



Province of the  
**EASTERN CAPE**  
EDUCATION

Name:

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**SEPTEMBER 2014**

**ACCOUNTING  
ANSWER BOOK**

QUESTION	MAX MARKS	MARKS OBTAINED	MODERATED MARKS
1	35		
2	50		
3	40		
4	70		
5	55		
6	50		
TOTAL	300		



This answer book consists of 17 pages.

## QUESTION 1

(35 marks; 20 minutes)

## STOCK VALUATION AND INTERNAL CONTROLS

1.1 Calculate the:

- closing stock balance on 28 February 2014, using the first-in-first-out (FIFO) method of stock valuation.

7

- cost of sales of the DVDs sold.

8

- total number of units sold.

4

- total sales amount.

5

- Gross profit

2

1.2 Is the FIFO method appropriate for this product? Explain.

3

1.3 With regards to the fixed selling price, what advice would you offer Reg about his pricing policy?

2

1.4 Reg buys his stock from registered suppliers based in Durban. He is frustrated about the “unfair competition” that he faces in this industry.

- Provide a reasonable explanation for the “unfair competition” that concerns Reg.

2

- Give a practical suggestion that Reg can use to overcome this competition and improve the performance of the business.

2

## QUESTION 2

(50 marks; 30 minutes)

## VAT AND RECONCILIATIONS

2.1.1 Choose a word/phrase

(a)	
(b)	
(c)	
(d)	

8

2.1.2 (a) Calculate the amount of VAT that Billy must either pay to, or receive from SARS.

11

(b) Explain why Billy benefits from being registered for VAT. Quote figures to support your answer.

2

(c) Dodgey Dealers, one of Billy's suppliers, offered Billy goods valued at R5 850 for R2 500. He stated that Billy must pay cash and he will not issue an invoice.

- What advice would you offer Billy?

2

## 2.2 CREDITORS RECONCILIATION

2.2.1

TRANSACTION		BALANCE
Balance as per Creditors Ledger Account		35 260
(a)		
(b)		
(c)		
(d)		
(e)		
TOTAL DUE		

8

2.2.2 What advice would you offer the manager regarding point (d)?

2

2.2.3 Provide TWO internal control measures that can be implemented to prevent incidences like the above in the future.

4

**2.3 DEBTORS**

**2.3.1 Name the debtor/s whose account/s is/are not overdue.**

2

**2.3.2 Calculate the percentage of the amount owed by debtors that is above the credit period allowed.**

5

**2.3.3 Suggest THREE control measures that Gladys can implement to improve the collection from debtors.**

6

50	
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**QUESTION 3****(40 marks; 25 minutes)****MANUFACTURING CONCERNS****3.1 3.1.1 Factory Overhead note**

<b>Factory sundry expenses</b>	<b>44 694</b>
<b>TOTAL FACTORY OVERHEADS</b>	

11

**3.1.2 Production Cost Statement**

<b>Prime cost</b>	
<b>Total manufacturing costs</b>	

13

**3.2 3.2.1 Calculate the number of units the business needed to produce in order to break-even.**

5

**3.2.2** Making reference to the previous year's figures, as well as the amount calculated in QUESTION 3.2.1, comment on whether the owner should be satisfied or not.

4

**3.3** **3.3.1** Do you think that the government should limit the flow of textiles into the country? Explain.

3

**3.3.2** What can Fab Fabrics do to stay in business? Provide TWO suggestions.

4

40	
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**QUESTION 4**

(70 marks; 40 minutes)

**COMPANIES – FINANCIAL STATEMENTS AND AUDITING****4.1 Income Statement of Thevarani Ltd for the year ended 28 February 2014**

<b>Sales</b>	
<b>Cost of sales</b>	
<b>Gross profit</b>	
<b>OTHER/OPERATING INCOME</b>	<b>55 000</b>
<b>GROSS INCOME</b>	
<b>OPERATING EXPENSES</b>	
<b>OPERATING PROFIT</b>	<b>560 000</b>
<b>Interest income</b>	
<b>Net profit before interest expense</b>	
<b>Interest expense</b>	
<b>Net profit before income tax</b>	
<b>Income tax</b>	
<b>NET PROFIT AFTER TAX</b>	<b>380 000</b>

