



Province of the
EASTERN CAPE
EDUCATION

NATIONAL SENIOR CERTIFICATE

GRADE 12

SEPTEMBER 2013

ACCOUNTING

MARKS: 300

TIME: 3 hours



This question paper consists of 18 pages.

INSTRUCTIONS AND INFORMATION

1. This question paper comprises SIX compulsory questions.
2. Answer ALL the questions in the special answer book provided.
3. Where applicable, workings must be shown in order to achieve part-marks.
4. Non-programmable calculators may be used.
5. You may use a dark pencil or black/blue ink to answer the questions.
6. A breakdown of the questions is provided. You must attempt to comply with the suggested time allocation for each question.

Use the information given in the table below as a guide when answering the questions.
To exercise good time management, try NOT to deviate from it.

QUESTION 1: (40 marks ; 24 minutes)	
<i>Topic of the question</i>	<i>Learning Outcomes covered</i>
Reconciliations	LO1 Financial Accounting
	AS4 Interpret bank, debtors and creditors reconciliations
	LO3 Managing Resources
	AS6 Apply internal control and internal audit processes

QUESTION 2: (30 marks ; 18 minutes)	
<i>Topic of the question</i>	<i>Learning Outcomes covered</i>
Inventory Systems	LO3 Managing Resources
	AS2 Validate and calculate inventories: FIFO, Weighted average

QUESTION 3: (55 marks ; 33 minutes)	
<i>Topic of the question</i>	<i>Learning Outcomes covered</i>
Manufacturing Concerns and Asset Management	LO2 Managerial Accounting
	AS2 Production cost statement: manufacturing
	Unit costs and break-even: prepare, analyse and report
	LO3 Managing Resources
	AS3 Interpret and report on asset disposal
	AS6 Apply internal control and internal audit processes

QUESTION 4: (85 marks ; 51 minutes)	
<i>Topic of the question</i>	<i>Learning Outcomes covered</i>
Companies <ul style="list-style-type: none"> Financial Statements and Interpretation. Auditing and professional bodies. 	LO1 Financial Accounting
	AS5 Financial statements: companies
	Analysis and interpretation of Financial Statements
	LO3 Managing Resources
	AS5 Professional bodies and Code of ethics
	AS6 Apply internal control and internal audit processes

QUESTION 5: (45 marks ; 27 minutes)	
<i>Topic of the question</i>	<i>Learning Outcomes covered</i>
Cash Flow and Interpretation	LO1 Financial Accounting
	AS5 Cash Flow Statement: companies
	Analysis and interpretation of Financial Statements

QUESTION 6: (45 marks ; 27 minutes)	
<i>Topic of the question</i>	<i>Learning Outcomes covered</i>
Budgeting	LO2 Managerial Accounting
	AS3 Cash budget: analyse and interpret
	LO3 Managing Resources
	AS6 Apply internal control and internal audit processes

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

The information presented below is from the cash records of Gateway Stores for April 2013, the last month of this financial year.

INSTRUCTIONS:

- 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 of R11 240 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)

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INFORMATION:**BANK RECONCILIATION STATEMENT OF GATEWAY STORES: 30 April 2013**

Credit balance as per bank statement		4 280	
Outstanding Deposits (R5 000 + R6 240)		11 240	
Outstanding cheques:	No. 784 (2 September 2012)	300	
	No. 893 (8 April 2013)	5 150	
	No. 1024 (7 May 2013)	3 500	
Credit amount wrongly debited		880	
Balance as per Bank Account		?	

1.2 Debtors Age Analysis

You are presented with the Debtors Age Analysis of XY Traders.

Study the information and answer the following questions.

REQUIRED:

- 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*) (4)
- 1.2.5 Explain TWO measures a business can introduce to improve the collection of money from debtors. (4)

[17]**INFORMATION:**

1.

DEBTORS	+90 DAYS	61 – 90 DAYS	30 – 60 DAYS	CURRENT
T. Naicker		220	820	1 230
I. Neermul	1 400			
P. Mlotya		980		
Z. Nomhle			170	740

2. Credit terms: 30 days less 5% discount
Over 60 days: interest at 12% p.a.

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

TK Tronics is a small business that sells computers and other electronic equipment. Most of their products (stock) are bought from local suppliers, but one brand of digital camera is imported from Germany. For this product, the business uses the periodic inventory system and the weighted average method for stock control.

