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basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA



NATIONAL SENIOR CERTIFICATE

GRADE 11

ACCOUNTING P2

EXEMPLAR NOVEMBER 2019

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MARKS: 150

TIME: 2 hours

This question paper consists of 12 pages, a 1-page formula sheet and an 11-page answer book.

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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. A FORMULA SHEET for financial indicators is attached to this question paper. You may use it if necessary.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer the questions.
7. Where applicable, show ALL calculations to ONE decimal point.
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 1: 40 marks; 30 minutes	
Topic of the question:	**This question integrates:**
VAT and reconciliation	Concepts and calculations Creditors' Reconciliation Internal control

QUESTION 2: 45 marks; 40 minutes	
Topic of the question:	**This question integrates:**
Manufacturing	Concepts Ledger Accounts Interpretation of unit costs

QUESTION 3: 40 marks; 30 minutes	
Topic of the question:	**This question integrates:**
Budgets	Concepts Debtors' Collection Schedule Cash Budget Internal control

QUESTION 4: 25 marks; 20 minutes	
Topic of the question:	**This question integrates:**
Control of working capital	Analysis and interpretation of cash, stock, debtors and creditors

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QUESTION 1: VAT AND RECONCILIATION (40 marks; 30 minutes)

1.1 VAT

Monde Stores, owned by Tom Monde, has been registered for VAT on a one-month period. You have been provided with the information from the journals for August 2019. The VAT rate is 15%.

REQUIRED:

1.1.1 Explain what is meant by *value-added tax.* (2)

1.1.2 Calculate the following:

(a) Sales amount (excluding VAT) from the CRJ (3)

(b) VAT input amount from the CPJ (3)

(c) VAT output amount from the DJ (2)

1.1.3 Tom does not have enough money in his bank account to pay SARS for VAT. The bank balance is currently in overdraft at approximately R50 000. What advice would you offer Tom in order to:

- Solve the problem now
- Solve the problem in the future (4)

INFORMATION FROM THE JOURNALS:

A. Cash Receipts Journal

	R
Total of Sales column	
Total of Debtors' Control column	420 000
Total of Sundry Accounts column	0
Total of VAT Output column	141 300

B. Cash Payments Journal

	R
Total of Trading Stock column	248 000
Total of Creditors' Control column	494 000
Total of Sundry Accounts column (all equipment)	580 000

C. Debtors' Journal

	R
Sales (excluding VAT)	345 000

1.2 CREDITORS' RECONCILIATION AND INTERNAL CONTROL

Madi Traders buys goods on credit from Pine Suppliers. The business received a statement for April 2019 from the creditor.

REQUIRED:

1.2.1 Explain how the Creditors' Reconciliation Statement can assist the business in terms of their internal control measures. State ONE point. (2)

1.2.2 Calculate the correct balance of Pine Suppliers in the Creditors' Ledger Account of Madi Traders. Show the changes to the figure R117 180. (10)

1.2.3 Prepare a Creditors' Reconciliation Statement for Pine Suppliers on 30 April 2019. (10)

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1.2.4 The owner of Madi Traders is not completely satisfied with the service and quality of goods received from Pine Suppliers. State TWO factors that he should consider before changing suppliers. (4)

INFORMATION:

A. Creditors' Ledger of Madi Traders

PINE SUPPLIERS (CL1)					
DATE			**DEBIT**	**CREDIT**	**BALANCE**
2019 April	01	Balance			44 220
	05	Interest		780	45 000
	08	Invoice 153		54 000	99 000
	10	Cheque 1449	22 500		76 500
	12	Debit note 746	5 760		70 740
	15	Invoice 111		27 300	98 040
	17	Invoice 214		91 500	189 540
	21	Invoice 273		20 250	209 790
	24	Debit note 966		5 400	215 190
	27	Journal voucher 490	3 600		211 590
	31	Cheque 2346	93 000		118 590
		Discount	1 410		117 180

