



**education**

Department:  
Education  
PROVINCE OF KWAZULU-NATAL

# GREENBURY

ENQUIRIES: D A SEWLALL

REFERENCE:

DATE: 19 SEPTEMBER 2016

## ERRATA/ERRATUM

PREPARATORY EXAMINATION: SEPTEMBER 2016

GRADE 12

**SUBJECT: ACCOUNTING**

**DATE: 22 SEPTEMBER 2016**

**ATTENTION: CHIEF INVIGILATOR**

Please take note of the following change:

PAGE	NUMBER	ERROR	CORRECTION
4	Question 1 (Topic)	RECONCILIATIONS AND VAT	RECONCILIATIONS

Kindly ensure that candidates are informed of the Errata.

MR R.C. PENNISTON

SENIOR MANAGER

PROVINCIAL EXAMINATION: ADMINISTRATION

19/09/16  
DATE

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KWAZULU-NATAL DEPARTMENT OF EDUCATION

Postal Address: Private Bag X01 • East End • 4018 • Republic of South Africa

Physical Address: 72 Stalwart Simelane Street • Malgate Building • Durban • 4001

Tel.: +27 31-327 0361 • Fax: +27 031-33 9913 • Email: [tony.sewlal@kzndoe.gov.za](mailto:tony.sewlal@kzndoe.gov.za) • Web: [www.kzneducation.gov.za](http://www.kzneducation.gov.za)

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# Education

KwaZulu-Natal Department of Education  
REPUBLIC OF SOUTH AFRICA

**ACCOUNTING**

**PREPARATORY EXAMINATION**

**SEPTEMBER 2016**

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**MARKS: 300**

**TIME: 3 Hours**

This question paper consists of 19 pages and an  
answer book of 18 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: 35 marks; 20 minutes	
Topic of the question	This question integrates:
Reconciliation	<b>Financial accounting</b> Bank Reconciliation and Creditors Reconciliation  <b>Managing resources</b> Internal control

QUESTION 2: 35 marks; 20 minutes	
Topic of the question	This question integrates:
Stock valuation and internal control	<b>Managing resources</b> Inventory valuation: weighted average and internal control: problem-solving

QUESTION 3: 85 marks; 55 minutes	
Topic of the question	This question integrates:
Income Statement, tangible asset and trade and other payables notes.	<b>Financial accounting</b> Concepts, Income Statement and Balance Sheet notes

QUESTION 4: 45 marks; 25 minutes	
Topic of the question	This question integrates:
Manufacturing	<b>Managerial accounting</b> Direct material cost Factory overheads Analysis and interpretation of unit costs and break-even point  <b>Managing resources</b> Internal control

QUESTION 5: 70 marks; 40 minutes	
Topic of the question	This question integrates:
Cash Flow and interpretation of financial information	<b>Financial accounting</b> Cash Flow Statement Calculations and financial indicators Analysis and interpretation

QUESTION 6: 30 marks; 20 minutes	
Topic of the question	This question integrates:
Cash Budget and internal control	<b>Managerial accounting</b> Analysis and interpretation of a cash budget <b>Managing resources</b> Internal control and internal audit

**QUESTION 1                      RECONCILIATIONS AND VAT                      (35 Marks;20 Minutes)****1.1      CONCEPTS:**

State whether each of the following statements is True or False: (3)

- 1.1.1      A post dated cheque received must be recorded in the CRJ on the date of receipt.
- 1.1.2      The rule of prudence states that theft of cash must be recorded as an expense.
- 1.1.3      A debit balance shown on the bank statement reflects that the bank balance is unfavourable.

**1.2      BANK RECONCILIATION:**

The information provided relates to Osizweni Traders.

**REQUIRED:**

- 1.2.1      Why is it important for a business to prepare a Bank Reconciliation Statement? Provide **ONE** suitable reason. (2)
- 1.2.2      Calculate the correct bank balance in the general ledger of Osizweni Traders on the 30 April 2016. Show all your workings. (8)
- 1.2.3      Prepare the Bank Reconciliation Statement on 30 April 2016. (9)

**INFORMATION:****A. Extract from the Bank Reconciliation Statement on 31 March 2016:**

	R
Outstanding deposit	48 800
Outstanding cheques:	
262 (28 October 2015)	15 900
415 (26 February 2016)	14 750
420 (12 March 2016)	28 350
422 (31 May 2016)	1 500

**NOTE:**

- The deposit of R48 800 appeared on the bank statement on 2 April 2016.
- Cheque no. 415 was reflected on the bank statement for April 2016 as R17 450. The bank statement is correct. The other outstanding cheques have not been presented at the bank.

**B. The Bank Account showed a credit balance of R14 250 on 30 April 2016 before considering the following:**

- A direct deposit of R8 500 by the tenant.
- An unpaid cheque of R15 200 received from Z. Nyawo. This cheque was originally received in settlement of his account of R15 500.
- Bank charges, R 2 100.
- Interest on overdraft R1 110.

**C. The following information appeared only in the Cash Journals for April 2016:**

- A deposit of R64 830
- Cheque number 460 issued to P. Lee for R15 800

**D. The bank overcharged on the bank charges for April by R760. The bank has agreed to correct the error during May 2016. This is not included in the bank charges mentioned in information B.**

**1.3 CREDITORS' RECONCILIATION**

The Creditors' Control account and the Creditors' List for September 2016 was prepared by the bookkeeper. There were some errors and omissions.

The balance in the Creditors' control account was R19 605 whereas the total in the Creditors' list was R25 315 on 30 September 2016.

**REQUIRED:**

- 1.3.1 Indicate the corrections that must be made to the Creditor's Control account in the General Ledger and Creditors' list by showing the amounts with: + for increase; - for decrease. No details are required. (11)
- 1.3.2 Lolo, the bookkeeper, is the only person assigned by the business to place orders with suppliers and process all transactions in respect of creditors. The internal auditor, Joe Zulu, discovered that the value of goods actually received and placed in the store room was less than the quantities indicated on various invoices. Indicate ONE internal control measure that can be implemented to avoid this in future? (2)

**INFORMATION:**

**The following errors and omissions were discovered:**

- A. The Creditors Journal was overcast by R1 000.
- B. A debit note of R2 000 was not entered in the Creditors Allowances Journal.
- C. A debtor with a credit balance of R1 500 was included in the list of creditors by mistake.
- D. An amount of R3 090 in the Creditors Journal was incorrectly posted to a creditor's personal account as R3 900.
- E. The Debtors' Control column total of R9 000 in the Cash Payments Journal was erroneously posted to the Creditors' Control account.
- F. Goods purchased on 30 September 2016 for R4 600 was recorded correctly in the relevant Journal. However this entry was not posted to the account of the creditor in the creditors' ledger.



