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**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ACCOUNTING P2
SEPTEMBER 2023**

MARKS: 150

TIME: 2 hours

Copy for printing only

**This question paper consists of 14 pages,
a formula sheet and a 13-page answer book.**

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL questions.
2. A special ANSWER BOOK is provided in which to answer ALL questions.
3. A Financial Indicator formula sheet is attached at the end of 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 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.

QUESTION	TOPIC	MARKS	MINUTES
1	Reconciliations	40	30
2	Cost Accounting	45	35
3	VAT and Inventory Valuation	35	30
4	Budgeting	30	25
TOTAL		150	120

QUESTION 1: DEBTORS'-, CREDITORS'- AND BANK RECONCILIATION**(40 marks; 30 minutes)****1.1 DEBTORS AND CREDITORS' RECONCILIATION**

The information supplied below was taken from the books of North Traders.

REQUIRED:

Use the information supplied and show how each item, in the additional information would affect the debtors and/or creditors (errors and omissions). Show the effect by indicating + and/or – signs, followed by the amount in the table provided.

(15)**INFORMATION:**

The following balances and totals appear in the general and subsidiary ledgers on 28 February 2023:

Debtors' Control	R36 100	Debtors' List	R36 730
Creditors' Control	R47 550	Creditors' List	R46 020

Additional Information:

1. An invoice for R2 950 received from a supplier Kong Traders, was properly recorded in the appropriate journal and General Ledger, but was not posted to their account.
2. An EFT for R4 500 was received from a debtor whose account was previously written off as irrecoverable. It was mistakenly recorded in the Debtors' Control column of the Cash Receipts Journal and posted as such to the General Ledger and the Debtors' Ledger.
3. An invoice for R400 received from Sisha Wholesalers was correctly entered in the relevant journal, but wrongly posted to the account of another creditor, Nyama Wholesalers.
4. B. Berg's account of R4 600 is four months overdue. North Traders charged this account with 15% interest per annum for four months. No entries were made.
5. The bank statement showed an EFT for R920 which was received from a debtor O Olga, in full payment of her debt of R970. The bookkeeper credited R920 to the Debtors control account and reduced O Olga's account with R290.
6. A debtor, C Cake, returned goods worth R980. The bookkeeper inadvertently recorded this in the Creditors' Allowances Journal. He also posted it to the Creditors Control account, but did not post it to the Debtors or Creditors ledger.
7. A debit note for R220 was received from a creditor, XY Traders, in respect of trade discount which they had granted. The bookkeeper entered this in the correct journal, but posted it to the wrong side of XY Traders' account in the Creditors ledger. The General Ledger is correct.

1.2 BANK RECONCILIATION

Stadig Industries has J Joubert as a bookkeeper, responsible for depositing money into the bank and processing EFT receipts and payments. He has left the country and cannot be traced. You are required to prepare the Bank Reconciliation for August 2023.

The bank statement was received from PP Bank via email on **27 August 2023**.

REQUIRED:

- 1.2.1 Use the table provided in the ANSWER BOOK to calculate the final totals of the Cash Journals on 31 August 2023. (11)
- 1.2.2 Calculate the correct bank balance in the ledger on 31 August 2023. (4)
- 1.2.3 Prepare the Bank Reconciliation Statement on 31 August 2023. (7)
- 1.2.4 An investigation revealed that the deposit of R31 210, dated 9 July 2023, did not appear in the July and August Bank Statements. This was in respect of cash received, that Joubert never deposited. You advised the owner to write off this amount.
- State the GAAP principle that applies to this decision.
 - Explain TWO procedures, besides division of duties, to be implemented to prevent such a loss in future. (3)

INFORMATION:**A. Extract from the Bank Reconciliation Statement on 31 July 2023:**

Outstanding deposit:	9 July 2023	R 31 210
	30 July 2023	12 105
Outstanding EFT's:	No 121 (dated 28 July 2023)	4 716
	No 122 (dated 30 July 2023)	8 111
Favorable balance according to the Bank account in the ledger of the business		146 800

- The outstanding deposit of R12 105 dated 30 July 2023 and EFT 121, appeared on the Bank Statement for August 2023.
- EFT 122 appears on the August Bank Statement as R6 311. The Bank Statement is correct.
- The outstanding deposit of R31 210 on 9 July 2023 was never deposited, it seems to be stolen and must be written off.

- B. On 31 August 2023, the provisional totals in the journals before the reconciliation were:**

CASH RECEIPTS JOURNAL	CASH PAYMENTS JOURNAL
R389 504	R287 000

- C. The following information of the August 2023 Bank Statement from PP Bank, did not appear in the August Cash Journals:**

- A deposit of R31 100 from Alcatel Bank is a fixed deposit that matured together with the interest.
- Service fees of R391.
- An ATM withdrawal of R2 150 by the owner for personal use was incorrectly entered in the CPJ as R5 120.
- A debit order to The City Municipality for R28 115 for water, electricity and utilities.
- The direct deposit received from a debtor G Tapiwa of R4 800, in settlement of his account of R5 000.

