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**NSC 2019
MEO 2019
SC CANDIDATES**

ACCOUNTING

GRADE 12

NOVEMBER 2020

SPECIAL ANSWER BOOK

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

This answer book consists of 15 pages.

QUESTION 1

1.1

1.1.1	
1.1.2	
1.1.3	
1.1.4	
1.1.5	

5

1.2 **BERGVIEW MANUFACTURERS**1.2.1 **FACTORY OVERHEAD COST NOTE**

16

1.2.2 **PRODUCTION COST STATEMENT
FOR YEAR ENDED 29 FEBRUARY 2020**

Direct material cost	2 200 000
Prime cost	
Total production cost	
Work-in-progress at beginning	130 000
Cost of production of finished goods	

10

1.3 EASY FOODS

1.3.1 Explain why the change in units produced affected the fixed costs per unit.

2

1.3.2 Give TWO possible reasons for the increase in direct material cost per unit.

Reason 1	
Reason 2	

4

1.3.3 Explain why the business should not be satisfied with the level of production and the break-even point. Compare and quote figures for both years.

6

1.3.4 Explain ONE reason against this option.

2

TOTAL MARKS
45

QUESTION 2**2.1 VAT**

Calculate the VAT amounts and indicate the effect of EACH.

DETAILS	VAT AMOUNT		EFFECT
Total sales		R81 675	Increase
Purchases of stock	(i)		
Drawings of stock	(ii)		
Bad debts	(iii)		

8

2.2 BANK RECONCILIATION AND INTERNAL CONTROL**2.2.1**

Show the entries that must be recorded in the Cash Journals.

Cash Receipts Journal (figures only)	Cash Payments Journal (figures only)
65 570	64 790

10

2.2.2

Calculate the Bank Account balance on 30 April 2020.

Workings	Answer

4

2.2.3

Bank Reconciliation Statement on 30 April 2020

9

2.2.4

As internal auditor you are not happy with the control of cash in this business. Explain TWO problems to confirm your suspicion. Quote figures. Give advice on how EACH problem can be avoided in future.

	Explanation with evidence	Advice
Problem 1		
Problem 2		

6

2.3 DEBTORS' AGE ANALYSIS

2.3.1

Explain how the Debtors' Age Analysis will assist the business in managing debtors more effectively.

2

2.3.2

Explain TWO separate problems highlighted by the age analysis. Provide evidence for EACH.

	Explanation	Evidence
Problem 1		
Problem 2		

4

2.3.3

State TWO strategies that Tonga Hardware can use to ensure that only reliable applicants are granted credit.

2

TOTAL MARKS

45

QUESTION 3**3.1**

3.1.1	
3.1.2	
3.1.3	

3

3.2**JJ FASHION HOUSE****3.2.1****Calculate: Value of the closing stock using the weighted-average method**

Workings	Answer

6

Calculate: Gross profit

Workings	Answer

4

3.2.2**Calculate how long (in days) it will take to sell the closing stock of the jeans.**

Workings	Answer

4

3.2.3

Calculate: Value of closing stock using the FIFO method	
Workings	Answer
State ONE advantage of using the FIFO method.	

7

2

3.2.4

Calculate the number of jackets stolen.	
Workings	Answer
Give TWO solutions to solve the problem.	
Solution 1	
Solution 2	

4

4

3.2.5

The internal auditor is concerned about the stock levels and the selling price of jackets. Explain reasons for his concern, with figures, and give different advice in EACH case.		
Concern	Explanation (with figures)	Advice
Stock level		
Selling price		

6

TOTAL MARKS
40

QUESTION 4

4.1

	Workings	Answer
(i)	Cost of land and buildings at beginning of year	
(ii)	Depreciation of vehicles for the year	
(iii)	Disposal of equipment	
(iv)	Accumulated depreciation of equipment	

16

4.2

ORDINARY SHARE CAPITAL:**ISSUED SHARE CAPITAL**

800 000	Shares in issue at beginning	4 800 000

7

RETAINED INCOME:

Balance at beginning	1 181 250
Net profit after tax	2 534 400
Dividends	
Interim	
Final	889 200
Balance at end	

8

**4.3 BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
ON 31 MARCH 2020**

ASSETS	
Non-current assets	11 458 500
Fixed assets at carrying value	11 458 500
Current assets	
Inventories	
Cash and cash equivalents	454 000
TOTAL ASSETS	
EQUITY AND LIABILITIES	
Ordinary shareholders' equity	
Non-current liabilities	
Current liabilities	
Trade and other payables	
TOTAL EQUITY AND LIABILITIES	

34

TOTAL MARKS
65

QUESTION 5

5.1

5.1.1	
5.1.2	
5.1.3	
5.1.4	

4

5.2

BOMBAY LTD

CASH FLOW STATEMENT FOR YEAR ENDED 29 FEBRUARY 2020	
NOTE: Figures are not required in the shaded areas.	
CASH EFFECTS OF OPERATING ACTIVITIES	
Cash generated from operations	
Interest paid	
Income tax paid	
Dividends paid	
CASH EFFECTS OF INVESTING ACTIVITIES	
Fixed assets purchased	
Proceeds from sale of fixed assets	
Change in fixed deposit	
CASH EFFECTS OF FINANCING ACTIVITIES	
Proceeds of shares issued	
Repurchase of shares	
Change in loan	
NET CHANGE IN CASH AND CASH EQUIVALENTS	
Cash and cash equivalents (opening balance)	
Cash and cash equivalents (closing balance)	

22

5.2.2

Calculate: % operating profit on sales	
Workings	Answer
Calculate: Acid-test ratio (NOTE: The current ratio is 1,6 : 1.)	
Workings	Answer
Calculate: Net asset value (NAV) per share	
Workings	Answer

3

5

5

5.3

TWO COMPANIES: LULU LTD AND COCO LTD

5.3.1

Explain which company has the better liquidity. Quote TWO financial indicators to support your opinion.

4

5.3.2

Comment on the earnings per share and the % return on equity of Lulu Ltd. Give TWO reasons why the shareholders will be satisfied with these indicators. Quote figures.

5

5.3.3

Comment on the market value of the shares in Coco Ltd. Explain TWO points. Quote figures.

4

5.3.4

Compare the dividend payout rates of both companies and explain why the directors of EACH company decided on these payout rates. Quote figures or calculations.

4

5.3.5

Noah says that the dividend of 110 cents per share he earned from Lulu Ltd is better than the dividend of 200 cents per share from Coco Ltd. Give ONE point to prove that he is incorrect. Quote figures or calculations.

4

5.3.6 Comment on the risk and gearing of EACH company. Quote TWO financial indicators.

6

5.3.7 Noah wants to buy shares in Lulu Ltd on the JSE at current market value to become the majority shareholder and CEO. Calculate how much Noah will have to pay for the shares that he needs.

Workings	Answer

4

TOTAL MARKS
70

QUESTION 6

6.1

6.1.1	
6.1.2	
6.1.3	

3

6.2 **KURUMAN (PTY) LTD**

6.2.1

Calculate the missing amounts indicated by (i) and (ii) in the Debtors' Collection Schedule.

	Workings	Answer
(i)		
(ii)		

4

Calculate the percentage discount allowed to debtors who settle in the month of the sales transactions.

Workings	Answer

5

6.2.2 **Calculate budgeted amounts:**

	Workings	Answer
Total sales for July 2020		
Payment to creditors during June 2020		
Additional loan to be acquired on 1 June 2020		

11

6.2.3 The directors did not adhere to the Cash Budget during May 2020. Identify TWO overpayments. Provide figures. Give a valid reason for EACH overpayment.

	Overpayment (with figures)	Reason
Point 1		
Point 2		

6

6.2.4 Why are the auditors concerned that the agreement with Tradecor is unethical or possibly a crime? Explain THREE points.

Point 1	
Point 2	
Point 3	

6

TOTAL MARKS
35

TOTAL: 300