



Province of the
EASTERN CAPE
EDUCATION



NATIONAL SENIOR CERTIFICATE

GRADE 12

SEPTEMBER 2022

ACCOUNTING P2

MARKS: 150

TIME: 2 hours

This question paper consists of 12 pages, including 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	Inventory Valuation and VAT	35	30
2	Reconciliations	35	30
3	Cost Accounting	40	30
4	Budgeting	40	30
TOTAL		150	120

QUESTION 1: INVENTORY VALUATION AND VAT (35 marks; 30 minutes)**1.1 INVENTORY VALUATION**

Debra Traders sells electric fans. The business is owned by Deb Fisher. The information relates to the financial year ended 30 April 2022.

The periodic inventory system and the first-in-first-out (FIFO) method are used to value the stock of fans.

REQUIRED:

1.1.1 Calculate the following for the financial year ended 30 April 2022:

- Value of the closing stock (5)
- Cost of sales (6)

1.1.2 Deb is concerned about the sales and profitability.

- Calculate the average stockholding period (in days). (5)
- Based on your findings, comment on whether she should be concerned or not. (2)

1.1.3 Deb wants to change to the weighted average method to value the electric fans as she feels that this will improve profitability. Comment on this proposal. Provide TWO points. (4)

INFORMATION:**A. Stock of electric fans:**

	UNITS	TOTAL (R)
On 1 May 2021	330	79 200
On 30 April 2022	470	?

B. Purchases of electric fans during the year:

MONTH	UNITS	UNIT COST (R)	TOTAL (R)
July 2021	250	250	62 500
September 2021	350	260	91 000
December 2021	500	275	137 500
February 2022	300	285	85 500
TOTAL	1 400		376 500

- C. Six (6) electric fans from the December 2021 batch, with a total cost of R1 650, were used as prizes in an advertising campaign.
- D. Ten (10) damaged fans from the February 2022 purchases were returned to suppliers. A refund of the total cost was received.
- E. **Sales:**
Electric fans are sold at a fixed price of R425 each. The total sales amounted to R528 700.

1.2 VAT

B-Line Suppliers is registered for VAT. The standard rate of 15% is applicable. The business is owned by Brenda Fazile.

REQUIRED:

1.2.1 Calculate the amount payable to SARS in respect of VAT for the two-month VAT period ended 30 June 2022. (9)

1.2.2 Brenda has negotiated with a supplier to provide her with a purchase invoice for R120 000, although the actual purchase was for R30 000.

As a senior manager, what would you say to Brenda regarding this transaction? Provide TWO points. (4)

INFORMATION:

A. The balance due by SARS on 1 June 2022 was R3 800.

B. VAT amounts extracted from the records for June 2022:

	VAT AMOUNT R
Total sales	142 500
Total purchases of stock	86 100
Discount received from suppliers	3 750
Goods returned by debtors	1 260
Sale of old equipment	6 000
Goods taken by the owner for personal use	1 125
Bad debts recovered	540

QUESTION 2: RECONCILIATIONS**(35 marks; 30 minutes)****BANK RECONCILIATION**

- 2.1 Indicate whether each of the following statements are TRUE or FALSE. Write only 'true' or 'false' next to each number (2.1.1 to 2.1.3) in the ANSWER BOOK.
- 2.1.1 Cash withdrawal fee and interest on overdraft on a bank statement are recorded as bank charges in the Cash Payments Journal.
- 2.1.2 A credit balance on the bank statement represents a favourable balance for the business.
- 2.1.3 It is not necessary to prepare a bank reconciliation statement because the bank statement will always provide the correct bank balance. (3)

2.2 AMADEV STORES

The information relates to July 2022. The official bank statement, used for reconciliation purposes, is e-mailed to the business on 25th of each month.

REQUIRED:

- 2.2.1 Update the CRJ and CPJ totals in the table provided and calculate the correct bank account balance in the General Ledger on 31 July 2022. Show ALL workings. (9)
- 2.2.2 Prepare the Bank Reconciliation Statement on 31 July 2022. (8)
- 2.2.3 Refer to **INFORMATION D**: Deposit of R22 500 on 20 July 2022. Explain why the accountant should be concerned about this deposit. Provide ONE point. (2)

INFORMATION:

- A.** The Bank account in the General Ledger reflected a favourable balance of R21 800 on 1 July 2022.
- B.** Before inspecting the July bank statement, the provisional totals in the July journals were: **CRJ**: R116 400 and **CPJ**: R132 500.
- C.** Bank charges on July bank statement but not in the journal, R1 150.
- D.** Deposit, dated 20 July was not reflected on the bank statement, R22 500.
- E.** Deposit, dated 29 July was not reflected on the bank statement, R12 700.
- F.** EFT received from a debtor was correctly reflected as R5 300 on the bank statement, but incorrectly recorded as R3 500 in the journal.
- G.** The debit order for cellphone data, R1 840, was not recorded in the relevant journal. It was also incorrectly duplicated on the July bank statement.
- H.** EFT 778, dated 31 July, was not reflected on the bank statement, R6 200.