B. Statement received on 30 April 2019:

PINE SUPPLIERS PO Box 159, Pretoria, 0001 Tel.: 012 348 2340					
Madi Traders PO Box 3131 Shayas, 0945			Date: 25 April 2019 Credit limit: R90 000 Payment terms: 60 days		
Interest on overdue accounts: 6%					
DATE			**DEBIT**	**CREDIT**	**AMOUNT**
2019 April	01	Account rendered			44 220
	05	Interest	780		45 000
	08	Invoice 153	54 000		99000
	10	Receipt 491		22 500	76 500
		Discount		480	76 020
	12	Credit note 511		6 570	69 450
	17	Invoice 214	91 500		160 950
	19	Receipt 654		84 000	76 950
	21	Invoice 273	50 250		127 200
	24	Credit note 632		5 400	121 800

C. Additional information:

(a) The discount of R480 received from Pine Suppliers on 10 April 2019 was omitted erroneously in the books of Madi Traders.

(b) Invoice 111 was reflected erroneously in the account of Pine Suppliers in the Creditors' Ledger of Madi Traders. It refers to merchandise purchased from another supplier, Pilot Suppliers.

(c) Goods returned on 12 April 2019 were recorded correctly in the statement from Pine Suppliers. The entry in the books of Madi Traders is incorrect.

(d) Pine Suppliers made an error in the recording of Invoice 273 on the statement.

(e) Receipt 654 was shown erroneously in the statement from Pine Suppliers. This transaction does not relate to Madi Traders and will be rectified in the next statement.

(f) Pine Suppliers also purchases goods on credit from Madi Traders. Refer to Journal Voucher 490. Madi Traders has transferred a debit balance from the Debtors' Ledger. This entry has not been recorded by Pine Suppliers.

(g) The transaction on 24 April 2019 is in respect of merchandise returned to Pine Suppliers.

(h) The statement shows transactions up to 25 April 2019.

40

QUESTION 2: MANUFACTURING (45 marks; 40 minutes)

2.1 Give ONE term for each of the following descriptions by choosing a cost category from the list below. Write only the cost category next to the question numbers (2.1.1 to 2.1.4) in the ANSWER BOOK.

selling and distribution cost; direct labour cost; direct material cost; administration cost; factory overhead cost

2.1.1 Salary of the factory foreman

2.1.2 Bad debts



2.1.3 Stationery and telephone expenses

2.1.4 Wages paid to workers in the production process (4)

2.2 **GALANE MANUFACTURERS**

Galane Manufacturers manufacture towels. The information below is from their financial records for the financial year ended 28 February 2019.

REQUIRED:

Use the information provided to complete the following accounts in the General Ledger:

2.2.1 Work-in-Progress Stock Account (10)

2.2.2 Finished Goods Stock Account (7)

2.2.3 Factory Overhead Account (15)

INFORMATION:

A. Balances taken from the records of Union Manufactures:

	28 February 2019	1 March 2018
	R	R
Factory indirect material	2 630	3 480
Work-in-progress stock	38 300	33 150
Finished goods stock	34 100	15 250

B. Summary of transactions for the year ended 28 February 2019

	R
Raw materials purchased (all issued to factory)	516 000
Factory indirect materials purchased	21 560
Direct labour	?
Indirect labour	24 350
Factory manager's salary	65 060
Rent expense	39 200
Insurance	8 700
Water and electricity	16 500
Bad debts	2 980
Sundry factory expenses	25 750
Sales net of trade discount	1 800 000

C. Additional Information:

(a) The mark-up % used in pricing goods is 60%. Trade discounts of R100 000 were granted.

(b) Raw materials:

- R16 000 was paid for transporting raw materials.
- Raw materials were returned to the suppliers, R20 000.

NOTE: No entry has been recorded for these items.

(c) Two-thirds of the insurance expense relates to the factory.

(d) Water and electricity must be allocated to the factory, sales department and the office in the ratio 4 : 1 : 1 respectively.

(e) 65% of the rent expense must be allocated to the factory.

2.3 MOTHO SHOE FACTORY

Motho Shoe Factory manufactures one type of sport shoes. The factory produced 13 800 pairs of shoes during the year and all pairs were sold. There was no work-in-progress stock at the beginning nor at the end of the year.

