



Province of the  
**EASTERN CAPE**  
EDUCATION

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**ACCOUNTING P2  
MANAGERIAL ACCOUNTING AND INTERNAL CONTROL PROCESSES  
PRE-TRIAL EXAMINATION**

**MARKS: 150**

**TIME: 2 hours**

This question paper consists of 11 pages, a formula (page 12)  
and a 9-page Answer Book.

## INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL questions.
2. An ANSWER BOOK is provided in which to answer ALL questions.
3. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. Write neatly and legibly.
8. A formula sheet is attached at the end of the Question paper. Use of this information is not compulsory.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	TIME GUIDE
1	Cost Accounting	40	30
2	Budgeting	45	35
3	Creditors reconciliation and VAT	25	20
4	Stock valuation and Problem Solving	40	35
<b>TOTAL</b>		<b>150</b>	<b>120</b>

## QUESTION 1: COST ACCOUNTING

(40 marks; 30 minutes)

### 1.1 MBINI MANUFACTURERS

The business produces school shirts. The financial year ended on 30 April 2020.

#### REQUIRED:

##### 1.1.1 Refer to Information A:

Prepare the correct Factory Overhead Cost Note (10)

##### 1.1.2 Refer to Information B:

Calculate the Direct Material Cost for the year. (5)

1.1.3 Complete the Production Cost Statement on 30 April 2020. (11)

1.1.4 The owner, Thabo, feels that workers in production are not being effectively supervised.

Identify TWO reasons that could make him feel this way. Quote figures.  
Provide a possible solution for each reason you have identified. (6)

#### INFORMATION:

##### A. Factory overhead costs:

The bookkeeper prepared the following incorrect Note:

Indirect labour cost	R 58 460
Depreciation: Factory equipment	31 700
Depreciation: Delivery vehicles	35 000
Indirect material cost	24 800
Water and electricity	31 900
Sundry expenses	11 300
	<b>193 160</b>

He neglected to take into account the following:

- Indirect material does not take into account R1 150 of consumable items that are still in stock on 30 April 2020.
- He omitted to transfer 20% of the water and electricity amount to the sales section and 10% to the administration section.
- The sundry expenses amount was split equally amongst the factory, sales and administration, but he should have actually used the ratio 4 : 1 : 1.
- He forgot to include rent expense, which must be shared according to floor space occupied. Total rent was R56 800. The factory occupies 1 540m<sup>2</sup> of the 2 200m<sup>2</sup> premises.

##### B. Raw material stock (fabric for shirts):

Fabric is issued from the storeroom to the factory using the weighted-average method. Following are the stock records:

	QUANTITY (METRES)	TOTAL COST
Balance on 1 May 2019	6 000 m	R54 800
Purchases during the year	50 000 m	R550 000
Balance on 30 April 2020	8 000 m	?

Strict internal controls in the storeroom has ensured that no fabric was missing or stolen.

**C. Work-in-progress stock balances:**

1 May 2019 (opening balance)	R22 200
30 April 2020 (closing balance)	?

**D. Workers in production of shirts:**

The contract makes provision for the following, per worker:

- Normal time is 8 hours per day; 5 days a week; 48 weeks per year.
- Each worker is expected to produce two shirts per hour, on average.

Time-sheet revealed the following hours worked:

	Number of workers	HOURS	RATE	TOTAL
Normal time	6	1 400	R42	R352 800
Overtime	6	950	R63	?
		<u>2 350</u>		<u>?</u>

**E. Production:**

25 300 shirts were produced during the financial year at a unit cost of R55

**1.2 ZANDA MANUFACTURERS**

The business makes wooden tables. The owner is Zanda Thola.

**REQUIRED:**

1.2.1 Explain whether the business should be satisfied with the number of tables that were produced and sold during this financial year. Quote figures. (3)

1.2.2 Zanda targets a net profit of R150 000 for the financial year.

Calculate the number of tables she had to make and sell to reach this target, using the same cost structure. (5)

**INFORMATION:**

	TOTAL	PER UNIT
Sales	R992 000	R160
Variable costs	R558 000	R90
Fixed costs	R406 000	
Number of units produced and sold	6 200 units	
Break-even number of units	5 800 units	

## QUESTION 2: BUDGETING

(45 marks; 35 minutes)

### Gunston Traders

The information relates to the budget period August to September 2020.

