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GRADE 12

**2021 PRE-TRIAL
EXAMINATION**

ACCOUNTING P2

MARKS: 150

DURATION: 2 HOURS

This question paper consists of 10 pages, a formula sheet
and an answer book of 9 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 ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or black/blue ink to answer the 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	Cost accounting	40	30 min
2	Reconciliations, Age Analysis and VAT	35	30 min
3	Stock valuation and Problem Solving	35	30 min
4	Budgeting	40	30 min
TOTAL		150	120 minutes

QUESTION 1: COST ACCOUNTING**(40 marks; 30 minutes)**

- 1.1 Match the concepts in Column A with an explanation provided in Column B. Write only the letter (A – D) next to the numbers (1.1.1 – 1.1.4) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.1.1	Indirect material	A.	Cost of raw materials used in the production process.
1.1.2	Administration cost	B.	Manufactured products that are ready for distribution to retailers.
1.1.3	Variable cost	C.	Consumable items used in the factory, such as cleaning detergents
1.1.4	Finished goods	D.	Stationery purchased, for office use

(4)

1.2 **LULUZA ACCESSORIES**

The information relates to the production of face masks. The financial year ended on 28 February 2021.

REQUIRED:1.2.1 **Refer to Information C:**

Calculate the direct labour cost for the production of face masks. (6)

1.2.2 **Refer to Information D:**

Correct the Factory Overhead cost amount by taking into account the errors and omissions. Show (+) for increase and (-) for decrease next to each amount. (9)

1.2.3 Complete the Production Cost Statement on 28 February 2021. (10)

INFORMATION:A. **Stocks balances:**

	29 February 2021	1 March 2020
Raw materials	R 28 350	R 23 450
Work in progress	?	R 25 500

B. **Raw material:**

Raw material purchased during the financial year was R367 400.

C. **Production wages:**

- The face mask section employs 4 workers.
- Each worked 1 520 hours' normal time at R45 per hour.
- The overtime register reflected a total of 220 hours worked at 1,6 times to normal rate.

D. Factory Overhead Costs:

The bookkeeper calculated the factory overhead cost as **R163 360**.

The following errors and omissions were noted:

- (a) The cleaner earns R4 000 per month. 20% of this must be allocated to the face mask factory. This was not taken into account.
- (b) The closing stock of factory indirect material, R1 640, was not taken into account.
- (c) Insurance of R24 900 was shared between the face mask factory and selling and distribution in the ratio 3 : 2, instead of the ratio 4 : 1.
- (d) The entire water and electricity expense of R45 600 was included in his calculation. 60% of this expense relates to the face masks.

- E. **27 500 face masks** were produced during the financial year at a cost of **R29** per face mask.

1.3 SALLY'S SECURITY GATES

The business makes a standard size security gate according to orders received. There is no work-in-progress stock.

The information relates to the financial year ended 30 June 2021.

REQUIRED:

- 1.3.1 Calculate the break-even point for the period ended 30 June 2021. (4)
- 1.3.2 Comment on the break-even point and the level of production achieved. Quote figures. (3)
- 1.3.3 Provide TWO reasons for the increase in direct material cost and suggest ONE way in which Sally can control this cost. (4)

INFORMATION:

A. COST ACCOUNTS		June 2021		2020
		TOTAL AMOUNT (R)	UNIT COST (R)	UNIT COST (R)
Direct material	Variable cost	86 400	180	156
Direct labour	Variable cost	122 400	255	242
Selling and distribution	Variable cost	74 400	155	152
TOTAL VARIABLE COSTS		283 200	590	550
Factory overheads	Fixed cost	76 800	160	156
Administration	Fixed cost	60 000	125	129
TOTAL FIXED COSTS		136 800	285	285
B. Additional information:				
		2021	2020	
Selling price per unit		R860	R850	
Number of units produced and sold		480 units	540 units	
Break-even number of units		?	508 units	

QUESTION 2: RECONCILIATIONS, AGE ANALYSIS AND VAT (35 marks; 30 minutes)**2.1 CREDITORS RECONCILIATION**

Pooh Traders buys goods on credit from Piglet Suppliers.

REQUIRED:

2.1.1 Show the changes to the Creditors Ledger account balance and the Statement balance for the errors and omissions identified. Indicate whether the amount must be added (+) or subtracted (-) to the given balance. Use the table provided in the ANSWER BOOK. (10)

2.1.2 Refer to information (vi):

An investigation revealed that the goods were ordered by the owner for his personal use.

