KWAZULU-NATAL PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P2

PREPARATORY EXAMINATION

SEPTEMBER 2022

MARKS: 150

TIME: 2 HOURS

This question paper consists of 12 pages, a formula sheet and a 9-page Answer Book.

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 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 questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. If you choose to do so, you may use the Financial Indicator Formula Sheet attached at the end of this question paper. The use of this formula sheet is NOT compulsory.
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	30	25
2	Stock Valuation and internal control	35	30
3	Cost Accounting	40	30
4	Cash Budget	45	35
TOTAL		**150**	**120**

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QUESTION 1 (30 Marks; 25 Minutes)

RECONCILIATIONS AND AGE ANALYSIS

1.1 BANK RECONCILIATION

REQUIRED:

1.1.1 Update the totals of the Cash Receipts Journal and the Cash Payments Journal. Use the table provided in the Answer Book. (7)

1.1.2 Prepare the Bank Reconciliation Statement for 30 June 2022. (5)

INFORMATION:

A. **Extract from the Bank Reconciliation Statement on 31 May 2022.**

Outstanding deposit : 18 May 2022	R19 000
Outstanding deposit : 30 May 2022	R15 000
Outstanding EFTs: No 119	R22 000
No 120	R18 750

- The outstanding deposit on 30 May 2022 appeared on the June 2022 bank statement, but the deposit on 18 May 2022 appeared as R15 000. An investigation revealed that the bookkeeper never deposited the money. It was decided that the outstanding amount be written off.
- EFT 119 was on the June bank statement with the correct amount, but EFT 120 was on the statement with the correct amount of R17 800.

B. The provisional totals in the cash journals before receiving the bank statement was as follows:

CRJ: 112 300 and CPJ: 96 500

C. **Information on the June bank statement not in the June Cash Journals:**
- Bank charges, R900
- Debit order for water and electricity, R1 820
- Direct deposit for monthly rent from the tenant, R5 200.

D. **Information in the June Cash Journals, not on the June Bank Statement:**
- EFT 142 for R7 500 paid to Shandu Traders on 30 June 2022.
- Outstanding deposit on 30 June 2022, R31 700.

E. The Bank statement showed a favourable balance of R43 300

F. Balance according to the bank account on 30 June 2022 is R?.

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1.2 CREDITORS RECONCILIATION

Veli Traders buys goods on credit from Mkhuze Suppliers. The information presented is for June 2022.

REQUIRED:

Reconcile the Creditors Ledger account of Mkhuze Suppliers in the books of Veli Traders with the statement received by completing the table provided in the Answer Book. Insert a + or – next to each amount and calculate the final balance. Commence with the provisional balances as provided in the ANSWER BOOK. (11)

INFORMATION:

A. Creditors Ledger of Veli Traders

Mkhuze Suppliers (CL6)

DATE		DETAILS	FOL	DEBIT	CREDIT	BALANCE
June	1	Balance	b/d			102 600
	5	Invoice No. 44	CJ		13 220	115 820
	10	EFT No. 281	CPJ	45 000		70 820
		Discount	CPJ	2 250		68 570
	18	Debit Note No. 14	CAJ	2 940		65 630
	28	Invoice No. 66	CJ		21 360	86 990

B. Statement received from Mkhuze Suppliers

MKHUZE SUPPLIERS: STATEMENT OF ACCOUNT					
Customer: *Veli Traders*			Statement date: 25 JUNE 2022		
DATE		DETAILS	DEBIT	CREDIT	BALANCE
May	28	Account rendered			116 490
	30	Invoice No. 37	10 110		126 600
June	1	Receipt No. 114		24 000	102 600
	5	Invoice No. 44	23 220		125 820
	10	Receipt No. 132		45 000	80 820
	12	Invoice No. 55	16 920		97 740
	12	Invoice No. 56	3 000		100 740
	18	Credit Note No. 74	2 940		103 680
	22	Invoice No. 77	11 580		115 260
Includes transactions up to 25th of each month					

