



GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

**GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION
NOVEMBER 2021**

GRADE 11

**ACCOUNTING
(PAPER 2)**

Stanmorephysics.com

TIME: 2 hours

MARKS: 150

11 pages + 1 formula sheet and an answer book of 10 pages

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. A FORMULA SHEET for financial indicators is provided at the back of this question paper. You may use it, if necessary.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer the questions.
7. Where applicable, show all calculations to ONE decimal point.
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	TIME IN MINUTES
1	Reconciliations	40	32 minutes
2	Cost Accounting	40	32 minutes
3	VAT and Inventory Systems	30	24 minutes
4	Cash Budgets and Projected Income Statement	40	32 minutes
TOTAL		150	120 minutes

QUESTION 1: RECONCILIATIONS**(40 marks; 32 minutes)****1.1 BANK RECONCILIATION****REQUIRED:**

Study the information taken from the accounting records of Sahara Traders and complete the following instructions.

- 1.1.1 Complete the Bank Account in the General Ledger, by making the necessary entries directly into the Bank Account.
NOTE: FOLIOS ARE NOT REQUIRED (16)
- 1.1.2 Prepare the Bank Reconciliation Statement as at 30 November 2021. (8)
- 1.1.3 Briefly explain the purpose of doing a bank reconciliation statement. (2)
- 1.1.4 List TWO internal control measures a business can implement to control cash in the business. (2)

INFORMATION:

The bookkeeper from Sahara Traders compared the Bank Statement received from FNB during November 2021, with the October 2021 Bank Reconciliation Statement and the Cash Journals for November 2021 and found the following differences:

- i. The Bank Account in the General Ledger showed an unfavourable provisional balance of R9 228, whilst the Bank Statement showed an unfavourable balance of R16 768 on 30 November 2021.
- ii. A deposit of R2 190 received on 25 November for sales was entered in the Cash Receipts Journal as R2 910.
- iii. A debtor, T. Rhino, transferred R1 000 directly into the Bank Account of Sahara Traders in settlement of his account of R1 100.
- iv. The annual insurance premium in respect of the owner's personal vehicle was paid by means of a debit order, R1 440.
- v. Bank charges totalling R80 and interest charged on the debit balance, R60 appeared only on the Bank Statement.
- vi. An EFT for R5 820 made to pay for trading stock purchased appeared as R5 280 in the relevant journal. Upon investigation it was discovered that the bookkeeper had incorrectly recorded the amount.

- vii. A deposit of R4 190 made by S. Cheetah for the office space he rents from Sahara Traders was recorded on the Bank Statement as R4 290. The amount was correctly recorded in the CRJ.
- viii. The bank has incorrectly debited Sahara Traders account with interest of R7 000 instead of R700.
- ix. The following information in the November 2021 Cash Journals did not appear on the Bank Statement for November 2021:
- Outstanding deposit, R6 000
 - EFT 333 for R6 500 for a payment of a creditor, WW Stores

1.2 CREDITORS' RECONCILIATION

A Statement of Account received from a creditor, Green Apple Co. on 31 October 2021, indicates that Fresh Fruit Mart owes them R14 530. According to the Creditors' Ledger of Fresh Fruit Mart, the amount owing to Green Apple Co. is R13 789.

REQUIRED:

- 1.2.1 Use the table provided in your ANSWER BOOK to RECONCILE the difference between the creditor's Statement of Account and the Creditors' Ledger of the business. (8)
- 1.2.2 An internal auditor of Fresh Fruit Mart discovered that goods to the value of R6 500 ordered from PK Stores were not delivered to the premises of the business. An investigation revealed that the person in charge of placing the orders and receiving goods, ordered the goods for his personal use.
- a. What action should be taken by the management against this employee? Provide TWO points. (2)
- b. Provide TWO internal control measures that should be applied to prevent this from happening again. (2)

INFORMATION:

After an investigation the following were brought to light:

