



**GAUTENG PROVINCE**

EDUCATION

REPUBLIC OF SOUTH AFRICA

# **JUNE EXAMINATION GRADE 12**

**2023**

## **ACCOUNTING (PAPER 2)**

ACCOUNTING P2



**C2712E**

**X05**



**TIME: 2 hours**

**MARKS: 150**

**15 pages + 1 formula sheet**

**INSTRUCTIONS AND INFORMATION**

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided to answer ALL the 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 Financial Indicator Formula Sheet attached at the end of this question paper. The use of this formula sheet is NOT compulsory.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Reconciliation	55	44
2	Manufacturing	40	32
3	Inventory	40	32
4	Fixed assets	15	12
<b>TOTAL</b>		<b>150</b>	<b>120</b>



**QUESTION 1: RECONCILIATION****(55 marks ; 44 minutes)****BANK RECONCILIATION****1.1 CONCEPTS**

Choose the word(s) between the brackets to make the statement true. Write only the correct word(s) in the ANSWER BOOK provided.

- 1.1.1 Outstanding EFTs must be entered in the (CPJ/Bank Reconciliation Statement). (1)
- 1.1.2 A (debit order/stop order) is an instruction to a third party that money must be deducted from your bank account. (1)
- 1.1.3 It is the responsibility of the (internal/external) auditor to follow up on the Bank Reconciliation Statement. (1)

**1.2 MOUNTAIN TRADERS**

The information below relates to April 2023. The official bank statement, used for reconciliation purposes, is e-mailed to the business on 25<sup>th</sup> of each month. The business has only one employee, Shaun, in charge of processing and controlling all cash in the business.

**REQUIRED:**

- 1.2.1 Calculate the correct bank account balance in the General Ledger on 30 April 2023. Indicate whether this is favourable or unfavourable. (18)
- 1.2.2 Prepare the Bank Reconciliation Statement on 30 April 2023. (8)
- 1.2.3 The internal auditor is concerned about the management of cash in the business.
- Explain TWO different problems to justify his concern. Quote figures and dates. (4)
  - Give advice on how such problems can be avoided in future. Provide TWO points. (2)

**INFORMATION:****A. Extract from the Bank Reconciliation Statement on 31 March 2023**


	R
Balance as per Bank Statement (unfavourable)	44 800
Outstanding deposit: 17 March 2023	16 800
20 March 2023	29 800
Outstanding EFTs: No 204	8 750
No 226	18 700
Balance as per bank account	?

**B. Provisional totals of Cash Journals on 30 April 2023:**

Cash Receipts Journal, R112 850

Cash Payment Journal, R125 128

**C. Information on the April 2023 Bank Statement which did not appear in the April 2023 Cash Journals:**



# UPTOWN BANK

Current Account

Mountain Traders

45 Avenue South

Gauteng

Statement number

Statement date

Overdraft limit

4

25 April 2023

R50 000

ACCOUNT SUMMARY

Opening balance on

25 March 2023

-R44 800

Closing balance on

25 April 2023

R46 548

DATE	TYPE	DETAILS	DEBIT	CREDIT
28 March	Deposit	Cash		16 800
	EFT 204	GH Suppliers	8 750	
	EFT 226	Smooth Traders	15 700	
1 April	Deposit	Cash		24 800
5 April	EFT	Stuart Properties –rent expense		22 500
14 April	Deposit	Cash		?
16 April	Debit card	Cash	650	
18 April	Debit order	Best Insurance	4 800	
20 April	Stop order	Varsity Education	3 500	
22 April		Service fees	600	
		Interest	180	
23 April	EFT	WIFI Express	2 200	
24 April	EFT	Marriot Fund		?

- The deposit on 1 April appeared correctly on the Bank Statement. An investigation revealed that the money went missing. The amount must be written off.
- EFT 226 appeared correctly on the Bank Statement. This was in favour of Naidoo Enterprises for merchandise purchased cash.
- Paid Stuart Properties the monthly rent, R22 500. The bank incorrectly recorded this transaction and will rectify it.
- The deposit on 14 April was in respect of cash sales less 8% trade discount granted to customers. The cost was R24 000. The business uses a mark-up of 80% on cost.
- Debit card withdrawal on the 16<sup>th</sup> was to restore the petty cash.



- The stop order on 20 April 2023 is in favour of Varsity Education for the owner's child's tertiary education.
- The EFT payment to WIFI Express on 23 April is not an account of the business but is Shaun's personal WIFI account. The owner notified the bank and instructed the bank to cancel this entry. The reversal will be reflected on the next statement.
- The EFT payment from Marriot Fund was an investment that matured, including interest for the year at 12% p.a. The total interest earned was R6 000.

**D. The following information in the April 2023 Cash Journals did not appear on the Bank Statement for April 2023:**

- Outstanding deposit dated 29 April 2023, R?
- EFT 301 for R1 285 to GNA Stationery for stationery purchased.
- EFT 309 for R12 800 to JH traders in settlement of our account of R13 500.

