



JOHANNESBURG EAST DISTRICT D9

ACCOUNTING

GRADE 12

MARCH 2022

MARKS: 100

TIME: 1 ½ hour

This question paper consists of 7 pages and a 5-page answer book.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL questions.
2. A special ANSWER BOOK is provided in which to answer ALL questions.
3. Show ALL working 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. Write neatly and legibly
7. 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	Statement of Comprehensive Income (Income Statement) and Auditing	54	50
2	Statement of Financial Position (Balance Sheet) and Notes	46	40
TOTAL		100	90

QUESTION 1: STATEMENT OF COMPREHENSIVE INCOME (INCOME STATEMENT)
(54 marks; 50 minutes)

1.1 Mwalimu Limited

You are provided with the pre-adjustment Trial Balance of Mwalimu Limited for the financial year ended 28 February 2021. The business maintains a mark-up of 65% on cost.

REQUIRED:

Complete the Income Statement for the year ended 28 February 2021.

(46)

INFORMATION:

**A. EXTRACT FROM THE PRE-ADJUSTMENT TRIAL BALANCE ON
28 FEBRUARY 2021**

	DEBIT	CREDIT
Balance Sheet Accounts Section	R	R
Land and buildings	13 600 000	
Equipment	540 000	
Accumulated depreciation on equipment		45 800
Mortgage loan: Buhle Bank		?
Trading stock	485 690	
Debtors' control	223 200	
Creditors' control		266 400
SARS (Income tax)	498 900	
Provision for bad debts		19 500
Fixed deposit: James Bank	432 000	
Nominal Accounts Section		
Sales		?
Cost of sales	10 530 000	
Debtors' allowances	128 000	
Sundry expenses	2 440 000	
Discount allowed	93 700	
Water and electricity	82 500	
Directors' fees	576 000	
Bad debts	20 280	
Audit fees	180 000	
Interest on fixed deposit		6 480
Interest on loan	?	
Packing material	37 920	
Rent income		154 500
Salaries and wages	690 000	
Discount received		12 350
Ordinary share dividends	222 400	

B. ADJUSTMENTS AND ADDITIONAL INFORMATION:

- (a) Selling price are determined by using a mark-up. However, trade discount of R174 500 were allowed to pensioners during the financial year.
- (b) Water and electricity account for February, was still outstanding.
- (c) Received R3 150 from the estate of a debtor that was declared insolvent. This represented 35 cents to the rand owed by him. This was recorded. The outstanding balance to be written off as irrecoverable, was not yet recorded.
- (d) School uniform was donated to a local school. Due to this donation, a Gross Profit of R5 200 has been forfeited on this stock had it been sold.
- (e) Stock on hand on 28 February 2021:
- Trading stock R483 900
A box of educator's files valued at R3 000 was packed and awaiting collection by a customer. The sale has been correctly recorded and the box was incorrectly counted during the stock taking process.
 - Packing material used R32 450.
- (f) Provision for bad debts must be adjusted by R1 380.
- (g) Mwalimu Ltd has only paid 80% of the audit fees that were due for this financial year.
- (h) A storeroom was rented out from 1 June 2020. Ms Pearl our tenant, paid rent until March 2021. Take into account that rent increased by 10% p.a. effective from 1 January 2021 due to electricity tariff increase.
- (i) Depreciation for the year amounted to R 21 200
- (j) An employee was left out of the Salaries Journal for February 2021. His details are as follows:

	R
Deductions	?
Net salary	19 500
Employer's contributions (20% of total deductions)	1 200

The employer's contributions form part of the salaries and wages.

- (k) The company paid their TWO directors up to 31 August 2020. They earn the same fees. A third director was appointed on 1 December 2020 on the same monthly rate as the other two directors. No directors' fees were paid in the second half of the year.
- (l) The fixed deposit was invested on 1 November 2020 at 6% p.a. interest is not capitalised.
- (m) Interest expense is the balancing figure.
- (n) On 1 March 2020, the income tax calculation reflected that R22 400 was receivable from SARS, in respect of income tax for the year.

