

## GAUTENG PROVINCE REVISION PACK P2 2024

### BANK RECONCILIATION, DEBTORS AGE ANALYSIS, CREDITOR'S RECONCILIATION AND VAT

JUNE 2023 Supplementary NSC

#### QUESTION 1: BANK RECONCILIATION

(30 marks; 25 minutes)

1.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.

1.1.1 A credit balance on the Bank Statement means that the business has a positive balance in the bank.

1.1.2 A debit card may be used to withdraw cash from an ATM.

1.1.3 A bank overdraft is a short-term loan that is transferred into the business current bank account.

(3)

#### 1.2 VIOLET STORES

The information was extracted from the records of the business for April 2023.

- Violet uses the official Bank Statement which is available on the 25<sup>th</sup> of each month to complete the monthly reconciliation process.
- She also uses her EFT transaction records (renumbered) to complete the Cash Payments Journal.

#### REQUIRED:

1.2.1 Update the totals for the Cash Receipts Journal and Cash Payments Journal for April 2023. Use the table provided in the ANSWER BOOK. (10)

1.2.2 Calculate the correct Bank Account balance on 30 April 2023. (4)

1.2.3 Prepare the Bank Reconciliation Statement on 30 April 2023. (9)

1.2.4 Violet noticed problems with the depositing of cash. Explain TWO measures that she can use to address these problems. (4)

#### INFORMATION:

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

Favourable balance as per Bank Statement	R12 200
Deposits not on Statement: 18 March 2023	23 600
28 March 2023	37 200
Outstanding EFTs: EFT 768	5 480
EFT 769	17 800
Favourable balance as per bank account	49 720

- The outstanding deposit on 18 March 2023 appeared on the April 2023 Bank Statement.
- The deposit on 28 March 2023 appeared as R22 200. An investigation revealed that the cashier has disappeared with the outstanding amount. It was decided to write off the outstanding amount.

- Both the EFTs were on the April Statement, but EFT 768 appeared with the correct amount of R4 580.

**B. The provisional totals in the Cash Journals before receiving the Bank Statement:**

Cash Receipts Journal: R115 600      Cash Payments Journal: R217 800

**C. Information on the April 2023 Bank Statement**

**None of these items appeared in the April Cash Journals:**

Debit order: Brylet Municipality	R2 880
Cash handling fees	R220
Deposit: Y Marigold	R8 400
Deposit: Bentley Microloans	R65 000
Cash withdrawal	R740
Investment matured	R18 300
EFT transaction fees	R360
EFT transaction fees	R360

**D. Additional Information:**

- The debit order to Brylet Municipality was for water and electricity.
- Y Marigold, the tenant, deposited the monthly rent.
- The deposit from Bentley Microloans did not relate to the business. The bank was informed of this error.
- The cash withdrawal of R740 was for fuel for the owner's vehicle.
- The EFT transaction fees were duplicated on the Bank Statement in error.

**E. The Cash Journals reflected the following entries that did not appear on the April 2023 Bank Statement:**

- Deposit of R22 500 on 30 April 2023
- EFT 883 for R9 520 for stationery purchased
- EFT 884 for R12 530 for repairs to the buildings

**F. Bank Statement balance on 30 April 2023: R?**





- 1.2.4 Violet noticed problems with the depositing of cash. Explain TWO measures that she can use to address these problems.



4

**FREE STATE PRELIM 2023 BANK RECON AND DEBTOR'S AGE ANALYSIS**  
**QUESTION 1: RECONCILIATIONS AND AGE ANALYSIS (40 marks; 35 minutes)**

- 1.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.
- 1.1.1 A Bank Reconciliation Statement should be prepared every month to assist in maintaining internal control of the cash of the business.
- 1.1.2 Credit card sales are regarded as cash transactions.
- 1.1.3 Debit interest on the bank statement must be recorded in the Cash Payments Journal as bank charges. (3)

**1.2 BANK RECONCILIATION**

The information relates to CR Stores for August 2023. The official bank statement from TOPS Bank is closed off and published on the 27<sup>th</sup> of each month.

**REQUIRED:**

- 1.2.1 Use the table provided in the ANSWER BOOK to calculate the final totals of Cash Journals on 31 August 2023. Calculate the Bank Account balance on 31 August 2023. (13)
- 1.2.2 Prepare a Bank Reconciliation Statement on 31 August 2023. (6)
- 1.2.3 The levy on credit card sales is 5% of the respective credit card sales amount. Calculate the total credit card sales for the month. (2)
- 1.2.4 The owner noted the warning on the bank's website that account holders should be more vigilant about using banking applications (software) due to the increase in hacking. (*Process of gaining unauthorised access to confidential information to transfer money.*)
- Provide TWO suggestions on how account holders can protect themselves against this crime. (4)





1.3 **GRASSY TRADERS**

You are provided with information concerning internal control over the debtors of Grassy Traders. Study the given account of Thandi Moi in the Debtors' Ledger of Grassy Traders:

**REQUIRED:**

1.3.1 To maintain internal control over the debtors, it is important that the accountant checks at the end of the month that the balance of the Debtors' control account and the total of the Debtors' List are equal.

- Explain why the Debtors' control account balance should agree with the Debtors' List total. (2)
- Explain TWO processes the bookkeeper should follow if he discovers a difference between the Debtor's control account balance and the Debtors' List total. (4)

1.3.2 Identify THREE internal control problems relating to the management of the account of debtor Thandi Moi. Quote figures for each problem. (6)

<b>Grassy Traders</b>						
Statement no: 2850		Statement date: 28 February 2023				
To: <b>Thandi Moi</b>		<b>Credit limit: R60 000</b>				
Date		Transactions	Debit	Credit	Balance	
2022 Nov	1	Balance			15 700	
	5	EFT		14 130	1 570	
		Discount		1 570	NIL	
	10	Invoice 473	16 680		16 680	
Dec	2	Invoice 491	12 560		29 240	
	3	Credit note 52		1 230	28 010	
2023 Jan	4	Invoice 526	9 780		37 790	
	31	Delivery charges	118		37 908	
Feb	19	Invoice 576	15 620		53 528	
	28	Delivery charges	152		53 680	
<b>Terms:</b>		<ul style="list-style-type: none"> <li>5% discount if paid within 30 days of the statement date.</li> <li>Debt must be fully paid within 60 days of the statement date.</li> <li>Interest is charged at 2% per month on balances 90 days overdue.</li> </ul>				
<b>Age analysis:</b>		<b>90 Days</b>	<b>60 Days</b>	<b>30 Days</b>	<b>Current</b>	<b>Amount owing</b>
		16 680	11 330	9 898	15 772	53 680





1.2.4 Provide TWO suggestions on how account holders can protect themselves against this crime of hacking.

4

1.3 DEBTORS AGE ANALYSIS AND INTERNAL CONTROL

1.3.1 Explain why the Debtors' control account balance should agree with the Debtors' List total.

2

Explain TWO processes the bookkeeper should follow if he discovers a difference between the Debtors' control account balance and the Debtors' List total.

4

1.3.2 Identify THREE internal control problems relating to the management of the account of debtor Thandi Moi. Quote figures for each problem.

6

TOTAL MARKS
40

**EASTERN CAPE PRELIM 2023 BANK, CREDITOR'S RECONCILIATION AND VAT**

**QUESTION 1: RECONCILIATIONS**

**(35 marks, 30 minutes)**

**1.1 CREDITORS' RECONCILIATION**

Candy Stores buys goods on credit from Awesome Suppliers.

**REQUIRED:**

Use the table provided to indicate the changes that must be made:

- In the Creditors' Ledger Account in the books of Candy Stores
- In the Creditors' Reconciliation Statement on 28 February 2023.

Show a '+' for increases and a '-' for decreases next to each amount.

(10)

**INFORMATION:**

The balance on the statement of account received from Awesome Suppliers did not correspond to the balance of their account in the Creditors Ledger.

- A.** Balance of Awesome Suppliers in the Creditors Ledger: R52 900.
- B.** Statement of account received from Awesome Suppliers:

<b>AWESOME SUPPLIERS</b>				<b>No. 2169</b>	
205 Pineridge Crescent Gqeberha 5820					
Debtor: <b>Candy Stores</b>				25 February 2023	
DATE	DETAILS		DEBIT	CREDIT	BALANCE
Jan.	26	Balance			45 300
	28	Receipt 110		12 000	33 300
Feb.	01	Invoice A12	14 600		47 900
	03	Credit Note 34	800		48 700
	10	Receipt 0076		12 000	36 700
		Discount allowed		600	36 100
	18	Invoice 588	16 340		52 440
	24	Invoice 1132	54 820		107 260
	25	Delivery	1 540		108 800

- C.** An investigation revealed the following errors and omissions:
- (i) Invoice A12 was incorrectly recorded as R16 400 in the creditor's ledger account. The amount on the statement is correct.
  - (ii) Credit note 34 was for damaged goods returned on 02 February.
  - (iii) Candy Stores recorded the discount as R1 200. Awesome Suppliers indicated that the business was only entitled to R600, as reflected on the statement.
  - (iv) Awesome Suppliers granted a 5% trade discount on Invoice 588. Candy Stores did not take this into account when posting to the Creditors Ledger.
  - (v) Invoice 1132 on the statement was for goods that Awesome Suppliers sold to Sweets Galore.
  - (vi) Awesome Suppliers charges a delivery fee to all its customers. This was not recorded in the creditor's ledger account.

## 1.2 BANK RECONCILIATION

The information appeared in the books of Donald Traders for May 2023.

### REQUIRED:

- 1.2.1 Calculate the correct bank account balance by completing the table provided in the Answer Book. (12)
- 1.2.2 Prepare the Bank Reconciliation Statement on 31 May 2023. (7)
- 1.2.3 Provide ONE suggestion on how the problem of counterfeit (fake) notes can be prevented. (2)
- 1.2.4 Donald was concerned about the outstanding deposits. Provide TWO internal control measures that he can implement to address this concern. (4)

### INFORMATION:

#### A. Extract: Bank Reconciliation Statement on 30 April 2023

Deposit not yet recorded:	18 April 2023	R 24 300
	27 April 2023	7 100
EFT not on statement:	No. 245	11 300
	No. 246	6 750
Favourable balance as per bank account		8 800

#### Note:

- The deposit on 18 April 2023 and EFT No. 245 appeared on the May bank statement with the correct amounts reflected above.
- The deposit on 27 April appeared on the statement as R5 000 due to counterfeit notes being included in the deposit. This amount must be written off as the money will not be recovered.
- EFT 246 was on the May statement with the correct amount of R6 250.

#### B. Provisional totals from the Cash Journals on 31 May 2023:

Cash Receipts Journal	R76 270	Cash Payments Journal	R88 530
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#### C. Information on the bank statement not in the May Cash Journals:

Bank charges	R 235
Debit order for the monthly insurance	1 140
Direct deposit by the tenant for rent	4 600
Deposit by debtor in settlement of account of R7 500.	7 030
Deposit by Uzu Technical College. this is an error on the statement as the business does not deal with this college. This will be rectified on the next statement.	15 000

#### D. Information in the May Cash Journals not on the statement:

Outstanding deposits:	19 May 2023,	R11 400
	26 May 2023,	R10 800
Outstanding EFT	No. 658	R 6 900

#### E. The balance as per statement was R ?.



**EASTERN CAPE PRELIM 2023 QUESTION 3: VALUE ADDED TAX (VAT)**

3.3 The information relates to Big Stores for the VAT period ended 30 April 2023. The standard VAT rate is 15%.

**REQUIRED:**

3.3.1 Taking into account the errors and omissions, calculate the VAT amount that is payable to SARS. (10)

3.3.2 The internal auditor discovered that the owner, Benjamin, used the VAT collected from customers to pay salaries and bonuses and was not paying the full amount due to SARS on the deadline dates.

Offer ONE point of advice to Benjamin and an explanation or reason to support the advice. (2)

**INFORMATION:**

A. Amount due to SARS on 1 April 2023 was R12 750.

B. **Amounts from the journals on 30 April 2023:**

	AMOUNT INCLUDING VAT	VAT AMOUNT
Total sales	R 486 450	R 63 450
Credit purchases of stock	167 900	21 900

C. **Errors and omissions noted:**

- Stock taken by the owner, cost price R4 300 (excluding VAT), was not yet recorded.
- Certain goods with a selling price of R25 000 (excluding VAT) was included in the sales amount. These goods should have been recorded as zero-rated items.
- VAT on discounts granted to debtors was not recorded. The total discounts allowed amounted to R14 720.

QUESTION 1

1.1 CREDITORS RECONCILIATION

	CREDITORS' LEDGER ACCOUNT	STATEMENT OF ACCOUNT
Balance b/f	52 900	108 800
(i)		
(ii)		
(iii)		
(iv)		
(v)		
(vi)		

10

1.2 BANK RECONCILIATION

1.2.1

CASH RECEIPTS	CASH PAYMENTS
76 270	88 530

Bank Account balance:

12

1.2.2

BANK RECONCILIATION STATEMENT ON 31 MAY 2023		
	DEBIT	CREDIT

7

1.2.3

Provide ONE suggestion on how the problem of counterfeit (fake) notes can be prevented.



2

1.2.4

Donald was concerned about the outstanding deposits. Provide TWO internal control measures that he can implement to address this concern.

POINT 1

POINT 2

4

### QUESTION 3: VAT

3.3.1

Calculate the amount payable to SARS in respect of VAT for the two-month VAT period ended 30 June 2022.

WORKINGS

ANSWER

10

3.3.2

Offer ONE point of advice to Benjamin and an explanation or reason to support the advice.

ADVICE

REASON

2



**LIMPOPO PRELIM 2023: QUESTION 3 VAT**

**3.1 VAT**

Shiny Tiles is a registered VAT vendor. The standard VAT rate of 15% is applicable where necessary. The information relates to the VAT period ended 31 July 2023.

**REQUIRED:**

3.1.1 Calculate the VAT amount payable to / receivable from SARS. (9)

3.1.2 The internal auditor discovered a VAT practice used by the business whereby credit sales transactions for R987 000 were not recorded in the June journals. The owner explained that this was done to prevent cash flow problems.  
Explain TWO points that the internal auditor should say to the owner regarding this practice. (4)

**INFORMATION:**

- On 30 June 2023, the end of the first month of the bi-monthly schedule, the balance in the VAT account, owed to SARS is R2 500.

Details of transactions	VAT EXCLUSIVE	VAT	VAT INCLUSIVE
Invoices issued to credit sales customers			R1 415 880
Invoices received from suppliers	R952 000	R142 800	
Credit notes received from suppliers		R9 240	
Discount allowed to debtors for early payments of their accounts		R5 520	
Debtors' accounts written off as bad debts	R15 600		R17 940
Trading stock taken by owner for personal use		R252	

3.1 VAT 3.3.1

Calculate the VAT amount payable/receivable to SARS.

9

3.3.2

Explain TWO points that the internal auditor should say to the owner regarding this practice.

4

NOVEMBER 2022 NSC VAT

QUESTION 2: VAT AND INVENTORY VALUATION

(45 marks; 35 minutes)

2.1 VAT

The information relates to Nomhle Traders. The business is registered for VAT. The standard VAT rate is 15%. Nomhle also sells zero-rated goods.

**REQUIRED:**

Calculate the VAT amount that must be paid to SARS for the VAT period ended 31 May 2022.

(9)

**INFORMATION:**

A. Harry, the clerk, calculated the VAT amount due to SARS as R55 785.

However, he did not take the following into account:

(i)	VAT on goods returned to suppliers	R5 070
(ii)	VAT on expenses paid	R6 240
(iii)	VAT on goods taken by Nomhle for personal use	R5 400

B. VAT on discount allowed must also be taken into account. The total discount allowed amounted to R18 860.





1.3 Refer to Information C.

Explain THREE different problems highlighted by the debtors' age analysis.  
Provide the name of a debtor and/or the figure(s) in EACH case. (6)

1.4 Refer to Information D.

Provide TWO points to support the internal auditor's concern that Susan's job description could lead to potential fraud. (4)

**INFORMATION:**

A. Balances on 30 September 2021, before taking into account errors and omissions in Information B:

- Debtors' Control Account: R228 000
- Extract from the debtors' list:

DEBTORS	FOLIO	AMOUNT
A Barnes	D10	R13 500
C Davis	D23	R25 000
E Foley	D35	R18 300

B. The following errors and omissions must be taken into account:

- An invoice for R1 750 issued to A Barnes was not recorded in the books of Zig Zag Traders.
- A direct deposit of R2 500 by E Foley was correctly recorded in the journal but incorrectly posted to the account of E Foges (another debtor) in the Debtors' Ledger.
- The total of the Debtors' Journal, R62 500, was incorrectly recorded as R65 200 in the Debtors' Control Account.
- Merchandise sold to C Davis, R3 500, was treated as a return of goods and recorded in the Debtors' Allowances Journal.
- R5 200, received from D Klein, a debtor whose outstanding balance was written off six months ago, was recorded in the Cash Receipts Journal as a receipt from a debtor.
- Merchandise returned by A Barnes was recorded in the relevant journal as R250 instead of R700 and posted accordingly.
- An EFT for R7 850, received from E Foley as part payment of his account, was entered correctly in the relevant journal but no entries were made in the Debtors' Ledger.



C. The following age analysis was compiled on 30 September 2021:

DEBTOR	CREDIT-LIMIT R	BALANCE R	CURRENT R	30 DAYS R	60 DAYS R	MORE THAN 90 DAYS R
J Blom	52 000	45 000	18 000	7 000	20 000	
Z Phi	22 000	29 000	3 000	26 000		
S Sah	16 000	12 500	12 500			
O Mach	6 000	6 000	2 000			4 000
Other debtors		146 300	55 244	48 192	30 148	12 716
<b>TOTALS</b>		<b>R238 800</b>	<b>R90 744</b>	<b>R81 192</b>	<b>R50 148</b>	<b>R16 716</b>
		<b>100%</b>	<b>38%</b>	<b>34%</b>	<b>21%</b>	<b>7%</b>

D. Susan, a member of the sales staff, is also responsible for:

- Collecting cash from customers who choose to pay in this way
- Receiving goods returned and issuing credit notes to customers who return goods.

The internal auditor is not happy with Susan's job description as he feels it has the potential for fraud, which could lead to loss of cash and trading stock.

30

## QUESTION 1

1.1

Provide TWO documents that Zig Zag Traders will need from potential debtors before they will be allowed to open accounts.

2

1.2 Refer to Information A and B.

Calculate: Correct closing balance of the Debtors' Control Account on 30 September 2021. Indicate changes with '+' for an increase, '-' for a decrease or '0' for no change.

<b>PROVISIONAL BALANCE</b>	<b>228 000</b>
(i)	
(ii)	
(iii)	
(iv)	
(v)	
(vi)	
(vii)	

9
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DEBTOR	WORKINGS	ANSWER
A Barnes	(13 500	
C Davis	(25 000	
E Foley	(18 300	

1.3 Refer to Information C.

Explain THREE different problems highlighted by the debtors' age analysis. Provide the name of a debtor and/or the figure(s) in EACH case.

PROBLEM	NAME OF DEBTOR WITH FIGURES

1.4 Refer to Information D.

Provide TWO points to support the internal auditor's concern that Susan's job description could lead to potential fraud.

4

NOVEMBER 2020 NSC

QUESTION 1: VAT AND CREDITORS' RECONCILIATION (25 marks; 20 minutes)

1.1 VAT

Amahle Traders is registered for VAT. The standard VAT rate is 15%.

**REQUIRED:**

1.1.1 Calculate the figures indicated by (a) to (d) in the table below. (9)

1.1.2 The internal auditor discovered that Amahle has been underpaying the amount due to SARS in respect of VAT, at each submission date. On enquiry, Amahle stated that she used the money to pay business expenses and adjusted the payments later.

Comment on this practice and give Amahle advice. (3)

**INFORMATION:**

	EXCLUDING VAT	INCLUDING VAT	VAT AMOUNT
Invoices received from suppliers	R78 000	R89 700	(a)
Discount received from suppliers	R12 400		(b)
Credit notes issued to customers		(c)	R210
Invoices issued to customers		R158 700*	(d)

\* This includes sales for R9 200 which should have been sold at zero rate. The bookkeeper incorrectly included VAT of R1 200 on these goods.

