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Department:  
Basic Education  
**REPUBLIC OF SOUTH AFRICA**

## **SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS**

**ACCOUNTING P2**

**2021**

**MARKS: 150**

**TIME: 2 hours**

**This question paper consists of 13 pages,  
a formula sheet and a 9-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	35	25
2	Cost Accounting	35	25
3	Budgeting	45	40
4	Stock valuation	35	30
<b>TOTAL</b>		<b>150</b>	<b>120</b>

**QUESTION 1: VALUE-ADDED TAX (VAT) AND CREDITORS' RECONCILIATION**  
**(35 marks; 25 minutes)****1.1 VALUE-ADDED TAX (VAT)**

Hilda Groceries is registered for VAT. The standard VAT rate is 15% and is applied on most products.

**REQUIRED:****1.1.1 Implementation of VAT:**

- Explain why the government implemented VAT in South Africa. State ONE point. (2)
- Explain why some products are zero-rated products. State ONE point. (2)

**1.1.2 Calculate the amount payable to SARS in respect of VAT for the two months ended 30 April 2021. (11)****INFORMATION:**

**A.** Balance due to SARS on 1 April 2021, R9 450

**B. Transactions for April 2021:**

	AMOUNT EXCLUDING VAT	VAT AMOUNT	AMOUNT INCLUDING VAT
	R	R	R
Total sales	412 000	?	473 800
Purchases of trading stock	230 000	?	
Discount allowed to debtors		1 890	
Goods returned by customers		?	19 320
Bad debts recovered		1 140	
Drawings of trading stock by the owner		1 380	

**1.2 KHAYA STORES**

Khaya Stores is owned by Peter Sithole. The business buys goods on credit from PN Suppliers. The business received a statement of account for February 2021.

**REQUIRED:****1.2.1 Refer to Information A, B and C.**

Use the table that is provided.

Indicate the changes to the Creditors' Ledger Account in the books of Khaya Stores and the statement received from PN Suppliers to take into account the errors and omissions on 28 February 2021.

Indicate + or – for each amount. (12)

**1.2.2 Refer to Information D.**

- State TWO benefits of using electronic funds transfers (EFTs) for payments to creditors. (2)
- The internal auditor feels that this incident of fraud should never have occurred in this business. (2)
  - Explain why he feels this way. (2)
  - Explain how this could have been prevented. State TWO points. (4)

**INFORMATION:****A. Creditors' Ledger of Khaya Stores****PN SUPPLIERS (CL8)**

DATE		DETAILS	DEBIT	CREDIT	BALANCE
			R	R	R
2021	1	Balance			86 900
Feb.	5	Invoice 353		18 800	105 700
	7	Debit note 72	600		105 100
	13	EFT 428	22 800		82 300
		Discount	1 140		81 160
	14	Invoice A417		6 100	87 260
	16	Invoice 390		11 800	99 060
	23	Invoice 401		8 900	107 960
	24	EFT 676	12 000		95 960
	25	Journal voucher 221	2 660		93 300
	27	Invoice 556		7 700	101 000

**B. Statement of account received from PN Suppliers**

Khaya Stores 228 Rhino Street			25 February 2021		
DATE		DETAILS	DEBIT	CREDIT	BALANCE
			R	R	R
2021	1	Balance			86 900
Feb.	5	Invoice 353	10 800		97 700
	7	Credit note 109	600		98 300
	14	Receipt 632		22 800	75 500
	16	Invoice 390	12 980		88 480
	23	Invoice 401	8 900		97 380
	24	Receipt 961		12 000	85 380

**C. Errors, omissions and other information:**

- (i) Invoice 353 on 5 February 2021 was correct according to the statement.
- (ii) PN Suppliers made an error in recording the goods returned on 7 February 2021.
- (iii) Khaya Stores entered a discount with the EFT payment on 13 February 2021. PN Suppliers informed the business that they do not qualify for this discount.
- (iv) Invoice A417 in the Creditors' Ledger Account of PN Suppliers was for goods purchased from LM Suppliers.
- (v) The trade discount on Invoice 390 was not deducted by PN Suppliers.
- (vi) The bookkeeper transferred a debit balance from the Debtors' Ledger Account of PN Suppliers (Journal voucher 221) to their account in the Creditors' Ledger.
- (vii) The statement shows entries up to 24 February 2021 only.

