



**GAUTENG PROVINCE**  
EDUCATION  
REPUBLIC OF SOUTH AFRICA

# PREPARATORY EXAMINATION

**2024**

**10712**

**ACCOUNTING**

**(PAPER 2)**

Stanmorephysics.com

ACCOUNTING P2

TIME: 2 hours



MARKS: 150

10712E

15 pages + 1 formula sheet and an 11-page answer book

X05



**INSTRUCTIONS AND INFORMATION**

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show ALL workings in order 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. You may use the Financial Indicator Formula Sheet attached at the end of this question paper.
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.

<b>QUESTION</b>	<b>TOPIC</b>	<b>MARKS</b>	<b>MINUTES</b>
<b>1</b>	Reconciliations	40	32
<b>2</b>	Cost Accounting	35	28
<b>3</b>	Stock valuation and VAT	40	32
<b>4</b>	Budgets	35	28
<b>TOTAL</b>		<b>150</b>	<b>120</b>

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

The information relates to Fikile Traders for August 2024. The business receives its official bank statements on the 25<sup>th</sup> day of each month.

**REQUIRED:**

- 1.1.1 Calculate the following on 31 August 2024.
- Correct totals for the Cash Journals. Use the table provided in the ANSWER BOOK (only the amounts are required). (8)
  - Bank Account balance in the General Ledger of the business. (4)
- 1.1.2 Prepare the Bank Reconciliation Statement on 31 August 2024. (6)
- 1.1.3 Provide ONE reason why the Internal Auditor should be concerned about the control of cash. Provide a solution for his concern. (2)
- 1.1.4 Mr Fikile has encouraged his customers to pay using EFT (Electronic Fund Transfer) due to continuous cash losses. Provide ONE benefit of receiving payments from customers using EFT. Provide a reason for the benefit. (2)

**INFORMATION:**

- A.** The following Bank Reconciliation Statement was prepared on 31 July 2024:

	R
Debit Balance as per Bank Statement	34 600
Outstanding deposit (from cash sales; dated 23 July 2024)	21 500
Outstanding EFT (no. 672)	9 870
Credit amount incorrectly debited	5 500
Credit Balance as per Bank Account	17 470

**B.** Provisional totals on 31 August 2024 before receiving the Bank Statement:

- CRJ: R158 100
- CPJ: R94 790

**C.** When comparing the July Reconciliation Statement to the August 2024 Bank Statement, the following was noted:

- The outstanding EFT no. 672, and the correction of the error were correctly reflected on the August 2024 Bank Statement.
- The outstanding deposit on 23 July 2024 appeared on the August 2024 Bank Statement, but the amount reflected correctly as R11 500. It was decided to write off the balance because the accountant revealed that she had been mugged on her way to the bank.

**D.** The following items on the August 2024 Bank Statement did not appear in the August Cash Journals:

- EFT payment received from Z. Behr for R1 800 in settlement of his account of R2 000.
- Monthly debit order in favour of Assurance Ltd. for the insurance premium, R850.
- A deposit of R11 000 appeared in the current account of Fikile Traders on 24 August 2024. The deposit has been identified as an error made by the bank. The bank has agreed to correct the error on the September Bank Statement.
- Bank charges, R1 770
- Interest on a credit balance, R2 160

**E.** Items in the journals but not in the August Bank Statement:

- EFT no. 633 (to Zwane Suppliers), R14 600
- Cash deposit (from Masuku P), R24 620

**F.** A debit card entry on 30 August 2024 to withdraw cash for wages of R32 000 was recorded on the statement. The bookkeeper was not informed.

**G.** Credit card sales appeared correctly on the Bank Statement as R12 300, but in the CRJ as R21 300.

**H.** The August 2024 Bank Statement reflected a balance of R ?

## 1.2 DEBTORS' RECONCILIATION

The information relates to Sam's Shop for July 2024.

**REQUIRED:**

- 1.2.1 Indicate the corrections that must be made to the Debtors' Control account in the General Ledger by showing the amounts with: (+) for increase; (−) for decrease OR write 'no change'. (4)
- 1.2.2 Prepare the correct Debtors' List on 31 July 2024. Show workings with the relevant amounts in brackets to earn part-marks. (10)
- 1.2.3 Explain why the balance on the Debtors' Control Account in the General Ledger should be the same as the total of the Debtors' List. (2)
- 1.2.4 The debtor's clerk is concerned that M. Smit has not paid his account. Provide TWO internal control measures that the business can use to improve the collection of money from debtors, except the charging of interest. (2)

**INFORMATION:****A. Pre-adjustment figures on 31 July 2024**

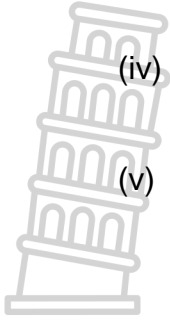
	R
Debtors' Control Account balance	14 500
Debtors' List total from Debtors' Ledger	15 100

**B. Debtors' List on 31 July 2024**

	Debit	Credit
A. Kunene		1 000
T. Naidoo	6 200	
X. Zulu	2 300	
M. Smit	7 600	
	16 100	1 000

**C. Errors and omissions:**

- (i) The total of the Debtors' allowance Journal was overcast by R1 300.
- (ii) Interest of R250 must be charged on the overdue account of M. Smit.
- (iii) An amount of R3 200 received from T. Naidoo was correctly recorded in the Cash Receipts Journal but posted incorrectly as R2 300 to the account of T. Naidoo.



