GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PREPARATORY EXAMINATION

2025

10712

ACCOUNTING

(PAPER 2)

TIME: 2 hours

MARKS: 150

ACCOUNTING P2

10712E

14 pages + a formula sheet and a 14-page answer book

X05

P.T.O.

INSTRUCTIONS AND INFORMATION

1.   Answer ALL the questions.

2.   A special ANSWER BOOK is provided in which to answer ALL the questions.

3.   Show ALL workings to earn part-marks.

4.   You may use a non-programmable calculator.

5.   You may use a dark pencil or blue/black ink to answer the questions.

6.   Where applicable, show ALL calculations to ONE decimal point.

7.   You may use the Financial Indicator Formula Sheet attached at the end of this question paper.

8.   Write neatly and legibly.

9.   Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Reconciliations	40	32
2	Cost Accounting	40	32
3	Stock Valuation	35	28
4	Budgets	35	28
	TOTAL	**150**	**120**

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QUESTION 1: RECONCILIATIONS   (40 marks; 32 minutes)

1.1   BANK RECONCILIATION

The information below relates to Khaya Traders, a business owned by Khaya Smith. The business receives the Bank Statement on the 25th day of each month. Khaya uses this to complete the bank reconciliation.

REQUIRED:

1.1.1   Use the table provided in the ANSWER BOOK to calculate the final totals of the Cash Journals on 31 May 2025.   (10)

1.1.2   Calculate the correct bank account balance in the General Ledger on 31 May 2025.   (4)

1.1.3   Prepare the Bank Reconciliation Statement on 31 May 2025.   (7)

1.1.4   Khaya has noticed that a long-serving cashier has recently been experiencing cash shortages. Suggest TWO possible reasons for these shortages and provide a solution for each reason given.   (4)

1.1.5   Provide TWO reasons why Khaya authorises all EFT payments of his business.   (2)

INFORMATION:

A.   **Extract from the Bank Reconciliation Statement on 30 April 2025**

Outstanding deposits:	Dated 14 April 2025	R6 000
	Dated 28 April 2025	15 000
Outstanding EFTs:	No. 135	2 100
	No. 139	6 700
Unfavourable balance as per bank account		15 550

NOTE:

• The outstanding deposit of R15 000 appeared on the bank statement on 15 May 2025.

• The outstanding deposit of R6 000 did not appear on the bank statement for May 2025. An investigation revealed that this amount was never deposited and must be written-off.

• EFT 135 is correctly reflected as R210 on the bank statement.

• The bank statement of May 2025 shows that EFT 139 was recorded correctly.

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B. Before receiving the May 2025 Bank Statement, the Cash Journals reflected the following provisional totals:

CASH RECEIPTS JOURNAL	CASH PAYMENTS JOURNAL
R102 675	R86 150

C. Information on the May 2025 Bank Statement which did not appear in the May 2025 Cash Journals:

DATE	DETAILS	DEBIT (R)	CREDIT (R)
1	P. Sello (tenant)		3 160
9	Cash withdrawal (K. Smith)	2 800	
15	Debtors' control (K. Phumi)		6 400
25	Debit order 00125	5 100	
28	Interest	365	
30	Transaction fees	830	

NOTE:

- K. Phumi made an electronic transfer before a 5% discount was granted. Khaya instructed the bookkeeper to refund the discount electronically. He authorised the refund and the bookkeeper processed it.

- An unauthorised debit order appeared on 25 May. The bank will rectify the error in June.

D. Entries in the Cash Journals after 25 May 2025:

Deposit on 30 May 2025	R31 250
EFT 384 to DS Packaging, dated 27 May 2025	9 650
EFT 392 to MJ Stationers, dated 29 May 2025	5 440

E. Bank Statement balance on 31 May 2025 …?

1.2 **CREDITORS' RECONCILIATION**

Soweto Traders buys goods on credit from, among others, PP Distributors. The business receives their account statement promptly every month.

REQUIRED:

1.2.1   Use the table provided to indicate all corrections that must be made to the Creditors' Control Account and the Creditors' List.

Indicate changes with a (+) for an increase, a (−) for a decrease or a (0) for no change.   (9)

1.2.2   PP Distributors is happy with the way Soweto Traders manages its account and is willing to increase their credit limit.

Explain TWO actions that should be taken by Soweto Traders to help them to maintain a good relationship with the creditor.   (4)

INFORMATION:

A.   Balances and totals on 30 June 2025 (before correcting the errors and omissions):

Creditors' Control Account balance	R64 800
Creditors' List total in the Creditors' Ledger	R79 300

B.   The Creditors' Journal was overcast by R1 000.

C.   S. Snow, a debtor with a credit balance of R900, was mistakenly included in the list of creditors.

D.   The total of the Creditors' Allowance Journal was inaccurately added as R23 500 instead of R17 900.

E.   The Debtors' Control column of R4 400 in the Cash Payments Journal was erroneously posted to the Creditors' Control Account.

F.   Packing material costing R2 300 returned to PP Distributors was recorded correctly in the relevant journal. It was however posted to the PP Distributors account as a credit purchase.

40

QUESTION 2: COST ACCOUNTING   (40 marks; 32 minutes)

2.1 MAGIC WOOD MANUFACTURERS

Magic Wood Manufacturers manufactures wooden door frames and is owned by Phenyo Mason. Their financial year ends on 30 April each year.

REQUIRED:

2.1.1   **Refer to Information A.**

Calculate the direct/raw material cost.   (6)

2.1.2   **Refer to Information C.**

Calculate the factory overhead cost for the year by completing the table in the ANSWER BOOK.   (9)

2.1.3   Prepare the Production Cost Statement for the year ended 30 April 2025.   (6)

2.1.4   Calculate the selling and distribution cost.   (3)

2.1.5   Magic Wood donated window frames to a community school. The window frames were produced using offcuts that would otherwise have been wasted. Calculate the amount lost in terms of sales as a result of the wastage of the wood.   (4)

INFORMATION:

A.   Raw material (wood):

Raw materials are valued using the FIFO (first-in-first-out) method. All stock purchases are stored in a storeroom before being sent to the factory for production.