2.3.1 Calculate the direct material cost per unit. (2)

2.3.2 Calculate the break-even point on 31 May 2019. (4)

2.3.3 Explain why the owner would NOT be happy with the business' current production level. Quote figures or indicators. (3)

	R
Direct material cost	2 070 000
Direct labour cost	2 992 000
Factory overhead cost	872 000
Fixed costs	1 514 000
Variable cost per unit	155
Sales per unit (pair)	259

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QUESTION 3: BUDGETS (40 marks; 30 minutes)

You are provided with an incomplete Debtors' Collection Schedule and an extract from the Cash Budget of Cosmo Traders for three months ending 31 December 2019. The owner is Kagiso Cosmo.

REQUIRED:

3.1 Answer the following questions:

3.1.1 What is the main purpose of preparing the Cash Budget? (2)

3.1.2 Name TWO items that will appear in the Cash Budget, but NOT in the Projected Income Statement. (2)

3.1.3 Name TWO items that will appear in a Projected Income Statement, but NOT in the Cash Budget. (2)

3.2 Complete and total the Debtors' Collection Schedule for November and December 2019. (9)

3.3 Calculate the missing figures indicated by **A–G** in the Cash Budget. Refer to information (a) to (f) below. (15)

3.4 To increase sales and the number of customers, Kagiso intends to advertise that credit limits for all credit customers will be increased to R40 000 and new customers may open accounts during January 2020.

Explain TWO factors that Kagiso should consider before increasing credit limits. (2)

3.5 Refer to additional information (g) regarding deliveries to customers.

- Provide calculations for the next three years to support your opinion.
- Explain TWO other factors that Kagiso should consider before making a final decision.
- Should the owner, Kagiso, choose Option 1 or Option 2? Give reasons. (8)

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INFORMATION:

A. Debtors' Collection Schedule of Cosmo Traders for the period ending 31 December 2019:

Month	Credit Sales (R)	Debtors' Collection		
		October (R)	November (R)	December (R)
August	**240 000**	60 000		
September	**360 000**	144 000		
October	**300 000**	85 500		
November	**330 000**			
December	**330 000**			

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B. Extract of the Cash Budget for 2019:

	October (R)	November (R)	December (R)
RECEIPTS			
Cash sales	**?**	**A**	**?**
Receipts from debtors	334 250	**B**	**?**
Loan from ATM Bank (12% p.a.)	180 000		
PAYMENTS			
Cash purchases	61 950	63 150	**C**
Payments to creditors	262 200	364 800	**D**
Interest on loan	0	1 800	**E**
Repayment of loan		18 000	8 000
Wages	30 000	34 375	**F**
Advertising	**?**	**G**	**6 731**
Rent expense	1 600	2 000	**2 000**
Purchase of motorbike (for deliveries)	25 000	2 100	2 100
Petrol for delivery motorbike		1 000	1 000



Additional information:

(a) **Expected collection from debtors:**

- 30% of debtors settle their accounts during the transaction month of sale to receive 5% discount for prompt payment.
- 40% settle their accounts in the month following the transaction month.
- 25% settle their accounts in the second month after the transaction month.
- 5% are written off as irrecoverable during the third month.

(b) **Total sales**

2019		
October	**November**	**December**
R400 000	R440 000	R440 000

- 75% of sales are expected to be on credit; the rest are cash.

(c) **Total purchases**

2019		
October	**November**	**December**
R206 500	R210 500	R185 600

- 30% of all purchases are cash; the rest are on credit.
- Creditors are paid two months after the purchase of stock.

(d) **Loan and interest on loan:**

The interest on the loan and the monthly loan instalments are payable at the end of each month. Interest is not capitalised and the interest rate did not change during the year. The loan was obtained on 31 October 2019.

(e) **Wages:**

In October the business will have six employees, each earning a wage of R1 250 per week. All the employees are paid their wages on Fridays. There are four Fridays in October, five Fridays in November and four Fridays in December 2019.

One employee will resign on 31 October 2019 and the remaining employees will receive a 10% increase from 1 November 2019. The business plans to employ two more staff members at the same weekly wage as on 1 December 2019.

(f) **Advertising:**

The advertising budget will be increased by 6% with effect from 1 December 2019.

