



LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF
EDUCATION



CAPRICORN SOUTH DISTRICT

NATIONAL SENIOR CERTIFICATE

GRADE 12

QUESTION PAPER

ACCOUNTING P2

PRE MID YEAR EXAM

MAY 2022

MARKS: 150
TIME: 2 HOURS

Stanmorephysics.com

This question paper consists of 11 pages including the formula sheet

QUESTION 1: RECONCILIATIONS (35 Marks)**1.1 CREDITORS RECONCILIATION**

Rebo Traders buys goods on credit from Shamee Suppliers.

REQUIRED:

1.1.1 Explain why the balance of the Creditors Control account should be the same as the total of the list of creditors. (2)

1.1.2 Show the changes to the Creditors Ledger account balance and the Statement balance for the errors and omissions identified. Indicate whether the amount must be added (+) or subtracted (-) to the given balance. Use the table provided in the ANSWER BOOK. (10)

1.1.3 Refer to information (vi):

An investigation revealed that the goods were ordered by the owner for his personal use. As internal auditor, what advice would you offer the owner regarding the purchase of goods through the business accounts. Provide TWO points (4)

INFORMATION:**A.**

Balance due to Shamee Suppliers on 30 June 2021 as per Creditors Ledger account in the books of Pooh Traders.	R 36 100 (Cr)
Balance due by Rebo Traders on 26 June 2021 as per the statement of account received from Shamee Suppliers.	R 42 300 (Dr)

B. Errors and omissions identified:

- (i) An invoice for R16 500 received from Shamee Suppliers was recorded correctly by Rebo Traders. The statement of account reflected this as R15 600.
- (ii) Rebo Traders correctly recorded a discount of R400 for early payment. This was not reflected on the statement.
- (iii) Rebo Traders recorded a debit note for R1 250 in the creditors' ledger account of Shamee Suppliers in error. This was for goods returned to another supplier.
- (iv) A credit note for R700 received from Shamee Suppliers for an allowance granted, was incorrectly recorded as an invoice by Rebo Traders.
- (v) The statement of account showed an invoice for goods purchased, R1 850. This was not recorded by Rebo Traders.
- (vi) An EFT payment of R5 000 on 28 June 2021 was recorded in the Creditors Ledger account of Shamee Suppliers. The statement was dated 26 June 2021.

1.2 DEBTORS' AGE ANALYSIS

The information below relates to Thapi Clothing.

REQUIRED:

- 1.2.1 Briefly explain how the preparation of the Debtors' Age Analysis can assist the business in controlling their debtors (2)
- 1.2.2 Refer to Information B. As the internal auditor, what concerns would you have over Susan's job description? Explain. (2)
- 1.2.3 Identify TWO debtors who could have their credit limits increased. (2)
- 1.2.4 Explain THREE different problems reflected by the Debtors' Age Analysis. Give evidence. (9)
- 1.2.5 Provide TWO internal control measures that the business can use to improve the collection of money from debtors. (4)

INFORMATION:

- A. The business sells 80% of their stock on credit. Debtors are required to settle their accounts by the end of the month following the sales transaction month.
- B. Susan, the bookkeeper, issues invoices and credit notes and collects cash from debtors.
- C. Debtors' Age Analysis on 31 August 2015:

DEBTORS	CREDIT LIMIT	AMOUNT OWING	CURRENT MONTH	30 DAYS	60 DAYS	90 DAYS
M.Mashoene	R10 000	R 12 000	R 1 800	R 4 200	R 2 400	R 3 600
K. Mohlaka	R 5 800	R5 000	R 3 100		R 1 900	
M. Chuene	R 3 500	R3 200	R 3 200			
J. Molala	R 5 000	R 5 000		R 2 600	R 1 600	R 800
P. Marwala	R 4 500	R4 100	R 3 500	R 600		
M.Thosago	R 1 500	R 1 400	R 500			R 900
		R30 700	R12 100	R7 400	R5 900	R5 300
		100%	39%	24%	19%	18%

**QUESTION 2: COST ACCOUNTING****(45 Marks; 36 minutes)**

2.1 Indicate whether the following statements are True or False. Write only True or False next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

- 2.1.1 Bad debts are an administration cost
 2.1.2 Indirect labour is a factory overhead cost.
 2.1.3 Rent expenses is a fixed cost. (3)

2.2. LOLO MANUFACTURERS

LOLO Manufacturers makes cloth masks. Information for the financial year ended 29 February 2020 is provided.

