



**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ACCOUNTING
COMMON TEST
JUNE 2021**

MARKS: 100

TIME: 1½ HOURS

This question paper consists of 9 pages and an answer booklet of 8 pages.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

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

QUESTION	TOPIC	MARKS	MINUTES
1	Debtors age analysis and Creditors Reconciliation	30	25
2	Inventory Valuation	35	32
3	Cost Accounting	35	33
TOTAL		100	90



QUESTION 1**(30 Marks; 25 Minutes)****DEBTORS AGE ANALYSIS AND CREDITORS RECONCILIATION**

1.1 Indicate whether each of the following statements is TRUE or FALSE. Write only 'True' or 'False' next to the question number (1.1.1 – 1.1.3) in the ANSWER BOOK.

- 1.1.1 An internal auditor will want to inspect the Fixed Asset Register as part of his/her work. (1)
- 1.1.2 A debit balance on the Bank Statement reflects an unfavourable balance. (1)
- 1.1.3 Service fees and interest on an overdraft are recorded as Bank Charges in the books of the business. (1)

1.2 DEBTORS AGE ANALYSIS

Sobantu Traders sell goods for cash and on credit. The business is owned by Njabulo Khumalo.

REQUIRED:

- 1.2.1 How can the preparation of a debtor's collection schedule and debtor's age analysis assist Njabulo in controlling debtors? (4)
- 1.2.2 Sobantu Traders have Payslips of all their debtors. What other information should they obtain before allowing customers to open accounts? State TWO points with a reason in each case. (4)
- 1.2.3 Calculate the percentage of debtors complying with the credit terms. (3)
- 1.2.4 Explain TWO measures to improve collection from debtors. (4)

INFORMATION:

Debtors' age analysis on 28 February 2021:

TOTAL	CURRENT	30–60 DAYS	61–90 DAYS	MORE THAN 90 DAYS
300 200	36 024	24 016	156 104	84 056

The credit period is 60 days.

1.3 CREDITORS' RECONCILIATION

Mathebula Traders received a statement of account from a creditor, Ngubane Suppliers.

The balance on the statement did not agree with that on the account of Ngubane Suppliers in the Creditors Ledger of Mathebula Traders.

REQUIRED:

1.3.1 Provide THREE points for good internal control over creditors (3)

1.3.2 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.

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

Total the columns to show the correct balance at the end of February 2021. (9)

INFORMATION:

Balance in the Creditors Ledger of Mathebula Traders	R17 925
Balance in the statement received from Ngubane Suppliers	R29 400

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

- A. An invoice for R11 200 received from Ngubane Suppliers was correctly recorded in the Creditors Ledger Account. The amount was incorrectly recorded as R9 100 on the statement.
- B. Mathebula Traders entered a discount of R875 relating to a payment of R9 000 on the 10 February 2021. Ngubane Suppliers did not approve this discount stating that the payment was received late.
- C. The statement of account reflected returns valued at R1 190. The Creditors Ledger Account showed R690. It was established that Mathebula Traders miscalculated the value of the goods returned.
- D. An invoice for R3 100 received from Ngubane was incorrectly recorded as a debit note in the Creditors Ledger.
- E. A direct transfer of R7 000 by Mathebula Traders was recorded in their business books on 27 February 2021. The statement of account from Ngubane Suppliers was dated 25 January 2021.

QUESTION 2 INVENTORY VALUATION (35 marks; 32 minutes)

2.1 Cool Traders sells one type of air conditioner. The business uses the periodic inventory system. The financial year ends annually on 30 June.

