



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**2023 PRE-TRIAL
EXAMINATION**

ACCOUNTING P2

MARKS: 150

TIME: 2 hours

Stanmorephysics

This Question Paper consists of 10 pages, an Answer Book
of 9 pages and a Financial Indicator 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 in which 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 black/blue ink to answer the 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	VAT and Reconciliations	40	30
2	Cost accounting	35	30
3	Stock valuation	35	30
4	Budgeting	40	30
TOTAL		150	120



QUESTION 1: VAT AND RECONCILIATIONS**(40 marks; 30 minutes)****1.1 VALUE ADDED TAX (VAT)**

The information was extracted from the records of China Stores for the VAT period ended 31 July 2023. VAT is applicable at the standard rate of 15%.

REQUIRED:

Calculate the amount payable to, or receivable from SARS in respect of VAT. (9)

INFORMATION:

		R
(a)	Amount due to SARS on 1 July 2023	5 580
(b)	Total sales during July 2023 (inclusive of VAT)	297 390
(c)	Purchases of stock (exclusive of VAT)	146 800
(d)	VAT on goods taken by the owner for personal use.	975
(e)	VAT on total discounts allowed to debtors	570
(f)	VAT on expenses paid	5 505
(g)	VAT on old equipment sold on credit.	3 600

1.2 BANK RECONCILIATION

The information relates to Sanju Stores for June 2023. The business uses the official bank statement, received on 26th of each month, to complete the reconciliation processes.

REQUIRED:

- 1.2.1 Update the CRJ and CPJ totals in the table provide and calculate the correct bank account balance in the General Ledger on 30 June 2023. Show all workings. (14)
- 1.2.2 Prepare the Bank Reconciliation Statement on 30 June 2023. (7)
- 1.2.3 Provide TWO internal control measures that Sanju can implement to improve the management of cash in this business. (2)

INFORMATION:

A. Extract from the Bank Reconciliation Statement on 31 May 2023:

Outstanding deposits:	23 May 2023	R45 000
	28 May 2023	R32 500
Outstanding EFTs:	No. 765	R5 680
	No. 766	R7 600

Note:

- Both outstanding deposits appeared on the June bank statement, but the deposit on 23 May 2023 was reflected as R38 000. The cashier in charge at the time no longer works here. It was decided that the difference be written off.
- Both outstanding EFTs were also reflected on the June bank statement, but EFT No. 765 was reflected with the correct amount of R6 850.

- B. The Bank account in the General Ledger reflected a favourable balance of R38 720 on 1 June 2023.
- C. Before inspecting to the June 2023 bank statement, the provisional totals in the July journals were: **CRJ**: R132 500 and **CPJ**: R153 440.
- D. **Items on the June bank statement that were not in the cash journals:**
- Bank charges, R630.
 - Interest on current account, R180
 - Rent income from a tenant, R5 800
 - EFT payment to Micro Store for consumables, R4 200. The owner forgot to give the EFT to the bookkeeper.
 - A deposit of R32 000 from Bill College. This was not a transaction of the business. The bank was notified to correct this error.
 - A debit order for cell-phone data, R1 760 appeared twice on the statement. One entry relates to the July. The bank will correct this error.
- E. **Entries in the cash journals that did not appear on the June bank statement:**
- Deposit in the CRJ, dated 24 June 2023, R23 000
 - EFT No 946, R11 600
- K. The bank balance closed with a balance of R ? on 26 June 2023.

1.3 CREDITORS RECONCILIATION

Ann Jones is the bookkeeper of Caesar Traders. She discovered the following errors and omission relating to the creditors listed below.

REQUIRED:

Calculate the correct balance for each creditor. Show all workings.

