GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PREPARATORY EXAMINATION

2025

10712

ACCOUNTING

(PAPER 2)

TIME: 2 hours

MARKS: 150

ACCOUNTING P2

10712E

14 pages + a formula sheet and a 14-page answer book

X05

P.T.O.

INSTRUCTIONS AND INFORMATION

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

QUESTION	TOPIC	MARKS	MINUTES
1	Reconciliations	40	32
2	Cost Accounting	40	32
3	Stock Valuation	35	28
4	Budgets	35	28
TOTAL		**150**	**120**

QUESTION 1: RECONCILIATIONS (40 marks; 32 minutes)

1.1 BANK RECONCILIATION

The information below relates to Khaya Traders, a business owned by Khaya Smith. The business receives the Bank Statement on the 25th day of each month. Khaya uses this to complete the bank reconciliation.

REQUIRED:

1.1.1 Use the table provided in the ANSWER BOOK to calculate the final totals of the Cash Journals on 31 May 2025. (10)

1.1.2 Calculate the correct bank account balance in the General Ledger on 31 May 2025. (4)

1.1.3 Prepare the Bank Reconciliation Statement on 31 May 2025. (7)

1.1.4 Khaya has noticed that a long-serving cashier has recently been experiencing cash shortages. Suggest TWO possible reasons for these shortages and provide a solution for each reason given. (4)

1.1.5 Provide TWO reasons why Khaya authorises all EFT payments of his business. (2)

INFORMATION:

A. Extract from the Bank Reconciliation Statement on 30 April 2025

Outstanding deposits:	Dated 14 April 2025	R6 000
	Dated 28 April 2025	15 000
Outstanding EFTs:	No. 135	2 100
	No. 139	6 700
Unfavourable balance as per bank account		15 550

NOTE:

- The outstanding deposit of R15 000 appeared on the bank statement on 15 May 2025.
- The outstanding deposit of R6 000 did not appear on the bank statement for May 2025. An investigation revealed that this amount was never deposited and must be written-off.
- EFT 135 is correctly reflected as R210 on the bank statement.
- The bank statement of May 2025 shows that EFT 139 was recorded correctly.

B. Before receiving the May 2025 Bank Statement, the Cash Journals reflected the following provisional totals:

CASH RECEIPTS JOURNAL	CASH PAYMENTS JOURNAL
R102 675	R86 150

C. Information on the May 2025 Bank Statement which did not appear in the May 2025 Cash Journals:

DATE	DETAILS	DEBIT (R)	CREDIT (R)
1	P. Sello (tenant)		3 160
9	Cash withdrawal (K. Smith)	2 800	
15	Debtors' control (K. Phumi)		6 400
25	Debit order 00125	5 100	
28	Interest	365	
30	Transaction fees	830	

NOTE:

- K. Phumi made an electronic transfer before a 5% discount was granted. Khaya instructed the bookkeeper to refund the discount electronically. He authorised the refund and the bookkeeper processed it.

- An unauthorised debit order appeared on 25 May. The bank will rectify the error in June.

D. Entries in the Cash Journals after 25 May 2025:

Deposit on 30 May 2025	R31 250
EFT 384 to DS Packaging, dated 27 May 2025	9 650
EFT 392 to MJ Stationers, dated 29 May 2025	5 440

E. Bank Statement balance on 31 May 2025 …?

1.2 CREDITORS' RECONCILIATION

Soweto Traders buys goods on credit from, among others, PP Distributors. The business receives their account statement promptly every month.

REQUIRED:

1.2.1 Use the table provided to indicate all corrections that must be made to the Creditors' Control Account and the Creditors' List.

Indicate changes with a (+) for an increase, a (–) for a decrease or a (0) for no change. (9)

1.2.2 PP Distributors is happy with the way Soweto Traders manages its account and is willing to increase their credit limit.

Explain TWO actions that should be taken by Soweto Traders to help them to maintain a good relationship with the creditor. (4)

INFORMATION:

A. Balances and totals on 30 June 2025 (before correcting the errors and omissions):

Creditors' Control Account balance	R64 800
Creditors' List total in the Creditors' Ledger	R79 300

B. The Creditors' Journal was overcast by R1 000.

C. S. Snow, a debtor with a credit balance of R900, was mistakenly included in the list of creditors.

D. The total of the Creditors' Allowance Journal was inaccurately added as R23 500 instead of R17 900.

E. The Debtors' Control column of R4 400 in the Cash Payments Journal was erroneously posted to the Creditors' Control Account.

