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GRADE 12

**2024 PRE-TRIAL
EXAMINATION**

ACCOUNTING P2

MARKS: 150

TIME: 2 HOURS

This question paper consists of 14 pages,
a formula sheet and a 10-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. 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	Reconciliations	35	30
2	Cost Accounting	40	30
3	Inventory Valuation	30	25
4	Budgeting and VAT	45	35
TOTAL		150	120

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

Spargs Supermarket is owned by Sam Sparg. The business buys goods on credit from Boxer Wholesalers

REQUIRED:

- 1.1.1 Use the table provided in the ANSWER BOOK to show changes to the Creditors' Ledger account of Boxer Traders in the books of Spargs Supermarket and the Statement of Account received from Boxer Wholesalers. Take into account the differences identified.

Indicate a "+" for an increase or a "-" for a decrease next to each amount. (11)

- 1.1.2 Sam feels that the creditor's clerk is not performing his duties efficiently.

- Provide evidence with figures to support Sam's opinion. Provide ONE point. (2)
- Provide ONE point how Sam do can solve this problem. (1)

INFORMATION:

**A. CREDITORS LEDGER OF SPARGS SUPERMARKET
BOXER WHOLESALERS (C4)**

DATE		DETAILS	DEBIT	CREDIT	BALANCE
2024					
Jan	1	Balance			R56 600
	3	Invoice 3381		R 4 800	61 400
	8	Debit note 149		1 640	63 040
	15	Invoice HL117		11 500	74 540
	18	Invoice 3886		10 800	85 340
	24	EFT 425	R22 100		63 240
		Discount received	1 105		62 135
	29	Invoice 4243		6 700	68 835

B. Statement of account received from Boxer Wholesalers:

BOXER WHOLSESALERS STATEMENT OF ACCOUNT					
To: Spargs Supermarket		Credit limit: R 45 000		Statement date: 26 January 2024	
DATE		DETAILS	DEBIT	CREDIT	BALANCE
2023					
Dec	28	Balance			R 71 020
	30	Receipt 376		R 15 000	56 020
		Credit note A11		750	55 270
		Penalty – late payment	R 580		55 850
		Penalty – late payment	580		56 430
2024					
Jan	3	Invoice 3381	8 700		65 130
	9	Credit note		1 640	63 490
	18	Invoice 3886	12 420		75 910
	24	Receipt 667		22 100	53 810
	25	Credit note X94		2 580	51 230
TERMS: 30 days. A 5% discount allowed on payments received before/on 20th of each month. A penalty for late payment is applied on overdue balances.					

C. A comparison of the Statement of Account received from Boxer Wholesalers with the Creditors Ledger of Spargs Supermarket, revealed the following:

- i) Spargs Supermarket was granted an allowance of R750 for inferior quality goods received during December 2023. This transaction was not recorded by the bookkeeper of Spargs Supermarket.
- ii) The penalty for late payment on 30 December 2023 was entered twice by mistake on the statement. Boxer Wholesalers will correct this error on the next statement.
- iii) Invoice 3381 on 3 January: The amount in the Creditors Ledger is correct.
- iv) An incorrect posting of a return on 8 January was noted.
- v) Invoice HL117 in the Creditors Ledger was for stock purchased from Boxing Brothers.
- vi) Invoice 3886 on the statement includes VAT of 15%. The creditors' clerk at Spargs Supermarket entered the invoice price before tax, in the books of the business.
- (vii) The creditors' clerk of Spargs Supermarket recorded a 5% discount with the EFT payment on 24 January 2024. Boxer Wholesalers did not approve this discount as payment was late.
- (viii) Credit note X94 on the statement received does not relate to Spargs Supermarket and will be corrected on the next statement.
- (ix) The statement is received on the 26th of each month.

1.2 BANK RECONCILIATION

1.2.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question number 1.2.1.1 – 1.2.1.3 in the ANSWER BOOK.

1.2.1.1. Interest on overdraft is included in bank charges.

1.2.1.2 A credit entry for interest on the Bank Statement is recorded in the Cash Receipts Journal.

1.2.1.3 A credit balance on the Bank Statement reflects a favourable bank balance.

(3 x 1) (3)

1.2.2 MATRIC STORES

The information provided relates to Matric Stores. The business is owned by Patty Smiles. Patty receives the Bank Statement on the 26th day of each month.