(g) **Motorbike for deliveries:**

The owner, Kagiso, has budgeted to deliver goods to customers. He has two options:

Option 1: Purchase a motorbike from Speedy Bikes

A deposit of R25 000 will be paid to the supplier in October. Monthly instalments of R2 100. Kagiso has budgeted for this, as well as R1 000 per month for monthly petrol costs. He assumes that petrol prices increase and decrease with the exchange rate and that R1 000 per month is realistic over the next three years.

Option 2: DD Deliveries to deliver the goods

With this option, Kagiso will not need to buy the motorbike. DD Deliveries would charge a flat rate of R4 000 per month for the delivery service for the 12 months beginning on 1 November 2019. They will increase this rate by 5% per year thereafter with effect from 1 November in 2020 and 2021.

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QUESTION 4: CONTROL OF WORKING CAPITAL (25 marks; 20 minutes)

You are provided with information from the records of Umgeni Furnishers for the past two financial years ended 28 February. The business sells tables and chairs.

The owner, Mary Benn, requires your advice regarding the control of her working capital. Refer to the questions below and quote figures or financial indicators to support your comments.

REQUIRED:

4.1 **Cash in current bank account:**

Comment on the cash in the current bank account. What advice would you give to Mary? Provide ONE point. Quote figures. (4)

4.2 **Trading stock:**

4.2.1 Calculate the stockholding period for 2019. Use average stock in your calculation. (4)

4.2.2 Comment on the stock turnover rate and the stockholding period for 2019. Quote figures or indicators. Explain why she should be concerned about this. What advice would you give to Mary? Provide ONE point. (5)

4.3 **Sales strategies:**

4.3.1 Mary used two deliberate strategies to improve sales in 2019. Identify the TWO strategies. Quote the relevant figures. (4)

4.3.2 Bear in mind that the cost price of stock increased by the inflation rate of 6% and provide evidence that these strategies benefited the business. Quote figures. (4)

4.4 **Debtors and creditors:**

Comment on whether or not Mary has been controlling her debtors and creditors appropriately. Quote figures. How would this affect the business? (4)

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INFORMATION:

A.	**Figures from the Ledger:**	**2019**	**2018**
	Total sales	R667 000	R512 000
	Cash sales	R220 000	R270 000
	Credit sales	R447 000	R242 000
	Cost of sales	R460 000	R320 000
	Gross profit	R207 000	R192 000
	Fixed deposit at Ace Bank (11% p.a.)	R80 000	R300 000
	Cash in the current bank account	R405 000	R120 000
	Trading stock	R170 000	R85 000
B.	**Financial indicators:**		
	Mark-up %	45%	60%
	Stock turnover rate	3,6 times	5,6 times
	Average stockholding period	?	66 days
	Average debtors' collection period	40 days	26 days
	Average creditors' payment period	38 days	30 days

25

TOTAL: 150

GRADE 11 ACCOUNTING: FINANCIAL INDICATOR FORMULA SHEET		
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	
$\frac{\text{Total earnings by partner}}{\text{Partner's average equity}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Average owners' equity}} \times \frac{100}{1}$	
Current assets : Current liabilities	(Current assets – Inventories) : Current liabilities	
(Trade and other receivables + Cash and cash equivalents) : Current liabilities		
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365}{1}$	
$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365 \text{ or } 12}{1}$	$\frac{\text{Cost of sales}}{\text{Average inventories}}$	
Non-current liabilities : Owners' equity	Total assets : Total liabilities	

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ACCOUNTING P2

GRADE 11

EXEMPLAR NOVEMBER 2019

SPECIAL ANSWER BOOK

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QUESTION	TOTAL MARKS	MARK OBTAINED	MODERATED MARK	MODERATOR INITIAL
1	40			
2	45			
3	40			
4	25			
TOTAL	150			

This answer book consists of 10 pages.