### 1.3 CREDITORS' RECONCILIATION

Mojo Traders render services and sell goods. Their major supplier is Brixton Wholesalers.

The statement received from Brixton Wholesalers on 22 May 2023 reflects that Mojo Traders owe them R58 200. The Creditors' Ledger in the books of Mojo Traders reflects that they owe Brixton Wholesalers R66 255.

**REQUIRED:**

- 1.3.1 Reconcile the Creditors' Ledger Account of Brixton Suppliers in the books of Mojo Traders with the statement received by completing the table provided in the ANSWER BOOK.

Indicate the figure as well as a + for increase and a – or ( ) for decrease. (16)



- 1.3.2 The owner gives permission to employees to order goods for personal use which they need to pay for at cost and not at selling price value.

**Refer to information G:**

An investigation revealed that an employee ordered goods for own use but never asked for permission from the owner and never paid for the goods.

- (a) Suggest ONE action that the business can take against the employee. (2)
- (b) Suggest ONE internal control procedure to prevent this from happening in the future. (2)

**INFORMATION:**

The following differences were noted:

- A.** Mojo Traders bought goods on credit from Brixton Wholesalers for R12 500 less 5% trade discount. Mojo Traders omitted the trade discount.
- B.** Mojo Traders qualified for an early settlement discount of R2 500 and recorded it as such. Brixton Wholesalers granted only R1 870 as discount. This was not reflected on the statement. They promised to show this on their statement next month.
- C.** An EFT payment of R10 200 made to Brixton Wholesalers was not recorded in the Creditors' Ledger Account and did not appear on the statement as well.
- D.** An invoice for R17 500 received from Brixton Wholesalers was recorded correctly in the Creditors' Ledger Account. The statement of account reflected the invoice as R15 700.
- E.** Brixton Wholesalers recorded a credit note of R2 150 on the statement of account in error. This was for goods returned by another customer, Moojo Traders.
- F.** An EFT payment made to Brixton Wholesalers reflected correctly as R4 900 on the statement of account. Mojo Traders incorrectly posted this as an invoice and posted it as R9 400.
- G.** The statement of account showed an invoice for goods purchased, R4 850. This transaction was not recorded in the books of Mojo Traders.
- H.** A debit balance of R3 470 for services rendered was transferred from the account of Brixton Wholesalers in the Debtors' Ledger to their account in the Creditors' Ledger. This transaction was not recorded by Brixton Wholesalers.

**QUESTION 2: MANUFACTURING****(40 marks ; 32 minutes)**

- 2.1 Match the concepts in COLUMN A with an example provided in COLUMN B. Write only the letters (A – D) next to the question number (2.1.1 to 2.1.3) in the ANSWER BOOK.

COLUMN A	COLUMN B
2.1.1 Direct labour cost	A Materials that do not form an integral part of the finished product
2.1.2 Fixed cost	B The total cost of production divided by the number of items produced
2.1.3 Indirect material cost	C The cost of workers who are directly involved in the manufacturing process
	D The cost remains constant within a period of time irrespective of the amount of goods produced

(1 x 3) (3)

**2.2 CLIP PRODUCERS**

The information below relates to the production of clipboards. The financial year ends on 28 February 2023.



The factory occupies 750 m<sup>2</sup> and the administration offices and the sales department takes up 125 m<sup>2</sup> each of the floor space.

- 2.2.1 Complete the Direct Material Note. (9)
- 2.2.2 Complete the note for factory overhead cost for the financial year ended 28 February 2023. Use the table provided in the ANSWER BOOK. (13)
- 2.2.3 Complete the Production Cost Statement on 28 February 2023. (8)



**INFORMATION:**

A. The following balances were extracted from their financial records:

	2023	2022
Direct (raw) materials	R?	R90 000
Work-in-progress	R?	R46 000
Finished goods	3 200 units	5 800 units at R28 per unit
Indirect materials	R18 730	R26 730

**B. Direct and indirect materials**

- Total net purchases of raw materials amounted to R467 800.
- The delivery of raw materials is outsourced at a cost of R2 500 per trip. Their services were used 16 times during the year.
- Raw materials got damaged during a flood. The insurance company paid out R43 400 which is 70% of the damages, the rest is written off. This loss is deemed as factory overhead cost.
- Raw materials are imported from India. The company paid 15% of the total purchase price towards custom duties.
- Indirect materials purchased during the year amounted to R97 000. 85% of all indirect materials are used in the factory; the rest is used between the offices and the sales department.
- Raw materials issued for manufacturing totalled R527 610.

**C. Labour**

- The factory employs 8 employees in the production process. The details are as follows:

Basic salary	Total overtime hours worked	Overtime rate
R9 100 per month per employee	1 440	R80 per hour

- The company employs 2 cleaning staff members. Each worked 52 weeks. Their time is divided in the ratio 3:1:1 between the factory, the office, and the sales department respectively.

