**NATIONAL SENIOR CERTIFICATE**

**GRADE 12**

**SEPTEMBER 2012**

**ACCOUNTING ANSWER BOOK**

<table>
<thead>
<tr>
<th>QUESTION</th>
<th>MAXIMUM MARKS</th>
<th>MARKS OBTAINED</th>
<th>MODERATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>45</td>
<td></td>
<td></td>
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<tr>
<td>2</td>
<td>55</td>
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<tr>
<td>3</td>
<td>65</td>
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<tr>
<td>4</td>
<td>60</td>
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<tr>
<td>5</td>
<td>40</td>
<td></td>
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<tr>
<td>6</td>
<td>35</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>300</strong></td>
<td></td>
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</tbody>
</table>

This answer book consists of 14 pages.
QUESTION 1

MANUFACTURING CONCERNS

1.1 Calculate the missing amounts denoted by (a) to (e) on the Statement and Notes below:

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>(3)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b)</td>
<td>(3)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c)</td>
<td>(3)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d)</td>
<td>(3)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(e)</td>
<td>(3) 15</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1.2 Note 2: Manufacturing Costs (Factory Overhead Costs)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect labour</td>
<td>42 500</td>
</tr>
<tr>
<td>Depreciation on factory plant and machinery</td>
<td>25 000</td>
</tr>
<tr>
<td>Sundry Factory Expenses</td>
<td>19 084</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>178 544</td>
</tr>
</tbody>
</table>

1.3 Calculate the unit costs of the finished goods produced.

3
1.4 Calculate the Gross Profit for the year.

1.5 Should the business be satisfied with:
   a) The total number of units produced this year? Substantiate.
   b) The break-even number of units compared to last year? Explain.

1.6 The internal auditor noticed that the overtime earnings represent a large percentage of total production wages. He requested that the production management investigate this matter.

1.6.1 Briefly outline the role of an internal auditor.

1.6.2 List TWO problems that the business may be experiencing with regard to overtime, and suggest an appropriate internal control measures that can be used to rectify the concern expressed by the internal auditor.

Problems identified:

Suggestion:
QUESTION 2

BUDGETS AND INTERPRETATION  
(55 marks ; 33 minutes)

2.1 List THREE items (on the budget prepared) that do not belong in a cash budget.

(1)

(2)

(3) 

2.2 CREDITORS’ PAYMENT SCHEDULE FOR THE THREE MONTHS ENDING 31 MARCH 2012

<table>
<thead>
<tr>
<th></th>
<th>JANUARY</th>
<th>FEBRUARY</th>
<th>MARCH</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOVEMBER</td>
<td>126 400</td>
<td>18 960</td>
<td></td>
</tr>
<tr>
<td>DECEMBER</td>
<td>108 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JANUARY</td>
<td>12 160</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FEBRUARY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MARCH</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CASH PAYMENTS TO CREDITORS</td>
<td></td>
<td>139 120</td>
<td></td>
</tr>
</tbody>
</table>

2.3 Explain why the advertising amounts in the projected income statement differ from that in the cash budget.

2.4 Calculate the following:

2.4.1 The mark-up percentage on cost achieved for the year ended 31 December 2011.

2.4.2

(a)

(b)

(c) 

(1)

(2)

(3)
2.4.3 The debtors’ average collection period for 2011 (in months).

2.4.4 Using the acid test ratio for 2011, calculate the creditors balance on 31 December 2011.

2.5 Comment on whether you think that Freedom Traders is likely to experience liquidity problems. Motivate your answer by making reference to the ratios given.

2.6 Comment on the debtors’ collection and the creditors’ payment terms, and give a suggestion on how they could be managed differently.

**Comment:**

**Suggestion:**

2.8 The business plans to acquire a loan of R400 000 in March 2012. Explain why you think that this is either a wise decision or not.
### QUESTION 3

**COMPANIES – FINANCIAL STATEMENTS**

(65 marks; 39 minutes)

3.1 KR TRADERS LTD

INCOME STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2012.

<table>
<thead>
<tr>
<th>Sales</th>
<th>Cost of sales</th>
<th>GROSS PROFIT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(222 600)</td>
<td></td>
</tr>
</tbody>
</table>
3.2 3.2.1 RETAINED INCOME

Balance on 1 March 2011
Net Profit ...

