education

Department:
Education
PROVINCE OF KWAZULU-NATAL

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P2

PREPARATORY EXAMINATION

SEPTEMBER 2020

MARKS: 150

TIME: 2 HOURS

This question paper consists of 13 pages and an answer booklet of 9 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 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.
8. Use the information and table below as a guide when answering the question. Try NOT to deviate from it.

QUESTION 1: 40 marks; 32 minutes	
Topic of the question	**This question integrates:**
RECONCILIATIONS AND INTERNAL CONTROL	Bank Reconciliation Creditors ' Reconciliation Internal control

QUESTION 2: 30 marks; 24 minutes	
Topic of the question	**This question integrates:**
CASH BUDGETS	Calculations Cash Budget and interpretations Internal control

QUESTION 3: 40 marks; 32 minutes	
Topic of the question	**This question integrates:**
COST ACCOUNTING	Calculations Production Cost Statement Break-even calculation and interpretation Internal control

QUESTION 4: 40 marks; 32 minutes	
Topic of the question	**This question integrates:**
INVENTORY VALUATION, PROBLEM-SOLVING AND FIXED ASSETS	Inventory valuation Problem solving Recording of Fixed Assets Internal control

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QUESTION 1: RECONCILIATION AND INTERNAL CONTROL (40 marks; 32 minutes)

1.1 BANK RECONCILIATION

The following information relates to Shoes Suppliers for July 2020.

REQUIRED:

1.1.1 Show the entries that must be recorded in the Cash Journals by completing the table provided in the ANSWER BOOK. (9)

1.1.2 Prepare the Bank Reconciliation Statement on 31 July 2020. (9)

1.1.3 As the internal auditor you are not happy with the manner in which cash is being controlled in this business.
- Identify TWO problems. Quote figures to support your answer.
- Give advice on how each of these problems can be avoided in future. (6)

INFORMATION:

A. Bank Reconciliation Statement on 30 June 2020:

Favourable balance as per Bank Statement		R 18 450
Outstanding deposits:	Dated 10 June 2020	R 25 000
	Dated 25 June 2020	R 12 670
Outstanding Cheques:	No. 502 (dated 19 January 2020)	R 4 800
	No. 613 (dated 24 July 2020)	R 13 400
	No. 614 (dated 29 July 2020)	R 6 950
Favourable balance as per Bank Account in the Ledger		R 31 970

B. On 31 July 2020, the provisional totals in the Cash Journals were:
- Cash Receipts Journal, R504 350
- Cash Payments Journal , R487 330

C. On comparing the July 2020 Bank Statement, received from Sure Bank, with the Bank Reconciliation Statement of June 2020, the following were noted:
- The outstanding deposit of R12 670 appeared on the bank statement.
- Cheque No. 614, R6 950, was presented for payment.
- Cheque No's 502 and 613 did not appear on the Bank Statement for July 2020.

Note:
The outstanding deposit of R25 000 did not appear on the Bank Statement for July 2020. An investigation revealed that this money was never deposited. The cashier cannot account for the cash.

D. The following items appeared only on the Bank Statement for July 2020:
- Bank charges, R1 420
- Interest on favourable bank balance, R150
- A direct deposit of R6 250 from a tenant appeared twice on the Bank Statement. The bank will rectify this on the Bank Statement next month.
- A debit order of R1 850 for the monthly insurance

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E. Cheque No. 633 appeared correctly on the Bank Statement as R 6 230. The Cash Journal shows it as R2 630.

