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# PREPARATORY EXAMINATION

## GRADE 12

## ACCOUNTING P2

### SEPTEMBER 2022

MARKS: 150

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### TIME: 2 HOURS

This question paper consists of 14 pages,  
a formula sheet and a 12-page answer book.

## INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

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

QUESTION	TOPIC	MARKS	MINUTES
1	VAT and Reconciliation	40	30
2	Cost Accounting (Manufacturing)	45	35
3	Stock Valuation	30	25
4	Budgeting	35	30
<b>TOTAL</b>		150	120

## QUESTION 1: VAT AND BANK RECONCILIATIONS

(40 marks; 30 minutes)

### 1.1 SAMMY TRADERS

#### REQUIRED:

- 1.1.1 Taking into account the errors and omissions, calculate the amount that is either payable to or receivable from SARS on 30 June 2022. The current VAT rate is 15%. (11)

#### INFORMATION:

A. Amount due to SARS on 1 June 2022, R7 590.

B. Details in respect of VAT for June 2022:

Extracted from the journals:

DETAILS	EXCLUDING VAT R	VAT R	INCLUDING VAT R
Sales	158 000		181 700
Total purchases	89 040		
Returns from debtors			6 647
Returns to suppliers		760	
Owners drawings			713
Discounts allowed to debtors		1 125	

### 1.2 MASALA TRADERS

The information relates to June 2022. The business receives its official bank statements on the 25<sup>th</sup> day of each month.

#### REQUIRED:

- 1.2.1 • Complete the CRJ and CPJ on 30 June 2022. (11)
- Calculate the correct bank balance in the ledger on 30 June 2022. Indicate whether the balance is favourable or unfavourable. (5)
- 1.2.2 Prepare the Bank Reconciliation Statement on 30 June 2022. (9)
- 1.2.3 **See Information H:** Explain why the internal auditor would be concerned (provide figures) and what action he or the owner should take. (4)

**INFORMATION:**

- A. The following Bank Reconciliation Statement was prepared on 31 May 2022:**

	<b>DEBIT R</b>	<b>CREDIT R</b>
Balance as per Bank Statement	87 150	
Outstanding deposit (from cash sales; dated 31 May 2022)		31 600
Outstanding EFT (no. 555)	16 850	
Correction of error		22 700
Balance as per bank account		49 700
	104 000	104 000

- B. Provisional totals on 30 June 2022:**

**CRJ:** R47 220

**CPJ:** R97 860

- C. When comparing the May reconciliation statement to the June 2022 bank statement, the following was noticed:**

- (i) The outstanding EFT no. 555, outstanding deposit, and correction of the error of were correctly reflected on the June bank statement.

- D. The following items on the June 2022 bank statement did not appear in the June Cash Journals:**

- EFT received from KZN Promotions for commission earned, R36 400.
- Monthly debit order in favour of Far Call for cell-phone charges, R2 800.
- A deposit of R23 000 appeared in the current account of Masala Traders on 24 June 2022. The deposit has been identified as an error made by the bank. The bank has agreed to correct the error on the July bank statement.
- Cash deposit fees, R1 250.
- Service fees, R880.
- Interest on a debit balance, R2 160
- A debit card entry to withdraw cash for wages of R11 000 was recorded on the statement.
- A debit order for R10 570 dated 24 June 2022; in favour of Vodacell for cell-phone purchases. Masala Traders did not deal with this service provider and informed the bank immediately. The bank agreed to rectify this entry on the July 2022 bank statement.

**E. Differences noticed when journals and June's bank statement were compared:**

- An EFT of R15 300 was recorded in the CPJ with an incorrect beneficiary. The bank will rectify this on the next statement. Correct the error.
- Credit card sales appear on the bank statement as R32 300, but in the CRJ as R23 200. The bank statement is correct. Correct the error.

**F. Items in the journals but not in the June bank statement:**

- EFT no. 633 for R24 800 dated 30 June 2022 in the CPJ.
- Cash deposit of R34 620 dated 30 June 2022 for sales (CS977-986's) in the CRJ.

**G. The June 2022 bank statement reflected a balance of R?**

**H. In July 2022, the internal auditor discovered that CS977-986's actual total was R44 620. The entry in the CRJ was as follows:**

Doc	Date	Details	Analysis	Bank
CS977-986	30 June	Cash	R34 620	R34 620



## QUESTION 2: MANUFACTURING

(45 marks; 35 minutes)

### 2.1 LILLY BAGS



The following information relates to the financial year ended 28 February 2022. The business manufactures one type of handbag.

