GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

JUNE EXAMINATION
GRADE 12

2023

ACCOUNTING

(PAPER 2)

TIME: **2 hours**

MARKS: **150**

15 pages + 1 formula sheet

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 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	Reconciliation	55	44
2	Manufacturing	40	32
3	Inventory	40	32
4	Fixed assets	15	12
TOTAL		**150**	**120**

QUESTION 1: RECONCILIATION (55 marks ; 44 minutes)

BANK RECONCILIATION

1.1 CONCEPTS

Choose the word(s) between the brackets to make the statement true. Write only the correct word(s) in the ANSWER BOOK provided.

1.1.1 Outstanding EFTs must be entered in the (CPJ/Bank Reconciliation Statement). (1)

1.1.2 A (debit order/stop order) is an instruction to a third party that money must be deducted from your bank account. (1)

1.1.3 It is the responsibility of the (internal/external) auditor to follow up on the Bank Reconciliation Statement. (1)

1.2 MOUNTAIN TRADERS

The information below relates to April 2023. The official bank statement, used for reconciliation purposes, is e-mailed to the business on 25th of each month. The business has only one employee, Shaun, in charge of processing and controlling all cash in the business.

REQUIRED:

1.2.1 Calculate the correct bank account balance in the General Ledger on 30 April 2023. Indicate whether this is favourable or unfavourable. (18)

1.2.2 Prepare the Bank Reconciliation Statement on 30 April 2023. (8)

1.2.3 The internal auditor is concerned about the management of cash in the business.

- Explain TWO different problems to justify his concern. Quote figures and dates. (4)
- Give advice on how such problems can be avoided in future. Provide TWO points. (2)

INFORMATION:

A. Extract from the Bank Reconciliation Statement on 31 March 2023

	R
Balance as per Bank Statement (unfavourable)	44 800
Outstanding deposit: 17 March 2023	16 800
20 March 2023	29 800
Outstanding EFTs: No 204	8 750
No 226	18 700
Balance as per bank account	?

B. Provisional totals of Cash Journals on 30 April 2023:

Cash Receipts Journal, R112 850
Cash Payment Journal, R125 128

C. Information on the April 2023 Bank Statement which did not appear in the April 2023 Cash Journals:

UPTOWN BANK

Current Account

Mountain Traders	**Statement number**	4
45 Avenue South	**Statement date**	25 April 2023
Gauteng	**Overdraft limit**	R50 000

ACCOUNT SUMMARY

Opening balance on	25 March 2023	-R44 800
Closing balance on	25 April 2023	R46 548

DATE	TYPE	DETAILS	DEBIT	CREDIT
28 March	Deposit	Cash		16 800
	EFT 204	GH Suppliers	8 750	
	EFT 226	Smooth Traders	15 700	
1 April	Deposit	Cash		24 800
5 April	EFT	Stuart Properties –rent expense		22 500
14 April	Deposit	Cash		**?**
16 April	Debit card	Cash	650	
18 April	Debit order	Best Insurance	4 800	
20 April	Stop order	Varsity Education	3 500	
22 April		Service fees	600	
		Interest	180	
23 April	EFT	WIFI Express	2 200	
24 April	EFT	Marriot Fund		**?**

- The deposit on 1 April appeared correctly on the Bank Statement. An investigation revealed that the money went missing. The amount must be written off.
- EFT 226 appeared correctly on the Bank Statement. This was in favour of Naidoo Enterprises for merchandise purchased cash.
- Paid Stuart Properties the monthly rent, R22 500. The bank incorrectly recorded this transaction and will rectify it.
- The deposit on 14 April was in respect of cash sales less 8% trade discount granted to customers. The cost was R24 000. The business uses a mark-up of 80% on cost.
- Debit card withdrawal on the 16th was to restore the petty cash.

- The stop order on 20 April 2023 is in favour of Varsity Education for the owner's child's tertiary education.
- The EFT payment to WIFI Express on 23 April is not an account of the business but is Shaun's personal WIFI account. The owner notified the bank and instructed the bank to cancel this entry. The reversal will be reflected on the next statement.
- The EFT payment from Marriot Fund was an investment that matured, including interest for the year at 12% p.a. The total interest earned was R6 000.

D. The following information in the April 2023 Cash Journals did not appear on the Bank Statement for April 2023:

- Outstanding deposit dated 29 April 2023, R?
- EFT 301 for R1 285 to GNA Stationery for stationery purchased.
- EFT 309 for R12 800 to JH traders in settlement of our account of R13 500.

