



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING P2

2022

MARKS: 150

TIME: 2 hours

**This question paper consists of 15 pages,
a formula sheet and a 10-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 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 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. The use of this formula sheet is NOT compulsory.
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	VAT and Creditors' Reconciliation	30	20
2	Cost Accounting	45	35
3	Inventory Valuation	35	30
4	Budgeting	40	35
TOTAL		150	120

QUESTION 1: VAT AND CREDITORS' RECONCILIATION (30 marks; 20 minutes)**1.1 VALUE-ADDED TAX (VAT)**

Chuckles Traders is registered for VAT, although the annual turnover is less than R1 000 000. The standard VAT rate is 15%. The business is owned by Chuckles Berry.

REQUIRED:

- 1.1.1 Give ONE reason why Chuckles decided to register for VAT. (2)
- 1.1.2 Calculate the amount of VAT that is payable to SARS for the two-month period ended 30 April 2022. (9)
- 1.1.3 Chuckles uses the money collected for VAT to pay business expenses. He does not have sufficient cash to make the VAT payments on the due dates. What would you say to Chuckles? State TWO different/separate points. (2)

INFORMATION:

VAT-related transactions for the period ended 30 April 2022:

Balance due by SARS on 1 April 2022	R2 600
Purchases of trading stock (excluding VAT)	59 000
Cash and credit sales (including VAT)	87 400
VAT on drawings of trading stock by Chuckles	1 200
VAT on returns from debtors	2 820
VAT on discount received from suppliers	3 360

1.2 CREDITORS' RECONCILIATION

Mani Supermarket is owned by Mani Bloom. The business buys goods on credit from Lawes Wholesalers.

REQUIRED:

- 1.2.1 Use the table provided in the ANSWER BOOK to show changes to the Creditors' Ledger account of Lawes Wholesalers in the books of Mani Supermarket and the statement of account received from Lawes Wholesalers, to take into account the differences identified. (13)
- Indicate a '+' or '-' next to each amount. (13)
- 1.2.2 Mani feels that the creditors' clerk is not efficient in performing her duties. (2)
- Provide evidence to support his opinion. Give ONE point. (2)
 - Explain how he can solve this problem. (2)

INFORMATION:**A. CREDITORS' LEDGER OF MANI SUPERMARKET
LAWES WHOLESALERS (CL6)**

DATE		DETAILS		DEBIT R	CREDIT R	BALANCE R
2022 April	1	Balance				41 200
	3	Invoice 3381			7 800	49 000
	8	Debit Note 149			640	49 640
	15	Invoice BB55			11 400	61 040
	18	Invoice 3886			12 800	73 840
	24	EFT 425		14 620		59 220
		Discount received		1 250		57 970
	29	Invoice 4 243			9 900	67 870

B. Statement of account received from Lawes Wholesalers:

LAWES WHOLESALERS STATEMENT OF ACCOUNT						
To: MANI Supermarket				Credit limit: R45 000		
				Statement date: 26 April 2022		
DATE		DETAILS		DEBIT R	CREDIT R	BALANCE R
2022 Mar.	28	Balance	b/d			56 200
	30	Receipt 376			15 000	41 200
		Credit Note A11			750	40 450
		Penalty for late payment		580		41 030
		Penalty for late payment		580		41 610
2022 April	3	Invoice 3381		8 700		50 310
	9	Credit Note A32			640	49 670
	18	Invoice 3886		14 720		64 390
	24	Receipt 667			14 620	49 770
	25	Credit Note A88			3 180	46 590
Terms: 30 days. 10% discount allowed on payments received before the 20 th of each month. Penalty for late payment is applied on overdue balances.						
+ 90 days		60 days	30 days	Current		
R4 380		R7 050	R14 400	R20 760		

- C.** A comparison of the statement received from Lawes Wholesalers with the Creditors' Ledger account revealed the following differences:
- (i) Mani Supermarket was granted an allowance of R750 for inferior quality goods received during March 2022. This transaction was not recorded by the bookkeeper of Mani Supermarket.
 - (ii) Lawes Wholesalers had in erroneously entered the penalty for late payment twice on 30 March 2022. They will correct it on the following statement.
 - (iii) The amount for Invoice 3381 on 3 April 2022 was correctly recorded in the Creditors' Ledger account.
 - (iv) An incorrect posting of the returns on 8 April 2022 was noted.
 - (v) Invoice BB55 in the Creditors' Ledger account was for goods purchased from a different supplier, Wes Suppliers.
 - (vi) Invoice 3886 on the statement included VAT at 15%. All goods on this invoice were zero-rated products. Lawes Wholesalers will correct this on the next statement
 - (vii) The bookkeeper of Mani Supermarket recorded a 10% discount with the payment of EFT 425. Lawes Wholesalers indicated that the discount was not approved.
 - (viii) Credit Note A88 on the statement received does not relate to Mani Supermarket. This will be corrected on the next statement.
 - (ix) The statement is received on 26th of each month.

