basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

# NATIONAL SENIOR CERTIFICATE

## GRADE 12

## ACCOUNTING P2

## NOVEMBER 2021

**MARKS: 150**

**TIME: 2 hours**

**This question paper consists of 14 pages, a formula sheet and a 12-page answer book.**

 

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## 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** | Debtors' Reconciliation and Age Analysis | 30 | 25 |
| **2** | Cost Accounting | 45 | 35 |
| **3** | Budgeting | 35 | 30 |
| **4** | Inventories and Fixed Assets | 40 | 30 |
| **TOTAL** | | **150** | **120** |

## QUESTION 1: DEBTORS' RECONCILIATION AND AGE ANALYSIS

**(30 marks; 25 minutes)**

Zig Zag Traders sells ladies clothing on credit. Debtors are allowed a credit term of 30 days to settle their accounts.

**REQUIRED:**

1.1 Provide TWO documents that Zig Zag Traders will need from potential debtors before they will be allowed to open accounts. (2)

1.2 **Refer to Information A and B.**

Use the table provided in the ANSWER BOOK to calculate the following:

- The correct closing balance of the Debtors' Control Account on 30 September 2021. Indicate changes with '+' for an increase, '–' for a decrease or '0' for no change. (9)
- The correct amounts owed by the following debtors only:
  - A Barnes
  - C Davis
  - E Foley (9)

1.3 **Refer to Information C.**

Explain THREE different problems highlighted by the debtors' age analysis. Provide the name of a debtor and/or the figure(s) in EACH case. (6)

1.4 **Refer to Information D.**

Provide TWO points to support the internal auditor's concern that Susan's job description could lead to potential fraud. (4)

**INFORMATION:**

**A.** Balances on 30 September 2021, before taking into account errors and omissions in Information B:

- Debtors' Control Account: R228 000
- Extract from the debtors' list:

| DEBTORS | FOLIO | AMOUNT |
|---|---|---|
| A Barnes | D10 | R13 500 |
| C Davis | D23 | R25 000 |
| E Foley | D35 | R18 300 |

**B.** The following errors and omissions must be taken into account:

(i) An invoice for R1 750 issued to A Barnes was not recorded in the books of Zig Zag Traders.

(ii) A direct deposit of R2 500 by E Foley was correctly recorded in the journal but incorrectly posted to the account of E Foges (another debtor) in the Debtors' Ledger.

(iii) The total of the Debtors' Journal, R62 500, was incorrectly recorded as R65 200 in the Debtors' Control Account.

(iv) Merchandise sold to C Davis, R3 500, was treated as a return of goods and recorded in the Debtors' Allowances Journal.

(v) R5 200, received from D Klein, a debtor whose outstanding balance was written off six months ago, was recorded in the Cash Receipts Journal as a receipt from a debtor.

(vi) Merchandise returned by A Barnes was recorded in the relevant journal as R250 instead of R700 and posted accordingly.

(vii) An EFT for R7 850, received from E Foley as part payment of his account, was entered correctly in the relevant journal but no entries were made in the Debtors' Ledger.

**C.** The following age analysis was compiled on 30 September 2021:

| **DEBTOR** | **CREDIT-LIMIT R** | **BALANCE R** | **CURRENT R** | **30 DAYS R** | **60 DAYS R** | **MORE THAN 90 DAYS R** |
|---|---|---|---|---|---|---|
| J Blom | 52 000 | 45 000 | 18 000 | 7 000 | 20 000 | |
| Z Phi | 22 000 | 29 000 | 3 000 | 26 000 | | |
| S Sah | 16 000 | 12 500 | 12 500 | | | |
| O Mach | 6 000 | 6 000 | 2 000 | | | 4 000 |
| Other debtors | | 146 300 | 55 244 | 48 192 | 30 148 | 12 716 |
| | | | | | | |
| **TOTALS** | | **R238 800** | **R90 744** | **R81 192** | **R50 148** | **R16 716** |
| | | **100%** | **38%** | **34%** | **21%** | **7%** |

**D.** Susan, a member of the sales staff, is also responsible for:

- Collecting cash from customers who choose to pay in this way
- Receiving goods returned and issuing credit notes to customers who return goods.

The internal auditor is not happy with Susan's job description as he feels it has the potential for fraud, which could lead to loss of cash and trading stock.

**30**

## QUESTION 2: COST ACCOUNTING (45 marks; 35 minutes)

### 2.1 PRUDY MANUFACTURERS

The information relates to the financial year ended 28 February 2021. The business produces one style of travelling bag. The owner is Prudy Sithole.