#### REQUIRED:

- 2.1.1 Calculate the note for factory overhead cost for the financial year end. Use the table provided in the Answer Book. (9)
- 2.1.2 Complete the Production Cost Statement on 28 February 2022. (12)

#### INFORMATION:

##### A. Stock balances:

	28 Feb 2022	28 Feb 2021
Work in progress stock	?	R 35 100
Factory consumable stores	R 3 900	0

##### B. Extract of transactions for year ended 28 February 2022 (before adjustments in Information C)

Raw material issued to the factory for production	R?
Consumable stores purchased for the factory	29 800
Production wages	525 000
Employer's contributions for workers in production	44 900
Rent expense for the office section	12 200
Water and electricity	54 400
Salaries: Factory foreman (including benefits)	102 400
Salaries: Sales staff (including benefits)	60 300
Insurance	33 500
Sundry expenses: Factory	47 040
Sales department	10 200

##### C. Additional information and adjustments:

- The following production wages was omitted from the Wages Journal for the last week of February 2022:

Net wage due to employee	R11 315
--------------------------	---------

Total deductions for this employee amounts to 27% of his gross wages.

The employer pays 11% of the gross wages to the Pension Fund and 1% to the UIF.

- Rent is shared between the factory, sales, and administration in the ratio 6:3:2. Only the administration portion was recorded.
  - The February 2022 water and electricity account of R5 600 must still be paid. Note that 75% of this expense relates to the factory.
  - Insurance includes an additional premium of R5 700 paid for the period 1 January 2022 to 30 June 2022. This expense is allocated between the factory and sales department in the ratio 4: 1.
- D. Prime cost for the year after adjustments amounted to R1 380 000.
- E. The business produced 2 500 bags at a cost of R620 each.

## 2.2 STYLE MANUFACTURERS

Style Manufacturers is owned by Helen Makume. The information relates to **laptop bags** and **luggage bags** for the year ended 31 December 2021 with comparison figures for 2020.

### REQUIRED:

- 2.2.1 • Calculate the break-even point for **laptop bags** for 2021. (4)
- Comment on whether Helen should be satisfied with the break-even points and levels of production for the past two years. Quote figures to support your opinions. (4)
- 2.2.2 Identify ONE variable cost for each item, that would be of concern to Helen. Quote figures. Provide ONE possible reason for the problem, in each case. (6)
- 2.2.3 Helen was concerned about the increase in the fixed cost per unit of **luggage bags**. What would you say to her? Provide ONE point and quote figures to support your answer. (2)
- 2.2.4 Helen feels that she can improve the sales of **luggage bags**. Provide TWO suggestions on how this can be achieved. Quote figures. (4)
- 2.2.5 Assume that costs and workers' efficiency will remain unchanged in 2022. If production and sales of **luggage bags increased** by 500 units, calculate how much additional profit she can expect. (4)

**INFORMATION ON BAGS FOR THE FINANCIAL YEAR END:**

	<b>LAPTOP BAGS</b>		<b>LUGGAGE BAGS</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>UNIT COST R</b>	<b>UNIT COST R</b>	<b>UNIT COST R</b>	<b>UNIT COST R</b>
Direct Material Cost	150,00	120,00	142,00	140,00
Direct Labour Cost	102,00	98,00	160,00	102,00
Selling and Distribution Cost	52,00	50,00	35,00	35,00
<b>VARIABLE COST PER UNIT</b>	<b>304,00</b>	<b>268,00</b>	<b>337,00</b>	<b>277,00</b>
Factory Overhead Cost	70,00	68,00	125,00	75,00
Administration Cost	30,00	30,00	50,00	45,00
<b>FIXED COST PER UNIT</b>	<b>100,00</b>	<b>98,00</b>	<b>175,00</b>	<b>120,00</b>
<b>Selling price per unit</b>	R 400,00	R 400,00	R 540,00	R 450,00
Number of units produced and sold	4 500 units	4 500 units	1 200 units	2 000 units
Break-even point	?	3 341 units	1 035 units	1 388 units

### QUESTION 3: INVENTORY VALUATION

(30 marks; 25 minutes)

#### 3.1 HENDRE STORES

Hendre Stores is a Golfshop that sells golf equipment to the public. His equipment consists of two products: Golf balls and Golf clubs. The financial year ends on 30 April each year. The business uses the periodic inventory system to record stock.

