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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 17 pages and an answer book of 19 pages.

## 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 workings in order to achieve 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. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

| QUESTION 1: 35 marks; $\mathbf{2 0}$ minutes |  |  |
| :--- | :--- | :---: |
| Topic of the question: | This question integrates: |  |
| VAT, Inventory and Ethics | Financial accounting <br> VAT concepts and calculations <br> Managing resources <br> Inventory valuation: FIFO and weighted average <br> Ethical behaviour in a financial environment |  |


| QUESTION 2: $\mathbf{3 0}$ marks; $\mathbf{2 0}$ minutes |  |
| :--- | :--- |
| Topic of the question: | This question integrates: |
| Creditors' Reconciliation and | Financial accounting <br> Reconciling a Creditors' Ledger Account to a statement <br> of account <br> Managing resources <br> Internal control and internal audit <br> Internal Control |


| QUESTION 3: 65 marks; $\mathbf{4 0}$ minutes |  |
| :--- | :--- |
| Topic of the question: | This question integrates: |
|  | Financial accounting |
| Falance Sheet and notes |  |
| Financial Statements: | Analysis and interpretation of financial information <br> Balance Sheet, Interpretation <br> and Ethics |
|  | Managing resources <br> Professional bodies and code of conduct <br> Ethical behaviour in a financial environment |


| QUESTION 4: 75 marks; 45 minutes |  |
| :--- | :--- |
| Topic of the question: | This question integrates: |
| Fixed Assets, Cash Flow | Financial accounting <br> Cash Flow Statement <br> Statement, Interpretation and <br> Corporate Governance |
| Analysis and interpretation of financial information <br> Managing resources <br> Interpret and report on movements of assets |  |


| QUESTION 5: 40 marks; 25 minutes |  |
| :--- | :--- |
| Topic of the question: | This question integrates: |
| Cash Budget and Internal <br> Control | Managerial accounting <br> Cash Budget - analyse and interpret <br> Managing resources <br> Internal control and problem solving |


| QUESTION 6: 55 marks; 30 minutes |  |
| :---: | :---: |
| Topic of the question: | This question integrates: |
| Manufacturing | Managerial accounting |
|  | Production Cost Statement and notes |
|  | Analysis and interpretation of unit costs and break-even point |
|  | Managing resources |
|  | Internal control and internal audit |

## QUESTION 1: VAT, INVENTORY AND ETHICS

### 1.1 CONCEPTS

## REQUIRED:

1.1.1 What do the letters VAT stand for?
1.1.2 What rate of VAT is charged on necessities such as brown bread, milk and fresh vegetables?
1.1.3 What do the letters FIFO stand for?
1.1.4 Write down the missing word:

The stock system which involves the recording of the cost of sales for every sales transaction is the ... inventory system.

### 1.2 VAT: SEBENZA TRADERS

The business accounts for VAT on a two-monthly basis.

## REQUIRED:

Calculate the final amount payable to SARS on 31 July 2014 (you may prepare a VAT Control Account to assist in your calculations).

## INFORMATION:

|  | INCLUDING <br> VAT | EXCLUDING <br> VAT | VAT <br> AMOUNT |
| :--- | ---: | ---: | ---: |
| Balance owed by SARS on <br> 1 July 2014 |  |  | R11 200 |
| Cash and credit sales <br> invoices | R1 026000 | R900 000 | R126 000 |
| Purchase of trading stock | R627 000 | R550 000 | R77 000 |
| Defective stock returned to <br> suppliers | R2 223 | R1 950 | R273 |
| Discount allowed to debtors <br> for prompt payment | R10 830 |  | R47 800 |
| New office computer bought <br> on credit | $?$ |  |  |

### 1.3 INVENTORY VALUATION: SMART UNIFORMS

You are provided with information relating to Smart Uniforms for June 2014. The business is owned by Harry Mavuso. They buy and sell school blazers. The business uses the weighted-average method for stock valuation and the periodic inventory system.

REQUIRED:
1.3.1 Calculate the total amount paid for carriage on the purchases on 11 June 2014.
1.3.2 Calculate the value of the closing stock on 30 June 2014 using the weighted-average method.
1.3.3 Harry is considering a change in the method of valuing stock. The value of closing stock using the FIFO method will be R20 850 higher than the value using the weighted-average method.

- Explain the effect that this will have on the gross profit.
- Give ONE valid reason for and ONE valid reason against changing the stock valuation method.
1.3.4 Harry is concerned about the control of his stock of blazers. He has sold 2900 blazers during the year. Give a calculation to support his concern.


