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# **WEST COAST EDUCATION DISTRICT**

## **PREPARATORY EXAMINATION**

### **ACCOUNTING PAPER 2**

#### **GRADE 12**

**5 SEPTEMBER 2024**

#### **MEMO**

**MARKS: 150**

**TIME: 2 HOURS**

**This marking guideline consist of 11 papers.**



1. Unless otherwise stated in the marking guidelines, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Unless otherwise stated, give full marks for correct answer. If answer is incorrect, mark workings.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark as a working mark for that figure (not the method mark for the answer). Note: figures stipulated in the marking guidelines as components of workings are marked together; these do not carry the method mark for parts thereof.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. If candidates provide more than the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if candidates earn full marks on a question (max -2 per Q).
8. These marking guidelines are not for public distribution as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
9. Where penalties are applied, the marks for that section of the question cannot be a final negative.
10. Where method marks are awarded for operation, marker must inspect reasonableness of the answer.
11. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷ as per candidate's calculation (if valid) or per marking guideline.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
13. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒.
14. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f = foreign item; p = placement/presentation.

## 1.1. Indicate whether the statements are true or false:

1.1.1	False ✓
1.1.2	False ✓
1.1.3	False ✓

3
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## 1.2 DEBTORS' AGE ANALYSIS AND INTERNAL CONTROL

1.2.1 Calculate the missing figures indicated by the letters A and B.

<b>A</b>	R9 100✓
<b>B</b>	R7 010✓

2
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1.2.2 Calculate the current debts as a percentage of the total debt.

$$30\,490 / 49\,000 \checkmark \times 100 = 62,2\% \checkmark$$

**OR** 62,22%      **OR** 62%

2
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1.2.3 Calculate the credit terms amount that exceeds 30 days as a percentage of the total debt.

$$(B + 4\,000 + 7\,500) = 18\,510$$

$$18\,510 \checkmark / 49\,000 \checkmark \times 100$$

= 37,8%    **OR** 37,7%    **OR** 37,77%    **OR** 37,78%

3
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1.2.4 Identify TWO problem areas and provide names. Quote relevant amounts from the Debtors' Age Analysis to support your answer. In EACH case give a different reason.

PROBLEM	DEBTOR AND AMOUNT
Exceed credit limit ✓✓	C. Mitchells exceeds with R6 140. ✓ M Nefdt exceeds with R1 140✓
Outstanding for more than 30 days ✓✓ Certain debtors exceed their credit terms (slow payers)	J Cloete has R3 420 outstanding for more than 30 days. ✓ M Nefdt has R5 090 outstanding for more than 30 days. ✓ <b>OR</b> C Mitchells has R10 000 outstanding for more than 30 days.

6
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**Give TWO measures to implement in order to recover outstanding amounts that have exceeded the credit terms.**

- Send a reminder to pay his debt. ✓✓
- Do not consider selling anything unless the account is settled. ✓✓
- Account must be handed over to a lawyer.
- Charge interest on the amounts over 30 days
- Prohibit further credit sales
- Encourage debtors to pay by EFT or debit order.

***Any relevant answer***

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### 1.3 BANK RECONCILIATION

**1.3.1 Calculate the bank balance (A) as it should appear on the Bank Statement on 31 July 2024. Also indicate whether it is a favourable or unfavourable balance.**

$$12\,490 - 3\,491 - 960 - 4\,130 - 1\,934 = 1\,975 \checkmark\checkmark \text{ Favourable}\checkmark$$

3

**1.3.2 Calculate the correct bank account balance according to Telekom's records as on 31 August 2024.**

$$\text{CRJ: } 132\,890 \checkmark + 8\,500 \checkmark + 2\,615 \checkmark + 950 \checkmark = 144\,955$$

$$\text{KBJ: } 73,200 \checkmark + 420 \checkmark + 364 \checkmark = 73,984$$

$$1\,934 \checkmark + 144\,955 - 73\,984 = 72\,905 \checkmark$$

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**TWO-COLUMN METHOD**

Description	Debit	Credit
<b>Balance according to bank statement (Balancing amount)</b>		✓56 406
Outstanding deposit		✓23 100
Outstanding EFO: 162	✓4 130	
191	✓5 170	
192	✓3 120	
Correction: Samtan deduction order		✓✓3 000
Correction: EFO 161	✓270	
Correction: Bank charges		✓3 089
<b>Balance according to bank account</b>	✓72 905	
<b>Totals</b>	<b>85 595</b>	<b>85 595</b>