QUESTION 2: COST ACCOUNTING**(45 marks; 35 minutes)****2.1 STYLISH SUITS**

The business, owned by Fiona Radebe, manufactures one type of fashionable men's suit. The financial year ended on 31 March 2022.

REQUIRED:

2.1.1 Calculate the following for the Production Cost Statement:

- Direct material cost (6)
- Direct labour cost (6)
- Factory overhead cost (7)

2.1.2 Complete the Abridged Statement of Comprehensive Income (Income Statement) for the year ended 31 March 2022. (11)

INFORMATION:**A. Raw material stock:**

- During the financial year, the business purchased 12 250 metres of fabric for the manufacture of suits: R5 512 500. This was secured in the storeroom.
- Fabric was issued to the factory to meet the production target of 3 000 suits, as follows: 3,2 metres of fabric and an allowance of 5% thereof for wastage required to manufacture one suit.

B. Finished goods stock:

	31 March 2022	31 March 2021
Finished goods	R195 000	R260 000

C. Direct and indirect labour costs:

Employee description	No. of employees	Basic monthly salary per employee	Total annual bonus
Factory machinists	40	R9 800	?
Factory supervisors	3	R17 500	R84 000

- The factory machinists are involved in the production of suits.
- The earnings of the supervisors have been recorded as factory overheads.
- Annual bonuses were paid to all employees. The bonus budget is distributed between the machinists and the supervisors in the ratio 5 : 2 respectively.
- All employees pay 1% of their gross earnings to the UIF. The employer contributes to this fund on the R-for-R basis.

- D. The bookkeeper provisionally calculated the following amounts for the current financial year:**

Factory overhead cost	R941 500
Selling and distribution cost	866 400
Administration costs	532 200

- E. The bookkeeper omitted to record the following adjustments when he calculated the amounts reflected in Information D above:**

- An invoice of R59 500 for consumable stores was not recorded. The factory used 60% of this and the office used the balance.
- Rent paid for the selling and distribution section amounted to R186 000. Rent is apportioned according to floor space as follows:

Factory	Selling and distribution	Administration
400 m ²	300 m ²	100 m ²

- Factory insurance of R31 500 per month was paid and correctly recorded. The premium was increased by 8% from 1 January 2022. The premiums for January to March 2022 had not been paid or recorded yet.

- F. Production and sales:**

- 3 000 suits were manufactured during the financial year at a unit cost of R3 750.
- Total sales for the financial year amounted to R18 104 000.

2.2 Unit cost and break-even analysis:

Fiona also owns three other factories that manufacture shirts, shoes and ties respectively. Their financial year ended on 31 March 2022.

NOTE:

- Production is based on orders received.
- The current inflation rate is 6%.

REQUIRED:

- 2.2.1 Calculate the break-even point for shirts in 2022. (4)
- 2.2.2 Fiona has invested in new equipment to make the shoes. She knows that she has saved 10% of the fixed costs for shoes, but she cannot understand why the fixed costs per unit increased. Explain. Provide figures. (2)
- 2.2.3 Identify the variable cost that caused the biggest problem in EACH factory. Provide figures. Give a valid solution for EACH problem identified. (9)

INFORMATION:

The following information relates to the financial years ended 31 March:

DETAILS	SHIRT FACTORY		SHOE FACTORY		TIE FACTORY	
	2022	2021	2022	2021	2022	2021
Fixed cost per unit	R94,20	R97,90	R117,90	R97,80	R40,90	R45,80
Factory overhead cost	R45,80	R48,50	R73,10	R62,30	R21,80	R24,00
Administration	R48,40	R49,40	R44,80	R35,50	R19,10	R21,80
Variable cost per unit	R246,60	R216,50	R282,40	R256,20	R148,20	R138,50
Direct material	R67,90	R66,00	R132,40	R123,50	R48,00	R36,30
Direct labour	R136,70	R110,00	R105,20	R97,20	R81,10	R80,40
Selling and distribution	R42,00	R40,50	R44,80	R35,50	R19,10	R21,80
Selling price per unit	R360,00	R340,00	R460,00	R420,00	R200,00	R200,00
Units produced and sold	22 000	20 000	15 000	21 200	27 500	24 000
Break-even point	2.2.1	15 855	9 958	12 658	21 713	17 874

QUESTION 3: INVENTORY VALUATION**(35 marks; 30 minutes)**

3.1 Complete each of the following sentences by filling in the missing word(s). Write only the word(s) next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK.