(iv) Merchandise bought by A. Kunene, R800, was posted to the wrong side of his account in the Debtors' Ledger.

(v) No entry was made for a credit note issued to X. Zulu, R540.



**QUESTION 2: COST ACCOUNTING****(35 marks; 28 minutes)****2.1 HLUBI MANUFACTURERS**

The information below relates to the financial year ended 29 February 2024.  
The business manufactures one type of hat.

**REQUIRED:**

2.1.1 Calculate the following:

- Direct labour cost (Refer to Information C) (7)
- Factory overhead costs for the year (Refer to Information D) (5)

2.1.2 Calculate the total cost of production. (5)

2.1.3 The owner is impressed that factory workers never complained about working overtime to meet targets.

- Provide TWO reasons why the factory workers choose to work overtime without any concern. (4)

**INFORMATION:****A. Stock balances:**

	29 Feb. 2024 R	28 Feb. 2023 R
Raw material stock	745 000	2 663 000

**B.** The owner took advantage of markdown prices and decided to buy material in bulk at the end of previous financial year.

**NOTE:** No direct material was bought or returned during the year.

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

No. of workers	Wages	Earning per worker	
10	Basic (normal wage)	R50	2 000 hours
	Overtime	Basic rate + 80%	100 hours
<b>NOTE:</b>			
<ul style="list-style-type: none"> <li>• Deduction: 9% of basic wage</li> <li>• Employer's contribution: 12% of basic wage</li> </ul>			

**D. Factory overhead costs:**

The bookkeeper calculated factory overheads as R884 160. However, she made the following errors which must be corrected:

- (i) The factory rent expense of R66 720 was included in the factory overheads. The amount was undercast by 20%.
- (ii) Annual factory insurance paid for the period 1 July 2023 to 30 June 2024 was recorded and allocated correctly. The monthly office insurance is R1 440. Insurance is allocated according to the ratio 3 : 1 : 1 for factory, office and sales.

**2.2 MUG 'n SIP MANUFACTURERS**

You are provided with information relating to MUG 'n SIP Manufacturers for the year ended 29 February 2024. The business produces one style of coffee mug which is popular in their town and they buy material from a local supplier.

**NOTE:** Where comments or explanations are required, you should quote figures and trends.

- 2.2.1 The owner wants to redeploy some of the production staff to other departments. Provide TWO suggestions why it is not a good decision. Quote figures and trends. (4)
- 2.2.2 The manager is concerned that factory overheads have increased the fixed costs. Explain why he should not be concerned. Provide TWO points. Quote figures and trends. (4)
- 2.2.3 The internal auditor has expressed his concern about variable costs.  
Identify ONE cost related concern by the auditor and provide a corresponding solution. Quote figures and trends. (4)
- 2.2.4 Calculate the % increase in the selling price of the coffee mugs. (2)



## INFORMATION:

	2024		2023	
	TOTAL (R)	UNIT COST (R)	TOTAL (R)	UNIT COST (R)
Fixed cost	1 104 000	46,00	1 069 600	56,00
Factory overheads	792 000	33,00	754 450	39,50
Administration cost	312 000	13,00	315 150	16,50
Variable cost	2 064 000	86,00	1 212 850	63,50
Direct material cost	1 243 200	51,80	588 280	30,80
Direct labour cost	441 600	18,40	334 250	17,50
Selling and Distribution cost	379 200	15,80	290 320	15,20
Selling price per unit	R146,00		R118,50	
Number of units produced and sold	24 000		19 100	
Break-even point (units)	18 400		19 448	



**QUESTION 3: STOCK VALUATION AND VAT****(40 marks; 32 minutes)**

3.1 Choose the correct term from those given in brackets. Write only the term next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK.

3.1.1 The (FIFO/weighted-average) method assumes that stock is sold in the order of purchase date.

3.1.2 Merchandise purchased is recorded in a Trading Stock Account in the (perpetual/periodic) inventory system.

3.1.3 The (weighted-average/specific identification) stock valuation method is best suited for unique high-value products. (3 x 1) (3)

**3.2 INVENTORY VALUATION**

You are provided with information relating to Malaza Soap Traders. He sells a single brand of face soap. The financial year ends on 29 February 2024. The periodic inventory system and weighted-average method are used to value stock.

**REQUIRED:**

3.2.1 Calculate the value of the closing stock on 29 February 2024. (7)

3.2.2 Calculate how long (in days) it will take to sell the closing stock. (3)

3.2.3 The owner suspects that bars of face soap are being stolen. Provide a calculation to confirm his suspicions. (4)

3.2.4 Peter is thinking of employing another security guard at a monthly salary of R6 200 to help to control the stock of face soap. Explain why this is NOT a good idea. Provide ONE point with figures. (3)

**INFORMATION:****A. Stock records:**

	NUMBER OF ITEMS	UNIT PRICE	TOTAL R
Stock 1 March 2023	4 800		R174 400
Stock 29 February 2024	5 650		?

**B. Carriage on purchases:**

Carriage on purchase is R200 per box of 100 bars of soap.