## 1.2 CREDITORS' RECONCILIATION

Ekasi Traders buys goods on credit from Thembeke Suppliers.

### REQUIRED:

1.2.1 Use the table provided to indicate changes to the:

- Creditors' Ledger Account in the books of Ekasi Traders
- Creditors' Reconciliation Statement on 30 April 2021 (9)

1.2.2 Refer to Information C(c) about Invoice 395. It was discovered that the purchasing manager, Bradley, had taken these goods for his personal catering business. The owner regards Bradley as a valued member of staff and does not regard this as theft.

What should the owner say to Bradley regarding this incident? Explain TWO points. (4)

### INFORMATION:

#### A. Creditors' Ledger Account in the books of Ekasi Traders

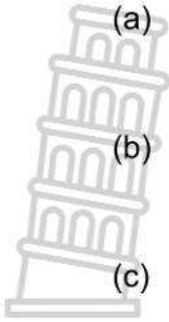
THEMBEKA SUPPLIERS (CL6)						
				DEBIT	CREDIT	BALANCE
2021	1	Balance	b/d			R81 000
April	12	Invoice 220			97 200	178 200
		EFT		40 500		137 700
	18	Debit Note 702		10 300		127 400
		Invoice 289			49 100	176 500
		Invoice 333			30 000	206 500
	24	Debit Note 877			9 700	216 200
	25	Journal voucher 585		6 400		209 800
	31	Cheque and discount		92 600		117 200

#### B. Statement of account from Thembeke Suppliers

				DEBIT	CREDIT	BALANCE
<b>Ekasi Traders</b>						
<b>225 Crocodile Road</b>						
						<b>25 April 2021</b>
2021	1	Balance				R81 000
April	12	Invoice 220		97 200		178 200
		Receipt 742			40 500	137 700
	18	Credit Note 791			13 100	124 600
		Invoice 333		30 000		154 600
	22	Invoice 395		12 500		167 100
	24	Credit Note 888			9 700	157 400



**C. Errors, omissions and other information:**



- (a) Invoice 289 was incorrectly reflected in the account of Thembeke Suppliers in the Creditors' Ledger. These goods were purchased from Thami Suppliers.
- (b) Credit Note 791 was recorded incorrectly on the statement of account. This relates to the correct entry for Debit Note 702 in the Creditors' Ledger.
- (c) Invoice 395 on the statement of account was for goods ordered by Ekasi Traders.
- (d) Thembeke Suppliers also purchased goods on credit from Ekasi Traders. Ekasi Traders has transferred a debit balance from the Debtors' Ledger (Journal voucher 585). Thembeke Suppliers will include this on the next statement.
- (e) The transaction on 24 April 2021 is for merchandise returned to Thembeke Suppliers.
- (f) The statement of account reflects transactions up to 25 April 2021.

25

**QUESTION 1**

**1.1 VAT**

1.1.1

	Workings	Answer
(a)		
(b)		
(c)		
(d)		

9

1.1.2

**Comment on this practice and give Amahle advice.**

Comment	Advice

3

1.2 CREDITORS' RECONCILIATION

1.2.1

	Creditors' Ledger Account of Thembeke Suppliers in the Books of Ekasi Traders	Statement of Account from Thembeke Suppliers
Balance	117 200	157 400
(a)		
(b)		
(c)		
(d)		
(e)		
(f)		

9

1.2.2 What should the owner say to Bradley regarding this incident? Explain TWO points.

4

TOTAL MARKS
25

**COST ACCOUNTING, BREAK-EVEN POINT, ECONOMIES OF SCALE, MARGINAL COST  
NOVEMBER 2022 NSC**

**QUESTION 1: COST ACCOUNTING**

**(35 marks; 30 minutes)**

- 1.1 Choose an example from COLUMN B that matches a cost category in COLUMN A. Write only the letter (A–E) next to the question numbers (1.1.1 to 1.1.4) in the ANSWER BOOK, e.g. 1.1.5 F.

COLUMN A		COLUMN B	
1.1.1	Administration	A	carriage on raw material purchased
1.1.2	Direct material	B	salary of the factory foreman
1.1.3	Selling and distribution	C	rent expense for the office building
1.1.4	Factory overhead	D	workers in production
		E	commission paid to sales staff

(4 x 1) (4)

1.2 **WEZA STITCHES**

Weza Stitches, owned by Annie Brown, manufactures bathroom towel sets. Anne buys fabric from local suppliers. The information relates to the financial year ended 30 June 2022. Note that there were no work-in-progress stock balances.

**REQUIRED:**

- 1.2.1 Calculate the following for the financial year ended 30 June 2022:

- Direct labour cost (7)
- Factory overhead cost (6)
- Total cost of production (4)

- 1.2.2 Annie is concerned that fixed costs increased to R806 400. Explain why she should not be concerned. Provide TWO points. Quote figures. (4)

1.2.3 **Refer to Information C.**

Comment on whether the production staff deserves the production bonus that they received. Provide THREE points, with figures. (6)

- 1.2.4 Annie wants to improve her profit by R50 000 during the next financial year while maintaining costs. Calculate the additional units that must be produced to achieve this target. (4)



**INFORMATION:**

**A. Direct labour cost:**

- Six workers were employed in production in 2021 and 2022.
- Each of them worked 1 840 hours normal time during the year at R40 per hour.
- The overtime register reflected a combined total of 230 hours worked at 1,6 times the normal time rate.
- Production staff received a production bonus of 8% of the normal time wages.

**B. Factory overhead cost:**

The bookkeeper calculated the factory overhead cost as R541 600.

However, he made the following errors, which must still be adjusted:

- He included the entire insurance expense of R32 500 to the factory overhead cost, instead of only 60% of this expense.
- He allocated R54 000 to factory water and electricity using the ratio 3 : 2 : 2 for factory, sales and office respectively. This expense should have been split in the ratio 2 : 1 : 1.

**C. Additional information:** (after taking all corrections into account)

	30 JUNE 2022		30 JUNE 2021	
	Total	Per unit	Total	Per unit
<b>Variable costs:</b>	<b>R1 561 600</b>	<b>R244</b>	<b>R1 317 750</b>	<b>R251</b>
Direct material	R652 800	R102	R672 000	R128
Direct labour	?	?	R498 750	R95
Selling and distribution			R147 000	R28
<b>Fixed costs:</b>	<b>R806 400</b>	<b>R126</b>	<b>R792 750</b>	<b>R151</b>
Factory overheads				
Administration				
Number of units produced and sold	6 400 units		5 250 units	
Break-even point	6 156 units		6 954 units	
Selling price per unit	R375		R365	



1.1

1.1.1	
1.1.2	
1.1.3	
1.1.4	

4

1.2

**WEZA STITCHES**

1.2.1

Calculate: Direct labour cost	
WORKINGS	ANSWER

7

Calculate: Factory overhead cost	
Total before corrections	541 600
Insurance	
Water and electricity	
<b>TOTAL</b>	

6

Calculate: Total cost of production for 2022	
WORKINGS	ANSWER

4

1.2.2

Annie is concerned that fixed costs increased to R806 400. Explain why she should not be concerned. Provide TWO points. Quote figures.	
POINT 1	
POINT 2	

4

1.2.3

Comment on whether the production staff deserves the production bonus that they received. Provide THREE points, with figures.

POINT 1	
POINT 2	
POINT 3	

6

1.2.4

Annie wants to improve her profit by R50 000 during the next financial year while maintaining costs. Calculate the additional units that must be produced to achieve this target.

WORKINGS	ANSWER

4

**JUNE 2023 NSC SUPPLEMENTARY**

**QUESTION 3: COST ACCOUNTING**

**(45 marks; 35 minutes)**

**3.1 LADOO MANUFACTURERS**

The business manufactures leather purses. The financial year ended on 28 February 2023.

**REQUIRED:**

**3.1.1 Refer to Information C.**

Calculate the factory overhead cost. (8)

**3.1.2 Prepare the Production Cost Statement on 28 February 2023. (10)**

**INFORMATION:**

**A.** Work-in-progress stock balance on 1 March 2022 was R542 000.

**B.** Details of the workers in production:

Number of workers	40
Basic (normal) wage rate	R60 per hour
Normal time hours worked by each worker	1 920 hours
Overtime (in total)	R1 142 000

**C.** The bookkeeper calculated the factory overhead cost at R2 638 600.

The following costs were omitted and must be taken into account:

- Insurance is a fixed monthly premium for the entire financial year. The amount paid, R235 950, includes the premium for March 2023.  $\frac{2}{3}$  of this expense relates to the factory.
- Water and electricity allocated to the office was R69 200. Note that water and electricity is shared according to floor space, as follows:

Factory	Sales	Office
560 m <sup>2</sup>	240 m <sup>2</sup>	160 m <sup>2</sup>

The following entry must be corrected:

Rent of R316 000 was recorded in the factory overhead cost. However, the bookkeeper used the incorrect ratio of 2 : 5 : 1 for Factory, Sales and Office. The correct ratio is 5 : 2 : 1 respectively.

**D.** Total prime cost for the year amounted to R12 500 000.

**E.** Total production for the year, 33 500 units, were produced at a cost of R475 per unit.

## 3.2 STYLZ MAKER

The business manufactures designer shirts. The financial year ends on 30 April each year. The business is owned by Lez Styles.

### REQUIRED:

**NOTE:** Provide evidence in the form of figures or calculations to support the comments and explanations required below.

#### 3.2.1 Break-even point, production and profit:

- Do a calculation to confirm that the break-even point for 2023 is correct. (3)
- Comment on the level of production and the break-even point for the past two years. Explain whether Lez Styles would be happy about the trends in these results and the profit he is earning. Provide figures or calculations. (4)

#### 3.2.2 Fixed costs:

Explain why Lez is not concerned about the fixed costs increasing to R6,1 m in 2023. Quote figures. (4)

#### 3.2.3 Selling and distribution cost:

- Identify how the selling and distribution costs in total and per unit changed over the two years. (2)
- Explain TWO reasons why Lez deliberately wanted to adjust this cost. (2)

#### 3.2.4 Direct material and direct labour: Refer to Information A and C.

Lez made specific decisions to improve the business and its product.

Explain how the decisions he took have benefited the business by providing:

- TWO separate points relating to the raw material (6)
- TWO separate points relating to the direct labour (6)

### INFORMATION:

#### A. Lez's general strategic decisions with effect from 1 May 2023:

- Lez decided to improve the quality of the shirts to be more competitive and to export to retailers in other countries.
- He changed to a new supplier of the fabric (raw materials) and employed some highly skilled and creative workers to replace workers who resigned or retired.
- Factory overheads for 2023 included a training programme for factory workers (R600 000) and the hiring of equipment with the latest technology for R1,4 m per year.



**B. Production and cost**

	2023		2022	
Number of units produced and sold	10 500 shirts		6 500 shirts	
Selling price	R1 830		R1 430	
Break-even point	4 815 shirts		4 267 shirts	
	2023		2022	
	TOTAL R	PER UNIT R	TOTAL R	PER UNIT R
<b>VARIABLE COSTS</b>	<b>5 916 000</b>	<b>563</b>	<b>3 047 500</b>	<b>469</b>
Direct materials cost	3 780 000	360	1 787 500	275
Direct labour cost	936 000	89	960 000	148
Selling and distribution cost	1 200 000	114	300 000	46
<b>FIXED COSTS</b>	<b>6 100 000</b>	<b>581</b>	<b>4 100 000</b>	<b>631</b>
Factory overhead cost	5 600 000	533	3 600 000	554
Administration cost	500 000	48	500 000	77
<b>TOTAL COST OF PRODUCTION</b>	<b>12 016 000</b>	<b>1 144</b>	<b>7 147 500</b>	<b>1 100</b>

- C. Lez undertook a short course on managerial accounting to enable him to analyse the production costs more effectively every month. He has analysed the following production costs:

<b>Raw materials:</b>	2023	2022
Cost of fabric per metre	R200	R110
Metres of fabric per shirt (including wastage)	1,8 metres	2,5 metres
Fabric used in metres	43 200 metres	44 000 metres
<b>Direct workers:</b>		
Number of direct workers	12 workers	15 workers
Average wages per worker p.a.	R78 000	R64 000
Hours per worker per year	1 920 hours	1 920 hours
Hours worked by all workers	23 040 hours	28 800 hours
Average number of shirts produced per worker	875 shirts	433 shirts

**QUESTION 3**

**3.1 LADOO MANUFACTURERS**

**3.1.1 FACTORY OVERHEAD COST**

<b>TOTAL before corrections</b>	<b>2 638 600</b>

<b>8</b>

**3.1.2 PRODUCTION COST STATEMENT ON 28 FEBRUARY 2023**

<b>PRIME COST</b>	<b>12 500 000</b>
<b>TOTAL MANUFACTURING COST</b>	
<b>Work-in-progress at beginning of year</b>	<b>542 000</b>
<b>Work-in-progress at end of year</b>	
<b>COST OF PRODUCTION OF FINISHED GOODS</b>	

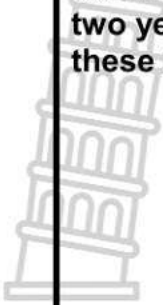
<b>10</b>

**3.2 STYLZ MAKER**

**3.2.1 Do a calculation to confirm that the break-even point for 2023 is correct.**

<b>3</b>

Comment on the level of production and the break-even point for the past two years. Explain whether Lez Styles would be happy about the trends in these results and the profit he is earning. Provide figures or calculations.



4

3.2.2 Explain why Lez is not concerned about the fixed costs increasing to R6,1 m in 2023. Quote figures.

4

3.2.3 Identify how the selling and distribution costs in total and per unit changed over the two years. Quote figures.

2

Explain TWO reasons why Lez deliberately wanted to adjust this cost.

Reason 1

Reason 2

2

3.2.4 **Lez made specific decisions to improve the business and its product. Explain how the decisions he took have benefited the business by providing:**

**TWO separate points relating to the raw material. Quote figures or calculations.**

Point 1

Point 2

6

**TWO separate points relating to the direct labour. Quote figures or calculations.**

Point 1

Point 2

6

**NOVEMBER 2021 NSC**

**QUESTION 2: COST ACCOUNTING**

**(45 marks; 35 minutes)**

**2.1 PRUDY MANUFACTURERS**

The information relates to the financial year ended 28 February 2021. The business produces one style of travelling bag. The owner is Prudy Sithole.

**REQUIRED:**

Complete the following for the year ended 28 February 2021:

2.1.1 Production Cost Statement (10)

2.1.2 Abridged Statement of Comprehensive Income (Income Statement) (11)



**INFORMATION:**

**A. Stock balances:**

	28 February 2021	1 March 2020
Finished goods stock	R96 000	R72 000

There is no work-in-progress at the beginning or end of the year.

**B.** Raw material issued to the factory for production, R1 494 000.

**C. Production wages:**

Information extracted from the production wages records:

NET WAGES PAID TO PRODUCTION	TOTAL DEDUCTIONS
R647 400	22% of gross wages

**D. The bookkeeper calculated the following costs for the year ended 28 February 2021:**

Factory overhead cost	R520 280
Selling and distribution cost	R224 960
Administration cost	R187 760

It was discovered that she did not take the following into account:

- The telephone account of R22 400 was posted in error to the factory overhead cost. This expense relates to the office.
- The entire amount of rent expense, R98 400, was posted to the factory overhead cost. This expense should have been split in the ratio 7 : 2 : 1 between the factory, sales and administration departments.
- The insurance expense of R26 400 was divided equally between the factory overhead cost and the sales department in error. 60% of this expense relates to the factory and the balance applies to the sales department.

**E. Sales:**

Total sales for the year amounted to R4 433 600.

**2.2 CONTROL OF RAW MATERIAL**

After completing the statements in QUESTION 2.1, the internal auditor of Prudy Manufacturers suspects that the raw material (fabric) is not being controlled well in the storeroom and the factory.

**2.2.1 Calculate:**

- The metres of fabric missing from the storeroom
- The metres of fabric wasted in the factory

Apart from installing cameras, provide a specific strategy to improve

internal control in the storeroom and factory. In EACH case, provide a different point. (6)

2.2.2 Calculate the total cost of fabric lost and wasted and explain how this loss should be shown in the statements mentioned in QUESTION 2.1. (3)

**INFORMATION:**

**A. Raw material (fabric):**

Fabric used in production is issued to the factory from the storeroom, as required. The record of fabric is as follows:

	<b>METRES</b>	<b>TOTAL AMOUNT</b>
Raw material issued to factory	12 450	R1 494 000
Balance on 1 March 2020	2 700	324 000
Purchase of fabric during the year	10 800	1 296 000
Balance on 28 February 2021	850	102 000

**B. Additional information:**

- Fabric is purchased at a fixed cost price of R120 per metre.
- It takes 1,5 metres of fabric to make one travel bag.
- 7 800 bags were produced during the financial year.

**2.3 ROSEMARY'S TOY FACTORY**

This factory manufactures toy teddy bears. There is no work-in-progress stock at the beginning or end of each year. The financial year ends on 31 December.

Rosemary decided to address the problem of low profits made in 2020 by making some changes to improve sales and production.

**REQUIRED:**

- 2.3.1 Provide a calculation to confirm that the break-even point for the 2021 financial year is correct. (3)
- 2.3.2 Explain why Rosemary is pleased with the production level, sales and break-even point. Quote figures. (4)
- 2.3.3 Explain to Rosemary why the fixed cost per unit decreased from R56,00 to R45,71. (2)
- 2.3.4 Rosemary made deliberate decisions regarding variable costs to improve the business.

Explain the decisions that she might have taken on these costs and how these could have had positive effects on the business. Quote figures.

(6)

**INFORMATION:**

	31 DECEMBER 2021		31 DECEMBER 2020	
	AMOUN T R	UNIT COST	AMOUN T R	UNIT COST
Direct material cost	490 000	100,00	320 000	80,00
Direct labour cost	274 400	56,00	288 000	72,00
Selling and distribution	176 400	36,00	96 000	24,00
<b>VARIABLE COST</b>	<b>940 800</b>	<b>192,00</b>	<b>704 000</b>	<b>176,00</b>
Factory overhead costs	160 000	32,65	160 000	40,00
Administration cost	64 000	13,06	64 000	16,00
<b>FIXED COST</b>	<b>224 000</b>	<b>45,71</b>	<b>224 000</b>	<b>56,00</b>
Selling price per unit	R255		R240	
Units produced and sold	4 900 units		4 000 units	
Break-even point	3 556 units		3 500 units	



**QUESTION 2**

**2.1 PRUDY MANUFACTURERS**

**2.1.1 PRODUCTION COST STATEMENT FOR THE YEAR ENDED  
28 FEBRUARY 2021**

Direct material cost	1 494 000
Prime cost	
Factory overhead cost 520 280	
Cost of production of finished goods	

10
----

**2.1.2 ABRIDGED STATEMENT OF COMPREHENSIVE INCOME (INCOME  
STATEMENT) FOR THE YEAR ENDED 28 FEBRUARY 2021**

Sales	4 433 600
Cost of sales	
Gross profit	
Other expenses	
Selling and distribution costs 224 960	
Administration cost 187 760	
Net profit for the year	

11
----



**2.2 CONTROL OF RAW MATERIAL**

2.2.1

Calculate the metres of fabric:	Internal control strategy
Missing from the storeroom	
Wasted in the factory	

6
---

2.2.2

Calculate the total cost of fabric lost and wasted.	
WORKINGS	ANSWER
Explain how this loss should be shown in the statements mentioned in QUESTION 2.1.	

3
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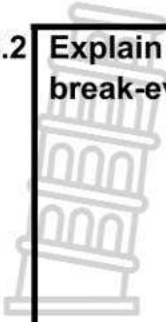
**2.3 ROSEMARY'S TOY FACTORY**

2.3.1

Provide a calculation to confirm that the break-even point for the 2021 financial year is correct.
--

3
---

2.3.2 Explain why Rosemary is pleased with the production level, sales and break-even point. Quote figures.



4

2.3.3 Explain to Rosemary why the fixed cost per unit decreased from R56,00 to R45,71.

2

2.3.4 Rosemary made deliberate decisions regarding variable costs to improve the business.

Explain the decisions that she might have taken on these costs and how these could have had positive effects on the business. Quote figures.

