GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PREPARATORY EXAMINATION

2026

10712

ACCOUNTING

(PAPER 2)

ACCOUNTING P2

10712E

TIME: 2 hours

MARKS: 150

X05

13 pages + a formula sheet and a 13-page answer book

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. If you choose to do so, 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	30
2	Cost Accounting	45	35
3	Stock Valuation and Fixed Assets	35	30
4	Budgeting	30	25
TOTAL		**150**	**120**

QUESTION 1: RECONCILIATIONS **(40 marks; 30 minutes)**

1.1 **BANK RECONCILIATION**

The information below relates to Katty Traders on 31 July 2026. The business receives the Bank Statement from NetBank on the 25th day of each month.

REQUIRED:

1.1.1 Use the table provided in the ANSWER BOOK to calculate the final totals of the Cash Journals on 31 July 2026. (11)

1.1.2 Prepare the Bank Reconciliation Statement on 31 July 2026. (6)

1.1.3 The owner's daughter is solely responsible for handling cash and preparing bank deposits. Upon investigation, it was discovered that she did not keep a record of source documents. This resulted in numerous discrepancies.

- Name TWO internal control weaknesses in Katty Traders. (4)
- Explain TWO potential risks that this situation poses to the business, if proper internal control processes are not implemented. (4)

INFORMATION:

A. Extract from the Bank Reconciliation Statement on 30 June 2026:

Balance as per Bank Statement		
Outstanding deposits	19 June 2026	R15 700
	30 June 2026	23 100
Outstanding EFTs	50	7 200
	51	585
Balance as per Bank Account		

NOTE:

- The outstanding deposit on 19 June 2026 is correctly reflected on the Bank Statement for July 2026.
- The July Bank Statement showed the deposit of 30 June 2026 as R20 100. It was decided that the difference be written off.
- The outstanding EFTs were correctly reflected in the July Bank Statement.
  - The Bank Statement reflects EFT 50 as R4 500. The payment relates to the municipal bill.
  - A creditor, DH Suppliers, granted Katty Traders a 15% discount. However, the bookkeeper mistakenly recorded the discount amount on EFT 51. EFT 60 was subsequently made on 30 July 2026 for the outstanding difference, to settle the balance.

B. **Before receiving the July 2026 Bank Statement, the Cash Journals reflected the following totals:**

CASH RECEIPTS	CASH PAYMENTS
R80 400	R75 350

C. **The following information appeared on the NetBank Bank Statement in July 2026 but not in the July Cash Journals.**

- Monthly Service fees R780
- Interest on savings account R150
- A loan amount of R12 200 received from BJ Lenders
- Debit card payment of R1 090 to Bee Garage for a fuel purchase. The car is driven by the owner's daughter for personal use.
- A debit order to JHB Motors for R 7 500 appeared twice on the Bank Statement. The bank agreed to correct the error the following month.

D. **The following appeared in the July Cash Journals but not on the Bank Statement.**

- An outstanding deposit of R48 500, dated 29 July 2026.
- EFT 61 for R3 480 was recorded in the CPJ on 31 July 2026.

E. The bank statement showed an unfavourable balance of R18 470 on 13 July 2026.

1.2 DEBTORS' AGE ANALYSIS

You are provided with information relating to Selina Traders.

REQUIRED:

1.2.1 Calculate the following:

- Total % of debtors who are not complying with the credit terms (3)
- Average debtors' collection period (4)

1.2.2 The bookkeeper noticed that most debtors owe large amounts and that their balances have remained outstanding beyond the agreed period of credit policy.

- Advise the owner on TWO actions that should be taken against debtors who do not comply with the credit terms. (4)
- Explain TWO possible implications that this may have for the financial position of the business. (4)

INFORMATION:

A. List of balances from financial records on 28 February:

	2026	2025
Sales	R272 460	R214 200
Cash sales	81 738	85 680
Credit sales	190 722	128 520
Cost of sales	181 640	142 800
Debtors' control	65 000	56 100
Creditors' control	52 900	63 180

B. Debtors' age analysis on 28 February 2026:

NAME	CREDIT LIMIT (R)	TOTAL (R)	CURRENT MONTH (R)	30 DAYS (R)	60 DAYS (R)	90 DAYS (R)
Ray	30 000	31 000	2 000	8 500	11 500	9 000
May	17 000	17 000	2 200	2 300	12 000	500
Sello	5 000	2 000	1 200	0	800	0
Pat	12 000	15 000	3 500	5 000	3 200	3 300
		65 000	8 900	15 800	27 500	12 800

NOTE: The credit policy allows debtors only 30 days to settle their debts.