**C. Purchases and returns:**

	NUMBER OF ITEMS	VALUE PER ITEM (excl. carriage)	TOTAL VALUE (incl. carriage)
<b>Purchases</b>	<b>19 500</b>		<b>R956 400</b>
12 August 2023	5 300	R41	R227 900
15 October 2023	10 500	R48	R525 000
10 December 2023	3 700	R53	R203 500
<b>Returns:</b>			
15 December 2023	(100)		?

**NOTE:** The supplier has agreed to refund the transportation cost for goods returned due to defects caused by their packing staff.

**D. Sales:**

18 500 units were sold at R75 each.

**3.3 MANAGEMENT OF INVENTORIES**

The information relates to ChillWave Coolers for the financial year ended 31 July 2024. The business sells one type of cooler box in three branches. The business credit terms are 30 days.

**REQUIRED:**

Provide ONE distinct problem (with figures) relating to EACH branch, with a corresponding solution for EACH problem.

	SEDIBENG	TSHWANE	MOGALE CITY
Opening stock (units)	300	650	480
Purchases (units)	3 200	4 400	4 000
Closing stock (units)	2 900	220	2 950
Selling price per unit	R1 200	R1 200	R1 200
Drawings in units	0	15	1
Debtors collection period	25 days	30 days	40 days
Creditors payment period	40 days	45 days	31 days

(9)

**3.4 VAT**

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

**REQUIRED:**

3.4.1 Calculate the amount of VAT payable to SARS for the VAT period ended 31 July 2024. (9)

3.4.2 You are the internal auditor. The owner, Ali Baya, transferred R12 880 including VAT, using an EFT to IT Solutions for a new laptop for his child, who will be starting his tertiary studies. Ali insists that the laptop must be recorded as part of Baya Trader's equipment, and R1 680 must be recorded as a VAT input in the business' books.

Explain what you would say to Ali. Provide ONE point. (2)

**INFORMATION:**

A. Amount owed to SARS on 1 July 2024, R6 300.

B. Amounts from the July 2024 journals:

	EXCLUDING VAT	VAT AMOUNT	INCLUDING VAT
Sales returns	6 900	?	7 935
Purchase of stock		3 075	
Discount allowed	780	?	
Bad debt recovered		240	
Credit sales		?	*72 450

\* **NOTE:** This amount includes zero-rated goods that should have been sold for R5 060. The bookkeeper has incorrectly included VAT of R660 on these goods. This must be corrected.

**QUESTION 4: BUDGETS****(35 marks; 28 minutes)**

You are provided with information relating to Trident Traders. The business is owned by Billy Trident. Billy has only one driver to deliver the goods.

**REQUIRED:**

- 4.1 Differentiate between Cash Budget and Projected Income Statement. (2)
- 4.2 Complete the Debtors' Collection Schedule for March and April 2024. (7)
- 4.3 **Refer to Information E.**
- Calculate the previous salaries of each employee before the new hire. (3)
- 4.4 **Refer to Information F.**
- Calculate the missing amount denoted by **(i)** to **(iii)** in the Cash Budget. (10)
- 4.5 **Refer to Information G.**
- Billy has a new competitor that started operating in January 2024. He is concerned about the declining number of customers.
- Comment on sales and provide evidence (with figures or calculations) to justify Billy's concern. (4)
  - Explain how the business can expand its reach to customers in other provinces without opening new branches. Give ONE point with a reason. (2)
- 4.6
- Billy is concerned that delivery expenses are not well controlled. Provide ONE reason to explain his concern. Quote figures. (3)
  - Billy feels that it is important to use a fleet company to deliver sold goods. Provide TWO benefits of using an external delivery company. (4)

**INFORMATION:****A. Summary of total sales:**

	ACTUAL		BUDGETED	
	January	February	March	April
Total sales	R2 985 000	R3 462 600	?	4 800 000

Cash sales are 40% of total sales.

**B. Expected debtors' collection:**

Credit sales are to be collected as follows:

- 25% in the same month of sales and they receive a 5% discount.
- 50% after 30 days (first month after sales)
- 20% after 60 days (second month after sales)
- The balance is written off after 90 days

**C. Purchases of stock and payments to creditors:**

- The business maintains a fixed based stock level.
- Credit purchases amount to 85% of all purchases.
- The mark-up on cost price is 25%.
- Creditors are paid in full one month after the date of purchase.

**D.** A part of the fixed deposit matured on 31 March 2024. The fixed deposit was invested at a rate of 6% p.a.

**E.** The business employs three workers, each earning the same salary. Billy Trident decided to employ a fourth assistant on 1 April 2024 at a salary R1 200 below that of the others.



## F. Extract from the Cash Budget:

	MARCH 2024	APRIL 2024
<b>RECEIPTS</b>		
Cash sales	(i)	1 920 000
Receipts from debtors	1 995 480	?
Mortgage loan from DBS Bank	975 000	0
Fixed deposit maturing (see D above)	(ii)	0
Interest on fixed deposit	3 000	2 500
<b>PAYMENTS</b>		
Cash purchases of stock	?	576 000
Payments to creditors	2 354 568	(iii)
Interest on loan	0	9 750
Salaries	?	14 800
Delivery expenses	79 200	79 200

## G. Extract from the Projected Income Statement:

	JANUARY		FEBRUARY	
	Budgeted	Actual	Budgeted	Actual
Sales	3 000 000	2 985 000	3 960 000	3 462 600
Delivery expenses	60 000	104 475	79 200	121 191



## GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Gross profit} \times 100}{\text{Cost of sales}} \quad 1$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 1 below)	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 2 below)
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (See Note 3 below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
<p><b>NOTE:</b> 1. Trading stock at the end of a financial year may be used if required in a question.  2. Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant).  3. 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.</p>	





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# PREPARATORY EXAMINATION

**2024**

10712

**ACCOUNTING**

PAPER 2 *stanmorephysics.com*

**ANSWER BOOK**

11 pages

NAME OF SCHOOL: \_\_\_\_\_

NAME OF LEARNER: \_\_\_\_\_

QUESTION	TOPIC	MARKS	LEARNER'S MARKS
1	Reconciliations	40	
2	Cost Accounting	35	
3	Stock Valuation and VAT	40	
4	Budgets	35	
<b>TOTAL</b>		<b>150</b>	

**QUESTION 1**

**1.1 BANK RECONCILIATION**

1.1.1

<b>CASH RECEIPTS JOURNAL</b>	<b>CASH PAYMENTS JOURNAL</b>
Amount	Amount
R158 100	R94 790

<b>8</b>

<b>Bank Account balance in the General Ledger on 31 August 2024</b>	
<b>WORKINGS</b>	<b>ANSWER</b>

<b>4</b>

1.1.2 Choose only ONE template below to answer this question.  
**TWO-COLUMN METHOD**

<b>BANK RECONCILIATION STATEMENT ON 31 AUGUST 2024</b>		
	DEBIT	CREDIT

<b>6</b>

OR

**ONE-COLUMN METHOD**

<b>BANK RECONCILIATION STATEMENT ON 31 AUGUST 2024</b>	

<b>6</b>

1.1.3 Provide ONE reason why the Internal Auditor should be concerned about the control of cash. Provide a solution to his concerns.

Reason	Solution

2

1.1.4 Provide ONE benefit of receiving payments from customers using EFT. Provide a reason for the benefit.

Benefits	Reason

2



**1.2 DEBTORS' RECONCILIATION**

**1.2.1 CORRECTION TO THE DEBTORS' CONTROL ACCOUNT**

Provisional balance	14 500	
(i)		
(ii)		
(iii)		
(iv)		
(v)		
		4

**1.2.2 DEBTORS' LIST**

A. Kunene		
T. Naidoo		
X. Zulu		
M. Smit		
		10

**1.2.3 Explain why the balance on the Debtors' Control Account in the General Ledger should be the same as the total of the Debtors' List.**

2

**1.2.4 Provide TWO internal control measures that the business can use to improve the collection of money from debtors, except the charging of interest.**

2

<b>TOTAL MARKS</b>
40

**QUESTION 2**

**2.1 HLUBI MANUFACTURERS**

**2.1.1 Calculate direct labour cost.**

WORKINGS	ANSWER

7
---

**Calculate factory overhead costs for the year.**

<b>Incorrect total</b>	<b>884 160</b>

5
---

**2.1.2 Calculate the total cost of production.**

WORKINGS	ANSWER

5
---

**2.1.3 Provide TWO reasons why the factory workers choose to work overtime without any concern.**

--

4
---

**2.2 MUG 'n SIP MANUFACTURERS**

**2.2.1** The owner wants to redeploy some of the production staff to other departments. Provide TWO suggestions why it is not a good decision. Quote figures and trends.

		4

**2.2.2** The manager is concerned that factory overheads have increased the fixed cost. Explain why he should not be concerned. Provide TWO points. Quote figures and trends.

		4

**2.2.3** Identify ONE cost-related concern by the auditor and provide a corresponding solution for EACH concern. Quote figures and trends.

Identify the problem	Solution

4
---

**2.2.4** Calculate the % increase in the selling price of the coffee mugs.

WORKINGS	ANSWER

2
---

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

**QUESTION 3**

**3.1 CONCEPTS**

<b>3.1.1</b>		
<b>3.1.2</b>		<input type="text"/>
<b>3.1.3</b>		<b>3</b>

**3.2.1 Calculate the value of the closing stock on 29 February 2024. Use the weighted-average method.**

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

<b>7</b>

**3.2.2 Calculate how long (in days) it will take to sell the closing stock.**

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

<b>3</b>

**3.2.3 The owner suspects that bars of face soap are being stolen. Provide a calculation to confirm his suspicions.**

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

<b>4</b>

**3.2.4 The owner is thinking of employing another security guard at a monthly salary of R6 200 to help control the stock of face soap. Explain why this is NOT a good idea. Provide ONE point with figures.**

--

<b>3</b>

3.3

**Provide ONE distinct problem (with figures) relating to EACH branch, with a corresponding solution for EACH problem.**

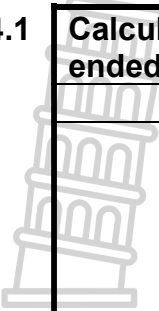

	Problem	Solution
Sedibeng		
Tshwane		
Mogale City		

9
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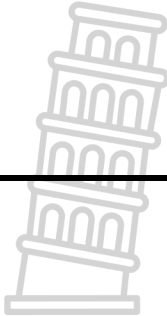


3.4.1 Calculate the amount of VAT payable to SARS for the VAT period ended 31 July 2024.

WORKINGS	ANSWER		
 <div style="text-align: center; margin-top: 50px;">  <p style="font-size: small; color: gray;">Stanmorephysics.com</p> </div>	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr><td style="width: 40px; height: 20px;"> </td></tr> <tr><td style="width: 40px; height: 20px; text-align: center;">9</td></tr> </table>		9
9			

3.4.2 Ali insists that the laptop must be recorded as part of Baya Trader’s equipment, and R1 680 must be recorded as a VAT input in the business’ books.