**QUESTION 2: INVENTORY VALUATION AND INTERNAL CONTROL (35 Marks;20 Minutes)**

**2.1** You are provided with information relating to Khombindlela Traders. The business is owned by Thule Ntuli. The business sells one type of leather bag. The financial year ended on 30 June 2016. The business uses the weighted average method to value their stock and the periodic stock system is in operation.

**REQUIRED:**

- 2.1.1 Calculate the value of closing stock on 30 June 2016 using the weighted average method. (10)
- 2.1.2 Thule is concerned about the control of the stock of leather bags. She suspects that leather bags have been stolen by her workers. Provide a calculation to confirm her suspicion. (4)
- 2.1.3 Calculate the average stock holding period (in days) for the financial year ended 30 June 2016. (6)
- 2.1.4 Thule wants to alternate between using the weighted average method and the First-in-first-out (FIFO) method, depending on which will result in a higher cost of sales.

However, the bookkeeper does not agree with Thule. She says that it does not comply with the requirements of International Financial Reporting Standards (IFRS).

- In your opinion, why do you think Thule wants to increase the value of cost of sales? (2)
- Provide **TWO** reasons why the bookkeeper says that alternating between the two methods of valuing stock does not comply with the requirements of International Financial Reporting Standards (IFRS). (4)

**INFORMATION:****A. Opening stock and closing stock:**

DATE	NUMBER OF UNITS	PURCHASE PRICE PER UNIT	TOTAL
01 July 2015	400	R350	R140 000
30 June 2016	200	?	?

**B. Purchases:**

DATE	NUMBER OF UNITS	PURCHASE PRICE PER UNIT	TOTAL
August 2015	300	R370	R111 000
October 2015	350	R380	R133 000
November 2015	300	R390	R117 000
March 2016	250	R400	R100 000
<b>TOTAL</b>	<b>1200</b>		<b>R461 000</b>

**C. Carriage on purchases:**

Carriage on purchases from the manufacturer to Khombindlela Traders was R32.50 per leather bag.

**D. Returns:**

Hundred (100) defective leather bags, bought during March 2016, were returned to the supplier. The supplier allowed a refund. There will be no refund for carriage on purchases.

**E. Sales:**

A selling price of R900 per leather bag was maintained throughout the financial year. The total sales for the financial year amounted to R1 116 000 .

**2.2 INTERNAL CONTROL**

You are provided with the information related to Quick Bicycle Suppliers for three branches. The business is owned by Zodwa Thusini.

**REQUIRED:**

Zodwa is concerned with the results. Identify ONE problem in relation to each branch, quoting figures/amounts to support your findings or opinion. In each case, offer Zodwa advice on how to solve the problem identified. (9)

LOCATION OF BRANCH	DURBAN	RICHARDS BAY	LADYSMITH
NAME OF MANAGER/ESS	SENZOLO	JOYFULL	KHETHIWE
Number of bicycles available for sale	490	400	290
Number of bicycles sold during the year	490	72	250
Physical count on 29 February 2016	0	328	40
Total sales (amounts actually banked)	R1 225 000	R237 600	R710 000
Cost price per bicycle	R2 000	R2 000	R2 000
Mark-up%	25%	65%	50%
Selling price per bicycle	R2 500	R3 300	R3 000
Advertising costs per year	R10 000	R2 000	R10 000

**QUESTION 3: FINANCIAL STATEMENTS: COMPANIES (85 Marks; 55 Minutes)**

You are provided with information relating to Nongweleza Limited for the financial year ended 30 June 2016.

**REQUIRED:**

- 3.1 Complete the Income Statement for the year ended 30 June 2016. (56)
- 3.2 Complete the following notes:
- 3.2.1 Tangible/fixed assets (12)
- 3.2.2 Trade and other payables. (17)

**INFORMATION:**

The following balances and totals were extracted from the Pre-adjustment Trial Balance of Nongweleza Ltd on 30 June 2016:

<b>Balance Sheet Accounts Section</b>	<b>R</b>
Ordinary share capital	10 710 000
Retained income	800 000
Mortgage Loan: MM Bank	1 200 000
Land and buildings	3 800 000
Vehicles	2 800 000
Equipment	950 000
Accumulated depreciation on vehicles (1 July 2015)	1 350 000
Accumulated depreciation on equipment (1 July 2015)	450 000
Fixed Deposit: MM Bank	900 000
Creditors Control	660 000
Debtors Control	458 500
Trading stock	1 500 000
Provision for bad debts (1 July 2015)	21 996
Pension fund	45 400
SARS: PAYE	64 100
SARS: Income tax (provisional tax payments)	100 000
<b>Nominal Accounts Section</b>	
Sales	6 200 000
Cost of sales	3 000 000
Debtors allowances	20 000
Audit fees	33 800
Insurance	20 000
Bad debts	14 000
Directors fees	528 000
Rent income	128 800
Salaries and wages	1 220 000
Pension fund contributions	36 200
Interest on loan	92 800
Interest on fixed deposit	?
Packing material	21 000
Bad debts recovered	2 760
Bank charges	3 200
Sundry expenses	77 100
Ordinary share dividends	180 000

**ADJUSTMENTS AND ADDITIONAL INFORMATION:**

- A. An invoice was issued on 28 June 2016, to a debtor, for a credit sale of R80 000 upon which a trade discount of 20% was granted. These goods were sold at a 60% mark-up. No entries were made for this transaction.
- B. No entries have been made for stock stolen at the beginning of June 2016. The insurance company has informed Nongweleza LTD that they have transferred R 24 000 into the business bank account in respect of the insurance claim. Nongweleza LTD bears 20% of any stock loss.
- C. On 30 June 2016, R2 400 was received from J Smith, whose account had previously been written off as irrecoverable. The amount was entered in the debtor's column in the CRJ. This must be corrected.
- D. Adjust the provision for bad debts to R18196.
- E. Packing material to the value of R18 000 was used during the year ended 30 June 2016.
- F. A physical stock taking on 30 June 2016 reflected that stock to the value of R1 400 000 was on hand.
- G. The directors' fees for June 2016, R32 000, is still outstanding.
- H. An employee's details were omitted from the Salaries Journal for June 2016. He has not been paid. His details are as follows:

Deductions		Employer's contribution	Net salary
PAYE	Pension	Pension	
2 880	1 950	3 900	10 500

- I. The rent has been received three months in advance. The monthly rent increased by 10% on 1 November 2015.
- J. An old vehicle was sold for cash on 29 February 2016 for R43 440. No entries have been made. Vehicles are depreciated at 15% p.a. on cost.