REQUIRED:

- Calculate the final totals of the Cash Journals on 31 July 2023. (10)
- Prepare the Bank Reconciliation Statement on 31 July 2023 (8)

INFORMATION:**A. Extract from Bank Reconciliation on 30 June 2023:**

Outstanding Deposit (12 June 2023)	R 21 000
Outstanding Deposit (29 June 2023)	15 500
EFT 396 not reflected	8 900
EFT 397 not reflected	13 200

Note:

- i) The deposit on 12 June 2023 appeared on the July Bank Statement as R15 000. After an investigation, it was discovered that the cashier never deposited the full amount. The cashier has resigned and the business decided to write off the outstanding amount during July 2023.
- ii) EFT 396 was correctly reflected on the July Bank Statement as R9 800
- iii) All other outstanding amounts appeared on the July Bank Statement.

B. Provisional Cash Journal Totals on 31 July 2023:

CRJ	CPJ
R 121 300	R 142 800



C. Items on the July Bank Statement, but not in the Cash Journals for July 2023:

- i) A credit card payment of R1 900 for repairs to a business vehicle. Patty forgot to submit the paperwork to the bookkeeper.
- ii) Direct deposit received from debtor B Good, R7 400, in settlement of debt of R7 600.
- iii) Direct deposit of R84 000 from UniStores. This is an error and does not apply to Matric Stores. The bank will rectify this error on the August statement.
- iv) Total bank charges, R972.
- v) Debit order to School Insurers for the business insurance, R2 100. This entry appeared twice on the Bank Statement in error. The bank will rectify this error on the August statement.
- vi) Interest earned on the current account, R265.

D. Entries in the Cash Journals, not reflected on the July 2023 Bank Statement:

• Deposit on 30 July 2023	R 24 900
• EFT 642 to Trade Stores, a creditor on 30 July 2023	5 300
• EFT 643 to AB Stationers on 31 July 2023	1 200

E. The Bank Statement reflected a positive balance of R85 300.

QUESTION 2: COST ACCOUNTING**(40 marks; 30 minutes)**

- 2.1 Choose the concept/word in COLUMN B that matches the statement in COLUMN A. Write only the letter (A-E) next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK.

COLUMN A		COLUMN B
2.1.1	The cost remain the same irrespective of the number of goods produced.	A. variable
2.1.2	This refer to the point where no profit or loss is made in the process.	B. indirect
		C. break-even
		D. direct
2.1.3	The salary of the factory manager is included in this cost.	E. fixed

(3 x 1) (3)

2.2 MD MANUFACTURERS:

The factory manufactures one type of chair used at matric dances. You are provided with the records of MD Manufacturers for the year ended 31 August 2023.

REQUIRED:

- 2.2.1 The factory overhead cost has been calculated as R739 705. The bookkeeper forgot to include some additional transactions.

Calculate the correct factory overhead cost amount. Use brackets “()” to indicate if a decrease. (8)

- 2.2.2 Complete the Production Cost Statement of MD Manufacturers for the year ended 31 August 2023. (11)

INFORMATION:**A. Stock balances:**

	31 August 2023	31 August 2022
Raw materials	?	R195 700
Work-in-progress	?	165 455
Consumables	R 8 700	13 800

B. Summary of balances and totals to date:

Carriage on sales	R 19 800
Purchase of raw materials	1 868 650
Raw materials issued	1 855 000
Factory wages	650 000
Factory manager salary	237 600
Water and electricity: Factory	450 000
Contribution to factory wages	78 000
Consumables purchased	56 000
Insurance	66 000
Advertising	156 000
Rent: Factory	300 000
Sales	4 000 000

C. Information not yet taken into account:

- i) The full amount for water and electricity of R450 000 was allocated to the factory. This should have been allocated according to the number of operating hours as follows:
 - Factory 4 000 hours
 - Administrative department 2 000 hours
 - Sales department 2 000 hours
- ii) Rent was allocated in the ratio 3:1:1 to the factory, administration and sales department respectively. The correct ratio is 2:1:1.
- iii) A new contract for insurance on factory machinery was taken out at a premium of R24 000 p.a., ending 30 September 2023. No entry has been made to record this new insurance contract.
- iv) The bookkeeper forgot to reverse the stock of consumables balance on 1 September 2022. All other entries relating to consumables have been correctly entered.
- v) The business produced and sold 10 000 chairs during the year at a mark-up of 25% on cost.

