



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P2

NOVEMBER 2022

MARKS: 150

TIME: 2 hours

**This question paper consists of 13 pages,
a formula sheet and a 10-page answer book.**

KEEP THIS PAGE BLANK.

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. A Financial Indicator Formula Sheet is attached at the end of this question paper.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer questions.
7. Where applicable, show ALL calculations to ONE decimal point.
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	Cost Accounting	35	30
2	VAT and Inventory Valuation	45	35
3	Budgeting	45	35
4	Bank Reconciliation	25	20
TOTAL		150	120

QUESTION 1: COST ACCOUNTING**(35 marks; 30 minutes)**

- 1.1 Choose an example from COLUMN B that matches a cost category in COLUMN A. Write only the letter (A–E) next to the question numbers (1.1.1 to 1.1.4) in the ANSWER BOOK, e.g. 1.1.5 F.

COLUMN A		COLUMN B	
1.1.1	Administration	A	carriage on raw material purchased
1.1.2	Direct material	B	salary of the factory foreman
1.1.3	Selling and distribution	C	rent expense for the office building
1.1.4	Factory overhead	D	workers in production
		E	commission paid to sales staff

(4 x 1) (4)

1.2 **WEZA STITCHES**

Weza Stitches, owned by Annie Brown, manufactures bathroom towel sets. Anne buys fabric from local suppliers. The information relates to the financial year ended 30 June 2022. Note that there were no work-in-progress stock balances.

REQUIRED:

- 1.2.1 Calculate the following for the financial year ended 30 June 2022:

- Direct labour cost (7)
- Factory overhead cost (6)
- Total cost of production (4)

- 1.2.2 Annie is concerned that fixed costs increased to R806 400. Explain why she should not be concerned. Provide TWO points. Quote figures. (4)

- 1.2.3 **Refer to Information C.**

Comment on whether the production staff deserves the production bonus that they received. Provide THREE points, with figures. (6)

- 1.2.4 Annie wants to improve her profit by R50 000 during the next financial year while maintaining costs. Calculate the additional units that must be produced to achieve this target. (4)

INFORMATION:**A. Direct labour cost:**

- Six workers were employed in production in 2021 and 2022.
- Each of them worked 1 840 hours normal time during the year at R40 per hour.
- The overtime register reflected a combined total of 230 hours worked at 1,6 times the normal time rate.
- Production staff received a production bonus of 8% of the normal time wages.

B. Factory overhead cost:

The bookkeeper calculated the factory overhead cost as R541 600.

However, he made the following errors, which must still be adjusted:

- He included the entire insurance expense of R32 500 to the factory overhead cost, instead of only 60% of this expense.
- He allocated R54 000 to factory water and electricity using the ratio 3 : 2 : 2 for factory, sales and office respectively. This expense should have been split in the ratio 2 : 1 : 1.

C. Additional information: (after taking all corrections into account)

	30 JUNE 2022		30 JUNE 2021	
	Total	Per unit	Total	Per unit
Variable costs:	R1 561 600	R244	R1 317 750	R251
Direct material	R652 800	R102	R672 000	R128
Direct labour	?	?	R498 750	R95
Selling and distribution			R147 000	R28
Fixed costs:	R806 400	R126	R792 750	R151
Factory overheads				
Administration				
Number of units produced and sold	6 400 units		5 250 units	
Break-even point	6 156 units		6 954 units	
Selling price per unit	R375		R365	

QUESTION 2: VAT AND INVENTORY VALUATION**(45 marks; 35 minutes)****2.1 VAT**

The information relates to Nomhle Traders. The business is registered for VAT. The standard VAT rate is 15%. Nomhle also sells zero-rated goods.

REQUIRED:

Calculate the VAT amount that must be paid to SARS for the VAT period ended 31 May 2022.

(9)**INFORMATION:**

- A.** Harry, the clerk, calculated the VAT amount due to SARS as R55 785.

However, he did not take the following into account:

(i)	VAT on goods returned to suppliers	R5 070
(ii)	VAT on expenses paid	R6 240
(iii)	VAT on goods taken by Nomhle for personal use	R5 400

- B.** VAT on discount allowed must also be taken into account. The total discount allowed amounted to R18 860.
- C.** VAT on sales was incorrectly recorded. Certain goods with a selling price of R31 200 (excluding VAT) should have been recorded as zero-rated items.

2.2 STOCK VALUATION

Pitten Sports Shop is owned by Milo Slav. The financial year ended on 28 February 2022.

The stock records of the following two products are provided:

- Mountain bikes
- Powdered energy drinks (1 kg tubs)

MOUNTAIN BIKES

The stock of mountain bikes is valued using the specific identification stock valuation method.

