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## basic education

Department:
Basic Education REPUBLIC OF SOUTH AFRICA

## NATIONAL SENIOR CERTIFICATE

## GRADE 12



MARKS: 300
TIME: 3 hours

This question paper consists of 19 pages and a 15-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. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

| QUESTION 1: 40 marks; 25 minutes |  |
| :--- | :--- |
| Topic of the question: | This question integrates: |
|  | Financial accounting |
| Reconciliation and Age | Bank reconciliation |
| Analysis | Debtors' age analysis |
|  | Managing resources <br> Internal control |


| QUESTION 2: 50 marks; 30 minutes |  |
| :--- | :--- |
| Topic of the question: | This question integrates: |
| Inventory Systems and <br> Valuation | Managing resources <br> Inventory valuation <br> Internal control |


| QUESTION 3: 60 marks; 35 minutes |  |
| :--- | :--- |
| Topic of the question: | This question integrates: |
| Company Financial <br> Statements and Audit Report | Financial accounting <br>  <br>  <br>  <br>  <br>  <br>  <br>  <br>  <br>  <br> Balane Statement <br> Audit report <br> Managing resources <br> Ethics |


| QUESTION 4: 65 marks; 40 minutes |  |
| :--- | :--- |
| Topic of the question: | This question integrates: |
|  | Financial accounting <br> Cash Flow Statement |
| Cash Flow Statement and | Interpretation of financial information <br> Interpretation <br> Managing resources <br> Internal control |


| QUESTION 5: $\mathbf{5 0}$ marks; $\mathbf{3 0}$ minutes |  |
| :--- | :--- |
| Topic of the question: | This question integrates: |
| Cash Budget and Projected | Managerial accounting <br> Analyse and interpret a Cash Budget <br> Projected Income Statement <br> Managing resources <br> Internal control |


| QUESTION 6: 35 marks; 20 minutes |  |
| :--- | :--- |
| Topic of the question: | This question integrates: |
| Cost Accounting | Managerial accounting <br> Production Cost Statement <br> Analysis and interpretation of break-even point <br> Managing resources <br> Internal control |

## QUESTION 1: RECONCILIATION AND AGE ANALYSIS (40 marks; 25 minutes)

### 1.1 BANK RECONCILIATION AND INTERNAL CONTROL

The information below relates to Eureka Traders.

## REQUIRED:

1.1.1 Calculate the correct bank balance on 30 June 2015.
1.1.2 Prepare the Bank Reconciliation Statement on 30 June 2015.
1.1.3 Refer to Information E.

Identify TWO separate problems with evidence. Give advice for EACH problem.

## INFORMATION:

A. The following Bank Reconciliation Statement was prepared on 31 May 2015:

| Balance as per Bank Statement (unfavourable) | (R13 000) |  |
| :--- | ---: | ---: |
| Outstanding deposit | 30000 |  |
| Outstanding cheques: | $(10500)$ |  |
| No. 614 (dated 20 December 2014) | Donation | $(7900)$ |
| No. 958 (dated 25 May 2015) | Merchandise | $(4500)$ |
| No. 962 (dated 30 July 2015) | Settlement of account | 3600 |
| Correction of error | $(2300)$ |  |
| Balance as per bank account (unfavourable) |  |  |

NOTE: - The deposit of R30 000 appeared on the Bank Statement on 14 June 2015.

- The error of R3 600 was corrected by the bank on 10 June 2015.
- Cheque No. 958, issued in May 2015, was reflected on the Bank Statement for June as R9 700. The Bank Statement is correct. The other outstanding cheques have not been presented at the bank.
B. Provisional totals on 30 June 2015: CRJ: R87 220; CPJ: R74 860
C. The Bank Statement for June 2015 revealed the following:
- Direct deposit for rent income from the tenant, R21 000
- Stop order for insurance, R6 500
- R/D cheque originally received from F Mnisi for R2 250 in settlement of his debt of R2 300
- Bank charges, R210
- Balance as per Bank Statement, ?
D. The following cheques appeared in the Cash Payments Journal and not on the Bank Statement for June 2015:
- No. 982 for R2 200
- No. 986 for R1 400 (dated 28 July 2015)
E. The bookkeeper recorded the following entry in the June 2015 CRJ:

| Doc. | Date | Details | Analysis | Bank | Sales |
| :---: | :---: | :--- | :---: | :---: | :---: |
| CS371-402 | 30 | Cash | 18500 | 18500 | 18500 |

This was recorded by the bank on 15 July 2015. The internal auditor has noticed that cash slips, CS371-402, actually total R25 500.