Cost	Comment and positive effect (with figures)
Direct material cost	
Direct labour cost	
Selling and distribution cost	


**NORTH WEST PRELIM 2023**

**QUESTION 2: COST ACCOUNTING**

**(45 marks; 35 minutes)**

2.1 Indicate whether the following statements are TRUE or FALSE. Write only TRUE or FALSE next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

- 2.1.1 Carriage on raw materials purchased, increases the cost of raw materials issued for production. (1)
- 2.1.2 Direct labour cost is part of factory overhead cost. (1)
- 2.1.3 Commission on sales will be classified as an administration cost. (1)

**2.2 MAQ LAWN MOWER MANUFACTURERS**

You are provided with information relating to Maq Lawnmowers for the year ended 28 February 2023. The business manufactures one type of lawn mower.

**REQUIRED:**

- 2.2.1 Prepare the Factory overhead cost note. (15)
- 2.2.2 Prepare the Production Cost Statement. (12)

**INFORMATION:**

**A. Stock balances:**

	28 February 2023	1 March 2022
Work-in-process	?	R160 000
Finished goods stock	R 95 000	R110 000
Indirect factory material	R 15 100	R 13 201

- B. The cost of salaries per production worker is R12 600 per month. The factory has 13 production workers earning the same salary.
- C. The factory foreman's annual salary must be entered. His annual deductions for the year are:

PAYE	R39 600 (the PAYE rate is 18%).
Pension fund	R17 600 (this is 8% of gross salary; the employer's contribution is twice the deduction).

**D. Accounts appearing in the General Ledger on 28 February 2023:**

Factory plant and machinery	R2 800 000
Accumulated depreciation factory plant and machinery (1 March 2022).	R2 528 000
Water and electricity	R104 000
Rent expense	R115 200
Insurance	R ?

- The factory uses 90% of water and electricity.
- Rent is divided between the different sections according to floor space.

	TOTAL	FACTORY	ADMINISTRATION	SALES
Floor space	750 m <sup>2</sup>	450 m <sup>2</sup>	20 m <sup>2</sup>	280 m <sup>2</sup>

- Insurance is allocated to the factory, sales and administration in the percentage ratio 45 : 35 : 25. The portion allocated to administration is R18 100.



- E. Indirect materials of R38 400 were bought for the factory during the financial year.
- F. The following figures must still be brought into account:
- Depreciation on factory plant and machinery at 10% p.a. on cost. These assets are very old and will need to be replaced next year.
  - Direct (raw) materials issued for manufacturing, R1 335 400.
- G. **Details from the Statement of Comprehensive Income for the year:**

Sales of finished goods	R6 022 500
Cost of sales of finished goods (50% mark-up on cost)	?

### 2.3 VITAMIN CHEWABLES

This business produces and sells boxes of multi-vitamin pills to boost the health of people. The owner is Mimi Muller. The financial year ends on 30 September 2023.

#### REQUIRED:

- 2.3.1 Provide a calculation to confirm that the break-even point for the 2023 financial year is correct. (3)
- 2.3.2 Mimi is not happy with the number of units produced and sold. Provide evidence with figures to support her opinion. Provide TWO points. (4)
- 2.3.3 No theft has occurred in the business; however, Mimi is concerned that most of her workers are not loyal nor committed and do not have due regard for the products they produce. Provide TWO different points of evidence, with figures, to support her opinion. (4)
- 2.3.4 Mimi wants to improve her profit by R75 000 during the next financial year, while maintaining costs. Calculate the additional units that must be produced to achieve this target. (4)

#### INFORMATION:

The following information was taken from the accounting records:

	30 September 2023		30 September 2022	
	Total	Per unit	Total	Per unit
Sales	R7 616 000	R119,00	R7 644 000	R98,00
Variable costs	R4 544 000	R71,00	R4 400 000	R56,41
Fixed costs	R2 942 400	R45,98	R2 520 960	R32,32
Direct material cost	R2 624 000	R41,00	R2 371 200	R30,40
Direct labour cost	R1 472 000	R23,00	R1 528 800	R19,60
Selling & distribution cost	R448 000	R7,00	R500 000	R6,41
Break-even point	61 300 units		60 615 units	
Units produced & sold	64 000 units		78 000 units	



QUESTION 2

2.1	<b>COST CONCEPTS</b>
2.1.1	
2.1.2	
2.1.3	

3

2.2 MAQ LAWN MOWER MANUFACTURERS

<b>FACTORY OVERHEAD COSTS</b>	

15

2.2.2	<b>PRODUCTION COST STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2023</b>	
	<b>Prime cost</b>	
	<b>Total manufacturing cost</b>	
	<b>Work-in-process (beginning of year)</b>	160 000
	<b>Cost of production of finished goods</b>	

12

2.3 VITAMIN CHEWABLES

2.3.1 Provide a calculation to confirm that the break-even point for the 2023 financial year is correct.

WORKINGS	ANSWER


2.3.2 Mimi is not happy with the number of units produced and sold. Provide TWO points of evidence with figures to support her opinion.

--

4

2.3.3 No theft has occurred in the business; however, Mimi is concerned that most of her workers are not loyal and committed and do not have due regard for the products they produce. Provide TWO different points of evidence, with figures, to support her opinion.

--

4

2.3.4 Mimi wants to improve her profit by R75 000 during the next financial year while maintaining costs. Calculate the additional units that must be produced to achieve this target.

--

4

**STOCK VALIDATION / INVENTORY: FIFO, SPECIFIC AND WEIGHTED AVERAGE  
NOVEMBER 2020 NSC**

**QUESTION 4: STOCK VALUATION**

**(35 marks; 30 minutes)**

- 4.1 Give ONE word/term for each of the following statements. Write only the word/term next to the question numbers (4.1.1 to 4.1.4) in the ANSWER BOOK.

periodic system; FIFO; perpetual system; specific identification; weighted average
---

- 4.1.1 This method is most suitable for inexpensive goods purchased regularly.
- 4.1.2 The closing stock balance is recorded at the most recent prices paid.
- 4.1.3 Individual stock items are valued at the cost price on the purchase invoice.
- 4.1.4 The cost of sales is recorded for every sales transaction. (4 x 1) (4)

4.2 **LOTUS ACCESSORIES**

The owner is Alex Lotus. The business uses the first-in first-out method to value gas lamps. They decided to sell gas stoves as well, expecting a demand due to increased load shedding. The specific identification method is used to value these stoves.

The financial year-end is 30 April each year.

**REQUIRED:**

- 4.2.1 Calculate the following for the **gas lamps** on 30 April 2021:
- Value of closing stock (using FIFO) (6)
  - Stockholding period in days (using closing stock) (6)
- 4.2.2 Alex suspects that the stock of gas lamps are not well controlled.
- Calculate the number of gas lamps missing. (4)
- 4.2.3 An investigation revealed that Alex's brother (employed at the store) orders gas lamps using the business ordering system, and sells them privately to his friends.
- What should Alex say to his brother when dealing with this matter? Provide TWO points. (4)
- 4.2.4 Calculate the closing stock value for **gas stoves** on 30 April 2021 (using the specific identification method). (5)
- 4.2.5 Alex thinks he should stop selling gas stoves as they are causing a liquidity problem and the profit is low.
- Provide figures to support his opinion. (2)
  - Explain TWO points to convince him NOT to discontinue trading in gas stoves. (4)

**A. STOCK RECORDS FOR GAS LAMPS:**

	UNITS	UNIT PRICE (R)	AMOUNT (R)
<b>Stock balance on 1 May 2020</b>	<b>230</b>		<b>R12 650</b>
<b>Purchases during the year:</b>	<b>2 750</b>		<b>R193 500</b>
July 2020	650	R60	39 000
September 2020	800	R68	54 400
January 2021	1 100	R75	82 500
March 2021	220	R80	17 600
<b>Returns (from March 2021)</b>	<b>40</b>	<b>?</b>	<b>?</b>
<b>Available for sale</b>	<b>2 940</b>		
<b>Stock balance: 30 April 2021</b>	<b>270</b>	<b>?</b>	<b>?</b>
<b>Total sales</b>	<b>2 180</b>	<b>R140</b>	<b>R305 200</b>

**B. STOCK RECORDS FOR GAS STOVES:**

**PURCHASES:**

MONTH	MODEL	UNITS	UNIT PRICE	AMOUNT
August 2020	B-LITE	80	R495	R39 600
October 2020	B-LITE	80	R495	R39 600
	SMART	100	R700	R70 000
February 2021	B-LITE	120	R495	R59 400
	SMART	60	R700	R42 000

**SALES:**

MODEL	UNITS SOLD	SELLING PRICE	AMOUNT
B-LITE	132	R790	R104 280
SMART	54	R980	R52 920

**GROSS PROFIT AND MARK-UP:**

MODEL	COST OF SALES	GROSS PROFIT	MARK-UP
B-LITE	R65 340	R38 940	60%
SMART	R37 800	R15 120	40%



**QUESTION 4**

4.1

4.1.1	
4.1.2	
4.1.3	
4.1.4	

4

**4.2 LOTUS ACCESSORIES**

4.2.1

Calculate: Value of closing stock for gas lamps (using FIFO)	
Workings	Answer

6

Calculate: Stockholding period in days for gas lamps (using closing stock)	
Workings	Answer

6

4.2.2

Alex suspects that the stock of gas lamps are not well controlled. Calculate the number of gas lamps missing.	
Workings	Answer

4

4.2.3

What should Alex say to his brother when dealing with this matter? Provide TWO points.	

4

4.2.4

Calculate the closing stock value for gas stoves on 30 April 2021 (using the specific identification method).	
Workings	Answer

--

4.2.5

Alex thinks he should stop selling gas stoves as they are causing a liquidity problem and the profit is low. Provide figures to support his opinion.

--

Explain TWO points to convince him NOT to discontinue trading in gas stoves.

--

**JUNE 2023 NSC SUPPLEMENTARY**

**QUESTION 2: INVENTORY VALUATION**

**(35 marks; 30 minutes)**

Mandie Jones is the owner of TV City that sells TV sets and has two branches (shops) in KZN. The periodic stock system is used. No missing items were recorded for the financial year ended 28 February 2023.

**2.1 Howick branch**

This branch sells **Arctic TV sets**.

2.1.1 Calculate the value of the closing stock of the Arctic TV sets on 28 February 2023 using the first-in-first-out (FIFO) method. (5)

2.1.2 Calculate the stockholding period (in days) using the closing stock figure (3)

ARCTIC TV SETS	UNITS	COST PRICE PER UNIT	TOTAL AMOUNT
<b>Opening stock: 1 March 2022</b>	<b>280</b>		
<b>Purchases</b>	<b>1 600</b>		<b>6 310 000</b>
May 2022	500	R3 800	R1 900 000
August 2022	400	3 950	1 580 000
September 2022	400	4 000	1 600 000
January 2023	300	4 100	1 230 000
<b>Returns</b>	<b>60</b>	<b>4 100</b>	<b>(246 000)</b>
<b>Closing stock: 28 February 2023</b>	<b>270</b>		<b>?</b>
<b>Cost of sales</b>			<b>R6 010 000</b>
<b>Sales</b>	<b>1 550</b>	<b>R5 000</b>	<b>R7 750 000</b>

**2.2 Durban Branch**

This branch sells **Pacific and Caspian Smart TV sets**.

Mandie was concerned about the following issues:

- The Caspian Smart TV sets would be too expensive for her customers.
- High stock levels in all her products might negatively affect the business.

Mandie expected to sell 1 000 Pacific TV sets in the 2023 financial year. She therefore adjusted the selling price of the Pacific TV sets in September and asked the bookkeeper to provide an analysis of the quarterly sales.

**Refer to Information A and B.**

2.2.1 Calculate the value of the closing stock of the Pacific TV sets on 28 February 2023 using the specific identification method. (4)

2.2.2 Calculate the gross profit earned on sale of the new Caspian Smart TV sets. (3)

- 2.2.3 Comment on the quarterly sales of the Pacific TV sets and explain whether or not Mandie's adjustment of the selling price was a wise decision. Quote figures or calculations. (4)
- 2.2.4
- Comment on the stockholding periods of the Pacific and Caspian TV sets. (4)
  - Explain how the different holding periods affect the business financially. (4)
  - Explain what these periods indicate about the preferences of the customers. Quote figures or calculations. (4)
- 2.2.5 Provide TWO points of advice to Mandie on how she can rectify the high stock levels of some of her products without reducing prices offered to customers any further. (4)

**INFORMATION:**

**A. Durban branch stock records**

TV SETS	PACIFIC		CASPIAN SMART	
Cost price	R9 300		R10 200	
Mark-up % on cost	Fluctuating		60%	
Stock records	UNITS	TOTAL (R)	UNITS	TOTAL (R)
Stock on 1 March 2022	350	3 255 000		
<b>Purchases</b>	<b>800</b>	<b>7 440 000</b>	<b>800</b>	<b>8 160 000</b>
May 2022	400	3 720 000		
August 2022	400	3 720 000		
September 2022*			800	8 160 000
<b>Sales</b>	<b>765</b>	<b>9 408 500</b>	<b>670</b>	<b>10 934 400</b>

\*The branch started selling the new Caspian Smart TV sets on 1 September 2022.

**B. Quarterly sales**

The bookkeeper provided Mandie with the following analysis of quarterly sales and stockholding periods:

SALES PER QUARTER	PACIFIC			CASPIAN SMART	
	UNITS	SELLING PRICE PER TV	TOTAL SALES	UNITS	TOTAL SALES
Mar.–May	250	R13 500	R3 375 000	-	
June–Aug.	245	13 500	3 307 500	-	
Sep.–Nov.	160	10 300	1 648 000	340	R5 548 800
Dec.–Feb.	110	9 800	1 078 000	330	5 385 600
<b>Stockholding period</b>	184 days			71 days	



**QUESTION 2**

2.1.1 Calculate: Value of the closing stock of the Arctic TV sets using the FIFO method on 28 February 2023

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

5

2.1.2 Calculate: Stockholding period (in days) of the Arctic TV sets using the closing stock figure on 28 February 2023

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

3

2.2.1 Calculate: Value of the closing stock of the Pacific TV sets on 28 February 2023 using the specific identification method

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

4

2.2.2 Calculate: Gross profit on the Caspian Smart TV sets on 28 February 2023

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

3

2.2.3 Comment on the quarterly sales of the Pacific TV sets and explain whether or not Mandie's adjustment of the selling price was a wise decision. Quote figures or calculations.



4

2.2.4 Comment on the stockholding periods of the Pacific and Caspian TV sets. Quote figures or calculations.

4

Explain how the different holding periods affect the business financially. Quote figures or calculations.

4

Explain what these periods indicate about the preferences of the customers. Quote figures or calculations.

4

2.2.5 Provide TWO points of advice to Mandie on how she can rectify the high stock levels of some of her products without reducing prices offered to customers any further.

4

**KWAZULU NATAL PRELIM 2023**

**QUESTION 2 INVENTORY VALUATION**

**(30 marks, 25 minutes)**

The information relates to Newcastle Traders for the year ended 30 April 2023. The business is owned by Ganesha Pillay. The business sells one type of running shoes as well as soccer boots.

NOTE: All units are regarded as PAIRS of shoes.

**2.1 RUNNING SHOES**

**REQUIRED:**

- 2.1.1 Calculate the selling price per unit for running shoes. (2)
- 2.1.2 Calculate the value of the closing stock on 30 April 2023 using the weighted average method. (8)
- 2.1.3 It was discovered that a number of running shoes were shoplifted. Calculate the number of the missing shoes. (4)
- 2.1.4 Provide TWO strategies that Ganesha should implement to prevent the loss of stock in future. (2)

**INFORMATION:**

**A. Balances:**

	UNITS	UNIT PRICE	AMOUNT (R)
Opening stock	200	377	75 400
Closing stock	430	?	?

**B. Purchases:**

	NUMBER OF UNITS	UNIT PRICE R	TOTAL R
May 2022	600	520	312 000
November 2022	800	750	600 000
March 2023	300	650	195 000
<b>TOTAL</b>	<b>1 700</b>		<b>1 107 000</b>

**C. Sales:**

- 1 465 units sold.
- Sales amounts to R1 758 000 for the year ended 30 April 2023.

**D. Carriage on purchases:**

The business contracted with MGM transport at a fixed rate of R10 per unit delivered to the store.

**E. Returns to suppliers**

20 damaged pairs from the November 2022 purchases were returned to the supplier. The supplier agreed to reverse the total cost price paid, excluding carriage on purchases.

**2.2 SOCCER BOOTS**

**REQUIRED:**

- 2.2.1 Calculate the stock turnover rate of soccer boots for 2023. (Use the average stock). (5)
- 2.2.2 Explain whether Ganesha should be concerned about the stock turnover rate. **Note:** It was 5 times in 2022. (3)
- 2.2.3 Ganesha is not satisfied with the performance of soccer boots section. Identify TWO problems, quoting figures and trends. Provide a solution to each problem. (6)

**INFORMATION:**

	<b>2023</b>	<b>2022</b>
Working days per year	264	264
Days worked	172	263
Cost of sale	R168 380	R390 000
Units on hand	296	94
Value of closing stock	R105 000	R63 380
Stock turnover rate	?	5 times
Units returned to supplier	45	21
Units sold	515	820
Advertising	R20 000	R12 000



**QUESTION 2**

<b>2.1.1</b>	<b>Calculate the selling price per unit for running shoes.</b>		<div style="border: 1px solid black; width: 20px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 20px; height: 20px; margin: 0 auto; text-align: center;">2</div>
	<b>WORKINGS</b>	<b>ANSWER</b>	

<b>2.1.2</b>	<b>Calculate the value of closing stock on 30 April 2023 using weighted average method.</b>		<div style="border: 1px solid black; width: 20px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 20px; height: 20px; margin: 0 auto; text-align: center;">8</div>
	<b>WORKINGS</b>	<b>ANSWER</b>	

<b>2.1.3</b>	<b>It was discovered that a number of running shoes were shoplifted. Calculate the number of the missing shoes.</b>		<div style="border: 1px solid black; width: 20px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 20px; height: 20px; margin: 0 auto; text-align: center;">4</div>
	<b>WORKINGS</b>	<b>ANSWER</b>	

<b>2.1.4</b>	<b>Provide TWO strategies that Ganesha should implement to prevent the loss of stock in future.</b>

2.2.1

Calculate the stock turnover rate of soccer boots for 2023. (Use the average stock).	
<b>WORKINGS</b>	<b>ANSWER</b>

5

2.2.2

Explain whether Ganesha should be concerned about the stock turnover rate. NOTE: It was 5 times in 2022.

3

2.2.3

Ganesha is not satisfied with the performance of soccer boots. Identify TWO problems by quoting figures and trends. Provide a solution to each problem.	
<b>PROBLEM</b>	<b>SOLUTION / ADVICE</b>
Problem 1	
Problem 2	

6

**NORTHERN CAPE PRELIM 2023**

**QUESTION 3: INVENTORY VALUATION AND PROBLEM SOLVING**

**(40 marks; 30 minutes)**

- 3.1** Choose the stock valuation method in COLUMN B that matches the description from COLUMN A. Write only the letter (A–D) next to the question number (3.1.1 to 3.1.3) in the ANSWER BOOK.

COLUMN A		COLUMN B	
3.1.1	Stock valuation method used for similar goods of low value	A.	Periodic Inventory System
3.1.2	This method of stock valuation assigns a unique or individual value to each stock item	B.	FIFO
3.1.3	This method assumes that stock is sold in the order of date purchased	C.	Weighted Average
		D.	Specific Identification

(3)

- 3.2** You are provided with information relating to Selbon Camp Shop. The business sells one type of camp chairs. Their financial year ends 28 February. The business uses weighted average method to value their stock. Periodic inventory system is in use.