40

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 The cost of raw material used in the production process is referred to as indirect material.

2.1.2 Bad debts are part of the selling and distribution costs.

2.1.3 Variable cost remains constant irrespective of changes in production.

(3 x 1) (3)

2.2 **SOWETO MANUFACTURERS**

The business manufactures two styles of backpacks. Their financial year ends on 30 June each year.

REQUIRED:

2.2.1 Calculate the following for the year ended June 2026:

- Direct material cost (3)
- Direct labour cost (4)

2.2.2 Complete the Factory Overhead Cost Note. (13)

2.2.3 The owner of Soweto Manufacturers is dissatisfied with the current short-term lease agreement with the landlord. He is considering purchasing a permanent factory building.

Explain how owning a factory building could benefit a manufacturing business. Provide TWO points. (4)

INFORMATION:

A. Extract from balances on 30 June:

	2026 (R)	2025 (R)
Indirect material stock	3 080	29 400
Work-in-progress stock	193 620	617 940

B. Raw material issued on 30 June 2026 was incorrectly recorded as R2 879 310.

C. Prime cost per unit is R200.

D. The following units were produced and sold during the year:

Units produced	24 960
Units sold	23 500

E. Summary of totals for the year ended 30 June 2026:

Rent expense	R226 560
Insurance (office)	38 640
Advertising	31 500

F. Additional information and adjustments:

- A part of the stock records revealed the following:

	METERS	COST PER UNIT
Units on hand	4 950	R4,20

NOTE: An error was identified in the calculation of one backpack style's raw material on hand. The cost should have been recorded as R2,40 per unit. This error must be corrected.

- Depreciation on factory equipment amounts to R48 950.

- No indirect material was purchased or donated during the year.

- Rent was paid for the period 1 December 2025 to 31 July 2026. The floor space was allocated per department as follows:

FACTORY	OFFICE	SALES
1 200 m^2	200 m^2	400 m^2

- The two existing machines were insured at the same monthly premium as in the previous financial year. On 1 March 2026, an additional machine was purchased for the exclusive use of the factory, at an insurance premium of R8 050 per month. This transaction was not recorded. 30% of the total insurance cost is allocated equally between the office and sales departments.

2.3 **Numeracy Manufacturers**

The business manufactures calculators and is owned by Lilly Petals. The financial year ended on 31 July 2026.

REQUIRED:

2.3.1 Calculate the following for the year ended 31 July 2026.

- Administration cost per unit (2)
- Total fixed cost (3)

2.3.2 The variable costs increased while the number of units produced decreased. Explain why Lilly Petals should be concerned. Provide TWO points. (4)

2.3.3 Lilly has noticed a decline in the sales performance of her business, which negatively affected her overall profitability.

- Calculate the decrease in the amount of profit compared to the previous year. (5)
- Suggest TWO strategies that she can implement to increase sales. (4)

INFORMATION:

	2026		2025	
	UNIT PRICE (R)	**TOTAL (R)**	**UNIT PRICE (R)**	**TOTAL (R)**
Variable costs	**85,00**	**5 865 000**	**69,00**	**4 950 000**
Direct material	53,50	3 691 500	38,30	2 872 500
Direct labour	24,00	1 656 000	21,80	1 635 000
Selling and distribution	7,50	517 500	5,90	442 500
Total fixed costs				**1 522 500**
Factory overheads				
Administration costs	**?**	862 500		
Units produced and sold	69 000		75 000	
Break-even point (units)	65 780		58 558	
Selling price per unit	R115		R95	

45

QUESTION 3: STOCK VALUATION AND FIXED ASSETS

(35 marks; 30 minutes)

3.1 BIRDIEWOOD SHOP

You are provided with information relating to Birdiewood Shop, a business that sells wooden benches. The business applies the perpetual stock system and uses the first-in-first-out (FIFO) method for stock valuation.

REQUIRED:

3.1.1 Explain how the FIFO method affects the value of closing stock and the cost of sales during a time of increasing prices. Provide TWO points. (4)

3.1.2 Calculate the value of the closing stock on 28 February 2026, using the FIFO method. (6)

3.1.3 Calculate the stock turnover rate on 28 February 2026 using the closing stock. (2)

3.1.4 Birdiewood Shop displays its benches on the showroom floor to attract customers. The manager has noticed that several benches are getting scratched while on display due to frequent customer handling.