The cameras are sold for R750 each, which is considered to be a competitive price. The financial year-end is 29 February 2012.

You are given information that is relevant for the digital cameras only.

REQUIRED: Round off all calculations to the nearest Rand.

2.1 Calculate the following:

2.1.1 Total purchases of cameras during the year. (5)

2.1.2 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 value 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)

INFORMATION:

1. **Stock of cameras on 1 March 2011:** 80 cameras at R440 each = R35 200
(inclusive of all cost involved)

2. Purchases of cameras during the year:	UNITS	UNIT COST (€)	EXCHANGE RATE
• April	60	42	1€ = R10,80
• July	110	44	1€ = R10,90
• September	70	47	1€ = 11,10
• December	40	43	1€ = 11,05
Total	280		

3. Import duties amounted to R13 550 (total).

4. **Stock of cameras on 29 February 2012:** 42 units

5. **Sale of cameras for the year:** 292 cameras at R750: R219 000

QUESTION 3**Manufacturing Accounts and Asset Management****(55 marks ; 33 minutes)**

- A** The information provided is from the books of Majola Suppliers, a business that manufactures cricket balls. Their financial year starts on 1 July each year.

REQUIRED:

- 3.1 Calculate the factory overhead cost. (Manufacturing overheads) (8)
- 3.2 Prepare the Production Cost Statement for the year ended 30 June 2013.
(Where notes/calculations are not required, show all workings in brackets) (10)
- 3.3 Calculate:
- 3.3.1 Direct material cost per unit (3)
- 3.3.2 Production cost per unit (3)
- 3.3.3 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)

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INFORMATION:

1. Details of raw material stock:

Stock of raw material on 1 July 2012	42 000
Raw material purchased during the year	436 000
Transport cost on material purchased	24 000
Stock balance on 30 June 2013	38 875

2. Indirect labour costs for the year amounted to R37 300.
3. Consumable stores used in the factory were R19 740.
4. Rent Expense of R73 500 must be distributed between the factory, sales and office according to the floor space occupied, as follows:

Factory	2 400 square metres
Sales	1 200 square metres
Office	600 square metres

5. Water and electricity for the year was R67 000. 75% is used in the factory.
6. Insurance of R12 600 must be split between the factory and the office in the ratio 3:1 respectively.
7. Other factory expenses including depreciation amounted to R36 260.
8. A total of 32 500 cricket balls were manufactured and sold. The business ensures that there is no work in process balance at the end of each year.
9. The selling price per ball was maintained at R45 each.
10. The following **unit costs** were calculated taking into account all variables:

		2013	2012
Direct material cost	Variable cost	?	11,60
Direct labour cost	Variable cost	?	8,90
Prime cost per unit		R24	20,50
Factory overhead cost	Fixed cost	?	5,80
Administration cost = R110 500	Fixed cost	R3,40	3,50
Selling and distribution costs	Variable cost	R6	5,50
Total variable cost per unit		R30	

B Information about the Tangible Assets of Majola Stores is presented.

Study the information and answer the following questions:

REQUIRED:

3.5 Prepare the following accounts in the General Ledger:

3.5.1 Equipment (4)

3.5.2 Asset Disposal (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)

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INFORMATION:

1. TANGIBLE FIXED ASSETS: BALANCES

	1 JULY 2012	30 JUNE 2013
Delivery vehicles (cost)	256 000	256 000
Equipment (cost)	172 000	174 000
Accumulated depreciation on vehicles	99 150	133 499
Accumulated depreciation on equipment	81 400	?

2. On 1 January 2013, the business replaced three existing computers with two new ones purchased on credit from YZ Tech. The old computers were sold to employees for R2 000 each (cash).

- Cost of the computers disposed: $(R7\ 500 \times 3) = R22\ 500$.
- Accumulated depreciation on all three computers on 1 July 2012 was R8 100.

3. Depreciation on equipment is provided for at 20% on carrying value.

4. The asset register for delivery vehicles revealed the following information:

	VEHICLE NO 1	VEHICLE NO 2
Cost price of vehicles (30 June 2013)	175 000	81 000
Accumulated depreciation (30 June 2013)	52 500	80 999

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

You are provided with information from the accounting records of Meera Traders LTD.