C. Differences noted:

(i)	Invoice No. 44 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)	Veli Traders bookkeeper omitted Invoice No. 55 by mistake.
(iv)	It was discovered that Invoice No. 56 on the statement is for the goods ordered by the warehouse manager for personal use. The manager is facing disciplinary action.
(v)	Goods valued at R2 940 were returned on the 18th. It is shown as a debit entry in the creditor's ledger as well as the statement of account.
(vi)	Invoice No. 77 on the statement was an error made by Mkhuze Suppliers. These goods were not purchased by Veli Traders.
(vii)	The statement was received on 25 June 2022.

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1.3 DEBTORS' AGE ANALYSIS

REQUIRED:

1.3.1 Calculate the percentage of the total debts that have exceeded the credit terms of 30 days. (3)

1.3.2 The owner, Z. Zool is concerned that the control over debtors has not been satisfactory. She wants you as the internal auditor, to:

Explain TWO problems highlighted by the Debtors Age Analysis and provide relevant evidence for each (Names or figures). (4)

INFORMATION:

The credit terms are 31 days.

DEBTORS' AGE ANALYSIS ON 30 JUNE 2022

NAMES	Credit limit	Balance	Current	30 days	60 days	90 days +
	R	R	R	R	R	R
S. Zicaba	10 000	16 140	6 030	1 350	920	7 840
N. Thabethe	13 000	9 550	9 550			
D. Khumalo	9 500	9 120	5 700	3 420		
A. Msomi	12 000	14 190	9 100	2 090	3 000	
		49 000	30 380	6 860	3 920	7 840

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QUESTION 2 **(35 Marks; 30 Minutes)**

STOCK VALUATION AND INTERNAL CONTROL

2.1 HI-TECH WORLD TRADERS

You are provided with information relating to Hi-Tech World Traders for the year ended 28 February 2022. The periodic inventory system and the weighted average stock valuation method are in operation. The business buys and sell decoders. They buy all their stock from one supplier.

REQUIRED:

2.1.1 Calculate the following on 28 February 2022:

- Value of closing stock. (10)
- The stock turnover rate for the year. (5)

2.1.2 Calculate the number of units missing. (4)

2.1.3 The owner wants to change the valuation method of decoders to FIFO.

- Calculate the value of closing stock using the FIFO method. (5)
- What advice would you offer, about his proposal? (2)

INFORMATION:

A. Opening and closing stock

1 March 2021	100 units	R82 280
28 February 2022	130 units	?

B. Purchases during the year (excluding carriage) are as follows:

Date	Units	Cost per unit	Total cost
15 May 2021	250	R900	R225 000
21 October 2021	800	R970	R776 000
12 January 2022	100	R1 400	R140 000
	1 150		R1 141 000

C. Carriage on purchases during the year was charged at R40 per decoder by the supplier.

D. Returned 10 defective decoders purchased during January 2022, to the supplier. The supplier granted a full refund including carriage.

E. A selling price of R1 771 was maintained throughout the year. Sales amounted to R1 962 268.

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2.2 PROBLEM SOLVING (MANAGING DELIVERY)

You are the internal auditor of Mevamhlophe Traders. Philani, the owner is concerned that he is spending too much on delivering goods to customers. He has provided you with figures for June 2022.

REQUIRED:

Identify ONE different problem regarding each vehicle/driver. Quote figures. Give Philani ONE point of advice for EACH problem identified. (9)

INFORMATION:

A. Philani has three delivery vehicles and employs three drivers to transport goods to his customers free of charge within 20km of the business (40km round trip). The drivers are expected to work five days per week. There are four weeks in June.