Explain what you would say to Ali. Provide ONE point.

<div style="text-align: right; margin-top: 50px;">  </div>	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr><td style="width: 40px; height: 20px;"> </td></tr> <tr><td style="width: 40px; height: 20px; text-align: center;">2</td></tr> </table>		2
2			

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

**QUESTION 4**

**4.1 Differentiate between Cash Budget and Projected Income Statement.**

2

**4.2 DEBTORS' COLLECTION SCHEDULE**

MONTHS	CREDIT SALES	MARCH	APRIL
JANUARY	1 791 000	358 200	
FEBRUARY	2 077 560		
MARCH	2 520 000	598 500	
APRIL			
<b>CASH FROM DEBTORS</b>			

7

**4.3 Calculate the previous salaries of each employee before the new employee was hired.**

WORKINGS	ANSWER

3

**4.4 Calculate the missing amount denoted by (i) to (iii) in the Cash Budget.**

WORKINGS	ANSWER
(i)	
(ii)	
(iii)	

10

4.5

**Billy has a new competitor that started operating in January 2024. He is concerned about the declining number of customers.**

**Comment on sales and provide evidence (with figures or calculation) to justify Billy's concern.**

4

**Explain how the business can expand its reach to customers in other provinces without opening new branches. Give ONE point with reason.**

EXPLANATION	REASON

2

4.6

**Billy is concerned that delivery expenses are not well controlled. Provide ONE reason to explain his concern. Quote figures.**

3

**Billy feels that it is important to use a fleet company to deliver goods sold. Provide TWO benefits of using an external delivery company.**

4

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

**TOTAL: 150**



# PREPARATORY EXAMINATION

2024

# MARKING GUIDELINES

## ACCOUNTING PAPER 2 (10712)

11 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. Award 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 workings for that figure (not the method mark for the answer). **Note:** If figures are stipulated in the marking guidelines 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. 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, ÷, or per the marking guidelines.
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 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 ☒.
12. Be aware of candidates who provide valid alternatives beyond the marking guidelines. Note that one comment could contain different aspects.
13. Codes: f = foreign item; p = placement/presentation.

**QUESTION 1**

**1.1 BANK RECONCILIATION**

CASH RECEIPTS JOURNAL		CASH PAYMENTS JOURNAL	
Amount		Amount	
R158 100		R94 790	
1 800	✓	10 000	✓
2 160	✓	850	✓
		1 770	✓
		32 000	✓
		9 000	✓✓
162 060		148 410	

8

Bank Account balance in the General Ledger on 31 August 2024			
WORKINGS			ANSWER
See CRJ	see CPJ		
- 17 470 ✓	+ 162 060 <input checked="" type="checkbox"/>	- 148 410 <input checked="" type="checkbox"/>	OR
	13 650 two m marks		
		162 060	17 470
		c/d 3 820	148 410
Accept alternative presentations like ledger accounts			
			- 3 820 <input checked="" type="checkbox"/> one part correct

4

**1.1.2 Choose only ONE template below to answer this question.  
TWO-COLUMN METHOD**

BANK RECONCILIATION STATEMENT ON 31 AUGUST 2024				
	ONE-COLUMN METHOD	ONE-COLUMN METHOD	DEBIT	CREDIT
Balance as per <u>bank statement</u> Do not accept R34 600	2 840	(2 840)	2 840 Could be Cr <input checked="" type="checkbox"/>	DR and CR totals must be the same
Credit outstanding deposit	(24 620)	24 620		24 620 ✓
Debit amount incorrectly credited	11 000	(11 000)	11 000 ✓✓	
Debit outstanding EFT 633	14 600	(14 600)	14 600 ✓	
Balance as per <u>bank account</u> Do not accept R17 470	3 820	(3 820)	Could be Dr	3 820 <input checked="" type="checkbox"/> see 1.1.1
			28 440	28 440

6

-1 for poor presentation/incorrect details

If candidate presents one-column & two-column reconciliation, mark version that benefits candidate.

For the 2-Column method, candidates must place figures in the correct column to earn marks.

For the 1-Column method, candidates must present the appropriate sign i.e. positive or negative.

1.1.3

**Explain ONE reason why the Internal Auditor should be concerned about the control of cash. Provide a solution for his concerns.**

Reason ✓	Solution ✓ Solution based on reason
<ul style="list-style-type: none"> <li>Rolling of cash - R10 000 / missing money from cash sale on 23 July 2024.</li> <li>Incorrect capturing of cash received/Credit card sales captured incorrectly R21 300.</li> </ul>	<ul style="list-style-type: none"> <li>Use the collection companies to collect cash on a daily basis.</li> <li>Register for SMS notification from the bank</li> <li>Daily reconciling / enhance supervision and increase the frequency of monitoring.</li> </ul>

2

1.1.4

**Provide ONE benefit of receiving payments from customers using EFT. Provide a reason for the benefit.**

Benefits ✓ Any valid benefit	Reason ✓ Reason based on benefit
Efficiency	Eliminates the need for manual handling of cash
Cost effective	Saving business money on transaction fees / The costs associated with processing, depositing and reconciling physical payments will be saved.
Security	Reduces the risk of theft/fraud.