Explain TWO measures that the shop can implement to reduce the scratches on the benches while they are on display. (4)

INFORMATION:

A. Stock of wooden benches:

	UNITS	UNIT PRICE	TOTAL (R)
Opening stock (1 March 2025)	824	?	576 800
Closing stock (28 February 2026)	582	?	?

B. Purchases and returns during the year:

	UNITS	UNIT PRICE	TOTAL (R)
Purchases	**3 942**		**3 054 840**
April 2025	1 500	740	1 110 000
July 2025	1 860	785	1 460 100
October 2025	332	820	272 240
January 2026	250	850	212 500
Returns	6	?	?

NOTE: Due to an incorrect design, two benches from each of the first three purchases were returned and recorded in the stock records.

3.2 **FIXED ASSETS**

The following information relates to the fixed assets of Ashlan Stores. The financial year ended on 31 July 2026.

REQUIRED:

3.2.1 Calculate the value of Land and Buildings on 31 July 2026. (2)

3.2.2 The owner revalued the business property on 1 August 2025 and found that its market value has increased since the date of purchase. However, he is concerned that the financial statements still reflect the original purchase price of the property.

- Explain why the property is recorded at a lower amount in the financial statements than its recent valuation. (2)

- Explain TWO strategies that the owner can implement to ensure that the building continues to appreciate in value. (4)

3.2.3 Calculate the total depreciation on vehicles for the year ended 31 July 2026. (5)

3.2.4 The business donated a branded vehicle to a local school as part of its community outreach programme. The owner is convinced this is a good decision.

Provide TWO financial implications and TWO non-financial benefits to justify his decision. (6)

INFORMATION:

A. Extract from the Trial Balances on 31 July:

	2026 (R)	2025 (R)
Balance Sheet accounts section		
Land and buildings	?	2 400 000
Equipment	670 000	670 000
Accumulated depreciation on equipment	353 200	274 000
Vehicle	492 000	320 000
Accumulated depreciation on vehicles	?	288 000

B. Extensions were made to the property, and an amount of R390 000 was paid. The auditor identified that repairs amounting to R50 000 were included in this invoice.

C. The business had one vehicle at the beginning of the year. On 30 April 2026, the old vehicle was donated to the local old-age home to help with its daily activities. All the entries in respect of disposal have been made.

D. A new vehicle was purchased on 1 May 2026.

E. Depreciation is calculated as follows:

- Vehicles depreciate at 15% p.a. on cost.
- Equipment depreciates at 20% p.a. on the diminishing balance method.

35

QUESTION 4: BUDGETING (30 marks; 25 minutes)

4.1 PROTEA SPORTS

You are provided with information for the budget period ending October 2026. The business sells sports equipment. Makhaya Ntoni is the owner of the business.

REQUIRED:

4.1.1 Give ONE reason why a cash budget may experience a cash deficit even if it is making a profit. (2)

4.1.2 Complete the Creditors' Payment Schedule for October 2026. (5)

4.1.3 Calculate the monthly percentage of goods purchased for cash by Protea Sports. (3)

4.1.4 Calculate the missing figures denoted by **(i)** to **(iii)** in the Cash Budget. (8)

4.1.5 A business has been selling its goods on a cash-only basis but is considering allowing customers to buy on credit.

State ONE benefit and ONE challenge for the business of selling goods on credit. (4)

4.1.6 **Refer to information H.**

Makhaya is concerned about the increase in the monthly total printing cost per page. He has prepared the actual and budgeted figures for August 2026 to monitor these expenses.

- Makhaya is not happy that the total printing cost has increased. Provide TWO points with figures to justify his concern. (4)
- Makhaya plans to implement a policy to limit printing by employees. Provide TWO suggestions on how this policy will help the business. (4)

INFORMATION:

A. Sales and cost of sales:

	JULY	AUGUST	SEPTEMBER	OCTOBER
Sales	R1 408 000	R1 507 200	R1 468 800	R1 449 600
Cost of sales	880 000	942 000	918 000	906 000

NOTE: All goods are sold for cash only.

B. Purchases of stock:

- A base stock is maintained. Stock sold is replaced in the same month.
- Goods are purchased for cash and credit.

