GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

JUNE EXAMINATION
GRADE 12

2024

ACCOUNTING

(PAPER 2)

TIME: 2 hours

MARKS: 150

ACCOUNTING P2

C2712E

X05

11 pages + 1 formula sheet and an answer book of 10 pages

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided 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. A Financial Indicator Formula Sheet is 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	Cost Accounting	60	48
2	Inventories	65	52
3	Fixed Assets	25	20
TOTAL		**150**	**120**

QUESTION 1: COST ACCOUNTING (60 marks; 48 minutes)

1.1 CONCEPTS

Choose a cost category from COLUMN B that matches a description in COLUMN A. Write only the letter (A – E) next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK, e.g. 1.1.4 F.

COLUMN A		COLUMN B	
1.1.1	Import duties paid for raw materials purchased	A Factory overhead cost	
1.1.2	Depreciation on office equipment	B Direct labour cost	
1.1.3	Wages for factory workers	C Selling and distribution cost	
		D Administration cost	
		E Direct material cost	(3)

1.2 PERFECT EATS



Perfect Eats manufactures stainless steel cutlery. The business manufactures a 24-piece cutlery set which consists of 6 x knives, 6 x forks, 6 x dessert spoons and 6 x teaspoons.

The business produced and sold 46 300 cutlery sets during the financial year. The financial year ends on 31 March 2024.

REQUIRED:

1.2.1 **Refer to Information B.**

Calculate the following for the year ended 31 March 2024:

- Raw materials (kg) issued to the factory (2)
- The total cost of raw materials issued to the factory (3)

1.2.2 Complete the Production Cost Statement for the year ended 31 March 2024. (15)

1.2.3 Complete the Abridged Statement of Comprehensive Income for the year ended 31 March 2024. (13)

1.2.4 The owner is concerned about the amount of raw materials wasted during the manufacturing process.

- Calculate the total cost of wasted raw materials. (6)
- Give ONE point of advice on how the owner can recover this loss. (2)

INFORMATION:

A. Stock balances

	31 March 2024	31 March 2023
Work-in-progress stock	?	384 000
Finished goods stock	251 000	210 000

B. Raw materials:

Records of stainless steel used in the production process:

	Total kilograms	Total cost including transport
Balance on 1 April 2023	6 972 kg	R603 078
Purchases during the year	42 000 kg	R3 633 000
Total available during the year	**48 972 kg**	**R4 236 078**
Balance on 31 March 2024	9 702 kg	?
Raw materials issued to the factory	?	?

- Each set takes 0,84 kilograms of stainless steel.
- The raw material cost per set is R72,66.
- Raw materials are issued to the factory at R86,50 per kg.

C. The bookkeeper calculated the following cost for the financial year ending 31 March 2024:

Factory overhead cost	R1 580 900
Administration cost	R890 700
Selling and distribution cost	R2 145 000

It was discovered that the following adjustments have not been taken into account:

- Provision for bad debts must increase by R3 780.
- An invoice of R76 800 for the Administration Department was received on 31 March 2024. This was for repairs, R2 900 and an additional office.
- New stamping presses were purchased during the year. An additional insurance policy was taken out on 1 November 2023 until 31 October 2024 for R18 000. This was recorded.
- The monthly rent of R19 000 for March 2024 was incorrectly allocated to the factory. 75% of the rent is used in the factory and the balance is distributed equally between the Administration and the Sales and Distribution Department.

- The factory foreman received a bonus during his birthday month in March 2024. The bookkeeper correctly showed his annual salary but he did not indicate his bonus during his birthday month. His bonus details are as follows:

Gross salary	Deductions		Net Salary	Contributions UIF
	PAYE	UIF		
?	25%	1%	R17 020	1%

D. Additional information:

- The total primary cost is R3 946 120.
- The total cost of finished goods produced was R5 604 000.
- The business uses a fixed mark-up of 70% on cost.

1.3 CLEAR WATER PRODUCERS



Clear Water Producers manufactures swimming pool chemicals. The business is owned by Solly Scott.

The financial year ends on 31 May 2024.

Active Algaecide Treatment is one of their products.

