

Identify ONE problem relating to each branch. Quote figures to support your answer. In each case, offer Secret advice.		
BRANCH	**Problem WITH A FIGURE**	**Advice**
MALAHLENI		
MBIZENI		
SIVUKILE		

6

TOTAL MARKS
35

QUESTION 4

4.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (4.1.1 to 4.1.5) in the ANSWER BOOK

4.1.1	
4.1.2	
4.1.3	
4.1.4	

4

4.2 BALANCE SHEET ON 28 FEBRUARY 2019.

ASSETS	
NON CURRENT ASSETS	
CURRENT ASSETS	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
SHAREHOLDERS EQUITY	
NON CURRENT LIABILITIES	
CURRENT LIABILITIES	
Current portion of loan	570 000
Bank overdraft	178 000
TOTAL EQUITY AND LIABILITIES	

36

TOTAL MARKS
40

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QUESTION 5

5.1.1

ORDINARY SHARE CAPITAL Authorised shares 1 200 000 Issued shares		
900 000	Shares	

7

5.1.2 RETAINED INCOME

Balance at the beginning of the year	147 370

6

5.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2019.

Cash flow from operating activities	
Cash generated by operations	
Interest paid	
Cash flow from investing activities	
Changes in investment (300 000 – 220 000)	80 000
Cash flow from financing activities	
Changes in non-current liabilities(450 000 -985 000)	535 000

21

5.3 Current ratio

3

5.4

Significant decisions above 500 000	Consequence of the decision

6

5.5 **ALWANDE LTD**

5.5.1 **Comment on the price of R10.20 charged by Alwande Ltd for the new shares issued.**

3

5.5.2 **Explain how the issue of new shares has affected the financial gearing and risk of Alwande Ltd. Quote TWO financial indicators.**

6

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5.5.3

If Sizwe wanted to retain his 55% shareholding in the company, how many shares would he have had to buy?	3
How much would he have had to pay?	2
Sizwe decided NOT to buy these shares. Apart from the % shareholding, explain TWO reasons why he has made a mistake by not taking up this option.	4

SUKOLUHLE LTD

5.5.4 **Comment on the liquidity of Sukoluhle Ltd. Quote TWO financial indicators.**

6

5.5.5 **Comment on the price paid by Sukoluhle Ltd for the repurchase (buy-back) of shares.**

2

5.5.6 **Explain THREE ways in which Sizwe has benefited from the repurchase of the shares by Sukoluhle Ltd.**

6

TOTAL MARKS
75

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QUESTION 6: RECONCILIATIONS

6.1 Choose the correct answer from the words provided within brackets. Write only the answer, next to each number.

6.1.1	
6.1.2	
6.1.3	
6.1.4	

4

6.2 DEBTORS RECONCILIATION

6.2.1 Calculate the correct Debtors Control balance on 31May 2018.

74 600

4

6.2.2 Calculate the balances for the following debtors:

N. Zulu	
C. Ntazi	
A. Botha	

12

6.2.3 Calculate the percentage of debtors that are not complying with the 30 days credit terms.

3

List TWO internal control measures that MGM Traders can use to ensure that only reliable clients are granted credit.

4

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6.3 CREDITORS RECONCILIATION

NO.	CREDITOR'S LEDGER ACCOUNT BALANCE	STATEMENT BALANCE
Balance	**35 000**	**38 420**
i)		
ii)		
iii)		
iv)		
v)		
vi)		
TOTAL		

TOTAL MARKS
40

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education

Department:
Education
PROVINCE OF KWAZULU-NATAL

ACCOUNTING

MARKING GUIDELINES

COMMON TEST - JUNE 2019

NATIONAL SENIOR CERTIFICATE

GRADE 12

MARKS: 300

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.
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'.
11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect.
12. Be aware of candidates who provide valid alternatives beyond the marking guideline.
13. Codes: f=foreign item; p=placement.

This memorandum consists of 14 pages

QUESTION 1

1.1 Indicate whether the following statements are TRUE or FASLE. Write only 'true' or 'false' next to the question number (i) – (iv) in the answer book.