Raw material stock records:

	METRES	UNIT COST (R)	TOTAL (R)
Balance on 1 May 2024	1 520		608 000
Purchases	**16 200**		**7 467 000**
July 2024	8 400	420	
November 2024	7 800	505	
Returns	400	420	
Raw material issued to factory	16 570		?
Balance on 30 April 2025	750		?

NOTE: 400 metres were returned to the supplier due to delivery of the incorrect size.

P.T.O.

B.   Extract of pre-adjustment amounts on 30 April 2025:

The bookkeeper calculated the factory overhead cost as R3 670 860.

Other pre-adjustment amounts on 30 April 2025:

Office insurance	R12 480
Depreciation on factory equipment	42 000
Advertising	34 320
Factory rent	?

Adjustments to factory overheads:

- 80% of the insurance is allocated to the factory and the rest to the office. The bookkeeper undercast the insurance amount by R2 550.

- Depreciation on factory equipment was calculated using the cost-price method instead of the dimishing-balance method. Correct the error:

    o   On 1 May 2024, accumulated depreciation on factory equipment amounted to R38 000.

    o   Factory equipment depreciates at 15% per annum.

        NOTE: No factory equipment was bought or sold during the year.

- Magic Wood Manufacturers' factory rent for three months from 1 May 2024 to 31 July 2024, amounted to R168 000. PM Warehouse charges rent at a fixed rate. Magic Wood Manufacturers has been renting 160 square metres for the past two years. With effect from 1 August 2024, Magic Wood Manufacturers requested an increase in factory rental space by 40 square metres. The rent for this increase has not yet been recorded.

C.   There is no work-in-process stock.

D.   Other costs for the financial year (after all the adjustments):

	UNIT COST (R)	TOTAL (R)
Direct labour cost	710	?
Variable cost	2 240	14 380 800

E.   Production and sales for the year:

- 6 420 wooden door frames were produced and sold.
- 2,5 metres of wood is used to make one door frame.
- The selling price per wooden door frame is R780.

P.T.O.

2.2 **KICK-IT-UP MANUFACTURERS**

You are provided with the information relating to Kick-it-up Manufacturers. The business manufactures office chairs. The owner, Nono Shiloh, is happy with the increased profit.

NOTE:	Where comments or explanations are required, you should:
	• Quote calculations, figures and/or trends
	• Give an explanation or a reason in each case

REQUIRED:

2.2.1 Explain why it is important to calculate the expected break-even point for a business before the start of a financial year. (2)

2.2.2 Nono was not anticipating an increase in profits. Explain to her how this happened. Provide TWO points. Quote figures. (4)

2.2.3 Explain why total fixed cost increased but fixed cost per unit decreased. Quote figures. (2)

2.2.4 Identify TWO costs (with figures) that have been well-controlled. For each cost, provide a possible action that Kick-it-up Manufacturers may have taken to keep these costs under control. (4)

INFORMATION:

	2025		2024	
	UNIT COST (R)	TOTAL (R)	UNIT COST (R)	TOTAL (R)
Fixed Cost	26,00	1 092 000	26,60	1 077 300
Variable Cost	**82,30**	**3 456 600**	**84,10**	**3 406 050**
Direct material	34,00	1 428 000	36,00	1 458 000
Direct labour	29,00	1 218 000	28,10	1 138 050
Selling and distribution	19,30	810 600	20,00	810 000
Selling price per unit	R117,30		R105,00	
Net profit for the year	R637 500		R101 250	
Units produced and sold	42 000 units		40 500 units	
Break-even point	31 200 units		51 545 units	

40

P.T.O.

QUESTION 3: INVENTORY VALUATION   (35 marks; 28 minutes)

3.1   FLYEASY TRADERS

The business is owned by Magesh and sells one type of travel bag. The business uses the weighted-average method to value its stock and applies the perpetual inventory system. The financial year ended on 28 February 2025.

NOTE:	Where comments or explanations are required, you should:
	• Quote calculations, figures and/or trends
	• Give an explanation or a reason in each case

REQUIRED:

3.1.1   Calculate the following for the year ended 28 February 2025:

• The value of closing stock, using the weighted-average method   (3)
• Gross profit   (5)

3.1.2   Magesh has decided to evaluate his pricing policy. Advise him on ONE point he should consider when reviewing his pricing strategy.   (2)

3.1.3   Magesh is concerned about a decrease in profits. Give TWO potential factors that may lead to a reduction in profits.   (2)

INFORMATION:

A.   **Stock records revealed the following:**

	UNITS	UNIT PRICE (R)	TOTAL (R)
Opening stock (1 March 2024)	710		
Purchases	**2 370**		**8 310 000**
March	850	3 200	2 720 000
July	620	3 500	2 170 000
November	900	3 800	3 420 000
Closing stock (28 February 2025)	?	3 420	?

B.   **Sales:**

• Only 2 508 travel bags were sold during the year.

• To remain competitive in the travel bag market, the selling price was fixed at R4 550 for the past three years.

P.T.O.

3.2 **MENZIWATCH PLAZA**

Aya Mbambo is the owner of Menziwatch Plaza, a business that sells various types of exclusive watches. The business uses the specific identification method to value their stock and applies the periodic inventory system. The financial year ended on 28 February 2025.