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QUESTION 1: VAT AND RECONCILIATION (40 marks; 30 minutes)

1.1 VAT

1.1.1 Explain what is meant by *value-added tax*.

2

1.1.2 Calculate the following:

(a) Sales amount (excluding VAT) from the CRJ

(b) VAT input amount from the CPJ

(c) VAT output amount from DJ

8

1.1.3 Tom does not have enough money in his bank account to pay SARS for VAT. The bank balance is currently in overdraft at approximately R50 000. What advice would you offer Tom in order to:

- Solve the problem now

- Solve the problem in the future

4

1.2 CREDITORS' RECONCILIATION AND INTERNAL CONTROL

1.2.1 **Explain how the Creditors' Reconciliation Statement can assist the business in terms of their internal control measures. State ONE point.**

2

1.2.2 **Calculate the correct balance of Pine Suppliers in the Creditors' Ledger Account of Madi Traders. Show the changes to the figure R117 180.**

10

1.2.3

Creditors' Reconciliation Statement on 30 April 2019	

10

1.2.4 **The owner of Madi Traders is not completely satisfied with the service and quality of goods received from Pine Suppliers. State TWO factors that he should consider before changing suppliers.**

4

TOTAL MARKS
40

QUESTION 2: MANUFACTURING (45 marks; 40 minutes)

2.1 Give ONE term for each of the descriptions by choosing a cost category from the list.

2.1.1	
2.1.2	
2.1.3	
2.1.4	

4

2.2.1 GENERAL LEDGER OF GALANE MANUFACTURERS
WORK-IN-PROGRESS STOCK



10

2.2.2 FINISHED GOODS STOCK

2018 Mar.	1	Balance b/d	15 250				

7

2.2.3 **FACTORY OVERHEADS**

15

2.3 **MOTHO SHOE FACTORY**

2.3.1 **Calculate the direct material cost per unit.**

2

2.3.2 **Calculate the break-even point on 31 May 2019.**

4

2.3.3 **Explain why the owner would NOT be happy with the business' current production level. Quote figures or indicators.**

3

TOTAL MARKS
45

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QUESTION 3: BUDGETS (40 marks; 30 minutes)

3.1.1 What is the main purpose of preparing the Cash Budget? **2**

3.1.2 Name TWO items that will appear in the Cash Budget, but NOT in the Projected Income Statement. **2**

3.1.3 Name TWO items that will appear in a Projected Income Statement, but NOT in the Cash Budget. **2**

3.2 Debtors' Collection Schedule of Cosmo Traders for the period ending 31 December 2019:

Month	Credit Sales (R)	Debtors' Collection		
		October (R)	November (R)	December (R)
August	240 000	60 000		
September	360 000	144 000		
October	300 000	85 500		
November	330 000			
December	330 000			
		289 500		

9

3.3 **Calculate the missing figures indicated by A–G in the Cash Budget. Refer to information (a) to (f).**

	CALCULATIONS	ANSWERS
A		
B		
C		
D		
E		
F		
G		

15

3.4 **Explain TWO factors that Kagiso should consider before increasing credit limits.**

2

3.5 **Provide calculations for the next three years to support your opinion.**

Option 1: **Purchase a motorbike**	
Option 2: **Use DD Deliveries**	

Explain TWO other factors that Kagiso should consider before making a final decision.

Should the owner, Kagiso, choose Option 1 or Option 2? Give reasons.

8



TOTAL MARKS
40

QUESTION 4: CONTROL OF WORKING CAPITAL (25 marks; 20 minutes)

4.1 Comment on the cash in the current bank account.

What advice would you give to Mary? Provide ONE point. Quote figures.

4

4.2.1 Calculate the stockholding period for 2019. Use average stock in your calculation.

4

4.2.2 Comment on the stock turnover rate and the stockholding period for 2019. Quote figures or indicators. Explain why she should be concerned about this.

What advice would you give to Mary? Provide ONE point.

5

4.3.1 **Mary used two deliberate strategies to improve sales in 2019. Identify the TWO strategies. Quote the relevant figures.**

	Explanation (with figures)
Strategy 1	
Strategy 2	

4

4.3.2 **Bear in mind that the cost price of stock increased by the inflation rate of 6% and provide evidence that these strategies benefited the business. Quote figures.**

4

4.4 **Comment on whether or not Mary has been controlling her debtors and creditors appropriately. Quote figures.**



Comment on how this would affect the business.

