education

Department:
Education
PROVINCE OF KWAZULU-NATAL

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P2

PREPARATORY EXAMINATION

SEPTEMBER 2024

MARKS: 150

TIME: 2 HOURS

This question paper consists of 14 pages including a 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 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. 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 and table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Cost Accounting	45	35
2	Stock Valuation and VAT	35	30
3	Cash Budget and Projected Statement of Comprehensive income	40	35
4	Bank and Creditors Reconciliation	30	20
TOTAL		**150**	**120**

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QUESTION 1 COST ACCOUNTING (45 marks, 35 minutes)

1.1 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 Commission to salesperson	A Factory overhead cost
1.1.2 Wages of factory maintence staff	B Administration cost
1.1.3 Office stationery expenses	C Direct labour cost
	D Direct material cost
	E Selling and distribution cost

(3x1) (3)

1.2 MG TRAVEL BAGS

The information relates to the financial year ended 29 February 2024. The business manufactures travel bags. The business is owned by Kyle Walker.

REQUIRED:

1.2.1 Prepare the factory overheads cost note. (11)

1.2.2 Complete the Production Cost Statement for the year ended 29 February 2024. (13)

1.2.3 Kyle Walker is considering importing raw materials at a lower price than they are currently paying.

Provide TWO points they should consider before deciding. (4)

INFORMATION:

A. The following balances were appeared in the books:

	29 February 2024	28 February 2023
Work-in-progress	R94 000	?
Indirect factory material	R18 000	R21 000
Finished goods	R8 750	R5 950

B. Raw material issued for production amounted to R1 300 028.

C. Transactions/ information for the year ended 29 February 2024:

	R
Indirect material purchased	36 000
Remuneration to employees	?
Rent expense	291 000
Insurance allocated to the administration section	49 200
Telephone allocated to the administration section	28 800
Sundry factory expenses	189 856

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D. Remuneration to employees are made up of the following:

Wages of factory workers	55%	?
Salary of the factory foreman	?	R435 000
Salary to salespersons	?	R870 000
TOTAL	**100%**	**?**

E. Rent expense must be distributed according to floor space used. The factory occupies 24 400 m², selling and distribution and administration section occupy the remaining 600m².

F. Telephone is shared between factory and administration section in the ratio of 1 : 4 respectively.

G. The following amounts were calculated after taking into account the above information:

Sales	R4 567 200
Cost of sales	R3 803 200

1.3 BERGVILLE CALCULATORS

This business produces and sells calculators. The owner is Mjabu Ngubane. The financial year ended on 31 August 2024.

REQUIRED:

1.3.1 Provide a calculation to confirm that the break-even point of 61 300 units for 2024 financial year is correct. (4)

1.3.2 Mjabu is not happy with the number of units produced and sold. Provide evidence with figures to support his opinion. (2)

1.3.3 Mjabu is concerned that most of his workers are not loyal nor committed to the business. Provide TWO different points of evidence, with figures, to support his opinion.
NOTE: No theft has occurred in the business. (4)

1.3.4 Mjabu wants to improve his profit by R79 968 during the next financial year, while maintaining costs. Calculate the additional units that must be produced to achieve this target. (4)

INFORMATION:

	31 August 2024		31 August 2023	
	Total	**Per unit**	**Total**	**Per unit**
Sales	R7 616 000	R119.00	R7 644 000	R98.00
Variable costs	R4 544 000	R71.00	R4 400 000	R56.41
Fixed costs	R2 942 400	R45.98	R2 520 960	R32.32
Direct material cost	R2 624 000	R41.00	R2 371 200	R30.40
Direct labour cost	R1 472 000	R23.00	R1 528 800	R19.60
Selling and distribution cost	R448 000	R7.00	R500 000	R6.41
Break- even point	61 300 units		60 615 units	
Units produced and sold	64 000 units		78 000 units	

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QUESTION 2 INVENTORY VALUATION AND VAT (35 marks, 30 minutes)

2.1 VRYHEID TRADERS

The information relates to Vryheid Traders for the year ended 31 August 2024. The business is owned by Rob Edwards. The business sells one type of wallet.

