



education

Department:

Education

PROVINCE OF KWAZULU-NATAL

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ACCOUNTING

COMMON TEST

JUNE 2018

MARKS: 300

TIME: 3 HOURS

N.B. This question paper consists of 16 pages and an answer book of 16 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: 30 Marks; 18 Minutes	
Main topic of the question	This question integrates:
Reconciliations and Interpretation	Financial accounting Financial accounting Bank reconciliation Managing resources Internal control

QUESTION 2: 30 Marks; 18 Minutes	
Main topic of the question	This question integrates:
Reconciliation and interpretation	Financial accounting Financial accounting Debtors and Creditors reconciliation Managing resources Internal control

QUESTION 3: 65 Marks; 39 Minutes	
Main topic of the question	This question integrates:
Financial Statement	Financial accounting Income Statement with notes and audit report

QUESTION 4: 65 Marks; 39 Minutes	
Main topic of the question	This question integrates:
Financial Statement	Financial accounting Balance Sheet and notes

QUESTION 5: 40 Marks; 24 Minutes	
Main topic of the question	This question integrates:
Stock valuation and internal control	Managing resources Inventory valuation: FIFO, weighted average and Internal control problem-solving

QUESTION 6: 70 Marks; 42 Minutes	
Main topic of the question	This question integrates:
Cash Flow and interpretation of information	Financial accounting Cash Flow Statement Calculations and financial indicators Analysis and interpretation

QUESTION 1**(30 Marks; 18 Minutes)****BANK RECONCILIATION AND INTERNAL CONTROL**

You are presented with information from the records of Mzimkhulu Traders for May 2018. The sole owner is Gerald White.

REQUIRED:

- 1.1 Calculate the correct totals in the Cash Receipts Journal (CRJ) and Cash Payments Journal (CPJ) for May 2018. (10)
- 1.2 Calculate the Bank balance on 31 May 2018. (You may prepare a ledger account in order to do so). State whether this is a favourable or an unfavourable balance. (5)
- 1.3 Prepare the Bank Reconciliation Statement on 31 May 2018. (9)
- 1.4 As internal auditor you are not happy with the manner in which cash is being controlled in this business. Identify TWO problems and provide figures to support your answer. Give advice on how these problems can be avoided in future. (6)

INFORMATION:

- A. Information from the Bank Reconciliation Statement on 30 April 2018.

Favourable balance as per Bank Statement		R27 300
Outstanding deposit:	18 April 2018	R16 000
	30 April 2018	R21 500
Outstanding cheques:	4438 (10 October 2017)	R2 000
	5551 (29 April 2018)	R7 200
	5568 (18 May 2018)	R12 600
Favourable balance as per Bank Account in the ledger		R43 000

- B. Provisional totals for cash journals:
- CRJ R 49 067
 - CPJ R 51 775
- C. A comparison of the May 2018 Bank Statement revealed that the following was not recorded in the Journals.
- An amount of R840 in the Bank Statement for bank charges.
 - A dishonoured cheque for R6 800 appeared on the Bank Statement. This cheque was received from K. Kunene, a debtor, in settlement of his account of R7 250.
 - Interest of R860 credited in the Bank Statement.
 - Cheque No. 6331 issued to a creditor, Pinetown stores, appeared correctly on the Bank Statement as R7 940. This was recorded as R9 740 in the Cash Payments Journal.
 - A debit order of R880 for the monthly insurance appeared twice on the Bank Statement, but no entry has been made in the journals. The bank will rectify this on the Bank Statement next month.

D. Items that appeared in the April Bank Reconciliation Statement:

- Only cheque No. 5551 and the deposit of R21 500 appeared on the Bank Statement for May 2018.
- Cheque No. 5568 was issued to the Ulundi Tennis Club in payment of the owner's membership fees. The cheque must be cancelled as the club no longer exists.
- The outstanding deposit of R16 000 is in respect of cash received as commission. This did not appear on the Bank Statement. The cashier in charge of deposits stated that she was robbed on the way to the bank. The owner authorised that this amount be written off as the business will not be able to recover the money.

E. The May 2018 Cash Receipts Journal reflected the following outstanding deposits:

- R15 500 on 15 May 2018
- R20 200 on 29 May 2018

F. Cheques from the May 2018 Cash Payments Journal not presented for payment:

- 5664 for R5 600 (dated 27 May 2018)
- 5668 for R7 555 (dated 23 July 2018)

G. The Bank Statement on 31 May 2018 reflected a favourable balance of R9 607.

QUESTION 2**(30 Marks; 18 Minutes)****DEBTORS AGE ANALYSIS AND CREDITORS RECONCILIATION****2.1 ILLOVU TRADERS**

The debtors' age analysis on 31 May 2018 is provided. Credit terms are 30 days

REQUIRED:

- 2.1.1** Explain how a debtors' age analysis can assist with internal control over debtors. (2)
- 2.1.2** Calculate the percentage of total debts exceeding the credit terms. (4)
- 2.1.3** Explain ONE problem (with figures) relating to each of the following debtors:
- Mswane P (3)
 - Hambrok V (3)

INFORMATION:**DEBTORS' AGE ANALYSIS ON 31 MAY 2018:**

	CREDIT LIMIT	AMOUNT OWING	CURRENT MONTH	30 DAYS	60 DAYS	90 DAYS
	R	R	R	R	R	R
P. MSWANE	10 000	11 000	1 980	9 820		
W. SMITH	14 000	13 450	4 100	3 902	5 448	
N. CELE	2 800	2 550		2 550		
V. HAMBROK	14 000	11 192			9 112	2 080
K. PRICE	5 000	2 608	1 408	1 200		
		41 600	7 4 88	17 472	14 560	2 080
		100%	?	?	?	?

2.2 CREDITORS' RECONCILIATION

Sue Traders received a statement of account from a creditor Ian Suppliers. The balance on the statement did not agree with that on the account of Ian Suppliers in the Creditors' Ledger of Sue Traders.