C. Payment to creditors:

Creditors are paid as follows:

- 75% are paid in the month of purchases to receive a 4% discount.
- 25% are paid in the month after purchases.

D. Commission income:

The commission will increase by 12% on 1 October 2026.

E. Fixed deposit:

The business has three investments with PDS Bank. One of the fixed deposits will mature on 1 October 2026. Interest is calculated at 9% per annum and is receiveable at the end of each month. Interest is not capitalised.

F. Salaries:

- The business has 3 permanent employees who earn the same monthly salary.
- A temporary employee will be hired on 1 October 2026 and will earn half the salary of a permanent employee.

G. Extract from the Cash Budget for the period ending October 2026:

	SEPT 2026 (R)	OCT 2026 (R)
RECEIPTS		
Cash sales	1 468 800	1 449 600
Fixed deposit	0	90 000
Commission income	**(i)**	15 400
Interest on fixed deposit	3 075	**(ii)**
PAYMENTS		
Cash purchase of stock	275 400	271 800
Payments to creditors	627 522	**?**
Salaries	**(iii)**	65 100
Stationery	5 800	6 200
Maintenance cost	780	780

H. Maintenance costs and stationery for August 2026:

	BUDGETED	ACTUAL
Total printing costs	**R4 200**	**R6 240**
Toner and ink	2 700	3 900
Paper	900	1 560
Maintenance	600	780
Number of pages copied	**12 000**	**15 600**
Business	8 200	9 750
Personal	3 800	5 850

30

TOTAL: 150

END

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 1 below)	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 2 below)
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (See Note 3 below)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	

NOTE:
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.

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ACCOUNTING

(PAPER 2)

ANSWER BOOK

13 pages

NAME OF SCHOOL: ______________________

NAME OF LEARNER: ______________________

QUESTION	TOPIC	MARKS	MARKS OBTAINED
1	Reconciliations	40	
2	Cost Accounting	45	
3	Stock Valuation and Fixed Assets	35	
4	Budgeting	30	
TOTAL		**150**	

P.T.O.

QUESTION 1

1.1 BANK RECONCILIATION

1.1.1

CASH RECEIPTS JOURNAL	CASH PAYMENTS JOURNAL
80 400	75 350

11

1.1.2 Choose only ONE template below to answer this question.

TWO-COLUMN METHOD

BANK RECONCILIATION STATEMENT ON 31 JULY 2026		
	DEBIT	CREDIT

6

OR

ONE-COLUMN METHOD

BANK RECONCILIATION STATEMENT ON 31 JULY 2026	

6

1.1.3	Name TWO internal control weaknesses in Katty Traders.	
		4
	Explain TWO potential risks that this situation poses to the business, if proper internal control procedures are not implemented.	
		4

1.2 DEBTORS' AGE ANALYSIS

1.2.1

Total % of debtors who are not complying with the credit terms	
WORKINGS	**ANSWER**

3

Average debtors' collection period	
WORKINGS	**ANSWER**

4

1.2.2

Advise the owner on TWO actions that should be taken against debtors who do not comply with the credit terms.

4

Explain TWO possible implications that this may have for the financial position of the business.

4

TOTAL MARKS
40

QUESTION 2

2.1

2.1.1	
2.1.2	
2.1.3	

3

2.2.1 **Calculate the following for the year ended 30 June 2026:**

Direct material cost	
WORKINGS	**ANSWER**

3

Direct labour cost	
WORKINGS	**ANSWER**

4

2.2.2 **Factory Overhead Cost Note**

Indirect labour	**412 130**
Other factory expenses	**990 000**

13

2.2.3 **Explain how owning a factory building could benefit a manufacturing business. Provide TWO points.**

4

2.3.1 **Calculate the following for the year ended 31 July 2026.**

Administration cost per unit

WORKINGS	ANSWER

2

Total fixed cost

WORKINGS	ANSWER

3

2.3.2 **The variable costs increased while the number of units produced decreased. Explain why Lilly Petals should be concerned. Provide TWO points.**

4

2.3.3

Lilly has noticed a decline in the sales performance of her business which negatively affected her overall profitability.	
Calculate the decrease in the amount of profit compared to the previous year.	
WORKINGS	**ANSWER**

5

Suggest TWO strategies that she can implement to increase sales.

4

TOTAL MARKS
45

QUESTION 3

3.1.1 Explain how the FIFO method affects the value of closing stock and the cost of sales during a time of increasing prices. Provide TWO points.