- 3.1.1 The stock valuation method that assumes that the older stock is sold first is the ... method.
- 3.1.2 The stock system used to record the cost of goods sold at the point of sale is the ... system.
- 3.1.3 The stock valuation method that divides the total cost of goods available for sale by the number of units is the ... method. (3 x 1) (3)

3.2 **RATO COOKWARE**

The business, owned by Lerato Klou, sells one type of cooking pot and two popular models of microwave ovens. The financial year ended on 28 February 2022.

The periodic inventory system is used.

- The pots are valued using the weighted-average method.
- The microwave ovens are valued using the specific identification method.

REQUIRED:**COOKING POTS**

Refer to information A, B and C.

- 3.2.1 Calculate the value of the closing stock of pots on 28 February 2022. (4)
- 3.2.2 Lerato is unsure how long it will take to sell the closing stock of pots.
- Provide a calculation to address her concern. (3)
 - Explain whether the period calculated is acceptable, or not. (2)
- 3.2.3 Calculate the number of pots missing. (4)

MICROWAVE OVENS

Refer to information D.

- 3.2.4 Calculate the value of the closing stock of microwave ovens. (7)
- 3.2.5 Lerato plans to discontinue selling the Delta model.
- Give TWO reasons to support this decision and ONE reason against this decision. Quote figures. (6)

- 3.2.6 The internal auditor discovered that the number of Swift microwave ovens received on 6 January 2022 does not correspond with the number of microwave ovens recorded on the relevant stock card.

MICRO WHOLESALERS DELIVERY NOTE	
Date: 6 January 2022	
Number of units	Details
75	Swift microwave ovens

RATO COOKWARE: STOREROOM STOCK CARD STOCK ITEM: SWIFT MICROWAVE OVENS			
Date	Received from supplier	Dispatched to the shop	Units on hand
1 March 2021			380
31 July 2021	700	530	550
15 December 2021		420	130
6 January 2022	50	15	165

- Identify the problem relating to the Swift microwave ovens on 6 January 2022. Quote figures. (2)
- State TWO internal control measures that the internal auditor should implement to ensure that such incidents do not occur in the future. (4)

INFORMATION:

A. Stock records of cooking pots:

	NUMBER OF COOKING POTS	UNIT PRICE	TOTAL R
Opening stock (1 March 2021)	800		R224 000
Closing stock (28 February 2022)	980		?

B. Purchases and returns:

	NUMBER OF COOKING POTS	UNIT PRICE	TOTAL R
Purchases:			
May 2021	1 500	R320	480 000
September 2021	2 300	R370	851 000
January 2022	1 200	R410	492 000
Returns: September 2021	(300)		(111 000)
NET PURCHASES	4 700		1 712 000

C. Sales and cost of sales:

- 4 270 units were sold at R560 each.
- Cost of sales was calculated as R1 591 040.

D. Record of microwave ovens:

	MODEL	NO. OF UNITS	UNIT PRICE R	TOTAL AMOUNT R
Opening stock	SWIFT	380	2 800	1 064 000
	DELTA	430	3 200	1 376 000
Purchases	SWIFT	750	2 800	2 100 000
	DELTA	600	3 200	1 920 000
Total purchases		1 350		4 020 000
Returns	DELTA	120		384 000
Sales	SWIFT	965	4 200	4 053 000
	DELTA	580	5 600	3 248 000
Gross profit	SWIFT			1 351 000
	DELTA			1 392 000

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QUESTION 4: BUDGETING**(40 marks; 35 minutes)****4.1 GLYDIS TRADERS**

Information is provided for the budget period ending 31 July 2022.

REQUIRED:

- 4.1.1 Complete the Debtors' Collection Schedule for July 2022. (7)
- 4.1.2 Calculate the amounts denoted by **(i)** to **(iv)** in the extract of the Projected Statement of Comprehensive Income. (9)
- 4.1.3 Calculate:
- Payments to creditors in July 2022 (4)
 - Loan amount that will be paid on 1 July 2022 (4)

INFORMATION:**A. Sales and purchases:**

	MAY	JUNE	JULY
Total sales	R962 500	R997 500	R1 015 000

- Credit sales accounts for 60% of total sales.
- Debtors pay according to the following trend:
 - 40% in the month of sales, subject to a 5% discount
 - 45% in the month following the month of sales
 - 12% two months after the month of sales
 - 3% written off as irrecoverable in the third month after sales
- The mark-up is 75% on cost.
- Stock is replaced in the month of sales. A base stock is maintained.
- 80% of stock is bought for cash.
- Creditors are paid in the second month after the month of purchases.