The business is owned by Andie Pieterse.

#### REQUIRED:

- 2.1 Complete the Debtors' Collection Schedule for September 2020. (8)
- 2.2 Calculate the missing amounts indicated by **(i)** – **(v)** on the Cash Budget. (12)
- 2.3 Calculate the % increase in rent income (3)
- 2.4 Calculate the loan balance on 31 August 2020. (4)
- 2.5 **Refer to Information E and I:**  
The workers are dissatisfied with the planned increases in September. They have indicated that they will embark on strike action in November 2020 if the owner, Andie, does not address their concerns.
- 2.5.1 Give ONE reason (with figures) why the workers are dissatisfied. (2)
- 2.5.2 Give ONE reason (with figures) that Andie could use to justify the increases that he is going to give the workers. (2)
- 2.6 On 31 August 2020, a comparison between the budgeted amounts with the actual amounts revealed the following:

	August 2020	
	BUDGETED	ACTUAL
Sales	R 123 250	R 101 500
Cost of sales	85 000	70 000
Gross profit	38 250	31 500
Delivery costs	12 325	13 000
Advertising costs	4 930	6 930

Comment on the control over the following costs. Quote figures or percentages.

- Delivery costs
  - Advertising costs
- (4)

#### 2.7 Refer to information H and I:

- 2.7.1 Calculate the purchase price of the new vehicle. (4)
- 2.7.2 Apart from the deposit and the monthly instalment of R4 250, explain how the following Cash Budget will be affected. State THREE points. (6)

## INFORMATION:

### A. Sales, cost of sales and debtors' collection

(i) Actual and budgeted sales and cost of sales:

	SALES		COST OF SALES	
	R		R	
	BUDGETED	ACTUAL	BUDGETED	ACTUAL
June	130 500	87 000	90 000	60 000
July	136 300	95 700	?	66 000
August	123 250		85 000	
September	?		86 000	

(ii) 60% of the total sales are on credit.

(iii) Credit sales are collected as follows:

- 20% collected in the month of sale
- 70% collected in the first month following the sale
- 5% collected in the second month following the sale
- The balance is written off in the third month following the month of sale

### B. Stock levels and payments to creditors

- The business uses a mark-up of 45% on cost.
- A fixed-base stock is maintained by replacing stock sold on a monthly basis.
- 75% of the total purchases are on credit.
- Creditors are paid in the month following the month of purchase to take advantage of a 5% discount.

C. **Rent income** will be increased from 1 September 2020.

D. The business plans to increase the **loan** at UTY Investments on 1 September 2020, at the same interest. Interest is not capitalised and is payable at the end of each month.

E. Workers will receive an increase of 3% of their **monthly salary**, effective from September. The bookkeeper will also receive her increase in September 2020.

F. The **insurance** premium is paid at the end of each month. The monthly premium will increase by 9% p.a. on 1 September 2020.

G. **Delivery costs** are budgeted at 10% of sales. All goods sold are delivered to customers free of charge

### H. Details relating to delivery expenses and proposed new vehicle

Andie thinks that in order to improve his cash flow, he should rather purchase a delivery vehicle in October 2020 and discontinue using PQ Deliveries for this service.

Andie plans to pay a 15% deposit from the business account. His father agreed to provide interest-free finance for the balance of the cost, at a repayment plan of 48 equal instalments of R4 250 (4 years).

**I. Extract from the Cash Budget for the two months ending September 2020**

<b>Receipts</b>	<b>August</b>	<b>September</b>
Cash sales of merchandise	49 300	49 880
Collection from debtors		
Rent income	15 000	16 125
Increase in loan		60 000
Commission income		
Total receipts		
<b>Payments</b>		
Cash purchase of trading stock	21 250	(i)
Payment to creditors	(ii)	
Salary: Bookkeeper	18 000	19 980
Salary: Five workers	36 000	(iii)
Telephone	3 800	3 990
Advertising	4 930	4 988
Insurance	(iv)	2 834
Delivery costs (payable to PQ Deliveries)	12 325	12 470
Other operating expenses		
Interest on loan	325	975
Total payments		
<b>Cash surplus/deficit</b>	(22 600)	
<b>Bank balance at beginning of month</b>	(10 200)	(v)
<b>Bank balance at end of month</b>		(120 000)

**QUESTION 3: CREDITORS RECONCILIATION AND VAT (25 marks, 20 minutes)**

**3.1 CREDITORS' RECONCILIATION**

Phindi Stores buys goods on credit from Pearly Suppliers.