1.1.1	False✓
1.1.2	True✓
1.1.3	False✓
1.1.4	True✓

4
4

1.2.1 Calculate the correct totals for the Cash Receipts Journal and Cash Payment Journal for May 2019.

Cash Receipts Journal
146 970
1 800✓
12 340✓
Operation if one part correct
161 110☑

Cash Payment Journal
68 900
2 100✓
920✓
600✓
50 000✓✓
Operation if one part correct
122 520☑

9
9

1.2.2 Prepare the Bank Reconciliation Statement on 31 May 2019.

	Debit	Credit
Credit balance as per bank statement		42 440✓
Credit outstanding deposit		18 000✓
Debit outstanding cheques		
No. 897	8 700✓	
No. 905	1 200✓	
No. 908	3 100✓	
Credit amount wrongly debited		800✓✓
Debit balance as per bank account Operation	48 240☑	
Operation one part correct	61 240☑	61 240☑

10
10

1.2.3 Explain how cheque No. 908 should be treated when preparing the financial statements as at 31 July 2015 the end of the financial year.

Explanation: ✓✓

Accept short explanation; may be phrased differently
Part-marks for unclear/incomplete explanation

- Increase bank and increase creditors in the Balance Sheet notes.
- Increase cash and cash equivalents as well as trade and other payables in the notes.
- The amount is not recognised as paid and the debt is not reduced.
- Accept : debit Bank and credit Creditors control

2
2

1.2.4 Refer to information G. The bookkeeper has decided to write off the amount of R50 000.

- **Which GAAP principle will the bookkeeper be applying?**
- **The bookkeeper wants to prevent a similar problem in future. Give TWO suggestions to improve internal control in this regard.**

Principle of prudence ✓

Solutions: Any two ✓✓ ✓✓

Accept short solutions; may be phrased differently
Part-marks for unclear/incomplete solution

- Division of duties/separation of duties
- Encourage EFT payments by customers / debtors
- All cash received must be deposited daily/deposit slip must agree to receipts/ bank notifications by SMS or email
- Regular and timely check / monitor all large transaction

5
5

1.3 Calculate the amount receivable from or payable to SARS for VAT on 31 March 2019.

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

✓ ✓✓ ✓ ✓✓ ✓ ✓ ☑ One part correct

21 375 – 44 550 + 4 725 – 2 130 + 72 000 – 1 800 = 49 620

OR

– 21 375 + 44 550 – 4 725 + 2 130 – 72 000 + 1 800 = 49 620

OR

Balance at beginning = 21 375
Output 72 000 – 1 800 – 2 130 = 68 070
Input 44 550 – 4 725 = (39 825)
49 620

OR

VAT CONTROL	
21 375	44 550
4 725	2 130
72 000	1 800
	49 620
98 100	98 100

VAT CONTROL	
44 550	21 375
2 130	4 725
1 800	72 000
49 620	
98 100	98 100

Receivable/Payable: Payable ✓ Do not accept Receivable (irrespective of workings)

10
10

TOTAL MARKS
40
40

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QUESTION 2

2.1 INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2019.

	Sales (6 200 000✓ – 20 000✓ + 80 000 ✓ – 70 000✓)		6 190 000 ☑
	Cost of sales (3 000 000✓ + 62 500✓ – 43 750✓)		(3 187 750) ☑
10	**Gross profit**	Operation one part correct	3 171 250 ☑
	Other operating income	Operation one part correct	122 989 ☑
	Rent income (128 740✓ – 27 060✓)		101 680 ✓
	Bad debts recovered (2 760✓ + 2 400✓)		5 160 ✓
	Provision for bad debts adjustment		3 149 ✓✓
	Profit on sale of an asset		13 001 ✓✓
11	**Gross income**	Operation one part correct	3 294 240
	Operating expenses	Operation one part correct	(2 676 240) ☑
	Audit fees		**33 800**
	Insurance		**21 222**
	Bad debts		**74 000**
	Bank charges		**3 200**
	Directors fees (260 000✓ + 260 000✓)		520 000 ✓
	Salaries (1 220 000✓ + 15 368✓)		1 235 368 ✓
	Pension fund contribution (36 200✓ + 3 900✓)		40 100 ✓
	Packing material (22 000✓ – 4 000✓)		18 000 ✓
	Sundry expenses Accept (137 322) Balancing figure	Operation	77 100 ☑
	Trading stock deficit		81 250 ✓✓
17	Depreciation (525 200☑+ 47 000☑)	See 2.2.1	572 200 ☑
	Operating profit		618 000 ✓
	Interest income	Operation	32 000 ☑
	Operating profit before interest expense	Operation	650 000 ☑
	Interest expense		(30 000) ✓
	Net profit before taxation	Operation	620 000 ☑
	Income tax		(186 000) ✓
7	Net profit after tax	Operation	434 000 ☑