F. Packing material costing R2 300 returned to PP Distributors was recorded correctly in the relevant journal. It was however posted to the PP Distributors account as a credit purchase.

40

QUESTION 2: COST ACCOUNTING **(40 marks; 32 minutes)**

2.1 **MAGIC WOOD MANUFACTURERS**

Magic Wood Manufacturers manufactures wooden door frames and is owned by Phenyo Mason. Their financial year ends on 30 April each year.

REQUIRED:

2.1.1 **Refer to Information A.**

Calculate the direct/raw material cost. (6)

2.1.2 **Refer to Information C.**

Calculate the factory overhead cost for the year by completing the table in the ANSWER BOOK. (9)

2.1.3 Prepare the Production Cost Statement for the year ended 30 April 2025. (6)

2.1.4 Calculate the selling and distribution cost. (3)

2.1.5 Magic Wood donated window frames to a community school. The window frames were produced using offcuts that would otherwise have been wasted. Calculate the amount lost in terms of sales as a result of the wastage of the wood. (4)

INFORMATION:

A. Raw material (wood):

Raw materials are valued using the FIFO (first-in-first-out) method. All stock purchases are stored in a storeroom before being sent to the factory for production.

Raw material stock records:

	METRES	UNIT COST (R)	TOTAL (R)
Balance on 1 May 2024	1 520		608 000
Purchases	**16 200**		**7 467 000**
July 2024	8 400	420	
November 2024	7 800	505	
Returns	400	420	
Raw material issued to factory	16 570		**?**
Balance on 30 April 2025	750		**?**

NOTE: 400 metres were returned to the supplier due to delivery of the incorrect size.

B. Extract of pre-adjustment amounts on 30 April 2025:

The bookkeeper calculated the factory overhead cost as R3 670 860.

Other pre-adjustment amounts on 30 April 2025:

Office insurance	R12 480
Depreciation on factory equipment	42 000
Advertising	34 320
Factory rent	**?**

Adjustments to factory overheads:

- 80% of the insurance is allocated to the factory and the rest to the office. The bookkeeper undercast the insurance amount by R2 550.
- Depreciation on factory equipment was calculated using the cost-price method instead of the dimishing-balance method. Correct the error:
  - On 1 May 2024, accumulated depreciation on factory equipment amounted to R38 000.
  - Factory equipment depreciates at 15% per annum.

    NOTE: No factory equipment was bought or sold during the year.
- Magic Wood Manufacturers' factory rent for three months from 1 May 2024 to 31 July 2024, amounted to R168 000. PM Warehouse charges rent at a fixed rate. Magic Wood Manufacturers has been renting 160 square metres for the past two years. With effect from 1 August 2024, Magic Wood Manufacturers requested an increase in factory rental space by 40 square metres. The rent for this increase has not yet been recorded.

C. There is no work-in-process stock.

D. Other costs for the financial year (after all the adjustments):

	UNIT COST (R)	TOTAL (R)
Direct labour cost	710	**?**
Variable cost	2 240	14 380 800

E. Production and sales for the year:

- 6 420 wooden door frames were produced and sold.
- 2,5 metres of wood is used to make one door frame.
- The selling price per wooden door frame is R780.

2.2 KICK-IT-UP MANUFACTURERS

You are provided with the information relating to Kick-it-up Manufacturers. The business manufactures office chairs. The owner, Nono Shiloh, is happy with the increased profit.

NOTE: Where comments or explanations are required, you should:
- Quote calculations, figures and/or trends
- Give an explanation or a reason in each case

REQUIRED:

2.2.1 Explain why it is important to calculate the expected break-even point for a business before the start of a financial year. (2)

2.2.2 Nono was not anticipating an increase in profits. Explain to her how this happened. Provide TWO points. Quote figures. (4)

2.2.3 Explain why total fixed cost increased but fixed cost per unit decreased. Quote figures. (2)

2.2.4 Identify TWO costs (with figures) that have been well-controlled. For each cost, provide a possible action that Kick-it-up Manufacturers may have taken to keep these costs under control. (4)