VALUE OF CLOSING STOCK	COST OF SALES

4

3.1.2 Calculate the value of the closing stock on 28 February 2026, using the FIFO method.

WORKINGS	ANSWER

6

3.1.3 Calculate the stock turnover rate on 28 February 2026 using the closing stock.

WORKINGS	ANSWER

2

3.1.4 Explain TWO measures that the shop can implement to reduce the scratches on the benches while they are on display.

4

3.2.1

Calculate the value of Land and Buildings on 31 July 2026.	
WORKINGS	**ANSWER**
	2

3.2.2

Explain why the property is recorded at a lower amount in the financial statements than its recent valuation.
2
Explain TWO strategies that the owner can implement to ensure that the building continues to appreciate in value.
4

3.2.3 **Calculate the total depreciation on vehicles for the year ended 31 July 2026.**

WORKINGS	ANSWER

5

3.2.4 **Provide TWO financial implications and TWO non-financial benefits to justify his decision.**

FINANCIAL IMPLICATIONS	NON-FINANCIAL BENEFITS

6

TOTAL MARKS
35

QUESTION 4

4.1.1

Give ONE reason why a cash budget may experience a cash deficit even if it is making a profit.

2

4.1.2 CREDITORS' PAYMENT SCHEDULE FOR OCTOBER 2026

MONTH	CREDIT PURCHASES (R)	SEPTEMBER 2026 (R)	OCTOBER 2026 (R)
August 2026	659 400	164 850	
September 2026	642 600	462 672	
October 2026	634 200		
PAYMENTS TO CREDITORS		627 522	

5

4.1.3

Calculate the monthly percentage of goods purchased for cash by Protea Sports.	
WORKINGS	ANSWER

3

4.1.4 **Calculate:**

(i) Commission income for September 2026	
WORKINGS	**ANSWER**

2

(ii) Interest on fixed deposit for October 2026	
WORKINGS	**ANSWER**

3

(iii) Salaries for September 2026	
WORKINGS	**ANSWER**

3

4.1.5 **A business has been selling its goods on a cash-only basis but is considering allowing customers to buy on credit.**

State ONE benefit and ONE challenge for the business of selling goods on credit.

BENEFIT	
CHALLENGE	

4

4.1.6	**Makhaya is not happy that the total printing cost has increased. Provide TWO points with figures to justify his concern.**

4

Makhaya plans to implement a policy to limit printing by employees. Provide TWO suggestions on how this policy will help the business.

4

TOTAL MARKS
30

TOTAL: 150

END

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2026

MARKING GUIDELINES

ACCOUNTING PAPER 2 (10712)

11 pages

MARKING PRINCIPLES:

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

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

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

QUESTION 1

1.1 BANK RECONCILIATION

CASH RECEIPTS JOURNAL		CASH PAYMENTS JOURNAL	
80 400		75 350	
2 700	✓✓	3 000	✓✓
150	✓	780	✓
12 200	✓	2 730	✓✓
		7 500	✓
		1 090	✓

11

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

1.1.2 Choose only ONE template below to answer this question.

TWO-COLUMN METHOD

BANK RECONCILIATION STATEMENT ON 31 JULY 2026		DEBIT	CREDIT
Balance as per bank statement		18 470 ✓	
Outstanding deposit			48 500 ✓
Outstanding EFTs	No. 60 see 1.1.1	2 730 ☑	
	No. 61	3 480 ✓	
Correction of error			7 500 ✓
Balance as per bank account		31 320 ☑ Could be Cr	DR and CR totals must be the same
		56 000	56 000

6

-1 presentation (max -1) (inappropriate/no details
-1 for foreign items (max -2) if marks awarded elsewhere
For the 2-Column method, candidates must place figures in the correct column to earn marks.
In awarding the method mark for the balancing bank account figure, ensure that the candidates do not get full marks for including any incorrect figure/s. Indicate with a ☒.

OR

ONE-COLUMN METHOD

BANK RECONCILIATION STATEMENT ON 31 JULY 2026		
Balance as per bank statement		18 470 ✓
Outstanding deposit		(48 500) ✓
Outstanding EFT: 60	see 1.1.1	2 730 ☑
61		3 480 ✓
Correction of error		(7 500) ✓
Balance as per bank account		31 320 ☑*

6

-1 presentation (max -1) (inappropriate/no details)
-1 for foreign items (max -2); if marks awarded elsewhere
For the 1-Column method, candidates must present the appropriate sign i.e. positive or negative.
*Be alert to candidates who start with the bank account balance or vice versa
In awarding the method mark for the balancing bank account figure, ensure that the candidates do not get full marks for including any incorrect figure/s. Indicate with a ☒.