F. The following entries were in the Cash Journals for July 2020 only:
- A deposit of R11 850 (dated 24 July 2020)
- Cheque No. 652, R5 650 (dated 31 July 2020)
- Cheque No. 655, R1 440 (dated 18 August 2020)

G. The Bank Statement shows a favourable balance of R43 210 on 31 July 2020.

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1.2 CREDITORS RECONCILIATION

The Creditors' Control account and Creditors' List of Khoza Traders were prepared by an inexperienced bookkeeper. He identified the following figures at the end of the month:

- Creditors' control balance, R74 710
- Creditors list total, R32 590

REQUIRED:

1.2.1 Briefly explain how the preparation of a creditors' reconciliation as an internal control measure can assist the business in managing their creditors effectively. Provide TWO points. (4)

1.2.2 Use the table provided to indicate the changes that must be made in the Creditors' Control account and Creditors' List to take into account the errors and omissions noted. Indicate the increase or decrease with a (+) or (-) with each amount. (8)

1.2.3 **Refer to information B.**
An investigation into the transaction relating to the credit purchase from Station Ltd revealed that Thabani Zungu (purchasing manager) ordered goods for himself. These goods were not taken into stock.

State TWO internal control measures that the business can use to prevent similar incidents from happening in future. (4)

INFORMATION:

Errors and omissions noted:

A. The total of the Creditors' List was undercast by R900.

B. A credit purchase from Station Ltd for R3 720 was not recorded in the books of the business.

C. Trading stock returned to Malinga Ltd, R720, was entered correctly in the Creditors Allowances Journal (CAJ), but was posted as R270 to the Creditors' account of Malinga Ltd.

D. The Creditors Control total in the Cash Payments Journal is R16 400. The bookkeeper credited this to the Creditors Control account by mistake.

E. An invoice for R8 870 for stock purchased from Zondi Market on account has been correctly recorded in the Creditors Journal, but has not been posted to their account in the Creditors ledger.

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QUESTION 2 CASH BUDGETS (30 marks, 24 minutes)

You are provided with an incomplete Cash Budget of Kwadambuza Traders. The business is owned by Florence Mthiyane.

REQUIRED:

2.1 Complete the Debtors' Collection Schedule for October 2020. (4)

2.2 Calculate the amount of bad debts that will be written off in October 2020. (3)

2.3 The owner wants to improve the collection from debtors.

Mention TWO strategies that the business can use to encourage debtors to pay their accounts on time. (4)

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

2.5 The rent will increase on 1 October 2020. Calculate the percentage increase. (3)

2.6 Interest on loan is paid on the last day of each month and is not capitalised. Calculate the loan balance on 1 September 2020. (3)

2.7 Give a reason for the entry for Fixed Deposit, R44 000 in October 2020. (2)

INFORMATION:

A. Actual and budgeted sales and cost of sales:

MONTH		TOTAL SALES
Actual:	July 2020	462 000
	August 2020	396 000
Budgeted:	September 2020	372 000
	October 2020	438 000

NOTE:
- 60% of the total sales are for cash.
- Mark-up is 50% on cost.

B. Debtors' Collection Schedule:

MONTH	CREDIT SALES	SEPTEMBER	OCTOBER
July 2020	184 800	33 264	
August 2020	158 400	110 880	?
September 2020	148 800	14 880	?
October 2020	175 200		?
		159 024	?

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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 level of stock through monthly purchases.

E. 50% 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. **Cash Budget for the two months ending 31 October 2020:**

	SEPTEMBER	OCTOBER
RECEIPTS		
Cash sales	**(i)**	262 800
Collection from debtors	159 024	**?**
Rent income	5 500	6 160
Fixed deposit (including interest)		44 000
Total Receipts		
PAYMENTS		
Cash purchases of trading stock	124 000	**(ii)**
Payments to creditors (for stock)	**(iii)**	117 800
Salary – store manager	12 000	13 800
Salaries – 5 shop assistants	15 000	15 675
Telephone	3 410	4 200
Advertising	19 800	12 000
Loan instalment		20 000
Interest on loan (15% p.a)	1 875	1 625
Deposit on motor vehicle	44 000	
Drawings		
Instalment on motor vehicle (12 equal instalments)	-	13 200
Other operating expenses	34 075	51 262
Total Payments		
CASH SURPLUS/ DEFICIT	(24 800)	38 600
BANK AT BEGINNING OF MONTH	11 200	**(iv)**
BANK AT END OF MONTH	(13 600)	**(v)**

30

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QUESTION 3: COST ACCOUNTING (40 marks; 32 minutes)

3.1 **MZUZU MANUFACTURERS**

Mzuzu Manufacturers is a manufacturing business that produces one style of jersey. The financial year ended on 30 June 2020.