REQUIRED:

2.2.1 Calculate the value of the closing stock on 28 February 2022, using the specific identification method. (9)

2.2.2 A whistle-blower (informant) reported to Milo that he has evidence to prove that the purchasing manager is stealing mountain bikes purchased by the business.

An investigation revealed that 40 units of the King model, missing from the stock records, was supplied to Easy Rides, a competitor. There were no other stock shortages.

Explain TWO different examples of how the division of duties could prevent an incident such as this from occurring again in the future. (4)

2.2.3 Provide TWO points that show that Milo and his customers are happy with the quality of the Gama Bikes. Quote figures. (4)

INFORMATION:

Stock records of mountain bikes:

	KING	PALO	GAMA
Units on hand: 1 March 2021	128	62	40
Units purchased during the year	400	250	220
Units returned to suppliers	54	2	0
Units sold	286	245	242
Units on hand: 28 February 2022	148	?	18
Cost price per unit	R4 500	R5 200	?
Value of closing stock	R666 000	?	?
Selling price per unit	R6 750	R7 800	R9 600
Total sales amount (in rands)	R1 930 500	R1 911 000	R2 323 200
Mark-up %	50%	50%	60%

POWDERED ENERGY DRINKS (1 kg TUBS)

The periodic inventory system and the first-in first-out (FIFO) stock valuation method is applicable. These items have a shelf life of 66 days.

REQUIRED:

- 2.2.4 Calculate the value of the closing stock on 28 February 2022, using the FIFO stock valuation method. (6)
- 2.2.5 Calculate the stockholding period (in days) on 28 February 2022. Use the closing stock figure. (3)
- 2.2.6 Comment on your findings above. Provide TWO points, with figures. Note that the stockholding period for 2021 was 58 days. (4)
- 2.2.7 Milo has noticed that some of the stock of energy drinks has exceeded the shelf life (sell-by date). Identify the value of stock that Milo is referring to. (2)
- 2.2.8 Milo wants to sell the outdated stock at half the cost price. What advice would you offer him about this proposal? Provide TWO points. (4)

INFORMATION:**A. Stock of powdered energy drinks balances:**

	NUMBER OF TUBS
1 March 2021	130
28 February 2022	235

B. Purchases of powdered energy drinks during the financial year:

	NUMBER OF UNITS	UNIT PRICE R	CARRIAGE R	TOTAL R
Apr.–Sept. 2021	550	420	4 400	235 400
Nov. 2021	330	460	2 640	154 440
Jan. 2022	180	475	1 440	86 940
TOTAL	1 060		8 480	476 780

C. Carriage on purchases:

The business pays MTY Transport a fixed rate of R8 per tub delivered to the store.

D. Returns to suppliers:

30 damaged tubs from the January 2022 purchases were returned to the supplier. The supplier reversed the total cost price paid, excluding carriage on purchases.

E. Sales and cost of sales:

- 925 units were sold.
- Cost of sales amounts to R404 140, after all adjustments were taken into account.

QUESTION 3: BUDGETING**(45 marks; 35 minutes)**

The information relates to JR Sanitisers (Pty) Ltd. The CEO is Juanita Rose. James Peter is the bookkeeper.

REQUIRED:

- 3.1 Complete the Creditors' Payment Schedule for December 2022. (7)
- 3.2 Calculate missing figures **(i)** to **(iii)** in the Cash Budget. (10)
- 3.3 **Refer to Information E and G.**
- 3.3.1 Calculate the deposit that will be paid for the purchase of the company vehicle during December 2022. (5)
- 3.3.2 Juanita is concerned about the cash position for December 2022. She proposes moving the purchase of the vehicle to January 2023.
- Use the table in the ANSWER BOOK to show the effect of this proposal to the December 2022 Cash Budget. (6)
- 3.4 **Refer to Information H.**
- Juanita is concerned about her decisions in October 2022 to adjust the mark-up % and the amount actually spent on advertising. Provide TWO points to indicate whether these were wise decisions or not. Quote figures and/or calculations. (4)
- 3.5 **Refer to Information H.**
- 3.5.1 Explain why Juanita should be concerned about the actual amount spent on repairs and maintenance during October 2022. Quote a figure and/or a calculation. (2)
- 3.5.2 James feels that there has been a lack of control over the amounts spent on delivery expenses and packing material. Explain whether James' opinion is correct or not. Provide calculations. (8)
- 3.6 Juanita wants to use social media to create an on-line shopping platform to increase her sales from January 2023. Name THREE additional payments that must be included in the January 2023 budget. (3)

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

	OCTOBER	NOVEMBER	DECEMBER
Total sales	R584 100	R643 500	R432 300
Cost of sales	R354 000	R390 000	R262 000

- Cash sales comprise 30% of total sales.
- Debtors settle their accounts in the month following the month of sales.

