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NATIONAL SENIOR CERTIFICATE

ACCOUNTING

GRADE 12

FEBRUARY/MARCH 2018

SPECIAL ANSWER BOOK

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
5			
6			
TOTAL			

This answer book consists of 16 pages.

QUESTION 1**1.1 DEBTORS' AGE ANALYSIS**

- 1.1.1** Explain why the debtors' age analysis is considered to be an effective internal control measure. State ONE point.

2

- 1.1.2** Explain TWO different problems highlighted by the debtors' age analysis. In EACH case, provide the name of a debtor and figure(s).

PROBLEM	DEBTOR AND FIGURE(S)

6

1.2 DEBTORS' RECONCILIATION

- 1.2.1** CORRECTIONS TO THE DEBTORS' CONTROL ACCOUNT ON 30 NOVEMBER 2017

Balance before errors and omissions	25 700
(i)	
(ii)	
(iii)	
(iv)	
(v)	
Correct Debtors' Control balance	

7

1.2.2 DEBTORS' LIST ON 30 NOVEMBER 2017

L Nkosi	(5 700	
S Muller	(11 100	
M Welthagen	(–1 900	
B Sandleni	(15 900	
Correct total of Debtors' List		

10

1.3.1 Calculate the VAT amount that is either receivable from or payable to SARS on 31 July 2017.

11

1.3.2 Nomvula has ordered goods with a marked price of R35 000 from Beta Suppliers.

The sales director of Beta Suppliers, Jim Frow, has offered to sell these goods to Nomvula for R15 000, provided that they do not have to issue an invoice.

Comment on the offer made by Jim. State TWO points.

4

TOTAL MARKS

40

QUESTION 2**2.1**

2.1.1	
2.1.2	
2.1.3	

3

2.2.1

Calculate the value of the closing stock according to the FIFO method on 31 December 2017.

6

2.2.2

Calculate the cost of sales.

Calculate the gross profit.

8

2.2.3

Calculate the value of the closing stock on 31 December 2017 by using the weighted-average method.

6

What will be the effect on the gross profit if the owner changes to this valuation method? Provide figures.

3

2.3

You are provided with information relating to Leno Furnishers. They sell tables, chairs and beds for cash only. The owner is concerned that the figures provided reflect poor internal control and decision-making.

Identify ONE problem for each product. Quote figures. In EACH case, give advice on how to solve the problem.

Product	Problem (with figures)	Advice
Tables		
Chairs		
Beds		

9

TOTAL MARKS

35

QUESTION 3**3.1 GLAMOUR DRESS CREATIONS****3.1.1 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2017.**

Prime cost		
Total manufacturing cost		
Work-in-process (1 March 2016)	76 000	
Production cost of finished goods		21

3.1.2 Calculate the net profit for the year ended 28 February 2017.

7

3.2 LIGHTING SOLUTIONS**3.2.1 Calculate the factory overhead cost per unit for the year ended 31 December 2017.**

2

3.2.2 Explain why George would not be concerned about the 28,1% increase in total variable cost from R936 000 to R1 200 000.

3

3.2.3 Give TWO reasons for the increase in the selling and distribution cost per unit.

2

3.2.4 Calculate the break-even point for the year ended 31 December 2017.

4

Comment on the production level for 2017. State TWO points. Quote figures.

4

3.2.5 Lighting Solutions are considering importing raw materials because it is cheaper and of a higher quality. Name TWO aspects that they must consider before finalising their decision.