REQUIRED:

- 2.1.1 Calculate the value of closing stock using the FIFO method of stock valuation. (5)
- 2.1.2 Calculate Cost of Sales using the FIFO method. (5)
- 2.1.3 Calculate the stock turnover rate of air conditioner (Use the average stock). (5)
- 2.1.4 Calculate the number of units missing. (5)
- 2.1.5 The CEO is concerned that a number of units are missing in spite of the installation of security cameras and division of duties. What other solutions would you offer to the CEO to help solve the problem of the missing units? Provide TWO good solutions. (2)
- 2.1.6 Cool Traders uses the Periodic Stock system. Briefly explain to the CEO how the Perpetual Stock System works. In your explanation state TWO main advantages of the Perpetual Stock System. (2)
- 2.1.7 CEO wants to alternate between using the weighted-average method and a FIFO method, depending on which will result in the higher cost of sales.
- In your opinion, why do you think CEO wants to increase the value of cost of sales in the financial statements? (1)
 - Provide ONE reason why the bookkeeper says that alternating between two methods of valuing stock does not comply with the requirements of GAAP (1)

INFORMATION:

A.

STOCK:	Number of units	Unit cost	Total cost
Balance - 1 July 2020 (including import duties)	20	R3 500	?
Balance - 30 June 2021 (physical count)	120	?	?
Purchases:	380		R1 930 000
▪ 1 October 2020	160	R4 000	R640 000
▪ 1 January 2021	140	R5 500	R770 000
▪ 1 April 2021	80	R6 500	R520 000

- B. Import duties R1 375 per unit (constant for the year)
- C. Carriage on sales R1 500 (constant for the year)
- D. Sales for the year, R2 064 000. (258 units)

2.2 GYM SLIM

Gym Slim is an outlet of Sports shop. Stock is valued using the FIFO method. The following figures have been given to the owner of Gym Slim but he is not happy as the actual figures as per stocktaking and the figures of the Trading Stock records in the books do not agree.

REQUIRED:

- 2.2.1 Calculate the number of days of stock on-hand for Gym Bags. Gym Bags are sold at a mark-up of 25% on cost. The average stock amounted to R156 240. (3)
- 2.2.2 Identify ONE different problem in respect of the manner in which each product is managed. Quote figures to support your answer. In each case offer practical advice. (6)

ITEMS OF STOCK	Sweatbands	Towels	Gym Bags
Opening stock in unit	120	80	290
Purchases in units	5 600	960	1 444
Sales in units for the year	4 800	840	930
Closing stock in units	810	200	804
Selling price per unit	R45	R125	R350
Period of stock on hand	50 days	70 days	?
Cash deposited for the year	R216 000	100 000	R325 500

QUESTION 3: COSTING, BREAK-EVEN AND INTERPRETATION**(35 marks; 33 minutes)****3.1 WOODLANDS FURNITURE**

Woodlands Furniture is a manufacturing business that produces one style of tables. The financial year ended on 28 February 2021.

REQUIRED:

- 3.1.1 Prepare the Production Cost Statement for the year ended 28 February 2021. (16)
- 3.1.2 Prepare the abridged Income Statement to calculate the net profit on 28 February 2021. (6)

INFORMATION:**A. Stock on hand:**

Stock records	28 February 2021	1 March 2020
Raw material stock	R 21 600	R 16 400
Work-in progress stock	22 810	19 400
Finished good stock	25 600	28 300

- Purchases of raw materials for the financial year amounted to R529 575.
- Damaged material valued at R19 000 was returned to the supplier.
- On 28 February 2021 a calculation error was made during the stock taking. 1 050 items were recorded at R5 each instead of 50 cents each.
- Stationery valued at R1 000, purchased for the Administration department was incorrectly allocated to the Selling and Distribution department.

B. The business employs THREE factory workers, with the following conditions:

- work 8 hours normal time per day
- 5 days a week,
- 48 weeks a year,

	RATE PER HOUR	NUMBER OF WORKERS	TOTAL
Normal time	R20	3	?
Overtime			R77 600
			?

NOTE: Employers' contribution: 15% of normal wage.

- C. Total sales amounted to R978 375. Mark-up of 25% is applicable in all goods sold.
- D. The following information was calculated on 28 February 2021:

Direct material cost	R ?
Direct labour cost	R ?
Factory overhead cost	?
Administration cost	25 000
Selling and distribution cost	86 000
Cost of production of finished goods	?