- a. An EFT made to Green Apple Co. was not received in time to allow a discount. Fresh Fruit Mart assumed they would receive a R450 discount and had entered it in their books as such.
- b. Goods to the value of R980 returned to Green Apple Co. was recorded in the Creditors' Statement as R890.
- c. An invoice received for goods bought from Green Apples Co. for R700 was incorrectly entered in the Creditors' Ledger of Fresh Fruit Mart as a debit note.
- d. The Creditors' Statement received shows interest on the overdue account of R251. No entry has been made with regards to this transaction in the Creditors' Ledger of Fresh Fruit Mart.
- e. The following transactions took place after the Creditors' Statement was printed and emailed to Fresh Fruit Mart:
 - An invoice of R3 400 for goods purchased on 29 October 2021
 - An EFT of R1 950, made in part payment of the account on 30 October 2021

[40]**QUESTION 2: COST ACCOUNTING****(40 marks; 32 minutes)****2.1 PURPLE GIRLS FACE MASK MANUFACTURERS****REQUIRED:**

Use the information taken from the accounting records of Purple Girls Face Mask Manufacturers, a business that manufactures reusable scented face masks, to:

- 2.1.1 Calculate the raw materials issued for production in 2021 (6)
- 2.1.2 Prepare the following accounts in the General Ledger:
 - a. Factory Overheads Cost (14)
 - b. Work-in-process stock (9)

NOTE: FOLIOS ARE NOT REQUIRED.

INFORMATION:

A. The following balances appeared in the books of Purple Girls Face Mask Manufacturers:

	30 September 2021	01 October 2020
Direct/Raw material stock	25 000	53 000
Work-in-progress stock	76 000	38 000
Indirect material stock	5 500	5 200

B. Transactions for the year:

Raw materials purchased during the year	720 000
Carriage on purchases of raw materials	15 400
Factory maintenance paid	68 400
Advertising paid	23 500
Factory rent paid	46 700
Water and electricity paid	78 400
Indirect material purchased	49 000
Sundry expenses paid	12 300
Factory foreman's salary	85 850
Office assistant's salary for the year	136 750

C. Additional Information:

1. The total direct labour costs for the year amounted to R847 650.
2. Included in the amount for raw materials are goods that were not ordered therefore returned to the suppliers, R5 000.
3. Water and electricity and rent are to be split between the three departments according to floor space:
 - Factory 400 square metres
 - Office 380 square metres
 - Sales department 220 square metres
4. Depreciation for the year:
 - Office equipment, R12 500
 - Factory machinery, R22 800
5. Sundry expenses must be allocated in the ratio 3 : 2 : 1 for the factory, office and sales department respectively.

2.2 HANDSAN MANUFACTURERS

Handsan Manufacturers manufactures hand sanitisers and other hand cleaning products. The business opened in early 2020 after the need for these products became more common. The information below was taken from their records for the financial year ended 28 February 2021.

REQUIRED:

- 2.2.1 Calculate the break-even point for the financial year ended 28 February 2021. (5)
- 2.2.2 Comment on whether the business should be happy with the break-even point. Quote relevant figures in your comment. (4)
- 2.2.3 The direct material costs have been well controlled. List ONE possible reason for the reduction in the direct material costs in 2021. (2)

INFORMATION:

	Unit cost 2021	Unit cost 2020
Fixed costs	50,00	47,00
Factory overhead cost	36,00	34,00
Administration cost	14,00	13,00
Variable cost	132,00	126,00
Direct labour cost	56,00	51,00
Direct material cost	30,00	50,00
Selling and distribution cost	46,00	25,00
Number of units produced and sold	24 960	23 600
Selling price per unit	R184	R220
Break-even number of units.	??	11 800

[40]

QUESTION 3: VAT AND INVENTORY SYSTEMS**(30 marks; 24 minutes)****3.1 VAT****REQUIRED:**

- 3.1.1 Calculate the amounts marked **A – E** in the table below. (5)
- 3.1.2 Explain the difference between *Tax Avoidance* and *Tax Evasion*. (4)
- 3.1.3 Give TWO examples of zero-rated items and TWO examples of VAT exempt items. (4)

INFORMATION:

You are provided with extracts from the books of Sweet Pea Stores, a registered VAT vendor. Goods are subject to VAT at a rate of 15%.

Excluding VAT (R)	Including VAT (R)	VAT (R)
R320 000	A	B
R2 300	C	R345
D	E	R822

3.2 INVENTORY SYSTEMS:

H&H Gifting is a small business owned by Henry Harold. Henry delivers specially hand-picked gifts door to door. During the COVID-19 pandemic, Henry's business flourished as his business is fully online. Henry uses the Periodic Inventory System. The financial year ends on 31 December 2020.