REQUIRED:

2.1.1 Calculate the value of the closing stock on 31 August 2024 using the weighted average method. (10)

2.1.2 Rob suspects that wallets have been stolen. Provide a calculation to support his concern. (4)

2.1.3 Rob is concerned about the number of stock on hand.

- Calculate for how long his closing stock is expected to last. (5)
- State one problem with keeping too much stock on hand and one problem with keeping insufficient stock on hand (4)

INFORMATION:

A. Inventories:

	UNITS	UNIT PRICE	AMOUNT
1 September 2023	450	R530	R238 500
31 August 2024	280	?	?

B. Purchases of wallets during the financial year were as follows:

	NUMBER OF UNITS	UNIT PRICE	TOTAL PURCHASES
30 November 2023	600	R509	R305 400
29 February 2024	900	R600	R540 000
31 May 2024	500	R530	R265 000
30 June 2024	200	R620.50	R124 100
TOTAL	**2 200**		**R1 234 500**

C. Carriage on purchases:

The business contracted with MG transport at a fixed rate of R30 per wallet.

D. Returns to suppliers:

Vryheid Traders were not happy with the price of the purchases on 29 February 2024. Therefore, they retuned 100 wallets to the supplier. The supplier refunded the cost price (excluding the carriage) of each item.

E. Sales:

Sales of wallet at R900 each: R2 038 500

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2.2 CONCEPTS ON VAT

Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number in the ANSWER BOOK.

2.2.1 VAT paid to a service provider for the purchase of goods is regarded as (Input VAT / Output VAT).

2.2.2 VAT on drawings of stock will (increase / decrease) the VAT payable to SARS.

2.2.3 VAT will not be accounted for by the business on payment of (salaries / electricity)

(3x1) (3)

2.3 VALUE – ADDED TAX (VAT)

Obusa Traders is a VAT registered business. VAT at the current rate of 15% is applicable.

Required :

2.3.1 Calculate the amount of VAT either receivable from or payable to SARS on 29 February 2024. Indicate whether this amount is receivable or payable. (7)

2.3.2 The owner wants to change the VAT amount on bad debts from R840 to R4 950. Give one reason why you would disagree with him. (2)

INFORMATION:

A. Amount owed by SARS on 1 February 2024, R16 800

B. Amount from the journals on 29 February 2024

DETAILS	EXCLUDING VAT	VAT	INCLUDING VAT
Purchases of trading stock	825 000	?	?
Cash and credit sales	?	210 000 *	?
Discount received from suppliers	?	?	9 200
Bad debts written off	?	840	?

* VAT on sales was incorrectly calculated. Merchandise sold for R32 200 (VAT inclusive) was taxed at the normal VAT rate. All of this merchandise sold were zero-rated products.

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QUESTION 3 **(40 marks; 35 minutes)**

3.1 CASH BUDGET

HOWICK (PTY) LTD

Nompumelelo Mthiyane is the sole shareholder and CEO of the business.

REQUIRED:

3.1.1 Calculate the amounts for (i) - (v) in the Cash Budget. (19)

3.1.2 Nompumelelo extracted the following actual and budgeted figures for August 2024:

	Budgeted	Actual
Total sales	R864 000	R648 000
Cash from debtors	R550 000	410 000
Advertising	R36 000	R36 000
Delivery expenses	R60 000	R51 000

Comment and quote figures on the:

- Effectiveness of the advertising (3)
- Control over delivery expenses (3)

INFORMATION:

A. Total sales:

July	August	September	October
792 000	864 000	900 000	918 000

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- Credit sales comprise 60% of total sales

B.
- Goods are sold at a mark-up of 80% on cost.
- The business maintains a fixed stock base level. Stock sold in a month is replaced in the same month.

C.
- The cash purchases are 65% of total purchases.
- Creditors are paid in the month following the month of purchases to take advantage of a 5% discount.