REQUIRED:

- 2.2.1** Briefly explain how the preparation of a creditors' reconciliation as an internal control measure can assist the business in managing their creditors effectively. Provide TWO points (4)
- 2.2.2** Complete the table in the ANSWER BOOK to show how the differences must be treated to reconcile the Creditors' Ledger Account balance with the statement balance. (14)

Write the amounts in the appropriate columns and indicate the increase or decrease with a (+) or (-) with each amount.

INFORMATION:

Balance of Ian Suppliers in Creditors' Ledger of Sue Traders	R11 005
Balance on the statement received from Ian Suppliers	R 19 620

A comparison between the Creditors' Ledger Account of Ian Suppliers and the statement of account showed the following differences:

- A.** An invoice for R9 870 received from Ian Suppliers was correctly recorded in the Creditors Ledger Account. The amount was incorrectly recorded as R 8 990 on the statement.
- B.** Sue Traders entered a discount of R875 relating to a payment of R7 000 on 13 May 2018. Ian Suppliers did not approve this discount stating that the payment was received late.
- C.** The statement of account reflected returns valued at R890. The Creditors' Ledger Account showed R690. It was established that Sue Traders miscalculated the value of the goods returned.
- D.** An invoice for R1 910 received from Ian Suppliers was incorrectly recorded as a debit note in the Creditors' Ledger.
- E.** A direct transfer of R5 000 by Sue Traders was recorded in the Cash Payment Journal on 30 May 2018. The statement of account from Ian Suppliers was dated 25 May 2018.

QUESTION 3**(65 Marks; 39 Minutes)****INCOME STATEMENT AND AUDIT REPORT**

- 3.1** Choose a description from column B that matches the term in column A. Write only the letter (A - D) next to the question number (3.1.1 – 3.1.4) in the answer book. **(4)**

Column A		Column B	
3.1.1	Income Statement	A.	Reflects the source of funds and how they were used.
3.1.2	Balance Sheet	B.	Reflect the opinion on the reliability of the financial statements.
3.1.3	Cash Flow Statement	C.	Reflect the financial position of a business on a particular period.
3.1.4	Independent audit report	D.	Reflect the net results of a business on a particular period.

3.2 DUNDEE LTD

The information relates to Dundee Limited for the financial year ended 28 February 2018.

REQUIRED:

- 3.2.1** Prepare the Income Statement (Statement of Comprehensive Income) for the year ended 28 February 2018. **(38)**
- 3.2.2** Prepare the Trade and other payables note on 28 February 2018. **(14)**

INFORMATION:

A. EXTRACT FROM THE PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2018

Balance sheet accounts	
Loan: Triumph Bank	1 470 000
Fixed assets at carrying value	950 000
Fixed deposit: Wayde Bank	1 186 000
Creditors control	97 500
Debtors control	186 000
Trading stock	1 050 300
Bank Dr	42 550
SARS (Income tax) (Dr)	500 000
Provision for bad debts	3 600
Consumables on hand (Packing material – 1 March 2017)	820
Nominal accounts	
Sales	8 750 500
Cost of sales	?
Debtors allowance	20 500
Directors fees	550 000
Audit fees	188 410
Salaries and wages	681 600
Rent income	70 500
Interest on fixed deposit	80 000
Insurance	14 700
Bad debts	6 730
Packing material	4 400
Depreciation	?
Ordinary share dividends	340 000

- B.** A credit note for R40 000 issued to a debtor, dated 27 February 2018, was recorded as an invoice. The cost price of these goods were R21 000.
- C.** The business prices its goods at a mark-up of 70% on cost. Trade discounts of R360 000 was allowed on invoices to certain customers.
- D.** A debtor, B Zulu, with an outstanding balance of R42 000, has left the country. His account must be written off.
- E.** The provision for bad debts must be adjusted to 5% of the outstanding debtors.
- F.** The rent income was increased by R1 500 per month with effect from 1 November 2017. The tenant has not paid the rent for February 2018.
- G.** No entries have been made for stock stolen at the beginning of January 2018. The insurance company has informed Dundee LTD that they have transferred R32 000 into the business bank account in respect of the insurance claim. Dundee Ltd has to bear the stock loss of 20%.

- H. The loan statement from Tholeni bank on 28 February 2018 reflected the following:

Balance at the Beginning of the financial year	R1 470 000
Repayments during the year	R840 000
Interest capitalised	?
Balance at the end of financial year	R750 000

- I. The annual insurance premiums of R27 000 on company vehicles was paid for a period from 1 June 2017 to 31 May 2018.
- J. An employee, S Zwane, who commenced work on 1 February 2018, was omitted from the salaries journal. Details of his salary for February 2018 is as following:

Gross salary	DEDUCTIONS			Contributions	
	PAYE	Pension fund	UIF	Pension fund	UIF
13 500	2 190	1 080	135	1 620	135

Note: all contributions are recorded as part of salaries and wages.

- K. Depreciation is the missing figure in the Income Statement.
- L. The bookkeeper forgot to reverse the consumable stores on hand on 1 March 2017.
- M. Income tax for the financial year was calculated as R540 000. This is 30% of the net profit before tax.

3.3 AUDIT REPORT

You are provided with an extract from the audit report of Iniwe Limited.

- 3.3.1 What type of audit opinion is provided by the independent auditor? (2)
- 3.3.2 To whom is the audit report addressed? (1)
- 3.3.3 What is the responsibility of the directors with regards to the audit report? (2)
- 3.3.4 Beside the shareholders of Iniwe Limited, list TWO other parties that will be interested in the audit report of the company. Briefly explain why each would be interested. (4)

INFORMATION:

Extract from the audit report:

Because of the significance of the matters described in the *opinion* paragraph, we do not express an opinion on the financial statements as to whether they have been properly prepared, in all material respects, in accordance with the FRS. In addition, we do not express an opinion on the Balance Sheet together with the notes thereon as to whether they are properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 28 February 2018 according to the best of our information and explanations given to us.