REQUIRED:

3.2.1	Calculate the value of the closing stock on hand, using the specific identification method.	(5)
3.2.2	Provide a calculation to confirm that the closing stock of the Saika watches is expected to be sold in 8,9 days.	(3)
3.2.3	Aya is confident that the Dempo model should NOT be out of stock. Provide a calculation to support his assumption.	(2)
3.2.4	Aya has expressed his concern about customers trying on watches without staff supervision. Identify TWO potential problems that could arise from this practice and suggest a solution for each.	(4)

INFORMATION:

The following information relates to the year ended 28 February 2025:

A. **Opening stock**

MODEL	UNITS	UNIT PRICE (R)	TOTAL (R)
Dempo	46	4 750	218 500
Bolex	29	8 700	252 300

B. **Purchases**

MONTHS	MODEL	UNITS	UNIT PRICE (R)	TOTAL (R)
July 2024	Dempo	85	4 750	403 750
	Bolex	96	8 700	835 200
December 2024	Saika	116	5 550	643 800
February 2025	Bolex	44	8 700	382 800
	Saika	61	5 550	338 550

C. **Closing stock**

MODEL	UNITS	TOTAL (R)
Dempo	0	0
Bolex	?	?
Saika	?	?

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D.   Sales:

MODEL	UNITS SOLD	MARK-UP %
Dempo	125	52
Bolex	123	75
Saika	161	60

3.3 **PROBLEM-SOLVING:**

The information below relates to Staysmart Fashions. The business sells jackets tailored for various seasons.

NOTE:	Where comments or explanations are required, you should: • Quote calculations, figures and/or trends • Give an explanation or a reason in each case

REQUIRED:

3.3.1 **Winter jackets:**

* Comment on the stock holding period of winter jackets. Quote figures. (2)

* What effect does this stock holding period have on Staysmart Fashions? (2)

3.3.2 **Summer jackets:**

Nandi is concerned that the current pricing policy may lead to a future decline in customers. Calculate the percentage change and explain why Nandi should not be concerned. (3)

3.3.3 Nandi is pleased with zero stock loss. Explain TWO security measures she may have implemented to help achieve this result. (2)

INFORMATION:

	2025		2024	
	WINTER (units)	SUMMER (units)	WINTER (units)	SUMMER (units)
Stock available	900	1 200	960	1 220
Stock sold	558	1 080	672	1 037
Stock on hand	342	120	288	183
Selling price per item	R3 750	R1 350	R3 300	R1 050
Cost price per item	R2 500	R900	R2 200	R750
Stock holding period	224 days	41 days	156 days	64 days

QUESTION 4: BUDGETING   (35 marks; 28 minutes)

The information relates to Ekasi Traders for the period 1 July 2025 to 31 August 2025. The business is owned by Edward Cassim and sells its own in-house electrical appliances.

REQUIRED:

4.1   Calculate the total sales for June 2025.   (2)

4.2   Complete the Debtors' Collection Schedule for the period 1 July 2025 to 31 August 2025.   (7)

4.3   Calculate the missing figures **(i) – (iv)** in the Cash Budget for the period ending 31 August 2025.   (14)

4.4   **Refer to Information G.**

- Explain why these items may cause a challenge for the business. Provide ONE reason for each case.   (4)

- There is a concern about the high advertising costs associated with printing pamphlets by the business, especially given the low sales return. Suggest and explain TWO modern and more cost-effective advertising methods that Edward could consider.   (4)

4.5   **Refer to information H.**

- Comment on the cash flow situation during May 2025. Make ONE suggestion to improve Ekasi Traders' cash problems.   (2)

- Edward is considering opening a new branch in another province. Identify TWO challenges that may impact on the business's cash budget.   (2)

INFORMATION:

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

- Total sales were as follows:

	May 2025	June 2025	July 2025	August 2025
Actual	1 280 000	?		
Budgeted			1 192 000	1 604 000

- Cash sales comprise 75% of total sales.
- The mark-up percentage is 60% on cost price.

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B. **Collection from debtors is as follows:**

- 20% pay in the month of sales and receive a 3% discount.
- 60% pay in the month following the month of sales.
- 15% pay in the second month after the sale.
- The balance will be written-off as irrecoverable.

C. **Purchases:**

- 35% of all purchases are on credit.
- Stock is replaced in the month of sales. A base stock is maintained.
- Creditors are paid two months after purchase, subject to a 4% discount.

D. **Extract from the Cash Budget for July and August 2025:**

	JULY	AUGUST
RECEIPTS		
Cash sales	894 000	1 203 000
Collection from debtors	312 812	?
Rent income	9 225	8 200
Loan	0	(i)
PAYMENTS		
Cash purchases of stock	484 250	(ii)
Payments to creditors	(iii)	289 800
Rent expense	9 300	11 718
Interest on loan	1 105	2 275
Salaries and wages	29 000	(iv)

E. **Loan:**

On 1 August 2025, Ekasi Traders acquired a new loan. Interest will be charged at 13% p.a. at the end of each month, starting on 31 August 2025. VBD Bank charges interest at the same rate as the previous loan.

F. **Salaries and wages:**

The business has two employees who earn the same monthly salary. In August a third employee, who will earn a monthly salary of 30% lower than the other two employees, will be appointed.

