basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P2

NOVEMBER 2020(2)

MARKS: 150

TIME: 2 hours

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

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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	25	20
2	Cost Accounting (Manufacturing)	50	40
3	Budgeting	40	30
4	Stock Valuation	35	30
TOTAL		**150**	**120**

QUESTION 1: VAT AND CREDITORS' RECONCILIATION (25 marks; 20 minutes)

1.1 VAT

Amahle Traders is registered for VAT. The standard VAT rate is 15%.

REQUIRED:

1.1.1 Calculate the figures indicated by (a) to (d) in the table below. (9)

1.1.2 The internal auditor discovered that Amahle has been underpaying the amount due to SARS in respect of VAT, at each submission date. On enquiry, Amahle stated that she used the money to pay business expenses and adjusted the payments later.

Comment on this practice and give Amahle advice. (3)

INFORMATION:

	EXCLUDING VAT	INCLUDING VAT	VAT AMOUNT
Invoices received from suppliers	R78 000	R89 700	**(a)**
Discount received from suppliers	R12 400		**(b)**
Credit notes issued to customers		**(c)**	R210
Invoices issued to customers		R158 700*	**(d)**

* This includes sales for R9 200 which should have been sold at zero rate. The bookkeeper incorrectly included VAT of R1 200 on these goods.

1.2 CREDITORS' RECONCILIATION

Ekasi Traders buys goods on credit from Thembeka Suppliers.

REQUIRED:

1.2.1 Use the table provided to indicate changes to the:

- Creditors' Ledger Account in the books of Ekasi Traders
- Creditors' Reconciliation Statement on 30 April 2021 (9)

1.2.2 Refer to Information C(c) about Invoice 395. It was discovered that the purchasing manager, Bradley, had taken these goods for his personal catering business. The owner regards Bradley as a valued member of staff and does not regard this as theft.

What should the owner say to Bradley regarding this incident? Explain TWO points. (4)

INFORMATION:

A. Creditors' Ledger Account in the books of Ekasi Traders

THEMBEKA SUPPLIERS (CL6)						
				DEBIT	CREDIT	BALANCE
2021 April	1	Balance	b/d			R81 000
	12	Invoice 220			97 200	178 200
		EFT		40 500		137 700
	18	Debit Note 702		10 300		127 400
		Invoice 289			49 100	176 500
		Invoice 333			30 000	206 500
	24	Debit Note 877			9 700	216 200
	25	Journal voucher 585		6 400		209 800
	31	Cheque and discount		92 600		117 200

B. Statement of account from Thembeka Suppliers

Ekasi Traders
225 Crocodile Road **25 April 2021**

			DEBIT	CREDIT	BALANCE
2021 April	1	Balance			R81 000
	12	Invoice 220	97 200		178 200
		Receipt 742		40 500	137 700
	18	Credit Note 791		13 100	124 600
		Invoice 333	30 000		154 600
	22	Invoice 395	12 500		167 100
	24	Credit Note 888		9 700	157 400

C. Errors, omissions and other information:

(a) Invoice 289 was incorrectly reflected in the account of Thembeka Suppliers in the Creditors' Ledger. These goods were purchased from Thami Suppliers.

(b) Credit Note 791 was recorded incorrectly on the statement of account. This relates to the correct entry for Debit Note 702 in the Creditors' Ledger.

(c) Invoice 395 on the statement of account was for goods ordered by Ekasi Traders.

(d) Thembeka Suppliers also purchased goods on credit from Ekasi Traders. Ekasi Traders has transferred a debit balance from the Debtors' Ledger (Journal voucher 585). Thembeka Suppliers will include this on the next statement.

(e) The transaction on 24 April 2021 is for merchandise returned to Thembeka Suppliers.

(f) The statement of account reflects transactions up to 25 April 2021.

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QUESTION 2: COST ACCOUNTING (MANUFACTURING) (50 marks; 40 minutes)

2.1 PERFECT FIT MANUFACTURERS

The business produces formal shirts. The financial year ended 28 February 2021.

REQUIRED:

2.1.1 Prepare the Production Cost Statement. (14)

2.1.2 Calculate:

- Gross profit earned on sale of shirts (5)
- Mark-up % achieved on shirts (2)

INFORMATION:

A. Stock on hand:

	28 FEBRUARY 2021	**1 MARCH 2020**
Work-in-progress	**?**	R230 000
Finished goods	400 shirts, valued using FIFO method	900 shirts at R380 = R342 000

B. The bookkeeper calculated the costs below. Some errors were made.

Direct material cost	R1 575 000
Selling and distribution cost	R385 000
Administration cost	R256 400
Direct labour cost	**?**
Factory overhead cost	R518 800

C. Errors and omissions:

- Payment to Quick Deliveries, R75 000 for carriage on raw materials, was incorrectly allocated to selling and distribution cost.
- The entire insurance amount of R25 200 was transferred to the Administration Cost Account. Two-thirds (2/3) of this expense should be allocated to the factory.
- The Factory Overhead Cost Account included an amount of R117 600 for water and electricity. The bookkeeper had incorrectly allocated this expense to factory, administration, and selling and distribution in the ratio 6 **:** 3 **:** 1. The correct ratio is 5 **:** 4 **:** 1.