REQUIRED:

- 3.2.1 Calculate the purchase figure that will be closed off to the Trading Account. (5)
- 3.2.2 Calculate the sales figure that will be closed off to the Trading Account. (4)
- 3.2.3 Calculate the Cost of Sales. (4)
- 3.2.4 Calculate the average rate of stock turnover for 2020. (4)

INFORMATION:**A. Extract from the Pre-adjustment Trial Balance on 31 December 2020:**

	Debit	Credit
Balance sheet account section		
Trading stock (1 January 2020)	65 200	
Nominal account section		
Sales		295 000
Purchases	250 000	
Carriage on purchases	12 560	
Debtors' allowances	15 700	

B. No entries have been made for the following transactions:

- i. Goods costing R2 500 was returned to suppliers before stock taking was done.
- ii. The owner Henry Harold took goods costing R11 250 for personal use.
- iii. An invoice totalling R3 250 for stock purchased on credit from Floral Traders.
- iv. A debtor returned goods sold to him for R12 000. The cost price of the goods was R8 000. These goods were transferred back to stock before stock-take took place.
- v. The business uses a mark-up of 40% on cost price.
- vi. The physical stock count done on 31 December 2020 revealed stock on hand is R96 250.

[30]

QUESTION 4: CASH BUDGETS AND PROJECTED INCOME STATEMENT**(40 marks; 32 minutes)****4.1 CONCEPTS**

State whether the following statements are True or False. Write only **True** or **False** next to the question number (4.1.1 – 4.1.5) in the ANSWER BOOK.

- 4.1.1 Provision for bad debts adjustment is an item that will appear in a Cash Budget but not on the Projected Income Statement. (1)
- 4.1.2 Depreciation is an imputed expense and therefore does not appear in the Cash Budget. (1)
- 4.1.3 The main purpose of preparing a Cash Budget is to project future income and expenses. (1)
- 4.1.4 Payment to creditors is an expense and will therefore appear in the Projected Income Statement. (1)
- 4.1.5 What makes the Cash Budget and Projected Income Statement similar is that they both project figures for the future. (1)

4.2 CASH BUDGET

The information below relates to Tripod Stores.

REQUIRED:

- 4.2.1 Complete the Debtors' Collection Schedule for June and July 2021. (14)
- 4.2.2 Complete the Cash Budget for June and July 2021.

NOTE: Some information is already in the answer booklet. (21)

INFORMATION:

- A.** Expected collection from debtors:
- 40% of debtors settle their accounts during the transaction month of sale in order to qualify for the 4% discount offered for prompt payment.
 - 30% settle their accounts in the month following the transaction month.
 - 23% settle their accounts in the second month after the transaction month.
 - 7% are written off as irrecoverable during the third month.

B. Summary of transactions:

Details	April (actual)	May (actual)	June (budgeted)	July (budgeted)
Total sales	90 000	82 000	100 000	110 000
Credit purchases	70 000	80 000	65 000	85 000
Rent income	16 600	16 600	17 000	?
Salaries	75 000	75 000	75 000	?

75% of the total sales are on credit

Cost of sales is equal to 60% of total sales

Credit purchases are 40% of the total purchases

- C.** Creditors are paid in the month following the month of purchase.
- D.** The rental agreement makes provision for an annual increase of 12% commencing on 1 July 2021.
- E.** The following withdrawals are made monthly by the owner:
- Cash to pay for his garden services at home, R7 500
 - Trading Stock to be used as birthday gifts, R2 800
- F.** A used vehicle was sold in June for R132 900 to the owner's best friend. The loss on sale of the asset amounted to R3 000. The EFT will only be made in July 2021.
- G.** A loan, at 11.5% p.a. interest, will be taken out on 1 July 2021.
- The loan will be repaid in 36 equal monthly instalments commencing on 30 July 2021.
 - Interest on the loan is also payable at the end of each month commencing on 30 July 2021. Interest is not capitalised.
(Show calculations in brackets)
- H.** Advertising is calculated at 1% of the previous month's total sales.
- I.** All employees will receive a salary increase of 4% at the end of July 2021.
- J.** The bank account showed a favourable balance of R140 530 on 31 May 2021.