(8)

INFORMATION

A. List of creditors on 31 July 2023:

Brown Suppliers	R34 300
Lion Wholesalers	R21 800
Mango Stores	R48 100

B. Errors and omissions:

- (i) Credit purchases of R9 500 from Brown Suppliers was posted in error to the creditors ledger account of Mango Stores.
- (ii) A payment of R8 000 to Lion Wholesalers was posted to the wrong side of the creditors ledger account.
- (iii) Goods returned to Mango Stores for R1 250 was recorded as R2 150 in the creditors ledger account.

QUESTION 2: COST ACCOUNTING**(40 marks; 30 minutes)**

- 2.1 Match the concepts in Column A with an explanation provided in Column B. Write only the letter (A – D) next to the numbers (2.1.1 – 2.1.3) in the ANSWER BOOK.

COLUMN A	COLUMN B
2.1.1 Indirect labour	A. Cost of raw materials used in the production process.
2.1.2 Administration cost	B. Salaries of the factory foreman and the factory maintenance staff
2.1.3 Variable cost	C. Commission paid to salespersons
	D. Stationery purchased, for office use

(3)

2.2 NDEVANA ACCESSORIES

The information relates to the production of towels. The financial year ended on 28 February 2023.

REQUIRED:**2.2.1 Refer to Information D:**

Correct the Factory Overhead cost amount by taking into account the errors and omissions. Show (+) for increase and (-) for decrease next to each amount.

(8)

2.2.2 Complete the Production Cost Statement on 28 February 2023.

(8)

INFORMATION:**A. Stocks balances:**

	28 February 2023	1 March 2022
Raw material stock	R 45 600	R 67 400
Work in progress stock	?	R 31 500

B. Raw material:

Raw material issued to the factory for production amounted to R472 880.

C. Production wages:

- The factory employs 8 workers in production.
- Each worked 1 620 hours' normal time at R52 per hour.
- There were no overtime worked during the financial year.



D. Factory Overhead Costs:

The bookkeeper calculated the factory overhead cost as **R416 360**.

The following errors and omissions were noted:

- (a) The cleaner earns R4 400 per month. 25% of this must be allocated to the factory. This was not taken into account.
- (b) The entire water and electricity expense of R50 400 was included in the factory overheads. 75% of this expense relates to the factory.
- (d) R21 200 of the insurance expense was allocated to the factory using the incorrect ratio of 4 : 2. The correct ratio is 4 : 1

E. **36 500 towels** were produced at a cost of **R40** per towel.

2.3 MOLLY'S BASKETS

The business makes a standard size picnic basket according to the orders that are received. There is no work-in-progress stock.

The information relates to the financial year ended 30 June 2023.

REQUIRED:

- 2.3.1 Calculate the break-even point for the period ended 30 June 2023, and comment on whether Molly should be satisfied or not. Quote figures. (7)
- 2.3.2 Provide TWO reasons for the increase in direct material cost per unit and suggest ONE way in which Molly can control this cost. (5)
- 2.3.3 Molly is concerned that the fixed cost per unit has increased although she made every effort to control these expenses. Provide a reason for her concern. Quote figures. (2)
- 2.3.4 Molly plans to increase production by an additional 1 200 units in the next financial year, whilst maintaining the current cost. Calculate the additional profit that she will make. (2)

INFORMATION:

	2023		2022
	Per unit	Amount	Per unit
Total fixed cost	R 38,57	R 135 000	R 27,00
Direct material cost	84,00	252 000	68,00
Direct labour cost	42,00	126 000	40,00
Selling and distribution cost	9,00	27 000	12,00
Total variable cost	135,00	R 405 000	120,00
Selling price per unit	R175,00		R175,00
Units produced and sold	3 500 units		5 000 units
Break-even units	?		2 455 units

QUESTION 3: INVENTORY VALUATION**(35 marks; 30 minutes)**

Top Traders is owned by Eddy Morphy. The financial year ended on 28 February 2023. The information related to the following products, used during load-shedding:

- **Generators** : Ultra and Omega Models
The are valued using the specific identification method;
- **Brite LED torches** are valued using the weighted average method and the periodic inventory system.

