



education

Department of
Education
FREE STATE PROVINCE

ACCOUNTING

GRADE 12

JUNE 2023 – EXAMINATION PAPER 2

MARKS: 150

TIME: 2 HOURS

This question paper consists of 12 pages, a formula sheet
and a 10-page answer book.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the 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 the questions.
6. Where applicable, show all calculations to ONE decimal point.
7. Write neatly and legibly.
8. If you choose to do so, you may use the financial indicator formula sheet which is attached at the end of this question paper. Use of this formula sheet is not compulsory.
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	TIME GUIDE
1	Reconciliations and Age analyses	60	50
2	Inventory	40	30
3	Manufacturing	50	40
TOTAL		150	120

QUESTION 1: RECONCILIATION, INTERNAL CONTROL AND AGE ANALYSES
(60 marks; 50 minutes)

1.1 SLOGAN TRADERS

The following information relates to Slogan Traders for May 2023. The official bank statement from UK Bank is issued on the 28th of each month.

REQUIRED:

- 1.1.1 Complete the Cash Journals for May 2023. (12)
- 1.1.2 Calculate the correct bank balance on 31 May 2023. (5)
- 1.1.3 Prepare the Bank Reconciliation Statement for May 2023. (10)
- 1.1.4 Refer to the outstanding deposit of R24 400. Provide TWO solutions to avoid this problem in future. (4)

INFORMATION:

- A. Extract from the Bank Reconciliation Statement on 30 April 2023:

Credit balance on Bank statement	R9 500
Outstanding deposits: 12 April 2023	24 400
28 April 2023	36 600
Outstanding EFT: No. 321	37 900
Favourable balance as per Bank account	?

Note:

- The outstanding deposit of R24 400 on the Bank Reconciliation Statement was in respect of sales. It also did not appear on the Bank Statement for May. An investigation revealed that the bookkeeper never deposited the money. It was decided to write-off the deposit.
 - The outstanding deposit of R36 600 appeared on the Bank Statement for May 2023.
 - EFT 321 appeared on the May 2023 Bank statement.
- B. **Provisional totals from the Cash Journals on 31 May 2023:**
- Cash Receipts Journal, R232 030
 - Cash Payments Journal, R102 500

C. The following information on the May 2023 Bank Statement received from UK Bank did not appear in the May Cash Journals:

- A direct payment of R108 000 appeared on the Bank Statement. This was the final repayment on the loan.
- A deposit from M Martin for R14 500 for her monthly rent.
- EFT 444 for R13 200 was paid to Jannie Traders for trading stock. After an investigation it was discovered that the bookkeeper neglected to record this.
- EFT Fees, R878
- Cash handling fees, R215
- Service fees, R409
- Interest on positive bank balance, R216.
- Debit orders:
 - R7 800 for insurance
 - R5 760 for water and electricity
- EFT 474 payment for R5 262 was in favour of Silverton Radiators. The bank duplicated this EFT in the bank account. The bank will rectify this error.
- Paid the creditor electronically R14 300 for settlement of the account.
- A bank error of R7 900 was reflected as a deposit on the statement. The bank will rectify the error.

D. The following information appeared in the May 2023 Cash Journals but did not appear on the Bank Statement for May 2023:

- EFT 323 for R45 165.
- Outstanding deposit, R27 660
- Balance per Bank Statement on 31 May 2023, R?.

1.2 SEB TRADERS

The bookkeeper of SEB Traders made some mistakes in preparing the Creditors' Control Account and the Creditors' List on 30 April 2023.

REQUIRED:

- 1.2.1 Calculate the correct Creditors' Control Account in the General Ledger for April 2023. (5)
- 1.2.2 Prepare the correct Creditors' List on 30 April 2023. (12)

INFORMATION

Pre-adjustment figures on 30 April 2023.

Creditors' Control Account balance		R102 350
Creditors' List total from the Creditors' Ledger		R117 450
Motloung Traders	R36 650	
Maritz Wholesalers	R40 500	
Mkhize Stores	R30 300	
Meyer Suppliers	R10 000	

ERRORS AND OMISSIONS

- A The total of Creditors Journal was inaccurately added as R55 900 instead of R75 900.
- B Credit purchases of R7 250 from Meyer Suppliers was posted to the wrong side of his account as a payment. Rectify the error.
- C A payment of R9 600 to Mkhize Stores was correctly recorded in the Cash Payments Journal but the bookkeeper neglected to post this payment to the creditor's account.
- D Credit purchases of merchandise to the value of R34 570 from Maritz Wholesalers were wrongly entered as R43 750 in the Creditors Journal and posted as such.
- E A credit balance of R7 775 from Mkhize Stores' account in the Debtors Ledger must be transferred to their account in the Creditors Ledger.
- F An EFT payment for R14 600 issued to Motloung Traders was correctly recorded in the Cash Payments Journal but inadvertently posted to Maritz Wholesalers account. Rectify the error.