B. Extract from the Projected Statement of Comprehensive Income:

	JUNE	JULY
Gross profit	427 500	435 000
Commission income	79 800	(i)
Bad debts	16 800	(ii)
Salaries and wages	(iii)	196 980
Discount allowed	(iv)	12 180
Interest on loan	4 550	4 025

C. Additional information:

- Commission income is a fixed percentage of total sales.
- All employees will receive a 5% increase from 1 July 2022.
- Part of the loan will be repaid on 1 July 2022. Interest at 14% p.a. is payable on the outstanding balance, on the last day of each month.

4.2 FRAZILA (PTY) LTD

The business sells gas stoves. The information relates to the period April and May 2022.

Peter Pillay, the CEO, became aware of a competitor, Lite Stores, which opened for business in April 2022. They sell a cheaper model stove for cash only. Peter was unable to respond to this threat in April. He changed his strategies in May 2022. This included a change in the delivery service. Delivery is outsourced to Speedy Couriers in April. Peter decided in May to outsource it to Prime Deliveries.

REQUIRED:

NOTE: Provide figures or calculations in your explanations for all the questions below.

4.2.1 Delivery expenses:

Peter noticed that the full budget for April 2022 had not been used.

- Explain whether Peter should be satisfied with the actual delivery cost in April 2022, or not. (3)
- Explain whether Peter made a good decision in changing the delivery service provider to Prime Deliveries, or not. (3)

4.2.2 Other strategies:

- Apart from changing the delivery service, identify TWO other strategies that Peter implemented in May 2022 in response to the competitor. (4)
- Explain how these other strategies have affected the sales and the profit. (4)

4.2.3 Cash balances:

Peter is confused about why the cash balances are not good despite the fact that sales increased in May 2022. Explain. (2)

INFORMATION:**A. Extract of the Projected Income Statement:**

	APRIL 2022		MAY 2022	
	BUDGETED	ACTUAL	BUDGETED	ACTUAL
Number of stoves sold	750	600	750	900
Selling price per stove	R3 780	R3 780	R3 780	?
Cost price per stove	R2 100	R2 100	R2 100	R2 100
	R	R	R	R
Cash sales	1 417 500	1 247 400	1 417 500	958 500
Credit sales	1 417 500	1 020 600	1 417 500	2 236 500
Total sales	2 835 000	2 268 000	2 835 000	3 195 000
Cost of sales	(1 575 000)	(1 260 000)	(1 575 000)	(1 890 000)
Gross profit	1 260 000	1 008 000	1 260 000	1 305 000
	R	R	R	R
Advertising	120 000	120 000	120 000	192 000
Delivery costs	425 250	408 240	425 250	319 500

B. Extract from the Cash Budget:

	APRIL 2022		MAY 2022	
	BUDGETED R	ACTUAL R	BUDGETED R	ACTUAL R
Cash surplus/deficit	208 000	243 000	220 000	(972 000)
Opening balance	77 000	77 000	285 000	320 000
Closing balance	285 000	320 000	505 000	(652 000)

C. Additional information:

- The business budgets to sell 750 stoves per month.
- Purchases of stock are paid in 30 days.

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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (* See note 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: * In this case, 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 P2 MARKING GUIDELINES 2022

MARKS: 150

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 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 answer 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). Note: if figures are stipulated in memo for components of workings, these do not carry the method mark for 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. 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.
10. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
11. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
12. 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 ☒.
13. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
14. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 10 pages.

QUESTION 1**1.1 VAT****1.1.1 Give ONE reason why Chuckles decided to register for VAT.**

ONE valid reason ✓✓

part marks for incomplete / partial / unclear responses

- He will be able to claim VAT input from SARS / He supports or pays VAT for most of his purchases / He wants to benefit from input VAT on certain expenses or assets that he buys.
- He sells goods that are subject to standard rate VAT (15%)
- VAT collections will earn interest for a period of time
- Should his turnover exceed R1 000 000, he does not have to worry about being penalised by SARS for not complying (compulsory registration)
- He expects his business to grow and will be compelled to register.
- Responsible citizen – collect tax for SARS – improve the economy

