basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL
SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P2

MANAGERIAL ACCOUNTING, INTERNAL AUDITING AND CONTROL

EXEMPLAR 2020

MARKS: 150

TIME: 2 hours

This question paper consists of 11 pages, 1 formula sheet and a 9-page answer book.

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	TIME (minutes)
1	Manufacturing, Break-even Analysis and Control	40	30
2	Bank Reconciliation and Control	30	25
3	Inventory Valuation and Control	40	30
4	Budgeting, Projections and Control	40	35
	TOTAL	**150**	**120**

NOTE: Questions in this question paper are based on questions from the NSC November 2019 Accounting question paper.

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QUESTION 1: MANUFACTURING, BREAK-EVEN ANALYSIS AND CONTROL
(40 marks; 30 minutes)

Sihle Sangweni owns two separate factories that manufacture products according to orders received. There is no work-in-progress stock. The year-end is 28 February 2019.

1.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.

1.1.1 Wages of factory cleaners is a direct labour cost.

1.1.2 Delivery costs of finished goods to retailers are a selling and distribution cost.

1.1.3 Depreciation on office equipment is an administration cost. (3 x 1) (3)

1.2 **DESKS FACTORY**

REQUIRED:

1.2.1 Complete the Factory Overhead Cost Note. (8)

1.2.2 Calculate the total cost of production of finished goods. (5)

1.2.3 Sihle wants to produce an additional 1 500 desks, while maintaining the selling price and costs.

Calculate the additional profit he can expect. (4)

1.3 **CHAIRS FACTORY**

REQUIRED:

1.3.1 Provide a calculation to confirm the break-even point for 2019. (4)

1.3.2 Comment on the break-even point and the production level achieved. Quote figures. (4)

1.3.3 Raw material consists of wood only. In 2019, the cost is R120 per square metre (m^2) and 1,2 m^2 of wood is needed to make one chair.

During the year, 22 000 m^2 wood was dispatched to the factory. Sihle feels that the wood raw material was not well controlled.

- Provide a calculation to support his opinion. (4)
- Identify TWO possible causes of this problem. Provide a solution for EACH. (4)

1.3.4 Give TWO reasons for the increase in direct labour cost. Provide a solution for EACH. Note that wages and salaries increased by 5% in the current financial year. (4)

INFORMATION:

A. DESKS FACTORY

Extract of pre-adjustment amounts on 28 February 2019

	R
Indirect labour	296 500
Depreciation of factory plant	166 000
Advertising	24 500
Water and electricity	248 000
Rent expense	345 600
Insurance allocated to sales department	12 600
Factory sundry expenses	107 700

Adjustments to factory overheads for desks:

- Water and electricity for February 2019, R18 000, must be taken into account. 80% is allocated to the factory. The balance is an administration cost.
- Rent must be allocated according to floor area:
  Factory: 810 m^2 Office: 180 m^2 Sales department: 90 m^2
- 75% of insurance must be allocated to the factory. The balance applies to the sales department.

B. INFORMATION FOR BOTH FACTORIES

COSTS		DESKS 2019		CHAIRS (Unit costs)	
		Amount	Per unit	2019	2018
Variable	Direct material	R3 060 000	R340	R165	R124
	Direct labour	**?**	R160	R90	R70
	Selling and distribution	R720 000	R80	R50	R60
	Total variable costs		R580	R305	R250
Fixed	Factory overheads			R76	R75
	Administration	R360 000	R40	R20	R18

SELLING PRICES			
Per unit	R750	R390	R370

UNITS			
Produced and sold	9 000	16 000	15 000
Break-even point	8 471	18 071	12 400

40

QUESTION 2: BANK RECONCILIATION AND CONTROL (30 marks, 25 minutes)

The information relates to Klonex Traders.