**REQUIRED:**

- 3.2.1 Calculate the value of closing stock according to the weighted average method on 28 February 2023. (9)
- 3.2.2 Calculate the “cost of sales” for the year ended 28 February 2023. (3)
- 3.2.3 Selbon suspects that camp chairs have been stolen. Provide a calculation to support his suspicion. (5)
- 3.2.4 Calculate stock-holding period (in days) using the closing stock amount. (3)
- 3.2.5 State ONE problem with keeping too much stock on hand and ONE problem with keeping insufficient stock on hand. (4)

**INFORMATION:**



**A STOCK OF CAMP CHAIRS**

	Units	Unit price	Total
		R	R
Opening balance (1 March 2022)	120	?	45 600
Closing Balance (28 February 2023)	150	?	?

**B PURCHASES, RETURNS AND CARRIAGE ON PURCHASES**

		Units	Unit price	Total
Purchases		1 290		544 200
	May 2022	450	380	171 000
	September 2022	510	460	234 600
	January 2023	330	420	138 600
Returns (From September purchases)		10	?	?
<b>Carriage on purchases:</b>				
<ul style="list-style-type: none"> <li>Total transport cost of stock purchased during the year is R25 200.</li> <li>No refund was received for carriage on the returns.</li> </ul>				

**C SALES**

Total sales of R741 000 comprised 1 235 camp chairs sold at R600 each.

**3.3 FIXED ASSETS**

The information relates to Titanium Hardware. The financial year ended 31 May 2023.

**3.3.1 The business owns three delivery bakkies.**

**Refer to information A.**

- Calculate the cost price of bakkie 3. (2)
- Explain why delivery vehicle 2 is shown at book value of R1,00 in the financial statements. Give ONE point. (2)



3.3.2 The business offers a delivery service to clients within a 30 km radius of the store.



- They charge a fixed amount of R250 per delivery. Clients pay this amount directly to the drivers of the bakkies.
- A total of 3 680 deliveries were made during the year in the 260 days the bakkies operated

As the internal auditor, you are concerned about the problems with the delivery bakkies and the drivers.

Refer to information B.

- Identify and explain ONE big problem with each bakkie and its driver. Quote figures in each case and provide a solution.

(9)

**INFORMATION:**

**A Fixed asset register on 31 May 2023**

	Bakkie 1	Bakkie 2	Bakkie 3
Date purchased	1 July 2021	1 March 2014	1 December 2019
Cost price	R315 000	R580 000	?
Accumulated depreciation	R120 750	R579 999	R315 000
Carrying value	R194 250	R1	R135 000

**B Information in respect of delivery bakkies and drivers on 31 May 2023**

	Bakkie 1	Bakkie 2	Bakkie 3
Name of driver	Neo	Thabo	Cleo
Number of days worked	210 days	260 days	260 days
Number of deliveries made	280	2 100	1 300
Cash paid in by drivers	R70 000	R525 000	R275 000
Salaries paid to drivers	R52 000	R52 000	R52 000
Fuel and maintenance costs for the year	R36 000	R430 500	R201 500
Fuel and maintenance costs per kilometer	R1,30	R2,05	R1,55

QUESTION 3

3.1	3.1.1	
	3.1.2	
	3.1.3	

3

3.2	3.2.1	Calculate the value of closing stock according to the weighted average method on 28 February 2023.

9

3.2.2	Calculate the "cost of sales" for the year ended 28 February 2023.

3

3.2.3	Selbon suspects that camp chairs have been stolen. Provide a calculation to support his suspicion.

5



<b>3.2.4 Calculate stock-holding period (in days) using the closing stock amount.</b>	

3

<b>3.2.5</b>	<b>State ONE problem with keeping too much stock on hand and ONE problem with keeping insufficient stock on hand.</b>
	Keeping too much stock
	Keeping insufficient stock

4

<b>3.3</b>	<b>3.3.1</b>	<b>Calculate the cost price of bakkie 3 on 31 May 2023.</b>

2

<b>Explain why delivery vehicle 2 is shown at book value of R1,00 in the financial statements. Give ONE point.</b>

2

3.3.2

Identify and explain ONE big problem with each bakkie and its driver. Quote figures in each case and provide a solution.

	PROBLEM AND FIGURES	SOLUTION
Bakkie 1 (Neo)		
Bakkie 2 (Thabo)		
Bakkie 3 (Cleo)		



## BUDGETS, DEBTORS' COLLECTION AND CREDITORS' PAYMENT SCHEDULES

### NOVEMBER 2022 NSC

#### QUESTION 3: BUDGETING

(45 marks; 35 minutes)

The information relates to JR Sanitisers (Pty) Ltd. The CEO is Juanita Rose. James Peter is the bookkeeper.

#### REQUIRED:

- 3.1 Complete the Creditors' Payment Schedule for December 2022. (7)
- 3.2 Calculate missing figures (i) to (iii) in the Cash Budget. (10)
- 3.3 **Refer to Information E and G.**
- 3.3.1 Calculate the deposit that will be paid for the purchase of the company vehicle during December 2022. (5)
- 3.3.2 Juanita is concerned about the cash position for December 2022. She proposes moving the purchase of the vehicle to January 2023.
- Use the table in the ANSWER BOOK to show the effect of this proposal to the December 2022 Cash Budget. (6)
- 3.4 **Refer to Information H.**
- Juanita is concerned about her decisions in October 2022 to adjust the mark-up % and the amount actually spent on advertising. Provide TWO points to indicate whether these were wise decisions or not. Quote figures and/or calculations. (4)
- 3.5 **Refer to Information H.**
- 3.5.1 Explain why Juanita should be concerned about the actual amount spent on repairs and maintenance during October 2022. Quote a figure and/or a calculation. (2)
- 3.5.2 James feels that there has been a lack of control over the amounts spent on delivery expenses and packing material. Explain whether James' opinion is correct or not. Provide calculations. (8)
- 3.6 Juanita wants to use social media to create an on-line shopping platform to increase her sales from January 2023. Name THREE additional payments that must be included in the January 2023 budget. (3)

**INFORMATION:**

**A. Sales, cost of sales and debtors' collection:**

	OCTOBER	NOVEMBER	DECEMBER
Total sales	R584 100	R643 500	R432 300
Cost of sales	R354 000	R390 000	R262 000

- Cash sales comprise 30% of total sales.
- Debtors settle their accounts in the month following the month of sales.

**B. Purchases of stock and payment to creditors:**

- A base stock is maintained. Stock sold is replaced in the same month.
- Cash purchases comprise 15% of total purchases.
- Creditors are paid according to the following trend:
  - 80% are paid in the month of purchases to receive a 5% discount.
  - 20% are paid in the month after purchases.

**C. Rent income:**

- Storage space is rented at a fixed rate per square metre.
- An existing tenant occupies 60 m<sup>2</sup>. His lease expires on 30 June 2023.
- A new tenant has signed a lease agreement for the period 1 December 2022 to 30 November 2023. She will occupy a 75 m<sup>2</sup> storage area.

**D. Salaries:**

- A new employee will be appointed from 1 December 2022. He will earn R14 840 per month.
- All other employees will receive an increase of 4,5% p.a., effective from 1 December 2022.

**E. Purchase of company vehicle for the CEO and insurance:**

- A new company vehicle will be purchased on 1 December 2022. A deposit of 25% of the cost of the vehicle, excluding interest, will be paid on this date.
- The remaining balance will be paid in equal monthly instalments of R20 800 over 24 months, including interest, with effect from 31 December 2022.
- Interest calculated for the full two-year period is R45 600.
- The existing insurance premium will increase by the amount applicable to the new company vehicle. It will also be payable at the end of each month, from 31 December 2022.

**F. Delivery expenses:**

Deliveries are outsourced to Aldo Deliveries. Delivery expenses are budgeted at a fixed percentage of the monthly sales.

G. Extract from Cash Budget:

	NOV. 2022 (R)	DEC. 2022 (R)
<b>RECEIPTS</b>		
Cash sales	193 050	129 690
Collections from debtors	408 870	(i)
Loan	400 000	
Rent income	15 000	(ii)
<b>TOTAL RECEIPTS</b>		
<b>PAYMENTS</b>		
Cash purchase of stock	58 500	39 330
Payments to creditors	312 120	?
Salaries	(iii)	55 595
Purchase of vehicle: deposit	-	?
Purchase of vehicle: monthly instalments	-	20 800
Repairs and maintenance	30 000	30 000
Advertising	40 000	40 000
Delivery expenses (Aldo Deliveries)	38 610	25 938
Packing material	25 740	17 280
Insurance	6 500	9 700
Fuel for company vehicle	-	7 500
Interest on loan	6 000	6 000
Dividends		190 000
Telephone, water and electricity		
Sundry expenses		
<b>TOTAL PAYMENTS</b>		
<b>CASH SURPLUS/DEFICIT</b>	174 000	(120 000)
<b>BANK (BEGINNING)</b>	(66 000)	108 000
<b>BANK (END)</b>	108 000	(12 000)

H. Budgeted and actual figures for October 2022:

	BUDGET	ACTUAL	VARIANCE
Number of units sold	7 080 units	11 470 units	+ 4 390 units
Mark-up %	65%	45%	-20%
Sales	R584 100	R831 546	+ R247 446
Cost of sales	354 000	573 480	+ 219 480
Gross profit	230 100	258 066	+ 27 966
Repairs and maintenance	30 000	8 000	- 22 000
Advertising	40 000	28 000	- 12 000
Delivery expenses (Aldo Deliveries)	35 046	42 896	+ 7 850
Packing material	23 364	37 850	+ 14 486



**QUESTION 3**

**3.1 Complete the Creditors' Payment Schedule for December 2022.**

	CREDIT PURCHASES	NOVEMBER	DECEMBER
October	300 900	60 180	
November	331 500	251 940	
December			
		312 120	

7

**3.2 Calculate the missing figures (i) to (iii) in the Cash Budget.**

NO.	WORKINGS	ANSWER
(i)	Collection from debtors: December 2022	
(ii)	Rent income: December 2022	
(iii)	Salaries: November 2022	

10

**3.3.1 Calculate the deposit that will be paid for the purchase of the company vehicle during December 2022.**

WORKINGS	ANSWER

5



3.3.2 Juanita is concerned about the cash position for December 2022. She proposes moving the purchase of the vehicle to January 2023.

Use the table below to show the effect of this proposal to the December 2022 Cash Budget.

Budgeted deficit on 31 December 2022	(120 000)
Deposit on vehicle	
Cash deficit/surplus after the proposed move	

6

3.4 Juanita is concerned about her decisions in October 2022 to adjust the mark-up % and the amount actually spent on advertising. Provide TWO points to indicate whether these were wise decisions or not. Quote figures and/or calculations.

POINT 1	
POINT 2	

4

3.5.1 Explain why Juanita should be concerned about the actual amount spent on repairs and maintenance during October 2022. Quote a figure and/or a calculation.

2

3.5.2 James feels that there has been a lack of control over the amounts spent on delivery expenses and packing material. Explain whether James' opinion is correct or not. Provide calculations.

EXPLANATION  
ON DELIVERY  
EXPENSES

EXPLANATION  
ON PACKING  
MATERIAL

8

3.6 Juanita wants to use social media to create an on-line shopping platform to increase her sales from January 2023. Name THREE additional payments that must be included in the January 2023 budget.

PAYMENT 1

PAYMENT 2

PAYMENT 3

3

**JUNE 2023 NSC SUPPLEMENTARY  
QUESTION 4: BUDGETING**

**(40 marks; 30 minutes)**

4.1 Show the amounts for the following transactions in the appropriate columns for the Cash Budget and the Projected Statement of Comprehensive Income in the ANSWER BOOK:

4.1.1 A computer costing R26 400 will be purchased for cash on 1 July 2023. Depreciation will amount to R550 per month.

4.1.2 A fixed deposit of R90 000 will be invested on 1 July 2023. Interest at 9% p.a. will be deposited into the business bank account at the end of each month.

(6)

4.2 **ALICE FURNISHERS (PTY) LTD**

The information relates to the budget period ending July 2023.

**REQUIRED:**



- 4.2.1 Complete the Debtors' Collection Schedule for July 2023. (7)
- 4.2.2 Calculate missing figures (i) to (iii) on the Cash Budget provided. (8)
- 4.2.3 **Salaries of workers:**
- Calculate the % increase that workers will receive in July 2023. (3)
  - Give TWO reasons why you think that workers would be satisfied with this increase. (2)
- 4.2.4 **Advertising and delivery expenses: Refer to Information F.**
- Comment on the effectiveness of the advertising. Provide figures or calculations. (4)
  - Alice is satisfied with the control over delivery expenses. Provide figures or calculations to justify her feelings. (2)
  - Alice is, however, concerned about the control over each vehicle. Identify a different issue (problem) for EACH vehicle that confirms her concern. Provide figures or calculations to justify her feelings. (4)
  - Provide TWO suggestions on how Alice can improve the use or efficiency of the vehicles. (4)

**INFORMATION:**

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

	APRIL	MAY	JUNE	JULY
Sales	1 260 000	1 274 000	1 316 000	1 330 000
Cost of sales	900 000	910 000	940 000	950 000

- B.** Credit sales comprise 70% of total sales. Debtors pay according to the following trend:
- 20% pay in the month of sales and receive 7,5% discount.
  - 55% pay in the month following the month of sale.
  - 22% pay two months after the sales month.
  - The balance is written off thereafter.
- C.** Stock sold is replaced in the month of sales. A base stock is maintained. 80% of stock is purchased on credit and creditors are paid two months (60 days) after the month of purchase.
- D. Additional information:**
- The business plans to take a loan on 30 June 2023. This has been negotiated with the bank at 11% p.a. interest, payable at the end of each month and commencing on 31 July 2023.





**E. Extract from the Cash Budget:**

	<b>JUNE 2023 (R)</b>	<b>JULY 2023 (R)</b>
<b>RECEIPTS</b>		
Cash sales	394 800	(i)
Collections from debtors	854 952	?
Commission income	131 600	133 000
Loan: Cheetah Bank	(ii)	
<b>PAYMENTS</b>		
Cash purchase of stock	188 000	190 000
Payments to creditors	720 000	(iii)
Directors' fees (two directors)	52 000	49 600
Salaries of workers (including drivers)	172 000	182 320
Advertising	39 480	39 900
Delivery expenses	65 800	66 500
Packing material	78 960	79 800
Interest on loan	-	5 500
Municipal services		
Sundry expenses		

**F. Advertising and delivery expenses:**

- The business has two delivery vehicles and offer a free delivery service to customers.
- The budget for delivery expenses is fixed at 5% of the budgeted sales, on an average distance of 2 000 km to be covered.

**Actual and budgeted figures for May 2023:**

	<b>BUDGETED/ EXPECTED</b>	<b>ACTUAL</b>	<b>VEHICLE 1</b>	<b>VEHICLE 2</b>
Sales	1 274 000	1 082 900		
Advertising	38 220	36 820		
Salaries of drivers	30 000	30 000	15 000	15 000
Delivery expenses	63 700	54 100	35 500	18 600
Petrol/Fuel	47 700	40 000	26 000	14 000
Maintenance	16 000	14 100	9 500	4 600
Kilometres covered	2 000 km	1 800 km	1 260 km	540 km
Date purchased			1 Mar. 2018	1 Mar. 2022



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 ALICE FURNISHERS (PTY) LTD

4.2.1 DEBTORS' COLLECTION SCHEDULE

	CREDIT SALES	MAY	JUNE	JULY
April	882 000	485 100	194 040	
May	891 800	164 983	490 490	
June	921 200		170 422	
July	931 000			
		650 083	854 952	

7
---

4.2.2 Calculate:

WORKINGS	ANSWER
(i) Cash sales for July 2023	
(ii) Loan amount in June 2023	
(iii) Payment to creditors in July 2023	

8
---

4.2.3 Calculate the % increase that workers will receive in July 2023.

WORKINGS	ANSWER

3
---

<b>Give TWO reasons why you think that workers would be satisfied with this increase.</b>	
<b>Reason 1</b>	
<b>Reason 2</b>	

<b>2</b>

4.2.4

<b>Comment on the effectiveness of the advertising. Provide figures or calculations.</b>
--

<b>4</b>

**Alice is satisfied with the control over delivery expenses. Provide figures or calculations to justify her feelings.**

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

<b>2</b>

**Alice is, however, concerned about the control over each vehicle. Identify a different issue (problem) for EACH vehicle that confirms her concern. Provide figures or calculations to justify her feelings.**

<b>Vehicle 1</b>	
<b>Vehicle 2</b>	

<b>4</b>

**Provide TWO suggestions on how Alice can improve the use or efficiency of the vehicles.**

<b>Suggestion 1</b>	
<b>Suggestion 2</b>	

<b>4</b>

**NOVEMBER 2021 NSC**  
**QUESTION 3: BUDGETING**

**(35 marks; 30 minutes)**

Shepstone Traders sell household appliances for cash and on credit. They also charge fees for repairing appliances, but only for cash. The business owner is Brian Johns. The information relates to the budget period November 2021 to January 2022.

**REQUIRED:**

3.1 Calculate the amounts indicated by **(a)–(c)** on the Debtors' Collection Schedule provided in the ANSWER BOOK. (6)

3.2 Calculate the amounts indicated by **(a)–(c)** on the Cash Budget provided in Information F. (9)

3.3 **Workload of employees: Refer to Information G.**

Brian is concerned about the workload of his staff. He plans to reduce the sales staff by one person. The other sales staff members are not happy with this plan.

- Provide TWO points that Brian can explain to his sales staff to justify his plan. Quote figures. (4)

- Explain why the repair staff members are not satisfied with their workload. Quote figures. (3)

- What suggestions can you offer to solve the problem of the workload of employees? Provide TWO points. (4)

3.4 **Sales trends: Refer to Information G.**

Comment on the cash and credit sales figures for November 2021. Explain why Brian is concerned. Quote figures. (3)

3.5 **Variances:** The budgeted and actual figures for November 2021 are provided.

Comment on the control over fuel for the delivery vehicle and the consumable stores used for repairs. Quote figures.

	<b>BUDGETED R</b>	<b>ACTUAL R</b>	<b>VARIANCE</b>
Sales	798 000	707 000	– 91 000
Fee income	32 000	66 000	+ 34 000
Fuel for leased delivery vehicle	20 800	19 900	– 900
Consumable stores for repairs	8 000	12 100	+ 4 100

(6)

**INFORMATION:**

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

	September 2021	October 2021	November 2021	December 2021	January 2022
Total sales	R735 000	R770 000	R798 000	R910 000	R882 000
Cost of sales	R420 000	R440 000	R456 000	R520 000	R504 000

**B. Credit sales:** 40% of total sales are on credit.

**C. Debtors paid according to the following trend:**

- 30% paid in the month of sale and receive a 5% discount.
  - 45% paid in the month following the month of sale.
- 22% paid in the second month following the month of sale.

Bad debts are taken into account in the third month.

**D. Purchases and payments to creditors:**

- 80% of the stock is purchased on credit.
- Stock sold is replaced in the month of sales.
- Creditors are paid two months after the purchase month.

**E. Information on specific items from the Cash Budget:**

- Rent income will be increased by 9% p.a., effective from 1 January 2022.
- Shepstone Traders undertake special and extensive cleaning and sanitisation during December each year. This has the effect of increasing the cleaning services budget by 65%, in December only. The normal monthly fee is expected to increase by 5% p.a. commencing on 1 January 2022.