REQUIRED:

1.3.1 Determine the total number of extra units that need to be manufactured to reach the goal of increasing profits by R75 000 in the next financial year. (4)

1.3.2 In 2024, the owner Solly intentionally made strategic decisions regarding variable costs to improve the business. Identify TWO costs that were effectively controlled, resulting in a positive impact on the business. (6)

1.3.3 The selling price increased by 12,5% from 2023 to 2024. Explain how this impacted on the performance of the business. Quote figures or calculations. (4)

1.3.4 Explain to Solly why the fixed cost per unit decreased by R1,11 while the total fixed cost increased by R313 680. (2)

INFORMATION:

Active Algaecide Treatment	2024		2023	
	TOTAL	UNIT COST	TOTAL	UNIT COST
Direct material cost	R6 435 200	R80,44	R4 464 000	R62,00
Direct labour cost	R2 240 000	R28,00	R2 448 000	R34,00
Selling and distribution cost	R1 569 600	R19,62	R1 296 000	R18,00
VARIABLE COST	**R10 244 800**	**R128,06**	**R8 208 000**	**R114,00**
FIXED COST	**R3 935 280**	**R49,19**	**R3 621 600**	**R50,30**
Selling price per unit	R180,00		R160,00	
Break-even point	75 766 units		78 730 units	
Number of units produced and sold	80 000 units		72 000 units	

60

QUESTION 2: INVENTORIES **(65 marks; 52 minutes)**

2.1 **CONCEPTS**

Provide the correct term for each of the following descriptions by choosing from the list provided. Write only the correct term next to the question numbers (2.1.1 to 2.1.5) in your ANSWER BOOK.

Periodic inventory system; First-in-First out; Specific identification; Perpetual inventory system; Weighted-average method

2.1.1 Each item sold is specifically identified as it appears on the purchase invoice.

2.1.2 This system requires computers and bar codes.

2.1.3 This method is preferably used to value goods with a limited shelf life.

2.1.4 This method is used when large volumes of similar stock items are purchased.

2.1.5 The Trading Stock Deficit Account is not completed. The business will forfeit the reduction of taxable income. (5)

2.2 LILY STATIONERS



Lily is the owner of a business which sells stationery and office equipment. The financial year ended on 29 February 2024. The business makes use of the periodic inventory system.

REQUIRED:

Refer to Information (A) and answer the following questions regarding calculators.

2.2.1 Calculate the value of the closing stock using the first-in-first-out (FIFO) method of stock valuation on 29 February 2024. (7)

2.2.2 Calculate the cost of sales for the year ended 29 February 2024. (10)

2.2.3 Calculate the percentage mark-up achieved in 2024. (5)

2.2.4 Lily considers changing the stock valuation method to the weighted-average method. She feels that this method would be more beneficial to the business as this will result in a higher cost of sales. The bookkeeper advised Lily that he does not agree, because this does not comply with the requirements of GAAP.

- Calculate the cost of sales using the weighted-average method to support her opinion. (5)
- Give ONE reason why Lily thinks it would be beneficial to the business. (2)
- Give TWO reasons why the bookkeeper feels that this does not comply with the requirements of GAAP. (4)

2.2.5 Lily decided to donate 250 calculators from the stock in the next financial year to the local high school for children that could not afford to buy their own calculators.

Provide TWO reasons why it is beneficial to support the local school by sponsoring calculators to them. (4)

Refer to Information (B) and answer the following questions regarding shredders.

2.2.6 The specific identification method is used to maintain the stock record of shredders.

- Calculate the value of the closing stock of shredders. (5)

2.2.7 Even though security cameras are installed, the owner remains worried about potential theft within the LX Shredder (5 sheet, 6,8 mm) product line.

- Provide a calculation to prove the owner's concern. (5)
- Give TWO points of advice that Lily can implement to prevent this from occurring. (4)

INFORMATION:

A. Stock records of calculators:

	Number of units	Unit price (R)	Total (R)
Balance on 1 March 2023	1 200		120 840
Total purchases during the year:	17 000		2 006 700
July 2023	4 500	102,00	459 000
September 2023	4 800	114,00	547 200
November 2023	5 800	125,00	725 000
January 2024	1 900	145,00	275 500
Returns to suppliers:			
September 2023	(65)		**?**
January 2024	(350)		**?**
Subtotal	**17 785**		**?**
Sales	**?**	200	**?**
Balance on 29 February 2024	1 654	**?**	**?**

- The cost of transporting calculators is 6% of the unit price. These costs were not included in the unit price above.
- The business does not get a refund on carriage costs for returns of goods to the suppliers.