B. Purchases of stock and payment to creditors:

- A base stock is maintained. Stock sold is replaced in the same month.
- Cash purchases comprise 15% of total purchases.
- Creditors are paid according to the following trend:
 - 80% are paid in the month of purchases to receive a 5% discount.
 - 20% are paid in the month after purchases.

C. Rent income:

- Storage space is rented at a fixed rate per square metre.
- An existing tenant occupies 60 m². His lease expires on 30 June 2023.
- A new tenant has signed a lease agreement for the period 1 December 2022 to 30 November 2023. She will occupy a 75 m² storage area.

D. Salaries:

- A new employee will be appointed from 1 December 2022. He will earn R14 840 per month.
- All other employees will receive an increase of 4,5% p.a., effective from 1 December 2022.

E. Purchase of company vehicle for the CEO and insurance:

- A new company vehicle will be purchased on 1 December 2022. A deposit of 25% of the cost of the vehicle, excluding interest, will be paid on this date.
- The remaining balance will be paid in equal monthly instalments of R20 800 over 24 months, including interest, with effect from 31 December 2022.
- Interest calculated for the full two-year period is R45 600.
- The existing insurance premium will increase by the amount applicable to the new company vehicle. It will also be payable at the end of each month, from 31 December 2022.

F. Delivery expenses:

Deliveries are outsourced to Aldo Deliveries. Delivery expenses are budgeted at a fixed percentage of the monthly sales.

G. Extract from Cash Budget:

	NOV. 2022 (R)	DEC. 2022 (R)
RECEIPTS		
Cash sales	193 050	129 690
Collections from debtors	408 870	(i)
Loan	400 000	
Rent income	15 000	(ii)
TOTAL RECEIPTS		
PAYMENTS		
Cash purchase of stock	58 500	39 300
Payments to creditors	312 120	?
Salaries	(iii)	55 595
Purchase of vehicle: deposit	-	?
Purchase of vehicle: monthly instalments	-	20 800
Repairs and maintenance	30 000	30 000
Advertising	40 000	40 000
Delivery expenses (Aldo Deliveries)	38 610	25 938
Packing material	25 740	17 280
Insurance	6 500	9 700
Fuel for company vehicle	-	7 500
Interest on loan	6 000	6 000
Dividends		190 000
Telephone, water and electricity		
Sundry expenses		
TOTAL PAYMENTS		
CASH SURPLUS/DEFICIT	174 000	(120 000)
BANK (BEGINNING)	(66 000)	108 000
BANK (END)	108 000	(12 000)

H. Budgeted and actual figures for October 2022:

	BUDGET	ACTUAL	VARIANCE
Number of units sold	7 080 units	11 470 units	+ 4 390 units
Mark-up %	65%	45%	-20%
Sales	R584 100	R831 546	+ R247 446
Cost of sales	354 000	573 480	+ 219 480
Gross profit	230 100	258 066	+ 27 966
Repairs and maintenance	30 000	8 000	- 22 000
Advertising	40 000	28 000	- 12 000
Delivery expenses (Aldo Deliveries)	35 046	42 896	+ 7 850
Packing material	23 364	37 850	+ 14 486

QUESTION 4: BANK RECONCILIATION**(25 marks, 20 minutes)**

4.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (4.1.1 to 4.1.3) in the ANSWER BOOK.

4.1.1 Debit card fees form part of bank charges.

4.1.2 Interest on overdraft is recorded in the Cash Receipts Journal.

4.1.3 A debit balance on the Bank Statement reflects a favourable balance.

(3 x 1) (3)

4.2 **BANK RECONCILIATION**

The information provided relates to Surprise Stores. The business is owned by Themba Zwane.

- Themba receives the official Bank Statement on the 26th day of each month. He uses this to do the bank reconciliation.
- EFTs are renumbered according to date order.

REQUIRED:

4.2.1 Use the table provided in the ANSWER BOOK to calculate the final totals of the Cash Journals on 31 July 2022. (10)

4.2.2 Calculate the correct bank balance in the ledger on 31 July 2022. (4)

4.2.3 Prepare the Bank Reconciliation Statement on 31 July 2022. (8)

INFORMATION:

A. On 1 July 2022, the Bank Account in the ledger reflected a favourable balance of R53 800.

B. The Bank Reconciliation Statement prepared on 30 June 2022 showed the following outstanding deposits and EFTs:

- | | |
|------------------------------|---------|
| • Deposit dated 15 June 2022 | R19 500 |
| • Deposit dated 29 June 2022 | R12 800 |
| • EFT 297 | R9 600 |
| • EFT 298 | R12 300 |

NOTE:

- (i) The deposit on 15 June 2022 appeared on the July Bank Statement as R15 500. An investigation revealed that the cashier at that time has resigned. The outstanding amount must be written off.
- (ii) EFT 297 was correctly reflected as R6 900 on the July Bank Statement.
- (iii) The other outstanding amounts from the previous month appeared on the July Bank Statement.

