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SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING P2

2023

MARKS: 150

TIME: 2 hours

**This question paper consists of 13 pages,
a formula sheet and a 10-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.
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	Bank Reconciliation	30	25
2	Inventory Valuation	35	30
3	Cost Accounting	45	35
4	Budgeting	40	30
TOTAL		150	120

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QUESTION 1: BANK RECONCILIATION**(30 marks; 25 minutes)**

1.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.

1.1.1 A credit balance on the Bank Statement means that the business has a positive balance in the bank.

1.1.2 A debit card may be used to withdraw cash from an ATM.

1.1.3 A bank overdraft is a short-term loan that is transferred into the business current bank account.

(3)

1.2 **VIOLET STORES**

The information was extracted from the records of the business for April 2023.

- Violet uses the official Bank Statement which is available on the 25th of each month to complete the monthly reconciliation process.
- She also uses her EFT transaction records (renumbered) to complete the Cash Payments Journal.

REQUIRED:

1.2.1 Update the totals for the Cash Receipts Journal and Cash Payments Journal for April 2023. Use the table provided in the ANSWER BOOK.

(10)

1.2.2 Calculate the correct Bank Account balance on 30 April 2023.

(4)

1.2.3 Prepare the Bank Reconciliation Statement on 30 April 2023.

(9)

1.2.4 Violet noticed problems with the depositing of cash. Explain TWO measures that she can use to address these problems.

(4)

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

Favourable balance as per Bank Statement	R12 200
Deposits not on Statement: 18 March 2023	23 600
28 March 2023	37 200
Outstanding EFTs: EFT 768	5 480
EFT 769	17 800
Favourable balance as per bank account	49 720

- The outstanding deposit on 18 March 2023 appeared on the April 2023 Bank Statement.
- The deposit on 28 March 2023 appeared as R22 200. An investigation revealed that the cashier has disappeared with the outstanding amount. It was decided to write off the outstanding amount.
- Both the EFTs were on the April Statement, but EFT 768 appeared with the correct amount of R4 580.

B. The provisional totals in the Cash Journals before receiving the Bank Statement:

Cash Receipts Journal: R115 600

Cash Payments Journal: R217 800

**C. Information on the April 2023 Bank Statement
None of these items appeared in the April Cash Journals:**

Debit order: Brylet Municipality	R2 880
Cash handling fees	R220
Deposit: Y Marigold	R8 400
Deposit: Bentley Microloans	R65 000
Cash withdrawal	R740
Investment matured	R18 300
EFT transaction fees	R360
EFT transaction fees	R360

D. Additional Information:

- The debit order to Brylet Municipality was for water and electricity.
- Y Marigold, the tenant, deposited the monthly rent.
- The deposit from Bentley Microloans did not relate to the business. The bank was informed of this error.
- The cash withdrawal of R740 was for fuel for the owner's vehicle.
- The EFT transaction fees were duplicated on the Bank Statement in error.

E. The Cash Journals reflected the following entries that did not appear on the April 2023 Bank Statement:

- Deposit of R22 500 on 30 April 2023
- EFT 883 for R9 520 for stationery purchased
- EFT 884 for R12 530 for repairs to the buildings

F. Bank Statement balance on 30 April 2023: R?

QUESTION 2: INVENTORY VALUATION**(35 marks; 30 minutes)**

Mandie Jones is the owner of TV City that sells TV sets and has two branches (shops) in KZN. The periodic stock system is used. No missing items were recorded for the financial year ended 28 February 2023.

2.1 Howick branch

This branch sells **Arctic TV sets**.

2.1.1 Calculate the value of the closing stock of the Arctic TV sets on 28 February 2023 using the first-in-first-out (FIFO) method. (5)

2.1.2 Calculate the stockholding period (in days) using the closing stock figure (3)

ARCTIC TV SETS	UNITS	COST PRICE PER UNIT	TOTAL AMOUNT
Opening stock: 1 March 2022	280		
Purchases	1 600		6 310 000
May 2022	500	R3 800	R1 900 000
August 2022	400	3 950	1 580 000
September 2022	400	4 000	1 600 000
January 2023	300	4 100	1 230 000
Returns	60	4 100	(246 000)
Closing stock: 28 February 2023	270		?
Cost of sales			R6 010 000
Sales	1 550	R5 000	R7 750 000

2.2 Durban Branch

This branch sells **Pacific and Caspian Smart TV sets**.

Mandie was concerned about the following issues:

- The Caspian Smart TV sets would be too expensive for her customers.
- High stock levels in all her products might negatively affect the business.

Mandie expected to sell 1 000 Pacific TV sets in the 2023 financial year. She therefore adjusted the selling price of the Pacific TV sets in September and asked the bookkeeper to provide an analysis of the quarterly sales.

Refer to Information A and B.