The fixed asset register for the vehicle sold revealed the following:

Cost price	245 000
Accumulated depreciation at the beginning of the financial year	169 400

- K. Make provision for depreciation as follows:
- On the remaining vehicles at 15% p.a. on cost.
  - On equipment at 10% p.a. on the diminishing balance method. A new computer was purchased on 1 January 2016 for R36 000. This was properly recorded.
- L. Final dividends were declared at 8 cents per share. 2 100 000 ordinary shares were in issue on 30 June 2016.
- M. Income tax of R252 000 was calculated at 28% of the net profit. This must still be brought into account.

**4.1** Match the description in column B with the cost in column A.

COLUMN A		COLUMN B	
4.1.1	Direct labour cost	A	Salary paid to the bookkeeper
4.1.2	Direct material cost	B	Depreciation on factory equipment
4.1.3	Selling and distribution cost	C	Material used to make the final product
4.1.4	Administration cost	D	Wages paid to factory machine operator
4.1.5	Factory overhead cost	E	Commission to sales agents

(5)

**REQUIRED:**

#### 4.2.1 Direct Material Cost

(8)

#### 4.2.2 Factory Overheads Cost

(23)

**A. Balances:**

	29 February 2016	28 February 2015
Raw materials stock	R120 000	R80 000
Work-in-process stock	R75 000	R89 000
Consumable stores stock	R55 000	R45 000
Accrued expenses(water and electricity)	-	R5 000
Prepaid expenses (water and electricity)	R8 000	-

Purchases of raw materials: Cash	R400 000
: Credit	R650 000
Purchases of consumable stores	R370 000
Carriage on purchases of raw materials	R31 000
Raw materials returned to suppliers	R17 000
Rent expense paid	R585 000
Water and electricity paid	R412 400
Advertising paid	R85 000
Insurance paid	R78 000
Factory sundry expenses paid	R44 625

**C Additional information and adjustments:**

- i. Rent expense is allocated in accordance with the floor space occupied. The space is occupied as follows: factory 2 000m<sup>2</sup> and the other departments 1 200 m<sup>2</sup>.
- ii. Consumable stores are shared in the ratio 5:1 by factory and the administration department respectively.
- iii. Insurance is shared between the factory, sales and administrative department in the ratio 3 : 2 : 1.
- iv. Indirect labour in the factory comprises: the factory foreman who earns R114 600 per year, and a cleaner who earns R39 000 per year (inclusive of employers' contributions). The cleaner spends half of her time in the factory.
- v. The factory uses 70% of the water and electricity while the sales and administration departments share the remaining 30% equally.
- vi. Depreciation written off:
  - Office equipment, R9 500
  - Factory machinery, R12 800

**4.3 ZONDI MANUFACTURERS**

Zondi Manufacturers produces and sells juice bottles. The business is owned by Themba Zondi.

**REQUIRED**

- 4.3.1 Give ONE example of a fixed cost and ONE example of a variable cost. (2)
- 4.3.2 Calculate the break-even point for the year ended 30 June 2016. (4)
- 4.3.3 Should the business be satisfied with the number of units that they are currently producing? Briefly explain. (3)

**INFORMATION:**

The information below relates to Zondi Juice Bottle Manufacturers for the year ended 30 June 2016:

Number of juice bottles produced and sold.	18 000
Sales	R540 000
Total fixed cost	R180 000
Total variable cost	R216 000

**QUESTION 5 CASH FLOW AND INTERPRETATION OF  
FINANCIAL INFORMATION****(70 Marks; 40 Minutes)**

- 5.1 You are provided with the information related to Amanda Limited for the year ended 29 February 2016.

**REQUIRED:**

- 5.1.1 Prepare the Retained Income Note for the year ended 29 February 2016 (15)
- 5.1.2 Refer to the incomplete Cash Flow Statement provided in **information F**. Calculate only the missing figures indicated by (a) to (d) in the Cash Flow Statement on 29 February 2016. Indicate outflow in brackets. (17)
- 5.13 The directors took some significant decisions which affected the cash position of the company. List **TWO** of these significant decisions and indicate how the business will benefit from these decisions. Quote figures to support your answer. (6)
- 5.1.4 Calculate the following for the financial year ended 29 February 2016:
- Percentage return on average shareholders' equity (ROSHE) (6)

**INFORMATION:****A. Extract from Income Statement for the year ended 29 February 2016.**

Sales	R10 000 000
Cost of sales	R5 000 000
Depreciation	R205 000
Interest expense	R148 500
Net profit after tax	R4 200 000
Income tax ( 30% of the net profit before tax)	?

**B. Extract from Balance Sheet :**

	29 February 2016	28 February 2015
Fixed/tangible assets	R5 953 000	R5 692 500
Financial asset	R1 600 000	R800 000
Inventories	R660 000	R470 000
Trade debtors	R750 000	R590 000
Trade creditors	R900 000	R700 000
Shareholders for dividends	?	R300 000
SARS-Income tax	DR R500 000	CR R800 000
Ordinary share capital	R5 388 900	R4 620 000
Retained income	?	R528 000
Non-current liabilities	R1 800 000	R2 500 000

**C. Shares:**

- 2 310 000 ordinary shares were in issue on 1 March 2015.
- 390 000 ordinary shares were issued on 1 April 2015.
- 170 000 shares were repurchased on 30 September 2015 at R3 per share.

**D. Dividends:**

- Interim dividends of 33 cents per share were paid on 1 September 2015.
- Final dividends of 20 cents per share on 29 February 2016 were declared.

**NOTE:** All shares in issue on the date of declaration qualify for dividends.

**E. Tangible/fixed assets:**

- Fixed assets were sold for cash at carrying value of R327 750 during the financial year.
- Land and buildings were bought during the year. No other fixed assets were purchased.



**F. AMANDA LTD****CASH FLOW STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2016.**

<b>Cash flows from operating activities</b>	
Cash generation from operations	
Interest paid	(148 500)
Dividends paid	(a)
Income tax paid	(b)
<b>Cash flows from investing activities</b>	
Purchase of fixed assets	(c)
Proceeds on sale of fixed assets	327 750
Increase in financial asset	(800 000)
<b>Cash flows from financing activities</b>	
Proceeds from issue of share capital	(d)
Buy back of shares	(510 000)
Payment of long-term loan	(700 000)
<b>Net change in cash equivalents</b>	
Cash and cash equivalents – beginning of year	<b>494 500</b>
Cash and cash equivalents – end of year	

**5.2 ANALYSIS AND INTERPRETATION**

You are provided with the information of Vryheid Limited. The company is registered with an authorized share capital of 2 000 000 shares. The financial year ended on 29 February 2016.