REQUIRED:

2.1 The owner, Ben Joseph, realises that many people are now using electronic funds transfers (EFTs) instead of cheques.

2.1.1 State THREE advantages of EFTs. (3)

2.1.2 Janet, the bookkeeper, has been assigned the duty of processing and controlling all EFTs.

Explain TWO reasons why the internal auditor is concerned about this. (4)

2.2 Show changes in the Cash Journals for June 2019. (11)

2.3 Calculate the correct Bank Account balance on 30 June 2019. (4)

2.4 Prepare the Bank Reconciliation Statement on 30 June 2019. (8)

INFORMATION:

A. Extract: Bank Reconciliation Statement on 31 May 2019

Outstanding deposit		R9 500
Outstanding cheques		
No.	**Date**	
321	10 December 2018	R1 500
427	14 May 2019	R1 400
444	27 May 2019	R4 670
516	28 May 2019	R7 950
Favourable balance on Bank Account		**R9 200**

NOTE:

- The outstanding deposit appeared on the June Bank Statement.
- Cheque 321 was issued for the owner's club fees. It was never deposited.
- Cheque 427 did not appear on the June Bank Statement. It was lost and a new cheque will be issued in July.
- Cheque 444 did not appear on the June Bank Statement.
- Cheque 516 appeared on the June Bank Statement with the correct amount of R5 250.

B. Provisional totals in the Cash Journals on 30 June 2019 before receiving the Bank Statement:

Cash Receipts Journal: R27 470
Cash Payments Journal: R32 400

C. Entries in the Cash Journals NOT on the June Bank Statement:

- Deposit, R9 675
- EFT 14 (30 June 2019), R3 800
- Cheque 522 (12 August 2019), R4 580

D. Entries on the June 2019 Bank Statement NOT in the Cash Journals:

DATE	DETAILS	R
15	Debit order: Micro Insurance*	1 125
	Debit order: Micro Insurance*	1 125
16	Unpaid cheque (debtor, B Marais)	1 200
25	M Malan (EFT by tenant)	2 800
30	Interest income	130
30	Service fees	175

*****Insurance appeared twice in error. This will be rectified next month.

E. Bank Statement balance on 30 June 2019: …?

30

QUESTION 3: INVENTORY VALUATION AND CONTROL (40 marks; 30 minutes)

George Grande is the majority shareholder and CEO of Grande Ltd. The company supplies hotels with cabinets and lamps.

The periodic system is used. The year-end is 30 September 2019.

REQUIRED:

CABINETS

3.1 Calculate the value of the closing stock for cabinets on 30 September 2019 using the first-in first-out method. (5)

3.2 In 2019, the company decided to extend the target market and to grant trade discounts to increase sales.

3.2.1 Calculate the % mark-up achieved in 2019. (3)

3.2.2 Provide TWO points (with figures) to prove that this decision achieved its aims. (4)

3.2.3 The CEO feels that this decision also negatively affected the company.

- Provide TWO points (with figures) to support his opinion. (4)
- Give the directors advice to solve this problem. Explain TWO points. (2)

LAMPS

3.3 Calculate the stockholding period for lamps (use closing stock). (3)

3.4 George is concerned about the control of lamps. An investigation revealed that the store manager was supplying local boarding houses with lamps without documentation.

- Calculate the number of missing lamps. (4)
- Give TWO suggestions to solve this problem. (2)

TELEVISION SETS

3.5 During April 2019, while George was in hospital, Bruce Swann (the chief financial officer) decided to include television sets in their product range. He was able to secure bulk discounts from Roseway on two TV set models, namely LYN and KYA.

Calculate the value of the closing stock of TV sets on 30 September 2019 using the specific identification method. (7)

3.6 An employee of Roseway told George that Bruce received a 10% 'commission' from Roseway for buying excess stock. George wants to discuss this at the next board meeting.

Explain THREE different concerns that George would have about this problem. (6)

INFORMATION:

A. Stock records of cabinets and lamps:

	CABINETS			LAMPS	
	UNITS	UNIT PRICE	TOTAL	UNITS	TOTAL
Stock balances					
1 Oct. 2018	370	R800	R296 000	600	R108 000
30 Sep. 2019	280		**?**	265	R59 625
Purchases: 2019					
January	800	R920	R736 000	1 200	R240 000
April	1 200	R990	R1 188 000	1 800	R432 000
July	250	R1 100	R275 000	800	R210 000
Total	**2 250**		**R2 199 000**	**3 800**	**R882 000**
Returns	**20**	R1 100			
Sales				**3 675**	
Cost of sales					**R930 375**