1.2 Mwalimu Limited

Mwalimu Limited is a company which helps with education projects in the country. The company specialises with tutoring and recently they introduced online teaching. Since the inception of online teaching, Mwalimu Limited has high salaries and wages cost. The previous years the costs were much lesser but since COVID- 19 started the bill worsened even after online classes were introduced. The auditors want to conduct investigations into who has been getting paid these monies all along, because the staff has been working from home. Mr Pheny, director of the company confirmed that auditors will be conducting Operation Ziveze (Show up).

REQUIRED:

- 1.2.1 The external auditor wants to audit the salaries and wages costs. Explain why they would want to audit these. (2)
- 1.2.2 List TWO pieces of evidence that the auditor could use to audit the salaries and wages costs. (2)
- 1.2.3 Give TWO explanations on how the internal auditor could make the external auditor's job easier. (4)



QUESTION 2: STATEMENT OF FINANCIAL POSITION AND NOTES**(44 marks; 40 minutes)**

- 2.1 Choose the correct term to complete each of the following statements. Write only the term next to the question number (2.1.1 – 2.1.5) in the ANSWER BOOK.

Shareholder(s); internal auditor(s); director(s); trade unions; SARS;
external auditor(s)

- 2.1.1 ... monitors whether their members are paid fairly.
 2.1.2 A ... is a person who invests in a company by buying shares.
 2.1.3 ... are members of the board that manages the company on behalf of the shareholders.
 2.1.4 ... make sure that income tax is levied on the net profit correctly.
 2.1.5 ... are appointed by shareholders to give an unbiased opinion on the financial statements.

(5)**2.2 BUHLE LIMITED**

The information relates to the financial year ended 28 February 2021. The business has an authorised share capital of 1 800 000 shares.

REQUIRED:

Prepare the following for the financial year ended 28 February 2021:

- 2.2.1 Ordinary Share Capital note **(6)**
 2.2.2 Retained income note **(7)**
 2.2.3 Statement of Financial Position (Balance Sheet) **(28)**

INFORMATION:

- A.** Extracted from the accounting records on 28 February 2021:

	R
Ordinary share capital	?
Fixed deposit: Ivory Bank	?
Mortgage loan: Nono Bank	302 400
Debtors' control	568 000
Provision for bad debts	25 500
Bank (Dr)	558 160
Inventory	1 250 000
Creditors' control	78 600
Accrued income	14 500
SARS: Income tax (provisional tax payments)	505 000

ADDITIONAL INFORMATION:**A. SHARE CAPITAL**

- On 1 September 2020 the business repurchased 40 000 shares from a shareholder, at R52 000 above average price. This was paid and recorded.
- On 15 December 2020, an additional 15% of the unissued shares were issued at R12,00 per share.

B. DIVIDENDS

- Interim dividends of R189 000 was paid on 1 October 2020.
- Final dividends of 56 cents per share was declared on 28 February 2021. All shares on the share register on that date qualified for final dividends.

C. ADVERTISING

Advertising paid of R34 400, consists of a contract with the newspaper for the entire financial year, payable monthly. Instalments were paid for 13 months.
NOTE: The monthly rate decreased by R660 from 1 November 2020.

- D.** Insurance amount for February 2021, R4 800, is still payable.
- E.** The interest on the fixed deposit was R22 750 for the financial year ended 28 February 2021. The fixed deposit was invested on 1 May 2020 at 6,5% p.a. Interest is not capitalised.
- F.** The loan statement from Nono Bank reflected the following:

Balance on 1 March 2020	R480 000
Repayments during financial year (including interest)	R177 600
Interest capitalised	R57 600
Balance on 28 February 2021	?

R40 000 of the loan will be paid back in the next financial year.

- G.** A debtor's credit balance of R3 600 must be transferred to the Creditors' Ledger.

H. INCOME TAX

Net profit before tax (after taking the above Information into consideration) amounted to of R1 860 000. Income tax is 28% of the net profit before tax for the year.



JOHANNESBURG EAST DISTRICT D9

ANSWER BOOK GRADE 12 – MARCH 2022

SURNAME: _____

NAME: _____

SCHOOL: _____



QUESTION	MARKS	MARKER	MODERATOR
1			
2			
TOTAL	100		

This answer book consists of 5 pages.