**REQUIRED:**

- 5.2.1 The CEO, Lungi Dundee, currently owns 48% of the issued shares. The board of directors plan to issue 50% of the unissued shares in July 2016.
- Calculate the minimum number of shares that Lungi must buy in July 2016 to gain control of the company. (5)
  - Lungi wants to purchase the additional shares, at R13 per share without advertising the shares to the public. Give **TWO** reasons why you would not approve of this arrangement. (4)
- 5.2.2 The directors decided to increase the loan during the current financial year. Quote **TWO** financial indicators (actual figures/ratios/percentages) that are relevant for their decision. Explain why this was a good decision, or not. (6)
- 5.2.3 New shares were issued at the beginning of the financial year at R10.00 each. Explain why the existing shareholders would or would not be happy with this issue price? Quote **TWO** financial indicators (with figures) to explain their opinion. (5)
- 5.2.4 The directors are generally happy with the improvement in the liquidity from 2015 to 2016. Quote **THREE** relevant financial indicators for both years (actual ratios or figures) to support their opinion. (6)

**INFORMATION:**

The following financial indicators were taken from the accounting records of Vryheid Limited for the years ended:

	29 Feb. 2016	28 Feb. 2015
Shares issued	1 200 000 shares	450 000 shares
Return on average shareholders' equity	54,3%	37,3%
Return on total capital employed	41,6%	35%
Net asset value per share	1 600 cents	1 400 cents
Debt/equity ratio	0,6:1	0,3 : 1
Current ratio	1,4 : 1	0,9 : 1
Acid-test ratio	0,7:1	0,8 : 1
Rate of stock turnover	4 times p.a.	3 times p.a.
Debtors' collection period	28 days	35 days
Creditors' payment period	20 days	40 days
Earnings per share	610 cents	590 sent
Dividends per share	125 cents	135 cents
Market price of shares on JSE	1 700 cents	1 600 cents
Interest rate on loans	18%	16%

**QUESTION 6 PROJECTED INCOME STATEMENT AND  
INTERNAL CONTROL****(30 Marks; 20 Minutes)**

- 6.1** You are provided with the Projected Income Statement of Pongola Traders for July and August 2016. The actual figures are also provided. The business is owned by Velaphi Khanda. He uses a fixed mark-up percentage at all times and credit sales comprise 60% of all sales.

**REQUIRED:**

- 6.1.1 Calculate the mark-up % that Pongola Traders uses. (3)
- 6.1.2 Velaphi is concerned about the support he is getting from his customers. He is concerned about losing 'goodwill'. (2)
- Quote figures from the question which indicates that he is losing customers. (2)
  - Identify **ONE** reason, with appropriate figures, to indicate why he is losing customers. (2)
- 6.1.3 The shop assistants earn equal wages. Two of the six shop assistants resigned at the beginning of August. They have not been replaced. (3)
- Calculate the % salary increase that Velaphi granted the shop assistants in August. (3)
  - Give **ONE** reason why the shop assistants would not be happy with this increase. Quote evidence to support your answer. (2)

**INFORMATION:****Pongola Traders****Projected Income Statement for July and August 2016.**

	<b>July Budget</b>	<b>July Actual</b>	<b>August Budget</b>	<b>August Actual</b>
Sales	540 000	396 000	594 000	360 000
Cost of sales	300 000	220 000	330 000	200 000
Gross Profit	240 000	176 000	264 000	160 000
Rent income	36 000	18 000	42 000	21 000
Gross operating income	276 000	194 000	306 000	81 000
Operating expenses	(1 49 480)	(165 380)	(120 128)	(131 100)
Salary of the manager	40 000	40 000	50 000	50 000
Wages of shop assistant	24 000	24 000	24 000	16 800
Telephone	11 000	3 000	1 000	5 000
Security expenses	7 000	3 500	7 000	3 500
Trading stock deficit	0	18 000	0	12 000
Training of employees	30 000	10 000	0	0
Advertising	5 000	1 000	5 000	1 000
Discount allowed	2 000	0	2 000	0
Entertainment expenses	10 000	40 000	10 000	10 000
Bad debts	6 480	11 880	7 128	10 800
Stationery	4 000	4 000	4 000	7 000
Depreciation	10 000	10 000	10 000	15 000
Operating profit/loss	126 520	28 620	185 872	(50 100)
Interest income (6% p.a)	12 000	12 000	12 000	9 000
Profit before interest expense	138 520	40 620	197 872	(41 100)
Interest expense (15% p.a)	(37 500)	(37 500)	(37 500)	(37 500)
Net profit/loss for the year	101 020	3 120	160 372	(78 600)

**6.2 CASH BUDGET AND INTERNAL CONTROL**

You are provided with the information related to Nongweleza Traders. The business is owned by Zamani Dladla.

**REQUIRED:**

- 6.2.1 Give ONE reason why a business will compare budgeted figures with actual figures. (1)
- 6.2.2 Complete the Debtors Collection Schedule for November 2016. (6)
- 6.2.3 Calculate the payment to creditors for November 2016. (5)
- 6.2.4 At the end of September 2016, the following figures were identified. The owner wants you to explain the possible causes as to why the budgeted and actual amounts might differ significantly. Explain what you would mention to him about each of the following items. Give one point of advice in each case. (6)

	<b>BUDGETED</b>	<b>ACTUAL</b>
Fuel	R9 200	R20 000
Rent Income	R10 000	R3 000

**INFORMATION:****A. Sales and cost of sales**

- 70% of total sales are on credit and the rest for cash.
- The business uses a mark-up of 60% on cost.
- Stock is replaced in the month of sale.
- 40% of goods are bought on credit and the rest for cash.
- Creditors are paid in the month following the purchase of stock to qualify for a 2% discount.

**B. Debtors are expected to pay as follows:**

- 35% of debtors pay their accounts in the month of sale to receive a 5% discount.
- 40% pay in the month after sale.
- 20% pay two months after sale.
- 5% of debts are written off.

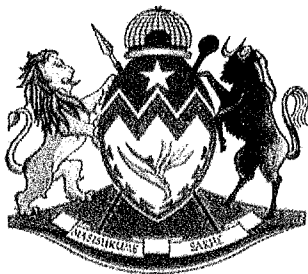
**C. Extract from the Cash Budget for the period September to November 2016**

	SEPTEMBER	OCTOBER	NOVEMBER
<b>Receipts</b>			
Cash sales	390 000	270 000	264 000
Collection from debtors	410 575	?	?
Rent income	10 000	10 000	10 000
<b>Payments</b>			
Cash purchases	?	?	?
Payment to creditors	180 000	318 500	?
Fuel	9 200	12 000	12 845
Training of employees			30 000

30

**TOTAL MARKS: 300**





# Education

KwaZulu-Natal Department of Education  
REPUBLIC OF SOUTH AFRICA

## ACCOUNTING

### ***SPECIAL ANSWER BOOK***

### PREPARATORY EXAMINATION

SEPTEMBER 2016

**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				
5				
6				
TOTAL				

N.B. This answer book consists of 18 pages.