- C.** Before receiving the July 2022 Bank Statement, the Cash Journals reflected the following provisional totals:

CASH RECEIPTS JOURNAL	CASH PAYMENTS JOURNAL
R101 200	R135 215

- D.** The following items on the July Bank Statement must still be recorded:

- (i) A debit card payment of R1 400 for petrol for the business vehicle. Themba neglected to submit the transaction document to the bookkeeper.
- (ii) The direct deposit received from debtor D Singwane, R5 800, in settlement of his account of R6 000.
- (iii) A debit order to Palm Insurers for the business insurance, R1 800.
- (iv) A direct deposit of R72 000 from Unitech College. This is an error on the statement as it does not apply to Surprise Stores. The bank was notified of this error.
- (v) Total bank charges, R825
- (vi) Interest earned on savings account, R260

- E.** Entries in the Cash Journals after 26 July 2022:

- Deposit on 29 July 2022 R29 500
- EFT 350 to PN Stationers, dated 28 July 2022 R 4 200
- EFT 351 to PF Couriers, dated 30 July 2022 R 3 800

- F.** Bank Statement balance on 31 July 2022: R?

25

TOTAL: 150

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)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	

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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GRADE 12

ACCOUNTING P2

NOVEMBER 2022

MARKING GUIDELINES

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. Unless otherwise stated, give full marks for correct answer. If answer incorrect, mark workings.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark as a working mark 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. If candidates provide more than the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if earning full marks not related to Q (max -2 per Q).
8. This memorandum is not for public distribution; as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
9. Where penalties are applied, the marks for that section of the question cannot be a final negative.
10. Where method marks are awarded for operation, marker must inspect reasonableness of answer.
11. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷ as per candidate's calculation (if valid) or per memo.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
13. 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 ☒.
14. Be aware of candidates who provide valid alternatives beyond the marking guidelines. Note that one comment could contain different aspects.
15. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 10 pages.

QUESTION 1

1.1

1.1.1	C ✓
1.1.2	A ✓
1.1.3	E ✓
1.1.4	B ✓

4

1.2 **WEZA STITCHES**

1.2.1

Calculate: Direct labour cost

WORKINGS	ANSWER
$ \begin{array}{rcl} 6 \times (1\,840 \times R40) & & (R40 \times 1,6) \\ 441\,600 \checkmark\checkmark & + & 14\,720 \checkmark\checkmark + 35\,328 \checkmark\checkmark \\ & & \text{if 8\% of normal time} \end{array} $ $ \begin{array}{rcl} (441\,600 \times 108\%) & & \\ \text{OR: } 476\,928 & + & 14\,720 \\ \text{four marks} & & \text{two marks} \end{array} $	<p>491 648 <input checked="" type="checkbox"/></p> <p>one part correct mark earned in workings</p>
Be alert to alternative arrangement for calculations	

7

Calculate: Factory overhead cost

Total before corrections	541 600	
Insurance – 32 500 + 19 500 or 32 500 x 40%	– 13 000	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> *
Water and electricity – 54 000 ✓ + 63 000 ✓ (126 000 x 2/4)	+ 9 000	<input checked="" type="checkbox"/> *
TOTAL	537 600	<input checked="" type="checkbox"/>

one part correct;
must include 541 600

* one part correct

6

Calculate: Total cost of production for 2022

WORKINGS	ANSWER
$ \begin{array}{rcl} 652\,800 \checkmark & + & 491\,648 \checkmark + 537\,600 \checkmark \\ \text{see 1.2.1 (DLC)} & & \text{see 1.2.1 (FOHC)} \end{array} $	<p>R1 682 048 <input checked="" type="checkbox"/></p> <p>one part correct</p>

4

1.2.2

Annie is concerned that fixed costs increased to R806 400. Explain why she should not be concerned. Provide TWO points. Quote figures.

TWO points ✓ ✓ with comparative figures ✓ ✓

The first two points must mention / imply economies of scale and may be combined for two valid points, with different comparative figures quoted.

- Economies of scale was achieved due to an increase in production by 1 150 units / from 5 250 to 6 400 / 21,9%
- Fixed costs per unit decreased by R25 / from R151 to R126 / by 16,6% (as fixed costs remain relatively stable / not influenced by the level of production)
- Total fixed cost increased by R13 650 / from R792 750 to R806 400 / by 1,7% which is below the inflation rate.

4

1.2.3

Comment on whether the production staff deserves the production bonus that they received. Provide THREE points, with figures.

THREE points ✓ ✓ ✓ with figures (comparison) ✓ ✓ ✓

Clear motivation for staff deserving the bonus; be alert to valid comments on why they do not deserve the bonus.

Note that more than one point may be combined in a single statement e.g. Production and BEP

Award marks accordingly.