G. Edward is concerned about the following items that did not comply with the budget for May 2025:

	BUDGETED R	ACTUAL R
Payments to creditors	198 600	54 000
Insurance	12 890	0
Advertising	9 750	24 375

H. Extract from the cash budget:

	MAY 2025 ACTUAL R	JUNE 2025 ACTUAL R
Cash surplus/(deficit)	(76 540)	105 400
Cash at the beginning	202 700	126 160
Cash at the end	126 160	231 560

35

TOTAL: 150

END

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\dfrac{\text{Gross profit}}{\text{Sales}} \times \dfrac{100}{1}$	$\dfrac{\text{Gross profit}}{\text{Cost of sales}} \times \dfrac{100}{1}$
$\dfrac{\text{Net profit before tax}}{\text{Sales}} \times \dfrac{100}{1}$	$\dfrac{\text{Net profit after tax}}{\text{Sales}} \times \dfrac{100}{1}$
$\dfrac{\text{Operating expenses}}{\text{Sales}} \times \dfrac{100}{1}$	$\dfrac{\text{Operating profit}}{\text{Sales}} \times \dfrac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity

(Trade & other receivables + Cash & cash equivalents) : Current liabilities

$\dfrac{\text{Average trading stock}}{\text{Cost of sales}} \times \dfrac{365}{1}$ (See Note 1 below)	$\dfrac{\text{Cost of sales}}{\text{Average trading stock}}$
$\dfrac{\text{Average debtors}}{\text{Credit sales}} \times \dfrac{365}{1}$	$\dfrac{\text{Average creditors}}{\text{Cost of sales}} \times \dfrac{365}{1}$ (See Note 2 below)
$\dfrac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \dfrac{100}{1}$	$\dfrac{\text{Net income after tax}}{\text{Number of issued shares}} \times \dfrac{100}{1}$ (See Note 3 below)

$$\dfrac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \dfrac{100}{1}$$

$\dfrac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \dfrac{100}{1}$	$\dfrac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \dfrac{100}{1}$
$\dfrac{\text{Interim dividends}}{\text{Number of issued shares}} \times \dfrac{100}{1}$	$\dfrac{\text{Final dividends}}{\text{Number of issued shares}} \times \dfrac{100}{1}$
$\dfrac{\text{Dividends per share}}{\text{Earnings per share}} \times \dfrac{100}{1}$	$\dfrac{\text{Dividends for the year}}{\text{Net income after tax}} \times \dfrac{100}{1}$

$$\dfrac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$$

NOTE:
1. Trading stock at the end of a financial year may be used if required in a question. 365 days is applicable only if relevant to the whole year.
2. Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant).
3. If there is a change in the number of issued shares during a financial year, the weighted-average number of shares is used in practice.
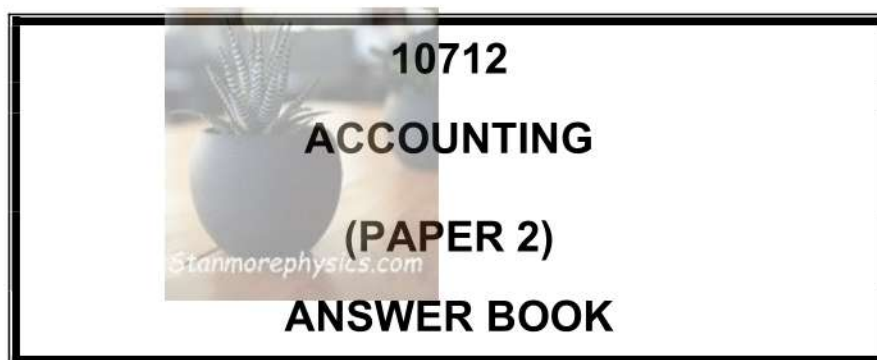
GAUTENG PROVINCE
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PREPARATORY EXAMINATION

2025

10712
ACCOUNTING
(PAPER 2)
ANSWER BOOK

14 pages

NAME OF SCHOOL: _____

NAME OF LEARNER: _____

QUESTION	TOPIC	MARKS	MARKS OBTAINED
1	Reconciliations	40	
2	Cost Accounting	40	
3	Stock Valuation	35	
4	Budgets	35	
	TOTAL	150	

QUESTION 1

1.1.1   BANK RECONCILIATION

CASH RECEIPTS JOURNAL	CASH PAYMENTS JOURNAL
Amount	Amount
R102 675	R86 150

10

1.1.2   Bank Account balance in the General Ledger on 31 May 2025

WORKINGS	ANSWER

4

P.T.O.

1.1.3 Choose only ONE template below to answer this question.

TWO-COLUMN METHOD

BANK RECONCILIATION STATEMENT ON 31 MAY 2025	DEBIT	CREDIT

7

OR

ONE-COLUMN METHOD

BANK RECONCILIATION STATEMENT ON 31 MAY 2025	

7

1.1.4 Khaya has noticed that a long serving cashier has recently been experiencing cash shortages. Suggest TWO possible reasons for these shortages and provide a solution for each reason given.

Reason	Solution

4

1.1.5 Provide TWO reasons why Khaya authorises all EFT payments of his business.

2

P.T.O.

1.2   CREDITORS' RECONCILIATION

1.2.1   Use the table provided to indicate corrections that must be made to the Creditors' Control Account and the Creditors' List.

Indicate changes with a (+) for an increase, a (–) for a decrease or a (0) for no change.

	CREDITORS' CONTROL ACCOUNT	CREDITORS' LIST
BALANCE	64 800	79 300
B		
C		
D		
E		
F		
Corrected Balance		

9

1.2.2   PP Distributors is happy with the way Soweto Traders manages its account and is willing to increase its credit limit.

Explain TWO actions taken by Soweto Traders that helped them to maintain a good relationship with the creditor.

4

TOTAL MARKS
40

QUESTION 2

2.1 MAGIC WOOD MANUFACTURERS

2.1.1

Calculate direct/raw material costs.	
WORKINGS	ANSWER

6

2.1.2

Calculate factory overhead costs for the year.	
Incorrect total	3 670 860
Correct total for factory overhead costs	

9

2.1.3

PRODUCTION COST STATEMENT FOR YEAR ENDED 30 APRIL 2025	
Prime costs	
PRODUCTION COST OF FINISHED GOODS	

6

P.T.O.