REQUIRED:**BRITE LED TORCHES:**

- 3.1 Calculate the following on 28 February 2023:
- The value of the closing stock (7)
 - The average stock holding period (in days) (4)
 - The number of torches missing. (4)
- 3.2 Comment on the stock holding period. Quote figures. (4)
- 3.3 Eddy discovered that the missing torches where ordered by the section manager for his personal use. What action can he take against this manager? Provide TWO points. Note that he does not want to dismiss (fire) the manager. (2)

GENERATORS:

- 3.4 Calculate:
- The value of the closing stock of generators on 28 February 2023. (5)
 - The gross profit on sales of the Omega Model for the year ended. (3)
- 3.5 Provide TWO reasons why the Ultra model is more popular although it is more expensive than the Omega model. (2)
- 3.6 Provide TWO reasons, quoting relevant figures, why Eddy should be concerned about the Omega model. (4)

INFORMATION ON BRITE LED TORCHES:**A. Stock of Brite LED torches:**

	UNITS	UNIT COST R	TOTAL R
Balance on 1 March 2022	280		35 000
Purchases during the year	1 820		252 800
May 2022	520	130	67 600
July 2022	380	135	51 300
October 2022	420	145	60 900
December 2022	500	146	73 000
Returns: from the December purchases	(50)		?
Total available for sale	2 050		?
Stock balance on 28 February 2023	425		?

- C. Carriage on purchases for the financial year amounted to R14 700.
- E. **Sales:** 1 440 units were sold during the financial year at R230 each; R331 200.

INFORMATION ON THE GENERATORS:

	ULTRA	OMEGA
Units on hand: 1 March 2022	80	102
Units purchased during the year	300	400
Units returned to suppliers	2	56
Units available for sale	378	446
Units sold	316	313
Units on hand: 28 February 2023	?	133
Cost price per unit	?	R5 000
Value of closing stock	?	R665 000
Mark-up %	60%	50%
Selling price per unit	R11 520	R7 500
Gross profit	R1 365 120	?
Stock turnover rate	4,5 times	2,7 times

* There were no generators missing.



QUESTION 4: BUDGETING**(40 marks; 30 minutes)****4.1** The transactions relate to **Ben's Consultants** for August 2023.

Show the amounts for the following transactions in the relevant columns for the Cash Budget and for the Projected Statement of Comprehensive Income in the table provided in ANSWER BOOK.

4.1.1 A fixed deposit will mature on 31 August 2023. An amount of R81 200, which includes interest of R1 200 for the last quarter, will be deposited into the business account on this date.

4.1.2 An office desk costing R14 700 will be purchased for cash. Depreciation on equipment is provided at 20% p.a. on cost. (6)

4.2 BARBARA'S BOUTIQUE.

The information relate to the budget period ending 30 September 2023. Barbara is the owner of the business.

REQUIRED:

4.2.1 Complete the Debtors Collection Schedule for September 2023. (8)

4.2.2 Calculate the discount to be allowed in September 2023. (3)

4.2.3 Calculate the missing amounts denoted by (i) to (iv) on the extract of the Cash Budget provided. (10)

4.2.4 Explain why the sales persons would be concerned about not receiving an increase in August. Provide TWO points. (4)

4.2.5 Barbara indicated that she plans to pay salespersons a basic salary and introduce commission on sales from September 2023. Commission would be budgeted at a fixed % of total sales.

Explain why some salespersons would be satisfied with this proposal whilst others may not be pleased. Provide TWO points. Quote figures. (4)

4.2.6 **Refer to Information E**

Actual and budgeted figures for July 2023 are provided.

Comment on the control over office stationery and packing material. Quote figures. (5)

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

- Cash sales comprise 30% of total sales.
- Debtors pay according to the following trend:
 - 40% pay in the month of sales and receive a 5% discount
 - 30% pay in the month following the month of sale
 - 26% pay two months after the sales month
 - The balance is written off in the third month after sales.