QUESTION 1

1.1 State whether each of the following statements is True or False:

1.1.1	
1.1.2	
1.1.3	

☐

1.2.1 Why is it important for a business to prepare the Bank Reconciliation Statement? Give ONE reason only.

☐

1.2.2 Calculate the correct Bank Account balance on the 30 April 2016.

☐



1.2.3 Prepare the Bank Reconciliation Statement on 30 April 2016

	Debit	Credit

1.3.1 Indicate the corrections that must be made to the Creditor's Control account in the General Ledger and Creditors' list by showing the amounts with: + for increase; - for decrease. No details are required.

	Creditors control	Creditors list
Pre-adjustment balance/total	19 605	25 315
A.		
B.		
C.		
D.		
E.		
F.		
G.		

1.3.2

Lolo, the bookkeeper, is the only person assigned by the business to place orders with suppliers and process all transactions in respect of creditors. The internal auditor, Joe Zulu, discovered that the value of goods actually received and placed in the store room was less than the quantities indicated on various invoices. Indicate **ONE** internal control measure that can be implemented to avoid this in future?

TOTALMARKS
35

**QUESTION 2**

2.1.1

**Calculate the value of closing stock on 30 June 2016 using the weighted average method.**

2.1.2

**Thule is concerned about the control of the stock of leather bags. She suspects that leather bags have been stolen by her workers. Provide a calculation to confirm her suspicion.**

2.1.3

**Calculate the average stock holding period (in days) for the financial year ended 30 June 2016.**

2.1.4

Thule wants to alternate between using the weighted average method and the First-in-first-out (FIFO) method, depending on which will result in the higher cost of sales.

In your opinion, why do you think Thule wants to increase the value of cost of sales?

Provide TWO reasons why the bookkeeper says that alternating between the two methods of valuing stock does not comply with the requirements of International Financial Reporting Standards (IFRS).

2.2

Zodwa is concerned with the results. Identify ONE problem in relation to each branch, quoting figures/amounts to support the problem. In each case, offer Zodwa advice on how to solve the problem identified.

	Problem identified with figures.	Advice
DURBAN SENZOLO		
RICHARDS BAY JOYFULL		
LADYSMITH KHETHIWE		

TOTALMARKS

35

**QUESTION 3**  
**3.1 NONGWELEZA LIMITED**  
**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**

	Gross profit	
	Other operating income	
	Operating Expenses	
	Audit fees	33 800
	Insurance	20 000
	Bad debts	14 000
	Operating profit	
	Operating profit before interest expense	
	Net profit before tax	
	Net profit after tax	



3.2.1 Tangible/fixed asset

	Vehicles	Equipment
Carrying value at the beginning of the year	1 450 000	464 000
Cost	2 800 000	914 000
Accumulated depreciation	(1 350 000)	(450 000)
Movements		
Additions at cost		
Disposals at carrying value		
Depreciation		
Carrying value at the end of the year		
Cost		
Accumulated depreciation		

3.2.2 Trade and other payables


TOTALMARKS
85

QUESTION 4

4.1

COLUMN A	COLUMN B
4.1.1	
4.1.2	
4.1.3	
4.1.4	
4.1.5	

4.2.1	Direct Material Cost	
	Opening stock	80 000

4.2.2	Factory Overheads Cost	
	Factory sundry expenses	44 625
	Depreciation	12 800

4.3.1

**Give ONE example of a fixed cost and ONE example of a variable cost.**

Example of a fixed cost

Example of a variable cost

☐

4.3.2

**Calculate the break-even point for the year ended 30 June 2016.**

☐

4.3.3

**Should the business be satisfied with the number of units that they are currently producing? Briefly explain.**

☐

TOTALMARKS
45



QUESTION 5

5.1.1 RETAINED INCOME

Balance at the beginning of the financial year	528 000
Net profit after tax for the year	
Dividends	

5.1.2 Calculate the missing figures in the Cash Flow Statement.

	WORKINGS	ANSWER
(a)		
(b)		
(c)		
(d)		

5.1.3    **The directors took some significant decisions in the past years which affected the cash position of the company. List TWO of these significant decisions and indicate how the business will benefit from these decisions. Quote figures to support your answer.**

Decisions ( with figures)	Explanation of Benefits

5.1.4    **Return on shareholders' equity**

- 5.2.1 Calculate the minimum number of shares Lungi must buy in July 2016 to gain control of the company.

Lungi wants to purchase the additional shares at R13 per share without advertising the shares to the public. Give TWO reasons why you would not approve of this arrangement.

- 5.2.2 The directors decided to increase the loan during the current financial year:

- Quote TWO financial indicators (actual figures/ratios/percentages) that are relevant to their decision. Explain why this was a good decision, or not

5.2.3 New shares were issued at the beginning of the financial year at R10.00 each. Explain why the existing shareholders would or would not be happy with this issue price?

Quote TWO financial indicators (with figures) to explain your opinion.

--

5.2.4 The directors are generally happy with the improvement in the liquidity from 2015 to 2016. Quote THREE relevant financial indicators for both years (actual ratios or figures) to support their opinion.

--

TOTALMARKS
70

**QUESTION 6**

6.1.1 Calculate the mark-up % that Pongola trader uses.

6.1.2 Velaphi is concerned about the support he is getting from this customers. He is concerned about losing 'goodwill'.

Quote figures from the question which indicates that he appears to be losing customers.

Identify ONE reason, with appropriate figure to indicate why he appears to be losing customers.

6.1.3 **The shop assistant earns equal wages. Two of the six shop assistants resigned at the beginning of August. They have not been replaced.**

**Calculate the % salary increase that Velaphi granted the shop assistants in August.**

**Give ONE reason why they would not be happy with this increase. Quote evidence to support your answer.**



6.2.1 Give ONE reasons why business compare budget figures with actual figures.

6.2.2 Complete the Debtors Collection Schedule for November 2016.

CREDIT SALES PER MONTH		OCTOBER	NOVEMBER
SEPTEMBER	910 000	364 000	
OCTOBER	630 000	209 475	
NOVEMBER			
TOTAL RECEIVED			

6.2.3 Calculate the payment to creditors for November 2016

6.2.4 At the end of September 2016, the following figures were identified. The owner wants you to explain to him why the budgeted and actual amounts of certain items differ significantly. Explain what you would mention to him about each of the following items. Give one point of advice in each case.

EXPLANATION	ADVICE
FUEL:	
RENT INCOME:	

TOTAL MARKS
30



( )

( )



## QUESTION 1

1.1

State whether each of the statements is True or False:	
1.1.1	False✓
1.1.2	True✓
1.1.3	True✓

3

1.2.1

Why is it important for a business to prepare the Bank Reconciliation Statement? Give ONE reason only.

The Bank Reconciliation Statement serves as an important internal control tool that helps the business enterprise

- identify outstanding cheques and deposits;
- errors and omissions;
- detect fraud;
- check the bank account balance against the bank statement.