#### REQUIRED:

##### 3.1.1 Refer to Information (A):

Golf balls are valued using the weighted average method.

Calculate the following for 30 April 2022:

- Value of the closing stock (6)
- The stock holding period in days (using the closing stock) (4)

##### 3.1.2 Refer to Information (B):

The specific identification method is used to maintain the stock records of golf clubs.

- Calculate the value of the closing stock of golf clubs. (7)

#### INFORMATION:

##### A Stock records of Golf Balls:

	(Units)	Cost price (R) Excluding carriage	Total for sale (R)
Stock balance (1 May 2021)	2 400		55 200
<b>Purchases during the year:</b>	<b>13 000</b>		<b>359 900</b>
July 2021	3 500	25	87 500
October 2021	4 200	27	113 400
January 2022	5 300	30	159 000
<b>Returns</b>			
From October 2021	(650)	27	17 550
<b>Total stock available</b>	<b>14 750</b>		
Stock balance (30 April 2022)	2 960		?

- Carriages on purchases of R8 075 in total was paid during the year.
- 11 790 golfballs were sold during the year.

**B Stock records of Golf Clubs:**

	STRAIGHT CLUBS			SHANKY CLUBS		
	Units	Unit price (R)	Total (R)	Units	Unit price (R)	Total (R)
Opening stock: 1 May 2021	8		36 000	9		58 500
<b>Purchases</b>	<b>80</b>		<b>392 000</b>	<b>45</b>		<b>315 000</b>
November 2021	45	4 900	220 500	22	7 000	154 000
April 2022	35	4 900	171 500	23	7 000	161 000
<b>Sales from stock of the following dates:</b>	<b>Units sold</b>	<b>Sales amount</b>		<b>Units sold</b>	<b>Sales amount</b>	
May 2021	8	R57 600		9	R87 750	
November 2021	45	R352 800		10	R105 000	
April 2022	30	R235 200		7	R73 500	

- There are no carriage on golf clubs.

**3.2 LEO APPLIANCES**

You are provided with information from the books for the year ended 28 February 2022. The business sells microwave ovens and frying pans.

Leo took certain decisions at the beginning of the 2022 financial year. Provide relevant figures or calculations for ALL the questions below.

**REQUIRED:**

**3.2.1 Microwave ovens:**

Leo Appliances changed their supplier. Do you agree with this decision? Explain and provide figures. (3)

3.2.2 Explain the decision that Leo took regarding the selling price of microwave ovens and explain the effect of this decision. Provide TWO points, with relevant figures. (6)

**3.2.3 Frying pans:**

Leo significantly reduced the selling price of frying pans in the 2022 financial year.

- Explain why Leo found it necessary to do this. (2)
- Provide TWO separate suggestions to Leo on how to improve the profit on frying pans in 2022. (2)

**INFORMATION:**

	MICROWAVE OVENS		FRYING PANS	
	2022	2021	2022	2021
Orders received from customers	350	390	850	700
Gross units sold	300	325	725	700
Returns by customers	0	35	5	5
Selling price	R2 610	R1 920	R1 050	R1 400
Cost price	R1 450	R1 280	R750	R875
Mark-up %	80%	50%	40%	60%
Gross profit	R348 000	R208 000	R253 250	R367 500
Stock turnover rate	6,0	7,2	12,0	9,0
Selling price of competitor			R1 050	R1 300

## QUESTION 4: BUDGETS

(35 marks; 30 minutes)

### 4.1 FERNANDES TRADERS

The information relates to the budget period August to October 2022.  
Claudio Fernandes is the owner of Fernandes Traders.

- 4.1.1 Complete the Debtors' Collection Schedule provided in the Answer Book. (4)
- 4.1.2 Calculate the missing amounts indicated by (a)–(e) on the Cash Budget provided. (Information I) (15)
- 4.1.3 To improve sales during the extended COVID-19 period, Claudio decided to introduce online sales as a temporary measure from 1 August 2022. The budget was prepared before he made this decision. Online sales would require payments by credit card or EFT, and free deliveries would continue.
- **Refer to Information G.**  
Comment on how the online sales have affected the actual cash and credit sales in August. Quote figures or calculations. (4)
  - **Refer to Information H.**  
Identify TWO other costs already in the budget that were affected by the decision to go online and explain whether they were well controlled or not. Quote figures or calculations. (4)
  - Provide ONE point that he should consider to manage online sales as a permanent feature. (2)
- 4.1.4
- **Refer to Information F.**
    - Calculate the cost price of the new delivery vehicle. (4)
    - List TWO other costs related to the vehicle that Claudio will have to include in the budget. Figures are not required. (2)