**REQUIRED:**

- 3.1.1 Show the changes that must be made:
- In the Creditors' Ledger Account in the books of Phindi Stores
  - In the Creditors' Reconciliation Statement on 29 February 2020
- (10)

- 3.1.2 The owner Phindi, suspects that the purchasing manager may be buying goods for himself through the business ordering system.

Suggest TWO internal control measures that he can use to ensure that such practices do not occur.

(4)

**INFORMATION:**

**A. Creditors' Ledger of Phindi Stores  
Pearly Suppliers**

DATE	DETAILS	FOL.	DEBIT	CREDIT	BALANCE
Feb. 01	Balance	b/d			37 750
02	Invoice A12	CJ		11 400	49 150
04	Debit Note 004	CAJ	1 650		47 500
07	Cheque 221	CPJ	15 000		32 500
	Discount received	CPJ	1 500		31 000
20	Invoice A27	CJ		9 800	40 800
23	Cheque 359	CPJ	5 000		35 800
24	Invoice A42	CJ		7 750	43 550
28	Cheque 446	CPJ	7 500		36 050
	Discount received	CPJ	750		35 300
29	Invoice 722	CJ		8 600	43 900

**B. Statement of account received from Pearly Suppliers**

PEARLY SUPPLIERS					No. 2122
205 Kings Road Bisho 5232					
Debtor: <b>Phindi Stores</b>				25 February 2020	
DATE	DETAILS	DEBIT	CREDIT	BALANCE	
Jan. 25	Balance			47 250	
28	Receipt 110		9 500	37 750	
Feb. 02	Invoice A12	1 400		39 150	
04	Credit Note 09	1 650		40 800	
07	Receipt 122		15 000	25 800	
	Discount allowed		750	25 050	
18	Invoice A27	9 800		34 850	
23	Receipt 138		5 000	29 850	
24	Invoice A42	8 525		38 375	
25	Delivery charges	2 100		40 475	



**C.** An investigation revealed the following errors and omissions:

- (a) Invoice A12 was correct in the creditors ledger of Phindi Stores.
- (b) Goods for R1 650 were returned by Phindi Stores to Pearly Suppliers on 4 February 2020.
- (c) The discount allowed on 7 February 2020 is correct as per the statement of account from Pearly Suppliers.
- (d) Pearly Suppliers omitted to deduct the trade discount on Invoice A42.
- (e) Invoice 722 was for goods that Phindi Stores bought from another supplier, Diamond Suppliers.
- (f) Pearly Suppliers charges a delivery fee to all its customers.
- (g) The statement of account includes transactions up to 25 February 2020.

### 3.2 VAT

The information relates to Mighty Stores for the two-month VAT period ended 29 February 2020. The standard VAT rate is 15%.

#### REQUIRED:

- 3.2.1 Calculate the correct VAT amount that is either payable to or receivable from SARS. Indicate payable or receivable. (9)
- 3.2.2 The owner, Cyril, has been using the VAT collected from customers to pay salaries and bonuses and as such, could not meet the VAT deadlines. (2)
- Comment on this practice and provide Cyril with ONE point of advice.

#### INFORMATION:

**A.** Amount due to SARS on 1 February 2020, R21 225.

**B.** Amounts from the records on 29 February 2020:

	INCLUDING VAT	VAT AMOUNT
Cash and credit sales	416 300	54 300
Credit purchases of stock	254 150	33 150
Stock returned to suppliers	43 700	5 700
Drawings of trading stock		660
Debtors accounts written off as bad debts		1 290
Discounts granted to debtors		2 145

## QUESTION 4: INVENTORY VALUATION AND PROBLEM-SOLVING

(40 marks; 25 minutes)

- 4.1 Choose a term from the list that best describes each of the statements below. Write only the term next to the number (4.1.1–4.1.4) in the ANSWER BOOK.

perpetual inventory system; weighted-average method;  
specific identification method; periodic inventory system; first in first out (FIFO)

- 4.1.1 Stock is assumed to be sold in the order they are purchased.  
4.1.2 Cost of sales is calculated at the point of sale and recorded accordingly.  
4.1.3 Stock is assigned a unique or individual value, based on the invoice price.  
4.1.4 Stock purchased are recorded in a purchases account in the ledger. (4)

### 4.2 CAMILLE STORES

The business sells one type of leather bag. The financial year ended on 29 February 2020. The weighted-average method and the periodic inventory system are used for stock valuation.

