



education

Department of  
Education  
FREE STATE PROVINCE



**GRADE 12**

**ACCOUNTING**

**2022**

**PAPER 2 – TOPICS  
QUESTIONS**

# BANK RECONCILIATION STATEMENTS

**QUESTION 1**

The following information relates to Jenny Stores for March 2020.

**REQUIRED:**

- 1.1 Complete the Cash Receipt Journal and Cash Payment Journal for March 2020. (**Note:** The information from the Bank Statement was not taken into account) (23)
- 1.2 Prepare the Bank Account on 31 March 2020. (6)
- 1.3 Prepare the Bank Reconciliation Statement for March 2020. (7)

**INFORMATION:**

- A. On 1 March 2020, the Bank Account in the General Ledger reflected a debit balance of R11 300.
- B. Provisional totals from the Cash Journals on 31 March 2020:
- Cash Receipt Journal, R66 000
  - Cash Payment Journals, R58 500
- C. The following information on the March 2020 Bank Statement received from HL Bank did not appear in the March 2020 Cash Journals:

A deposit from D. Dawie, R9 600 for his monthly rent.

Debit orders:

Town Council	R4 890	Water and electricity
Best Insurers	R5 300	Insurance
ABBA Bank	R4 500	Repayment of loan

- EFT Fees, R145
  - Cash handling fee, R122
  - Service Fees, R444
  - Interest on favourable balance, R85
  - A deposit from debtor K. Nokanda for R6 700 in settlement of his account.
  - An EFT for R5 555 was reflected on the business Bank Statement. This payment does not relate to the business and must be corrected by the bank.
- D. The following information in the March 2020 Cash Journals did not appear on the Bank Statement for March 2020:
- Outstanding deposit, R21 700
  - EFT 222 for R7 220 to DD Traders for trading stock purchased.
  - EFT 223 for R2 896 to CC Stores for stationery purchased.
- E. Balance according to the Bank Statement on 31 March 2020 is R?.

**QUESTION 2**

2.1 State whether the following statements true or false is. Write only true or false next to the question number.

2.1.1 Bank charges is a form of EFT.

2.1.2 A debit balance on the bank statement is a positive balance.

2.1.3 Interest credited on the bank statement is recorded in the Cash Receipts Journal.

(3)

**2.2 BANK RECONCILIATION**

The following information relates to Mariaan Stores for March 2020.

**REQUIRED:**

2.2.1 Complete the Cash Receipt Journal and Cash Payment Journal for March 2020. (**Note:** The information from the Bank Statement was not taken into account)

(29)

2.2.2 Prepare the Bank Account on 31 March 2020.

(6)

2.2.3 Prepare the Bank Reconciliation Statement on 31 March 2020.

(7)

**INFORMATION:**

A. Extract from the Bank Reconciliation statement on 29 February 2020:

Outstanding deposits: 18 February 2020	R 15 900
28 February 2020	23 000
Outstanding EFT:	
No. 123	5 700
Favourable balance as per Bank account	11 400

**NOTE:**

- The outstanding deposit of R15 900 appeared on the March 2020 bank statement.
- The outstanding deposit of R23 000 on the Bank Reconciliation Statement was in respect of sales. It was reflected as R18 000 in the March Bank statement. After an investigation, it was decided to write-off the missing R5 000.
- EFT 123 appeared on the Bank Statement for March 2020.

B. Provisional totals from the Cash Journals on 31 March 2020:

- Cash Receipt Journal, R49 000
- Cash Payment Journals, R48 000

- C. The following information on the March 2020 Bank Statement did not appear in the March 2020 Cash Journals:

<b>EXTRACT: BANK STATEMENT – WW BANK DETAILS</b>	<b>AMOUNT</b>
Debit order Town Council - Water and electricity	R3 200
Cash handling Fees	444
EFT costs	113
Deposit: W. Western: Rent	8 300
Direct deposit: Loan repayment	19 000
EFT – payment BB Traders	5 900
B. Bennie	2 750
Service fees	555
Interest on a positive current account balance	232
Boabab Insurers	6 600

D. **Additional information**

- W. Western made a direct deposited for his monthly rent.
- The EFT for R5 900 to creditor BB Traders was omitted in the journals, in error.
- A deposit of R19 000 reflected on the business Bank Statement, is a bank error. They will rectify this on the next statement
- A deposit from debtor B. Bennie was a part payment of his account.
- The debit order to Boabab Insurers includes R1 500 for the owner's private vehicle.

- E. The following information in the March 2020 Cash Journals did not appear on the Bank Statement for March 2020:

- Outstanding deposit, R17 400
- EFT 222 for R6 600 to XY Stores for trading stock purchased.

**QUESTION 3**

The following information relates to Ketsi Traders for April 2020.

**REQUIRED:**

- 3.1 Complete the Cash Journals for April 2020. (**Note:** The information from the Bank Statement was not taken into account) (28)
- 3.2 Prepare the Bank Account on 30 April 2020. (6)
- 3.3 Prepare the Bank Reconciliation Statement for April 2020. (9)

**INFORMATION:**

- A. Extract from the Bank Reconciliation statement on 31 March 2020

Outstanding deposits: 19 March 2020	R 23 600
25 March 2020	15 000
Outstanding EFT: No. 144	15 700
Unfavourable balance as per Bank account	2 345

Refer to the extract above:

- The outstanding deposit of R23 600 appeared on the April 2020 bank statement.
  - The outstanding deposit of R15 000 in respect of sales, did not appear on the April 2020 Bank Statement. It was decided to write-off this amount, as the money would not be recovered.
  - EFT 144 appeared on the Bank Statement for April 2020.
- B. Provisional totals from the Cash Journals on 30 April 2020:
- Cash Receipt Journal, R53 000
  - Cash Payment Journals, R64 000
- C. The following information on the April 2020 Bank Statement from HL Bank did not appear in the April 2020 Cash Journals:
- Debit orders:

Town Council	R4 890	Water and electricity
Easy Insurers	R7 000	R5 300 is for the business vehicles and the balance is for the owner's car
ABBA Bank	R3 500	Repayment of loan

- EFT Fees, R211
- Cash handling fee, R99
- Service Fees, R239
- Interest on bank overdraft, R123
- A deposit from K. Marais for R4 900 for settlement of his account.
- A deposit from D. Dawie for R9 600 for his monthly rent.
- EFT 111 (payment) for R3 333, reflected on the bank statement, was not a transaction of the business. The bank will rectify the error.

- Another bank error of R13 600 was reflected as a cash deposit on the statement. The bank will rectify the error.
- D. The following information in the April 2020 Cash Journals did not appear on the Bank Statement for April 2020:
- Outstanding deposit, R12 600
  - EFT 564 for R4 655 to BB Suppliers for stationery purchased.

**QUESTION 4**

The information was extracted from the records of Hilton Traders for June 2020.

**REQUIRED:**

- 4.1 Complete the Cash Journals for June 2020. (**Note:** The information from the Bank Statement was not taken into account) (31)
- 4.2 Prepare the Bank Account on 30 June 2020. (6)
- 4.3 Prepare the Bank Reconciliation Statement on 30 June 2020. (9)
- 4.4 Provide TWO suggestions that the business can use to prevent a situation like the one experience on 26 May 2020 in the future. (4)
- 4.5 Identify the problem that is revealed by the previous reconciliation, and list TWO internal control measures to solve this problem. (5)
- 4.6 Refer to the debit order for R2 244. Provide a possible explanation how this may have occurred, and provide advise on how this can be rectified. (4)

**INFORMATION:**

- A. Extract from the Bank Reconciliation statement on 31 May 2020:

Outstanding deposits: 17 May 2020	R32 100
26 May 2020	7 300
Outstanding EFT: No. 123	17 600
Unfavourable balance as per bank account	3 456

**NOTE:**

- The outstanding deposit of R32 100 appeared on the June 2020 bank statement.
- The outstanding deposit on the 26 May 2020 was reflected as R5 700 on the April statement. Upon enquiry, the bank confirmed that it was because of counterfeit notes included in the total deposit. This was cash received for repair services rendered. It was decided to write-off this difference.  
EFT 123 appeared on the Bank Statement for June 2020.

B. Provisional totals from the Cash Journals on 30 June 2020:

- Cash Receipt Journal, R56 200
- Cash Payment Journal, R67 400

C. The following information on the June 2020 Bank Statement from XXZ Bank did not appear in the June 2020 Cash Journals:

- Debit orders:

Pro Insurers	R5 890	Monthly insurance premium
Matjhabeng Metro	R6 000	R4 500 is for the business' rates and taxes and the balance is for the owner's private property.
YEN Bank	R5 300	Monthly repayment of loan

- EFT Fees, R189
- Cash handling fee, R112
- Service Fees, R292
- Interest on bank overdraft, R317
- A deposit from P. Nel, R11 600 for his monthly rent.
- A debit order for R2 244 appeared on the business bank statement, on 29 April 2020. This was not an account of the business and fortunately, the owner was able to instruct the bank to cancel this entry. This reversal will be reflected on the next statement.
- A direct deposit of R16 300 was wrongly reflected on the business Bank Statement. The bank will rectify the error.
- A deposit from N. Botha for R3 400 in settlement of his account of R3 500.

D. The following information in the June 2020 Cash Journals did not appear on the Bank Statement for June 2020:

- Outstanding deposit, R17 800
- EFT 654 for R5 555 to BP Suppliers for sanitizing supplies purchased.



**QUESTION 5**

The following information relates to Jane Stores for March 2020.

**REQUIRED:**

- 5.1 Calculate the correct Bank Account balance on 31 March 2020. You may use the ledger format. (**Note:** The information from the Bank Statement was not taken into account) (16)
- 5.2 Prepare the Bank Reconciliation Statement on 31 March 2020. (9)
- 5.3 An investigation revealed that the deposit of R6 000 was missing. Since this amount could not be recovered, it was decided that it should be written off.
- (a) State the GAAP principle that applies to this decision (1)
- (b) Provide TWO internal control measure that Jane can use to prevent such a loss in future. (4)

**INFORMATION:**

**A.** Extract from the Bank Reconciliation statement on 29 February 2020:

Outstanding deposits: 26 February 2020	R17 300
28 February 2020	14 000
Outstanding EFT: No. 134	7 600
Favourable balance as per bank account	7 500

**NOTE:**

- The outstanding deposit of R17 300 appeared on the March 2020 bank statement.
  - The outstanding deposit on 28 February 2020 appeared on the bank statement but as R8 000. After investigation it came to light that the bookkeeper disappeared with the money. It was decided to write off this amount decided to write this amount off as it could not be recovered.
  - EFT 134 appeared on the Bank Statement for March 2020, with the correct amount of R6 700.
- B.** Provisional totals from the Cash Journals on 31 March 2020:
- Cash Receipt Journal, R55 400
  - Cash Payment Journals, R36 900

- C. The following information on the March 2020 Bank Statement did not appear in the March 2020 Cash Journals:

<b>EXTRACT: BANK STATEMENT – ZZ BANK DETAILS</b>	<b>AMOUNT</b>
Debit order: Town Council	R1 450
EFT – payment DD Traders	5 350
Cash handling Fees	330
L. Andrews	2 850
Deposit: Fixed Deposit	6 400
EFT costs	440
L. Kabi	9 300
Service fees	210
Service fees	210
Interest on credit balance	120

**Additional information**

- The bookkeeper forgot to enter the EFT to DD Traders in the journal. This was made in settlement of our account of R6 800.
  - The direct deposit from debtor L. Andrews was an account payment.
  - The deposit of R6 400 does not relate to the business. This bank error will be rectified on the next statement.
  - The deposit by L. Kabi was the monthly rent income.
  - The bank informed the business that service fees was duplicated on the statement, in error. This will be rectified on the next statement.
- D. The following information in the March 2020 Cash Journals did not appear on the Bank Statement for March 2020:
- Outstanding deposit, R22 700
  - EFT 333 for R6 500 for a payment of a creditor, WW Stores.

# CREDITOR RECONCILIATION STATEMENTS

**QUESTION 1**

Ekasi Traders buys goods on credit from Thembeke Suppliers.

**REQUIRED:**

1.1.1 Use the table provided to indicate changes to the:

- Creditors' Ledger Account in the books of Ekasi Traders
  - Creditors' Reconciliation Statement on 30 April 2021
- (9)

1.1.2 Refer to Information C(c) about Invoice 395. It was discovered that the purchasing manager, Bradley, had taken these goods for his personal catering business. The owner regards Bradley as a valued member of staff and does not regard this as theft.

What should the owner say to Bradley regarding this incident? Explain TWO points.

(4)

**INFORMATION:**

**A. Creditors' Ledger Account in the books of Ekasi Traders**

<b>THEMBEKA SUPPLIERS (CL6)</b>						
				<b>DEBIT</b>	<b>CREDIT</b>	<b>BALANCE</b>
2021	1	Balance	b/d			R81 000
April	12	Invoice 220			97 200	178 200
		EFT		40 500		137 700
	18	Debit Note 702		10 300		127 400
		Invoice 289			49 100	176 500
		Invoice 333			30 000	206 500
	24	Debit Note 877			9 700	216 200
	25	Journal voucher 585		6 400		209 800
	31	EFT and discount		92 600		117 200

**B. Statement of account from Thembeke Suppliers**

<b>Ekasi Traders</b>						
<b>225 Crocodile Road</b>				<b>25 April 2021</b>		
				<b>DEBIT</b>	<b>CREDIT</b>	<b>BALANCE</b>
2021	1	Balance				R81 000
April	12	Invoice 220		97 200		178 200
		Receipt 742			40 500	137 700
	18	Credit Note 791			13 100	124 600
		Invoice 333		30 000		154 600
	22	Invoice 395		12 500		167 100
	24	Credit Note 888			9 700	157 400

**C. Errors, omissions and other information:**

- (a) Invoice 289 was incorrectly reflected in the account of Thembeke Suppliers in the Creditors' Ledger. These goods were purchased from Thami Suppliers.
- (b) Credit Note 791 was recorded incorrectly on the statement of account. This relates to the correct entry for Debit Note 702 in the Creditors' Ledger.
- (c) Invoice 395 on the statement of account was for goods ordered by Ekasi Traders.
- (d) Thembeke Suppliers also purchased goods on credit from Ekasi Traders. Ekasi Traders has transferred a debit balance from the Debtors' Ledger (Journal voucher 585). Thembeke Suppliers will include this on the next statement.
- (e) The transaction on 24 April 2021 is for merchandise returned to Thembeke Suppliers.
- (f) The statement of account reflects transactions up to 25 April 2021.

**QUESTION 2: CREDITORS' RECONCILIATION**

KZ Stores purchase goods on credit from Valley Ltd.

**REQUIRED:**

- 2.1 The bookkeeper, Litzie, says it is not necessary for her to prepare a Creditors' Reconciliation Statement because the creditors send monthly statements to the business anyway. What would you say to her? State TWO points. (4)
- 2.2 Use the table in the ANSWER BOOK to indicate how the relevant balances will change when preparing the creditors' reconciliation. Indicate the figure as well as a + for increase and a – for decrease. The first transaction (Information A) has been done for you. (16)

**INFORMATION:**

The following balances are provided:

In the account of Valley Ltd in the Creditors' Ledger of KZ Stores on 30 September 2014:	R112 820	Credit
On the statement received from Valley Ltd on 25 September 2014:	R182 150	Debit

The following errors and omissions were discovered during an investigation:

- A. A payment by KZ Stores of R9 000 was omitted from the Creditors' Ledger and the statement.
- B. An invoice for goods bought for R87 500 was reflected on the statement from Valley Ltd but was not recorded by KZ Stores.

- C. An invoice for R28 000 received from Valley Ltd was recorded correctly by KZ Stores. The statement of account reflects it as R20 800.
- D. KZ Stores had correctly recorded discount of R1 400 for early payment of their account. This has not been reflected on the statement from Valley Ltd.
- E. The statement reflects interest of R630 on the overdue account. Valley Ltd acknowledged that an error had been made and promised to reverse the entry in the October 2014 statement.
- F. A debit note for R2 100 issued to Value CC was incorrectly recorded in the account of Valley Ltd by KZ Stores.
- G. A credit note for R5 250 received from Valley Ltd for goods returned was incorrectly recorded as an invoice by KZ Stores.
- H. Goods purchased from Valley Ltd on 30 September 2014 for R4 600 were recorded by KZ Stores. The statement from Valley Ltd is dated 25 September 2014.

**2.3 Refer to Information B:**

As the internal auditor of KZ Stores, you have detected that only R50 000 of these goods were entered into the stock records by the storeman. The remaining goods were ordered privately by J van Wyk, an employee in charge of creditors.

- 2.3.1 Explain what action should be taken against J van Wyk. State TWO points. (4)
- 2.3.2 What must the business do to prevent a similar incident in future? Explain THREE points. (6)

**QUESTION 3**

3.1 Thanda Stores buys goods on credit from Minty Suppliers.

**REQUIRED:**

- 3.1.1 Use the table provided to indicate the changes that must be made:
  - In the Creditors' Ledger Account in the books of Thanda Stores
  - In the Creditors' Reconciliation Statement on 29 February 2016 (14)
- 3.1.2 An investigation into the transaction on 2 February 2016 for Invoice 560 revealed that Pearl Fakude (purchasing manager) ordered goods for herself. These goods were not taken into stock.

State TWO internal control measures that the business can use to prevent similar incidents from happening in future. (4)

**INFORMATION:**

**A. Creditors' Ledger of Thanda Stores  
 Minty Suppliers**

DATE		DETAILS	FOL	DEBIT	CREDIT	BALANCE
Feb.	01	Balance	b/d			52 200
	02	Invoice 560	CJ		44 200	96 400
	04	Debit Note 52	CAJ	2 700		93 700
	07	EFT 443	CPJ	31 350		62 350
		Discount received	CPJ	3 300		59 050
	20	Invoice 996	CJ		11 100	70 150
	23	EFT 575	CPJ	13 200		56 950
	24	Invoice 590	CJ		24 000	80 950
	28	EFT 580	CPJ	13 800		67 150
		Discount received	CPJ	1 380		65 770
	29	Invoice 592	CJ		44 400	110 170

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

DATE		DETAILS	DEBIT	CREDIT	BALANCE
Jan.	25	Balance			67 200
	28	Receipt 110		15 000	52 200
Feb.	02	Invoice 560	49 200		101 400
	04	Credit Note 09	2 700		104 100
	07	Receipt 122		31 350	72 750
		Discount allowed		1 650	71 100
	18	Invoice 571	28 800		99 900
	23	Receipt 138		13 200	86 700
	24	Invoice 590	21 600		108 300
	25	Delivery charges	3 300		111 600

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

- (a) Invoice 996 was for goods that Thanda Stores bought from another supplier, Mondi Suppliers.
- (b) Invoice 560 was recorded correctly on the statement of account.
- (c) Invoice 571 was an error on the statement. This was for goods supplied to another business.
- (d) The discount allowed on 7 February 2016 is correct as per the statement of account.

- (e) Thanda Stores omitted to deduct the trade discount allowed on Invoice 590.
- (f) Goods for R2 700 were returned by Thanda Stores to Minty Suppliers on 4 February 2016.
- (g) In terms of the contract Minty Suppliers charges a delivery fee to all its customers.
- (h) The statement of account only includes transactions up to 25 February 2016.

**QUESTION 4**

MZN Traders buys goods on credit from Styles Suppliers.

**REQUIRED:**

- 4.1 Use the table in the ANSWER BOOK to indicate how the balances given, will change when preparing the creditors' reconciliation. Indicate the figure as well as a + for increase and a – for decrease. (14)

**INFORMATION:**

Balance due to Styles Suppliers on 31 July 2018 as per Creditors' Ledger account in the books of MZN Traders	12 160 (Cr)
Balance due by MZN Traders on 28 July 2018 as per statement of account received from Styles Suppliers	41 380 (Dr)

**ERRORS AND OMISSIONS:**

- A A payment of R8 700 by MZN Traders was not recorded in the Creditors' ledger account and appear not on the statement as well.
- B A discount of R950 for early payment was correctly recorded by MZN Traders. This was not reflected on the statement.
- C MZN Traders recorded a debit note of R1 540 in the Creditors' ledger account of Styles Suppliers in error. This was for goods returned to another supplier.
- D An invoice for R28 600 received from Styles Suppliers was recorded correctly in the Creditors' Ledger account. The statement of account reflected this invoice as R26 800.
- E The statement of account showed an invoice for goods purchased, R5 930. This transaction was not recorded in the books of MZN Traders.



- F An invoice of R4 700 was incorrectly recorded as a payment by MZN Traders.
- G A debit balance of R2 925 for repairs to a photocopier was transferred from the account of Styles Suppliers in the Debtors Ledger to their account in the Creditors Ledger. This transaction was not recorded by Styles Suppliers.
- H A payment of R10 275 made on the 29 July 2018 by MZN Traders was not reflected in the statement.

**4.2 Refer to information E:**

An investigation revealed that this invoice was not recorded as the goods were taken by the store man, A Skelm for his private use.

- (a) Suggest TWO possible actions that the business can take against the store man. (4)
- (b) Provide THREE internal control measures that the business can use to prevent similar incidents in future. (6)

**QUESTION 5:**

Karoo Traders buys goods on credit from DM Suppliers. The business received a statement for June 2018 from the creditor.

**REQUIRED:**

- 5.1 Calculate the correct balance of DM Suppliers in the Creditors' Ledger of Karoo Traders. Show the changes to the figure R47 064. (8)
- 5.2 Prepare a Creditors' Reconciliation Statement for DM Suppliers on 30 June 2018. (7)
- 5.3 Explain TWO benefits of using electronic funds transfer (EFT) system rather than using EFTs for direct payments to creditors. (4)
- 5.4 State TWO consequences for the business if they do not pay the amount due to creditors on time. (4)

**INFORMATION:**

**A. Creditors' Ledger of Karoo Traders**

<b>DM SUPPLIERS (CL7)</b>					
<b>Date</b>			<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
2018	01	Account rendered			35 920
June	05	Invoice 346		11 808	47 728
	07	Debit note 69	816		46 912
	13	EFT 207	22 788		24 124
		Discount	3 532		20 592
	14	Invoice 135		6 929	27 521
	16	EFT- 675	1 000		26 521
	23	Invoice 378		7 188	33 709
	24	Invoice 396		8 829	42 538
	30	Invoice 407		4 526	47 064

**B. Statement of account received on 30 June 2018:**

<b>DM SUPPLIERS</b>					
		<b>PO Box 2245, Kaapsehoop 2201</b>	<b>Tel: 013 759 9902</b>		
<b>Karoo Traders</b>			<b>Date: 25 June 2018</b>		
<b>50 Main Road</b>			<b>Credit limit :R90 000</b>		
<b>Emalahleni 1035</b>			<b>Payment terms: 60 days</b>		
<b>DATE</b>		<b>DETAILS</b>	<b>DEBIT</b>	<b>CREDIT</b>	<b>BALANCE</b>
2018	01	Balance			35 920
June	05	Invoice 346	10 296		46 216
	07	Credit Note 109	816		47 032
	13	Receipt 5140		22 788	24 244
	16	EFT-675		1 000	23 244
	23	Invoice 378	7 188		30 432
	24	Invoice 396	9 810		40 242
	25	Interest	29		40 271

**C. Additional Information:**

1. Invoice 346 on 5 June 2018 was correct according to the statement.
2. DM Suppliers made an error when recording goods returned on 7 June 2018.
3. Karoo Traders qualified for discount with the payment on 13 June 2018. DM Suppliers granted only R2 532 as discount. They will show this on their statement next month.
4. Invoice 135 for R6 929 was recorded incorrectly in the Creditors' Ledger Account of DM Suppliers. This purchase was from Panday Suppliers.
5. A trade discount of 10% was deducted on Invoice 396. DM Suppliers did not take this into account. This will be rectified on the next statement.
6. The statement shows transactions up to 25 June 2018.

# DEBTORS

# RECONCILIATION

# STATEMENTS

**QUESTION 1:**

**1.1 DEBTORS' AGE ANALYSIS**

The information below relates to Witbank Hardware.

**REQUIRED:**

- 1.1.1 Explain why the debtors' age analysis is an effective internal control measure. State ONE point. (2)
- 1.1.2 Explain TWO different problems highlighted by the debtors' age analysis. In EACH case, provide the name of a debtor and figure(s). (6)

**INFORMATION:**

- A. Debtors are granted 30 days to settle their accounts.
- B. **Debtors' age analysis on 31 October 2017:**

DEBTORS	CREDIT LIMIT	AMOUNT OWING	CURRENT MONTH	30 DAYS	60 DAYS	90 DAYS
Z Zulu	6 000	5 000	2 100	2 900		
P Botha	3 500	4 200	3 800	400		
M Valley	7 000	1 450	500			950
S Walker	13 000	12 500	1 000	3 000	4 500	4 000
O Klein	3 000	3 000	1 900		1 100	
		26 150	9 300	6 300	5 600	4 950
		100%	36%	24%	21%	19%

**1.2 DEBTORS' RECONCILIATION**

Information from the records of Amber Traders for November 2017 is presented. Some errors and omissions were noted. See information B.

**REQUIRED:**

- 1.2.1 Calculate the correct Debtors' Control Balance on 30 November 2017. Show figures and indicate '+', '-' or 'No change' at EACH adjustment. (7)
- 1.2.2 Calculate the correct total of the debtors' list on 30 November 2017. (10)

**INFORMATION:**

**A. Balances on 30 November 2017 before errors and omissions:**

- (i) Debtors' Control, R25 700
- (ii) Debtors' list:

	DEBIT	CREDIT
L Nkosi	R5 700	
S Muller	R11 100	
M Welthagen		R1 900
B Sandleni	R15 900	
	R32 700	R1 900

**B. Errors and omissions:**

- (i) The total of the Debtors' Journal was undercast by R2 700.
- (ii) Interest of R350 must be charged on the overdue account of S Muller.
- (iii) An amount of R3 100 received from L Nkosi was incorrectly recorded as R1 300 in the Cash Receipts Journal and posted as such to the General Ledger and the Debtors' Ledger.
- (iv) Trading stock returned by B Sandleni was posted to the wrong side of his Debtors' Ledger Account, R1 200.
- (v) No entry was made for a credit sales invoice issued to M Welthagen, R1 500.

**QUESTION 2:**

- 2.1 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (2.1.1–2.1.3) in the ANSWER BOOK.
- 2.1.1 The balance in the Debtors' Control Account should equal the total of the debtors' list.
  - 2.1.2 Bad debts will be recorded in the Debtors' Allowances Journal.
  - 2.1.3 The source document for the debtor's journal is the original invoice. (3)

**2.2 MIZZY BOUTIQUE**

The Debtors' Control Account and debtors' list for February 2017 prepared by the bookkeeper contained errors/omissions.

**REQUIRED:**

Use the table provided to indicate corrections that must be made to the Debtors' Control Account and the debtors' list.

Provide figures and a plus (+) or minus (–) sign for each correction. (13)

**INFORMATION:**

**A.**

	<b>Debtors' Control Account</b>	<b>Debtors' List</b>
Balance/Total	R37 710	R39 490

- B.** Errors or omissions to be corrected:
- (a) No entry was made for an invoice for R7 440 issued to G Gwen.
  - (b) A receipt for R9 400 issued to debtor B Crawley was recorded correctly in the relevant journal. It was posted incorrectly as R4 900 to his Debtors' Ledger Account.
  - (c) An invoice for R1 360 issued to A Naidoo was correctly recorded in the DJ. It was posted in error to the wrong side of her account in the Debtors' Ledger.
  - (d) A EFT for R1 350 received from D Zulu was recorded in the CRJ and posted to the Debtors' Control Account and Debtors' Ledger accordingly. D Zulu's account was previously written off.
  - (e) A credit note for R720 issued to W Wallace was recorded in the DAJ as R270 and posted as such.
  - (f) Credit sales to J Taylor for R1 950 was not recorded.

**2.3 GLENDALE TRADERS**

The debtors' age analysis on 30 April 2017 is provided. Credit terms are 30 days.

**REQUIRED:**

- 2.3.1 Explain how a debtors' age analysis can assist with internal control over debtors. (2)
- 2.3.2 Calculate the percentage of total debts exceeding the credit terms. (4)
- 2.3.3 Explain ONE problem (with figures) relating to EACH of the following debtors: (4)
  - D Pillay
  - W Patel
- 2.3.4 Explain TWO problems (with figures) relating to debtor D Gouws. (4)

**INFORMATION:**

**DEBTORS' AGE ANALYSIS ON 30 APRIL 2017:**

	<b>CREDIT LIMIT</b>	<b>AMOUNT OWING</b>	<b>CURRENT MONTH</b>	<b>30 DAYS</b>	<b>60 DAYS</b>	<b>90 DAYS</b>
	R	R	R	R	R	R
D Pillay	10 000	11 800	1 980	9 820		
D Gouws	14 000	13 450	4 100	3 902	5 448	
Z Ngosi	2 800	2 550		2 550		
W Patel	14 000	11 192			9 112	2 080
P Peters	5 000	2 608	1 408	1 200		
		41 600	7 488	17 472	14 560	2 080
		<b>100%</b>	<b>?</b>	<b>?</b>	<b>?</b>	<b>?</b>

**QUESTION 3:**

**3.1 DEBTORS AGE-ANALYSIS**

The owner of Jumbo Traders, Sumi, approached you for assistance in connection with managing the debtors.

**REQUIRED:**

- 3.1.1 Explain how the Debtors' Age Analysis can assist with the control over debtors. Provide ONE point. (2)
- 3.1.2 Calculate the average debtors' collection period (in days) for the financial year ended 31 August 2019. (5)  
 Comment on whether the business should be satisfied with this. (2)
- 3.1.3 **Refer to Information C:**  
 Identify TWO different problems revealed by the Debtors' Age Analysis. Quote evidence and/or figures. In each case, provide advice to improve the internal control relating to the problem identified. (6)

**INFORMATION:**

- A. The balance of the debtors' control was R19 800 on 1 September 2018.
- B. Total sales for the year amounted to R750 000.  
 40% of sales are for cash and the rest on credit.
- C. **DEBTORS' AGE ANALYSIS ON 31 AUGUST 2019**

<b>Credit Policy:</b> Debtors are granted 30 days in which to settle their debts.						
NAME	CREDIT LIMIT	TOTAL	CURRENT MONTH	30 DAYS	60 DAYS	60 DAYS+
B. Botha	R 8 000	R 6 000	R 6 000			
C. Coma	30 000	32 000	11 574	R 3 000	R 3 710	R13 716
P. Pule	20 000	18 600	-	8 000	10 600	
R. Rome	18 600	19 600	3 000	4 240	12 360	
		76 200	20 574	15 240	26 670	13 716
			27%	20%	35%	18%

**QUESTION 4:**



The bookkeeper of Taylor Boutique presented you with the Debtors Control balance and the Debtors' List for May 2016.

**REQUIRED:**

- 4.1 Show the adjustments that must be made to correct the Debtors' Control account in the General Ledger by showing the amounts with:  
 + for increase; – for decrease OR write 'no change'. (8)
- 4.2 Prepare the correct Debtors' List on 31 May 2016. Show workings with the relevant amounts in brackets to earn part marks. (12)

**INFORMATION:**

- A. On 31 May 2016, the balance on the Debtors Control account in the general ledger was R21 900 (as provided by the bookkeeper).
- B. **Debtors' List on 31 May 2016** ( as provided by the bookkeeper)

	Debit	Credit
P Petty	5 100	
M Thola	8 400	
P Govendor		1 550
A Brand	11 300	
	24 800	1 550

- C. **The following errors and omissions were noted:**
  - i) The total of the May 2016 Debtors' Journal was overcast by R1 750.
  - ii) Interest of R375 must still be charged on the overdue account of M. Thola.
  - iii) No entry was made for an invoice issued to P Govendor, R1 300.
  - iv) An amount of R13 200 received from P. Petty was correctly recorded in the Cash Receipts Journal but was posted as R12 300 to the Debtors' Ledger account of P. Petty.
  - v) A cheque for R3 050 received from P. Petty was not recorded in the Cash Receipts Journal.
  - vi) Merchandise returned by A Brand, R1 100, was posted to the wrong side of his account in the Debtors' Ledger.

**4.3 DEBTORS' AGE ANALYSIS**

The information below relates to Vredefort Sportswear.

**REQUIRED:**

**4.3.1 Refer to Information B.**

As the internal auditor, what concerns would you have about Temba's job description? Explain. (2)

4.3.2 Identify TWO debtors who could have their credit limits increased. (2)

4.3.3 Explain THREE different problems reflected by the Debtors' Age Analysis. Provide relevant evidence to support your answer. (6)

**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 (30 days).
- B. Temba, the bookkeeper, issues invoices and credit notes and collects cash from debtors.
- C. Debtors' Age Analysis on 31 August 2016:

DEBTORS	CREDIT LIMIT	OUTSTANDING BALANCE	CURRENT MONTH	30 DAYS	60 DAYS	90 DAYS
M Michiel	R11 000	R15 000	R2 800	R3 200	R4 450	R4 550
L Noge	R4 800	R4 000	R2 100		R1 900	
P Paul	R3 000	R2 900	R2 900			
C Christo	R5 500	R5 100	R3 500	R1 600		
I Taka	R1 700	R1 550	R500			R1 050
		R28 550	R11 800	R4 800	R6 350	R5 600
		100%	41%	17%	22%	20%

**VALUE**

**ADDED**

**TAX**

**QUESTION 1**

**1.1 VAT**

Amahle Traders is registered for VAT. The standard VAT rate is 15%.

**REQUIRED:**

1.1.1 Calculate the figures indicated by (a) to (d) in the table below. (9)

1.1.2 The internal auditor discovered that Amahle has been underpaying the amount due to SARS in respect of VAT, at each submission date. On enquiry, Amahle stated that she used the money to pay business expenses and adjusted the payments later.

Comment on this practice and give Amahle advice. (3)

**INFORMATION:**

	<b>EXCLUDING VAT</b>	<b>INCLUDING VAT</b>	<b>VAT AMOUNT</b>
Invoices received from suppliers	R78 000	R89 700	<b>(a)</b>
Discount received from suppliers	R12 400		<b>(b)</b>
Credit notes issued to customers		<b>(c)</b>	R210
Invoices issued to customers		R158 700*	<b>(d)</b>

\* This includes sales for R9 200 which should have been sold at zero rate. The bookkeeper incorrectly included VAT of R1 200 on these goods.

**QUESTION 2**

**2.1 VAT**

Samson Traders is registered for VAT. The VAT rate is 15%.

**REQUIRED:**

2.1.1 Calculate the figures indicated by **(a)** to **(d)** in the table below. (10)

2.1.2 You are the internal auditor. The sole owner, Samson, used a business cheque to buy a new car for R460 000 including VAT. This car is kept at home for his wife's use. Samson says the vehicle must be recorded as a business asset and R60 000 must be recorded as a VAT input in the business' books.

Explain what you would say to Samson. Provide TWO points. (4)

**INFORMATION:**

	<b>EXCLUDING VAT</b>	<b>VAT AMOUNT</b>	<b>INCLUDING VAT</b>
Sales returns	960	(a)	1 104
Purchase of stock	52 600	(b)	
Discount received	(c)	720	
Cash sales		(d)	112 470*

\* This includes zero-rated goods that should have been sold for R5 500. The bookkeeper has incorrectly included VAT of R825 on these goods. This must be corrected.

**QUESTION 3**

The information below relates to Creamline Traders for their two-month VAT period ended on 31 August 2020. All items are subject to 15% VAT.

**REQUIRED:**

- 3.1 Calculate the amount receivable from or payable to SARS for VAT on 31 August 2020. Indicate whether the amount is receivable or payable. (You may complete a VAT Control Account.) (10)

**INFORMATION:**

- A. Amount owed to SARS for July 2016, R14 250.
- B. Details in respect of VAT for August 2016:

<b>DETAILS</b>	<b>EXCLUDING VAT</b>	<b>VAT</b>	<b>INCLUDING VAT</b>
Merchandise purchased/Expenses paid	R198 000		R227 700
Goods taken by owner for personal use		R2 940	
Returns by debtors		R1 125	
Debtors' accounts written off	R11 300		
Total sales			R343 160

**QUESTION 4**

**SEBENZA TRADERS**

The business accounts for VAT on a two-monthly basis.

**REQUIRED:**

- 4.1 Calculate the final amount payable to SARS on 31 July 2021. You may prepare a VAT Control Account (10)

**INFORMATION:**

	<b>INCLUDING VAT</b>	<b>EXCLUDING VAT</b>	<b>VAT AMOUNT</b>
Balance owed by SARS on 1 July 2021			R11 200
Cash and credit sales invoices	R1 035 000	R900 000	R135 000
Purchase of trading stock	R705 000	R810 750	?
Defective stock returned to suppliers	R3 600	R4 140	R540
Discount allowed to debtors for prompt payment		R47 800	?
New office computer bought on credit	28 060		?

**QUESTION 5**

**5.1 CONCEPTS**

State whether the following statements are TRUE or FALSE. Write only the word 'true' or 'false' next to the question numbers (5.1.1 to 5.1.5) in the ANSWER BOOK.

- 5.1.1 VAT paid on credit purchases of inventory will be recorded as VAT-output. (1)
- 5.1.2 White bread is subject to zero rated VAT. (1)
- 5.1.3 Inventory taken by the owner is exempted from VAT. (1)
- 5.1.4 School fees is VAT exempted. (1)
- 5.1.5 VAT paid on refreshments for the annual staff function cannot be claimed from SARS. (1)

**5.2 HIGHWAY STOP AND REST**

Highway Stop and Rest is a take-away restaurant situated on the main route to Rustenburg. Although the annual income from sales is less than R1 million, Peter, the owner has registered the business for VAT. The standard VAT rate of 15% is applicable.

**REQUIRED:**

5.2.1 Calculate the amount of VAT that Peter will either pay to or receive from SARS. (10)

**INFORMATION:**

**A. TRANSACTIONS FOR JULY AND AUGUST 2020:**

Total sales for the period (including VAT)	87 975
Total purchases of inventory and goods (excluding VAT)	52 000
Sundry expenses (Water, electricity, telephone and bank charges) – Including VAT	10 120
Salaries and wages to staff	18 500
VAT on old cash register sold for cash	360
VAT on goods taken by Peter for own use	113
VAT on donation of stock to local primary school	180

# STOCK

# VALUATION



**QUESTION 1****1.1 JUSTIME FOOTWEAR**

Justime Footwear (Pty) Ltd sells one brand of running shoes. The business uses the weighted-average method to value these shoes. The periodic inventory system is used.

**REQUIRED:**

Calculate the following on 28 February 2021, the financial year-end:

1.1.1 Value of the closing stock (7)

1.1.2 Stock turnover rate (4)

**INFORMATION:**

The following information relates to the running shoes.

**A. Balances:**

DATE	QUANTITY (PAIRS)	TOTAL VALUE (INCLUDING CARRIAGE)
1 March 2020	206	R101 090
28 February 2021	420	?

**B. Purchases during the year:**

	NUMBER OF ITEMS	COST PRICE PER ITEM	TOTAL AMOUNT
<b>Purchases</b>	<b>2 490</b>		<b>R2 236 700</b>
15 April 2020	560	R820	R459 200
20 September 2020	1 120	R900	R1 008 000
5 January 2021	810	R950	R769 500

**C. Carriage on purchases:**

A fixed cost of R25 per unit is paid for each pair of running shoes delivered to the shop. This rate was unchanged during the financial year. This is not included above.