### 1.2 DEBTORS' AGE ANALYSIS

The information below relates to Max Sportswear.

## REQUIRED:

### 1.2.1 Refer to Information B.

As the internal auditor, what concerns would you have over Susan's job description? Explain.
1.2.2 Identify TWO debtors who could have their credit limits increased.
1.2.3 Explain THREE different problems reflected by the Debtors' Age Analysis. Give evidence.

## INFORMATION:

A. The business sells $80 \%$ of their stock on credit. Debtors are required to settle their accounts by the end of the month following the sales transaction month.
B. Susan, the bookkeeper, issues invoices and credit notes and collects cash from debtors.
C. Debtors' Age Analysis on 31 August 2015:

| DEBTORS | CREDIT <br> LIMIT | AMOUNT <br> OWING | CURRENT <br> MONTH | 30 DAYS | 60 DAYS | 90 DAYS |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: |
| S Muller | R10 000 | R12 000 | R1 800 | R4 200 | R2 400 | R3 600 |
| L Ndlovu | R5 800 | R5 000 | R3 100 |  | R1 900 |  |
| P Pillay | R3 500 | R3 200 | R3 200 |  |  |  |
| B Vasco | R5 000 | R5 000 |  | R2 600 | R1 600 | R800 |
| C Crooks | R4 500 | R4 100 | R3 500 | R600 |  |  |
| R Aucamp | R1500 | R1 400 | R500 |  |  | R900 |
|  |  | R30 700 | R12 100 | R7 400 | R5 900 | R5 300 |
|  |  | $100 \%$ | $39 \%$ | $24 \%$ | $19 \%$ | $18 \%$ |

## QUESTION 2: INVENTORY SYSTEMS AND VALUATION (50 marks; 30 minutes)

### 2.1 INVENTORY VALUATION

Josy Fashions uses the periodic stock system and the weighted-average method to value stock of jackets. Josy Arrakal owns the business.

## REQUIRED:

2.1.1 Explain the difference between the perpetual stock system and the periodic stock system.
2.1.2 Calculate the value of the stock on hand on 28 February 2015 using the weighted-average method.
2.1.3 Calculate how long (in days) it will take to sell the closing stock of 650 jackets. Use the closing stock in your calculation.
2.1.4 Josy is considering a change in the method of valuing stock.

- Calculate the value of closing stock using the FIFO method.
- Give ONE reason in favour of and ONE reason against changing to the FIFO method.


## INFORMATION:

Records of jackets for the year ended 30 June 2015:

|  | UNITS | $\begin{aligned} & \hline \text { UNIT } \\ & \text { PRICE } \end{aligned}$ | TOTAL |
| :---: | :---: | :---: | :---: |
| Opening stock (1 March 2014) | 300 | R1 156 | R346 800 |
| Purchases | 3230 |  | R3 686400 |
| April 2014 | 1400 | R1 050 | R1 470000 |
| July 2014 | 1320 | R1 200 | R1 584000 |
| November 2014 | 510 | R1 240 | R632 400 |
| Subtotal | ? |  | R4 033200 |
| Goods returned (from July purchases) | 150 | ? | ? |
| Sales | 2730 | R1 425 | R3 890250 |
| Closing stock (28 February 2015) | 650 | ? | ? |

### 2.2 INTERNAL CONTROL

Josy Fashions also sells shirts and jeans.

## REQUIRED:

2.2.1 Calculate the number of shirts stolen. Give TWO points of advice.
2.2.2 Comment on the stock-holding period of EACH product and explain how these would affect the business. Quote figures.
2.2.3 Josy is unsure whether she is charging the right prices for her products. Give her advice on EACH product. Quote figures.