## INFORMATION:

A. Inventory balances:

| Date | No. of units | Price per unit | Total cost |
| :--- | :---: | :---: | :---: |
| 1 June 2014 | 410 | R190 | R77 900 |
| 30 June 2014 | 580 | $?$ | $?$ |

B. Purchases during the month:

| Date | No. of <br> units | Price <br> per <br> unit | Carriage <br> on <br> purchases | Total cost |
| :--- | :---: | :---: | :---: | :---: |
| 11 June 2014 | 1600 | R 215 | $?$ | R 352600 |
| 18 June 2014 | 1210 | R 240 | Nil | R 290400 |
| 26 June 2014 | 470 | R 265 | R 3300 | R 127850 |
| Total purchases | 3280 |  |  | R 770850 |
| Returns from <br> 18 June <br> purchases | 5 |  |  |  |

## QUESTION 2: CREDITORS' RECONCILIATION AND INTERNAL CONTROL

(30 marks; 20 minutes)
KZ Stores purchase goods on credit from Valley Ltd.

## REQUIRED:

2.1 The bookkeeper, Litzie, says it is not necessary for her to prepare a Creditors' Reconciliation Statement because the creditors send monthly statements to the business anyway. What would you say to her? State TWO points.
2.2 Use the table in the ANSWER BOOK to indicate how the relevant balances will change when preparing the creditors' reconciliation. Indicate the figure as well as a + for increase and $a-$ for decrease. The first transaction (Information A) has been done for you.

## INFORMATION:

The following balances are provided:

| In the account of Valley Ltd in the Creditors' <br> Ledger of KZ Stores on 30 September 2014: | R112 820 | Credit |
| :--- | :---: | :---: |
| On the statement received from Valley Ltd on <br> 25 September 2014: | R182 150 | Debit |

The following errors and omissions were discovered during an investigation:
A. A payment by KZ Stores of R9 000 was omitted from the Creditors' Ledger and the statement.
B. An invoice for goods bought for R87 500 was reflected on the statement from Valley Ltd but was not recorded by KZ Stores.
C. An invoice for R28 000 received from Valley Ltd was recorded correctly by KZ Stores. The statement of account reflects it as R20 800.
D. KZ Stores had correctly recorded discount of R1 400 for early payment of their account. This has not been reflected on the statement from Valley Ltd.
E. The statement reflects interest of R630 on the overdue account. Valley Ltd acknowledged that an error had been made and promised to reverse the entry in the October 2014 statement.
F. A debit note for R2 100 issued to Value CC was incorrectly recorded in the account of Valley Ltd by KZ Stores.
G. A credit note for R5 250 received from Valley Ltd for goods returned was incorrectly recorded as an invoice by KZ Stores.
H. Goods purchased from Valley Ltd on 30 September 2014 for R4 600 were recorded by KZ Stores. The statement from Valley Ltd is dated 25 September 2014.

### 2.3 Refer to Information B:

As the internal auditor of KZ Stores, you have detected that only R50 000 of these goods were entered into the stock records by the storeman. The remaining goods were ordered privately by J van Wyk, an employee in charge of creditors.
2.3.1 Explain what action should be taken against J van Wyk. State TWO points.
2.3.2 What must the business do to prevent a similar incident in future? Explain THREE points.

## QUESTION 3: BALANCE SHEET, INTERPRETATION AND ETHICS

(65 marks; 40 minutes)
You are presented with information from the records of Vijay Limited. The financial year-end is 28 February 2014.

## REQUIRED:

3.1 Prepare the following notes to the Balance Sheet:
3.1.1 Share capital
3.1.2 Retained income
3.2 Prepare the Balance Sheet (Statement of Financial Position) on 28 February 2014. Where notes are not required, show ALL workings in brackets.
3.3 Calculate the return on average shareholders' equity for 2014.
3.4 From 2013 to 2014 the directors made a deliberate decision to change the policy on the distribution of profits in the form of dividends. Comment on this change. Quote financial indicators or figures to support your answer.
3.5 Comment on whether the shareholders should be satisfied with the percentage return and the market price of their shares. Quote TWO relevant financial indicators (actual figures/ratios/percentages) and their trends. Give an additional comment in each case.
3.6 The external auditors, Hassan and Jacob, have employed Janet to work on the audit of Vijay Ltd. Janet owns 10000 shares in Vijay Ltd.

