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**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

SEPTEMBER 2023

ACCOUNTING P2

MARKS: 150

TIME: 2 hours

Font size 18

This question paper consists of 25 pages, including
a formula sheet and a 14-page answer book.

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 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 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.

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

QUESTION 1: RECONCILIATIONS**(35 marks; 30 minutes)****1.1 CREDITORS' RECONCILIATION**

Candy Stores buys goods on credit from Awesome Suppliers.

REQUIRED:

Use the table provided to indicate the changes that must be made:

- In the Creditors' Ledger Account in the books of Candy Stores.
- In the Creditors' Reconciliation Statement on 28 February 2023.

Show a '+' for increases and a '-' for decreases next to each amount.

(10)**INFORMATION:**

The balance on the statement of account received from Awesome Suppliers did not correspond to the balance of their account in the Creditors' Ledger.

- A.** Balance of Awesome Suppliers in the Creditors' Ledger: R52 900.

B. Statement of account received from Awesome Suppliers:

AWESOME SUPPLIERS					No. 2169
205 Pineridge Crescent Gqeberha 5820					
Debtor: Candy Stores				25 February 2023	
DATE		DETAILS	DEBIT	CREDIT	BALANCE
Jan.	26	Balance			45 300
	28	Receipt 110		12 000	33 300
Feb.	01	Invoice A12	14 600		47 900
	03	Credit Note 34	800		48 700
	10	Receipt 0076		12 000	36 700
		Discount allowed		600	36 100
	18	Invoice 588	16 340		52 440
	24	Invoice 1132	54 820		107 260
	25	Delivery	1 540		108 800

- C.** An investigation revealed the following errors and omissions:
- (i) Invoice A12 was incorrectly recorded as R16 400 in the creditors ledger account. The amount on the statement is correct.
 - (ii) Credit note 34 was for damaged goods returned on 2 February 2023.
 - (iii) Candy Stores recorded the discount as R1 200. Awesome Suppliers indicated that the business was only entitled to R600, as reflected on the statement.
 - (iv) Awesome Suppliers granted a 5% trade discount on Invoice 588. Candy Stores did not take this into account when posting to the Creditors Ledger.
 - (v) Invoice 1132 on the statement was for goods that Awesome Suppliers sold to Sweets Galore.
 - (vi) Awesome Suppliers charges a delivery fee to all its customers. This was not recorded in the creditor's ledger account.

1.2 BANK RECONCILIATION

The information appeared in the books of Donald Traders for May 2023.

REQUIRED:

- 1.2.1 Calculate the correct bank account balance by completing the table provided in the ANSWER BOOK. (12)
- 1.2.2 Prepare the Bank Reconciliation Statement on 31 May 2023. (7)
- 1.2.3 Provide ONE suggestion on how the problem of counterfeit (fake) notes can be prevented. (2)
- 1.2.4 Donald was concerned about the outstanding deposits. Provide TWO internal control measures that he can implement to address this concern. (4)

INFORMATION:

A. Extract: Bank Reconciliation Statement on 30 April 2023

Deposit not yet recorded: 18 April 2023	R 24 300
27 April 2023	7 100
EFT not on statement: No. 245	11 300
No. 246	6 750
Favourable balance as per bank account	8 800

NOTE:

- The deposit on 18 April 2023 and EFT No. 245 appeared on the bank statement for May 2023 with the correct amounts reflected above.
- The deposit on 27 April 2023 appeared on the statement as R5 000 due to counterfeit notes being included in the deposit. This amount must be written off as the money will not be recovered.
- EFT 246 was on the May 2023 statement with the correct amount of R6 250.

B. Provisional totals from the Cash Journals on 31 May 2023:

Cash Receipts Journal	R76 270	Cash Payments Journal	R88 625
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C. Information on the bank statement not in the May 2023 Cash Journals:

Bank charges	R 235
Debit order for the monthly insurance	1 140
Direct deposit by the tenant for rent	4 600
Deposit by debtor in settlement of account of R7 500	7 030
Deposit by Uzu Technical College * This is an error on the statement as the business does not deal with this college. This will be rectified on the next statement.	15 000

D. Information in the May 2023 Cash Journals not on the statement:

- Outstanding deposits: 19 May 2023 R11 400
26 May 2023 R10 800
- Outstanding EFT No. 658 R 6 900

E. The balance as per statement was R?

35

QUESTION 2: COST ACCOUNTING**(40 marks; 30 minutes)****2.1 JABE TRAVEL-GEAR**

The information relates to the financial year ended 28 February 2023. The business, owned by John, manufactures kit bags.