QUESTION 4 BALANCE SHEET WITH NOTES (65 Marks; 39 Minutes)

4.1 Zuma Ltd is a public company listed on the JSE. The business has an authorised share capital of 5 000 000 ordinary shares.

REQUIRED :

4.1.1 What is a Fixed Assets Register? Explain how this register assists the internal auditor in the course of his duties. (4)

4.1.2 Refer to the Note to the Balance Sheet for Fixed/Tangible Assets. Calculate the missing amounts denoted by (a) to (c) (18)

4.1.3 Prepare the following notes to the Balance Sheet: (4)
 • Ordinary share capital (7)
 • Retained income

4.1.4 Complete the Balance Sheet on 30 June 2018. Where notes are not required, show all workings in brackets to earn part marks. (32)

INFORMATION:

A. The following was extracted from the books of Zuma Ltd on 30 June 2018:

Fixed / Tangible assets (carrying value)	?
Fixed deposit: Sam Bank	?
Ordinary share capital (1 July 2017)	600 000
Retained income (1 July 2017)	181 900
Bank	195 000
Loan: Masiya Bank	?
Trading stock	?
Trade and other receivables	?
Creditors control	219 580
SARS- Income tax (provisional payments)	240 000

B. Share capital:

- Zuma Ltd authorised to issue 5 000 000 ordinary shares.
- 300 000 shares were in issue on 1 July 2017.
- 100 000 new shares were issued on 1 December 2017 at R5 per share. Transaction was recorded.
- 20 000 shares were repurchased on 20 June 2018, from a shareholder who was relocating to China. A payment of R77 000 was made on the same day and recorded.

C. Dividends:

- The interim dividends of R84 000 was paid on 31 December 2017.
- A final dividends of 44 cents per share was declared on 30 June 2018. All shares including the shares repurchased on 20 June 2018 qualify for final dividends.

D. Fixed assets / Tangible assets**FIXED/TANGIBLE ASSETS**

	Land and buildings	Equipment	Vehicles
Carrying value at beginning of year	516 395	61 100	330 000
Cost price	516 395	615 000	900 000
Accumulated depreciation	-	(553 900)	(570 000)
Movements			
Additions	430 000	30 000	
Disposal at carrying value	-	-	(b)
Depreciation	-	(a)	
Carrying value at end of year	946 395	(c)	364 960
Cost price			
Accumulated depreciation			

- The vehicle sold was purchased on 1 April 2015 and was sold on 31 December 2017 for cash R70 000 and recorded. Its original cost price was R130 000, the new vehicle was also purchased on 31 December 2017.
- New equipment was bought on 1 January 2018

Depreciation was calculated as follows:

- Vehicles at 20% p.a. on diminished balance method.
- Equipment at 10% p.a. on cost

E. Loan : Masiya Bank

The loan statement received reflected the following:	
Balance on 1 July 2017	R920 000
Total monthly repayment including interest	R153 600
Interest capitalised	R65 400
Balance on 30 June 2018	R?

The same portion of loan will be settled during the next financial period.

F. Profit and tax:

- The net profit after tax amounted to R681 720.
- Income tax amounted to R238 602

G. Financial indicators on 30 June 2018:

Current ratio	1.2:1
Acid test ratio	0.9:1

QUESTION 5**(40 Marks; 24 Minutes)****STOCK VALUATION AND INTERNAL CONTROL**

5.1 You are provided with information relating to Hi-Tech World Traders for the year ended 28 February 2018. The business sells only high definition decoders. The periodic inventory system and the weighted average stock valuation method are in operation. They buy all their stock from one supplier.

REQUIRED:

- 5.1.1** Explain ONE main difference between the periodic and continuous (perpetual) inventory systems. (2)
- 5.1.2** Using the weighted average stock valuation method calculate the following: (10)
- Value of closing stock on 28 February 2018. (4)
 - Gross profit for the year ended 28 February 2018.
- 5.1.3** Calculate the number of units missing. (The missing stock is from January purchases) (6)
- 5.1.4** Calculate the value of closing stock using the FIFO method. (9)
- 5.1.5** R. Reed, the owner, asked you to switch to the FIFO-method of inventory valuation when you are going to prepare the financial statements for 2018. What will your response, to this request, be? (3)

INFORMATION:

1. Stock on 1 March 2014 (100 decoders) valued at R82 280 (this included carriage on purchases)
2. Purchases during the year totaled 1 150 units for R1 141 000, and are summarized as follows:

May 2017	250 units at R900 each	R225 000
October 2017	800 units at R970 each	R776 000
January 2018	100 units at R1 400 each	R140 000

3. Carriage on purchases during the year was charged at R40 per decoder by the supplier.
4. Returned 10 defective decoders purchased during January 2018, to the supplier. The supplier granted a full refund including carriage.
5. A selling price of R1 771 was maintained throughout the year. Sales amounted to R1 962 268.
6. On 28 February 2018, a physical stocktaking revealed stock of 130 decoders on hand.

5.2 BIG BROTHER TRADERS

Big Brother Traders sells one type of camera. The owner, Mr. M.S. Mazibuko, has three branches situated in Hibberdene, Umkomaas and Umdloti. The three branches are managed by Mpisane, Shabangu and Lekota respectively.

Mr M.S Mazibuko has obtained the annual figures/amounts from the three branches for the financial period ending 28 February 2018.

REQUIRED:

Identify **ONE** problem in relation to each branch, quoting figures/amounts to support the problem. In each case, offer the owner advice on how to solve the problem.

(6)

Note: All cameras are sold for cash for the period 1 March 2017 to 28 February 2018.