#### REQUIRED:

- 4.2.1 Calculate the following on 29 February 2020:
- The value of closing stock using the weighted average method (7)
  - Cost of sales (3)
  - Gross profit (4)
  - % gross profit achieved. (3)
  - Average stock holding period (in days) (5)
- 4.2.2 The business aims for a gross profit % of 60% on cost. Provide TWO reasons why this was not achieved. (2)
- 4.2.3 Comment on the average stock holding period. Provide ONE point. (2)

#### INFORMATION:

##### A. Stock:

Date	Number of bags	Total value (including carriage)
1 March 2019	380	R189 100
29 February 2020	330	?

##### B. Purchases:

Date	No. of bags	Cost price per bag	Total purchases	Carriage per bag	Total cost
31/05/2019	400	R520	R208 000	R15	R214 000
01/08/2019	600	R550	R330 000	R15	R339 000
15/10/2019	500	R575	R287 500	R20	R297 500
01/02/2020	250	R600	R150 000	R20	R155 000
<b>TOTAL</b>	<b>1 750</b>		<b>R975 500</b>		<b>R1 005 500</b>

##### C. Returns:

Thirty bags, bought on 1 February 2020 were returned to the supplier due to poor quality. A credit note for R18 600 (including carriage) was received.

##### D. Sales:

1 770 bags were sold at a fixed selling price of R875 per bag.

### 4.3 PROBLEM-SOLVING

Information of three jeans shops with different owners in Stutterheim.

#### REQUIRED:

- 4.3.1 Identify ONE problem in **Shop A** and ONE problem in **Shop B**. Quote figures. In EACH case, give ONE point of advice. (6)
- 4.3.2 Explain TWO good decisions that Asanda has made in respect of **Shop C**. Quote figures. (4)

#### Information per shop for December 2019:

	SHOP A	SHOP B	SHOP C
Managers	Andrew	Andile	Asanda
Sales	R300 000	R200 000	R900 000
Returns from customers	R6 000	R30 000	R18 000
Mark-up percentage	90%	50%	60%
Stock-holding period	174 days	32 days	29 days
Advertising	R15 000	R3 000	R45 000
Rent expense	R30 000	R21 000	R90 000
Days worked per week	6	5	7
Shop assistants	4	3	8

40

**TOTAL: 150**

**GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET**

$$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$$

$$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$$

$$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$$

$$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$$

$$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$$

$$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$$

Total assets : Total liabilities

Current assets : Current liabilities

(Current assets – Inventories) : Current liabilities

Non-current liabilities : Shareholders' equity

(Trade &amp; other receivables + Cash &amp; cash equivalents) : Current liabilities

$$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$$

$$\frac{\text{Cost of sales}}{\text{Average trading stock}}$$

$$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$$

$$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$$

$$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$$

$$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$$

(\*see note below)

$$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$$

$$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$$

$$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$$

$$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$$

$$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$$

$$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$$

$$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$$

$$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$$

**Note:**

\* In this case, if a change occurs in the number of shares during a financial year, the weighted average number of issued shares is used in practice.



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**ACCOUNTING P2**  
**GRADE 12**  
**PRE-TRIAL EXAMINATION**

<b>Name:</b>		<b>Date:</b>	
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**ANSWER BOOK**

QUESTION	MAXIMUM MARKS	MARKS OBTAINED	MODERATION
1	40		
2	45		
3	25		
4	40		
TOTAL	150		

## QUESTION 1

### 1.1.1 FACTORY OVERHEAD COST

Indirect labour	58 460

10
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### 1.1.2 Calculate the Direct Material Cost

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5
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### 1.1.2 PRODUCTION COST STATEMENT ON 30 APRIL 2020

Prime cost	
Total manufacturing cost	
Work-in-progress (opening balance)	22 200
Work-in-progress (closing balance)	
Cost of production of finished goods	

11
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### 1.1.4

	IDENTIFY SEPARATE REASONS	SOLUTION
Reason 1		
Reason 2		

6
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## 1.2 ZANDA MANUFACTURERS

- 1.2.1 Explain whether the business should be satisfied with the number of tables that were produced and sold during this financial year. Quote figures.