4

TOTAL MARKS
25

TOTAL: 150

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GRADE 11

ACCOUNTING P2

EXEMPLAR NOVEMBER 2019

MARKING GUIDELINES

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MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guideline, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If answer is incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer). Note: If figures are stipulated in memo for components of workings, these do not carry the method mark for the final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. Where penalties are applied, the marks for that section of the question cannot be a final negative.
8. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark.
9. Operation means check operation. One part correct means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
10. In calculations, do not award marks for workings if numerator and denominator are swapped – this also applies to ratios.
11. When awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒.
12. Be aware of candidates who provide valid alternatives beyond the marking guideline.
13. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 10 pages.

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QUESTION 1: VAT AND RECONCILIATION (40 marks; 30 minutes)

1.1 VAT

1.1.1 **Explain what is meant by *value-added tax.***

Tax on sales of goods (levied on the purchaser by the seller) ✓✓

2

1.1.2 **Calculate the following:**

(a) Sales amount (excluding VAT) from the CRJ

141 300✓ x 100/15✓ = R942 000 ☑

(b) VAT input amount from the CPJ

(248 000 + 580 000) x 0,15 = R124 200 ✓☑ one part correct

(c) VAT output amount from DJ

345 000 ✓X 15/115✓ =R45 000 ☑one part correct

8

1.1.3 **Tom does not have enough money in his bank account to pay SARS for VAT. The bank balance is currently in overdraft at approximately R50 000. What advice would you offer Tom in order to:**

- **Solve the problem now**

Borrow funds, introduce capital (any valid solution) ✓✓

- **Solve the problem in the future**

Better budgeting – VAT charged on customers must be earmarked for repayment, not spent on assets.
Ensure selling prices are realistic to generate funds to operate the business properly. ✓✓

4

1.2 CREDITORS' RECONCILIATION AND INTERNAL CONTROL

1.2.1 **Explain how the Creditors' Reconciliation Statement can assist the business in terms of their internal control measures. State ONE point.**

ONE valid point ✓✓

- It will assist the business in detecting errors/omissions in their books.
- A reliable external document is available (i.e. statement) to verify the records of the business.
- It will show errors/omissions in the statement received.
- Detect fraudulent activities and take action/It will show the correct balance to be paid to creditors.

2

1.2.2 **Calculate the correct balance of Pine Suppliers in the Creditors' Ledger Account of Madi Traders. Show the changes to the figure R117 180.**

117 180✓ - 480✓✓ - 27 300✓✓ - 810✓✓ - 10 800✓✓ (5 400 + 5 400)

= R77 790☑

10

1.2.3

Creditors' Reconciliation Statement on 30 April 2019		
Balance per statement of account	121 800	✓
Credit amount to correct invoice overstated	(30 000)	✓☑
Debit amount wrongly credited	84 000	✓✓
Transfer of balance	(3 600)	✓✓
Credit payment after statement date	(93 000)	✓
Credit discount after statement date	(1 410)	✓
Correct balance	77 790	☑

10

1.2.4 **The owner of Madi Traders is not completely satisfied with the service and quality of goods received from Pine Suppliers. State TWO factors that he should consider before changing suppliers.**

TWO valid factors ✓✓ ✓✓

- The credit terms offered
- Will they offer discount for early payments
- Will alternative supplier be able to meet the demands of the business
- The quality of the products they are able to deliver

4

TOTAL MARKS
40

QUESTION 2: MANUFACTURING (45 marks; 40 minutes)

2.1 Give ONE term for each of the descriptions by choosing a cost category from the list.

2.1.1	Factory overhead cost	✓
2.1.2	Selling and distribution cost	✓
2.1.3	Administration cost	✓
2.1.4	Direct labour cost	✓

4

2.2.1 GENERAL LEDGER OF GALANE MANUFACTURERS
WORK-IN-PROGRESS STOCK

2018 Mar.	1	Balance b/d	33 150 ✓	2019 Feb.	28	Finished goods stock	1 206 350 ☑
2019 Feb.	28	Direct material cost 516 000✓ + 16 000✓ – 20 000✓	512 000 ☑			Balance c/d	38 300 ✓
		Direct labour cost	519 650 ☑				
		Factory overheads	179 850 ☑				
			1 244 650				1 244 650
2019 Mar.		Balance b/d	38 300 ✓				