INFORMATION			
CAMERAS	Hibberdene (Mpisane)	Umkomaas (Shabangu)	Umdloti (Lekota)
Cameras available for sale	1 960	1 600	1 160
Cameras sold during the year	1 560	300	1 000
Cameras returned to the supplier during the year	20	20	0
Stock on 28 February 2015	380	1 280	160
Total cash sales	R18 720 000	R3 600 000	R11 360 000
VAT collected from customers	15%	14%	14%
Cost price per camera	R8 000	R8 000	R8 000
Selling price per camera	R12 000	R12 000	R12 000
Advertising costs per year	R40 000	R40 000	R40 000
Salary of manager per month	R25 000	R25 000	R25 000

QUESTION 6**(70 Marks; 42 Minutes)****CASH FLOW STATEMENT, RATIO'S AND INTERPRETATION****6.1 MADADENI LTD**

You are provided with information relating to Madadeni Ltd for the financial year ended 31 May 2018.

Where financial indicators are required to support your answer, name the financial indicator, the actual figure/ratio/percentage and trends.

REQUIRED:

6.1.1 Complete the Cash Flow Statement for the year ended 31 May 2018.

Some of the figures are already entered in the ANSWER BOOK.
Where notes are not required, show ALL workings.

(27)

6.1.2 Calculate the following financial indicators on 31 May 2018:

- Solvency ratio **(7)**
- Debt-equity ratio **(4)**
- Net asset value per share (NAV) **(4)**

6.1.3 The directors are pleased that the operating efficiency of the business has improved. Quote and explain TWO financial indicators to support their opinion. **(4)**

6.1.4 The liquidity of the company has improved. Quote THREE financial indicators (with trends) to support this statement. **(6)**

6.1.5 The company directors feel that the shareholders should be disappointed with the returns and earnings of the company. Quote TWO relevant financial indicators (actual ratios or percentages) to support their opinion. **(4)**

6.1.6 Dividend policy:

- Provide calculations to show the change in the dividend pay-out policy. **(4)**
- Explain why the directors decided to change the policy. State TWO point with figures. **(4)**

6.1.7 Besides paying back the loan, the directors have taken other major decisions that have affected the cash balances. State TWO other major decisions (exceeding R700 000) and quote the figures from the Cash Flow Statement. In EACH case, state how the decision will affect the future of the company. **(6)**

INFORMATION:**A. Shares and dividends:**

- 75 000 new ordinary shares were issued on 1 September 2017.
- 60 000 ordinary shares were repurchased on 1 January 2018 at 90 cents above the average issue price of R9.
- Total dividends for the year 2018, amounted to R285 250

B. Fixed assets:

- Additional property was purchased for R2 100 000. No other fixed assets were purchased.
- Equipment was sold at carrying value.

B. Extract from Income Statement for the year ended 31 May 2018:

Depreciation	150 650
Income tax	240 800
Net profit after tax	580 000

C. Extract from Balance Sheet on 31 May:

	2018	2017
Fixed assets (carrying value)	17 420 950	14 683 300
Fixed deposit: Ken Bank	250 000	380 000
Current assets	1 015 000	456 000
Cash and cash equivalents	205 000	7 500
Shareholders' equity	10 050 750	9 540 000
Ordinary share capital	9 450 000	9 180 000
Retained income	600 750	360 000
Loan: Barbie Bank	5 000 000	4 500 000
Current liabilities	635 200	1 479 300
Shareholders for dividends	180 000	162 000
SARS: Income tax	6 200	23 400
Bank overdraft	-	610 500

D. The following financial indicators were calculated on 31 May:

	2018	2017
% gross profit on cost of sales	68%	52%
Operating expenses on sales	25%	32%
Operating profit on sales	22%	15,8%
Current ratio	1,6 : 1	0,3 : 1
Acid-test ratio	0,7 : 1	0,1 : 1
Stock turnover rate	8,5 times	10 times
Debtors' collection period	36 days	43 days
Creditors' payment period	63 days	63 days
Solvency ratio	?	2,6 : 1
Debt-equity ratio	?	0,5 : 1
Return on total capital employed (ROTCE)	8,2%	9,5%
Return on shareholders' equity (ROSHE)	5,9%	8,2%
Earnings per share (EPS)	51 cents	58 cents
Dividends per share (DPS)	55 cents	35 cents
Net asset value per share (NAV)	?	1 060 cents
Market price	1 000 cents	1 030 cents
Interest rate on loans	12%	12%
Interest on alternative investment	7%	7%



education

Department:
Education
PROVINCE OF KWAZULU-NATAL

ACCOUNTING
ANSWER BOOK
COMMON TEST
JUNE 2018

**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 16 pages.

.1

QUESTION 1

1.1

[illegible]

10

1.2

Calculate the Bank balance on 31 May 2018. (You may prepare a ledger account in order to do so). State whether this is a favourable or an unfavourable balance.

5

1.3

Prepare the Bank Reconciliation Statement on 31 May 2018.

[illegible]

9

1.4

As internal auditor you are not happy with the manner in which cash is being controlled in this business. Identify TWO problems and provide figures to support your answer. Give advice on how these problems can be avoided in future.

Problem with evidence	Advice

6

TOTAL MARKS
30

QUESTION 2

2.1.1 Explain how a debtors' age analysis can assist with internal control over debtors.

2

2.1.2 Calculate the percentage of total debts exceeding the credit terms.

4

2.1.3 Explain ONE problem (with figures) relating to each of the following debtors:

Mswane P

Hambrok V

6

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

4

2.2.2

	Creditors ledger account	Statement
	11 005	19 620
A		
B		
C		
D		
E		

14

TOTAL MARKS
30

QUESTION 3

3.1 Write only the letter (A-E) next to the question number.

3.1.1	
3.1.2	
3.1.3	
3.1.4	

8

8

See 3.2.1 on the next page

3.2.2 Prepare the Trade and other payables note on 28 February 2018.

14

INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2018.

[illegible]

3.3.1 What type of audit opinion is provided by the independent auditor?

2

3.3.2 To whom is the audit report addressed?

1

3.3.3 What is the responsibility of the directors with regards to the audit report?

2

3.3.4 Other than the shareholders of SME Limited, list TWO other parties that will be interested in the audit report of the company. Briefly explain why each would be interested.