Explain why this is a problem and give a valid solution.

## INFORMATION:

A. The authorised share capital consists of 750000 ordinary shares.

On 1 March 2013, only $60 \%$ of the shares were in issue.
B. The following amounts were extracted from the records:

|  | 28 Feb. 2014 | 28 Feb. 2013 |
| :--- | :---: | ---: |
| Ordinary share capital | $?$ | 3215000 |
| Retained income | $?$ | 322500 |
| Total ordinary shareholders' equity | $?$ | 3537500 |
| Fixed assets (carrying value) | $?$ |  |
| Fixed deposit: Sam Bank | 650000 |  |
| Loan: William Bank | 482600 |  |
| Inventories | 275400 |  |
| Debtors' Control | 243500 |  |
| Creditors' Control | 62460 |  |
| Cash in the bank and petty cash | 336600 |  |
| Income received in advance (Rent) | 12120 |  |
| Prepaid expenses (Insurance) | 7600 |  |
| Provisional income tax payments | 299980 |  |
| Interim dividends paid on 31 Aug. 2014 | 270000 |  |

C. On 1 November 2013, the company issued a further 80000 shares at R9,50 per share.
D. On 28 February 2014, the directors decided to repurchase 75000 ordinary shares from the estate of a shareholder who had died. This shareholder had originally purchased his shares on the JSE at various times and at different prices. A repurchase price of R10,40 was accepted as being a fair price.
E. On 27 February 2014, a final dividend of 40 cents per share was declared. All shares, including the new shares issued and repurchased, qualify for final dividends.
F. The loan statement from William Bank received on 28 February 2014 reflected interest capitalised at R81 400. This was not recorded in the books. The business expects to settle $20 \%$ of the outstanding balance in the next financial year.
G. After all the above adjustments were taken into account the net profit before tax was calculated to be R1 161000 . The income tax is calculated at $30 \%$ of net income before tax.

| H. | Financial indicators on 28 February: | $\mathbf{2 0 1 4}$ | $\mathbf{2 0 1 3}$ |
| :--- | :--- | :---: | :---: |
|  | Earnings per share (EPS) | 170 cents | 82 cents |
| Dividends per share (DPS) | 100 cents | 82 cents |  |
| Net asset value (NAV) | 846 cents | 786 cents |  |
| Return on shareholders' equity (ROSHE) | $\boldsymbol{?}$ | $18,3 \%$ |  |

I.

| Additional information: | $\mathbf{2 0 1 4}$ | $\mathbf{2 0 1 3}$ |
| :--- | :---: | :---: |
| Market price of Vijay Ltd shares on JSE | 1032 cents | 1060 cents |
| Interest rate on alternative investments | $9 \%$ | $9 \%$ |

## QUESTION 4: FIXED ASSETS, CASH FLOW STATEMENT: INTERPRETATION AND CORPORATE GOVERNANCE (75 marks; 45 minutes)

You are provided with information relating to Meteor Supermarkets Limited, a public company. The financial year-end is 28 February 2014.

## REQUIRED:

### 4.1 Refer to Information E:

Calculate the missing amounts (indicated by $\mathbf{a}, \mathbf{b}$ and $\mathbf{c}$ ) in the Fixed/Tangible Asset Note for the year ended 28 February 2014.
4.2 Complete the Cash Flow Statement for the year ended 28 February 2014. Some of the details and figures have been entered in the ANSWER BOOK. Show workings in brackets.
4.3 At the AGM, a shareholder stated that the Cash Flow Statement reflects poor decisions by the directors.

Explain TWO points, with relevant figures, to support his opinion.
4.4 Calculate the following financial indicators for the financial year ended 28 February 2014:
4.4.1 $\quad$ Net asset value per share
4.4.2 Debt-equity ratio
4.5 Comment on the liquidity position of the company. Quote THREE relevant financial indicators (actual figures/ratios/percentages) and their trends.
4.6 The directors decided to increase the loan during the current financial year. Quote TWO financial indicators (actual figures/ratios/percentages) that are relevant to their decision. Explain why this was a good decision, or not.
4.7 The Bakker family owns 740000 shares in this company. Explain the effect that the repurchase of shares on 31 December 2013 had on their control of the company. Give a calculation(s) to support your answer.