10

2.2.2 FINISHED GOODS STOCK

2018 Mar.	**1**	**Balance b/d**	**15 250**	2019 Feb.	28	Cost of sales (1 800 000 ✓ + 100 000✓) ÷ 1,6✓	1 187 500 ☑
2019 Feb.	28	Work-in-progress	1 206 350 ☑			Balance c/d	34 100 ✓
			1 221 600				1 221 600
2019 Mar.	1	Balance b/d	34 100 ✓				

7

2.2.3 **FACTORY OVERHEADS**

2019 Feb.	28	Indirect labour (24 350 + 65 060)	89 410 ✓✓	2019 Feb.	28	Work-in-progress	179 850 ☑
		Indirect material cost 3 480✓+21 560✓ – 2 630✓	22 410 ☑				
		Rent expense 39 200 x 65/100	25 480 ✓☑				
		Insurance 8 700 x 2/3	5 800 ✓☑				
		Water and electricity 16 500✓ x 4/6✓	11 000 ☑				
		Sundry factory expenses	25 750 ✓				
			179 850				179 850

-1 foreign entry Bad debts

15

2.3 MOTHO SHOE FACTORY

2.3.1 **Calculate the direct material cost per unit.**

$$\frac{2070\,000}{13\,800} = R150✓✓$$

2

2.3.2 **Calculate the break-even point on 31 May 2019.**

$$\frac{1\,514\,000✓}{259✓ - 155✓}$$

= 14 558 units ☑

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4

2.3.3 **Explain why the owner would NOT be happy with the business' current production level. Quote figures or indicators.**

Explanation ✓✓ Figure ✓

The business produced 758 units less than the BEP (14 558 – 13 800).
The business made a loss on 758 units.
The business produced 758 units less than the break-even point.

3

TOTAL MARKS

45

QUESTION 3: BUDGETS (40 marks; 30 minutes)

3.1.1 **What is the main purpose of preparing the Cash Budget?**

Project future cash flow (inflow and outflow)
Project the cash flow/determine the receipts and payments in the future
Control the cash/Calculate the bank balance

2

3.1.2 **Name TWO items that will appear in the Cash Budget, but NOT in the Projected Income Statement.**

Any TWO items ✓ ✓ Accept valid alternatives

Purchase of assets, Loan, Fixed deposit, Payment to creditors, Collection from debtors

2

3.1.3 **Name TWO items that will appear in a Projected Income Statement, but NOT in the Cash Budget.**

Any TWO items ✓ ✓ Accept valid alternatives

Depreciation/Discount allowed/received/Bad debts/Provision for bad debts adjustment

2

3.2 **Debtors' Collection Schedule of Cosmo Traders for the period ending 31 December 2019:**

		Debtors' Collection		
Month	**Credit Sales (R)**	**October (R)**	**November (R)**	**December (R)**
August	**240 000**	**60 000**		
September	**360 000**	**144 000**	90 000✓	
October	**300 000**	**85 500**	120 000✓	75 000✓
November	**330 000**		94 050✓✓	132 000✓
December	**330 000**			94 050☑ See November
		289 500	304 050☑	301 050☑

9

3.3 **Calculate the missing figures indicated by A–G in the Cash Budget. Refer to information (a) to (f).**

	CALCULATIONS	ANSWERS
A	440 000 x 25% or 330 000 $\frac{25}{75}$	110 000✓✓
B	See 3.2	304 050☑
C	185 600 x 30%	55 680 ✓✓
D	206 500 x 70%	144 550✓✓
E	(180 000 – 18 000) x 0,12✓ ÷12✓	1 620☑ One part correct
F	(1 250 + 10%) x 7✓ x 5✓	38 500☑
G	6 731 x $\frac{100}{106}$✓	6 350☑

15

3.4 **Explain TWO factors that Kagiso should consider before increasing credit limits.**

Any TWO valid factors ✓✓ ✓✓



- Screen debtors properly/Background check.
- Consider the increase in the risk of bad debts.
- Verify the collection from each debtor before increasing the limit.
- Increase credits only for customers who settle their debts promptly.