D. Extract from the Cash Budget for two months ended 31 October 2024:

	September	October
Cash sales	360 000	367 200
Rent income	15 500	**(i)**
Cash purchases	124 300	**(ii)**
Payment to creditors for stock	**(iii)**	107 350
Salaries of sales assistants	41 000	**(iv)**
Telephone	**(v)**	48 600

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E. Rent income is expected to increase by 9% p.a from 1 October 2024.

F. The business will have five sales assistants employed in September 2024 on the same monthly salary. Three of them will receive an annual bonus of 75% of their earnings in October 2024. A part-time sales assistant will be also be employed during October 2024 and will earn 50% of the monthly amount applicable to the others.

G. A tariff increase of 8% will be implemented on the telephone account from 1 October 2024. The business has entered into a fixed monthly fee contract with the service provider.

3.2 PROJECTED STATEMENT OF COMPREHENSIVE INCOME

HARDING TRADERS

Stefan Ortega owns Harding Traders, which sell cycling equipment. You are provided with a Projected Statement of Comprehensive Income for July and August 2024. The actual figures are also provided.

REQUIRED:

3.2.1 Stefan budgeted to achieve a 100% mark-up on cost. However, due to increased competition, he found it necessary to reduce his price during the budgeted period.

- Calculate the mark-up % that the business actually achieved in July 2024. (3)

- Stefan feels that the business benefited from the price reduction. Quote figures from the question to support his opinion. (2)

3.2.2 Over the past two months Stefan has needed to contribute capital in order to settle the debts of the business. Explain why the Projected Statement of Comprehensive Income will not help him in identifying the reasons for this problem. Provide ONE suitable reason. (2)

3.2.3 On 1 July 2024 the business had a loan from Ladysmith Bank at an interest rate of 15% p.a. Interest is not capitalised.

Additional loan was taken on 1 August 2024 at the same interest rate.

- Calculate the amount of the additional loan taken on 1 August 2024. (4)

- Stefan decided to use the additional loan which was taken on 1 August 2024 to purchase the shop premises instead of renting premises. How has this decision affected the profit he is earning? Provide TWO points with figures to support your answer. (4)

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INFORMATION:

CYCLING TRADERS

Projected Statement of Comprehensive Income for July and August 2024:

	July Budgeted	July Actual	August Budgeted	August Actual
Sales	400 000	640 000	432 000	680 000
Cost of sales	(200 000)	(400 000)	(216 000)	(425 000)
Gross profit	200 000	240 000	216 000	255 000
Other income	90 000	120 000	118 000	138 000
Operating expense	(120 000)	(130 000)	(140 000)	(145 000)
Rent expense	30 000	30 000	30 000	0
Rates	0	0	0	15 000
Operating profit	170 000	230 000	194 000	248 000
Interest expense (15% p.a)	(2 500)	(2 500)	(12 500)	(12 500)
Net profit for the month	167 500	227 500	181 500	235 500

40

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QUESTION 4 RECONCILIATIONS (30 marks, 20 minutes)

4.1 BANK RECONCILIATION

The information relates to Still Traders on 31 August 2024.

REQUIRED:

4.1.1 Use the table provided in the ANSWER BOOK to calculate the final totals of the Cash Journals on 31 August 2024. (8)

4.1.2 Prepare the Bank Reconciliation Statement on 31 August 2024. (5)

4.1.3 Refer to information A (iii).

- State the GAAP principle that applies to this decision. (1)
- Explain TWO procedures, besides division of duties, to be implemented to prevent such a loss in future. (4)

INFORMATION:

A. Extract from the Bank reconciliation statement on 31 July 2024.

Outstanding deposits:	**R**
15 July 2024	30 000
30 July 2024	12 105
Outstanding EFT's:	
No. 141	4 700
No. 142	8 000

(i) The outstanding deposit of R12 105 and EFT no. 141, appeared on the bank statement for August 2024.
(ii) EFT No. 142 appears on the bank statement correctly as R6 600 on the bank statement of August 2024.
(iii) The outstanding deposit of R30 000 on 15 July 2024 was never deposited. It was stolen and must be written off.