**D. During an internal audit, the auditor noticed the following account in the Creditors' Ledger of Khaya Stores:**

EXCESS TRADERS					CL24
DATE		DETAILS	DEBIT	CREDIT	BALANCE
2021	20	Invoice 11 334		R120 000	R120 000
Feb.	22	EFT	R120 000		R0

It was discovered that an EFT payment of R120 000 was made to Frank Adams, the sole owner of Excess Traders. Further investigation by the internal auditor revealed that this business is not operational and that Frank Adams is a close relative of the accountant of Khaya Stores.

**QUESTION 2: COST ACCOUNTING****(35 marks; 25 minutes)**

- 2.1 Choose a cost category from COLUMN B that matches a description in COLUMN A. Write only the letter (A–E) next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK, e.g. 2.1.4 F.

COLUMN A		COLUMN B	
2.1.1	Commission to salespersons	A	factory overhead cost
2.1.2	Wages of factory maintenance staff	B	administration cost
2.1.3	Office stationery expenses	C	direct labour cost
		D	direct material cost
		E	selling and distribution cost

(3 x 1)

(3)

2.2 **MEISIES OUTFITTERS**

The business manufactures clothing products. The owner is Minnie Zitha. The information relates to school dresses which is one of the products they manufacture. Dresses are manufactured according to orders received and there is no work-in-progress. The financial year ended on 30 April 2021.

**REQUIRED:**2.2.1 **Refer to Information D.**

Complete the Factory Overhead Cost Note for the school dresses. (10)

2.2.2 Calculate the total cost of production of school dresses produced. (4)

2.2.3 Minnie is concerned about wastage of fabric in the dressmaking section. Calculate the cost of this wastage to the business. (5)

2.2.4 The internal auditor expressed concern about the direct labour cost for the school dresses.

- Explain the problem that is of concern to the auditor. Quote figures. (3)

- State TWO possible causes of this problem. (2)

2.2.5 Provide a calculation to confirm that the break-even point for the current financial year is 17 000 units. (3)

2.2.6 Comment on the level of production achieved and the break-even point calculated above. Quote figures. (2)

2.2.7 Calculate the extra profit that would be earned if an additional 500 dresses are made and sold. Assume that all costs are unchanged. (3)

**INFORMATION:****A. Raw material stock (fabric used to make the dresses):**

Fabric is issued to the factory using the weighted-average method.

	<b>UNITS (metres)</b>	<b>COST per metre</b>	<b>TOTAL COST</b>
Stock of fabric on 1 May 2020	9 000	R14,20	R127 800
Fabric purchased during the year	33 000	R17,00	R561 000
	<b>42 000</b>		<b>R688 800</b>
Fabric issued to the factory	29 000	R16,40	R475 600

**B. Production and sales:**

- Manufacturing one dress requires 1,6 metres of fabric.
- 17 800 dresses were produced and sold during the financial year at R75 per dress.

**C. Direct labour cost for the year:**

	<b>WORKERS</b>	<b>HOURS PER WORKER</b>	<b>RATE</b>	<b>TOTAL</b>
Basic wage (normal time)*	8	1 250	R25	R250 000
Total overtime worked	8	720	R45	R259 200
Total employer's contributions				R26 250
<b>TOTAL</b>		<b>1 970</b>		<b>R535 450</b>

\*Normal time comprises a 5-day week of 8 hours per day. The factory operates for 46 weeks each year.