## INFORMATION:

Summary for the year ended 30 June 2015:

|  | JACKETS <br> (UNITS) | SHIRTS <br> (UNITS) | JEANS <br> (UNITS) |
| :--- | ---: | ---: | ---: |
| Number of units sold | 2730 | 7200 | 320 |
| Opening stock | 300 | 400 | 0 |
| Closing stock | 650 | 270 | 280 |
| Purchases (less returns) | 3080 | 7380 | 600 |


| Weighted-average cost per unit | See 2.1.2. | R150 | R500 |
| :--- | ---: | ---: | ---: |
| Selling price per unit | R1425 | R310 | R850 |
| Stock-holding period | See 2.1.3. | 14 days | 319 days |

## QUESTION 3: COMPANY FINANCIAL STATEMENTS AND AUDIT REPORT (60 marks; 35 minutes)

### 3.1 PRIDONA LIMITED

The following information relates to Pridona Limited. The financial year ended on 30 June 2015. The business uses the perpetual (continuous) inventory system.

## REQUIRED:

### 3.1.1 Refer to Information B.

Calculate the correct net profit after tax for the year ended 30 June 2015. Indicate a + for increase and a - for decrease.
3.1.2 Prepare the Retained Income Note on 30 June 2015.


## INFORMATION:

A. List of balances/totals on 30 June 2015:

BALANCE SHEET ACCOUNTS SECTION

| Ordinary share capital | R5 600000 |
| :--- | ---: |
| Retained income (1 July 2014) | 2700000 |
| Mortgage loan: Custom Bank | 262200 |
| Fixed assets | 8950000 |
| Trading stock | 203200 |
| Debtors' control | 316000 |
| Provision for bad debts (1 July 2014) | 11400 |
| Cash and cash equivalents (balancing figure) | $?$ |
| SARS: Income tax (provisional tax payments) | 725000 |
| Income receivable (accrued) | 5200 |
| Creditors' control | 261000 |

B. Net profit before tax of R2 493600 was determined BEFORE taking into account the following information:
(i) Trading stock on 30 June 2015 was valued at R191 900.
(ii) Provision for bad debts must be adjusted to R9 000.
(iii) Rent for July 2015, R2 800, had been received in advance.
(iv) An annual insurance premium of R6 000 was paid for the period 1 April 2015 to 31 March 2016.
(v) The auditor discovered that the profit on disposal of a vehicle, R6 800, was incorrectly shown as a loss.
(vi) Income tax amounts to R750 000 for the year.
C. Dividends and shares:
(i) Interim dividends of R600 000 were paid on 31 December 2014.
(ii) The directors declared a final dividend of 22 cents per share on 30 June 2015 on all shares issued to date. Shares repurchased on 31 May 2015 do not qualify for final dividends.
(iii) Share capital:

| 1 July 2014 | 3000000 shares were in issue (R3 900 000) |
| :--- | :--- |
| 15 August 2014 | 1000000 new shares were issued at R1,70 each <br> (R1 700 000). This has been recorded. |
| 31 May 2015 | 20 000 shares were repurchased at R2,50 each from <br> an existing shareholder (R50 000). This has not been <br> recorded. |

D. A debtor's debit balance of R1 000 in the Debtors' Ledger must still be transferred to his account in the Creditors' Ledger.
E. The mortgage loan from Custom Bank was obtained on 1 April 2014. This will be repaid over 6 years. A fixed loan repayment (excluding interest) is made at the end of each month. The first monthly loan repayment was made on 30 April 2014. All other loan repayments have been made. Interest is not capitalised and has been correctly recorded.

### 3.2 AUDIT REPORT

## REQUIRED:

3.2.1 Choose the correct word from those given in brackets. Give a reason. Trimex Ltd received a/an (qualified/unqualified/disclaimer) audit report.
3.2.2 Explain TWO consequences of this audit report for the company and/or the CEO.

## INFORMATION:

## EXTRACT FROM THE REPORT OF THE INDEPENDENT AUDITORS

## Basis for our opinion

The company's procurement policy states that purchases over R100 000 must be approved by the board of directors and supported by three quotations from independent suppliers.

During the year under review the company purchased two vehicles at a cost of R900 000. This was approved by the CEO without reference to the board. Only one quotation was received.

## Audit opinion

Because of the significance of this matter, we have not been able to obtain sufficient audit evidence to provide a basis for an opinion. Accordingly, we do not express an opinion on the financial statements of Trimex Ltd for the year ended 30 June 2015.

Devi \& Meyiwa Associates, CA (SA)

## QUESTION 4: CASH FLOW STATEMENT AND INTERPRETATION

(65 marks; 40 minutes)

### 4.1 CONCEPTS

Give ONE term for each of the following descriptions by choosing a term from the list below. Write only the term next to the question number (4.1.1-4.1.4) in the ANSWER BOOK.