1.3 HALLOWA STORES

The debtors' age analysis on 30 April 2023 is provided. Credit terms are 30 days.

REQUIRED:

- 1.3.1 Explain how a debtors' age analysis can assist with internal control over debtors. Provide TWO points. (4)
- 1.3.2 Calculate the percentage of total debts exceeding the credit terms. (4)
- 1.3.3 Explain ONE problem (with figures) relating to EACH of the following debtors: (4)
- P Naidoo
 - J Plaatjies

INFORMATION:**DEBTORS' AGE ANALYSIS ON 30 APRIL 2023:**

	CREDIT LIMIT	AMOUNT OWING	CURRENT MONTH	30 DAYS	60 DAYS	90 DAYS
	R	R	R	R	R	R
P Naidoo	15 000	16 900	2 400	14 500		
D Daily	18 000	18 200	6 100	4 900	7 200	
Z Dumela	3 800	3 800		3 800		
J Plaatjies	16 000	12 600		300	10 000	2 300
M Maas	5 000	13 500	8 500	5 000		
		65 000	17 000	28 500	17 200	2 300
		100%	?	?	?	?

QUESTION 2: INVENTORY**(40 marks; 30 minutes)****SUPER STORES LTD**

The company supplies tables and chairs to the public. The periodic stock system is used. The year-end is 28 February 2023.

REQUIRED:**TABLES**

- 2.1 Calculate the value of closing stock for tables on 28 February 2023 using the first-in first-out method. (5)
- 2.2 In 2023, the company decided to extend the target market and to grant trade discount to increase sales.
- 2.2.1 Calculate the % mark-up achieved in 2023. (2)
- 2.2.2 Provide TWO points (with figures) to prove that this decision was successful. (4)
- 2.2.3 The shareholders feels that this decision also negatively affected the company.
- Provide TWO points (with figures) to support his opinion. (4)
 - Give them advice to solve this problem. Explain TWO points. (2)

CHAIRS

- 2.3 Calculate the stockholding period for chairs (use closing stock). (3)
- 2.4 The directors are concerned about the control of chairs. An investigation revealed that the store manager was supplying his family with chairs without documentation.
- Calculate the number of missing chairs. (5)
 - Give TWO suggestions to solve this problem. (2)

TELEVISION SETS

Shady Janeben (CFO) expand the business and added television sets to their product range in 2022. He was able to secure bulk purchases discount from Rashia Suppliers on two TV set models, namely SONN and TELE. The CFO was on leave and was not aware of it.

- 2.5 Calculate the value of the closing stock of TV sets on 28 February 2023 using the specific identification method. (7)
- 2.6 An employee of Rashia Suppliers told the CFO that Shady Janeben received a 20% 'bonus' from Rasia Suppliers for buying excess televisions. Die HUB wants to discuss this at the next board meeting. Explain THREE different concerns that the shareholders would have about this problem. (6)

INFORMATION:**A. Stock records of tables and chairs:**

	TABLES			CHAIRS	
	UNITS	UNIT PRICE	TOTAL	UNITS	TOTAL
Stock balances					
1 March 2022	310	R1 200	R372 000	580	R104 400
28 February 2023	270		?	285	R55 575
Purchases:					
May 2022	900	R1 400	R1 260 000	1 400	R266 000
September 2022	1 300	R1 500	R1 950 000	1 600	R312 000
January 2023	150	R1 600	R240 000	700	R140 000
Total	2 350		R3 450 000	3 700	R718 000
Returns from January	20	R1 600			
Sales				3 850	
Cost of sales					R766 825

B. Information relating to tables:

	2023	2022
Sales	5 058 000	R4 910 680
Cost of sales	3 372 000	R3 069 175
Gross profit	1 686 000	R1 841 505
Units sold	2 370	2 220
Selling price per unit	R2 134	R2 212
% mark-up achieved	?	60%
Customers on record	32	24

C. Stock records of television sets:

	MODELS	UNITS	UNIT PRICE	TOTAL
Purchases				
October 2022	SONN	900	R4 000	R3 600 000
	TELE	980	R8 600	R8 428 000
January 2023	SONN	600	R4 000	R2 400 000
	TELE	670	R8 600	R5 762 000
TOTAL		3 150		R20 190 000
Sales				
	SONN	440	R7 200	R3 168 000
	TELE	350	R14 620	R5 117 000
TOTAL		790		R8 285 000

QUESTION 3: MANUFACTURING**(50 marks; 40 minutes)**

- 3.1 Choose ONE cost account for each of the following descriptions. Write only the cost account next to the question numbers (3.1.1 to 3.1.4) in the ANSWER BOOK.

direct labour cost; raw materials cost; factory overheads cost;
administration cost; selling and distribution cost

- 3.1.1 Depreciation on office equipment
- 3.1.2 Bad debts written off during the financial year
- 3.1.3 Transport costs paid for raw materials purchased
- 3.1.4 Pension fund contributions paid on behalf of the workers in the production process (4)

3.2 ALYSSA MANUFACTURERS

The information relates to the financial year ended 28 February 2023. The business produces one style of travel bag. The owner is Alyssa Nowers.