- Sales and cost of sales figures:

	JUNE	JULY	AUGUST	SEPTEMBER
Sales	945 000	962 500	994 000	1 067 500
Cost of sales	540 000	550 000	568 000	610 000

B. Purchases of stock and payment to creditors:

Stock sold in a month is replaced in the same month.

- Credit purchases amounts to 60% of total purchases.
- Creditors for stock purchases are paid in the second month following the purchase (60 days).

C. Extract of the Cash Budget:

	JULY R	AUGUST R	SEPT R
Receipts			
Cash Sales	288 750	298 200	320 250
Rent Income		(i)	13 330
Payments			
Cash purchases of stock	220 000	227 200	(ii)
Payment to creditors		(iii)	330 000
Salaries of managers	46 500	46 500	49 755
Salaries of salespersons	50 400	50 400	15 000
Commission to salespersons			64 050
Insurance	9 000	9 000	9 450
Loan instalment			(iv)
Interest on loan	2 625	2 450	2 275
Office stationery	4 200	4 200	4 200
Packing material	77 000	79 520	85 400
Delivery expenses	53 900	55 660	59 780

D. Additional Information

- There are three (3) managers and six (6) salespersons.
- The rent will increase by 7,5% per month from 1 September 2023.
- Insurance is expected to increase by 5% from 1 August 2023.
- A loan instalment is paid on 1st of each month. Interest on loan at 14% p.a. is payable on the last day of each month.

E. Budgeted and Actual figures for July 2023:

BUDGET ITEMS	BUDGETED	ACTUAL
Total sales	R 962 500	R 693 000
Office stationery	4 200	5 120
Packing material	77 000	58 950

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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales / Credit Purchases}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	
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.	



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GRADE 12

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PRE-TRIAL 2023

**ACCOUNTING P2
ANSWER BOOK**

QUESTION	MAXIMUM MARKS	MARKS OBTAINED	MODERATED MARK
1			
2			
3			
4			
TOTAL			

This Answer Book consists of 9 pages.




QUESTION 1:

1.1.

VALUE ADDED TAX (VAT)

Calculate the amount payable to or receivable from SARS.

WORKINGS	ANSWER
	


9

1.2 BANK RECONCILIATION

1.2.1 Update the CRJ and CPJ totals

CASH RECEIPTS JOURNAL	CASH PAYMENTS JOURNAL
132 500	153 440


Calculate the correct bank account balance on 30 June 2023

WORKINGS	ANSWER
	

10

4

1.2.2 BANK RECONCILIATION STATEMENT ON 30 JUNE 2023

	DEBIT	CREDIT
		

7

1.2.3 Provide TWO internal control measures that Sanju can implement to improve the management of cash in this business.

2

1.3 CREDITORS' RECONCILIATION

CREDITOR	WORKINGS	BALANCE
Brown Suppliers	34 300	
Lion Wholesalers	21 800	
Mango Stores	48 100	

8

TOTAL
MARKS

40



QUESTION 2:**2.1**

2.1.1		
2.1.2		
2.1.3		

3

2.2 NDEVANA ACCESSORIES**2.2.1 Factory Overhead Cost**

Total	

8

2.2.2 Production Cost Statement on 28 February 2023


Direct material cost	472 880
Prime cost	
Total manufacturing cost	
Work in progress (opening balance)	31 500
Total cost of production of finished goods	

8



2.3 MOLLY'S BASKETS

2.3.1 Calculate the break-even point

WORKINGS	ANSWER
	
Comment on whether Molly should be satisfied or not. Quote figures.	

4

3

2.3.2 Provide TWO reasons for the increase in direct material cost **per unit** and suggest ONE way in which Sally can control this cost.

TWO REASONS	ONE SUGGESTION

5

2.3.3 Molly is concerned that the fixed costs per unit has increased although she made every effort to control these costs. Provide a reason for her concern. Quote figures.