3.2 KETTLE MANUFACTURERS

The business produced and sold 4 100 kettles for the year ended 28 February 2021. The following information was extracted from their books:

REQUIRED:

- 3.2.1 Calculate the break-even point for the year ended 28 February 2021. (6)
- 3.2.2 Should the business be satisfied with the number of units that are currently produced? Explain. (3)
- 3.2.3 Despite the fact that there was an increase in the price of direct material, the direct material cost per unit decreased from R32 to R27. Give a valid reason for the decrease. (2)
- 3.2.4 Despite the fact that there was no increase in wages during the year, the direct labour cost per unit increased from R20 to R28. Give a valid reason for the increase. (2)

INFORMATION:

	R
Sales	615 000
Direct material cost	110 700
Factory over heads cost	246 000
Selling and distribution cost	61 500
Direct labour cost	114 800
Administration cost	102 500

Additional information

- Selling price per unit amounts to R150.

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade and other receivables + Cash and cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income after tax} + \text{Interest on loans}}{\text{Average Shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
NOTE <ul style="list-style-type: none"> In this case, if there is a change in the number of issued shares during a financial year, the weighted-average number of shares is used in practice. 	



KWAZULU-NATAL PROVINCE
EDUCATION
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**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ACCOUNTING
ANSWER BOOK
JUNE 2021

Name: _____

Grade: _____

QUESTION	MARKS	MOD BY THE SCHOOL	MOD BY THE CLUSTER/DIS	MOD BY THE PROVINCE
1				
2				
3				
TOTAL				

N.B. This answer book consists of 8 pages.

QUESTION 1

1.1 Indicate whether the following statements are TRUE or FALSE. Write only 'True' or 'False' next to the question number.

1.1.1	
1.1.2	
1.1.3	

3

1.2.1 How can the preparation of a debtor's collection schedule and Debtor's age analysis assist Njabulo in controlling of debtors?

Debtor's collection schedule:



Debtor's age analysis assist:

4

1.2.2 Sobantu Traders have Payslips of all their debtors. What other information should they obtain before allowing customers to open accounts? State TWO points with a reason in each case.

[illegible]

4

1.2.3 Calculate the percentage of debtors complying with the credit terms.

Calculate the percentage of debtors complying with the credit terms.

3

1.2.4 Explain TWO measures to improve collection from debtors

4

1.3.1 Provide THREE points for good internal control over creditors

3

1.3.2 CREDITORS LEDGER OF MATHEBULA TRADERS STATEMENT FROM NGUBANE SUPPLIERS

	17 925	29 400
A.		
B.		
C.		
D.		
E.		

9

30



2.1.1

5



Stanmorephysics.com

5

5

5

2.1.5 What solutions would you offer to the CEO to help solve the problem of the missing units? Provide TWO good solutions.

Solution 1:

Solution 2:

2

2.1.6 Cool Traders uses the Periodic Stock system. Briefly explain to the CEO how the Perpetual Stock System works. In your explanation state TWO main advantages of the Perpetual Stock System.

Explanation:

Advantages:

2

2.1.7

- In your opinion, why do you think CEO wants to increase the value of cost of sales in the financial statements?

1

- Provide ONE reason why the bookkeeper says that alternating between two methods of valuing stock does not comply with the requirements of GAAP


1

2.2 GYM SLIM

- 2.2.1 Calculate the number of days of stock on-hand for Gym Bags. Gym Bags are sold at a mark-up of 25% on cost. The average stock amounted to R153 600.

3

- 2.2.2 Identify ONE different problem in respect of the manner in which each product is managed. Quote figures to support your answer. In each case offer practical advice.

	Problem and figures	Possible solution
Sweatbands		
Towels		
Gym Bags		

6

35

QUESTION 3

3.1.1 Production Cost Statement on 28 February 2021

Direct Materials Cost (16 400		
Work-in Process at the beginning of the year	19 400	
Work-in Process at the end of the year	(22 810)	

16

3.1.2 Abridged Income Statement for the year ended 28 February 2021.

Sales	9 78 375

6

3.2.1 Calculate the break-even point for the year ended 28 February 2021.

--

6

3.2.2 Should the business be satisfied with the number of units that are currently produced? Explain.

3

3.2.3 Despite the fact that there was an increase in the price of direct material, the direct material cost per unit decreased from R32 to R27. Give valid reasons for the decrease.