47

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2.2.1

	CALCULATIONS	ANSWER	
A.	5 700 000 – 3 800 000 Operation one part correct	1 900 000 ☑	1 1
B.	294 000 – 294 000 Operation one part correct	0 ✓☑	2 2
C.	24 000 ✓ + 501 200 ✓ Operation one part correct	525 200 ☑	3 3
D.	36 000 x 10/100 X 2/12 = 600 ✓✓ Operation one part correct 914 000 – 450 000 = 464 000 464 000 X 10/100 = 46 400 ✓✓	47 000 ☑	5 5

2.2.2

Trade and other payables	
Creditors	**660 000**
Creditors for salaries	10 538✓
SARS PAYE (64 100✓ + 2880✓)	66 980✓
Pension Fund (45 400✓ + 3 900✓ + 1 950✓)	51 250✓
Shareholders for dividends	244 800✓
Income received in advance	27 060✓
Accrued expenses	260 000✓
Operation one part correct	1 320 628☑

12
12

TOTAL MARKS
70
70

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QUESTION 3: INVENTORY SYSTEMS (40 marks; 18 minutes)

3.1.1 **Value of closing stock using the FIFO method of stock valuation. The value of closing stock according to the Weighted Average method is R756 750.**

First in First Out (FIFO)	Weighted Average
120 units 80 X R6 500 = R520 000✓✓ 40 X R5 500 = R220 000✓✓ 120 X 1 375 = R165 000✓✓ = R905 000 ☑ Operation one part correct	**R756 750**

7
7

3.1.2 **Calculate Cost of Sales using the FIFO method.**

O/S + purchases + Import duties - closing stock
= 70 000 ✓ + R1 930 000 ✓ + 522 500 ✓ – 905 000 ☑ See 3.1.1
= R1 617 500 ☑ Operation one part correct

5
5

3.1.3 **Calculate the number of units missing.**

20 ✓ + 380 ✓ – 258 ✓ – 120 ✓ = 22 ☑ missing Operation one part correct

5
5

3.1.4 **What solutions would you offer to the CEO to help solve the problem of the missing units. Provide TWO good solutions.**

Accept short explanations; may be phrased differently
Part-marks for unclear/incomplete explanation

Two solutions: ✓✓ ✓✓

- Convert to perpetual / regular stock counts and better internal control over stock.
- Safe secure environment/ improved security
- Improve documentation by ensuring proper authorisation, receiving of goods, recording and packaging.
- Division of duties / separation of duties

4
4

3.1.5 **Cool Traders uses the Periodic Stock system. Briefly explain to the CEO how the Perpetual Stock System works. In your explanation state TWO main advantages of the Perpetual Stock System.**

Accept short explanation/advantages; may be phrased differently
Part-marks for unclear/incomplete explanation/advantages

Explanation: ✓✓
Cost of sale is recorded with each sale/ cost of goods sold recorded at the point of sale/ continuously updating the stock on hand when sales are made.

Two Advantages: ✓ ✓
Trading Stock balance is adjusted immediately.
Deficits can be identified timeously through physical stock taking.
Gross profit can be calculated at any point in time without physical stock taking.

4
4

3.1.6 **The CEO has asked you to prepare the financial report based on the FIFO method. Would you agree to comply with the request? Provide a detailed explanation to support your answer.**

Opinion: NO✓

Explanations✓✓

Accept short explanations; may be phrased differently
Part-marks for unclear/incomplete explanation

- FIFO method would yield a higher gross profit.
- Manipulating figures is fraudulent and unethical.
- Contrary to SARS requirements.
- Professional accountant is bound by a code of ethics.