[40]

TOTAL: 150

END

FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating Expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating Profit}}{\text{Sales}} \times \frac{100}{1}$	
$\frac{\text{Total Earnings by Partner}}{\text{Average Partners' Equity}} \times \frac{100}{1}$	$\frac{\text{Net Profit}}{\text{Average Partners' Equity}} \times \frac{100}{1}$	
Current Assets: Current Liabilities	Current Assets – Inventories: Current Liabilities	
$\frac{\text{Average Debtors}}{\text{Credit Sales}} \times \frac{365}{1} \text{ or } \frac{12}{1}$	$\frac{\text{Average Creditors}}{\text{Credit Purchases or Cost of Sales}} \times \frac{365}{1} \text{ or } \frac{12}{1}$	
$\frac{\text{Average Inventories}}{\text{Cost of Sales}} \times \frac{365}{1} \text{ or } \frac{12}{1}$	$\frac{\text{Cost of Sales}}{\text{Average Inventories}}$	
Non-Current Liabilities : Partners' Equity	Total Assets: Total Liabilities	



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PROVINCIAL EXAMINATION
NOVEMBER 2021
GRADE 11

ACCOUNTING
(PAPER 2)
ANSWER BOOK

TIME: 2 hours

MARKS: 150

10 pages

Name of school	
Name of learner	
Grade	
Date	

Question	Topic	Possible Marks	Obtained Marks	Moderated Marks
1	Reconciliations	40		
2	Cost Accounting	40		
3	VAT and Inventory Systems	30		
4	Cash Budgets and Projected Income Statement	40		
		150		

QUESTION 1: RECONCILIATIONS

(40 marks; 32 minutes)

1.1.1

General Ledger of Sahara Traders

Bank

B 10

Date			Details	Amount	Date			Details	Amount
2021	Nov	30			2021	Nov	30		

16

1.1.2 Bank Reconciliation Statement of Sahara Traders on 30 November 2021

	Debit	Credit
Balance as per Bank Statement		

8

1.1.3	Briefly explain the purpose of doing a bank reconciliation statement.	(2)
1.1.4	List TWO internal control measures a business can implement to control cash in a business.	(2)

4


1.2.1

**Green Apple Co.
Creditors' Reconciliation on 31 October 2021**

	Statement of Account from Green Apple Co.	Creditors' Ledger of Fresh Fruit Mart
Incorrect balance	14 530	13 789
a.		
b.		
c.		
d.		
e.		
Correct balance		

8

1.2.2

a.	What action should be taken by the management against this employee? Provide TWO points.	(2)
b.	Provide TWO internal control measures that should be applied to prevent this from happening again.	(2)
		

4

40

b. **WORK-IN-PROCESS STOCK** **B6**

2020 Oct	01	Balance	38 000	2021 Sept	30		
2021 Oct	01						

9

2.2 **HANDSAN MANUFACTURES**

2.2.1	Calculate the break-even point for the financial year ended 28 February 2021.	(5)
2.2.2	Comment on whether the business should be happy with the break-even point. Quote relevant figures in your comment.	(4)
	Yes/No	

2.2.3	The direct material costs have been well controlled. List ONE possible reason for the reduction in the direct material costs in 2021.	(2)

11

40

QUESTION 3: VAT AND INVENTORY SYSTEMS

(30 marks; 24 minutes)

3.1 VAT

3.1.1	Calculate the VAT amounts A – E.	(5)												
	<table border="1"> <thead> <tr> <th></th> <th>ANSWER</th> </tr> </thead> <tbody> <tr> <td>A</td> <td></td> </tr> <tr> <td>B</td> <td></td> </tr> <tr> <td>C</td> <td></td> </tr> <tr> <td>D</td> <td></td> </tr> <tr> <td>E</td> <td></td> </tr> </tbody> </table>		ANSWER	A		B		C		D		E		
	ANSWER													
A														
B														
C														
D														
E														
3.1.2	Explain the difference between <i>Tax Avoidance</i> and <i>Tax Evasion</i> .	(4)												

3.1.3	Give TWO examples of zero-rated items and TWO examples of VAT exempt items.	(4)
	ZERO-RATED ITEMS: VAT EXEMPT ITEMS:	