2.1.4 **Calculate the selling and distribution costs.**

WORKINGS	ANSWER

3

2.1.5 **Magic Wood donated window frames to a community school. The window frames were produced using offcuts that would otherwise have been wasted. Calculate the amount lost in terms of sales as a result of the wastage of the wood.**

WORKINGS	ANSWER

4

2.2 KICK-IT-UP MANUFACTURERS

2.2.1 **Explain why it is important to calculate the expected break-even point for a business before the start of a financial year.**

2

2.2.2 | Nono was not anticipating an increase in profits. Explain to her how this happened. Provide TWO points. Quote figures.

4

2.2.3 | Explain why total fixed cost increased but fixed cost per unit decreased. Quote figures.

2

2.2.4 | Identify TWO costs (with figures) that have been well-controlled. For each cost, provide a possible action that Kick-it-up Manufacturers may have taken to keep these costs under control.

COST (WITH FIGURES)	ACTION/SOLUTION

4

TOTAL MARKS
40

P.T.O.

QUESTION 3

3.1.1	Calculate the value of the closing stock on 28 February 2025. Use the weighted-average method.

WORKINGS	ANSWER

3

Calculate the gross profit on 28 February 2025.

WORKINGS	ANSWER

5

3.1.2	Magesh has decided to evaluate his pricing policy. Advise him on ONE point he should consider when reviewing his pricing strategy.

2

3.1.3	Magesh is concerned about a decrease in profits. Give TWO potential factors that may lead to a reduction in profits.

2

3.2.1 Calculate the value of the closing stock on 28 February 2025. Use the specific identification method.

WORKINGS	ANSWER

5

3.2.2 Saika watches

Provide a calculation to confirm that the closing stock of Saika watches is expected to be sold in 8,9 days.	
WORKINGS	ANSWER

3

3.2.3 Dempo watches

| Aya is confident that the Dempo model should NOT be out of stock. Provide a calculation to support his assumption.	
WORKINGS	ANSWER

2

3.2.4 Aya has expressed his concern about customers trying on watches without staff supervision. Identify TWO potential problems that could arise from this practice and suggest a solution for each.

PROBLEMS	SOLUTIONS

4

P.T.O.

3.3.1 | **Comment on the stock holding period of winter jackets. Quote figures**

| | 2 |
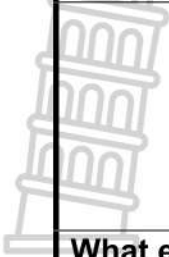
What effect does this stock holding period have on Staysmart Fashions?

| | 2 |

3.3.2 | **Nandi is concerned that the current pricing policy may lead to a future decline in customers. Calculate the percentage change and explain why Nandi should not be concerned.**

| | 3 |

3.3.3 | **Nandi is pleased with zero stock loss. Explain TWO security measures she may have implemented to help achieve this result.**

| | 2 |

TOTAL MARKS
35

P.T.O.

ACCOUNTING (PAPER 2)	ANSWER BOOK 10712/25	12

QUESTION 4

4.1

Calculate the total sales for June 2025.	
WORKINGS	ANSWER

2

4.2   DEBTORS' COLLECTION SCHEDULE

MONTHS	CREDIT SALES	JULY	AUGUST
MAY	320 000	48 000	
JUNE	345 000	207 000	51 750
JULY	298 000	57 812	
AUGUST			

7

P.T.O.

4.3 Calculate the missing figures (i) – (iv) in the Cash Budget for the period ending 31 August 2025.

(i) Loan amount acquired in August 2025	
WORKINGS	**ANSWER**

(ii) Cash purchases of stock for August 2025	
WORKINGS	**ANSWER**

(iii) Payments to creditors for July 2025	
WORKINGS	**ANSWER**

(iv) Salaries and wages for August 2025	
WORKINGS	**ANSWER**

14

P.T.O.

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4.4 Explain why these items may cause a challenge for the business. Provide ONE reason for each case.

	REASON
Payments to creditors	
Insurance	

4

There is a concern about the high advertising costs associated with printing pamphlets by the business, especially given the low sales return. Suggest and explain TWO modern and more cost-effective advertising methods that Edward could consider.

PROPOSED METHOD	EXPLANATION

4

4.5 Comment on the cash flow situation during May 2025. Make ONE suggestion to improve Ekasi Traders' cash problems.

PROBLEM	SOLUTION

2

Edward is considering opening a new branch in another province. Identify TWO challenges that may impact the business's cash budget.

2

TOTAL MARKS
35

TOTAL: 150

END

GAUTENG PROVINCE
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PREPARATORY EXAMINATION

2025

MARKING GUIDELINES

ACCOUNTING PAPER 2 (10712)

13 pages

MARKING PRINCIPLES:

1.   Unless otherwise stated in the marking guidelines, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced items). No double penalty applied.

2.   Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.

3.   Award full marks for a correct answer. If an answer is incorrect, mark the workings provided.

4.   If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the workings for that figure (not the method mark for the answer). **Note**: If figures are stipulated in the marking guidelines for components of workings, these do not carry the method mark for the final answer as well.

5.   Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.

6.   Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.

7.   Where penalties are applied, the marks for that section of the question cannot be a final negative.

8.   Operation means 'check operation'. 'One part correct' means operation and one part correct. **Note**: Check operation must be +, -, x, ÷, or per marking guideline.

9.   One part correct means 'operation and one part correct'. Where method marks are awarded for one part correct, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark. If a figure has earned a method-mark, this will be regarded as 'one part correct'.

10. In calculations, do not award marks for workings if the numerator and denominator are swapped – this also applies to ratios.

11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒.

12. Be aware of candidates who provide valid alternatives beyond the marking guidelines. Note that one comment could contain different aspects.