REQUIRED:

2.1.1 Calculate the total Factory Overhead Cost. Use the table provided in the ANSWER BOOK. Show ALL workings. (12)

2.1.2 Prepare the Production Cost Statement for the year ended 28 February 2023. (8)

INFORMATION:

A.	Stock balances:	28 FEBRUARY 2023	28 FEBRUARY 2022
	Work-in-progress	R 23 600	R 35 400
	Factory indirect material	9 300	12 700

**B. Transactions for the year ended
28 February 2023:**

Material used in factory for production	R 374 500
Indirect material purchased for use in the factory	87 600
Factory sundry expenses	65 570
Salaries and wages:	
Production wages	?
Factory cleaning staff	48 510
Administration staff	283 500
Sales staff	217 400
Rent expense	126 000
Water and electricity	82 000
Insurance	33 600

C. Additional information and adjustments:

- Wages of the factory cleaning staff was omitted from the February 2023 journal. Details are as follows:

Total gross wages	Total deductions	Total net wages	Total employer's contribution
R4 200	R504	R3 696	R210

Employer's contributions are added to salaries and wages.

- $\frac{2}{3}$ of the rent expense relates to the factory.
 - An amount of R7 400 is still outstanding for water and electricity for February 2023. The factory uses 65% of the water and electricity.
 - Insurance has been paid from 1 March 2022 to 30 June 2023. This expense must be allocated to the factory, administration and sales departments in the ratio 4 : 2 : 1 respectively.
- D.** The business manufactured 10 500 kit bags at a cost of R112,80 per bag.

2.2 FAZEL MANUFACTURERS

This business is owned by Fazel Khan. He makes dresses. The financial year ended on 28 February 2023.

REQUIRED:

2.2.1 Control over raw material

- Fazel is concerned about the wastage of material in production. Calculate the number of metres of fabric that was wasted. (4)
- Provide TWO possible reasons for this wastage. (4)

2.2.2 Break-even analysis

- Calculate the break-even point for the year ended 28 February 2023. (4)
- Explain whether the business should be satisfied with the number of units made during the current financial year. State TWO points. (4)
- Fazel is concerned about the increase of R81 900 in total fixed costs. Provide ONE reason why he should not be concerned. Quote figures. (4)

INFORMATION:**A. Direct material stock:**

	Fabric
Opening stock	1 720 metres
Purchases	14 230 metres
Raw materials issued to the factory	13 050 metres

NOTE: 1,8 metres of fabric is used for each dress.

B. Production, sales and break-even units:

	2023	2022
Number of units produced and sold	7 200	6 750
Break-even number of units	?	7 074

C. Additional information:

	28 February 2023		2022
	Total R	Per unit R	TOTAL R
Sales	4 176 000	580	3 813 750
Fixed cost	1 850 400	257	1 768 500
Variable cost	2 304 000	320	2 126 250

QUESTION 3: INVENTORY VALUATION AND VAT

(40 marks; 30 minutes)

STOCK VALUATION

- 3.1 Choose a word/term from the list provided for each of the descriptions below. Write only the word/term next to the question numbers (3.1.1 to 3.1.4) in the ANSWER BOOK.

perpetual; specific identification; weighted-average;
periodic; first-in-first-out

- 3.1.1 The method that assumes that stock is sold in the order purchased
- 3.1.2 This system ensures that cost of sales is calculated at the point of sale
- 3.1.3 Stock items are assigned a unique or individual value
- 3.1.4 This method is suited for low-value goods that are purchased in bulk (4)

3.2 LYON STORES

The business, owned by Lyon, sells one type of leather purse. The business uses the weighted-average method and the periodic stock system to value stock.

REQUIRED:**Refer to Information A:**

- 3.2.1 Calculate the following for the financial year ended 28 February 2023:
- Value of the closing stock (7)
 - Number of units missing (4)
- 3.2.2 Explain TWO strategies that Lyon could use to address the problem of customers stealing items. (2)
- 3.2.3 The average stockholding period is 73,7 days. Explain whether Lyon should be concerned about this. Provide ONE point. (2)

Refer to Information B:

During October Lyon introduced two brands of laptop (computer) bags.

- 3.2.4 Calculate the cost of sales of laptop bags. (5)
- 3.2.5 Lyon was confused as to why the Coma bag sales are better than Komfi. Provide TWO possible reasons. (4)

INFORMATION:**A. Leather purses:**

	Date	Number of purses	Cost price per purse	Total value
Stock balances	1 March 2022	480		R71 040
	28 Feb 2023	360		?
Purchases	May 2022	450	R155	R 69 750
	August 2022	800	R180	144 000
	October 2022	500	R195	97 500
	January 2023	250	R205	51 250
	TOTAL	2 000		362 500
Returns	January 2023	30	R205	6 150
Carriage on purchases	Total carriage of R20 960 was paid for purchases during the year. Lyon Stores were not reimbursed for carriage on returns.			
Sales	2 050 units were sold at R295 each.			

