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GRADE 12

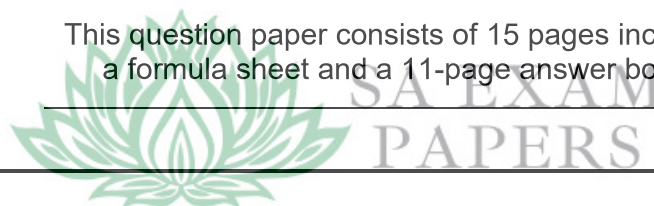
SEPTEMBER 2024

ACCOUNTING P2

MARKS: 150

TIME: 2 hours

This question paper consists of 15 pages including
a formula sheet and a 11-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 and VAT	35	30
2	Cost Accounting and Stock Valuation	50	40
3	Budgeting	40	30
4	Fixed Assets	25	20
TOTAL		150	120

QUESTION 1: RECONCILIATIONS AND VAT**(35 marks; 30 minutes)****1.1 DEBTORS' AGE ANALYSIS**

Othe Sport Emporium sells sport equipment and offers credit facilities to customers. The financial year ended on 31 July 2024.

INFORMATION:

Othe Sport Emporium
Debtors Age Analysis on 31 July 2024

Customer	Credit limit	Amount owing	Not due yet		Overdue	
			July 2024 (current)	June 2024	May 2024	April 2024
A Marais	R55 000	R45 500	R45 500			
C Voges	R25 000	R27 000	R4 000	R15 000	R6 000	R2 000
J Fourie	R36 000	R18 000	R16 500	R1 500		
J Olivier	R41 000	R16 000				R16 000
		R106 500	R66 000	R16 500	R6 000	R18 000
		100%				

Additional information:

- (i) Credit terms are 30 days.
- (ii) Interest of 2% per month will be charged on accounts that are overdue.
- (iii) Total credit sales for the year ended 31 July 2024 amounted to R566 580.
- (iv) Amount owing by trade debtors on 1 August 2023 was R92 350.

REQUIRED:

Study the Debtors' Age Analysis and answer the questions below.

- 1.1.1 Since a thorough credit check is done before granting credit, Othe is of the opinion that it is unnecessary to prepare a Debtors' Age Analysis. Explain to her how the preparation of the Age Analysis can assist the business in controlling debtors. (4)
- 1.1.2 Calculate the average debtors' collection period for the year ended 31 July 2024. (3)
- 1.1.3 As the internal auditor, identify TWO concerns you would report to the owner of the business. In each case, quote figures to support your answer. (4)

1.2 BANK RECONCILIATION

Jams Junction buys and sells musical instruments. The business is owned by Amoré Mans. Amoré buys stock on credit but only sells it for cash. A bank statement is generated on the 25th of each month by Nebula Bank.

REQUIRED:

- 1.2.1 Use the table provided in your ANSWER BOOK to show changes/corrections in the Bank account in the General Ledger of Jams Junction on the 31 July 2024. Use the Bank statement received from Nebula Bank's column to indicate the changes/corrections that need to be made on the statement of Nebula Bank.

Indicate an increase with a '+' and a decrease with a '-' next to each amount. (10)

- 1.2.2 Amoré is not satisfied with the fact that the business has to pay interest on overdue creditors. Provide her with advice to avoid interest on overdue creditors in the future. (4)

INFORMATION:

These balances appeared in the General ledger and on the Bank statement, before the following transactions were taken into account:

General ledger of Jams Junction:

Bank R243 980 (dr)

Balance as per bank statement received from Nebula Bank:

R245 000 (favourable)

TRANSACTIONS for July 2024:

- (i) A debit order of R12 500 for the payment of a creditor appeared only on the bank statement.
- (ii) R10 000 was paid to a creditor. Nebula Bank recorded it wrongly as R1 000. It was recorded as a receipt in the Bank account in the general ledger.
- (iii) A tenant paid his rent directly into the current bank account of Jams Junction, R4 000. It was not yet recorded by Jams Junction.
- (iv) Service fees of R340 was recorded by Nebula Bank.
- (v) On 28 July an EFT was made to pay a creditor R10 400. The creditor informed Amoré that interest of R600 was added to Jams' account, since the payment was overdue. Although Jams and Nebula Bank recorded the payment of R10 400, no entry or payment was made for the interest.
- (vi) Jams Junction rents music equipment to a well-known singer. The singer directly deposited R? into the bank account. The amount has already been recorded by Nebula Bank.

1.3 VAT

The information appeared in the books of Nkohli Traders for August 2024.

REQUIRED:

- 1.3.1 Use the information to calculate the amount owed to/by SARS for VAT on 31 August 2024. (10)

INFORMATION:

Balance in the General Ledger on 1 August 2024:

SARS(VAT) R1 245 (cr)

The following are the column totals of the various subsidiary journals for August 2024.