2

3.2.4 Despite the fact that there was no increase in wages during the year, the direct labour cost per unit increased from R20 to R28. Give a valid reason for the increase.

2

35





NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING MEMORANDUM JUNE 2021

MARKS: 100

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. Note: if figures are stipulated in memo for components of workings, these do not carry the method for final 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. Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'. Note: check operation must be +, -, x, ÷, or per candidates operation.
11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect, indicate with a ☒. Note: do not award marks for workings if numerator and denominator are swapped-this also applies to ratios.
12. Be aware of candidates who provide valid alternatives beyond the marking guideline.
13. Codes: f=foreign item; p=placement

This memorandum consists of 9 pages

QUESTION 1

1.1	Indicate whether the following statements are TRUE or FALSE. Write only 'True' or 'False' next to the question number.
1.1.1	True ✓
1.1.2	True ✓
1.1.3	False ✓

1.2.1 How can the preparation of a debtor's collection schedule and Debtor's age analysis assist Njabulo in controlling of debtors.

Debtor's collection schedule:

Any valid explanation ✓ ✓

Good explanation = 2 marks; satisfactory = 1 mark; incorrect answer = 0 marks

- Project anticipated receipts from debtors.
- Ensure that debtors keep to terms of their accounts.
- Act if the debtors do not comply with credit terms
- Compare anticipated budget with actual budgets.



Debtor's age analysis assist:

Any valid explanation ✓ ✓

Good explanation = 2 marks; satisfactory = 1 mark; incorrect answer = 0 marks

- Effective method of credit control.
- Action can be taken against debtors who do not comply by charging interest/ legal action.
- Bad debts can be minimized.
- Make decision based on age analysis of the debtor(s).

3

4

1.2.2 Sobantu Traders have the pay slip of all their debtors. What other information should they obtain before allowing customers to open accounts? State TWO points with a reason in each case.

Do not accept payslip of debtor

Can award two marks if information & reason is in same sentence

Information to be obtained ✓ ✓	Reason ✓ ✓
Telephone numbers	Prompt communication of statement of account.
Proof of residence / Address	To be able to trace debtors not adhering to credit terms and conditions. To avoid fictitious debtors. To be able to do a proper background check on each new debtor. Constant reminders of amount owed. To ensure that statements are sent to correct addresses.
Contact details of family / friend	To track the debtor if other information is incorrect / changes.
Bank statement / balance	To check how the debtor is managing his finances.
Identity document	Ensure that correct personal details of customers are on record
Credit references / Credit history	To check that they will not sell to bad debtors To check credit worthiness
Email address	Prompt communication of statements of account

4

1.2.3 Calculate the percentage of debtors complying with the credit terms.

36 024 + 24 016

60 040 ✓

300 200 ✓

OR

$\frac{240\ 160}{300\ 200} = 80\%$

= 20 % ☒ One part correct

$100\% - 80\% = 20\%$

OR $12\% + 8\% = 20\%$

3

1.2.4 Explain TWO measures to improve collection from debtors

Any TWO relevant measures ✓✓ ✓✓

Part-marks for unclear / incomplete answers

Possible responses for two marks: Accept alternative valid responses

- Monthly statements must be sent out/ emailed on time
- Offer higher discount for early payments.
- Add interest on overdue account.
- Do not sell to debtors exceeding the credit limit/ not up to date with payments.
- Send SMS reminders to debtors.
- Employ service of an attorney or debt collector / sue the debtor.
- Encourage debtors to pay by debit order.

4

1.3.1 Provide THREE points for good internal control over creditorsAny three valid and separate points ✓ ✓ ✓

Beware of alternative wording which reflects the same point.

Beware that two separate points could be in the same sentence.