**D. Returns:**

60 pairs of running shoes were returned from the September 2020 purchase. A refund of the cost price was received from the supplier. The carriage on purchases was not refunded.

**E. Sales:**

2 216 units were sold at R1 400 each, R3 102 400.

**NOTE:** There were no stolen items.

4.1.3 Justime (Pty) Ltd trades in three types of footwear. The table below indicates the overall performance for the year. The directors are satisfied with the management of running shoes but not with the boots and sandals:

- The boots are imported and Justime (Pty) Ltd is the only business in town selling these boots.
- The sandals are locally made and all competitors sell them at R480 each.

Comment on the stock turnover rates for boots and sandals and identify the major problem relating to EACH product. Quote figures.

	<b>RUNNING SHOES</b>	<b>BOOTS</b>	<b>SANDALS</b>
Mark-up %	57,3%	80%	33 <sup>1</sup> / <sub>3</sub> %
Selling price	R1 400	R2 900	R480
Average cost price	R890	R1 610	R360
Gross profit per pair	R510	R1 290	R120
Total gross profit	R1 130 160	R1 122 300	R1 368 000
Orders received from customers	2 216 pairs	870 pairs	15 000 pairs
Sales	2 216 pairs	870 pairs	11 400 pairs
Items on hand at year-end	420 pairs	440 pairs	150 pairs
Stock on hand at year-end	?	R708 400	R54 000
Stock turnover rate	?	2 times	76 times

(6)

## 1.2 FIXED ASSETS

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

### REQUIRED:

1.2.1 List THREE points for good internal control over movable fixed assets. (3)

1.2.2 **Refer to Information A and B.**

Calculate the cost of land and buildings purchased on 31 August 2020. (3)

1.2.3 **Refer to Information A and C.**

Calculate depreciation on the vehicle for the year ended 28 February 2021. (2)

1.2.4 **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. (7)

- 1.2.5 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. (2)

**INFORMATION:**

**A. Extract from Trial Balances on 28 February:**

	2021 R	2020 R
<b>Balance Sheet accounts section</b>		
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:**

Glamour Construction 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. Vehicles:**

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:**

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

**QUESTION 2**

2.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (4.1.1 to 4.1.4) in the ANSWER BOOK.

- 2.1.1 The (specific identification/first-in first-out) method assumes that the closing stock is valued at the most recent batches purchased.
- 2.1.2 The (periodic/perpetual) system requires a year-end stock count to be able to calculate cost of sales.
- 2.1.3 The (weighted-average/first-in first-out) method is suitable for similar goods that are bought in bulk.
- 2.1.4 The (periodic/perpetual) system requires that all products are scanned at the point of sale. (4)

2.2 **GWEN BOUTIQUE**

The information relates to ALUZE bags for the financial year ended 28 February 2021. The business uses the first-in first-out method to determine the value of these bags. The periodic inventory system is in use.

**REQUIRED:**

2.2.1 Calculate the following for the year ended 28 February 2021:

- Value of the closing stock (5)
- Cost of sales (5)

2.2.2 **Stockholding period:**

- Calculate the average stockholding period (in days). (5)
- Explain whether Gwen should be satisfied with this figure, or not. State TWO points.

**NOTE:** The average stockholding period on 29 February 2020 was **52 days**. (4)

2.3 **PROBLEM-SOLVING**

**Refer to Information D.**

Gwen Boutique also sells jackets and jerseys. Gwen has provided the information and requested advice.

Identify TWO problems in EACH product for 2021. In each case, give ONE piece of advice to address the problem identified. (12)

**INFORMATION:**

**A. Stock balances:**

DATE	UNITS	TOTAL VALUE (including carriage)
1 March 2020	420	R68 120
28 February 2021	380	?

**B. Purchases and returns for the year:**

DATE	UNITS	UNIT COST	TOTAL PURCHASE AMOUNT	CARRIAGE COST (per bag)	TOTAL COST (including carriage)
30 Jun. 2020	500	R155	R77 500	R12	R83 500
31 Oct. 2020	750	R160	R120 000	R13	R129 750
15 Feb. 2021	320	R170	R54 400	R15	R59 200
<b>TOTAL</b>	<b>1 570</b>				<b>R272 450</b>
<b>Returns</b>	<b>20</b>				<b>R3 700</b>

**C. Sales:**

Total sales amounted to R393 750 (1 590 bags).

**D. Problem-solving:**

	JACKETS		JERSEYS	
	2021	2020	2021	2020
Units: Opening stock	407	120	218	200
Units: Purchases	800	800	1 800	2 200
Units sold (gross) All sales are for cash.	550	500	1 970	2 260
Units returned by customers	0	0	90	78
Units: Closing stock	615	407	138	218
Stock turnover rate	0,9	1,9	10,6	10,4
Mark-up % achieved	75%	50%	25%	25%
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Cost price per item	360,00	360,00	170,00	160,00
Selling price	630,00	540,00	212,50	200,00
Income from sales deposited in the bank	346 500	268 920	349 500	436 400

**QUESTION 3**

- 3.1 Give ONE word/term for each of the following statements. Write only the word/term next to the question numbers (4.1.1 to 4.1.4) in the ANSWER BOOK.

periodic system; FIFO; perpetual system; specific identification; weighted average

- 3.1.1 This method is most suitable for inexpensive goods purchased regularly.
- 3.1.2 The closing stock balance is recorded at the most recent prices paid.
- 3.1.3 Individual stock items are valued at the cost price on the purchase invoice.
- 3.1.4 The cost of sales is recorded for every sales transaction. (4 x 1) (4)

**3.2 LOTUS ACCESSORIES**

The owner is Alex Lotus. The business uses the first-in first-out method to value gas lamps. They decided to sell gas stoves as well, expecting a demand due to increased load shedding. The specific identification method is used to value these stoves.

The financial year-end is 30 April each year.

**REQUIRED:**

- 3.2.1 Calculate the following for the **gas lamps** on 30 April 2021:
- Value of closing stock (using FIFO) (6)
  - Stockholding period in days (using closing stock) (6)
- 3.2.2 Alex suspects that the stock of gas lamps are not well controlled.
- Calculate the number of gas lamps missing. (4)
- 3.2.3 An investigation revealed that Alex's brother (employed at the store) orders gas lamps using the business ordering system, and sells them privately to his friends.
- What should Alex say to his brother when dealing with this matter? Provide TWO points. (4)
- 3.2.4 Calculate the closing stock value for **gas stoves** on 30 April 2021 (using the specific identification method). (5)
- 3.2.5 Alex thinks he should stop selling gas stoves as they are causing a liquidity problem and the profit is low.
- Provide figures to support his opinion. (2)
  - Explain TWO points to convince him NOT to discontinue trading in gas stoves. (4)

**INFORMATION:**

**A. STOCK RECORDS FOR GAS LAMPS:**

	UNITS	UNIT PRICE (R)	AMOUNT (R)
<b>Stock balance on 1 May 2020</b>	<b>230</b>		<b>R12 650</b>
<b>Purchases during the year:</b>	<b>2 750</b>		<b>R193 500</b>
July 2020	650	R60	39 000
September 2020	800	R68	54 400
January 2021	1 100	R75	82 500
March 2021	220	R80	17 600
<b>Returns (from March 2021)</b>	<b>40</b>	<b>?</b>	<b>?</b>
<b>Available for sale</b>	<b>2 940</b>		
<b>Stock balance: 30 April 2021</b>	<b>270</b>	<b>?</b>	<b>?</b>
<b>Total sales</b>	<b>2 180</b>	<b>R140</b>	<b>R305 200</b>

**B. STOCK RECORDS FOR GAS STOVES:**

**PURCHASES:**

MONTH	MODEL	UNITS	UNIT PRICE	AMOUNT
August 2020	B-LITE	80	R495	R39 600
October 2020	B-LITE	80	R495	R39 600
	SMART	100	R700	R70 000
February 2021	B-LITE	120	R495	R59 400
	SMART	60	R700	R42 000

**SALES:**

MODEL	UNITS SOLD	SELLING PRICE	AMOUNT
B-LITE	132	R790	R104 280
SMART	54	R980	R52 920

**GROSS PROFIT AND MARK-UP:**

MODEL	COST OF SALES	GROSS PROFIT	MARK-UP
B-LITE	R65 340	R38 940	60%
SMART	R37 800	R15 120	40%

#### QUESTION 4

George Grande is the majority shareholder and CEO of Grande Ltd. The company supplies hotels with cabinets and lamps.

The periodic system is used. The year-end is 30 September 2019.

#### REQUIRED:

##### CABINETS

- 4.1 Calculate the value of closing stock for cabinets on 30 September 2019 using the first-in first-out method. (5)
- 4.2 In 2019, the company decided to extend the target market and to grant trade discounts to increase sales.
- 4.2.1 Calculate the % mark-up achieved in 2019. (3)
- 4.2.2 Provide TWO points (with figures) to prove that this decision achieved its aims. (4)
- 4.2.3 The CEO feels that this decision also negatively affected the company.
- Provide TWO points (with figures) to support his opinion. (4)
  - Give the directors advice to solve this problem. Explain TWO points. (2)

##### LAMPS

- 4.3 Calculate the stockholding period for lamps (use closing stock). (3)
- 4.4 George is concerned about the control of lamps. An investigation revealed that the store manager was supplying local boarding houses with lamps without documentation.
- Calculate the number of missing lamps. (4)
  - Give TWO suggestions to solve this problem. (2)

##### TELEVISION SETS

- 4.5 During April 2019, while George was in hospital, Bruce Swann (the chief financial officer) decided to include television sets in their product range. He was able to secure bulk discounts from Roseway on two TV set models, namely LYN and KYA.
- Calculate the value of the closing stock of TV sets on 30 September 2019 using the specific identification method. (7)
- 4.6 An employee of Roseway told George that Bruce received a 10% 'commission' from Roseway for buying excess stock. George wants to discuss this at the next board meeting.
- Explain THREE different concerns that George would have about this problem. (6)



**INFORMATION:**

**A. Stock records of cabinets and lamps:**

	CABINETS			LAMPS	
	UNITS	UNIT PRICE	TOTAL	UNITS	TOTAL
<b>Stock balances</b>					
1 Oct. 2018	370	R800	R296 000	600	R108 000
30 Sep. 2019	280		?	265	R59 625
<b>Purchases: 2019</b>					
January	800	R920	R736 000	1 200	R240 000
April	1 200	R990	R1 188 000	1 800	R432 000
July	250	R1 100	R275 000	800	R210 000
<b>Total</b>	<b>2 250</b>		<b>R2 199 000</b>	<b>3 800</b>	<b>R882 000</b>
<b>Returns</b>	<b>20</b>	R1 100			
<b>Sales</b>				<b>3 675</b>	
<b>Cost of sales</b>					<b>R930 375</b>

**B. Information relating to cabinets:**

	2019	2018
Sales	R3 480 000	R3 375 000
Cost of sales	R2 170 500	R1 950 000
Gross profit	R1 309 500	R1 425 000
Units sold	2 320	2 500
Selling price per unit	R1 500	R1 400
% mark-up achieved	?	73%
Customers on record	37	26

**C. Stock records of television sets:**

	MODELS	UNITS	UNIT PRICE	TOTAL
<b>Purchases</b>				
May 2019	LYN	800	R6 000	R4 800 000
	KYA	950	R7 200	R6 840 000
July 2019	LYN	500	R6 000	R3 000 000
	KYA	500	R7 200	R3 600 000
<b>TOTAL</b>		<b>2 750</b>		<b>R18 240 000</b>
<b>Sales</b>	LYN	430	R8 400	R3 612 000
	KYA	540	R10 080	R5 443 200

**QUESTION 5**

**5.1 SPEEDY CYCLES**

You are provided with information for the year ended 31 May 2018. The owner is Fred Fakude. The business sells different models of bicycles. Fred uses the periodic inventory system and the specific identification method to value stock.

**REQUIRED:**

3.1.1 Calculate:

- Value of the closing stock of bicycles on 31 May 2018 (8)
- Cost of sales for the year ended 31 May 2018 (4)
- Gross profit for the year ended 31 May 2018 (3)

3.1.2 Fred is satisfied that he is selling approximately 18 Cruze bicycles per month. However, he is concerned that the new Ryder model, despite its lower selling price, is not selling as quickly as the Cruze model.

- Calculate the selling price of a Ryder bicycle. (3)
- Calculate the average number of Ryder bicycles sold per month. (3)
- Indicate how long it will take Fred to sell the closing stock of the Ryder bicycles. Show calculations. (3)
- Give ONE possible reason for the slow sales of Ryder bicycles, and give advice (ONE point) to Fred in this regard. (4)

**INFORMATION:**

**A.** Three different models of bicycles were sold during the 2018 financial year.

MODEL	MARK-UP	UNITS SOLD	SALES	OTHER INFORMATION
Tempo	60%	66	R897 600	This model is no longer produced.
Cruze	60%	220	R3 308 800	
Ryder	35%	98	R979 020	This model was introduced on 1 Sep. 2017.
<b>TOTAL SALES</b>			<b>R5 185 420</b>	

**B.** Opening stock:

DATE	MODEL	UNITS	COST PRICE PER UNIT	TOTAL
1 Jun. 2017	Tempo	70	R8 500	R595 000
	Cruze	0		

**C. Purchases and returns:**

DATE	MODEL	UNITS	COST PRICE PER UNIT	TOTAL
<b>PURCHASES:</b>				
1 Jun. 2017	Cruze	260	R9 400	R2 444 000
1 Sep. 2017	Ryder	200	R7 400	R1 480 000
<b>RETURNS:</b>				
Feb. 2018	Ryder	45	R7 400	(R333 000)
<b>Net purchases</b>				<b>R3 591 000</b>

**5.2 MANAGEMENT OF INVENTORIES: CELIA'S CLOTHING**

Celia Mtolo owns a small clothing business. You are provided with information for the year ended 28 February 2018. The business sells T-shirts, jackets and pants.

Celia took certain decisions at the beginning of the 2018 financial year.

**REQUIRED:**

Quote relevant figures for ALL the questions below.

**3.2.1 T-shirts:**

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

**3.2.2 Jackets:**

Celia decided to change the supplier in 2018 and to change the mark-up %.

How has this decision affected the business? State TWO points. (4)

**3.2.3 Pants:**

Celia reduced the selling price of pants significantly in the 2018 financial year in response to a new competitor who sells similar pants at R990.

Based on the information below, make TWO separate suggestions to Celia to improve the profit on pants in 2019. (4)

**INFORMATION:**

	T-SHIRTS		JACKETS		PANTS	
	2018	2017	2018	2017	2018	2017
Gross units sold	1 200	1 080	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

40

**QUESTION 6**

**6.1 INVENTORY VALUATION**

Battery Specialist, owned by Thabo Lefo, sells two types of AA 6-pack unit batteries, Longlast and Petcell. The business uses the **periodic inventory system** to record their stock.

- FIFO method is used for Longlast
- Weighted average method is used for Petcell

**REQUIRED:**

6.1.1 Calculate the following for **Longlast AA 6-pack units**:

- The value of the closing stock on 31 October 2019. (6)

6.1.2 • Calculate the average stock-holding period. Note that the cost of sales amounted to R483 750 for the year ended 31 October 2019.

- Comment on your findings above. (6)

6.1.3 The owner is concerned about the sales of Petcell AA 6-pack units and is considering to discontinue this product line.

Calculate the following for **Petcell AA 6-pack units** for the year ended 31 October 2019:

- The value of the closing stock. (5)
- The cost of sales of the Petcell AA 6-pack units. (3)
- The stock turnover rate for the year. (5)

6.1.4 Give TWO reasons why the owner must discontinue the sales of Petcell AA 6-pack units. (4)

**INFORMATION:**

**A. Stock valuation methods:**

- **FIFO method** for Longlast AA 6-pack units
- **Weighted average method** for Petcell AA 6-pack units

**B. Stock records showed the following balances:**

Date	Longlast AA 6-pack units			Petcell AA 6-pack units		
	Number of units	Price per unit	Total value	Number of units	Price per unit	Total value
1 Nov 2018	2 000	R20	R40 000	800	R35	R28 000
31 Oct 2019	?	?	?	1 850	?	?

**C. The following purchases and returns were reflected during the year:**

	Longlast AA 6-pack units			Petcell AA 6-pack units		
	Number of units	Price per unit	Total value	Number of units	Price per unit	Total value
<b>TOTALS:</b>	<b>35 000</b>		<b>756 000</b>	<b>3 000</b>		<b>120 200</b>
Nov 2018	(1 000)	R20	(20 000)	500	R35	R17 500
Jan 2019	17 000	R20	R340 000	-	-	
March 2019	7 000	R22,50	R157 500	1 000	R39, 70	R39 700
June 2019	9 000	R23	R207 000	-	-	-
June 2019	(2 000)	R23	(R46 000)	1 500	R42	R63 000
Sept 2019	5 000	R23,50	R117 500	-	-	-

**D. Sales for the year were reflected as follows:**

Longlast AA 6-pack units			Petcell AA 6-pack units		
Number of Units	Selling price	Total value	Number of units	Selling Price	Total value
23 500	R35	R822 500	1 950	R75	R146 250

**E. Due to good internal control measures, there were no missing items.**

**QUESTION 7**

**7.1 CONCEPTS:**

Choose the stock system/valuation method from the list provided, that is best described by each of the statements below. Write only the stock system/valuation method next to each number (2.1.1 – 2.1.3) in the ANSWER BOOK.

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

- 7.1.1 This method assumes that stock is sold in order of date purchased.
- 7.1.2 This system ensures that cost of sales is calculated at the point of sale.
- 7.1.3 This stock system is more suited for low value goods that are purchased in bulk. (3)

**7.2 SMART CARS TRADERS**

Smart Cars Traders buy and sell BMW cars. The business uses the specific identification method for stock valuation. The financial year ends 30 June 2020.

**REQUIRED:**

- 7.2.1 Calculate the selling price per BMW 3 series sold during the 2020 financial year. (2)
- 7.2.2 Calculate the value of the closing stock on 30 June 2020 using the specific identification method. (6)

**INFORMATION:**

**A.** Three different models of BMW cars were sold during the 2020 financial year.

MODELS	UNITS	UNIT PRICE	TOTAL	UNITS SOLD	TOTAL SALES
<b>PURCHASES:</b>					
BMW 3 series	10	R310 000	R3 100 000	10	R4 340 000
BMW 4 series	15	R480 000	R7 200 000	8	R5 376 000
BMW 5 series	12	R620 000	R7 440 000	5	R4 340 000
<b>RETURNS:</b>					
BMW 5 series	2	R620 000	(R1 240 000)		
<b>Net purchases</b>			<b>R16 500 000</b>		

### 7.3 DENNIS STORES

Dennis Stores sells one type of motorsport sunglasses. The financial year ends on 29 February 2020. The business uses the weighted-average method for stock valuation and the periodic inventory system.

#### REQUIRED:

- 7.3.1 Calculate the value of the closing stock on 29 February 2020 using the weighted-average method. (8)
- 7.3.2 Calculate following for the year ended 29 February 2020: (6)
- Cost of sales
  - Gross profit
- 7.3.3 Calculate the average stock holding period (in days) on 29 February 2020. (5)

#### INFORMATION:

##### A. Stock:

DATE	PAIRS OF SUNGLASSES	TOTAL VALUE (INCLUDING CARRIAGE)
1 March 2019	510	R313 220
29 February 2020	320	?

##### B. Purchases:

DATE	PAIRS OF SUNGLASSES	COST PRICE PER PAIR	TOTAL PURCHASES	CARRIAGE PER PAIR	TOTAL COST (INCLUDING CARRIAGE)
25/05/2019	460	R650	R299 000	R18	R307 280
02/08/2019	700	R680	R476 000	R18	R488 600
20/10/2019	500	R710	R355 000	R30	R370 000
01/02/2020	300	R725	R217 500	R30	R226 500
<b>TOTAL</b>	<b>1 960</b>		<b>R1 347 500</b>		<b>R1 392 380</b>

##### C. Returns:

Twenty pairs of sunglasses from the purchases on 1 February 2020 were returned to the supplier due to poor quality. The business account was credited with R15 100 (including carriage on purchases).

##### D. Sales:

2 115 pairs of sunglasses were sold at R1 400 each during the year.

## 7.4 PROBLEM-SOLVING

You are provided with information relating to three sneakers shops with different owners in Sabie. Each shop has a floor space of 100m<sup>2</sup>.

### REQUIRED:

- 7.4.1 Identify ONE problem in Shop 1 and ONE problem in Shop 2. Quote figures. IN each case, give ONE point of advice. (6)
- 7.4.2 Explain TWO good decisions that Frank has made in respect of Shop 3. Quote figures. (4)

### Information per shop for December 2019:

	SHOP 1	SHOP 2	SHOP 3
Managers	Portia	Prudy	Frank
Sales	R340 000	R290 000	R900 000
Returns from customers	R4 320	R58 000	R18 000
Mark-up percentages	85%	50%	60%
Stock-holding period	150 days	30 days	30 days
Advertising	R9 000	R5 800	R36 000
Rent expense	R15 000	R20 000	R30 000
Days worked per week	6	5	7

40

## QUESTION 8

### 8.1 CONCEPTS

Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

- 8.1.1 In the perpetual inventory system, the carriage on goods purchased is recorded as an (expense/asset) by the business.
- 8.1.2 Stock valued according to the (first-in-first-out/weighted-average) method would reflect stock on hand at the most recent cost price.
- 8.1.3 Cost of sales will have to be calculated at year-end after valuing stock when using the (perpetual/periodic) inventory system. (3)



8.2 **QUALITY PRINTERS & INK (PTY) LTD**

The information relates to the year ended 31 August 2021. The business trades in business printers and ink cartridges. The owner is Mark Lex.

**REQUIRED:**

**Business printers:**

In the past, the business bought and sold only one type of printer (i.e., Colour Z3), but has now introduced two other models. Mark does not want to keep stock of printers for more than one month of expected sales.

- 8.2.1 Calculate the value of the closing stock on 31 August 2021 using the specific identification method. (7)
- 8.2.2 Identify which model of printer is not selling as well as Mark has expected. Quote figures or calculations to support your answer. Provide two suggestions to solve this problem. (5)

**Ink cartridges:**

- 8.2.3 Calculate the value of the closing stock on 31 August 2021 using the weighted-average method. (7)
- 8.2.4 Mark wants to know how long it should take to sell the closing stock of cartridges. (4)
  - Provide figures or a calculation to assess this.
  - Explain if Mark should be satisfied with this time period or not. (2)
- 8.2.5 Mark suspects that ink cartridges are being stolen from the shop despite security cameras being installed. (5)
  - Provide a calculation to verify his suspicion. (5)
  - Provide TWO internal control measures that Mark Lex can use to improve the control of stock. (2)

**INFORMATION:**

**A. Printers:**

No printers were damaged, stolen or returned to suppliers.

**Stock on 1 September 2020:**

MODEL	UNITS	COST PRICE PER UNIT (R)	TOTAL (R)
Colour Z3	40	26 200	1 048 000

**Total purchases for the year ended 31 August 2021:**

MODEL	UNITS	COST PRICE PER UNIT (R)	TOTAL (R)
Colour Z3	120	26 200	3 144 000
Multi X4	190	29 300	5 567 000
Digi OZ	200	33 100	6 620 000
	<b>510</b>		<b>15 331 000</b>

**Sales for the year ended 31 August 2021:**

MODEL	UNITS SOLD IN 3 MONTHS	SELLING PRICE (R)	TOTAL (R)
Colour Z3	130	41 920	5 449 600
Multi X4	150	46 880	7 032 000
Digi OZ	110	52 960	5 825 600
	390		18 307 200

**B. Ink cartridges:**

**Stock balances according to physical count:**

	UNITS	COST PRICE PER UNIT (R)	TOTAL (R)
1 September 2020	300		243 210
31 August 2021	130		?

**Purchases for the year ended 31 August 2021:**

DATE	UNITS PURCHASED	COST PRICE PER UNIT (R)	TOTAL (R)
16 November 2020	250	810	202 500
19 May 2021	350	825	288 750
13 August 2021	300	840	252 000
	900		743 250

**Returns:** From the May 2021 purchases, 20 defective ink cartridges were returned to suppliers. A full refund was received for this return.

**Sales:** 1 032 ink cartridges were sold at R1 000 each.

# COST

# ACCOUNTING

**QUESTION 1**

**1.1 PRUDY MANUFACTURERS**

The information relates to the financial year ended 28 February 2021. The business produces one style of travelling bag. The owner is Prudy Sithole.

**REQUIRED:**

Complete the following for the year ended 28 February 2021:

- 1.1.1 Production Cost Statement (10)
- 1.1.2 Abridged Statement of Comprehensive Income (Income Statement) (11)

**INFORMATION:**

**A. Stock balances:**

	<b>28 February 2021</b>	<b>1 March 2020</b>
Finished goods stock	R96 000	R72 000

There is no work-in-progress at the beginning or end of the year.

**B. Raw material issued to the factory for production, R1 494 000.**

**C. Production wages:**

Information extracted from the production wages records:

<b>NET WAGES PAID TO PRODUCTION WORKERS</b>	<b>TOTAL DEDUCTIONS</b>
R647 400	22% of gross wages

**D. The bookkeeper calculated the following costs for the year ended 28 February 2021:**

Factory overhead cost	R520 280
Selling and distribution cost	R224 960
Administration cost	R187 760

It was discovered that she did not take the following into account:

- The telephone account of R22 400 was posted in error to the factory overhead cost. This expense relates to the office.
- The entire amount of rent expense, R98 400, was posted to the factory overhead cost. This expense should have been split in the ratio 7 : 2 : 1 between the factory, sales and administration departments.
- The insurance expense of R26 400 was divided equally between the factory overhead cost and the sales department in error. 60% of this expense relates to the factory and the balance applies to the sales department.

**E. Sales:**

Total sales for the year amounted to R4 433 600.

**1.2 CONTROL OF RAW MATERIAL**

After completing the statements in QUESTION 2.1, the internal auditor of Prudy Manufacturers suspects that the raw material (fabric) is not being controlled well in the storeroom and the factory.

**1.2.1 Calculate:**

- The metres of fabric missing from the storeroom
- The metres of fabric wasted in the factory

Apart from installing cameras, provide a specific strategy to improve internal control in the storeroom and factory. In EACH case, provide a different point.

(6)

**1.2.2 Calculate the total cost of fabric lost and wasted and explain how this loss should be shown in the statements mentioned in QUESTION 1.1.**

(3)

**INFORMATION:**

**A. Raw material (fabric):**

Fabric used in production is issued to the factory from the storeroom, as required. The record of fabric is as follows:

	<b>METRES</b>	<b>TOTAL AMOUNT</b>
Raw material issued to factory	12 450	R1 494 000
Balance on 1 March 2020	2 700	324 000
Purchase of fabric during the year	10 800	1 296 000
Balance on 28 February 2021	850	102 000

**B. Additional information:**

- Fabric is purchased at a fixed cost price of R120 per metre.
- It takes 1,5 metres of fabric to make one travel bag.
- 7 800 bags were produced during the financial year.

**1.3 ROSEMARY'S TOY FACTORY**

This factory manufactures toy teddy bears. There is no work-in-progress stock at the beginning or end of each year. The financial year ends on 31 December.

Rosemary decided to address the problem of low profits made in 2020 by making some changes to improve sales and production.

**REQUIRED:**

- 1.3.1 Provide a calculation to confirm that the break-even point for the 2021 financial year is correct. (3)
- 1.3.2 Explain why Rosemary is pleased with the production level, sales and break-even point. Quote figures. (4)
- 1.3.3 Explain to Rosemary why the fixed cost per unit decreased from R56,00 to R45,71. (2)
- 1.3.4 Rosemary made deliberate decisions regarding variable costs to improve the business.  
  
 Explain the decisions that she might have taken on these costs and how these could have had positive effects on the business. Quote figures. (6)

**INFORMATION:**

	31 DECEMBER 2021		31 DECEMBER 2020	
	AMOUNT R	UNIT COST R	AMOUNT R	UNIT COST R
Direct material cost	490 000	100,00	320 000	80,00
Direct labour cost	274 400	56,00	288 000	72,00
Selling and distribution cost	176 400	36,00	96 000	24,00
<b>VARIABLE COST</b>	<b>940 800</b>	<b>192,00</b>	<b>704 000</b>	<b>176,00</b>
Factory overhead costs	160 000	32,65	160 000	40,00
Administration cost	64 000	13,06	64 000	16,00
<b>FIXED COST</b>	<b>224 000</b>	<b>45,71</b>	<b>224 000</b>	<b>56,00</b>
<b>Selling price per unit</b>				
	R255		R240	
<b>Units produced and sold</b>				
	4 900 units		4 000 units	
<b>Break-even point</b>				
	3 556 units		3 500 units	

- 2.1 Choose a cost category from COLUMN B that matches a description in COLUMN A. Write only the letter (A–E) next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK, e.g. 2.1.4 F.

COLUMN A		COLUMN B	
2.1.1	Commission to salespersons	A	factory overhead cost
2.1.2	Wages of factory maintenance staff	B	administration cost
2.1.3	Office stationery expenses	C	direct labour cost
		D	direct material cost
		E	selling and distribution cost

(3 x 1) (3)

2.2 **MEISIES OUTFITTERS**

The business manufactures clothing products. The owner is Minnie Zitha. The information relates to school dresses which is one of the products they manufacture. Dresses are manufactured according to orders received and there is no work-in-progress. The financial year ended on 30 April 2021.

**REQUIRED:**

2.2.1 **Refer to Information D.**

Complete the Factory Overhead Cost Note for the school dresses. (10)

2.2.2 Calculate the total cost of production of school dresses produced. (4)

2.2.3 Minnie is concerned about wastage of fabric in the dressmaking section. Calculate the cost of this wastage to the business. (5)

2.2.4 The internal auditor expressed concern about the direct labour cost for the school dresses.

- Explain the problem that is of concern to the auditor. Quote figures. (3)

- State TWO possible causes of this problem. (2)

2.2.5 Provide a calculation to confirm that the break-even point for the current financial year is 17 000 units. (3)

2.2.6 Comment on the level of production achieved and the break-even point calculated above. Quote figures. (2)

2.2.7 Calculate the extra profit that would be earned if an additional 500 dresses are made and sold. Assume that all costs are unchanged. (3)

**INFORMATION:**

**A. Raw material stock (fabric used to make the dresses):**

Fabric is issued to the factory using the weighted-average method.

	<b>UNITS (metres)</b>	<b>COST per metre</b>	<b>TOTAL COST</b>
Stock of fabric on 1 May 2020	9 000	R14,20	R127 800
Fabric purchased during the year	33 000	R17,00	R561 000
	<b>42 000</b>		<b>R688 800</b>
Fabric issued to the factory	29 000	R16,40	R475 600

**B. Production and sales:**

- Manufacturing one dress requires 1,6 metres of fabric.
- 17 800 dresses were produced and sold during the financial year at R75 per dress.

**C. Direct labour cost for the year:**

	<b>WORKERS</b>	<b>HOURS PER WORKER</b>	<b>RATE</b>	<b>TOTAL</b>
Basic wage (normal time)*	8	1 250	R25	R250 000
Total overtime worked	8	720	R45	R259 200
Total employer's contributions				R26 250
<b>TOTAL</b>		1 970		<b>R535 450</b>

\*Normal time comprises a 5-day week of 8 hours per day. The factory operates for 46 weeks each year.

**D. Factory overhead costs:**

The following costs were extracted from the records on 30 April 2021:

Factory rent expense	R122 400
Water and electricity	81 600
Insurance on factory equipment	20 720
Salary of the dressmaking supervisor	76 960
Delivery expenses	36 800
Wages of cleaners	155 760
Depreciation: dressmaking machines	30 300
Sundry factory expenses (dressmaking section)	10 670



- Factory rent is split according to floor space occupied. The dress-making section occupies 320 m<sup>2</sup> of the total factory space of 1 280 m<sup>2</sup>.
- 15% of the total water and electricity account must be allocated to the dressmaking section.
- Insurance on factory equipment was paid up to 30 June 2021. Dress-making equipment comprises  $\frac{1}{3}$  of the total factory equipment.
- Only one of the six cleaners, Susan, was allocated to the dressmaking section. Susan earns 10% less than the other five cleaners.

**E. Additional information relating to the dressmaking section:**

- Total variable costs amounted to R1 094 700 (R61,50 per unit)
- Fixed costs, comprising factory overhead costs and administration costs, totalled R229 500

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**QUESTION3**

**3.1 PERFECT FIT MANUFACTURERS**

The business produces formal shirts. The financial year ended 28 February 2021.

**REQUIRED:**

- 3.1.1 Prepare the Production Cost Statement. (14)
- 3.1.2 Calculate:
- Gross profit earned on sale of shirts (5)
  - Mark-up % achieved on shirts (2)

**INFORMATION:**

**A. Stock on hand:**

	<b>28 FEBRUARY 2021</b>	<b>1 MARCH 2020</b>
Work-in-progress	?	R230 000
Finished goods	400 shirts, valued using FIFO method	900 shirts at R380 = R342 000

**B. The bookkeeper calculated the costs below. Some errors were made.**

Direct material cost	R1 575 000
Selling and distribution cost	R385 000
Administration cost	R256 400
Direct labour cost	?
Factory overhead cost	R518 800

**C. Errors and omissions:**

- Payment to Quick Deliveries, R75 000 for carriage on raw materials, was incorrectly allocated to selling and distribution cost.
- The entire insurance amount of R25 200 was transferred to the Administration Cost Account. Two-thirds (2/3) of this expense should be allocated to the factory.
- The Factory Overhead Cost Account included an amount of R117 600 for water and electricity. The bookkeeper had incorrectly allocated this expense to factory, administration, and selling and distribution in the ratio 6 : 3 : 1. The correct ratio is 5 : 4 : 1.

**D. Prime cost: R2 550 000 (after adjustments)**

**E. Production and sales for the year:**

- 7 600 shirts were produced at a unit cost of R420 each.
- 8 100 shirts were sold for R4 860 000.

**3.2 LEATHER MANUFACTURERS**

Leather Manufacturers is owned by Tello Andrews. They produce leather purses and leather jackets. The financial year ends on 28/29 February each year.

**REQUIRED:**

**PURSES**

- 3.2.1 Calculate the break-even point for purses for the year ended 28 February 2021. (4)
- 3.2.2 Comment on the level of production achieved and the break-even point for purses for 2021. Quote figures. (4)
- 3.2.3 Apart from inflation and wage increases, give TWO other possible reasons for the increase in the direct labour cost per unit for purses. (4)
- 3.2.4 Give TWO reasons for the decrease in the direct material cost per unit for purses. (2)

**JACKETS**

- 3.2.5 Although Tello was aware that importing leather for the jackets would increase the direct material cost per unit, he thought that this would improve the quality of the jackets.
  - Explain why the direct material cost per unit for jackets would probably increase if raw material were imported. State TWO points. (2)
  - Provide figures to prove that Tello was correct about the effect this decision would have on the cost of the jackets. (2)
- 3.2.6 Calculate the % increase in the selling price of the jackets. (3)
- 3.2.7 Explain the impact of the increase in the selling price of jackets on the sales and profit. Quote figures or calculations. (4)
- 3.2.8 Tello wants to increase profits on jackets by an additional R250 000 in the next financial year. Assuming the cost structure remains the same, calculate the total number of additional units he must produce to achieve this target. (4)

**INFORMATION:**

	PURSES		JACKETS	
	2021	2020	2021	2020
Direct material cost per unit	R100	R125	R360	R180
Direct labour cost per unit	R135	R105	R280	R240
Selling and distribution cost per unit	R20	R30	R60	R45
<b>Total variable cost per unit</b>	<b>R255</b>	<b>R260</b>	<b>R700</b>	<b>R465</b>
Total fixed costs	R936 000	R836 000	R1 706 250	R2 000 000
Number of units produced and sold	24 000	22 000	3 631	6 350
Break-even number of units	?	20 900	3 750	5 000
Selling price per unit	R295	R300	R1 170	R780

**QUESTION 4**

Sihle Sangweni owns two separate factories that manufacture products according to orders received. There is no work-in-progress stock. The year-end is 28 February.

4.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.

4.1.1 Wages of factory cleaners is a direct labour cost.

4.1.2 Delivery costs of finished goods to retailers are a selling and distribution cost.

4.1.3 Depreciation on office equipment is an administration cost. (3)

4.2 **DESKS FACTORY**

**REQUIRED:**

4.2.1 Complete the Factory Overhead Cost Note. (8)

4.2.2 Calculate the total cost of production of finished goods. (5)

4.2.3 Sihle wants to produce an additional 1 500 desks, while maintaining the selling price and costs.

Calculate the additional profit he can expect. (4)

4.3 **CHAIRS FACTORY**

**REQUIRED:**

4.3.1 Provide a calculation to confirm the break-even point for 2019. (4)

4.3.2 Comment on the break-even point and the production level achieved. Quote figures. (4)

4.3.3 Raw material consists of wood only. In 2019 the cost is R120 per square metre (m<sup>2</sup>) and 1,2 m<sup>2</sup> of wood is needed to make one chair. During the year, 22 000 m<sup>2</sup> wood was dispatched to the factory. Sihle feels that the wood raw material was not well controlled.

- Provide a calculation to support his opinion. (4)
- Identify TWO possible causes of this problem. Provide a solution for EACH. (4)

4.3.4 Give TWO reasons for the increase in direct labour cost. Provide a solution for EACH. Note that wages and salaries increased by 5% in the current financial year. (4)

**INFORMATION:**

**A. DESKS FACTORY**

**Extract of pre-adjustment amounts on 28 February 2019**

	R
Indirect labour	296 500
Depreciation of factory plant	166 000
Advertising	24 500
Water and electricity	248 000
Rent expense	345 600
Insurance allocated to sales department	12 600
Factory sundry expenses	107 700

**Adjustments to factory overheads for desks:**

- Water and electricity for February 2019, R18 000, must be taken into account. 80% is allocated to the factory. The balance is an administration cost.
- Rent must be allocated according to floor area:  
 Factory: 810 m<sup>2</sup> Office: 180 m<sup>2</sup> Sales department: 90 m<sup>2</sup>
- 75% of insurance must be allocated to the factory. The balance applies to the sales department.

**B. INFORMATION FOR BOTH FACTORIES**

COSTS		DESKS 2019		CHAIRS (Unit costs)	
		Amount	Per unit	2019	2018
Variable	Direct material	R3 060 000	R340	R165	R124
	Direct labour	?	R160	R90	R70
	Selling and distribution	R720 000	R80	R50	R60
	Total variable costs		R580	R305	R250
Fixed	Factory overheads			R76	R75
	Administration	R360 000	R40	R20	R18

SELLING PRICES				
Per unit		R750	R390	R370

UNITS				
Produced and sold		9 000	16 000	15 000
Break-even point		8 471	18 071	12 400

**QUESTION 5**

5.1 Choose ONE cost account for each of the following descriptions. Write only the cost accounts next to the question numbers (5.1.1 to 5.1.4) in the ANSWER BOOK.

direct labour cost; direct/raw materials cost; factory overheads cost;  
 administration cost; selling and distribution cost

- 5.1.1 Bad debts written off during the financial year
- 5.1.2 Pension fund contributions paid on behalf of the workers in the production process
- 5.1.3 Transport costs paid for raw materials purchased
- 5.1.4 Depreciation on office equipment (4)

**5.2 TIGHT-FIT MANUFACTURERS**

The information relates to Tight-Fit Manufacturers, a business that manufactures denim jeans, for the financial year ended 31 March 2018.