1.3 CREDITORS' RECONCILIATION

Mojo Traders render services and sell goods. Their major supplier is Brixton Wholesalers.

The statement received from Brixton Wholesalers on 22 May 2023 reflects that Mojo Traders owe them R58 200. The Creditors' Ledger in the books of Mojo Traders reflects that they owe Brixton Wholesalers R66 255.

REQUIRED:

1.3.1 Reconcile the Creditors' Ledger Account of Brixton Suppliers in the books of Mojo Traders with the statement received by completing the table provided in the ANSWER BOOK.

Indicate the figure as well as a **+** for increase and a **–** or ( ) for decrease. (16)

1.3.2 The owner gives permission to employees to order goods for personal use which they need to pay for at cost and not at selling price value.
Refer to information G:

An investigation revealed that an employee ordered goods for own use but never asked for permission from the owner and never paid for the goods.

(a) Suggest ONE action that the business can take against the employee. (2)

(b) Suggest ONE internal control procedure to prevent this from happening in the future. (2)

INFORMATION:

The following differences were noted:

A. Mojo Traders bought goods on credit from Brixton Wholesalers for R12 500 less 5% trade discount. Mojo Traders omitted the trade discount.

B. Mojo Traders qualified for an early settlement discount of R2 500 and recorded it as such. Brixton Wholesalers granted only R1 870 as discount. This was not reflected on the statement. They promised to show this on their statement next month.

C. An EFT payment of R10 200 made to Brixton Wholesalers was not recorded in the Creditors' Ledger Account and did not appear on the statement as well.

D. An invoice for R17 500 received from Brixton Wholesalers was recorded correctly in the Creditors' Ledger Account. The statement of account reflected the invoice as R15 700.

E. Brixton Wholesalers recorded a credit note of R2 150 on the statement of account in error. This was for goods returned by another customer, Moojo Traders.

F. An EFT payment made to Brixton Wholesalers reflected correctly as R4 900 on the statement of account. Mojo Traders incorrectly posted this as an invoice and posted it as R9 400.

G. The statement of account showed an invoice for goods purchased, R4 850. This transaction was not recorded in the books of Mojo Traders.

H. A debit balance of R3 470 for services rendered was transferred from the account of Brixton Wholesalers in the Debtors' Ledger to their account in the Creditors' Ledger. This transaction was not recorded by Brixton Wholesalers.

QUESTION 2: MANUFACTURING **(40 marks ; 32 minutes)**

2.1 Match the concepts in COLUMN A with an example provided in COLUMN B. Write only the letters (A – D) next to the question number (2.1.1 to 2.1.3) in the ANSWER BOOK.

COLUMN A		COLUMN B	
2.1.1	Direct labour cost	A	Materials that do not form an integral part of the finished product
2.1.2	Fixed cost	B	The total cost of production divided by the number of items produced
2.1.3	Indirect material cost	C	The cost of workers who are directly involved in the manufacturing process
		D	The cost remains constant within a period of time irrespective of the amount of goods produced

(1 x 3) (3)

2.2 **CLIP PRODUCERS**



The information below relates to the production of clipboards. The financial year ends on 28 February 2023.

The factory occupies 750 m^2 and the administration offices and the sales department takes up 125 m^2 each of the floor space.

2.2.1 Complete the Direct Material Note. (9)

2.2.2 Complete the note for factory overhead cost for the financial year ended 28 February 2023. Use the table provided in the ANSWER BOOK. (13)

2.2.3 Complete the Production Cost Statement on 28 February 2023. (8)

INFORMATION:

A. The following balances were extracted from their financial records:

	2023	2022
Direct (raw) materials	R?	R90 000
Work-in-progress	R?	R46 000
Finished goods	3 200 units	5 800 units at R28 per unit
Indirect materials	R18 730	R26 730

B. Direct and indirect materials

- Total net purchases of raw materials amounted to R467 800.
- The delivery of raw materials is outsourced at a cost of R2 500 per trip. Their services were used 16 times during the year.
- Raw materials got damaged during a flood. The insurance company paid out R43 400 which is 70% of the damages, the rest is written off. This loss is deemed as factory overhead cost.
- Raw materials are imported from India. The company paid 15% of the total purchase price towards custom duties.
- Indirect materials purchased during the year amounted to R97 000. 85% of all indirect materials are used in the factory; the rest is used between the offices and the sales department.
- Raw materials issued for manufacturing totalled R527 610.