POINT 1	<ul style="list-style-type: none"> • <u>Production increased</u> from 5 250 to 6 400 units / by 1 150 units / by 21,9% • <u>BEP decreased</u> from 6 954 to 6 156 / by 798 units / by 11,5% • The business <u>made a profit</u> on 244 units (or R31 964) compared to a <u>loss</u> on 1 704 units (or R194 256) last year.
POINT 2	<ul style="list-style-type: none"> • <u>Direct material cost per unit decreased</u> from R128 to R102 / by R26 / by 20,3%; an indication of good control / less wastage / efficiency in production / better training • <u>Direct labour cost per unit decreased</u> from R95,00 to R76,82 / by R18,18 / by 19,1% (see 1.2.1 DLC); an indication that it is being well managed; meeting targets during normal time.
POINT 3	<ul style="list-style-type: none"> • <u>Overtime was limited</u> to only 230 hours / 12,5% of normal time / 11,1% of total hours spent in production (small proportion of time spent in production / saving the company on overtime rates) • <u>Decrease in total variable costs</u> from R251 per unit to R244 / by R7,00 / 2,8%

6

1.2.4

Annie wants to improve her profit by R50 000 during the next financial year while maintaining costs. Calculate the additional units that must be produced to achieve this target.

WORKINGS	ANSWER
$\frac{50\,000 \checkmark^*}{375 \checkmark - 244 \checkmark}$ <p>131 two marks</p> <p>Numerator and denominator must be marked as such * one mark for 50 000 only (as a stand-alone figure) i.e. any adjustments (+ ; - ; x) to this figure would make the numerator incorrect.</p>	<p>382 units <input checked="" type="checkbox"/></p> <p>one part correct; if mark earned in workings</p> <p>accept 381,7 units</p>

4

TOTAL MARKS

35

QUESTION 2**2.1 VAT**

Calculate the VAT amount that must be paid to SARS for the VAT period ended 31 May 2022.																					
WORKINGS	ANSWER																				
<p>Mark one option only: inspect option that benefits the candidate. Be alert to alternative presentation for calculations.</p> <p style="text-align: center;"> \checkmark \checkmark \checkmark \checkmark $\checkmark\checkmark$ $\checkmark\checkmark$ $55\,785 + 5\,070 - 6\,240 + 5\,400 - 2\,460 - 4\,680$ <small>(18 860 x 15/115) (31 200 x 15%)</small> <small>two marks two marks</small> </p> <p>OR – $55\,785 - 5\,070 + 6\,240 - 5\,400 + 2\,460 + 4\,680$</p> <p>OR</p> <table border="1" style="display: inline-table; margin-right: 20px;"> <tr><td>6 240</td><td>55 785</td></tr> <tr><td>2 460*</td><td>5 070*</td></tr> <tr><td>4 680*</td><td>5 400*</td></tr> <tr><td>52 875</td><td></td></tr> <tr><td>66 255</td><td>66 255</td></tr> </table> <p>OR</p> <table border="1" style="display: inline-table;"> <tr><td>55 785</td><td>6 240</td></tr> <tr><td>5 070*</td><td>2 460*</td></tr> <tr><td>5 400*</td><td>4 680*</td></tr> <tr><td></td><td>52 875</td></tr> <tr><td>66 255</td><td>66 255</td></tr> </table> <p style="text-align: center;">* amounts may be in brackets in the opposite column (side).</p>	6 240	55 785	2 460*	5 070*	4 680*	5 400*	52 875		66 255	66 255	55 785	6 240	5 070*	2 460*	5 400*	4 680*		52 875	66 255	66 255	<p>52 875 <input checked="" type="checkbox"/> one part correct</p>
6 240	55 785																				
2 460*	5 070*																				
4 680*	5 400*																				
52 875																					
66 255	66 255																				
55 785	6 240																				
5 070*	2 460*																				
5 400*	4 680*																				
	52 875																				
66 255	66 255																				

9

2.2 STOCK VALUATION**MOUNTAIN BIKES**

2.2.1 Calculate the value of the closing stock on 28 February 2022, using the specific identification stock method.

MODEL	WORKINGS	ANSWER
KING		R666 000
PALO	$(62 + 250 - 2)$ 310 one mark – 245 one mark $65 \checkmark\checkmark \times R5\,200 \checkmark$	R338 000 <input checked="" type="checkbox"/> one part correct*
GAMA	$(9\,600 \times 100/160)$ two marks $18 \checkmark \times R6\,000 \checkmark\checkmark$	R108 000 <input checked="" type="checkbox"/> one part correct*
	TOTAL	R1 112 000 <input checked="" type="checkbox"/> one part correct; must include 666 000

* if mark is earned in workings

9

2.2.2 Explain TWO different examples of how the division of duties could prevent an incident such as this from occurring again in the future.