--

2

2.3.4 Molly plans to increase production by an additional 1 200 units in the next financial year, whilst maintaining the current costs. Calculate the additional profit that she will make.




2

TOTAL
MARKS

35

QUESTION 3:**3.1 Calculate the following for the financial year ended 28 February 2023**

Value of the closing stock (using the weighted average method).	
WORKINGS	ANSWER
	

The average stock-holding period (in days).	
WORKINGS	ANSWER

The number of torches missing.	
WORKINGS	ANSWER

7

4

4

3.2 Comment on the stock-holding period Quote figures.

4

3.3 What action can Eddy take against the Manager? Provide TWO points. Note that he does not want to dismiss (fire) the manager.

2

3.4

Calculate the value of the closing stock of generators on 28 February 2023.

	WORKINGS	ANSWER
ULTRA MODEL		
OMEGA MODEL		665 000
TOTAL CLOSING STOCK VALUE		

5

Calculate the gross profit on sales of the Omega model.

WORKINGS	ANSWER

3

3.5

Provide TWO reasons why the Ultra model is more popular, although it is more expensive than the Omega model.

2

3.6

Provide TWO reasons, quoting relevant figures, why Eddy should be concerned about the Omega model.

4

TOTAL
MARKS

35



QUESTION 4

4.1

NO.	CASH BUDGET		PROJECTED STATEMENT OF COMPREHENSIVE INCOME	
	RECEIPT	PAYMENT	INCOME	EXPENSE
4.1.1				
4.1.2				

6

4.2

BARBARA'S BOUTIQUE

4.2.1

MONTHS	CREDIT SALES R	JULY R	AUGUST R	SEPTEMBER R
May				
June				
July				
August				
September				
Total collection from debtors				

8

4.2.2

Calculate the discount to be allowed in September 2023

WORKINGS	ANSWER

3

4.2.3

Calculate the following from the Cash Budget:

	WORKINGS	ANSWER
(i)	Rent Income in August	
(ii)	Cash purchases of stock in September	

4

	WORKINGS	ANSWER
(iii)	Payment to creditors in August	
(iv)	Instalment on loan in September	

6

4.2.4 Explain why the sales persons would be concerned about not receiving an increase in August. Provide TWO points.

4

4.2.5 Explain why some salespersons would be satisfied with this proposal whilst others may not be pleased. Provide TWO points. Quote figures.

4

4.2.6 Comment on the control over office stationery and packing material. Quote figures.

Office stationery	
Packing Material	

5

TOTAL
MARKS

40

TOTAL: 150



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GRADE 12

2023 PRE-TRIAL EXAMINATION

ACCOUNTING P2 MARKING GUIDELINE

MARKS: 150

MARKING PRINCIPLES:

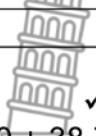
1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If answer 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. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark.
9. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part.
10. Be aware of candidates who provide valid alternatives beyond the marking guideline.
11. Codes: f = foreign item; p = placement/presentation.

This marking guideline consists of 9 pages.

QUESTION 1:

1.1.

VALUE ADDED TAX (VAT)**Calculate the amount payable to or receivable from SARS.**

WORKINGS		ANSWER
 $5\,580 + 38\,790 + 975 + 3\,600 - 22\,020 - 570 - 5\,505$		20 850 <input checked="" type="checkbox"/> one part correct
22 020	5 580	
570	38 790	
5 505	975	
20 850	3 600	
48 945	48 945	
Be alert to alternative presentations; signs reversed; use of brackets etc.		

9

1.2 **BANK RECONCILIATION**


1.2.1

Update the CRJ and CPJ totals

CASH RECEIPTS JOURNAL	CASH PAYMENTS JOURNAL
132 500	153 440
180 ✓	7 000 ✓✓
5 800 ✓	1 170 ✓✓
	630 ✓
	1 760 ✓
	4 200 ✓
138 480	<input checked="" type="checkbox"/> 168 200 for both totals

10

Calculate the correct bank account balance on 30 June 2023

WORKINGS	ANSWER
See CRJ above See CPJ above $38\,720 \checkmark + 138\,480 \checkmark - 168\,200 \checkmark$	9 000 <input checked="" type="checkbox"/> one part correct 
Be alert to alternative presentations; ledger account; use of brackets etc. Do not accept signs reversed.	