2

Award marks for reason implied in the benefit



**1.2 DEBTORS' RECONCILIATION**

**1.2.1 CORRECTION TO THE DEBTORS' CONTROL ACCOUNT**

<b>Provisional balance</b>	<b>14 500</b>	
(i)	+1 300	✓
(ii)	+250	✓
(iii)	0/no change	
(iv)	0/no change	
(v)	(540)	✓
<b>-1 for superfluous entry in number (iii) and/or number (iv). Max -1</b>	<b>15 510</b>	<input checked="" type="checkbox"/>

4

**1.2.2 DEBTORS' LIST** \*one part correct

<b>A. Kunene</b>	(-1 000 + 1 600 ✓✓)	600	<input checked="" type="checkbox"/> *
<b>T. Naidoo</b>	(6 200 - 900)	5 300	✓ <input checked="" type="checkbox"/> *
<b>X. Zulu</b>	(2 300 - 540)	1 760	✓ <input checked="" type="checkbox"/> *
<b>M. Smit</b>	(7 600 + 250)	7 850	✓ <input checked="" type="checkbox"/> *
		<b>15 510</b>	<input checked="" type="checkbox"/> *

10

**1.2.3 Explain why the balance on the Debtors' Control Account in the General Ledger should be the same as the total of Debtors' List.**

Valid explanation ✓✓

Debtors' Control Account is the summary of debtors' list / Debtors' control account reflects the total amount owed by all customers to the business / They are both recorded using the same source document, so the information used should be the same.

2

**1.2.4 Provide TWO internal control measures that the business can use to improve the collection of money from debtors, except charging of interest.**

TWO valid points ✓ ✓

- Send regular reminders (SMS/Email/letter) / Automated invoicing and payment reminders.
- Give discount for early payments.
- Establish and communicate clear payment terms and conditions with customers (ensure that these terms are stated on invoices).
- Hand over customers to debt collectors.
- Suspend the debtors account for payment before making any purchases.

2

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

**QUESTION 2**

**2.1 HLUBI MANUFACTURERS**

**2.1.1 Calculate direct labour cost.**

$[10 \times 50 \times 2\ 000]$ 1 000 000 ✓✓	$(10 \times 90 \times 100)$ + 90 000 ✓✓	GW x 12% + 120 000 ✓✓	1 210 000 ✓ one part correct
--	--	--------------------------	---------------------------------

7

**Calculate factory overhead costs for the year.**

<b>Incorrect total</b>	<b>884 160</b>
Factory rent expense $83\ 400 - 66\ 720$ OR $66\ 720 \times 20/80$	16 680 ✓✓*
Factory insurance $[1\ 440 \times 4] \times 3$ OR $(4\ 320 \times 4)$	(17 280) ✓✓
<b>Correct total for factory overhead costs</b>	883 560 ✓ R884 160 must be included

5

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\*one part correct

**2.1.2 Calculate the total cost of production.**

WORKINGS	ANSWER
$[2\ 663\ 000 - 745\ 000]$ 1 918 000 ✓✓	4 011 560 ✓ one part correct
+ 1 210 000 ✓ + 883 560 ✓	
Accept alternative presentations like ledger accounts	

5

**2.1.3 Provide TWO reasons why the factory workers choose to work overtime without any concern.**

Any TWO valid points ✓✓ ✓✓
<ul style="list-style-type: none"> <li>• Due to financial incentives/Opportunity to earn extra income.</li> <li>• To pursue career advancement/Demonstrate dedication leading to promotion (other careers).</li> <li>• Opportunity for skills development/Opportunity to learn new tasks.</li> <li>• Passion for work to achieve positive results/Contribution towards company (project) success / Demonstrate commitment and reliability to employers to meet business targets.</li> </ul>

4



**2.2 MUG 'n SIP MANUFACTURERS**

**2.2.1 The owner wants to redeploy some of the production staff to other departments. Provide TWO suggestions why it is not a good decision. Quote figures and trends.**

Comment on BEP and production ✓ ✓ figures ✓ ✓

- BEP decreased (from 19 448) to 18 400 units/by 1 048 units/by 5,4%.
- The units produced increased (from 19 100) to 24 000 units/by 4 900 units/by 25,7%.
- Direct labour cost per unit has increased by R0,90 cents (5,1%) compared to the production level that has increased by 4 900 units (25,7%)

FOR FOUR MARKS:

- The business made a profit on 5 600 units compared to a loss on 348 units the previous year.
- BEP decreased by 1 048 units (5,4%) and units produced increased by 4 900 units (25,7%).

4

**2.2.2 The manager is concerned that factory overheads have increased the fixed cost. Explain why he should not be concerned. Provide TWO points. Quote figures and trends.**

Any TWO valid points ✓ ✓ comparison of figures ✓ ✓

- Fixed cost per unit decreased from (R56) to R46/by R20/by 17,9%.
- Economies of scale was achieved due to increased production by 4 900 units/by 25,7%.