Do not accept benefit to his cash flow

2

1.1.2 Calculate the amount of VAT that is payable to SARS for the two-month period ended 30 April 2022.

WORKINGS	ANSWER																
<p>Mark ONE option only. Inspect to award candidate maximum benefit Be aware of alternative correct permutations of items of input / output</p> <p>✓ ✓✓ ✓✓ ✓ ✓ ✓</p> <p>2 600 + 8 850 – 11 400 – 1 200 + 2 820 – 3 360</p> <p>OR</p> <p>– 2 600 – 8 850 + 11 400 + 1 200 – 2 820 + 3 360</p> <p>OR</p> <table><tr><th colspan="2">VAT CONTROL</th></tr><tr><td>2 600</td><td>11 400</td></tr><tr><td>8 850</td><td>1 200</td></tr><tr><td>2 820</td><td>3 360</td></tr></table> <table><tr><th colspan="2">VAT CONTROL</th></tr><tr><td>11 400</td><td>2 600</td></tr><tr><td>1 200</td><td>8 850</td></tr><tr><td>3 360</td><td>2 820</td></tr></table>	VAT CONTROL		2 600	11 400	8 850	1 200	2 820	3 360	VAT CONTROL		11 400	2 600	1 200	8 850	3 360	2 820	<p>1 690 <input checked="" type="checkbox"/></p> <p>one part correct</p>
VAT CONTROL																	
2 600	11 400																
8 850	1 200																
2 820	3 360																
VAT CONTROL																	
11 400	2 600																
1 200	8 850																
3 360	2 820																

9

1.1.3 Chuckles uses the money collected for VAT to pay business expenses. He does not have sufficient cash to make the VAT payments on the due dates. What would you say to Chuckles? State TWO different / separate points.

Any TWO valid points ✓ ✓

could be a comment or advice:

- It is illegal / can be sued / legal action / face criminal charges / tax evasion / penalties or fines imposed by SARS, if investigated.
- It is unethical / the money does not belong to the business / agent of SARS.
- He should budget / plan / manage his expenses more effectively.
- Keep detailed records of VAT separate from business records and diarise payment dates.
- Using the money could become a bad habit / rolling of cash
- He must discontinue this practice.

2

1.2 CREDITORS' RECONCILIATION

1.2.1

	CREDITORS' LEDGER ACCOUNT OF LAWES WHOLESALEERS	STATEMENT RECEIVED FROM LAWES WHOLESALEERS
Balance	67 870	46 590
(i)	– 750 ✓	
(ii)	+ 580 ✓	– 580 ✓
(iii)		– 900 ✓✓ (– 8 700 + 7 800) two marks
(iv)	– 1 280 ✓✓ – 640 – 640 one mark one mark	
(v)	– 11 400 ✓	
(vi)		– 1 920 ✓ – 14 720 + 12 800
(vii)	+ 1 250 ✓	
(viii)		+ 3 180 ✓
(ix)		+ 9 900 ✓
BALANCE	56 270 ✓*	56 270

* one part correct, for both total, inspect; must include opening balance

Accept brackets for – sign; if no sign assume positive;
Superfluous (foreign) entries – 1 on each line if mark/s earned on that line.
Be aware of penalties for foreign entries.

13

1.2.2 Mani feels that the creditors' clerk is not efficient in performing her duties.

Provide evidence to support his opinion.

ONE relevant point ✓ with evidence ✓ may be explanation or figure

- Exceeding the credit limit of R45 000 (Balance is R46 590 or R67 870)
- Not abiding to credit terms of 30 days (R4 380 is > 90 days; R11 430 > 60 days)
- Poor recording of transactions, evidence such as: returns not captured (750); posting to wrong side (640); posting to the wrong account (11 400) / mention specific documents incorrectly recorded.
- Not taking advantage of discounts because of late payment (R1 250)

2

Explain how he can solve this problem.

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

- Better supervision (monitoring) through regular audit and checking records
- Keep a register of payment due dates / EFT (debit order) payments
- Divide duties such as one person does recording, another does the payments, etc, so that one person checks on the other
- Provide training for the clerk to improve bookkeeping procedures & routine tasks
- Install accounting package (application) / computer system.

2

TOTAL MARKS**30**

7

* one part correct

2.2.1 Calculate the break-even point for shirts in 2022.

WORKINGS	ANSWER
(94,20 x 22 000) one mark $\frac{2\,072\,400}{360} - 246,60$ ✓ 113,40 two marks Mark numerator and denominator as such (Principle 11)	18 275,1 ✓ one part correct Accept 18 276 or 18 275 units; Do not accept R or c or %

4

2.2.2 Fiona has invested in new equipment to make the shoes. She knows that she has saved 10% of the fixed costs for shoes, but she cannot understand why the fixed costs per unit increased. Explain. Provide figures.

Valid explanation ✓ Figure/s ✓

- Production decreased from 21 200 units to 15 000 units / by 6 200 units / by 29,2% causing fixed cost per unit to increase from R97,80 to R117,90 / by R20,10 / by 20,6% / dis-economies of scale / fixed costs not influenced by the level of production.
- Fixed costs (FOHC) in 2021 were R1 320 760; and reduced to R1 096 500 in 2022 / difference: R 224 260 or 16,9%
Although there was a reduction in total fixed costs, the fixed cost per unit increased due to decline in production (by 6 200 units).