**REQUIRED:**

- 5.2.1 Calculate:
  - The value of the closing stock of raw materials of fabric using the weighted-average method (4)
  - The value of direct/raw materials issued for production (3)
  - The correct factory overhead costs (6)
- 5.2.2 Complete the Production Cost Statement on 31 March 2018. (12)
- 5.2.3 The business purchases raw materials from an overseas supplier, although there are numerous local suppliers. Give TWO reasons why the business should support local suppliers. (2)

**INFORMATION:**

**A. Stock balances on 31 March:**

	2018	2017
Work-in-process	?	R147 500
Finished goods	R118 000	R231 000

**B. Raw materials (fabric):**

Raw materials, consisting of metres of fabric, are issued by the storeroom to the factory.

**Storeroom stock records:**

	<b>METRES</b>	<b>TOTAL AMOUNT R</b>
Stock on 1 April 2017	5 000	535 000
Purchases:	18 700	2 072 000
July 2017	6 200	620 000
October 2017	4 800	528 000
January 2018	7 700	924 000
<b>Total available for production</b>	<b>23 700</b>	<b>2 607 000</b>
Stock on 31 March 2018	3 900	?

**C. Figures provided by the bookkeeper on 31 March 2018:**

Wages of factory workers (direct labour)	R3 522 000
Factory overhead cost (see Information D below)	R746 670
Administration cost	R655 700
Selling and distribution cost	R413 900

**D. Adjustments must be made to factory overhead cost in respect of the following:**

- Insurance of factory plant and equipment paid was R69 600 and incorrectly debited to the Administration Cost Account. Included in this is a new annual premium of R17 400 paid on 1 January 2018.
- Rent is allocated according to the floor space. However, the bookkeeper correctly allocated only R14 820 to the administration section.

<b>FACTORY</b>	<b>ADMINISTRATION OFFICE</b>	<b>TOTAL FLOOR AREA</b>
520 m <sup>2</sup>	130 m <sup>2</sup>	650 m <sup>2</sup>

**E. Details from the Income Statement for the year ended 31 March 2018:**

Sales	R9 747 000
Cost of sales	6 518 000
Gross profit	3 229 000

**5.3 BREAK-TIME MANUFACTURERS**

Break-Time Manufacturers is a manufacturing business that produces lunch boxes for school children.

**REQUIRED:**

2.3.1 Calculate the following for the year ended 30 April 2018:

- Direct labour cost (2)
- Break-even point (4)

2.3.2 Explain why the owner should be concerned about the break-even point. Quote figures. (3)

2.3.3 The owner is concerned about the direct labour cost.

- Explain why the owner would NOT be satisfied with the direct labour cost per unit. Quote figures. (3)
- Give ONE solution to this problem. (2)

**INFORMATION ON 30 APRIL:**

	2018		2017	
	TOTAL COST	PER UNIT	TOTAL COST	PER UNIT
Direct labour cost (basic and overtime)	?	R7,56	R1 646 400	R5,60
Total fixed costs	R3 102 500	R9,36	R1 989 000	R6,77
Total variable costs	R6 464 250	R19,50	R4 704 000	R16,00
Selling price per unit	R28,00		R24,50	
Number of units produced and sold	331 500 units		294 000 units	
Break-even point	?		234 000 units	



**6.1 SOS MANUFACTURERS**

The business specialises in the production of security alarms. The financial year ended on 30 September 2019.

**REQUIRED:**

Calculate and complete the following on 30 September 2019:

- 6.1.1 Direct materials issued to the factory for the year. (7)
- 6.1.2 The production cost of finished goods for the year. (5)
- 6.1.3 Factory Overhead Cost Note for the year. (13)
- 6.1.4 Complete the Production Cost Statement for the year. (7)

**INFORMATION:**

**A.** The following balances appeared in the stock accounts:

	<b>30 September 2019</b>	<b>1 October 2018</b>
Raw materials stock	R69 700	R54 700
Indirect materials stock	R2 730	R14 100
Work-in-progress stock	?	R65 050
Finished goods stock	R79 500	R100 450

- B.** Purchases of raw materials during the year amounted to R1 135 000. Returned raw materials valued R4 700, has not been recorded.
- C.** These invoices were omitted in connection with deliveries:
  - To SOS Manufacturers R3 500
  - From SOS Manufacturers R53 080
- D.** Trade discount of R3 800 on raw materials had not been granted. SOS Manufacturers was entitled to this discount.
- E.** Monthly insurance has remained constant for the last two years. Insurance paid for the year amounted to R121 520 and this included insurance paid in advance for October and November 2019. Insurance for the current year to be allocated to the selling and distribution department is R44 640 and R22 320 for the administration department and the rest for the factory.
- F.** Indirect material bought during the year was R250 400. Indirect material used is divided between the factory, administration, and selling and distribution department in the ratio of 1 : 1 : 3.
- G.** Sales for the year were R6 282 375. The business make use of 150% mark-up on cost price.

- H. The rent for the selling and distribution department amounts to R171 500 for the current financial year. Rent is distributed between the departments: factory, administration, and selling and distribution as follows: 60% for the factory, 5% for administration and the balance for selling and distribution.
- I. The following salary and wage expenses were incurred:

Description	Gross salaries/wages	Contributions	
		Medical aid	UIF
Factory indirect labour	R312 800	R6 352	R3 128
Administration clerks	R80 000	R1 650	R1 600
Direct labour	R790 000 including contributions		

## 6.2 H2O MANUFACTURES

H2O is a small manufacturing business that produces plastic water bottles. Owned by Wally.

### REQUIRED:

- 6.2.1 Calculate the break-even point for H2O on 29 February 2020. (4)
- 6.2.2 Explain why Wally should be concerned about the profitability and sustainability of the business. Give TWO points with figures to support your answer. (4)

### INFORMATION:

29 February 2020	Total	Per unit
<b>Variable costs:</b>		R11,75
Direct materials costs	R607 750	R5,50
Direct labour costs	R508 300	R4,60
Selling & distribution costs	R182 325	R1,65
<b>Fixed costs:</b>	R795 900	
Factory overheads cost	R548 400	
Administration costs	R247 500	
Selling price per unit		R18,85

Every year they sell all the goods they produced:

	29 February 2020	28 February 2019
Units produced and sold	110 500 units	98 000 units
Break-even point	?	78 000 units

**QUESTION 7**

**7.1 HIPPO HOLLOW CAMPING EQUIPMENT**

Hippo Hollow produces one type of sleeping bag. The financial year ends on 29 February 2020.

**REQUIRED:**

- 7.1.1 Prepare the Factory Overhead Cost Note on 29 February 2020. (10)
- 7.1.2 Complete the Production Cost Statement on 29 February 2020. (Show all workings to earn part marks). (11)

**INFORMATION:**

**A. Stock balances:**

	<b>29 FEBRUARY 2020</b>	<b>28 FEBRUARY 2019</b>
Work in progress	?	R35 000
Factory consumable stores	R3 100	0

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

Direct material transferred to the factory	R888 600
Consumable stores purchased for the factory	31 800
Production wages	432 000
Water and electricity	37 220
Insurance	14 820
Sundry expenses: Factory	21 800
Sales department	9 710

**C. Additional information and adjustments:**

- The following entry was omitted from the Production Wages Journal for the last week of February 2020:

Net wage due to employee	R9 240
Total deductions for this employee amounts to 23% of his gross wages	

**NOTE:** The employer pays 10% of the gross wage to the Pension fund and 1% to the UIF, respectively.

- An amount of R3 280 was still outstanding for water and electricity. 75% of water and electricity is used in the factory.
- Insurance includes an additional premium of R2 220 for the period 1 January 2020 to 30 June 2020. This expense is allocated between the factory and sales department in the ratio 3:1.
- During the year, the business produced 11 168 sleeping bags at R125 per unit.

## 7.2 WOODLAND MANUFACTURERS

Zeff Woods owns a small business that produces wooden chairs and wooden tables which he supplies to local churches.

### REQUIRED:

- 7.2.1 Identify ONE variable unit cost, which were not well controlled in the making of chairs and tables respectively in 2020. Quote figures to support your answer  
 For each unit cost identified, give a possible cause of the problem. (6)
- 7.2.2 Calculate the break-even point of wooden chairs for the year ended 2020. (4)
- 7.2.3 Zeff is concerned about the number of units produced and sold, and the break-even point for wooden chairs in 2020. Explain why you think he must be concerned. Quote figures to support your answer. (4)
- 7.2.4 Zeff has decided to increase the selling price of wooden tables by R15 in the next financial year.
- Explain why this increase in price by R15 is a good idea. Quote figures to support your answer. (2)
  - Assuming that the level of production and sales of wooden tables will remain unchanged, calculate how much extra net profit he will earn next year. (3)

INFORMATION	WOODEN CHAIRS		WOODEN TABLES	
	2020	2019	2020	2019
Total units produced & sold	16 000 units	25 000 units	80 000 units	70 000 units
Break-even point (units)	?	9 769 units	41 797 units	51 020 units
Selling price per unit charged by Woodland Manufacturers	R430,00	R500,00	R110,00	R90,00
Selling price of competitors	R410,00	R450,00	R130,00	R105,00
<b>VARIABLE COSTS PER UNIT</b>	<b>R121,00</b>	<b>R111,00</b>	<b>R46,00</b>	<b>R41,00</b>
Direct material cost per unit	R34,00	R35,00	R27,00	R20,00
Direct labour cost per unit	R75,00	R65,00	R16,00	R16,00
Selling & distribution cost per unit	R12,00	R11,00	R3,00	R5,00
Total Fixed costs (factory overhead costs and administration costs)	R4 065 000	R3 800 000	R2 675 000	R2 500 000
Net profit	R879 000	R5 925 000	R2 620 000	R930 000

**QUESTION 8**

**BLITZ ENERGY DRINKS**

Blitz Energy drinks produce one type of energy drink and maintain a markup of 100% on cost. The financial year ended on 31 May 2021.

Complete the following for the financial year ended 31 May 2021:

- 8.1.1 The Factory Overhead Cost Note (12)
- 8.1.2 The Production Cost Statement (7)
- 8.1.3 The Abridged Income Statement (Statement of Comprehensive Income) (7)

**INFORMATION:**

**A.** Stock balances:

	<b>31 MAY 2021</b> R	<b>31 MAY 2020</b> R
Work in progress	?	69 500
Indirect material stock	1 800	4 200

**B.** Prime cost was correctly calculated at R1 410 300.

**C. Salaries and Wages:**

Factory workers in production (including employer contributions)	R 515 500
Factory foreman (gross salary)	R88 000
Employer contributions in respect of foreman	12% of gross
Administration staff (including benefits)	R157 240
Sales staff (including benefits)	R181 040

**D. Other expenses:**

Indirect material purchased during the year	R44 200
Depreciation on factory machinery	R119 570
Depreciation on delivery vehicles	R86 400
Insurance paid for the year	R78 600
Rent expense	?

- Indirect material must be divided between the factory, administration and selling and distribution in the ratio 3 : 1 : 1.
- Insurance includes an annual premium of R22 800 paid on 1 March 2021. Insurance is for the factory only.
- Rent is divided according to floor space, as follows:  
 Factory 319m<sup>2</sup>, administration 58m<sup>2</sup> and selling and distribution 29m<sup>2</sup>.

The rent allocated to selling and distribution was R37 200. However, the bookkeeper neglected to take into account the annual increase of 10% p.a. effective from 1 May 2021.

E. After taking into account all adjustments, the following were noted:

Total sales for the year	R4 118 800
Selling and distribution costs	15% of total sales
Administration cost	?
Net profit for the year	R1 200 000

F. Blitz Energy drinks produced 350 000 units during the year at R6,00 per unit.

## 8.2 NICK-LED LIGHTING

Nick Led is the owner of this manufacturing business that produces LED bulbs. The financial year ended 28 February 2021.

### REQUIRED:

#### 8.2.1 Fixed cost:

Nick was confused that the fixed cost only increased by R3 600, although production increased by 12 000 units. How would you explain this to him? Provide ONE point. (2)

#### 8.2.2 Variable cost:

- Provide TWO reasons for the change in the direct material cost per unit. (2)
- Explain TWO control measures that the business can implement to ensure better control over the direct labour cost per unit. (2)
- Explain whether the selling and distribution cost have been well controlled or not. Quote figures. (4)

#### 8.2.3 Production and break-even:

Nick was pleased with the increase in the level of production in the current financial year.

Explain to Nick why he should NOT be pleased. Provide TWO points. Quote figures. (4)

**INFORMATION:**

Information extracted from the records:

	28 FEBRUARY 2021		29 FEBRUARY 2020	
	TOTAL (R)	UNIT COST (R)	TOTAL (R)	UNIT COST (R)
Fixed costs	243 600	2,80	240 000	3,20
Variable cost	1 022 250	11,75	742 500	9,90
Direct material	343 650	3,95	300 000	4,00
Direct labour	522 000	6,00	322 500	4,30
Selling and distribution	156 600	1,80	120 000	1,60
Selling price per unit	R14,50		R14,00	
Units produced and sold	87 000 units		75 000 units	
Break-even point (units)	88 582 units		58 537 units	

# BUDGETS



**QUESTION 1**

Shepstone Traders sell household appliances for cash and on credit. They also charge fees for repairing appliances, but only for cash. The business owner is Brian Johns. The information relates to the budget period November 2021 to January 2022.

**REQUIRED:**

1.1 Calculate the amounts indicated by **(a)–(c)** on the Debtors' Collection Schedule provided in the ANSWER BOOK. (6)

1.2 Calculate the amounts indicated by **(a)–(c)** on the Cash Budget provided in Information F. (9)

1.3 **Workload of employees: Refer to Information G.**

Brian is concerned about the workload of his staff. He plans to reduce the sales staff by one person. The other sales staff members are not happy with this plan.

- Provide TWO points that Brian can explain to his sales staff to justify his plan. Quote figures. (4)
- Explain why the repair staff members are not satisfied with their workload. Quote figures. (3)
- What suggestions can you offer to solve the problem of the workload of employees? Provide TWO points. (4)

1.4 **Sales trends: Refer to Information G.**

Comment on the cash and credit sales figures for November 2021. Explain why Brian is concerned. Quote figures. (3)

1.5 **Variations:** The budgeted and actual figures for November 2021 are provided.

Comment on the control over fuel for the delivery vehicle and the consumable stores used for repairs. Quote figures.

	<b>BUDGETED R</b>	<b>ACTUAL R</b>	<b>VARIANCE</b>
Sales	798 000	707 000	– 91 000
Fee income	32 000	66 000	+ 34 000
Fuel for leased delivery vehicle	20 800	19 900	– 900
Consumable stores for repairs	8 000	12 100	+ 4 100

(6)

**INFORMATION:**

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

	September 2021	October 2021	November 2021	December 2021	January 2022
Total sales	R735 000	R770 000	R798 000	R910 000	R882 000
Cost of sales	R420 000	R440 000	R456 000	R520 000	R504 000

**B. Credit sales:** 40% of total sales are on credit.

**C. Debtors paid according to the following trend:**

- 30% paid in the month of sale and receive a 5% discount.
- 45% paid in the month following the month of sale.
- 22% paid in the second month following the month of sale.

Bad debts are taken into account in the third month.

**D. Purchases and payments to creditors:**

- 80% of the stock is purchased on credit.
- Stock sold is replaced in the month of sales.
- Creditors are paid two months after the purchase month.

**E. Information on specific items from the Cash Budget:**

- Rent income will be increased by 9% p.a., effective from 1 January 2022.
- Shepstone Traders undertake special and extensive cleaning and sanitisation during December each year. This has the effect of increasing the cleaning services budget by 65%, in December only. The normal monthly fee is expected to increase by 5% p.a. commencing on 1 January 2022.

**F. Extract from the Cash Budget:**

<b>RECEIPTS</b>	<b>Dec. 2021</b>	<b>Jan. 2022</b>
Cash sales	R546 000	R529 200
Fee income (repairs)	38 400	52 200
Rent income	(a)	20 056
<b>PAYMENTS</b>		
Cash purchases	104 000	100 800
Payments to creditors	352 000	(b)
Consumable stores (repairs)	9 600	13 050
Fuel	21 840	23 930
Cleaning services	15 510	(c)
Salaries to sales staff	82 000	87 330
Wages to repair staff	11 000	11 715
Advertising	36 400	35 280

**G. Information for November 2021:**

Number of sales employees, including the driver	5	
Number of repairs employees	2	
	<b>BUDGETED</b>	<b>ACTUAL</b>
Number of customers: Sales	230	175
Number of customers: Repairs	70	136
Total sales	R798 000	R707 000
Cash sales	478 800	142 000
Credit sales	319 200	565 000
Gross profit	342 000	303 000
Fee income (cash only)	32 000	66 000
Salaries: Sales staff	82 000	82 000
Wages: Repairs staff	11 000	11 000

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**QUESTION 2**

2.1 Insert the relevant amount(s) for EACH transaction below into the appropriate columns for the following Cash Budget and Projected Income Statement for July 2021.

**Example:** Monthly telephone costs are expected to be R4 200.

NO.	CASH BUDGET FOR JULY		PROJECTED INCOME STATEMENT FOR JULY	
	RECEIPT	PAYMENT	INCOME	EXPENSE
e.g.		4 200		4 200

(8)

**TRANSACTIONS FOR JULY 2021:**

- 2.1.1 A three-month advertising contract for R6 000 will be paid on 1 July 2021. R2 000 of this amount relates to the next financial year.
- 2.1.2 On 1 July 2021, R45 000 will be invested in a fixed deposit at 8% interest p.a. Interest is not capitalised and is received at the end of each month.
- 2.1.3 Budgeted cash sales, R23 200 (cost of sales; R16 000).

2.2 **ANOKHI (PTY) LTD**

The business sells electrical appliances. The financial year ends on 30 April. Kayla Bester is the sole shareholder and CEO of the business.

**REQUIRED:**

2.2.1 Complete the Creditors' Payment Schedule for the budget period ending 31 July 2021. (9)

2.2.2 Calculate the amounts for **(a)** to **(d)** in the Cash Budget. (16)

2.2.3 Kayla extracted the following actual and budgeted figures for May 2021:

	BUDGETED	ACTUAL
Total sales	R882 000	R705 600
Cash from debtors	522 828	402 600
Advertising	35 280	35 280
Delivery expenses (ABC Deliveries)	57 330	51 200

Comment and quote figures on the:

- Effectiveness of the advertising
- Control over delivery expenses

Quote figures in EACH case. (6)

4.2.4 Kayla decided that the business will purchase a delivery vehicle on 1 June 2021.

- State TWO benefits of this decision. (2)
- Apart from the items reflected in the Cash Budget (Information F), list FOUR other items that Kayla should include in the budget. (4)

**INFORMATION:**

**A. Total sales:**

ACTUAL SALES		BUDGETED SALES	
APRIL 2021	MAY 2021	JUNE 2021	JULY 2021
R878 400	R882 000	R918 000	R936 000

**B.** Credit sales comprise 60% of total sales.

**C.** Goods are sold at a mark-up of 80% on cost.

- D. The business maintains a fixed-stock base level. Stock sold in a month is replaced in the same month. The cash purchases are 65% of total purchases.
- E. Creditors are paid according to the following trend:
- 40% – settled in the month of purchase to earn 5% discount
  - 50% – settled in the month following the purchase month
  - 10% – settled in the second month after the purchase month
- F. **Extract: Cash Budget for the three months ended 30 July 2021**

	MAY 2021 R	JUNE 2021 R	JULY 2021 R
<b>Receipts</b>			
Cash sales	352 800	367 200	374 400
Cash from debtors	522 828	535 140	548 640
Rent income	15 500	15 500	(a)
Loan: Jane Investments	0	(b)	0
<b>Payments</b>			
Cash purchases	318 500	331 500	338 000
Payments to creditors	167 020	170 660	?
Salaries of sales assistants	41 000	41 000	(c)
Directors fees	(d)	98 880	98 880
Advertising	35 280	36 720	37 440
Interest on loan	0	3 150	3 150
Delivery expenses (ABC Deliveries)	57 330	59 670	0
Delivery vehicle deposit		140 000	

- (a) Rent income is expected to increase by 9% p.a. from 1 July 2021.
- (b) The business has negotiated a loan which will be received on 1 June 2021. Interest at 13,5% p.a. is payable at the end of each month, commencing from 30 June 2021.
- (c) The business employed five sales assistants in May and June on the same salary scale. Three of them will receive an annual bonus of 75% of their earnings in July 2021. A part-time sales assistant will be employed during July 2021 and will earn 50% of the monthly amount applicable to the others.
- (d) Kayla earns directors' fees of R720 000 for the year. The company also employed another director, Martin, for the entire year. Martin will receive an increase of 8% p.a. on his directors' fees from 1 June 2021.

### QUESTION 3

Blossom (Pty) Ltd sells expensive ladies' dresses of high quality. They also repair dresses for customers, but they aim to break even on this service.

Customers are allowed to buy dresses for cash or on credit, but they are required to pay cash for all repairs.

The information relates to the budget period ending 31 May 2021.

#### REQUIRED:

- 3.1 Complete the Debtors' Collection Schedule for March to May 2021. (9)
- 3.2 Calculate the missing amounts indicated by (a) to (d) in the Cash Budget. (14)
- 3.3 **Refer to Information G and H.**

#### Advertising:

- Explain the decisions that the directors took regarding the budgeted and actual expenditure for advertising in May 2021. Quote figures or calculations. (4)
- The directors ask you for a report on the effect that the advertising decisions have actually had on customers and sales in May 2021.
  - Provide TWO points that you would include in your report. Quote figures or calculations. (4)
  - Explain how the decline in the national economy has affected the average amount that customers spent in May 2021. Quote figures. (3)

#### Consumable stores:

Comment on whether the consumable stores have been well controlled or not. Quote figures or calculations. (2)

- 3.4 **Refer to Information F and H.**

#### Rental and customers:

The owners of the property, Propco Ltd, informed the directors of Blossom Ltd of the increase in rent planned with effect from 1 April 2021.

In order to economise on rent, the directors asked the owners, Propco Ltd, for a reduction of the area rented from 1 May 2021. Propco Ltd agreed to this request. Calculate the reduction of the area rented (in square metres). (4)

**INFORMATION:**

**A. Total sales and cost of sales:**

	MARCH	APRIL	MAY
Sales	R560 000	R630 000	R770 000
Cost of sales	320 000	360 000	440 000

- Goods are sold at a mark-up of 75% on cost.
- Credit sales are expected to be 65% of total sales.

**B. Expected debtors' collection based on the past:**

- 40% collected in the month of sale, less 6% discount for early payment
- 50% collected in the month following the month of sale
- 8% collected two months after the sale
- 2% regarded as uncollectable two months after the sale

**C. Purchases of stock:**

- All purchases of stock are on credit.
- Trading stock is replaced in the month of sale. A fixed stock level is maintained.
- Creditors are paid in full in the month after purchasing stock.

**D. Loan from Janet Bloom:**

- Janet Bloom has provided a loan to the business at an interest rate of 9% p.a. Interest is not capitalised and one-third of the loan is repaid to her on 31 December each year.
- As the company was still experiencing cash flow problems owing to the Coronavirus lockdown in 2020, Janet agreed to increase her loan to the business on 1 April 2021.

**E. Salaries of sales assistants:**

- The sales assistants all earn the same monthly salary.
- They were promised a 5% increase in salaries with effect from 1 April 2021.
- The business employed two sales assistants in March and planned to employ an additional assistant from 1 April 2021.

**F. Rent and number of customers:**

- The directors secured premises in a local shopping mall from Propco Ltd with enough space to cater for the expected number of customers.
- Rent is charged per square metre according to the floor area. The rent increased by 11% p.a. commencing on 1 April.
- The following figures were identified for planning purposes:

	MARCH	APRIL	MAY
Floor area in square metres (m <sup>2</sup> )	120 m <sup>2</sup>	120 m <sup>2</sup>	?
Rent expense per m <sup>2</sup>	?	?	?
Expected average sales per customer	R7 000	R7 000	R7 000
Expected number of customers	80 customers	90 customers	110 customers

**G. Extract from the Cash Budget:**

	MARCH	APRIL	MAY
<b>RECEIPTS</b>	<b>R</b>	<b>R</b>	<b>R</b>
Cash sales	196 000	(a)	269 500
Cash from debtors	278 369	355 992	?
Fee income (for repairs)	15 000	15 000	15 000
Loan from Janet Bloom (see Information D)		(b)	
<b>PAYMENTS</b>			
Payments to creditors	220 000	320 000	360 000
Salaries of sales assistants (see Information E)	22 400	(c)	?
Wages of repair staff	9 000	10 000	10 000
Consumable stores (for repairs)	4 200	4 200	4 200
Interest on loan	1 365	2 625	2 625
Rent expense (see Information F)	(d)	39 960	39 960
Advertising	10 000	12 000	30 000
Audit fees			60 000

**H. Comparison of budgeted figures to actual figures for May 2021:**

	BUDGETED	ACTUAL
Number of customers	110 customers	135 customers
	<b>R</b>	<b>R</b>
Sales	770 000	690 000
Fee income (repair service)	15 000	21 000
Advertising	30 000	42 000
Consumable stores (for repairs)	4 200	5 520
Wages (for repair staff)	12 000	18 000
Audit fees	60 000	48 000
Rent expense	39 960	31 968
Salaries (shop assistants)	35 280	37 044
Delivery expenses	6 930	4 850
Packing material	19 250	13 480



**QUESTION 4**

The financial year-end of Carpets Galore (Pty) Ltd is 31 October 2019. Thembi Tsomi is the sole shareholder and director.

4.1 Indicate amounts in the appropriate blocks for the Cash Budget and Projected Income Statement for three months ending 31 January 2020.

- A printer costing R40 800 will be bought for cash on 30 November 2019. Depreciation will be R680 per month.
- On 1 January 2020, R48 000 will be paid for a 12-month insurance contract.
- A loan of R100 000 will be received from Viva Bank on 31 December 2019. This will be repaid in equal instalments over 20 months, commencing on 31 January 2020. Interest at 12% p.a. is paid monthly and is not capitalised.

(11)

4.2 **Refer to Information A: Debtors' Collection Schedule.**

Thembi is preparing projections for the period commencing 1 November 2019. Thembi does not grant discount for early payment.

Calculate the % of debtors:

- Who settle their accounts in the 2<sup>nd</sup> month following the credit sales transaction month (3)
- Written off as bad debts at the end of the 3<sup>rd</sup> month following the credit sales transaction month (4)

4.3 **Refer to Information B: Projected Income Statement for September and October.**

4.3.1 Office workers are unhappy with the increase that Thembi gave them on 1 October 2019. Explain what she should say to them. Provide TWO points. Quote figures or a calculation. (6)

4.3.2 Thembi pays her son, Jacob, to deliver and install carpets for customers. She budgets R2,80 per metre for this. Comment on the control of this expense. Quote figures or a calculation. (4)

4.3.3 A new competitor commenced trading in the area on 1 September 2019. (2)

- Provide figures to illustrate the impact on sales in September.
- Explain THREE decisions that Thembi took in October in response to the new competitor. Quote figures or a calculation. (6)

4.3.4 Stock sold is replaced in the same month. 50% of the stock is bought on credit. Creditors are paid in the month following the purchases month to receive a 5% discount.

Calculate the **actual** amount payable to creditors in November 2019. (4)

**INFORMATION:**

**A. Debtors' Collection Schedule for the period ending 31 January 2020:**

	CREDIT SALES	COLLECTIONS		
		NOV. 2019	DEC. 2019	JAN. 2020
August	R80 000	R17 600		
September	90 000	67 500	R19 800	
October	100 000		75 000	R22 000
November	120 000			90 000
			<b>R94 800</b>	<b>R112 000</b>

**B. Information identified from the Projected Income Statement:**

	SEPTEMBER 2019		OCTOBER 2019	
	Projected	Actual	Projected	Actual
Metres sold	5 000 m	3 800 m	5 000 m	6 000 m
Selling price per metre	R100	R100	R100	R88
Cost price per metre	R60	R60	R60	R60
Sales: cash	R400 000	R310 000	R400 000	R132 000
: credit	90 000	70 000	100 000	396 000
<b>Total sales</b>	490 000	380 000	500 000	528 000
<b>Cost of sales</b>	(300 000)	(228 000)	(300 000)	(360 000)
Gross profit	190 000	152 000	200 000	168 000
Director's fees	50 000	50 000	50 000	40 000
Wages: Office workers	9 200	9 200	9 200	11 040
Salary: Salesperson	20 000	20 000	20 000	0
Commission: Salesperson	0	0	0	52 800
Advertising	5 000	5 000	5 000	5 000
Packing materials	2 500	1 900	2 500	2 550
Delivery and installation of carpets	14 000	14 000	14 000	16 800
Staff training	15 000	0	15 000	40 000

## QUESTION 5

You are provided with information relating to Magic Traders. The business is owned by Tony Salotte.

### REQUIRED:

5.1 Complete the following statements:

5.1.1 The main purpose of a Cash Budget is to ... (2)

5.1.2 The main purpose of a Projected Income Statement is to ... (2)

5.2 Debtors' Collection Schedule and Projected Income Statement:

5.2.1 Complete the Debtors' Collection Schedule for June 2018. (7)

5.2.2 Determine the following amounts that will appear in the Projected Income Statement:

- Discount allowed for May 2018 (3)
- Bad debts written off in June 2018 (3)

5.3 Calculate the following:

- Cash sales for May 2018 (2)
- Payment to creditors in June 2018 (4)
- Salaries for May 2018 (5)

5.4 Tony compared the budgeted figures to the actual figures for April 2018.

	BUDGETED	ACTUAL
Sales	R480 000	R576 000
Advertising	R8 000	R11 000
Wages of cleaners	R9 000	R12 500
Cleaning materials	R1 200	R2 700
Payment to creditors	R224 000	R0

5.4.1 Tony is not concerned about the overspending in advertising. Explain why this is so. Quote figures to support your answer. (4)

5.4.2 State ONE consequence of not paying the amount due to creditors in April 2018. (2)

5.4.3 Refer to the figures above and to Information F. State TWO points in favour of appointing Gentex Cleaning Services. Also explain ONE point that Tony should consider before making this decision. (6)

INFORMATION:

A. Total sales:

	ACTUAL	BUDGETED
March 2018	R420 000	
April 2018	R480 000	
May 2018		R300 000
June 2018		R360 000

B. Cash sales amount to 40% of the total sales.

C. Debtors are expected to pay as follows:

- 30% in the month of sales. They receive a 5% settlement discount.
- 60% in the month following the sales month
- 9% in two months after the sales month
- 1% is written off as bad debts in the third month after sales

D. Purchases and payment to creditors:

- The business maintains a fixed-stock base level.
- Goods are sold at a mark-up of 50% on cost.
- 80% of all merchandise purchased is on credit.
- Creditors are paid in full in the month following the purchase month.

E. Salaries:

- Total salaries are R101 500 for April 2018.
- There are 7 employees who earn the same monthly salary.
- 1 employee will resign and leave on 30 April 2018.
- 4 employees will each receive a bonus of 80% of their salaries in May 2018.

F. The business pays wages to two cleaners, one of whom has been on sick leave in April and a substitute had to be employed. Tony is concerned that too much money is wasted on cleaning. He thinks that he should contract Gentex Cleaning Services to take over the cleaning process entirely. They will charge R8 000 per month.

**QUESTION 6**

You are provided with the Cash Budget of Rian Traders for three months ended 31 December 2019. The business is owned by Rian Green.

**REQUIRED:**

- 6.1 Explain why a business needs to prepare a Cash Budget every year. (2)
- 6.2 Calculate the expected receipts from debtors for November 2019. (5)
- 6.3 Calculate the amounts indicated by A–D in the Cash Budget. (4)
- 6.4 The rent income was increased by 9% on 1 November 2019. Calculate the rent income amount for October 2019. (3)
- 6.5 In your opinion, is Rian's capital contribution in November sufficient to support this business venture? Give ONE reason with figures to support your answer. (3)
- 6.6 Refer to the salaries and wages in the Cash Budget.
- Calculate the percentage increase granted to the employees on 1 November 2019. (3)
  - In your opinion, will the employees be satisfied with this increase? Briefly explain. (3)
- 6.7 As the internal auditor you discover that the actual motor vehicle expenses for December 2019 were R9 600. Give TWO points that you would include in your internal auditors' report to Rian. (4)
- 6.8 A new vehicle will be purchased for R240 000 on 30 November 2019. The business will pay a deposit of 15% and the balance will be financed by Wesrand Bank. Rian will repay the capital portion to Wesrand Bank in equal monthly instalments over four years from 31 December 2019. Interest will be paid monthly to Wesrand Bank on the outstanding balance at a rate of 11% p.a.
- Calculate the interest payable to Wesrand Bank in December 2019. (5)
  - Calculate the monthly repayments of the capital portion of the loan to Wesrand Bank. (3)

**INFORMATION**

<b>EXTRACT FROM CASH BUDGET</b>			
	<b>2019 October</b>	<b>2019 November</b>	<b>2019 December</b>
<b>EXPECTED RECEIPTS</b>			
Cash sales (75% of total sales)	180 000	150 000	175 000
Debtors (30 days less 5%)	52 500	?	47 500
Rent income	?	10 464	?
Fee Income	2 000	?	?
Interest on fixed deposit		?	?
Capital		100 000	
	<b>247 100</b>	<b>325 000</b>	<b>C</b>
<b>EXPECTED PAYMENTS</b>			
Drawings	17 500	12 500	12 500
Motor vehicle expenses	6 500	6 500	6 500
Fixed deposit		60 000	
Deposit on vehicle purchased		?	
Sundry expenses	?	?	?
Monthly repayments to Wesrand			?
Interest paid to Wesrand			?
Salaries and wages	108 000	110 160	110 160
	<b>245 000</b>	<b>320 000</b>	<b>380 000</b>
Cash surplus/-deficit	2 100	5 000	<b>(143 500)</b>
Cash at the beginning of the month	92 000	<b>A</b>	<b>B</b>
Cash at the end of the month	<b>94 100</b>	<b>B</b>	<b>D</b>

**QUESTION 7**

You are provided with information relating to HKH Traders for the three months ending 31 December 2020. The business is owned by Lizzy Ndou.

**REQUIRED:**

- 7.1 Complete the following sentences by filling in the missing word(s). Write only the word(s) next to the question number (7.1.1 – 7.1.2) in the ANSWER BOOK.
- 7.1.1 The main purpose of preparing the Cash Budget is... (2)
- 7.1.2 ONE item in the Cash Budget that will not be reflected in a Projected Income Statement is... (2)
- 7.2 Prepare the Debtors' Collection Schedule for December 2020. (5)
- 7.3 Calculate the missing figures in the Cash Budget indicated by (i) to (v). (17)
- 7.4 In order to increase sales and the number of customers, Lizzy intends to advertise that credit limits for all credit customers will be increased to R35 000 and that new customers are welcome to open accounts during January.
- Give TWO points of advice to Lizzy regarding this decision. (4)

**INFORMATION:**

**A. Sales, purchases and cost of sales:**

- Total sales expected

2020		
October	November	December
R500 000	R350 000	R300 000

- 60% of sales are on credit, the rest are for cash.
- The business uses a mark-up of 100% on cost at all items.
- Stock is replaced monthly
- 20% of all purchases are for cash, the rest are on credit.
- Creditors are paid TWO months after the purchase of stock.

**B. Debtors' collection:**

The credit limit for each debtor is R25 000. In the past, debtors have settled their accounts as follows. HKH Traders prepares its budget on this basis:

- 20% of debtors settle accounts in the month of the sale to receive a 5% discount.
- 30% settle in the 1<sup>st</sup> month following the sales month (30 days)
- 40% settle in the 2<sup>nd</sup> month (60 days)
- 10% are written off in the 3<sup>rd</sup> month.

**C. Debtors' Collection Schedule:**

Months		2020			
		Credit sales R	October R	November R	December R
Actual	August	345 000	138 000		
	September	480 000	144 000	192 000	
Expected	October	300 000	57 000	90 000	?
	November	210 000		39 900	63 000
	December	180 000			?
			339 000	321 900	?

**D. Extract from the Cash Budget:**

	2020		
	October	November	December
	R	R	R
<b>RECEIPTS:</b>			
Cash sales	200 000	(i)	120 000
Receipts from debtors	339 000	321 900	
Rent income			
Loan from Sharp Bank (interest rate:12%)	400 000		
<b>PAYMENTS:</b>			
Cash payments	50 000	35 000	30 000
Payments to creditors	230 000	320 000	(ii)
Repayment of loan		40 000	40 000
Interest on loan		4 000	(iii)
Wages	32 500	22 048	(iv)
Advertising	(v)	6 758	6 758
Sundry expenses			
Cash balance at the end of the month	<b>350 000</b>	<b>200 000</b>	<b>(50 000)</b>



**E. Loan and interest on loan:**

The interest on the loan and the monthly loan instalments are payable at the end of each month. Interest is not capitalized.

**F. Wages:**

- In October the business will have 5 employees, each earning R1 300 per week.
- All the employees are paid their wages on Fridays. There are five Fridays in October and four Fridays in November and December 2020.
- One employee has served notice of his resignation on 31 October 2020 and the other employees will be given a 6% increase on that date.
- The business plans to employ two more staff members at the same weekly wage as the others on 1 December 2020.

**G. Advertising:**

The advertising budget will be increased by 9% with effect from 1 November 2020.

**QUESTION 8:**

The following information relates to Supa-Stay Hotel, situated in Cape Town. The hotel is owned by Tom Thabane.

The majority of customers are executive businesspeople and travelling sales consultants.

All the rooms are identical and charged at the same rate throughout the year. Meals are not included. Guests are expected to use the famous restaurant of the hotel, which is also open to the public.