13

3.2 INVENTORY SYSTEMS

3.2.1	Calculate the purchase figure that will be closed off to the Trading Account.	(5)
3.2.2	Calculate the sales figure that will be closed off to the Trading Account.	(4)
3.2.3	Calculate the Cost of Sales.	(4)

3.2.4	Calculate the average rate of stock turnover for 2020.	(4)

17

30

QUESTION 4: CASH BUDGETS AND PROJECTED INCOME STATEMENT

(40 marks; 32 minutes)

4.1 CONCEPTS

	ANSWER
4.1.1	
4.1.2	
4.1.3	
4.1.4	
4.1.5	

5

4.2 CASH BUDGET

4.2.1 DEBTORS' COLLECTION SCHEDULE FOR JUNE AND JULY 2021.

	Credit sales	June	July
April			
May			
June			
July			
Debtors' collections			

14

4.2.2 CASH BUDGET FOR JUNE AND JULY 2021.

	June	July
RECEIPTS		
Cash Sales	25 000	27 500
Collection from Debtors		
Rent income	17 000	
Loan-RAV Bank	-	201 600
Total receipts		
PAYMENTS		
Cash purchases		
Payments to creditors	80 000	
Drawings	7 500	
Loan instalment		5 600
Interest on loan		
Advertising		
Salaries	75 000	
Total payments		
Cash surplus (shortfall)		
Bank: Opening balance	140 530	
Bank: Closing balance		

21

40

TOTAL: 150

END



PROVINCIAL EXAMINATION

NOVEMBER 2021

GRADE 11

ACCOUNTING (PAPER 2)

MARKING GUIDELINES

MARKING PRINCIPLES:

1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (No penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If answer is incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer).
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. Where penalties are applied, the marks for that section of the question cannot be a final negative.
8. 'Operation' means check operation. 'One part correct' means operation and one part correct. Note: 'check operation' must be +, -, x, - as per memo.
9. 'One part correct' means operation and one part correct. Where method marks are awarded for one part correct, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark. If a figure has earned a method-mark, this will be regarded as 'one part correct'.
10. In calculations, do not award marks for workings if the numerator and denominator are swapped – this also applies to ratios.
11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ξ .
12. Be aware of candidates who provide valid alternatives beyond the marking guideline.
Codes: f = foreign item; p = placement/presentation.

QUESTION 1: RECONCILIATIONS

(40 marks; 32 minutes)

1.1 BANK RECONCILIATION

1.1.1

General Ledger of Sahara Traders
Bank

B 10

Date		Details	Amount	Date		Details	Amount
2021 Nov	30	Debtors' Control/ T. Rhino ✓	√ 1 000	2021 Nov	30	Balance	√ 9 228
		Balance	11 068		31	Sales ✓ 2 190 – 2 910 = - 720	√√ 720
						Drawings ✓	√ 1 440
						Bank charges ✓	√ 80
						Interest on overdraft ✓	√ 60
						Trading stock ✓ 5 820 – 5 280 = 540	√√ 540
			12 068				12 068
				2021 Dec	01	Balance	√ 11 068

16

1.1.2 Bank Reconciliation Statement of Sahara Traders on 30 November 2021.

	Debit	Credit
Dr balance as per Bank statement	√16 768	
Cr outstanding deposit		√ 6 000
Dr outstanding		
EFT 333	√ 6 500	
Dr amount wrongly credited	√√ 100	
Cr amount wrongly debited		√√ 6 300
Cr balance as per bank account		√ 11 068
	23 368	23 368

8

1.1.3	Briefly explain the purpose of doing a bank reconciliation statement.	(2)
	It is an internal control measure to ensure that all entries are correctly captured by the business and by the bank. ✓ ✓ It prevents fraud, omissions and errors. To identify any outstanding deposits and outstanding EFTS. (Any other relevant, correct answer.)	
1.1.4	List TWO internal control measures a business can implement to control cash in a business.	(2)
	Division of duties ✓ Deposit all monies received daily ✓ Register for SMS's to be sent by bank for any movement in the bank account (Any other relevant, correct answer.)	