The details are as follows:

Basic wage per week per cleaner	Bonus
R2 050	20% of basic annual wage

- The factory supervisor and both shop sales assistants earn the same and earn a total of R504 000 per annum in salaries.
- The office clerk earns R8 000 per month and is entitled to a bonus.

**D. Other expenses**

List of expenses for the year ended 28 February 2023:

Water and Electricity	R68 900
Rent expense	R228 800
Depreciation on factory equipment	R71 700
Insurance (factory department)	R48 000
Advertisement	R12 000

- The factory uses 75% of the water and electricity.
- Insurance was calculated in the ratio 4:1:1 between the factory, office and sales department. This should have been shared in the ratio 2:1:1.
- Rent is still owed for February 2023. The rent increased by 10% from 1 February 2023. The rent is allocated as per the floor space occupied by each department.

**E. Unit cost**

Cost of finished goods produced	R34,50
Selling price per unit	R50,00

- 68 750 units were sold during the year.





**2.3 SPARKLING MANUFACTURERS**

Sparkling Manufacturers produces and sells household cleaning equipment. The financial year ended on 28 February 2023. The owner is Lerato Ntuli.

**REQUIRED:**

2.3.1 Do a calculation to prove that the break-even point for 2023 is correct. (3)

2.3.2 Lerato is worried about the performance of the business due to increased loadshedding since 2022, a new competitor and the impact it has on her profit.

Do you think Lerato needs to be concerned? Motivate your answer by quoting figures to support your answer. (4)

**INFORMATION:**

**All costs are per unit**

	<b>2023</b>	<b>2022</b>
<b>Variable cost</b>	R2 280	R2 045
Direct material cost	R1 176	R1 050
Direct labour cost	R650	R500
Selling and distribution cost	R225	R230
<b>Fixed cost</b>	R2 780	R2 600
Factory overhead cost	R1 946	R1 820
Administration cost	R834	R780
Units produced and sold	1 400	1 700
Break-even unit	923	1 063
Selling price	R6 500	R6 200
Selling price of competitor	R6 700	-



**QUESTION 3: INVENTORIES****(40 marks ; 32 minutes)****3.1 CONCEPTS**

Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK.

- 3.1.1 Cost of sales is determined at the point of sale in the perpetual inventory system. (1)
- 3.1.2 In a periodic inventory system, carriage on purchases is recorded as an asset. (1)
- 3.1.3 A perpetual inventory system is a very expensive system to have in place. (1)

**3.2 LEATHER CITY**

Leather City is a company that sells two different types of leather couches and pillows among other things. The financial year ends on 31 March 2023. The business uses the periodic inventory system.

**Stock is valued as follows:**

- Couches: Specific identification method
- Pillow: Weighted average method

**REQUIRED:****COUCHES**

- 3.2.1 Calculate the following for the year ended 31 March 2023: (10)
- Value of closing stock (6)
  - Cost of sales (3)
  - Gross profit
- 3.2.2 Calculate the average stock holding period for the Elite range. (5)
- 3.2.3 The CEO is satisfied with the performance of the Basic range compared to the elite range. Give THREE reasons to justify his satisfaction. Quote figures or calculations to support your answer. (6)



**PILLOWS**

- 3.2.4 During the physical stock count, it was discovered that 55 pillows are missing. This must be written off. Calculate the value of the pillows that must be written off. (5)
- 3.2.5 The owner is of the opinion that changing the method of valuating the stock from weighted-average method to FIFO will be more beneficial to the business. Provide a reason to support this change if SARS grants permission to change. Quote figures. (2)

**INFORMATION:****A. COUCHES:**

- (i) Stock balance on 1 April 2022:

RANGE	COST PRICE (INCLUDING CARRIAGE)	UNITS	TOTAL
Basic	R15 000	36	R540 000
Elite	R23 000	18	R414 000
		54	R954 000

- (ii) Total purchases of couches for the year ended 2023. This cost includes the carriage on purchases.

RANGES	UNITS	COST PER UNIT		TOTAL PURCHASE
		PURCHASE	CARRIAGE	
Basic	351	R14 150	R850	R5 265 000
Elite	191	R22 150	R850	R4 393 000
	542			R9 658 000

**Returns to suppliers:**

- There were no returns for the Basic range.
- 7 Elite couches were returned to the supplier.

**Carriage on purchases:**

The company uses Speedy Transport for deliveries of goods to the shop. The business does not get a refund on any returns to the suppliers.

**Display in shop:**

The owner uses one set of the Elite range as display for customers to see.



(iii) Sales for the year ended 31 March 2023:

RANGES	UNITS SOLD	TOTAL NET SALES
Basic	372	R8 537 400
Elite	179	R6 587 200
	551	R15 124 600

- The business does free deliveries to customers if within 50 km of the shop, thereafter they charge R10,40 per km. Total kilometres charged for deliveries to customers was 29 620 km.