Balance on 28 February 2012

3.2.2 TRADE AND OTHER RECEIVABLES

3.3 Calculate the earnings per share (EPS), and explain the usefulness of this financial indicator.

3.4 Comment on the financial gearing of this company. Use an appropriate ratio or financial indicator in your explanation.
QUESTION 4

CASH FLOW STATEMENT, RATIOS AND INTERPRETATION

4.1.1 OUTBACK LTD
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 NOVEMBER 2011

<table>
<thead>
<tr>
<th>NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES</td>
</tr>
<tr>
<td>• Cash generated from operations</td>
</tr>
<tr>
<td>• Interest paid</td>
</tr>
<tr>
<td>• Dividends paid</td>
</tr>
<tr>
<td>• Income Tax paid</td>
</tr>
</tbody>
</table>

| CASH FLOWS FROM INVESTING ACTIVITIES |
| • Purchases of non-current assets |
| • Proceeds from the sale of non-current assets |

| CASH FLOWS FROM FINANCING ACTIVITIES |
| • Proceeds from the issue of shares |
| • Proceeds/repayment of loans |

| NET CHANGE IN CASH AND CASH EQUIVALENTS |
| Cash and cash equivalents (1 December 2010) |
| Cash and cash equivalents (30 November 2011) |
### 4.1.2 Note 1: CASH GENERATED FROM OPERATIONS

<table>
<thead>
<tr>
<th>Net Profit …</th>
<th></th>
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<tbody>
<tr>
<td><strong>Adjustments for:</strong></td>
<td></td>
</tr>
<tr>
<td>•</td>
<td></td>
</tr>
<tr>
<td>•</td>
<td></td>
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<tr>
<td>Profit before changes in working capital</td>
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<tr>
<td>Change in working capital</td>
<td></td>
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</table>

**CASH GENERATED FROM OPERATIONS**: 16

### 4.2.1 At what price were the additional shares issued?

4

### 4.2.2 Calculate the average return on shareholder’s equity for the year ended 30 November 2011.

5

### 4.2.3 Explain whether you think the shareholders should be happy with the return on their investment. (Return on shareholder’s equity for 2010 was 17%).

2

### 4.2.4 Calculate the dividends per share (DPS) for the year ended 30 November 2011.

2
4.2.5 Give a reason why you think the final dividend this year was much lower than the interim dividend.

4.2.6 The net asset value (NAV) for 2011 is 266c. Give ONE factor that causes the net asset value to increase.

4.2.7 If the market price of the shares of Outback LTD is 252c, would it be a wise decision to purchase them now? Explain.
QUESTION 5

RECONCILIATION and VAT

(40 marks ; 24 minutes)

5.1 Creditors Reconciliation

5.1.1 Calculate the correct balance for Kay Lee Suppliers in the Creditors Ledger.

5.1.2 CREDITORS RECONCILIATION STATEMENT ON 31 AUGUST 2012.

<table>
<thead>
<tr>
<th>Balance as per Statement</th>
<th>36 600</th>
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5.2 Debtors

5.2.1 GENERAL LEDGER OF JP STORES

BALANCE SHEET SECTION

DEBTORS CONTROL (B6)

<table>
<thead>
<tr>
<th>2011 May</th>
<th>1</th>
<th>Balance</th>
<th>b/d</th>
<th>21 670</th>
<th>2011 May</th>
<th>31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31</td>
<td></td>
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</table>
5.2.2 The credit controller realised that debtors’ allowance is high.

- What can the business do to reduce this balance? (Two points).

5.2.3 A debtor, who had been charged interest for three months, at 12% p.a. on his overdue account of R3 560, argued that this penalty was unfair because his most recent purchase of R1 250 was made in this month.

- Explain why you agree with him.

5.2.4 The business uses the invoice method to determine its VAT liability.

- Briefly describe this method.

- Due to the cash flow problems experienced by the business, the owner decided to inflate the VAT Input on the VAT return form by R7 500. What implications would this have on the business and the owner?
QUESTION 6
STOCK VALUATION AND ASSET MANAGEMENT (35 marks; 21 minutes)

6.1 INVENTORY VALUATION

6.1.1 Perkin Stores uses the weighted average method to value their stock. Calculate the closing stock balance, using the above method.

6.1.2 Calculate the Gross Profit on TV sets sold for the year based on the weighted average method.

6.1.3 Perkin is considering a change to the FIFO method to value his stock. Calculate the Gross Profit using this method.

6.1.4 In your opinion, which is the more appropriate method to use? Give a reason for your answer.

6.1.5 Although Perkin is contended to sell the same brand TV sets, he did notice the significant difference between the number of units he had at the beginning of the year, and his closing balance. Explain why he should be concerned about this trend, and provide TWO suggestions on how he can remedy this situation.

Why he should be concerned:

Suggestions:
6.2 ASSET MANAGEMENT

6.2.1 Calculate the cost of the vehicle disposed (a). 

6.2.2 Provide suitable details for (b) and (c) in the asset disposal account. 
(b) 
(c) 

6.2.3 Calculate the profit on disposal on the vehicle above. 

6.2.4 The business uses the diminishing balance method (carrying value) to calculate depreciation. Calculate the depreciation rate (percentage). 

[35] 

TOTAL: 300