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**NATIONAL  
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**GRADE 12**

**JUNE 2022**

**ACCOUNTING P2**

**MARKS: 150**

**TIME: 2 hours**

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This question paper consists of 11 pages, including a formula sheet  
and a 9-page answer book.

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**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. A FORMULA SHEET for financial indicators is attached to this question paper. You may use it if necessary.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer the questions.
7. Where applicable, show all calculations to ONE decimal point.
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.

<b>QUESTION</b>	<b>TOPIC</b>	<b>MARKS</b>	<b>MINUTES</b>
<b>1</b>	Creditors' Reconciliation and management of cash	30	20
<b>2</b>	Cost Accounting	50	40
<b>3</b>	Inventories	35	30
<b>4</b>	Fixed Assets and internal audit processes	35	30
<b>TOTAL</b>		<b>150</b>	<b>120</b>

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**QUESTION 1: CREDITORS' RECONCILIATION AND MANAGEMENT OF CASH**  
(30 marks; 20 minutes)

**1.1 CREDITORS' RECONCILIATION**

The inexperienced bookkeeper of Lavender Traders completed the creditors' ledger account for Fragrance Suppliers, a major creditor of the business. The balance does not correspond with the outstanding balance according to the statement received from Fragrance Suppliers.

**REQUIRED:**

- 1.1.1 **Refer to Information A, B and C**  
Complete the table in the ANSWER BOOK to reconcile the balance in the creditors ledger to the balance reflected on the statement. Show a "+" for increases and a "-" for decreases, next to each amount. (13)
- 1.1.2 **Refer to Information D**  
Calculate the average creditors' payment period (in days). (5)
- 1.1.3 Provide TWO internal control measures which can be implemented to ensure better management over creditors. (4)

**INFORMATION:**

**A. Creditors' ledger of Lavender Traders:**

**Fragrance Suppliers (CL 12)**

Date	Details	Debit	Credit	Balance
01/06/22	Balance			R 20 500
05/06/22	Invoice 532		7 125	27 625
10/06/22	Debit note 57	750		26 875
14/06/22	EFT	10 000		16 875
	Discount	500		16 375
20/06/22	Invoice 575		7 900	24 275
23/06/22	Invoice 2997		12 500	36 775
27/06/22	EFT	8 000		28 775
	Discount	400		28 375

**B. Statement received from Fragrance Suppliers:**

<i>Fragrance Suppliers</i>				
Account of: Lavender Traders			Date: 25 June 2022	
Date	Details	Debit	Credit	Balance
01/06/22	Balance			R 20 500
05/06/22	Invoice 532	7 500		28 000
10/06/22	Debit note 57	750		28 750
14/06/22	Receipt		10 000	18 750
	Discount		1 000	17 750
20/06/22	Invoice 575	9 700		27 450
20/06/22	Invoice 678	6 320		33 770

**C. Additional information:**

- (i) Fragrance Suppliers neglected to deduct 5% trade discount on Invoice 532.
- (ii) Debit note 57 was treated incorrectly by Fragrance Suppliers.
- (iii) Fragrance Suppliers granted Lavender Traders 10% discount on the payment on 14 June 2022, because the payment was made before the 15<sup>th</sup> of the month.
- (iv) Lavender Traders entered Invoice 575 incorrectly.
- (v) Invoice 2997 was for purchases from Frequent Stores and not from Fragrance Suppliers.
- (vi) Lavender Traders neglected to enter Invoice 678.
- (vii) Fragrance Suppliers closes their entries on the 25<sup>th</sup> of every month.

**D. Information on 30 June 2022 (year-end):**

Cost of sales	R1 440 000
Credit purchases for the year	832 200
Cash purchases for the year	360 000
Creditors' Control balance (1 July 2021)	100 000
Creditors' Control balance (30 June 2022)	128 000

**1.2 MANAGEMENT OF CASH**

You are provided with information from the records of Eden Nurseries.

