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NATIONAL SENIOR CERTIFICATE

ACCOUNTING

GRADE 12

NOVEMBER 2017

SPECIAL ANSWER BOOK

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
5			
6			
TOTAL			

This answer book consists of 17 pages.

	9

1.2.3 Explain the problem relating to deposits. Quote evidence.

Explain TWO strategies to prevent this in future.

Strategy 1:

Strategy 2:

4

TOTAL MARKS
30

QUESTION 2**2.1 GEVEN MANUFACTURERS****2.1.1****PRODUCTION COST STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2017**

Direct material cost	
Direct labour cost	
Prime cost	
Factory overhead cost	
Total cost of production	

14

2.1.2**ABRIDGED INCOME STATEMENT
FOR YEAR ENDED 28 FEBRUARY 2017**

Sales	
Cost of sales	
Gross profit	
Administration cost	
Selling and distribution cost	
Net profit	

14

2.2 GYMWEAR MANUFACTURERS**2.2.1 Shirts:**

Calculate the break-even point for shirts.

4

Identify **ONE** variable cost (with figures) that has not been well controlled. Give **TWO** possible reasons for this problem.

ONE VARIABLE COST WITH FIGURES	REASONS
	Reason 1:
	Reason 2:

4

Explain why Jan might be concerned about the large decreases in the other **TWO** variable costs.

4

Jan does not understand why the unit cost of production has increased when neither his fixed costs nor the variable costs have increased. Explain why this is so. State **ONE** point (with figures).

4

2.2.2 Shoes:

Calculate the % increase in the selling price of shoes.

3

Jan decided to improve the quality of the shoes and to export them. Explain how the direct material costs and the selling and distribution costs were affected by this decision. Provide figures.

4

Jan was concerned that the increase in price would have a negative impact on the business. Explain whether his concern was justified. State TWO points.

Point 1:

Point 2:

4

TOTAL MARKS
55

QUESTION 3**3.1**

- (a) Calculate the carrying value of Land and Buildings on 1 March 2016.

2

- (b) Calculate the total depreciation on Vehicles on 28 February 2017.

6

- (c) Calculate the carrying value of Vehicles on 28 February 2017.

4

- (d) Calculate the carrying value of Equipment sold on 31 December 2016.

6

- (e) Calculate the total carrying value of Fixed Assets on 28 February 2017.

4

3.2 BALANCE SHEET OF ODETTE LTD ON 28 FEBRUARY 2017

ASSETS	
NON-CURRENT ASSETS	
CURRENT ASSETS	
Inventory	408 880
Trade and other receivables	
Cash and cash equivalents	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
SHAREHOLDERS' EQUITY	
Ordinary share capital	
Retained income	520 000
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
TOTAL EQUITY AND LIABILITIES	

3.3 AUDIT REPORT

As a shareholder, what concerns would you have regarding this audit report? Explain THREE points.

Point 1:

Point 2:

Point 3:

6

TOTAL MARKS
65

QUESTION 4

4.1

4.1.1	
4.1.2	
4.1.3	
4.1.4	

4

4.2 SO-FINE LTD

4.2.1 ORDINARY SHARE CAPITAL

AUTHORISED SHARE CAPITAL

1 200 000 ordinary shares

ISSUED SHARE CAPITAL

900 000	Ordinary shares on 1 September 2016	
	Ordinary shares on 31 August 2017	5 292 000

7

RETAINED INCOME

Balance on 1 September 2016	147 370
Net profit after income tax	438 130
Ordinary share dividends	
Balance on 31 August 2017	

9

4.2.2 SO-FINE LTD**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2017**

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations		
Interest paid		
Dividends paid		
Income tax paid	?	
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	?	
?	?	
Change in investments		
CASH FLOWS FROM FINANCING ACTIVITIES		
?	?	
?	?	
Change in non-current liabilities		
Net change in cash and cash equivalents	?	
Cash and cash equivalents – opening balance	?	
Cash and cash equivalents – closing balance	?	19

4.2.3 Calculate the percentage operating profit on sales.

3

Calculate the debt-equity ratio.

4

4.2.4 Calculate the dividends per share (DPS) of a shareholder who owned the same number of shares for the entire financial period.

4

4.3 CASTRO LTD

4.3.1 Comment on the price of R9,10 charged by Castro Ltd for the new shares issued.

3

4.3.2 Explain how the issue of new shares has affected the financial gearing and risk of Castro Ltd. Quote TWO financial indicators.

6

4.3.3 If Henry wanted to retain his 60% shareholding in the company, how many shares would he have had to buy?

3

How much would he have had to pay?

2

Henry decided NOT to buy these shares. Apart from the % shareholding, explain TWO reasons why he has made a mistake by not taking up this option.

Reason 1:

Reason 2:

6

RONKI LTD

4.3.4 Comment on the liquidity of Ronki Ltd. Quote TWO financial indicators.

6

4.3.5 Comment on the price paid by Ronki Ltd for the repurchase (buy-back) of shares.

3

4.3.6 Explain THREE ways in which Henry has benefited from the repurchase of the shares by Ronki Ltd.

Point 1:

Point 2:

Point 3:

6

TOTAL MARKS
85

QUESTION 5**5.1 CONCEPTS**

5.1.1	
5.1.2	
5.1.3	
5.1.4	

4

5.2 HOT-WHEELS (PTY) LTD**Motorbikes:**

5.2.1 Calculate the value of the closing stock on 30 September 2017 using the specific identification method.

7

5.2.2 Mike requires your advice on the three different models of motorbikes in which he is trading. Explain TWO points of advice.

Point 1:

Point 2:

4

Helmets:**5.2.3**

Calculate the value of the closing stock on 30 September 2017 using the weighted-average method.

9

5.2.4

Is the weighted-average method appropriate to value the helmets? Explain ONE point.

3

5.2.5

Mike suspects that helmets are being stolen from the shop despite security cameras being installed. Provide a calculation to verify his suspicion.

5

What can Mike do to improve the internal control of stock? State THREE points.

Point 1:

Point 2:

Point 3:

3

TOTAL MARKS
35

QUESTION 6**6.1****Explain the main purpose of a Cash Budget.****Explain the main purpose of a Projected Income Statement.**

2

6.2.1**Larry expects debtors to settle accounts by the end of the month following the sales transaction month.****Use the November figures to calculate the % of debtors that are expected to comply with the credit terms.****Use the November figures to calculate the % of bad debts expected.**

9

6.2.2**Larry does not believe that his debtors' control clerk, Shirley, deserves a bonus on 31 October 2017.****Provide evidence to support his opinion.****Offer Larry advice to improve debtors' collections (TWO points).****Point 1:****Point 2:**

4

6.3.1

Calculate the fixed % of sales used by Larry to budget for delivery expenses.

Calculate the amount of the loan to be repaid on 31 December 2017.

6

6.3.2

Refer to variances in Information D. Explain why Larry would feel that all these variances are problems for his business.

	COMMENT ON VARIANCES
Sales	
Advertising	
Packing materials	
Delivery expenses	

9

TOTAL MARKS
30

TOTAL: 300