**F. Extract from the Cash Budget:**

<b>RECEIPTS</b>	<b>Dec. 2021</b>	<b>Jan. 2022</b>
Cash sales	R546 000	R529 200
Fee income (repairs)	38 400	52 200
Rent income	(a)	20 056
<b>PAYMENTS</b>		
Cash purchases	104 000	100 800
Payments to creditors	352 000	(b)
Consumable stores (repairs)	9 600	13 050
Fuel	21 840	23 930
Cleaning services	15 510	(c)
Salaries to sales staff	82 000	87 330
Wages to repair staff	11 000	11 715
Advertising	36 400	35 280



**G. Information for November 2021:**

Number of sales employees, including the	5	
Number of repairs employees	2	
	<b>BUDGETED</b>	<b>ACTUAL</b>
Number of customers: Sales	230	175
Number of customers: Repairs	70	136
Total sales	R798 000	R707 000
Cash sales	478 800	142 000
Credit sales	319 200	565 000
Gross profit	342 000	303 000
Fee income (cash only)	32 000	66 000
Salaries: Sales staff	82 000	82 000
Wages: Repairs staff	11 000	11 000

**QUESTION 3**

**3.1 DEBTORS' COLLECTION SCHEDULE**

Calculate the amounts indicated by (a)–(c)

	Credit Sales R	December 2021 R	January 2022 R	Bad debts
Oct. 2021	308 000	67 760		(a)
Nov. 2021	319 200	143 640	70 224	
Dec. 2021	364 000	103 740	(b)	
Jan. 2022	352 800		(c)	
		315 140		

3.2 Calculate the amounts indicated by (a)–(c) on the Cash Budget in Information F

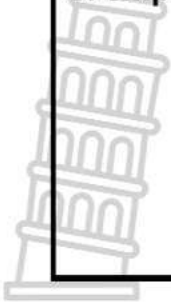
<b>(a) Rent income for December 2021:</b>	
<b>WORKINGS</b>	<b>ANSWER</b>
<b>(b) Payment to creditors in January 2022</b>	
<b>WORKINGS</b>	<b>ANSWER</b>
<b>(c) Payment for cleaning services in January 2022</b>	
	<b>ANSWER</b>



3.3 Workload of employees: Refer to Information G.

<p>Provide TWO points that Brian can explain to his sales staff to justify his plan. Quote figures.</p>	4
<p>Explain why the repair staff members are not satisfied with their workload. Quote figures.</p>	3

What suggestions can you offer to solve the problem of the workload of employees? Provide TWO points.



4

3.3 Sales trends:

Comment on the cash and credit sales figures for November 2021. Explain why Brian is concerned. Quote figures.

3

3.4 Comment on the control over fuel for the delivery vehicle and the consumable stores used for repairs. Quote figures.

EXPENSE	COMMENT (with figures)
Fuel for delivery vehicle	
Consumable stores for repairs	

6

## GAUTENG PRELIM 2019

## QUESTION 6: BUDGETING

(45 marks; 25 minutes)

## 6.1 SEAGATE TRADERS

The information relates to Seagate Traders.

**REQUIRED:**

Complete the table in the ANSWER BOOK by filling in only the amounts for July 2019 in the appropriate columns.

**EXAMPLE:** Commission will be received on promotion items sold, R3 300.

No.	Amount in the Cash Budget for July 2019		Amount in the Projected Income Statement for July 2019	
	RECEIPT	PAYMENT	INCOME	EXPENSE
Example	R3 300		R3 300	

**Transactions for July 2019:**

- 6.1.1 Expected cash sales will amount to R49 500 (cost of sales, R23 300).
- 6.1.2 Payments to creditors, R19 800, are expected to be made. Discount of R990 will be claimed.
- 6.1.3 Bad debts to be written-off will amount to R1 320.
- 6.1.4 Depreciation for the 2019 financial year will be R36 960.
- 6.1.5 Directors' fees to be paid, R55 000
- 6.1.6 Interim dividends to be paid to shareholders, R27 500

(10)



**6.2 BRITE TRADERS**

You are provided with an incomplete Cash Budget of Brite Traders for the period 1 August 2019 to 30 September 2019. Cleve Brite is the owner.

6.2.1 Calculate the credit sales for August 2019 and then complete the Debtors' Collection Schedule for September 2019. (7)

6.2.2 Calculate the missing amounts indicated by **(a) – (e)** on the Cash Budget. (12)

6.2.3 Refer to information **F**

(a) Cleve, the owner, decided to offer special discounts to customers during August. The customers will be reminded weekly by telephone or sms about this offer. You are of opinion that this has NOT benefited the business. Provide TWO reasons to support your opinion. Quote figures. (4)

(b) Explain what you would say to Cleve about the control of the following costs. Quote figures to support your answer and provide ONE point of advice in EACH case.

- Delivery costs
- Advertising (6)

6.2.4 Refer to information **G** and **H**.

(a) Calculate the purchase price of the new vehicle. (4)

(b) Apart from the deposit and the monthly instalment of R6 875 on the new vehicle, explain how the next month's Cash Budget will be affected. State TWO points. (2)

**INFORMATION:****A Sales, cost of sales and debtors' collection**

- Actual and budgeted sales and cost of sales:

	TOTAL			
	SALES (R)		COST OF SALES (R)	
	BUDGETED	ACTUAL	BUDGETED	ACTUAL
June	115 500	85 800	77 000	57 200
July	135 000	98 010	90 000	65 340
August	118 800		79 200	
September	92 400		?	

- 60% of the total sales are for cash.
- Credit sales are collected as follows:
  - 20% in the month of sale
  - 70% in the first month following the sale
  - 8% in the second month following the sale
  - The balance is written-off in the third month following the month of the sale.

**B Stock levels and payments to creditors**

- Brite Traders uses a mark-up of 50% on cost.
- A fixed-based stock level is maintained by replacing stock on a monthly basis.
- 75% of the total purchases are on credit.
- Creditors are paid in the month following the month of purchase to take advantage of the 5% discount.

**C Delivery costs**

- All goods sold are delivered to customers free of charge.
- Dell Deliveries has been contracted to render this service.
- The delivery costs are budgeted at 10% of sales.

**D Salaries**

- Workers will receive an increase of 6% on 1 September 2019.

**E Insurance**

- The insurance premium is paid at the end of each month.
- The monthly premium will increase by 10% on 1 September 2019.

F A comparison of budgeted and actual amounts revealed the following:

	AUGUST 2019	
	BUDGETED	ACTUAL
Sales	R118 800	R89 400
Cost of sales	79 200	66 000
Gross profit	39 600	26 400
Delivery costs	11 880	13 860
Telephone costs	5 500	8 250
Advertising	19 800	21 400

G **Details relating to the delivery costs and new vehicle**

Cleve is considering the following to improve the cash flow:

- Purchasing a delivery vehicle in October 2019
- Paying a 10% deposit
- Borrowing an interest-free loan from his uncle for the remaining balance
- Making a repayment of R6 875 per month over 36 months
- Stopping the services of Dell Deliveries

H **Extract from the Cash Budget for the two months ending 30 September 2019**

Receipts	August	September
Cash sales of goods	71 280	55 440
Collection from debtors	51 000	
Rent income	8 250	9 075
Additional capital to be contributed		110 000
<b>Total receipts</b>		
Payments		
Cash purchase of trading stock	19 800	(a)
Payment to creditors	(b)	56 430
Salary: Five workers	35 200	(c)
Telephone	5 500	6 600
Advertising	19 800	13 200
Insurance	(d)	5 808
Delivery costs (payable to Dell Deliveries)	11 880	9 240
Other operating expenses		
Drawings	16 500	16 500
<b>Total payments</b>		
<b>Cash surplus / deficit</b>	(24 860)	
<b>Bank balance at beginning of month</b>	(11 220)	(e)
<b>Bank balance at end of month</b>		

## 6.1 SEAGATE TRADERS

Complete the table by filling in only the amounts for July 2019 in the appropriate columns.

NO.	Amount in the Cash Budget for July 2019		Amount in the Projected Income Statement for July 2019	
	RECEIPT	PAYMENT	INCOME	EXPENSE
e.g.	R3 300		R3 300	
6.1.1				
6.1.2				
6.1.3				
6.1.4				
6.1.5				
6.1.6				



6.2 BRITE TRADERS

6.2.1 Calculate the credit sales for August 2019 and then complete the Debtors' Collection Schedule for September 2019.

	CREDIT SALES	SEPTEMBER
June	46 200	
July	54 000	4 320
August		
September	36 960	

7

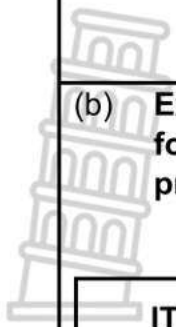
6.2.2 Calculate the missing amounts indicated by (a) – (e) on the Cash Budget.

	CALCULATIONS	AMOUNT
(a)		
(b)		
(c)		
(d)		
(e)		

12

6.2.3 (a) Cleve, the owner decided to offer special discounts to customers during August. The customers will be reminded weekly by telephone or sms about this offer. You are of the opinion that this has NOT benefited the business. Provide TWO reasons to support your opinion. Quote figures.

4



(b) Explain what you would say to Cleve about the control of the following costs. Quote figures to support your answer and provide ONE point of advice in EACH case.

ITEM	COMMENT WITH FIGURES	ADVICE
Delivery Costs		
Advertising		

6

6.2.4

(a) Calculate the purchase price of the new vehicle.



4

(b) Apart from the deposit and the monthly instalment of R6 875 on the new vehicle, explain how the next month's Cash Budget will be affected. State TWO points.

2

<b>TOTAL MARKS</b>
45

GAUTENG NORTH OCTOBER REVISION MATERIAL P2 MARKING GUIDELINES  
 JUNE 2023 SUPPLEMENTARY NSC BANK RECONCILIATION

QUESTION 1

1.1

1.1.1	True	✓
1.1.2	True	✓
1.1.3	False	✓

3

1.2 VIOLET STORES

1.2.1 UPDATE THE CASH JOURNALS FOR 30 APRIL 2023

CASH RECEIPTS JOURNAL		CASH PAYMENTS JOURNAL	
	Amount		Amount
<b>Total</b>	<b>115 600</b>	<b>Total</b>	<b>217 800</b>
	900 ✓✓		15 000 ✓✓
	8 400 ✓		2 880 ✓
	18 300 ✓		740 ✓
			360 ✓
			220 ✓
	143 200		237 000

10

1.2.2 Calculate the correct Bank Account balance on 30 April 2023.

WORKINGS	ANSWER
see 1.2.1 (CRJ)    see 1.2.1 (CPJ) 49 720 ✓ + 143 200 ✓ - 237 000 ✓ Be alert to alternative arrangement for calculations	(44 080) ✓ one part correct

4



1.2.3 **BANK RECONCILIATION STATEMENT ON 30 APRIL 2023**

	Alternative	DEBIT	CREDIT
Balance per Bank Statement	20 110	Balancing figure; could be Dr	20 110 <input checked="" type="checkbox"/>
Outstanding deposit	22 500		22 500 ✓
Outstanding EFT No. 883	(9 520)	9 520 ✓	
No. 884	(12 530)	12 530 ✓	
Error on statement	(65 000)	65 000 ✓✓	
Correction of error	360		360 ✓✓
Balance as per Bank Account	(44 080)	see 1.2.2	44 080 <input checked="" type="checkbox"/>
		87 050	87 050

9

1.2.4 **Violet noticed problems with the depositing of cash. Explain TWO measures that she can use to address these problems.**

TWO valid points ✓✓ ✓✓ part marks for partial/incomplete/unclear responses

- Implement a depositing routine
- Employ a different person to be responsible for depositing money/or engage the services of a cash in transit company
- Supervise funds to be deposited/independent check
- Encourage more customers to pay by EFTs
- Set up a bank notification service for all transactions (to receive SMS)

4

**FREE STATE PRELIM 2023 BRS AND AGE ANALYSIS**

**QUESTION 1**

1.1

1.1.1	True	✓
1.1.2	True	✓
1.1.3	False	✓

3

1.2.1

Calculate the correct totals of the Cash Journals in order to determine the Bank account in the ledger on 31 August 2023.

CASH RECEIPTS JOURNAL		*Award two marks for 2 840 in CRJ & 2 480 in CPJ together (no part marks)	CASH PAYMENT JOURNAL	
365 760			319 790	
360*	✓✓	636	✓	
5 780	✓	(367 + 1 438)	one mark	
7 230	✓	5 909	✓	
		3 150	✓	
379 130		331 290		
Must include 365 760		Must include 319 790		

Bank balance:

$$- 29\,415 \checkmark + 379\,130 \checkmark - 331\,290 \checkmark = 18\,425 \checkmark$$
 one part correct

Be alert to alternative arrangement for calculations such as Ledger format

13

1.2.2

Prepare the Bank Reconciliation Statement on 31 August 2023.

	Debit	Credit
Balance as per bank statement		*16 565 <input checked="" type="checkbox"/>
Outstanding deposit		17 900 ✓
Correction of error by bank	4 500 ✓	
Outstanding EFT (1465)	11 540 ✓	
Balance as per bank account see 1.2.1	18 425 <input checked="" type="checkbox"/>	
-1 for poor presentation / no details	34 465	34 465
* balancing figure; can be Dr	<input checked="" type="checkbox"/> both must be the same	

6

1.2.3

The levy on credit card sales is 5% of the respective credit card sales amount. Calculate the total credit card sales for the month.

$$1\,438 \times \frac{100}{5} = R28\,760 \checkmark \checkmark$$
 one part correct

2

1.2.4 Provide TWO suggestions on how account holders can protect themselves against this crime of hacking.

TWO valid, different Advice ✓✓ ✓✓ part marks for incomplete/unclear responses

- Keep track of movements in bank accounts./Notifications on the banking app.
- Do not give out pin codes, passwords, bank account details, etc.
- Do not react to suspicious phone calls, messages, or emails, as these could be used to gain unauthorised access to the private details of account holders.
- Always try to handle bank cards by yourself to avoid cloning of cards.

4

1.3 DEBTORS AGE ANALYSIS

1.3.1 Explain why the Debtors' control account balance should agree with the Debtors' List total.

Any acceptable point ✓✓ part marks for incomplete/unclear responses

- Debtors' control account is a summary of all transactions concerning all transactions with debtors (from journals totals), and the debtors' list is a summary (total) of the same transactions allocated to the separate/individual debtors accounts (posted from the same journals).
- It is the same information presented in different ledgers (general and subsidiary)
- Prepared from the same set of source documents.

2

Explain TWO processes the bookkeeper should follow if he discovers a difference between the Debtors' control account balance and the Debtors' List total.

Any TWO acceptable points ✓✓ ✓✓ part marks for incomplete/unclear responses

- Control with the original source documents.
- Check postings from journals to the ledgers.
- Check the entries in the journals.
- Check the correctness of casting/totalling of journals.

4

1.3.2 Identify THREE internal control problems concerning the debtor Thandi Moi. Quote figures for each problem.

Any THREE problems ✓ ✓ ✓ figures ✓ ✓ ✓

- Not sticking to terms. 60 days (R11 330) and 90 days (R16 680), debts older than 60 days are not paid.
- No (nil) interest charged on balances 90 days overdue.
- Discount allowed was calculated at 10%, must be at 5%.
- Thandi's account should have been blocked/frozen from any purchases (Inv. 576 for R15 620) until the payment amount is in arrears over 90 days.

6



EASTERN CAPE PRELIM 2023 BANK AND CREDITOR'S RECON, VAT

1.1 CREDITORS RECONCILIATION

	CREDITORS' LEDGER ACCOUNT	STATEMENT OF ACCOUNT
Balance b/f	52 900	108 800
(i)	- 1 800 ✓✓ (- 16 400 + 14 600) No part marks	
(ii)		- 1 600 ✓✓ - 800 one mark; - 800 one mark
(iii)	+ 600 ✓	
(iv)	- 860 ✓✓ 16 340 x 5/95 No part marks	
(v)		- 54 820 ✓
(vi)	+ 1 540 ✓	
	52 380	✓* 52 380

10

\* one part correct; must include balance b/f, totals may be different  
Brackets may be used to indicate decreases; no sign, assume positive  
-1 foreign items, per line, if a mark is scored on that line

BANK RECONCILIATION

1.2.1

CASH RECEIPTS	CASH PAYMENTS
76 270	88 625
500 ✓✓	2 100 ✓✓
6 750 - 6 250 No part marks	7 100 - 5 000 No part marks
6 750 Amounts must be in CRJ and CPJ to get 2 marks	6 250
4 600 ✓	235 ✓
7 030 ✓	1 140 ✓
88 400	92 100

signs cannot be reversed.

1.2.2 BANK RECONCILIATION STATEMENT ON 31 MAY 2023

	DEBIT	CREDIT
Balance as per statement <small>balancing figure; could be Dr</small>	Inspect both final totals are the same	4 800 ✓
Outstanding deposits: 19 May		11 400 ✓
26 May		10 800 ✓
Outstanding EFT No. 658	6 900 ✓	
Error on statement / incorrect deposit	15 000 ✓	
Balance as per bank account	5 100 ✓ see 1.2.1	Inspect if 1.2.1 is a Dr or Cr balance
<small>-1 presentation: if no, or incomplete statements provided. -1 (max -1) if mark scored for amount in the Journals</small>		
For both totals; must be same amount	27 000	✓ 27 000

7



1.2.3

**Provide ONE suggestion on how the problem of counterfeit (fake) notes can be prevented.**

ONE valid point ✓✓ part marks for incomplete / unclear responses

- Instal a scanning machine at each till (infra-red light)
- Train cashiers to inspect all notes using the scanner
- Encourage card payments at the till
- Encourage EFT payment of accounts
- Start an online sales division to minimise cash-handling

1.2.4

**Donald was concerned about the outstanding deposits. Provide TWO internal control measures that he can implement to address this concern.**

TWO valid different points ✓✓ ✓✓ part marks for incomplete / unclear responses

- Implement a system of regular depositing (routine; daily / set times)
- Place a supervisor in charge / check (audit) documentation before and after deposits and made.
- Use a cash-in-transit company to assist.
- Division of duties – the person collecting and receipting cash is not the same person doing depositing (Division of duties not explained = one mark)
- Use the banking application to check regularly or keep track of deposits and other transactions with the bank / SMS notification of all transaction with the bank.