**INFORMATION:**

**A. Budgeted sales and collection from debtors:  
(before the decision to introduce online sales)**

TOTAL SALES	JULY	AUGUST	SEPTEMBER	OCTOBER
	R210 000	R219 000	R222 000	R228 000

- 40% of the total sales are for cash.
- Credit sales are collected as follows:
  - 40% in the month of sale.
  - 55% in the first month following the sale
  - 5% in the second month following the saleThe balance is written-off in the third month following the month of the sale.

**B. Purchases of stock and payments to creditors**

- Goods are sold at a mark-up of 50% on cost.
- A fixed-based stock level is maintained by replacing stock sold on a monthly basis.
- 70% of the total purchases are on credit.
- Creditors are paid in the month following the month of purchase to take advantage of the 4% discount.

**C. Salaries and wages are expected to increase by 7% p.a. effective from 1 October 2022.**

**D. Insurance premiums paid at the end of each month will increase by 9% p.a. from 1 October 2022.**

**E. The business will acquire a loan from XY Bank on 1 September 2022. A fixed monthly payment and interest at 12,5% p.a. is payable at the end of each month. Interest is not capitalized.**

**F. Details relating to the proposed purchase of a new delivery vehicle:**

Deliveries had been outsourced to Quick-Move Deliveries up to July 2022, but Claudio's father has offered to support his business by buying a delivery vehicle for him from 1 August 2022. Claudio agreed to repay his father R7 500 per month over 48 months to cover the monthly repayments. Claudio would, however, also pay the initial 20% deposit on the vehicle. It was an interest free loan.

**G. Budgeted and actual amounts for August 2022:**

	<b>AUGUST 2022</b>	
	<b>BUDGETED</b>	<b>ACTUAL</b>
Sales	R 219 000	R 295 650
Cash sales	87 600	162 000
Credit sales	131 400	133 650
Cost of sales	R146 000	R197 100
Gross profit	R73 000	R98 550

**H. EXTRACT FROM THE CASH BUDGET**

<b>RECEIPTS</b>	<b>AUGUST</b>		<b>SEPTEMBER</b>	<b>OCTOBER</b>
	<b>BUDGETED</b>	<b>ACTUAL</b>		
Cash sales			88 800	91 200
Collection from debtors			131 850	?
Loan: XY Bank			180 000	0
<b>PAYMENTS</b>				
Cash purchases of stock			(a)	45 600
Payments to creditors			98 112	(b)
Salaries and wages	41 500	41 500	41 500	(c)
Insurance			(d)	13 952
Repayment on loan: XY Bank			?	(e)
Interest on loan: XY Bank			1 875	1 750
Delivery cost (Quick Move)	32 850	53 217	33 300	34 200
Telephone and internet	10 500	18 900	11 025	11 400
Advertising	17 520	23 652	17 760	18 240
Packing material	39 420	47 300	39 960	41 040

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



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## PREPARATORY EXAMINATION

GRADE 12

ACCOUNTING P2

SEPTEMBER 2022

SPECIAL ANSWER BOOK

QUESTION	MARKS	INITIAL	MODERATOR
1			
2			
3			
4			
TOTAL			

This answer book consists of 12 pages.

**QUESTION 1:**

1.1.1

**Calculate the VAT amount payable to/receivable from SARS on 30 June 2022.**



11
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1.2.1

**COMPLETE THE CRJ AND CPJ:**

Cash Receipts Journal (figures only)		Cash Payments Journal (figures only)

11
----

**Bank balance on 30 June 2022:**

4
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1.2.2

**Prepare the Bank Reconciliation Statement on 30 June 2022**

	Debit	Credit

9

1.2.3

**Refer to Information H.**

**Explain why the internal auditor would be concerned and what actions should be taken. Provide TWO points.**

**Problem**

**Action**

4

**TOTAL MARKS**

**40**

## QUESTION 2

### 2.1.1 FACTORY OVERHEAD COST NOTE

Factory foreman salary	102 400
Sundry expenses	47 040

9

### 2.1.2 Production Cost Statement for the year ended 28 February 2022.

Prime cost	1 380 000
Total manufacturing cost	
Work in progress in the beginning	35 100
Work in progress at the end of the year	