PARTY	REASON

4

TOTAL MARKS
70

QUESTION 4

4.1.1 What is a Fixed Assets Register? Explain how this register assists the internal auditor in the course of his duties.

What is a Fixed Assets Register?

Explain how this register assists the internal auditor in the course of his duties

4

4.1.2 (a) Calculate the total depreciation on Equipment on 30 June 2018.

7

4.1.2 (b) Calculate the carrying value of Vehicle sold on 31 December 2017.

7

4.1.2 (c) Calculate the carrying value of Equipment on 30 June 2018.

4

4.1.3 What is a Fixed Assets Register? Explain how this register assists the internal auditor in the course of his duties.

300 000 shares @ R2	R600 000

4

4.1.3 Prepare the following notes for the year ended 30 June 2018:

Retained income	

7

4.1.4 BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) ON 30 June 2018.

ASSETS	
NON-CURRENT ASSETS	
CURRENT ASSETS	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
ORDINARY SHAREHOLDERS EQUITY	
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
TOTAL EQUITY AND LIABILITIES	

34

TOTAL MARKS

60

QUESTION 5

5.1.1 Explain ONE main difference between the periodic and continuous (perpetual) inventory systems.

2

5.1.2 Calculate the value of closing stock on 28 February 2018 using the weighted average method.

10

Calculate the gross profit on 28 February 2018 using the average weighted method.

4

5.1.3 Calculate the number of units missing. (The missing stock is from January purchases)

6

5.1.4 Calculate the value of closing stock using the FIFO method.

9

- 5.1.5 R. Reed, the owner, asked you to switch to the FIFO-method of inventory valuation when you are going to prepare the financial statements for 2018. What will your response be to this request?

3

- 5.2 Identify ONE problem in relation to each branch, quoting figures/amounts to highlight the problem. In each case, offer the owner advice on how to solve the problem.

Branch	Comment and figures	Advice
Hibberdene (Mpisane)		
Umkomaas (Shabangu)		
Umdloti (Lekota)		

6

TOTAL MARKS
40

QUESTION 6**6.1.1 MADADENI LTD****CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2017**

Cash flow from operating activities	
Cash generated by operations	1 852 950
Interest paid	(54 000)
Cash flow from investing activities	
Cash flow from financing activities	
Net change in cash and cash equivalent	
Cash and cash equivalent at the beginning	
Cash and cash equivalent at the end	

27

6.1.2 Solvency ratio

--

7

Debt-equity ratio

4

Net asset value per share (NAV)

4

6.1.3 The directors are pleased that the operating efficiency of the business has improved. Quote and explain TWO financial indicators to support their opinion.

4

6.1.4 The liquidity of the company has improved. Quote THREE financial indicators to support this statement.

6

6.1.5 The company directors feel that the shareholders should be disappointed with the returns and earnings of the company. Quote TWO relevant financial indicators (actual ratios or percentages) to support their opinion.

4

6.1.6 Dividend policy:

Provide calculations to show the change in the dividend pay-out policy.

Explain why the directors decided to change the policy. State TWO points with figures.

8

6.1.7 Besides paying back the loan, the directors have taken other major decisions that have affected the cash balances. State TWO other major decisions (exceeding R700 000) and quote the figures from the Cash Flow Statement. In EACH case, state how the decision will affect the future of the company.

DECISION	FUTURE EFFECT ON COMPANY

6

TOTAL MARKS
70



education

Department:
Education

PROVINCE OF KWAZULU-NATAL

ACCOUNTING

MEMORANDUM

JUNE 2018

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 16 pages.

QUESTION 1

1.1

Cash Receipts Journal	Cash Payment Journal
49 067	51 775
860✓	840✓
1 800✓	6 800✓
2 000✓	880✓
12 600✓	16 000✓
66 327✓	76 295✓
Operation one part correct	Operation one part correct

10

10

1.2

Calculate the Bank balance on 31 May 2018. (You may prepare a ledger account in order to do so). State whether this is a favourable or an unfavourable balance.			
See 1.1 above 43 000✓ + 66 327✓ - 76 295✓ = 33 032✓ operation one part correct See information A			
Favourable ✓ check the above calculation OR			
Bank Account			
Balance b/d	43 000	Total payment	76 295
Total Receipts	66 327	Balance c/d	33 032
	109 327		109 327
Balance b/d	33 032		

5

5

1.3 Prepare the Bank Reconciliation Statement on 31 May 2018.

	Alternative	DEBIT	CREDIT
Credit balance as per bank statement	9 607		9 607 ✓
Credit outstanding deposit	15 500		15 500 ✓
Credit outstanding deposit	20 200		20 200 ✓
Credit amount wrongly debited	880		880 ✓
Debit outstanding cheques	Could use - signs		
No. 5664	(5 600)	5 600 ✓	
No. 5668	(7 555)	7 555 ✓	
Debit balance as per bank account	33 032	33 032 ✓	
Operation one part correct		46 187 ✓	46 187 ✓

9
9

-1 incorrect / no details (max -2) Foreign entries -1 (max -2)
 For 2-column method with no Debit/Credit indicated, assume left=Debit and right=Credit.
 For 2-column method with brackets used, do not accept brackets/negatives in any column.

1.4

As internal auditor you are not happy with the manner in which cash is being controlled in this business. Identify TWO problems and provide figures to support your answer. Give advice on how these problems can be avoided in future.

Problem	✓	✓	Figure	✓	✓	Advice	✓	✓
R16 000 missing/stolen						Division of duties: the person writing up the transaction should not make the deposits. / Check that the total of cash slips or duplicate receipts agree with the total of the deposit slip.		
Rolling of cash:						Create a policy for regular, daily depositing. / Internal auditor must check that the cashier is depositing cash daily. / Appoint a different person to do the depositing		
• R21 500 only deposited in May								
OR								
• 15 500 and 20 200 still not deposited								

6
6

TOTAL MARKS
30
30

QUESTION 2

2.1.1 Explain how a debtors' age analysis can assist with internal control over debtors.

- Any ONE valid point. ✓✓
- Gives an indication of debtors whose accounts are overdue.
 - The analysis will give a clear idea of reliable debtor.
 - Assist the business to review credit limits allowed to debtors.
 - Assist the business when to refuse additional credit sales until accounts are paid.