4

1.2.2 BANK RECONCILIATION STATEMENT ON 30 JUNE 2023

	DEBIT	CREDIT
Balance as per statement		27 840 <input checked="" type="checkbox"/> balancing figure; could be Dr
Outstanding deposits: 24 June		23 000 ✓
Outstanding EFT 946	11 600 ✓	
Dr amount wrongly credited	32 000 ✓	
Error on statement / amount duplicated		1 760 ✓
Balance as per bank account	9 000 <input checked="" type="checkbox"/> see 1.2.1	
For both totals	52 600	<input checked="" type="checkbox"/> 52 600

7

1.2.3 Provide TWO internal control processes that will improve the management of cash in this business.

TWO control measures ✓ ✓

- Set a routine for deposits / ensure this is done daily
- Request SMS notifications for all bank transactions
- Accompany cashier to bank / use security company
- Rotate duties / division of duties to ensure no rolling over of cash
- Supervise records, documents at regular intervals (audits)

2

1.3 CREDITORS' RECONCILIATION

CREDITOR	WORKINGS	BALANCE
Brown Suppliers	34 300 + 9 500 ✓	43 800 ✓
Lion Wholesalers	21 800 – 16 000 ✓✓	5 800 ✓
Mango Stores	48 100 – 9 500 ✓ + 900 ✓	39 500 <input checked="" type="checkbox"/> *

8

TOTAL
MARKS

40



QUESTION 2:**2.1**

2.1.1	B	✓
2.1.2	D	✓
2.1.3	A	✓

3**2.2 NDEVANA ACCESSORIES****2.2.1 Factory Overhead Cost**

Total		416 360
Indirect labour	52 800 x 25%	+ 13 200 ✓✓
Water and electricity	– 50 400 + 37 800	– 12 600 ✓☑*
Insurance	25 440 ✓ – 21 200 ✓	+ 4 240 ☑*
Operation One part correct		421 200 ☑

8

*one part correct, with the correct signs


2.2.2 Production Cost Statement on 28 February 2023

Raw material cost		472 880
Direct labour cost	8 x 1 620 x R52 one part correct	673 920 ✓☑*
Prime cost	operation (DMC + DLC)	1 146 800 ☑
Factory overhead cost	check Note above	421 200 ☑
Total manufacturing cost	Operation	1 568 000 ☑
Work in progress (opening balance)		31 500
	Operation	1 599 500
Work in progress (closing balance)	balancing figure	(139 500) ☑
Total cost of production of finished goods	36 500 x R40	1 460 000 ✓✓

8

2.3 MOLLY'S BASKETS

2.3.1 Calculate the break-even point

WORKINGS	ANSWER
 $\frac{135\,000 \checkmark}{175 \checkmark - 135 \checkmark}$	3 375 units <input checked="" type="checkbox"/> one part correct

4

Comment on whether Molly should be satisfied or not. Quote figures.

Comparison of the BEP with the level of production ✓✓ (with figures) ✓

Refer to workings above

- Molly may be satisfied that she was able to make a profit on 125 units.
- She produced 3 500 units but the break-even point was 3 375.
- She may not be satisfied as the production decreased by 1 500 units and BEP increased by 920 units. Her profit margin was greatly reduced.

3

2.3.2 Provide TWO reasons for the increase in direct material cost per unit and suggest ONE way in which Sally can control this cost.

TWO REASONS ✓✓ ✓✓	ONE SUGGESTION ✓
<ul style="list-style-type: none"> • Price increase due to scarcity • Needed to change suppliers which are further away (transport / storage) • Wastage in production due to poor supervision 	<ul style="list-style-type: none"> • Change to a substitute material • Buy material according to order received • Train workers • Supervisor normal time / random inspection of processes.