12

## STYLE MANUFACTURERS

### 2.2.1

**Calculate the break-even point for laptop bags**

WORKINGS	ANSWER

4

**Comment on whether Helen should be satisfied with the break-even points and levels of production for the past two years. Quote figures to support your opinions.**

4

### 2.2.2

**Identify ONE variable cost for each item, that would be of concern to Helen. Quote figures. Provide ONE possible reason for the problem, in each case.**

ONE VARIABLE COST WITH FIGURES	REASONS
LAPTOP BAGS	
LUGGAGE BAGS	

6

### 2.2.3

**Helen was concerned about the increase in the fixed cost per unit of luggage bags. What would you say to her? Provide ONE point and quote figures to support your answer.**

2

2.2.4

Helen feels that she can improve the sales of luggage bags. Provide TWO suggestions on how this can be achieved. Quote figures.:

4

2.2.5

Assume that costs and workers' efficiency will remain unchanged in 2022. If production and sales of luggage bags increased by 500 units, calculate how much additional profit she can expect.

4

TOTAL MARKS
45

### QUESTION 3

## GOLF BALLS

### 3.1.1

**Calculate the value of closing stock on 30 April 2022.**

WORKINGS	ANSWER

	6

**The stock holding period in days using the closing stock.**


The stock holding period in days using the closing stock:	
WORKINGS	ANSWER

[illegible]

## GOLF CLUBS

### 3.1.2

**Calculate the value of closing stock on 30 April 2022.**

Calculate the value of closing stock on 30 April 2022.	
	<div> <div>WORKINGS</div> <div>ANSWER</div> </div>

	7

## LEO APPLIANCES

- 3.2.1 Leo Appliances changed his supplier. Do you agree with the decision? Explain and provide figures.

3

- 3.2.2 Explain the decision with figures that Leo took regarding the selling price of the microwave ovens and explain the effect of this decision? State TWO points.

Decision with figure

Effect on the business

6

3.2.3

Leo significantly reduced the selling price of frying pans in the 2022 financial year.

Explain why Leo found it necessary to do this.

Provide TWO separate suggestions to Leo on how to improve the profit on frying pans in 2022.

Suggestion 1 (with figures):

Suggestion 2 (with figures):

4

TOTAL MARKS

30

## QUESTION 4

### FERNANDES TRADERS

#### 4.1.1 Debtors' Collection Schedule

MONTH	CREDIT SALES	SEPTEMBER	OCTOBER
JULY	126 000	6 300	
AUGUST	131 400	72 270	6 570
SEPTEMBER	133 200	53 280	
OCTOBER	136 800		
CASH FROM DEBTORS		131 850	

4

#### 4.1.2 Calculate the missing amounts indicated by (a)–(e) on the Cash Budget.

	WORKINGS	ANSWER
(a)		
(b)		
(c)		
(d)		
(e)		

15

4.1.3

**Refer to information G:**

**Comment on how the online sales have affected the actual cash and credit sales in August. Quote figures or calculations.**

4

**Refer to information H:**

**Identify TWO other costs already in the budget that were affected by the decision to go online and explain whether they were well controlled or not. Quote figures or calculations.**

4

**Provide ONE point that he should consider to manage online sales as a permanent feature.**

2

#### 4.1.4

**Calculate the cost price of the new delivery vehicle.**

WORKINGS	ANSWER

4

**List TWO other cost related to the vehicle that Claudio will have to include in the budget. Figures are not required**

2

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

**TOTAL: 150**

a



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## PREPARATORY EXAMINATION

**GRADE 12**  
**ACCOUNTING P2**  
**SEPTEMBER 2022**  
*Stanmorephysics.com*  
**MARKS: 150**

### MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guidelines, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Unless otherwise stated, give full marks for correct answer. If answer incorrect, mark workings.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer). Note: if figures are stipulated in memo for components of workings, these do not carry the method mark for final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. If candidates provide more than the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if earning full marks not related to Q (max -2 per Q).
8. This memorandum is not for public distribution; as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
9. Where penalties are applied, the marks for that section of the question cannot be a final negative.
10. Where method marks are awarded for operation, marker must inspect reasonableness of answer.
11. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
13. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ⚡.
14. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f = foreign item; p = placement/presentation.