	Transaction	Journal	VAT excluded	VAT included	VAT
1	Cash sales of stock	CRJ	126 000		18 900
2	Trading stock bought and paid	CPJ	87 900		13 185
3	Trading stock bought on credit	CJ			11 985
4	Trading stock sent back to creditors	CAJ			5 430
5	Trading stock sold on credit	DJ	134 460		?
6	Trading stock sent back by debtors	DAJ		10 764	?

QUESTION 2: COST ACCOUNTING AND STOCK VALUATION**(50 marks; 40 minutes)****2.1 SHAN'S APPAREL**

Shan's Apparel is a manufacturing business that produces jackets for Grade 12 learners. The fabric is bought from a supplier in East London and transported to Stutterheim. The jackets are sold to Grade 12 learners at a **mark-up of 60%** on cost. Each year, the final orders are delivered on 30 June. The end of the current financial year is 30 June 2024.

REQUIRED:

- 2.1.1 Complete the notes in your ANSWER BOOK by filling in the missing information. Use the data already entered and the additional information given.
- Direct material cost (10)
 - Factory overheads (6)
 - Finished goods stock (5)
- 2.1.2 The owner, Shannon, has instructed the accountant to switch between the weighted-average and FIFO methods when valuing the raw materials. Give ONE reason why you think she would give this instruction. Explain why you do not agree with her. (4)
- 2.1.3 If the accountant were to use the FIFO method, calculate the value of the closing inventory of the raw material. (4)
- 2.1.4 The Grade 12 class of 2025 would not want to buy the 18 jackets that were left over. Give ONE strategy on how she can use the closing stock meaningfully. This issue recurs annually. Offer ONE suggestion for preventing any remaining closing stock of finished goods in the future. (4)

INFORMATION:

1. Water and electricity, R66 000, was paid during the year. This must be divided between the Factory, Administration and Sales departments in the ratio 4 : 1 : 1.
2. Floor space used:

Factory:	70 000 m ²
Administration:	20 000 m ²
Selling and distribution:	10 000 m ²

The total rent amounted to R240 000 for the year. This must be divided between the departments in the ratio of the floor space used.
3. Total wages paid to factory staff during the current financial year amounted to:

Gross wages:	R300 000
Total deductions:	R 60 000
Total contributions:	R 40 000

5% of the wages was for indirect labour

4. Stock is valued according to the weighted-average method.

The following data, concerning the raw materials purchased for the year, was extracted from the accounting records on 30 June 2024:

Date	Units	Unit cost	Total cost	Carriage per unit	Total Carriage
Opening stock	24		R28 958 including carriage		
Purchases	206		R269 298		R28 344
1 Nov 2023	50	R1 265	R 63 250	R132	R 6 600
20 Feb 2024	80	R1 314	R105 120	R135	R10 800
31 May 2024	76	R1 328	R100 928	R144	R10 944

Stock taking on 30 June 2024 revealed 18 jackets left in the storeroom. No units stolen.

5. Sales for the year amounted to R1 376 000.

2.2 NASSI STRIDE

The business is based in Kariega and manufactures sneakers. The owner is Nassi Florus. You are provided with information for the past two years.

REQUIRED:

2.2.1 Calculate:

- The net profit for 2024 (3)
- The break-even point for a pair of sneakers in 2024 (4)

2.2.2 Nassi is not satisfied with the results of 2024. Explain and provide ONE reason (with figures or calculations) to prove why she should be much more satisfied with these results than she was with the results of 2023. (3)

2.2.3 Calculate how many extra pairs of sneakers she would have to manufacture to increase her profit by R400 000. (3)

- 2.2.4 Comment on the selling and distribution cost per pair. Quote the percentage change in cost per pair. Provide ONE possible reason for the change from 2023 to 2024. (4)

INFORMATION:

	SNEAKERS	
	2024	2023
Pairs of sneakers produced and sold	18 000	12 000
Break-even point	?	10 909
Selling price per pair of sneakers	R980	R860
TOTAL COSTS:	R14 040 000	R9 960 000
Total variable cost	10 440 000	6 360 000
Total fixed cost	3 600 000	3 600 000
COST PER PAIR:		
Total variable cost per pair	R580	R530
Direct material cost per pair	300	200
Direct labour cost per pair	170	210
Selling and distribution cost per pair	110	120
TOTAL FIXED COST PER PAIR:	R200	R300
Factory overhead cost per pair	155	220
Administration cost per pair	45	80

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QUESTION 3: BUDGETING**(40 marks; 30 minutes)****3.1 EC STORES**

The following information has been taken from the books of EC Stores for the month September 2024.

REQUIRED:

Use the information to complete the table in the ANSWER BOOK, by filling in only the amounts in the relevant columns. (10)

INFORMATION:

E.g. Sundry expenses of R3 200 will remain constant over the budget period.

- (i) The monthly commission income amounts to R4 000. This will not change in September.
- (ii) Depreciation for the financial year is expected to be R36 000.
- (iii) Expected cash sales for September 2024: R65 000
(cost of sales R54 000)
- (iv) During September 2024, R31 860 will be paid to creditors; after an expected discount of 10% was granted by creditors.