## INFORMATION:

A. Extract from the Income Statement for the year ended 28 February 2014:

| Interest on loan (all capitalised) | 88500 |
| :--- | ---: |
| Net profit before tax | 1575000 |
| Income tax | 441000 |

B. Extract from the Balance Sheet as at:

|  | 28 Feb. 2014 | 28 Feb. 2013 |
| :--- | ---: | ---: |
| Current assets | $\mathbf{3 3 3 7 3 0 0}$ | $\mathbf{4 6 4 1 0 0 0}$ |
| Inventories | 818200 | 641000 |
| Trade debtors | 2377600 | 1512000 |
| SARS: Income tax | 128000 | - |
| Cash and cash equivalents | 13500 | 2488000 |
|  | $\mathbf{8 8 3 9 0 0 0}$ | $\mathbf{7 4 0 0 0 0 0}$ |
| Shareholders' equity | 8700000 | 6600000 |
| Ordinary share capital | 139000 | 800000 |
| Retained income | $\mathbf{9 0 8 0 0 0}$ | $\mathbf{5 0 8 0 0 0}$ |
|  | $\mathbf{2 0 6 3 7 0 0}$ | $\mathbf{1 3 0 2 0 0 0}$ |
| Mortgage loan: Excel Bank <br> (interest rate: $12,5 \%$ p.a.) | 678700 | 700000 |
|  | 870000 | 480000 |
| Current liabilities | 515000 | - |
| Trade creditors |  | 122000 |
| Shareholders for dividends |  |  |
| Bank overdraft |  |  |
| SARS: Income tax |  |  |

C. Shareholders' register:

| DATE | DETAILS |
| :--- | :--- |
| 1 March 2013 | 1200000 shares in issue |
| 31 March 2013 | 300000 shares issued at R8 each |
| 31 December 2013 | The company bought back 50 000 shares <br> from a dissatisfied shareholder, S Smit, at <br> R9,50 each. The average price of all shares <br> issued to date was R6 per share. |
| 28 February 2014 | 1450000 shares in issue |

D. Dividends for the financial year ending 28 February 2014:

| Interim dividends paid on 31 August 2013 | R750 000 |
| :--- | :--- |
| Final dividends declared on 28 February 2014 | R870 000 |

E. Fixed/Tangible assets:

|  | LAND AND <br> BUILDINGS | VEHICLES |
| :--- | :---: | :---: |
| Carrying value at the beginning <br> of the financial year | $\mathbf{2 6 8 9} \mathbf{0 0 0}$ | $\mathbf{1 8 8 0} \mathbf{0 0 0}$ |
| Cost | 2689000 | 3250000 |
| Accumulated depreciation | - | $(1370000)$ |
| Movements | $\mathbf{a}$ | 330000 |
| Additions at cost | - | $\mathbf{b}$ |
| Disposals at carrying value | - | $\mathbf{c}$ |
| Depreciation | $\mathbf{6 7 4 0} 000$ |  |
| Carrying value at the end of the <br> financial year | 6740000 | 3440000 |
| Cost | - |  |
| Accumulated depreciation |  |  |

## Additional information in respect of fixed/tangible assets:

(i) A vehicle was sold for cash at its carrying value on 31 May 2013. The following extract of the vehicle sold was taken from the Fixed Assets Register:
Cost price: R140 000
Date purchased: 1 March 2012
Rate of depreciation: 20\% p.a. on the diminishing-balance method

| FINANCIAL YEAR END | DEPRECIATION | ACCUMULATED <br> DEPRECIATION |
| :--- | :---: | :---: |
| 28 February 2013 | 28000 | 28000 |
| 31 May 2013 | 5600 | 33600 |

(ii) A new vehicle, costing R330 000, was purchased and paid for by cheque on 1 January 2014.
(iii) Vehicles are depreciated at $20 \%$ p.a. on the diminishing balance method.
(iv) New premises (land and buildings) were acquired during the financial year.
F. Financial indicators:

|  | 28 Feb. 2014 | 28 Feb. 2013 |
| :--- | :---: | :---: |
| Debt-equity ratio | $\mathbf{?}$ | $0,1: 1$ |
| Net asset value per share (NAV) | $\boldsymbol{?}$ | 617 cents |
| Current ratio | $1,6: 1$ | $3,6: 1$ |
| Acid-test ratio | $1,2: 1$ | $3,1: 1$ |
| Stock turnover rate | 6,8 times p.a. | 5,1 times p.a. |
| Debtors' collection period | 40 days | 35 days |
| \% return on average capital <br> employed | $18,8 \%$ | $16,4 \%$ |

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## QUESTION 5: CASH BUDGET AND INTERNAL CONTROL (40 marks; 25 minutes)

You are provided with information relating to Martin's Health Shop. The business sells a health drink which has a shelf life of two months. The financial year of the business ends on 30 September 2014. The newly appointed bookkeeper prepared a budget for the three months ended 31 December 2014. The Cash Budget he presented is not completely correct.