**These marking guidelines consist of 12 pages.**

**QUESTION 1:**

**1.1.1 Calculate the VAT amount payable to/receivable from SARS on 30 June 2022.**

Mark one line only. Cannot mix signs. Inspect candidate's responses. Award highest mark.

$$+ 7\,590 + 23\,700 - 13\,356 - 867 + 760 + 93 - 1\,125 = +16\,795$$

One part correct

Payable

OR

$$- 7\,590 - 23\,700 + 13\,356 + 867 - 760 - 93 + 1\,125 = -16\,795$$

VAT CONTROL	
<input checked="" type="checkbox"/> 13 356	<input checked="" type="checkbox"/> 7 590
<input checked="" type="checkbox"/> 867	<input checked="" type="checkbox"/> 23 700
<input checked="" type="checkbox"/> 1 125	<input checked="" type="checkbox"/> 760
<input type="checkbox"/> 16 795	<input type="checkbox"/> 93
32 143	32 143

VAT CONTROL	
<input checked="" type="checkbox"/> 7 590	<input checked="" type="checkbox"/> 13 356
<input checked="" type="checkbox"/> 23 700	<input checked="" type="checkbox"/> 867
<input checked="" type="checkbox"/> 760	<input checked="" type="checkbox"/> 1 125
<input checked="" type="checkbox"/> 93	<input type="checkbox"/> 16 795
32 143	32 143

11

**1.2.1 COMPLETE THE CRJ AND CPJ:**

Cash Receipts Journal (figures only)		Cash Payments Journal (figures only)
<b>47 220</b>		<b>97 860</b>
36 400		2 800
15 300	# 2 130 Two marks 32 300 CRJ 23 200 CPJ	# 1 250
9 100		# 880
		2 160
		11 000
108 020		115 950

11

**Bank balance on 30 June 2022:**

$$- 49\,700 + 108\,020 - 115\,950 = - 57\,630$$

one part correct

Unfavourable

5

1.2.2

**Prepare the Bank Reconciliation Statement on 30 June 2022.**

	Debit	Credit
Debit balance as per bank statement <b>balancing figure</b>	55 020	
Credit outstanding deposit		34 620
Debit amount incorrectly credited	23 000	
Rectify error		10 570
Debit outstanding EFT 633	24 800	
Credit balance as per bank account		57 630 <b>see 1.2.1</b>
	102 820	102 820 <b>Both must be the same</b>

9

1.2.3

**Refer to Information H.**

**Explain why the internal auditor would be concerned (provide figures). What actions should be taken? Provide TWO points.**

**Concern (with figures):**

- R10 000 less cash from sales were recorded and deposited.

**Actions:**

Any ONE action

- Division of duties
- Control deposits before going to the bank

4

**TOTAL MARKS**

**40**

## QUESTION 2

### 2.1.1 FACTORY OVERHEAD COST NOTE

<b>Factory salary</b>	<b>102 400</b>
<b>Sundry expenses</b>	<b>47 040</b>
Consumable stores (29 800 – 3 900)	25 900 □□
Water and electricity (54 400 + 5 600) x 75%	45 000 □□
Rent expense (12 200 x 6/2)	36 600 □□
Insurance (33 500 – 3 800) x <sup>4</sup> / <sub>5</sub>	23 760 □□
<b>one part correct</b> Foreign items -1 max -2	<b>280 700</b> □

<b>9</b>

### 2.1.2 Production Cost Statement for the year ended 28 February 2022.

Direct material cost <b>PC - DLC</b>	792 740 □
Direct labour cost $11\,315/73 \times 100$ if 12% 525 000 + 44 900□ + 15 500□□ + 1 860□)	587 260 □
<b>Prime cost</b>	<b>1 380 000</b>
Factory overhead cost <b>see 2.1.1</b>	280 700 □
<b>Total manufacturing cost</b> <b>(PC + FOH)</b>	<b>1 660 700</b> □
<b>Work in progress in the beginning</b>	<b>35 100</b>
	1 695 800 □
<b>Work in progress at the end of the year</b> <b>operation</b>	(145 800) □
The total cost of production (2 500 x 620)	1 550 000 □□

<b>12</b>

## STYLE MANUFACTURERS

### 2.2.1 Calculate the break-even point for laptop bags for 2021.

WORKINGS	ANSWER
$\frac{450\,000}{400 - 304} = 4\,687,50$ <p>96 two marks</p>	<p>= 4 688 / 4 687,50 one part correct</p>

4

**Comment on whether Helen should be satisfied with the break-even points and levels of production for the past two years. Quote figures to support your opinions.**

Compulsory response:  
 Compare BEP to level of production for 2021 Figures

The BEP is 4 688 units, and production is 4 500 units. The business produced 188 units less than BEP/making a loss on 188 units.