OR

**ONE-COLUMN METHOD**

Description	Amounts
<b>Balance according to Bank Statement (Balancing amount)</b>	✓(56 406)
Outstanding deposit	✓(23 100)
Outstanding EFT: 162	✓4 130
191	✓5 170
192	✓3 120
Correction: Samtan deduction order	✓✓(3 000)
Correction: EFT 161	✓270
Correction: Bank charges	✓(3 089)
<b>Balance according to Bank Account</b>	✓72 905
<b>TOTAL</b>	<b>85 595</b>

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- 1.3.4 Which internal control was most likely implemented by Telekoms that led them to inquire with regards to the bank charges amount.  
(Refer Information C1)

They compared the amount with the previous months' amounts. ✓✓

2

TOTAL MARK

45

**KETTLES**

2.1	<b>Calculate the value of the closing stock using FIFO method.</b>		<table border="1"> <tr><td> </td></tr> <tr><td><b>6</b></td></tr> </table>		<b>6</b>
<b>6</b>					
<b>Calculations</b>	<b>Answer</b>				
$(255 \checkmark \times 1\,320 \checkmark) + (50 \checkmark \checkmark \times 1\,188 \checkmark)$ $\frac{336\,600}{59\,400}$	one part correct R396 000 <input checked="" type="checkbox"/>				
2.2.1	<b>Calculate the % profit margin achieved in 2024.</b>		<table border="1"> <tr><td> </td></tr> <tr><td><b>4</b></td></tr> </table>		<b>4</b>
<b>4</b>					
<b>Calculation</b>	<b>Answer</b>				
$\frac{4\,103\,750 - 2\,685\,900}{2\,685\,900 \checkmark} \checkmark \checkmark \times 100$	one part correct 52,78% / 52,8% / 53% <input checked="" type="checkbox"/>				
2.2.2	<b>Did they achieve their goal with this decision. Provide one point (with figures).</b>		<table border="1"> <tr><td> </td></tr> <tr><td><b>2</b></td></tr> </table>		<b>2</b>
<b>2</b>					
Sales increased to R4 103 750 (from R3 831 500) / by R272 250 / by 7% <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> Total customers increased to 41 (from 30) / by 11 / by 36%					
2.2.3	<b>Thomas Gibbs feels that this decision also negatively affected the company. Provide one point (with figures) to support his opinion.</b>		<table border="1"> <tr><td> </td></tr> <tr><td><b>4</b></td></tr> </table>		<b>4</b>
<b>4</b>					
Do not accept profit margin % <ul style="list-style-type: none"> <li>The gross profit decreased to 1 417 850 (from 1 491 500) / by R73 650 / by 4.9% / Cost of sales increased to R2 685 900 (from 2 340 000) / by R345 900 / by 14.78% <input checked="" type="checkbox"/> <input checked="" type="checkbox"/></li> <li>Average number of units per customer decrease to 57 (from 81) (2 425/30) (2 345/41) / by 24 / by 29%</li> <li>Units sold decrease from 2 425 to 2 345 / by 80 / by 3.29%</li> </ul>					
<b>Give the directors advice to solve this problem.</b>					
<ul style="list-style-type: none"> <li>Limit (be selective with) trade discount to good customers.</li> <li>Find cheaper supplier (to compensate for keeping selling prices low).</li> <li>Increase marketing/advertising in areas outside the current target area.</li> <li>Provide other incentives such as after-sales service, maintenance or free delivery.</li> </ul>					

## 2.3 Calculate the stockholding period for toasters (use closing stock).

Calculations		Answer
$\frac{64\ 125 \checkmark \times 365}{950\ 365 \checkmark \times 1}$	OR $\frac{285 \text{ one mark} \times 365}{3\ 750 \text{ one mark} \times 1}$	one part correct / one method mark 25 (24,6) days <input checked="" type="checkbox"/>  OF 0,8 months  OR 28 (27,7) days OR 0,9 months

4

## 2.4 Calculate the number of missing toasters.

Calculations	Answer
$625 \checkmark + 3\ 875 \checkmark - 285 \checkmark - 3\ 750 \checkmark$	one part correct 465 <input checked="" type="checkbox"/>

5

## Give TWO suggestions to solve this problem.

TWO valid and different suggestions (Partial mark for partial or incomplete answers)

- Divide duties / delegate to different employees
- Threaten strong disciplinary action (in future) / recover cost from culprit
- Increase supervision at regular intervals / random physical inspection of stock
- Change to the perpetual inventory system to record stock
- CCTV as an internal control measure
- Insist on proper documents for all stock supplied

4

## MICROWAVES

## 2.5 Calculate the value of the closing stock of Micro waves sets on 30 September 2024 using the specific identification method.