(iv) Financial indicators for the year ended March:

	BASIC RANGE		ELITE RANGE	
	2023	2022	2023	2022
Stock holding period	14,7 days	25,3 days	?	34,2 days
% Gross profit on cost of sales	53%	50%	59,7%	55%

- The business aimed to achieve a mark-up percentage of 60% on cost.

## B. PILLOWS

RECORDS	UNITS	COST PRICE PER UNIT	TOTAL VALUE
Opening stock	230	R360	R82 800
Purchases	1 375		R566 135
June 2022	140	R380	R53 200
August 2022	235	R405	R95 175
October 2022	480	R412	R197 760
January 2023	360	R420	R151 200
March 2023	160	R430	R68 800
Returns: January purchases	(40)	R420	(R16 800)
<b>TOTAL AVAILABLE</b>	<b>1 565</b>		<b>R632 135</b>
Pillows sold during the year	1 200		
Closing stock	310		?
Missing stock	55		?

**QUESTION 4: FIXED ASSETS****(15 marks ; 12 minutes)**

Read the case study below and answer the questions that follow.

You are the internal auditor of Skyair Tours Limited. The company is situated in the Western Cape. They take tourists on helicopter trips to Robben Island at R2 800 per person for a 30-minute trip. Each trip is a maximum 50 km round trip.



The company has two directors, Nixon Booyesen and Lerato Molofe. The financial year ends on 31 May each year.

The company has three pilots working for them, Susan, John and Masego. The pilots are expected to work 5 days a week from Wednesday until Sunday due to the nature of the business.

Nixon used the third helicopter, Green Island, for personal use during the year.

Depreciation is calculated at 15% p.a. using the straight-line method.


- 4.1 The company appears to deal with several challenges. Identify ONE problem regarding each helicopter/pilot. Quote figures to support your answer. Give ONE point of advice for EACH problem identified. (9)
- 4.2 Nixon asked you, as the internal auditor, to keep the personal trips as a business expense and not as a personal expense.
  - 4.2.1 Explain to Nixon which GAAP principle is applied in showing this as drawings and not as a business expense. (1)
  - 4.2.2 What will the consequences be for the company if it is shown as a business expense? (2)
- 4.3 Lerato would like to purchase the Blue Island helicopter at the beginning of 2024 for R270 000.
  - 4.3.1 Should the company be satisfied with the price offered? Quote figures to support your answer. (2)
  - 4.3.2 What procedure would you advise them to have in place before any asset of the business can be sold? (1)





**INFORMATION:**

Information from the accounting records for May 2023.



	<b>HELICOPTER 1: BLUE ISLAND</b>	<b>HELICOPTER 2: RED ISLAND</b>	<b>HELICOPTER 3: GREEN ISLAND</b>
Name of pilot	Susan	John	Masego
Cost price	R3 000 000	R12 000 000	R8 000 000
Accumulated depreciation	R2 700 000	R360 000	R3 600 000
Working days per year	251 days	251 days	251 days
Number of days pilot worked per year	301 days	265 days	185 days
Salary per pilot	R26 800 p.m.	R35 000 p.m.	R42 000 p.m.
Kilometres travelled	150 500 km	164 300 km	75 000 km
Number of trips booked per annum	3 010	3 180	1 480
Petrol used	39 193 litres	32 860 litres	15 000 litres
Fuel consumption	3,84 km per litre	5 km per litre	5 km per litre
Petrol costs (R15 per litre)	R587 895	R492 900	R225 000
Petrol cost per km	R3,90	R3.00	R3,00
Maintenance cost per km	R15 per km	R12 per km	R12 per km
Total maintenance cost	R2 257 500	R1 971 600	R900 000
Fee income	R25 284 000	R26 712 000	R12 432 000
Passengers booked	9 030	9 540	4 440

15

**TOTAL: 150**

## GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

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

**Note:**

\* 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.



# JUNE EXAMINATION GRADE 12

2023

## ACCOUNTING (PAPER 2) ANSWER BOOK

13 pages

NAME AND SURNAME:	
NAME OF SCHOOL:	


QUESTION	MARKS OBTAINED	MODERATED MARKS
1		
2		
3		
4		
TOTAL		

## 1.1 CONCEPTS

3

18

## 1.2.2 Bank Reconciliation Statement on 30 April 2023

	DEBIT	CREDIT
		

8

## 1.2.3 The internal auditor is concerned about the management of cash in the business.

Explain TWO different problems to justify his concern. Quote figures and dates.

4

Give advice on how such problems can be avoided in future. Provide TWO points.



2



## 1.3 CREDITORS' RECONCILIATION

## 1.3.1

	Creditors' Ledger	Creditors' Reconciliation Statement
Balance	R66 255	R58 200
A		
B		
C		
D		
E		
F		
G		
H		

16

1.3.2(a) Suggest ONE possible action that the business can take against the employee.

2

1.3.2(b) Suggest ONE internal control procedure to prevent this from happening in the future.