2

2.2.3

	COST (with figures)	SOLUTION
SHIRT Cost ✓ Figure ✓ Solution ✓	Direct labour (DLC) Increased from R110,00 to R136,70 / by R26,70 / by 24,3%	<ul style="list-style-type: none"> Train (factory) workers to be more efficient Improve supervision Reduce / control overtime / use casual, cheaper labour after hours Set targets for normal time hours (time and motion studies) Incentives / bonuses if targets met
SHOE Cost ✓ Figure ✓ Solution ✓	Selling and distribution (SDC) Increased from R35,50 to R44,80 / by R9,30 / by 26,2%	<ul style="list-style-type: none"> Reduce / monitor / look for cheaper / more effective advertising Salespersons can be assigned to other tasks when production drops Offer commission to salespersons instead of a (fixed) basic salary Outsource / reduce / monitor / insert trackers to delivery services / use cost-efficient vehicles (hybrid)
TIE Cost ✓ Figure ✓ Solution ✓	Direct material (DMC) Increased from R36,30 to R48,00 / by R11,70 / by 32,2%	<ul style="list-style-type: none"> Source cheaper suppliers (without compromising quality) Local supplier / reduce transport and storage costs Buy in bulk to take advantage of bulk discounts Use off cuts (by-products) / minimise wastage Train / supervise (factory) workers

9

TOTAL MARKS**45**

QUESTION 3

3.1

3.1.1	First-in-first-out method✓
3.1.2	Perpetual / Continuous system ✓
3.1.3	Weighted-average method✓

3

3.2 RATO COOKWARE

3.2.1

Calculate the value of closing stock of pots on 28 February 2022.

WORKINGS	ANSWER
$\frac{224\,000 \checkmark + 1\,712\,000 \checkmark}{5\,500 \checkmark} \times 980$ <p style="text-align: center;">(800 + 4 700) one mark</p> <p style="text-align: center;">Mark numerator and denominator as such (Principle 11)</p>	<p style="text-align: center;">three marks</p> 352×980 <p style="text-align: center;">OR</p> <p style="text-align: center;">R344 960 <input checked="" type="checkbox"/></p> <p style="text-align: center;">one part correct & if x 980</p>

4

3.2.2 Lerato is unsure how long it will take to sell the closing stock of pots.**Provide a calculation to address her concern.**

WORKINGS	ANSWER
<p style="text-align: center;">See 3.2.1 above</p> $\frac{344\,960 \checkmark}{1\,591\,040 \checkmark} \times 365$ <p style="text-align: center;">Numerator and denominator must be Rand values</p> <p style="text-align: center;">Mark numerator and denominator as such (Principle 11) If Rand amounts are mixed with Units, award 1 mark for the numerator only; no mark on the final answer.</p>	<p style="text-align: center;">OR Units</p> $\frac{980 \text{ one mark}}{4\,270 \text{ one mark}} \times 365$ <p style="text-align: center;">Numerator and denominator must be number of unit</p> <p style="text-align: center;">79,1 days / 2,6 months OR 83,8 days / 2,8 months <input checked="" type="checkbox"/></p> <p style="text-align: center;">one part correct. If x 365 or 12</p>

Explain whether the period calculated is acceptable, or not.

Valid explanation ✓✓

Depends on calculation above, figures not necessary

part marks for incomplete / partial / unclear responses

Possible responses for “period is Acceptable”:

Pots are durable items and can be sold in the near future / has a long shelf-life / there is always a need (demand).

Possible responses for “period is Not Acceptable”:

Consumers taste or preference may change / possibility of being replaced by later model, improved products / risk of theft or damage (need to write off) / takes up storage space.

5

3.2.3

Calculate the number of pots missing.