4

1.2 CREDITORS' RECONCILIATION

1.2.1

Green Apple Co.
Creditor's Reconciliation on 31 May 2021

	Statement of Account from Green Apple Co.	Creditors' Ledger of Fresh Fruit Mart
Incorrect balance	14 530	13 789
a.		✓ 450
b.	✓ (90)	
c.		✓ 700 ✓ 700 or ✓ 1 400
d.		✓ 251
e.	✓ 3 400	
	✓ (1 950)	
Correct balance	15 890	15 890

☐ totals must be the same

8

1.2.2

a.	What action should be taken by the management against this employee? Provide TWO points.	(2)
	<ul style="list-style-type: none"> • Deduct the money from his salary./Recover money through legal action. • Call him to a disciplinary hearing. • A case should be opened at the SAPS. • Suspend the employee pending the outcome of the case. Any TWO points √√	
b.	Provide TWO internal control measures that should be applied to prevent this from happening again.	(2)
	<ul style="list-style-type: none"> • Division of duties. • Senior personnel to authorise purchases. • When goods are received, the receiving officer should check the stock delivered against the invoice and order form. • Do internal audit or checks to detect errors or fraud. • Monthly reconciliation of creditors. Any TWO points √√	
		4

40

QUESTION 2: COST ACCOUNTING

(40 marks; 32 minutes)

2.1 PURPLE GIRLS FACE MASK MANUFACTURERS

2.1.1	Calculate the raw materials issued for production in 2021.	(6)
	$53\,000\checkmark - 25\,000\checkmark + 720\,000\checkmark + 15\,400\checkmark - 5\,000\checkmark = 758\,400\checkmark$	

6

2.1.2 GENERAL LEDGER OF PURPLE GIRLS FACE MASK MANUFACTURERS

a.		DR	FACTORY OVERHEADS COST N2	CR
Sept	30	Rent expense ($46\,700 \times 400/1000$) or 2/5	18 680 $\checkmark\checkmark$	Sept 30 Work-in-process stock 281 940 \checkmark
		Factory maintenance	68 400 \checkmark	
		Water and electricity ($78\,400 \times 400/1000$) or 2/5	31 360 $\checkmark\checkmark$	
		Indirect materials ($5\,200\checkmark - 5\,500\checkmark + 49\,000\checkmark$)	48 700 \checkmark	
		Sundry expenses $12\,300 \times 3/6$	6 150 $\checkmark\checkmark$	
		Depreciation	22 800 \checkmark	
		Factory foreman	85 850 \checkmark	
			<u>281 940</u>	<u>281 940</u>

14

b. WORK-IN-PROCESS STOCK

B6

2020 Oct	01	Balance	38 000	2021 Sept	30	Finished goods√	1 849 990☐ <i>Balancing figure</i>
		Raw materials cost √	758 400☐ <i>See 2.1.1</i>			Balance	76 000
		Direct labour cost √	847 650√				
		Factory overheads cost √	281 940☐ <i>See 2.1.3 a</i>				
			1 925 990				1 925 990
2021 Oct	01	Balance	76 000 √				

9

2.2 HANDSAN MANUFACTURERS

2.2.1	Calculate the break-even point for the financial year ended 28 February 2021.	(5)
	$\frac{\text{Total Fixed cost}}{\text{Selling price} - \text{variable cost}}$ $= \frac{50 \checkmark \times 24\,960 \checkmark}{184 \checkmark - 132 \checkmark}$ $= \frac{1\,248\,000}{52}$ $= 24\,000 \text{ units } \square$	
2.2.2	Comment on whether the business should be happy with the break-even point. Quote relevant figures in your comment.	(4)
	Yes/No √ Comment √√ figures √ Yes – Business is producing 960 units more than the break-even point. No – Business is only producing 960 units more than the break-even point, the business is barely making a profit.	

2.2.3	The direct material costs have been well controlled. List ONE possible reason for the reduction in the direct material costs in 2021.	(2)
	Price of material dropped ✓✓ Less wastage of materials (Any relevant answer.)	