> | directors' report; Balance Sheet; shareholder; director; |
| :--- |
| internal auditor; Cash Flow Statement; independent auditor |

4.1.1 A person employed by a company to check and advise management
on the financial control systems
4.1.2 The person appointed by the shareholders who expresses an


#### Abstract

unbiased opinion on the financial statements of a company


4.1.3 A person appointed to manage a company and make decisions to ensure its smooth running
4.1.4 The financial statement that shows the financial position of a business on a certain date

### 4.2 SENZO LTD

The information below relates to Senzo Ltd.

## REQUIRED:

4.2.1 Calculate the following figures that will appear on the Cash Flow Statement:

- Income tax paid
- Proceeds from disposal of fixed assets (carrying value)
- Net change in cash and cash equivalents. Indicate whether this is a net inflow or net outflow of cash.
4.2.2 Complete the section of the Cash Flow Statement for cash effects of
financing activities.
4.2.3 Calculate the following for the financial year ended 28 February 2015.
- Acid-test ratio
- Return on shareholders' equity (ROSHE) (Use average equity in your calculation.)
- Net asset value (NAV) per share


## INFORMATION:

A. Figures from the Balance Sheet and notes:

|  | 28 FEBRUARY 2015 | 28 FEBRUARY 2014 |
| :---: | :---: | :---: |
| Fixed assets (carrying value) | R4 137700 | R2 598300 |
| Financial assets (fixed deposit) | 350000 | 600000 |
| Current assets | 662300 | 575500 |
| Inventories | 322000 | 345000 |
| Trade and other receivables | 245000 | 228000 |
| SARS: Income tax | 6400 | - |
| Cash and cash equivalents | 88900 | 2500 |
| Shareholders' equity | 3439500 | 2718000 |
| Ordinary share capital | 2967000 | 2520000 |
| Retained income | 472500 | 198000 |
| Non-current liabilities | 1200000 | 500000 |
| Current liabilities | 510500 | 555800 |
| Trade and other payables | 323000 | 285000 |
| Shareholders for dividends | 187500 | 108000 |
| SARS: Income tax | - | 9800 |
| Bank overdraft | - | 153000 |

B. Extract from the Income Statement for the year ended 28 February 2015:

| Gross profit | R2 040000 |
| :--- | ---: |
| Depreciation | 215100 |
| Operating profit | 1300000 |
| Interest expense | 132000 |
| Net profit before tax | 1175000 |
| Net profit after tax | 846000 |

C. Share capital:

- Authorised share capital consists of 800000 ordinary shares.
- 150000 new ordinary shares were issued on 1 October 2014.
- 60000 ordinary shares were repurchased on 1 January 2015 at 90 cents above the average issue price of R4,30.
- On 28 February 2015 the share register reflected that a total of 690000 shares had been issued to date.
D. Fixed assets:
- Additional property was purchased for R2 100000 . No other fixed assets were purchased.
- Equipment was sold at carrying value.


### 4.3 DON LTD AND KEY LTD

You have R50 000 to invest in a listed company. You choose to focus on two companies in the same industry.

NOTE: When answering the questions below, compare the information given and quote the relevant financial indicators of both companies (percentages, ratios and/or amounts).

REQUIRED:
4.3.1 Comment on the value of the shares of the two companies on the Johannesburg Securities Exchange (JSE). Explain how this will influence your choice of company.
4.3.2 Compare and comment on the dividend pay-out policies of the two companies.
4.3.3 Comment on the degree of risk and gearing. Explain how this will influence your choice of company.
4.3.4 Apart from the points mentioned above, what other factors would you consider before deciding in which company you are going to invest? Explain TWO points.

