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**WEST COAST EDUCATION DISTRICT**

**PREPARATORY EXAMINATION**

**ACCOUNTING PAPER 2**

**GRADE 12**

**5 SEPTEMBER 2024**

**MARKS: 150**

**TIME: 2 HOURS**

**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. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer 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	Reconciliation	45	36
2	Inventory	40	32
3	Cost Accounting	35	28
4	Budgeting	30	24
<b>TOTAL</b>		<b>150</b>	<b>120</b>

**(45 marks; 36 minutes)**

This question consists of 3 separate questions:

**1.1 TRUE OR FALSE**

Indicate whether the following statements are true or false.

- 1.1.1 When a business prepares a debtors' reconciliation they reconcile the business' information with the information that the debtor has in their books.
- 1.1.2 When a debtor purchases an item on 3 April on 30-day terms, he must pay it by 3 May.
- 1.1.3 When a debtor returns inventory, a business issues a debit note. (3)

**1.2 DEBTORS' AGE ANALYSIS AND INTERNAL CONTROL****REQUIRED:**

Answer the following questions:

- 1.2.1 Calculate the missing figures indicated by the letters **A** and **B**. (2)
- 1.2.2 Calculate the current debts as a percentage of the total debt. (2)
- 1.2.3 Calculate the credit terms amount that exceeds 30 days as a percentage of the total debt. (3)
- 1.2.4 The owner, C Willemse is concerned that the control over debtors has not been satisfactory. She wants you as the internal auditor, to:
- 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. (6)
  - Give TWO measures to implement in order to recover outstanding amounts that have exceeded the credit terms. (4)

**INFORMATION**

The business sells goods on credit. The credit terms are 30 days and each debtor has a credit limit of R10 000.

**DEBTORS' AGE ANALYSIS ON 30 JUNE 2024**

Debtor	Total amount	Current (30 days)	31 – 60 days	61 – 90 days	90 days +
C Mitchells	16 140	6 140	1 500	1 000	7 500
A Toerien	9 550	9 550			
J Cloete	9 120	5 700	3 420		
M Nefdt	14 190	<b>A</b>	2 090	3 000	
	49 000	30 490	<b>B</b>	4 000	7 500



Telekoms diligently performs a bank reconciliation every month. The following information relates to the August 2024 bank reconciliation.

**REQUIRED:**

**Answer the following questions:**

- 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. (3)
- 1.3.2 Calculate the correct bank account balance according to Telekoms records as on 31 August 2024. (9)
- 1.3.3 Complete the bank reconciliation for August 2024. **You may use the double column method OR the single column method.** (11)
- 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 to Information C1) (2)

**INFORMATION:**

A. **Bank reconciliation as on 31 July 2024 :**

Balance as per Bank Statement	<b>? (A)</b>
Outstanding deposit	12 490
Outstanding EFT      No. 134 (19 March 2024)	3 491
No. 161 (25 June 2024)	960
No. 162 (5 January 2025)	4 130
Debit balance as per the Bank Account	1 934

B. **The journals had the following totals for August before the information below was taken into account:**

Cash receipts journal:      R132 890

Cash payments journal:    R 73 200



**the journals for August**

**showed the following differences.**

**C1. The following items appear on the bank statement but not in the journals:**

- Interest on unfavorable bank balance, R420.
- Monthly debit order for Samtan Insurance, R3 000. Telekoms, however, instructed the bank last month to stop all debit orders for Samtan.
- A deposit of R12 490 on 1 July.
- A deposit of R8 500 was deposited directly by the tenant into the business account.
- An EFT for R2 615 from a debtor received in settlement of his debt of R2 696.
- EFT 161 appeared on the bank statement incorrectly R690.
- EFT 134 appeared on the bank statement with the correct amount as R3 491.
- Bank charges are shown as R3 453. After inquiring about the amount, the bank admitted that they had made a mistake. The amount should have been R364.

**C2. The following items appear in the journals but not on the bank statement.**

- A deposit of R23 100 deposited on 31 August 2024.
- EFT 181 for R950 - while this electronic payment was being made, load shedding kicked in.
- EFT 191 for R5 170 and EFT 192 for R3 120.

**(40 marks; 32 minutes)**

Thomas Gibbs is the majority shareholder and the CEO of TG Ltd. The company sell kettles and toasters. The year-end is 30 September 2024 and the periodic system is used.