The financial year-end is 28 February 2013. The company is registered with an authorised share capital of R700 000.

REQUIRED:

- 4.1 4.1.1 Briefly explain the GAAP principle that relates to doing adjustments at the end of the financial year. (2)
- 4.1.2 Taking into account the additional information (adjustments), complete the Income Statement for the year ended 28 February 2013. (23)
- 4.2 Prepare the Note for Trade and Other Receivables. (7)
Complete the partially completed Balance Sheet. (18)
- 4.3 *Refer to the table of indicators provided.*
- 4.3.1 (a) Calculate the CURRENT RATIO and the ACID TEST RATIO for 2013. (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. (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 the director be allowed to do this? Explain. (3)

INFORMATION:

1. Balances and Totals from the Pre-adjustment Trial Balance on 28 February 2013.

Ordinary Share Capital (110 000 shares)	550 000	
Share Premium	35 555	
Retained income (1 March 2012)	34 500	
Loan: Sandy Bank (12,5%)	135 000	
Fixed Deposit: BB Bank	50 000	
Tangible Assets (carrying value on 28 February 2013)	700 380	
Trading stock	32 800	
Debtors control	17 530	
Provision for bad debts (1 March 2012)	1 075	
Creditors Control	22 360	
Bank (overdraft)	9 900	
Cash float	2 500	
Petty cash	1 000	
SARS: Income Tax (provisional payments) (Dr)	20 000	
Gross Profit on 28 February 2013	314 000	
Salaries	83 200	
Discount allowed	1 450	
Audit fees	5 500	
Directors' fees	142 000	
Consumable stores	7 330	
Interest on investment	4 125	
Rent Income	51 300	
Profit on sale of asset	470	
Insurance	6 400	
Stationery	7 220	
Sundry expenses	18 400	
Dividends on ordinary shares	13 200	

2. **Additional Information:**

- (a) Stock count at the end of the financial year revealed the following stock on hand:
- Trading stock: R29 300
 - Consumable stores: R1 130
- (b) The account of X. Payi (a debtor), must be written off as a bad debt, R830.
- (c) R400 received from Y. Bother (a debtor whose account was previously written off) was posted to the Debtors Control Account. This must still be corrected.
- (d) After taking into account the adjustments involving debtors, the provision for bad debts must be adjusted to 5% of debtors.
- (e) Rent income for February 2013 was not yet received. Take into account that the rent increased by R360 per month from 1 September 2012.
- (f) Half the insurance paid relates to the next financial year.
- (g) Interest on fixed deposit for the last quarter of the financial year was not received. Note that the R50 000 was invested on 1 March 2012.
- (h) Interest on loan is capitalised on 28 February 2013. The current year's interest is included in the loan balance above. Note that R18 000 of the loan is repayable on 1 March each year. No other payments were made.
- (i) Depreciation of R34 375 must be taken into account.
- (j) Income tax for the year amounts to R22 475.
- (k) A final dividend of R8 800 was declared. There were no additional shares issued in this financial year.

3 **Financial Indicators:**

	28 FEB 2013	28 FEB 2012
Current ratio	?	1,5 : 1
Acid test ratio	?	0,9 : 1
Debtors average collection period	38 days	41 days
Creditors average payment period	42 days	40 days
EPS (Earnings per share)	?	26 cents
DPS (Dividends per share)	?	23 cents
% return on shareholders' equity	30%	37%
Current interest rate on investments	10%	

B Auditing and Professional Bodies

The audit report received from the independent auditors highlighted the following:

1. *The financial statements are the responsibility of the company's directors. Their responsibility is to express an opinion on the financial statements based on the audit performed.*
2. *The audit includes, on a test basis, evidence supporting the amounts in the financial statements and assessing the accounting principles used.*
3. *It stated that the financial statements fairly present, in all material respects, the financial position of the company, and that it is in accordance with IFRS as well as the Companies Act of South Africa.*

QUESTIONS:

- 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 the audit report. (2)

QUESTION 5**Cash Flow and Interpretation****(45 marks ; 27 minutes)**

The information presented below was extracted from the accounting records of Honey Dew Ltd. The company's financial year ends on the 28 February 2013.