**REQUIRED:**

- 8.1 Explain why a cash budget is considered to be a useful management tool. (2)
- 8.2 Complete the Creditors Payment Schedule as provided in the ANSWER BOOK. Figures are required in blocks denoted by asterisks (\*). (6)
- 8.3 Calculate the amounts denoted by A–E on the Cash Budget. (11)
- 8.4 The total electricity expense for the financial year ended 31 August 2021 was R720 000. The accountant anticipates that the total for the following financial year to increase to R800 000. Provide TWO suggestions that Tom can implement to save on this expense. (2)
- 8.5 Tom compared the August budget to the actual amounts received or paid in August 2021. Comment on the causes of the variances in laundry costs and restaurant supplies and on whether this have been well-controlled or not. Quote figures or calculations to support your answers. (8)
- 8.6 Tom is concerned about the cash flow of the hotel each month. Note that the interest rate on bank overdraft facilities is currently 14% p.a. while the interest rate on loans is 9% p.a.
- Calculate the expected overdraft in September 2021. (2)
  - Explain why it may be a better idea for Tom to apply for a bank overdraft (at an interest rate of 14% p.a.) rather than to take out a loan (at 9% p.a.). (2)
  - Provide TWO ideas or suggestions that Tom can implement to improve the cash flow over the coming holiday period. (2)

**INFORMATION:**

**Extract of the Cash Budget as prepared in August 2021:**

	AUG 2021		SEPT 2021	OCT 2021
	Budgeted	Actual	Budgeted	Budgeted
<b>RECEIPTS</b>				
Room rentals (cash only)	969 000	<b>867 000</b>	510 000	<b>B</b>
Restaurant sales	206 000	<b>498 000</b>	<b>C</b>	175 100
Commission income				
<b>Total receipts</b>	<b>1 175 000</b>	<b>1 385 180</b>	<b>785 500</b>	
<b>PAYMENTS</b>				
Restaurant supplies (meals)	245 000	<b>355 000</b>	320 000	183 500
Payment to creditors	60 640		62 352	<b>?</b>
Laundry costs	92 000	<b>89 000</b>		
Salaries	451 200	<b>451 200</b>	<b>D</b>	<b>E</b>
Electricity	81 100	<b>72 000</b>		
Admin and internet				
Security				
Sundry other expenses	2 800		3 286	3 484
Maintenance	63 800		65 000	65 000
Gym equipment	17 000		14 500	15 000
<b>Total payments</b>	<b>1 132 000</b>	<b>1 316 380</b>	<b>925 200</b>	<b>890 000</b>
Surplus/(deficit)	43 000			75 100
Opening bank balance	13 400	<b>13 400</b>	56 400	
Closing bank balance	56 400	<b>A</b>		

**ADDITIONAL INFORMATION:**

(i) **Room rentals and laundry:**

- Room rentals are only on a cash or credit-card basis.
- The receipts from the rental are calculated on an average occupancy (bookings) rate and make provision for the following over the budget period:

AUGUST 2021	SEPTEMBER 2021	OCTOBER 2021
95%	50%	75%

- Bed linen used by customers is washed regularly by Bryte-Kleen Laundry. This service is included in the room rental with no extra charge.

(ii) **Restaurant supplies and payments to creditors:**

- Certain goods for the restaurant are bought on credit.
- Budgeted credit purchases for August to October 2021 is as follows:

<b>AUGUST 2021</b>	<b>SEPTEMBER 2021</b>	<b>OCTOBER 2021</b>
R65 200	R82 000	R70 000

- **Payment to creditors is as follows:**
  - 80% paid in the month following purchase to qualify for a 5% discount.
  - 20% is paid after 60 days (in the second month after purchase).

(iii) **Restaurant sales & supplies:**

- An increase of 25% is budgeted for September 2021 and is expected to drop during October 2021.
- Restaurant supplies consist of items bought for making the meals for customers.

(iv) **Staff salaries:**

- Staff members will receive a 20% bonus during August 2021.
- Normal salaries would apply in September 2021.
- The annual increase of 8% p.a. will be effective from 1 October 2021.

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Gross profit} \times 100}{\text{Cost of sales}} \quad 1$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock} \times 365}{\text{Cost of sales}} \quad 1$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors} \times 365}{\text{Credit sales}} \quad 1$	$\frac{\text{Average creditors} \times 365}{\text{Cost of sales}} \quad 1$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
<b>NOTE:</b>	
* 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.	



education

Department of  
Education  
FREE STATE PROVINCE

**GRADE 12**

**ACCOUNTING**

**2022**

**PAPER 2 – TOPICS**

**ANSWER BOOK**

# BANK RECONCILIATION STATEMENTS

**QUESTION 1**

1.1

CASH RECEIPT JOURNAL - MARCH 2020 CRJ 3					
Doc	Day	Details	Bank	Amount	Details
	30	Total	66 000	66 000	

10

CASH PAYMENT JOURNAL - MARCH 2020 CPJ 3					
Doc	Day	Details	Bank	Amount	Details
	30	Total	58 500	58 500	

13

1.2

GENERAL LEDGER OF JENNY STORES					
Bank					

6

1.3

Prepare a Bank Reconciliation Statement for March 2020.		
	Debit	Credit

8

**QUESTION 2**



**2.1 CONCEPTS**

2.1.1	
2.1.2	
2.1.3	

<b>3</b>

**2.2.1 CASH RECEIPT JOURNAL - MARCH 2020 CRJ 3**

Doc	Day	Details	Bank	Amount	Details
	30	Total	49 000	49 000	

<b>10</b>

**CASH PAYMENT JOURNAL - MARCH 2020 CPJ 3**

Doc	Day	Details	Bank	Amount	Details
	30	Total	48 000	48 000	

<b>19</b>

**2.2.2 GENERAL LEDGER OF MARIAAN STORES**

**Bank**


<b>6</b>

**2.2.3 Prepare a Bank Reconciliation Statement for March 2020.**

	Debit	Credit

7

**QUESTION 3**

**3.1 CASH RECEIPT JOURNAL - APRIL 2020 CRJ 3**

Doc	Day	Details	Bank	Amount	Details
	30	Total	53 000	53 000	

7

**CASH PAYMENT JOURNAL - APRIL 2020 CPJ 3**

Doc	Day	Details	Bank	Amount	Details
	30	Total	64 000	64 000	

21

**3.2 GENERAL LEDGER OF KETSI STORES**  
**Bank**


6



4.3

Bank Reconciliation Statement on 30 June 2020.		
	Debit	Credit

9

4.4

Provide TWO suggestions that the business can use to prevent a situation like the one experience on 26 May 2020 in the future.

4

4.5

Identify the problem that is revealed by the previous reconciliation, and list TWO internal control measures to solve this problem.

**PROBLEM:**

  

**TWO CONTROL MEASURES**

5

4.6

Refer to the debit order for R2 244. Explain a possible reason how this may have occurred, and provide advice on how this can be rectified.

**POSSIBLE EXPLANATION**

**POINT OF ADVICE**

4

**QUESTION 5**

5.1

Calculate the correct Bank Account balance on 31 March 2020.

13

5.2

**Bank Reconciliation Statement on 31 March 2020.**

	Debit	Credit

9

5.3

(a) Identify the GAAP principle which will be applied in this case.

GAAP Principle:

1

(b) Provide TWO internal control measures that Jane can use to prevent such a loss in future.

4

# CREDITOR

# RECONCILIATION

# STATEMENTS

**QUESTION 1**

1.1.1

	<b>Creditors' Ledger Account of Thembeke Suppliers in the Books of Ekasi Traders</b>	<b>Statement of Account from Thembeke Suppliers</b>
<b>Balance</b>	<b>117 200</b>	<b>157 400</b>
<b>(a)</b>		
<b>(b)</b>		
<b>(c)</b>		
<b>(d)</b>		
<b>(e)</b>		
<b>(f)</b>		

<b>9</b>

1.1.2

**What should the owner say to Bradley regarding this incident? Explain TWO points.**

<b>4</b>

**QUESTION 2**

2.1

**The bookkeeper, Litzie, says it is not necessary for her to prepare a Creditors' Reconciliation Statement because the creditors send monthly statements to the business anyway. What would you say to her? State TWO points.**

<b>4</b>



2.2

No.	Creditors' Ledger of KZ Stores	Statement of account received from Valley Ltd
Balance	112 820	182 150
A	- 9 000	- 9 000
B		
C		
D		
E		
F		
G		
H		

16
----

2.3 2.3.1

Explain what action should be taken against J van Wyk. State TWO points.

4
---

2.3.2

What must the business do to prevent a similar incident in future? Explain THREE points.

6
---

**QUESTION 3**

**3.1 CREDITORS' RECONCILIATION**

3.1.1

	<b>CREDITORS' LEDGER</b>	<b>CREDITORS' RECONCILIATION STATEMENT</b>
<b>Balance</b>	<b>110 170</b>	<b>111 600</b>
(a)		
(b)		
(c)		
(d)		
(e)		
(f)		
(g)		
(h)		

14
----

3.1.2 State TWO internal control measures that the business can use to prevent similar incidents from happening in future.

4
---

**QUESTION 4**

4.1

	<b>Creditors' Ledger Account of Styles Suppliers</b>	<b>Statement of account received from Styles Suppliers</b>
<b>Balance before errors/omissions</b>	<b>12 160</b>	<b>41 380</b>
<b>A</b>		
<b>B</b>		
<b>C</b>		
<b>D</b>		
<b>E</b>		
<b>F</b>		
<b>G</b>		
<b>H</b>		
<b>Balance after errors/omissions</b>		

14
----

4.2

**Refer to information E:**

(a) **Suggest TWO possible actions that the business can take against the storeman.**

(b) **Provide THREE internal control measures that the business can use to prevent similar incidents in future.**

4
---

6
---

**QUESTION 5**

**5.1 CREDITORS' LEDGER OF KAROO TRADERS  
 DM SUPPLIERS (CL7)**

<b>Balance per Ledger Account</b>	<b>47 064</b>	
		<b>8</b>

**5.2 CREDITORS' RECONCILIATION STATEMENT ON 30 JUNE 2018**

<b>Balance as per Creditor's Statement</b>	<b>40 271</b>	
		<b>7</b>

**5.3 Explain TWO benefits of using electronic funds transfer (EFT) system rather than using EFTs for direct payments to creditors.**

**4**

**5.4 State TWO consequences for the business if they do not pay the amount due to creditors on time.**

**4**

# DEBTOR

# RECONCILIATION

# STATEMENTS

**QUESTION 1**

**1.1 DEBTORS' AGE ANALYSIS**

1.1.1

Explain why the debtors' age analysis is an effective internal control measure. State ONE point.

2

1.1.2

Explain TWO different problems highlighted by the debtors' age analysis. In EACH case, provide the name of a debtor and figure(s).

PROBLEM	DEBTOR AND FIGURE(S)

6

**1.2 DEBTORS' RECONCILIATION**

**1.2.1 CORRECTIONS TO THE DEBTORS' CONTROL ACCOUNTON 30 NOVEMBER 2017**

Balance before errors and omissions	25 700
(i)	
(ii)	
(iii)	
(iv)	
(v)	
<b>Correct Debtors' Control balance</b>	

7

1.2.2 DEBTORS' LIST ON 30 NOVEMBER 2017

L Nkosi	(5 700)	
S Muller	(11 100)	
M Welthagen	(-1 900)	
B Sandleni	(15 900)	
<b>Correct total of Debtors' List</b>		

10
----

QUESTION 2

2.1 TRUE OR FALSE

2.1.1		
2.1.2		
2.1.3		

3
---

2.2 MIZZY BOUTIQUE

Use the table provided to indicate corrections that must be made to the Debtors' Control Account and the debtors' list.

Provide figures and a plus (+) or minus (-) sign for each correction.

	Debtors' Control Account	Debtors' List
Balance/Total on 28 February 2017	R37 710	R39 490
(a)		
(b)		
(c)		
(d)		
(e)		
(f)		
Balance/Total on 28 February 2017		

13
----

**2.3 GLENDALE TRADERS**

2.3.1

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

2

2.3.2

Calculate the percentage of total debts exceeding the credit terms.

4

2.3.3

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

DEBTOR	PROBLEM FIGURES
D Pillay	
W Patel	

4

2.3.4

Explain TWO problems (with figures) relating to debtor D Gouws.

4



**QUESTION 3**

**3.1 DEBTORS AGE-ANALYSIS**

**3.1.1 Explain how the Debtors' Age Analysis can assist with the control over debtors. Provide ONE point.**

2

**3.1.2 Calculate the average debtors' collection period (in days) for the financial year ended 31 August 2019.**

Workings	Answer

5

**Comment whether the business should be satisfied with this.**

2

**3.1.3 Identify TWO different problems revealed by the Debtors' Age Analysis. Quote evidence and/or figures. In each case, provide advice to improve the internal control relating to the problem identified.**

	Problem Evidence/figures	Advice on internal control
<b>Problem 1</b>		
<b>Problem 2</b>		

6

**QUESTION 4**

**4 DEBTORS' RECONCILIATION**

**4.1 CORRECTIONS TO THE DEBTORS' CONTROL ACCOUNT**

<b>Current Debtors' Control Account balance</b>	<b>21 900</b>
(i)	
(ii)	
(iii)	
(iv)	
(v)	
(vi)	
<b>Correct Debtors' Control Account balance</b>	

<b>8</b>

**4.2 DEBTORS' LIST ON 31 MAY 2016**

<b>P Petty (5 100</b>	
<b>M Thola (8 400</b>	
<b>P Govendor (-1 550</b>	
<b>A Brand (11 300</b>	
<b>Correct total of Debtors' List</b>	

<b>12</b>

**4.3 DEBTORS' AGE ANALYSIS**

**4.3.1 As the internal auditor, what concerns would you have over Themba's job description? Explain.**

<b>3</b>

**4.3.2 Identify TWO debtors who could have their credit limits increased.**

<b>2</b>

**Provide a valid reason for your choice**

<b>2</b>

**4.3.3 Explain THREE different problems reflected by the Debtors' Age Analysis. Give evidence to support your answer.**

	<b>Explanation of problem with evidence</b>
<b>Problem 1</b>	
<b>Problem 2</b>	
<b>Problem 3</b>	

# VALUE ADDED TAX

**QUESTION 1**

**1.1 VAT**

1.1.1

	<b>Workings</b>	<b>Answer</b>
(a)		
(b)		
(c)		
(d)		

<b>9</b>

1.1.2

**Comment on this practice and provide Amahle advice.**

<b>COMMENT</b>	<b>ADVICE</b>

<b>3</b>

**QUESTION 2**

2.1.1

	<b>WORKINGS</b>	<b>ANSWER</b>
(a)		
(b)		
(c)		
(d)		

<b>10</b>

2.1.2

You are the internal auditor. The sole owner, Samson, used a business cheque to buy a new car for R460 000 including VAT. This car is kept at home for his wife's use. Samson says the vehicle must be recorded as a business asset and R60 000 must be recorded as a VAT input in the business' books.

Explain what you would say to Samson. Provide TWO points.

4

**QUESTION 3**

3.1

Calculate the amount receivable from or payable to SARS for VAT on 31 August 2020.

Receivable/Payable:

10

**QUESTION 4**

Calculate the final amount payable to SARS on 31 July 2014.

10

**QUESTION 5**

**5.1 TRUE OR FALSE**

5.1.1	
5.1.2	
5.1.3	
5.1.4	
5.1.5	

5

**5.2.1 Calculate the amount of VAT that Peter will either pay to or receive from SARS.**

--

10

# STOCK

# VALUATION



**QUESTION 1**

1.1.1

<b>Calculate: Value of the closing stock on 28 February 2021</b>	
<b>WORKINGS</b>	<b>ANSWER</b>

7

1.1.2

<b>Calculate: Stock turnover rate</b>	
<b>WORKINGS</b>	<b>ANSWER</b>

4

1.1.3

<b>Comment on the stock turnover rates for boots and sandals and identify the major problem relating to EACH product. Quote figures.</b>		
	<b>COMMENT ON STOCK HOLDING RATE (WITH FIGURES)</b>	<b>IDENTIFY MAJOR PROBLEM</b>
<b>Boots</b>		
<b>Sandals</b>		

6

**1.2 FIXED ASSETS**

**1.2.1 List THREE points for good internal control over movable fixed assets.**

--

3

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

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

3

**1.2.3 Calculate: Depreciation on vehicle for year ended 28 February 2021**

Calculate: Depreciation on vehicle for year ended 28 February 2021	
WORKINGS	ANSWER

2

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

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:	
	2
Depreciation on the remaining old equipment:	
	5

1.2.5 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.

2

<b>TOTAL MARKS</b>	<b>40</b>
--------------------	-----------

**QUESTION 2**

2.2.1

2.1.1	
2.1.2	
2.1.3	
2.1.4	

4

**2.2.1 Calculate: Value of the closing stock**

<b>WORKINGS</b>	<b>ANSWER</b>

5

**Calculate: Cost of sales**

<b>WORKINGS</b>	<b>ANSWER</b>

5

**2.2.2 Calculate the average stockholding period (in days).**

<b>WORKINGS</b>	<b>ANSWER</b>

5

**Explain whether Gwen should be satisfied with this figure, or not. State TWO points.**  
**NOTE: The average stock holding period on 29 February 2020 was 52 days.**

--	--

4

**2.3 PROBLEM-SOLVING**

	<b>PROBLEM FOR 2021 (with figures)</b>	<b>ADVICE</b>
<b>JACKETS</b>		
<b>JERSEYS</b>		

<b>12</b>

<b>TOTAL MARKS</b>	<b>35</b>
--------------------	-----------

**QUESTION 3**

**3.1**

<b>3.1.1</b>	
<b>3.1.2</b>	
<b>3.1.3</b>	
<b>.1.4</b>	

<b>4</b>

**3.2 LOTUS ACCESSORIES**

**3.2.1 Calculate: Value of closing stock for gas lamps (using FIFO)**

<b>Workings</b>	<b>Answer</b>

<b>6</b>

<b>Calculate: Stockholding period in days of gas lamps (using closing stock)</b>	
<b>Workings</b>	<b>Answer</b>

<b>6</b>

**3.2.2 Alex suspects that the stock of gas lamps are not well controlled. Calculate the number of gas lamps missing.**

<b>Workings</b>	<b>Answer</b>

<b>4</b>

**3.2.3 What should Alex say to his brother when dealing with this matter? Provide TWO points.**

--

<b>4</b>

**3.2.4 Calculate the closing stock value for gas stoves on 30 April 2021 (using the specific identification method).**

<b>Workings</b>	<b>Answer</b>

<b>5</b>

3.2.5 Alex thinks he should stop selling gas stoves as they are causing a liquidity problem and the profit is low. Provide figures to support his opinion.

2

Explain TWO points to convince him NOT to discontinue trading in gas stoves.

4

<b>TOTAL MARKS</b>	<b>35</b>
--------------------	-----------

**QUESTION 4**

**CABINETS**

4.1 Calculate the value of closing stock using FIFO.

Workings	Answer

5

4.2.1 Calculate the % mark-up achieved in 2019.

Workings	Answer

3

4.2.2 Provide TWO points (with figures) to prove that this decision achieved its aims.


4

4.2.3 The CEO feels that this decision also negatively affected the company. Provide TWO points (with figures) to support his opinion.


4

Give the directors advice to solve this problem. Explain TWO points.


2

**LAMPS**

4.3 Calculate the stockholding period for lamps (use closing stock).

Workings	Answer

3

4.4 Calculate the number of missing lamps.

Workings	Answer

4

Give TWO suggestions to solve this problem.

--

2



**TELEVISION SETS**

4.5

Calculate the value of the closing stock of TV sets on 30 September 2019 using the specific identification method.	
Workings	Answer
LYN:	
KYA:	

7

4.6

Explain THREE different concerns George would have about this problem.

6

<b>TOTAL MARKS</b>	<b>40</b>
--------------------	-----------

**QUESTION 5**

5.1.1

Calculate the value of the closing stock of bicycles on 31 May 2018.		
	Workings	Answer
Tempo		
Cruze		
Ryder		

Calculate the cost of sales for the year ended 31 May 2018.

8

4

Calculate the gross profit for the year ended 31 May 2018.

3

5.1.2 Calculate the selling price of a Ryder bicycle.

3

Calculate the average number of Ryder bicycles sold per month.

3

Indicate how long it will take Fred to sell the closing stock of the Ryder bicycles. Show calculations.

3

Give ONE possible reason for the slow sales of Ryder bicycles.

Give advice (ONE point) to Fred in this regard.

4

5.2.1 Explain why it was NOT a good idea to change to a cheaper supplier of T-shirts. State TWO points.

4

5.2.2 Celia decided to change the supplier in 2018 and to change the mark-up %. How has this decision affected the business? State TWO points.

4

5.2.3 Make TWO separate suggestions to Celia to improve the profit on pants in 2019.

4

**TOTAL MARKS**

**40**

**QUESTION 6**

**6.1 INVENTORY VALUATION:**

**6.1.1**

**Calculate the value of the closing stock of Longlast AA 6-pack units on 31 October 2019.**

<b>6</b>

**6.1.2**

**Calculate the average stock-holding period, given the cost of sales amounted to R483 750 for the year ended 31 October 2019.**

**Comment on your findings above:**

<b>6</b>

**6.1.3 The owner is concerned about the sales of Petcell AA 6-pack units, and considers to discontinue this product line:**

**Calculate the value of the closing stock of Petcell AA 6-pack units.**

<b>5</b>

**Calculate the cost of sales of the Petcell AA 6-pack units.**

<b>3</b>

Calculate the stock turnover rate for the year.

5

6.1.4

Give TWO reasons why the owner must discontinue the sales of Petcell AA 6-pack units.

4

<b>TOTAL MARKS</b>	<b>40</b>
--------------------	-----------

**QUESTION 7**

7.1

<b>2.1.1</b>	
<b>2.1.2</b>	
<b>2.1.3</b>	

<b>3</b>

**7.2 SMART CARS TRADERS**

7.2.1

**Calculate the selling price per BMW 3 series sold during the 2020 financial year.**

--

<b>2</b>

7.2.2

**Calculate the value of the closing stock on 30 June 2020 using the specific identification method.**

BMW 3 series

BMW 4 series

BMW 5 series

\_\_\_\_\_

=====

--

<b>6</b>

**7.3 DENNIS STORES**

7.3.1

**Calculate the value of the closing stock on 29 February 2020 using the weighted-average method.**

--

<b>8</b>

**2.3.2 Calculate the following for the year ended 29 February 2020:**

**Cost of sales:**

Opening stock		
Purchases		
Returns		
Carriage on purchases		
Closing stock		
Cost of sales		

**Gross profit:**

Sales		
Cost of sales		
Gross profit		

<b>6</b>

**7.3.3 Calculate the average stock holding period (in days) on 29 February 2020.**



<b>5</b>

**7.4 PROBLEM SOLVING**

**7.4.1 Identify ONE problem in Shop 1 and ONE problem in Shop 2. Quote figures. In EACH case, state ONE point of advice.**

Branch	Problem Figure	Advice
Shop 1		
Shop 2		

6

**7.4.2 Explain TWO good decisions that Frank has made in respect of Shop 3. Quote figures.**

4

<b>TOTAL MARKS</b>	<b>40</b>
--------------------	-----------



**QUESTION 8**

**8.1 CONCEPTS**

<b>2.1.1</b>	
<b>2.1.2</b>	
<b>2.1.3</b>	

<b>3</b>

**8.2 QUALITY PRINTERS & INK (PTY) LTD**

**PRINTERS:**

**8.2.1 Calculate the value of the closing stock on 31 August 2021 using the specific identification method.**

--

<b>7</b>

**8.2.2 Identify which model of printer is not selling as well as Mark has expected. Quote figures or calculations to support your answer.**

--

<b>5</b>

**INK CARTRIDGES:**

**8.2.3 Calculate the value of the closing stock on 31 August 2021 using the weighted-average method.**

--

<b>7</b>

8.2.4

Mark wants to know how long it should take to sell the closing stock of cartridges. Provide figures or a calculation to assess this.

6

8.2.5

Mark suspects that ink cartridges are being stolen from the shop despite security cameras being installed. Provide a calculation to verify his suspicion.

5

Provide TWO internal control measures that Mark Lex can use to improve the control of stock.

2

<b>TOTAL MARKS</b>	<b>35</b>
--------------------	-----------

# **COST**

# **ACCOUNTING**

**QUESTION 1**

**1.1 PRUDY MANUFACTURERS**

**1.1.1 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2021**

<b>Direct material cost</b>	<b>1 494 000</b>
<b>Prime cost</b>	
<b>Factory overhead cost</b> <b>520 280</b>	
<b>Cost of production of finished goods</b>	

<b>10</b>

**1.1.2 ABRIDGED STATEMENT OF COMPREHENSIVE INCOME (INCOME STATEMENT) FOR THE YEAR ENDED 28 FEBRUARY 2021**

<b>Sales</b>	<b>4 433 600</b>
<b>Cost of sales</b>	
<b>Gross profit</b>	
<b>Other expenses</b>	
<b>Selling and distribution costs</b> <b>224 960</b>	
<b>Administration cost</b> <b>187 760</b>	
<b>Net profit for the year</b>	

<b>11</b>

**1.2 CONTROL OF RAW MATERIAL**

1.2.1

Calculate the metres of fabric:	Internal control strategy
Missing from the storeroom	
Wasted in the factory	

6
---

1.2.2

Calculate the total cost of the metres of fabric lost and wasted.	
WORKINGS	ANSWER
Explain how this loss should be shown in the statements mentioned in QUESTION 1.2.1 on the previous page.	

3
---

**1.3 ROSEMARY'S TOY FACTORY**

1.3.1

Provide a calculation to confirm that the break-even point for the 2021 financial year is correct.
--

3
---

1.3.2 Explain why Rosemary is pleased with the production level, sales and break-even point. Quote figures.

--	--

4

1.3.3 Explain to Rosemary why the fixed cost per unit decreased from R56,00 to R45,71.

--	--

2

1.3.4 Rosemary made deliberate decisions regarding variable costs to improve the business. Explain the decisions that she might have taken on these costs and how these could have had positive effects on the business. Quote figures.

Cost	Comment and positive effect (with figures)
Direct material cost	
Direct labour cost	
Selling and distribution cost	

6

<b>TOTAL MARKS</b>	<b>45</b>
--------------------	-----------

**QUESTION 2**

2.1

2.1.1	
2.1.2	
2.1.3	

3

2.2 **MEISIES OUTFITTERS**

2.2.1 **FACTORY OVERHEAD COST NOTE**

Salary of dressmaking supervisor	76 960
Depreciation on machines	30 300
Sundry factory expenses	10 670
<b>TOTAL</b>	

10

2.2.2 Calculate the total cost of production of school dresses produced.

WORKINGS	ANSWER

4

2.2.3 Minnie is concerned about wastage of fabric in the dressmaking section. Calculate the cost of this wastage to the business.

WORKINGS	ANSWER

5

**2.2.4 The internal auditor expressed concern about the direct labour cost for the school dresses.**

**Explain the problem that is of concern to the auditor. Quote figures.**

3

**State TWO possible causes of this problem.**

2

**2.2.5 Provide a calculation to confirm that the break-even point for the current financial year is 17 000 units.**

WORKINGS	ANSWER

3

**2.2.6 Comment on the level of production achieved and the break-even point calculated above. Quote figures.**

2

**2.2.7 Calculate the extra profit that would be earned if an additional 500 dresses are made and sold. Assume that all costs are unchanged.**

WORKINGS	ANSWER

3

<b>TOTAL MARKS</b>	<b>35</b>
--------------------	-----------



**QUESTION 3**

**3.1 PERFECT FIT MANUFACTURERS**

**3.1.1 PRODUCTION COST STATEMENT  
 FOR THE YEAR ENDED 28 FEBRUARY 2021**

<b>Direct material cost</b>	
Direct labour cost	
<b>Prime cost</b>	<b>2 550 000</b>
<b>Factory overhead cost</b>	
<b>Total manufacturing cost</b>	
Work-in-progress (beginning)	
<b>Work-in-progress (end)</b>	
<b>Total cost of production</b>	

<b>14</b>

**3.1.2 Calculate: Gross profit earned on sale of shirts.**

<b>Workings</b>		<b>Answer</b>
<b>Calculate: Mark-up % achieved on shirts</b>		
<b>Workings</b>		<b>Answer</b>

<b>5</b>

<b>2</b>

### 3.2 LEATHER MANUFACTURERS

#### PURSES:

3.2.1

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

Workings	Answer

4

3.2.2

Comment on the level of production achieved and the break-even point for purses for 2021. Quote figures.

4

3.2.3

Apart from inflation and wage increases, provide TWO other possible reasons for the increase in the direct labour cost per unit for purses.

4

3.2.4

Give TWO reasons for the decrease in the direct material cost per unit for purses.

- 

2

**JACKETS:**

3.2.5

Explain why the direct material cost per unit for jackets would probably increase if raw material is imported. State TWO points.

2

Provide figures to prove that Tello was correct about the effect this decision would have on the cost of the jackets.

2

3.2.6

Calculate the % increase in the selling price of the jackets.

Workings	Answer

3

3.2.7

Explain the impact of the increase in the selling price of jackets on the sales and profit. Quote figures or calculations.

4

3.2.8

Tello wants to increase profits on jackets by an additional R250 000 in the next financial year. Assuming the cost structure remains the same, calculate the total number of additional units he must produce to achieve this target.

Workings	Answer

4

<b>TOTAL MARKS</b>	<b>50</b>
--------------------	-----------

**QUESTION 4**

4.1

4.1.1	
4.1.2	
4.1.3	

3

4.2 DESKS FACTORY

4.2.1

Factory Overhead Cost Note	
Indirect labour	R 296 500
Depreciation on factory plant	166 000

8

4.2.2

Calculate the total cost of production of finished goods.	
Workings	Answer

5

4.2.3

Sihle wants to produce an additional 1 500 desks. Calculate the additional profit he can expect.	
Workings	Answer

4

**4.3 CHAIRS FACTORY**

**4.3.1 Provide a calculation to confirm the break-even point for 2019.**

<b>Workings</b>	<b>Answer</b>

4

**4.3.2 Comment on the break-even point and the production level achieved. Quote figures**

--

4

**4.3.3 Sihle feels that wood raw material was not well controlled. Provide a calculation.**

4				
<b>Identify TWO possible causes of this problem. Provide a solution for EACH.</b>				
<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 50%;"><b>POSSIBLE CAUSES</b></th> <th style="width: 50%;"><b>SOLUTION FOR EACH</b></th> </tr> </thead> <tbody> <tr> <td style="height: 100px;"></td> <td></td> </tr> </tbody> </table>	<b>POSSIBLE CAUSES</b>	<b>SOLUTION FOR EACH</b>		
<b>POSSIBLE CAUSES</b>	<b>SOLUTION FOR EACH</b>			
4				

4.3.4 Give TWO reasons for the increase in direct labour cost. Provide a solution for EACH.

--	--

4

TOTAL MARKS	40
-------------	----

**QUESTION 5**

5.1

5.1.1		
5.1.2		
5.1.3		
5.1.4		

4

5.2 TIGHT-FIT MANUFACTURERS

5.2.1 Calculate: Value of the closing stock of raw materials

Workings	Answer

4

Calculate: Value of direct/raw materials issued for production

Workings	Answer

3

<b>Calculate: Correct factory overhead costs</b>	
<b>Workings</b>	<b>Answer</b>
746 670	

6
---

**5.2.2 Production Cost Statement for the year ended 31 March 2018.**

<b>Direct labour cost</b>	
<b>Prime cost</b>	
<b>Total manufacturing costs</b>	
<b>Work-in-process at beginning of year</b>	147 500
<b>Cost of production of finished goods</b>	

12
----

**5.2.3 Give TWO reasons why the business should support local suppliers.**

2
---

**5.3 BREAK-TIME MANUFACTURERS**

**5.3.1 Calculate the direct labour cost for the year ended 30 April 2018.**

Workings	Answer

2

**Calculate the break-even point for the year ended 30 April 2018.**

Workings	Answer

4

**5.3.2 Explain why the owner should be concerned about the break-even point. Quote figures.**

3

**5.3.3 Explain why the owner would NOT be satisfied with the direct labour cost per unit. Quote figures.**

3

2

<b>TOTAL MARKS</b>	<b>45</b>
--------------------	-----------



**QUESTION 6**

**6.1 SOS MANUFACTURERS**

Calculate and complete the following on 30 September 2019:

6.1.1

Direct materials issued to the factory for the year.

--

7

6.1.2

The production cost of finished goods for the year.

--

5

6.1.3

Factory Overheads Cost Note for the year.


13

6.1.4

Complete the Production Cost Statement for the year.	
<b>Prime cost</b>	
Work-in-Progress beginning of year	
Work-in-Progress end of year	
<b>Total cost of production of finished goods</b>	

7

6.2 H2O is a small manufacturing business that produces plastic water bottles.

6.2.1

Calculate the break-even point for H2O on 29 February 2020.

4

6.2.2

Explain why Wally should be concerned about the profitability and sustainability of the business. Give TWO points with figures to support your answer.

4

<b>TOTAL MARKS</b>	<b>40</b>
--------------------	-----------

**QUESTION 7**

**7.1 HIPPO HOLLOW CAMPING EQUIPMENT**

**7.1.1 Factory Overhead Cost Note**

<b>Sundry expenses: factory</b>	<b>21 800</b>

<b>10</b>

**7.1.2 PRODUCTION COST STATEMENT FOR THE YEAR ENDED  
29 FEBRUARY 2020**

<b>Direct material</b>	<b>888 600</b>
<b>Direct labour cost</b>	
<b>Prime cost/Direct cost</b>	
<b>Factory overhead cost</b>	
<b>Total cost of production</b>	
<b>Work-in-progress at beginning of year</b>	<b>35 000</b>

<b>11</b>

**7.2 WOODLAND MANUFACTURERS**

**7.2.1 Identify ONE variable unit cost, which were not well controlled in the making of chairs and tables respectively in 2020. Quote figures to support your answer. For each unit cost identified, give a possible cause of the problem.**

ITEM	UNIT COSTS FIGURES	POSSIBLE CAUSE OF PROBLEM
Wood tables		
Wood chairs		

6

**7.2.2 Calculate the break-even point of wooden chairs for the year ended 2020.**

4

**7.2.3 Zeff is concerned about the number of units produced and sold, and the break-even point for wooden chairs in 2020. Explain why you think he must be concerned. Quote figures to support your answer.**

4

7.2.4

Zeff has decided to increase the R110 selling price of wooden tables by R15 in the next financial year.

Explain why this increase in price by R15 is a good idea. Quote figures to support your answer.

Assuming that the level of production and sales of wooden tables will remain unchanged. Calculate how much extra net profit he will earn next year.

2

3

<b>TOTAL MARKS</b>	<b>40</b>
--------------------	-----------

**QUESTION 8**

**8.1 BLITZ ENERGY DRINKS**

**8.1.1 FACTORY OVERHEADS COST NOTE**


12

**8.1.2 Production Cost Statement for the year ended 31 May 2021.**

<b>Prime cost</b>	<b>1 410 300</b>	
<b>Total manufacturing cost</b>		
<b>Work in progress in the beginning</b>	<b>69 500</b>	
<b>Work in progress at the end of the year</b>		

<b>7</b>

**8.1.3 Abridged Income Statement (Statement of Comprehensive Income) for the year ended 31 May 2021.**

<b>Sales</b>	<b>4 118 800</b>
Cost of Sales	
<b>Gross Profit</b>	
Operating Expenses	
Administration Cost	
Selling and Distribution Cost	
<b>Net profit for the year</b>	<b>1 200 000</b>

<b>7</b>

**8.2 NICK-LED LIGHTING**

**8.2.1 Nick was confused that the fixed cost only increased by R3 600, although production increased by 12 000 units. How would you explain this to him? Provide ONE point.**

<b>2</b>

**8.2.2 Variable cost:**

Provide TWO reasons for the change in the direct material cost per unit.

2

Explain TWO control measures that the business can implement to ensure better control over the direct labour cost per unit.

2

Explain whether the selling and distribution cost have been well controlled or not. Quote figures.

4

**8.2.3** Nick was pleased with the increase in the level of production. Explain to Nick why he should NOT be pleased. Provide TWO points. Quote figures.

4

<b>TOTAL MARKS</b>	<b>40</b>
--------------------	-----------

# BUDGETS



**QUESTION 1**

**1.1 DEBTORS' COLLECTION SCHEDULE**

Calculate the amounts denoted by (a)–(c)

	Credit Sales R	December 2021 R	January 2022 R	Bad debts
Oct 2021	308 000	67 760		(a)
Nov 2021	319 200	143 640	70 224	
Dec 2021	364 000	103 740	(b)	
Jan 2022	352 800		(c)	
		315 140		

6

**1.2 Calculate the amounts denoted by (a)–(c) on the Cash Budget.**

<b>(a) Rent income for December 2021:</b>	
<b>WORKINGS</b>	<b>ANSWER</b>
<b>(b) Payment to creditors in January 2022</b>	
<b>WORKINGS</b>	<b>ANSWER</b>
<b>(c) Payment for cleaning services in January 2022</b>	
<b>WORKINGS</b>	<b>ANSWER</b>

9

**1.3 Workload of employees:**

**Provide TWO points that Brian can explain to his sales staff to justify his plan. Quote figures.**

Be aware of alternative ways of expressing statistics

4

**Explain why the repair staff members are not satisfied with their workload. Quote figures.**

Be aware of alternative ways of expressing statistics

•

3

**What suggestions can you offer to solve the problem of the workload of employees? Provide TWO points.**

4

**1.4 Sales trends:**

**Comment on the cash and credit sales figures for November 2021. Explain why Brian is concerned. Quote figures.**

3

1.5 Comment on the control over fuel for the delivery vehicle and the consumable stores used for repairs. Quote figures.

EXPENSE	COMMENT (with figures)
Fuel for delivery vehicle	
Consumable stores for repairs	

6

TOTAL MARKS	35
-------------	----

**QUESTION 2**

2.1

NO.	CASH BUDGET FOR JULY		PROJECTED INCOME STATEMENT FOR JULY	
	RECEIPT	PAYMENT	INCOME	EXPENSE
e.g.		4 200		4 200
3.1.1				
3.1.2				
3.1.3				

8

2.2 ANOKHI (PTY) LTD

3.2.1 CREDITORS' PAYMENT SCHEDULE

	CREDIT PURCHASES	MAY 2021	JUNE 2021	JULY 2021
March 2021	164 500	16 450		
April 2021	170 800	85 400	17 080	
May 2021	171 500	65 170	85 750	
June 2021	178 500		67 830	
July 2021				
	Payment to creditors	167 020	170 660	

9

2.2.2 Calculate:

WORKINGS	ANSWER
(a) Rent income in July 2021	
(b) Amount of the loan	
(c) Salaries of sales assistants	
(d) Directors' fees	

16

2.2.3 Comment on the effectiveness of the advertising. Quote figures.

3

Comment on the control over delivery expenses. Quote figures.

3

2.2.4 State TWO benefits of this decision.

2

Apart from the items reflected in the Budget (Information F), list FOUR other items that Kayla should include in the budget.

4

TOTAL MARKS

45

**QUESTION 3**

**3.1 DEBTORS' COLLECTION SCHEDULE FOR MARCH TO MAY 2021**

MONTHS	CREDIT SALES R	MARCH R	APRIL R	MAY R
January	204 750	16 380		
February	250 250	125 125	20 020	
March	364 000	136 864	182 000	
April	409 500		153 972	
May				
		278 369	355 992	

9

**3.2 AMOUNTS FOR THE CASH BUDGET**

Workings		Amount
(a)	Cash sales for April	
(b)	Increase in loan from Janet Bloom	
(c)	Salaries for April 2021	
(d)	Rent expense for March 2021	

14

**3.3 Explain the decisions that the directors took regarding the budgeted and actual expenditure for advertising in May 2021. Quote figures or calculations.**

4

The directors ask you for a report on the effect that the advertising decisions have actually had on customers and sales in May 2021. Provide TWO points that you would include in your report. Quote figures or calculations.

- \

4

Explain how the decline in the national economy has affected the average amount that customers spent in May 2021. Quote figures.

3

Comment on whether the consumable stores have been well controlled or not. Quote figures or calculations.

2

3.4

Calculate the reduction in the area rented (in square metres).