2
2

2.1.2 Calculate the percentage of total debts exceeding the credit terms.

14 560 x 100	+	2 080 x 100	
41 600	1	41 600	1
35% ✓✓		5% ✓✓	
OR			
16 640 x 100	award 2 marks for 16 640		
41 600	1	award 1 mark for 41 600	
40%		award method mark if one part is correct	

4
4

2.1.3 Explain ONE problem (with figures) relating to each of the following debtors:

PROBLEM	✓✓	✓✓	FIGURES	✓	✓
Mswane P					
• Mswane P exceeded the credit limit of R10 000 to R11 000 by R1000					
Hambrok V					
• Hambrok V exceeded the credit term of 30 days to 60 days (9 112) and 90 days (2 080)					

6
6

2.2.1

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

TWO valid points ✓✓ ✓✓

It will assist the business in detecting errors/omissions in their books.
It will show errors/omissions in the statement received.
Detect fraudulent activities and take action

4
4

2.2.2

	Creditors ledger account	Statement
	11 005	19 620
A		+ 880✓✓
B	+ 875✓✓	
C	- 200✓✓	
D	+ 1 910 ✓ + 1 910✓ OR + 3 820	
E	15 500✓✓	- 5 000✓✓
	15 500✓✓ Operation one part correct	15 500✓✓ Operation one part correct

14
14

Sign and amount must be correct to award marks;
If no sign, assume positive
Accept brackets as a negative figure
Foreign / superfluous entries -1 each line; cannot be less than 0 per line

TOTAL MARKS
30
30

QUESTION 3

3.1

Write only the letter (A-E) next to the question number.

3.1.1	D✓
3.1.2	C✓
3.1.3	A✓
3.1.4	B✓

4
4

See 3.2.1 on the next page

3.2.2

Prepare the Trade and other payables note on 28 February 2018.

Creditors control	97 500✓
Creditors for salaries	10 095✓
SARS – PAYE	2 190✓
Pension Fund (1 080 ✓ + 1 620✓)	2 700✓
UIF (135✓ + 135✓)	270✓
SARS – income Tax (540 000✓ – 500 000✓)	40 000✓
OPERATION ONE PART CORRECT	152 755✓✓

14

3.2.1 INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2018.

	Sales (8 750 500✓ – 80 000✓ – 20 500✓)	8 650 000✓
	Cost of sales <small>inspect by using calculator</small> (8 650 000 + 360 000) 100/170	(5 300 000) ✓✓
7	Gross profit <small>check operation sales – cost of sales</small>	3 350 000✓
	Other operating income <small>check operation</small>	78 400✓
	Rent income (70 500✓ + 7 500✓)	78 000✓
	Provision for bad debts adjustment	400✓✓
7	Gross income <small>check operation</small>	3 428 400✓
	Operating expenses <small>check operation</small>	(1 588 400) ✓
	Directors fees	550 000
	Audit fees	188 410
	Salaries and wages <small>15 255 award 3 marks or 1 755 ward 2 marks</small> (681 600 ✓ + 13 500 ✓ + 1 620 ✓ + 135 ✓)	696 855✓
	Insurance (14 700✓ – 6 750✓)	7 950✓
	Bad debts (6 730✓ + 42 000✓)	48 730✓
	Packing material (4 400✓ + 820✓)	5 220✓
	Depreciation <small>missing figure</small>	83 235✓
17	Loss of stock due to theft	8 000✓
	Operating profit <small>check operation (OPBI – Interest income)</small>	1 840 000✓
	Interest income	80 000✓
	Operating profit before interest expenses <small>check operation PBT</small> <small>± interest</small>	1 920 000✓
	Interest expenses	(120 000) ✓
	Net profit before taxation <small>calculated using taxation amount</small>	1 800 000✓
	Taxation	(540 000) ✓
7	Net profit after taxation <small>calculated using taxation amount</small>	1 260 000✓

38
38

Foreign items -1 max -2

3.3.1 What type of audit opinion is provided by the independent auditor?

Disclaimer✓✓

2
2

3.3.2 To whom is the audit report addressed?

Shareholders✓

1
1

3.3.3 What is the responsibility of the directors with regards to the audit report?

The directors are responsible for the preparation and presentation of the financial statements in accordance with IFRS✓✓

2
2

3.3.4 Other than the shareholders of SME Limited, list TWO other parties that will be interested in the audit report of the company. Briefly explain why each would be interested.

PARTY ✓ ✓	REASON ✓ ✓
Any two	
Potential new investors	To determine whether they can rely on the information in the financial statements when making investments.
Banks	To determine whether they can rely on the information in the statements when making decisions relating to lending the company money.
SARS	To determine whether they can rely on the information in the financial statements when assessing the company's tax.
Competitors	To determine whether they can rely on the information in the financial statements when comparing their results with those of the company.

4
4

TOTAL MARKS

65
65

QUESTION 4

4.1.1

What is a Fixed Assets Register? Explain how this register assists the internal auditor in the course of his duties.

What is a fixed Assets Register?

Any valid explanation ✓✓

The fixed Asset Register is the book in which all the assets owned by a business are recorded.

Explain how this register assists the internal auditor in the course of his duties

Any valid explanation ✓✓

Can cross-check physical counts of assets to this register and assists in ensuring that depreciation and asset disposal figures are accurate.