INFORMATION:

	2025		2024	
	UNIT COST (R)	**TOTAL (R)**	**UNIT COST (R)**	**TOTAL (R)**
Fixed Cost	26,00	1 092 000	26,60	1 077 300
Variable Cost	**82,30**	**3 456 600**	**84,10**	**3 406 050**
Direct material	34,00	1 428 000	36,00	1 458 000
Direct labour	29,00	1 218 000	28,10	1 138 050
Selling and distribution	19,30	810 600	20,00	810 000
Selling price per unit	R117,30		R105,00	
Net profit for the year	R637 500		R101 250	
Units produced and sold	42 000 units		40 500 units	
Break-even point	31 200 units		51 545 units	

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QUESTION 3: INVENTORY VALUATION (35 marks; 28 minutes)

3.1 FLYEASY TRADERS

The business is owned by Magesh and sells one type of travel bag. The business uses the weighted-average method to value its stock and applies the perpetual inventory system. The financial year ended on 28 February 2025.

NOTE: Where comments or explanations are required, you should:
- Quote calculations, figures and/or trends
- Give an explanation or a reason in each case

REQUIRED:

3.1.1 Calculate the following for the year ended 28 February 2025:

- The value of closing stock, using the weighted-average method (3)
- Gross profit (5)

3.1.2 Magesh has decided to evaluate his pricing policy. Advise him on ONE point he should consider when reviewing his pricing strategy. (2)

3.1.3 Magesh is concerned about a decrease in profits. Give TWO potential factors that may lead to a reduction in profits. (2)

INFORMATION:

A. Stock records revealed the following:

	UNITS	UNIT PRICE (R)	TOTAL (R)
Opening stock (1 March 2024)	710		
Purchases	**2 370**		**8 310 000**
March	850	3 200	2 720 000
July	620	3 500	2 170 000
November	900	3 800	3 420 000
Closing stock (28 February 2025)	**?**	3 420	**?**

B. Sales:

- Only 2 508 travel bags were sold during the year.
- To remain competitive in the travel bag market, the selling price was fixed at R4 550 for the past three years.

3.2 **MENZIWATCH PLAZA**

Aya Mbambo is the owner of Menziwatch Plaza, a business that sells various types of exclusive watches. The business uses the specific identification method to value their stock and applies the periodic inventory system. The financial year ended on 28 February 2025.

REQUIRED:

3.2.1 Calculate the value of the closing stock on hand, using the specific identification method. (5)

3.2.2 Provide a calculation to confirm that the closing stock of the Saika watches is expected to be sold in 8,9 days. (3)

3.2.3 Aya is confident that the Dempo model should NOT be out of stock. Provide a calculation to support his assumption. (2)

3.2.4 Aya has expressed his concern about customers trying on watches without staff supervision. Identify TWO potential problems that could arise from this practice and suggest a solution for each. (4)

INFORMATION:

The following information relates to the year ended 28 February 2025:

A. Opening stock

MODEL	UNITS	UNIT PRICE (R)	TOTAL (R)
Dempo	46	4 750	218 500
Bolex	29	8 700	252 300

B. Purchases

MONTHS	MODEL	UNITS	UNIT PRICE (R)	TOTAL (R)
July 2024	Dempo	85	4 750	403 750
	Bolex	96	8 700	835 200
December 2024	Saika	116	5 550	643 800
February 2025	Bolex	44	8 700	382 800
	Saika	61	5 550	338 550

C. Closing stock

MODEL	UNITS	TOTAL (R)
Dempo	0	0
Bolex	**?**	**?**
Saika	**?**	**?**

D. Sales:

MODEL	UNITS SOLD	MARK-UP %
Dempo	125	52
Bolex	123	75
Saika	161	60

3.3 **PROBLEM-SOLVING:**

The information below relates to Staysmart Fashions. The business sells jackets tailored for various seasons.