Workings	Answer

4

<b>TOTAL MARKS</b>	<b>40</b>
--------------------	-----------

**QUESTION 4**

4.1

	CASH BUDGET			PROJECTED INCOME STATEMENT		
	Nov. 2019	Dec. 2019	Jan. 2020	Nov. 2019	Dec. 2019	Jan. 2020
Printer bought						
Depreciation						
Insurance						
Loan received						
Loan repayments						
Interest						

11

4.2

<b>Calculate the % of debtors who settle their accounts in the 2<sup>nd</sup> month following the credit sales transaction month</b>	
<b>Workings</b>	<b>Answer</b>
<b>Calculate the % of debtors written off as bad debts at the end of the 3<sup>rd</sup> month following the credit sales transaction month.</b>	
<b>Workings</b>	<b>Answer</b>

3

4



4.3.1

The office workers are unhappy with the increase that Thembi gave them on 1 October 2019. Explain what she should say to them. Provide TWO points. Quote figures or a calculation.

--

6

4.3.2

Thembi pays her son, Jacob, on a part-time basis to deliver and install carpets for customers. She budgets R2,80 per metre for this. Comment on the control of this expense. Quote figures or a calculation.

--

4

4.3.3

A new competitor commenced trading in the area on 1 September 2019. Provide figures to illustrate the impact on sales in September.

--

2

Explain THREE decisions that Thembi took in October in response to the new competitor. Quote figures or a calculation.

Explanation (with figures)

--

6

4.3.4

Calculate the amount she will <u>actually</u> have to pay the creditors in November 2019.	
Workings	Answer

4

TOTAL MARKS	40
-------------	----

**QUESTION 5**

5.1.1 The main purpose of a Cash Budget is to ...

5.1.2 The main purpose of a Projected Income Statement is ...

4

5.2.1 Debtors' Collection Schedule:

	CREDIT SALES	MAY 2018	JUNE 2018
March 2018	252 000	22 680	
April 2018	288 000	172 800	
May 2018		51 300	
June 2018	216 000		
Cash from debtors		246 780	

7

5.2.2 Determine the discount allowed for May 2018.

3

Determine the bad debts written off in June 2018.

3

5.3

<b>Calculate the cash sales for May 2018.</b>	
<b>Workings</b>	<b>Answer</b>
<b>Calculate the payment to creditors in June 2018.</b>	
<b>Workings</b>	<b>Answer</b>
<b>Calculate the salaries for May 2018.</b>	
<b>Workings</b>	<b>Answer</b>

<b>2</b>

<b>4</b>

<b>5</b>

5.4.1

**Tony is not concerned about the overspending in advertising. Explain why this is so. Quote figures to support your answer.**

<b>4</b>

5.4.2

**State ONE consequence of not paying the amount due to creditors in April 2018.**

<b>2</b>

5.4.3 State TWO points in favour of appointing Gentex Cleaning Services.

Explain ONE point that Tony should consider before making this decision.

6

TOTAL MARKS
-------------

40
----

**QUESTION 6**

**6.1 Explain why a business needs to prepare a Cash Budget every year.**

2

**6.2 Calculate the expected receipts from debtors for November 2019.**

5

**6.3 Calculate the amounts indicated by A–D in the Cash Budget.**

<b>A</b>	
<b>B</b>	
<b>C</b>	
<b>D</b>	

4

**6.4 The rent income increased by 9% on 1 November 2019. Calculate the rent income amount for October 2019.**

3

6.5 In your opinion, is Rain’s capital contribution in November sufficient to support this business venture? Give ONE reason to support your answer.

3

6.6 Calculate the percentage increase granted to the employees on 1 November 2019.

3

In your opinion, will the employees be satisfied with this increase? Briefly explain.

3

6.7 As the internal auditor you discover that the actual motor vehicle expenses for December 2019 were R9 600. Give TWO points that you would include in your internal auditors' report to Rian.

4

6.8 Calculate the interest payable to Wesrand Bank in December 2019.

5

Calculate the monthly repayments of the capital portion of the loan to Wesrand.

3

TOTAL MARKS	35
-------------	----

**QUESTION 7**

**7.1 Complete the following sentences by filling in the missing word(s). Write only the word(s) next to the question number (7.1.1 – 7.1.2)**

**7.1.1 The main purpose of preparing the Cash Budget is...**

<b>2</b>

**7.1.2 ONE item in the Cash Budget that will not be reflected in a Projected Income Statement is...**

<b>2</b>

**7.2 Prepare the Debtors' Collection Schedule for December 2020**

Months		2020			
		Credit sales	October	November	December
Actual	August	345 000	138 000		
	September	480 000	144 000	192 000	
Budgeted	October	300 000	57 000	90 000	
	November	210 000		39 900	63 000
	December	180 000			
			<b>339 000</b>	<b>321 900</b>	

<b>5</b>



7.3 Calculate the missing figures in the Cash Budget indicated by (i) to (v).

	CALCULATION	ANSWER
(i)		
(ii)		
(iii)		
(iv)		
(v)		

17

7.4 In order to increase sales and the number of customers, Lizzy intends to advertise that credit limits for all credit customers will be increased to R35 000 and that new customers are welcome to open accounts during January.

Give TWO points of advice to Lizzy regarding this decision.

4

TOTAL MARKS	30
-------------	----

**QUESTION 8**

8.1 Explain why a cash budget is considered to be a useful management tool.

2

8.2 CREDITORS PAYMENT SCHEDULE

MONTH	CREDIT PURCHASES	AUG 2021	SEPT 2021	OCT 2021
JULY		48 640	12 800	
AUG	65 200		49 552	
SEPT	82 000			
<b>TOTAL PAYMENT</b>			<b>62 352</b>	

6

8.3 Calculate the following:

WORKINGS		ANSWER
A	Actual closing Bank balance: August 2021	
B	Room rentals: October 2021	
C	Restaurant sales: September 2021	
D	Salaries: September 2021	
E	Salaries: October 2021	

11

8.4 The total electricity expense for the financial year ended August 2021 was R720 000. The accountant anticipates that the total for the following financial year to increase to R800 000. Provide TWO suggestions that Tom can implement to save electricity.

2

8.5 Tom compared the August budget to the actual amounts received or paid in August 2021.

Comment on the causes & variances of laundry costs and whether this has been well controlled or not.

Quote figures or calculations.

Comment on the causes & variances of restaurant supplies and whether this has been well controlled or not.

Quote figures or calculations.

8

8.6

Tom is concerned about the cash flow of the hotel each month. Note that the interest rate on bank overdraft facilities is currently 14% p.a. while the interest rate on loans is 9% p.a. Calculate the expected overdraft in September 2021.

2

Explain why it may be a better idea for Tom to apply for a bank overdraft (at an interest rate of 14% p.a.) rather than to take out a loan (at 9% p.a.).

2

Provide TWO ideas or suggestions that Tom can implement to improve the cash flow over the coming holiday period.

2

TOTAL MARKS	35
-------------	----



education

Department of  
Education  
FREE STATE PROVINCE

**GRADE 12**

**ACCOUNTING**

**2022**

**PAPER 2 – TOPICS**  
**MARKING GUIDELINE**

# BANK RECONCILIATION STATEMENTS

**QUESTION 1**

1.1

<b>CASH RECEIPT JOURNAL - MARCH 2020 CRJ 3</b>					
Doc	Day	Details	Bank	Amount	Details
	30	<b>Total</b>	<b>66 000</b>	<b>66 000</b>	
B/S		D. Dawie	9 600✓	9 600✓	Rent income✓
B/S		K. Nokanda	6 700✓	6 700✓	Debtors Control✓
B/S		HL Bank	85✓	85✓	Interest income✓
			<u>82 385</u> ✓	<u>82 385</u>	

  

<b>CASH PAYMENT JOURNAL - MARCH 2020 CPJ 3</b>					
Doc	Day	Details	Bank	Amount	Details
	30	<b>Total</b>	<b>58 500</b>	<b>58 500</b>	
B/S		Town Council	4 890✓	4 890✓	Water and electricity✓
B/S		Best Insurers	5 300✓	5 300✓	Insurance✓
B/S		ABBA Bank	4 500✓	4 500✓	Loan✓
B/S		HL Bank	711✓	711✓	Bank charges✓
			<u>73 901</u> ✓	<u>73 901</u>	

10

13

1.2

<b>GENERAL LEDGER OF JENNY STORES</b>					
<b>Bank</b>					
2020 Mar 1	Balance	11 300✓	2020 Mar 31	Sundry Accounts	73 901✓
Mar 31	Sundry Accounts	82 385✓		Balance	19 784✓
		<u>93 685</u> ✓			<u>93 685</u>
	Balance	<u>19 784</u> ✓			

6

1.3

<b>Prepare a Bank Reconciliation Statement for March 2020.</b>		
	<b>Debit</b>	<b>Credit</b>
Balance according to bank statement <span style="background-color: yellow;">balancing figure</span>		2 645 ✓
Cr. Outstanding deposit		21 700 ✓
Dr. Outstanding EFT – 222	7 220 ✓	
– 223	2 896 ✓	
Cr amount wrongly debited		5 555 ✓✓
Dr. Balance according to the bank account	19 784 <span style="background-color: yellow;">See 4.2</span> ✓	
	<u>29 900</u> ✓	<u>29 900</u>
	<span style="background-color: yellow;">both figures must be the same</span>	

8

**QUESTION 2**

**2.1 CONCEPTS**

2.1.1	True	✓
2.1.2	False	✓
2.1.3	True	✓

**3**

**2.2.1 CASH RECEIPT JOURNAL - MARCH 2020 CRJ 3**

Doc	Day	Details	Bank	Amount	Details
	<b>30</b>	<b>Total</b>	<b>49 000</b>	<b>49 000</b>	
B/S		W. Western	8 300✓	8 300✓	Rent income✓
B/S		B. Bennie	2 750✓	2 750✓	Debtors Control✓
B/S		WW Bank	232✓	232✓	Interest income✓
			<b>60 282</b> ✓	<b>60 282</b>	

**10**

**CASH PAYMENT JOURNAL - MARCH 2020 CPJ 3**

Doc	Day	Details	Bank	Amount	Details
	<b>30</b>	<b>Total</b>	<b>48 000</b>	<b>48 000</b>	
		Sales	5 000✓	5 000✓	Sales ✓
B/S		BB Traders	5 900✓	5 900✓	Creditors Control✓
B/S		Town Council	3 200✓	3 200✓	Water and electricity✓
B/S		WW Bank	1 112✓	1 112✓	Bank charges✓
B/S		Boabab Insurers	6 600✓✓	5 100✓	Insurance✓
			1 500✓		Drawings✓
			<b>69 812</b> ✓	<b>69 812</b>	

**19**

**2.2.2 GENERAL LEDGER OF MARIAAN STORES**

Bank					
2020 Mar 1	Balance	11 400✓	2020 Mar 31	Sundry Accounts	69 812✓
Mar 31	Sundry Accounts	60 282✓		Balance	1 870✓
		<b>71 682</b> ✓			<b>71 682</b>
	Balance	<b>1 870</b> ✓			

**6**



**2.2.3 Prepare a Bank Reconciliation Statement for March 2020.**

	Debit	Credit
Balance according to bank statement <span style="float: right;">balancing figure</span>		10 070 <input checked="" type="checkbox"/>
Cr. Outstanding deposit		17 400 ✓
Dr. Outstanding EFT	6 600 ✓	
Dr amount wrongly credited	19 000 ✓✓	
Dr. Balance according to the bank account	1 870 <input checked="" type="checkbox"/> <span style="float: right;">See 6.2.2</span>	
	27 470 <input checked="" type="checkbox"/>	27 470
<span style="background-color: yellow;">both figures must be the same</span>		

7

**QUESTION 3**

**3.1 CASH RECEIPT JOURNAL - APRIL 2020 CRJ 3**

Doc	Day	Details	Bank	Amount	Details
	30	<b>Total</b>	<b>53 000</b>	<b>53 000</b>	
B/S		K. Marais	4 900✓	4 900✓	Debtors Control✓
		D. Dawie	9 600✓	9 600✓	Rent income✓
			67 500 <input checked="" type="checkbox"/>	67 500	

7

**CASH PAYMENT JOURNAL - APRIL 2020 CPJ 3**

Doc	Day	Details	Bank	Amount	Details
	30	<b>Total</b>	<b>64 000</b>	<b>64 000</b>	
		Sales	15 000✓	15 000✓	Sales ✓
B/S		Town Council	4 890✓	4 890✓	Water and electricity✓
B/S		Easy Insurers	7 000✓	5 300✓	Insurance✓
				1 700✓✓	Drawings✓
B/S		ABBA Bank	3 500✓	3 500✓	Loan✓
B/S		WW Bank	672✓✓	549✓	Bank charges✓
				123✓	Interest on overdraft✓
			95 062 <input checked="" type="checkbox"/>	95 062	

21

**3.2 GENERAL LEDGER OF KETSI STORES**

Bank					
2020 Apr 30	Sundry Accounts	67 500 <input checked="" type="checkbox"/>	2020 Apr 1	Balance	2 345✓
	Balance	29 907 <input checked="" type="checkbox"/>	Apr 30	Sundry Accounts	95 062 <input checked="" type="checkbox"/>
		97 407			97 407 <input checked="" type="checkbox"/>
				Balance	29 907 <input checked="" type="checkbox"/>

6

3.3

**Bank Reconciliation Statement on 30 April 2020.**

	Debit	Credit
Dr. Balance according to bank statement <span style="float: right; font-size: small;">balancing figure</span>	27 585 <input checked="" type="checkbox"/>	
Cr. Outstanding deposit		12 600 <input checked="" type="checkbox"/>
Dr amount wrongly credited	13 600 <input checked="" type="checkbox"/>	
Cr EFT Wrongly debited		3 333 <input checked="" type="checkbox"/>
Dr. Outstanding EFT – 564	4 655 <input checked="" type="checkbox"/>	
Cr. Balance according to the bank account		29 907 <span style="float: right; font-size: small;">see 8.2</span> <input checked="" type="checkbox"/>
	45 840 <input checked="" type="checkbox"/>	45 840
	both figures must be the same	

9

**QUESTION 4**

4.1

CASH RECEIPT JOURNAL - JUNE 2020 CRJ 6					
Doc	Day	Details	Bank	Amount	Details
	30	<b>Total</b>	<b>56 200</b>	<b>56 200</b>	
B/S		P. Nel	11 600 <input checked="" type="checkbox"/>	11 600 <input checked="" type="checkbox"/>	Rent income <input checked="" type="checkbox"/>
		Rand Bank	4 800 <input checked="" type="checkbox"/>	4 800 <input checked="" type="checkbox"/>	Telephone <input checked="" type="checkbox"/>
		N. Botha	3 400 <input checked="" type="checkbox"/>	3 400 <input checked="" type="checkbox"/>	Debtors Control <input checked="" type="checkbox"/>
			76 000 <input checked="" type="checkbox"/>	76 000	

  

CASH PAYMENT JOURNAL - JUNE 2020 CPJ 6					
Doc	Day	Details	Bank	Amount	Details
	30	<b>Total</b>	<b>67 400</b>	<b>67 400</b>	
		Service fees	1 500 <input checked="" type="checkbox"/>	1 500 <input checked="" type="checkbox"/>	Fee income <input checked="" type="checkbox"/>
B/S		Pro Insurers	5 890 <input checked="" type="checkbox"/>	5 890 <input checked="" type="checkbox"/>	Insurance <input checked="" type="checkbox"/>
B/S		Matjhabeng	6 000 <input checked="" type="checkbox"/>	4 500 <input checked="" type="checkbox"/>	Rates and taxes <input checked="" type="checkbox"/>
				1 500 <input checked="" type="checkbox"/>	Drawings <input checked="" type="checkbox"/>
B/S		YEN Bank	5 300 <input checked="" type="checkbox"/>	5 300 <input checked="" type="checkbox"/>	Loan <input checked="" type="checkbox"/>
B/S		Rand Bank	910 <input checked="" type="checkbox"/>	593 <input checked="" type="checkbox"/>	Bank charges <input checked="" type="checkbox"/>
				317 <input checked="" type="checkbox"/>	Interest on overdraft <input checked="" type="checkbox"/>
			87 000 <input checked="" type="checkbox"/>	87 000	

10

21

4.2

GENERAL LEDGER OF HILTON TRADERS					
Bank					
2020 Jun 30	Sundry Accounts	76 000 <input checked="" type="checkbox"/>	2020 Jun 1	Balance	3 456 <input checked="" type="checkbox"/>
	Balance	14 456 <input checked="" type="checkbox"/>	Jun 30	Sundry Accounts	87 000 <input checked="" type="checkbox"/>
		90 456			90 456 <input checked="" type="checkbox"/>
				Balance	14 456 <input checked="" type="checkbox"/>

6

4.3

Bank Reconciliation Statement on 30 June 2020.		
	Debit	Credit
Dr. Balance according to bank statement	balancing figure 12 645 <input checked="" type="checkbox"/>	
Cr. Outstanding deposit		17 800 ✓
Dr amount wrongly credited	16 300 ✓✓	
Cr Debit orders wrongly debited		2 244 ✓✓
Dr. Outstanding EFT – 654	5 555 ✓	
Cr. Balance according to the bank account		14 456 <input checked="" type="checkbox"/> See 9.2
	34 500 <input checked="" type="checkbox"/>	34 500
	both figures must be the same	

9
---

4.4

**Provide TWO suggestions that the business can use to prevent a situation like the one experience on 26 May 2020 in the future.**

Any acceptable answers ✓✓✓✓

- All bank notes received must first be scanned under an UV light to detect counterfeit money, to ensure it is not excepted.
- Encourage customers to make card / electronic payments.

4
---

4.5

**Identify the problem that is revealed by the previous reconciliation, and list TWO internal control measures to solve this problem.**

**PROBLEM:** ✓  
Late deposits / not depositing money on time / keeping cash for a long period is risky.

**TWO CONTROL MEASURES** ✓✓ ✓✓

- Division of duties – ensure that the person receiving cash is not the one depositing cash
- Supervise deposits – authorised person to check and sign deposit slips
- Arrange with bank for notifications for all transactions (sms)

5
---

4.6

**Refer to the debit order for R2 244. Explain a possible reason how this may have occurred, and provide advise on how this can be rectified.**

**POSSIBLE EXPLANATION:** ✓✓

Fraudulent entry; someone hacked the business security code; business entered the wrong account number for a service provider.

**POINT OF ADVICE** ✓✓

Cancel the debit order with the incorrect business / person receiving the funds

If that cannot be done, it may be necessary to change the business banking details Or change the security code

Closely monitor the statement / statement or transaction records can be easily accessed at regular intervals; to detect unusual entries.

4

**QUESTION 5**

5.1

**Calculate the correct Bank Account balance on 31 March 2020.**

Receipts:      ✓            ✓✓            ✓            ✓            ✓  
 55 400 + 900 + 2 850 + 9 300 + 120 = 68 570

Payments:      ✓            ✓            ✓            ✓            ✓✓  
 36 900 + 6 000 + 1 450 + 5 350 + 980 = 50 680

7 500 ✓ + 68 570 ✓ – 50 680 ✓ = 25 270 ✓

13

5.2

**Bank Reconciliation Statement on 31 March 2020.**

	Debit	Credit
Balance according to Bank Statement <i>Balancing figure</i>		15 380 ✓
Cr Outstanding deposit		22 700 ✓
Dr Outstanding EFT – 333	6 500 ✓	
Dr amount wrongly credited	6 400 ✓✓	
Bank charges overstated		210 ✓✓
Dr Balance on the bank account <i>See 11.1</i>	25 390 ✓	
	38 290	38 290
	✓ both figures must be the same	

9

5.3

(a) Identify the GAAP principle which will be applied in this case.

GAAP Principle:

Principle of prudence ✓

1

(b) Provide TWO internal control measures that Jane can use to prevent such a loss in future.

Any TWO valid point ✓✓ ✓✓

- Division of duties/Rotation of duties/Divide duties amongst employees so that the one can act as a check on the other / The person issuing receipts should not be the same person doing the deposits.
- Responsible staff members to check/make the deposits.
- Regular and timely supervision / monitor cash deposits
- Cash must be deposited daily (check deposit slip against receipts).
- Outstanding deposits must be investigated promptly.
- Encourage EFT payments by customers / debtors.
- Request bank to send confirmation of all transactions (e.g. sms).

4

# CREDITOR RECONCILIATION STATEMENTS

**QUESTION 1**

1.1.1

	<b>Creditors' Ledger Account of Thembeke Suppliers in the Books of Ekasi Traders</b>	<b>Statement of Account from Thembeke Suppliers</b>
<b>Balance</b>	<b>117 200</b>	<b>157 400</b>
<b>(a)</b>	- 49 100 ✓	
<b>(b)</b>		13 100 – 10 300 ✓✓ + 2 800
<b>(c)</b>	+ 12 500 ✓	
<b>(d)</b>		- 6 400 ✓
<b>(e)</b>	- 9 700 – 9 700 ✓✓ -19 400	
<b>(f)</b>		- 92 600 ✓
	61 200 ✓	61 200

Both totals: inspect. Must include opening balances

<b>9</b>

1.1.2

**What should the owner say to Bradley regarding this incident? Explain TWO points.**

TWO points ✓✓ ✓✓ part marks for incomplete / partial answers

- He should not take advantage of his position in management / abuse of authority / position
- This amounts to “stealing” if done in a devious way; it is unethical
- Against business policy / compromising internal controls
- He must pay back the money; he could open an account with the business and purchase the goods (he won't get it at cost).
- He could be liable for disciplinary action and could tarnish his good reputation
- Demotion / dismissal will be considered if caught again.

<b>4</b>

**QUESTION 2**

2.1

The bookkeeper, Litzie, says it is not necessary for her to prepare a Creditors' Reconciliation Statement because the creditors send monthly statements to the business anyway. What would you say to her? State TWO points.

Any TWO valid points ✓✓ ✓✓ Must be 2 separate points;  
Award part-marks for incomplete answers

Expected responses:

- The statement could contain errors.
- This is an internal control measure.
- This will lead to detection of errors/omissions/fraud.
- To compare/check/reconcile the account to the statement.
- To ensure VAT return is correct / to assist in doing the VAT return.

4

2.2

No.	Creditors' Ledger of KZ Stores	Statement of account received from Valley Ltd
Balance	112 820	182 150
A	- 9 000	- 9 000
B	✓✓ + 87 500	
C		✓✓ + 7 200
D		✓✓ - 1 400
E		✓✓ - 630
F	✓✓ + 2 100	
G	✓ - 5 250 ✓ - 5 250 - 10 500 (2 marks)	
H		✓✓ + 4 600
	182 920 ✓*	182 920 ✓*

16



2.3 2.3.1

**Explain what action should be taken against J van Wyk. State TWO points.**Any two valid points ✓✓ ✓✓ **Must be 2 separate points; Cannot conflict with each other  
Award part-marks for incomplete answers**

- Must be subjected to a disciplinary hearing
- Open a criminal case at SAPS
- Redeploy pending decision / suspend pending decision (on outcome of the hearing/case)
- Require employee to refund/repay employer for the costs/deduct from salary/take legal action for repayment
- Dismiss him as this is gross misconduct

**Do not accept warning as a valid point for 2 marks unless candidate also mentions repayment as a point – in context of R37 500 fraud, warning alone is not sufficient**

For 1 mark:

Dismiss the employee / fire him; Warning; Redeploy him; Suspend him; Sue him; Take legal action.

4

2.3.2

**What must the business do to prevent a similar incident in future? Explain THREE points.**Any THREE valid points ✓✓ ✓✓ ✓✓ **Must be 3 separate points;**

For 2 marks:

- Division of duties so that each person serves as a check on another / get someone else to authorise these transactions.
- Rotate duties so that employees do not have permanent control over an aspect of the business.
- Conduct internal audits / check documents to detect the fraud and errors.
- Physical stock control (to records) / check stock on hand to stock records.
- When goods are received, the receiving officer must check the stock received to the invoice and order form.
- Inform suppliers of the procedure for delivering goods to the business and do not deviate from this.

6

**QUESTION 3**

**3.1 CREDITORS' RECONCILIATION**

3.1.1

	CREDITORS' LEDGER	CREDITORS' RECONCILIATION STATEMENT
<b>Balance</b>	<b>110 170</b>	<b>111 600</b>
(a)	-11 100 ✓	
(b)	+ 5 000 ✓	
(c)		- 28 800 ✓
(d)	+ 1 650 ✓✓	
(e)	- 2 400 ✓✓	
(f)		- 5 400 ✓✓
(g)	+ 3 300 ✓	
(h)		- 13 800 ✓
		- 1 380 ✓
		+ 44 400 ✓
	106 620 <input checked="" type="checkbox"/> (both totals)	106 620

14

3.1.2 **State TWO internal control measures that the business can use to prevent similar incidents from happening in future.**

Any TWO relevant control measures ✓✓ ✓✓

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

4

**QUESTION 4**

4.1

	<b>Creditors' Ledger Account of Styles Suppliers</b>	<b>Statement of account received from Styles Suppliers</b>
<b>Balance before errors/omissions</b>	<b>12 160</b>	<b>41 380</b>
<b>A</b>	(8 700) ✓	(8 700) ✓
<b>B</b>		(950) ✓
<b>C</b>	1 540 ✓	
<b>D</b>		1 800 ✓✓
<b>E</b>	5 930 ✓	
<b>F</b>	9 400 ✓✓	
<b>G</b>		(2 925) ✓✓
<b>H</b>		(10 275) ✓
<b>Balance after errors/omissions</b>	<b>20 330</b> ✓ <b>one part correct</b>	<b>20 330</b> ✓ <b>one part correct</b>

-1 per line if written in both columns except A. Must earn a mark on that line before you deduct a mark.

14

4.2

**Refer to information E:**

(a) **Suggest TWO possible actions that the business can take against the storeman.**

Any two valid points ✓✓ ✓✓  
Award part-marks for unclear/incomplete explanation

- Open a criminal case/Take legal action.
- Deduct the amount from his salary.
- Subject the employee to a disciplinary hearing.
- Suspend the employee pending the outcome of the hearing.
- Dismiss the employee due to his misconduct.

4

**(b) Provide THREE internal control measures that the business can use to prevent similar incidents in future.**

Any three valid points ✓✓ ✓✓ ✓✓ **Must be 3 separate points;**

**Award part-marks for unclear/incomplete explanation**

- Division of duties so that each person serves as a check on another/get someone else to authorise these transactions.
- Rotate duties so that employees do not have permanent control over an aspect/function of the business.
- Conduct internal audits/check documents to detect any fraud and errors.
- Physical stock control (to records)/check stock on hand to stock records.
- When goods are received, the receiving officer must check the stock received to the invoice and order form.
- Inform suppliers of the procedure for delivering goods to the business and do not deviate from this.

6

**QUESTION 5**

5.1

**CREDITORS' LEDGER OF KAROO TRADERS  
DM SUPPLIERS (CL7)**

<b>Balance per Ledger Account</b>	<b>47 064</b>	
Invoice 346 corrected	(1 512)	✓✓
Correction of discount on EFT 207	1 000	✓✓
Invoice 135 corrected	(6 929)	✓✓
Interest	29	✓
<b>one part correct</b>	<b>39 652</b>	<input checked="" type="checkbox"/>

8

5.2

**CREDITORS' RECONCILIATION STATEMENT ON 30 JUNE 2018**

<b>Balance as per Creditor's Statement</b>	<b>40 271</b>	
Credit note incorrectly recorded (816 x 2)	(1 632)	✓✓
Discount not yet recorded	(2 532)	✓✓
Trade discount omitted	(981)	✓
Invoice issued after statement date	4 526	✓
Balance as per Creditors Ledger <b>correct</b>	<b>39 652</b>	<input checked="" type="checkbox"/>
<b>one part</b>		

7

5.3

**Explain TWO benefits of using electronic funds transfer (EFT) system rather than using EFTs for direct payments to creditors.**

Any TWO suitable valid response ✓✓ ✓✓

- Cheaper than EFT payments or debit orders
- Less fraud and theft than with EFTs
- Payments can be made at any time
- Funds quicker available

4

5.4

**State TWO consequences for the business if they do not pay the amount due to creditors on time.**

Any TWO suitable valid response ✓✓ ✓✓

- Business can be charged interest
- Credit rating of the business can be affected
- The business can be blacklisted

4

# DEBTOR

# RECONCILIATION

# STATEMENTS

**QUESTION 1**

**1.1 DEBTORS' AGE ANALYSIS**

**1.1.1 Explain why the debtors' age analysis is an effective internal control measure. State ONE point.**

Valid explanation ✓✓ **part-mark for unclear / incomplete answer**

- Helps identify slow or defaulting debtors (not abiding to the credit terms) so that action can be taken.
- Highlights debtors in good standing so their credit ratings can be reviewed.
- It can expose the problem of allowing debtors to exceed their credit limits.
- It can assist with planning/corrective measures such as sending reminders, writing off debtors etc.

<b>2</b>

**1.1.2 Explain TWO different problems highlighted by the debtors' age analysis. In EACH case, provide the name of a debtor and figure(s).**

**Give marks for debtor & figures even if problem incorrectly identified**

PROBLEM ✓✓	DEBTOR AND FIGURE(S) Debtor ✓✓ Figure ✓✓
Debtors exceeding credit limits	P. Botha (by R700) Or: balance of 4 200 is above his limit of 3 500
Overdue accounts/not complying with credit terms/slow payers	S. Walker (R8 500 overdue) O. Klein (R1 100 overdue); M. Valley (R950 overdue)
Poor control of granting credit terms / Continue selling to debtors whose accounts are overdue	M. Valley (R950) S. Walker (R8 500) O. Klein (R1 100)

<b>6</b>

**1.2 DEBTORS' RECONCILIATION**

**1.2.1 CORRECTIONS TO THE DEBTORS' CONTROL ACCOUNT ON 30 NOVEMBER 2017**

<b>Balance before errors and omissions</b>	<b>25 700</b>	
(i)	+2 700 ✓	
(ii)	+350 ✓	
(iii)	- 1 800 ✓✓	no part-marks
(iv)	No change ✓	
(v)	+1 500 ✓	
<b>Correct Debtors' Control balance</b>	<b>28 450</b> ✓	one part correct

**7**

accept brackets for -ve amounts; no sign indicates +ve  
accept "0 or -" for "no change"

**1.2.2 DEBTORS' LIST ON 30 NOVEMBER 2017**

<b>L Nkosi</b>	<b>(5 700 – 1 800 ✓)</b>	<b>3 900</b> ✓
<b>S Muller</b>	<b>(11 100 + 350 ✓)</b>	<b>11 450</b> ✓
<b>M Welthagen</b>	<b>(–1 900 + 1 500 ✓)</b>	<b>(400)</b> ✓
<b>B Sandleni</b>	<b>(15 900 – 1 200 ✓ – 1 200 ✓)</b> 2 400 two marks must be < 15 900	<b>13 500</b> ✓
<b>Correct total of Debtors' List</b>	<b>operation one part correct</b>	<b>28 450</b> ✓

**10**



**QUESTION 2**

**2.1 TRUE OR FALSE**

2.1.1	True ✓
2.1.2	False ✓
2.1.3	False ✓

<b>3</b>

**2.2 MIZZY BOUTIQUE**

Use the table provided to indicate corrections that must be made to the Debtors' Control Account and the debtors' list.

Provide figures and a plus (+) or minus (-) sign for each correction.

	Debtors' Control Account	Debtors' List
<b>Balance/Total on 28 February 2017</b>	<b>R37 710</b>	<b>R39 490</b>
(a)	+ 7 440 ✓	+ 7 440 ✓
(b)		- 4 500 ✓✓
(c)		+1360 +1360 <b>one mark one mark</b> + 2 720 ✓✓
(d)	+ 1 350 ✓	+ 1 350 ✓
(e)	- 450 ✓	- 450 ✓
(f)	+ 1 950 ✓	+ 1 950 ✓
<b>Balance/Total on 28 February 2017</b>	<b>R48 000</b> <input checked="" type="checkbox"/> <b>for both totals; need not be equal</b>	<b>R48 000</b>

<b>13</b>

-1 superfluous items (max -2) refer (b) and (c) only

No sign: assume positive; Brackets: assume negative; Tick is for figure & sign

**2.3 GLENDALE TRADERS**

2.3.1

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

Any ONE valid point. ✓✓ **One mark for incomplete / unclear answer**

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

2

2.3.2

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

16 640 two marks  

$$\frac{14\ 560 \checkmark + 2\ 080 \checkmark}{41\ 600 \checkmark} \times 100 = 40\% \checkmark$$
 one part correct; must be calculated as a %

2 marks 1 mark 1 method mark  
 OR 35% + 5% = 40%

4

23.3

**Explain ONE problem (with figures) relating to EACH of the following debtors:**

DEBTOR	PROBLEM ✓ ✓ FIGURES ✓ ✓
D Pillay	Exceeded the credit limit of R10 000 / by R1 800 / owes <u>R11 800 which is more than the credit limit</u>
W Patel	Exceeded credit terms of 30 days / The R11 192 exceeds the credit terms / His balance has been outstanding for 60 days / 90 days

4

2.3.4

**Explain TWO problems (with figures) relating to debtor D Gouws.**

TWO valid points (with figures). Problems ✓ ✓ Figures ✓ ✓

- Exceeding credit terms / slow payer (5 448/13 450) 40,5% of his account is more than 30 days
- The business allowed him to buy R4 100 more goods even though he does not pay on time.

4

**QUESTION 3**

**3.1 DEBTORS AGE-ANALYSIS**

**3.1.1 Explain how the Debtors' Age Analysis can assist with the control over debtors. Provide ONE point.**

Any ONE valid point. ✓✓ Part marks for partial/incomplete answers.

Effective method of credit control

Helps identify debtors who have not paid within the creditor terms granted.

Interest can be charged to debtors not adhering to the business' policy

Legal action can be taken against debtors who do not comply.

2

**3.1.2 Calculate the average debtors' collection period (in days) for the financial year ended 31 August 2019.**

Workings	Answer
$\frac{\overset{\text{one mark}}{19\ 800} + \overset{\text{one mark}}{76\ 200}}{48\ 000} \times 365$	38,9 days/39 days ✓ <i>one part correct</i>

5

**Comment whether the business should be satisfied with this.**

Any ONE valid point. ✓✓ Part marks for partial/incomplete answers.

*Mark according to candidate's answer above*

The business cannot be satisfied as debtors are not complying with the 30 days' credit terms.

*Comparison with previous year to note improvement or otherwise can be mentioned.*

2

**3.1.3 Identify TWO different problems revealed by the Debtors' Age Analysis. Quote evidence and/or figures. In each case, provide advice to improve the internal control relating to the problem identified.**

	<b>Problem</b> ✓ ✓ <b>Evidence/figures</b> ✓ ✓	<b>Advice on internal control</b> ✓ ✓
<b>Problem 1</b>	Certain debtors have exceeded their <u>credit limit</u> . C. Coma by R2 000 or R Rome by R1 000 <i>Quote name or amount</i>	Do not sell on credit to debtors who have exceeded their credit limits Track cases and monitor Improve internal controls such as computer system
<b>Problem 2</b>	Debtors do not abide by the <u>credit terms</u> of 30 days Pule, Coma and Rome (53% are taking longer)	Charge interest on overdue accounts; Offer discounts for early payment Send reminders/sms
<b>Or</b>	<u>Internal control problem</u> : The business is allowing debtors to exceed credit terms and limits	Install computer system to track debtors accounts; Monitor / supervise defaulting debtors

6

**QUESTION 4**

**4 DEBTORS' RECONCILIATION**

Accept ledger account format; If both formats are done mark the given format only

**4.1 CORRECTIONS TO THE DEBTORS' CONTROL ACCOUNT**

<b>Current Debtors' Control Account balance</b>	<b>21 900</b>	
(i)	-1 750	✓
(ii)	+ 375	✓
(iii)	+1300	✓
(iv)	No change	✓
(v)	-3 050	✓
(vi)	No change	✓
<b>Correct Debtors' Control Account balance</b>	<b>18 775</b>	✓ ☑

<b>8</b>

Must include R21 900, Inspection, reasonable or see 1.2.2

**4.2 DEBTORS' LIST ON 31 MAY 2016**

<small>-13 200+12 300 (both)</small> <b>P Petty(5 100 – 900 ✓✓ – 3 050 ✓)</b>	<b>1 150</b>	☑
<b>One part correct</b>		
<b>M Thola(8 400 + 375 ✓)</b>	<b>8 775</b>	✓
<b>P Govendor(-1 550 + 1 300 ✓)</b>	<b>(250)</b>	✓
<small>- 2 200 (2 marks)</small> <b>A Brand (11 300 – 1 100 ✓ – 1 100 ✓)</b>	<b>9 100</b>	☑
<b>One part correct</b>		
<b>Correct total of Debtors' List</b>	<b>18 775</b>	☑

<b>12</b>

**4.3 DEBTORS' AGE ANALYSIS**

**4.3.1 As the internal auditor, what concerns would you have over Themba's job description? Explain.**

Any ONE valid point ✓✓✓ **Incomplete / unclear answer: 1 mark**

For 2 marks:

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

For 1 mark:

- Division of duties / Internal control

<b>3</b>

**4.3.2 Identify TWO debtors who could have their credit limits increased.**

- P Paul ✓
- C Christo ✓ -1 for superfluous name (max -2)

2

**Provide a valid reason for your choice**

Any valid reason ✓✓ (within credit limit only – 1 mark)

- They are within their limit and current with their accounts.
- They manage their accounts effectively by paying on time.
- They stick to the credit limit and credit terms.