WORKINGS	ANSWER
<p style="text-align: center;">(800 + 4 700) one mark</p> $5\,500 \checkmark - 4\,270 \checkmark - 980 \checkmark$ <p style="text-align: center;">See 3.2.1</p>	<p style="text-align: center;">250 <input checked="" type="checkbox"/></p> <p style="text-align: center;">one part correct</p>

4

3.2.4 Calculate the value of closing stock of microwave ovens.

WORKING		ANSWER
SWIFT: <div>(380 + 750 – 965)</div> <div>165 ✓<input checked="" type="checkbox"/> x 2 800 ✓</div> <div>462 000 three marks</div> <div>Opening stock purchases units sold unit cost sales gross profit</div> OR: (1 064 000 + 2 100 000) (965 x 2 800) or (4 053 000 – 1 351 000) <div>3 164 000 one mark – 2 702 000 two marks</div>		<div>three marks three marks</div> <div>462 000 + 1 056 000</div>
DELTA: <div>(430 + 600 – 120 – 580)</div> <div>330 ✓<input checked="" type="checkbox"/> x 3 200 ✓</div> <div>1 056 000 three marks</div> <div>Opening stock purchases returns units sold unit cost sales gross profit</div> OR: (1 376 000 + 1 920 000 – 384 000) (580 x 3 200) or (3 248 000 – 1 392 000) <div>2 912 000 one mark – 1 856 000 two marks</div>		<div>1 518 000 <input checked="" type="checkbox"/></div> <div>one part correct</div>

Be alert to alternative methods of calculations, such as the use of cost of sales, gross profit or Trading Account format

3.2.5 TWO reasons in favour of the decision to discontinue selling the Delta model

TWO reasons ✓ ✓ figures ✓ ✓

- High returns: possibly of poor quality, 120 microwave ovens / 20% of purchases
- High closing stock / capital tied up in stock; 330 units or R1 056 000 **see 3.2.4**
- Low sales volume; only 580 of 910 (63,7%) / 385 units or R805 000 less than Swift
- Too expensive for customers (R5 600 which is R1 400 more than a Swift model)
- It is a more expensive product; R3 200 (pays R400 more than Swift)

ONE reason against the decision to discontinue selling the Delta model.

ONE reason ✓ figure ✓

- Delta stoves generates a higher gross profit of R1 392 000 (R41 000 more than Swift); higher MU% of 75% (compared to 50% for Swift) / Option to reduce selling price R5 600 (R1 400 more than a Swift model)
- Loss of high sales revenue of R3 248 000 may impact cash flow / lose the support of a select group of customers (580 units) or reducing the option for clients.

3.2.6 Identify the problem relating to the Swift microwave ovens on 6 January 2022. Quote figures.

Problem identified ✓ figure (difference of 25 mentioned or implied) ✓

75 units were delivered but 50 units was recorded on the stock card /
The stock record reflects 25 units less than the total number of units delivered.

State TWO internal control measures that the internal auditor should implement to ensure that such incidents do not occur in the future.

TWO control measures ✓✓ ✓✓ **part marks for incomplete / partial / unclear responses**

- Need for physical count and verification (check) of stock against records
- Compare / verify / check the information on order forms, delivery note and invoice before updating stock records, or sending details to the bookkeeper
- Different employees must be responsible for ordering, receiving, recording, stock control

Accept Division of duties and install cameras (CCTV) as incomplete separate responses for 1 mark each.

TOTAL MARKS**35**

QUESTION 4**4.1.1 DEBTORS' COLLECTION SCHEDULE**

MONTH	CREDIT SALES	JUNE 2022	JULY 2022
April 2022	567 000	68 040	Superfluous entry Lose method on total
May 2022	577 500	259 875	69 300 ✓✓
June 2022	598 500	227 430	269 325 ✓✓
July 2022	609 000		231 420 ✓✓
RECEIPTS FROM DEBTORS		555 345	570 045 <input checked="" type="checkbox"/> one part correct

7

4.1.2 Calculate:

award 1 mark if the entire workings are correctly shown, if the final answer is either incorrect or omitted.

WORKINGS	ANSWER
(i) Commission income in July 2022 1 015 000 ✓ x 8% ✓	81 200 <input checked="" type="checkbox"/> one part correct
(ii) Bad debts written off in July 2022 # 567 000 x 3% OR 567 000 – 549 990	17 010 ✓✓ one part correct
(iii) Salaries and wages in June 2022 # 196 980 x 100/105 OR 196 980 – 9 380	187 600 ✓✓ one part correct
(iv) Discount allowed in June 2022 # 598 500 x 40% x 5% OR 227 430 x 5/95 OR 239 400 – 227 430 OR 997 500 x 1,2/100	11 970 ✓✓ one part correct

9

4.1.3 Calculate:

WORKINGS	ANSWER
Payments to creditors in July 2022 ✓ ✓ ✓ 962 500 x 100/175 x 20% OR 550 000 – 440 000 550 000 two marks	110 000 <input checked="" type="checkbox"/> one part correct
Amount of the loan to be paid on 1 July 2022 Be alert to different methods for calculations $\frac{525 \checkmark \times 12 \checkmark}{0,14 \checkmark}$ two marks two marks OR 390 000 – 345 000 If either figure is shown as a final answer,	45 000 <input checked="" type="checkbox"/> one part correct

4

4.2 FRAZILA (PTY) LTD

4.2.1 Explain whether Peter should be satisfied with the actual delivery cost in April 2022, or not. Quote figures.

Explanation including a comparison with sales ✓

Figure (amount or percentage) for delivery expense ✓ Figure (amount or percentage) for sales ✓ *

* Figures may be reflected as a difference or combined in the response.

