

CENTRE NUMBER

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EXAMINATION NUMBER

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NATIONAL SENIOR CERTIFICATE

ACCOUNTING

GRADE 12

NOVEMBER 2009

SPECIAL ANSWER BOOK

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
5			
6			
TOTAL			

This answer book consists of 20 pages.



QUESTION 1

- 1.1 Explain why it is important for a business to prepare a Bank Reconciliation Statement each month.

2

- 1.2

CRJ	Bank
Provisional total	70 600

CPJ	Bank
Provisional total	105 320

12

- 1.3 Calculate the Bank Balance on 31 May 2009.

State whether this is a favourable or an unfavourable balance.

6



10

1.5 The fixed deposit of R84 000 matures next month. What advice would you offer the owner in this regard? Explain TWO points, quoting appropriate figures to support your answer.

4

1.6	<p>Explain why the internal auditor should be concerned about the outstanding deposit of R20 295.</p>
	<p>Explain how cheque No. 674 should be dealt with when the financial statements are prepared on 31 May 2009. Give a reason for your answer.</p>

6



QUESTION 2

2.1.1

**PRODUCTION COST STATEMENT OF PD PENCILS
MANUFACTURERS FOR THE YEAR ENDED 31 OCTOBER 2009**

	TOTAL
?	
?	
Prime cost	
?	
Work-in-process stock on 1 November 2008	37 600
?	
Cost of production of finished goods	3 525 000

10

2.1.2

Calculate the cost of production per unit.

3

2.1.3

Calculate the net profit.

5



2.2.1 Calculate the break-even point for the year ended 31 October 2009.

5

2.2.2 Should the business be satisfied with the number of units that are currently produced? Explain.

3

2.2.3 Despite the fact that there was an increase in the price of raw materials, the direct/raw materials cost per unit decreased from R32 to R27. Give a valid reason for the decrease in direct/raw materials cost per unit.

2

2.2.4 Despite the fact that there was no increase in wages during the year, the direct labour cost per unit increased from R20 to R28. Give a valid reason for the increase in direct labour cost per unit.

2

30

QUESTION 3**3.1 QWANDO LIMITED
NOTES TO THE BALANCE SHEET**

	ORDINARY SHARE CAPITAL	R
	Authorised	
	1 000 000 ordinary shares of R3 each	3 000 000
	Issued	

	RETAINED INCOME	R

14

**3.2 QWANDO LIMITED
BALANCE SHEET ON 30 JUNE 2009**

ASSETS	
NON-CURRENT ASSETS	
CURRENT ASSETS	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
CAPITAL AND RESERVES	
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
TOTAL EQUITY AND LIABILITIES	

38

3.3.1	State whether the shareholders would be satisfied or dissatisfied with this audit report. Give a reason for your answer.	3
3.3.2	Explain why the auditors found it necessary to stipulate the page numbers (that is 8 to 20) in this report.	2
3.3.3	Explain why the Companies Act makes it a requirement for public companies to be audited by an independent auditor.	2
3.3.4	Explain TWO major consequences for Barlow and Bokwe should they be negligent in performing their duties.	4

3.3.5 What actions would Barlow and Bokwe have to perform to verify the Fixed/Tangible Assets figure in the Balance Sheet? Provide THREE points.

3

3.3.6 Quinton Qwando, the major shareholder and managing director, has informed the auditors that he intends to buy the unissued shares himself next year without advertising the new issue to the other shareholders or the public. What advice should the auditors give to Quinton? Briefly explain.

4

70

QUESTION 4

4.1.1	Calculate the fixed/tangible assets purchased.	<input type="text"/> 2
4.1.2	Calculate the depreciation on vehicles.	<input type="text"/> 3
4.1.3	Calculate proceeds of fixed/tangible assets sold.	<input type="text"/> 4

4.2

KOOLA LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2009

	R
Cash effects of operating activities	
Cash generated from operations	1 227 370
Cash effects of investing activities	
Cash effects of financing activities	
Net change in cash and cash equivalents	
Cash and cash equivalents at beginning of year	
Cash and cash equivalents at end of year	

23

4.3 The Cash Flow Statement reflects some important decisions that have been taken by the directors.

Name TWO of these decisions, quote figures to support your answer and explain how each decision benefits the company.

6

4.4.1 Debt : Equity ratio

5

4.4.2 Net asset value per share

4



4.4.3	Acid-test ratio		
4.4.4	Earnings per share	<table border="1"><tr><td>6</td></tr></table>	6
6			
4.5	The directors feel that the liquidity position of the company has generally improved. Quote THREE financial indicators to support their opinion. Briefly explain.	<table border="1"><tr><td>4</td></tr></table>	4
4			
		<table border="1"><tr><td>6</td></tr></table>	6
6			

4.6 One of the directors feels that the company should make more use of loans. Quote TWO financial indicators to support his opinion. Briefly explain.

4

4.7 As a major shareholder, you are very satisfied with the performance of the company. Explain by quoting financial indicators to support your opinion. Comment on share price, returns, earnings and dividends.

Share price

Returns

Earnings

Dividends

8

75



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QUESTION 5

5.1.1 Calculate the value of closing stock using the FIFO (first-in-first-out) method.

6

5.1.2 Calculate the value of closing stock using the weighted average method.

7

5.1.3 Which method of stock valuation would you advise the owner to use? Explain a reason for your answer.

3

5.1.4 Calculate the gross profit on TV sets for the year based on the stock valuation method you advised in QUESTION 5.1.3.

4



- 5.2 Comment on the stock control of each item, quoting figures to support your comment. In each case, offer Larry practical advice for the future.

Stock item	Comment and advice
<i>Mabona</i> TV sets	
<i>Khuluma</i> Cellphones	
<i>Lalela</i> Radios	

9

- 5.3 Calculate the amount of VAT payable to/by SARS on 28 February 2009. Show ALL workings. Ledger accounts for VAT are not required, but you may use this to arrive at your answer.

Indicate whether the amount is payable to or receivable from SARS.

11

40



QUESTION 6

6.1	Why is it a good idea to compare budgeted against actual figures?	2
6.2.1	Calculate the mark-up % that Mike actually achieved in September.	3
6.2.2	Mike feels that the business benefited from the price reductions. Quote figures from the question to support his opinion.	2
6.3	Over the past three months Mike has needed to contribute capital in order to settle the debts of the business. Explain why the Projected Income Statement will not help him in identifying the reasons for this problem.	2
6.4.1	On 1 September 2009 the business had a loan from Good Day Bank at an interest rate of 18% p.a. Calculate the amount owing on the loan on 1 September 2009.	4

6.4.2 On 1 October Mike decided to increase the loan by R1 million to purchase the shop premises instead of renting the premises. How has this decision affected the profit he is earning? Quote figures to support your answer.

6

6.5 What is the main reason for the disappointing actual net profit in October? Provide a figure to support your answer.

3

6.6.1 Calculate the percentage increase he granted the shop assistants in October 2009.

3

6.6.2 In your opinion was this a correct decision for the business as a whole? Briefly explain quoting evidence from the question.

3



6.7	Debtors' collection schedule	
		Budgeted credit sales
	August	R210 000
	September	R240 000
	October	

9

- 6.8 Provide TWO figures from the information that indicate that Mike has not handled collection from debtors effectively.

4

- 6.9 Apart from what has been mentioned in your previous answers, select TWO other operating expenses that Mike should investigate. Provide ONE point of practical advice in respect of each item.

4

45

TOTAL: 300