2

TOTAL MARKS
45

QUESTION 4

4.1

4.1.1	
4.1.2	
4.1.3	
4.1.4	
4.1.5	

5

4.2 **ORBIT LTD**

4.2.1

(a) **ORDINARY SHARE CAPITAL**

Authorised		
6 000 000 shares		
Issued		

8

(b) **RETAINED INCOME**

Balance on 1 July 2016	874 000
Ordinary share dividends	
Balance on 30 June 2017	

11

4.2.2 ORBIT LTD
BALANCE SHEET ON 30 JUNE 2017

ASSETS		
NON-CURRENT ASSETS		
Fixed/Tangible Assets		
Fixed deposit	380 000	
CURRENT ASSETS		
Inventory	478 000	
TOTAL ASSETS		
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Ordinary share capital		
Retained income		
NON-CURRENT LIABILITIES		
Loan: Helping Bank		
CURRENT LIABILITIES		
Trade and other payables		
TOTAL EQUITY AND LIABILITIES		

4.2.3

As a shareholder, explain your concern regarding the proposed buy-back of shares. Provide calculations to support your concern.

6

4.3

AUDIT REPORT: DF ENTERPRISES LTD

4.3.1

(a)	
(b)	

2

4.3.2

(a) The audit report below indicates a/an (qualified/unqualified) opinion.

1

(b) Explain why the shareholders should be concerned about this audit report. State TWO points.

4

TOTAL MARKS
65

QUESTION 5

5.1	NO.	WORKINGS	AMOUNT
	(a)	Additions to buildings	
	(b)	Total depreciation on equipment	
	(c)	Disposal of equipment at carrying value	
			15

5.2.1	WORKINGS	ANSWER
	Calculate the income tax paid.	
		5
5.2.2	Calculate the dividends paid.	
		3
5.2.3	Calculate the net change in cash and cash equivalents.	
		4

5.3	CASH EFFECTS OF FINANCING ACTIVITIES	
		10

5.4.1	Calculate the debt-equity ratio.	<div></div> <div>3</div>
5.4.2	Calculate the earnings per share (in cents).	<div></div> <div>3</div>
5.4.3	Calculate the return on average shareholders' equity (ROSHE).	<div></div> <div>5</div>
5.5	Explain why the directors felt that the 630 cents offered on the shares repurchased was a fair price. Quote TWO financial indicators with figures.	<div></div> <div>4</div>
5.6.1	The directors revised the dividend pay-out policy for the current financial year. Calculate the percentage of earnings distributed as dividends for each year to show this change.	<div></div> <div>4</div>

5.6.2

Give ONE reason why the directors took this decision.

2

5.6.3

Explain why the shareholders may not be satisfied with the return they earn. Quote a financial indicator or figure(s).

3

5.7

Apart from the dividends, identify THREE good decisions. Explain the effect of each decision on the company. Quote figures.

GOOD DECISIONS (with figures)	EFFECT ON COMPANY
Decision 1:	
Decision 2:	
Decision 3:	

9

TOTAL MARKS

70

QUESTION 6

- 6.1.1 Calculate the mark-up percentage on spare parts used in the Projected Income Statement for March 2018.**

3

- 6.1.2 Calculate the % decrease in service fee income expected in April 2018.**

3

- 6.1.3 Calculate the additional space (in square metres) the business will rent from April 2018.**

4

- 6.1.4 Calculate the interest rate on the fixed deposit.**

5

- 6.2 Comment on the control of stock and explain how Vusi intends to correct this. Quote figures.**

4

6.3.1 Vusi is thinking of purchasing the business premises rather than renting it. State ONE advantage and ONE disadvantage of this option.

Advantage:

Disadvantage:

4

6.3.2 Vusi offers a free delivery service of spare parts to customers, but plans to discontinue this service on 31 March 2018.

State TWO points to support this decision.

4

6.3.3 Calculate the cost of the new vehicle that he plans to purchase on 1 April 2018.

4

6.4.1 Explain whether Water and electricity has been well controlled, or not.

3

6.4.2 Explain whether you agree with Vusi's decision not to use the full budget for Advertising.

3

6.4.3 Explain whether Consumable stores have been well controlled, or not.

4

6.4.4 Explain how Vusi's decision about the mark-up percentage on spare parts has affected the business.

4

TOTAL MARKS
45

TOTAL: 300