4

4

4.1.2

(a) Calculate the total depreciation on Equipment on 30 June 2018.

$$615\,000 - 1 = 614\,999 \checkmark - 553\,900 \checkmark$$

= 61 099 ✓ depreciation of the old equipment

$$30\,000 \times \frac{10}{100} \times \frac{6}{12}$$

= 1 500 ✓ depreciation of the new equipment

New old

$$\text{Total depreciation } 1500 \checkmark + 61\,099 \checkmark = 62\,599 \checkmark \text{ Operation one part correct}$$

7

7

4.1.2

(b) Calculate the carrying value of Vehicle sold on 31 December 2017.

$$130\,000 \times \frac{20}{100} \times \frac{3}{12}$$

= 6 500 ✓ first year

$$130\,000 \checkmark - 6\,500 \checkmark = 123\,500 \checkmark \times \frac{20}{100}$$

= 24 700 ✓ second year Operation one part correct

$$130\,000 - 6\,500 - 24\,700 = 98\,800 \checkmark \times \frac{20}{100} \times \frac{6}{12}$$

= 9 880 ✓ third year Operation one part correct

$$98\,800 - 9\,880$$

$$= 88\,920 \checkmark \text{ carrying value of vehicle sold Operation}$$

7

7

4.1.2 (c) Calculate the carrying value of Equipment on 30 June 2018.

$$61\,100 \checkmark + 30\,000 \checkmark - 62\,599 \checkmark = 28\,501 \checkmark \text{ Operation one part correct}$$

See (a)

4

4

4.1.3

Ordinary share capital

300 000 shares @ R2

100 000 shares @ R5

(20 000) buy-back of shares @ R2, 75

380 000 ✓ shares @ R2,75 Operation one part correct

R600 000

R500 000 ✓

(R55 000) ✓

R1 045 000 ✓

4

4

4.1.3

Retained income

Balance at the beginning

Buy back of shares (20000 x 1,10)

Net profit after tax

Dividend

Paid

Final (400 000 x 0,44)

Balance at the end

181 900 ✓

(22 000) ✓

681 720 ✓

(260000) ✓

84 000 ✓

176 000 ✓

581 620 ✓

7

7

4.1.4 BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) ON 30 June 2018.

Accept figures for balancing items if these are due to prior errors by the candidates.
Ignore foreign items.
Placement presentation -1 if marks earned in each case.

ASSETS		
NON-CURRENT ASSETS	operation (TA-CA)	2 273 464✓
Fixed assets (946 395✓ + 28 501✓ + 364 960✓)		1 339 856✓
Fixed Deposit missing figure (NCA-FA)		933 608✓
CURRENT ASSETS	operation one part correct (CL x 1,2)	580 536✓
Inventories balancing figure		145 134✓
Trade- and other receivables (CL x 0,9 - 195 000)		240 402✓
Cash & cash equivalents		195 000✓
TOTAL ASSETS	operation one part correct	2 854 000✓
EQUITY AND LIABILITIES	same as TE&L	
ORDINARY SHAREHOLDERS EQUITY	one part correct	1 626 620✓
Share capital see 4.1,3		1 045 000✓
Retained Income see 4.1,3		581 620✓
NON-CURRENT LIABILITIES	operation one part correct	743 600✓
loan (831 800✓ - 88 200✓)		743 600✓
CURRENT LIABILITIES	operation one part correct	483 780✓
Trade- and other payables (219 580✓ + 176 000✓ see 4.1,3)		395 580✓
Short term loan see NCL		88 200✓
TOTAL EQUITY AND LIABILITIES	operation one part correct	2 854 000✓

See 4.1,2

32

32

TOTAL MARKS

65

65

QUESTION 5

5.1.1

Explain ONE main difference between the periodic and continuous (perpetual) inventory systems.

Periodic: Stock movements are recorded on a continual basis and shortfalls can easily be traced. ✓

Physical stocktaking determines amount of stock on hand, and a shortfall cannot be traced that easily. ✓

2

2

5.1.2

Calculate the value of closing stock on 28 February 2018 using the weighted average method.

$$\frac{82\,280 + 1\,141\,000 + 46\,000}{100 + 1\,150} = 14\,400$$

1 254 880 award 4 marks

1 240 award 3 marks

Operation one part correct

= R1 012✓ x 130✓

Operation (must be x 130)

R 131 560 closing stock using weighted average method

10

10

Calculate the gross profit on 28 February 2018 using the weighted average method.

See 5.1,2 above

$$1\,962\,268 - (1\,254\,880 - 131\,560) = 838\,948$$

1 123 320 award two method marks

4

4

5.1.3

Calculate the number of units missing. (The missing stock is from January purchases)

Operation one part correct

$$100 + 1\,150 - 10 - 130 - 1108 = 2 \text{ units missing}$$

OR

$$1\,240 - 130 - 1108 = 2$$

Award 3 marks award 1 mark award 1 mark award 1 mark

6

6

5.1.4

Calculate the value of closing stock using the FIFO method.

Award two marks for 5,200 if the carriage is separated from purchases (130 x 40 = 5,200)

$$98 \times 1\,440 = 141\,120$$

Operation one part correct

$$32 \times 1\,010 = 32\,320$$

Operation one part correct

TOTAL R173 440 closing stock using FIFO method check operation

9

9

5.1.5

R. Reed, the owner, asked you to switch to the FIFO-method of inventory valuation when you are going to prepare the financial statements for 2018. What will your response be to this request?

Any valid point ✓✓✓

The business must stay consistent from one 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

3
3

5.2

Identify ONE problem in relation to each branch, quoting figures/amounts to highlight the problem. In each case, offer the owner advice on how to solve the problem.