B. Laptop (computer) bags:

Brand (model) name	KOMFI	COMA
Units purchased	200	300
Cost price per unit	R680	R920
Total purchases amount	R136 000	R276 000
Units sold	112	220
Selling price per unit	R1 190	R1 380
Total sales amount	R133 280	R303 600

VALUE ADDED TAX (VAT)

3.3 The information relates to Big Stores for the 2-month VAT period ended 30 April 2023. The standard VAT rate is 15%.

REQUIRED:

3.3.1 Calculate the VAT amount payable to SARS on 30 April 2023.

NOTE: The given errors and omissions must be taken into account.

(10)

3.3.2 The internal auditor discovered that the owner, Benjamin, used the VAT collected from customers to pay salaries and bonuses and was not paying the full amount due to SARS on the deadline dates.

Offer ONE point of advice to Benjamin and an explanation or reason to support the advice.

(2)

INFORMATION:

A. Amount due to SARS on 1 April 2023 was R12 750.

B. Amounts from the journals on 30 April 2023:

	INCLUDING VAT	VAT
Total Sales	R 486 450	R 63 450
Credit purchases of stock	167 900	21 900

C. Errors and omissions noted:

- Stock taken by the owner, cost price R4 300 (excluding VAT), was not yet recorded.
- Zero-rated goods with a selling price of R25 000 (excluding VAT) were included in Sales amount.
- VAT on discounts granted to debtors was not recorded. The total discounts allowed amounted to R14 720.

QUESTION 4: BUDGETING (35 marks; 30 minutes)

The partially completed Projected Statement of Comprehensive Income was prepared by the bookkeeper of Grandma Traders for the period 1 August 2023 to 30 September 2023. The business is owned by Prudence John.

REQUIRED:

- 4.1 List TWO items that would not appear on a Cash Budget. (2)
- 4.2 Calculate the missing amounts denoted by (i) to (iv) on the Projected Statement of Comprehensive Income. (13)
- 4.3 Calculate the following:
- The cost price of the new vehicle purchased on 1 August 2023 (5)
 - The savings on interest on loan after the loan repayment (3)
- 4.4 **Refer to the actual and budgeted figures for August 2023:**
- Comment on the control of the following items:
Quote figures.
- Telephone, water and electricity (3)
 - Advertising (4)

4.5 A new competitor started operating from nearby premises in August 2023. Prudence decided to decrease the mark-up % and offer more goods on credit.

- Explain the effect of the decrease in mark-up % on gross profit. Quote figures. (3)
- Provide ONE disadvantage of selling more goods on credit. (2)

INFORMATION:

- A.** The business uses a mark-up percentage of 60% on cost. Stock sold is replaced in the month of sale.
- B.** Sales are expected to increase by 10% per month.
- C. Managers salaries:**

The business employs a sales manager and an office manager. The office manager earns R300 more than the sales manager (per month). The sales manager will receive a 5% increase effective from 1 September 2023.

- D.** A delivery vehicle was purchased on 1 August 2023. Vehicles are depreciated at 15% p.a. on cost.
- E.** Rent income will increase by 7,5% p.a. commencing on 1 September 2023.
- F.** Interest on loan is charged at 14% p.a. on the outstanding balance. Interest is paid on the last day of each month, and is not capitalised. The business intends paying R90 000 of the loan on 1 September 2023.

G. Information extracted from the Projected Statement of Comprehensive Income for August and September 2023:

	AUGUST BUDGETED	AUGUST ACTUAL	SEPTEMBER BUDGETED
Sales	224 000	252 000	246 400
Cost of sales	(140 000)	(168 000)	(i)
Gross profit	84 000		
Other income			
Rent income	(ii)		16 340
Commission income	13 440	15 450	14 784
Discount received			2 320
Gross operating income			
Operating expenses	(48 700)		
Salaries (two managers)	18 700	18 700	(iii)
Wages (cleaner)	2 180	2 180	2 289
Maintenance	7 000	2 000	7 000
Motor vehicle expenses	0	3 600	0
Administration expenses			
Telephone, water and electricity	2 800	4 480	2 800
Insurance	2 200	2 200	2 200
Advertising	6 800	7 375	7 390
Depreciation	12 000	14 875	14 875
Trading stock deficit	0	3 200	

Operating profit	(iv)		
Interest income (at 8% p.a.)	640	640	640
Profit before interest expense	59 940		
Interest on loan	(6 300)	(6 300)	(5 250)
Net profit	53 640		

35

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 and other receivables + Cash and cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average Shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$

$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
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.	