## REQUIRED:

### 5.1 Refer to Information C:

List FOUR items that should not have been placed in this Cash Budget.
5.2 Complete the Creditors' Payment Schedule for the period October to December 2014 by calculating the amounts indicated by an asterisk (*).
5.3 With reference to the prepared budget, calculate the following:
5.3.1 The total sales for September 2014
5.3.2 The percentage increase in rent income in December 2014
5.3.3 The salaries and wages amount for December 2014
5.3.4 The rate of interest on the loan
5.4 Answer the following questions.
5.4.1 Calculate the period for which enough stock is on hand (in days) on 30 September 2014. Explain whether this is appropriate for the business.
5.4.2 Calculate the mark-up percentage achieved for the year ended 30 September 2014.
5.4.3 Comment on whether or not the change in the mark-up percentage has benefited the business. Give a calculation(s) to support your opinion.

## INFORMATION:

A. Figures extracted from the financial statements on 30 September 2013 and 2014:

|  | $\mathbf{2 0 1 4}$ | $\mathbf{2 0 1 3}$ |
| :--- | :---: | :---: |
| Sales | 1780600 | 1680000 |
| Cost of sales | 1228000 | $\boldsymbol{?}$ |
| Mark-up \% | $\boldsymbol{?}$ | $60 \%$ |

B. It is business policy to maintain a stock base of R250 000 every month. Stock sold each month is replaced in the same month.
C. CASH BUDGET PREPARED BY THE BOOKKEEPER FOR THE PERIOD ENDED 31 DECEMBER 2014:

| CASH RECEIPTS | OCTOBER | NOVEMBER | DECEMBER |
| :--- | ---: | ---: | ---: |
| Cash sales | 238000 | 212500 | 221000 |
| Receipts from debtors | 40500 | 42000 | 37500 |
| Loan: Mali Bank | - | - | 150000 |
| Discount received | 1350 | 1400 | 1400 |
| Rent income | 287850 | 263900 | 418900 |
|  |  |  |  |
| CASH PAYMENTS | 185000 | 170000 | 175000 |
| Total cost of sales | 111000 | 102000 | 105000 |
| Cash purchases of trading <br> stock | 400 | 400 | 400 |
| Bad debts | 46000 | 46000 | 5.3 .3 |
| Salaries and wages | - | - | 1125 |
| Interest on loan | 18000 | 8200 | 8200 |
| Depreciation on equipment | 368600 | 345500 | 3 |
| Sundry cash expenses | $(80750)$ | $(81600)$ | 60400 |
|  | 45000 | $(35750)$ | $(117350)$ |
| Cash surplus/deficit | $(35750)$ | $(117350)$ | $(56950)$ |
| Bank (opening balance) |  |  |  |
| Bank (closing balance) |  |  |  |

D. Credit sales amounts to $15 \%$ of total sales. Debtors are expected to pay in full in the month following the month of sales.
E. $40 \%$ of all the trading stock was purchased on credit.
F. Creditors allow 60 days credit, but payments made within the month of purchase receive 5\% discount. Based on past experience, the business pays as follows:

- $10 \%$ within the month of purchase
- $75 \%$ in the month following the month of purchase
- $15 \%$ in the second month following the month of purchase
G. The loan will be received on 1 December 2014.
H. The union negotiated an $8,5 \%$ increase in salaries and wages. This will only be effective from 1 December 2014.


## QUESTION 6: MANUFACTURING

### 6.1 BRIAN'S BRELLIES

Brian Jonas is the owner of Brian's Brellies, a business that manufactures umbrellas. The financial year ends on 31 July 2014.

## REQUIRED:

6.1.1 Refer to Information C: Calculate the direct labour cost.
6.1.2 Refer to Information D: Prepare the correct note for factory overhead cost.
6.1.3 Prepare the Production Cost Statement for the year ended 31 July 2014.