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QUESTION 3: VAT AND INVENTORY SYSTEMS

(30 marks; 24 minutes)

3.1 VAT

3.1.1	Calculate the amounts marked A – E on the table given below	(5)												
	<table border="1"> <thead> <tr> <th></th> <th>ANSWER</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>R368 000 ✓</td> </tr> <tr> <td>B</td> <td>R48 000 ✓</td> </tr> <tr> <td>C</td> <td>R2 645 ✓</td> </tr> <tr> <td>D</td> <td>R5 480 ✓</td> </tr> <tr> <td>E</td> <td>R6 302 ✓</td> </tr> </tbody> </table>		ANSWER	A	R368 000 ✓	B	R48 000 ✓	C	R2 645 ✓	D	R5 480 ✓	E	R6 302 ✓	
	ANSWER													
A	R368 000 ✓													
B	R48 000 ✓													
C	R2 645 ✓													
D	R5 480 ✓													
E	R6 302 ✓													
3.1.2	Explain the difference between <i>Tax Avoidance</i> and <i>Tax Evasion</i> .	(4)												
	<p>Tax avoidance is when a taxpayer arranges his affairs in a legal manner to reduce his tax payable. ✓✓</p> <p>Tax evasion is illegal activities where a taxpayer frees himself from a tax burden. ✓✓</p>													
3.1.3	Give TWO examples of zero-rated items and TWO examples of VAT exempt items.	(4)												
	<p>ZERO-RATED ITEMS: Brown bread, rice, milk, eggs (ANY TWO) ✓✓</p> <p>EXEMPT ITEMS: School fees, insurance, financial services (ANY TWO) ✓✓</p>													

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3.2 INVENTORY SYSTEMS

3.2.1	Calculate the purchase figure that will be closed off to the Trading Account.	(5)
	$250\,000 \checkmark - 2\,500 \checkmark - 11\,250 \checkmark + 3\,250 \checkmark = 239\,500 \checkmark$	
3.2.2	Calculate the sales figure that will be closed off to the Trading Account.	(4)
	$295\,000 \checkmark - 15\,700 \checkmark - 12\,000 \checkmark = 267\,300 \checkmark$	
3.2.3	Calculate the Cost of Sales.	(4)
	<p>See 3.1.2</p> $65\,200 + 239\,500 \checkmark + 12\,560 \checkmark - 96\,250 \checkmark = 221\,010 \checkmark$	
3.2.4	Calculate the average rate of stock turnover for 2020.	(4)
	$\frac{221\,010 \checkmark}{(65\,200 + 96\,250) / 2 \checkmark}$ <p>See 3.2.3</p> $= \frac{221\,010}{80\,725 \checkmark}$ $= 2,7 \text{ times per year } \checkmark$	

QUESTION 4: Cash Budgets and Projected Income Statement**(40 marks; 32 minutes)****4.1 CONCEPTS**

	ANSWER
4.1.1	False ✓
4.1.2	True ✓
4.1.3	False ✓
4.1.4	False ✓
4.1.5	True ✓

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4.2 CASH BUDGET**4.2.1 DEBTORS' COLLECTION SCHEDULE FOR JUNE AND JULY 2021.**

	Credit sales	June	July
April (90 000 x 75%)	67 500 ✓	15 525 ✓	
May (82 000 x 75%)	61 500 ✓	18 450 ✓	14 145 ✓
June (100 000 x 75%)	75 000 ✓	28 800 ✓	22 500 ✓
July (110 000 x 75%)	82 500 ✓		31 680 ✓
Debtors' collections		62 775 ?	68 325 ?

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4.2.2 CASH BUDGET FOR JUNE AND JULY 2021.

	June	July
RECEIPTS		
Cash Sales	25 000	27 500
Collection from Debtors	See 4.2.1 above 62 775 ?	See 4.2.1 above 68 325 ?
Rent income	17 000	19 040 ✓
Loan RAV Bank		201 600
Sale of Fixed asset		132 900 ✓
Total receipts	104 775	449 365
PAYMENTS		
Cash Purchases	97 500 ✓	127 500 ✓
Payment to creditors	80 000	65 000 ✓
Drawings	7 500	7 500 ✓
Loan instalment		5 600
Interest on loan (201 600 ✓ x 11.5% ✓ x 1/12 ✓)		1 932 ?
Advertising	820 ✓	1 000 ✓
Salaries	75 000	78 000 ✓
Total payments	260 820	286 532
Cash surplus (shortfall)	(156 045) ?	162 833 ?
Bank: Opening balance	140 530	15 515 ?
Bank: Closing balance	15 515 ?	178 348 ?

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TOTAL: 150