3
3

3.1.7 **What other method of stock validation can Cool Traders use?**

Specific identification method ✓

1
1

3.2 **Identify ONE problem relating to each branch. Quote figures to support your answer. In each case, offer Bennie advice.**

BRANCH	Problem WITH A FIGURE ✓ ✓ ✓	Advice ✓ ✓ ✓
MALAHLENI	Stock piling 75% (330/440) on hand / Mark-up percentage of 80% too high% / Sales are only 25% (110/440) of the stock	Decrease mark-up % / Reduce selling price / Sales promotions / order stock as required
MBIZENI	Missing cash of R120 000 (1 800 000 – 1 680 000)	Check the money before banking / Division of duties / Use EFT
SIVUKILE	Poor stock control – 400 orders and only 280 in stock (120 more could have been sold) / Not enough stock to meet demand (400 orders and only 280 in stock) / No (zero) stock on hand (poor planning)	Purchase more stock/ Take stock from Malahleni branch

6
6

TOTAL MARKS
35
35

QUESTION 4

4.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (4.1.1 to 4.1.5) in the ANSWER BOOK

4.1.1	True✓
4.1.2	False✓
4.1.3	False✓
4.1.4	False✓

4
4

4.2 BALANCE SHEET ON 28 FEBRUARY 2019.

	ASSETS		
	NON CURRENT ASSETS	**TA – CA**	4 962 750 ☑
	Fixed assets	Operation one part correct	4 507 750 ☑
6	Fixed deposit (195 000 ✓ X 70/30 ✓✓)		455 000 ☑
	CURRENT ASSETS	Operation one part correct	637 250 ☑
	Inventory 1 690 500✓ / 2 450✓ = 690☑ X 325✓	Operation one part correct	224 250 ☑
	Trade and other receivables (210 000✓– 11 000✓ + 9000✓ + 4000✓)		212 000 ✓
	Cash and cash equivalent (5 000✓ + 1 000✓ + 195 000✓)		201 000 ✓
16	**TOTAL ASSETS**	**(NCL + CL) X 2 OR TE + L**	5 600 000 ☑
	EQUITY AND LIABILITIES		
	SHAREHOLDERS EQUITY	**(175 X 1 600 000) / 100**	2 800 000 ✓
	Ordinary share capital	Operation one part correct	1 850 000 ☑
	Retained income		950 000 ✓
	NON CURRENT LIABILITIES	**2 800 000 X 0.6**	1 680 000 ☑
4	Loan		1 680 000
	CURRENT LIABILITIES	Operation one part correct	1 120 000 ☑
	Trade and other payables (208 250✓ + 150 000✓ + 6 000✓ + 15 000✓+ 7 400✓ – 22 650✓ + 8 000✓)	Operation one part correct	372 000 ☑
	Current portion of loan		**570 000**
	Bank overdraft		**178 000**
10	**TOTAL EQUITY AND LIABILITIES**	Operation one part correct	5 600 000 ☑

36
36

TOTAL MARKS
40
40

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QUESTION 5

5.1.1

ORDINARY SHARE CAPITAL			
Authorised shares			
1 200 000			
Issued shares			
900 000	**Shares** Operation one part correct	4 725 000 ☑	
150 000 ✓	shares @ R6.30	945 000 ✓	
(70 000) ✓	shares bought back @ R5.40 One part correct	(378 000) ☑	
980 000 ☑	Shares @ R5.40	5 292 000 ✓	**7**

One part correct

5.1.2 RETAINED INCOME

Balance at the beginning of the year	**147 370**	
Net profit after tax	438 130 ✓	
Buy back of shares (437 500 – 378 000) One part correct	(59 500) ☑	
Dividends One part correct	(276 000) ☑	
Paid (900 000 X 0.12)	108 000 ✓	
Final (1 050 000 X 0.16)	168 000 ✓	**6**
Balance at the end of the year One part correct	250 000 ☑	**6**

5.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2019.