## INFORMATION:

A.

| STOCK BALANCES | 31 JULY 2014 | 1 AUGUST 2013 |
| :--- | ---: | ---: |
| Raw material stock | R124 400 | R98 780 |
| Work-in-process stock | R42 600 | R37600 |
| Indirect material | R3 600 | R4 400 |

B. Raw material issued to the factory for production: R623 700
C. Three workers are employed in production. They each work 1920 hours normal time per year at R95 per hour. In December 2013, each factory worker received a bonus of $12 \%$ of his annual earnings.
D. The bookkeeper presented the following factory overhead cost calculation:

| Sundry factory expenses | 30975 |
| :--- | ---: |
| Indirect material | 52200 |
| Rent expense | 117000 |
| Advertising | 10500 |
| Insurance | 16640 |
| Salary of factory foreman | 97150 |
| Water and electricity | 20010 |
| TOTAL | $\mathbf{3 4 4 4 7 5}$ |

The following errors were noticed:

- Stocks of factory indirect materials were not taken into account in calculating indirect materials used.
- The amount for rent expense is the total amount paid. Rent should be split between the factory, sales and administration sections in the ratio of $5: 2: 1$.
- The amount for insurance is the total amount paid. This includes the August 2014 premium. Only 75\% of this expense relates to the factory. There was no increase in monthly premiums.
- The factory foreman was on paid leave in July 2014. His salary for July 2014 was not processed. The factory foreman received a R900 monthly increase in his salary with effect from 1 June 2014.
- $60 \%$ of the water and electricity cost was allocated to the factory whereas it should have been $80 \%$.


### 6.2 BEN'S CATERING

Ben Khulamo owns a small business that produces pies and doughnuts which he supplies to local school tuck shops.

Where comments/explanations are required below, quote figures, unit costs or financial indicators to support your opinions.

## REQUIRED:

6.2.1 Identify ONE unit cost for doughnuts and TWO unit costs for pies that were major problems in 2014, considering that the inflation rate was $5 \%$. For each unit cost identified, give a possible cause of the problem and give advice on how to rectify it.
6.2.2 Ben feels that he can produce and sell more doughnuts. Calculate the number of extra doughnuts he must produce and sell to make an additional profit of R15 000. Assume that the unit costs and selling price for 2014 remain unchanged.
6.2.3 Ben is concerned about the financial performance of his business and the fact that a new competitor has opened in the area.

- Name the product which has been negatively affected by the new competitor.
- Comment on how this would have affected the net profit on this product.

| INFORMATION | DOUGHNUTS |  | PIES |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: |
|  | $\mathbf{2 0 1 4}$ |  | $\mathbf{2 0 1 3}$ | $\mathbf{2 0 1 4}$ | $\mathbf{2 0 1 3}$ |
| Total units produced \& sold | 55000 units | 51000 units | 35000 units | 44000 units |  |
| Break-even point (units) | 21667 units | 24074 units | 38095 units | 18519 units |  |
| Ben's selling price per unit | $\mathrm{R} 8,00$ | $\mathrm{R} 7,00$ | $\mathrm{R} 12,50$ | $\mathrm{R} 12,00$ |  |
| Selling price of competitor | $\mathrm{R} 8,60$ | - | $\mathrm{R} 12,50$ | - |  |
| VARIABLE COSTS PER UNIT | $\mathrm{R} 5,00$ | $\mathrm{R4}, \mathbf{3 0}$ | $\mathrm{R} 8, \mathbf{3 0}$ | $\mathrm{R} 5,85$ |  |
| Direct material cost per unit | $\mathrm{R} 1,95$ | $\mathrm{R} 2,05$ | $\mathrm{R} 5,05$ | $\mathrm{R} 2,20$ |  |
| Direct labour cost per unit | $\mathrm{R} 1,90$ | $\mathrm{R} 1,55$ | $\mathrm{R} 2,20$ | $\mathrm{R} 2,60$ |  |
| Selling \& distribution cost per unit | $\mathrm{R} 1,15$ | $\mathrm{R} 0,70$ | $\mathrm{R} 1,05$ | $\mathrm{R} 1,05$ |  |
| FIXED COSTS PER UNIT | $\mathrm{R} 1, \mathbf{1 8}$ | $\mathrm{R} 1, \mathbf{2 7}$ | $\mathrm{R} 4, \mathbf{5 7}$ | $\mathrm{R} 3,64$ |  |
| Factory overhead cost per unit | $\mathrm{R} 0,67$ | $\mathrm{R} 0,78$ | $\mathrm{R} 3,38$ | $\mathrm{R} 2,50$ |  |
| Administration cost per unit | $\mathrm{R} 0,51$ | $\mathrm{R} 0,49$ | $\mathrm{R} 1,19$ | $\mathrm{R} 1,14$ |  |