13. Codes: f = foreign item; p = placement/presentation; s = superfluous item

QUESTION 1

1.1.1 BANK RECONCILIATION

CASH RECEIPTS JOURNAL	CASH PAYMENTS JOURNAL
Amount	Amount
R102 675	**R86 150**
1 890 ✓✓	6 000 ✓
3 160 ✓	2 800 ✓
6 400 ✓	320 ✓✓
	830 ✓
	365 ✓
114 125	96 465

10

-1 (max -1) foreign (only if marks are scored elsewhere for the same figure)
-1 (max -1) superfluous items; ensure that the candidate do not get full marks for including any incorrect figure/s.

1.1.2 Bank Account balance in the General Ledger on 31 May 2025

WORKINGS			ANSWER

see CRJ   see CPJ

− 15 550 ✓ + 114 125 ☑ − 96 465 ☑ **OR**

114 125	15 550
	96 465
	c/d 2 110

17 660 two m marks

2 110 ☑
one part correct

Do not award marks if signs are reversed

4

1.1.3 Choose only ONE template below to answer this question.

TWO-COLUMN METHOD

BANK RECONCILIATION STATEMENT ON 31 May 2025				
	ONE-COLUMN METHOD	ONE-COLUMN METHOD	DEBIT	CREDIT
Balance as per <u>bank statement</u>	18 830	(18 830)	18 830 ☑ Could be Cr	DR and CR totals must be the same
Credit outstanding deposit Do not accept 6 000/15 000	(31 250)	31 250		31 250 ✓
Outstanding EFT	320	(320)	see CPJ 320 ☑	
	9 650	(9 650)	9 650 ✓	
	5 440	(5 440)	5 440 ✓	
Credit amount incorrectly debited	(5 100)	5 100		5 100 ✓
Balance as per <u>bank account</u> Do not accept 15 550	(2 110)	2 110	2 110 ☑ see 1.1.1 Could be Cr	Check if favourable or unfavourable
			36 350	36 350

7

-1 for poor presentation/incorrect details

If candidate presents one-column & two-column reconciliation, mark version that benefits candidate.
For the 2-Column method, candidates must place figures in the correct column to earn marks.
For the 1-Column method, candidates must present the appropriate sign i.e. positive or negative.

1.1.4	Khaya has noticed that a long serving cashier has recently been experiencing cash shortages. Suggest TWO possible reasons for these shortages and provide a solution for each reason given.	
	Reason ✓ ✓	**Solution** ✓ ✓ Solution based on reason
	• Miscounting of cash	• Continuous training of cashiers on cash handling procedures • Regular cash reconciliation/ Balancing of cash against register roll.
	• Supervisor not monitoring cashiers	• Emphasise regular supervision by senior managers.
	• Possibility of theft / rolling of cash	• Install CCTV cameras overlooking cashier areas. • Regular surprise checks of cash.
	• Lack of concentration	• Review working hours and offer regular breaks.
	• Distractions/multitasking at till points	• Enforce focus during transactions/Encourage workers to minimise non-working related distractions.

4

1.1.5	Provide TWO reasons why Khaya authorises all EFT payments of his business.
	Any TWO valid points ✓ ✓ • This prevents unauthorised payments/Reduce the risk of fraud or suspicious transactions. • He has to verify if the transaction is legitimate/It helps to track where money is going. • Verifies transactions to prevent errors/ Verifies if funds are paid to the correct account. • Ensures outgoing payments match available funds. • Tracks and approve the business expense. • Checks if the businesses funds are used appropriately. • He ensures spending stays within budget and matches financial plans

2

1.2   CREDITORS' RECONCILIATION

1.2.1 Use the table provided to indicate corrections that must be made to the Creditors' Control account and the Creditors' List.

Indicate changes with '+' for an increase, '−' for a decrease or '0' for no change.

	CREDITORS' CONTROL ACCOUNT	CREDITORS' LIST
BALANCE	**64 800**	**79 300**
B	− 1 000 ✓	
C		− 900 ✓
D	+ 5 600 ✓✓	
E	+ 4 400 ✓	
F		one mark one mark (− 2 300 − 2 300) ✓✓ − 4 600
Corrected Balance	73 800 ☑*	73 800 ☑*

9

*one part correct must include opening balances
Accept brackets for '−'sign; if no sign assume positive
-1 for foreign items per line; provided a mark is scored on that line; (i.e. max could be -5).
accept fully correct answers on wrong lines

1.2.2 PP Distributors is happy with the way Soweto Traders manages its account and is willing to increase its credit terms.

Explain TWO actions taken by Soweto Traders that helped them to maintain a good relationship with the creditor.

Any TWO valid explanation ✓✓   ✓✓

- They have been paying their accounts within credit terms of the creditor.
- They have demonstrated loyalty and commitment by placing regular orders.
- They had clear communication which strengthened their business relationship.
- Shared financial updates to assure the supplier of their creditworthiness.

4

TOTAL MARKS
40

4

QUESTION 2

2.1   MAGIC WOOD MANUFACTURERS

2.1.1   Calculate direct/raw material cost.

WORKINGS	ANSWER	
[8 000 x 420] [7 050 x 505] 608 000 ✓ + 3 360 000 ✓✓ + 3 560 250 ✓✓ **OR** [400 x 420] [750 x 505] 608 000 + 7 467 000 − 168 000 − 378 750 one mark one mark one mark two marks	7 528 250 ☑ one part correct	**6**

2.1.2   Calculate factory overhead costs for the year.

Incorrect total	**3 670 860**	
Factory insurance	2 040 ✓✓	
Factory depreciation on equipment [242 000 x 15/100] (36 300 ✓✓ − 42 000)	(5 700) ☑*#	
Factory rent [200 x R350 x 9] **OR** [168 000/3 x 200/160 x 9] (630 000 ✓✓ + 168 000]	798 000 ☑*#	
Correct total for factory overhead costs R3 670 860 must be included	4 465 200 ☑*	**9**