REQUIRED:

- 2.2.1 Calculate the cost of raw materials issued to the factory during the financial year. (8)
 2.2.2 Calculate the following for the Production Cost Statement:
 • Direct Labour Cost (7)
 • Factory Overhead Cost (complete the table provided) (5)
 2.2.3 Prepare the Production Cost Statement on 29 February 2020 (10)

INFORMATION:**A. Stock balances**

	28 FEB 2020 R	1 MAR 2019 R
Raw materials	76 300	87 250
Work-in –process	?	30 000
Finished goods	31 800	27 800
Factory consumables	7 700	5 300

B. Summary of transactions for the year ended 29 February 2020

Purchased of raw materials	R 694 150
Carriage on raw materials purchased	21 200
Consumables stores used in the factory	22 830
Cleaning materials purchased for the office	12 330
Production wages	423 400
UIF-Contribution for factory employees	?
Salaries : factory foreman	154 200
Administration	189 000
Sales	217 000
Water and electricity	132 360
Sundry expenses: Factory	89 910
Administration	76 200
Sales department	68 390

C. Additional information:

- i. An invoice for transport of raw material, R4 200, has not yet been recorded.
- ii. During the physical stock take of raw materials on 29 February 2020, 3000 raw materials were recorded at R5,00 each instead of R1,50 each. This must be corrected.
- iii. The wage of a factory worker omitted from the February 2020 wages journal. Her details are:

Net wage	R 9 614
PAYE tax	R 2 860
UIF (1% of gross)	R 126
The employer contributes 1% to the UIF	

- iv. The water and electricity account for February 2020, R 3 240, was not paid. 75% of the water and electricity is allocated to the factory.
- v. Cloth masks are sold at R 96 each (60% mark –up on cost). Total sales for the financial year amounted to R 2 457 600.

2.3 SOVENGA BAKERY

Information relating to the production of cakes is presented. The business is owned by Paul.

REQUIRED:

- 2.3.1. Calculate the break-even point for 2020 (4)
- 2.3.2. Explain whether Paul should be concerned about the break-even point and the Level of production. Quote figures. (4)
- 2.3.3. Give a possible reason for the change in unit costs of direct material and of direct labour. (4)

INFORMATION:

	30 APRIL 2020	30 APRIL 2019
Direct material units	R14,50	R18,20
Direct labour units	R17,30	R12,40
Selling and distribution units	R 8, 40	R 8,00
Variable cost units	R40,20	R38,60
Total fixed cost	R 249 000	R242 720
Number of cakes produced and sold	15 000	14 800
Break-even point	?	13 950
Selling price per unit	R61,60	R 56,00

QUESTION 3: INVENTORY VALUATION (40 Marks;)

3.1 CONCEPTS

Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (3.1.1–3.1.4) in the ANSWER BOOK.

- 3.1.1. The (specific identification/weighted-average) stock valuation method is best suited for products of similar value purchased in large quantities.
- 3.1.2. Cost of sales is determined at the point of sale in the (perpetual/ periodic) inventory system.
- 3.1.3. Stock valued according to the (first-in-first-out/weighted-average) method determines stock on hand by recording the cost prices of the most recent stock purchases.
- 3.1.4. In the periodic inventory system, carriage on goods purchased is recorded as an (expense/asset) to the business. (4 x 1) (4)

3.2. INVENTORY VALUATION

Abubakaar Stores sells two types of men's watches:

- Johx, imported from Germany
- Kwatz, locally manufactured



The financial year ended on 31 August 2015.