B. Information from the accounting records for June 2022.

	Vehicle 1	**Vehicle 2**	**Vehicle 3**
Name of driver	Cebile	Nozipho	Phumzile
Date of purchase	1 July 2021	1 June 2018	1 April 2010
Carrying value	R270 000	R102 000	R1
Salary of driver per month	R8 000	R5 000	R5 000
Number of deliveries made	48	80	120
Kilometers travelled	1 296	4 640	3 500
Average number of kilometers per trip	27	58	29
Petrol costs (R21,31 per litre)	R1 257.29	R4 453.79	R5 327.50

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QUESTION 3 COST ACCOUNTING (40 marks, 30 minutes)

3.1 CONCEPTS

Choose an example in COLUMN B to match the concept in COLUMN A. Write only the letter (A – D) next to the number (3.1.1 – 3.1.3) in the ANSWER BOOK. The business produces school desks.

COLUMN A		COLUMN B	
3.1.1	Direct material	A	Polish purchased to use on the completed school desks.
3.1.2	Indirect material	B	Salary of factory carpenter.
3.1.3	Indirect labour	C	Wood purchased to produce school desks.
		D	Salary of the factory foreman.

3 x 1 (3)

3.2 BUHLEBENDALO BAGS

Buhlebendalo Bags manufactures handbags. They sell their bags at a mark-up of 100% on cost. The information given was taken from their financial records on 31 July 2022, the end of the financial year.

REQUIRED:

3.2.1 Complete the Factory overhead cost note for the year ended 31 July 2022. (13)

3.2.2 Prepare the Production Cost Statement for the year ended 31 July 2022 (show calculations in brackets where no notes/calculations are required) (13)

INFORMATION:

A The following balances were appeared in the books:

	31 July 2022	1 August 2021
Raw material	224 600	R275 900
Work in progress	?	R310 200
Finished products	R490 000	R320 000
Indirect materials	R64 000	R25 000

B. Direct material

- Raw materials purchased, R1 650 000.
- Raw material issued to production process (department) amounted to R1 842 300

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C Direct labour

- The monthly basic wages of the factory workers is R80 000. During November, they earned an additional R25 000 in overtime.
- In December, all workers received a bonus equal to one month's basic wages.
- The employer's contribution to the UIF amounts to 1% of the basic wage bill.

D. The following adjustments relate to Factory overhead cost:

- **Indirect materials:**
  The bookkeeper incorrectly recorded the indirect material issued to the factory as 90%, which amounted to R160 200 instead of 80%.

- **Indirect labour:**
  There were two factory foremen at the start of the accounting period. Factory foremen have been paid a salary of R360 000 in the first half of the accounting period.

  Due to a reduction in production level (demand) the manager decided to reduce the monthly salaries of both factory foremen by 5 % as from 1 May 2022.

  On 1 July 2022, one foreman resigned from work. Foremen earned the same monthly salary.

- **Factory rent:**
  The rent expense reflected in the trial balance on 31 July 2022 was R124 200. The rent increase annually by 10% p.a. on 1 January. The rent for August 2022 has already been paid.

- **Water and electricity**
  The account for the financial year was R120 000, this includes water and electricity for the manager's house (personal use) of R12 000. The business account must be divided between the factory, office and sales department in the ratio 4:1:1.

- **Maintenance on factory equipment**
  Maintenance on factory equipment amounts to R250 per hour. A total of 480 maintenance hours were recorded.

- Depreciation on factory equipment amounted to R206 000.

E A total of 4 438 handbags were manufactured during the financial year and sold at R1 800 per bag.

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3.3 SINETHEZEKILE WATER BOTTLE MANUFACTURERS

Sinethezekile Water Bottle Manufacturers produces and sells water bottles. The business is owned by Anele Mchunu.