Part marks for incomplete/unclear/partial answers:

An explanation of division of duties may be considered as an incomplete response.

Any TWO valid examples or duties that can be divided or delegated ✓✓ ✓✓

Accept practical examples provided by candidates

Allocate each of the following tasks to different employees, whereby one person acts as a check for the other.

- Ordering and receiving stock
- Dispatching to sales and recording sales
- Follow up on documentation and authorisation
- Physical stock counts and reconciling to stock records;
- Inspect all physical stock leaving the premises against documentation (order forms, invoices, delivery notes)
- Controlling access to storage facilities / stock or store room.

4

2.2.3 Provide TWO points that show that Milo and his customers are happy with the quality of the Gama Bikes. Quote figures.

TWO valid points ✓ ✓ with figures ✓ ✓

- No (0) returns to suppliers (54 of King; 2 of Palo) is an indication of good quality.
- Higher mark-up of 60% does not deter customers / prepared to pay higher price / appeals to a select market (other products uses 50% mark-up)
- Highest sales revenue of R2 323 200 (R1 911 000 for Palo; R1 930 500 for King / R412 000 more than Palo; R392 500 more than King)
- Lowest closing stock value; R108 000 see 2.2.1 and / or 18 units on hand / or 7% of available stock / 242 of 260 units were sold / or 93% of available stock sold
- High turnover rate (13 times / 27 days) would prevent stock from becoming obsolete/ damaged/stolen/overtaken by newer models entering the market / cash not tied up in stock

4

POWDERED ENERGY DRINKS (1 kg TUBS)

2.2.4 Calculate the value of the closing stock on 28 February 2022, using the FIFO stock valuation method.

WORKINGS			ANSWER
180 – 30			
150*✓✓	x R483 ✓	R72 450 three marks (71 250 two marks + 1 200 one mark) 150 x 475 150 x 8	
85✓	x R468 ✓	R39 780 two marks (39 100 one m.mark + 680 one m.mark) 85 x 460 85 x 8	
235 – figure used*			
OR: R71 250	+ R39 100	+ R1 880	
two marks	one mark	two marks	
Be alert to alternative presentations for calculations.			R112 230 ✓ one part correct; if mark is earned in workings for stock value

6

2.2.5 Calculate the stockholding period (in days) on 28 February 2022. Use the closing stock figure.

WORKINGS	ANSWER
<p>see 2.2.4</p> $\frac{112\,230 \checkmark}{404\,140 \checkmark} \times 365$ <p>OR if Units are used:</p> $\frac{235 \text{ one mark}}{925 \text{ one mark}} \times 365$ <p>Mark numerator and denominator as such; do not mix Rands with units. The stand-alone rule would apply to the numerator and denominator</p>	<p>101,4 days <input checked="" type="checkbox"/></p> <p>One part correct; if x 365</p> <p>Accept 101 days</p> <p>OR 92,7 days</p> <p>Accept 93 days</p>

3

2.2.6 Comment on your findings above. Provide TWO points, with figures. Note that the stockholding period for 2021 was 58 days.

TWO valid comments ✓ ✓ comparative figures ✓ ✓ either with previous year or with shelf-life
Note: comment and figures may be provided in the same statement; consider candidate's points 1 and 2 together.
Responses may vary depending on answer in 2.2.5

TWO valid comments : ONE mark each Be alert to valid alternative responses

- The product is not selling / stock is selling at a slower rate than last year
- Cash tied up in stock / working capital / may have liquidity issues.
- This is a health product with a limited shelf-life / perishable / will end up being disposed or wasted.

Relevant figures: TWO marks for figures / trend

SHP increased from 58 days to 101,4 days / by 43,4 days

OR from 58 days to 92,7 days / by 34,7 days

OR more than 3 months on shelves

OR the SHP is 35,4 days / 26,7 days above the shelf-life of 66 days.

4

2.2.7 Milo has noticed that some of the stock of energy drinks has exceeded the shelf life (sell-by date). Identify the value of stock that Milo is referring to.

R39 780 ☒☒ see workings in 2.2.4 two marks or nothing

Inspect: Must be the cost of the additional units from the Nov 2021 purchases

2

2.2.8 Milo wants to sell the outdated stock at half the cost price. What advice would you offer him about this proposal? Provide TWO points.**POINT 1**

TWO points of advice ✓ ✓ ✓ ✓ part marks for incomplete/unclear/partial answers
Be alert to comments that may not be an advice, or an advice being implied by the response.

POINT 2

- Do not sell these product; it may create a poor image of the business / is hazardous to customers; consider the well-being or reaction of customers before making such proposals.
- The business must absorb (write off) these products as a loss / destroy or dispose the outdated products and consider environmental issues.
- Consider the long term consequences of unethical or illegal actions (legal action / lack of continued support / drop in sales / lose trading licence / face criminal charges for malpractice)
- Customers / users must be informed of sell-by-date (if the goods are going to be sold or donated) or if not considered to be harmful.