**D. Factory overhead costs:**

The following costs were extracted from the records on 30 April 2021:

Factory rent expense	R122 400
Water and electricity	81 600
Insurance on factory equipment	20 720
Salary of the dressmaking supervisor	76 960
Delivery expenses	36 800
Wages of cleaners	155 760
Depreciation: dressmaking machines	30 300
Sundry factory expenses (dressmaking section)	10 670



- Factory rent is split according to floor space occupied. The dress-making section occupies 320 m<sup>2</sup> of the total factory space of 1 280 m<sup>2</sup>.
- 15% of the total water and electricity account must be allocated to the dressmaking section.
- Insurance on factory equipment was paid up to 30 June 2021. Dress-making equipment comprises  $\frac{1}{3}$  of the total factory equipment.
- Only one of the six cleaners, Susan, was allocated to the dressmaking section. Susan earns 10% less than the other five cleaners.

**E. Additional information relating to the dressmaking section:**

- Total variable costs amounted to R1 094 700 (R61,50 per unit)
- Fixed costs, comprising factory overhead costs and administration costs, totalled R229 500

**QUESTION 3: BUDGETING****(45 marks; 40 minutes)**

- 3.1 Insert the relevant amount(s) for EACH transaction below into the appropriate columns for the following Cash Budget and Projected Income Statement for July 2021.

**Example:** Monthly telephone costs are expected to be R4 200.

NO.	CASH BUDGET FOR JULY		PROJECTED INCOME STATEMENT FOR JULY	
	RECEIPT	PAYMENT	INCOME	EXPENSE
e.g.		4 200		4 200

(8)

**TRANSACTIONS FOR JULY 2021:**

- 3.1.1 A three-month advertising contract for R6 000 will be paid on 1 July 2021. R2 000 of this amount relates to the next financial year.
- 3.1.2 On 1 July 2021, R45 000 will be invested in a fixed deposit at 8% interest p.a. Interest is not capitalised and is received at the end of each month.
- 3.1.3 Budgeted cash sales, R23 200 (cost of sales; R16 000).

3.2 **ANOKHI (PTY) LTD**

The business sells electrical appliances. The financial year ends on 30 April. Kayla Bester is the sole shareholder and CEO of the business.

**REQUIRED:**

- 3.2.1 Complete the Creditors' Payment Schedule for the budget period ending 31 July 2021. (9)
- 3.2.2 Calculate the amounts for **(a)** to **(d)** in the Cash Budget. (16)
- 3.2.3 Kayla extracted the following actual and budgeted figures for May 2021:

	BUDGETED	ACTUAL
Total sales	R882 000	R705 600
Cash from debtors	522 828	402 600
Advertising	35 280	35 280
Delivery expenses (ABC Deliveries)	57 330	51 200

Comment and quote figures on the:

- Effectiveness of the advertising
- Control over delivery expenses

Quote figures in EACH case.

(6)

3.2.4 Kayla decided that the business will purchase a delivery vehicle on 1 June 2021.

- State TWO benefits of this decision. (2)
- Apart from the items reflected in the Cash Budget (Information F), list FOUR other items that Kayla should include in the budget. (4)

### INFORMATION:

#### A. Total sales:

ACTUAL SALES		BUDGETED SALES	
APRIL 2021	MAY 2021	JUNE 2021	JULY 2021
R878 400	R882 000	R918 000	R936 000

- B. Credit sales comprise 60% of total sales.
- C. Goods are sold at a mark-up of 80% on cost.
- D. The business maintains a fixed-stock base level. Stock sold in a month is replaced in the same month. The cash purchases are 65% of total purchases.
- E. Creditors are paid according to the following trend:
- 40% – settled in the month of purchase to earn 5% discount
  - 50% – settled in the month following the purchase month
  - 10% – settled in the second month after the purchase month