**VAT**

3.3.1

**Calculate the VAT amount payable to SARS on 30 April 2023.**  
**NOTE: The given errors and omissions must be taken into account.**

WORKINGS	ANSWER								
Mark each line consistently 12 750 ✓+ 63 450 ✓- 21 900 ✓+ 645 ✓✓ - 3 750 ✓✓ - 1 920 ✓✓ OR - 12 750 - 63 450 + 21 900 - 645 + 3 750 + 1 920 OR (12 750 + 63 450 + 645) - (21 900 + 3 750 + 1 920) OR <table border="1" style="margin-left: 20px;"> <tr> <td>21 900</td> <td>12 750</td> </tr> <tr> <td>3 750*</td> <td>63 450</td> </tr> <tr> <td>1 920*</td> <td>645*</td> </tr> <tr> <td><b>49 275</b></td> <td></td> </tr> </table>	21 900	12 750	3 750*	63 450	1 920*	645*	<b>49 275</b>		49 275 ✓ one part correct
21 900	12 750								
3 750*	63 450								
1 920*	645*								
<b>49 275</b>									
* could be on opposite side in brackets VAT on sales could be a net figure of 59 700 for two marks									

3.3.2

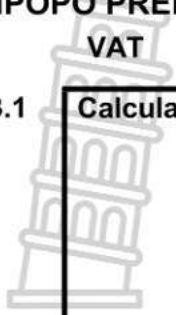
**Offer ONE point of advice to Benjamin and an explanation or reason to support the advice.** \* The reason must relate to the advice offered

ADVICE ✓	REASON ✓
<ul style="list-style-type: none"> <li>• He must keep separate records for VAT and pay this on time</li> <li>• Should not use VAT money as a business cash resource</li> <li>• Must budget for business expenses and manage the liquidity with funds earned / generate through normal business operations.</li> </ul>	<ul style="list-style-type: none"> <li>• VAT is collected on behalf of SARS / a VAT vendor is an 'agent' of SARS</li> <li>• Money does not belong to the business.</li> <li>• Could run into liquidity problems</li> <li>• Defaulting with VAT is a crime the business can be sued</li> <li>• The image of the business will be compromised / could lose customers.</li> </ul>

LIMPOPO PRELIM 2023 VAT

3.1 VAT

3.3.1 Calculate the VAT amount payable to /receivable from SARS.



VAT																																			
<table style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: right;">142 800</td><td style="text-align: right;">✓</td></tr> <tr><td style="text-align: right;">5 520</td><td style="text-align: right;">✓</td></tr> <tr><td style="text-align: right;">2 340</td><td style="text-align: right;">✓</td></tr> <tr><td style="text-align: right;">Balance</td><td style="text-align: right;"><u>46 012</u></td></tr> <tr><td></td><td style="text-align: right;"><u>196 672</u></td></tr> </table>	142 800	✓	5 520	✓	2 340	✓	Balance	<u>46 012</u>		<u>196 672</u>	<table style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: left;">Balance</td><td style="text-align: right;">2 500</td><td style="text-align: right;">✓</td></tr> <tr><td></td><td style="text-align: right;">184 680</td><td style="text-align: right;">✓✓</td></tr> <tr><td></td><td style="text-align: right;">9 240</td><td style="text-align: right;">✓</td></tr> <tr><td></td><td style="text-align: right;"><u>252</u></td><td style="text-align: right;">✓</td></tr> <tr><td></td><td style="text-align: right;"><u>196 672</u></td><td></td></tr> <tr><td style="text-align: left;">Balance</td><td style="text-align: right;">46 012</td><td style="text-align: right;"><input checked="" type="checkbox"/></td></tr> <tr><td></td><td style="text-align: center;">operation</td><td></td></tr> <tr><td></td><td style="text-align: center;">one part correct</td><td></td></tr> </table>	Balance	2 500	✓		184 680	✓✓		9 240	✓		<u>252</u>	✓		<u>196 672</u>		Balance	46 012	<input checked="" type="checkbox"/>		operation			one part correct	
142 800	✓																																		
5 520	✓																																		
2 340	✓																																		
Balance	<u>46 012</u>																																		
	<u>196 672</u>																																		
Balance	2 500	✓																																	
	184 680	✓✓																																	
	9 240	✓																																	
	<u>252</u>	✓																																	
	<u>196 672</u>																																		
Balance	46 012	<input checked="" type="checkbox"/>																																	
	operation																																		
	one part correct																																		

OR: Mark one line only

$$2\,500 + 184\,680 - 142\,800 + 9\,240 - 5\,520 - 2\,340 + 252 = 46\,012$$

$$- 2\,500 - 184\,680 + 142\,800 - 9\,240 + 5\,520 + 2\,340 - 252 = - 46\,012$$

Be alert to alternative presentations

9

3.3.2 Explain TWO points that the internal auditor should say to the owner regarding this practice.

Any valid answer ✓✓ ✓✓ Part marks for an incomplete/unclear/partial answer

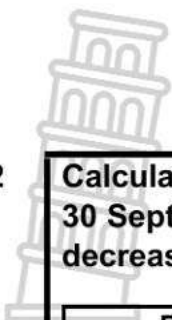
- Unethical. He should not go along with the owner's request.
- The business cannot influence the amount payable to SARS just to benefit the business.
- The business could get a fine
- SARS will come and audit the books
- The business will get a negative reputation

4

TOTAL MARKS
40







1.2 Calculate: Correct closing balance of the Debtors' Control Account on 30 September 2021. Indicate changes with '+' for an increase, '-' for a decrease or '0' for no change.

PROVISIONAL BALANCE	228 000	
(i)	+ 1 750	<input type="checkbox"/>
(ii)	0	
(iii)	(62 500 – 65 200) two marks	– 2 700 <input type="checkbox"/> <input type="checkbox"/>
(iv)	+3 500 one mark + 3 500 one mark	+ 7 000 <input type="checkbox"/> <input type="checkbox"/>
(v)		+ 5 200 <input type="checkbox"/>
(vi)	(250 – 700) two marks	– 450 <input type="checkbox"/> <input type="checkbox"/>
(vii)		0
	R238 800	<input type="checkbox"/> one part correct; must include provisional balance

9

Calculate: Correct amounts owed by the following debtors only:

DEBTOR	WORKINGS	ANSWER
A Barnes	(13 500 + 1 750 ✓ – 450 ✓)	14 800 <input checked="" type="checkbox"/> *
C Davis	(25 000 + 3 500 ✓ + 3 500 ✓) or 7 000 two marks	32 000 <input checked="" type="checkbox"/> *
E Foley	(18 300 – 2 500 ✓ – 7 850 ✓)	7 950 <input checked="" type="checkbox"/> *

9

Pre-printed balances are not regarded as "one part correct" \*one part correct



1.3

<b>Explain THREE different problems highlighted by the debtors' age analysis. Provide the name of a debtor and/or figure(s) in EACH case.</b>	
<b>PROBLEM</b> ✓   ✓   ✓	<b>NAME OF DEBTOR AND / OR FIGURES</b> ✓   ✓   ✓ Accept "other debtors" if figures are provided Accept name of debtor / figures if included with the problem
Not adhering to <u>credit terms</u> / slow payers	<ul style="list-style-type: none"> <li>• J Blom; R20 000 &gt; 30 days</li> <li>• O. Mach; R4 000 &gt; 90 days</li> <li>• Other debtors: 42 864 &gt; 60 days</li> <li>• 28% of debtors do not comply with terms (66 864 / 238 800)</li> </ul>
Exceeding <u>credit limits</u>	<ul style="list-style-type: none"> <li>• Z Phi: Exceeds credit limit by R7 000 (limit R22 000; balance R29 000)</li> </ul>
Poor / ineffective internal controls over debtors (Allowing defaulting debtors to buy on credit / exceed limits set)	<ul style="list-style-type: none"> <li>• O. Mach: current purchase of R2 000 whilst R4 000 of balance &gt; 90 days</li> <li>• J. Blom: current purchase of R18 000 whilst R20 000 of balance &gt; 60 days</li> <li>• Other debtors with current purchases of R55 244 whilst R30 148 of balance is &gt; 60 days and R12 716 &gt; 90 days</li> </ul>

1.4

<b>Provide TWO points to support the internal auditor's concern that Susan's job description could lead to potential fraud.</b>	
Any TWO separate or different points ✓✓   ✓✓ responses	part marks for incomplete / partial / unclear
<ul style="list-style-type: none"> <li>• <u>Too many related functions performed</u> by one person - could compromise efficiency / job not done well</li> <li>• <u>Lack of supervision</u> could lead to negligence / rolling over of cash / theft / no authorisation for returns / not applying returns policy effectively</li> <li>• <u>No division of duties</u> – temptation to engage in fraudulent transactions / manipulating sales or returns / creating false documents / mismanagement / poor record-keeping (stock sheets / debtors)</li> <li>• <u>No continuity of tasks</u> / tasks may not get done / lag behind if Susan is on leave / absent.</li> <li>• <u>Cash is easily stolen</u> (not using electronic payments / credit cards / EFT)</li> </ul>	4

NOVEMBER 2020 NSC MARKING GUIDELINE VAT AND CREDITOR'S RECONCILIATION

QUESTION 1

1.1 VAT

1.1.1

	Workings	Answer
(a)	89 700 – 78 000	11 700 ✓
(b)	12 400 x 15% or 15/100 one mark for both figures only if all workings are correct and no other operations done & if there is no final answer	1 860 ✓✓
(c)	210 x 115/15 OR 1 400 + 210 one mark for both figures only if all workings are correct and no other operations done & if there is no final answer	1 610 ✓✓
(d)	<sup>149 500 two marks</sup> (158 700 – 9 200) ✓✓ x 15/115 ✓  OR 20 700 – 1 200 two marks    one mark	19 500 ✓ must be x by 15/115 & one other part correct

9
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1.1.2

Comment on this practice and provide Amahle advice.	
COMMENT ✓✓ part marks for incomplete / unclear / partial comment	ADVICE ✓
<ul style="list-style-type: none"> <li>• Unethical to use money not earned by the business to pay running / operational costs</li> <li>• The business is an agent of SARS and must make payments timeously</li> <li>• The business can be fined (penalties) for non-compliance / evasion / manipulation / deferring of payment of VAT</li> <li>• It could result in a more extensive investigation for irregularities in the future</li> <li>• This is rolling over of cash / evasion; which could escalate to a serious problem.</li> </ul>	<ul style="list-style-type: none"> <li>• Keep proper records / ensure that the funds are always available to make payments</li> <li>• Note submission dates and plan in advance.</li> <li>• Only use business funds to cover business commitments / work within the budget</li> </ul>

1.2 CREDITORS' RECONCILIATION

Accept brackets for negative amounts  
or Dr (-) and Cr (+) in the CL and Dr (+) and Cr (-) on the statement

1.2.1

	Creditors' Ledger Account of Thembeke Suppliers in the Books of Ekasi Traders	Statement of Account from Thembeke Suppliers
Balance	117 200	157 400
(a)	- 49 100 ✓	
(b)		13 100 - 10 300 ✓✓ + 2 800 No part marks
(c)	+ 12 500 ✓	
(d)		- 6 400 ✓
(e)	- 9 700 - 9 700 ✓✓ one mark one mark	
(f)	-19 400	- 92 600 ✓
	61 200 ✓*	61 200

9

\*Both totals: inspect. Must include opening balances; can be different amounts  
-1 for foreign items per line provided a mark is scored on that line  
(i.e. max could be -6) accept fully correct answers on wrong lines

1.2.2

What should the owner say to Bradley regarding this incident? Explain TWO points.

Any TWO valid explanations ✓✓ ✓✓ part marks for incomplete / unclear / partial answers

Do not accept theft or firing / drawings as an explanation

- He should not take advantage of his position in management / abuse of authority / possible conflict of interest
- This can be viewed as wrong (i.e. unethical or devious)
- Against business policy i.e. all transactions must be authorised and documented / compromising internal controls
- He must pay back the money / he could open an account with the business and purchase the goods
- He could negotiate with the owner in advance to get a special price or at cost
- He could be liable for disciplinary action (warning) and could tarnish his good

4



NOVEMBER 2022 NSC COST ACCOUNTING

1.1

1.1.1	C	✓	rent expense for office
1.1.2	A	✓	carriage on raw material
1.1.3	E	✓	commission to sales staff
1.1.4	B	✓	salary of factory foreman

4

1.2 WEZA STITCHES

1.2.1

Calculate: Direct labour cost		
WORKINGS		ANSWER
6 x (1 840 x R40) 441 600 ✓ <input checked="" type="checkbox"/>	230 x R64 (R40 x 1,6) + 14 720 ✓ <input checked="" type="checkbox"/>	491 648 ✓ one part correct mark earned in workings
if x R40	if x R64 if 8% of normal time	
(441 600 x 108%) OR: 476 928	+ 14 720	
four marks	one mark one m.marks	
be alert to alternative arrangement for calculations		

7

Calculate: Factory overhead cost		
Total before corrections	541 600	
Insurance – 32 500 + 19 500 or 32 500 x 40%	– 13 000	✓ <input checked="" type="checkbox"/> *
Water and electricity – 54 000 ✓ + 63 000 ✓ (126 000 x 2/4)	+ 9 000	✓ <input checked="" type="checkbox"/> *
<b>TOTAL</b>	<b>537 600</b> must include 541 600	✓ <input checked="" type="checkbox"/> *

\* one part correct; ignore signs, if incorrect, lose mark on final total.

6

Calculate: Total cost of production for 2022		
WORKINGS		ANSWER
652 800 ✓	+ 491 648 ✓ see 1.2.1 (DLC)	R1 682 048 ✓ one part correct
	+ 537 600 ✓ see 1.2.1 (FOHC)	

4

1.2.2

1.2.2	Annie is concerned that fixed costs increased to R806 400. Explain why she should not be concerned. Provide TWO points. Quote figures.
TWO points ✓ ✓ with comparative figures ✓ ✓ The first two points must mention / imply economies of scale and may be combined for two valid points, with different comparative figures quoted.	
<ul style="list-style-type: none"> <li>• <u>Economies of scale was achieved</u> due to an increase in production by 1 150 units / from 5 250 to 6 400 / 21,9%</li> <li>• Fixed costs <u>per unit</u> decreased by R25 / from R151 to R126 / by 16,6% (as fixed costs remain relatively stable / not influenced by the level of production )</li> <li>• Total fixed cost increased by R13 650 / from R792 750 to R806 400 / by 1,7% which is below the inflation rate.</li> </ul>	

4



1.2.3

**Comment on whether the production staff deserves the production bonus that they received. Provide THREE points, with figures.**

THREE points ✓ ✓ ✓ with figures (comparison) ✓ ✓ ✓

Clear motivation for staff deserving the bonus; be alert to valid comments on why they do not deserve the bonus.

Note that more than one point may be combined in a single statement e.g. Production and BEP

Award marks accordingly.

<b>POINT 1</b>	<ul style="list-style-type: none"> <li>• <u>Production increased</u> from 5 250 to 6 400 units / by 1 150 units / by 21,9%</li> <li>• <u>BEP decreased</u> from 6 954 to 6 156 / by 798 units / by 11,5%</li> <li>• The business <u>made a profit</u> on 244 units (or R31 964) compared to a <u>loss</u> on 1 704 units (or R194 256) last year.</li> </ul>
<b>POINT 2</b>	<ul style="list-style-type: none"> <li>• <u>Direct material cost per unit decreased</u> from R128 to R102 /by R26 / by 20,3%; an indication of good control / less wastage / efficiency in production / better training</li> <li>• <u>Direct labour cost per unit decreased</u> from R95,00 to R76,82 / by R18,18 / by 19,1% (see 1.2.1 DLC); an indication that it is being well managed; meeting targets during normal time.</li> </ul>
<b>POINT 3</b>	<ul style="list-style-type: none"> <li>• <u>Overtime was limited</u> to only 230 hours / 12,5% of normal time / 11,1% of total hours spent in production (small proportion of time spent in production / saving the company on overtime rates)</li> <li>• <u>Decrease in total variable costs</u> from R251 per unit to R244 by R7,00</li> </ul>

6
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1.2.4

**Annie wants to improve her profit by R50 000 during the next financial year while maintaining costs. Calculate the additional units that must be produced to achieve this target.**

WORKINGS	ANSWER
$\frac{50\,000}{375 - 244}$ <p>131 two marks</p> <p>if negative amount (e.g. - 244 used as denominator, lose mark on final answer)</p> <p><b>OR</b> Using BEP units</p> $\frac{806\,400 + 50\,000}{375 - 244} \rightarrow 6\,538 - 6\,156 \text{ units}$ <p>two marks      one mark</p> <p><b>OR</b> Using units produced</p> $\frac{838\,400 + 50\,000}{375 - 244} \rightarrow 6\,782 - 6\,400 \text{ units}$ <p>two marks      one mark</p> <p style="text-align: right;">Numerator and denominator must be marked as such</p>	<p>382 units <input checked="" type="checkbox"/></p> <p>one part correct; if mark earned in workings</p> <p>accept 381,7 units</p>

4
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<b>TOTAL MARKS</b>	<b>35</b>
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JUNE 2023 NSC SUPPLEMENTARY COST ACCOUNTING

QUESTION 3

3.1 LADOO MANUFACTURERS

3.1.1 FACTORY OVERHEAD COST

<b>TOTAL before corrections</b>		<b>2 638 600</b>	
Insurance	217 800 x 2/3	145 200	✓✓*
Water and electricity	69 200/160 x 560	242 200	✓✓*
Rent expenses	316 000/2 x 3	474 000	✓✓✓*
	operation, one part correct	3 500 000	✓

8

\*one part correct

3.1.2 PRODUCTION COST STATEMENT ON 28 FEBRUARY 2023

Direct material cost	balancing figure	6 750 000	✓
Direct labour cost	(40 x 60 x 1 920) two marks 4 608 000 ✓✓ + 1 142 000 ✓	5 750 000	✓
<b>PRIME COST</b>		<b>12 500 000</b>	
Factory overhead cost	see 3.1.1	3 500 000	✓
<b>TOTAL MANUFACTURING COST</b>	PC + FOHC	<b>16 000 000</b>	✓
<b>Work-in-progress at beginning of the year</b>		<b>542 000</b>	
		16 542 000	
<b>Work-in-progress at end of the year</b>	balancing figure	(629 500)	✓
<b>COST OF PRODUCTION OF FINISHED GOODS</b>	33 500 x 475	15 912 500	✓✓

10

3.2 STYLZ MAKER

3.2.1 Do a calculation to confirm that the break-even point for 2023 is correct.

$$\frac{R6\ 100\ 000}{R1\ 830 - R563} = 4814,5$$

1 267 two marks

3

**Comment on the level of production and the break-even point for the past two years. Explain whether Lez Styles would be happy about the trends in these results and the profit he is earning. Provide figures or calculations.**

Explanation ✓✓ (must include comparison between production and BEP)

Comparative figures ✓✓

BEP exceeds production in 2023 by 5 685 units (10 500 – 4 815);

BEP exceeded production in 2022 by 2 233 units (6 500 – 4 267)

Two marks max. (if mentioned production only or BEP only, with figures)

Units produced increased from 6 500 to 10 500 shirts.

BEP increased from 4 267 in 2022 to 4 815 (by 548 shirts) in 2023.

4

**3.2.2 Explain why Lez is not concerned about the fixed costs increasing to R6,1 m in 2023. Quote figures.**

Explanation ✓✓ Figures ✓✓

- Economies of scale/Production increased by 4 000 units (+61,5%).
- Fixed cost per unit decreased from R631 to R581/by R50/by 7,9%.
- The additional expenditure of R2m included new equipment and training which allows him to produce more units (this improves product quality and efficiency).

4

**3.2.3 Identify how the selling and distribution costs in total and per unit changed over the two years. Quote figures.**

Total S&D costs increased by R900 000/300%/3 times ✓

The unit costs increased from R46 to R114/by R68/by 148% ✓

2

**Explain TWO reasons why Lez deliberately wanted to adjust this cost.**

Any TWO valid reasons. ✓ ✓

Exporting the shirts and involves expensive shipping costs.

Rich customers overseas will be able to afford the expensive shirts.

2



3.2.4

**Lez made specific decisions to improve the business and its product. Explain how the decisions he took have benefited the business by providing:**

**Two separate points relating to the raw material. Quote figures or calculations.**

TWO Explanations ✓✓ ✓✓ TWO sets of figures ✓✓

- There is less wastage – 1,8 m of fabric are used in comparison to 2,5 m in 2022/this is a 28%
- The quality of the fabric is much better, judging from the demand of the customers – they are prepared to buy an additional 4 000 shirts at a high price of R1 830 for a good quality shirt

6

**Two separate points relating to the raw material. Quote figures or calculations.**

TWO Explanations ✓✓ ✓✓ TWO sets of figures ✓✓

- They are much more efficient as they are more skilled and motivated (recruitment and training). Average wages increased by 22% and R300 000 was spent on training.
- The number of workers decreased from 15 to 12 (or 20%)/the number of hours worked dropped by 5 760 hours (or 20%) yet production increased (by 4 000 shirts).
- Total hours worked by all direct workers reduced from 28 800 to 23 040/ by R5 760/by 20%
- They are producing 44 shirts per day (compared to 27 in the previous year)/10 500 p.a. instead of 6 500 p.a.