2.3 THE ROOKIE MANUFACTURERS

You are provided with information extracted from the accounting books of The Rookie Manufacturers, owned by John Nolan. The accounting period end on 31 December each year. The business manufactures leather belts and gloves for the police force

NOTE:

- Production is based on orders received
- Current inflation rate is 5%

REQUIRED:

2.3.1 LEATHER BELTS:

- Comment on the break-even point and level of production for the last two years. (6)
- John recently invested in new machinery in the factory to manufacture the leather belts. He calculated a saving of 10% on fixed costs, yet fixed cost per unit has increased. Explain why this happened. Include figures. (3)

2.3.2 GLOVES:

Identify the variable cost, with relevant figures, that caused the biggest problem. Give a valid solution for the problem identified. (4)

- 2.3.3 John is thinking of focussing on producing only one product in the near future. Which item should he continue producing? Provide TWO reasons with relevant figures (5)

INFORMATION:

The following unit costs relates to the financial year ending 31 December:

	LEATHER BELTS (R)		GLOVES (R)	
	2023	2022	2023	2022
Fixed cost	117,90	97,80	40,90	45,80
Factory overheads	73,10	62,30	21,80	24,00
Administration cost	44,80	35,50	19,10	21,80
Variable cost	282,40	256,20	148,20	138,50
Direct material cost	132,40	123,50	48,00	36,30
Direct labour cost	105,20	97,20	81,10	80,40
Selling and distribution cost	44,80	35,50	19,10	21,80

Units produced and sold	15 000	21 200	27 500	24 000
Break-even point	9 958	12 658	21 713	17 874
Selling price per unit	R460,00	R420,00	R200,00	R200,00

QUESTION 3: INVENTORY VALUATION (30 marks, 26 minutes)

3.1 Complete each of the following sentences by filling in the missing word(s). Write only the word(s) next to the question number 3.1.1 to 3.1.2 in the ANSWER BOOK.

3.1.1 The stock system used to record the cost of sales of goods sold, at the point of sales, is called the ... system.

3.1.2 A lower closing stock value will result in a ... gross profit.

(2 x 1) (2)

3.2 THE CYCLE SHOP

You are provided with the accounting information of The Cycle Shop, owned by Garth Spin. He uses the periodic inventory system. The financial year ended on 29 February 2024.

The stock records show the following three products he sells as well as the stock valuation method used to calculate closing stock for each product:

- Bicycles: Specific method
- Helmets: FIFO method
- Water bottles: Weighted Average method

REQUIRED:

BICYCLES (Refer to information A)

3.2.1 Garth, the owner feels that one model of bicycles must be discontinued. Which one would you suggest? Provide TWO points with figures to justify your response. (5)

HELMETS (Refer to information B)

3.2.2 Calculate the closing stock value of helmets on 29 February 2024. (5)

WATER BOTTLES (Refer to information C)

3.2.3 Calculate the closing stock value of water bottles on 29 February 2024. (8)

3.2.4 Calculate the cost of sales of water bottles on 29 February 2024. (3)

3.2.5 The owner feels he has too much stock on hand.

Calculate the number of days it will take Garth Spin to sell the closing stock of water bottles and comment on your answer. (5)

3.2.6 Comment on the sale of water bottles. Include figures. (2)



INFORMATION:

A. BYCYCLES	MODEL	NUMBER OF UNITS	UNIT PRICE (R)	TOTAL (R)
Opening stock	Ryleigh	30	2 900	87 000
	Pantoon	7	4 200	294 000
Purchases	Ryleigh	30	2 900	87 000
	Pantoon	40	4 200	168 000
Returns	Ryleigh	5	2 900	145 000
Sales	Ryleigh	24	3 770	90 480
	Pantoon	39	5 670	221 130

B. HELMETS	NUMBER OF UNITS	UNIT PRICE (R) INCLUDING CARRIAGE	TOTAL (R)
Opening stock	25		7 625
Purchases	175		58 300
May	60	315	18 900
July	85	340	28 900
November	30	350	10 500
Closing stock	32		?