- D. The following items reflected differences between the bank statement and the journals, and must also be considered:**

- EFT 211, for R1 025 in favour of Micoh Motors was recorded in the appropriate journal. PP Bank however, reflected it twice on the August Bank Statement. The bank informed us that they will rectify it on the next Bank Statement.
- On 25 August 2023, Stadig Industries received proof of a direct deposit into the business's bank account from debtor, N Neon, for R2 910. This is a payment on his account. The bookkeeper entered this in the CPJ. This receipt has not yet appeared on the bank statement.

- E. The following entries appeared in the August 2023 Cash Journals but did not appear on the Bank Statement for August 2023. Payments after the 27th of August were:**

- EFT 322 for R7 140 dated 28 August 2023.
- A deposit of proceeds from cash sales of R16 878 on 31 August 2023.

- F. The Bank Statement of 27 August 2023 showed a bank balance of R?**

QUESTION 2: COST ACCOUNTING**(45 marks; 35 minutes)**

2.1 Indicate whether the following statements are TRUE or FALSE. Write only TRUE or FALSE next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

- 2.1.1 Carriage on raw materials purchased, increases the cost of raw materials issued for production. (1)
- 2.1.2 Direct labour cost is part of factory overhead cost. (1)
- 2.1.3 Commission on sales will be classified as an administration cost. (1)

2.2 MAQ LAWN MOWER MANUFACTURERS

You are provided with information relating to Maq Lawnmowers for the year ended 28 February 2023. The business manufactures one type of lawn mower.

REQUIRED:

- 2.2.1 Prepare the Factory overhead cost note. (15)
- 2.2.2 Prepare the Production Cost Statement. (12)

INFORMATION:**A. Stock balances:**

	28 February 2023	1 March 2022
Work-in-process	?	R160 000
Finished goods stock	R 95 000	R110 000
Indirect factory material	R 15 100	R 13 201

- B. The cost of salaries per production worker is R12 600 per month. The factory has 13 production workers earning the same salary.
- C. The factory foreman's annual salary must be entered. His annual deductions for the year are:

PAYE	R39 600 (the PAYE rate is 18%).
Pension fund	R17 600 (this is 8% of gross salary; the employer's contribution is twice the deduction).

D. Accounts appearing in the General Ledger on 28 February 2023:

Factory plant and machinery	R2 800 000
Accumulated depreciation factory plant and machinery (1 March 2022).	R2 528 000
Water and electricity	R104 000
Rent expense	R115 200
Insurance	R ?

- The factory uses 90% of water and electricity.
- Rent is divided between the different sections according to floor space.

	TOTAL	FACTORY	ADMINISTRATION	SALES
Floor space	750 m ²	450 m ²	20 m ²	280 m ²

- Insurance is allocated to the factory, sales and administration in the percentage ratio 45 : 35 : 25. The portion allocated to administration is R18 100.

- E. Indirect materials of R38 400 were bought for the factory during the financial year.
- F. The following figures must still be brought into account:
- Depreciation on factory plant and machinery at 10% p.a. on cost. These assets are very old and will need to be replaced next year.
 - Direct (raw) materials issued for manufacturing, R1 335 400.
- G. **Details from the Statement of Comprehensive Income for the year:**

Sales of finished goods	R6 022 500
Cost of sales of finished goods (50% mark-up on cost)	?

2.3 VITAMIN CHEWABLES

This business produces and sells boxes of multi-vitamin pills to boost the health of people. The owner is Mimi Muller. The financial year ends on 30 September 2023.

REQUIRED:

- 2.3.1 Provide a calculation to confirm that the break-even point for the 2023 financial year is correct. (3)
- 2.3.2 Mimi is not happy with the number of units produced and sold. Provide evidence with figures to support her opinion. Provide TWO points. (4)
- 2.3.3 No theft has occurred in the business; however, Mimi is concerned that most of her workers are not loyal nor committed and do not have due regard for the products they produce. Provide TWO different points of evidence, with figures, to support her opinion. (4)
- 2.3.4 Mimi wants to improve her profit by R75 000 during the next financial year, while maintaining costs. Calculate the additional units that must be produced to achieve this target. (4)

INFORMATION:

The following information was taken from the accounting records:

	30 September 2023		30 September 2022	
	Total	Per unit	Total	Per unit
Sales	R7 616 000	R119,00	R7 644 000	R98,00
Variable costs	R4 544 000	R71,00	R4 400 000	R56,41
Fixed costs	R2 942 400	R45,98	R2 520 960	R32,32
Direct material cost	R2 624 000	R41,00	R2 371 200	R30,40
Direct labour cost	R1 472 000	R23,00	R1 528 800	R19,60
Selling & distribution cost	R448 000	R7,00	R500 000	R6,41
Break-even point	61 300 units		60 615 units	
Units produced & sold	64 000 units		78 000 units	

QUESTION 3: VAT AND INVENTORY VALUATION (35 marks; 30 minutes)

You are provided with information of Purple Sub (Pty) Ltd for the 2-month period, March and April 2023. The company specializes in ladies' clothing. They make and sell ONE type of flare skirt and they buy and sell **THREE types of dresses**. The company is registered for VAT and only buys from VAT vendors.

The mark-up on skirts and dresses is 60% on cost.

Skirts: The WEIGHTED AVERAGE stock valuation method is used to value the stock of rolls of fabric that is needed to make the skirts.

Dresses: The SPECIFIC IDENTIFICATION method of stock valuation is used. These dresses are bought directly from the manufacturer.

A whistle-blower has informed the owner that employees might have stolen some of the fabric for the skirts. The informant is unsure if the fabric has been stolen from the storeroom or the factory.

REQUIRED:**3.1 SKIRTS**

- 3.1.1 Provide calculations to show how much stock of fabric (in metres):
 • has been stolen from the storeroom. (5)
 • has been wasted, or stolen from, the factory. (4)
- 3.1.2 Calculate the value (excluding VAT) of all the stock of fabric on hand at the year-end using the weighted average method. (4)
- 3.1.3 Apart from obvious measures such as installing cameras and locking up the storage areas, what instructions should be given to the following staff managers to prevent theft of fabric? Provide TWO different points for each employee:
 • The storeroom manager (2)
 • The factory manager (2)

INFORMATION FOR SKIRTS:

- A. Information relates to the period 1 March 2023 to 30 April 2023.
- B. All items are subject to 15% VAT.

C.

STOREROOM STOCK RECORDS OF FABRIC USED FOR SKIRTS			
Date purchased	Metres of fabric bought	Cost price per metre (excl. VAT)	Total cost excl. VAT
Opening stock	490 m	R72	R 35 280
Purchases	2 420 m		R172 460
17 March 2023	800 m	R70	R 56 000
11 April 2023	900 m	R75	R 67 500
29 April 2023	720 m	R68	R 48 960
Issued to factory: 2 312 m			
Closing stock per physical count: 470 m			

D. Production and sales of skirts:

- 800 skirts were produced and sold during the financial year.
- The factory expects to use 2,5 metres of fabric to make one skirt.
- The selling price per skirt is R510 excluding VAT.
- There was no stock of fabric or work-in-progress in the factory at the beginning or end of the financial year.

3.2 DRESSES**REQUIRED:**

- 3.2.1 Calculate the value of the closing stock (VAT excluded) of the dresses according to the Specific Identification method. (4)
- 3.2.2 Calculate the stock holding period of dresses. Note that this is for only a 2-month period March and April 2023, i.e. 61 days. (4)

INFORMATION FOR DRESSES:

E.

DRESSES			
	Stock and purchases of dresses (units)	Cost price per unit	Total cost VAT exclusive
Opening Stock (all Model A)	20	R1 000	R20 000
Purchases	170		R234 000
Model A	60	R 1 000	R60 000
Model B	50	R 1 800	R90 000
Model C	60	R 1 400	R84 000
Note: There was no theft of dresses during this period.			

F. Sales of dresses during the financial period:

	Number of dresses sold	Sales excluding VAT	Sales including VAT
Model A	74	R118 400	R136 160
Model B	42	R120 960	R139 104
Model C	56	R125 440	R144 256
Sales	172	R364 800	R419 520

3.3 VALUE ADDED TAX

The company's records reflected that no amount was owing to or receivable from SARS on 28 February 2023.

An administration assistant has compiled a template to calculate the VAT relating to March & April 2023 for both products (i.e. sales and dresses) and for the additional adjustments required.

This template is provided in the answer book. Some of the figures have already been entered, but it has not been completed.

REQUIRED:

Calculate the VAT on total sales, total purchases and the additional information that must be reflected on the VAT return for the period March to April 2023.

You need to fill in the missing figures in column D only. You must indicate + for an increase, – for a decrease or 0 for no effect. The first item has been done for you as an example.

State whether the VAT calculated will be a payable or receivable from SARS. (10)

ADDITIONAL INFORMATION FOR VAT

Details	Exclusive	Inclusive	VAT
Administration wages and salaries	70 000		?
Operating expenses	103 200		?
Fixed asset purchased for business purposes		142 600	?
Bad debts	2 300	2 645	?