2

**4.3.3 Explain THREE different problems reflected by the Debtors' Age Analysis. Give evidence to support your answer.**

There must be 3 separate problems i.e. Payment periods + Credit limits + Selling to those who are not settling previous debts  
 Part-marks for partial answers / partially correct answers

Explanation of problem with evidence	
<b>Problem 1</b>	Problem ✓ Credit term/ Slow payers / Non-payers  Evidence ✓ Specific evidence required i.e. names or figures Some debtors (17% / 22% / 20%) are taking longer than 30/60/90 days to settle debts/ (e.g. Michiel /Noge/ Taka)
<b>Problem 2</b>	Problem ✓ Credit limit / Not adhering to credit limit  Evidence ✓ Specific evidence required i.e. names or figures Michiel is R4 000 over the limit
<b>Problem 3</b>	Problem ✓ Sales continue to be made to debtors whose accounts are overdue / Bad control of sales to debtors  Evidence ✓ Specific evidence required i.e. names or figures Taka / Noge/Michiel were allowed to buy even though they have debts which are 60 / 90 days old

6

**VALUE**

**ADDED**

**TAX**

**QUESTION 1**

**1.1 VAT**

**1.1.1**

	<b>Workings</b>	<b>Answer</b>
<b>(a)</b>	89 700 – 78 000	11 700 ✓
<b>(b)</b>	12 400 x 15% or 15/100 one mark for both figures in workings if there is no final answer	1 860 <input checked="" type="checkbox"/> ✓
<b>(c)</b>	210 x 115/15 <b>OR</b> 1 400 + 210 one mark for both figures in workings if there is no final answer	1 610 ✓✓
<b>(d)</b>	20 700 – 1 200 OF (158 700 – 9 200) ✓✓ x 15/115 ✓	19 500 <input checked="" type="checkbox"/> other part correct

<b>9</b>

**1.1.2**

<b>Comment on this practice and provide Amahle advice.</b>	
<b>COMMENT</b> ✓✓	<b>ADVICE</b> ✓
<ul style="list-style-type: none"> <li>• Unethical to use money not earned by the business to pay running / operational costs</li> <li>• The business is an agent of SARS and must make payments timeously</li> <li>• The business can be fined (penalties) for non-compliance / evasion / manipulation / deferring of payment of VAT</li> <li>• It could result in a more extensive investigation for irregularities in the future</li> <li>• This is rolling over of cash / evasion; which could escalate to a serious problem.</li> </ul>	<ul style="list-style-type: none"> <li>• Keep proper records / ensure that the funds are always available to make payments</li> <li>• Note submission dates and plan in advance.</li> <li>• Only use business funds to cover business commitments / work within the budget</li> </ul>

<b>3</b>

**QUESTION 2**

2.1.1

	<b>WORKINGS</b>	<b>ANSWER</b>
(a)	1 104 – 960	144 ✓
(b)	52 600 x 15%	7 890 ✓ <input checked="" type="checkbox"/> one part correct
(c)	$720 \times 100/15$ $720 \div 15\% / 720 \div 0,15$	4 800 <input checked="" type="checkbox"/> one part correct
(d)	$(112\ 470 - 6\ 325) \times 15/115$ $5\ 500 + 825$ 106 145 two marks  112 470 x <sup>15</sup> / <sub>115</sub> OR 14 670 – 825 two marks one mark  OR (97 800 – 5 500) x 15% 92 300 two marks one mark	13 845 <input checked="" type="checkbox"/> one part correct

10
----

2.1.2

**You are the internal auditor. The sole owner, Samson, used a business cheque to buy a new car for R460 000 including VAT. This car is kept at home for his wife's use. Samson says the vehicle must be recorded as a business asset and R60 000 must be recorded as a VAT input in the business' books.**

**Explain what you would say to Samson. Provide TWO points.**

TWO valid points ✓✓ ✓✓ part-marks for partial / incomplete answers; figures not required

Expected responses for two marks: Be aware of two points within one explanation

- This is tax evasion / he is attempting to reduce the amount due to SARS for VAT (this is illegal and unethical)
- He will be increasing the input VAT, effectively reducing the amount due to SARS.
- He could be fined or imprisoned because it is a criminal offence.
- Personal transactions and business transactions should be kept separate (Business entity concept) / Samson should pay for this out of his private bank account.
- As the car is not used for business purposes, the full amount of R460 000 should either be treated as drawings or a reduction of his capital contribution.

4
---



**QUESTION 3**

3.1

**Calculate the amount receivable from or payable to SARS for VAT on 31 August 2020.**

Mark one line only. Cannot mix signs. Inspect candidates' responses. Award highest mark.

$14\ 250 - 29\ 700 + 2\ 940 - 1\ 125 - 1\ 695 + 44\ 760 = 27\ 900$ 
  
 $40\ 880 - 1\ 120 = 39\ 760 = \text{three marks}$

Mark one account only. Cannot mix sides. Inspect candidates' responses. Award highest mark. Items marked \* may be shown on the opposite side in brackets.

VAT-CONTROL	
✓ 29 700	✓ 14 250
✓ *1 125	✓ *2 940
✓✓ *1 695	✓✓ 44 760
<input checked="" type="checkbox"/> 29 430	
61 950	61 950

**Receivable/Payable: Payable** ✓ Do not accept Receivable (irrespective of workings)

10

**QUESTION 4**

**Calculate the final amount payable to SARS on 31 July 2014.**

Mark one line only – choose method to benefit candidate

$11\ 200 \checkmark + 135\ 000 \checkmark - 105\ 750 \checkmark + 540 \checkmark - 7\ 170 \checkmark\checkmark - 3\ 660 \checkmark\checkmark =$

$7\ 760$   any one part correct

VAT-CONTROL	
✓ 11 200	✓ 135 000
✓✓ 105 750	✓ 540
✓✓ 7 170	
✓✓ 3 660	
<input checked="" type="checkbox"/> 7 760	
135 540	135 540

Accept negative figures or brackets on opposite sides

10

**QUESTION 5**

**5.1 TRUE OR FALSE**

5.1.1	False	✓
5.1.2	False	✓
5.1.3	False	✓
5.1.4	True	✓
5.1.5	True	✓

<b>5</b>

**5.2.1 Calculate the amount of VAT that Peter will either pay to or receive from SARS.**

(R87 975 x 15/115)

**OUTPUT:** R11 475 ✓✓ + R360 ✓ = R11 835 ☑\*

or

(2 marks)      (1 mark)      (1 mark)      (1 mark)      (Method mark)

R11 475 + R360 + R113 + R180 = R12 128

(R52 000 x 15%)      (R10 120 x 15/115)

**INPUT:** R7 800 ✓ + R1 320 ✓✓ - R113 ✓ - R180 ✓ = R8 827 ☑\*

or

(1 mark)      (2 marks)      (Method mark)

R7 800 + R1 320 = R9 120

Owed to SARS - R3 008 ☑

BTW-kontrole	
7 800	11 475
1 320	360
	113
<b>Balance 3 008</b>	180

<b>10</b>

# STOCK

# VALUATION

**QUESTION 1**

**1.1.1 Calculate: Value of the closing stock on 28 February 2021**

WORKINGS	ANSWER
<p>2 346 040 four marks                      2 182 700 two marks  <math display="block">\frac{101\ 090 \checkmark + 2\ 236\ 700 \checkmark - 54\ 000 \checkmark + 62\ 250 \checkmark}{2\ 636 \checkmark \text{ one part correct}} \times 420</math> <p>60 x 900 2 490 x 25                      206 + 2 490 – 60</p> <p>Numerator and denominator must be marked as such</p> <p><b>OR:</b> R890 six marks x 420</p> </p>	<p>R373 800 <input checked="" type="checkbox"/>                      One part correct                      must be x 420</p>

7
---

**1.1.2 Calculate: Stock turnover rate**

WORKINGS	ANSWER
<p>Using units:</p> $\frac{2\ 216 \checkmark}{\frac{1}{2} \checkmark (206 + 420) \checkmark}$ <p>313 two marks</p> <p>Using amounts:</p> $\frac{1\ 972\ 240 \text{ one m. marks}}{\frac{1}{2} (2\ 346\ 040 - 373\ 800) \text{ see 4.1.1.}}$ $\frac{1}{2} (101\ 090 + 373\ 800 \text{ see 4.1.1})$ <p>one mark                      one m.mark                      237 445 two m. marks</p> <p>Numerator and denominator must be marked as such</p>	<p>7,1 times <input checked="" type="checkbox"/>                      one part correct;                      accept 7 times</p> <p>8,3 times <input checked="" type="checkbox"/>                      one part correct;                      accept 8 times</p>

4
---

**1.1.3 Comment on the stock turnover rates for boots and sandals and identify the major problem relating to EACH product. Quote figures.**

	COMMENT ON STOCK HOLDING RATE (WITH FIGURES) Comment ✓ ✓ Figures ✓ ✓	IDENTIFY MAJOR PROBLEM Explanation of problem ✓ ✓ Figures are not necessary; may enhance the quality of responses
<b>Boots</b>	<ul style="list-style-type: none"> <li>STR of 2 (average every 6 months) experiences slow sales / generating good gross profit (R1 122 300)</li> <li>Mark-up of 80% may be too high; expensive for customers – (exclusive clientele)</li> </ul>	Too much stock on hand (62% of total closing stock) / Money tied up in stock (R708 400) will impact on liquidity / also a security risk / theft / can become obsolete.
<b>Sandals</b>	<ul style="list-style-type: none"> <li>STR is 76 (every 5 days);</li> <li>Low mark-up of 33,3% makes this very affordable / in demand; hence sandals are a good seller</li> </ul>	Business is not meeting the orders (3 600 not supplied (15 000 – 11 400) / Not enough stock on hand to meet orders / may run out of stock / Loss of revenue of R1 728 000 (could have a negative impact on liquidity.

6
---

**1.2 FIXED ASSETS**

**1.2.1 List THREE points for good internal control over movable fixed assets.**

Any THREE valid points ✓ ✓ ✓

Accept short, specific statements; do not accept general statements e.g. "good management" or "division of duties"

- 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 / authorisation 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

<b>3</b>

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

WORKINGS	ANSWER
$6\,250\,000 - 5\,500\,000$ $R750\,000 \checkmark - 60\,000 \checkmark$	$R690\,000 \checkmark$

<b>3</b>

**1.2.3 Calculate: Depreciation on vehicle for year ended 28 February 2021**

WORKINGS	ANSWER
$R480\,000 \times 25\% = R120\,000$ ; but carrying value is R30 000 Maximum permitted: R30 000	$R30\,000 - R1$ $R29\,999$ ✓✓

<b>2</b>

1.2.4

Calculate: Loss on photocopy machine traded in on 30 November 2020											
WORKINGS	ANSWER										
224 000 two marks      (30% x 224 000 x 9/12) two marks 320 000 ✓ – (96 000 ✓ + 50 400 ✓) – 88 000 ✓ 146 400 three marks 173 600 four marks  OR <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2">Asset Disposal</th> </tr> </thead> <tbody> <tr> <td>Equip</td> <td>320 000 one mark</td> </tr> <tr> <td>Acc dep</td> <td>(96 000 + 50 400) 146 400 three marks</td> </tr> <tr> <td>Cred contr</td> <td>88 000 one mark</td> </tr> <tr> <td>Loss on sale</td> <td>85 600 method mark</td> </tr> </tbody> </table> Be alert to other valid alternative presentations for calculations	Asset Disposal		Equip	320 000 one mark	Acc dep	(96 000 + 50 400) 146 400 three marks	Cred contr	88 000 one mark	Loss on sale	85 600 method mark	85 600 ✓ One part correct
Asset Disposal											
Equip	320 000 one mark										
Acc dep	(96 000 + 50 400) 146 400 three marks										
Cred contr	88 000 one mark										
Loss on sale	85 600 method mark										
<b>Calculate: Depreciation on the new photocopy machine and on the remaining old equipment for the year ended 28 February 2021</b>											
WORKINGS	ANSWER										
<b>Depreciation on the new photocopy machine:</b>  R410 000 x 30% x 3/12  Accept alternative expressions e.g. 0,3; 30/100; ¼; 25%; 0,25 as one part correct	R30 750 ✓ One part correct										
<b>Depreciation on the remaining old equipment:</b> Choose and mark ONE option consistently  <b>OPTION 1:</b> * 30% is not "one part correct" (2 100 000 – 320 000) = 1 780 000 ✓ one part correct (1 440 000 – 96 000) = (1 344 000) ✓ one part correct 2 100 000 – 1 440 000 – 224 000      436 000 four marks      x 30%*  <b>OPTION 2:</b> * 30% is not "one part correct" (2 100 000 – 1 440 000) x 30% = 198 000 one mark + one m.mark (320 000 – 96 000) x 30% = (67 200) one mark + one m.mark  <b>OPTION 3:</b> * 30% is not "one part correct" (2 100 000 – 1 440 000) x 30% = 198 000 one mark + one m.mark [320 000 – (146 400 – 50 400)] x 30% = (67 200) one mark + one m.mark	R130 800 ✓ One part correct If x 30%										

6

2

5

1.2.5

<p><b>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.</b></p> <p>Any valid reason ✓✓      part marks for incomplete / partial / unclear responses</p> <ul style="list-style-type: none"> <li>• <u>Historical cost rule</u>: should be shown at their original cost price /</li> <li>• <u>Prudence</u>: to be conservative in reflecting assets on financial statements</li> <li>• Profit can be recognised / realised on disposal</li> <li>• Unethical to manipulate figures in the financial statements / inflated value</li> <li>• CEO's opinion does not seem to be based on clear evidence; needs evaluation / appraiser</li> </ul>
---

2

<b>TOTAL MARKS</b>	<b>40</b>
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**TOTAL: 150**

**QUESTION 2**

2.2.1

4.1.1	First-in-first-out (FIFO) ✓
4.1.2	Periodic ✓
4.1.3	Weighted average (WAM) ✓
4.1.4	Perpetual ✓

4
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2.2.1

Calculate: Value of the closing stock	
WORKINGS	ANSWER
$(3\ 700/20 = 185)$ $320 - 20$ $(300 \checkmark \times 185 \checkmark) + (80 \checkmark \times 173 \checkmark)$ 55 500 two marks (59 200 – 3 700) two marks  $(300 \times 170) \quad (300 \times 15) \quad (80 \times 160) \quad (80 \times 13)$ OR 51 000 + 4 500 + 12 800 + 1 040 one mark each	380 – 300 or units in first part 13 840 two marks  69 340 ✓ one part correct

5
---

Calculate: Cost of sales	
WORKINGS	ANSWER
$336\ 870$ three marks $(83\ 500 + 129\ 750 + 59\ 200)$ one mark $(68\ 120 + 272\ 450 - 3\ 700) - 69\ 340$ ✓                      ✓                      ✓                      ✓ see CS above  $(670 \times 173)$ OR 68 120 + 83 500 + 115 910 one mark    one mark    two marks	267 530 ✓ one part correct

5
---

2.2.2

Calculate the average stockholding period (in days).	
WORKINGS	ANSWER
$68\ 730$ three marks see CS above $\frac{1}{2} \checkmark (68\ 120 \checkmark + 69\ 340 \checkmark) \times 365$ $\frac{267\ 530 \checkmark}{1\ 590}$ see COS above  OR using units $\frac{1}{2} (420 + 380) \times 365$ $\frac{400}{1\ 590} \times 365$ Allocate marks accordingly	93,8 days ✓ one part correct If x 365  OR 91,8 days

5
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Explain whether Gwen should be satisfied with this figure, or not. State TWO points. NOTE: The average stock holding period on 29 February 2020 was 52 days.
Any TWO points ✓✓                      ✓✓                      part mark for unclear/incomplete/partial answers Figures not required by question; mark according to candidate's calculation above. "NOT SATISFIED" OPTIONS <ul style="list-style-type: none"> <li>The stockholding period has increased (from 52 days to 93,8 days see above) / Stock is not moving as fast as she expects.</li> <li>Possibility of bags becoming out-dated / out of fashion / obsolete</li> <li>Occupying storage space / idle stock is a risk of theft</li> <li>Too much working capital / cash tied up in stock / she will have to reduce prices to reduce stock</li> </ul> "SATISFIED" OPTIONS <ul style="list-style-type: none"> <li>Bags are durable and can be sold in the future / possibly taken advantage of bulk discounts / increased profitability in the future (inflation)</li> <li>State of the economy (luxury goods) drop in demand was expected.</li> </ul>

4
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2.3 PROBLEM-SOLVING

	<b>PROBLEM FOR 2021 (with figures)</b> TWO valid problems ✓ ✓ with figures ✓ ✓	<b>ADVICE</b> Per problem identified ✓ ✓ Mark advice independently Different problems required
<b>JACKETS</b>	<ul style="list-style-type: none"> <li>• Too much stock on hand (615 units) Increased by 208 units (from 407 to 615)</li> <li>• Drop in stock turnover rate 1,9 to 0,9 / high stock balance results in stock not moving / higher mark-up % also contributes to this</li> <li>• Price too high (MU% increased from 50% to 75% / a 25% increase / price increase of R90 per unit (R630–R540)</li> <li>• Purchasing the same number of units (800) despite having excess stock; contributing to stock piling.</li> <li>• Stock items missing or stolen (42 units or 407 +800 – 550 – 615)</li> </ul>	<ul style="list-style-type: none"> <li>• Increase advertising;</li> <li>• Consider discounts</li> <li>• Reduce mark-up%</li> <li>• Order according to sales / orders received</li> <li>• Reduce mark-up % to increase sales</li> <li>• Have clearance sales</li> <li>• Regular stock-take to assess available stock</li> <li>• Replace stock according to units sold (base stock)</li> <li>• Security tags on products</li> <li>• Physical inspection or regular stock count</li> <li>• Install cameras</li> <li>• Sell online (if customers are the problem)</li> </ul>
<b>JERSEYS</b>	<p>TWO valid problems ✓ ✓ with figures ✓ ✓</p> <ul style="list-style-type: none"> <li>• Decrease in units sold: 290 (2 260 – 1 970) or 302 (2 182 – 1 880) <b>OR</b> drop in sales from 436 400 – 399 500 / by 36 900 / 8,5% <b>OR</b> by 86 900 (436 400 – 349 500 if missing cash not detected)</li> <li>• Cash missing or stolen R50 000 (399 500 – 349 500) Or 69 125 (if returns not included)</li> <li>• High returns from customers; 78 (3,5% of sale) to 90 (4,6% of sales)</li> </ul>	<p><b>ADVICE</b> Per problem identified ✓ ✓</p> <ul style="list-style-type: none"> <li>• Increase advertising</li> <li>• Keep selling price the same to increase sales</li> <li>• Division of duties</li> <li>• Encourage use of EFTs</li> <li>• Request sms for deposits</li> <li>• Reconcile deposits with items sold / sales deposits</li> <li>• Online sales / sell on credit – less cash handling</li> <li>• Daily depositing / routine</li> <li>• Effect stricter return policy</li> <li>• Improve quality to reduce returns / do not buy inferior (cheaper) products</li> <li>• change styles of jerseys / in fashion</li> <li>• Train personnel to give best advice to customers.</li> </ul>

<b>TOTAL MARKS</b>	<b>35</b>
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**QUESTION 3**

3.1

4.1.1	Weighted average ✓
4.1.2	FIFO ✓
4.1.3	Specific identification ✓
4.1.4	Perpetual system ✓ don't accept PS

4

**3.2 LOTUS ACCESSORIES**

3.2.1

<b>Calculate: Value of closing stock for gas lamps (using FIFO)</b>	
<b>Workings</b>	<b>Answer</b>
$(220 - 40) \quad (270 - 180)$ $(180 \checkmark \checkmark \times R80 \checkmark) + (90 \checkmark \times R75 \checkmark)$ R14 400 three marks      R 6 750 two method marks	R21 150 <input checked="" type="checkbox"/> * *one part correct
<b>Calculate: Stockholding period in days of gas lamps (using closing stock)</b>	
*one part correct; 365 is not regarded as	
'one part correct'	
<b>Workings</b>	<b>Answer</b>
Using totals: $\frac{21\ 150 \checkmark \text{ see above}}{12\ 650 \checkmark + 193\ 500 \checkmark - 3\ 200 \checkmark - 21\ 150 \checkmark} \times 365$ $\frac{21\ 150 \checkmark}{181\ 800 \quad (40 \times 80) \quad \text{see above}}$	42,5 days <input checked="" type="checkbox"/> * Must be x by 365 one part correct Accept 42 or 43 days  <b>OR</b> 45,2 days Accept 45 days
<b>OR:</b> Using units: $\frac{270}{2\ 180}$ one mark x 365 2 180 four marks	<b>OR</b> 45,2 days Accept 45 days

6

6

3.2.2

<b>Alex suspects that the stock of gas lamps are not well controlled. Calculate the number of gas lamps missing.</b>	
<b>Workings</b>	<b>Answer</b>
one mark in total $230 + 2\ 750 - 40$ $2\ 940 \checkmark - 2\ 180 \checkmark - 270 \checkmark$	one mark in total $230 + 2\ 770 - 40$ $2\ 960 - 2\ 180 - 270$ 490 <input checked="" type="checkbox"/> one part correct <b>OR 510</b>

4

**3.2.3 What should Alex say to his brother when dealing with this matter? Provide TWO points.**

Give TWO valid points ✓✓ ✓✓

- His actions are unethical / illegal / theft / compromises business profitability
- It is a conflict of interest / he is taking advantage of being a family member / enriching himself at the expense of the business and he must stop this practice
- He should not be expected to be treated differently and he will be subject to the rules and procedures of the business
- All stock movements must be recorded / declared in advance

4

**3.2.4 Calculate the closing stock value for gas stoves on 30 April 2021 (using the specific identification method).**

Workings	Answer
$(80 + 80 + 120)$ $280 - 132$	$148 \checkmark \times R495 \checkmark = 73\,260 \checkmark \checkmark$  $R147\,460 \checkmark \checkmark^*$ *one part correct
$(100 + 60)$ $160 - 54$	
$106 \checkmark \times R700 \checkmark = 74\,200 \checkmark \checkmark$	

5

**3.2.5 Alex thinks he should stop selling gas stoves as they are causing a liquidity problem and the profit is low. Provide figures to support his opinion.**

Any valid opinion ✓ Figure ✓

- Too much cash tied up in stock, R147 460 **see 3.2.4**
- Total profit on gas stoves is low R54 060 (R38 940 + R15 120)
- Low turnover rate / only 186 units sold, of 440 available / 42,3%.
- Too much stock on hand, 254 units.

2

**Explain TWO points to convince him NOT to discontinue trading in gas stoves.**

Any TWO valid points ✓✓ ✓✓

- He is achieving a 60% profit on B-Lite and a 40% profit on Smart.
- He could reduce the mark-up to increase sales (recognising the state of the economy and his customers).
- These stock items are durable and can be sold in the future.
- The trend is to move towards gas because of load shedding – demand will increase in the future.
- Customers may not be aware that he is selling these products / he must advertise more extensively
- A variety of stock will attract more customers
- Gas is cheaper than electricity

4

<b>TOTAL MARKS</b>	<b>35</b>
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**QUESTION 4**

**CABINETS**

4.1	<b>Calculate the value of closing stock using FIFO.</b>		
	<b>Workings</b>	<b>Answer</b>	
	$(230 \checkmark \times 1\,100 \checkmark) + (50 \checkmark \times 990 \checkmark)$ 253 000                      49 500	All correct R302 500 ✓	5
4.2.1	<b>Calculate the % mark-up achieved in 2019.</b>		
	<b>Workings</b>	<b>Answer</b>	
	$\frac{1\,309\,500 \checkmark}{2\,170\,500 \checkmark} \times 100$	All correct 60,3% ✓	3
4.2.2	<b>Provide TWO points (with figures) to prove that this decision achieved its aims.</b>		
	✓ ✓ TWO different & valid points ✓ ✓ Figures	Sales increased to R3 480 000 (from R3 375 000) / by R105 000 / by 3,1%  Number of customers increased to 37 (from 26) / by 11 / by 42%	
4.2.3	<b>The CEO feels that this decision also negatively affected the company. Provide TWO points (with figures) to support his opinion. Do not accept Mark-up % here</b>		
	✓ ✓ TWO different & valid points ✓ ✓ Figures	Gross profit decreased to R1 309 500 (from R1 425 000) / by R115 500 / by 8,1% / Cost of sales increased to R2 170 500 (from 1 950 000) / by R220 500 / by 11,30% Average units per customer dropped to 63 (from 96) (2 500/26) (2 320/37) / by 33 / by 34% Units sold dropped by from 2 500 to 2 320 / by 180 / by 7,2%	
	<b>Give the directors advice to solve this problem. Explain TWO points.</b>		
	✓ ✓ TWO different & valid points	Restrict (be selective with) trade discounts to good customers only Find a cheaper supplier (to compensate for keeping selling prices low) Increase marketing / advertising in areas outside the current areas targeted Provide other incentives such as after-sales services, maintenance or free deliveries	2

**LAMPS**

4.3

<b>Calculate the stockholding period for lamps (use closing stock).</b>	
<b>Workings</b>	<b>Answer</b>
OR	one part correct one method mark
$\frac{59\ 625 \checkmark \times 365}{930\ 375 \checkmark \times 1}$	23,4 days <input checked="" type="checkbox"/> OR 0,8 months
$\frac{265 \text{ one mark} \times 365}{3\ 675 \text{ one mark} \times 1}$	OR 26,3 days OR 0,9 months

3

4.4

<b>Calculate the number of missing lamps.</b>	
<b>Workings</b>	<b>Answer</b>
$3\ 675 - 4\ 135$ <p style="text-align: center;">(600 + 3 800 – 265)</p>	All correct 460 <input checked="" type="checkbox"/>
<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> one part correct	
<b>Give TWO suggestions to solve this problem.</b>	
<p style="text-align: center;">✓     ✓</p> <p>TWO valid &amp; different suggestions</p>	Divide duties / delegate to different employees
	Threaten strong disciplinary action (in future) / recover cost from culprit
	Increase supervision at regular intervals / random physical inspection of stock
	Change to the perpetual inventory system to record stock
	CCTV as an internal control measure
	Insist on proper documents for all stock supplied

4

2

**TELEVISION SETS**

4.5

<b>Calculate the value of the closing stock of TV sets on 30 September 2019 using the specific identification method.</b>	
<b>Workings</b>	<b>Answer</b>
<p><b>LYN:</b></p> $7\ 800\ 000 \checkmark - 2\ 580\ 000 \checkmark \checkmark = R5\ 220\ 000$ <p style="text-align: center;">(4 800 000 + 3 000 000)     (430 x 6 000)     three marks</p> <p style="text-align: center;">[(800 + 500) x 6 000]</p> <p>OR     870 two marks     x     R6 000 one mark</p> <p style="text-align: center;">(1 300 – 430)</p>	<p style="text-align: center;">one part correct</p> <p style="text-align: center;">R11 772 000</p> <p style="text-align: center;"><input checked="" type="checkbox"/></p>
<p><b>KYA:</b></p> $10\ 440\ 000 \checkmark - 3\ 888\ 000 \checkmark \checkmark = R6\ 552\ 000$ <p style="text-align: center;">(6 840 000 + 3 600 000)     (540 x 7 200)     three marks</p> <p style="text-align: center;">(1 450 x R7 200)</p> <p>OR     910 two marks     x     R7 200 one mark</p> <p style="text-align: center;">(1 450 – 540)</p>	

7

4.6

<b>Explain THREE different concerns George would have about this problem.</b>	
<p>THREE different &amp; valid concerns</p> <p style="text-align: center;">✓✓   ✓✓   ✓✓</p> <p>part-marks for partial or incomplete answers</p>	Directors engaging in fraud and corruption / bribes / conflict of interests
	Unethical behaviour of CFO places the company placing at risk
	Image of the company negatively affected / will affect the share price and further investments from potential investors
	High stock value is tied up in stock / Obsolete / Affects liquidity
	Shareholders may want to sell their shares
	It will negatively affect the audit report
	Business will lose goodwill as it is unethical

6

<b>TOTAL MARKS</b>	<b>40</b>
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**QUESTION 5**

**5.1.1**

**Calculate the value of the closing stock of bicycles on 31 May 2018.**

	Workings		Answer
<b>Tempo</b>	8 500 x 4✓	Must multiply by correct cost price	<input checked="" type="checkbox"/> 34 000
<b>Cruze</b>	9 400 x 40✓	Must multiply by correct cost price	<input checked="" type="checkbox"/> 376 000
<b>Ryder</b>	7 400 x 57✓✓	Must multiply by correct cost price	<input checked="" type="checkbox"/> 421 800
		Operation, one part correct	<input checked="" type="checkbox"/> 831 800

**OR:** Op.Stock Purchases COS Tempo COS Cruze COS Ryder  
 [.....- 3 354 200.....]  
 595 000 + 3 591 000 [ - 561 000 - 2 068 000 - 725 200 ] = 831 800  
 One mark for both together One accuracy mark & one method mark for each model One method mark

**Calculate the cost of sales for the year ended 31 May 2018.**

Opening stock	✓ 595 000	
Net purchases	✓ 3 591 000	One mark if all three figures in workings are given
Closing stock	<input checked="" type="checkbox"/> (831 800)	See above
Cost of sales	<input checked="" type="checkbox"/> 3 354 200	Operation, one part correct

**OR** One mark One mark One mark One method mark  
 (8 500 x 66) + (9 400 x 220) + (7 400 x 98) = 3 354 200  
 561 000 2 068 000 725 200

**Calculate the gross profit for the year ended 31 May 2018.**

✓  see above  operation, one part correct  
 5 185 420 - 3 354 200 = 1 831 220

**OR** (66 x 8 500 x 60%) + (220 x 9 400 x 60%) + (98 x 7 400 x 35%) two method marks and one accuracy mark  
 336 600 + 1 240 800 + 253 820 = 1 831 220

8

4

3

**5.1.2**

**Calculate the selling price of a Ryder bicycle.**

✓  Operation, one part correct  
 $\frac{R979\ 020}{98} = R9\ 990$

One mark One mark One method mark  
**OR**  $R7\ 400 \times 135/100 = R9\ 990$  **OR**  $R7\ 400 + R2\ 590 = R9\ 990$

**Calculate the average number of Ryder bicycles sold per month.**

✓ ✓  Operation, one part correct  
 $98 \div 9 = 10,9$  per month

3

3

**Indicate how long it will take Fred to sell the closing stock of the Ryder bicycles. Show calculations.**

For three marks:  $57 \text{ units} \checkmark \text{ see } 3.1.1 \div 10,9 \text{ per month} \checkmark = 5,2 \text{ months} \checkmark$

OR  $\frac{57 \text{ units}}{98 \text{ units}} \times \frac{9}{1} = 5,2 \text{ months or approx. } 157 \text{ days}$

OR  $\frac{421\,800}{725\,200} \times \frac{270}{1} = 5,2 \text{ months or approx. } 157 \text{ days}$

For two marks:

$\frac{421\,800}{725\,200} \times \frac{365}{1} = 212,3 \text{ days}$

OR  $\frac{57 \text{ units}}{98 \text{ units}} \times \frac{12}{1} = 7 \text{ months}$

3

**Give ONE possible reason for the slow sales of Ryder bicycles.**

ONE valid reason:  $\checkmark\checkmark$  Part-marks for unclear / incomplete answer

- The customers do not like the new Ryder model /
- High returns indicate the quality is not good
- This is a new model / Customers not familiar with this model / poor marketing strategy.

**Give advice (ONE point) to Fred in this regard.**

ONE valid point of advice  $\checkmark\checkmark$  Part-marks for unclear / incomplete answer

- Look for another model to replace the Ryder model
- Discontinue selling this model as mark-up % is low
- Advertise/promote the positive characteristics of the new model.

4

5.2.1

**Explain why it was NOT a good idea to change to a cheaper supplier of T-shirts. State TWO points.**

Any two valid points Explanations  $\checkmark \checkmark$  Figures  $\checkmark \checkmark$

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

**5.2.2 Celia decided to change the supplier in 2018 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

**5.2.3 Make TWO separate suggestions to Celia to improve the profit on pants in 2019.**

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**

**QUESTION 6****6.1 INVENTORY VALUATION:**

6.1.1

**Calculate the value of the closing stock of Longlast AA 6-pack units on 31 October 2019.**

$$\begin{array}{rcl}
 5\,000 \times R23.50 & = & 117\,500 \quad \checkmark \\
 7\,000 \times R23 & = & 161\,000 \quad \checkmark \checkmark \\
 \underline{1\,500} \times R22.50 & = & \underline{33\,750} \quad \checkmark \checkmark \\
 13\,500 & & 312\,250 \quad \checkmark
 \end{array}$$

one part correct  
one part correct  
one part correct

6

6.1.2

**Calculate the average stock-holding period, given the cost of sales amounted to R483 750 for the year ended 31 October 2019.**

$$\begin{array}{r}
 352\,250 \text{ Two marks} \quad 176\,125 \text{ Three marks} \\
 \frac{1}{2} \checkmark (40\,000 \checkmark + 312\,250 \checkmark) \quad \underline{365} \\
 \hline
 483\,750 \checkmark \quad \times \quad 1
 \end{array}$$

$$= 132,9 \text{ (133) days} \quad \checkmark \text{ operation one part correct} \quad \text{OR } 4,4 \text{ months}$$

**Comment on your findings above:**  $\checkmark$

Too much working capital locked up in stock, can lead to cash flow problems.

Possible stock losses in future, since batteries have a limited shelf life.

6

**6.1.3 The owner is concerned about the sales of Petcell AA 6-pack units, and considers to discontinue this product line:**

**Calculate the value of the closing stock of Petcell AA 6-pack units.**

$$\begin{array}{r}
 148\,200 \text{ Two marks} \\
 (28\,000 \checkmark + 120\,200 \checkmark) \times 1\,850 \\
 (800 \checkmark + 3\,000) \checkmark \\
 \underline{39 \text{ Four marks}}
 \end{array}$$

$$= R72\,150 \checkmark \text{ operation one part correct and must be } \times \text{ by } 1\,850$$

5

**Calculate the cost of sales of the Petcell AA 6-pack units.**

$$\begin{array}{r}
 (28\,000 + 120\,200) \text{ both for one mark} \\
 148\,200 \checkmark - 72\,150 \checkmark = 76\,050 \checkmark \text{ operation one part correct}
 \end{array}$$

3



Calculate the stock turnover rate for the year.

$$\frac{76\,050 \checkmark \text{ see above}}{\frac{1}{2} \checkmark (28\,000 \checkmark + 72\,150 \checkmark \text{ see above})}$$

50 075 three marks

= 1,5 times per year  operation one part correct

5

6.1.4

Give TWO reasons why the owner must discontinue the sales of Petcell AA 6-pack units.

Any TWO reasons ✓✓ ✓✓

The Petcell batteries are more expensive in comparison with the Longlast, customers prefer cheaper batteries even if the quality is not the same.

Sales far too low 1 950 compared to 23 500.

Stock turnover rate of 1.5 time is too low, approximately 240 days.

see 2.2.3 above

Possible stock losses in future, since batteries have a limited shelf life.

see 2.2.3 above

4

TOTA MARKSE	40
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**QUESTION 7**

7.1

2.1.1	first in first out (FIFO)	✓
2.1.2	perpetual inventory system	✓
2.1.3	Weighted-average method	✓

3

**7.2 SMART CARS TRADERS**

7.2.1 Calculate the selling price per BMW 3 series sold during the 2020 financial year.

$$\frac{R4\ 340\ 000}{10} = 434\ 000 \quad \checkmark\checkmark$$

2

7.2.2 Calculate the value of the closing stock on 30 June 2020 using the specific identification method.

BMW 3 series	(10 - 10)	=	0	
BMW 4 series	(15 - 8)	= 7 x R480 000	= R3 360 000	✓✓ one part correct
BMW 5 series	(12 - 5 - 2)	= 5 x R620 000	= R3 100 000	✓✓ one part correct
			<u>R6 460 000</u>	✓ Operation

6

**7.3 DENNIS STORES**

7.3.1 Calculate the value of the closing stock on 29 February 2020 using the weighted-average method.

$$\frac{R313\ 220 \checkmark + 1\ 392\ 380 \checkmark - 15\ 100 \checkmark}{510 \checkmark + 1\ 960 \checkmark - 20 \checkmark} \times 320 \checkmark$$

1 690 500 three marks

2 450 three marks

R220 800 ✓ One part correct

8

**2.3.2 Calculate the following for the year ended 29 February 2020:**

**Cost of sales:**

Opening stock			313 220
Purchases	(Note: Purchase can include carriage = 1 392 380)		1 347 500
Returns			(15 100)
Carriage on purchases			44 880
	See 2.3.1	<input checked="" type="checkbox"/>	1 690 500
Closing stock	See 2.3.1	<input checked="" type="checkbox"/>	(220 800)
Cost of sales	Operation - one part correct	<input checked="" type="checkbox"/>	<u>1 469 700</u>

**Gross profit:**

Sales (2 115 x R1 400)		✓	2 961 000
Cost of sales	See above	<input checked="" type="checkbox"/>	(1 469 700)
Gross profit	Operation - one part correct	<input checked="" type="checkbox"/>	<u>1 491 300</u>

6

**7.3.3 Calculate the average stock holding period (in days) on 29 February 2020.**

$$\frac{267\,010 \text{ three marks}}{365} \times \frac{1}{2} \checkmark (313\,220 \checkmark + 220\,800 \checkmark \text{see 2.3.1}) \times \frac{415}{2\,115} \times 365$$

$$= \frac{1\,469\,700 \checkmark \text{see 2.3.2}}{365} \times \frac{1}{2} (510 + 320) \times 365$$

$$= 66,3 \text{ days} \checkmark \text{One part correct} = 71,6 \text{ days}$$

5

**7.4 PROBLEM SOLVING**

**7.4.1 Identify ONE problem in Shop 1 and ONE problem in Shop 2. Quote figures. In EACH case, state ONE point of advice.**

Branch	Problem ✓ Figure ✓	Advice ✓✓
Shop 1	<ul style="list-style-type: none"> <li>Stock-holding period, 150 days – too much money invested in stock</li> <li>Mark-up % of 85% is too high – leads to low sales of 340 000</li> </ul> <p>Do not accept advertising.</p>	<ul style="list-style-type: none"> <li>Purchase stock in smaller quantities.</li> <li>Decrease the mark-up % to increase sales.</li> </ul>
Shop 2	<ul style="list-style-type: none"> <li>Returns are high, R58 000 (20% of sales)</li> <li>Advertising too low, R5 000 (2% of sales)</li> <li>Open for 5 days only</li> </ul>	<ul style="list-style-type: none"> <li>Sell correct/good quality items to customers to avoid returns/Review the returns policy.</li> <li>Increase advertising to increase sales.</li> <li>Open another day.</li> </ul>

6
---

**7.4.2 Explain TWO good decisions that Frank has made in respect of Shop 3. Quote figures.**

Any TWO of the following

Decision ✓✓

Figures: ✓✓

- Goods returned by customers – 18 000 (2% of sales) could be because of good quality goods and/or good customer services
- Working 7 days a week
- Advertised more – R36 000 (4% of sales)
- Rent expense indicates shop is in a good area resulting in higher sales

4
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<b>TOTAL MARKS</b>	<b>40</b>
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**QUESTION 8**

**8.1 CONCEPTS**

Accept understandable abbreviations

2.1.1	assets	✓
2.1.2	first-in-first-out/FIFO	✓
2.1.3	periodic	✓

<b>3</b>

**8.2 QUALITY PRINTERS & INK (PTY) LTD**

**PRINTERS:**

**8.2.1 Calculate the value of the closing stock on 31 August 2021 using the specific identification method.**

$$\begin{aligned}
 &40 + 120 - 130 \qquad \qquad 190 - 150 \qquad \qquad 200 - 110 \\
 &(30 \times 26\,200) + (40 \times 29\,300) + (90 \times 33\,100) \\
 &786\,000 \checkmark \checkmark^* + 1\,172\,000 \checkmark \checkmark^* + 2\,979\,000 \checkmark \checkmark^* \\
 &= 4\,937\,000 \checkmark \text{ one part correct}
 \end{aligned}$$

**OR**

OS	+ P	– COS	= CS
one mark	one mark	four marks	one method mark
1 048 000	+ 15 331 000	– 11 442 000	= 4 937 000
3 406 000 + 4 395 000 + 3 641 000			

<b>7</b>

**8.2.2 Identify which model of printer is not selling as well as Mark has expected. Quote figures or calculations to support your answer.**

Model ✓ Figure ✓✓ Suggestions ✓✓

- The Digi OZ model is selling more slowly.
- The sold 110 of 200 (55%) in 12 months = average of 9 per month

**OR**

- But there are 90 on hand – these will take 9 months to sell

**Provide two suggestions to solve this problem.**

- Reduce the mark-up%
- Order fewer quantities
- Advertise more/cash discount/promotions

<b>5</b>

**INK CARTRIDGES:**

8.2.3

**Calculate the value of the closing stock on 31 August 2021 using the weighted-average method.**

$$\begin{array}{r}
 969\,960 \text{ three marks} \\
 986\,460 \text{ two marks} \quad (20 \times 825) \text{ two marks} \\
 \hline
 243\,210 \checkmark + 743\,250 \checkmark - 16\,500 \checkmark \checkmark \\
 \hline
 (300 + 900 - 20) \checkmark \checkmark \\
 \hline
 1\,180 \text{ two marks} \\
 \hline
 \text{six marks} \\
 = R822 \times 130 = R106\,860 \checkmark \quad \text{one part correct; must x130}
 \end{array}$$

7

8.2.4

**Mark wants to know how long it should take to sell the closing stock of cartridges. Provide figures or a calculation to assess this.**

$$\begin{array}{r}
 106\,860 \\
 \hline
 969\,960 - 106\,860 \\
 \hline
 863\,100
 \end{array}
 \times 365 \text{ days} = 45,2 \text{ days accept 45 days}$$

$$\begin{array}{r}
 130 \checkmark \\
 \hline
 1\,032 \checkmark
 \end{array}
 \times 365 \text{ days} \checkmark = 46 \text{ days} \checkmark$$

**Explain if Mark should be satisfied with this time period or not.** ✓✓

Yes, the stock is selling quickly OR  
No, he might run out of stock.