For ONE mark: Improve internal control measures to identify such cases in future.

4

TOTAL MARKS**45**

QUESTION 3**3.1 Creditors' Payment Schedule for December 2022**

	CREDIT PURCHASES	NOVEMBER	DECEMBER
October	300 900	60 180	
November	331 500	251 940	66 300 ✓✓
December	222 700 ✓✓	If x 80% x 95%	169 252 ✓✓
		312 120	235 552 ✓ one part correct

7

3.2 Calculate the missing figures (i) to (iii) in the Cash Budget.

NO.	WORKINGS	ANSWER
(i)	Collection from debtors: December 2022 643 500 x 70% OR 193 050 x 70/30	450 450 ✓✓ (2)
(ii)	Rent income: December 2022 (15 000 / 60m) R250 one mark x 75m one mark 15 000 ✓ + 18 750 ✓✓ Be alert to alternative calculations, such as: OR 15 000 one mark + (15 000 x 75/60) two marks OR 15 000 one mark + (15 000 x 125%) two marks OR 15 000 one mark + (15 000 + 3 750) two marks OR 15 000 one mark x 225% two marks OR R250 one mark X 135m two marks	33 750 ✓ one part correct* (4)
(iii)	Salaries: November 2022 (55 595 – 14 840) two marks two marks one mark 40 755 ✓✓ x 100/104,5 ✓ OR 40 755 – 1 755	39 000 ✓ one part correct* (4)

* i.e. mark earned in workings

10

3.3.1 Calculate the deposit that will be paid for the purchase of the company vehicle during December 2022.

WORKINGS	ANSWER
(20 800 x 24) two marks (499 200 two marks – 45 600 one mark) OR (18 900 x 24) three marks 453 600 ✓✓✓ x 25 / 75 ✓ 453 600 x 100/75 OR: 604 800 – 453 600 three marks one mark	151 200 ✓ one part correct; if mark earned in workings

5

- 3.3.2 Juanita is concerned about the cash position for December 2022. She proposes moving the purchase of the vehicle to January 2023. Use the table below to show the effect of this proposal to the December 2022 Cash Budget.

Budgeted deficit on 31 December 2022	(120 000)
Deposit on vehicle see 3.3.1	151 200 <input checked="" type="checkbox"/>
Monthly instalment (18 900 + 1 900) one mark	20 800 ✓
Fuel for company vehicle	7 500 ✓
Insurance	3 200 ✓✓
Cash deficit/surplus after the proposed move one part correct	62 700 <input checked="" type="checkbox"/> Must include (120 000)

6

- 3.4 Juanita is concerned about her decisions in October 2022 to adjust the mark-up % and the amount actually spent on advertising. Provide TWO points to indicate whether these were wise decisions or not. Quote figures and/or calculations.

ONE point on sales or gross profit ✓ figure/s ✓
ONE point on advertising ✓ figure/s ✓

POINT 1	<p>The reduction in mark-up % led to:</p> <ul style="list-style-type: none"> Sales of 4 390 units more than budgeted / from 7 080 units to 11 470 units / by 62%. OR sales exceeded the budget by R247 446 (from R584 100 to R831 546 or 42,4%) Gross profit is more than budgeted by R27 966 or 12,2% (from R230 100 to R258 066) / cost of sales was more than budgeted as expected, due to more sales (by R219 480)
POINT 2	<p>Underspent on advertising by R12 000 (40 000 – 28 000) or by 30% was not significant as it did not affect sales negatively / budgeted figure was 6,8% of sales, but actual amount used was 3,4% of sales.</p> <p>It could be argued that sales could have been higher if more was spent on advertising.</p>

4

- 3.5.1 Explain why Juanita should be concerned about the actual amount spent on repairs and maintenance during October 2022. Quote a figure or a calculation.

Figure (comparison) ✓

Underspent on maintenance by R22 000 / spent only R8 000 of the R30 000 budget / 26,6% of the budget was used / 73,3% of budget was not used.

Explanation for concern ✓ accept short statements

This could affect the long-run productivity of the assets / neglecting maintenance may cause disruptions to operations / cash savings in the short-run may cause fixed assets to break down or deteriorate, leading to greater expenses in the future.

2

3.5.2

James feels that there has been a lack of control over the amounts spent on delivery expenses and packing material. Explain whether James' opinion is correct or not. Provide calculations.