Any valid point ✓✓

2

1.2.2

Calculate the correct Bank Account balance on the 30 April 2016.

$$- 14\,250✓ + 8\,500✓ + 15\,900✓ - 2\,700✓ - 15\,200✓ - 2\,100✓ - 1\,110✓ = -10\,960\boxed{\phantom{00}}$$

operation once part must be correct

OR

$$14\,250✓ - 8\,500✓ - 15\,900✓ + 2\,700✓ + 15\,200✓ + 2\,100✓ + 1\,110✓ = 10\,960\boxed{\phantom{00}}$$

(credit)

8

Method mark for operation  
If learner used T-alc  
do not worry about etc

GRE ENBURY



## Education

KwaZulu-Natal Department of Education  
REPUBLIC OF SOUTH AFRICA

## ACCOUNTING

## MEMORANDUM

## PREPARATORY EXAMINATION

SEPTEMBER 2016

NATIONAL  
SENIOR CERTIFICATE

GRADE 12

MARKS: 300

## 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.
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. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect.
11. Be aware of candidates who provide valid alternatives beyond the marking guideline.
12. Codes: f=foreign item; p=placement.

This memorandum consists of 18 pages.

## 1.3.2

Lolo, the bookkeeper, is the only person assigned by the business to place orders with suppliers and process all transactions in respect of creditors. The internal auditor, Joe Zulu, discovered that the value of goods actually received and placed in the store room was less than the quantities indicated on various invoices. Indicate ONE internal control measure that can be implemented to avoid this in future?

Any valid point

- Division/rotation of duties — ensure that different people are in charge of different duties
- All invoices must be checked against merchandise delivered
- Payments must only be made on approved invoices

Have to explain division of duties.  
If started one work.

TOTAL MARKS
35

2

## 1.2.3 Prepare the Bank Reconciliation Statement on 30 April 2016

	Debit	Credit
Debit balance as per bank statement	30 900 ✓	✓
Credit outstanding deposit		64 830 ✓
Credit amount incorrectly debited		760 ✓
Debit outstanding cheques		
420	28 350 ✓	
422	1 500 ✓	
460	15 800 ✓	
Credit balance as per bank account	✓	10 960 ✓
	76 550	76 550

9

Or

Balance as per bank account	✓
Outstanding deposit	(10 960) ✓
Amount incorrectly debited	(64 830) ✓
Outstanding cheques	(760) ✓
420	28 350 ✓
422	1 500 ✓
460	15 800 ✓
Balance as per bank statement	✓
	(30 900) ✓

Check operation

can also be the closing figure or missing figure in the BRS by the candidates.

- 1.3.1 Indicate the corrections that must be made to the Creditor's Control account in the General Ledger and Creditors' list by showing the amounts with: + for increase; - for decrease. No details required.

	Creditors control	Creditors list
Pre-adjustment balance/total	19 605	25 315
A.	- 1 000 ✓	
B.	- 2 000 ✓	- 2 000 ✓
C.		- 1 500 ✓
D.		- 810 ✓
E.	+ 9 000 ✓	
F.		+ 4 600 ✓
	25 605 ✓	25 605

If no + sign, still award marks.

11

2.1.4	Thule wants to alternate between using the weighted average and the first-in-first-out (FIFO) method, depending on which will result in the higher cost of sales. In your opinion, why do you think Thule wants to increase the value of cost of sales? It decreases gross profit/ net profit and therefore decreases tax liability ✓ Provide TWO reasons why the bookkeeper says that alternating between the two methods of valuing stock does not comply with the requirements of International Financial Reporting Standards (IFRS). Two valid reasons ✓ The business must stay consistent from year to the next in order to compare results. Not ethically correct to manipulate profit by changing policies. Not acceptable practice – SARS will not approve.
-------	--

2

4

2.2

Problem/ Figure/ advice	Problem identified with figures.	Advice
DURBAN SENZOLO	All stock sold. 0 stock on hand. He could have sold more stock if he re-ordered additional stock. Mark up- is low (25%) which could result in low gross profit.	Ensure stock levels are sufficient at all times. Demand that managers request additional stock if needed. Increase the profit mark-up.
RICHARDS BAY JOYFULL	The bicycles are not selling well only 6 per month sold. The stock on hand is high. Highest mark-up used (65%) low advertising at R1000.	Move stock to branches where sales are quicker. Try reducing make-up % to improve sales. Increase the budget for Advertising.
LADYSMITH KHETHIWE	There is cash missing, the actual sales should be R750 000 instead of R710 000 (R40 000 is missing)	Institute investigation. Administer disciplinary procedures and sanction the guilty parties' e.g. legal actions, suspension and etc.

Don't forget to include the figures

TOTAL MARKS
35

## QUESTION 2

2.1.1 Calculate the value of closing stock on 30 June 2016 using the weighted average method.

$$140\,000 \checkmark + 461\,000 \checkmark + 39\,000 \checkmark - 40\,000 \checkmark$$

$$400 \checkmark + 1\,200 \checkmark - 100 \checkmark$$

$$600\,000$$

$$1\,500$$

$$= R400 \checkmark \times 200 \checkmark$$

$$= R80\,000 \checkmark$$

$$= R80\,000 \checkmark$$

10

2.1.2

Thule is concerned about the control of the stock of leather bags. She suspects that leather bags have been stolen by her workers. Provide a calculation to confirm her suspicions.

$$(1400 + 1200 - 100) \checkmark$$

$$1500 \checkmark - 1\,240 \checkmark - 200 \checkmark = 60 \checkmark$$

$$= 60 \checkmark$$

4

$$\downarrow 116000/900 = 1290$$

going to be used in future papers

2.1.3

Calculate the average stock holding period (in days) for the financial year ended 30 June 2016.

$$\frac{1}{2}(140\,000 \checkmark + 80\,000 \checkmark) \times 365$$

$$520\,000 \checkmark$$

$$= 77 \text{ Days} \checkmark$$

6

## 3.2.1 Tangible/fixe asset

	Vehicles	Equipment
Carrying value at the beginning of the year	1 450 000	464 000
Cost	2 800 000	914 000
Accumulated depreciation	(1 350 000)	(450 000)
<b>Movements</b>		
Additions at cost	-	36 000✓
Disposals at carrying value	(51 100)✓	-
Depreciation (check income statement figures)	(407 750)✓	(48 200)✓
Carrying value at the end of the year	991 150✓	451 800✓
Cost	2 555 000✓	950 000✓
Accumulated depreciation	(1 563 850)✓	(498 200)✓

check operation

12

## 3.2.2 Trade and other payables

Trade creditors	660 000✓
Income received in advance	26 400✓
Accrued expenses	32 000✓
Creditors for salaries	10 500✓
Pension fund (1950✓ + 3 900✓ + 45 400✓)	51 250✓
SARS- PAYE (64 100✓ + 2880✓)	66 980✓
SARS – Income Tax (252 000✓ – 100 000✓)	152 000✓
Shareholders for dividends	168 000✓
Operations part must be correct	1 167 168✓