3

- 1.2.2 Calculate the number of tables she had to make and sell to reach this target.

5

TOTAL MARKS
40

## QUESTION 2

### 2.1 DEBTORS COLLECTION SCHEDULE

MONTH	CREDIT SALES	SEPTEMBER
June	78 300	
July	81 780	
August	73 950	
September		
CASH FROM DEBTORS		

8

### 2.2

NO	WORKINGS	ANSWER
(i)	Cash purchases of stock in September	
(ii)	Payments to creditors: August	
(iii)	Salaries: five workers: September	
(iv)	Insurance: August	
(v)	Opening Bank balance: September	

12

### 2.3 Calculate: % increase in rent income

3

### 2.4 Calculate: loan balance on 31 August 2020

4

### 2.5.1 Give ONE reason (with figures) why the workers are dissatisfied.

2



- 2.5.2 Give ONE reason (with figures) that Andie could use to justify the increases that he is going to give the workers.

2

- 2.6 Comment on the control over the following costs. Quote figures or percentages.

ITEM	COMMENT WITH FIGURES
Delivery costs	
Advertising costs	

4

- 2.7.1 Calculate the purchase price of the new vehicle.

4

- 2.7.2 Apart from the deposit and the monthly instalment of R4 250, explain how the next Cash Budget will be affected. Provide THREE points.

6

TOTAL MARKS

45

### QUESTION 3

#### 3.1 CREDITORS' RECONCILIATION

3.1.1

	CREDITORS' LEDGER	CREDITORS' RECONCILIATION STATEMENT
<b>Balance</b>	<b>43 900</b>	<b>40 475</b>
(a)		
(b)		
(c)		
(d)		
(e)		
(f)		
(g)		

10

3.1.2 Suggest TWO internal control measures that he can use to ensure that such practices do not occur.

4

### 3.2 VAT

3.2.1 Calculate the VAT amount that is either payable to or receivable from SARS. Indicate payable or receivable.

9

3.2.2 Comment on this practice and provide Cyril with ONE point of advice.

2

TOTAL MARKS
25

**QUESTION 4****4.1**

<b>4.1.1</b>	
<b>4.1.2</b>	
<b>4.1.3</b>	
<b>4.1.4</b>	

<b>4</b>

**4.2 CAMILLE STORES****4.2.1 Calculate the following on 29 February 2020:**

<b>The value of closing stock using the weighted average method</b>
<b>Cost of sales</b>
<b>Gross profit</b>
<b>% gross profit achieved.</b>
<b>Average stock holding period (in days)</b>

<b>7</b>

<b>3</b>

<b>4</b>

<b>3</b>

<b>5</b>

**4.2.2 The business aims for a gross profit % of 60% on cost. Provide TWO reasons why this was not achieved.**


<b>2</b>

4.2.3 Comment on the average stockholding period. Provide ONE point.

2

4.3.1 Identify ONE problem in Shop A and ONE problem in Shop B. Quote figures. In EACH case, state ONE point of advice.

Branch	Problem	Advice
Shop A		
Shop B		

6

4.3.2 Explain TWO good decisions that Asanda has made in respect of Shop C. Quote figures.

4

TOTAL MARKS

40

**ACCOUNTING P2**  
**GRADE 12**  
**PRE-TRIAL EXAMINATION**

**MARKING GUIDELINE**

**MARKING PRINCIPLES**

1. Unless otherwise indicated in the marking guideline, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced 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 the answer is incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (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. Where penalties are applied, the marks for that section of the question cannot be a final negative.
8. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.
9. 'Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'.  
*Note:* Check operation means must be +, –, x or ÷ as per marking guideline.
10. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. In such cases, do not award the method mark. Indicate by way of ☒
12. Be aware that some candidates provide valid alternatives beyond the marking guideline.  
*Note* that one comment could contain different aspects.
13. Codes: f = foreign item; p = placement/presentation.

This marking guideline consists of 9 pages.