Calculations	Answer
<p>MIC 25:</p> $6\ 750\ 000 \checkmark - 2\ 275\ 000 \checkmark \checkmark = 4\ 475\ 000$ $(4\ 125\ 000 + 2\ 625\ 000) \quad (455 \times 5\ 000)$ <small>three marks</small> $[(825 + 525) \times 5\ 000]$  OR $895 \text{ } \times \text{ R}5\ 000 \text{ one mark}$ $(1\ 300 - 430)$	one part correct R10 085 000 <input checked="" type="checkbox"/>
<p>HOT 11:</p> $9\ 000\ 000 \checkmark - 3\ 390\ 000 \checkmark \checkmark = 5\ 610\ 000$ $(5\ 850\ 000 + 3\ 150\ 000) \quad (565 \times 6\ 000)$ <small>three marks</small> $(1\ 500 \times \text{R}6\ 000)$ OR $935 \text{ two marks} \times \text{R}6\ 000 \text{ one mark}$ $(1\ 500 - 565)$	

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2.6

**problem.**

TWO valid and different suggestions (Partial mark for partial or incomplete answers)

- Directors engage in fraud and corruption/bribery/conflict of interest
- Unethical behavior of CEO puts the company at risk
- Image of the company will be negatively affected/ will affect the share price and also further investments by possible investors
- High value is locked in inventory that does not sell/ liquidity
- Shareholders will want to sell their shares
- This will adversely affect the audit report
- Business will lose reputation as it is unethical.

4

**TOTAL MARK**

40

## 3.1 CL MANUFACTURERS

## 3.1.1 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2024

Direct material cost	Prime cost - DLC	<input checked="" type="checkbox"/> 531 000
Direct labour cost (1 185 500 ✓✓ + 33 500 ✓)		<input checked="" type="checkbox"/> 1 219 000
<b>Prime Cost</b>		<b>1 750 000</b>
<b>Factory overhead cost</b>		
(504 000 - 44 200 ✓ + 40 000 ✓ - 10 160 ✓)		
(85 000 - 5 000) × $\frac{4}{8}$ 25 400 - 15 240		<input checked="" type="checkbox"/> 489 640
(25 400 × 30/50)		
		2 239 640
Work-in-process (beginning) #B		<input checked="" type="checkbox"/> 888 760
<i>Total production - WIP (end)</i>		<input checked="" type="checkbox"/> 3 128 400
Work-in-process (end)		✓ (188 400)
<b>Total cost of production of finished goods</b>		<b>✓ 2 940 000</b>

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## 3.1.2 ABRIDGED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 29 FEBRUARY 2024

<b>Sales</b> (9 000 × 525)		<input checked="" type="checkbox"/> ✓ 4 725 000
		One part correct
<b>Cost of Sales</b> Sales - GP #B		<input checked="" type="checkbox"/> (1 473 640)
Gross Profit		✓ 3 251 360
<b>Administration cost</b> (147 000 + 44 200 ✓ + 30 000 ✓)		<input checked="" type="checkbox"/> 221 200
<b>Selling and distribution cost</b> (175 000 + 10 000 ✓ + 10 160 ✓)		<input checked="" type="checkbox"/> 195 160
<b>Net Profit</b> (4 725 000 × 60% ✓) <i>See sales</i>		<input checked="" type="checkbox"/> 2 835 000

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3.2.1

**Compare and comment on the break-even point and the production level achieved over the last two years. Quote figures.**

*Part marks for partial answers*

**Must compare BEP with the level of production** for 2023 ✓✓ and 2024 ✓✓

*Figures ✓ ✓*

Business produced 4327 units more than BEP in 2023.

(BEP = 15 555; Produced = 19 882)

Produced only 393 more than BEP in 2024.

(BEP = 15 460; Produced = 15 853)

OR

The business made a profit on only 393 units in 2024 compared to 4 327 units last year.

**Other optional responses:**

*Comparison of 2023 and 2024 BEP ✓ or production ✓ figures ✓ ✓*

BEP decreased from 15 555 units to 15 460 units by 95 (0.6%)

Produced 19 882 in 2023, now only 15 853, 4 029 (20,26%) less than last year.

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3.2.2

**Aiden does not understand why the production cost per unit has increased when neither his fixed costs nor the variable costs have increased. Explain why this is so. State ONE point (with figures).**

Any one explanation ✓✓ Figures ✓✓

*Expected responses: Part-marks for unclear/incomplete answers*

\* No economies of scale / decrease in production by 4 029 units (19 882 to 15 853)

\* Lower production increased FC per unit by R8,18 (R32,19 to R40,37).