**REQUIRED:****KETTLES**

- 2.1 Calculate the value of closing stock for kettles on 30 September 2024 using the **First-in First-out method**. (6)
- 2.2 In 2024, the company decided to extend the target market and to grant trade discounts to increase sales.
- 2.2.1 Calculate the % mark-up achieved in 2024. (4)
- 2.2.2 Did they achieve their goal with this decision. Provide one point (with figures). (2)
- 2.2.3 Thomas Gibbs feels that this decision also negatively affected the company.
- Provide one point (with figures) to support his opinion.
  - Give the directors advice to solve this problem. (4)

**TOASTERS**

- 2.3 Calculate the stockholding period for toasters (use closing stock). (4)
- 2.4 Thomas is concerned about the control of toasters. An investigation revealed that the store manager was supplying toasters to local shops without documentation.
- Calculate the number of missing toasters. (5)
  - Give TWO suggestions to solve this problem. (4)

**A. Stock records of Toasters and Kettles:**

	<b>KETTLES</b>			<b>TOASTERS</b>	
	<b>UNITS</b>	<b>UNIT PRICE</b>	<b>TOTAL</b>	<b>UNITS</b>	<b>TOTAL</b>
<b>Stock balances</b>					
1 Oct. 2023	395	R960	R379 200	625	R112 500
30 Sep. 2024	305		?	285	R64 125
<b>Purchases: 2024</b>					
January	825	R1 104	R910 800	1 225	R240 000
April	1 225	R1 188	R1 455 300	1 825	R438 000
July	275	R1 320	R363 000	825	R218 625
<b>Total</b>	<b>2 325</b>		<b>R2 729 100</b>	<b>3 875</b>	<b>R896 625</b>
<b>Returns (July)</b>	<b>20</b>	R1 320			
<b>Sales</b>				<b>3 750</b>	
<b>Cost of sales</b>					<b>R950 365</b>

**B. Information relating to Kettles:**

	<b>2024</b>	<b>2023</b>
Sales	R4 103 750	R3 831 500
Cost of sales	R2 685 900	R2 340 000
Unit sold	2 345	2 425
Selling price per unit	R1 750	R1 580
% profit margin achieved	?	63,7%
Customers on record	41	30



During April 2024, while Thomas was in hospital, Cindy Mbeki (the chief financial officer) decided to include Microwaves in their product range. She was able to secure bulk discounts from MICHOT on two types of Microwaves, namely MIC 25 and HOT 11.

- 2.5 Calculate the value of the closing stock of Microwaves on 30 September 2024 using the specific identification method. (7)

An employee of MICHOT told Thomas that Cindy Mbeki received a 10% 'commission' from MICHOT for buying excess stock. Thomas wants to discuss this at the next board meeting.

- 2.6 Explain TWO different points of concerns that Thomas would have about this problem. (4)

**C. Stock records of Microwaves:**

	MODELS	UNITS	UNIT PRICE	TOTAL
<b>Purchases</b>				
May 2024	MIC 25	825	R5 000	R4 125 000
	HOT 11	975	R6 000	R5 850 000
July 2024	MIC 25	525	R5 000	R2 625 000
	HOT 11	525	R6 000	R3 150 000
<b>TOTAL</b>		<b>2 750</b>		<b>R15 750 000</b>
<b>Sales</b>	MIC 25	455	R7 000	R3 185 000
	HOT 11	565	R8 400	R4 746 000

**(35 marks; 28 minutes)****CL MANUFACTURERS**

The business produces soccer jerseys.

**REQUIRED:****3.1 Prepare the following for the year ended 29 February 2024:**

3.1.1 Production Cost Statement (13)

3.1.2 Abridged Statement of Comprehensive Income (12)

**INFORMATION:****A. Stock on hand**

	29 February 2024	29 February 2023
Work-in-process	R188 400	?

**B. Production and sales for the year:**

- 8 400 jerseys were produced for R2 940 000.
- 9 000 jerseys were sold for R525 each.

Net salaries paid to production workers	Total deductions	Total contributions
R829 850	30 % of gross wages	R33 500

**D. Costs (before adjustments):**

Administration	147 000
Factory overhead cost	504 000
Direct materials (balancing figure)	?
Selling and distribution	175 000
Insurance	85 000



- Water and electricity of R44 200 was recorded in error to factory overheads. This expense relates to the office.
- Insurance of R5 000 was paid for March 2024. Insurance is shared by the factory, administration and the selling department in the ratio 4:3:1.
- Telephone expense of R25 400 was allocated to factory overheads. The telephone expense was divided equally between factory overheads and the sales department in error. 70% of this expense relates to the sales department.