QUESTION 1

1.1 MWALIMU LIMITED

STATEMENT OF COMPREHENSIVE INCOME – 28 FEBRUARY 2021

Sales	
Cost of sales	(10 530 000)
Gross profit	
Other operating income	
Discount received	
Gross operating income	
Operating expenses	
Sundry expenses	2 440 000
Discount allowed	93 700
Operating profit	
Profit before interest expense	
Interest expense	
Profit before tax	
Net profit (loss) for the year	1 298 000

1.2 MWALIMU LIMITED

- 1.2.1** The external auditor wants to audit the salaries and wages costs. Explain why they would want to audit these.



2

- 1.2.2** List TWO pieces of evidence that the auditor could use to audit the salaries and wages costs.



2

- 1.2.3** Give TWO explanations on how the internal auditor could make the external auditor's job easier.



4

TOTAL MARKS
54

QUESTION 2

- 2.1 Choose the correct term to complete each of the following statements. Write only the term next to the question number.

2.1.1	
2.1.2	
2.1.3	
2.1.4	
2.1.5	

5

2.2.1 ORDINARY SHARE CAPITAL

AUTHORISED		
1 800 000 SHARES		
ISSUED		
900 000	Ordinary shares (opening balance)	8 100 000
(40 000)		

7

2.2.2 RETAINED INCOME

Balance on 1 March 2020	
Ordinary share dividends	
Balance on 28 February 2021	

6

2.2.2 BUHLE LIMITED
STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2021

ASSETS	
NON-CURRENT ASSETS	
Fixed assets at carrying value	
Fixed deposit: Ivory Bank	
CURRENT ASSETS	
Inventories	1 250 000
Cash and cash equivalents	558 160
TOTAL ASSETS	
EQUITY AND LIABILITIES	
ORDINARY SHAREHOLDERS' EQUITY	
Retained income	820 000
NON-CURRENT LIABILITIES	
Mortgage loan: Nono Bank	
CURRENT LIABILITIES	
Trade and other payable	
TOTAL EQUITY AND LIABILITIES	

28

TOTAL MARKS

46



JOHANNESBURG EAST

D9

ACCOUNTING

GRADE 12

MARCH 2021

MARKING GUIDELINE

MARKING PRINCIPLES

1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no foreign item penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If the 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 working for that figure (not the method mark for the answer).
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
8. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.
10. 'Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'.
Note: Check operation means must be +, –, x or ÷ as per memo.
11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. In such cases, do not award the method mark. Indicate by way of ☒
12. Be aware that some candidates provide valid alternatives beyond the memorandum.
13. Codes: f = foreign item; p = placement/presentation.

This marking guideline consists of 5 pages.

QUESTION 1

1.1 MWALIMU LIMITED

STATEMENT OF COMPREHENSIVE INCOME – 28 FEBRUARY 2021

Sales (10 530 000 x 165/100 ✓ – 174 500 ✓)	17 200 000	✓*
Cost of sales	(10 530 000)	
Gross profit	6 670 000	✓*
Other operating income	153 560	✓
Discount received	12 350	✓
Rent income (154 500 ✓ – 16 500 ✓✓)	138 000	✓*
Trading stock surplus (483 900✓ + 8 000✓ – 485 690✓ – 3 000✓)	3 210	✓*
Gross operating income	6 823 560	✓
Operating expenses	(4 950 560)	✓
Sundry expenses	2 440 000	
Discount allowed	93 700	
Water and electricity (82 500 + 7 500) or x 12/11	90 000	✓✓
Director's fees (576 000 + 576 000 ✓ + 144 000 ✓)	1 296 000	✓*
Bad debts (20 280 + 5 850 ✓✓)	26 130	✓*
Audit fees (180 000 + 45 000 ✓✓) or x 100/80	225 000	✓*
Packing material	32 450	✓✓
Donations (5 200 ✓ + 2 800✓) or (5 200 x 100/65)	8 000	✓*
Provision for bad debts adjustment	1 380	✓
Depreciation	21 200	✓
Salaries and wages (690 000 + 1 200 ✓ + 25 500✓)	716 700	✓*
Operating profit	1 873 000	✓
Interest income (5 400 + 3 240) or 432 000 x 6% x 4/12	8 640	✓✓*
Profit before interest expense	1 881 640	✓
Interest expense	(62 340)	✓
Profit before tax	1 819 300	✓
Income tax (498 900 + 22 400)	(521 300)	✓✓*
Net profit for the year	1 298 000	

*one part correct

1.2 MWALIMU LIMITED**1.2.1 The external auditor wants to audit the salaries and wages costs. Explain why they would want to audit these.**

One valid explanation ✓✓

- Salaries and wages cost are material amount in the Statement of Comprehensive Income (Income Statement).
- It is a way to detect manual errors that may occur when capturing.
- To prevent payroll fraud by removing ghost workers.