13

**4.2 4.2.1 Trade and other receivables**

<b>Debtors control</b>	<b>63 000</b>

7

**4.2.2 Ordinary share capital**


9

## 4.2.3 Retained income.

Opening balance	234 000

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## 4.3 BALANCE SHEET AS AT 28 FEBRUARY 2014

<b>ASSETS</b>	
<b>NON-CURRENT ASSETS</b>	
<b>CURRENT ASSETS</b>	
<b>TOTAL ASSETS</b>	
<b>EQUITY AND LIABILITIES</b>	
<b>SHAREHOLDERS EQUITY</b>	
<b>NON-CURRENT LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	

23
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- 4.4 The internal auditor warned the CEO that including his private entertainment expenditure under sundry expenses could cause problems for the business.

4.4.1 What GAAP/IFRS principle is the internal auditor referring to when this concern is expressed?

2

4.4.2 Give TWO consequences for the business if the CEO does not take the advice of the internal auditor. (Give TWO points.)

4

- 4.5 At the annual general meeting, the directors proposed that R250 000 be spent in uplifting the sporting facilities at three local school. Explain why such projects are considered by big companies. (Give TWO reasons.)

4

70	
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## QUESTION 5

(55 marks; 35 minutes)

## CASH FLOW STATEMENT AND INTERPRETATION

5.1

5.1.1		
5.1.2		
5.1.3		
5.1.4		

8

5.2

5.2.1 Braelyn Traders Ltd

Cash Flow Statement for the year ended 30 April 2014

<b>OPERATING ACTIVITIES</b>	<b>128 840</b>
Cash generated from operations	<b>613 940</b>
Interest paid	<b>(85 500)</b>
Dividends paid	<b>(164 400)</b>
Income tax paid	<b>(235 200)</b>
<b>INVESTING ACTIVITIES</b>	
<b>FINANCING ACTIVITIES</b>	
<b>NET CHANGE IN CASH AND CASH EQUIVALENT</b>	
Cash and cash equivalents (opening balance)	
Cash and cash equivalents (closing balance)	

15

5.2.2 (a) Debt/equity ratio

3

(b) Return on average shareholders' equity (ROSHE)

5

(c) Net asset value per share (NAV)

4

5.2.3 Comment on the liquidity position of the business. Make reference to the current ratio and the acid test ratio in your answer.

4

**5.2.4 The CEO wants to increase the loan by an additional R300 000 to finance extensions and renovations to the building. What advice would you offer her? Quote appropriate figures and/or financial indicators to support your opinion.**

4

**5.2.5 The directors plan to issue additional shares at R6,00 per share in the new year. Will prospective investors be eager to buy shares in this business? Explain, making use of relevant financial indicators.**

5

**5.2.6 The existing shareholders are pleased with the performance of their investment. Are they justified? Comment on the returns (ROSHE), earnings (EPS) and dividends (DPS).**

7

**QUESTION 6****(50 marks; 30 minutes)****BUDGETING AND FIXED ASSET MANAGEMENT**

6.1 6.1.1

(a)		5
(b)		2
(c)		4
(d)		3
(e)		2

6.1.2 Sunny (the owner) wants to purchase a larger percentage of goods on credit.  
What advice would you offer him? (TWO points)

4
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## 6.2 FIXED ASSETS

6.2.1

A		<div><div></div><div>2</div></div>
B		<div><div></div><div>3</div></div>
C		<div><div></div><div>3</div></div>
D		<div><div></div><div>4</div></div>
E		<div><div></div><div>2</div></div>
F		<div><div></div><div>3</div></div>



6.2.2

**Calculate the total accumulated depreciation on the equipment sold.**

4

6.2.3

**When was the new vehicle purchased? (Show workings)**

7

6.2.4

**Provide a suitable reason why the business would sell a portion of their fixed property.**

2

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**TOTAL: 300**