REQUIRED:

3.1.1 Calculate the following:
- Direct material cost (4)
- Direct labour cost (8)

3.1.2 Prepare the Production Cost Statement. (9)

3.1.3 The owner is of the opinion that the workers are not properly supervised.
- Identify TWO separate problems relating to the supervision of workers. Quote figures to support your answer.
- In EACH case, provide a solution. (6)

INFORMATION:

A. Stock balances:

	30 JUNE 2020	1 JULY 2019
Raw material stock	R 314 550	R 115 200
Work-in-progress stock	?	22 400

B. Raw materials are purchased only on credit. Invoices totaling R723 600 were received for the financial year.

C. The business employs FIVE factory workers, with the following conditions:
- They must work 8 hours normal time per day for 5 days a week,
- 48 weeks a year, and
- They must produce two jerseys an hour during normal and overtime.

Details relating to total number of hours worked by workers and remuneration rates for the financial year ended 30 June 2020:

	HOURS PER WORKER	RATE PER HOUR	NUMBER OF WORKERS	TOTAL
Normal time	1 680	R47	5	?
Overtime	1 152	R94	5	R 541 440
	2 832			?

NOTE: Employers' contribution: 11,5% of normal wage.

D. Factory overhead cost for the financial year amounted to R117 688.

E. Additional information

The business produced 22 400 jerseys during the financial year, at a unit cost of R60.

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3.2 MNANDI MANUFACTURERS

Mnandi Manufacturers is a manufacturing business that produces one type of health bars. The financial year ended on 31 July 2020.

Production is based on orders received; therefore there are no work-in-progress balances.

REQUIRED:

3.2.1 The owner wants to know if the level of production for this year was satisfactory.

- Calculate the break-even point for the year ended 31 July 2020. (4)
- Do you consider the level of production to be satisfactory or not? Explain by quoting figures to support your opinion. (3)

3.2.2 The owner is concerned about the management of the variable costs.

- Identify ONE problem regarding the variable costs. Quote appropriate figures to support your answer.
- Provide TWO solutions for the problem identified. (6)

INFORMATION ON 31 JULY:

	2020		2019	
	TOTAL (R)	UNIT COST (R)	TOTAL (R)	UNIT COST (R)
Fixed cost	278 400	2,90	277 200	3,30
Variable cost	1 128 000	11,75	831 600	9,90
Direct material cost	518 400	5,40	327 600	3,90
Direct labour cost	451 200	4,70	369 600	4,40
Selling and distribution cost	158 400	1,65	134 400	1,60
Selling price per unit	R15,50		R14,50	
Number of units produced and sold	96 000		84 000	
Break- even point (units)	?		60 261	

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QUESTION 4: INVENTORY VALUATION , PROBLEM-SOLVING AND FIXED ASSETS (40 marks; 32 minutes)

4.1 HAT LIFE STYLE

Hat Life Style sells fashionable hats. The financial year ended on 29 February 2020.

REQUIRED:

4.1.1 Calculate the number of hats on-hand on 29 February 2020. (3)

4.1.2 Calculate the value of the final stock on-hand on 29 February 2020 using the weighted-average method. (7)

INFORMATION:

A. Stocks on hand:

DATE	NO OF UNITS	UNIT PRICE (including carriage)	TOTAL
1 March 2019	100	R40	R4 000
29 February 2020	?	?	?