REQUIRED:

3.3.1 Calculate the break-even point for year ended 31 July 2022. (4)

3.3.2 Explain whether the business should be satisfied with the level of production achieved. Quote figures. (3)

3.3.3 Except for a general increase in wages, give TWO other reasons for the increase in direct labour costs per unit. In each case, provide a practical solution to address this. (4)

INFORMATION:

The following information was taken from the books:

	31 JULY 2022	31 JULY 2021
Direct material cost per unit	R10	R13
Direct labour cost per unit	R12	R9
Variable cost per unit	R25	
Total fixed costs	R 210 000	
Sales for the year (All units produced were sold)	R 480 000	
Number of bottles produced and sold	12 000 units	12 500 units

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QUESTION 4 **CASH BUDGETS** **(45 marks, 35 minutes)**

You are provided with an incomplete Cash Budget of Nongoma Traders. The business is owned by Madoda Zulu.

REQUIRED:

4.1 Complete the Debtors' Collection Schedule for November 2022. (7)

4.2 Calculate the amount of bad debts that will be written off in November 2022. (3)

4.3 Calculate the missing figures indicated by **(i) – (iv)** on the Cash Budget. (11)

4.4 The rent will increase on 1 November 2022. Calculate the percentage increase. (4)

4.5 Interest on loan is paid on the last day of each month and is not capitalised. Calculate the loan balance on 1 October 2022. (4)

4.6 Comment on the Fixed Deposit budgeted for November 2022 and provide a possible application (use) of these funds. Quote figures. (3)

4.7 Madoda decided that the business will purchase a delivery vehicle on 1 October 2022. State TWO benefits of the decision. (4)

4.8 Madoda extracted the following actual and budgeted figures for September 2022:

	BUDGETED	ACTUAL
Total sales	792 000	633 600
Advertising	63 360	63 360
Delivery expenses	55 440	48 000
Telephone	6 100	8 540

Comment with figures and provide a possible reason in each case for the following:

- Effectiveness of the advertising
- Control over delivery expenses and telephone (9)

INFORMATION:

A. Actual and budgeted sales and cost of sales:

MONTH	TOTAL SALES	COST OF SALES
August 2022	924 000	616 000
September 2022	792 000	528 000
October 2022	744 000	496 000
November 2022	876 000	584 000
NOTE: 60% of the total sales are for cash.		

B. The Debtors' Collection Schedule for October and November 2022

MONTH	CREDIT SALES	OCTOBER	NOVEMBER
August 2022	369 600	66 528	
September 2022	316 800	221 760	?
October 2022	297 600	29 760	?
November 2022	350 400		?
		318 048	?

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C. Debtors currently pay according to the following trend:
- 10% paid in the month of sale
- 70% paid in the first month following the month of sale
- 18% paid in the second month following the month of sale
- The balance is written off in the third month following the month of sale.

D. The business maintains a fixed stock level. Goods sold in a month are replaced in the same month.

E. 60% of the total purchases are on credit. Creditors are paid in the month following the month of purchase to take advantage of a 5% discount.

F. Extract of the Cash Budget for the two months ending 30 November 2022:

	OCTOBER	NOVEMBER
RECEIPTS		
Cash sales	**(i)**	525 600
Collection from debtors	318 048	**?**
Rent income	11 000	12 320
Fixed deposit (including interest)		88 000
Total Receipts	**?**	**?**
PAYMENTS		
Cash purchases of trading stock	198 400	**(ii)**
Payments to creditors (for stock)	**(iii)**	282 720
Telephone	6 820	8 400
Advertising	59 520	70 080
Loan instalment		40 000
Interest on loan (15% p.a)	3 750	3 250
Deposit on delivery vehicle	78 000	
Drawings	**?**	**?**
Instalment on delivery vehicle (12 equal instalments)		26 400
Other operating expenses	68 150	102 524
Delivery expenses	52 080	61 390
Total Payments	**?**	**?**
CASH SURPLUS/ DEFICIT	(49 600)	77 200
BANK BALANCE AT BEGINNING OF MONTH	22 400	**?**
BANK BALANCE AT END OF MONTH	(27 200)	**(iv)**

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TOTAL MARKS: 150

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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 and other receivables + Cash and cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income after tax + Interest on loans}}{\text{Average Shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	
NOTE • In this case, 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.	

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