Branch	Comment and figures ✓ ✓ ✓ ✓	Advice ✓ ✓ ✓
Hibberdene (Mpisane)	He collected 15% of VAT for the whole accounting period,	He supposed to declare 1% extra to SARS. 15% commenced on 1 April 2018. This is fraudulent.
Umkomaas (Shabangu)	Too much stock on hand. Only 300 out of 1 580 have been sold.	Restrict amount of stock on hand as this could lead to theft or out of date stock. Advertise or reduce prices. Instead of paying Shabangu a set monthly income he should pay him on commission based on sales.
Umdloti (Lekota)	R640 000 cash was stolen or missing	Improve internal control Division of duties

6
6

TOTAL MARKS
40
40

QUESTION 6

6.1.1 MADADENI LTD

Correct use of brackets to earn the mark on the final answer for each item in the final column

CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2017

Cash flow from operating activities	1 273 700 ✓✓
Cash generated by operations	1 852 950
Interest paid	(54 000)
Dividends paid (162 000 ✓ + 105 250 ✓✓) or (162 000 + 285 250 – 180 000)	(267 250) ✓
Tax paid (23 400 ✓ + 240 800 ✓ – 6 200 ✓✓) or (6 200 – 240 800 – 23 400)	(258 000) ✓
Cash flow from investing activities	(1 181 700) ✓
Purchases of fixed assets	(2 100 000) ✓
Proceeds on sale of fixed assets (17 420 950 ✓ + 150 650 ✓ – 2 100 000 ✓ – 14 683 300 ✓✓)	788 300 ✓
Decreased in financial asset	130 000 ✓
Cash flow from financing activities	716 000 ✓
Proceeds on shares issued	810 000 ✓✓
Buy-back of shares	(594 000) ✓✓
Increase on loan	500 000 ✓
Net change in cash and cash equivalent	808 000 ✓
Cash and cash equivalent at the beginning	(603 000) ✓
Cash and cash equivalent at the end	205 000 ✓

If a working is shown as a final answer, award working mark only if brackets correctly applied for that item. Working may be done as 1-account; inspect answer booklet for these workings. If item is incorrectly placed, award no marks for details or figures.

Signs may be reversed; apply consistently; mark one line only to benefit candidate.

If workings not shown but figures is correct without brackets, award marks to cover workings and penalize on answer.

27
27

6.1.2

Solvency ratio

17 420 950 ✓ + 250 000 ✓ + 1 015 000 ✓ : 5 000 000 ✓ + 635 200 ✓

3 marks 2 marks

18 685 950 : 5 635 200

3.31 : 1 ✓✓

Accept 3.3 : 1

If superfluous items added in workings, but answer is still the same, penalise on answer

7
7

Debt-equity ratio	
5 000 000 ✓ : 10 050 750 ✓	
0,49 : 1 ✓ <input checked="" type="checkbox"/> If superfluous items added in workings, but answer is still the same, penalise on answer	
Accept 0,5 : 1	

4
4

Net asset value per share (NAV)	
10 050 750 ✓ X 100	
1 050 000 ✓	
957 Cents ✓ <input checked="" type="checkbox"/> accept R9,57	
If superfluous items added in workings, but answer is still the same, penalise on answer	

4
4

6.1.3

The directors are pleased that the operating efficiency of the business has improved. Quote and explain TWO financial indicators to support their opinion.

Operating expenses on sales have decreased from 32% to 25% which indicates better control of expenses. ✓✓

Operating profit on sales has increased from 15,8% to 22% because, apart from the better control over expenses, there has been a slightly higher mark-up % applied as well. ✓✓

TWO valid indicators ✓ ✓ figures and trends ✓ ✓

4
4

6.1.4

The liquidity of the company has improved. Quote THREE financial indicators to support this statement.

THREE valid indicators ✓ ✓ ✓ Figures and trends ✓ ✓ ✓

Current ratio – 0,3 : 1 to 1,6 : 1

Acid-test ratio – 0,1 : 1 to 0,7 : 1 see 4.2.4

Debtors' collection period – 43 days to 36 days

Do not accept creditors' payment period, debtors collection period and stock turnover rate if more than three indicators shown, -1 for superfluous / foreign indicator, max -2

6
6

6.1.5

The company directors feel that the shareholders should be disappointed with the returns and earnings of the company. Quote TWO relevant financial indicators (actual ratios or percentages) to support their opinion.

Earnings per share decreased from 58 cents to 51 cents by (7 cents) ✓✓

% return on shareholders' equity decreased substantially from 8,2% to 5,9% ✓

The interest on alternative investment (7%) exceeds the returns of 5,9% ✓

TWO valid indicators ✓ ✓ figures and trends ✓ ✓

4
4

6.1.6

Dividend policy:

Provide calculations to show the change in the dividend pay-out policy.

Comparison of DPS to EPS for 2015 ✓ Calculation / implied calculation ✓

Comparison of DPS to EPS for 2016 ✓ Calculation / implied calculation ✓

Possible calculations for two marks each:

• 2017: $35/58 = 60,3\%$ OR 0,6:1 OR Paid out most of earnings/more than 50%

• 2018: $55/51 = 107,8\%$ OR 1,1:1 OR Paid out more than earnings

Possible responses for one mark each:

• 2017: Paid out 35c of 58c earnings / retained 23c of 58c earnings

• 2018: Paid out 55c of 51c earnings / paid out 4c from previous earnings

Explain why the directors decided to change the policy. State TWO points with figures.

Any ONE valid explanation ✓✓ Relevant figures ✓✓

Responses for two marks:

To satisfy shareholders for:

• ROSHE decreased (from 6,2%) to 5,9%.

• Market price decreased (from 1 030 cents) to 1 000 cents.

• EPS decreased (from 58 cents) to 51 cents.

Do not accept NAV going down, this is a result of the decision.

Responses for one mark:

• Satisfy shareholders / Encourage new shareholders

• To get directors re-elected at AGM

8
8

6.1.7

Besides paying back the loan, the directors have taken other major decisions that have affected the cash balances. State TWO other major decisions (exceeding R700 000) and quote the figures from the Cash Flow Statement. In EACH case, state how the decision will affect the future of the company.

DECISION	Amount ✓ ✓	FUTURE EFFECT ON COMPANY
Decision ✓	Valid explanation ✓ ✓	
Purchase of fixed assets R2 100 000		Capital growth – investment in fixed assets will lead to expanded business activities
		• Creation of employment
		• Cater for more customers to increase profits
Issue of shares R810 000		• Financing expansions/ extensions
		• Expanded shareholder base will affect dividends
		• Improve cash flow
Sale of fixed asset R788 300		• Boost cash flow

6
6

TOTAL MARKS
70
70