B. Purchases for the financial year ended 29 February 2020:

DATE	NO OF UNITS	UNIT PRICE	TOTAL
April 2019	100	R50	R5 000
July 2019	150	R60	R9 000
October 2019	200	R90	R18 000
February 2020	50	R120	R6 000
TOTAL	**500**		**R38 000**

C. Carriage on purchases was fixed at R2.40 per unit for the entire financial period.

D. 510 units were sold at a fixed selling price of R150 per unit.

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4.2 SHAPE FOR WOMEN:

The following information relates for the financial year ended 31 March 2020.

REQUIRED:

4.2.1 Calculate the number of days of stock on-hand for Gym Bags. Gym Bags are sold at a mark-up of 25% on cost. The average stock amounted to R79 903. (5)

4.2.2 Identify ONE different problem in respect of the manner in which each product is managed. Quote figures to support your answer. In each case offer practical advice. (9)

INFORMATION:

A. Information (in units) for each product:

	Sweatbands	Towels	Gym Bags
Opening stock	120	80	150
Purchases	5 600	960	1 200
Sales	4 800	840	930
Closing stock	810	200	420

B. Other relevant information for each product:

	Sweatbands	Towels	Gym Bags
Selling price per unit	R45	R125	R350
Stock holding period	50 days	70 days	**4.2.1**
Cash deposited	R216 000	100 000	R325 500

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4.3 FIXED ASSETS

The following appeared in the books of Tom and Sons on 29 February 2020, the end of the financial year.

REQUIRED:

Calculate the missing amounts indicated by (i) – (iv) in the Fixed/Tangible Asset Note for the year ended 29 February 2020. (16)

INFORMATION

A. Fixed/Tangible Assets:

	Vehicles	Equipment
Cost price	1 470 000	
Accumulated depreciation	(1 290 000)	(350 000)
Carry value on 1 March 2019	180 000	
Movements:		
Additions at cost	240 000	54 000
Disposal at carry value	-	(iii)
Depreciation	(ii)	(46 275)
Carry value on 29 February 2020		
Cost price	(i)	755 000
Accumulated depreciation		(iv)

B. Vehicles:

- Depreciation: 15% p.a. on the cost price.
- A new vehicle for R240 000 was purchased on 1 January 2020.

C. Equipment:

- Depreciation: 10% p.a. on the diminishing value method.
- New equipment costing R54 000 was purchased 1 July 2019.
- Equipment with a cost price of R85 000 was sold at its carrying value on 1 December 2019. On 1 March 2019 the accumulated depreciation on this equipment was R48 000.

40

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		$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$
(Trade and other receivables + Cash and cash equivalents) : Current liabilities		
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$		$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
Long-term liabilities : Shareholders' equity	$\frac{\text{Net profit after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$	
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$		
$\frac{\text{Net income after tax + Interest on loans}}{\text{Average Shareholders' equity + Average Long-term liabilities}} \times \frac{100}{1}$		
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$

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ACCOUNTING P2

ANSWER BOOK

SEPTEMBER 2020

NATIONAL SENIOR CERTIFICATE

GRADE 12

Name:_____ **Grade:**_____

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

N.B. This answer book consists of 9 pages.

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QUESTION 1

1.1 BANK RECONCILIATION

1.1.1

CASH RECEIPTS JOURNAL		CASH PAYMENT JOURNAL		
Details	Amount	Details	Amount	
Total	R 504 350	Total	R 487 330	
				9

1.1.2

Bank Reconciliation Statement on 31 July 2020:			
	Debit	Credit	
			9

1.1.3

Identify TWO problems. Quote figures to support your answer.
Give advice on how each of these problems can be avoided in future.