Peter should not be satisfied because

- He budgets to spend 15% of sales on delivery ($425\,250 \div 2\,835\,000$) but the actual amount spent was 18% of actual sales ($408\,240 \div 2\,268\,000$) / +3% points
- If he adhered to the budget of 15% on sales, then the actual amount spent should be R340 200 ($2\,268\,000 \times 15\%$) / R68 040 more than the budget ($408\,240 - 340\,200$)
- Actual sales were 20% or R567 000 less than budget (or by 150 stoves less) but delivery expense was 4% or R17 010 less than budget ($425\,250 - 408\,240$)
- Delivery budget per stove R567, paid R680 per stove (on average)

3

Explain whether Peter made a good decision in changing the delivery service provider to Prime Deliveries, or not. Quote figures.

Explanation including a comparison with sales ✓

Figure (amount or percentage) for delivery expense ✓ Figure (amount or percentage) for sales ✓ *

* Figures may be reflected as a difference or combined in the response.

Peter will be satisfied with the change

- He budgets to spend 15% of sales ($425\,250 \div 2\,835\,000$) but he only spent 10% of actual sales ($319\,500 \div 3\,195\,000$) in May.
- If he spent 15% of actual sales, as expected, it would have cost him R479 250 ($3\,195\,000 \times 15\%$) He made a savings of R159 750 ($479\,250 - 319\,500$)
- Actual sales exceeded the budget by 20% ($360\,000 \div 2\,835\,000$) or by 150 stoves. but delivery expense was below the budget by R105 750 ($425\,250 - 319\,500$)
- Actual sales increased by 50% (by 300 units) or by 40,1% (by R927 000), but delivery expenses dropped by 21,7% (by R88 740)
- Budgeted R567 per stove, but paid R355 on average.

3

4.2.2 Apart from changing the delivery service, identify TWO other strategies that Peter implemented in May 2022 in response to the competitor. Quote figures.

STRATEGY

1

Explanation ✓
figures
amounts or % ✓

Advertising: Budgeted R120 000, spent R192 000 / spent R72 000 more 60% more ($72\,000/120\,000$)

Adjusted composition of cash / credit sales:

- Credit sales budgeted at 50% of total sales ($1\,417\,500 / 2\,835\,000$) actual was 70% of sales ($2\,236\,500 / 3\,195\,000$) or 58% more than budgeted ($819\,000 / 1\,417\,500$) **OR**
- Sacrificed / reduced / less cash sales, budgeted 50% of sales ($1\,417\,500 / 2\,835\,000$), actual was 30% ($958\,500 / 3\,195\,000$); or 32,4% less than budgeted ($459\,000 / 1\,417\,500$)

Adjusted MU% / Reduced Selling Price:

Decreased selling price from R3 780 to R3 550 / by R230 / 6,1% /
Decreased MU% from 80% to 69%

STRATEGY

2

Explanation ✓
Figures
amounts or % ✓

4

Explain how these other strategies have affected the sales and the profit. Quote figures.

Explanation on sales ✓ figure ✓ Explanation on profit ✓ figure ✓ accept amounts or %

Total Sales:

- More than budget by 12,7% or by R360 000 (Credit sales: + 819 000; Cash sales: – 459 000)
- More than the actual amount achieved in April by R927 000 / by 40,9%
- Sold 150 units (20%) more than budgeted figure of 750 units **or** 300 more than April sales.

Gross profit:

- More than budgeted by 3,6% ($45\,000 / 1\,260\,000$)
- More than profit earned in April by 29,5% ($297\,000 / 1\,008\,000$)

4

4.2.3 Peter is confused about why the cash balances are not good despite the fact that sales increased in May 2022. Explain. Quote figures.

ONE valid point ✓ with figures ✓ **accept amounts or %**

The switch to more credit sales: *emphasis on low cash sales*

- Cash sales of R958 500 is less than budget by R459 000 / 32,4% less than what was expected / only 30% of the total sales.
- Cash sales is R288 900 less than April cash sales / 23,2% less.

Payments to creditors: *emphasis on the large cash outlay*

- Credit terms are 30 days, April cost of sales, R1 260 000 must be paid in May, whereas debtors would pay outstanding balances over a period, (according to payment trend).

2

TOTAL MARKS

40

TOTAL: 150