**QUESTION 1**

### 1.1.1 FACTORY OVERHEAD COST

<b>Indirect labour</b>	<b>58 460</b>
Depreciation: factory equipment	31 700 ✓
Indirect material 24 800 – 1 150	23 650 ✓✓
Water and electricity 31 900 x 70%	22 330 ✓✓
Sundry expenses (11 300 x 3) 33 900 x 4 / 6	22 600 ✓✓*
Rent expense 56 800 x 1 540/2 200 or 56 800 x 70%	39 760 ✓✓*
-1 for foreign item; max -2	
*one part correct.	198 500 ✓*

10

### 1.1.2 Calculate the Direct Material Cost

$$(56\,000 \text{ m} - 8\,000 \text{ m}) \times R10,80 = 518\,400 \quad \text{one part correct}$$

(54 800 + 550 000) 604 800 / 56 000

5

### 1.1.2 PRODUCTION COST STATEMENT ON 30 APRIL 2020

Direct material cost see 1.1.2	518 400 ✓
Direct labour cost 352 800 ✓ + 359 100 ✓✓ one part correct	711 900 ✓
<b>Prime cost</b> DMC + DLC operation one part correct	1 230 300 ✓
Factory overhead cost see 1.1.1.	198 500 ✓
<b>Total manufacturing cost</b> operation one part correct	1 428 800 ✓
<b>Work-in-progress (opening balance)</b>	<b>22 200</b>
	1 451 000
<b>Work-in-progress (closing balance)</b> balancing figure	(59 500) ✓
<b>Cost of production of finished goods</b> 25 300 x R55	1 391 500 ✓✓

11

### 1.1.4

	IDENTIFY SEPARATE REASONS	SOLUTION ✓ ✓
<b>Reason 1</b> ✓✓ With figures	40,4% of hours worked is overtime (950 of 2 350) 48 x 5 x 8 Only 1 400 of possible 1 920 normal time worked (520 hours less)	Workers should be monitored to ensure they work the correct number of normal hours. Supervised.
<b>Reason 2</b> ✓✓ With figures	The level of production is too low. Should have produced 28 200 shirts (2 350 x 6 x 2), only produced 25 300 or 2 900 less than target	Monitor workers Set normal-time targets Do not approve overtime if targets not met.

6

## 1.2 ZANDA MANUFACTURERS

1.2.1

**Explain whether the business should be satisfied with the number of tables that were produced and sold during this financial year. Quote figures.**

Comparison of production to BEP ✓✓ with figures ✓

The business produced and sold 6 200 units. This is 400 units more than the break-even point of 5 800 units.

**OR**

The business is only producing 400 units more than the break-even point of 5 800 units (6%). The profits may be considered to be too low.

3

1.2.2

**Calculate the number of tables she had to make and sell to reach this target.**

406 000 + 150 000 one mark each

$$\frac{556\,000 \checkmark \checkmark}{(160 \checkmark - 90 \checkmark)}$$

70 two marks

= 7 943 units ✓ one part correct

Be alert to other methods e.g. solve for x

5

**TOTAL MARKS**

40



## QUESTION 2

### 2.1 DEBTORS COLLECTION SCHEDULE

MONTH	CREDIT SALES	SEPTEMBER
June	78 300	
July	81 780	4 089 ✓✓
August	73 950	51 765 ✓✓
September	74 820 ✓✓	14 964 <input checked="" type="checkbox"/> 20% of credit sales
<b>CASH FROM DEBTORS</b>		70 818 <input checked="" type="checkbox"/> one part correct

8

### 2.2

NO	WORKINGS	ANSWER
(i)	Cash purchases of stock in September $86\,000 \times 25\%$	21 500 ✓✓
(ii)	Payments to creditors: August $(136\,300 \times 100/145)$ <span style="color: red;">70 500 – 3 525</span> $94\,000$ ✓✓ $\times 75\%$ $\times 95\%$ ✓	66 975 <input checked="" type="checkbox"/> one part correct
(iii)	Salaries: five workers: September $36\,000 \times 103\%$ <span style="color: red;">or <math>36\,000 + 1\,030</math></span>	37 080 ✓✓
(iv)	Insurance: August $2\,834 \times 100/109$	2 600 ✓ <input checked="" type="checkbox"/> one part correct
(v)	Opening Bank balance: September $(22\,600) + (10\,200)$	(32 800) ✓ <input checked="" type="checkbox"/> one part correct must be negative

12

### 2.3 Calculate: % increase in rent income

$(16\,125 - 15\,000)$  one mark

$$\frac{1\,125}{15\,000} \times 100 = 7,5\% \quad \text{one part correct} \quad 16\,125/15\,000 \times 100 = 107,5 - 100$$

3

### 2.4 Calculate: loan balance on 31 August 2020

$$(325 \times 12) \div 13\% = 30\,000 \quad \text{one part correct} \quad \text{loan} \times 13\% \times 1/12 = 325$$

3 900 two marks

4

### 2.5.1 Give ONE reason (with figures) why the workers are dissatisfied.

Suitable reason ✓ Relevant figure/s ✓

- They will be receiving a 3% increase while the bookkeeper will be receiving 11% increase.  $(1\,980 \div 18\,000)$
- The 3% increase is lower than the rate of inflation which at present is approximately 6%. It does not impact on their standard of living.