Problem with evidence	Advice	
		6

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1.2 CREDITORS RECONCILIATION

1.2.1 **Briefly explain how the preparation of a creditors' reconciliation as an internal control measure can assist the business in managing their creditors effectively. Provide TWO points.**

4

1.2.2 **Use the table provided to indicate the changes that must be made in the Creditors' Control account and Creditors' List in the books of Titanic Traders to take into account the errors and omissions noted. Indicate the increase or decrease with a (+) or (-) with each amount.**

	Creditors' Control	Creditors' List
Provisional balance/total	R 74 710	R32 590
A		
B		
C		
D		
E		

8

1.2.3 **State TWO internal control measures that the business can use to prevent similar incidents from happening in future.**

4

TOTAL MARKS
40

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QUESTION 2

2.1 Debtors' Collection Schedule:

MONTH	CREDIT SALES	SEPTEMBER	OCTOBER
July 2020	184 800	33 264	
August 2020	158 400	110 880	
September 2020	148 800	14 880	
October 2020	175 200		
Cash from debtors		159 024	

4

2.2 Calculate the amount of bad debts that will be written off in October 2020.

3

2.3 Mention TWO strategies that the business can use to encourage debtors to pay their accounts on time.

4

2.4 Calculate the missing figures indicated by (i) – (v) on the Cash Budget.

	Workings	Answer
(i)		
(ii)		
(iii)		
(iv)		
(v)		

11

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2.5 **The rent will increase on 1 October 2020. Calculate the percentage increase.**

3

2.6 **Interest is paid on the last day of each month and is not capitalised. Calculate the loan balance on 1 September 2020.**

3

2.7 **Give a reason for the entry for Fixed Deposit, R44 000 in October 2020.**

2

TOTAL MARKS
30

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QUESTION 3

3.1.1 DIRECT MATERIAL COST

4

DIRECT LABOUR COST

8

3.1.2 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

Prime cost	
Total manufacturing cost	
Work-in-progress (1 July 2019)	
Cost of production of finished goods	

9

3.1.3

	PROBLEM (WITH FIGURES)	SOLUTION
PROBLEM 1		
PROBLEM 2		

6

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3.2.1 **Calculate: Break-even point for the year ended 31 July 2020.**

4

Do you consider the level of production to be satisfactory or not? Explain by quoting figures to support your opinion.

3

3.2.2 **Identify ONE problem regarding the variable costs. Quote appropriate figures to support your answer.**

Provide TWO solutions for the problem identified.

6

TOTAL MARKS
40

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QUESTION 4

4.1.1 **Calculate: Number of hats on-hand on 29 February 2020.**

3

4.1.2 **Value of the final stock on-hand on 29 February 2020.**

7

4.2 SHAPE FOR WOMEN

4.2.1 **Calculate: Number of days of stock on-hand for Gym Bags.**

5

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4.2.2 **Identify ONE different problem in respect of the manner in which each product is managed. In each case offer practical solution.**

Product	Problem (with figures)	Possible solution
Sweatbands		
Towels		
Gym Bags		

9

4.3

	Calculations	Answer
(i)		
(ii)		
(iii)		
(iv)		

16

TOTAL MARKS
40

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Department:
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PROVINCE OF KWAZULU-NATAL

ACCOUNTING P2

MEMORANDUM

SEPTEMBER 2020

NATIONAL SENIOR CERTIFICATE

GRADE 12

M. G MANGE
EXAMINER
30/09/2020

MARKS: 150

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. Note: if figures are stipulated in memo for components of workings, these do not carry the method for final 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'. Note: check operation must be +,-,x,÷, or per candidates operation.
11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect, indicate with a ☒. Note: do not award marks for workings if numerator and denominator are swapped-this also applies to ratios.
12. Be aware of candidates who provide valid alternatives beyond the marking guideline.
13. Codes: f=foreign item; p=placement.