As internal auditor, what advice would you offer the owner regarding the purchase of goods through the business accounts. Provide TWO points (4)

INFORMATION:

A.	Balance due to Piglet Suppliers on 30 June 2021 as per Creditors Ledger account in the books of Pooh Traders.	R 36 100 (Cr)
	Balance due by Pooh Traders on 26 June 2021 as per the statement of account received from Piglet Suppliers.	R 42 300 (Dr)

B. Errors and omissions identified:

- (i) An invoice for R16 500 received from Piglet Suppliers was recorded correctly by Pooh Traders. The statement of account reflected this as R15 600.
- (ii) Pooh Traders correctly recorded a discount of R400 for early payment. This was not reflected on the statement.
- (iii) Pooh Traders recorded a debit note for R1 250 in the creditors' ledger account of Piglet Suppliers in error. This was for goods returned to another supplier.
- (iv) A credit note for R700 received from Piglet Suppliers for an allowance granted, was incorrectly recorded as an invoice by Pooh Traders.
- (v) The statement of account showed an invoice for goods purchased, R1 850. This was not recorded by Pooh Traders.
- (vi) An EFT payment of R5 000 on 28 June 2021 was recorded in the Creditors Ledger account of Piglet Suppliers. The statement was dated 26 June 2021.

2.2 DEBTORS AGE ANALYSIS

The information relates to Norma Traders for July 2021.

REQUIRED:

- 2.2.1 Calculate the % of debtors balances that complies with the credit terms of 60 days allowed by Norma Traders. (3)
- 2.2.2 Explain TWO concerns that are revealed by the Debtors Age Analysis. (4)
- 2.2.3 Norma offers discounts to debtors who pay their accounts on time. Suggest TWO other internal control measures that she can use to improve collection from debtors. (4)

DEBTORS AGE ANALYSIS FOR JULY 2021

DEBTORS CONTROL	CURRENT	30 – 59 DAYS	60 – 89 DAYS	90 + DAYS
R 76 300	R16 786	R 32 809	R 17 549	R9 156

2.3 VALUE ADDED TAX (VAT)

The information was extracted from the records of Tokyo Stores for the VAT period ended 31 July 2021. VAT is applicable at the standard rate of 15%.

REQUIRED:

Calculate the amount payable to SARS in respect of VAT, by completing the table provided in the Answer Book. (10)

INFORMATION:

		R
(a)	Amount due to SARS on 1 July 2021	3 870
(b)	VAT on sales	51 750
(c)	Purchases of stock exclusive of VAT	245 000
(d)	VAT on goods taken by the owner for personal use.	510
(e)	VAT on total discounts received from suppliers.	1 740
(f)	VAT on debtors' accounts written off.	930
(g)	Equipment purchased (including VAT)	11 270
(h)	VAT on old equipment sold on credit.	720

QUESTION 3: INVENTORY VALUATION AND PROBLEM SOLVING**(35 marks; 30 minutes)****3.1 INVENTORY VALUATION**

Raymond Traders sells calculators. The business is owned by Piet Fouche. The information relates to the financial year ended 30 April 2021. The weighted average method is used to value the calculators. The period inventory system is in use.

REQUIRED:

3.1.1 Calculate the following for the financial year ended 31 August 2021:

- Value of the closing stock (9)
- Cost of sales (3)
- Gross profit % achieved (4)

3.1.2 Piet has experienced problems with stock theft and has installed security cameras. Despite this, he is sure that calculators were stolen.

- Calculate the number of units missing. (4)
- Provide another control measure that Piet can use to solve the problem of stock theft. (2)

3.1.3 Comment on the stock holding period of 66 days. Provide TWO points. (4)

INFORMATION:

A. **Stock of calculators:**

	UNITS	TOTAL (R)
On 1 May 2020, including carriage.	185	24 155
On 30 April 2021	230	?

B. **Purchases of calculators during the year:**

MONTH	UNITS	UNIT COST (R)	CARRIAGE (R per unit)	TOTAL (including carriage) (R)
July 2020	265	125	5	34 450
September 2020	380	132	8	53 200
December 2020	350	146	9	54 250
February 2021	180	148	12	28 800
TOTAL	1 175			170 700

C. 10 calculators from the December 2020 batch were donated to a local school as prizes for a raffle.

D. 15 damaged calculators from the February 2021 purchases were returned to suppliers. A refund of the cost plus carriage was obtained.