D. Prime cost: R2 550 000 (after adjustments)

E. Production and sales for the year:

- 7 600 shirts were produced at a unit cost of R420 each.
- 8 100 shirts were sold for R4 860 000.

2.2 LEATHER MANUFACTURERS

Leather Manufacturers is owned by Tello Andrews. They produce leather purses and leather jackets. The financial year ends on 28/29 February each year.

REQUIRED:

PURSES

2.2.1 Calculate the break-even point for purses for the year ended 28 February 2021. (4)

2.2.2 Comment on the level of production achieved and the break-even point for purses for 2021. Quote figures. (4)

2.2.3 Apart from inflation and wage increases, give TWO other possible reasons for the increase in the direct labour cost per unit for purses. (4)

2.2.4 Give TWO reasons for the decrease in the direct material cost per unit for purses. (2)

JACKETS

2.2.5 Although Tello was aware that importing leather for the jackets would increase the direct material cost per unit, he thought that this would improve the quality of the jackets.

- Explain why the direct material cost per unit for jackets would probably increase if raw material were imported. State TWO points. (2)
- Provide figures to prove that Tello was correct about the effect this decision would have on the cost of the jackets. (2)

2.2.6 Calculate the % increase in the selling price of the jackets. (3)

2.2.7 Explain the impact of the increase in the selling price of jackets on the sales and profit. Quote figures or calculations. (4)

2.2.8 Tello wants to increase profits on jackets by an additional R250 000 in the next financial year. Assuming the cost structure remains the same, calculate the total number of additional units he must produce to achieve this target. (4)

INFORMATION:

	PURSES		JACKETS	
	2021	**2020**	**2021**	**2020**
Direct material cost per unit	R100	R125	R360	R180
Direct labour cost per unit	R135	R105	R280	R240
Selling and distribution cost per unit	R20	R30	R60	R45
Total variable cost per unit	**R255**	**R260**	**R700**	**R465**
Total fixed costs	R936 000	R836 000	R1 706 250	R2 000 000
Number of units produced and sold	24 000	22 000	3 631	6 350
Break-even number of units	**?**	20 900	3 750	5 000
Selling price per unit	R295	R300	R1 170	R780

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QUESTION 3: BUDGETING (40 marks; 30 minutes)

Blossom (Pty) Ltd sells expensive ladies' dresses of high quality. They also repair dresses for customers, but they aim to break even on this service.

Customers are allowed to buy dresses for cash or on credit, but they are required to pay cash for all repairs.

The information relates to the budget period ending 31 May 2021.

REQUIRED:

3.1 Complete the Debtors' Collection Schedule for March to May 2021. (9)

3.2 Calculate the missing amounts indicated by (a) to (d) in the Cash Budget. (14)

3.3 **Refer to Information G and H.**

Advertising:

- Explain the decisions that the directors took regarding the budgeted and actual expenditure for advertising in May 2021. Quote figures or calculations. (4)
- The directors ask you for a report on the effect that the advertising decisions have actually had on customers and sales in May 2021.
  - Provide TWO points that you would include in your report. Quote figures or calculations. (4)
  - Explain how the decline in the national economy has affected the average amount that customers spent in May 2021. Quote figures. (3)

Consumable stores:

Comment on whether the consumable stores have been well controlled or not. Quote figures or calculations. (2)

3.4 **Refer to Information F and H.**

Rental and customers:

The owners of the property, Propco Ltd, informed the directors of Blossom Ltd of the increase in rent planned with effect from 1 April 2021.

In order to economise on rent, the directors asked the owners, Propco Ltd, for a reduction of the area rented from 1 May 2021. Propco Ltd agreed to this request. Calculate the reduction of the area rented (in square metres). (4)

INFORMATION:

A. Total sales and cost of sales:

	MARCH	APRIL	MAY
Sales	R560 000	R630 000	R770 000
Cost of sales	320 000	360 000	440 000

- Goods are sold at a mark-up of 75% on cost.
- Credit sales are expected to be 65% of total sales.

B. Expected debtors' collection based on the past:

- 40% collected in the month of sale, less 6% discount for early payment
- 50% collected in the month following the month of sale
- 8% collected two months after the sale
- 2% regarded as uncollectable two months after the sale

C. Purchases of stock:

- All purchases of stock are on credit.
- Trading stock is replaced in the month of sale. A fixed stock level is maintained.
- Creditors are paid in full in the month after purchasing stock.

D. Loan from Janet Bloom:

- Janet Bloom has provided a loan to the business at an interest rate of 9% p.a. Interest is not capitalised and one-third of the loan is repaid to her on 31 December each year.
- As the company was still experiencing cash flow problems owing to the Coronavirus lockdown in 2020, Janet agreed to increase her loan to the business on 1 April 2021.

E. Salaries of sales assistants:

- The sales assistants all earn the same monthly salary.
- They were promised a 5% increase in salaries with effect from 1 April 2021.
- The business employed two sales assistants in March and planned to employ an additional assistant from 1 April 2021.