This memorandum consists of 9 pages

M.G MALGAS
EXAMINER
30/09/2020

QUESTION 1

1.1 BANK RECONCILIATION

1.1.1 **Show the entries that must be recorded in the Cash Journals by completing the table provided in the ANSWER BOOK.**

CASH RECEIPTS JOURNAL		CASH PAYMENT JOURNAL	
Details	**Amount**	**Details**	**Amount**
Total	**R 504 350**	**Total**	**R 487 330**
Stale cheque	4 800 ✓	Bank charges	1 420 ✓
Interest	150 ✓	Insurance	1 850 ✓
Rent income	6 250 ✓	Cheque no. 633	3 600 ✓
		Deposit cancelled	25 000 ✓
Operation one part correct	515 550 ☑	Operation one part correct	519 200 ☑

9
9

1.1.2 **Bank Reconciliation Statement on 31 July 2020**

	Alternative	Debit	Credit
Balance per Bank Statement	R43 210		R 43 210 ✓
Credit outstanding deposit	11 850		11 850 ✓
Debit outstanding cheques:			
No. 613	(13 400)	R 13 400 ✓	
No. 652	(5 650)	5 650 ✓	
No. 655	(1 440)	1 440 ✓	
Debit amount wrongly credited	(6 250)	6 250 ✓✓	
Balance as per Bank Account	28 320	28 320 ☑	Operation
		55 060 ☑	55 060
		Both totals	

9
9

1.1.3 **As the internal auditor you are not happy with the manner in which cash is being controlled in this business.**

- **Identify TWO problems. Quote figures to support your answer**
- **Give advice on how each of these problems can be avoided in future.**

Problem with evidence Problem ✓ ✓ Figure ✓ ✓	Advice advice based on evidence ✓ ✓
R25 000 missing/stolen	Division of duties: the person writing up the transaction should not make the deposits. / Check that the total of cash slips agree with the total of the deposit slip.
Possible rolling of cash: • R12 670 only deposited in July OR • 11 850 still not deposited	Create a policy for regular, daily depositing. / Internal auditor must check that the cashier is depositing cash daily. / Appoint a different person to do the depositing / request timeous bank notification

6
6

1.2 CREDITORS RECONCILIATION

1.2.1 **Briefly explain how the preparation of a creditors' reconciliation as an internal control measure can assist the business in managing their creditors effectively. Provide TWO points.**

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

- Errors and omissions can be detected and corrected.
- Fraud can be detected and minimised.
- The correct payment can be made to creditors.

4
4

1.2.2 **Use the table provided to indicate the changes that must be made in the Creditors' Control account and Creditors' List in the books of Titanic Traders to take into account the errors and omissions noted. Indicate the increase or decrease with a (+) or (-) with each amount.**

	Creditors' Control	Creditors' List
Provisional balance/total	**R 74 710**	**R32 590**
A		+ 900 ✓
B	+ 3 720 ✓	+ 3 720 ✓
C		- 450 ✓
D	- 32 800 ✓✓	
E		+ 8 870 ✓
	45 630	45 630
	☑ Both totals	

8
8

1.2.3 **State TWO internal control measures that the business can use to prevent similar incidents from happening in future.**

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

- Division of duties – Thabani must not be the only person responsible for ordering and recording goods.
- Rotate duties so that employees do not have permanent control over an aspect of the business.
- Have special order forms to be signed by two people.
- Check documents regularly against deliveries.
- Do regular/random stock counts to verify stock records.
- Physical security – only one mark

4
4

TOTAL MARKS
40
40

M. G Mathebe
Examiner
30/09/2020

QUESTION 2

2.1 Debtors' Collection Schedule:

MONTH	CREDIT SALES	SEPTEMBER	OCTOBER
July 2020	184 800	33 264	
August 2020	158 400	110 880	28 512✓
September 2020	148 800	14 880	104 160✓
October 2020	175 200		17 520✓
Cash from debtors		159 024	150 192☑

Operation one part correct

4
4

2.2 Calculate the amount of bad debts that will be written off in October 2020.

184 800 ✓x 2% ✓ = 3 696 ☑ One part correct

3
3

2.3 Mention TWO strategies that the business can use to encourage debtors to pay their accounts on time.

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

Charge interest on overdue accounts/hand over to debt collectors/ sell debtors
Send regular reminders/SMSs/emails
Give discount for early settlements