EXPLANATION ON DELIVERY EXPENSES	<p>Explanation (comparison with sales) ✓✓ Figures ✓✓ comparison of percentages or unit cost award ONE mark if only comparative figures (variances) are used.</p> <p>The delivery costs were well maintained; service provider was able to operate more efficiently in spite of increased sales:</p> <ul style="list-style-type: none"> • Delivery expenses is 22,4% more than budgeted, but units sold is more than budgeted by 62% / sales is 42,4% more than budgeted • Delivery cost per unit is R3,74 compared to the R4,95 budgeted. • <i>Budgeted for 6% of sales actual was 5,2% of sales</i> <p>THREE mark option: comparison with sales quoting variances: Delivery expenses is over the budget by R7 850, but sales is more than budgeted by 4 390 units / by R247 446</p> <p>ONE mark option: no comparison with sales but variances mentioned: Delivery expenses is over the budget by R7 850.</p>
EXPLANATION ON PACKING MATERIAL	<p>Explanation (comparison with sales) ✓✓ Figures ✓✓ comparison of percentages or unit cost award ONE mark if only comparative figures (variances) are used.</p> <p>Packing material was efficiently managed / in line with the budget:</p> <ul style="list-style-type: none"> • Packing material is 62% more than budgeted and units sold is also 62% more than budgeted / sales is 42,4% more than budgeted / cost of sales is also 62% more than budgeted. • Unit cost of packing material was maintained at R3,30. • Budgeted for 4% of sales actual was 4,6% of sales <p>THREE mark option: comparison with sales quoting variances: Packing material is over the budget by R14 486, but sales is more than budgeted by 4 390 units / by R247 446</p> <p>ONE mark option: no comparison with sales but variances mentioned: Packing material is over the budget by R14 486.</p>

8

3.6

Juanita wants to use social media to create an on-line shopping platform to increase her sales from January 2023. Name THREE additional payments that must be included in the January 2023 budget.

Any THREE valid different examples of payments ✓ ✓ ✓

Accept any relevant example, including existing payments that may have to be adjusted because of this venture.

Accept any relevant examples, including existing payments that may have to be adjusted because of this tender.	
EXAMPLE 1	Possible examples. Be alert to examples not mentioned on this list
	Establishment of a call centre / telephone lines
	Additional couriers services / transport and carriage costs
EXAMPLE 2	Additional delivery vehicles
	Computer, computer hardware, file server
	Generator / inverter / UPS / solar panels
	Increased salaries / for drivers, assistants, IT technician, staff
	Packaging costs / packing material
EXAMPLE 3	Insurance
	Staff training
	Data costs, fibre installations, internet cost
	Software construction costs, website design
	Additional advertising
	IT maintenance

3

TOTAL MARKS

45

QUESTION 4

4.1

4.1.1	True ✓	
4.1.2	False ✓	
4.1.3	False ✓	

3

4.2 BANK RECONCILIATION

4.2.1

CASH RECEIPTS JOURNAL			CASH PAYMENT JOURNAL	
	Amount			Amount
Total	101 200		Total	135 215
	2 700 ✓✓			4 000 ✓✓
	5 800 ✓			1 400 ✓
	260 ✓			1 800 ✓
				825 ✓
	109 960	<input checked="" type="checkbox"/> both totals must include provisional totals		143 240

10

-1 (max -1) foreign / superfluous items (only if mark/s are earned elsewhere for the same figure)
In awarding the method mark for totals, ensure that the candidate do not get full marks for including any incorrect figure/s. Indicate with a ☒ (Principle 13)

4.2.2

Calculate the correct bank balance in the ledger on 31 July 2022.

WORKINGS			ANSWER
(- 33 280 two method marks) $53\,800 \checkmark + 109\,960 \checkmark - 143\,240 \checkmark$ see CRJ see CPJ			<div style="border: 1px solid black; padding: 5px;"> $\begin{array}{r} 53\,800 \\ 109\,960 \end{array}$ </div> <div style="border: 1px solid black; padding: 5px; margin-left: 10px;"> $\begin{array}{r} 143\,240 \\ \text{c/d } 20\,520 \end{array}$ </div>
			20 520 ✓ one part correct,

4

4.2.3

BANK RECONCILIATION STATEMENT ON 31 JULY 2022

	Alternative	DEBIT	CREDIT
Balance per <u>Bank Statement</u>	71 020 balancing figure		71 020 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> balancing figure, could be DR
Outstanding deposit (30 July)	29 500		29 500 ✓
Outstanding EFT No. 350	(4 200)	4 200 ✓	
No. 351	(3 800)	3 800 ✓	
Correction: Unitech College	(72 000)	72 000 ✓✓	
Balance as per <u>Bank Account</u>	20 520	20 520 <input checked="" type="checkbox"/> could be CR	
-1 Presentation (inappropriate / no details provided); -1 foreign items / superfluous items, (only if mark/s are earned elsewhere for the same figure) max -1		100 520	100 520

Candidates are expected to indicate DR and CR columns
If DR and CR is not indicated, assume that the first column is Debit

8

TOTAL MARKS	25
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TOTAL: 150