1.1.3 Give TWO internal control weaknesses in Katty Traders.

Any TWO valid points ✓✓ ✓✓

- Lack of separation of duties or rotation of duties.
- Improper filing of source documents / cash transactions not supported by evidence.
- Source documents are not properly verified.
- Lack of supervision from the senior manager / review of deposits not made by a different person.
- Daily reconciliation not done / cash received is not reconciled with source documents.

4

Explain TWO potential risks that this situation poses to the business, if proper internal control procedures are not implemented.

Any TWO valid points ✓✓ ✓✓ part marks for incomplete answers

- There will be mismanagement of cash that will go unnoticed / lack of proper cash control creates opportunity for fraud / opportunity for rolling cash.
- Inaccurate records can lead to wrong financial reporting / unrecorded cash can result in financial loss for the business.
- Business will have difficulty in audits/tax compliance/bad audit report.
- Management may take incorrect decisions due to inaccurate financial information.
- Difficulty to identify mistakes quicker / challenge to trace transactions and cause of discrepancy.

4

1.2 DEBTORS' AGE ANALYSIS

1.2.1

Total % of debtors who are not complying with the credit terms	
Workings	**Answer**
[27 500 + 12 800] $\dfrac{40\,300\,✓}{65\,000\,✓} \times \dfrac{100}{1}$ **OR** $\dfrac{24\,700}{65\,000} \times \dfrac{100}{1}$ 100% – 38% two marks	62% ☑ one part correct

3

Average debtors collection period	
Workings	**Answer**
[56 100 + 65 000] / 2 $\dfrac{60\,550\,✓✓}{190\,722\,✓} \times \dfrac{365}{1}$	115,9 days ☑ one part correct

4

For EACH calculation, the ‘x 100’ or ‘x 365’ does not constitute ‘one part correct’.
Numerator and denominator must be marked as such.
Do not award marks for any operations done to stand-alone figures. e.g. no tick if anything else is added to R40 300/R65 000/R60 550/R190 722

1.2.2 **Advise the owner on TWO actions that should be taken against debtors who do not comply with the credit terms.**

Any TWO valid points ✓✓ ✓✓

- Offer a payment plan to recover outstanding amount / Debtors to sign debit orders authorisation forms.
- Allow debtors to buy only after payments have been done / Suspend or stop further credit sales until outstanding amounts are settled.
- Reduce the credit limit of the debtors.
- Charge interest on overdue account.
- Hand the accounts to a debt collector.
- Negotiate repayment arrangements with debtors experiencing financial difficulties.

4

Explain TWO possible implications this may have for the financial position of the business.

Any TWO valid points ✓✓ ✓✓

- The business will experience cash flow problem / delayed collections result in less cash being available for daily operations.
- Slow payment towards creditors / business will struggle to pay expenses.
- Increased risk of bad debts.
- Ineffective credit control policies.
- Collection costs will reduce net profit.
- Funds locked up in debtors reduces the amount available to purchase inventory and fund business growth.

4

TOTAL MARKS
40

QUESTION 2

2.1

2.1.1	False	✓
2.1.2	True	✓
2.1.3	False	✓

3

2.2.1 **Calculate the following for the year ended 30 June 2026:**

Direct material cost	
Workings	**Answer**
2 879 310 + 8 910 ✓✓	2 888 220 ☑ one part correct

3

Direct labour cost	
Workings	**Answer**
[24 960 X R200] 4 992 000 ✓✓ – see DMC 2 888 220 ☑	2 103 780 ☑ one part correct

4

2.2.2 **Factory Overhead Cost Note**

Indirect labour	**412 130**	
Other factory expenses	**990 000**	
Depreciation	48 950	✓
Indirect material	26 320	✓✓
Rent expenses [226 560 – 28 320] 198 240 ✓✓ x [1 200/1 800] ✓	132 160	☑*
Insurance (38 640 x 70/15) **OR** (77 280 x 70/30) 180 320 ✓☑ + [8 050 x 4] 32 200 ✓✓	212 520	☑*
#one part correct; must include Ind. Lab & OFE –1 (foreign) (max – 1) for advertising	1 822 080	☑#

*one part correct

13

2.2.3 **Explain how owning a factory building could benefit a manufacturing business. Provide TWO points.**

Any TWO valid points ✓✓ ✓✓

- Avoids continuous rental payments and possibility of rent increases in future / Saves rental expenses.
- Increase fixed assets and value of the business / property value will increase in future, strengthening the financial position of business.
- Lease termination and relocation risks will not affect the business / business cannot be evicted.
- Extensions and renovation could be made at any time to suit production needs.