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QUESTION 4: PROJECTED STATEMENT OF COMPREHENSIVE INCOME
(30 marks; 25 minutes)

Anel Aaron owns Anel Technologies & Repairs. The business sells decoder software and hardware and charges fees for repairing decoders. Fees charged for repairs are cash only. You are provided with a Projected Statement of Comprehensive Income for October and November 2023. Anel plans to start with Christmas promotions in November.

REQUIRED:

- 4.1 Explain how Anel changed the mark-up % from October to November, and provide TWO reasons why she might have chosen to do this. (4)
- 4.2 Calculate the amount of the loan on 1 October 2023. (4)
- 4.3 Anel has budgeted to increase wages of the shop assistants during November 2023.
- Calculate the proposed percentage increase that will be granted during November 2023. (2)
 - Do you think that the shop assistants will be satisfied with this increase? Give a reason to support your opinion. (2)
- 4.4 **Refer to information B**
- An extract of budgeted and actual figures for September 2023 is provided.
- 4.4.1 Comment on the budgeted and actual figures for advertising. What consequences do this have for the business? Quote figures or calculations to support your opinion. (3)
- 4.4.2 Anel is concerned about the difference between the budgeted and actual figures of repair material. Why is she concerned and what could be the reason for this difference? Quote figures or calculations to support your opinion. (3)

INFORMATION:**A. ANEL TECHNOLOGIES & REPAIRS**

Projected Statement of Comprehensive Income for the two months ended 30 November 2023.

	OCTOBER R	NOVEMBER R
Sales	180 000	300 000
Cost of sales	(100 000)	(200 000)
Gross profit	80 000	100 000
Other income	140 000	169 700
Sundry income	45 000	74 700
Fee income (for repairing services)	95 000	95 000
Gross operating income	220 000	269 700
Operating expenses	(169 000)	(198 750)
Salary of the store manager	18 000	18 000
Wages of the shop assistants	48 000	51 840
Sundry expenses	13 500	22 410
Depreciation	8 000	8 000
Bad debt	13 000	14 000
Telephone	10 000	12 000
Advertising	30 000	44 000
Consumable stores (Repair services)	28 500	28 500
Operating profit	51 000	70 950
Interest income	20 000	20 000
Profit before interest expense	71 000	90 950
Interest expense (14% p.a. interest is not capitalised)	(13 160)	(34 720)
Net profit for the month	57 840	56 230

B. Extract of budgeted and actual figures for September 2023.

		BUDGETED R	ACTUAL R
(i)	Sales	190 000	120 000
(ii)	Advertising	30 000	6 000
(iii)	Fee income	80 000	73 000
(iv)	Consumable stores (Repair services)	24 000	29 200

4.5 PROBLEM SOLVING

James, the manager of Apex hotel, did some research into saving electricity costs. He identified three cost saving measures which could also help in coping with loadshedding. However, the CFO, Brenda, thinks that they cannot afford James' budgeted total cost. The hotel normally has an occupancy rate of 70%, however, following Covid and increased loadshedding, this has reduced to 58%.

REQUIRED:

- 4.5.1 Without the cost saving measures proposed, the total budget for electricity for the 2023 financial year is expected to be R780 000. **Refer to Information B and C.** Calculate the financial saving (in Rands) that the cost saving initiatives would have on the electricity expense. (6)
- 4.5.2 Calculate how long it will take for the savings to cover the total cost of the initiatives proposed. (2)
- 4.5.3
- Explain why you would advise James and Brenda to go ahead with the proposed measures or not. Provide a reason. (2)
 - Provide TWO other advantages that these changes would have for the future prospects of the hotel. (2)

INFORMATION**A. Expected electricity usage before implementing proposed changes:**

Lighting	20%
Kitchen equipment	30%
Geysers	35%
Air conditioners	15%
Total	100%

B. Budget for investment in cost-saving equipment presented by James for 2023:

	R
Replace existing lights with new LED lights	235 000
Install air-conditioner motion sensors	102 500
Replace electrical stoves with gas stoves	220 000
Replace old geysers with solar energy geysers	640 000
Total investment budget	R1 197 500

C. Additional information on James' proposals:

- LED lights not only last much longer than the current light bulbs but they use 70% less energy and produce less heat.
- Motion sensors in the various rooms will turn off the air-conditioning when guests are not in their rooms. This should reduce the electricity used on air-conditioners by 30%.
- Installing gas stoves would save 60% on electricity in the kitchen.
- Replacing old geysers with solar-energy geysers will not require electricity, but maintenance costs are expected to increase by R80 000 per annum.

30**TOTAL:****150**

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Gross profit} \times 100}{\text{Cost of sales}} \quad 1$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*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.	