10 500

17

<b>TOTAL MARKS</b>
85

## QUESTION 3

3.1 NONGWELEZA LIMITED  
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

Sales (6 200 000✓ – 20 000✓ + 64 000✓)	6 244 000✓
Cost of sales (3 000 000✓ + 50 000✓)	(3 050 000)✓
8 Gross profit	3 194 000✓
Other operating income	111 360✓
Bad debts recovered (2 760✓ + 2 400✓)	5 160✓
Rent income (128 800✓ – 26 400✓) one part must be correct	102 400✓
11 Provision for bad debts adjustment (21 996✓ – 18 196✓)	3 800✓
Gross operating income	3 305 360
Operating Expense	(2 491 140)✓
Audit fees	33 800
Insurance	20 000
Bad debts	14 000
Packing material (21 000✓ – 3 000✓)	18 000✓
Directors fees (528 000✓ + 32 000✓)	560 000✓
Salaries and wages (1 220 000✓ + 15 330✓)	1 235 330✓
or (2 880 + 1950 + 10500✓)	
Employer contribution (36 200✓ + 3 900✓)	40 100✓
Bank charges	3 200✓
Sundry expenses	77 100✓
Stock lost due to theft (24 000✓ x 20/80✓)	6 000✓
Loss on sale of asset	7 660✓
Trading stock deficit (1 500 000✓ – 50 000✓ – 30 000✓ – 1400 000✓)	20 000✓
30 Depreciation (24 500✓ + 383 250✓ + 1 800✓ + 46 400✓)	455 950✓
Operating profit	814 220✓
Interest Income	178 580✓
Operating profit before interest expense	992 800✓
Interest expense	(92 800)✓
Net profit before tax	900 000✓
Income tax	(252 000)✓
7 Net profit after tax	648 000✓

Foreign items: Balance Sheet items: (each max 2)

If the pre-adjustment figure is shown as the final answer the relevant mark is still given. If final figures are correct awarded full marks. If incorrect mark workings and works norms operation one part must be correct where there is a method mark

$$30\ 000 \times \frac{100}{160} = 50\ 000$$

$$24\ 000 \times \frac{100}{80} = 30\ 000$$

56

4.3.1

Give ONE example of a fixed cost and ONE example of a variable cost.

Example of a fixed cost

Any one valid exampleRent expense, Salaries, Indirect wages, Interest etc  
(Accept Administration costs and Factory overhead)

Example of a variable cost

Any one valid example

Direct/Raw materials, Direct labour / Direct wages, Advertising, Selling and distribution, Commission on sales

2

4.3.2

Calculate the break-even point for the year ended 30 June 2016.

180 000 ✓  
30 ✓ - 12 ✓10 000 units ✓  
operation one part must be correct

4

4.3.3

Should the business be satisfied with the number of units that they are currently producing? Briefly explain.

Yes ✓

The business is producing 18 000 enough units – they are above the BEP of 10 000 units by 8 000 units which means that the business will be making a Profit. ✓✓

3

Check answer in 4.3.2 &amp; mark accordingly

TOTAL MARKS
45

## QUESTION 4

4.1

COLUMN A	COLUMN B
4.1.1	D ✓
4.1.2	C ✓
4.1.3	E ✓
4.1.4	A ✓
4.1.5	B ✓

5

4.2.1

Direct Material Cost	
Opening stock	80 000
Purchases (400 000 ✓ + 650 000 ✓ – 17 000 ✓)	1 033 000 ✓
Carriage on purchases	31 000 ✓
Less closing stock	(120 000) ✓
operation one part must be correct	1 024 000 ✓

8

4.2.2

Factory Overheads Cost	
Sundry expenses	44 625
Depreciation	12 800
Consumable stores (45 000 ✓ + 370 000 ✓ – 55 000 ✓) 5/6 ✓	300 000 ✓
Indirect labour (114 600 ✓ + 19 500 ✓)	134 100 ✓
Insurance (78 000 ✓) 3/6 ✓	39 000 ✓
Water and electricity (412 400 ✓ – 5 000 ✓ – 8 000 ✓) 70/100 ✓	279 580 ✓
Rent expense (585 000 ✓) 2000/3200 ✓	365 625 ✓
operation one part must be correct	1 175 730 ✓

23

\* Consumable Stores - if any figure shown in brackets is shown in total column given one mark.

## 5.1.3

The directors took some significant decisions in the past years which affected the cash position of the company. List TWO of these significant decisions and indicate how the business will benefit from these decisions. Quote figures to support your answer.

TWO decisions with figures

Explanation of Decisions benefiting the company

Decisions (with figures)	Explanation of Benefits
Fixed asset purchased for R793 250	Improve profit earning capacity/existing Capital gain on Land and Buildings.
Issue of additional shares for R1131000	To finance the purchasing of tangible assets.
Increase in Financial asset R800 000	To receive more interest income or to finance the future plans for the business.

*Repayment of loan, R700 000*  
*Reduction in interest on loan*

6

## 5.1.4

Return on shareholders' equity

$$\frac{4\,200\,000}{\frac{1}{2} \times (8\,572\,000 + 5\,148\,000)} \times \frac{100}{1}$$

$$\frac{4\,200\,000}{6\,860\,000} \times \frac{100}{1}$$

61% or 61.2% ✓ (operation one part must be correct)

6

## QUESTION 5

## 5.1.1 RETAINED INCOME

Balance at the beginning of the financial year	528 000
Buy back of shares (170 000 ✓ X 0.87 ✓) <u>the amount must be less than R3</u>	(147 900) ✓
Net profit after tax for the year (6 000 000 ✓ - 1 800 000 ✓)	4 200 000 ✓
Dividends	1 397 000 ✓
Interim/paid (2 700 000 ✓ x 0.33 ✓)	891 000 ✓
Final/recommended (2 530 000 ✓ x 0.20 ✓)	506 000 ✓
Balance at the end of the financial year <u>operation</u>	3 183 100 ✓

15

$$\frac{5388\,900}{2\,530\,000} = 2.13$$

$$R3 - R2.13 = R0.87$$

## 5.1.2 Calculate the missing figures in the Cash Flow Statement.

	WORKINGS	ANSWER
(a)	891 000 ✓ + 300 000 ✓ OR 300 000 + 1 397 000 - 506 000	operation one part must be correct and the answer must be in brackets to indicate the outflow of cash (1 191 000) ✓
(b)	800 000 ✓ + 1 800 000 ✓ + 500 000 ✓	operation one part must be correct and the answer must be in brackets to indicate the outflow of cash (3 100 000) ✓
(c)	5 953 000 ✓ + 205 000 ✓ + 327 750 ✓ - 5 692 500 ✓	operation one part must be correct and the answer must be in brackets to indicate the outflow of cash (793 250) ✓
(d)	5 388 900 ✓ + 362 100 ✓ - 4 620 000 ✓ OR 390 000 ✓ X 2.90 ✓ OR Ordinary share capital 362 100 ✓ c/d 5 388 900 ✓	operation one part must be correct and the answer must be in brackets to indicate the outflow of cash 1 131 000 ✓

17

*average price was 1.13*  
*after buyback*



5.2.3

New shares were issued at the beginning of the financial year at R10, 00 each. Explain why the existing shareholders would or would not be happy with this issue price?