REQUIRED:

- 5.1 Complete the following General Ledger accounts:
 - 5.1.1 SARS (Income tax) (5)
 - 5.1.2 Ordinary Share Dividends (5)
- 5.2 Prepare the "**CASH GENERATED FROM OPERATIONS**" note to the Cash Flow Statement. (11)
- 5.3 Complete the "**CASH FLOW FROM FINANCING ACTIVITIES**" section of the Cash Flow Statement. (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)

INFORMATION:

1. Extract from the **Income Statement** for the year ended 28 February 2013.

Interest paid on loan	23 100
Depreciation	88 500
Net profit before income tax	180 000
Net Profit after income tax	126 000

2. Extract from the **Balance Sheet** at 28 February 2013.

	NOTE	2013	2012
Ordinary share capital		600 000	400 000
Share premium		135 000	80 000
Retained income		131 000	70 000
Non-current liabilities:			
Loan (14% p.a.)		120 000	180 000
Inventory		290 000	200 000
Trade and other receivables	(c)	197 500	160 000
Bank (Debit balance)		41 900	-
Cash float		2 100	1 900
Trade and other payables	(d)	?	98 400
Bank overdraft		-	13 000

3. **Additional Information:**

- (a) Honey Dew Ltd has an authorised share capital of 400 000 ordinary shares at R2 each.
- (b) An interim dividend of R20 000 was declared and paid on 31 August 2012. A final dividend of 15 cents per share was declared on 28 February 2013.

(c) **Note: Trade and Other Receivables:**

	2013	2012
Trade debtors	192 500	160 000
SARS (Income Tax)	5 000	-
	197 500	160 000

(d) **Note: Trade and Other Receivables:**

	2013	2012
Trade creditors	77 000	72 400
SARS (Income Tax)	-	8 000
Shareholders for dividends	?	18 000
	?	98 400

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 You are presented with the partially completed Debtors Collection Schedule and the Cash Budget of BZN Bazaar.

- 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. (7)
 - Is the business controlling credit effectively? Motivate your answer by quoting appropriate figures from the information. (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 to 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, 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. (4)

INFORMATION:

1. **DEBTORS COLLECTION SCHEDULE FOR THE BUDGET PERIOD JULY AND AUGUST 2013.**

MONTH	CREDIT SALES	JULY	AUGUST
May	54 000	6 480	
June	51 000	28 050	6 120
July	46 500	13 671	(a)
August	48 000		(b)
Cash from Debtors		48 201	(c)

2. **CASH BUDGET FOR JULY AND AUGUST 2013**

RECEIPTS	JULY (BUDGETED)	JULY (ACTUAL)	AUGUST (BUDGET)
Cash Sales	15 500	19 420	16 000
Cash from debtors	48 201	41 120	(c)
Rent Income	4 500	4 500	4 815
Fixed deposit and interest (12% p.a.)	-	-	8 755
TOTAL RECEIPTS	?	?	?
PAYMENTS			
Payments to creditors (Trading Stock)	51 136	51 136	(d)
Salaries: office staff	24 000	24 000	25 920
Water and electricity	4 700	4 680	4 700
Telephone	3 600	5 240	3 600
Drawings	2 500	4 000	2 500
Stationery	1 500	2 220	1 500
Loan: repayment	5 000	5 000	5 000
Maintenance (vehicles)	4 500	2 280	4 500
Advertising	2 000	2 000	2 150
Salaries of sales assistants	12 600	12 600	(e)
General sundry expenses	3 200	3 260	3 360
TOTAL PAYMENTS	?	?	?

3. Receipts from debtors is collected according to the following trend:

- 30% of debtors pay in the month of sales. They receive a 2% discount.
- 55% pay in the month following the month of sales.
- 12% pay two months following the month of sales.
- 3% is usually written off as bad debts.

4. Goods are sold for cash and on credit.
All goods are sold at a profit mark-up of 25% on cost.
5. The business maintains a base stock. (Stock sold in a month is replaced in that month). Trading stock is purchased on credit. Although creditors allow 60 days to settle accounts, the business pays creditors in the month following the month of sales, in order to qualify for the 6% cash discount for early payments.
6. The business employs three sales assistants. The business plans to employ an additional sales assistant in August. All employees are entitled to an 8% annual increase effective from the 1 August 2013.
7. A fixed deposit matures in August 2013. This will be received together with the interest for the last quarter of its term.

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GRAND TOTAL: 300