REQUIRED:

3.2.1 Calculate the following in respect of Johx watches on 31 August 2015:

- | | |
|--|-----|
| (a) Closing stock | (5) |
| (b) Cost of sales | (4) |
| (c) Average stock-holding period (in days) | (4) |

3.2.2 Calculate the following values (in rands) in respect of Kwatz watches on 31 August 2015:

- | | |
|-------------------|-----|
| (a) Closing stock | (6) |
| (b) Sales | (4) |

3.2.3 Explain why the business uses different methods to value each type of watch. State **ONE** valid point. (1)

INFORMATION:

- A.**
- The business uses the following methods to value the stock of watches:
 - Johx – specific identification
 - Kwatz – weighted average
 - No watches were stolen or lost during the financial year.

B. Information relating to Johx watches:

	UNITS	UNIT PRICE	TOTAL AMOUNT	UNITS SOLD	TOTAL SALES
Opening stock	12	R6 500	R 78 000	11	R 125 125
Purchases:	35		R 252 000		
September 2014	15	R 6 800	R 102 000	10	R 119 000
January 2015	12	R 7 300	R 87 600	10	R 127 750
April 2015	8	R 7 800	R 62 400	5	R 68 250
	47		R 330 000	36	R 440 125

- The cost price of Johx watches includes transport costs and customs duties.
- These watches are sold at a mark-up of 75% on cost.

C. Information relating to Kwatz watches:

	UNITS	UNIT PRICE	TOTAL AMOUNT
Opening stock	95	R 340	R 32 300
Purchases :	675		R 259 900
September 2014	320	R 375	R 120 000
January 2015	210	R 390	R 81 900
April 2015	145	R 400	R 58 000

- Kwatz watches are sold at a fixed selling price of R520 each.
- Cost to transport Kwatz watches from local suppliers amounted to R11 950 for the financial year and is not included in the figures above.
- There were 92 Kwatz watches in stock on 31 August 2015.

3.3. MANAGEMENT OF INVENTORIES: DECO VILLA SPORT-SHOP

Deco Villa owns a small clothing business. You are provided with information for the year ended 28 February 2021. The business sells soccer balls, cricket balls and cricket bats.

Deco took certain decisions at the beginning of the 2021 financial year.

REQUIRED:

Quote relevant figures for ALL the questions below.

3.3.1. Soccer balls:

Explain why it was NOT a good idea to change to a cheaper supplier of soccer balls. State TWO points. (4)

3.3.2. Cricket balls:

Deco decided to change the supplier in 2021 and to change the mark-up %. How has this decision affected the business? State TWO points. (4)

3.3.3. Cricket bats:

Deco reduced the selling price of Cricket bats significantly in the 2021 financial year in response to a new competitor who sells similar Cricket bats at R990. Based on the information below, make TWO separate suggestions to Deco to improve the profit on Cricket bats in 2022. (4)

	Soccer balls		Cricket balls		Cricket bats	
	2021	2020	2021	2020	2021	2020
Gross units sold	1200	1080	150	165	280	325
Returns by customers	40	0	0	5	15	15
Selling price	R75	R120	R1 650	R1 085	R910	R1 054
Cost price	R50	R80	R1 000	R700	R650	R620
Mark-up %	50%	50%	65%	55%	40%	70%
Gross profit	R29 000	R43 200	R97 500	R61 600	R68 900	R134 540

QUESTION 4: MANAGEMENT OF TANGIBLE ASSETS (30 Marks)

FIXED ASSETS

The following information relates to the fixed/tangible assets of Nicole Catering (Pty) Ltd. The financial year ended on 28 February 2021.

REQUIRED:

4.1 List THREE points for good internal control over movable fixed assets. (6)

4.2 Refer to Information A and B.

Calculate the cost of land and buildings purchased on 31 August 2020. (2)

4.3 Refer to Information A and C.

Calculate depreciation on the vehicle for the year ended 28 February 2021. (4)

4.4 Refer to Information A and D.

The business depreciates equipment at 30% p.a. on the diminishing balance method. On 30 November 2020, they decided to trade in a photocopy machine for a new model.