4
4

2.4 Calculate the missing figures indicated by (i) – (v) on the Cash Budget.

	Workings	Answer
(i)	R 372 000 x 60% Or 372 000 – 148 800 Or 148 800 x 60/40	223 200 ✓✓ Two marks or nothing
(ii)	R 292 000 x 50%	146 000 ✓✓ Two marks or nothing
(iii)	R 264 000 x 50% = 132 000 ✓✓ – 5% ✓ Or R 264 000 x 50% = 132 000 (Two marks) x 95% (One mark)	125 400 ☑ One part correct
(iv)	In brackets or negative	(13 600) ✓
(v)	R38 600 – 13 600	25 000 ✓✓ Two marks or nothing

11
11

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2.5 **The rent will increase on 1 October 2020. Calculate the percentage increase.**

6160 – 5500
660✓ / 5 500✓ x 100 = 12% ☑ One part correct

3
3

2.6 **Interest is paid on the last day of each month and is not capitalised. Calculate the loan balance on 1 September 2020.**

(1 875 x 100/15) ✓ x 12/1 ✓ = 150 000 ☑ One part correct

3
3

2.7 **Give a reason for the entry for Fixed Deposit, R44 000 in October 2020.**

The Fixed deposit of R44 000 matured during October 2020 and the money was paid into the bank account. ✓✓

2
2

TOTAL MARKS
30
30

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QUESTION 3

3.1.1 DIRECT MATERIAL COST

Opening stock		R115 200 ✓
Purchases		723 600 ✓
Closing stock		(314 550) ✓
Issued to factory	Operation one part correct	524 250 ☑

4

DIRECT LABOUR COST

Normal time (1 680 x R47) ✓ x 5 ✓) Operation one part correct	R 394 800 ☑
Overtime	541 440 ✓
Normal time Employer's contribution (R394 800 ☑ x 11,5% ✓)	45 402 ☑
Operation one part correct	981 642 ☑

8

3.1.2 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

Direct material cost	See 3.1.1	524 250 ☑
Direct labour cost	See 3.1.1	981 642 ☑
Prime cost	DMC+DLC	1 505 892 ☑
Factory overhead cost		117 688 ✓
Total manufacturing cost	PC+FOHC	1 623 580 ☑
Work-in-progress (1 July 2019)		22 400 ✓
		1 645 980
Work-in-progress (30 June 2020)	Balancing figure / Operation	(301 980) ☑
Total cost of production of finished goods (22 400 x R60)		1 344 000 ✓✓

9
9

3.1.3 The accountant is of the opinion that workers are not properly supervised.

	Identify separate problems Problems ✓ ✓ Figures ✓ ✓	Solution ✓ ✓
Problem 1	The workers do not work the normal time hours according to the employment conditions – they only worked 1 680 instead of 1 920. OR The workers worked too much overtime as compared to normal time - 70% / (1 152/1680).	Workers should be monitored to ensure they work the correct number of normal hours. / Workers must first work the correct numbers of normal time before booking overtime.
Problem 2	The level of production is too low. For the 2 832 hours worked, they should have produced a total number of 28 320 (2 832 x 5 x 2) jerseys. The business only produced 22 400 jerseys.	Monitor workers to ensure they produce two jerseys per hour. / Pay workers for each jersey completed. / Complete uncompleted tasks under normal hours.

6
6

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3.2 MNANDI MANUFACTURERS

3.2.1

- **Calculate the break-even point for the year ended 31 July 2020.**

$$\frac{278\,400}{15{,}50 - 11{,}75}$$ ✓ ✓

3,75 two marks

= 74 240 units ☑ One part correct

- **Do you consider the level of production to be satisfactory or not? Explain by quoting figures to support your opinion.**

Satisfactory ✓

Explanation: ✓ Figures ✓ (mark according to BEP calculation above and compare with level of production)

The business produced and sold 21 760 units more than the break-even point (96 000 – 74 240). They made a good profit.