	Cash flow from operating activities Balancing figure	485 500 ☑	
	Cash generated by operations		
	Interest paid	**(86 100)**	
	Dividends paid (120 000 ✓+ 108 000☑ See 5.1.2) One part correct (120 000 + 276 000 – 168 000)	(228 000) ☑	
8	Tax paid (187 770✓ – 11 800✓ – 2 400✓) –187 770 + 11 800 + 2 400	(173 570) ✓	
	Cash flow from investing activities Operation one part correct	(1 442 000) ☑	
	Purchases of fixed assets (6 177 000 ✓ + 320 000 ✓ + 324 000 ✓ – 4 975 000 ✓) One part correct	(1 846 000) ☑	
	Proceeds on sale of asset	324 000 ✓	
7	**Changes in investment (300 000 – 220 000)**	**80 000**	
	Cash flow from financing activities One part correct	1 042 500 ☑	
	Proceeds on shares issued See 5.1.1	945 000 ☑	
	Buy-back of shares	(437 500) ✓	
3	**Changes in non-current liabilities(450 000 -985 000)**	**535 000**	
	Net change in cash and cash equivalent Operation one part correct	86 000 ☑	
	Cash and cash equivalent at the beginning (65 100 – 2 500)	(62 600) ✓	
			21
3	Cash and cash equivalent at the end	23 400 ✓	**21**

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5.3

Current ratio

637 000 ✓ : 490 000 ✓

1.3 : 1 ☑ Operation one part correct

3
3

5.4

Significant decisions above 500 000	**Consequence of the decision**
Decision with figure ✓✓ ✓✓	**Consequence** ✓ ✓
Purchases of fixed asset by 1 846 000	To improve the productivity of the business
Proceeds on shares issued by 945 000	To finance the purchases of fixed asset
Loan increased by R535 000	To finance the purchases of fixed asset

6
6

5.5 ALWANDE LTD

5.5.1 Comment on the price of R10.20 charged by Alwande Ltd for the new shares issued.

Compare issue price to market price or NAV ✓✓

Figures R14,00 or R11,70 ✓ Could quote differences e.g. R3.8 or R1,5

Accept short comment; may be phrased differently
Part-marks for unclear/incomplete comment

Expected responses:

- The shares were issued at the average share issue price.
  The existing shareholders are being rewarded as the price is lower than the R14,00 charged on the JSE and the NAV of R11,70.
- The shares could have been issued at the market price of R14,00 or the NAV of R11,70 (they have diluted the value of the shares).

3
3

5.5.2 Explain how the issue of new shares has affected the financial gearing and risk of Alwande Ltd. Quote TWO financial indicators.

Explanation ✓ ✓ Financial indicators ✓ ✓ Figures ✓ ✓

Superfluous indicators (i.e. more than two indicators) -1 max

Expected responses:

- Gearing has <u>improved</u> – less risk (as there was an issue of new shares)
  one mark one mark
  debt-equity ratio decreased from 0,8 : 1 to 0,5 : 1 (by 0,3 : 1)
  one mark one mark
- ROTCE <u>improved</u> (due to increased efficiency / profits on new branch)
  one mark
  from 19 % to 21 % by 5%

Candidates may also compare ROTCE to their estimate of current interest rate

6
6

5.5.3 **If Sizwe wanted to retain his 55% shareholding in the company, how many shares would he have had to buy?**

✓ ✓ ☑ one part correct

(1 150 000 x 55%) – (1000 000 x 55%) = 82 500

632 500 550 000

two marks one method mark (if x 60%)

OR

150 000 x 55% = 82 500

3
3

How much would he have had to pay?

82 500 shares at R10.20 each = R841 500 ☑☑ If = number of shares (above) x R9,10

2
2

Sizwe decided NOT to buy these shares. Apart from the % shareholding, explain TWO reasons why he has made a mistake by not taking up this option.

Explanation ✓ ✓ Figures ✓ ✓

Accept short explanations; may be phrased differently

Part-marks for unclear/incomplete explanation

Expected responses: Any two

- His dividends would have increased by R42 075 (51c x 82 500 shares). This is more than the interest he earned on the savings account R38 709 (841 500 see above x 4.6%)
- He could buy the shares for capital growth - bought the shares for R10.20 and then could sell them on the JSE for R14,00 / total profit could have been R313 500 / would be a good buy as R14,00 exceeds NAV R11,70
- He would have earned more dividends on bigger investment (51c/1020c = 5,%)
- ROSHE would be 25% on a bigger investment.
- He would lose 82 500 votes at the AGM.