- Calculate the loss on the photocopy machine that was traded in on 30 November 2020. (6)
- Calculate depreciation on the new photocopy machine and on the remaining old equipment for the year ended 28 February 2021. (9)

4.5 The CEO feels that the land and buildings are worth at least R10 000 000 and wants to adjust the figure in the Statement of Financial Position (Balance Sheet) accordingly. Explain why the auditor does NOT agree. Quote GAAP Principle. (3)

Information

A. Extract from the Trial Balance on 28 February 2022

	2021	2020
Balance Sheet accounts section		
Land and buildings	6 250 000	5 500 000
Vehicle	480 000	480 000
Accumulated depreciation on vehicles	?	450 000
Equipment	2 190 000	2 100 000
Accumulated depreciation on equipment	?	1 440 000

B. Land and buildings:

Nicole catering provided an invoice on 31 August 2020 after completing the new storage facilities. The full invoice amount was paid and debited to land and buildings. However, the auditor found that repairs to the old storeroom, R60 000, were included in the invoice. This has not been corrected.

C. Vehicle:

The company has only one vehicle. The depreciation rate is 25% p.a. on cost.

D. Equipment:

A photocopy machine was traded in on 30 November 2020 for R88 000 for a better model. The cost price of the new model that was delivered on 1 December 2020 was R410 000. The fixed asset register reflected the following:

Fixed asset register:

Category:	Photocopy machine	
Model:	Clearfont X23	
Date purchased:	1 March 2019	
Cost price:	R320 000	
Depreciation rate:	30% on diminishing-balance method	
Date	Depreciation	Carrying value
28 February 2020	R96 000	R224 000
30 November 2020	?	?

GRADE 12 ACCOUNTING FINANCIAL INDICATORS 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 & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}} \times \frac{365}{1}$
$\frac{\text{Average debtors}}{\text{Sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{No of shares issued}} \times \frac{100}{1}$ (*see note below)
$\frac{\text{Net income before tax} + \text{Interest on loan}}{\text{Average shareholders' equity} + \text{Average non – current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
<p><u>Note :</u> <u>*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.</u></p>	



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF
EDUCATION

CAPRICORN SOUTH DISTRICT

NATIONAL SENIOR CERTIFICATE

GRADE 12

ANSWER BOOK

ACCOUNTING

PRE-MIDEXAM PAPER 2

MAY 2022

CANDIDATE'S NAME & SURNAME.....

NAME OF SCHOOL

QUESTION	MAX. MARKS	MARKS OBTAINED	SCHOOL MOD.	DISTRICT MOD.	PROV. MOD
1	35				
2	45				
3	40				
4	35				
TOTAL	150				

This Answer book consists of 08 pages

QUESTION 1 RECONCILIATION

(35 Marks)

1.1. Creditors Reconciliation

1.1.1 Explain why the balance of the Creditors Control account should be the same as the total of the list of creditors

2

1.1.2

NO	CREDITORS LEDGER ACCOUNT BALANCE	STATEMENT BALANCE
Balance	36 100	42 300
(i)		
(ii)		
(iii)		
(iv)		
(v)		
(vi)		
Total		

10

1.1.3 As internal auditor, what advice would you offer the owner regarding the purchase of goods through the business accounts. Provide TWO points.

4

1.2 DEBTORS AGE ANALYSIS

1.2.1 Briefly explain how the preparation of the Debtors' Age Analysis can assist the business in controlling their debtors.

2

1.2.2 As the internal auditor, what concerns would you have over Susan's job description? Explain.

2

1.2.3. Identify TWO debtors who could have their credit limits increased.

2

1.2.4. Explain THREE different problems reflected by the Debtors' Age Analysis. Give evidence.

	Explanation of problem with evidence
Problem 1	
Problem 2	
Problem 3	

9

1.2.5 Provide TWO internal control measures that the business can use to improve the collection of money from debtors

4

TOTAL MARKS

35

QUESTION 2 :

COST ACCOUNTING (45 Marks)

2.1.

2.1.1.	
2.1.2	
2.1.3	

3

2.2. LOLO MANUFACTURERS

2.2.1

Calculate the cost of the raw materials issued to the factory during the financial year.