2

**2.5.2 Give ONE reason (with figures) that Andie could use to justify the increases that he is going to give the workers.**

Suitable reason ✓ Relevant figure/s ✓

- The business is experiencing cash flow problems as the bank balance is expected to be overdrawn at the end of September 2020 by R120 000.
- The total sales for July (R95 700) is below the budgeted amount (R136 300) and he expects this trend to continue.

2

**2.6 Comment on the control over the following costs. Quote figures or percentages.**

ITEM	COMMENT WITH FIGURES
	Comments ✓ ✓ Figures ✓ ✓
<b>Delivery costs</b>	Sales were less than budget, so actual delivery expenses should decrease to R10 150.
<b>Advertising costs</b>	He has overspent by R2 000. Not effective to increase sales / Sales actually R21 750 less than budgeted.

4

**2.7.1 Calculate the purchase price of the new vehicle.**

204 000 two marks  
 $(R4\ 250 \checkmark \times 48 \checkmark) \times 100/85 \checkmark = R240\ 000$  ☒ One part correct

4

**2.7.2 Apart from the deposit and the monthly instalment of R4 250, explain how the next Cash Budget will be affected. Provide THREE points.**

Any **THREE** valid points ✓✓ ✓✓ ✓✓ Can award part mark for incomplete/unclear answers

- Delivery expenses paid to PQ Deliveries will be avoided.
- Petrol costs must be included.
- Salary of a driver must be included.
- Insurance must be included.

6

**TOTAL MARKS**

45

### QUESTION 3

#### 3.1 CREDITORS' RECONCILIATION

3.1.1

	CREDITORS' LEDGER	CREDITORS' RECONCILIATION STATEMENT
<b>Balance</b>	<b>43 900</b>	<b>40 475</b>
(a)		+ 10 000 ✓
(b)		- 1 650 - 1 650 one mark each - 3 300 ✓✓
(c)	+ 750 ✓	
(d)		8 525 - 7 750 ✓✓ - 775
(e)	- 8 600 ✓	
(f)	+ 2 100 ✓	
(g)		Could be shown separately (7 500 + 750) ✓ - 8 250
	38 150 <input checked="" type="checkbox"/>	For both totals 38 150

10

Foreign items -1 per line if candidate earned a mark on that line

3.1.2 Suggest TWO internal control measures that he can use to ensure that such practices do not occur.

Any TWO relevant control measures ✓✓ ✓✓

part marks may be awarded

- Division of duties /rotate duties. (the manager must not be the only person responsible for ordering and recording goods.)
- Have special order forms to be signed by two people.
- Check documents regularly against deliveries.
- Do regular/random stock counts to verify stock records.

Underlined statements are 1 mark options

4

## 3.2 VAT

### 3.2.1 Calculate the VAT amount that is either payable to or receivable from SARS. Indicate payable or receivable.

one part correct ☒

$$\begin{array}{ccccccccccc} \checkmark & & \checkmark & & \checkmark & & \checkmark & & \checkmark & & \checkmark \\ 21\,225 & + & 54\,300 & + & 5\,700 & + & 660 & - & 33\,150 & - & 1\,290 - 2\,145 = 45\,300 \end{array}$$

Payable ✓ (check candidates' workings if they state Receivable)

Accept alternative presentations:

Signs reversed

Total output VAT – Total input VAT

VAT control account

9

### 3.2.2 Comment on this practice and provide Cyril with ONE point of advice.

must mention legal/ethical issue) Award part marks for incomplete answer

COMMENT ✓	ADVICE ✓
This is unethical / illegal The business is an agent of SARS, The money does not belong to the business The business will be liable for penalties or fines If discovered, that they are defaulting	Cyril must keep accurate records Adjust all journals and ledgers to reflect VAT Diarize submission dates, and ensure that sufficient funds are available to meet the commitments. Ensure business expenses are paid by funds generated by business operations