4
4

SUKOLUHLE LTD

5.5.4 **Comment on the liquidity of Sukoluhle Ltd. Quote TWO financial indicators.**

Accept short explanation; may be phrased differently

Part-marks for unclear/incomplete explanation

Explanation: ✓✓ Superfluous indicators (i.e. more than two indicators) -1 max

The liquidity situation has improved / is able to meet current debts / liquidity ratios have decreased / liquidity ratios are more efficient

Financial indicators any two ✓ ✓ Figures ✓ ✓

- Current ratio has decreased (from 3,5 : 1) to 1,9 : 1
- Acid-test ratio has decreased (from 1,7 : 1) to 1,1 : 1
- Stock-holding period appears to be efficient at 54 days (less than 2 months)

6
6

5.5.5 **Comment on the price paid by Sukoluhle Ltd for the repurchase (buy-back) of shares.**

Accept short comment; may be phrased differently

Part-marks for unclear/incomplete comment

Expected response with any figure: ✓✓

The company is paying a premium above the average share price in order to entice shareholders to give up their shares / they wanted to increase returns by decreasing equity / this is a fair value same as the price on the JSE.

Compare price paid (R17,00) to

- market value R17,00
- net asset value R15,40

2
2

	• average issue price of shares R11.50	
5.5.6	**Explain THREE ways in which Sizwe has benefited from the repurchase of the shares by Sukoluhle Ltd.** Explanation ✓ ✓ ✓ Figures ✓ ✓ ✓ Accept short explanations; may be phrased differently Part-marks for unclear/incomplete explanation **Expected responses:** Three <u>different</u> responses • He has now become a majority shareholder. His 550 000 shares are 61.1% of the total shares (40% before the share buy-back) • Due to the reduced number of shares, his return has improved i.e. EPS has increased by 80c / from 190c to 270c / ROSHE increased from 14% to 16%. **(NOTE:** EPS and ROSHE reinforce the same point). • The reduced number of shares could have contributed to an increase in the DPS by 57c / by 55,3% / from 103c to 160c (Directors may have maintained the dividend pay-out policy).	**6** **6**

TOTAL MARKS
75

QUESTION 6: RECONCILIATIONS

6.1 **Choose the correct answer from the words provided within brackets. Write only the answer, next to each number.**

6.1.1	Cash Payments Journal (CPJ)	✓
6.1.2	Debit	✓
6.1.3	Credit note	✓
6.1.4	Cash discount	✓

4
4

6.2 DEBTORS RECONCILIATION

6.2.1 **Calculate the correct Debtors Control balance on 31May 2018.**

74 600 – 3 500 ✓ + 4 500 ✓✓ = 75 600 ☑ One part correct
(4 230 + 270)

4
4

6.2.2 **Calculate the balances for the following debtors:**

N. Zulu	21 600 ✓ – 1 600 ✓✓ + 4 500 ☑ See 6.2.1 (–800 – 800)	24 500 ☑*
C. Ntazi	24 900 ✓ – 2 500 ✓	22 400 ☑*
A. Botha	11 100 ✓✓ + 2 700 ✓	13 800 ☑*

* One part correct

12
12

6.2.3 **Calculate the percentage of debtors that are not complying with the 30 days credit terms.**

28 000 + 8 400
36 400 ✓ x 100 = 52% ☑ one part correct
70 000 ✓

3
3

List TWO internal control measures that MGM Traders can use to ensure that only reliable clients are granted credit.

Any TWO control measures ✓✓ ✓✓
Accept short explanations; may be phrased differently
Part-marks for unclear/incomplete explanation

- Perform credit checks (references / listing / credit bureau).
- Check employment history and salary advice.
- Contact details (residential/postal address and contact numbers).

4
4

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6.3 CREDITORS RECONCILIATION

NO.	CREDITOR'S LEDGER ACCOUNT BALANCE	STATEMENT BALANCE	
Balance	**35 000**	**38 420**	
i)	2 970 7 740 – 4 770 ✓✓		
ii)		(750) ✓✓	
iii)	1 000 ✓✓		
iv)		(1 960) 980 + 980 ✓✓ (1 mark each)	
v)		(3 860) ✓✓	
vi)		7 120 ✓✓	
TOTAL	38 970	☑ for both totals 38 970	**13** **13**

Allocate 1 mark for the amount and 1 mark for the sign
(accept brackets, negative sign debits and credits)
No marks for entries on both sides

TOTAL MARKS
40

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