- I. Rent received on 30 July, R9 200, was recorded in the journal from a proof of payment received from the tenant. This did not appear on the statement.
- J. Debit order for advertising appeared on the bank statement but not in the journal, R740.
- K. The bank statement closed with a balance of R ? on 25 July 2022.

2.3 MOLLY'S DELI

Molly buys her fast-food products from Gladys Suppliers. She received a statement from Gladys Suppliers on 26 August 2022. The amount due did not agree with the balance in the Creditors Ledger. Her bookkeeper, Janice, stated that the Creditors ledger balance was **R41 800**.

An analysis of the Creditors Ledger account and the statement received reflected that the statement was correct in all respects. Errors and omissions were noted in the books of the business only.

REQUIRED:

- 2.3.1 Show how the errors and omissions identified must be treated to correct the Creditors Ledger Account of Gladys Suppliers in the books of the business.
Use the table provided. Show a "+" for increases or "-" for decreases next to each amount and calculate the final balance. (9)

2.3.2 Refer to information D

Molly was disappointed that she did not benefit from the discount. How can Molly improve the internal control process to ensure that this does not happen in the future? Provide TWO points. (4)

INFORMATION

Errors and omissions identified in the books of the business.

- A. An invoice for R8 600 was not recorded in the creditors ledger account.
- B. A credit invoice for R17 800 appeared in the creditor's ledger account of Gladys Suppliers. This was for goods purchased from Glyn Stores.
- C. A credit invoice for R12 600 was recorded as R21 600 in the creditors ledger account.
- D. A discount of R600 was recorded in the creditors ledger when an EFT payment for R12 000 was made on 7 August 2022. Gladys Suppliers indicated that this was not granted, as it did not adhere to the credit terms.
- E. Returns of damaged goods was recorded as an invoice, R2 240.

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PAGE BLANK.**

QUESTION 3: COST ACCOUNTING**(40 marks; 30 minutes)**

- 3.1 Match the concepts in COLUMN A with an example provided in COLUMN B. Write only the letters (A–D) next to the question numbers (3.1.1 to 3.1.4) in the ANSWER BOOK.

COLUMN A		COLUMN B	
3.1.1	Indirect labour	A	Cost of raw materials used in the production process
3.1.2	Administration cost	B	Manufactured products that are ready for distribution to retailers
3.1.3	Variable cost	C	Wages paid to the factory maintenance workers
3.1.4	Finished goods	D	Stationery purchased, for office use

(4 x 1) (4)

3.2 **ZAZA ACCESSORIES**

The information relates to the production of water bottles. The financial year ended on 28 February 2022.

REQUIRED:3.2.1 **Refer to Information A**

Calculate the direct labour cost for the production of water bottles. (8)

3.2.2 **Refer to Information D**

Correct the Factory Overhead cost amount by taking into account the errors and omissions. Show (+) for increase and (-) for decrease next to each amount. (9)

3.2.3 Complete the Production Cost Statement on 28 February 2022. (9)

INFORMATION:**A. Production wages:**

- The water bottle factory employs 5 workers.
- Each worked 1 550 hours normal time at R60 per hour.
- A combined total of 225 hours of overtime was reflected on the overtime register. The overtime rate is 1,6 times the normal rate.
- All employees pay 1% of total earnings to the UIF, and the business contributed an equal amount to the Fund.

B. Stocks balances:

	28 February 2022	1 March 2021
Work in progress	R ?	R 18 750
Finished goods	R 42 300	R 46 800

C. Prime cost amounted to R812 500.

D. Factory Overhead Costs:

The bookkeeper calculated the factory overhead cost as **R203 720**.

The following errors and omissions were noted:

- (a) The cleaner earns R5 000 per month. 25% of this must be allocated to the water bottles factory. This was not taken into account.
- (b) The closing stock of factory indirect material, R1 800, was not taken into account.
- (c) The factory overhead cost included insurance of R19 200 which was shared in the ratio 4 : 2 between the water bottle factory and selling and distribution. This should have been shared in the ratio 5 : 1.
- (d) The entire water and electricity expense of R47 400 was included in the factory overhead cost. Only 70% of this expense relates to the water bottle factory.