4

**2.2.3 Identify ONE cost related concern by the auditor and provide a corresponding solution for each. Quote figures and trends.**

Identify the problem Cost items ✓ trend and figure ✓	Solution ✓✓
<p><u>Direct material cost per unit</u> increased from (R30,80) to R51,80/ by R21 by 68,1%. <i>[Do not accept any other VC]</i></p>	<p>Train workers to improve efficiency / Supervise production workers to minimise wastage / Buy material in bulk in order to negotiate for a better price / Change to a cheaper supplier without comprising quality.</p>

4

**2.2.4 Calculate the % increase in the selling price of the coffee mugs.**

WORKINGS	ANSWER
$\frac{(146 - 118,5)}{118,5} \times \frac{100}{1}$ $\frac{146}{118,5} \times \frac{100}{1}$ $123,2\% - 100\%$	<p>23,2% ✓<input checked="" type="checkbox"/></p> <p>one part correct</p>

2

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

**QUESTION 3**

**3.1 CONCEPTS**

<b>3.1.1</b>	FIFO	✓
<b>3.1.2</b>	Perpetual	✓
<b>3.1.3</b>	Specific identification	✓

3

**3.2.1 Calculate the value of the closing stock on 29 February 2024. Use the weighted-average method.**

WORKINGS	ANSWER
$\frac{1\ 125\ 300 \text{ three marks}}{174\ 400 \checkmark + 956\ 400 \checkmark - 5\ 500 \checkmark} \times 5\ 650$ $\frac{4\ 800 \checkmark + 19\ 500 \checkmark - 100 \checkmark}{24\ 200 \text{ three marks}}$ <p>R46,50 x 5 650 six marks</p>	<p>262 725 ✓ one part correct must be x by 5 650</p>
<p>OR</p> $\frac{1\ 125\ 800 \text{ three marks}}{174\ 400 + 956\ 400 - 5\ 000} \times 5\ 650$ $\frac{4\ 800 + 19\ 500 - 100}{24\ 200 \text{ three marks}}$ <p>R46,52 x 5 650 six marks</p>	<p>OR</p> <p>262 838 one part correct must be x by 5 650</p>

7

**3.2.2 Calculate how long (in days) it will take to sell the closing stock.**

WORKINGS	ANSWER
$\frac{262\ 725 \checkmark \times 365}{862\ 575 \checkmark} \text{ OR } \frac{262\ 838 \text{ see 3.2.1} \times 365}{862\ 962}$ <p>[1 125 300 - 262 725 see 3.2.1]      [1 125 300 - 262 838 see 3.2.1]</p> <p>OR</p> <p>one mark</p> $\frac{5\ 650}{18\ 500} \times \frac{365}{1}$ <p>one mark</p>	<p>111,2 days ✓ one part correct must be x by 365</p> <p>OR</p> <p>111,5 days one part correct must be x by 365</p>

3

**3.2.3 The owner suspects that bars of face soap are being stolen. Provide a calculation to confirm his suspicions.**

WORKINGS	ANSWER
$\frac{[4\ 800 + 19\ 500 - 100]}{24\ 200 \checkmark} - 18\ 500 \checkmark - 5\ 650 \checkmark$	<p>50 units ✓ one part correct</p>

4

**3.2.4 Peter is thinking of employing another security guard at a monthly salary of R6 200 to help control the stock of face soap. Explain why this is NOT a good idea. Provide ONE point with figures.**

<p>Comparison of salary with missing stock amount ✓      figures ✓✓</p> <p>Salary of the security guard R 6 200 (per month) exceeds the cost of missing stock R2 325 (50 x R46,50). see 3.2.3 OR R2 326 (50 x R46,52). see 3.2.3</p>
--

3

3.3

Provide ONE distinct problem (with figures) relating to EACH branch corresponding solution for EACH problem.		
	Problem ✓ ✓ ✓ Figures ✓ ✓ ✓	Solution ✓ ✓ ✓
<b>Sedibeng</b>	<ul style="list-style-type: none"> <li>Slow sales – 600 cooler boxes were sold / high closing stock – 2 600 more than last year.</li> </ul>	<ul style="list-style-type: none"> <li>Advertise more to increase sales.</li> </ul>
<b>Tshwane</b>	<ul style="list-style-type: none"> <li>Drawings are too high – 15 cooler boxes taken for personal use.</li> </ul>	<ul style="list-style-type: none"> <li>Owner must separate personal and business finances.</li> </ul>
<b>Mogale city</b>	<ul style="list-style-type: none"> <li>Creditors are paid within 31 days and this will lead to cash flow problems.</li> <li>Debtors take too long to pay – 40 days.</li> </ul>	<ul style="list-style-type: none"> <li>Business must take maximum permissible time to pay back creditors.</li> <li>Encourage debtors to pay within credit terms.</li> </ul>