Award 1 mark for inflation as increase is much higher

5

2.3.3 Molly is concerned that the fixed costs per unit has increased although she made every effort to control these costs. Provide a reason for her concern. Quote figures.

Explanation of diseconomies of scale ✓ comparative figures ✓

- While the total fixed cost were maintained at R135 000, the fixed cost per unit increased from R27,00 to R38,57 due to a decrease in production.
- A decrease in production caused the fixed cost per unit to increase, because fixed costs are independent of production / not influenced by the level of production.

2

2.3.4 Molly plans to increase production by an additional 1 200 units in the next financial year, whilst maintaining the current costs. Calculate the additional profit that she will make.

See contribution per unit / R175 – R135

1 200 x R40

= R48 000 ✓ ☒ one part correct


Accept alternative arrangement for calculations

2

TOTAL
MARKS

35

QUESTION 3:**3.1 Calculate the following for the financial year ended 28 February 2023**

Value of the closing stock (using the weighted average method)	
WORKINGS	ANSWER
 $ \begin{array}{r} 295\,200 \text{ five marks} \\ 35\,000 \checkmark + 252\,800 \checkmark + 14\,700 \checkmark - 7\,300 \checkmark \checkmark \times 425 \\ \hline 2\,050 \checkmark \end{array} $	$61\,200 \checkmark$ If x 425, one part correct
The average stock-holding period (in days)	
WORKINGS	ANSWER
<div> <p>Using units:</p> $\frac{1\frac{1}{2} (280 \checkmark + 425 \checkmark) \times 365}{1\,440 \checkmark}$ </div> <div> <p>Using amounts:</p> <p style="text-align: center;">See above</p> $\frac{1\frac{1}{2} (35\,000 + 61\,200) \times 365}{234\,000}$ <p style="text-align: center;">(295 200 – 61 200)</p> </div>	$89,3 \text{ days } \checkmark$ OR 75 days
The number of torches missing	
WORKINGS	ANSWER
$2\,050 \checkmark - 1\,440 \checkmark - 425 \checkmark$	$185 \checkmark$

7

4

4

3.2 Comment on the stock-holding period Quote figures.

ONE point ✓✓ figure ✓✓

- 89,3 days is almost 3 months may be fine for torches as they are durable / have a long shelf life / will always be in demand / business will be able to sell them in the future.
- Extra stock would ensure that customers are satisfied – meeting their demand
- Could be argued that money is tied up in stock / if the business has liquidity problems / prices may come down in future due to more suppliers on the market.

4

3.3 What action can Eddy take against the Manager? Provide TWO points. Note that he does not want to dismiss (fire) the manager.

Any TWO points ✓ ✓

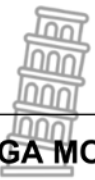
Charge him for theft / disciplinary hearing / demote him / dock his salary / transfer him to another branch



2

3.4

Calculate the value of the closing stock of generators on 28 February 2023.

WORKINGS	ANSWER
ULTRA MODEL  $\begin{array}{rcl} (378 - 316) & (R11\ 520 \times 100/160) & \\ 62 \checkmark & \times & 7\ 200 \checkmark \checkmark \end{array}$	446 600 <input checked="" type="checkbox"/> one part correct
OMEGA MODEL	665 000
TOTAL CLOSING STOCK VALUE	1 111 400 <input checked="" type="checkbox"/>
Calculate the gross profit on sales of the Omega model.	
WORKINGS	ANSWER
$\begin{array}{rcl} (R7\ 500 - R5\ 000) & & \\ \text{or } 5\ 000 \times 50\% & & \\ \text{or } 7\ 500 \times 50 / 150 & & \\ 2\ 500 \checkmark \checkmark & \times & 313 \end{array}$	782 500 <input checked="" type="checkbox"/> If x 313, one part correct

5

3

3.5

Provide TWO reasons why the Ultra model is more popular, although it is more expensive than the Omega model.

