



Province of the  
**EASTERN CAPE**  
EDUCATION

## **NATIONAL SENIOR CERTIFICATE**

**GRADE 12**

**SEPTEMBER 2013**

### **ACCOUNTING ANSWER BOOK**

<b>QUESTION</b>	<b>MAXIMUM MARKS</b>	<b>MARKS OBTAINED</b>	<b>MODERATION</b>
<b>1</b>	<b>40</b>		
<b>2</b>	<b>30</b>		
<b>3</b>	<b>55</b>		
<b>4</b>	<b>85</b>		
<b>5</b>	<b>45</b>		
<b>6</b>	<b>45</b>		
<b>TOTAL</b>	<b>300</b>		

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This answer book consists of 17 pages.

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**QUESTION 1****Reconciliations****(40 marks ; 24 minutes)****1.1 Bank Reconciliation**

**1.1.1 Is the balance according to the bank statement favourable or unfavourable? Explain.**

3

**1.1.2 Cheque No. 784 should not appear on the reconciliation statement. Explain why.**

2

**1.1.3 Cheque No. 1024 was issued to a creditor, in part payment of account. Explain how this cheque should be dealt with when the financial statements are being prepared at the end of this financial year.**

4

**1.1.4 Provide a suitable (appropriate) reason for the R880 that appears on the reconciliation statement.**

2

**1.1.5 The large outstanding deposit was investigated. It was established that R5 000 of that amount was income from sales received on 2 April 2013. The cashier responsible for deposits at that time has subsequently resigned. Management has accepted that this money will not be recovered.**

**(a) What accounting entry/entries must be made to adjust the records?**

4

**(b) Name and explain the GAAP principle applicable to the adjustment above.**

4

- (c) Provide TWO suggestions that the business can employ (use) to prevent a recurrence of what happened. (Internal controls).

4

- 1.2.1 Explain the usefulness of Debtors' Age analysis to a business.

3

- 1.2.2 Calculate the Debtors Control balance.

2

- 1.2.3 If Z. Nomhle decides to settle her account immediately, how much would she be expected to pay? (*Show calculations*)

4

- 1.2.4 If T Naicker pays R500 at the end of this month, how would her age analysis change in the following month? (*Complete the table provided*)

DEBTOR	+90 DAYS	61 – 90 DAYS	30 – 60 DAYS	CURRENT
T. Naicker		220	820	1 230
Age analysis for next month				

4

- 1.2.5 Explain TWO measures a business can introduce to improve the collection of money from debtors.

4

QUESTION 1 TOTAL:

40

**QUESTION 2****Inventory Systems****(30 marks ; 18 minutes)**

**2.1 2.1.1 Calculate the purchases of cameras during the year.**

5

**2.1.2 Calculate the cost of sales (using the weighted average method).**

6

**2.2 Calculate the Gross Profit on sale of cameras.**

3

**2.3 Calculate the number of cameras missing.**

6

**2.4 Suggest TWO measures that the business can use in order to prevent or detect the loss of stock.**

4

- 2.5 The owner is satisfied with using the weighted average method to evaluate his stock. You, however, disagree.

2.5.1 Name another method that he could use.

2

2.5.2 Provide TWO points to support your answer.

4

QUESTION 2 TOTAL:

30

## QUESTION 3

**Manufacturing Accounts and Asset Management****(55 marks ; 33 minutes)****3.1 Calculate the factory overhead cost. (Manufacturing overheads)**

Indirect labour	37 300
Sundry factory expenses	36 260
<b>TOTAL FACTORY OVERHEAD COST</b>	

8

**3.2 MAJOLA SUPPLIERS  
PRODUCTION COST STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

<b>PRIME COST</b>	
<b>TOTAL MANUFACTURING COST/ COST OF PRODUCTION</b>	

10

3.3

**3.3.1 Calculate the direct material cost per unit**

3

**3.3.2 Calculate the production cost per unit**

3

**3.3.3 Calculate the number of units manufactured and sold to break even.**

5

**3.4** *Refer to the Unit Cost table provided.*

**3.4.1 Give a possible reason for the change in the direct material cost per unit.**

2

**3.4.2 Suggest TWO measures that the business can use to keep these costs as low as possible.**

4

3.5

GENERAL LEDGER OF MAJOLA SUPPLIERS  
EQUIPMENT (B5)

2012 July	1	Balance	b/d	172 000					
2013 July	1	Balance	b/d	174 000					

4

ASSET DISPOSAL (N12)


9

3.6 Calculate the Depreciation on Vehicles amount that would appear in the Income Statement.

2

3.7 You feel that the big loss on disposal of the computers is due to the depreciation policy. Explain.

3

3.8 Explain why delivery vehicle No. 2 is shown at a carrying value of R1.

2

QUESTION 3 TOTAL:

55



**QUESTION 4****Companies: Financial Statements and Interpretation****(85 marks ; 51 minutes)****A Financial Statements and Interpretation**