E. Sales for the year amounted to R1 305 850 (cost R1 004 500).

3.3 UNIT COSTS AND BREAK-EVEN

Cage Traders sells blankets. The information relates to the two years ended June 2022. The owner is Cage Matt.

REQUIRED:

- 3.3.1 Comment on the control over direct material cost per unit and selling and distribution cost per unit. Quote figures. In each case, provide a possible reason for the change. (6)
- 3.3.2 Explain whether Cage (the owner) should be satisfied with the level of production achieved and the break-even point. Provide TWO points. Quote figures. (4)

INFORMATION:

	2022	2021
	UNIT PRICE R	UNIT PRICE R
Direct Material Cost	120,00	140,00
Direct Labour Cost	140,00	110,00
Factory Overhead Cost	92,00	90,00
Selling and Distribution Cost	90,00	60,00
Administration Cost	40,00	40,00
Selling price per unit	500,00	470,00
Number of units produced and sold	9 000 units	8 000 units
Break-even point	7 920 units	6 500 units

QUESTION 4: BUDGETING**(40 marks; 30 minutes)****4.1 Explain why:**

- 4.1.1 Bad debts will not appear in a cash budget. (1)
- 4.1.2 A cash budget is an effective internal control mechanism. (2)

4.2 MARIE (PTY) LTD

The company is registered with an authorised share capital of 800 000 ordinary shares.

REQUIRED:**4.2.1 Refer to Information A and B**

Calculate the collection from debtors during September 2022. (7)

4.2.2 Calculate the missing amounts denoted by **(i)** to **(iv)** on the extract Cash Budget provided in **Information E**. (13)

4.2.3 Calculate the % increase in salaries and wages. (3)

4.2.4 Provide TWO reasons why the company decides to invest in staff training. (2)

4.2.5 Refer to Information J.

Marie has decided to change the sales strategy due to low turnover during the Covid-19 pandemic.

- Comment on the new approach regarding cash and credit sales. (2)
- Explain TWO disadvantages of the approach adopted. (4)
- Comment on the actual and budgeted figures for advertising and packing material. Quote figures. (6)

INFORMATION:

A.	JULY R	AUGUST R	SEPTEMBER R
Credit sales	364 000	382 200	354 900
Cost of sales figures:	320 000	336 000	312 000

B. Debtors pay according to the following trend:

50% of debtors pay in the month of sales and receive a 4% discount
 30% pay in the month following the sales month
 18% pay in the second month after the sales month
 Bad debts accounts for 2%

C. Cash sales is 35% of total sales.**D.** Purchases and payment to creditors:

- Stock sold is replaced in the month of sale.
- Cash purchases amounts to 25% of total purchases.
- Creditors for stock purchases are paid in the second month following the purchase (60 days).

E. Extract of the Cash Budget for the two months:

	AUGUST	SEPTEMBER
Receipts		
Cash Sales	205 800	191 100
Cash from Debtors		
Rent Income	(i)	13 878
Additional shares	465 000	
Payments		
Cash purchases of stock	84 000	78 000
Payment to creditors	225 000	(ii)
Salaries and wages	134 300	142 358
Repayment of loan		(iii)
Interest on loan	3 300	2 750
Advertising	17 640	16 380
Packing material	35 280	32 760
Delivery expenses	41 160	38 220
Ordinary share dividends		(iv)
Staff training		70 000

- F.** The rent will increase by 8% p.a. from 1 September 2022.
- G.** Part of the loan will be re-paid on 1 September 2022. Interest on loan at 11% p.a. is payable on the last day of each month, and is not capitalised.
- H.** On 1 July 2022, there were 480 000 ordinary shares in issue.
Additional shares will be issued on 1 August 2022 at R6,20 per share.
Interim dividends of 15 cents per share is payable on 30 September 2022, to all shares on the share register.
- I.** Advertising is a fixed percentage of budgeted cash sales.
Delivery to customers is outsourced to Victor Reliable.
- J. Budgeted and Actual figures for July 2022:**

BUDGET ITEMS	BUDGETED R	ACTUAL R
Cash sales	196 000	50 400
Credit sales	364 000	285 600
Total sales	560 000	336 000
Advertising	16 800	13 440
Packing material	33 600	18 500

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 and other receivables + Cash and cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	
NOTE: * 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.	