*one part correct
#ignore sign, if sign incorrect, lose mark on final total

2.1.3   PRODUCTION COST STATEMENT FOR YEAR ENDED 30 APRIL 2025

Direct material costs	see 2.1.1	7 528 250	☑
Direct labour costs		4 558 200	✓✓
Prime costs	DMC + DLC	12 086 450	☑
Factory overhead costs	see 2.1.2	4 465 200	☑
PRODUCTION COST OF FINISHED GOODS	PC + FOHC	16 551 650	☑

6

5

2.1.4	Calculate the selling and distribution cost	

WORKINGS	ANSWER
see PC 2.1.3 14 380 800 ✓ − 12 086 450 ☑ OR [1 530 X 420] 9 822 600 − 7 528 250 one mark one m mark	2 294 350 ☑ one part correct 3

2.1.5	Magic Wood donated window frames to a community school. The window frames were produced using offcuts that would otherwise have been wasted. Calculate the amount lost in terms of sales as a result of the wastage of the wood.

WORKINGS	ANSWER
[16 570 /2,5] (6 628 ✓✓ − 6 420 ✓) x 780 208 three marks OR [16 570 − 16 050] two marks 520 x 780 one mark 2,5	162 240 ☑ If x R780 4

2.2   KICK-IT-UP MANUFACTURERS

2.2.1	Explain why it is important to calculate the expected break-even point for a business before the start of a financial year.

Any ONE valid explanation ✓✓

- To determine the minimum number of units to produce to prevent losses.
- To estimate the minimum income required to cover all fixed and variable costs.
- It helps with decisions like increasing prices or cutting unnecessary expenses.
- To avoid running into cash flow problems.
- It helps in making strategic decisions before money is spent.

2

2.2.2	**Nono was not anticipating an increase in profits. Explain to her how this happened. Provide TWO points. Quote figures.**	
	Any TWO valid points ✓ ✓ figures (with trends) ✓ ✓	
	• Units produced and sold increased (from 40 500) to 42 000/ by 1 500 units/ by 3,7%.	
	• Break-even point decreased (from 51 545) to 31 200/ by 20 345 units / by 39,5%.	
	FOR FOUR MARKS:	**4**
	• Produced 10 800 units more than BEP (current financial year) and produced 11 045 units less than BEP (previous financial year).	

2.2.3	**Explain why total fixed cost increased but fixed cost per unit decreased. Quote figures.**	
	• Economies of scale was achieved due to increased production (from 40 500 units) to 42 000 units/by 1 500 units.✓✓	
	OR	
	• An increase in production (from 40 500 units) to 42 000 units/by 1 500 units enabled the business to reduce cost per unit by sharing fixed cost over more units.	**2**

2.2.4	**Identify TWO costs (with figures) that have been well-controlled. For each cost, provide a possible action that Kick-it-up Manufacturers may have taken to keep these costs under control.**	
	COST (WITH FIGURES) ✓ ✓	**ACTION/SOLUTION** ✓ ✓
	Direct material cost decreased (fromR36) to R34/by R2/ by 5,6%	• Bought in bulk to take advantage of discount. • Well trained/supervised workers resulting in minimum wastage. • Bought from local suppliers/Buy from a cheaper supplier not comprising quality. • Invested in automation to enhance process efficiency.
	Selling and distribution decreased (from R20) to R19,30/by R0,70/ by 3,5%	• Improved advertising/increased use of digital marketing. • Paid less commission. • Negotiated lower rates with courier companies. • They have improved in route planning.

The **4** mark box appears to the right of the 2.2.4 table.

TOTAL MARKS
40

QUESTION 3

3.1.1
Calculate the value of the closing stock on 28 February 2025. Use the weighted-average method.	
WORKINGS	**ANSWER**
[710 + 2 370 – 2 508] 572 ✓☑ x 3 420	1 956 240 ☑ If x R3 420

3

Calculate the gross profit on 28 February 2025.	
WORKINGS	**ANSWER**
[2 508 x R4 550] [2 508 x R3 420] 11 411 400 ✓✓ – 8 577 360 ✓✓	2 834 040 ☑ one part correct

5

3.1.2
Magesh has decided to evaluate his pricing policy. Advise him on ONE point he should consider when reviewing his pricing strategy.
Any ONE valid point ✓✓ • Revise the selling price to match the cost price/rising inflation rate can increase production costs and prices will need to be adjusted. • Consider how much are competitors charging for the same bag. • Adjust price based on customer satisfaction/consider how the customers perceive the value of his bags. • Assess the demand of travel bags and align his price with broader goals. • Rising inflation rate will lead to increased prices to maintain profit margins.

2

3.1.3
Magesh is concerned about a decrease in profits. Give TWO potential factors that may lead to a reduction in profits.
Any TWO valid points ✓   ✓ • Increased operating expenses. • Change in consumer preference. • Increased prices by the suppliers. • Increase in inflation rate. • Decreased price by competitors. • Decline in number of units sold/ Less travel leads to reduced sales. • High rate of product returns. • Stock losses or damaged stock can reduce profits. • Decreased price by stompetitors.