F. Rent and number of customers:

- The directors secured premises in a local shopping mall from Propco Ltd with enough space to cater for the expected number of customers.
- Rent is charged per square metre according to the floor area. The rent increased by 11% p.a. commencing on 1 April.
- The following figures were identified for planning purposes:

	MARCH	APRIL	MAY
Floor area in square metres (m^2)	120 m^2	120 m^2	**?**
Rent expense per m^2	**?**	**?**	**?**
Expected average sales per customer	R7 000	R7 000	R7 000
Expected number of customers	80 customers	90 customers	110 customers

G. Extract from the Cash Budget:

	MARCH	APRIL	MAY
RECEIPTS	**R**	**R**	**R**
Cash sales	196 000	**(a)**	269 500
Cash from debtors	278 369	355 992	**?**
Fee income (for repairs)	15 000	15 000	15 000
Loan from Janet Bloom (see Information D)		**(b)**	
PAYMENTS			
Payments to creditors	220 000	320 000	360 000
Salaries of sales assistants (see Information E)	22 400	**(c)**	**?**
Wages of repair staff	9 000	10 000	10 000
Consumable stores (for repairs)	4 200	4 200	4 200
Interest on loan	1 365	2 625	2 625
Rent expense (see Information F)	**(d)**	39 960	39 960
Advertising	10 000	12 000	30 000
Audit fees			60 000

H. Comparison of budgeted figures to actual figures for May 2021:

	BUDGETED	ACTUAL
Number of customers	110 customers	135 customers
	R	**R**
Sales	770 000	690 000
Fee income (repair service)	15 000	21 000
Advertising	30 000	42 000
Consumable stores (for repairs)	4 200	5 520
Wages (for repair staff)	12 000	18 000
Audit fees	60 000	48 000
Rent expense	39 960	31 968
Salaries (shop assistants)	35 280	37 044
Delivery expenses	6 930	4 850
Packing material	19 250	13 480

40

QUESTION 4: STOCK VALUATION (35 marks; 30 minutes)

4.1 Give ONE word/term for each of the following statements. Write only the word/term next to the question numbers (4.1.1 to 4.1.4) in the ANSWER BOOK.

periodic system; FIFO; perpetual system; specific identification; weighted average

4.1.1 This method is most suitable for inexpensive goods purchased regularly.

4.1.2 The closing stock balance is recorded at the most recent prices paid.

4.1.3 Individual stock items are valued at the cost price on the purchase invoice.

4.1.4 The cost of sales is recorded for every sales transaction. (4 x 1) (4)

4.2 **LOTUS ACCESSORIES**

The owner is Alex Lotus. The business uses the first-in first-out method to value gas lamps. They decided to sell gas stoves as well, expecting a demand due to increased load shedding. The specific identification method is used to value these stoves.

The financial year-end is 30 April each year.

REQUIRED:

4.2.1 Calculate the following for the **gas lamps** on 30 April 2021:

- Value of closing stock (using FIFO) (6)
- Stockholding period in days (using closing stock) (6)

4.2.2 Alex suspects that the stock of gas lamps are not well controlled.

Calculate the number of gas lamps missing. (4)

4.2.3 An investigation revealed that Alex's brother (employed at the store) orders gas lamps using the business ordering system, and sells them privately to his friends.

What should Alex say to his brother when dealing with this matter? Provide TWO points. (4)

4.2.4 Calculate the closing stock value for **gas stoves** on 30 April 2021 (using the specific identification method). (5)

4.2.5 Alex thinks he should stop selling gas stoves as they are causing a liquidity problem and the profit is low.

- Provide figures to support his opinion. (2)
- Explain TWO points to convince him NOT to discontinue trading in gas stoves. (4)

INFORMATION:

A. STOCK RECORDS FOR GAS LAMPS:

	UNITS	UNIT PRICE (R)	AMOUNT (R)
Stock balance on 1 May 2020	**230**		**R12 650**
Purchases during the year:	**2 750**		**R193 500**
July 2020	650	R60	39 000
September 2020	800	R68	54 400
January 2021	1 100	R75	82 500
March 2021	220	R80	17 600
Returns (from March 2021)	**40**	**?**	**?**
Available for sale	**2 940**		
Stock balance: 30 April 2021	**270**	**?**	**?**
Total sales	**2 180**	**R140**	**R305 200**

c

B. STOCK RECORDS FOR GAS STOVES:

PURCHASES:

MONTH	MODEL	UNITS	UNIT PRICE	AMOUNT
August 2020	B-LITE	80	R495	R39 600
October 2020	B-LITE	80	R495	R39 600
	SMART	100	R700	R70 000
February 2021	B-LITE	120	R495	R59 400
	SMART	60	R700	R42 000

SALES:

MODEL	UNITS SOLD	SELLING PRICE	AMOUNT
B-LITE	132	R790	R104 280
SMART	54	R980	R52 920

GROSS PROFIT AND MARK-UP:

MODEL	COST OF SALES	GROSS PROFIT	MARK-UP
B-LITE	R65 340	R38 940	60%
SMART	R37 800	R15 120	40%

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

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.