F. **Prime cost:** R1 750 000.

G. **Net profit (after all adjustments):** 60% of Sales.

### 3.2 PROTEA MANUFACTURERS

Protea Manufacturers is owned by Aiden Sixes. They produce cricket bats. Aiden requires assistance in interpreting his 2024 results.

#### REQUIRED:

3.2.1 Compare and comment on the break-even point and the production level achieved over the last two years. Quote figures. (6)

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). (4)

#### INFORMATION FOR THE YEAR ENDING 31 AUGUST

	2024	2023
Break-even point	15 460	15 555
Units produced and sold	15 853	19 882
Net profit	R600 500	R730 000
Selling price per unit	R403	R390
Total fixed costs	R640 000	R640 000
Total variable cost	R4 863 862	R6 100 000
Unit cost per production	R353	R339



**(30 marks; 24 minutes)****HOPE TRADERS**

Information is provided for the budget period ending 31 July 2024.

**REQUIRED:****4.1 Refer to Information A - C. Calculate the following:**

4.1.1 Complete the Debtors' Collection Schedule for July 2024. (7)

4.1.2 Calculate the amounts denoted by (i) to (iv) in the extract of the Projected Statement of Comprehensive Income (9)

4.1.3 Calculate:

- Payments to creditors in July 2024. (4)
- Loan amount that will be paid on 1 July 2024. (4)

**INFORMATION:****A. Sales and purchases:**

	<b>MAY</b>	<b>JUNE</b>	<b>JULY</b>
Total sales	R962 500	R997 500	R1 015 000

Credit sales accounts for 60% of total sales.

**Debtors pay according to the following trend:**

- 40% in the month of sales, subject to a 5% discount
- 45% in the month following the month of sales
- 12% two months after the month of sales
- 3% written off as irrecoverable in the third month after sales

The mark-up is 75% on cost.

- Stock is replaced in the month of sales. A Fixed stock levels is maintained.
- 80% of stock is bought for cash.
- Creditors are paid in full the second month after the month of purchases.



**B.**

	<b>JUNE</b>	<b>JULY</b>
Gross profit	427 500	435 000
Commission income	79 800	(i)
Bad debts	16 800	(ii)
Salaries and wages	(iii)	196 980
Discount allowed	(iv)	12 180
Interest on loan	4 550	4 025

**C. Additional information:**

- Commission income is a fixed percentage of total sales.
- All employees will receive a 5% increase from 1 July 2024.
- Part of the loan will be repaid on 1 July 2024. Interest at 14% p.a. is payable on the outstanding balance, on the last day of each month.

## 4.2

The business sells gas stoves. The information relates to the period April and May 2024.

Peter Pillay, the CEO, became aware of a competitor, Lite Stores, which opened for business in April 2024. They sell a cheaper model stove for cash only. Peter was unable to respond to this threat in April. He changed his strategies in May 2024. This included a change in the delivery service. Speedy Couriers made the deliveries in April. Peter decided in May to outsource the deliveries to Prime Deliveries.

**REQUIRED:**

**NOTE:** Provide figures or calculations in your explanations for all the questions below.

**Delivery expenses:**

Peter noticed that the full budget for April 2024 had not been used.

- 4.2.1 Explain whether Peter should be satisfied with the actual delivery cost in April 2024, or not. (3)
- 4.2.2 Explain whether Peter made a good decision in changing the delivery service provider in May to Prime Deliveries, or not. (3)

**INFORMATION:****A. Extract of the Projected Income Statement:**

	APRIL 2024		MAY 2024	
	BUDGETED	ACTUAL	BUDGETED	ACTUAL
Number of stoves sold	750	600	750	900
Selling price per stove	R3 780	R3 780	R3 780	?
Cost price per stove	R2 100	R2 100	R2 100	R2 100
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Cash sales	1 417 500	1 247 400	1 417 500	958 500
Credit sales	1 417 500	1 020 600	1 417 500	2 236 500
<b>Total sales</b>	<b>2 835 000</b>	<b>2 268 000</b>	<b>2 835 000</b>	<b>3 195 000</b>
Cost of sales	(1 575 000)	(1 260 000)	(1 575 000)	(1 890 000)
<b>Gross profit</b>	<b>1 260 000</b>	<b>1 008 000</b>	<b>1 260 000</b>	<b>1 305 000</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Advertising	120 000	120 000	120 000	192 000
Delivery costs	425 250	408 240	425 250	319 500

30

**GRAND TOTAL: 100**

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