Any TWO points ☒ ☒

May have more modern features / up to date with technology / more fuel efficient / more durable / better quality

2

3.6

Provide TWO reasons, quoting relevant figures, why Eddy should be concerned about the Omega model.

TWO reasons (with figures) ☒ ☒

- Closing stock is high, at 133 units compared to 102 at the beginning of the year; 31 units more; 30,4% more
- Money tied up in stock, R665 000 which is R218 400 see 3.4 more than the Ultra.
- 56 units were returned – indication of poor quality, hence not demanded
- Very low stock turnover rate at 2,7 times – not moving as desired / too long on the shelves.

4

**TOTAL
MARKS**

35



QUESTION 4

4.1

NO.	CASH BUDGET		PROJECTED STATEMENT OF COMPREHENSIVE INCOME	
	RECEIPT	PAYMENT	INCOME	EXPENSE
4.1.1	81 200 ✓		400 ✓✓	
4.1.2		14 700 ✓		245 ✓✓

6

-1 per line for superfluous entries

4.2

BARBARA'S BOUTIQUE

4.2.1

MONTHS	CREDIT SALES R	JULY R	AUGUST R	SEPTEMBER R
May	637 000	165 620		
June	661 500	198 450	171 990	
July	673 750	256 025	202 125	175 175 ✓✓
August	695 800		264 404	208 740 ✓✓
September	747 250	747 250 x 40% x 95%		283 955 ✓✓✓
Total collection from debtors			638 519	667 870 ✓

8

4.2.2


Calculate the discount to be allowed in September 2023	
WORKINGS	ANSWER
$747\,250 \times 40\% \checkmark \times 5\% \checkmark$ $747\,250 \times 40\%$ OR 298 900 one mark — 283 955 one method mark	14 945 ✓

3

4.2.3

Calculate the following from the Cash Budget:		
	WORKINGS	ANSWER
(i)	Rent Income in August $13\,330 \times 100/107,5$	12 400 ✓✓
(ii)	Cash purchases of stock in September $610\,000 \times 40\%$	244 000 ✓✓

4

	WORKINGS	ANSWER
(iii)	Payment to creditors in August $540\,000 \times 60\%$	324 000 ✓✓
(iv)	Instalment on loan in September  $\frac{175 \checkmark \times 12 \checkmark}{0,14 \checkmark}$	15 000 ✓

6

4.2.4 Explain why the sales persons would be concerned about not receiving an increase in August. Provide TWO points.

TWO points explained ✓✓ ✓✓

The economy is doing bad / prices (inflation) are always rising / difficult to make ends meet / the business projects increased sales – sales projections are based on their performance / the managers will be receiving salary increases / feel like they are being exploited.

4

4.2.5 Explain why some salespersons would be satisfied with this proposal whilst others may not be pleased. Provide TWO points. Quote figures.

TWO reasons ✓ ✓ with figures ✓✓

- It will motivate salespersons to work harder to promote sales. They were receiving a fixed salary of R8 400 per month; the commission equates to R10 675 per person above the R2 500 fixed salary; a possible 27% increase.
- Others will prefer a fixed salary – do not wish to go the extra mile / worried about un-even remuneration / some salespersons may be more influential / will there be transparency in checking how much each earns.

4

4.2.6 Comment on the control over office stationery and packing material. Quote figures.

Office Stationery Comment with figures ✓✓	Over the budget or overspent by R920 / 22% Not well controlled; possible abuse; poor control of issuing to personnel.
Packing Material	Comment ✓ comparative figures with sales ✓✓ (1 mark if only packing material) Budgeted to spend 8% of sales, actual usage amounted to 8,5% of sales. Poor control, possible wastage; need for close monitoring.

5

TOTAL
MARKS

40

TOTAL: 150