8

2.2.2

Calculate: Direct Labour Cost

7

Calculate: Factory Overhead Cost

Factory sundry expenses	89 910

5

2.2.3 PRODUCTION COST STATEMENT ON 28 FEBRUARY 2020

Prime cost	
Total manufacturing cost	
Work-in-process (opening balance)	30 000
Total cost of production of finished goods	

10

2.3 SOVENGA BAKERY

2.3.1 Calculate the break-even point for 2020

4

2.3.2 Explain whether Sovenga should be concerned about the break-even point and the level of production. Quote figures.

4

2.3.3 Give a possible reason for the change in the unit cost of direct Material and direct labour

Reason: Direct Material Cost

Reason: Direct Labour Cost

4

TOTAL MARKS

45

QUESTION 3 INVENTORY VALUATION (40 Marks)

3.1 Concepts

3.1.1.	
3.1.2.	
3.1.3.	
3.1.4.	

4

3.2.

3.2.1.

(a) Calculate the closing stock of Johx watches on 31 August 2015.

5

(b) Calculate the cost of sales of Johx watches for the year ended 31 August 2015.

4

(c) Calculate the average stock-holding period (in days) of Johx Watches on 31 August 2015.

4

3.2.2.

(a) Calculate the closing stock of Kwatz watches on 31 August 2015.

6

(b) Calculate the sales of Kwatz watches on 31 August 2015.

4

3.2.3. Explain why the business uses different methods to value each type of watch. State ONE valid point.

1

3.3. MANAGEMENT OF INVENTORIES: DECO VILLA SPORT-SHOP

3.3.1. Explain why it was NOT a good idea to change to a cheaper supplier of soccer balls. State TWO points.

4

3.3.2. Deco decided to change the supplier in 2021 and to change the mark-up %. How has this decision affected the business? State TWO points.



4

3.3.3. Make TWO separate suggestions to Deco to improve the profit On cricket bats in 2022.

4

TOTAL MARKS

40

QUESTION 4

ASSETS MANAGEMENT

4.1 List TWO points for good internal control over movable vehicle.

6

4.2 Calculate: Cost of land and buildings purchased on 31 August 2020	
WORKINGS	ANSWER

2

4.3 Calculate: Depreciation on the vehicle for year ended 28 February 2020	
WORKINGS	ANSWER

4

4.4

• Calculate: Loss on photocopy machine traded in on 30 November 2020	
WORKINGS	ANSWER

6

• Calculate: Depreciation on the new photocopy machine and on the remaining old equipment for the year ended 28 February 2021	
---	--

WORKINGS	ANSWER
Depreciation on the new photocopy machine	
Depreciation on the remaining old equipment	

4

5

4.5. The CEO feels that the land and buildings are worth at least R10 000 000 and wants to adjust the figure in the Statement of Financial Position (Balance Sheet) accordingly. Explain why the auditor does NOT agree. Quote GAAP.
--

3

TOTAL MARKS
30



LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF
EDUCATION

CAPRICORN SOUTH DISTRICT

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ACCOUNTING P2
MEMORANDUM
Pre-Midyear Exam 2022**

Stanmorephysics.com

MARKS: 150

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.

1.1. Creditors Reconciliation

1.1.1 Explain why the balance of the Creditors Control account should be the same as the total of the list of creditors

Any valid answer ✓✓

The creditors' control account is a summary of the individual creditors' accounts; therefore, the balance of the creditors' Control account should be equal to the total list of creditors

2

1.1.2

NO	CREDITORS LEDGER ACCOUNT BALANCE	STATEMENT BALANCE
Balance	36 100	42 300
(i)		+ 900✓✓
(ii)		– 400 ✓
(iii)	+ 1 250✓	
(iv)	– 1 400 ✓✓	
(v)	+ 1 850✓	
(vi)		– 5 000✓
Total	37 800✓	37 800✓

10

Marks awarded for correct sign with amount. Accept the use of brackets for negative amounts -1 for foreign entry on each line; * one part correct; must include opening balance.

1.1.3 As internal auditor, what advice would you offer the owner regarding the purchase of goods through the business accounts. Provide TWO points.