C. Labour

- The factory employs 8 employees in the production process. The details are as follows:

Basic salary	Total overtime hours worked	Overtime rate
R9 100 per month per employee	1 440	R80 per hour

- The company employs 2 cleaning staff members. Each worked 52 weeks. Their time is divided in the ratio 3:1:1 between the factory, the office, and the sales department respectively.

  The details are as follows:

Basic wage per week per cleaner	Bonus
R2 050	20% of basic annual wage

- The factory supervisor and both shop sales assistants earn the same and earn a total of R504 000 per annum in salaries.
- The office clerk earns R8 000 per month and is entitled to a bonus.

D. Other expenses

List of expenses for the year ended 28 February 2023:

Water and Electricity	R68 900
Rent expense	R228 800
Depreciation on factory equipment	R71 700
Insurance (factory department)	R48 000
Advertisement	R12 000

- The factory uses 75% of the water and electricity.
- Insurance was calculated in the ratio 4:1:1 between the factory, office and sales department. This should have been shared in the ratio 2:1:1.
- Rent is still owed for February 2023. The rent increased by 10% from 1 February 2023. The rent is allocated as per the floor space occupied by each department.

E. Unit cost

Cost of finished goods produced	R34,50
Selling price per unit	R50,00

- 68 750 units were sold during the year.

2.3 SPARKLING MANUFACTURERS

Sparkling Manufacturers produces and sells household cleaning equipment. The financial year ended on 28 February 2023. The owner is Lerato Ntuli.

REQUIRED:

2.3.1 Do a calculation to prove that the break-even point for 2023 is correct. (3)

2.3.2 Lerato is worried about the performance of the business due to increased loadshedding since 2022, a new competitor and the impact it has on her profit.

Do you think Lerato needs to be concerned? Motivate your answer by quoting figures to support your answer. (4)

INFORMATION:

All costs are per unit

	2023	2022
Variable cost	R2 280	R2 045
Direct material cost	R1 176	R1 050
Direct labour cost	R650	R500
Selling and distribution cost	R225	R230
Fixed cost	R2 780	R2 600
Factory overhead cost	R1 946	R1 820
Administration cost	R834	R780
Units produced and sold	1 400	1 700
Break-even unit	923	1 063
Selling price	R6 500	R6 200
Selling price of competitor	R6 700	-

40

QUESTION 3: INVENTORIES (40 marks ; 32 minutes)

3.1 CONCEPTS

Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK.

3.1.1 Cost of sales is determined at the point of sale in the perpetual inventory system. (1)

3.1.2 In a periodic inventory system, carriage on purchases is recorded as an asset. (1)

3.1.3 A perpetual inventory system is a very expensive system to have in place. (1)

3.2 LEATHER CITY

Leather City is a company that sells two different types of leather couches and pillows among other things. The financial year ends on 31 March 2023. The business uses the periodic inventory system.

Stock is valued as follows:

- Couches: Specific identification method
- Pillow: Weighted average method

REQUIRED:

COUCHES

3.2.1 Calculate the following for the year ended 31 March 2023:

- Value of closing stock (10)
- Cost of sales (6)
- Gross profit (3)

3.2.2 Calculate the average stock holding period for the Elite range. (5)

3.2.3 The CEO is satisfied with the performance of the Basic range compared to the elite range. Give THREE reasons to justify his satisfaction. Quote figures or calculations to support your answer. (6)

PILLOWS

3.2.4 During the physical stock count, it was discovered that 55 pillows are missing. This must be written off. Calculate the value of the pillows that must be written off. (5)

3.2.5 The owner is of the opinion that changing the method of valuating the stock from weighted-average method to FIFO will be more beneficial to the business. Provide a reason to support this change if SARS grants permission to change. Quote figures. (2)

INFORMATION:

A. COUCHES:

(i) Stock balance on 1 April 2022:

RANGE	COST PRICE (INCLUDING CARRIAGE)	UNITS	TOTAL
Basic	R15 000	36	R540 000
Elite	R23 000	18	R414 000
		54	R954 000

(ii) Total purchases of couches for the year ended 2023. This cost includes the carriage on purchases.

RANGES	UNITS	COST PER UNIT		TOTAL PURCHASE
		PURCHASE	CARRIAGE	
Basic	351	R14 150	R850	R5 265 000
Elite	191	R22 150	R850	R4 393 000
	542			R9 658 000

Returns to suppliers:

- There were no returns for the Basic range.
- 7 Elite couches were returned to the supplier.