2

55



## QUESTION 2

## 2.1 CONCEPTS

2.1.1	
2.1.2	
2.1.3	

3

## 2.2 CLIP PRODUCERS


## 2.2.1 Direct material cost

Opening stock	90 000

9




## 2.2.2 Factory overhead cost

Depreciation on factory equipment	71 700
	

13

## 2.2.3 Production Cost Statement for the year ended 28 February 2023

Prime cost	
Total manufacturing cost	
Work-in-progress – beginning of year	
Work-in-progress – end of year	
Cost of production of finished goods	

8

**2.3 SPARKLING MANUFACTURES****2.3.1 Prove that the break-even point is correct.**

3

**2.3.2 Lerato is worried about the performance of the business due to increased loadshedding since 2022 and a new competitor and the impact it has on her profit.****Do you think Lerato needs to be concerned? Motivate your answer by quoting figures to support your answer.**

4

40





## QUESTION 3

## 3.1 CONCEPTS

3.1.1	
3.1.2	
3.1.3	

3

## 3.2 LEATHER CITY

3.2.1 Calculate the following for the year ended 31 March 2023:

Value of closing stock		
ITEM	WORKINGS	ANSWER
Basic		
Elite		
TOTAL		

10

Cost of sales		
	WORKINGS	ANSWER

6

Gross profit		
	WORKINGS	ANSWER

3

3.2.2 Calculate the average stock holding period for the Elite range.



5

3.2.3 The CEO is satisfied with the performance of the Basic range compared to the Elite range. Give THREE reasons to justify his satisfaction. Quote figures or calculations to support your answer.

REASON 1	
REASON 2	
REASON 3	

6

3.2.4 During the physical stock count, it was discovered that 55 pillows are missing. This must be written off. Calculate the value of the pillows that must be written off.



5

- 3.2.5 The owner is of the opinion that changing the method of valuating the stock from weighted-average method to FIFO will be more beneficial to the business. Provide a reason to support this change if SARS grants permission to change.





2

40



## QUESTION 4

- 4.1 Identify ONE problem regarding each helicopter/pilot. Quote figures to support your answer. Give ONE point of advice for EACH problem identified.

	Problem with figures	Advice
 <p>Helicopter 1: Blue Island</p>		
<p>Helicopter 2: Red Island</p>		
<p>Helicopter 3: Green Island</p>		

4.2 Nixon asked you, as the internal auditor, to keep the personal trips as a business expense and not as a personal expense.

4.2.1 Explain to Nixon which GAAP principle is applied in showing this as drawings and not as a business expense.



1

4.2.2 What will the consequences be for the company if it is shown as a business expense?

2

4.3 Lerato would like to purchase the Blue Island helicopter at the beginning of 2024 for R270 000.

4.3.1 Should the company be satisfied with the price offered? Quote figures to support your answer.

2

4.3.2 What procedure would you advise them to have in place before any asset of the business can be sold?

1

15



TOTAL: 150



**GAUTENG PROVINCE**  
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# **JUNE EXAMINATION GRADE 12**

**2023**

## **FINAL MARKING GUIDELINES**

**ACCOUNTING**

**(PAPER 2)**

**13 pages**

### **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 is 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 candidates earn full marks on a question (max. -2 per Q).
8. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. Where method marks are awarded for operation, marker must inspect reasonableness of the answer.
10. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
11. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
12. 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 ☒.
13. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
14. Codes: f = foreign item; p = placement/presentation.

Stanmorephysics

QUESTION 1

1.1 CONCEPTS

1.1.1	Bank Reconciliation Statement
1.1.2	Debit order
1.1.3	Internal

3

1.2 MOUNTAIN TRADERS

1.2.1 Calculate the correct bank account balance in the General Ledger on 30 April 2023.

CASH RECEIPTS JOURNAL	CASH PAYMENT JOURNAL
R112 850	R125 128
R3 000 (R18 700 – R15 700)	R5 000 (R29 800 – R24 800)
R39 744	R4 800
R56 000 (R50 000 + R6 000) one mark      one mark	R22 500
	R3 500
	R650
	R600
	R180
R211 594	* □ R162 358

*\*If totals include the pre-printed figures*  
**R49 236 two marks**  
 -R25 650 + R211 594 □ - R162 358 □ = R23 586 □

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## 1.2.2 Bank Reconciliation Statement on 30 April 2023

	DEBIT	CREDIT
Balance as per Bank Statement		46 548
Outstanding deposit 29 April <i>balancing figure, method mark if totals the same. Do not accept 16 800 or 29 800</i>		33 923
Outstanding EFTs: 301	1 285	
309	12 800	
Credit amount incorrectly debited		2 200
Debit amount incorrectly credited	45 000 (two marks) 22 500 +22 500	
Balance as per Bank account <i>R49 236 two marks -R25 650 + (R211 594 - R162 358) = R23 586 Give this five marks at 1.2.1 if no calculation done at 1.2.1 for bank balance</i>	23 586*	
* Figure can be dr or cr	82 671	82 671

8

## 1.2.3 The internal auditor is concerned about the management of cash in the business.

Explain TWO different problems to justify his concern. Quote figures and dates.