TWO valid explanation ✓✓ ✓✓ (one point must include GAAP principles)

- The owner should not use the business accounts for private use. Business entity principle.
- Private use is always recorded as drawings.
- The business accounts will be distorted and not reflect the correct information of the operation of the business.

4

1.2 DEBTORS AGE ANALYSIS

1.2.1 Briefly explain how the preparation of the Debtors' Age Analysis can assist the business in controlling their debtors.

Valid answer ✓✓

- Steps can be taken against debtors who do not comply with credit terms by suspending their rights, taking legal steps against them.

2

1.2.2 As the internal auditor, what concerns would you have over Susan's job description? Explain.

Any ONE valid point ✓✓

- Lack of division of duties negatively affects internal control.
- Susan is the only person dealing with invoicing and receipt of cash.
- Nobody is checking Susan's work.

For 1 mark:

- Division of duties / Internal control

2

1.2.3. Identify TWO debtors who could have their credit limits increased.

- Chuene
- Marwala

2

1.2.4. Explain THREE different problems reflected by the Debtors' Age Analysis. Give evidence.

	Explanation of problem with evidence
Problem 1	<p>Problem Slow payers / Non-payers / Lack of adherence to time terms / Possibility of bad debts / Bad</p> <p>Evidence Specific evidence required i.e. names or figures Some debtors (37% / 18% / 19%) are taking longer than 30/60/90 days to settle debts / (e.g. Mashoene / Molala / Thosago)</p>
Problem 2	<p>Problem Credit limit / Not adhering to credit limit / Bad internal control of credit limits</p> <p>Evidence Specific evidence required i.e. names or figures Mashoene is R2 000 over the credit limit</p>
Problem 3	<p>Problem Sales continue to be made to debtors whose accounts are overdue / Bad control of sales to debtors</p> <p>Evidence Specific evidence required i.e. names or figures Thosago / Mohlaka / Mashoene were allowed to buy even though they have debts which are 60 / 90 days old</p>

9

1.2.5 Provide TWO internal control measures that the business can use to Improve the collection of money from debtors

- Offer discounts for early payments
- Shared responsibilities in preparing documents (statements, receipts, invoices) and depositing of money.
- If the organisation is big, could assign a set number of debtors per employee. Could result in personalised service and constant monitoring.
- Screening of potential (follow-up and approval of credit).
- Send SMS to inform debtors who are not up to date with payments.

4

TOTAL MARKS

35

QUESTION 2 :

COST ACCOUNTING (45 Marks)

2.1.

2.1.1.	False ✓
2.1.2	True ✓
2.1.3	True ✓

3

2.2. LOLO MANUFACTURERS

2.2.1

Calculate the cost of the raw materials issued to the factory during the financial year.

(76 300-10 500)

$$87\,250 + \checkmark 694\,150 \checkmark + 21\,200 \checkmark + 4\,200 \checkmark - 65\,800 \checkmark \checkmark \checkmark = 741\,000 \checkmark$$

8

2.2.2

Calculate: Direct Labour Cost

$$423\,400 \checkmark + 12\,600 \star \checkmark \checkmark + 4\,234 \checkmark \checkmark + 126 \checkmark = 440\,360 \checkmark$$

$$2^{\text{nd}} \text{ option } \star 12\,600 (9\,614 + 2\,860 + 126) \text{ or } 126 \times 100$$

one part correct

7

Calculate: Factory Overhead Cost

Factory consumable stores	22 830 ✓
Salary – factory foreman	154 200 ✓
Water and electricity (132 360 + 3 240) ×75%	101 700 ✓✓
Factory sundry expenses	89 910
	368 640 ✓

5

2.2.3 PRODUCTION COST STATEMENT ON 28 FEBRUARY 2020

Direct material cost	see 2.2.1	741 000✓
Direct labour cost	see 2.2.2	440 360✓
Prime cost	DMC + DLC	1 181 360✓
Factory overhead cost	see 2.2.2	368 640✓
Total manufacturing cost	operation	1 550 000✓
Work-in-process (opening balance)		30 000
		1 580 000
Work in process (closing balance) balancing figure		(40 000) ✓
Total cost of production of finished goods (31 800 +✓ 1 536 000 ✓ - 27 800✓		1 540 000✓

