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)**

Chuckle 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.

Indicate a '+' or '–' next to each amount. (13)

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

- 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 20th 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 26^{th} of each month.

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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

45

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.

40

TOTAL: 150

<table>
<tr><th colspan="2">GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET</th></tr>
<tr><td>$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$</td><td>$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$</td></tr>
<tr><td>$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$</td><td>$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$</td></tr>
<tr><td>$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$</td><td>$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$</td></tr>
<tr><td>Total assets : Total liabilities</td><td>Current assets : Current liabilities</td></tr>
<tr><td>(Current assets – Inventories) : Current liabilities</td><td>Non-current liabilities : Shareholders' equity</td></tr>
<tr><td colspan="2">(Trade & other receivables + Cash & cash equivalents) : Current liabilities</td></tr>
<tr><td>$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$</td><td>$\frac{\text{Cost of sales}}{\text{Average trading stock}}$</td></tr>
<tr><td>$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$</td><td>$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$</td></tr>
<tr><td>$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$</td><td>$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$
(*See note below)</td></tr>
<tr><td colspan="2">$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$</td></tr>
<tr><td>$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$</td><td>$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$</td></tr>
<tr><td>$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$</td><td>$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$</td></tr>
<tr><td>$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$</td><td>$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$</td></tr>
<tr><td colspan="2">$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$</td></tr>
<tr><td colspan="2">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.</td></tr>
</table>