Any TWO valid responses:

Explanation

Figures or date

- Rolling/late deposits of cash because of outstanding deposit (R16 800) on 17 March only deposited on 28 March.
- Outstanding deposit on 20 March was deposited on 1 April but R5 000 is missing/ Theft of R 5000.
- The payment of Shaun's WIFI account of R2 200/ No authorization of payment/ No division of duties / Fraud.

4

Give advice on how such problems can be avoided in future. Provide TWO points.


Any TWO valid responses:

- Deposits must be made daily.
- Request notification from the bank for all transactions /SMS from the bank
- Division of duties/one person serves as a check on another
- Verify the deposit slips against receipts (before and after banking)/cash transactions must be reconciled daily
- Check bank statements promptly.
- Use security companies to collect cash.
- Ask customers to pay by EFT/Direct deposits
- Background/Police clearance of employee.

2

## 1.3 CREDITORS' RECONCILIATION

1.3.1

	Creditors' Ledger	Creditors' Reconciliation Statement
 Balance	R66 255	R58 200
A	(R625) ✓✓	
B	R630 ✓✓	(R1 870) ✓
C	(R10 200) ✓	(R10 200) ✓
D		R1 800 ✓✓
E		R2 150 ✓
F	(R14 300) ✓✓ (R9 400 + R4 900) One mark    one marks	
G	R4 850 ✓	
H		(R3 470) ✓✓
	R46 610	# <input checked="" type="checkbox"/> R46 610

#☐ regardless if totals differ, must include pre-printed figures.  
-1 per line if written in both columns except B and C. Must earn a mark before you deduct a mark.  
And F not -1 if 9 400 and 4 900 in different columns. Just mark wrong.

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1.3.2(a)

**Suggest ONE possible action that the business can take against the employee.**

Any ONE valid points

Award part-mark for unclear/incomplete explanation

- Open a criminal case/Take legal action.
- Deduct the amount from his salary.
- Subject the employee to a disciplinary hearing/written warning/suspend the employee.

2

1.3.2(b)

**Suggest ONE internal control procedure to prevent this from happening in the future.**

Any ONE valid point

Award part-mark for unclear/incomplete explanation

- Division of duties/ one person check orders, the other receives stock.
- Proper authorisation of orders. The invoice must be signed by the manager/owner to indicate that permission was given to order goods.
- Stock records to be updated with every invoice.
- Regular stock counts to compare to records.

2

**TOTAL MARKS**

**55**



## QUESTION 2

## 2.1 CONCEPTS

2.1.1	C
2.1.2	D
2.1.3	A

3

## 2.2 CLIP PRODUCERS

## 2.2.1 Direct material cost

<b>Opening stock</b>	<b>90 000</b>
Net purchases (467 800 – 62 000 )	405 800 □
Carriage on purchases (2 500 x 16)	40 000 □
Custom duties (467 800 x 15%) <i>Carriage and custom can be answered in one line</i> <i>Total 110 170 four marks</i>	70 170 □
	605 970
Closing stock <i>Ignore brackets, balancing figure</i>	(78 360) □
<b>Direct material cost</b>	<b>527 610</b>

9

## 2.2.2 Factory overhead cost

<b>Depreciation on factory equipment</b>	<b>71 700</b>
Indirect material 105 000 x 85% (26 730 + 97 000 - 18 730) OR 105 000 – 15 750	89 250 □
Loss due to floods (43 400 x 30/70) or (62 000 <b>see 2.2.1</b> – 43 400)	18 600 □
Indirect labour [( 213 200 + 42 640 □) x 3/5 ] (2 050 x 2 x 52) (if GW x 20%) <b>( Factory foreman can be included in indirect labour.</b> <b>Four marks for 321 504)</b>	153 504 □
Factory foreman	168 000
Water and electricity (68 900 x 75%) or (68 900 – 17 225)	51 675 □
Rent expense (251 680 x 750/1 000) or (251 680 – 62 920) (228 800 + 22 880)	188 760 □
Insurance (48 000 x 3/4) or (48 000 – 12 000) (48 000 x 6/4 x 2/4)	36 000 □
	777 489 □

13

Method mark = one part correct


2.2.3 **Production Cost Statement for the year ended 28 February 2023.**

Direct material cost	527 610
Direct labour cost    873 600 + 115 200 (9 100 x 8 x 12)	988 800    ✓□
<b>Prime cost</b>	1 516 410    □
Factory overhead cost	777 489    □
<b>Total manufacturing cost</b>	2 293 899    □
Work-in-progress – beginning of the year	46 000
	2 339 899    □
Work-in-progress – end of the year	(57 724)
<b>Cost of production of finished goods</b> (68 750 + 3 200 - 5 800 = 66 150 x R34,50 )	2 282 175