6

8.2.5

**Mark suspects that ink cartridges are being stolen from the shop despite security cameras being installed. Provide a calculation to verify his suspicion.**

$$(300 + 900 - 20) \times 1\,180 \checkmark \checkmark - 1\,032 \checkmark - 130 \checkmark = 18 \text{ missing} \checkmark \quad \text{One part correct}$$

5

**Provide TWO internal control measures that Mark Lex can use to improve the control of stock.**

Any TWO valid points of advice ✓ ✓

**Expected responses:**

- Do regular physical stock counts.
- Place security coded tags on the packaging.
- Provide secure display cabinets for the stock.
- Improve security at the doors/inspect items and compare with sales slips (CRTs).
- Division of duties (if staff is suspected).
- Buy in smaller quantities/more regularly.

2

**TOTAL MARKS**

**35**

# **COST**

# **ACCOUNTING**

**QUESTION 1**

**1.1 PRUDY MANUFACTURERS**

**1.1.1 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2021**

<b>Direct material cost</b>		<b>1 494 000</b>
Direct labour cost	647 400 x 100/78 or + 182 600	830 000 ✓✓ one part correct
<b>Prime cost</b>	<b>DMC + DLC</b>	2 324 000 ✓
<b>Factory overhead cost</b>	520 280 – 22 400 ✓ – 29 520 ✓✓ + 2 640 ✓✓	471 000 ✓ one part correct
<b>Cost of production of finished goods</b>	<b>PC + FOHC</b>	2 795 000 ✓

10
----

**1.1.2 ABRIDGED STATEMENT OF COMPREHENSIVE INCOME (INCOME STATEMENT) FOR THE YEAR ENDED 28 FEBRUARY 2021**

<b>Sales</b>		<b>4 433 600</b>
<b>Cost of sales</b>	72 000 + 2 795 000 see PCS (2.1.1) – 96 000 award ONE method mark for one part correct	(2 771 000) ✓✓*
<b>Gross profit</b>	<b>Sales – COS</b>	1 662 600 ✓
Pre-adjustment figures are not regarded as “one part correct”		
<b>Other expenses</b>	<b>Ignore brackets</b>	(462 000) ✓*
<b>Selling and distribution costs</b>	224 960 + 19 680 ✓ – 2 640 ✓ see FOHC above	242 000 ✓*
<b>Administration cost</b>	187 760 + 22 400 ✓ + 9 840 ✓ 98 400 x 10% / if 50% of SDC	220 000 ✓*
<b>Net profit for the year</b>	<b>GP – OE</b>	1 200 600 ✓

\*one part correct

11
----



**1.2 CONTROL OF RAW MATERIAL**

**1.2.1**

Calculate the metres of fabric:	Internal control strategy
	✓    ✓    * do not accept "install cameras"
<p><b>Missing from the storeroom</b></p> $\begin{array}{r} 1\ 050 \\ (2\ 700 + 10\ 800 - 12\ 450) - 850 \\ = 200 \text{ metres } \checkmark \checkmark \\ \text{one part correct} \end{array}$	<ul style="list-style-type: none"> <li>Physical counts / random inspections / keep detailed stock records / control or monitor the movement of fabric</li> <li>Rotation / division of duties / storeroom manager to be accountable</li> <li>Improve security at receipt / dispatch points / limit access to storeroom</li> <li>Storeroom staff to have lockers (no bags allowed in storeroom)</li> </ul>
<p><b>Wasted in the factory</b></p> $\begin{array}{r} 7\ 800 \times 1,5 \text{ metres} \\ 12\ 450 - 11\ 700 = 750 \text{ m } \checkmark \checkmark \\ \text{one part correct} \end{array}$ <p><b>OR</b></p> $\begin{array}{r} 12\ 450 / 1,5\text{m} \\ 8\ 300 - 7\ 800 \\ 500 \quad \times 1,5\text{m} \end{array}$	<ul style="list-style-type: none"> <li>Improve training</li> <li>Use cutting patterns / technology</li> <li>Improve supervision</li> <li>Make use /or buy good quality material</li> <li>Effective use of off-cuts</li> <li>Incentives for minimizing wastage</li> <li>Regular servicing of machines</li> </ul>

6
---

**1.2.2**

Calculate the total cost of the metres of fabric lost and wasted.	
WORKINGS	ANSWER
$\begin{array}{l} 200 + 750 \text{ see 2.2.1} \\ 950\text{m} \times \text{R}120 \end{array} \text{ OR } \begin{array}{l} 200 \times 120 \\ 750 \times 120 \\ \text{R}24\ 000 + \text{R}90\ 000 \end{array}$	$\text{R}114\ 000 \checkmark \checkmark$ <p>If amounts calculated in 2.2.1 x R120 Two or nothing</p>
<p><b>Explain how this loss should be shown in the statements mentioned in QUESTION 2.1 on the previous page.</b></p> <p>Any valid answer, e.g. ✓</p> <ul style="list-style-type: none"> <li>Amount shown as an <u>expense item</u> (on the Income Statement)</li> <li>Examples of possible expense items: e.g. loss due to theft / administrative cost / selling and distribution cost increased direct material cost / adjust factory overhead cost / cost of sales</li> </ul>	

3
---

**1.3 ROSEMARY'S TOY FACTORY**

**1.3.1**

<p><b>Provide a calculation to confirm that the break-even point for the 2021 financial year is correct.</b></p>			
$\frac{224\ 000 \checkmark}{255 \checkmark - 192 \checkmark} = 3\ 556 \text{ units}$ <p>63 two marks    Numerator and denominator must be marked as such</p>			
<p><b>OR</b></p>			
<p>Sales at BEP (255 x 3555,55)</p> <p>906 665</p> <p>one mark</p>	<p>Total FC</p> <p>– 224 000</p> <p>one mark</p>	<p>VC at BEP (192 x 3 555,55)</p> <p>– 682 665</p> <p>one mark</p>	<p>= 0</p>

3
---

**1.3.2 Explain why Rosemary is pleased with the production level, sales and break-even point. Quote figures.**

Valid comparison ✓✓ Figures ✓✓ **part marks for incomplete / partial / unclear responses**  
Must mention Production (and sales) and BEP for four marks

- Produced and sold 1 344 units above the BEP (4 900 – 3 556) / making a profit on 1 344 units
- Made a profit (includes production and sales) on 1 344 units (4 900 – 3 556) in 2021 compared to 500 units (4 000 – 3 500) in 2020 / profit on an additional 844 units (168,8%)
- Profit (includes production and sales) was R84 672 (1 344 x R63) in 2021 and R32 000 (500 x R64) in 2020; an increase in of R52 763 (164,8%)
- Sales / production increased by 900 units (4 900 – 4 000) / by 22,5% whereas BEP increased by only 56 (3 556 – 3 500) / by 1,6%. – good control over costs.

**Two-mark options:** **Only ONE of: (max 2 marks)**

- Revenue from sales increased from R960 000 to R1 249 500 (R289 500 / 30,2%)
- Comparison of units produced only (4 900 – 4 000) / by 900
- Comparison of BEP only (3 556 – 3 500) / by 56

4

**1.3.3 Explain to Rosemary why the fixed cost per unit decreased from R56,00 to R45,71.**

ONE point that either mentions or explains economies of scale ✓✓ **Two marks or nothing**

- Economies of scale: As more units are produced, fixed cost per unit would decrease
- Increased production (by 900 units) resulted in a decrease in fixed cost per unit, due to fixed cost remaining fairly constant or not influenced by levels of production
- The average fixed cost per unit would decrease as units produced increases / total fixed costs (constant) are divided by a large number of units.

2

**1.3.4 Rosemary made deliberate decisions regarding variable costs to improve the business. Explain the decisions that she might have taken on these costs and how these could have had positive effects on the business. Quote figures.**

Cost	Comment and positive effect (with figures) <b>Unit costs must be compared (not the total amounts for cost items)</b>
<b>Direct material cost</b> Comment (with figure) ✓ Positive effect ✓	Increased from R80 to R100 per unit / by R20 / 25% <ul style="list-style-type: none"> <li>• Improved quality of teddy bears; justifies price increase</li> <li>• Better quality – satisfied customers – less returns – improved sales – higher profits</li> </ul>
<b>Direct labour cost</b> Comment (with figure) ✓ Positive effect ✓	Decreased from R72 to R56 per unit / by R16 / 22,2% <ul style="list-style-type: none"> <li>• Improved efficiency through training</li> <li>• Better supervision of normal-time targets / more control over overtime.</li> <li>• Shift from physical labour to machines</li> </ul>
<b>Selling and distribution cost</b> Comment (with figure) ✓ Positive effect ✓	Increased from R24 to R36 per unit / by R12 / 50% <ul style="list-style-type: none"> <li>• More advertising increased sales</li> <li>• Delivering to a wider area / offered free delivery</li> <li>• Commission to motivate sales persons</li> </ul>

6

**TOTAL MARKS**    **45**

**QUESTION 2**

2.1

2.1.1	E ✓ selling and distribution
2.1.2	A ✓ factory overheads
2.1.3	B ✓ administration

3
---

**2.2 MEISIES OUTFITTERS**

**2.2.1 FACTORY OVERHEAD COST NOTE**

Factory rent 122 400 x 320/1280	30 600 ✓✓
Water and electricity 81 600 x 15%	12 240 ✓✓
Insurance 20 720 x 12/14 x 1/3 17 760	5 920 ✓✓*
Indirect labour / wages to cleaners 155 760 ✓ x 90/590 ✓ OR 26 400 x 90% or – 2 640 one mark one mark	23 760 ✓*
<b>Salary of dressmaking supervisor</b>	<b>76 960</b>
<b>Depreciation on machines</b>	<b>30 300</b>
<b>Sundry factory expenses</b>	<b>10 670</b>
<b>TOTAL</b>	<b>190 450 ✓*</b>

10
----

\*operation, one part correct  
-1 foreign item (e.g. delivery expenses)

**2.2.2 Calculate the total cost of production of school dresses produced.**

WORKINGS	ANSWER
✓                      ✓                      ✓ see 2.2.1 475 600 + 535 450 + 190 450	1 201 500 ✓ one part correct

4
---

**2.2.3 Minnie is concerned about wastage of fabric in the dressmaking section. Calculate the cost of this wastage to the business.**

WORKINGS	ANSWER
520 three marks (29 000 ✓ – 28 480 ✓✓) x R16,40 ✓ OR 29 000 x 16,40      17 800 x 1,6m x 16,40 475 600            – 467 072 two marks                      two marks                      OR 520 three marks (18 125 – 17 800) two marks (325 x 1,6m) x R16,40 two marks                      one mark                      one mark	R8 528 ✓ one part correct

5
---

**2.2.4 The internal auditor expressed concern about the direct labour cost for the school dresses.**

**Explain the problem that is of concern to the auditor. Quote figures.**

Explanation ✓ figures (showing a comparison) ✓✓

(5 x 8 x 46)

- Normal hours worked is less than expected by 590 (1 840 – 1 250) / 32%.
- Overtime hours is high; 36,5% of total production time worked (720/1 970)
- Overtime pay is R9 200 more than the normal time pay (259 200 – 250 000) / exceeds normal time pay by R9 200.

3

**State TWO possible causes of this problem.**

Any TWO reasons ✓ ✓ **accept short, incomplete statements if message is clear**

- Interruptions due to load-shedding/lockdown (Covid -19 related) /strikes
- Fluctuating periods of high and low demand (opening of schools/each term)
- Poor supervision during normal time / deliberate wasting of time.
- Authorizing overtime / exploiting overtime (due to higher overtime rate)

2

**2.2.5 Provide a calculation to confirm that the break-even point for the current financial year is 17 000 units.**

WORKINGS	ANSWER
$\frac{229\,500 \checkmark}{75,00 \checkmark - 61,50 \checkmark}$ <p style="font-size: small; text-align: center;">13,50 two marks</p>	<p>17 000 units</p> <p style="font-size: small;">Amount given</p>

Mark numerator and denominator as such

3

**2.2.6 Comment on the level of production achieved and the break-even point calculated above. Quote figures.**

Comment (must compare production to BEP) ✓ figures ✓

- The business produced 800 units more than the BEP (17 800 – 17 000) / the business is making a profit on 800 units.
- Low profitability (on only 800 units) considering the wastage of material and time lost in production.

2

**2.2.7 Calculate the extra profit that would be earned if an additional 500 dresses are made and sold. Assume that all costs are unchanged.**

WORKINGS	ANSWER
<p>500 ✓ x R13,50 ✓</p> <p style="font-size: small; text-align: center;">(75,00 – 61,50) one mark</p>	<p>R6 750 ✓</p>
<p style="text-align: center;">17 500 x 13,50</p> <p style="text-align: center;">OR 236 250 – 229 500</p> <p style="font-size: small; text-align: center;">(18 300 x 13,50) (17 800 x 13,50)</p> <p style="text-align: center;">OR 247 050 – 240 300</p> <p style="font-size: small; text-align: center;">(500 x 75) (500 x 61,50)</p> <p style="text-align: center;">OR 37 500 – 30 750</p> <p style="font-size: x-small; text-align: center;">one mark one mark on each line</p>	

3

<b>TOTAL MARKS</b>	<b>35</b>
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**QUESTION 3**

**3.1 PERFECT FIT MANUFACTURERS**

**3.1.1 PRODUCTION COST STATEMENT  
FOR THE YEAR ENDED 28 FEBRUARY 2021**

For misplaced items, award part-marks for workings but not on answer

<b>Direct material cost</b> 1 575 000 + 75 000	1 650 000 ✓✓ one part correct	
Direct labour cost	900 000 ✓	Prime cost – DMC
<b>Prime cost</b>	<b>2 550 000</b>	
<b>Factory overhead cost</b> one mark one mark - 117 600 + 98 000 (117 600 x 5/6) – 117 600 518 800 ✓ + 16 800 ✓✓ – 19 600 ✓✓ 25 200 x 2/3 or 25 200 – 8 400	516 000 ✓ one part correct	
<b>Total manufacturing cost</b>	3 066 000 ✓	Prime + FOHC
Work-in-progress (beginning)	230 000 ✓	
	3 296 000	
<b>Work-in-progress (end)</b> TCP – sub-total above For bracket check if operation is +ve or -ve	(104 000) ✓ don't accept 230 000	
<b>Total cost of production</b> 7 600 x R420	3 192 000 ✓✓ no part marks	

14

**3.1.2 Calculate: Gross profit earned on sale of shirts.**

Workings	Answer
$4\ 860\ 000 \checkmark - (342\ 000 \checkmark + 3\ 192\ 000 \checkmark) - 168\ 000 \checkmark$ see 2.1.1 400 x 420 COS: 3 366 000 three marks  <b>OR:</b> (900 x 220) + (7 200 x 180) one mark one mark one mark one mark 198 000 two marks 1 296 000 two marks	1 494 000 ✓ one part correct
Workings	Answer
see 2.1.2 above $\frac{1\ 494\ 000}{3\ 366\ 000} \times 100$ see 2.1.2 (342 000 + 3 192 000 – 168 000)  Inspect correct transfer of totals from above; x 100 is not 'one part correct' for the method mark  <b>OR:</b> $3\ 366\ 000 \times (100 + y/100) = 4\ 860\ 000$ $y = 44,4\%$ $\frac{4\ 860\ 000 \times 100}{3\ 366\ 000} = 100 + y$	44,4% ✓✓ one part correct must be GP ÷ COS Sign not needed

5

2

**3.2 LEATHER MANUFACTURERS**

**PURSES:**

**3.2.1**

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

Workings	Answer
$\frac{R936\ 000}{R295 - R255}$ ✓ ✓ R40 two marks	23 400 units <input checked="" type="checkbox"/> one part correct Must not be R, c, % etc Assume units if no other sign

4
---

**3.2.2**

**Comment on the level of production achieved and the break-even point for purses for 2021. Quote figures.**

**Compulsory response:**

Comparison of BEP to level of production for 2021 ✓✓ Figures ✓ ✓

**Optional responses:** Max two marks in total (mark one option only)

Comparison of BEP 2021 to 2020 max two marks

**OR:** Comparison of Production 2021 to 2020

Expected responses for 4 marks:

- The business produced 600 units more than break-even / profit on 600 units / R24 000 extra profit
- BEP compared to production reflects a profit on 600 units in 2021 compared to a profit on 1 100 units in 2020 / this is a decrease in profits on 500 units (1100 – 600) in 2021 compared to 2020

Expected responses for 2 marks in total:

- Production increased by 2 000 units (24 000 – 22 000) / to 24 000 units / by 9% and/or BEP increased by 2 500 units (23 400– 20 900) / to 23 400 / by 12%

4
---

**3.2.3**

**Apart from inflation and wage increases, provide TWO other possible reasons for the increase in the direct labour cost per unit for purses.**

TWO valid reasons ✓✓ ✓✓ Explanations not needed

- Overtime paid at higher rates endorsed or approved / bonus for good performance or extra time / negotiate higher fringe benefits / targets not met during normal time / overtime was needed to meet targets
- Low productivity of workers (not productive or efficient)
- Interruptions (due to malfunctioning machines / load-shedding / COVID-19 lockdown)
- Higher qualifications of workers / employed higher-skilled workers
- Poorly trained workers / lack of supervision / time wasted in re-doing work.

Do not accept: Employ more workers (their inefficiency is the problem) / increase in demand

4
---

**3.2.4**

**Give TWO reasons for the decrease in the direct material cost per unit for purses.**

Any TWO valid reasons ✓ ✓

- Cheaper (new) or local suppliers used
- Took advantage of bulk discounts / negotiated discounts
- Better supervision / less wastage / better control over issuing / use of material
- Better cutting methods / use patterns or technology / better skilled workers / better training of workers
- Cheaper transport costs / petrol costs / using own transport

2
---

**JACKETS:**

3.2.5

**Explain why the direct material cost per unit for jackets would probably increase if raw material is imported. State TWO points.**

TWO valid points ✓ ✓

- Additional / increase in transport costs e.g. freight, shipping
- High quality material not available locally
- Custom duties / import duties / taxes
- Better packaging
- Different / weak exchange rate

2

**Provide figures to prove that Tello was correct about the effect this decision would have on the cost of the jackets.**

Direct material cost per unit increased (from R180) to R360 / by 100% / by R180 / it doubled. (Note: could mention effect on total VC).

2

3.2.6

**Calculate the % increase in the selling price of the jackets.**

Workings	Answer
$\frac{1\ 170 - 780}{780} \times \frac{100}{1}$	50% <input checked="" type="checkbox"/>
x 100 is not 'one part correct' for the method mark	one part correct must be expressed as percent sign not necessary diff in SP must be numerator

3

3.2.7

**Explain the impact of the increase in the selling price of jackets on the sales and profit. Quote figures or calculations.**

ONE reason ✓✓ part marks for incomplete / unclear / partial answers figures ✓ ✓

- Units produced and sold decreased by 2 719 units / from 6 350 to 3 631 / by 42,8%.
- The BEP dropped by 1 250 units / from 5 000 to 3 750 / by 25%
- Made loss on 119 units in 2021 and profit on 1 350 units in 2020 / sales dropped from R4 953 000 to R4 248 270 / by R704 730 / by 14,2%

4

3.2.8

**Tello wants to increase profits on jackets by an additional R250 000 in the next financial year. Assuming the cost structure remains the same, calculate the total number of additional units he must produce to achieve this target.**

Note: mark this question independently of Q2.2.7

Workings	Answer
$\frac{250\ 000}{470}$	532 units <input checked="" type="checkbox"/>
Accept 4 163 two marks – 3 631 one mark $(1\ 706\ 250 + 250\ 000) \div 470$	one part correct
For candidates who pick up the reversed figures in BEP / Production i.e. move from loss to profit OR: 532 + 119	OR: 651 units
OR: $\frac{250\ 000 + 55\ 930}{470}$	OR: 413 units
OR: Use BEP calculation to calculate the units: Accept 4 163 two marks – 3 750 one mark $(1\ 706\ 250 + 250\ 000) \div 470$	

4

<b>TOTAL MARKS</b>	<b>50</b>
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**QUESTION 4**

4.1	4.1.1	False ✓
	4.1.2	True ✓
	4.1.3	True ✓

3
---

**4.2 DESKS FACTORY**

4.2.1	<b>Factory Overhead Cost Note</b>	
	Indirect labour	R 296 500
	Depreciation on factory plant	166 000
	Water and electricity (248 000 + 18 000) x 80% OR – 53 200 198 400 + 14 400	212 800 ✓ <input checked="" type="checkbox"/> *
	Factory rent (345 600 x 810/1080) or – 86 400	259 200 ✓ <input checked="" type="checkbox"/> *
	Insurance (12 600 x 75/25) or x 3 OR 50 400 – 12 600	37 800 ✓ <input checked="" type="checkbox"/> *
	Factory sundry expenses	107 700 ✓
	-1 (Foreign items) Advertising	*one part correct
		1 080 000 ✓ <input checked="" type="checkbox"/> *

8
---

4.2.2	<b>Calculate the total cost of production of finished goods.</b>	
	<b>Workings</b>	<b>Answer</b>
	$  \begin{array}{r}  3\,060\,000 \\  \checkmark \\  \text{OR: units} \\  9\,000 \times (340 + 160 + 120) \\  \text{one mark} \quad \text{one mark} \quad \text{one mark} \quad \text{one method mark}  \end{array}  $	$  \begin{array}{r}  9\,000 \times 160 \text{ two or no marks} \\  + 1\,440\,000 + 1\,080\,000 \\  \checkmark \quad \checkmark \quad \checkmark \text{ see 1.2.1} \\  \text{DMC/u} \quad \text{DLC/u} \quad \text{FOHC/u} \\  620 \text{ three marks} \\  \text{three marks} \\  (\text{see 1..2.1} \div 9\,000) + 500  \end{array}  $
		R5 580 000 <input checked="" type="checkbox"/> one part correct

5
---

4.2.3	<b>Sihle wants to produce an additional 1 500 desks. Calculate the additional profit he can expect.</b>	
	<b>Workings</b>	<b>Answer</b>
	Extra units x Contribution per unit  $  \begin{array}{r}  750 \text{ one mark} - 580 \text{ one mark} [340+160+80] \\  1\,500 \checkmark \times 170 \checkmark \checkmark  \end{array}  $	Correct operation & one part correct <input checked="" type="checkbox"/> R255 000

4
---



**4.3 CHAIRS FACTORY**

**4.3.1 Provide a calculation to confirm the break-even point for 2019.**

Workings	Answer
16 000 x 96 or 1 536 000 two marks 1 216 000 ✓ + 320 000 ✓ 390 ✓ – 305 ✓ 85 two marks  OR: Sales VC FC 7 047 690 – 5 511 655 – 1 536 000 = 35 or 0 one mark each	

4

**4.3.2 Comment on the break-even point and the production level achieved. Quote figures.** If differences are shown for figures, this carries two marks

Comment on BEP ✓ Figures ✓ Comment on production ✓ Figures ✓ Responses for four marks: <ul style="list-style-type: none"> <li>Produced 16 000 units but BEP is 18 071 (or see 1.3.1) units so they will make a loss</li> <li>Produced 2 071 less than BEP so they will make a loss.</li> <li>Production increased from 15 000 to 16 000 units (by 1 000) and BEP increased from 12 400 to 18 071 units (by 5 671).</li> <li>In 2018 they made a profit on 2 600 units.</li> </ul>
--

4

**4.3.3 Sihle feels that wood raw material was not well controlled. Provide a calculation.**

<b>METRE S</b>	Actual issue: 22 000m ✓ Budget: 16 000 ✓ x 1,2 ✓ = 19 200m ✓ OR: Wastage = 2 800m four marks Choose one line
<b>OR: UNITS</b>	Expected: 22 000 one mark /1,2 one mark = 18 334 one mark Actual: 16 000 one mark OR 2 334 fewer chairs made four marks Choose one line
<b>OR: TOTAL COSTS</b>	22 000 one mark x 120 one mark x 120 one mark 16 000 one mark x 1,2 one mark Expected: = R2 640 000 Actual = R2 304 000 OR Extra cost = R336 000 four marks Choose one line
<b>OR: UNIT COSTS</b>	Expected: 1,2 one mark x R120 one mark = R144 one mark Actual = R165 one mark OR Extra unit cost = R21 per unit extra four marks Choose one line
<b>OR: % PROD</b>	DMC increased by 33% (R165 – R124; 41 ÷ 124) two marks Units produced increased by 7% (1 000 ÷ 15 000) two marks

4

**Identify TWO possible causes of this problem. Provide a solution for EACH.**

	POSSIBLE CAUSES	SOLUTION FOR EACH
✓ ✓ TWO valid & different causes with solutions ✓ ✓	Wastage / unskilled workers	Train workers; supervise regularly Use technology (stencils / templates)
	Damage (fire / water)	Secure storage / check deliveries
	Theft of wood	Internal controls / stock counts / supervision / buy in smaller quantities / install cameras
	Poor quality wood	Source other suppliers / check deliveries

4

4.3.4 Give TWO reasons for the increase in direct labour cost. Provide a solution for EACH.

	REASONS	SOLUTION FOR EACH
✓ ✓ TWO valid & different reasons with solutions ✓ ✓	Load shedding	Generator or solar power
	Workers dissatisfied with increase / Protests	Engagement / communicate with union
	Inflation / wage increase / bonus	Improve productivity
	Overtime	Restrict overtime / more workers (avoid overtime)
	Inefficient / slow workers	Pay per unit produced / improve monitoring procedures / training programme

4

<b>TOTAL MARKS</b>	<b>40</b>
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QUESTION 5

5.1

Accept abbreviations

2.1.1	Selling and distribution cost	✓
2.1.2	Direct labour cost	✓
2.1.3	Direct/raw materials cost	✓
2.1.4	Administration cost	✓

4

5.2 TIGHT-FIT MANUFACTURERS

5.2.1 Calculate: Value of the closing stock of raw materials

Workings	Answer
$\begin{array}{r} 2\,607\,000 \checkmark \\ 23\,700 \checkmark \\ 110 \text{ two marks} \end{array} \times 3\,900 \checkmark$	$429\,000 \checkmark$ Operation, one part correct must multiply by 3 900

4

Calculate: Value of direct/raw materials issued for production

Workings	Answer
$2\,607\,000 \checkmark - 429\,000 \checkmark \text{ see above}$ OR $(23\,700 - 3\,900) \times 110$ one method mark (see above) 19 800 one mark	$2\,178\,000 \checkmark$ Operation, one part correct

3

Calculate: Correct factory overhead costs	
Workings	Answer
<p>69 600 one mark – 13 050 two marks</p> <p><b>746 670 + 56 550 ✓✓✓ + 59 280 ✓✓</b></p> <p>e.g.</p> <p>746 670 + 56 550 – 59 280 would be three marks plus the method mark on answer</p> <p>746 670 – 56 550 – 59 280 would be 0 marks and no method mark on answer</p>	<p>862 500 ✓</p> <p>Operation, one part correct</p>

<b>6</b>

**5.2.2 Production Cost Statement for the year ended 31 March 2018.**

Incorrect placement of DMC and FOHC: do not award ticks for details; -1 presentation if WIPS details not given; Will also lose method marks on Prime cost subtotal; the figures will get method mark even if incorrectly placed

✓ Direct materials cost	see DMC in 2.2.1	2 178 000	✓
<b>Direct labour cost</b>		3 522 000	✓
<b>Prime cost</b>	Must be DMC + DLC	5 700 000	✓
✓ Factory overhead cost	see FOHC in 5.2.1	862 500	✓
<b>Total manufacturing costs</b>	Operation one part correct, DMC+DLC+FOHC	6 562 500	✓
<b>Work-in-process at beginning of year</b>		<b>147 500</b>	
		6 710 000	
Work-in-process at end of year	Balancing figure; do not accept 231 000 or 118 000 must be subtotal above – COPOFG	(305 000)	✓
<b>Cost of production of finished goods</b>	operation, one part correct	6 405 000	✓
	(118 000 ✓ + 6 518 000 ✓ – 231 000 ✓)		

<b>12</b>

**5.2.3 Give TWO reasons why the business should support local suppliers.**

Any TWO relevant reasons ✓ ✓

**Reasons:**

- No import charges will be paid
- Prices more stable / prices not influenced by fluctuations in exchange rates.
- Creates more employment opportunities to people from the country / enhances GDP of the country / helps small or new businesses / improves standard of living
- No delays in the case of emergency orders or returns / more convenient to transport goods
- Money stays in the country / improves exchange rate
- Less crime if employment increases
- Goodwill of the community (Ubuntu)

<b>2</b>

**5.3 BREAK-TIME MANUFACTURERS**

<b>5.3.1</b>	<b>Calculate the direct labour cost for the year ended 30 April 2018.</b>		<b>2</b>
	<b>Workings</b>	<b>Answer</b>	
	331 500 x R7,56 <small>Two marks or nothing on final answer</small>	R2 506 140 ✓✓	

	<b>Calculate the break-even point for the year ended 30 April 2018.</b>		<b>4</b>
	<b>Workings</b>	<b>Answer</b>	
	$\frac{R3\ 102\ 500\ \checkmark}{R28\ \checkmark - R19,50\ \checkmark}$ 8,50 two marks	365 000 units <input checked="" type="checkbox"/> Operation, one part correct Must not be R, c, % etc Units do not have to be stated	

<b>5.3.2</b>	<b>Explain why the owner should be concerned about the break-even point. Quote figures.</b>	<b>3</b>
	<p><b>Compare BEP with level of production</b> ✓✓ <b>Figures</b> ✓</p> <ul style="list-style-type: none"> <li>The business produced and sold 331 500 units. This is below the break-even point of 365 000 units (33 500 units less) <small>see 2.3.1</small></li> <li>The BEP has increased by 131 000 units (56%) while the number of units produced and sold increased by 37 500 units (13%).</li> </ul>	

<b>5.3.3</b>	<b>Explain why the owner would NOT be satisfied with the direct labour cost per unit. Quote figures.</b>	<b>3</b>
	<p style="text-align: center;">Trend ✓ Figures ✓ Explanation ✓ <b>Do not accept comment on total DLC</b></p> <ul style="list-style-type: none"> <li><b>Trend:</b> The increase in the labour cost is R1,96 per unit (R5,60 to R7,56) / 35% increase / DLC per unit went up by 35% while units produced went by 13%</li> <li><b>Explanation:</b> This exceeds the inflation rate / workers have been inefficient / production volume did not increase as much as the DLC per unit</li> </ul> <p><b>Give ONE solution to this problem.</b>  <b>Any ONE relevant control measure</b> ✓✓ <b>Part marks for unclear / incomplete answer</b></p> <ul style="list-style-type: none"> <li>Set production targets of production (during normal hours) / time and motion studies.</li> <li>Better supervision to ensure workers are on duty during normal working hours/ Set limits on overtime hours and ensure foreman controls this.</li> <li>Reconsider conditions of service e.g. minimum normal hours, overtime rate.</li> <li>Have plans for disruption due to power cuts, strikes etc.</li> <li>Engage in skills training to improve efficiency of workers.</li> <li>Use machines more extensively</li> <li>Negotiate affordable / reasonable increases (in line with inflation) in salaries/ wages.</li> </ul>	

<b>TOTAL MARKS</b>	<b>45</b>
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**QUESTION 6**

**6.1 SOS MANUFACTURERS**

Calculate and complete the following on 30 September 2019:

6.1.1

**Direct materials issued to the factory for the year.**

$$54\,700 \checkmark + 1\,135\,000 \checkmark - 4\,700 \checkmark + 3\,500 \checkmark - 3\,800 \checkmark - 69\,700 \checkmark$$

$$= R1\,115\,000 \checkmark \text{ operation one part correct}$$

R53 080 -1 foreign

7

6.1.2

**The production cost of finished goods for the year.**

$$\text{Cost of Sales} = 6\,282\,375 \times 100/250 = 2\,512\,950$$

$$2\,512\,950 \checkmark + 79\,500 \checkmark - 100\,450 \checkmark$$

$$R2\,492\,000 \checkmark \text{ operation one part correct}$$

Finishing goods	
100 450	2 512 950
2 492 000	79 500

5

6.1.3

**Factory Overheads Cost Note for the year.**

Indirect Materials (14 100 + 250 400 – 2 730) $\checkmark$ x 1/5 $\checkmark$	52 354 * $\checkmark$
<b>104 160 two marks</b>	37 200 * $\checkmark$
Insurance (121 520 $\checkmark$ x 12/14) $\checkmark$ – 66 960 $\checkmark$	294 000 * $\checkmark$
Rent (171 500 $\checkmark$ x 60/35 $\checkmark$ )	322 280 * $\checkmark$ $\checkmark$
Indirect Labour (312 800 + 6 352 + 3 128)	705 834 $\checkmark$
	<b>Operation one part correct</b>

13

6.1.4

Complete the Production Cost Statement for the year.		
Direct Materials	see 3.1.1	1 115 000 <input checked="" type="checkbox"/>
Direct Labour		790 000 ✓
<b>Prime cost</b>	DMC + DLC	1 905 000 <input checked="" type="checkbox"/>
Factory Overheads	see 3.1.3	705 834 <input checked="" type="checkbox"/>
		2 610 834
Work-in-Progress beginning of year		65 050 ✓
		2 675 884
Work-in-Progress end of year	balancing figure	(183 884) <input checked="" type="checkbox"/>
<b>Total cost of production of finished goods</b>	see 3.1.2	2 492 000 <input checked="" type="checkbox"/>

7
---

6.2 H2O is a small manufacturing business that produces plastic water bottles.

6.2.1

Calculate the break-even point for H2O on 29 February 2020.
$\frac{795\,900 \checkmark}{18,85 \checkmark - 11,75 \checkmark}$ <p style="text-align: center;">7,10 <b>two marks</b></p>
112 098,59/112 099 units <input checked="" type="checkbox"/>

4
---

6.2.2

Explain why Wally should be concerned about the profitability and sustainability of the business. Give TWO points with figures to support your answer.
Points ✓ ✓      Figures ✓ ✓
<ul style="list-style-type: none"> <li>They did not produce and sell enough products to break even; 112 099 vs 110 500; they needed an extra 1 599 units to break even; making a loss by 1 599 units.</li> <li>Produced and sold 12 500 more units.</li> <li>BEP went up by 34 099 units.</li> </ul>

4
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<b>TOTAL MARKS</b>	<b>40</b>
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**QUESTION 7**

**7.1 HIPPO HOLLOW CAMPING EQUIPMENT**

**7.1.1 Factory Overhead Cost Note**

Consumable stores (31 800 – 3 100)	✓✓28 700
Water and electricity (37 220✓ + 3 280✓) x 75% <small>correct</small> <span style="background-color: yellow;">One part</span>	☑30 375
Insurance (14 820✓ – 1 480✓✓) x $\frac{3}{4}$ <small>correct</small> <span style="background-color: yellow;">One part</span>	☑10 005
<b>Sundry expenses: factory</b>	<b>21 800</b>
<span style="background-color: yellow;">Operation - one part correct</span>	☑90 880

<b>10</b>
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**7.1.2 PRODUCTION COST STATEMENT FOR THE YEAR ENDED  
29 FEBRUARY 2020**

<b>Direct material</b>	<b>888 600</b>
<b>Direct labour cost</b> (432 000✓ + 12 000✓✓ + 1 320☑ <small>if 11% of 12 000</small> )	☑445 320
<b>Prime cost/Direct cost</b> <span style="background-color: yellow;">Operation</span>	☑1 333 920
<b>Factory overhead cost</b> <span style="background-color: yellow;">See 3.1.1</span>	☑90 880
<b>Total cost of production</b>	☑1 424 800
<b>Work-in-progress at beginning of year</b>	<b>35 000</b>
	1 459 800
Work-in-progress at end of year <span style="background-color: yellow;">Balancing figure</span>	☑(63 800)
<b>Cost of production of finished goods</b> (11 168 x R125)	✓✓1 396 000

<b>11</b>
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## 7.2 WOODLAND MANUFACTURERS

7.2.1 Identify ONE variable unit cost, which were not well controlled in the making of chairs and tables respectively in 2020. Quote figures to support your answer. For each unit cost identified, give a possible cause of the problem.

ITEM	UNIT COSTS ✓ ✓ FIGURES ✓ ✓	POSSIBLE CAUSE OF PROBLEM ✓ ✓
Wood tables	DMC increased by R7 (35%)	Wastage/Unskilled labours/Cost of storage etc.
Wood chairs	DLC increased by R10 (15%)	More overtime/ Inefficient workers

6

7.2.2 Calculate the break-even point of wooden chairs for the year ended 2020.

R4 065 000 ✓ = 13 156 units ✓ one part correct  
R430 ✓ – 121 ✓  
309 Two marks

4

7.2.3 Zeff is concerned about the number of units produced and sold, and the break-even point for wooden chairs in 2020. Explain why you think he must be concerned. Quote figures to support your answer.

Compare BEP and units produced ✓ ✓ ✓ ✓

The number of units produced and sold is 16 000 which is just 2 844 units more than the BEP of 13 156. He only makes a profit on 2 844 units. 4 marks

In 2019 the units produced and sold was 25 000 which was 15 231 units more than the BEP of 9 769. He made a profit on 15 231.

The number of units produced and sold has decreased from 25 000 units to 16 000 units. This is a decrease by 9 000 units (36%) in production

The BEP for 2019 was 9 769 units and has increased to 13 156 in 2020. This is an increase of 3 387 (34%). It is costing the business to produce extra units to achieve the break-even point.

4



7.2.4 Zeff has decided to increase the R110 selling price of wooden tables by R15 in the next financial year.

Explain why this increase in price by R15 is a good idea. Quote figures to support your answer.

Any valid point with figures ✓✓

If he increases the selling price of wooden tables by R15, he will be still selling it at a cheaper price of R125 (R110+R15) than that of his competitor of R130.

Assuming that the level of production and sales of wooden tables will remain unchanged. Calculate how much extra net profit he will earn next year.