- Assess the efficiency of the creditors clerk in order to prevent errors from occurring
- Ensure that creditors are paid on time to make use of discounts
- Make full use of credit terms to assist cash flow
- Division of duties amongst members of the accounting department so that one person serves as a check on another
- Reconcile the balance on the creditors control account with the total of creditors' list to ensure accuracy on a monthly basis
- The statement of account of individual creditors must be reconciled (agreed) with their accounts in the creditors ledger
- Conduct internal audits to minimise the possibility of fraud or error / Check documents (e.g. invoices and credit notes) to ensure accuracy of calculations and entries
- Ensure that items ordered from creditors are correctly received (i.e. quantities, condition, price)
- Ensure that all purchases are correctly authorized (i.e. procurement policy)

3

1.3.2

CREDITORS LEDGER OF MATHEBULA TRADERS		STATEMENT FROM NGUBANE SUPPLIERS
	17 925	29 400
A.		+ 2 100 ✓
B.	+ 875 ✓	
C.	(1 190 - 690) - 500 ✓✓	
D.	(3 100 +3 100) +6 200 ✓✓	
E.		- 7 000 ✓
	24 500 ✓ Operation one part correct	24 500 ✓ Operation one part correct

-1 per line if the figures appear on both sides only if the transaction required so.

9

QUESTION 2: INVENTORY SYSTEMS**2.1.1 Calculate the value of closing stock using the FIFO method of stock valuation.**

120 units

$$80 \times R6\,500 = R520\,000 \checkmark$$

$$40 \times R5\,500 = R220\,000 \checkmark$$

$$120 \times 1\,375 = \underline{R165\,000} \checkmark \checkmark$$

$$= R905\,000 \checkmark \text{ Operation one part correct}$$

$$\begin{aligned} \text{OR } 80 \times 7875 &= R630\,000 \text{ two marks} \\ 40\,000 \times 6875 &= \underline{R275\,000} \text{ two marks} \\ &R905\,000 \end{aligned}$$

5

2.1.2 Calculate Cost of Sales using the FIFO method.

O/S + purchases + Import duties - closing stock

$$= 70\,000 \checkmark + R1\,930\,000 \checkmark + 522\,500 \checkmark - 905\,000 \checkmark \text{ See 2.1}$$

$$= R1\,617\,500 \checkmark \text{ Operation one part correct}$$

5

2.1.3 Calculate the stock turnover rate of air conditioner (use the average stock).

$$\frac{1\,617\,500 \checkmark}{\frac{1}{2} \checkmark (70\,000 \checkmark + 905\,000 \checkmark)} = 487\,500 \text{ Three marks}$$

$$3 \text{ times} \checkmark \text{ Operation one part correct}$$

$$\begin{aligned} \text{OR Using units} \\ \frac{258}{\frac{1}{2}(20 + 120)} \\ 3.6 \text{ times} \end{aligned}$$

5

2.1.4 Calculate the number of units missing.

$$20 \checkmark + 380 \checkmark = 400 \text{ available for sale}$$

$$- 258 \checkmark \text{ sold}$$

$$- 120 \checkmark \text{ physical count}$$

$$= 22 \checkmark \text{ missing}$$

5

2.1.5 What solutions would you offer to the CEO to help solve the problem of the missing units? Provide TWO good solutions.

Solution 1:

Convert to Perpetual ✓

Regular stock counts and better internal control over stock.

Solution 2:

Documentation —————> proper authorisation, receiving of goods ✓

Do not accept installation of security cameras and division of duties

2

2.1.6 Cool Traders uses the Periodic Stock system. Briefly explain to the CEO how the Perpetual Stock System works. In your explanation state TWO main advantages of the Perpetual Stock System.

Explanation: ✓

Cost of sale is recorded with each sale.



Advantages: ✓

Trading Stock balance is adjusted immediately.

Deficits can be identified timeously through physical stock taking.

Gross profit can be calculated at any point in time without physical stock taking.

2

2.1.7 • In your opinion, why do you think CEO wants to increase the value of cost of sales in the financial statements?

It decreases gross profit / net profit and therefore decreases tax liability. ✓

1

• Provide ONE reason why the bookkeeper says that alternating between two methods of valuing stock does not comply with the requirements of GAAP

Any acceptable answer ✓

- The business must stay consistent from year to the next in order to compare results.