8

## 2.3 SPARKLING MANUFACTURES

## 2.3.1 Prove that the breakeven point is correct.

 $\begin{array}{r} 3\,892\,000 \\ 2\,780 \times 1\,400 \\ \hline 4\,220 \\ (6\,500 - 2\,280) \\ \hline 923 \text{ or } 922,3 \end{array}$	OR	$\begin{array}{r} \text{Sales} \quad 5\,994\,950 \\ \text{@BEP} \\ \text{FC} \quad (3\,892\,000) \\ \text{VC} \quad (2\,102\,950) \\ \text{@BEP} \\ \hline 0 \end{array}$	OR	$\begin{array}{r} 2\,780 \times 1\,400 \\ 4\,449 \\ (6\,500 - 2\,251) \\ \hline 875 \text{ or } 874,8 \end{array}$
--	----	---	----	--

*Incorrect VC/U used*

3

2.3.2 Lerato is worried about the performance of the business due to increased loadshedding since 2022 and a new competitor and the impact it has on her profit.  
Do you think Lerato needs to be concerned? Motivate your answer by quoting figures to support your answer.

*Compare the BEP with Units produced and sold Figures**Compare the units produced and sold with previous year or BEP with previous year (Max two marks)***Response for Four marks**

- Still made a profit although profit decreased from 637 (1 700 – 1 063) units in 2022 to 477 (1 400 – 923) units in 2023/ profit decreased with 160 units/ or profit decreased with 25.12%
- The profit decreased from R2 646 735 (R4 155 x 637) in 2022 to R2 012 940 (R4 220 x 477)/by R633 795 (23,95%).
- The revenue from sales decreased from R10 540 000 (R6 200 x 1 700) to R9 100 000 (R6 500 x 1 400)/by R1 440 000.

**Responses for 2 marks max. (If mentioned production only or BEP only, with figures)**

- The units produced and sold decreased from 1 700 units in 2022 to 1 400 units in 2023 / Decreased with 300 units/ decreased with 17.6%.
- The BEP decreased from 1 063 to 923 units in 2023/ decreased with 140 units/ decreased with 13.2%.

4

TOTAL MARKS

40





### QUESTION 3

### 3.1 CONCEPTS

3.1.1	True
3.1.2	False
3.1.3	True

3

### 3.2 LEATHER CITY

**3.2.1 Calculate the following for the year ended 31 March 2023:**

[illegible]


10	



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Cost of sales	
WORKINGS	ANSWER
 $954\ 000 + 9\ 658\ 000 - 155\ 050 - 754\ 000$ $(22\ 150 \times 7) \quad \text{see above}$ <p><b>Or alternative if display units considered</b></p> $954\ 000 + 9\ 658\ 000 - 155\ 050 - 23\ 000 - 731\ 000$ $(22\ 150 \times 7) \quad (1 \times 23\ 000) \quad \text{see above}$ <p><b>OR (Valid for both alternatives)</b></p> $5\ 580\ 000 + 4\ 117\ 000 + 5\ 950$ $(372 \times 15\ 000) \quad (179 \times 23\ 000) \quad (7 \times 850)$	R9 702 950 One part correct

6

Gross profit	
WORKINGS	ANSWER
R15 124 600 – R9 702 950	R5 421 650

3

3.2.2

Calculate the average stock holding period for the Elite range.

Closing stock:

20,5 **three marks**

$$\frac{1}{2} (18 + 23) \times 365$$

= 41,8 days

OR

471 500

$$\frac{1}{2} (414\ 000 + 529\ 000) \times 365$$

$$4\ 122\ 950$$

$$(414\ 000 + 4\ 393\ 000 - 155\ 050 - 529\ 000)$$

= 41,7 days

OR

Alternative with display units

Closing stock:

20 **three marks**

$$\frac{1}{2} (18 + 22) \times 365$$

= 40.8 days

OR

460 000

$$\frac{1}{2} (414\ 000 + 506\ 000) \times 365$$

$$4\ 123\ 800$$

$$414\ 000 + 4\ 393\ 000 - 177\ 200 - 506\ 000$$

40.8 days

5

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3.2.3

The CEO is satisfied with the performance of the Basic range compared to the Elite range. Give THREE reasons to justify his satisfaction. Quote figures or calculations to support your answer.

Reason	Figures
<b>REASON 1</b> <u>Stock holding period</u>	The stock holding period improved from 25,3 days in 2022 to 14,7 days in 2023. Stock is selling faster in 2023 compared to 2022. Basic stock holding period of 14.7 days, is shorter than the stock holding period of Elite.
<b>REASON 2</b> <u>Returns</u>	The Basic range has no/0 returns to the suppliers compared to the Elite range which has 7 in total. This indicates good quality from the suppliers.
<b>REASON 3</b> <u>% Gross profit on cost of sales</u>	Although the aimed mark-up was not achieved, 96,1% of the Basic range were sold compared to only 89,1% of the Elite range. Offering trade discounts to customers did have a positive effect. Basic sold 372 units comparing to 179 units of Elite. The gross profit on the Basic range is R2 957 400 which is more compared to the Elite range at R2 463 400.