## INFORMATION:

|  | DON LTD | KEY LTD |
| :--- | :---: | :---: |
| Current ratio | $4,3: 1$ | $1,5: 1$ |
| Acid-test ratio | $2,8: 1$ | $0,8: 1$ |
| Stock turnover rate | 4 times | 6 times |
| Stock-holding period | 90 days | 62 days |
| Average debtors' collection period | 54 days | 26 days |
| Average creditors' payment period | 59 days | 62 days |
| Debt-equity ratio | $0,3: 1$ | $1,6: 1$ |
| Return on total capital employed (ROTCE) | $15,6 \%$ | $10,2 \%$ |
| Return on shareholders' equity (ROSHE) | $17,2 \%$ | $9,1 \%$ |
| Earnings per share (EPS) | 420 cents | 980 cents |
| Dividend per share (DPS) | 360 cents | 490 cents |
| Net asset value per share (NAV) | 310 cents | 750 cents |
| Market price of shares on JSE | 400 cents | 645 cents |
| Interest rate on loans | $11,5 \%$ | $11,5 \%$ |

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## QUESTION 5: CASH BUDGET AND PROJECTED INCOME STATEMENT

### 5.1 BRUCE TRADERS

Benny Bruce owns Bruce Traders. You are provided with information for two months.

## REQUIRED:

Complete the Cash Budget for November and December 2015. Certain figures have been entered for you.

INFORMATION:
A. Extract from the Projected Income Statement:

|  | NOVEMBER 2015 | DECEMBER 2015 |
| :--- | ---: | ---: |
| Sales | R1 050 000 | R997 500 |
| Cost of sales | 600000 | 570000 |
| Commission income | 7000 | 8000 |
| Sundry expenses | 22500 | $?$ |
| Depreciation | 2200 | 200 |
| Wages and salaries | $?$ | 256000 |
| Bad debts | 19500 | 34125 |
| Advertisements | 0 | 11000 |
| Discount allowed | 20475 | 18900 |
| Interest expense (9\% p.a.) | 3780 | 3510 |

B. ADDITIONAL INFORMATION:
(i) Cash sales amount to $40 \%$ of all sales.
(ii) A mark-up of $75 \%$ on cost is maintained. Stock is replaced in the same month as sales.
(iii) $20 \%$ of all purchases of stock are bought for cash.
(iv) All creditors are paid in full in 30 days (in the month following the purchase).
(v) Commission is received one month after it is earned. Commission is budgeted to increase by R1 000 per month.
(vi) Sundry expenses consist of cash items only. It is expected to decrease by $8 \%$ each month.
(vii) Wages and salaries for December 2015 include a bonus of R40 000 for the manager. A wage and salary increase of $8 \%$ for all employees will be applied from 1 December 2015.
(viii) Advertisements will appear in a newspaper on the first day of each month, commencing on 1 December. Payment to cover three advertisements will be made in full on 15 November.
(ix) The interest rate is 9\% p.a. Interest is not capitalised and is paid monthly. A portion of the loan will be repaid on 30 November 2015.

### 5.2 SLEEPEZI BEDS (PTY) LTD

You are provided with information for two months ending 31 October 2015. The business sells one type of bed.

## REQUIRED:

5.2.1 Calculate the percentage increase in the amount budgeted for salaries and wages for October 2015. Should the employees be satisfied with this? Explain.
5.2.2 The financial director is pleased with the work being done by the bookkeeper and internal auditor. Identify an expense that indicates that he is correct. Explain your answer.
5.2.3 A competitor, BB Beds, which sells only for cash, opened a store nearby on 1 October 2015.

- Comment on how the new competitor has affected the sales of Sleepezi Beds. Provide figures.
- Explain how Sleepezi Beds has responded to this problem. Provide THREE points. Provide figures.
5.2.4 Cash balances:
- Comment on the cash balances. Provide figures.
- Explain how the directors can improve the cash balances in future. Explain TWO points.


## INFORMATION:

A. Expected sales, cost of sales and deliveries:

- The business budgets on selling 300 beds per month.
- The cost price of each bed is R3 000 and the selling price is R5 000. No discounts are allowed.
- The stock of beds is replaced in the month of sale.
- Suppliers are paid in the month of purchase.
- The business uses Cape Deliveries to deliver the beds to each customer.
B. Extract from the Cash Budget:

|  | SEPTEMBER 2015 |  | OCTOBER 2015 |  |
| :--- | ---: | ---: | ---: | ---: |
|  | PROJECTED | ACTUAL | PROJECTED | ACTUAL |
| Cash surplus (deficit) for month | 110000 | 125000 | 120000 | $(440000)$ |
| Cash at beginning of month | 105000 | 105000 | 215000 | 230000 |
| Cash at end of month | $\mathbf{2 1 5 0 0 0}$ | $\mathbf{2 3 0} 000$ | $\mathbf{3 3 5 0 0 0}$ | $\mathbf{( 2 1 0} \mathbf{0 0 0})$ |