10

2.3 SOVENGA BAKERY

2.3.1 Calculate the break-even point for 2020

$$\frac{249\,000}{61,60 - 40,20} = 11\,636 \text{ units}$$

or 21,40

4

2.3.2 Explain whether Sovenga should be concerned about the break-even point and the level of production. Quote figures.

Explain comparing level of production with the BEP✓✓ figures✓✓

- Sovenga should not be concerned because he produced 3 364 units more than the break-even point (15 000 – 11 636) refer 2.3.1
- He is making a profit on 3 364 units
- He is making a greater profit this year than last year (3 364 units above BEP compared to 850 units last year)

One-mark option:

Comparing the difference in the BEP only, or the level of production only

4

2.3.3 Give a possible reason for the change in the unit cost of direct Material and direct labour

Reason: Direct Material Cost

Any one: ✓✓

- The business is making use of cheaper suppliers.
- Buying local to cut down on transport costs.
- Taking advantage of bulk discounts.

Reason: Direct Labour Cost

Any one: ✓✓

- Good wage increases negotiated by unions.
- More overtime worked.

4

TOTAL MARKS

45

QUESTION 3 INVENTORY VALUATION

(40 Marks)

3.1 Concepts

3.1.1.	Weighted average / WA ✓
3.1.2.	Perpetual ✓
3.1.3.	First-in-first-out / FIFO ✓
3.1.4.	Expense ✓

4

3.2.

3.2.1.

(a) Calculate the closing stock of Johx watches on 31 August 2015.

$$\begin{array}{cccc}
 1 \times 6\,500 & 5 \times 6\,800 & 2 \times 7\,300 & 3 \times 7\,800 \\
 6\,500 \checkmark & + 34\,000 \checkmark & + 14\,600 \checkmark & + 23\,400 \checkmark \\
 = 78\,500 \checkmark & & & \text{One part correct}
 \end{array}$$

5

(b) Calculate the cost of sales of Johx watches for the year ended 31 August 2015.

$$\begin{array}{l}
 330\,000 \text{ two marks} \\
 78\,000 \checkmark + 252\,000 \checkmark - 78\,500 \checkmark \text{ (see above)} \quad \text{or} \quad 440\,125 \checkmark \times 100/175 \checkmark \checkmark \\
 = 251\,500 \checkmark \quad \text{One part correct} \qquad \qquad \qquad = 251\,500 \checkmark
 \end{array}$$

4

(c) Calculate the average stock-holding period (in days) of Johx Watches on 31 August 2015.

$$\begin{array}{l}
 78\,250 \text{ 2 marks see 3.3.2} \\
 \frac{1}{2} (78\,000 + 78\,500) \checkmark \checkmark \times 365 = 113,6 \text{ days} \checkmark \quad \text{One part correct} \\
 251\,500 \checkmark \quad \text{see 3.3.2}
 \end{array}$$

4

3.2.2.

(a) Calculate the closing stock of Kwatz watches on 31 August 2015.

$$\begin{array}{l}
 304\,150 \text{ (3 marks)} \\
 32\,300 \checkmark + 259\,900 \checkmark + 11\,950 \checkmark \\
 \underline{95 \checkmark + 675 \checkmark} \\
 770 \text{ (2 marks)} \\
 = 395 \\
 395 \times 92 = 36\,340 \checkmark \quad \text{One part correct}
 \end{array}$$

6

(b) Calculate the sales of Kwatz watches on 31 August 2015.

$$\begin{array}{l}
 (770 \checkmark - 92 \checkmark) = 678 \checkmark \text{ (units sold)} \\
 678 \times R520 = 352\,560 \checkmark \quad \text{One part correct}
 \end{array}$$

4

3.2.3. Explain why the business uses different methods to value each type of watch. State ONE valid point.

One valid point ✓

- Johx is sold at a high value. Small quantities are purchased.
- Each item can be monitored individually.
- The value is continuously changing.
- Kwatz is sold at a low value. Large quantities are purchased.
- The value of each watch is almost constant.