Optional response: Max two marks in total (mark one optional response only)  
 Compare BEP 2020 to 2021 OR Production 2020 to 2021

Break-even increased from 3341 to 4 688 units.  
 Production remained constant at 4 500 units per year.

4

### 2.2.2 Identify ONE variable cost for each item, that would be of concern to Helen. Quote figures. Provide ONE possible reason for the problem, in each case.

ONE VARIABLE COST WITH FIGURES Variable cost Figures	REASONS Any two <u>different</u> reasons
<b>LAPTOP BAGS</b> Direct material cost increased from R120 per unit to R150 per unit/ R30 or 25%	Greater demand for material/wastage in the production process/poor quality material caused mistakes/poor supervision/Pay more for better quality If imported – exchange rate, carriages expensive.
<b>LUGGAGE BAGS</b> Direct labour cost increased from R102 to R160/R58 or 56,8%	Poor supervision of normal time/excessive overtime/disruptions in working hours/power cuts/high increases negotiated.

6

### 2.2.3 Helen was concerned about the increase in the fixed cost per unit of luggage bags. What would you say to her? Provide ONE point and quote figures to support your answer.

Valid comment explaining economies of scale/Economy of scale

2

2.2.4

Production decreased by 800 units (40%), but fixed costs are not influenced by the level of production, would remain almost constant, divided by a smaller number of units, will be much higher per unit.

**Helen feels that she can improve the sales of luggage bags. Provide TWO suggestions on how this can be achieved.**

TWO valid suggestions □□ □□

- She could decrease the mark-up % (or selling price)
- She can set targets for completion during normal time and try to reduce overtime pay
- She can spend more money on advertising and sales promotion and explore new target markets
- Team up with tour/holiday companies – to provide luggage bags

4

2.2.5

**Assume that costs and workers' efficiency will remain unchanged in 2022. If production and sales of luggage bags increased by 500 units, calculate how much additional profit she can expect.**

$$500 \square \times R203 \square \square = R101\,500 \square \text{ one part correct}$$

4

**TOTAL MARKS**

**45**

### QUESTION 3

#### GOLF BALLS

3.1.1

Calculate the value of closing stock on 30 April 2022.	
WORKINGS	ANSWER
$  \begin{array}{r}  55\,200 + 359\,900 - 17\,550 + 8\,075 \\  \hline  14\,750 \\  405\,625 \\  \hline  14\,750 = 27,50 \times 2\,960  \end{array}  $ <p>4 marks 5 marks</p>	$81\,400$ <p>operation one-part correct x 2 960</p>

6

The stock holding period in days using the closing stock.	
WORKINGS	ANSWER
$  \begin{array}{r}  81\,400 \times 365 \\  \hline  324\,225 \\  405\,625 - 81\,400 \\  \hline  2\,960 \times 365 \\  \hline  11\,790  \end{array}  $ <p>OR</p> <p>one mark</p> <p>one mark one part mark</p>	$91,6 \text{ days} / 92 \text{ days}$ <p>one part correct</p>

4

#### GOLF CLUBS

3.1.2

Calculate the value of closing stock on 30 April 2022.	
WORKINGS	ANSWER
<p>STRAIGHT DRIVERS/CLUBS</p> <p>(35 – 30 = 5 X 4 900)</p> <p>24 500</p> <p>SHANKY DRIVERS/CLUBS</p> <p>(22 – 10 = 12 X 7 000 + (23 – 7 = 16 X 7 000)</p> <p>84 000 + 112 000</p> <p>OR (45 – 17) x 7 000 = 196 000</p>	$220\,500$ <p>operation one part correct and must use both products</p>

7

## LEO APPLIANCES

3.2.1

**Leo Appliances changed their supplier. Do you agree with the decision? Explain and provide figures.**

Yes ☐

Units returned in 2021 was 35 and in 2022 returns was 0. ☐

3

3.2.2

**Explain the decision that Leo took regarding the selling price of the microwave ovens and explain the effect of this decision. State TWO points with relevant figures.**

**Decision with figure:**

Decision ☐ Figure ☐

- He increased the mark-up from 50% to 80%.
- He increased the selling price from R1 920 to R2 610/by R690/by 35,9%.