4

2.3.1 **Calculate the following for the year ended 31 July 2026.**

Administration cost per unit		
Workings	**Answer**	
862 500/69 000	12,50 ✓✓	2

Total fixed cost		
Workings	**Answer**	
65 780 x 30 ✓✓ [115 – 85]	1 973 400 ☑ one part correct	3

2.3.2 **The variable costs increased while the number of units produced decreased. Explain why Lilly Petal should be concerned. Provide TWO points.**

Any TWO valid points ✓✓ ✓✓

- High costs are being incurred to produce fewer units / increase price of raw material / excessive price increase on petrol.
- High cost per unit will reduce profitability.
- Wastage of material/poor labour productivity by employees / resources may not be used efficiently.
- Profit margin may decrease if selling price remain unchanged in the future.
- Business may need to increase the selling price to recover high costs, making them not to compete.
- Increased advertising or marketing costs.

4

2.3.3 **Lilly has noticed a decline in the sales performance of her business which has negatively affected her overall profitability.**

Calculate the decrease in the amount of profit compared to the previous year.

Workings	**Answer**	
[75 000 – 58 558] 16 442 ✓ x [95 – 69] 26 ✓ 427 492 two marks [69 000 – 65 780] 3 220 ✓ x [115 – 85] 30 ✓ 96 600 two marks	330 892 ☑ one part correct PY – CY	5

Suggest TWO strategies that she can implement to increase sales.

Any TWO valid points ✓✓ ✓✓

- Increase advertising to attract more customers.
- Enhance the quality of the calculator to meet customer expectations and reduce returns.
- Review and adjust prices to remain competitive in the market.
- Provide excellent service to build loyalty and encourage repeated purchases.

4

TOTAL MARKS
45

QUESTION 3

3.1.1

Explain how the FIFO method affects the value of closing stock and the cost of sales during a time of increasing prices. Provide TWO points.	
Value of closing stock ✓✓	**Cost of sales** ✓✓
• It will consist of most recent purchases, which will be at higher prices. • It is more realistic because it reflects current market prices.	• Old stock is sold first, resulting in a lower cost of sales. • A lower cost of sales will result in a high gross profit.

4

3.1.2

Calculate the value of the closing stock on 28 February 2026, using the FIFO method.	
Workings	**Answer**
[250 x 850] 212 500 ✓ + [330 x 820] 270 600 ✓✓ + (2 x 785) 1 570 ✓☑	484 670 ☑ one part correct

6

3.1.3

Calculate the stock turnover rate on 28 February 2026 using the closing stock.	
Workings	**Answer**
4 178 / 582 Numerator and denominator must be marked as such	7,2 ✓☑

2

3.1.4

Explain TWO measures that the shop can implement to reduce the scratches on the benches while they are on display.

Any TWO valid points ✓✓ ✓✓

- Place ropes or signs around the display to prevent customers from handling the benches excessively / wrap the benches to protect them.
- Assign staff to monitor the showroom floor and guide customers on how to handle the benches carefully / Provide a designated seating/testing area so customers do not repeatedly move or drag the display benches.
- Train employees to assist on the floor when customers view the benches.
- Polish benches with protective coatings to reduce the risk of scratches.

4

3.2.1 **Calculate the value of Land and Buildings on 31 July 2026.**

Workings	Answer	
2 400 000 + 340 000	2 740 000 ✓☑ one part correct	2

3.2.2 **Explain why the property is recorded at a lower amount in the financial statements than its recent valuation.**

Any ONE valid point ✓✓ part marks for incomplete answers

- Historical cost principle requires the assets to be recorded at their original cost price.
- Source documents support the purchase price, making it more reliable than estimated market value.
- It avoids subjectivity and market value can fluctuate.

2

Explain TWO strategies the owner can implement to ensure that the building continues to appreciate in value.