**REQUIRED:**

Complete the following for the year ended 28 February 2021:

2.1.1 Production Cost Statement (10)

2.1.2 Abridged Statement of Comprehensive Income (Income Statement) (11)

**INFORMATION:**

**A. Stock balances:**

| | 28 February 2021 | 1 March 2020 |
|---|---|---|
| Finished goods stock | R96 000 | R72 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 494 000.

**C. Production wages:**

Information extracted from the production wages records:

| NET WAGES PAID TO PRODUCTION WORKERS | TOTAL DEDUCTIONS |
|---|---|
| R647 400 | 22% of gross wages |

**D. The bookkeeper calculated the following costs for the year ended 28 February 2021:**

| | |
|---|---|
| Factory overhead cost | R520 280 |
| Selling and distribution cost | R224 960 |
| Administration cost | R187 760 |

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

- The telephone account of R22 400 was posted in error to the factory overhead cost. This expense relates to the office.
- The entire amount of rent expense, R98 400, was posted to the factory overhead cost. This expense should have been split in the ratio 7 **:** 2 **:** 1 between the factory, sales and administration departments.
- The insurance expense of R26 400 was divided equally between the factory overhead cost and the sales department in error. 60% of this expense relates to the factory and the balance applies to the sales department.

**E. Sales:**

Total sales for the year amounted to R4 433 600.

## 2.2 CONTROL OF RAW MATERIAL

After completing the statements in QUESTION 2.1, the internal auditor of Prudy Manufacturers suspects that the raw material (fabric) is not being controlled well in the storeroom and the factory.

2.2.1 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)

2.2.2 Calculate the total cost of fabric lost and wasted and explain how this loss should be shown in the statements mentioned in QUESTION 2.1. (3)

**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 |
|---|---|---|
| Raw material issued to factory | 12 450 | R1 494 000 |
| Balance on 1 March 2020 | 2 700 | 324 000 |
| Purchase of fabric during the year | 10 800 | 1 296 000 |
| Balance on 28 February 2021 | 850 | 102 000 |

**B. Additional information:**

- Fabric is purchased at a fixed cost price of R120 per metre.
- It takes 1,5 metres of fabric to make one travel bag.
- 7 800 bags were produced during the financial year.

## 2.3 ROSEMARY'S TOY FACTORY

This factory manufactures toy teddy bears. There is no work-in-progress stock at the beginning or end of each year. The financial year ends on 31 December.

Rosemary decided to address the problem of low profits made in 2020 by making some changes to improve sales and production.

**REQUIRED:**

2.3.1 Provide a calculation to confirm that the break-even point for the 2021 financial year is correct. (3)

2.3.2 Explain why Rosemary is pleased with the production level, sales and break-even point. Quote figures. (4)

2.3.3 Explain to Rosemary why the fixed cost per unit decreased from R56,00 to R45,71. (2)

2.3.4 Rosemary 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:**

| | **31 DECEMBER 2021** | | **31 DECEMBER 2020** | |
|---|---|---|---|---|
| | **AMOUNT R** | **UNIT COST R** | **AMOUNT R** | **UNIT COST R** |
| Direct material cost | 490 000 | 100,00 | 320 000 | 80,00 |
| Direct labour cost | 274 400 | 56,00 | 288 000 | 72,00 |
| Selling and distribution cost | 176 400 | 36,00 | 96 000 | 24,00 |
| **VARIABLE COST** | **940 800** | **192,00** | **704 000** | **176,00** |
| Factory overhead costs | 160 000 | 32,65 | 160 000 | 40,00 |
| Administration cost | 64 000 | 13,06 | 64 000 | 16,00 |
| **FIXED COST** | **224 000** | **45,71** | **224 000** | **56,00** |
| | | | | |
| Selling price per unit | R255 | | R240 | |
| | | | | |
| Units produced and sold | 4 900 units | | 4 000 units | |
| Break-even point | 3 556 units | | 3 500 units | |

**45**

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## QUESTION 3: BUDGETING (35 marks; 30 minutes)

Shepstone Traders sell household appliances for cash and on credit. They also charge fees for repairing appliances, but only for cash. The business owner is Brian Johns. The information relates to the budget period November 2021 to January 2022.

**REQUIRED:**

3.1 Calculate the amounts indicated by **(a)**–**(c)** on the Debtors' Collection Schedule provided in the ANSWER BOOK. (6)

3.2 Calculate the amounts indicated by **(a)**–**(c)** on the Cash Budget provided in Information F. (9)

3.3 **Workload of employees: Refer to Information G.**

Brian is concerned about the workload of his staff. He plans to reduce the sales staff by one person. The other sales staff members are not happy with this plan.