**Effect the business**

Any two valid points ☐ ☐ Figure ☐ ☐

- Gross profit increased from R208 000 to R348 000/by R140 000/ by 67,3%.
- Stock turnover rate decreased from 7,2 to 6,0 times.
- Orders of ovens decreased from 390 to 350 units/by 40 units/by 10,3%.
- Sales of ovens decreased to 325 to 300 units/by 25 units/by 7,7%.

6

3.2.3

**Leo significantly reduced the selling price of frying pans in the 2022 financial year.**

**Explain why Leo found it necessary to do this.**

Competitor decreased his price.

Leo wanted to increase sales and profits. □□

**Provide TWO separate suggestions with figures to Leo on how to improve profit on frying pans in 2022.**

One valid point for pricing □ One valid point for orders □

- Must keep more stock because orders are more than nett sales.
- Leo should increase the price just below the R1 200 of the competitor.
- Leo should increase MU%; Any % between 10% to 20%.
- Mark-up % of competitor at least 60%.
- Leo must plan purchases of pans / must follow up on orders to meet the demand of 850 units (i.e., 125 more than current sales).

4

**TOTAL MARKS**

**30**

## QUESTION 4

### FERNANDES TRADERS

#### 4.1.1 Debtors' Collection Schedule

MONTH	CREDIT SALES	SEPTEMBER	OCTOBER
JULY	126 000	6 300	
AUGUST	131 400	72 270	6 570
SEPTEMBER	133 200	53 280	73 260 □□
OCTOBER	136 800		54 720 □
CASH FROM DEBTORS		131 850	134 550 □

4

Operation one part correct and R6 570 included

#### 4.1.2 Calculate the missing amounts indicated by (a)–(e) on the Cash Budget.

	WORKINGS	ANSWER
(a)	<b>CASH PURCHASES: SEPTEMBER</b> $(222\ 000 \times 100/150)$ $148\ 000 \square \times 30\% \square$	<b>44 400 □</b> Operation one part correct <b>3</b>
(b)	<b>PAYMENTS TO CREDITORS: OCTOBER</b> $148\ 000 \square \times 70\% \square \times 96\% \square$ OR: $148\ 000 - 44\ 400 \times 96\%$	<b>99 456 □</b> Operation one part correct <b>4</b>
(c)	<b>SALARIES AND WAGES: OCTOBER</b> $41\ 500 \times 107\%$	<b>44 405 □□</b> one part correct <b>2</b>
(d)	<b>INSURANCE: SEPTEMBER</b> $13\ 952 \times 100/109$	<b>12 800 □□</b> one part correct <b>2</b>

(e)	<b>LOAN INSTALMENT: OCTOBER</b> $\frac{1\,875 - 1\,750}{125 \times 12}$ $0,125$	12 000 one part correct <b>4</b>
-----	--	--

15



4.1.3

**Refer to Information G.**

**Comment on how the online sales have affected the actual cash and credit sales in August. Quote figures or calculations**

TWO valid points (with figures) □□ □□

- Cash sales increased from R87 600 to R162 000
- Credit sales increase from R131 400 to R133 650

4

**Refer to Information H.**

**Identify TWO other costs already in the budget that were affected by the decision to go online and explain whether they were well controlled or not. Quote figures or calculations.**

Any TWO: □□ □□

- Delivery cost is more by R20 367 (is now 18% of sales but the budget is for 15% of sales) so not well controlled.
- Packing material increased by 7 880 (18% of sales was budgeted; 15,6%) was the actual – so this was well controlled.
- Telephone is more than budgeted by 8 400 (80%) possibly due to extended use of data and the internet – resulting in increased sales.
- Advertising more than budgeted by 6 132 (35%) possibly needed to attract customers for online sales.

4

**Provide ONE point that he should consider to manage online sales as a permanent feature.**

ONE point □□

- More than one person must be trained.
- The computer operator must be supervised and provide reports daily.
- Arrange SMS facilities with bank for notifications of all transactions.
- Get feedback from customers on service offered.

2

4.1.4

**Calculate the cost price of the new delivery vehicle.**

WORKINGS	ANSWER
R360 000 (2 marks) $(R7\,500 \times 48) \times 100/80$	450 000 One part correct

4

**List TWO other costs related to the vehicle that Claudio will have to include in the budget. Figures are not required.**

Any 2 points

- Fuel costs must be included.
- Salary of a driver must be provided for.
- Insurance on the vehicle.
- Vehicle maintenance cost.

2



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**TOTAL MARKS**

**35**

**TOTAL: 150**