Any TWO valid points ✓✓ ✓✓

- Continuous maintenance and repairs
- Enhance security controls / improve security measures.
- Improving the structure and facilities / renovate and modernise the building.
- Maintaining cleanliness enhances property desirability / enhance building appearance by renewing paint and landscaping.
- Ensure compliance with building regulations when renovating.

4

3.2.3 **Calculate the total depreciation of vehicles for the year ended 31 July 2026.**

Workings	Answer	
492 000 x [15/100 x 3/12] 18 450 ✓☑ + 32 000 ✓✓	50 450 ☑ one part correct	5

3.2.4 **Provide TWO financial implications and TWO non-financial benefits to justify his decision.**

TWO financial implications ✓✓ ✓✓	TWO non-financial benefits ✓ ✓	
• Expenses increase, decreasing the profit. • Business asset account will decrease in value. • It will reduce tax liability.	• Visibility of business name and logo increase public awareness. • It builds a positive reputation. • Customers will be loyal to a socially responsible business.	6

TOTAL MARKS
35

QUESTION 4

4.1.1 **Give ONE reason why a cash budget may experience a cash deficit even if it is making a profit.**

Any ONE valid point ✓✓

- Profit includes credit sales not yet received in cash.
- Cash may be tied up in debtors or stock.
- Business has to repay loans, but not regarded as expenses.
- The business may purchase assets for cash, which reduces cash but is not an expense.

2

4.1.2 **CREDITORS' PAYMENT SCHEDULE FOR OCTOBER 2026**

MONTH	CREDIT PURCHASES (R)	SEPTEMBER 2026 (R)	OCTOBER 2026 (R)
August 2026	**659 400**	**164 850**	Superfluous entry; Lose method on total
September 2026	**642 600**	**462 672**	160 650 ✓✓
October 2026	**634 200**		456 624 ✓✓
PAYMENTS TO CREDITORS		**627 522**	617 274 ☑*

*one part correct

5

4.1.3 **Calculate the monthly percentage of goods purchased for cash by Protea Sports.**

Workings	Answer
$\frac{271\ 800 ✓}{906\ 000 ✓} \times \frac{100}{1}$ **OR** $\frac{275\ 400 \text{ (one mark)}}{918\ 000 \text{ (one mark)}} \times \frac{100}{1}$ Numerator and denominator must be marked as such	30% ☑ one part correct

3

4.1.4 **Calculate:**

(i) Commission income for September 2026	
Workings	**Answer**
15 400 x 100/112 **OR** 15 400 – 1 650 [15 400 X12/112]	13 750 ✓☑ one part correct

2

(ii) Interest on fixed deposit for October 2026	
Workings	**Answer**
3 075 – 675 ✓☑ [90 000 x [9/100 x 1/12]] **OR** 320 000 [410 000 – 90 000] one m mark x [9/100 x1/12] one mark	2 400 ☑ one part correct

3

(iii) Salaries for September 2026	
Workings	**Answer**
65 100 ✓ x 3/3,5 ✓ **OR** 65 100 one mark – 9 300 one mark	55 800 ☑ one part correct

3

4.1.5 **A business has been selling its goods on a cash-only basis but is considering allowing customers to buy on credit.**

State ONE benefit and ONE challenge of selling goods on credit for the business

Benefit ✓✓	**Challenge** ✓✓
• It attracts more customers which will increase sales. • Helps the business stay competitive with others offering credit. • Allows customers to buy more than they could with cash. • Can improve overall revenue and profit in the long term.	• Risk of customers not paying. • Delays cash inflow, affecting cash flow. • Increases administrative costs for managing accounts. • Possibility of late payments disrupting operations. • Requires time and effort to follow up on outstanding debts.

4

4.1.6	**Makhaya is not happy that the total printing cost has increased. Provide TWO points with figures to justify his concern.**	
	comparison ✓ ✓ figures ✓ ✓ • It was budgeted for 35 cents per page, but the actual is 40 cents. • Actual amount is higher than the budgeted amount by R2 040 / budgeted R4 200 for printing costs while actual is R6 240	4
	Makhaya plans to implement a policy to limit printing by employees. Provide TWO suggestions on how this policy will help the business.	
	Any TWO valid points ✓✓ ✓✓ • There will be a reduction in the total copying cost. • The usage will be aligned with budgeted expectations. • Encourage employees to use digital documents instead of printed copies. • Assign unique password for individual employees to track usage. • Limit employees on the number of copies made using a software program.	4

TOTAL MARKS
30

TOTAL: 150