2

3.5 **Provide calculations for the next three years to support your opinion.**

Option 1: **Purchase a motorbike**	one part correct 25 000 + (3 100 x 36) = R136 600 ✓☑
Option 2: **Use DD Deliveries**	48 000 50 400 52 920 one part correct (R4 000 x 12) + (R4 200 x 12) + (R4 410 x 12) = R151 320 ✓☑

Explain TWO other factors that Kagiso should consider before making a final decision.

Any TWO valid factors, e.g. ✓ ✓

Driver of the bike/Insurance/Reliability of service provider/Whether customers could pay for deliveries, etc.

Should the owner, Kagiso, choose Option 1 or Option 2? Give reasons.

Option ___ either 1 or 2 with reasons ✓✓

8

TOTAL MARKS
40

QUESTION 4: CONTROL OF WORKING CAPITAL (25 marks; 20 minutes)

4.1 **Comment on the cash in the current bank account.**

The net increase in the cash balance was R285 000/from R120 000 to R405 000. ✓✓

Fixed deposit decreased (matured); an inflow of R220 000. This could explain the increase in the bank balance (if money not used).

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What advice would you give to Mary? Provide ONE point. Quote figures.

Mary should have re-invested the money/extended the investment period of the fixed deposit. It will earn a higher interest (11% p.a.) than the interest on the current account.

Unless she is keeping this for a specific urgent purpose, she should invest most of this in the fixed deposit so that she can earn a return (of 11%). ✓✓

4

4.2.1 **Calculate the stockholding period for 2019. Use average stock in your calculation.**

$$\frac{½\,(170\,000 + 85\,000)}{460\,000} \times 365 \text{ or } 12$$

$$= \frac{127\,500\ ✓}{460\,000\ ✓} \times 365 \text{ or } 12\ ✓$$

= 101 days or 3,3 months ☑

OR using the STR: 365/3,6 = 101 days or 12/3,6 = 3,3 months

4

4.2.2 **Comment on the stock turnover rate and the stockholding period for 2019. Quote figures or indicators. Explain why she should be concerned about this.**

Stock turnover rate decreased from 5,6 to 3,6 times. ✓
Stockholding period increased from 66 days (2 months) to 101 days (3 months). ✓

Both these indicators reflect that Mary is probably keeping too much stock on hand. ✓
She could be earning interest on the excess amount invested in stock/This asset does not earn a return. ✓

What advice would you give to Mary? Provide ONE point.

Purchase stock in smaller quantities in future. ✓

5

4.3.1 **Mary used two deliberate strategies to improve sales in 2019. Identify the TWO strategies. Quote the relevant figures.**

	Explanation (with figures)
Strategy 1	She decreased the mark-up % from 60% to 45%. ✓✓
Strategy 2	She allowed more people to buy on credit; 2018 cash sales were more than 50% of total sales, while in 2019, credit sales were a lot more than 50% of sales. ✓✓

4

4.3.2 **Bear in mind that the cost price of stock increased by the inflation rate of 6% and provide evidence that these strategies benefited the business. Quote figures.**

If the same stock was sold in 2019, cost of sales based on past volumes would be R339 200. ✓✓
Cost of sales in 2019 is R460 000 (which is 36% more), which means the volume of goods sold is 36% more (which will increase profit). ✓✓

OR

Cost of sales in 2019 is R460 000, which is 44% higher than last year; inflation of 6% is part of this change; the rest is increase in volume of goods sold.

NOTE: Learners could use similar reasoning with Sales or Gross profit.

4

4.4 **Comment on whether or not Mary has been controlling her debtors and creditors appropriately. Quote figures.**

She has not been controlling debtors well, as the collection period increased from 26 days to 40 days. ✓
She is also taking longer to settle the amounts owed to creditors – this period increased from 30 days to 38 days. ✓

Comment on how this would affect the business.

Slow-paying debtors will affect the cash flow, and the business will battle to settle its debts (as evidenced by the longer period to pay creditors). ✓✓

4

TOTAL MARKS
25

TOTAL: 150

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