6

3.2.4

During the physical stock count, it was discovered that 55 pillows are missing. This must be written off. Calculate the value of the pillows that must be written off.

$$\frac{632\,135}{1\,565} = 403,9$$

$$403,9 \times 55 \text{ units} = \text{R}22\,215,6 \text{ * } \text{accept R}22\,216$$

three marks \*(if x 55 units)

5

3.2.5

The owner is of the opinion that changing the method of valuating the stock from weighted-average method to FIFO will be more beneficial to the business. Provide a reason to support this change if SARS grants permission to change.

- one valid option trend or figure
- It is more realistic as stock will be valued at the most recent prices. The average price is R403,92 but the most recent purchase price is R430.
  - Gross profit will increase, because cost of sales will decrease and closing stock balance will be higher.

2

TOTAL MARKS

40


## QUESTION 4

4.1 Identify ONE problem regarding each helicopter/pilot. Quote figures to support your answer. Give ONE point of advice for EACH problem identified.

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	Problem with figures		Advice
	Problem	Figures	
<b>Helicopter 1: Blue Island</b> 	<ul style="list-style-type: none"> <li>The helicopter is the oldest. The book value is R300 000. The carrying value will be R1 in 2024.</li> <li>Most expensive per km. Petrol cost per km is R3,90, 90c more per km compared to the other two helicopters/ Maintenance high R 2 257 500.</li> <li>Oldest helicopter and making more trips than Green Island per day.</li> </ul>		<ul style="list-style-type: none"> <li>Consider replacing the helicopter, it is more expensive to maintain.</li> </ul>
<b>Helicopter 2: Red Island</b>	<ul style="list-style-type: none"> <li>3 180 trips made x 50 km should travel 159 000 km but actually travelled 164 300 km.</li> <li>Travelled 5 300 km more.</li> <li>106 extra trips done (3 286 – 3 180).</li> <li>Spending R15 900 more on fuel (R492 900 – R477 000 and R63 600 (R1 971 600 – R1 908 000) on maintenance.</li> <li>Loss of income is R890 400 (106 x 3 x R2 800)./Should have 9 858 customers but actually had 9 540 only.</li> </ul>		<ul style="list-style-type: none"> <li>Possible disciplinary action against John for unauthorised use of helicopter./Improve internal control over the use of the helicopter.</li> </ul>
<b>Helicopter 3 Green Island</b>	<ul style="list-style-type: none"> <li>Masego is paid the most (R42 000 per month) but works the least – takes too much time off. Was absent for 66 days.</li> <li>1 480 trips x 50 km = 74 000 km but actually travelled 75 000 km. The owner travelled 1 000 km for personal use.</li> <li>Least number of trips per day. On average 8 trips per day compared to 10 and 12 respectively.</li> </ul>		<ul style="list-style-type: none"> <li>Investigate the reason for absenteeism./Masego must take unpaid leave if he exceeds 14 days per year without a reason./ pay only for hours or km worked.</li> <li>The personal km travelled by the owner should be recorded as drawings and not as a business expense.</li> <li>If Masego is absent, Susan should use Green Island. It is cheaper.</li> </ul>

4.2	Nixon asked you, as the internal auditor, to keep the personal trips as a business expense and not as a personal expense.	
4.2.1	Explain to Nixon which GAAP principle is applied in showing this as drawings and not as a business expense.	
	Business entity principle	1
4.2.2	What will the consequences be for the company if it is shown as a business expense?	
	<p><b>One consequence</b></p> <ul style="list-style-type: none"> <li>This is regarded as tax evasion. The income tax will be calculated incorrectly.</li> <li>The profit will be calculated incorrectly/ less profit/bigger loss.</li> </ul>	2
4.3	Lerato would like to purchase the Blue Island helicopter at the beginning of 2024 for R270 000.	
4.3.1	Should the company be satisfied with the price offered? Quote figures to support your answer.	
	<p><b>Comment figure</b></p> <p>No R270 000 is below the book value of R300 000, this will be shown as a loss on disposal of asset of R30 000.</p> <p>Or</p> <p>Yes Makes a profit. Accept profit of R232 500 (270 000 – 37500) or R269 999 (270 000 – 1) or R270 000.</p>	2
4.3.2	What procedure would you advise them to have in place before any asset of the business can be sold?	
	<p><b>One valid option.</b></p> <ul style="list-style-type: none"> <li>Tender procedure should be in place and open to the public to tender.</li> <li>Asset disposal – must check carrying value before selling price is decided on.</li> </ul>	

	<b>TOTAL MARKS</b>
	<b>15</b>



**TOTAL: 150**