E. **Sales:**

1 087 units were sold during the financial year at R225 each; R244 575.

3.3 PROBLEM SOLVING

Sizwe has two stalls that sells handbags, situated on Oxford Street and Buffalo Street.

REQUIRED:

Identify ONE problem relating to the Oxford Street stall and TWO problems in the Buffalo Street stall. Quote figures. In each case, provide ONE solution or advice for the problems identified.

(9)

INFORMATION: for August 2021

	OXFORD STREET	BUFFALO STREET
Assistant	Fraser	Andi
Weekly allowance per assistant	R1 200	R1 200
Handbags on 1 August 2021	100 units	100 units
Handbags supplied by Sizwe	150 units	150 units
Handbags sold for cash	148 units	204 units
Handbags on 31 August 2021	102 units	38 units
Selling price (per handbag)	R95	R95
Cost per bag	R40	R40
Cash handed to Sizwe on 31 August 2021	R14 060	R16 380

QUESTION 4: BUDGETING**(40 marks; 30 minutes)****4.1 Explain why:**

- 4.1.1 Depreciation will not appear in a cash budget. (2)
- 4.1.2 A cash budget is an effective internal control mechanism. (2)

4.2 FRANK (PTY) LTD

The company is registered with an authorised share capital of 750 000 ordinary shares.

REQUIRED:**4.2.1 Refer to Information A.**

Calculate the collection from debtors during September 2021.
Note that no discounts are allowed and provision for bad debts applies. (7)

4.2.2 Calculate the missing amounts denoted by (a) to (e) on the extract Cash Budget provided in Information E. (16)

4.2.3 Provide TWO reasons why the company decides to spend money on staff training. (4)

4.2.4 Refer to Information J.

Actual and budgeted figures for July 2021 are provided.

Comment on the items listed, as specified by the table provided in the Answer Book. Quote figures. (9)

INFORMATION:**A. Incomplete Debtors Collection Schedule for the three months in 2021.**

MONTHS	CREDIT SALES R	JULY R	AUGUST R	SEPTEMBER R
May	108 000	27 000		
June	111 600	33 480	27 900	
July	115 200	46 080	34 560	?
August	122 400		48 960	?
September	127 800			?
Total collection from debtors			111 420	?

B. Cash sales is 40% of total sales.**C. Cost of sales figures:**

JULY	AUGUST	SEPTEMBER
R 128 000	R136 000	R142 000

D. Stock sold in a month is replaced in the same month.

- Cash purchases amounts to 20% of total purchases.
- Creditors for stock purchases are paid in the month following the purchase (30 days) to take advantage of a 5% discount.

E. Extract of the Cash Budget for the two months:

	AUGUST	SEPTEMBER
Receipts		
Cash Sales	81 600	85 200
Cash from Debtors	111 420	?
Rent Income	(a)	19 135
Additional shares	412 500	
Payments		
Cash purchases of stock	27 200	(b)
Payment to creditors	97 280	(c)
Salaries and wages	122 500	129 850
Repayment of loan		(d)
Interest on loan	2 600	2 275
Staff training		50 000
Advertising	10 200	10 650
Packing material	10 200	10 650
Ordinary share dividends		(e)
Delivery expenses	22 440	23 430

- F. The rent will increase by 7,5% on 1 September 2021.
- G. Advertising is a fixed percentage of budgeted cash sales.
- H. Part of the loan will be re-paid on 1 September 2021. Interest on loan at 13% p.a. is payable on the last day of each month, and is not capitalised.
- I. On 1 July 2021, there were 520 000 ordinary shares were in issue.
Additional shares will be issued on 1 August 2021 at R5,50 per share.
Interim dividends of 12 cents per share is payable on 30 September 2021, to all shares on the share register.
- J. **Budgeted and Actual figures for July 2021:**

BUDGET ITEMS	BUDGETED R	ACTUAL R
Cash sales	76 800	37 440
Credit sales	115 200	112 320
Total sales	192 000	149 760
Advertising	9 600	9 800
Delivery expenses	21 120	19 450

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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales / Credit Purchases}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
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.	