- Provide TWO points that Brian can explain to his sales staff to justify his plan. Quote figures. (4)
- Explain why the repair staff members are not satisfied with their workload. Quote figures. (3)
- What suggestions can you offer to solve the problem of the workload of employees? Provide TWO points. (4)

3.4 **Sales trends: Refer to Information G.**

Comment on the cash and credit sales figures for November 2021. Explain why Brian is concerned. Quote figures. (3)

3.5 **Variances:** The budgeted and actual figures for November 2021 are provided.

Comment on the control over fuel for the delivery vehicle and the consumable stores used for repairs. Quote figures.

| | BUDGETED R | ACTUAL R | VARIANCE |
|---|---|---|---|
| Sales | 798 000 | 707 000 | – 91 000 |
| Fee income | 32 000 | 66 000 | + 34 000 |
| Fuel for leased delivery vehicle | 20 800 | 19 900 | – 900 |
| Consumable stores for repairs | 8 000 | 12 100 | + 4 100 |

(6)

**INFORMATION:**

### A. Sales and cost of sales:

| | September 2021 | October 2021 | November 2021 | December 2021 | January 2022 |
|---|---|---|---|---|---|
| Total sales | R735 000 | R770 000 | R798 000 | R910 000 | R882 000 |
| Cost of sales | R420 000 | R440 000 | R456 000 | R520 000 | R504 000 |

**B. Credit sales:** 40% of total sales are on credit.

**C. Debtors paid according to the following trend:**

- 30% paid in the month of sale and receive a 5% discount.
- 45% paid in the month following the month of sale.
- 22% paid in the second month following the month of sale.

Bad debts are taken into account in the third month.

**D. Purchases and payments to creditors:**

- 80% of the stock is purchased on credit.
- Stock sold is replaced in the month of sales.
- Creditors are paid two months after the purchase month.

**E. Information on specific items from the Cash Budget:**

- Rent income will be increased by 9% p.a., effective from 1 January 2022.
- Shepstone Traders undertake special and extensive cleaning and sanitisation during December each year. This has the effect of increasing the cleaning services budget by 65%, in December only. The normal monthly fee is expected to increase by 5% p.a. commencing on 1 January 2022.

**F. Extract from the Cash Budget:**

| **RECEIPTS** | **Dec. 2021** | **Jan. 2022** |
|---|---|---|
| Cash sales | R546 000 | R529 200 |
| Fee income (repairs) | 38 400 | 52 200 |
| Rent income | **(a)** | 20 056 |
| **PAYMENTS** | | |
| Cash purchases | 104 000 | 100 800 |
| Payments to creditors | 352 000 | **(b)** |
| Consumable stores (repairs) | 9 600 | 13 050 |
| Fuel | 21 840 | 23 930 |
| Cleaning services | 15 510 | **(c)** |
| Salaries to sales staff | 82 000 | 87 330 |
| Wages to repair staff | 11 000 | 11 715 |
| Advertising | 36 400 | 35 280 |

**G. Information for November 2021:**

| | | |
|---|---|---|
| Number of sales employees, including the driver | 5 | |
| Number of repairs employees | 2 | |
| | **BUDGETED** | **ACTUAL** |
| Number of customers: Sales | 230 | 175 |
| Number of customers: Repairs | 70 | 136 |
| Total sales | R798 000 | R707 000 |
| Cash sales | 478 800 | 142 000 |
| Credit sales | 319 200 | 565 000 |
| Gross profit | 342 000 | 303 000 |
| Fee income (cash only) | 32 000 | 66 000 |
| Salaries: Sales staff | 82 000 | 82 000 |
| Wages: Repairs staff | 11 000 | 11 000 |

**35**

## QUESTION 4: INVENTORIES AND FIXED ASSETS (40 marks; 30 minutes)

### 4.1 INVENTORIES

Justime Footwear (Pty) Ltd sells one brand of running shoes. The business uses the weighted-average method to value these shoes. The periodic inventory system is used.

**REQUIRED:**

Calculate the following on 28 February 2021, the financial year-end:

4.1.1 Value of the closing stock (7)

4.1.2 Stock turnover rate (4)

**INFORMATION:**

The following information relates to the running shoes.

**A. Balances:**

| DATE | QUANTITY (PAIRS) | TOTAL VALUE (INCLUDING CARRIAGE) |
|---|---|---|
| 1 March 2020 | 206 | R101 090 |
| 28 February 2021 | 420 | **?** |

**B. Purchases during the year:**

| | NUMBER OF ITEMS | COST PRICE PER ITEM | TOTAL AMOUNT |
|---|---|---|---|
| **Purchases** | **2 490** | | **R2 236 700** |
| 15 April 2020 | 560 | R820 | R459 200 |
| 20 September 2020 | 1 120 | R900 | R1 008 000 |
| 5 January 2021 | 810 | R950 | R769 500 |

**C. Carriage on purchases:**

A fixed cost of R25 per unit is paid for each pair of running shoes delivered to the shop. This rate was unchanged during the financial year. This is not included above.