9
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3.4.1

**Calculate the amount of VAT payable to SARS for the VAT period ended 31 July 2024.**

WORKINGS	ANSWER																				
<p>Mark one option only; inspect option that benefits the candidate. Be alert to alternative presentation for calculations.</p> <p style="text-align: center;">                     ✓          ✓          ✓          ✓✓          ✓          ✓✓                      6 300 – 1 035 – 3 075 – 117 + 240 + 8 790  <span style="margin-left: 150px;">(9 450 – 660)</span>  <span style="margin-left: 100px;">one mark   one mark</span> </p> <p><b>OR</b> – 6 300 + 1 035 + 3 075 + 117 – 240 – 8 790</p> <p><b>OR</b></p> <table border="1" style="display: inline-table; margin-right: 20px;"> <tr><td>1 035</td><td>6 300</td></tr> <tr><td>3 075*</td><td>240*</td></tr> <tr><td>117*</td><td>8 790*#</td></tr> <tr><td><b>11 103</b></td><td></td></tr> <tr><td>15 330</td><td>15 330</td></tr> </table> <p><b>OR</b></p> <table border="1" style="display: inline-table;"> <tr><td>6 300</td><td>1 035</td></tr> <tr><td>240*</td><td>3 075*</td></tr> <tr><td>8790*#</td><td>117*</td></tr> <tr><td><b>11 103</b></td><td></td></tr> <tr><td>15 330</td><td>66 255</td></tr> </table>	1 035	6 300	3 075*	240*	117*	8 790*#	<b>11 103</b>		15 330	15 330	6 300	1 035	240*	3 075*	8790*#	117*	<b>11 103</b>		15 330	66 255	<p>11 103 <input checked="" type="checkbox"/>  <span style="background-color: yellow; padding: 2px;">one part correct</span></p>
1 035	6 300																				
3 075*	240*																				
117*	8 790*#																				
<b>11 103</b>																					
15 330	15 330																				
6 300	1 035																				
240*	3 075*																				
8790*#	117*																				
<b>11 103</b>																					
15 330	66 255																				

<b>9</b>

\*Amounts maybe be in brackets in the opposite column / (side).  
 Mark one option only; inspect option that benefits the candidate.  
 #It consist of two amounts (9 450 – 660)

3.4.2

**Ali insists that the laptop must be recorded as part of Baya Trader's equipment, and R1 680 must be recorded as a VAT input in the business' books.**

**Explain what you would say to Ali. Provide ONE point.**

Any ONE point ✓✓ award part marks for incomplete/unclear answer

Expected responses for two marks:

- This is tax evasion / he is attempting to reduce the amount due to SARS for VAT / it is illegal and unethical.
- He will be increasing the VAT input, effectively reducing the amount due to SARS.
- He could be fined or imprisoned because it is a criminal offence.
- Personal transactions and business transactions should be kept separate (Business entity concept)/Ali should pay for this out of his private bank account.
- As the laptop is not used for business purposes, the full amount of R12 880 should be treated as drawings.

<b>2</b>

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

**QUESTION 4**

**4.1 Differentiate between Cash Budget and Projected Income Statement.**

Any valid explanation ✓ ✓

- Cash Budget forecasts and manages the cash inflows and outflows of a business over a period of time / forecast on future receipts and payments / Projecting future bank balance.
- Projected Income Statement estimates the income and expenses of a business for a future period / forecast on future profit and loss / projecting future net profit.

2

**4.2 DEBTORS' COLLECTION SCHEDULE**

**\*one part correct**

If figures have been shifted up and are correct, award marks and -1 for presentation

MONTHS	CREDIT SALES	MARCH	APRIL
JANUARY	1 791 000	358 200	-1 superflous figure
FEBRUARY	2 077 560	1 038 780 ✓	415 512 ✓
MARCH	2 520 000	598 500	1 260 000 ✓
APRIL	2 880 000 ✓		684 000 ✓✓
<b>CASH FROM DEBTORS</b>			2 359 512 ✓*

7

**4.3 Calculate the previous salaries of each employee before the new hired employee.**

WORKINGS	ANSWER
$(14\ 800 + 1\ 200)$ $16\ 000 \checkmark\checkmark \div 4$	4 000 ✓ one part correct

3

**4.4 Calculate the missing amount denoted by (i) to (iii) in the Cash Budget.**

WORKINGS	ANSWER
(i) $2\ 520\ 000 \times 40/60$	1 680 000 ✓✓* one part correct
(ii) OR $[500 \times 12]$ $6\ 000 \checkmark\checkmark \times 100/6 \checkmark$ $600\ 000 - 500\ 000$	100 000 ✓* one part correct
(iii) $[4\ 200\ 000 \times 100/125]$ $3\ 360\ 000 \checkmark\checkmark \times 85/100 \checkmark$	2 856 000 ✓

10

4.5

**Comment on sales and provide evidence (with figures or calculation) to justify Billy's concern.**

Comment ✓✓ figures ✓ ✓

award part marks for incomplete/unclear answer

- Billy Trident budgeted a 32% increase in February but only managed to achieve 16%.

4

**Explain how the business can expand its reach to customers in other provinces without opening new branches. Give ONE point with reason.**

**EXPLANATION** ✓

**REASON** ✓

- Expand to online sales.
- Develop a marketing strategy.

- Customers can shop at anytime (unrestricted business hours).
- Advertise through social media (unlimited/digital marketing campaigns).

2

4.6

**Billy is concerned that delivery expenses are not well controlled. Provide ONE reason to explain his concern. Quote figures.**

Any ONE valid point ✓ comparison of figures ✓✓

- Delivery expenses was budgeted at 2% of sales but increased to 3,5%.

3

**Billy feels that it is important to use a fleet company to deliver goods sold. Provide TWO benefits of using an external delivery company.**

Any TWO valid points ✓✓ ✓✓

- Outsourcing transportation can result in cost saving.
- Allows business to focus on core business.
- Reduces administration to track customers' goods.

4

<b>TOTAL MARKS</b>
35

35



**TOTAL: 150**