ONE-word correct responses will receive 1 mark e.g. fraud

2

**TOTAL MARKS**

**25**

## QUESTION 4

4.1

4.1.1	First in first out ( <u>FIFO</u> )	✓
4.1.2	<u>Perpetual</u> inventory system	✓
4.1.3	<u>Specific identification</u> method	✓
4.1.4	<u>Periodic</u> <b>inventory system</b>	✓

Accept underlined as correct / no other abbreviations

4

4.2 CAMILLE STORES

4.2.1 Calculate the following on 29 February 2020:

<p><b>The value of closing stock using the weighted average method</b></p> <p>1 176 000 three marks</p> $\frac{189\,100 \checkmark + 1\,005\,500 \checkmark - 18\,600 \checkmark}{380 \checkmark + 1\,750 \checkmark - 30 \checkmark} \times 330 = 184\,800 \checkmark$ <p>2 100 three marks</p> <p>560 is the weighted average = 6 marks</p> <p>one part correct (must be x 330)</p>	7
<p><b>Cost of sales</b></p> <p>*see above</p> $1\,176\,000 \checkmark^* - 184\,800 \checkmark^* = 991\,200 \checkmark$ <p>(189 100 + 1 005 500 – 18 600) one mark</p> <p>one part correct</p>	3
<p><b>Gross profit</b></p> <p>1 770 x 875 see COS above</p> $1\,548\,750 \checkmark\checkmark - 991\,200 \checkmark = 557\,550 \checkmark$ <p>one part correct</p>	4
<p><b>% gross profit achieved.</b></p> <p>see GP above see COS above</p> $557\,550 \checkmark / 991\,200 \checkmark \times 100 = 56,3\% \checkmark$ <p>one part correct</p>	3
<p><b>Average stock holding period (in days)</b></p> <p>186 950 see CS above</p> $\frac{1}{2} \checkmark (189\,100 \checkmark + 184\,800 \checkmark) \times 365 = 68,8 \text{ days } \checkmark$ <p>991 200 ✓ see COS above</p> <p>one part correct</p>	5

4.2.2 The business aims for a gross profit % of 60% on cost. Provide TWO reasons why this was not achieved.

TWO reasons ✓ ✓ accept short statements

Too much trade discounts given  
 Mark-down clearance sales  
 Sales to staff at cost / reduced mark-up  
 Errors in pricing / calculations

2

**4.2.3 Comment on the average stockholding period. Provide ONE point.**

ONE valid point ✓✓ **part marks for incomplete / partial answers**

Stock stands on shelves on average for more than 2 months. **See 4.2.1**

May not be desirable for improved sales / constant inflow of cash

Bags are durable, so this may not be an issue, as long as these can be sold in the future; if not influenced by fashion / future trends.

2

**4.3.1 Identify ONE problem in Shop A and ONE problem in Shop B. Quote figures. In EACH case, state ONE point of advice.**

Branch	Problem ✓ ✓ Figure ✓ ✓	Advice ✓✓
Shop A	Stock-holding period, 174 days (too much money invested in stock) / Mark-up % of 90% (leads to low sales of 300 000)	Purchase stock in smaller quantities.  Decrease the mark-up % to increase sales.
Shop B	Returns (R30 000) are high: 15% of sales Advertising too low, R3 000; 1½% of sales Open for 5 days only Low mark-up: 50% Only 3 shop assistants	Sell correct/good quality items to customers to avoid returns / Change the supplier Review the returns policy. Increase advertising to increase sales. Open another day. Increase mark-up % Employ more shop assistants

**Advice must match the problem identified**

6

**4.3.2 Explain TWO good decisions that Asanda has made in respect of Shop C. Quote figures.**

Any TWO Explanations ✓ ✓ Figures ✓ ✓

- Good quality goods and/or good customer services resulted in fewer goods returned by customers – 18 000 (2% of sales)
- Working 7 days a week resulted in good/high sales – R900 000
- Advertised more – R45 000 (5% of sales)
- Rent expense (R90 000) shop is in a good area resulting in higher sales
- Having 8 assistants to cope with large sales
- Selling at the right price (60% mark-up) which led to high sales; R900 000

4

**TOTAL MARKS**

**40**