C. Extract from the Projected Income Statement:

|  | SEPTEMBER 2015 |  | OCTOBER 2015 |  |
| :--- | ---: | ---: | ---: | ---: |
|  | PROJECTED | ACTUAL | PROJECTED | ACTUAL |
| Number of beds sold | $\mathbf{3 0 0}$ beds | $\mathbf{3 2 0}$ beds | $\mathbf{3 0 0}$ beds | $\mathbf{2 4 0}$ beds |
| Cash sales | 1200000 | 1280000 | 1200000 | 300000 |
| Credit sales | 300000 | 320000 | 300000 | 900000 |
| Total sales | 1500000 | 1600000 | 1500000 | 1200000 |
| Cost of sales | $(900000)$ | $(960000)$ | $(900000)$ | $(720000)$ |
| Gross profit | 600000 | 640000 | 600000 | 480000 |
| Operating expenses | $(313000)$ | $(323000)$ | $(407600)$ | $(374960)$ |
| Directors' fees | 80000 | 80000 | 80000 | 36000 |
| Salaries and wages | 30000 | 30000 | 31800 | 31800 |
| Advertising | 10000 | 10000 | 10000 | 40000 |
| Delivery costs |  |  |  |  |
| (Cape Deliveries) | 150000 | 160000 | 150000 | 168000 |
| Audit fees | 0 | 0 | 90000 | 50000 |
| Rent expense | 28000 | 28000 | 30800 | 34160 |
| Sundry expenses | 15000 | 15000 | 15000 | 15000 |
| Operating profit | $\mathbf{2 8 7 0 0 0}$ | $\mathbf{3 1 7 0 0 0}$ | $\mathbf{1 9 2 4 0 0}$ | $\mathbf{1 0 5 0 4 0}$ |

## QUESTION 6: COST ACCOUNTING

(35 marks; 20 minutes)

### 6.1 SNAZZY HANDBAGS

The information below relates to the financial year ended 30 September 2015. The business manufactures one type of handbag.

## REQUIRED:

Prepare the Production Cost Statement on 30 September 2015. Show ALL workings.

## INFORMATION:

A. Figures provided by the bookkeeper on 30 September 2015:

|  | R |
| :--- | ---: |
| Administration cost | 380000 |
| Direct material cost | 976000 |
| Direct labour cost | 755000 |
| Factory overhead cost | 442080 |
| Selling and distribution cost | 219200 |
| Work-in-process: 1 October 2014 | 74000 |
| 30 September 2015 |  |
| Total cost of production of finished goods | $?$ |

B. An internal audit revealed the following:

- Damaged raw material, valued at R17 000, that had been returned to the supplier was omitted in the calculation of the direct material cost.
- The factory overhead cost total included the full amount of R62 400 for rent expense. Only ${ }^{2} / 3$ of this expense must be allocated to the factory. The remainder must be split equally between the office and the sales department.
- The salary of a factory foreman on leave was not recorded. Details of his salary are as follows:

| Deduction for SARS: PAYE | R2 560 |
| :--- | ---: |
| Deduction for pension fund and UIF | $?$ |
| Net salary | R8 320 |

The employer's contribution for pension fund and UIF amounts to R1 920. The business contributes on a rand-for-rand basis.

### 6.2 HEALTHY LIFESTYLE COOKWARE

This business manufactures enamel pots.

## REQUIRED:

6.2.1 Calculate the following for the financial year ended 31 August 2015:

- Variable cost per unit
- Break-even point
6.2.2 Explain why the owner should be concerned about the break-even point and level of production. Provide TWO points. Provide figures.
6.2.3 Identify ONE other problem relating to this business. Provide figure(s).


## INFORMATION:

|  | ENAMEL POTS |  |
| :--- | ---: | ---: |
|  | $\mathbf{2 0 1 5}$ |  |
| Number of units produced and sold | 27000 | 32000 |
| Total fixed cost | R2 850 000 | R2 660 000 |
| Total variable cost | R2 160 000 | R2 080 000 |
| Selling price per unit | R175 | R160 |
| Selling price of competitor | R170 | R130 |
| Break-even point in number of units | $?$ | 28000 |
| Total sales | R4 725 000 | R4 960 000 |