Note:

- Carriage of R5 per unit is included in unit price.
- Returns 8 units of the November purchases were damaged and returned to the supplier. The supplier does not pay for the carriage when goods are returned
- 150 helmets were sold during the year.

C. WATER BOTTLES	NUMBER OF UNITS	UNIT PRICE (R)	TOTAL (R)
Opening stock	40		1 600
Purchases	201		8 826
March	50	42	2 100
August	110	44	4 840
December	41	46	1 886
Returns	1	46	46
Closing stock	100		?

Sales 2022	95	112,50	10 640
Sales 2023	140	86,50	12 110

QUESTION 4: BUDGETS and VAT**(45 marks, 35 minutes)****4.1 SOPHIE'S DELIVERY SERVICES**

The information relates to Sophies's Delivery Services for the budget period July to September 2024.

REQUIRED:

- 4.1.1 Complete the Debtors' Collection schedule for August and September 2024. (7)
- 4.1.2 Calculate the missing amounts on the Cash Budget denoted by (i) to (vii) (22)
- 4.1.3 Comment on the level of control over fuel. (4)

INFORMATION:**A. Fee Income:**

- Delivery services (fee income) are offered to cash and credit customers.
- Fee income from cash customers' accounts for 30% of the budgeted total fee income

Although credit terms are 30 days, Sophie expects to receive fee income as follows:

- 45% of outstanding accounts to be settled in the month of services rendered. From 1 September, Sophie will allow a 2% discount on early settlement of debts.
- 55% to be received in the month following the month of services being rendered.

B. Fixed Deposit:

The fixed deposit will mature on 31 July 2024. This earns interest at 8,5% p.a. (not capitalised).

C. Packing material and creditors:

Packing material and other consumable stores are related to the provision of services and is budgeted at 25% of the total fee income.

- 60% of these supplies are purchased on credit.
- Creditors are paid in the month following the month of purchases, to receive the 5% early-payment discount.

D. Salaries and wages:

Sophie's pays the following:

- Driver R16 000 per month
- Maintenance and general handyman R6 000 per month
- Receptionist R1 225 per week (5 days per week; 4 weeks per month; 7 hours per day).

Note:

The receptionist requested a reduction in working hours. As from 1 September, she will work for only 4 hours per day (instead of the 7 hours) and her pay will be adjusted accordingly.

E. Loan:

A loan from Bonus Bank for R240 000 was received on 1 July and deposited into the business bank account. The terms of the loan are as follows:

- R6 000 to be paid at the end of each month, commencing on 31 July 2024
- Interest at 14% p.a. is payable on the last day of each month (not capitalised).

F. Extract from the Cash Budget for the Budget period:

RECEIPTS	JULY	AUGUST	SEPTEMBER
Fee income - cash	(i)	108 000	114 000
Cash from debtors	(ii)	240 450	?
Fixed deposit	(iii)	-	-
Interest on fixed deposit	850	-	-
Loan: Bonus Bank	240 000		
PAYMENTS			
Cash purchases: packing material & consumables	33 000	36 000	(iv)
Payment to creditors	-	47 025	(v)
Salaries and wages	26 900	26 900	(vi)
Instalment on loan	6 000	6 000	6 000
Interest on loan	2 800	2 730	(vii)

G. Debtors' Collection Schedule:

MONTH	FEE INCOME (on credit)	AUGUST	SEPTEMBER
July	231 000	127 050	
August	?	?	?
September	266 000		?

H. PROJECTED figures against ACTUAL figures for July 2024:

	PROJECTED	ACTUAL
Fee income	330 000	280 500
Fuel	66 000	89 200

4.2 MOVIE TRADERS**REQUIRED:**

4.2.1 The owner, Tim Chalamet is not sure how to calculate the VAT owed to SARS.

Calculate the amount of VAT that is payable to SARS. (8)

4.2.2 How can Tim ensure that he will have enough cash available to pay SARS the VAT amount owed? Provide TWO suggestions. (4)

INFORMATION:

- A. Purchases: R156 400 inclusive of VAT
- B. Sales R340 000 exclusive of VAT
- C. Discount allowed R2 300
- D. VAT on returns to suppliers R90
- E. VAT on bad debts R720

45**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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales / Credit Purchases}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	
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.	