1.2.1 The bookkeeper presented the owner with a Bank Reconciliation Statement on 31 May 2022 and two large outstanding deposits were noticed. On further investigation of the receipt books, it appeared that these funds were received by the manager as follows:

- 15 May 2022 R62 500
- 20 May 2022 R50 600

Provide TWO concerns the owner should have regarding these deposits. (4)

1.2.2 Provide TWO suggestions that can be used to ensure that this does not happen again. (4)

**QUESTION 2: COST ACCOUNTING****(50 marks; 40 minutes)****2.1 STUTTERHEIM MANUFACTURERS**

You are provided with information from the records of Stutterheim Manufacturers for the financial year ended 30 April 2022. They manufacture coffee tables.

**REQUIRED:**

2.1.1 Prepare the Production Cost Statement for the year ended 30 April 2022. (17)

2.1.2 Complete the abridged Statement of Comprehensive Income (Income Statement) for the year ended 30 April 2022. (10)

**INFORMATION:**

A.

Stock records	30 April 2022	1 May 2021
Raw material stock	R175 680	R112 800
Work-in-progress stock	?	R426 000

B. Extract from the records on 30 April 2022 (before additional information below):

Raw materials purchased	R1 665 000
Raw materials returned to suppliers	63 000
Direct material cost	?
Direct labour cost	2 150 880
Factory overhead	1 405 350
Selling and distribution	1 829 550
Administration cost	1 331 850
Cost of production of finished goods	?
Gross profit	3 750 000

C. Additional information to be taken into account:

- (i) The entire insurance expense of R68 250 was entered in administration cost in error. 60% of this expense should have been allocated to the factory overhead cost.
- (ii) Factory overhead cost includes the total amount for rent paid for the financial year, R108 900. Rent expense should have been allocated according to floor area occupied, as follows:  
Factory 400 m<sup>2</sup>; Shop 80 m<sup>2</sup>; Office 120 m<sup>2</sup>

D. Production:

Stutterheim Manufacturers produced 39 000 units at a cost of R135 each.

## 2.2 UNIT COST AND BREAK-EVEN

Lexus Manufacturers produces pencil cases.

### REQUIRED:

- 2.2.1 Explain the difference between *fixed cost* and *variable cost*. (2)
- 2.2.2 Calculate the break-even point for 2022. (5)
- 2.2.3 Comment on the break-even point and the level of production for 2021 and 2022. Quote figures. (6)
- 2.2.4 Identify the variable cost which the owner should be concerned about. Explain and provide a calculation to support your answer. (4)
- 2.2.5 Even though there was a decrease in the fixed costs per unit, the owner is still not satisfied with the control over fixed costs. Explain why he feels this way and provide calculations to support his concern. (4)
- 2.2.6 Give ONE possible reason for the decrease in selling and distribution cost. (2)

### INFORMATION:

A.

	PENCIL CASE UNIT COSTS	
	2022	2021
<b>Variable costs</b>	<b>R34,80</b>	<b>R33,00</b>
Direct material cost	18,09	17,40
Direct labour cost	12,15	10,50
Selling and distribution cost	4,56	5,10
<b>Fixed costs</b>	<b>16,20</b>	<b>16,50</b>
Factory overhead cost	10,50	10,95
Administration cost	5,70	5,55
Selling price per unit	53,40	49,50
Units produced and sold	240 000 units	195 000 units
Break-even point	?	195 000 units

### B. Additional information:

Assume an inflation rate of 6% for the current financial year.



**QUESTION 3: INVENTORIES****(35 marks; 30 minutes)****3.1 INVENTORY VALUATION**

You are provided with information on Happy Hats. The business sells sun hats. They use the periodic inventory system and the weighted average method to value their stock.

The business is owned by Happiness. Nelson, the manager, is responsible for the day to day running of the business.

**REQUIRED:**

- 3.1.1 Calculate the following for the financial year ended 28 February 2022:
- Value of closing stock (10)
  - Gross profit (6)
- 3.1.2 Happiness discovered that Nelson had stopped buying from their regular supplier of hats in August 2021 without informing him about this change. He also discovered that the new supplier is Nelson's cousin.
- What advice can you offer Happiness in this regard? State TWO points. (4)

**INFORMATION:****A. Stock balances**

	UNITS	TOTAL
1 March 2021	412	R63 140
28 February 2022	320	?