**D. Returns:**

60 pairs of running shoes were returned from the September 2020 purchase. A refund of the cost price was received from the supplier. The carriage on purchases was not refunded.

**E. Sales:**

2 216 units were sold at R1 400 each, R3 102 400.

**NOTE:** There were no stolen items.

4.1.3 Justime (Pty) Ltd trades in three types of footwear. The table below indicates the overall performance for the year.

The directors are satisfied with the management of running shoes but not with the boots and sandals:

- The boots are imported and Justime (Pty) Ltd is the only business in town selling these boots.
- The sandals are locally made and all competitors sell them at R480 each.

Comment on the stock turnover rates for boots and sandals and identify the major problem relating to EACH product. Quote figures.

| | **RUNNING SHOES** | **BOOTS** | **SANDALS** |
|---|---|---|---|
| Mark-up % | 57,3% | 80% | $33^1/_3$% |
| Selling price | R1 400 | R2 900 | R480 |
| Average cost price | R890 | R1 610 | R360 |
| Gross profit per pair | R510 | R1 290 | R120 |
| Total gross profit | R1 130 160 | R1 122 300 | R1 368 000 |
| Orders received from customers | 2 216 pairs | 870 pairs | 15 000 pairs |
| Sales | 2 216 pairs | 870 pairs | 11 400 pairs |
| Items on hand at year-end | 420 pairs | 440 pairs | 150 pairs |
| Stock on hand at year-end | **?** | R708 400 | R54 000 |
| Stock turnover rate | **?** | 2 times | 76 times |

(6)

4.2 **FIXED ASSETS**

The following information relates to the fixed/tangible assets of Justime Footwear (Pty) Ltd. The financial year ended on 28 February 2021.

**REQUIRED:**

4.2.1 List THREE points for good internal control over movable fixed assets. (3)

4.2.2 **Refer to Information A and B.**

Calculate the cost of land and buildings purchased on 31 August 2020. (3)

4.2.3 **Refer to Information A and C.**

Calculate depreciation on the vehicle for the year ended 28 February 2021. (2)

4.2.4 **Refer to Information A and D.**

The business depreciates equipment at 30% p.a. on the diminishing-balance method. On 30 November 2020, they decided to trade in a photocopy machine for a new model.

- Calculate the loss on the photocopy machine that was traded in on 30 November 2020. (6)

- Calculate depreciation on the new photocopy machine and on the remaining old equipment for the year ended 28 February 2021. (7)

4.2.5 The CEO feels that the land and buildings are worth at least R10 000 000 and wants to adjust the figure in the Statement of Financial Position (Balance Sheet) accordingly. Explain why the auditor does NOT agree. (2)

**INFORMATION:**

**A. Extract from Trial Balances on 28 February:**

| | **2021**<br>**R** | **2020**<br>**R** |
|---|---|---|
| **Balance Sheet accounts section** | | |
| Land and buildings | 6 250 000 | 5 500 000 |
| Vehicle | 480 000 | 480 000 |
| Accumulated depreciation on vehicles | **?** | 450 000 |
| Equipment | 2 190 000 | 2 100 000 |
| Accumulated depreciation on equipment | **?** | 1 440 000 |

**B. Land and buildings:**

Glamour Construction provided an invoice on 31 August 2020 after completing the new storage facilities. The full invoice amount was paid and debited to land and buildings. However, the auditor found that repairs to the old storeroom, R60 000, were included in the invoice. This has not been corrected.

**C. Vehicles:**

The company has only one vehicle. The depreciation rate is 25% p.a. on cost.

**D. Equipment:**

A photocopy machine was traded in on 30 November 2020 for R88 000 for a better model. The cost price of the new model that was delivered on 1 December 2020 was R410 000. The fixed asset register reflected the following:

**Fixed asset register:**

| | | |
|---|---|---|
| **Category:** | Photocopy machine | |
| **Model:** | Clearfont X23 | |
| **Date purchased:** | 1 March 2019 | |
| **Cost price:** | R320 000 | |
| **Depreciation rate:** | 30% on diminishing-balance method | |
| **Date** | **Depreciation** | **Carrying value** |
| 28 February 2020 | R96 000 | R224 000 |
| 30 November 2020 | **?** | **?** |

**40**

**TOTAL: 150**

| 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 & 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) |
| $\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$ | |
| $\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$ | $\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$ |
| $\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$ | $\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$ |
| $\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$ | $\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$ |
| $\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$ | |

**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.