6





## 2.2 CONTROL OF RAW MATERIAL

2.2.1

Calculate the metres of fabric:	Internal control strategy
$\begin{array}{r} 1\ 050 \\ (2\ 700 + 10\ 800 - 12\ 450) - 850 \\ = 200 \text{ metres} \end{array}$ <p>one part correct</p>	<ul style="list-style-type: none"> <li>Physical counts / random inspections / keep detailed stock records / control or monitor the movement of fabric</li> <li>Rotation / division of duties / storeroom manager to be accountable</li> <li>Improve security at receipt / dispatch points / limit access to storeroom</li> <li>Storeroom staff to have lockers (no bags allowed in storeroom)</li> </ul>
<p><b>Wasted in the factory</b></p> $\begin{array}{r} 7\ 800 \times 1,5 \text{ metres} \\ 12\ 450 - 11\ 700 = 750 \text{ m} \end{array}$ <p>one part correct</p> <p>OR <math display="block">\begin{array}{r} 12\ 450 / 1,5\text{m} \\ 8\ 300 - 7\ 800 \\ 500 \quad \times 1,5\text{m} \end{array}</math></p>	<ul style="list-style-type: none"> <li>Improve training</li> <li>Use cutting patterns / technology</li> <li>Improve supervision</li> <li>Make use /or buy good quality material</li> <li>Effective use of off-cuts</li> <li>Incentives for minimizing wastage</li> <li>Regular servicing of machines</li> </ul>

6
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2.2.2

Calculate the total cost of the metres of fabric lost and wasted.	
WORKINGS	ANSWER
$\begin{array}{l} 200 + 750 \text{ see 2.2.1} \\ 950\text{m} \times R120 \end{array}$ <p>OR <math display="block">\begin{array}{l} 200 \times 120 \\ 750 \times 120 \\ R24\ 000 + R90\ 000 \end{array}</math></p>	<p>R114 000</p> <p>If amounts calculated in 2.2.1 x R120 Two or nothing</p>
<p><b>Explain how this loss should be shown in the statements mentioned in QUESTION 2.1 on the previous page.</b></p> <p>Any valid answer, e.g.</p> <ul style="list-style-type: none"> <li>Amount shown as an <u>expense item</u> (on the Income Statement)</li> <li>Examples of possible expense items: e.g. loss due to theft / administrative cost / selling and distribution cost increased direct material cost / adjust factory overhead cost / cost of sales</li> </ul>	

3
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## 2.3 ROSEMARY'S TOY FACTORY

2.3.1

<p><b>Provide a calculation to confirm that the break-even point for the 2021 financial year is correct.</b></p> $\frac{224\ 000}{255 - 192} = 3\ 556 \text{ units}$ <p>63 two marks</p> <p>Numerator and denominator must be marked as such</p>
--

3
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2.3.2

**Explain why Rosemary is pleased with the production level, sales and break-even point. Quote figures.**

Valid comparison ✓✓ Figures ✓✓ part marks for incomplete / partial / unclear responses

Must mention Production (and sales) and BEP for four marks

- Produced and sold 1 344 units above the BEP (4 900 – 3 556) / making a profit on 1 344 units
- Made a profit (includes production and sales) on 1 344 units (4 900 – 3 556) in 2021 compared to 500 units (4 000 – 3 500) in 2020 / profit on an additional 844 units (168,8%)
- Profit (includes production and sales) was R84 672 (1 344 x R63) in 2021 and R32 000 (500 x R64) in 2020; an increase in of R52 763 (164,8%)
- Sales / production increased by 900 units (4 900 – 4 000) / by 22,5% whereas BEP increased by only 56 (3 556 – 3 500) / by 1,6%. – good control over costs.

**Two-mark options:** Only ONE of: (max 2 marks)

4

2.3.3

**Explain to Rosemary why the fixed cost per unit decreased from R56,00 to R45,71.**

ONE point that either mentions or explains economies of scale ✓✓ Two marks or nothing

- Economies of scale: As more units are produced, fixed cost per unit would decrease
- Increased production (by 900 units) resulted in a decrease in fixed cost per unit, due to fixed cost remaining fairly constant or not influenced by levels of production
- The average fixed cost per unit would decrease as units produced

2

2.3.4

**Rosemary made deliberate decisions regarding variable costs to improve the business. Explain the decisions that she might have taken on these costs and how these could have had positive effects on the business. Quote figures.**

Cost	Comment and positive effect (with figures) <span style="background-color: yellow;">Unit costs must be compared (not the total amounts for cost items)</span>
<b>Direct material cost</b> Comment (with figure) ✓ Positive effect ✓	Increased from R80 to R100 per unit / by R20 / 25% <ul style="list-style-type: none"> <li>• Improved quality of teddy bears; justifies price increase</li> <li>• Better quality – satisfied customers – less returns – improved sales – higher profits</li> </ul>
<b>Direct labour cost</b> Comment (with figure) ✓ Positive effect ✓	Decreased from R72 to R56 per unit / by R16 / 22,2% <ul style="list-style-type: none"> <li>• Improved efficiency through training</li> <li>• Better supervision of normal-time targets / more control over overtime.</li> <li>• Shift from physical labour to machines</li> </ul>
<b>Selling and distribution cost</b> Comment (with figure) ✓ Positive effect ✓	Increased from R24 to R36 per unit / by R12 / 50% <ul style="list-style-type: none"> <li>• More advertising increased sales</li> <li>• Delivering to a wider area / offered free delivery</li> <li>• Commission to motivate sales persons</li> </ul>

4

NORTH WEST PRELIM 2023 COST ACCOUNTING

QUESTION 2

2.1

COST CONCEPTS	
2.1.1	True ✓
2.1.2	False ✓
2.1.3	False ✓

3
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2.2

MAQ LAWN MOWER MANUFACTURERS

FACTORY OVERHEAD COST 2.2.1		
Indirect materials (13 201 ✓ + 38 400 ✓ - 15 100 ✓)	One part correct Operation	36 501 ✓
Salaries: foreman 39 600 x 100/18 = 220 000 ✓ 17 600 x 100/8 = 220 000 220 000 + (17 600 x 2 = 35 200 ✓)		255 200 ✓
Electricity and water (104 000 x 90%)		93 600 ✓
Rent expense (115 200 x 450/750)		69 120 ✓✓
Insurance (18 100 x 100/25 = 72 400 x 45%)		32 580 ✓✓
Depreciation: factory plant and machinery (2 800 000 - 2 528 000 = 272 000 - 1)		271 999 ✓✓
	Operation	759 000 ✓

15
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2.2.2

Production cost statement for the year ended 28 February 2023		
Direct (raw) materials cost		✓ 1 335 400
Direct labour cost (12 600 x 13 x 12)		✓✓ 1 965 600
<b>Prime cost</b>		✓ 3 301 000
Factory overhead costs	See 2.2.1	✓ 759 000
<b>Total manufacturing cost</b>	Operation	✓ 4 060 000
<b>Work-in-process (beginning of the year)</b>		<b>160 000</b>
	Operation	✓ 4 220 000
Work-in-process at (end of the year)	Operation/Balancing figure	✓ (220 000)
<b>Cost of production of finished goods</b> (4 015 000 ✓ + 95 000 ✓ - 110 000 ✓)	One part correct	✓ 4 000 000

12
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2.3 VITAMIN CHEWABLES

2.3.1

<b>Provide a calculation to confirm that the break-even point for the 2023 financial year is correct.</b>	
<b>WORKINGS</b>	<b>ANSWER</b>
$\frac{2\,942\,400 \checkmark}{(119 \checkmark - 71 \checkmark)} = 48$	= 61 300 units One part correct


2.3.2 Mimi is not happy with the number of units produced and sold. Provide evidence with figures to support her opinion.

<p><b>Reasons for positive answer</b></p> <p>The business sold (64 000 – 61 300), this is 2 700✓ units more ✓ than the break-even point, make profit on <math>2\,700/64\,000 \times 100 = 4,2\% \checkmark</math>.</p> <p><b>Reasons for a negative answer</b></p> <p>Production decreased from 78 000 – 64 000 = 14 000/78 000 X 100 = with 17,9% One mark. Too little units to make profit on One mark <math>2\,700/64\,000 =</math></p>	<table border="1"> <tr><td> </td></tr> <tr><td>4</td></tr> </table>		4
4			

2.3.3 No theft has occurred in the business; however, Mimi is concerned that most of her workers are not loyal nor committed and do not have due respect for the products they produce. Provide TWO different points of evidence, with figures, to support her opinion.

<p>Any two suitable reasons ✓✓ ✓✓</p> <ul style="list-style-type: none"> <li>• Direct materials per unit increased from R30,40 to R41, it is an increase of 35%, One mark while production decreased from 78 000 units to 64 000 units, with 14 000 or 17,9%, One mark meaning there was a wastage or abuse of direct materials.</li> <li>• Direct labour cost per unit increased form R19,60 to R23, it is an increase of 17,3% One mark. All this while production decreased by 18% One mark, meaning labourers abused the time worked this year compared to last year, or they were inefficient this year.</li> </ul>	<table border="1"> <tr><td> </td></tr> <tr><td> </td></tr> </table>		

2.3.4 Mimi wants to improve her profit by R75 000 during the next financial year, while maintaining costs. Calculate the additional units that must be produced to achieve this target.

<b>WORKINGS</b>	<b>ANSWER</b>
$\frac{75\,000 \checkmark}{119 \checkmark - 71 \checkmark} = 48$	= 1 562,5 or 1 563 ☑


<b>TOTAL MARKS</b>
45

NOVEMBER 2020 NSC STOCK VALIDATION MEMO

QUESTION 4

4.1

4.1.1	Weighted average ✓	accept recognisable abbreviations
4.1.2	FIFO ✓	
4.1.3	Specific identification ✓	
4.1.4	Perpetual system ✓	don't accept PS

4
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4.2 LOTUS ACCESSORIES 4.2.1

Calculate: Value of closing stock for gas lamps (using FIFO)	
Workings	Answer
$(220 - 40)$ $(180 \checkmark \checkmark \times R80 \checkmark)$ R14 400 three marks	$(270 - 180)$ $+ (90 \checkmark \times R75 \checkmark)$ R 6 750 two marks If adds up to 270
	R21 150 <input checked="" type="checkbox"/> * *one part correct Must be 2 batches

6
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Calculate: Stockholding period in days of gas lamps (using closing stock)	
*one part correct; 365 is not regarded as 'one part correct'	
Workings	Answer
Using totals: $21\ 150 \checkmark$ see above $\times 365$ $12\ 650 \checkmark + 193\ 500 \checkmark - 3\ 200 \checkmark - 21\ 150 \checkmark$ see above $181\ 800 \quad (40 \times 80)$	42,5 days <input checked="" type="checkbox"/> * Must be x by 365 one part correct Accept 42 or 43 days
OR: Using units: $\frac{270}{2\ 180}$ one mark $\times 365$ four marks	OR 45,2 days Accept 45 days
OR: $\frac{270}{(230 + 2\ 750 - 40 - 270)}$ $\times 365$ or $\frac{270}{2\ 940 - 270}$ 2 670	OR 36,9 days Accept 37 days
OR: $\frac{270}{(230 + 2\ 770 - 40 - 270)}$ $\times 365$ or $\frac{270}{2\ 960 - 270}$ 2 690	OR 36,6 days Accept 37 days
Answer must be reflected in days, but 'days' does not have to be specified	

6
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4.2.2

Alex suspects that the stock of gas lamps are not well controlled. Calculate the number of gas lamps missing.	
Workings	Answer
One mark in total $230 + 2\ 750 - 40$ $2\ 940 \checkmark - 2\ 180 \checkmark - 270 \checkmark$	One mark in total $230 + 2\ 770 - 40$ $2\ 960 - 2\ 180 - 270$
	490 <input checked="" type="checkbox"/> one part correct OR 510

4
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4.2.3

<p><b>What should Alex say to his brother when dealing with this matter? Provide TWO points.</b> Give TWO valid points ✓✓ ✓✓ part marks for incomplete, unclear or partial answers</p> <ul style="list-style-type: none"> <li>• His actions are unethical / illegal / theft / compromises business profitability</li> <li>• Tell him he can face dismissal / disciplinary action</li> <li>• He must reimburse Alex for the loss</li> <li>• It is a conflict of interest / he is taking advantage of being a family member / enriching himself at the expense of the business and he must stop this practice</li> <li>• He should not be expected to be treated differently and he will be subject to the rules and procedures of the business</li> <li>• All stock movements must be recorded / declared in advance</li> <li>• Output VAT not paid over to SARS (which is a criminal offence)</li> </ul>
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4
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4.2.4

**Calculate the closing stock value for gas stoves on 30 April 2021 (using the specific identification method).**

Workings		Answer
$59\,400 + 13\,860$ $280 - 132$ $(148 \checkmark \times R495 \checkmark)$ 73 260 two marks	$42\,000 + 32\,200$ $160 - 54$ $(106 \checkmark \times R700 \checkmark)$ 74 200 two marks	<b>R147 460</b> <input checked="" type="checkbox"/> * *one part correct Must be 2 models

4.2.5

**Alex thinks he should stop selling gas stoves as they are causing a liquidity problem and the profit is low. Provide figures to support his opinion.**

Any valid opinion ✓ Figure ✓

Possible responses: Be alert to candidates who focus on one model only (different figures)

- Too much cash tied up in stock, R147 460 see 4.2.4
- Total profit on gas stoves is **low** R54 060 (R38 940 + R15 120)
- Low turnover rate / only 186 units **sold**, of 440 **available** / 42,3%.
- Too much stock on hand, 254 units.

2

**Explain TWO points to convince him NOT to discontinue trading in gas stoves.**

Any TWO valid points ✓✓ ✓✓ part marks for incomplete, unclear or partial answers

- He is achieving a 60% profit on B-Lite and a 40% profit on Smart.
- He could reduce the mark-up to increase sales (recognising the state of the economy and his customers).
- These stock items are durable and can be sold in the future.
- The trend is to move towards gas because of load shedding – demand will increase in the future.
- Customers may not be aware that he is selling these products / he must advertise more extensively
- A variety of stock will attract more customers
- Gas is cheaper than electricity

4

JUNE 2023 NSC SUPPLEMENTARY MEMO

QUESTION 2

2.1.1 Calculate: Value of the closing stock of the Arctic TV sets using the FIFO method on 28 February 2023

WORKINGS	ANSWER
$\begin{array}{r} 300 - 60 \\ 240 \checkmark \times 4\ 100 \checkmark \\ 984\ 000 \end{array} + \begin{array}{r} 30 \checkmark \times 4\ 000 \checkmark \\ 120\ 000 \end{array}$	$1\ 104\ 000 \checkmark$ one part correct

5

2.1.2 Calculate: Stockholding period (in days) of the Arctic TV sets using the closing stock figure on 28 February 2023

WORKINGS	ANSWER
see 2.1.1 $1\ 104\ 000 \checkmark / 6\ 010\ 000 \checkmark \times 365$  OR: $\frac{270}{1\ 550} \times 365$ one mark one mark	$67\ \text{days} \checkmark$ If x 365  OR $63,6\ \text{days}$

3

2.2.1 Calculate: Value of the closing stock of the Pacific TV sets on 28 February 2023 using the specific identification method

WORKINGS	ANSWER
$\begin{array}{r} (350 + 400 + 400) \\ 1\ 150 \checkmark \checkmark - 765 \checkmark \\ 385 \quad \quad \times R9\ 300 \end{array}$	$3\ 580\ 500 \checkmark$ If x 9 300

4

2.2.2 Calculate: Gross profit on the Caspian Smart TV sets on 28 February 2023

WORKINGS	ANSWER
$10\ 934\ 400 \checkmark \times 60 / 160 \checkmark$ OR $10\ 200 \times 60\%$ $6\ 120 \quad \times 670$ OR $6\ 834\ 000 \times 60\%$ OR $10\ 934\ 400 - 6\ 834\ 000$	$4\ 100\ 400 \checkmark$ one part correct

3



**2.2.3 Comment on the quarterly sales of the Pacific TV sets and explain whether or not Mandie's adjustment of the selling price was a wise decision. Quote figures or calculations.**

Comment ✓ Explanation of decision ✓ Figures ✓ ✓

- The reduction in price did not achieve its objective/was not a wise decision/ sales did not increase as expected.
- Units sold dropped from 245 units to 160 and 110 over the last two quarters. ✓
- The reduction in price means that she is barely covering cost as the gross profit per unit declined from R4 200 to R1 000 and then to R500.

4

**2.2.4 Comment on the stockholding periods of the Pacific and Caspian TV sets. Quote figures or calculations.**

Pacific brand SHP is 184 days (6 months) is too long ✓✓

Caspian brand SHP of 71 days (2,3 months) is acceptable. ✓✓

4

**Explain how the different holding periods affect the business financially. Quote figures or calculations.**

Pacific: Explain + Figures ✓; Caspian: Explain + figures ✓

- Pacific is placing the business under strain/creates cash flow problems as the stock of value of R3,6m and the slower rate of sales requires more investment in working capital.
- Caspian brand is selling well (340 & 330 in 2 quarters/it appears that the investment in stock will be recouped in the near future.

4

**Explain what these periods indicate about the preferences of the customers. Quote figures or calculations.**

Explanation ✓ Figures ✓;

- The customers are no longer interested in the Pacific TVs (old technology)/ lower SP in Quarter 4 from R10 300 to R9800/only R500 GP per unit
- The customers prefer the newer/more expensive Caspian. Selling at R16 320 (10 200 x 1,6)/they are prepared to pay more [R16320 vs R9 800] for better quality.

4

**2.2.5 Provide TWO points of advice to Mandie on how she can rectify the high stock levels of some of her products without reducing prices offered to customers any further.**

TWO valid points ✓✓ ✓✓

- Transfer these TVs to the other branch to offer an alternative at that town
- Extend the target market by exploring other areas where they may be sold
- Sell them in bulk to other retailers/Introduce online sales
- Donate them as part of corporate social responsibility/tax purposes.
- Advertise more regularly

4

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

QUESTION 2

2.1.1	Calculate the selling price per unit for running shoes.	
	<b>WORKINGS</b>	<b>ANSWER</b>
	1 758 000 / 1465	R1 200 ✓✓ two or nothing

2

2.1.2	Calculate the value of closing stock on 30 April 2023 using weighted average method.	
	<b>WORKINGS</b>	<b>ANSWER</b>
	$\frac{75\,400 \checkmark + 1\,107\,000 \checkmark + 17\,000 \checkmark - 15\,000 \checkmark}{200 \checkmark + 1\,700 \checkmark - 20 \checkmark}$ $1\,184\,400 \text{ 4 marks}$ $1\,880 \text{ 3 marks}$ <p>seven marks for R630 = R630 x 430</p>	R 270 900 ✓ Operation (must be x 430)

8

2.1.3	It was discovered that a number of running shoes were shoplifted. Calculate the number of the missing shoes.	
	<b>WORKINGS</b>	<b>ANSWER</b>
	$(200 + 1\,700 - 20) \checkmark - 430 \checkmark - 1\,465 \checkmark$ <p>1 880 See 2.1.2</p> <p style="text-align: right;">Mark amounts with signs</p>	15 ✓ units missing Operation one part correct
	Accept – 15 units/ +15 units / 0 units / No shoes missing	

4

2.1.4	Provide TWO strategies that Ganesha should implement to prevent the loss of stock in future.	
	<p>Any two valid point ✓ ✓</p> <ul style="list-style-type: none"> <li>• Improve stock control methods (regular stock take).</li> <li>• Division of duties: person ordering is not same person to one receiving goods to one packing to one recording transactions in the accounting records</li> <li>• Proper safeguarding of stock while in storage</li> <li>• Security guards at exit points and limited access to the storeroom</li> </ul>	

2

2.2.1	Calculate the stock turnover rate of soccer boots for 2023. (Use the average stock).	
	<b>WORKINGS</b>	<b>ANSWER</b>
	$\frac{168\,380\checkmark}{\frac{1}{2}\checkmark (105\,000\checkmark + 63\,380\checkmark)}$ $84\,190 \text{ (three marks)}$	2 times <input checked="" type="checkbox"/> one part correct

2.2.2	Explain whether Ganesha should be concerned about stock turnover rate. It was 5 times in 2022.
	<p>It is a concern because Stock turnover rate decreased from (5 times) to 2 times by 3 (150%). ✓✓</p> <p>The stock is not sold very fast compared to last year. ✓</p>

2.2.3	Ganesha is not satisfied with the performance of soccer boots. Identify TWO problems by quoting figures and trends. Provide a solution to each problem.	
	<b>PROBLEM</b>	<b>SOLUTION / ADVICE</b> ✓ ✓
	Problem identified ✓ ✓ figures with trends ✓ ✓	
	<b>Problem 1:</b> Days worked (172/264) 65% of work time (decreased from 99%) NB: only one figure or % required with the trend	<ul style="list-style-type: none"> <li>Investigate the reason for the low number of days worked.</li> <li>Monitor opening and closing times and the employees' leave-taking.</li> <li>Do cost-benefit analysis to determine whether to keep this department.</li> <li>Pay workers only for days worked.</li> </ul>
	<b>Problem 2:</b> <ul style="list-style-type: none"> <li>Stock turnover rate (2 times)</li> <li>Lower sales by 37% (820 – 515)</li> <li>Stock piling increased from 94 to 296 units.</li> <li>Too many returns 45 / Increase in returns from 21 to 45.</li> </ul>	<ul style="list-style-type: none"> <li>Use an ordering system and buy according to orders.</li> <li>Sacrifice profit (lower mark-up) to increase sales.</li> <li>Offer special prices / sale of boots for a limited period.</li> <li>Double check the quality of boots before sales.</li> </ul>



NORTHERN CAPE PRELIM 2023:INVENTORY QUESTION 3

3.1

3.1.1	C✓
3.1.2	D✓
3.1.3	B✓

3

3.2

3.2.1

<b>Calculate the value of closing stock according to the weighted average method on 28 February 2023.</b>	
$\frac{45\,600 \checkmark + 544\,200 \checkmark - 4\,600 \checkmark + 25\,200 \checkmark}{120 \checkmark + 1\,290 \checkmark - 10 \checkmark}$ $\frac{610\,400 \text{ four marks}}{1\,400 \text{ three marks}}$ $= 436 \times 150 \checkmark$	<p>65 400 ✓ operation one part correct</p>

9

3.2.2

<b>Calculate the “cost of sales” for the year ended 28 February 2023.</b>	
<p>see 3.2.1</p> $610\,400 \checkmark - 65\,400 \checkmark$	<p>545 000 ✓ operation one part correct</p>

3

3.2.3

<b>Selbon suspects that camp chairs have been stolen. Provide a calculation to support his suspicion.</b>	
<p>one part correct</p> $[(120 + 1\,290 - 10) \checkmark \checkmark - 150] \checkmark - 1\,235 \checkmark$	<p>15 ✓ operation one part correct</p>

5

3.2.4

<b>Calculate stock-holding period (in days) using the closing stock amount.</b>	
<p>See 3.2.1</p> $\frac{65\,400 \checkmark}{545\,000 \checkmark} \times \frac{365}{1}$ <p>See 3.2.2</p> <p><b>OR</b> If units used</p> $\frac{150 \text{ one mark}}{1\,235 \text{ one mark}} \times \frac{365}{1}$ <p>Numerator and denominator cannot be swapped</p>	<p>43,8 days ✓ one part correct if x 365 accept 44 days</p> <p><b>OR</b></p> <p>44,3 days Accept 44 days</p>

3





3.2.5

**State ONE problem with keeping too much stock on hand and ONE problem with keeping insufficient stock on hand.**

**Keeping too much stock**

Any valid point ✓✓ part-marks for unclear/incomplete answers

- Can cause cash flow problems with cash tied up in stock.
- Cost of storage/ lack of storage space.
- Stock can be damaged when kept for long periods.