**B. Purchases during the year:**

MONTH	UNITS	UNIT COST	CARRIAGE (per unit)	TOTAL (including carriage)
May 2021	530	R135	R10,00	R76 850
July 2021	760	R142	R16,00	R120 080
October 2021	380	R156	R18,00	R66 120
December 2021	340	R168	R24,00	R65 280
<b>TOTAL</b>	<b>2 010</b>			<b>R328 330</b>

**C. Returns for the year: (cost price plus carriage were refunded)**

FROM MONTH OF PURCHASE	UNITS	UNIT COST	CARRIAGE (per unit)	TOTAL (including carriage)
July 2021	10	R142	R16,00	R1 580
October 2021	8	R156	R18,00	R1 392
December 2021	4	R168	R24,00	R768
<b>TOTAL</b>	<b>22</b>			<b>R3 740</b>

**D. Donation:**

20 sun hats from the May 2021 batch were donated to a local school who took learners on an educational tour.

**E. Sales:**

1 986 hats were sold during the financial year at a selling price of R220 each.

### 3.2 MANAGEMENT OF STOCK (PROBLEM-SOLVING)

In addition to sun hats, Happy Hats also sells sun glasses and beach bags. Information from their stock records on 28 February 2022, is provided.

#### REQUIRED:

- 3.2.1 Because of problems with stock theft, Happiness has installed security cameras. Despite this, he thinks that sun hats are still being stolen.

Provide a calculation to verify that sun hats are being stolen. Give TWO points of advice to Happiness to address this problem. (9)

- 3.2.2 Happiness is unsure whether he is charging the correct prices for the sun glasses and the beach bags.

Give him advice on EACH product. Quote figures. (6)

#### INFORMATION:

	SUN HATS (UNITS)	SUN GLASSES (UNITS)	BEACH BAGS (UNITS)
Number of units sold	1 986	1 850	740
Opening stock	412	250	240
Closing stock	320	280	420
Purchases (less returns and donations)	1 968	1 880	920

Weighted average cost price per unit		R2 750	R390
Selling price per unit		R3 438	R702
Mark-up %		25%	80%
Stock holding period		52 days	163 days

**QUESTION 4: FIXED ASSETS AND INTERNAL AUDIT PROCESSES**  
**(35 marks; 30 minutes)**

**4.1 FIXED ASSETS**

You are provided with information from the records of Fezeka Traders Ltd.  
The financial year ended on 30 June 2022.

**REQUIRED:**

4.1.1 Complete the following accounts in the General Ledger.  
All accounts must be balanced or closed off on 30 June 2022.

Note that some amounts are provided in the ANSWER BOOK.

- Equipment (7)
- Accumulated depreciation on equipment (12)
- Asset disposal (7)

**INFORMATION:**

- A. On 31 March 2022 old office furniture was sold for cash at a profit of R2 000. This furniture was bought at a cost of R35 000 on 1 July 2020.
- B. On 1 April 2022 new furniture to the value of R192 000 was bought on credit and an EFT was made to pay installation fees of R3 000.
- C. Depreciation is calculated at 20% p.a. on carrying value.

**4.2 INTERNAL AUDIT PROCESSES**

The Board of Directors expressed concern that despite appointing an internal auditor to set up internal control processes, the external audit report indicated that certain business trips of the CEO could not be verified. The external auditors were satisfied with all other evidence provided.

**REQUIRED:**

- 4.2.1 Name the type of report that was received. (1)
- 4.2.2 Explain TWO possible consequences of such a report for the company. (4)
- 4.2.3 How should the Board of Directors handle this matter? Provide TWO points. (4)

**35**

**TOTAL: 150**

<b>GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET</b>	
$\frac{\text{Gross profit} \times 100}{\text{Sales} \quad 1}$	$\frac{\text{Gross profit} \times 100}{\text{Cost of sales} \quad 1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses} \times 100}{\text{Sales} \quad 1}$	$\frac{\text{Operating profit} \times 100}{\text{Sales} \quad 1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade and other receivables + Cash and cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock} \times 365}{\text{Cost of sales} \quad 1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors} \times 365}{\text{Credit sales} \quad 1}$	$\frac{\text{Average creditors} \times 365}{\text{Cost of sales} \quad 1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
<b>NOTE:</b>	
* 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.	