#### F. Extract: Cash Budget for the three months ended 30 July 2021

	MAY 2021 R	JUNE 2021 R	JULY 2021 R
<b>Receipts</b>			
Cash sales	352 800	367 200	374 400
Cash from debtors	522 828	535 140	548 640
Rent income	15 500	15 500	(a)
Loan: Jane Investments	0	(b)	0
<b>Payments</b>			
Cash purchases	318 500	331 500	338 000
Payments to creditors	167 020	170 660	?
Salaries of sales assistants	41 000	41 000	(c)
Directors fees	(d)	98 880	98 880
Advertising	35 280	36 720	37 440
Interest on loan	0	3 150	3 150
Delivery expenses (ABC Deliveries)	57 330	59 670	0
Delivery vehicle deposit		140 000	

- (a) Rent income is expected to increase by 9% p.a. from 1 July 2021.
- (b) The business has negotiated a loan which will be received on 1 June 2021. Interest at 13,5% p.a. is payable at the end of each month, commencing from 30 June 2021.
- (c) The business employed five sales assistants in May and June on the same salary scale. Three of them will receive an annual bonus of 75% of their earnings in July 2021. A part-time sales assistant will be employed during July 2021 and will earn 50% of the monthly amount applicable to the others.
- (d) Kayla earns directors' fees of R720 000 for the year. The company also employed another director, Martin, for the entire year. Martin will receive an increase of 8% p.a. on his directors' fees from 1 June 2021.

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

4.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (4.1.1 to 4.1.4) in the ANSWER BOOK.

4.1.1 The (specific identification/first-in first-out) method assumes that the closing stock is valued at the most recent batches purchased.

4.1.2 The (periodic/perpetual) system requires a year-end stock count to be able to calculate cost of sales.

4.1.3 The (weighted-average/first-in first-out) method is suitable for similar goods that are bought in bulk.

4.1.4 The (periodic/perpetual) system requires that all products are scanned at the point of sale.

(4)

4.2 **GWEN BOUTIQUE**

The information relates to ALUZE bags for the financial year ended 28 February 2021. The business uses the first-in first-out method to determine the value of these bags. The periodic inventory system is in use.

**REQUIRED:**

4.2.1 Calculate the following for the year ended 28 February 2021:

- Value of the closing stock (5)

- Cost of sales (5)

4.2.2 **Stockholding period:**

- Calculate the average stockholding period (in days). (5)

- Explain whether Gwen should be satisfied with this figure, or not. State TWO points.

**NOTE:** The average stockholding period on 29 February 2020 was **52 days**.

(4)

4.3 **PROBLEM-SOLVING**

**Refer to Information D.**

Gwen Boutique also sells jackets and jerseys. Gwen has provided the information and requested advice.

Identify TWO problems in EACH product for 2021. In each case, give ONE piece of advice to address the problem identified.

(12)

**INFORMATION:****A. Stock balances:**

DATE	UNITS	TOTAL VALUE (including carriage)
1 March 2020	420	R68 120
28 February 2021	380	?

**B. Purchases and returns for the year:**

DATE	UNITS	UNIT COST	TOTAL PURCHASE AMOUNT	CARRIAGE COST (per bag)	TOTAL COST (including carriage)
30 Jun. 2020	500	R155	R77 500	R12	R83 500
31 Oct. 2020	750	R160	R120 000	R13	R129 750
15 Feb. 2021	320	R170	R54 400	R15	R59 200
<b>TOTAL</b>	<b>1 570</b>				<b>R272 450</b>
<b>Returns</b>	<b>20</b>				<b>R3 700</b>

**C. Sales:**

Total sales amounted to R393 750 (1 590 bags).

**D. Problem-solving:**

	JACKETS		JERSEYS	
	2021	2020	2021	2020
Units: Opening stock	407	120	218	200
Units: Purchases	800	800	1 800	2 200
Units sold (gross) All sales are for cash.	550	500	1 970	2 260
Units returned by customers	0	0	90	78
Units: Closing stock	615	407	138	218
Stock turnover rate	0,9	1,9	10,6	10,4
Mark-up % achieved	75%	50%	25%	25%
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Cost price per item	360,00	360,00	170,00	160,00
Selling price	630,00	540,00	212,50	200,00
Income from sales deposited in the bank	346 500	268 920	349 500	436 400

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