4

<b>TOTAL MARK</b>
<b>35</b>

## 4.1 HOPE TRADERS

## 4.1.1 DEBTORS' COLLECTION SCHEDULE

MONTH	CREDIT SALES	JUNE 2024	JULY 2024
April 2022	567 000	68 040	
May 2022	577 500	259 875	69 300 ✓✓
June 2022	598 500	227 430	269 325 ✓✓
July 2022	609 000		231 420 ✓✓
<b>RECEIPTS FROM DEBTORS</b>		<b>555 345</b>	<b>570 045</b> ✓

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## 4.1.2 Calculate the amounts denoted by (i) to (iv) in the extract of the Projected Statement of Comprehensive Income.

# award 1 mark if the entire workings are correctly shown, if the final answer is either incorrect or omitted

WORKINGS	ANSWER
(i) <b>Commission income in July 2024</b>  1 015 000 ✓ x 8% ✓	81 200 ✓ one part correct
(ii) <b>Bad debts written off in July 2024</b> #  567 000 x 3% OR 567 000 – 549 990	17 010 ✓ one part correct
(iii) <b>Salaries and wages in June 2024</b> #  196 980 x 100/105 OR 196 980 – 9 380	187 600 ✓ one part correct
(iv) <b>Discount allowed in June 2024</b> #  598 500 x 40% x 5% OR 227 430 x 5/95 OR 239 400 – 227 430 OR 997 500 x 1,2/100	11 970 ✓ one part correct

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## 4.1.3 Calculate:

WORKINGS	ANSWER
<p><b>Payments to creditors in July 2024</b></p> <p>✓                    ✓                    ✓</p> <p>962 500 x 100/175      x 20%      <b>OR</b> 550 000 – 440 000</p> <p>550 000 two marks</p>	<p>110 000 <input checked="" type="checkbox"/></p> <p>one part correct</p>
<p><b>Amount of the loan to be to be paid on 1 July 2024</b></p> <p>Be alert to different methods for calculations</p> <p><math>\frac{525 \checkmark}{0,14 \checkmark} \times 12 \checkmark</math>      two marks      two marks</p> <p><b>OR</b> 390 000 – 345 000</p> <p>If either figure is shown as a final answer</p>	<p>45 000 <input checked="" type="checkbox"/></p> <p>one part correct</p>

8

## 4.2 FRAZILA (PTY) LTD

## 4.2.1 Explain whether Peter should be satisfied with the actual delivery cost in April 2024, or not.

Explanation including a comparison with sales ✓  
 Figure (amount or percentage) for delivery expense ✓ Figure (amount or percentage) for sales ✓ \*  
 \* Figures may be reflected as a difference or combined in the response

Peter should not be satisfied because

- He budgets to spend 15% of sales on delivery (425 250 ÷ 2 835 000) but the actual amount spent was 18% of actual sales (408 240 ÷ 2 268 000) / +3% points
- If he adhered to the budget of 15% on sales, then the actual amount spent should be R340 200 (2 268 000 x 15%) / R68 040 more than the budget (408 240 – 340 200)
- Actual sales were 20% or R567 000 less than budget ( or by 150 stoves less) but delivery expense was 4% or R17 010 less than budget (425 250 – 408 240)
- Delivery budget per stove R567, paid R680,4 per stove (on average)

3

## 4.2.2

**May to Prime Deliveries, or not.**

Explanation including a comparison with sales ✓

Figure (amount or percentage) for delivery expense ✓ Figure (amount or percentage) for sales ✓ \*

\* Figures may be reflected as a difference or combined in the response

Peter will be satisfied with the change

- He budgets to spend 15% of sales ( $425\,250 \div 2\,835\,000$ ) but he only spent 10% of actual sales ( $319\,500 \div 3\,195\,000$ ) in May.
- If he spent 15% of actual sales, as expected, it would have cost him R479 250
- ( $3\,195\,000 \times 15\%$ ) He made a savings of R159 750 ( $R479\,250 - R319\,500$ )
- Actual sales exceeded the budget by 12,69% ( $360\,000 \div 2\,835\,000$ ) or by 150 stoves (20%) but delivery expense was below the budget by R105 750 ( $425\,250 - 319\,500$ )
- Actual sales increased by 50% (by 300 units) or by 40,87% (by R927 000), but delivery expenses dropped by 21,7% (by R88 740)
- Budgeted R567 per stove, but paid R355 on average

3

TOTAL MARK
30