80 000 units ✓ x R15 ✓ = R1200 000 ✓ One part correct

2

3

**TOTAL MARKS 40**

**QUESTION 8**

**8.1 BLITZ ENERGY DRINKS**

**8.1.1 FACTORY OVERHEADS COST NOTE**

Indirect labour	88 000 + 10 560	98 560 ✓*✓
Indirect material (4 200 + 44 200 – 1 800) x 60% OR <sup>3/5</sup>		27 960 ✓*✓
Depreciation of factory machinery		119 570 ✓
Insurance 78 600 – 17 100		61 500 ✓*✓
Rent (34 100 ✓ + 3 410 ✓) x 319/29 ✓		412 610 *✓
	*✓ one part correct	720 200 *✓

12

**8.1.2 Production Cost Statement for the year ended 31 May 2021.**

Direct material cost	PC – DLC	894 800	<input checked="" type="checkbox"/>
Direct labour cost		515 500	<input checked="" type="checkbox"/>
<b>Prime cost</b>		<b>1 410 300</b>	
Factory overhead cost	see 3.1.1	720 200	<input checked="" type="checkbox"/>
<b>Total manufacturing cost</b>		<b>2 130 500</b>	<input checked="" type="checkbox"/>
<b>Work in progress in the beginning</b>		<b>69 500</b>	
		2 200 000	
<b>Work in progress at the end of the year</b>		<b>(100 000)</b>	<input checked="" type="checkbox"/>
The total cost of production (350 000 x 6)		2 100 000	<input checked="" type="checkbox"/>

7

**8.1.3 Abridged Income Statement (Statement of Comprehensive Income) for the year ended 31 May 2021.**

<b>Sales</b>		<b>4 118 800</b>	
Cost of Sales	4 118 800 x 100/200	(2 059 400)	<input checked="" type="checkbox"/>
<b>Gross Profit</b>		<b>2 059 400</b>	<input checked="" type="checkbox"/>
Operating Expenses		(859 400)	<input checked="" type="checkbox"/>
Administration Cost	balancing figure	241 580	<input checked="" type="checkbox"/>
Selling and Distribution Cost	4 118 800 x 15%	617 820	<input checked="" type="checkbox"/>
<b>Net profit for the year</b>		<b>1 200 000</b>	

7

**8.2 NICK-LED LIGHTING**

**8.2.1 Nick was confused that the fixed cost only increased by R3 600, although production increased by 12 000 units. How would you explain this to him? Provide ONE point.**

Provide ONE valid point  explaining economies of scale

Economies of scale:

- An increase in production decreased fixed costs per unit due to fixed cost not being influenced by the number of units produced.
- Unit cost decreased because of the increase in the number of units produced. (Fixed costs divided by more units, must decrease FC/unit.)

2

**8.2.2 Variable cost:**

**Provide TWO reasons for the change in the direct material cost per unit.**

TWO reasons listed ✓ ✓

- Supporting cheaper suppliers/bulk discounts received
- Low demand caused prices to drop
- Able to get the material locally (reduce transport cost)
- Better control in production (less wastage) / Better supervision

2

**Explain TWO control measures that the business can implement to ensure better control over the direct labour cost per unit.**

TWO internal control measures ✓ ✓

- Train workers if they lack proper skills
- Increase the supervision
- Pay them per completed unit.
- Do not allow unnecessary overtime.
- Set targets to be completed
- Division of duties – supervisors

Do not expect extra workers

2

**Explain whether the selling and distribution cost have been well controlled or not. Quote figures.**

Explanation ✓✓ figures (with comparison) ✓✓

- Selling and distribution is well controlled because more has resulted in an increase in sales.
- Increased from R1,60 to R1,80 per unit (12,5%), units produced and sold increased by 12 000 units (by 16%)

4

8.2.3

**Nick was pleased with the increase in the level of production. Explain to Nick why he should NOT be pleased. Provide TWO points. Quote figures.**

**Explain TWO reasons** ✓✓ **Quote figures** ✓✓

- The business failed to meet the break-even point,  $(88\ 582 - 87\ 000)/1\ 582$  units and therefore made a loss this year.
- BEP increased from 58 537 – 88 582 OR by 30 045 units.
- Selling at a loss in 2021  
(Selling price R14,50 and Total cost R14,55 **OR** by R0,05).
- Contribution to the BEP decreased from R4,10 to R2,75/R1,35 or by 32,9%.

4

<b>TOTAL MARKS</b>	<b>40</b>
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# BUDGETS

**QUESTION 1**

**1.1 DEBTORS' COLLECTION SCHEDULE**  
Calculate the amounts denoted by (a)–(c)

	Credit Sales R	December 2021 R	January 2022 R	Bad debts
Oct 2021	308 000	67 760		(a) 13 860 ✓✓
Nov 2021	319 200	143 640	70 224	
Dec 2021	364 000	103 740	(b) 245 700 ✓✓	
Jan 2022	352 800		(c) 150 822 ✓✓	
		315 140		

6
---

**1.2 Calculate the amounts denoted by (a)–(c) on the Cash Budget.**

<b>(a) Rent income for December 2021:</b>	
<b>WORKINGS</b>	<b>ANSWER</b>
20 056 x 100/109 or 20 056 – 1 656	18 400 ✓✓ one part correct
<b>(b) Payment to creditors in January 2022</b>	
<b>WORKINGS</b>	<b>ANSWER</b>
456 000 ✓ x 80% ✓ <b>OR</b> 456 000 – 91 200 (20% of 456 000) one mark one mark	364 800 ✓ one part correct
<b>(c) Payment for cleaning services in January 2022</b>	
<b>WORKINGS</b>	<b>ANSWER</b>
15 510 ✓ x 100/165 ✓ x 105/100 ✓  one mark one mark <b>OR</b> $\frac{15\,510 \times 105}{165}$ one mark (as denominator)	9 870 ✓ one part correct  Accept: 9 400 as a final answer: three marks; 9 400 + 470; four marks; 9 400 + any other amt: three marks only

9
---

**1.3 Workload of employees:**

**Provide TWO points that Brian can explain to his sales staff to justify his plan. Quote figures.**

Be aware of alternative ways of expressing statistics

TWO points (with figures) ✓✓ ✓✓

part marks for incomplete / partial / unclear responses

- He budgeted for 230 customers; only 175 was recorded / 55 less (23,9%) / 76%
- Sales was less than budgeted (798 000 – 707 000) / by R91 000 / 11,4%
- Salaries are set at a basic rate of R16 400 per worker (cost the business when budgeted sales are not achieved)

**Assuming 5 workers (including driver)**

- Each worker was expected to attend to 46 customers (230/5); but the actual is an average of 35 customers (175 /5) / 11 less / 23,9%
- Retrenching one person will not affect the expected workload of the remaining 4 workers, projecting an average of 44 (175/4) customers (expected 46)

**Assuming 4 sales staff (excluding driver)**

- Each worker expected to attend to 58 (230/4) but actual is 44 (175/4) / 14 less / 24%
- If one is retrenched, the average customers per worker is 58 (175/3) customers; same as the expected 58 (230/4).

4

**Explain why the repair staff members are not satisfied with their workload. Quote figures.**

Be aware of alternative ways of expressing statistics

ONE point ✓ figures ✓✓

- They are over-worked. Customers (from 70 expected to 136-actual) / 66 more than expected / 94% more / 194%. Customers prefer to repair rather than buy.
- They are expected to attend to 35 customers per worker but attended to 68 customers (an average of an additional 33 customers per worker)
- Fee income is R34 000 more than expected / 66 000 – 32 000 / 106%
- Wages fixed at a basic rate of R5 500 per worker – not influenced by workload / commission, and is R10 900 less than a sales worker.

3

**What suggestions can you offer to solve the problem of the workload of employees? Provide TWO points.**

TWO different points ✓✓ ✓✓

part marks for incomplete / partial / unclear responses

- Train the sales staff member to do repairs
- Suggest incentive bonuses / overtime pay
- Negotiate a better wage package / commission
- Train staff to work in other departments / rotation
- Employ temporary staff / casual workers / employ more workers

4

1.4 Sales trends:

**Comment on the cash and credit sales figures for November 2021. Explain why Brian is concerned. Quote figures.**

Comment on both cash sales ✓ and credit sales ✓ (with comparison of budget and actual figures) ✓

Comment on cash sales only (with comparison of budget and actual figures) one mark

Comment on credit sales only (with comparison of budget and actual figures) one mark

**Expected responses for 3 marks:**

- Cash sales are lower than expected by R336 800 / 70,3% / (478 800\$ – 142 000) whilst credit sales are higher than expected by R245 800 / 77% / (565 000 – 319 200\$)
- Cash sales are now only 20% of total sales (142 000/707 000) expected 60%; whilst credit sales are now 80% of total sales (565 000 / 707 000); expected 40%

3
---

1.5 Comment on the control over fuel for the delivery vehicle and the consumable stores used for repairs. Quote figures.

EXPENSE	COMMENT (with figures) Explanation ✓ ✓ Figures: must compare budget to actual percentages ✓✓ ✓✓ Allocate ONE mark for relevant total amounts for EACH expense
<b>Fuel for delivery vehicle</b>	Fuel expense is not well controlled, assuming that all customers require delivery <ul style="list-style-type: none"> <li>• Budgeted at 2,6% of total sales (20 800/798 000); actual was 2,8% of actual sales (19 900/707 000)</li> <li>• Total sales less than budgeted by 11,4% / by R91 000 Fuel is less than budgeted by 4,3% / by R900</li> </ul>
<b>Consumable stores for repairs</b>	Efficient control over consumable stores / well controlled / indication of minimal wastage <ul style="list-style-type: none"> <li>• Budgeted to spend 25% of fee income (8 000/32 000); actual usage was 18,3% (12 100/66 000)</li> <li>• Fee income is more than budgeted by 106% / by R34 000 Consumable stores are only 51,3% more than the budgeted amount / by R4 100.</li> </ul>

6
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<b>TOTAL MARKS</b>	<b>35</b>
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**QUESTION 2**

2.1

NO.	CASH BUDGET FOR JULY		PROJECTED INCOME STATEMENT FOR JULY	
	RECEIPT	PAYMENT	INCOME	EXPENSE
e.g.		4 200		4 200
3.1.1		6 000 ✓		4 000 ✓
3.1.2	300 ✓	45 000 ✓	300 <input checked="" type="checkbox"/> * see receipt	
3.1.3	23 200 ✓		23 200 ✓ #accept net amount: R7 200 two marks	16 000 ✓

8

2.2 ANOKHI (PTY) LTD

3.2.1 CREDITORS' PAYMENT SCHEDULE

	CREDIT PURCHASES	MAY 2021	JUNE 2021	JULY 2021
March 2021	164 500	16 450		
April 2021	170 800	85 400	17 080	
May 2021	171 500	65 170	85 750	17 150 ✓✓
June 2021	178 500		67 830	89 250 ✓✓
July 2021	182 000 ✓✓		*if x 40% x 95% four marks if answer is correct	69 160 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
<b>Payment to creditors</b>		<b>167 020</b>	<b>170 660</b>	<b>175 560 <input checked="" type="checkbox"/></b> one part correct

9

2.2.2 Calculate:

WORKINGS	ANSWER
<b>(a) Rent income in July 2021</b> $15\,500 \times 1,09$ or $15\,500 + 1\,395$	2 16 895 ✓✓
<b>(b) Amount of the loan</b> <small>37 800 two marks</small> $\frac{3\,150 \checkmark \times 12 \checkmark}{13,5/100 \checkmark}$ or 13,5%      Loan amount $\times 13,5\% \times 1/12 = 3\,150$ <small>(3 150 x 12) / 0,135 OR (3 150 x 12 x 100) / 13,5</small>	4 280 000 <input checked="" type="checkbox"/> one part correct mark numerator & denominator as such
<b>(c) Salaries of sales assistants</b> <small>(41 000 x 3/5 x 0,75) two marks</small> <small>(8 200 x 3 x 75%) two marks</small> <small>(8 200 x 50%) two marks</small> $41\,000 \checkmark + 18\,450 \checkmark \checkmark + 4\,100 \checkmark \checkmark$ <b>OR</b> $24\,600 \times 175\%$ $8\,200 \times 2$ $8\,200 \times 50\%$ $43\,050 + 16\,400 + 4\,100$ <small>two marks      one mark      two marks</small>	6 63 550 <input checked="" type="checkbox"/> one part correct
<b>(d) Directors' fees</b> $720\,000/12$ <small>(38 880 x 100/108) two marks</small> $60\,000 \checkmark + 36\,000 \checkmark \checkmark$	4 96 000 <input checked="" type="checkbox"/> one part correct

16

**2.2.3 Comment on the effectiveness of the advertising. Quote figures.**

Comment on control (actual vs budgeted; may be implied in response) ✓ effect on sales ✓ figure ✓

Although the same amount (Nil change / R0 / R35 280) as budgeted was used, actual sales was less than budgeted by 20% or by R176 400 or R882 000 – R705 600; advertising was therefore not effective.

3

**Comment on the control over delivery expenses. Quote figures.**

Comment on control (actual vs budgeted; may be implied in response) ✓ effect on sales ✓ figure ✓

- Delivery expenses is lower than budgeted by R6 130 (R57 330 – R51 200) or by 10,7%, while sales were less than expected by 20% or by R176 400 (R882 000 – R705 600); delivery expenses therefore not well controlled.
- Budgeted for 6,5% of sales – actual was 7,3% of sales (0,8% higher); delivery expenses therefore not well controlled.

3

**2.2.4 State TWO benefits of this decision.**

TWO valid points ✓ ✓ accept short, incomplete statements if message is clear

- The business will own an asset (increase in value of assets)
- Deliveries can be made at the convenience of the business / is under the control of the business.
- Possible savings / more economical (saves on the mark-up which would apply to a supplier) / cutting out the middleman.
- Can be used to generate other income by outsourcing the vehicle

2

**Apart from the items reflected in the Budget (Information F), list FOUR other items that Kayla should include in the budget.**

Any FOUR items: ✓ ✓ ✓ ✓ be alert to other valid alternative answers related to the vehicle

Possible responses Do not accept any non-cash items, e.g. Depreciation

Insurance	Repairs	delivery fee income
Petrol and fuel	Instalment payments and interest	
Additional driver	Vehicle licence	
Toll charges	Security for vehicle (garage)	
Maintenance	Accommodation for driver (working late)	

4

**TOTAL MARKS**

**45**

**QUESTION 3**

**3.1 DEBTORS' COLLECTION SCHEDULE FOR MARCH TO MAY 2021**

\*one part correct

MONTHS	CREDIT SALES R	MARCH R	APRIL R	MAY R
January	204 750	16 380		
February	250 250	125 125	20 020	
March	364 000	136 864	182 000	29 120 ✓✓
April	409 500		153 972	204 750 ✓✓
May	500 500 ✓✓		Credit sales x 40% x 94%	188 188 ✓✓ if CrS x 0,376
	If not shown, give marks on final answer	278 369	355 992	422 058 ✓ Operation*

9

**3.2 AMOUNTS FOR THE CASH BUDGET**

\*one part correct

	Workings	Amount
(a)	<b>Cash sales for April</b> ✓ ✓ $630\ 000 \times 35\%$ OR: $630\ 000 - 409\ 500$ April credit sales OR: $360\ 000 \times 175/100 \times 35\%$ ( one mark ) one mark OR: $409\ 500 \times 35/65$ one mark one mark	✓ R220 500 3
(b)	<b>Increase in loan from Janet Bloom</b> (2 625 – 1 365) ✓ ✓ ✓ $1\ 260 \div 0,09 \times 12$	✓* R168 000 One part correct 4
(c)	<b>Salaries for April 2021</b> ✓ ✓ ✓ $22\ 400 \times 3/2 \times 1,05$	✓* R35 280 One part correct 4
(d)	<b>Rent expense for March 2021</b> ✓ ✓ $39\ 960 \times 100/111$ OR $39\ 960 \div 111\%$ OR $39\ 960 \div 1,11$ OR $39\ 960 - 3\ 960$	36 000 ✓* One part correct 3

14

**3.3 Explain the decisions that the directors took regarding the budgeted and actual expenditure for advertising in May 2021. Quote figures or calculations.**

- Explanation on budget ✓ Figures ✓ Explanation on actual expenditure ✓ Figures ✓
- Advertising budget increased by R18 000 / (from R12 000) to R30 000 / by 150%.
  - Actual expenditure on Advertising exceeded the budget by R12 000 / from R30 000 to R42 000 / by 40%

4

The directors ask you for a report on the effect that the advertising decisions have actually had on customers and sales in May 2021. Provide TWO points that you would include in your report. Quote figures or calculations.

TWO points with figures/calculations ✓✓ ✓✓

- **Customers:** The actual was 135 / 25 more than the 110 expected / 22,7% more / the business projected an increase of 20 customers / budget for 22,2% increase in customers, but actual increase (April to May) is 50%
- **Sales:** The actual sales were less than budget by R80 000 (from R770 000 to R690 000 by 10,4%.

4

Explain how the decline in the national economy has affected the average amount that customers spent in May 2021. Quote figures.

ONE explanation ✓ with figures ✓ ✓

- The average sales were budgeted at R7 000 per customer but this actually dropped to R5 111 per customer (690 000 /135)
- It appears that the increase in advertising has attracted many new customers (25) who do not have the same spending power as the company's traditional customers / sales per customer decreased (they spend R5 111 instead of R7 000 each)

3

Comment on whether the consumable stores have been well controlled or not. Quote figures or calculations.

Examples for full marks: y

- Consumable stores were budgeted at 28% (R4 200 ÷ R15 000) of fee income, while actual amount spent was 26% of actual fee income (R5 520 ÷ R21 000).
- Consumable stores exceeded the budget by 31,4% / by R1 320 (R5 520 – R4 200) while fee income exceeded the budget by 40% / by R6 000 (R21 000 – R15 000)

2

3.4

Calculate the reduction in the area rented (in square metres).

Workings	Answer
Reduction in rent = R39 960 – R31 968 = R7 992 R39 960 /120 m <sup>2</sup> = R333 ✓ ✓✓ Reduction in area = R7 992 ÷ R333 two marks OR: 120 – (R31 968 ÷ 333) 96 two marks	☑* 24 m <sup>2</sup> one part correct answer must be m <sup>2</sup> Sign not needed If final answer is R333 or 96m <sup>2</sup> only 2 marks

4

**TOTAL MARKS 40**

**QUESTION 4**

4.1

Foreign entries  
-1 max -2

	CASH BUDGET			PROJECTED INCOME STATEMENT		
	Nov. 2019	Dec. 2019	Jan. 2020	Nov. 2019	Dec. 2019	Jan. 2020
Printer bought	40 800 ✓					
Depreciation					680 ✓	680 ✓
Insurance			48 000 ✓			4 000 ✓✓
Loan received		100 000 ✓				
Loan repayments			*5 000 ✓			
Interest			*1 000 ✓✓			1 000 ✓

11

4.2

Calculate the % of debtors who settle their accounts in the 2 <sup>nd</sup> month following the credit sales transaction month	
Workings	Answer
$\frac{67\ 500}{90\ 000} \checkmark \text{ or } \frac{75\ 000}{100\ 000} \text{ or } \frac{90\ 000}{120\ 000} \times \frac{100}{1}$	One part correct 75% ✓
Calculate the % of debtors written off as bad debts at the end of the 3 <sup>rd</sup> month following the credit sales transaction month.	
Workings	Answer
$90\ 000 - 67\ 500 - 19\ 800$ $(2\ 700 \checkmark \checkmark \div 90\ 000 \checkmark) \times 100$ <p>OR: 100 000 – 75 000 – 22 000</p> $(3\ 000 \div 100\ 000) \times 100$ <p>two marks      one mark</p> <p>see above 19 800/90 000 or 22 000/100 000</p> <p>OR: 100% – 75% – 22%      –97% two marks</p> <p>one mark    one m.mark    one mark</p>	One part correct 3% ✓

3

4

4.3.1

**The office workers are unhappy with the increase that Thembi gave them on 1 October 2019. Explain what she should say to them. Provide TWO points. Quote figures or a calculation.** Only one figure required per point.

They received a (large) increase of 20% (unbudgeted; which is more than inflation) ( $1\ 840 / 9\ 200 = 20\%$ )  
 'Large' need not be mentioned if 20% is provided.  
 Sales target (under by R110 000) / GP target (under by R32 000) not reached but increase in wages (20%) granted  
 The director took a R10 000 drop in pay / reduced from R50 000 to R40 000 / by 20%  
 They received training costing R40 000 (R25 000 over budget) which will benefit them in future

6

4.3.2

**Thembi pays her son, Jacob, on a part-time basis to deliver and install carpets for customers. She budgets R2,80 per metre for this. Comment on the control of this expense. Quote figures or a calculation.**

Comment on poor control / ethics in September ✓ Figure/s ✓  
 Comment on good control in October ✓ Figure/s ✓

Expected responses for September:  
 He was overpaid in September (even though he did not meet target)  
 Figures: R14 000 / R10 640 / R3 360

Expected responses for October:  
 He was paid correctly (although it was over-budget; due to improved sales)  
 Figures: R 16 800 / R14 000 / R2 800

**Workings: September:**

Budget:  $5\ 000 \times 2,80 = R14\ 000$   
 Actual should be  $3\ 800 \times 2.80 = R10\ 640$  but spent R14 000

**Workings: October:**

Budget = R14 000  
 Actual should be :  $6\ 000 \times 2.80 = R16\ 800$

4

4.3.3

<p><b>A new competitor commenced trading in the area on 1 September 2019. Provide figures to illustrate the impact on sales in September.</b></p>	
<p>Comment ✓ Figure/s✓</p> <p>Compare budgeted Sales to actual Sales Sales budget was R490 000 and the actual was R380 000 / R110 000 under the budgeted amount / 22,4% drop from expected</p> <p>OR: Compare expected metres to actual metres Two marks Sales dropped from 5 000m<sup>2</sup> budgeted to 3 800m<sup>2</sup> actual / 1 200m<sup>2</sup> under budget / 24% less than expected.</p>	
<p><b>Explain THREE decisions that Thembi took in October in response to the new competitor. Quote figures or a calculation.</b></p>	
<p><b>Explanation (with figures)</b></p>	
<p>✓ ✓ ✓ Any THREE valid and different decisions</p>	<p>Promoted credit sales R296 000 above budget (R326 000 increase in actual) with incentives as opposed to cash sales (e.g. discount or extended payment period)</p>
<p>✓ ✓ ✓ Figures</p>	<p>Reduced the selling price per m to R88 per m (from R100) / Reduced mark up from 67% to 47%</p> <p>Spent R40 000 on training but budgeted only R15 000 / Training increased to R40 000 in October (over-budget by R25 000)</p> <p>Changed the salary structure of the salesman from a fixed salary of R20 000 pm to a commission of R52 800/10% of sales</p>

2

6

4.3.4

<p><b>Calculate the amount she will <u>actually</u> have to pay the creditors in November 2019.</b></p>	
<p><b>Workings</b></p>	<p><b>Answer</b></p>
<p>528 000 X 60/88 ✓            ✓            ✓</p> <p>360 000 x 50% x 95%</p> <p>Oct COS</p>	<p>R171 000☑ one part correct</p>

4

<b>TOTAL MARKS</b>	<b>40</b>
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**QUESTION 5**

**5.1.1 The main purpose of a Cash Budget is to ... PP**  
 Part-marks for incomplete / unclear response  
 Project / estimate the expected bank balance at end of budget period.  
 Project / plan / estimate / monitor / control expected cash received and paid over budget period.

**5.1.2 The main purpose of a Projected Income Statement is ... ✓P**  
 Part-marks for incomplete / unclear response  
 Project / plan / estimate the expected net profit for the budgeted period.  
 Project / plan / estimate / monitor / control expected income and expenses for budget period.

4

**5.2.1 Debtors' Collection Schedule:**

	CREDIT SALES	MAY 2018	JUNE 2018
March 2018	252 000	22 680	
April 2018	288 000	172 800	25 920 ✓
May 2018	180 000 ✓✓	51 300	108 000 <input checked="" type="checkbox"/> 60% of credit sales
June 2018	216 000		61 560 ✓✓
<b>Cash from debtors</b>		<b>246 780</b>	195 480 <input checked="" type="checkbox"/> Operation, one part correct

7

**5.2.2 Determine the discount allowed for May 2018.**  
 See 6.2.1  (    ✓    )  Operation, one part correct  
 180 000 x (30% x 5%) = 2 700

**OR**

- 51 300 one mark x 5/95 one mark = 2 700 one method mark
- 180 000 x 30% = 54 000 one method mark – 51 300 one mark = 2 700 one method mark

3

**Determine the bad debts written off in June 2018.**  
 ✓    ✓     Operation one part correct  
 1% x 252 000 = 2 520

3



5.3

<b>Calculate the cash sales for May 2018.</b>																													
<b>Workings</b>	<b>Answer</b>																												
300 000 x 40% <b>OR</b> 300 000 – 180 000	No part marks 120 000 ✓✓																												
<b>Calculate the payment to creditors in June 2018.</b>																													
<b>Workings</b>	<b>Answer</b>																												
300 000 ✓ x 100/150 ✓ x 80/100 ✓ 200 000 two marks	160 000 ✓ Operation, one part correct																												
<b>Calculate the salaries for May 2018.</b>																													
<b>Workings</b>	<b>Answer</b>																												
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">✓</td> <td style="text-align: center;">✓</td> <td style="text-align: center;">✓</td> <td style="text-align: center;">✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">14 500 + 11 600</td> <td></td> </tr> <tr> <td colspan="4" style="text-align: center;">(2 x 14 500) + (4 x 26 100)</td> </tr> <tr> <td style="text-align: center;">29 000</td> <td></td> <td style="text-align: center;">104 400</td> <td></td> </tr> <tr> <td colspan="4" style="text-align: center;"><b>OR</b></td> </tr> <tr> <td colspan="4" style="text-align: center;">(6 x 14 500) + (4 x 11 600)</td> </tr> <tr> <td style="text-align: center;">87 000 two marks</td> <td></td> <td style="text-align: center;">46 400 two marks</td> <td></td> </tr> </table>	✓	✓	✓	✓			14 500 + 11 600		(2 x 14 500) + (4 x 26 100)				29 000		104 400		<b>OR</b>				(6 x 14 500) + (4 x 11 600)				87 000 two marks		46 400 two marks		133 400 ✓ Operation, one part correct
✓	✓	✓	✓																										
		14 500 + 11 600																											
(2 x 14 500) + (4 x 26 100)																													
29 000		104 400																											
<b>OR</b>																													
(6 x 14 500) + (4 x 11 600)																													
87 000 two marks		46 400 two marks																											

2

4

5

5.4.1

<p><b>Tony is not concerned about the overspending in advertising. Explain why this is so. Quote figures to support your answer.</b></p> <p><small>Candidates must indicate the positive effect of advertising on sales ✓✓ Provide appropriate figures ✓ ✓ one mark each Expected response for 4 marks:</small></p> <p>Advertising increased by R3 000 but Sales increased by R96 000. <b>OR</b> Advertising increased by 37,5% while Sales increased by 20% on bigger base.</p>
--

4

5.4.2

<p><b>State ONE consequence of not paying the amount due to creditors in April 2018.</b></p> <p><small>Any ONE valid consequence ✓✓ Part-marks for incomplete / unclear response</small></p> <ul style="list-style-type: none"> <li>• Credit to the business will be stopped by the creditors.</li> <li>• The credit ratings of business will decrease / could be blacklisted / report to credit bureau</li> <li>• Business will be charged interest for slow payment.</li> <li>• Legal action can be taken by the creditors</li> </ul>
---

2

**5.4.3 State TWO points in favour of appointing Gentex Cleaning Services.**

Any two valid responses ✓✓ ✓✓ Figures not required but may be provided as part of an explanation Part-marks for incomplete / unclear response

- Outsourced cleaning could cost less than budgeted/actual for wages and cleaning materials
- Easier to budget (fixed contract amount)
- Expertise / professionalism / specialisation of the cleaning company
- No interruption or extra costs due to workers on sick leave etc.
- No storage space needed for cleaning materials
- Leads to reduction in administration costs
- VAT input can be claimed from SARS
- The cleaners can be rotated between different clients if necessary

**Explain ONE point that Tony should consider before making this decision.**

Any valid response ✓✓ Part-marks for incomplete / unclear response

- Whether it will make the current employees redundant / retrench or reassign the existing cleaners (consider the ethics of this)
- Reliability of the new cleaning company
- Honesty of the workers of the outsourced business
- Negative image of outsourcing to the company
- Whether outsourcing conflicts with their social responsibility programmes
- Instructions to cleaners have to be given through the cleaning firm's managers
- Terms of the contract regarding fee increases

6

<b>TOTAL MARKS</b>	<b>40</b>
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**QUESTION 6**

6.1

**Explain why a business needs to prepare a Cash Budget every year.**

Any valid answer ✓✓

To plan for future receipts and payments in order to ensure that they have enough cash.

Calculate the bank balance.

Prioritising – taking corrective measures from previous deviations.

**Do not accept income and expenses**

2

6.2

**Calculate the expected receipts from debtors for November 2019.**

$$180\,000 \checkmark \times 100/75 \checkmark \times 25\% = R60\,000 \checkmark \times 95/100 \checkmark \\ = R57\,000 \checkmark$$

**OR**  $60\,000$  **three marks** –  $3\,000$  **one mark** =  $57\,000$  **one method**

**OR**  $R180\,000$  **one mark**  $\times 25/75$  **two marks**  $\times 95\%$  **one mark** =  $57\,000$  **one method mark**

5

6.3

**Calculate the amounts indicated by A–D in the Cash Budget.**

<b>A</b>	R94 100 ✓
<b>B</b>	A + 5 000 = 99 100 ✓
<b>C</b>	(143 500) + 380 000 = 236 500 ✓
<b>D</b>	(143 500) + 99 100 = (44 400) ✓ <b>must be in brackets</b>

4

6.4

**The rent income increased by 9% on 1 November 2019. Calculate the rent income amount for October 2019.**

$10\,464 \checkmark \div 1,09 \checkmark = R9\,600 \checkmark$  **one part correct**

**OR**  $10\,646 - 864 = R9\,600$

3

6.5

**In your opinion, is Rain's capital contribution in November sufficient to support this business venture? Give ONE reason to support your answer.**

Reason Yes/No ✓ Explanation ✓✓ Part marks can be awarded.

No, his capital contribution is not sufficient to support this business venture. Although his bank account is showing a surplus in November, in December his payments exceed his receipts.

**Refer to 4.3 (B and D) above and mark according to the candidates answer.**

3

<b>6.6</b>	<p><b>Calculate the percentage increase granted to the employees on 1 November 2019.</b></p> <p>2 160✓/108 000 ✓ x 100 = 2% ✓ <b>one part correct</b></p>	<table border="1"> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td>3</td><td> </td></tr> </table>					3	
3								
	<p><b>In your opinion, will the employees be satisfied with this increase? Briefly explain.</b></p> <p>Yes/No✓ Any valid explanation ✓✓</p> <p>No, the increase is lower than the inflation rate/the business can rather give a higher increase than investing money in a fixed deposit.</p> <p>Yes, the business bank account is in overdraft, they can be glad to get an increase.</p>	<table border="1"> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td>3</td><td> </td></tr> </table>					3	
3								

<b>6.7</b>	<p><b>As the internal auditor you discover that the actual motor vehicle expenses for December 2019 were R9 600. Give TWO points that you would include in your internal auditors' report to Rian.</b></p> <p>TWO valid points ✓✓ ✓✓</p> <ul style="list-style-type: none"> <li>• The actual expenses exceed the budgeted amount – overspent.</li> <li>• Maybe unexpected increase in fuel prices and maintenance cost.</li> <li>• The use of the vehicles needs to be investigated in order to ensure that the vehicles are used responsibly (no abuse).</li> <li>• Rian needs to ensure that the vehicles are serviced regularly in order to avoid unexpected repairs.</li> </ul>	<table border="1"> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td>4</td><td> </td></tr> </table>					4	
4								

<b>6.8</b>	<p><b>Calculate the interest payable to Wesrand Bank in December 2019.</b></p> <p>240 000 ✓ x 85% ✓ = 204 000 x 11/100✓ x 1/12 ✓ = R1 870 ✓ <b>one part correct</b></p>	<table border="1"> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td>5</td><td> </td></tr> </table>					5	
5								
	<p><b>Calculate the monthly repayments of the capital portion of the loan to Wesrand.</b></p> <p>204 000 ✓ / 48 months ✓ = R4 250 ✓ <b>one part correct</b> <b>see above</b></p>	<table border="1"> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td>3</td><td> </td></tr> </table>					3	
3								

<b>TOTAL MARKS</b>	<b>35</b>
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**QUESTION 7**

**7.1 Complete the following sentences by filling in the missing word(s). Write only the word(s) next to the question number (7.1.1 – 7.1.2)**

**7.1.1 The main purpose of preparing the Cash Budget is...**

Any valid point. ✓✓

To plan  
To predict cash flows/ determine receipts and payments for the future  
To control cash

**2**

**7.1.2 ONE item in the Cash Budget that will not be reflected in a Projected Income Statement is...**

Any valid point. ✓✓

Loan/Assets/Payments to creditors/Drawings/Receipts from debtors/Fixed deposits/Capital/Dividends

**2**

**7 Prepare the Debtors' Collection Schedule for December 2020**

Months		2020			
		Credit sales	October	November	December
Actual	August	345 000	138 000		
	September	480 000	144 000	192 000	
Budgeted	October	300 000	57 000	90 000	120 000 ✓✓
	November	210 000		39 900	63 000
	December	180 000			34 200 ✓✓
			339 000	321 900	217 200 ✓

**5**



7.3 Calculate the missing figures in the Cash Budget indicated by (i) to (v).

	CALCULATION	ANSWER
(i)	350 000 <sup>✓</sup> x 40% <sup>✓</sup>	140 000 <input checked="" type="checkbox"/> one part correct
(ii)	(500 000 x 100/200) = 250 000 <sup>✓✓</sup> x 80% <sup>✓</sup>	200 000 <input checked="" type="checkbox"/> one part correct
(iii)	360 000 <sup>✓</sup> x 1% <sup>✓</sup> OR 43 200 (1 mark) ÷ 12 (1 mark)	3 600 <input checked="" type="checkbox"/> one part correct
(iv)	6 <sup>✓</sup> x R1 378 <sup>✓</sup> x 4 weeks <sup>✓</sup>	33 072 <input checked="" type="checkbox"/> one part correct
(v)	6 758 <sup>✓</sup> x 100 ÷ 109 <sup>✓</sup>	R6 200 <input checked="" type="checkbox"/> one part correct

17

7.4 In order to increase sales and the number of customers, Lizzy intends to advertise that credit limits for all credit customers will be increased to R35 000 and that new customers are welcome to open accounts during January.

Give TWO points of advice to Lizzy regarding this decision.

Any TWO valid points. ✓✓ ✓✓

- Do not sell more on credit as this will worsen the overdraft
- He must screen debtors properly (e.g. pay slip/ credit reference), not simply allowing them to open accounts without checking the ability to pay.
- Only increase credit limits of customers who settle their debts promptly
- He must improve the rate of collection from debtors by charging interest

4

TOTAL MARKS	30
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**QUESTION 8**

**8.1 Explain why a cash budget is considered to be a useful management tool.**

Accept any reasonable answer ✓✓ part-mark for unclear/incomplete answer

Management will use it for planning their cash flow, determining what the bank balance will be./It also alerts them to the need to cut down payment or to either take out a loan, invest more capital or apply for an overdraft facility.

2

**8.2 CREDITORS PAYMENT SCHEDULE**

MONTH	CREDIT PURCHASES	AUG 2021	SEPT 2021	OCT 2021
JULY	64 000 ✓✓*	48 640	12 800	
AUG	65 200		49 552	13 040 ✓*
SEPT	82 000			62 320 ✓✓*
<b>TOTAL PAYMENT</b>			<b>62 352</b>	<b>75 360</b> ✓*

6

**8.3 Calculate the following:**

WORKINGS		ANSWER
<b>A</b>	<b>Actual closing Bank balance: August 2021</b>  (1 385 180 – 1 316 380) 68 800 + 13 400	82 200 ✓✓ one part correct
<b>B</b>	<b>Room rentals: October 2021</b>  510 000 x 2 1 020 000 ✓ x 75% ✓	765 000 ✓ one part correct
<b>C</b>	<b>Restaurant sales: September 2021</b>  206 000 x 125%	257 500 ✓✓ No part marks
<b>D</b>	<b>Salaries: September 2021</b>  451 200 x 100/120	376 000 ✓✓ one part correct
<b>E</b>	<b>Salaries: October 2021</b>  (D) ✓ x 108% 376 000	406 080 ✓ If x1,08

11

**8.4 The total electricity expense for the financial year ended August 2021 was R720 000. The accountant anticipates that the total for the following financial year to increase to R800 000. Provide TWO suggestions that Tom can implement to save electricity.**

Any TWO valid suggestions ✓ ✓

- Switch to gas stoves in the restaurant.
- Replace all globes with LED/energy saving globes.
- Install solar panels for the geysers in the rooms.
- Let the guests buy tokens to switch on the air conditioning.

<b>2</b>

**8.5 Tom compared the August budget to the actual amounts received or paid in August 2021.**

**Comment on the causes & variances of laundry costs and whether this has been well controlled or not.**

**Quote figures or calculations.**

Compare Laundry costs to Room rentals ✓ Valid explanation ✓

Figures/calculations ✓✓

Maximum 1 mark if only commented on laundry costs and figure

- Laundry costs were R3 000 (3%) over budget/under spend
- Room rentals were R102 000 (10,5%) over budgeted
- Laundry costs were not well controlled/should have also been 10,5% under budget

**Comment on the causes & variances of restaurant supplies and whether this has been well controlled or not.**

**Quote figures or calculations.**

Compare Restaurant supplies to sales ✓ Valid explanation ✓

Figures / calculations ✓✓

Maximum 1 mark if only commented on Restaurant supplies and figure

- Restaurant sales were R292 000 (141,7%) over the budget ✓✓
- Restaurant supplies were R110 000 (36%) over budget ✓✓
- Restaurant costs were well controlled/more customers created more economies of scale in purchase of supplies

<b>8</b>



8.6

**Tom is concerned about the cash flow of the hotel each month. Note that the interest rate on bank overdraft facilities is currently 14% p.a. while the interest rate on loans is 9% p.a. Calculate the expected overdraft in September 2021.**

785 500 – 925 200 – 56 400 = 83 300 ✓✓ **no part marks**

2

**Explain why it may be a better idea for Tom to apply for a bank overdraft (at an interest rate of 14% p.a.) rather than to take out a loan (at 9% p.a.).**

Explanation ✓✓ **part-mark for unclear/incomplete answer**

The interest on overdraft is calculated on the monthly amount used (current liability) and can be easily managed, when deposits are made. The loan is generally a long term liability and interest over a longer period will have to be paid. (Could be more strain on cash resources.)

2

**Provide TWO ideas or suggestions that Tom can implement to improve the cash flow over the coming holiday period.**

**Any TWO valid suggestions** ✓ ✓

Have special rates during December and January for families to stay in the hotel.

Advertise family Christmas parties or end-of-year business parties in the restaurant.

Organise a vacation program with activities for children at the pool while parents make use of the restaurant.

2

TOTAL MARKS

35