**Keeping insufficient stock**

Any valid point ✓✓ part-marks for unclear/incomplete answers

- The business will not meet the needs of customers/ business will lose customers to competitors.
- Loss of income from sales.

4

3.3

3.3.1

**Calculate the cost price of bakkie 3 on 31 May 2023.**

315 000 + 135 000

450 000 ✓✓  
2 marks or nothing

2

**Explain why delivery vehicle 2 is shown at book value of R1,00 in the financial statements. Give ONE point.**

Any valid answer ✓✓ part-marks for unclear/incomplete answers

- The vehicle is old and has reached the end of its lifespan.
- Since depreciation is written off on the cost price method, the vehicle is already fully depreciated.
- However, the vehicle is still in use and therefore must be shown at a value in the statements

2

3.3.2



Identify and explain ONE big problem with each bakkie and its driver. Quote figures in each case and provide a solution.		
	PROBLEM ✓ ✓ ✓ FIGURES ✓ ✓ ✓ Mark problem and figures independently	SOLUTION ✓ ✓ ✓
<b>Bakkie 1 (Neo)</b>	<ul style="list-style-type: none"> <li>Neo made only 280 deliveries.</li> <li>Neo was absent too much – 50 days of work.</li> <li>Neo is paid the same salary despite the fact that he is making only 7, 6% of deliveries.</li> <li>Vehicle is underutilized because it has the lowest operating costs (R1, 30) but makes only 7, 6% of total deliveries.</li> <li>Poor internal control that allows the vehicle to be operated at a loss. (Income: R70 000 Cost: R88 000)</li> </ul>	Pay drivers per delivery – this will encourage them to work harder. Give this vehicle to the best/ most reliable driver.
<b>Bakkie 2 (Thabo)</b>	<ul style="list-style-type: none"> <li>Thabo worked too hard with this vehicle – he did (2,100/260 days = 8 deliveries a day).</li> <li>This vehicle is old and has the highest operating costs (R2.05) but it does 2,100/3,680 = 57% of all deliveries.</li> </ul>	Limit the use of this vehicle if it cannot be replaced. Give this vehicle to the weakest/most idle driver.
<b>Bakkie 3 (Cleo)</b>	<ul style="list-style-type: none"> <li>Cleo is dishonest and he stole R50 000 of the fees collected (R325 000 – R275 000).</li> </ul>	Conduct a full audit of fees collected. Fees must be paid electronically in advance. No cash should be handled by drivers. Institute disciplinary action against Cleo.

NOVEMBER 2022 NSC BUDGETS

QUESTION 3

3.1 Creditors' Payment Schedule for December 2022

	CREDIT PURCHASES	NOVEMBER	DECEMBER
October	300 900	60 180	Superfluous entry; Lose method on total
November	331 500	251 940	66 300 ✓✓
December	222 700 ✓✓		169 252 ✓✓ four marks if credit purchases not shown
<i>If cash purchases of 39 330 used (English only)</i>	222 670 two marks 222 870 two marks	If x 80% x 95%	169 229 two marks 169 381 two marks
		312 120	235 552 ✓ one part correct

7

3.2 Calculate the missing figures (i) to (iii) in the Cash Budget.

NO.	WORKINGS	ANSWER
(i)	<b>Collection from debtors: December 2022</b> 643 500 x 70%      OR    193 050 x 70/30	450 450 ✓✓ (2)
(ii)	<b>Rent income: December 2022</b> (15 000 / 60m) R250 one mark x 75m one mark 15 000 ✓ + 18 750 ✓✓ <b>Be alert to alternative calculations, such as:</b> OR R250 one mark x 135m two marks OR 15 000 one mark + (15 000 x 75/60) two marks OR 15 000 one mark + (15 000 x 125%) two marks OR 15 000 one mark x 225% two marks OR 15 000 one mark + (15 000 + 3 750) two marks	33 750 ✓ one part correct* (4)
(iii)	<b>Salaries: November 2022</b> (55 595 – 14 840) two marks      two marks    one mark 40 755 ✓✓ x 100/104,5 ✓    OR 40 755 – 1 755	39 000 ✓ one part correct* (4)

\* i.e. mark earned in workings

10

3.3.1 Calculate the deposit that will be paid for the purchase of the company vehicle during December 2022.

WORKINGS	ANSWER
(20 800 x 24) two marks (499 200 two marks – 45 600 one mark) OR (18 900 x 24) three marks 453 600 ✓✓✓ x 25 / 75 ✓  453 600 x 100/25 OR: 604 800 – 453 600 three marks      one mark	151 200 ✓ one part correct; if mark earned in workings

5



3.3.2 Juanita is concerned about the cash position for December 2022. She proposes moving the purchase of the vehicle to January 2023. Use the table below to show the effect of this proposal to the December 2022 Cash Budget. Ignore brackets, lose method mark on final total

<b>Budgeted deficit on 31 December 2022</b>	<b>(120 000)</b>
<b>Deposit on vehicle</b> <span style="float: right;">see 3.3.1</span>	151 200 <input checked="" type="checkbox"/>
Monthly instalment <span style="float: right;">(18 900 + 1 900) one mark</span>	20 800 ✓
Fuel for company vehicle	7 500 ✓
Insurance	3 200 ✓✓
<b>Cash deficit/surplus after the proposed move</b> <span style="float: right;">one part correct</span>	<b>62 700</b> <input checked="" type="checkbox"/> Must include (120 000)

6
---

3.4 Juanita is concerned about her decisions in October 2022 to adjust the mark-up % and the amount actually spent on advertising. Provide TWO points to indicate whether these were wise decisions or not. Quote figures and/or calculations.

ONE point on sales or gross profit ✓ figure/s ✓  
ONE point on advertising ✓ figure/s ✓

<b>POINT 1</b>	<p>The reduction in mark-up % to 45%</p> <ul style="list-style-type: none"> <li>Led to sales of 4 390 units more than budgeted / from 7 080 units to 11 470 units / by 62%. <b>OR</b> sales exceeded the budget by R247 446 (from R584 100 to R831 546 or 42,4%)</li> <li>Gross profit is more than budgeted by R27 966 or 12,2% (from R230 100 to R258 066) / cost of sales was more than budgeted as expected, due to more sales (by R219 480)</li> </ul>
<b>POINT 2</b>	<p>Underspent on advertising by R12 000 (40 000 – 28 000) or by 30% was not significant as it did not affect sales negatively / budgeted for 6,8% of sales, but actual was 3,4% of sales / It could be argued that sales could have been higher if more was spent on advertising.</p>

4
---

3.5.1 Explain why Juanita should be concerned about the actual amount spent on repairs and maintenance during October 2022. Quote a figure or a calculation.

Figure (comparison) ✓  
Underspent on maintenance by R22 000 / spent only R8 000 of the R30 000 budget / 26,6% of the budget was used / 73,3% of budget was not used.

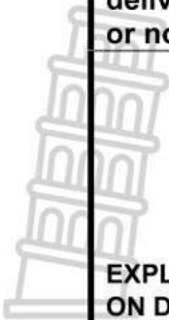
Possible explanation ✓ accept short statements  
This could affect the long-run productivity of the assets / neglecting maintenance may cause disruptions to operations / cash savings in the short-run may cause fixed assets to break down or deteriorate, leading to greater expenses in the future.

2
---



3.5.2

James feels that there has been a lack of control over the amounts spent on delivery expenses and packing material. Explain whether James' opinion is correct or not. Provide calculations. Be alert to issue of language / terminology



**EXPLANATION ON DELIVERY EXPENSES**

Explanation (comparison with sales) ✓✓ part mark if no comparison  
 Figures ✓✓ comparison of percentages or unit cost  
 award ONE mark if only comparative figures (variances) are used.

The delivery costs were well maintained; service provider was able to operate more efficiently in spite of increased sales:

- Delivery expenses is 22,4% more than budgeted, but units sold is more than budgeted by 62% / sales is 42,4% more than budgeted
- Delivery cost per unit is R3,74 compared to the R4,95 budgeted.
- *Budgeted for 6% of sales actual was 5,2% of sales*

**Three mark option: comparison with sales quoting variances:**  
 Delivery expenses is over the budget by R7 850, but sales is more than budgeted by 4 390 units / by R247 446

**Two mark option: no comparison with sales but variances mentioned:**  
 Delivery expenses is over the budget by R7 850.

**EXPLANATION ON PACKING MATERIAL**

Explanation (comparison with sales) ✓✓ part mark if no comparison  
 Figures ✓✓ comparison of percentages or unit cost  
 award ONE mark if only comparative figures (variances) are used.

Packing material was efficiently managed / in line with the budget:

- Packing material is 62% more than budgeted and units sold is also 62% more than budgeted / sales is 42,4% more than budgeted / cost of sales is also 62% more than budgeted.
- Unit cost of packing material was maintained at R3,30.
- *Budgeted for 4% of sales actual was 4,6% of sales*

**Three mark option: comparison with sales quoting variances:**  
 Packing material is over the budget by R14 486, but sales is more than budgeted by 4 390 units / by R247 446

**Two mark option: no comparison with sales but variances mentioned:**  
 Packing material is over the budget by R14 486.

8

3.6

Juanita wants to use social media to create an on-line shopping platform to increase her sales from January 2023. Name **THREE additional** payments that must be included in the January 2023 budget.

Any **THREE** valid answers ✓ ✓ ✓ accept any reasonable examples

**EXAMPLE 1**

- Establishment of a call centre / more telephone lines
- Additional couriers services / transport and carriage costs
- Additional vehicles / drivers / assistants / increased salaries

**EXAMPLE 2**

- Packaging costs / material
- Insurance
- Staff training / additional staff / agents
- Data costs / fibre installations / internet cost

**EXAMPLE 3**

- Software construction costs / website design / additional advertising
- Computer hardware/file server / IT technician / maintenance
- Generator/inverter/UPS/ solar panels

3

JUNE 2023 NSC SUPPLEMENTARY

QUESTION 4

4.1

NO.	CASH BUDGET		PROJECTED STATEMENT OF COMPREHENSIVE INCOME	
	RECEIPT	PAYMENT	INCOME	EXPENSE
4.1.1		26 400 ✓		550 ✓
4.1.2	675 ✓✓	90 000 ✓	675 ✓ see receipts	

6
---

4.2 ALICE FURNISHERS (PTY) LTD

4.2.1 DEBTORS' COLLECTION SCHEDULE

	CREDIT SALES	MAY	JUNE	JULY
April	882 000	485 100	194 040	
May	891 800	164 983	490 490	196 196 ✓✓
June	921 200		170 422	506 660 ✓✓
July	931 000		If 20% x 92,5%	172 235 ✓✓
		650 083	854 952	875 091 ✓

7
---

4.2.2 Calculate:

WORKINGS	ANSWER
<p>(i) Cash sales for July 2023</p> <p><math>1\,330\,000 \times 30\%</math> or <math>931\,000 \times 30/70</math></p>	399 000 ✓✓
<p>(ii) Loan amount in June 2023</p> <p><math>5\,500 \checkmark \times 12/1 \checkmark \times 100/11 \checkmark</math></p> <p>Be alert to alternative arrangements for calculations</p>	600 000 ✓ one part correct
<p>(iii) Payment to creditors in July 2023</p> <p><math>910\,000 \times 80\%</math></p>	728 000 ✓✓

8
---

4.2.3 Calculate the % increase that workers will receive in July 2023.

WORKINGS	ANSWER
<p><math>10\,320 \checkmark / 172\,000 \checkmark \times 100</math></p>	6% ✓ one part correct

3
---



**Give TWO reasons why you think that workers would be satisfied with this increase.**

Any TWO points ✓ ✓

- It is a fair increase taking into account the state of the economy
- The company may be having cash flow problems, needs to take a loan
- Directors are taking a cut in fees

2

**4.2.4 Comment on the effectiveness of the advertising. Provide figures or calculations.**

Comment (comparison with sales) ✓✓ comparative figures ✓✓  
 part marks partial response (advertising only/sales only) one mark for advertising figure only

- Sales is lower than the budget by 15% (by 191 1000) but advertising is lower than budget by 3,7% (by R1 400)
- Advertising: budgeted at 3% of sales, actual amount used is 3,4% of sales.

4

**Alice is satisfied with the control over delivery expenses. Provide figures or calculations to justify her feelings.**

WORKINGS	ANSWER
$\frac{54\ 100}{1\ 082\ 900} \times 100$ OR $1\ 082\ 900 \times 5\%$	4,9 or 5% ✓✓ one part correct OR 54145 ✓✓

2

**Alice is, however, concerned about the control over each vehicle. Identify a different issue (problem) for EACH vehicle that confirms her concern. Provide figures or calculations to justify her feelings.**

<b>Vehicle 1</b> Problem ✓ figure ✓	High maintenance, R9 500 or 60% of the budget/ High kilometres covered, 1 260 km of 1 800 (70% of workload) This is 4 years older than vehicle 2
<b>Vehicle 2</b> Problem ✓ figure ✓	Covers only 540 km (30% of workload) but using R14 000 fuel (35% of budget)/ Not being regularly maintained only R4 600 of the budget used/ Delivery expenses averages R34,44 per km as against R28,17 of vehicle 1 or the budgeted average of R31,85.

4

**Provide TWO suggestions on how Alice can improve the use or efficiency of the vehicles.**

Any TWO suggestions ✓✓ ✓✓ part marks for impartial/incomplete/unclear responses

- Keep a log book of trips covered and supervise regularly
- Set targets for each driver per week, per month.
- Pay drivers according to work covered, instead of a fixed salary.

4

GAUTENG PRELIM 2019

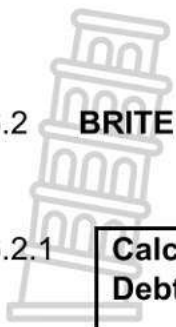
QUESTION 6: BUDGETING

6.1 SEAGATE TRADERS

Complete the table by filling in only the amounts for July 2019 in the appropriate columns.

NO.	Amount in the Cash Budget for July 2019		Amount in the Projected Income Statement for July 2019	
	RECEIPT	PAYMENT	INCOME	EXPENSE
Example	R3 300		R3 300	
6.1.1	49 500✓		49 500✓ OR: 26 200 (2 marks)	23 300✓
6.1.2		19 800✓	990✓	
6.1.3				1 320✓
6.1.4				3 080✓ (36 960/12)
6.1.5		55 000✓		55 000✓
6.1.6		27 500 ✓		





6.2 **BRITE TRADERS**

6.2.1 Calculate the credit sales for August 2019 and then complete the Debtors' Collection Schedule for September 2019.

	CREDIT SALES	SEPTEMBER
June	46 200	
July	54 000	4 320
August	(118 800 x 40%) 47 520 ✓✓	Check 70% of credit sales 33 264 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
September	36 960	20% 7 392 ✓✓
	One part correct	44 976 <input checked="" type="checkbox"/>

7
---

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

	CALCULATIONS	AMOUNT
(a)	61 600 (one mark) $(92\,400 \times 100 \div 150) \checkmark \times 25\% \checkmark$	One part correct 15 400 <input checked="" type="checkbox"/>
(b)	67 500 (one mark) $(90\,000 \times 75\%) \checkmark \times 95\% \checkmark$	One part correct 64 125 <input checked="" type="checkbox"/>
(c)	$35\,200 \times 106\%$	37 312 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
(d)	$5\,808 \times 100 \div 110$	5 280 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
(e)	$-24\,860 - 11\,220$	bracket/neg <input checked="" type="checkbox"/> amount <input checked="" type="checkbox"/> (36 080) <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>

12

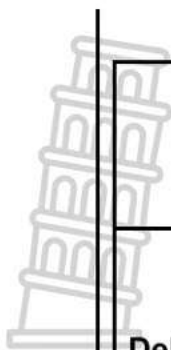
6.2.3 (a) Cleve, the owner decided to offer special discounts to customers during August. The customers will be reminded weekly by telephone or sms about this offer. You are of the opinion that this has NOT benefited the business. Provide TWO reasons to support your opinion. Quote figures.

Any TWO reasons   with figures

- Actual sales were R89 400 compared to budget of R118 800
- Actual Sales is less than budgeted by R29 400 (32.8% / 33%), but actual telephone costs is more than the budgeted by R2 750 (50%)
- Profit margin was budgeted for 50%, but only 40% realised

(b) Explain what you would say to Cleve about the control of the following costs. Quote figures to support your answer and provide ONE point of advice in EACH case.

4



ITEM	COMMENT WITH FIGURES <b>Two marks each</b> ✓✓ ✓✓	ADVICE <b>One mark each</b> ✓ ✓
<b>Delivery Costs</b>	Sales were less than budgeted, so actual delivery expenses should decrease to R8 940. (10% of sales)	Investigate possible fraud or inefficiency / Change to another delivery firm / Charge customers for deliveries.
<b>Advertising</b>	R1 600 overspent on advertising. Method of advertising / advertiser was ineffective – did not increase sales.	Change the advertiser / method of advertising.

6.2.4

(a) Calculate the purchase price of the new vehicle.

R247 500 (2 marks)

$(R6\ 875 \checkmark \times 36 \checkmark) \times 100/90 = R275\ 000 \checkmark$   One part correct

brackets not required

4

(b) Apart from the deposit and the monthly instalment of R6 875 on the new vehicle, explain how the next month's Cash Budget will be affected. State TWO points.

Any 2 valid points ✓ ✓

- Delivery expenses paid to Dell Deliveries will be avoided.
- Fuel costs must be included.
- Salary of a driver must be provided for.
- Insurance must be included.

2

TOTAL MARKS

45