2.2.1 Calculate the value of the closing stock of the Pacific TV sets on 28 February 2023 using the specific identification method. (4)

2.2.2 Calculate the gross profit earned on sale of the new Caspian Smart TV sets. (3)

- 2.2.3 Comment on the quarterly sales of the Pacific TV sets and explain whether or not Mandie's adjustment of the selling price was a wise decision. Quote figures or calculations. (4)
- 2.2.4
- Comment on the stockholding periods of the Pacific and Caspian TV sets. (4)
 - Explain how the different holding periods affect the business financially. (4)
 - Explain what these periods indicate about the preferences of the customers. Quote figures or calculations. (4)
- 2.2.5 Provide TWO points of advice to Mandie on how she can rectify the high stock levels of some of her products without reducing prices offered to customers any further. (4)

INFORMATION:**A. Durban branch stock records**

TV SETS	PACIFIC		CASPIAN SMART	
Cost price	R9 300		R10 200	
Mark-up % on cost	Fluctuating		60%	
Stock records	UNITS	TOTAL (R)	UNITS	TOTAL (R)
Stock on 1 March 2022	350	3 255 000		
Purchases	800	7 440 000	800	8 160 000
May 2022	400	3 720 000		
August 2022	400	3 720 000		
September 2022*			800	8 160 000
Sales	765	9 408 500	670	10 934 400

*The branch started selling the new Caspian Smart TV sets on 1 September 2022.

B. Quarterly sales

The bookkeeper provided Mandie with the following analysis of quarterly sales and stockholding periods:

SALES PER QUARTER	PACIFIC			CASPIAN SMART	
	UNITS	SELLING PRICE PER TV	TOTAL SALES	UNITS	TOTAL SALES
Mar.–May	250	R13 500	R3 375 000	-	
June–Aug.	245	13 500	3 307 500	-	
Sep.–Nov.	160	10 300	1 648 000	340	R5 548 800
Dec.–Feb.	110	9 800	1 078 000	330	5 385 600
Stockholding period	184 days			71 days	

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QUESTION 3: COST ACCOUNTING**(45 marks; 35 minutes)****3.1 LADOO MANUFACTURERS**

The business manufactures leather purses. The financial year ended on 28 February 2023.

REQUIRED:**3.1.1 Refer to Information C.**

Calculate the factory overhead cost. (8)

3.1.2 Prepare the Production Cost Statement on 28 February 2023. (10)

INFORMATION:

A. Work-in-progress stock balance on 1 March 2022 was R542 000.

B. Details of the workers in production:

Number of workers	40
Basic (normal) wage rate	R60 per hour
Normal time hours worked by each worker	1 920 hours
Overtime (in total)	R1 142 000

C. The bookkeeper calculated the factory overhead cost at R2 638 600.

The following costs were omitted and must be taken into account:

- Insurance is a fixed monthly premium for the entire financial year. The amount paid, R235 950, includes the premium for March 2023. $\frac{2}{3}$ of this expense relates to the factory.
- Water and electricity allocated to the office was R69 200. Note that water and electricity is shared according to floor space, as follows:

Factory	Sales	Office
560 m ²	240 m ²	160 m ²

The following entry must be corrected:

Rent of R316 000 was recorded in the factory overhead cost. However, the bookkeeper used the incorrect ratio of 2 : 5 : 1 for Factory, Sales and Office. The correct ratio is 5 : 2 : 1 respectively.

D. Total prime cost for the year amounted to R12 500 000.

E. Total production for the year, 33 500 units, were produced at a cost of R475 per unit.

3.2 STYLZ MAKER

The business manufactures designer shirts. The financial year ends on 30 April each year. The business is owned by Lez Styles.

REQUIRED:

NOTE: Provide evidence in the form of figures or calculations to support the comments and explanations required below.

3.2.1 Break-even point, production and profit:

- Do a calculation to confirm that the break-even point for 2023 is correct. (3)
- Comment on the level of production and the break-even point for the past two years. Explain whether Lez Styles would be happy about the trends in these results and the profit he is earning. Provide figures or calculations. (4)

3.2.2 Fixed costs:

Explain why Lez is not concerned about the fixed costs increasing to R6,1 m in 2023. Quote figures. (4)

3.2.3 Selling and distribution cost:

- Identify how the selling and distribution costs in total and per unit changed over the two years. (2)
- Explain TWO reasons why Lez deliberately wanted to adjust this cost. (2)

3.2.4 Direct material and direct labour: Refer to Information A and C.

Lez made specific decisions to improve the business and its product.

Explain how the decisions he took have benefited the business by providing:

- TWO separate points relating to the raw material (6)
- TWO separate points relating to the direct labour (6)

INFORMATION:**A. Lez's general strategic decisions with effect from 1 May 2023:**

- Lez decided to improve the quality of the shirts to be more competitive and to export to retailers in other countries.
- He changed to a new supplier of the fabric (raw materials) and employed some highly skilled and creative workers to replace workers who resigned or retired.
- Factory overheads for 2023 included a training programme for factory workers (R600 000) and the hiring of equipment with the latest technology for R1,4 m per year.