2

1.2.2 List TWO pieces of evidence that the auditor could use to audit the salaries and wages costs.

Any TWO valid evidence ✓ ✓

- Bank statement to see the amounts paid in salaries
- Copies of the salary advices
- Salaries Journal
- Verification of ID documents against payroll
- Random checks of staff in person against ID documents
- Proof of PAYE payment to SARS
- Proof of UIF payment

2

1.2.3 Give TWO explanations on how the internal auditor could make the external auditor's job easier

Any TWO valid point ✓✓ ✓✓

Part mark can be awarded

- The internal auditor is responsible for control systems and if these are in place then there is less chance of misappropriation, errors etc.
- If the systems and processes are working well then there is less checking that the external auditors need to do.
- The internal auditor can have an effective communication and planning with the external auditor which will help to ensure that audit resources are directed towards the more high-risk areas.
- Internal auditors are able to provide insight in relations to weaknesses in counter fraud controls within the business.

4

TOTAL MARKS

54

QUESTION 2

2.1

Choose the correct term to complete each of the following statements.
Write only the term next to the question number.

2.1.1	Trade unions	✓
2.1.2	Shareholder	✓
2.1.3	Directors	✓
2.1.4	SARS	✓
2.1.5	External auditors	✓

5

2.2.1 ORDINARY SHARE CAPITAL

*one part correct

AUTHORISED		
1 800 000 SHARES		
ISSUED		
900 000	Ordinary shares (opening balance)	8 100 000
(40 000)	Ordinary shares repurchased x R9,00 ✓ Do not accept R52 000	(360 000) ✓*
135 000 ✓✓	Ordinary shares issued	1 620 000 ✓
995 000 ✓	Ordinary shares (closing balance) one part correct must subtract repurchase	9 360 000 ✓

7

2.2.2 RETAINED INCOME

*one part correct

Balance on 1 March 2020		
Net profit after tax (1 860 000 x 72/100) or (1 860 000 – 520 800)	operation one part correct	1 339 200 ✓✓
Repurchase of shares	amount must be in brackets	(52 000) ✓
Ordinary share dividends		
Interim		189 000 ✓
Final (995 000 x 0,56)		557 200 ✓✓*
Balance on 28 February 2021		

6

2.2.2 BUHLE LIMITED
STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2021

ASSETS		
NON-CURRENT ASSETS		
Fixed assets at carrying value		
Fixed deposit (22 750 x 100/6,5 ✓ x 12/10 ✓)	420 000	✓
CURRENT ASSETS 4	2 371 000	✓
Inventories	1 250 000	
Trade and other receivables 568 000 ✓ – 25 500 ✓ + 14 500 ✓ + 2 240 ✓✓ + 3 600 ✓ Operation, one part correct	562 840	✓
Cash and cash equivalents	558 160	
TOTAL ASSETS check equity and liabilities 8	11 200 000	✓
EQUITY AND LIABILITIES		
ORDINARY SHAREHOLDERS' EQUITY		
Ordinary share capital see 2.2.1	9 360 000	✓
Retained income 2	820 000	
NON-CURRENT LIABILITIES		
Mortgage loan: Nono Bank (360 000 ✓✓ – 40 000 ✓) or 302 400 one mark + 57 600 one mark – 40 000 one mark	320 000	✓
CURRENT LIABILITIES 5	700 000	✓
Trade and other payable (78 600 ✓ + 3 600 ✓ + 4 800 ✓)	87 000	✓
Shareholders for dividends see 2.2.2	557 200	✓
Current portion of loan see loan	40 000	✓
SARS: Income tax (520 800 – 505 000) Operation, one part correct	15 800	✓✓*
TOTAL EQUITY AND LIABILITIES Operation 9	11 200 000	✓

28

TOTAL MARKS

46