2

8

3.2.1

Calculate the value of the closing stock on 28 February 2025. Use the specific identification method.		
WORKINGS		**ANSWER**
[29 + 96 + 44 – 123] (46 ✓ x R8 700 ✓)	400 200 two marks	R489 000 ☑ **one part correct** Both must be added
[116 + 61 – 161] (16 ✓ x R5 550✓)	88 800 two marks	

5

3.2.2 **Saika watches**

Provide a calculation to confirm that the closing stock of Saika watches is expected to be sold in 8,9 days.		
WORKINGS		**ANSWER**
see 3.2.1 $\dfrac{88\ 800\ ☑}{893\ 550\ ✓}$ x $\dfrac{90\ ✓}{1}$	**OR** see 3.2.1 $\dfrac{16}{161}$ one m mark one mark x $\dfrac{90}{1}$ one mark	8,9 days

3

3.2.3 **Dempo watches**

Aya is confident that the Dempo model should NOT be out of stock. Provide a calculation to support his assumption.		
WORKINGS		**ANSWER**
	[46 + 85] 131 – 125	6 ✓☑ **one part correct**
OR	[131 x 7 220] [125 x 7 220] 945 820 – 902 500	**OR** 43 320 one mark one m mark

2

3.2.4

Aya has expressed his concern about customers trying on watches without staff supervision. Identify TWO potential problems that could arise from this practice and suggest a solution for each.	
PROBLEMS Any TWO valid problems ✓ ✓	**SOLUTIONS** Any TWO valid solutions ✓ ✓
Possibility of theft	Lock watch cabinet /increase security system
Incorrect handling by customers	Staff guidance when clients try on watches
Customers may damage the watch	Display only demonstration models

4

9

3.3.1 | **Comment on the stock holding period of winter jackets. Qoute figures**

Stock holding period has increased (from 156 days) to 224 days / by 68 days. ✓✓

| **2** |

What effect does this stock holding period have on Staysmart Fashions?

Any ONE valid points ✓✓   <mark>Part-marks for partial/unclear answer</mark>

- Cash tied up in stock which could lead to cash flow problems.
- Risk of stock being out of fashion due to change of season.
- Possibility of having low profits because business would need to sell stock at a reduced price.

| **2** |

3.3.2 | **Nandi is concerned that the current pricing policy may lead to a future decline in customers. Calculate the percentage change and explain why Nandi should not be concerned.**

The mark-up percentage increased ✓ (from 40%) to 50% /by 10% points/ by 25%. ✓

Any ONE valid explanation ✓
- Customers are willing to pay more.
- The stock holding period decreased.
- Stock on hand decreased.
- units sold increased.

| **3** |

3.3.3 | **Nandi is pleased with zero stock loss. Explain TWO security measures she may have implemented to help achieve this result.**

Any TWO valid points ✓   ✓

- Attached security tags to jackets to minimise fraud.
- Regular stock counts to confirm stock on hand.
- Limited access control to storerooms.
- Regular supervision by senior managers.
- Reconciliation of stock on hand against stock records.
- Improved security system within the business.

| **2** |

TOTAL MARKS
35

QUESTION 4

4.1

Calculate the total sales for June 2025.	
WORKINGS	ANSWER
345 000 x 100/75 **OR** [289 800 x 100/96] 301 875 x 160/35	1 380 000 ✓✓

$$\boxed{2}$$

4.2   **DEBTORS' COLLECTION SCHEDULE**

MONTHS	CREDIT SALES	JULY	AUGUST
MAY	320 000	48 000	-1 superfluous entry; Lose method on total
JUNE	345 000	207 000	51 750
JULY	298 000	57 812	178 800 ✓✓
AUGUST	401 000 ✓✓	If x 20% x 97%	77 794 ☑☑ Four marks if credit sales not shown
			408 344 ☑*

$$\boxed{7}$$

*one part correct

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

11

4.3   Calculate the missing figures (i) – (iv) in the Cash Budget for the period ending 31 August 2025.

(i) Loan amount acquire in August 2025	
WORKINGS	**ANSWER**
1 170 ✓ x [(100 x 12)/13] ✓ **OR** [2 275 x (1 200/13)] [1 105 x (1 200/13)] 210 000 – 102 000	108 000 ☑ one part correct

(ii) Cash purchases of stock for August 2025	
WORKINGS	**ANSWER**
[1 203 000 x 100/75] **OR** [401 000 x 4] 1 604 000 ✓ x [100/160 x 65/100] ✓ **OR** x 65/160	651 625 ☑ one part correct

(iii) Payments to creditors for July 2025	
WORKINGS	**ANSWER**
[1 280 000 x 100/160] 800 000 ✓ x 35/100 ✓ x 96/100 ✓	268 800 ☑ one part correct

(iv) Salaries and wage for August 2025	
WORKINGS	**ANSWER**
[14 500 x 70/100] one mark two marks 29 000 ✓ + 10 150 ✓✓ **OR** 29 000 x 135/100	39 150 ☑ one part correct

14

12

4.4 | **Explain why the items reflects a challenge for the business. Provide ONE reason for each case.**

	REASON ✓✓ ✓✓
Payments to creditors	• The business credit rating will decline. • The business failed to meet the agreed payment. • Creditors may charge interest. • Creditors may refuse to offer the business credit
Insurance	• Risk of items not being replaced in case of disaster. • The policy will lapse. • The business will have to pay from its pocket/increased financial risk. • Potential Investors may be reluctant to engage with a company that lacks adequate insurance coverage.

4

There is a concern about the high advertising costs associated with printing pamphlets by the business, especially given the low sales return. Propose and explain TWO modern and more cost-effective advertising methods that Edward could consider.

PROPOSED METHOD Any other acceptable answer ✓ ✓	EXPLANATION Any other acceptable answer ✓ ✓
Social media	Information will reach targeted customers and allow feedback
SMS/Email/Calls	Personalised messages are likely to improve customer buying items frequently.

4

4.5 | **Comment on the cash flow situation during May 2025. Make ONE suggestion to improve Ekasi Traders' cash problems.**

PROBLEM ✓	SOLUTION ✓
Total receipts are insufficient to cover total payments.	• Improve collection from debtors. • Use improved strategies to increase sales.

2

Edward is considering opening a new branch in another province. Identify TWO challenges that might impact his business's cash budget.

Any TWO valid explanation ✓ ✓

• Paying rent for/or securing a new building can be expensive.
• The businesses' payroll will increase.
• Customers still need to familiarise themselves with their appliances.
• Advertising costs will increase

2

TOTAL MARKS
35

TOTAL: 150