The business produced 12 000 units more than in 2017 (96 000 – 84 000) while the break-even point increased by 13 979 units (74 240 – 60 261).

7

3.2.2

- **Identify ONE problem regarding the variable costs. Quote appropriate figures to support your answer.**

Cost identified ✓ Figures ✓

Raw material cost increased from R3,90 to R5,40 (by R1,50 or 38%)

- **Provide TWO solutions for the problem identified.**

Any TWO suggestions: ✓✓ ✓✓
Accept short explanations; may be phrased differently
Part-marks for unclear/incomplete suggestion

- Monitor production techniques to minimise wastage
- Train workers to be more efficient
- Buy in bulk to take advantage of discount
- Look for local suppliers- reduce transport cost

6

TOTAL MARKS
40

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QUESTION 4

INVENTORY CALCULATIONS

4.1.1 **Calculate the number of hats on-hand on 29 February 2020, the financial year-end.**

(100 + 500) – 510
600 ✓ – 510 ✓
= 90 hats ☑ One part correct

3

4.1.2 **Calculate the following using the weighted average method:**
Value of the final stock on-hand on 29 February 2020.

$$\frac{\text{R4000} \checkmark + 38\,000 \checkmark + 1\,200 \checkmark}{600 \checkmark}$$

One part correct
R72 ☑ x 90 ☑ see 4.1.1
= R6 480 ☑ One part correct

7
7

4.2 SHAPE FOR WOMEN

4.2.1 **Calculate the number of days of stock on-hand for Gym Bags. Gym Bags are sold at a mark-up of 25% on cost. The average stock amounted to R79 903.**

$$\frac{\text{R 79 903} \checkmark}{\text{R260 400} \checkmark\checkmark\checkmark} \times \frac{365}{1}$$

= 111 days ☑ One part correct Accept 112 days

OR
one mark one mark one mark

$$\frac{½ \ (150 + 420)}{930 \text{ one mark}} \times \frac{365}{1}$$

5
5

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4.2.2 **Identify ONE different problem in respect of the manner in which each product is managed. Quote figures to support your answer. In each case offer practical advice.**

	Problem ✓ ✓ ✓ **figures ✓ ✓ ✓**	**Possible solution ✓ ✓ ✓** One per item
Sweatbands	120 + 5 600 – 4 800 = 920 – 810 = 110 missing	• Internal control measures to safeguard the stock e.g. Security tags; cameras; display close to paying point; physical stock-taking on a continuous basis
Towels	840 X R125 = 105 000 R105 000 – R100 00 = R5 000 cash missing	• Investigate and apply disciplinary measures. • Check at exit that the payment for the towels appears on the pay slip / invoice. • Check money before banking. • Division of duties
Gym Bags	Too much stock on hand - 111 / 112 days See 4.2.1 Or quantity 410 stock on hand	• Revisit sales policy and implement measures to encourage sales. • Discontinue selling gym bags since sales are low even though the mark-up percentage is only 25%.

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9

4.3 **FIXED ASSETS**

Calculate the missing amounts indicated by (i) – (iv) in the Fixed/Tangible Asset Note for the year ended 29 February 2020.

	Workings	**Amount**
i	1 470 000 + 240 000	1 710 000 ✓✓
ii	New: 240 000 x 15% x $^{2}/_{12}$ = 6 000 ✓✓ Old: 1 470 000 x 15% = 220 500 carry value is only R180 000, thus only R179 999 ✓	185 999 ☑ One part correct
iii	✓ ✓ One part correct (85 000 – 48 000) x 10% x $^{9}/_{12}$ = 2 775 ☑ Three marks 50 775 Four marks = 85 000 ✓ – (2 775 + 48 000 ✓)	(34 225) ☑ One part correct
iv	See iii 350 000 ✓ + 46 275 ✓ – 50 775 ☑	345 500 ☑ One part correct

16

TOTAL MARKS
40
40

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