1

3.3. MANAGEMENT OF INVENTORIES: DECO VILLA SPORT-SHOP

3.3.1. Explain why it was NOT a good idea to change to a cheaper supplier of soccer balls. State TWO points.

Any two valid points

Explanations✓ ✓

Figures✓ ✓

Possible answers:

- The returns by customers are up from 0 to 40 (do not accept poor quality only)
- Although more units were sold the total gross profit decreased from R43 200 to R29 000 or by R14 200 (32,9%)
- Maintaining the profit mark-up at 50% on cost resulted in a lower selling Price (R45 cheaper) made customers doubt the quality.

4

3.3.2. Deco decided to change the supplier in 2021 and to change the mark-up %. How has this decision affected the business? State TWO points.

Any two valid points

Explanations✓ ✓

Figures✓ ✓

Possible answers:

- Total units sold decreased from 165 to 150 / by 15 units / by 9%
- No returns (zero) in 2018 / returns by customers went down from 5 to 0
- The gross profit increased from R61 600 to R97 500 /by R35 900 / 58,3%)

4

3.3.3. Make TWO separate suggestions to Deco to improve the profit On cricket bats in 2022.

Any two valid points

Explanations✓ ✓

Figures✓ ✓

Possible answers:

- Advertise more to increase the sales as it went down from 325 to 280
- Increase the selling price (increase mark-up) to be > 910 and < 990
- Find a cheaper supplier as cost price went up from R620 to R650

4

TOTAL MARKS

40

4.1 List TWO points for good internal control over movable vehicle.

Any THREE valid points: ✓✓ ✓✓ ✓✓

- Maintain an updated fixed asset register / depreciation / carrying value / condition
- Regular physical inspection / count the items / identification tags (barcodes)
- Service and maintenance plans, and ensure that this is done regularly
- Insurance plan to cover loss / damage / accidents
- Keep a log book and mileage / install tracking devices
- Note drivers / users in a register / authorization for use / record of time in/out.
- Only trained personnel to use technical equipment
- Cameras to monitor use of equipment
- Secure premises for storage / locked garage / alarm system in premises

6

4.2 Calculate: Cost of land and buildings purchased on 31 August 2020

WORKINGS

ANSWER

6 250 000 – 5 500 000
R750 000 – 60 000

R690 000 ✓✓

2

4.3 Calculate: Depreciation on the vehicle for year ended 28 February 2020

WORKINGS

ANSWER

R480 000 x 25% = R120 000 ✓✓; but carrying value is R30 000
Maximum permitted: R30 000

R30 000 – R1
R29 999 ✓✓

4

4.4

• **Calculate: Loss on photocopy machine traded in on 30 November 2020**

WORKINGS

ANSWER

320 000 ✓ – (96 000 ✓ + 50 400 ✓✓) – 88 000 ✓

85 600 ✓
One part correct

6

• **Calculate: Depreciation on the new photocopy machine and on the remaining old equipment for the year ended 28 February 2021**

WORKINGS

ANSWER

Depreciation on the new photocopy machine

R410 000 ✓ x 30% ✓ x 3/12 ✓

R30 750 ✓

4

Depreciation on the remaining old equipment

(2 100 000 – 1 440 000) x 30% ✓ = 198 000 ✓✓
[320 000 – (146 400 – 50 400)] x 30% = (67 200) ✓✓
96 000

R130 800 ✓

5

4.5. The CEO feels that the land and buildings are worth at least R10 000 000 and wants to adjust the figure in the Statement of Financial Position (Balance Sheet) accordingly. Explain why the auditor does NOT agree. Quote GAAP.

GAAP ✓

Any valid explanation ✓✓

part marks for incomplete / partial / unclear responses

- Historical cost rule: should be shown at their original cost price
Prudence: to be conservative in reflecting assets on financial statements
- Profit can be recognised / realised on disposal
- Unethical to manipulate figures in the financial statements / inflated value
- CEO's opinion does not seem to be based on clear evidence; needs evaluation / appraiser

3

TOTAL MARKS
30