- Not ethically correct to manipulate profit by changing policies

1

2.2 GYM SLIM

- 2.2.1 Calculate the number of days of stock on-hand for Gym Bags. Gym Bags are sold at a mark-up of 25% on cost. The average stock amounted to R153 600.

$$\frac{153\,600 \checkmark}{260\,400 \checkmark} \times \frac{365}{1}$$

215 days ☒ one part correct accept 216 days

OR using number of units

$$\frac{\frac{1}{2}(290 + 804)}{930} \times \frac{365}{1}$$

215 days

3

- 2.2.2 Identify ONE different problem in respect of the manner in which each product is managed. Quote figures to support your answer. In each case offer practical advice.

	Problem and figures ✓ ✓ ✓	Possible solution ✓ ✓ ✓ One per item
Sweatbands	120 + 5 600 – 4 800 = 920 – 810 = 110 missing	Internal control measures to safeguard the stock e.g. Security tags, cameras, display close to paying point, physical stock-taking on a continuous basis
Towels	840 X R125 = R105 000 R105 000 – R100 00 = R5 000 cash missing	<ul style="list-style-type: none"> Investigate and apply disciplinary measures. Check at exit that the payment for the towels appears on the pay slip / invoice. Check money before banking. Division of duties
Gym Bags	Too much stock on hand - 215 / 216 days See 2.2.1	<ul style="list-style-type: none"> Revisit sales policy and implement measures to encourage sales. Discontinue selling gym bags since sales are low even though the mark-up percentage is only 25%.

6

QUESTION 3

3.1.1 Production Cost Statement on 28 February 2021

Direct Materials Cost (16 400 + 529 575✓ – 19 000 ✓ – 21 600 ✓ + 4 725✓)	510 100	✓
Direct Labour Cost (115 200✓ + 77 600✓ + 17 280✓)	210 080	✓
Prime Cost	720 180	✓
Factory Overhead Cost	63 230	✓
Total Cost of Production	783 410	✓
Work-in Process at the beginning of the year	19 400	
	802 810	
Work-in Process at the end of the year	(22 810)	
Cost of Production of Finished Good	780 000	✓
(25 600✓ + 782 700✓ – 28 300✓)	Operation one part correct	

16

3.1.2 Abridged Income Statement for the year ended 28 February 2021.

Sales	9 78 375
Cost of sales	(782 700) ✓
Gross profit	195 675
Selling and distribution cost (86 000 – 1 000)	(85 000) ✓✓
Administration cost (25 000 + 1 000)	(26 000) ✓✓
Net profit	84 675 ✓

6

3.2.1 Calculate the break-even point for the year ended 28 February 2021.

348 500 two marks

$$\frac{246\,000 \checkmark + 102\,500 \checkmark}{150 \checkmark - 70 \checkmark \checkmark}$$
 80 three marks
 4 356 or 4 357 ✓ units Operation one part correct

6

3.2.2 Should the business be satisfied with the number of units that are currently produced? Explain.

Any one explanation ✓✓ Figure ✓

Compare BEP with units produce and sold

see 3.2.1

They are producing 4 100 and the break-even is 4 356/4 357 units.
 OR

Produce 256/257 units less than what is required to break-even.

3

3.2.3 **Despite the fact that there was an increase in the price of direct material, the direct material cost per unit decreased from R32 to R27. Give valid reasons for the decrease.**

Any two valid points ✓✓

- Better training of workers resulted to less wastage.
- Raw material obtained at a cheaper price.
- Greater care or efficiency in the use of raw material resulted to less wastage.
- Tighter control over use of raw material.

Award one mark for the following response

- Training of workers.
- Less wastage.



2

3.2.4 **Despite the fact that there was no increase in wages during the year, the direct labour cost per unit increased from R20 to R28. Give a valid reason for the increase.**

Any valid point ✓✓

- More overtime
- Decrease in productivity, working slower, demotivated or lazy workers
- Poor supervision of workers.
- Unproductive workers due to power cuts

2

TOTAL MARKS
35