4.1.1 Briefly explain the GAAP principle that relates to doing adjustments at the end of the financial year.

2

**4.1.2 INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2013**

<b>GROSS PROFIT</b>		<b>314 000</b>
<b>Other Income</b>		
Rent income		
Profit on sale of asset		<b>470</b>
<b>GROSS INCOME</b>		
<b>Operating Expenses</b>		<b>(305 875)</b>
Salaries		<b>83 200</b>
Discount allowed		<b>1 450</b>
Audit fees		<b>5 500</b>
Directors' fees		<b>142 000</b>
Stationery		<b>7 220</b>
Sundry expenses		<b>18 400</b>
Consumable stores		
Insurance		
<b>OPERATING PROFIT</b>		
Interest income		
<b>NET PROFIT BEFORE INTEREST EXPENSE</b>		
Interest expense		
<b>NET PROFIT BEFORE INCOME TAX</b>		
Income tax		<b>(22 475)</b>
<b>NET PROFIT FOR THE YEAR</b>		

23

4.2: **MEERA TRADERS LTD**  
**BALANCE SHEET AS AT 28 FEBRUARY 2013**

	NOTES	R
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		<b>750 380</b>
Tangible Assets		700 380
Financial Assets: Fixed Deposit		50 000
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		3 500
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>SHAREHOLDERS EQUITY</b>		
Ordinary share capital		550 000
Share premium		35 555
<b>NON-CURRENT LIABILITIES</b>		
Loan: Sandy Bank		
<b>CURRENT LIABILITIES</b>		
<b>TOTAL EQUITIES AND LIABILITIES</b>		

**TRADE AND OTHER RECEIVABLES**


7

**4.3.1 (a) Calculate the CURRENT RATIO and the ACID TEST RATIO for 2013.**

<b>CURRENT RATIO</b>	<b>ACID TEST RATIO</b>

7

**(b) Comment on the liquidity position of this business. Quote TWO financial indicators/figures to support your argument.**

6

**4.3.2 Shareholders were not happy with the dividends they received.**

- Calculate the dividend per share (DPS) and the earnings per share (EPS) for the current year.**

<b>DPS</b>	<b>EPS</b>

7

- Use your findings above (as well as other financial indicators provided) to explain why the shareholders are unhappy.**

4

- 4.4 The company intends issuing all unissued shares in the next financial year. One of the shareholders approached a director and requested that he be allowed to purchase the shares before they are offered to the public. **Should he be allowed to do this? Explain.**

3

**B Auditing and Professional Bodies**

- 4.5 Explain why it is important for the independent auditor to be a member of a professional body such as SAICA.

2

- 4.6 Give an example of the evidence that auditors would use in compiling an audit report.

2

- 4.7 What does “*on a test basis*” imply? Explain.

2

- 4.8 Explain why the company should be satisfied with this audit report.

2

QUESTION 4 TOTAL:

85	
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## QUESTION 5

## Cash Flow and Interpretation

(45 marks ; 27 minutes)

5.1

GENERAL LEDGER OF HONEY DEW LTD

## SARS: INCOME TAX (B9)


5

## ORDINARY SHARE DIVIDENDS (N12)


5

5.2

<b>CASH GENERATED FROM OPERATIONS</b>	
<i>Net Profit ...</i>	
<b>Adjustments for:</b>	
<b>Cash effects of changes in working capital</b>	
<b>CASH GENERATED FROM OPERATIONS</b>	

11

5.3: Extract of the Cash Flow Statement

<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	

6

- 5.4 Calculate the Net Asset Value (NAV) per share as at 28 February 2013.  
(NAV for 2012 : 275 cents)

5

- 5.5 New shares were issued at 255 cents per share. Comment briefly on the price of the newly issued shares.

4

- 5.6 Is the company highly geared or lowly geared? Explain your answer by making use of an appropriate ratio/indicator.

5

- 5.7 Identify TWO possible ways in which the funds (raised through shares issued) were utilised.

4

QUESTION 5 TOTAL:

45	
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**QUESTION 6****Budgeting****(45 marks ; 27 minutes)**

- 6.1 Complete the following table by placing the correct amount in the correct column/s. *Note that amounts can go in more than one column.*

NO	INFORMATION	CASH BUDGET		PROJECTED INCOME STATEMENT	
		RECEIPT	PAYMENT	INCOME	EXPENSE
(a)	Cash sales are expected to be R7 400 per month at a 25% mark-up on cost.				
(b)	An old computer with a carrying value of R4 400 will be sold for R2 500 cash in the next month.				
(c)	Depreciation on equipment is estimated to be R950 per month.				
(d)	An annual insurance premium of R5 200 was paid by cheque. R1 200 is for the next financial year.				

10

- 6.2.1 Calculate the percentage of goods sold on credit.

3

- 6.2.2 • Calculate the amounts represented by (a), (b) and (c) on the debtors collection schedule.

(a)

(b)

(c)

- Is the business controlling credit effectively? Motivate your answer by quoting appropriate figures from the information.

7

4

- 6.2.3 Calculate the percentage increase in the Rent Income.

4

- 6.2.4 Calculate the amount of the interest on investment. (*Refer point 7*)

3



6.2.5 Taking into account point 4 and 5 from the information, calculate the value for (d).

4

6.2.6 Taking into account point 6 from the information provided, calculate the value for (e).

3

6.2.7 Should the employees be satisfied with the salary increase they will receive? Motivate your answer.

3

6.2.8 Identify TWO payments that you consider to be poorly managed. Provide advice to the manager on how to improve the internal control of these items.

- TWO PAYMENTS:

- ADVICE:

4

QUESTION 6 TOTAL:

45	
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GRAND TOTAL: 300