B. Provisional totals for Cash Journals on 31 August 2024 are as follows:

• Cash Receipts Journal (CRJ)	R389 504
• Cash Payment Journal (CPJ)	R287 000

C. The following information of the August 2024 bank Statement from Spring Bank, did not appear in the August 2024 Cash Journals.

(i) Service fee of R400
(ii) A debit order to the city municipality for R 20 000 for water and electricity.
(iii) The direct deposit received from a debtor N. Thabethe of R5 400, in settlement of her account of R6 000.

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C. The following items reflected differences between the Bank Statement and the Journals and must also be considered:

(i) EFT no 301, for R1 800 in favour of Zwide Traders was recorded in the relevant Journal. Spring Bank however, reflected it twice on the August 2024 bank statement. The bank informed us that they will rectify it on the next bank statement.

(ii) On 27 August 2024, Still Traders received proof (via. email from debtor) of a direct deposit into the business's bank account, R2 910. The bookkeeper entered this in the CRJ. This has not yet appeared on the Bank Statement. It was discovered that the document received via. email was a fake copy.

D. The following entries appeared in the August 2024 Cash Journals but did not appear on the Bank Statement for August 2024.

- EFT no. 189 for R7 000 dated 31 August 2024.
- A deposit of proceeds from cash sales of R16 000 on 31 August 2024

E. The bank statement showed a favourable balance of R24 000 on 27 August 2024.

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4.2 CREDITORS RECONCILIATION

Amanhle Traders buys goods on credit from Anna Suppliers.

REQUIRED:

4.2.1 Use the table provided in the ANSWER BOOK to show changes to the Creditors' Ledger account of Anna Suppliers in the books of Amahle Traders and the statement of account received from Anna Suppliers, to take into account the differences identified.

Indicate a '+' or '–' next to each amount. (8)

4.2.2 The internal auditor insists that direct payments (EFT) must be used to pay suppliers.

- Provide one reason to support her decision. (2)
- Provide one internal procedure to ensure control over this system. (2)

INFORMATION:

A. Creditors ledger of Amahle Traders:

ANNA SUPPLIERS **FOL CL12**

DATE		DETAILS	DEBIT	CREDIT	BALANCE
2024	1	Balance			67 500
Aug	10	Invoice 209		81 000	
		EFT	33 750		
	17	Debit note 674	8 640		
		Invoice 282		40 950	
		Invoice 301		25 000	
	21	Invoice 360		50 250	
	24	Debit note 995		8 100	
	27	Journal voucher 570	5400		
	31	EFT	77 190		147 820

B. Statement of account from Anna Suppliers

AMAHLE TRADERS 24 February 2024
103 Mevas Road

DATE		DETAILS	DEBIT	CREDIT	BALANCE
2024	1	Balance			67 500
Aug	10	Invoice 209	81 000		
		Receipt 695		33 750	
	17	Credit note 741		6 840	
		Invoice 301	25 000		
	21	Invoice 360	20 250		
	24	Credit note 811		8 100	145 060

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C. Differences noted :

(i) The incorrect entry for debit note 674 in the creditors ledger account of Anna Suppliers related to the credit note 741 on the statement. The statement of account is correct.

(ii) Invoice 282 was incorrectly reflected in the account of Anna Suppliers in the creditors ledger. The goods were purchased from Last Born Suppliers

(iii) Invoice 360 was incorrectly recorded on the statement from Anna Suppliers.

(iv) Anna Suppliers also purchased goods on credit from Amahle Traders, Amahle Traders has transferred a debit balance from the debtors ledger (Journal voucher 570). Anna Suppliers will offset this on the next statement.

(v) The transaction on 24 August 2024 is for merchandise returned to Anna Suppliers.

(vi) The statement reflects transactions up to 24 August 2024.

30

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

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

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