REQUIRED:

Complete the following for the year ended 28 February 2023:

- 3.2.1 Production Cost Statement (11)
- 3.2.2 Abridged Statement of Comprehensive Income (Income Statement) (13)

INFORMATION:

- A. Stock balances:

	28 February 2023	1 March 2022
Finished goods stock	R104 000	R188 000

There is no work-in-progress at the beginning or end of the year.

- B. Raw material issued to the factory for production, R1 646 120.
- C. Production wages:

Information extracted from the production wages records:

NET WAGES PAID TO PRODUCTION WORKERS	TOTAL DEDUCTIONS
R655 520	32% of gross wages

- D. The bookkeeper calculated the following costs for the year ended 28 February 2023:

Factory overhead cost	R725 600
Selling and distribution cost	R234 400
Administration cost	R192 800

It was discovered that the bookkeeper did not take the following into account:

- The telephone account of R34 880 was posted in error to the factory overhead cost account. This expense relates to the office.
- The entire amount of rent expense, R102 800, was posted to the factory overhead cost. This expense should have been allocated in the ratio 6 : 3 : 1 between the factory, sales and administration departments.
- The insurance expense of R42 800 was divided equally between the factory overhead cost and the sales department in error and recorded as such. 60% of this expense related to the factory and the balance applied to the sales department.

- E. Sales:

Total sales for the year amounted to R4 560 700.

3.3 CONTROL OF RAW MATERIALS

After completing the statements in QUESTION 3.2 the internal auditor of Alyssa Manufacturers suspects that the raw material (fabric) is not being controlled well in the storeroom and the factory.

- 3.3.1 Calculate:

- The metres of fabric missing from the storeroom.
- The metres of fabric wasted in the factory.

Apart from installing cameras, provide a specific strategy to improve internal control in the storeroom and factory. In EACH case, provide a different point.

(6)

- 3.3.2 Calculate the total cost of fabric lost and wasted and explain how this loss should be shown in the Abridged Statement of Comprehensive Income.

(4)

INFORMATION:**A. Raw material (fabric):**

Fabric used in production is issued to the factory from the storeroom, as required. The record of fabric is as follows:

	METRES	TOTAL AMOUNT R
Balance on 1 March 2022	2 950	354 000
Purchase of fabric during the year	11 200	1 344 000
Material available	14 150	1 698 000
Balance on 28 February 2023	830	99 600
Raw material issued to factory	12 760	1 531 200

B. Additional information:

- Fabric is purchased at a fixed cost price of R120 per metre.
- It takes 1,55 metres of fabric to make one travel bag.
- 8 100 bags were produced during the financial year.

3.4 SIMPHIWE TOY FACTORY

This factory manufactures wooden cars. There is no work-in-progress stock at the beginning or end of each year. The financial year ends on 28 February 2023.

Simphiwe decided to address the problem of low profits made in 2022 by making some changes to improve sales and production.

REQUIRED:

3.4.1 Calculate the break-even point for the 2023 financial year. (4)

3.4.2 Explain to Simphiwe why the fixed cost per unit decreased from R55,00 to R50,00. (2)

3.4.3 Simphiwe made deliberate decisions regarding variable costs to improve the business.

Explain the decisions that she might have taken on these costs and how these could have had positive effects on the business. Quote figures. (6)

INFORMATION:

	28 FEBRUARY 2023		28 FEBRUARY 2022	
	AMOUNT R	UNIT COST R	AMOUNT R	UNIT COST R
Direct material cost	467 500	110,00	315 000	90,00
Direct labour cost	255 000	60,00	252 000	72,00
Selling & distribution cost	119 000	28,00	84 000	24,00
VARIABLE COST	841 500	198,00	651 000	186,00
Factory overhead costs	159 375	37,50	147 000	42,00
Administration cost	53 125	12,50	45 500	13,00
FIXED COST	212 500	50,00	192 500	55,00
Selling price per unit	R275		R250	
Units produced and sold	4 250 units		3 500 units	
Break-even point	?		3 008 units	

50

TOTAL:150

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Gross profit} \times 100}{\text{Cost of sales}} \quad 1$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Operating profit} \times 100}{\text{Sales}} \quad 1$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
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.	