NOTE: Where comments or explanations are required, you should:
- Quote calculations, figures and/or trends
- Give an explanation or a reason in each case

REQUIRED:

3.3.1 **Winter jackets:**

- Comment on the stock holding period of winter jackets. Quote figures. (2)
- What effect does this stock holding period have on Staysmart Fashions? (2)

3.3.2 **Summer jackets:**

Nandi is concerned that the current pricing policy may lead to a future decline in customers. Calculate the percentage change and explain why Nandi should not be concerned. (3)

3.3.3 Nandi is pleased with zero stock loss. Explain TWO security measures she may have implemented to help achieve this result. (2)

INFORMATION:

	2025		2024	
	WINTER (units)	SUMMER (units)	WINTER (units)	SUMMER (units)
Stock available	900	1 200	960	1 220
Stock sold	558	1 080	672	1 037
Stock on hand	342	120	288	183
Selling price per item	R3 750	R1 350	R3 300	R1 050
Cost price per item	R2 500	R900	R2 200	R750
Stock holding period	224 days	41 days	156 days	64 days

QUESTION 4: BUDGETING **(35 marks; 28 minutes)**

The information relates to Ekasi Traders for the period 1 July 2025 to 31 August 2025. The business is owned by Edward Cassim and sells its own in-house electrical appliances.

REQUIRED:

4.1 Calculate the total sales for June 2025. (2)

4.2 Complete the Debtors' Collection Schedule for the period 1 July 2025 to 31 August 2025. (7)

4.3 Calculate the missing figures **(i)** – **(iv)** in the Cash Budget for the period ending 31 August 2025. (14)

4.4 **Refer to Information G.**

- Explain why these items may cause a challenge for the business. Provide ONE reason for each case. (4)

- There is a concern about the high advertising costs associated with printing pamphlets by the business, especially given the low sales return. Suggest and explain TWO modern and more cost-effective advertising methods that Edward could consider. (4)

4.5 **Refer to information H.**

- Comment on the cash flow situation during May 2025. Make ONE suggestion to improve Ekasi Traders' cash problems. (2)

- Edward is considering opening a new branch in another province. Identify TWO challenges that may impact on the business's cash budget. (2)

INFORMATION:

A. Sales, cost of sales and debtors' collection:

- Total sales were as follows:

	May 2025	June 2025	July 2025	August 2025
Actual	1 280 000	**?**		
Budgeted			1 192 000	1 604 000

- Cash sales comprise 75% of total sales.
- The mark-up percentage is 60% on cost price.

B. **Collection from debtors is as follows:**

- 20% pay in the month of sales and receive a 3% discount.
- 60% pay in the month following the month of sales.
- 15% pay in the second month after the sale.
- The balance will be written-off as irrecoverable.

C. **Purchases:**

- 35% of all purchases are on credit.
- Stock is replaced in the month of sales. A base stock is maintained.
- Creditors are paid two months after purchase, subject to a 4% discount.

D. **Extract from the Cash Budget for July and August 2025:**

	JULY	AUGUST
RECEIPTS		
Cash sales	894 000	1 203 000
Collection from debtors	312 812	**?**
Rent income	9 225	8 200
Loan	0	**(i)**
PAYMENTS		
Cash purchases of stock	484 250	**(ii)**
Payments to creditors	**(iii)**	289 800
Rent expense	9 300	11 718
Interest on loan	1 105	2 275
Salaries and wages	29 000	**(iv)**

E. **Loan:**

On 1 August 2025, Ekasi Traders acquired a new loan. Interest will be charged at 13% p.a. at the end of each month, starting on 31 August 2025. VBD Bank charges interest at the same rate as the previous loan.

F. **Salaries and wages:**

The business has two employees who earn the same monthly salary. In August a third employee, who will earn a monthly salary of 30% lower than the other two employees, will be appointed.

G. Edward is concerned about the following items that did not comply with the budget for May 2025:

	BUDGETED R	ACTUAL R
Payments to creditors	198 600	54 000
Insurance	12 890	0
Advertising	9 750	24 375

H. Extract from the cash budget:

	MAY 2025 ACTUAL R	JUNE 2025 ACTUAL R
Cash surplus/(deficit)	(76 540)	105 400
Cash at the beginning	202 700	126 160
Cash at the end	126 160	231 560

35

TOTAL: 150

END

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	Non-current liabilities : Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 1 below)	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 2 below)
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (See Note 3 below)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Variable costs per unit}}$ Selling price per unit –	

NOTE:

1. Trading stock at the end of a financial year may be used if required in a question. 365 days is applicable only if relevant to the whole year.
2. Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant).
3. If there is a change in the number of issued shares during a financial year, the weighted-average number of shares is used in practice.