B. Stock record of shredders:

	LX Shredder (5 sheets, 6,8 mm)			TP Shredder (12 sheets, 40 mm)		
	Units	**Unit price (R)**	**Total (R)**	**Units**	**Unit price (R)**	**Total (R)**
Balance on 1 March 2023	24		21 600	12		18 000
Purchases:	173		155 700	75		112 500
August 2023	72	900	64 800	25	1 500	37 500
November 2023	55	900	49 500	18	1 500	27 000
January 2024	46	900	41 400	32	1 500	48 000
Balance on 29 February 2024	21		**?**	**?**		**?**
Sales	169			78		

- No shredders were returned to the suppliers.
- The total cost includes the carriage on purchases.

2.3 **PROBLEM-SOLVING**

Clean Smart Traders is owned by Alex Glue. They sell different types of vacuum cleaners.

All vacuum cleaners are imported from the USA and takes a minimum of 15 working days for goods to be delivered once the order has been placed.

You are presented with the information related to each vacuum cleaner for the year ended 31 May 2024.

REQUIRED:

Identify a unique problem for each product, accompanied by relevant figures. Give Alex a recommendation for addressing the identified problem for each product. (9)

INFORMATION:

	Automatic cordless vacuum cleaner	Handheld vacuum cleaner	Wet and dry handheld vacuum cleaner
Units available for sale	4 400	5 480	4 470
Closing stock	930	290	470
Units sold	3 470	5 190	4 000
Returns by customers	30	110	49
Stock holding period (**closing stock**)	98,7 days	20,8 days	43,4 days
Average stock turnover rate	3,6 times	9,9 times	6,1 times
% Gross profit on cost of sales	80%	70%	80%
Selling price per unit	R1 836	R935	R1 275
Total net sales	R6 315 840	R4 749 800	R5 037 525
Credit sales	R4 681 800	R2 524 500	R2 805 000
Deposits from cash sales	R1 634 040	R2 225 300	R2 218 500

65

QUESTION 3: MANAGEMENT OF FIXED ASSETS (25 marks; 20 minutes)

Patrick van Wyk is the owner of Van Wyk's Transportation Services. The business specialises in the transportation of bulk goods. The accounting period ends on 29 February 2024.

REQUIRED:

3.1 Refer to the information to calculate the missing figures/parts indicated on the Fixed Asset Register.

(i) The purchase price of the Kia Truck (2)
(ii) The rate of depreciation (3)
(iii) Determine/Calculate the date of purchase. (5)
(iv) Depreciation for the year ended 29 February 2024 (2)
(v) Accumulated depreciation on 29 February 2024 (2)
(vi) Book/Carrying value on 29 February 2024 (2)

3.2 Patrick van Wyk wants to know why it is important to have an asset register for the business. Give ONE reason. (1)

3.3 Comment on the use and condition of the Kia Truck and how the business should manage this vehicle and why. (2)

3.4 Patrick is concerned about the use of vehicles in the business. A number of vehicles have excess mileage and are in poor condition. The fuel expense is very high in Patrick's opinion. Explain THREE internal control measures to manage the vehicles of the business more efficiently. (6)

INFORMATION:

Fixed Asset Register

Van Wyk's Transportation Services			**No. 8**
General Ledger Account: Vehicles	**Date of purchase: (iii)**		
Item: Kia Truck	**Registration:** DGP 548 GP		
Supplier: Reddy Motors	**Purchase price: (i)**		
Depreciation method and rate: (ii)			
Details of depreciation:			
Date	**Depreciation**	**Accumulated depreciation**	**Book value/ Carrying value**
(iii)	**?**	**?**	**?**
28 Feb 2022	**96 000**	**144 000**	**176 000**
28 Feb 2023	**96 000**	**240 000**	**80 000**
29 Feb 2024	**(iv)**	**(v)**	**(vi)**

Additional information:

- The fixed asset register is for the Kia truck (DGP 548 GP).
- The business purchased the truck a few years ago from Reddy Motors.
- The current mileage on the truck is 232 372 km.
- The truck is depreciated on the fixed instalment method.

25

TOTAL: 150

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	

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.