Carriage on purchases:
The company uses Speedy Transport for deliveries of goods to the shop. The business does not get a refund on any returns to the suppliers.

Display in shop:
The owner uses one set of the Elite range as display for customers to see.

(iii) Sales for the year ended 31 March 2023:

RANGES	UNITS SOLD	TOTAL NET SALES
Basic	372	R8 537 400
Elite	179	R6 587 200
	551	R15 124 600

- The business does free deliveries to customers if within 50 km of the shop, thereafter they charge R10,40 per km. Total kilometres charged for deliveries to customers was 29 620 km.

(iv) Financial indicators for the year ended March:

	BASIC RANGE		ELITE RANGE	
	2023	**2022**	**2023**	**2022**
Stock holding period	14,7 days	25,3 days	?	34,2 days
% Gross profit on cost of sales	53%	50%	59,7%	55%

- The business aimed to achieve a mark-up percentage of 60% on cost.

B. PILLOWS

RECORDS	UNITS	COST PRICE PER UNIT	TOTAL VALUE
Opening stock	230	R360	R82 800
Purchases	1 375		R566 135
June 2022	140	R380	R53 200
August 2022	235	R405	R95 175
October 2022	480	R412	R197 760
January 2023	360	R420	R151 200
March 2023	160	R430	R68 800
Returns: January purchases	(40)	R420	(R16 800)
TOTAL AVAILABLE	**1 565**		**R632 135**
Pillows sold during the year	1 200		
Closing stock	310		?
Missing stock	55		?

QUESTION 4: FIXED ASSETS **(15 marks ; 12 minutes)**

Read the case study below and answer the questions that follow.

You are the internal auditor of Skyair Tours Limited. The company is situated in the Western Cape. They take tourists on helicopter trips to Robben Island at R2 800 per person for a 30-minute trip. Each trip is a maximum 50 km round trip.



The company has two directors, Nixon Booysen and Lerato Molofe. The financial year ends on 31 May each year.

The company has three pilots working for them, Susan, John and Masego. The pilots are expected to work 5 days a week from Wednesday until Sunday due to the nature of the business.

Nixon used the third helicopter, Green Island, for personal use during the year.

Depreciation is calculated at 15% p.a. using the straight-line method.

4.1 The company appears to deal with several challenges. Identify ONE problem regarding each helicopter/pilot. Quote figures to support your answer. Give ONE point of advice for EACH problem identified. (9)

4.2 Nixon asked you, as the internal auditor, to keep the personal trips as a business expense and not as a personal expense.

4.2.1 Explain to Nixon which GAAP principle is applied in showing this as drawings and not as a business expense. (1)

4.2.2 What will the consequences be for the company if it is shown as a business expense? (2)

4.3 Lerato would like to purchase the Blue Island helicopter at the beginning of 2024 for R270 000.

4.3.1 Should the company be satisfied with the price offered? Quote figures to support your answer. (2)

4.3.2 What procedure would you advise them to have in place before any asset of the business can be sold? (1)

INFORMATION:

Information from the accounting records for May 2023.

	HELICOPTER 1: BLUE ISLAND	HELICOPTER 2: RED ISLAND	HELICOPTER 3: GREEN ISLAND
Name of pilot	Susan	John	Masego
Cost price	R3 000 000	R12 000 000	R8 000 000
Accumulated depreciation	R2 700 000	R360 000	R3 600 000
Working days per year	251 days	251 days	251 days
Number of days pilot worked per year	301 days	265 days	185 days
Salary per pilot	R26 800 p.m.	R35 000 p.m.	R42 000 p.m.
Kilometres travelled	150 500 km	164 300 km	75 000 km
Number of trips booked per annum	3 010	3 180	1 480
Petrol used	39 193 litres	32 860 litres	15 000 litres
Fuel consumption	3,84 km per litre	5 km per litre	5 km per litre
Petrol costs (R15 per litre)	R587 895	R492 900	R225 000
Petrol cost per km	R3,90	R3.00	R3,00
Maintenance cost per km	R15 per km	R12 per km	R12 per km
Total maintenance cost	R2 257 500	R1 971 600	R900 000
Fee income	R25 284 000	R26 712 000	R12 432 000
Passengers booked	9 030	9 540	4 440

15

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

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.