3.2 KLEU TRANSPORT

Zeland owns Kleu Transport, a business which offers delivery services. The given information relates to the budget period 1 May 2024 to 30 June 2024.

REQUIRED:**3.2.1 REFER TO INFORMATION B AND C:**

Complete the Debtors' Collection Schedule. (6)

3.2.2 REFER TO INFORMATION A, B, C, D and E

Calculate the following:

- The amounts indicated by (i) to (v) on the Cash Budget (9)
- The outstanding balance of the loan on 1 May 2024 (4)
- The percentage increase in salaries on 1 June 2024 (3)

3.2.3 The employees are not satisfied with the increase in salaries. Give ONE point to support them and ONE point against their opinion. (2)

3.2.4 REFER TO INFORMATION F:

At the end of May 2024, Zeland was concerned about the control of the collection from debtors and maintenance of vehicles. Use Information F and provide ONE reason for his concern. Quote figures. Give ONE point of advice in each case. (6)

INFORMATION:**A. EXTRACT FROM THE CASH BUDGET FOR THE PERIOD
1 MAY 2024 TO 30 JUNE 2024**

CASH RECEIPTS	MAY	JUNE
Fee income from cash customers	(i)	90 000
Receipts from credit customers	151 320	
Rent income	4 400	(ii)
Commission received		
TOTAL RECEIPTS		320 000
CASH PAYMENTS		
Insurance	6 000	6 800
Salaries	48 000	49 440
Water and electricity		
Fuel	(iii)	63 250
Advertising	3 000	3 000
Purchase of new vehicle	-	250 000
Maintenance of vehicles	22 000	22 000
Drawings		
Sundry expenses		
Interest on loan (11% per annum)	1 650	
TOTAL PAYMENTS	221 000	405 200
SURPLUS /SHORTAGE	309 000	(iv)
Cash at beginning of month	8 400	
Cash at end of month	317 400	(v)

B. Delivery services are offered on cash and on credit.

- Credit transactions account for 70% of the total fee income.
- Deliveries rendered to customers on credit are as follows:

April (actual)	R160 000
May (budgeted)	R154 000
June (budgeted)	?

C. Debtors are expected to pay as follows:

- 40% of debtors settle their accounts during the transaction month, to benefit from a 5% discount.
- 58% of debtors settle their accounts in the month following the transaction month.
- 2% is written off as bad debts.

D. Rent income will be decreased by 7,5% with effect on 1 June 2024.**E. A fuel price increase of 15% is expected from 1 June 2024.**

F.

	May 2024	
	BUDGETED	ACTUAL
Collections from debtors	R151 320	R112 650
Maintenance of vehicles	R22 000	R44 000

40

QUESTION 4: FIXED ASSETS**(25 marks; 20 minutes)****4.1 ASSET DISPOSAL**

The following information appeared in the books of Sithata Traders for the financial year ended 30 June 2024.

REQUIRED:

- 4.1.1 Calculate the missing amounts details denoted by (a) to (g) in the incomplete ledger accounts provided. (17)
- 4.1.2 Tangible assets should contribute positively towards the profit-making goal of the business. Provide ONE example of how the vehicles of a trading business would contribute towards the generation of profit. (2)

INFORMATION:**A. General ledger accounts (incomplete)****Land and Buildings**

2023 1 July	Balance	1 150 000			
1 Dec	Bank	(a)			
		1 830 000			

Vehicles

2023 1 July	Balance	500 000	2024 1 April	(b)	180 000
2024 1 April	(c)	(d)			

Accumulated depreciation on vehicles

2024 1 April	Asset disposal	(f)	2023 1 July	Balance	150 000
			2024 1 April	Depreciation	(e)
			30 June	Depreciation	(g)

B. A new administration building was constructed during the financial year.

C. Vehicles:

- On 1 April 2024, an old delivery van, cost price R180 000, was traded in for a new vehicle valued at R460 000. The trade-in value received was R78 000. The accumulated depreciation on the vehicle traded-in was R108 000 on 1 July 2023.
- Vehicles are depreciated at 10% on the carrying value.

4.2 FIXED ASSET MANAGEMENT

The internal auditor conducted an audit of the management of the fixed assets. He compiled a report in which, among other things, the following was stated:

- The audit found assets omitted from the register while also identifying assets that were on the register but were no longer in use.
- Assets were purchased without obtaining the necessary authorisation.
- The use of a fixed asset management software application and handheld mobile technology, like barcode scanners, will help to solve the problem.

REQUIRED:

- 4.2.1 Describe ONE consequence of omitting assets from a fixed asset register. (2)
- 4.2.2 Explain ONE point to illustrate the importance of authorisation before purchasing fixed assets. (2)
- 4.2.3 The auditor recommended the use of a barcode scanner. Explain to the directors how a barcode scanner will improve asset management. (2)

25**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)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average Shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
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.	