Quote TWO financial indicators (with figures) to explain your opinion.

Comment ✓  
Quoting of indicator ✓ ✓

Nov ✓

Shares were issued at a price below the NAV of 2015. NAV was R14 and shares were issued at R10.

Shares were issued at a price lower than a market price of 2015. Market price was R16 and shares were issued for R10.

Do not accept NAV and market price for 2016 since new shares were issued at the beginning of the year.

5

5.2.4

The directors are generally happy with the improvement in the liquidity from 2015 to 2016. Quote THREE relevant financial indicators for both years (actual ratios or figures) to support their opinion.

Financial indicator with a trend ✓ ✓

- Current ratio improved from 0.9: 1 to 1.4: 1 by 0.5
- Rate of stock turnover improved from 3 times to 4 times by 1 time.
- Debtors collection period improved from 35 days to 28 days by 7 days.

Do not accept acid test ratio and creditors payment period

TOTAL MARKS
70

5.2.1

Calculate the minimum number of shares Lungi must buy in July 2016 to gain control of the company.

1 200 000 x 48/100 = 576 000 he currently owned

400 000 + 1 200 000 = 1 600 000 shares that will be issued in July.

1 600 000 x 51/100 = 816 000 ✓ - 576 000 ✓ = 240 000 ✓ shares that lungi must buy to gain control of the company. operation one part must be correct

or ✓ ✓  
800 000 + 1 = 800 001 - 576 000 = 224 001 ✓

50/61

5

Lungi wants to purchase the additional shares at R13 per share without advertising the shares to the public. Give TWO reasons why you would not approve of this arrangement.

- As this is a public company the shares should be offered to the public. The shares should be issued at the current market value of R17 which will bring in R4 080 000 to the company. ✓✓

- He would therefore be benefiting while the other shareholders will be disadvantaged through dilution of the share price. ✓✓

Any valid point

4

5.2.2

The directors decided to increase the loan during the current financial year:

- Quote TWO financial indicators (actual figures/ratios/percentages) that are relevant to their decision. Explain why this was a good decision, or not

Ratios with figure : ✓ ✓

Comment ✓ ✓

Good decision ✓ ✓

ROTC

This is 41.6% ✓

Debt/equity ratio

This is 0.6 : 1 ✓

Explanation for good decision

Positively geared as ROTCE is higher than interest rate of 18%. ✓✓

Low financial risk / not making much use of loans ( it relies more on funds from internal source) ✓✓

6

6.1.3

The shop assistants earn equal wages. Two of the six shop assistants resigned at the beginning of August. They have not been replaced.

Calculate the % salary increase that Velaphi granted the shop assistants in August.

- R16 800 / 4 = R 4 200 ✓
- R4 200 – 4000 ✓ = R 200 Increase
- 200 / 4 000 x 100 = 5% ✓ operation one part must be correct

OR

- 4000 x 4 = 16 000
- 16800 – 16 000 = 800
- 800 / 16 000 x 100 = 5 %

Give ONE reason why they would not be happy with this increase. Quote evidence to support your answer.

Any valid points ✓✓

- The manager received a 25 % increase while the assistants received 5%
- The 5% increase is less than the current inflation rate.
- The assistants who resigned were not replaced, the remaining assistants are probably having to work harder for a small increase

5

QUESTION 6

6.1.1

Calculate the mark-up % that Pongola trader uses.

176 000 / X 100 OR 240 000 X 100	OR	264 000 x 100	OR	160 000 X 100
220 000 ✓	1	300 000	1	330 000
80% ✓		80%		80%

operation one part must be correct

3

6.1.2

Velaphi is concerned about the support he is getting from this customers. He is concerned about losing 'goodwill'.

Quote figures from the question which indicates that she appears to be losing customers.

Any valid point ✓✓

- July actual sales R396 000 Budgeted R540 000
- August actual sales R 360 000 Budgeted R594 000
- August actual sales R360 000 are less than July R396 000

Identify ONE reason, with appropriate figure to indicate why he appear to be losing customers.

Any valid point ✓✓

- Advertising only R1 000 per month compared to R 5000 budgeted for.
- Discount allowed is nil ie. R2 000 budgeted monthly but no discounts granted.
- The 80% mark-up compared to competitors, may be too high.

4

6.2.4

At the end of September 2015 the following figures were identified.  
The owner has asked that you explain to her why the budgeted and actual amounts of certain items differ significantly. Explain what you would mention to them about each of the following items. Give one point of advice in each case.

EXPLANATION	ADVICE
<b>FUEL:</b> Over spent / poor control of vehicles / possible unforeseen increase in petrol prices/fuel wastage ✓✓	Such increases in fuel prices must be anticipated and considered in budgeting / look at trends / minimise wastage / monitor drivers by using logbooks and tracking devices for distances. ✓
<b>RENT INCOME:</b> Poor collection strategy used by the business ✓✓ Possible that the tenant has left and the premises have been left unoccupied.	Ensure that tenants have to place certain number of months' notice before leaving. ✓ Tenants must be made to pay a deposit prior the occupation of property

<b>TOTAL MARKS</b>
30

6

6.2.1

Give ONE reasons why a business will compare budgeted figures with actual figures.

Any valid explanation ✓

Possible responses:

- To reflect on whether your projected income and expenditure have been realistic.
- To improve future projections.
- To determine variances between projections and actual amounts.
- To be able to control income and expenditure on a monthly basis.

1

6.2.2

Prepare a Debtors Collection Schedule for October and November 2016.

CREDIT SALES PER MONTH			
SEPTEMBER	910 000	OCTOBER	364 000
			182 000 ✓
OCTOBER	630 000		
		209 475	252 000 ✓
NOVEMBER	616 000 ✓		
		204 820 ✓	
TOTAL RECEIVED			638 820 ✓

operation one part must be correct

6

6.2.3

Calculate the payment to creditors for November 2016

$900\ 000 \times 100/160 = 562\ 500$  ✓ cost of sales operation one part must be correct

$562\ 500 \times 40/100 = 225\ 000$  ✓ operation one part must be correct X 98 / 100 = 220 500 ✓  
operation one part must be correct

5

C

C