B. Production and cost

	2023		2022	
Number of units produced and sold	10 500 shirts		6 500 shirts	
Selling price	R1 830		R1 430	
Break-even point	4 815 shirts		4 267 shirts	

	2023		2022	
	TOTAL R	PER UNIT R	TOTAL R	PER UNIT R
VARIABLE COSTS	5 916 000	563	3 047 500	469
Direct materials cost	3 780 000	360	1 787 500	275
Direct labour cost	936 000	89	960 000	148
Selling and distribution cost	1 200 000	114	300 000	46
FIXED COSTS	6 100 000	581	4 100 000	631
Factory overhead cost	5 600 000	533	3 600 000	554
Administration cost	500 000	48	500 000	77
TOTAL COST OF PRODUCTION	12 016 000	1 144	7 147 500	1 100

- C. Lez undertook a short course on managerial accounting to enable him to analyse the production costs more effectively every month. He has analysed the following production costs:

Raw materials:	2023	2022
Cost of fabric per metre	R200	R110
Metres of fabric per shirt (including wastage)	1,8 metres	2,5 metres
Fabric used in metres	43 200 metres	44 000 metres

Direct workers:		
Number of direct workers	12 workers	15 workers
Average wages per worker p.a.	R78 000	R64 000
Hours per worker per year	1 920 hours	1 920 hours
Hours worked by all workers	23 040 hours	28 800 hours
Average number of shirts produced per worker	875 shirts	433 shirts

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

4.1 Show the amounts for the following transactions in the appropriate columns for the Cash Budget and the Projected Statement of Comprehensive Income in the ANSWER BOOK:

4.1.1 A computer costing R26 400 will be purchased for cash on 1 July 2023. Depreciation will amount to R550 per month.

4.1.2 A fixed deposit of R90 000 will be invested on 1 July 2023. Interest at 9% p.a. will be deposited into the business bank account at the end of each month.

(6)

4.2 **ALICE FURNISHERS (PTY) LTD**

The information relates to the budget period ending July 2023.

REQUIRED:

4.2.1 Complete the Debtors' Collection Schedule for July 2023. (7)

4.2.2 Calculate missing figures (i) to (iii) on the Cash Budget provided. (8)

4.2.3 **Salaries of workers:**

- Calculate the % increase that workers will receive in July 2023. (3)

- Give TWO reasons why you think that workers would be satisfied with this increase. (2)

4.2.4 **Advertising and delivery expenses: Refer to Information F.**

- Comment on the effectiveness of the advertising. Provide figures or calculations. (4)

- Alice is satisfied with the control over delivery expenses. Provide figures or calculations to justify her feelings. (2)

- Alice is, however, concerned about the control over each vehicle. Identify a different issue (problem) for EACH vehicle that confirms her concern. Provide figures or calculations to justify her feelings. (4)

- Provide TWO suggestions on how Alice can improve the use or efficiency of the vehicles. (4)

INFORMATION:**A. Sales and cost of sales:**

	APRIL	MAY	JUNE	JULY
Sales	1 260 000	1 274 000	1 316 000	1 330 000
Cost of sales	900 000	910 000	940 000	950 000

B. Credit sales comprise 70% of total sales. Debtors pay according to the following trend:

- 20% pay in the month of sales and receive 7,5% discount.
- 55% pay in the month following the month of sale.
- 22% pay two months after the sales month.
- The balance is written off thereafter.

- C. Stock sold is replaced in the month of sales. A base stock is maintained. 80% of stock is purchased on credit and creditors are paid two months (60 days) after the month of purchase.

D. **Additional information:**

The business plans to take a loan on 30 June 2023. This has been negotiated with the bank at 11% p.a. interest, payable at the end of each month and commencing on 31 July 2023.

E. **Extract from the Cash Budget:**

RECEIPTS	JUNE 2023 (R)	JULY 2023 (R)
Cash sales	394 800	(i)
Collections from debtors	854 952	?
Commission income	131 600	133 000
Loan: Cheetah Bank	(ii)	
PAYMENTS		
Cash purchase of stock	188 000	190 000
Payments to creditors	720 000	(iii)
Directors' fees (two directors)	52 000	49 600
Salaries of workers (including drivers)	172 000	182 320
Advertising	39 480	39 900
Delivery expenses	65 800	66 500
Packing material	78 960	79 800
Interest on loan	-	5 500
Municipal services		
Sundry expenses		

F. **Advertising and delivery expenses:**

- The business has two delivery vehicles and offer a free delivery service to customers.
- The budget for delivery expenses is fixed at 5% of the budgeted sales, on an average distance of 2 000 km to be covered.

Actual and budgeted figures for May 2023:

	BUDGETED/ EXPECTED	ACTUAL	VEHICLE 1	VEHICLE 2
Sales	1 274 000	1 082 900		
Advertising	38 220	36 820		
Salaries of drivers	30 000	30 000	15 000	15 000
Delivery expenses	63 700	54 100	35 500	18 600
Petrol/Fuel	47 700	40 000	26 000	14 000
Maintenance	16 000	14 100	9 500	4 600
Kilometres covered	2 000 km	1 800 km	1 260 km	540 km
Date purchased			1 Mar. 2018	1 Mar. 2022

40

TOTAL: 150

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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 1 below)	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 2 below)
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (See Note 3 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: 1. Trading stock at the end of a financial year may be used if required in a question. 2. Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant). 3. 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.	