B. Information relating to cabinets:

	2019	2018
Sales	R3 480 000	R3 375 000
Cost of sales	R2 170 500	R1 950 000
Gross profit	R1 309 500	R1 425 000
Units sold	2 320	2 500
Selling price per unit	R1 500	R1 400
% mark-up achieved	?	73%
Customers on record	37	26

C. Stock records of television sets:

	MODELS	UNITS	UNIT PRICE	TOTAL
Purchases				
May 2019	LYN	800	R6 000	R4 800 000
	KYA	950	R7 200	R6 840 000
July 2019	LYN	500	R6 000	R3 000 000
	KYA	500	R7 200	R3 600 000
TOTAL		**2 750**		**R18 240 000**
Sales	LYN	430	R8 400	R3 612 000
	KYA	540	R10 080	R5 443 200

40

QUESTION 4: BUDGETING, PROJECTIONS AND CONTROL (40 marks; 35 minutes)

The financial year-end of Carpets Galore (Pty) Ltd is 31 October 2019. Thembi Tsomi is the sole shareholder and director.

4.1 Indicate amounts in the appropriate blocks for the Cash Budget and Projected Income Statement for three months ending 31 January 2020.

- A printer costing R40 800 will be bought for cash on 30 November 2019. Depreciation will be R680 per month.
- On 1 January 2020, R48 000 will be paid for a 12-month insurance contract.
- A loan of R100 000 will be received from Viva Bank on 31 December 2019. This will be repaid in equal instalments over 20 months, commencing on 31 January 2020. Interest at 12% p.a. is paid monthly and is not capitalised. (11)

4.2 **Refer to Information A: Debtors' Collection Schedule.**

Thembi is preparing projections for the period commencing 1 November 2019. Thembi does not grant discount for early payment.

Calculate the % of debtors:

- Who settle their accounts in the 2nd month following the credit sales transaction month (3)
- Written off as bad debts at the end of the 3rd month following the credit sales transaction month (4)

4.3 **Refer to Information B: Projected Income Statement for September and October.**

4.3.1 The office workers are unhappy with the increase that Thembi gave them on 1 October 2019. Explain what she should say to them. Provide TWO points. Quote figures or a calculation. (6)

4.3.2 Thembi pays her son, Jacob, to deliver and install carpets for customers. She budgets R2,80 per metre for this. Comment on the control of this expense. Quote figures or a calculation. (4)

4.3.3 A new competitor commenced trading in the area on 1 September 2019.

- Provide figures to illustrate the impact on sales in September. (2)
- Explain THREE decisions that Thembi took in October in response to the new competitor. Quote figures or a calculation. (6)

4.3.4 Stock sold is replaced in the same month. 50% of the stock is bought on credit. Creditors are paid in the month following the purchases month to receive a 5% discount.

Calculate the **actual** amount payable to creditors in November 2019. (4)

INFORMATION:

A. Debtors' Collection Schedule for the period ending 31 January 2020:

	CREDIT SALES	COLLECTIONS		
		NOV. 2019	DEC. 2019	JAN. 2020
August	R80 000	R17 600		
September	90 000	67 500	R19 800	
October	100 000		75 000	R22 000
November	120 000			90 000
			R94 800	**R112 000**

B. Information identified from the Projected Income Statement:

	SEPTEMBER 2019		OCTOBER 2019	
	Projected	Actual	Projected	Actual
Metres sold	**4 900 m**	**3 800 m**	**5 000 m**	**6 000 m**
Selling price per metre	R100	R100	R100	R88
Cost price per metre	R60	R60	R60	R60
Sales: cash	R400 000	R310 000	R400 000	R132 000
: credit	90 000	70 000	100 000	396 000
Total sales	490 000	380 000	500 000	528 000
Cost of sales	(300 000)	(228 000)	(300 000)	(360 000)
Gross profit	190 000	152 000	200 000	168 000
Director's fees	50 000	50 000	50 000	40 000
Wages: Office workers	9 200	9 200	9 200	11 040
Salary: Salesperson	20 000	20 000	20 000	0
Commission: Salesperson	0	0	0	52 800
Advertising	5 000	5 000	5 000	5 000
Packing materials	2 500	1 900	2 500	2 550
Delivery and installation of carpets	14 000	14 000	14 000	16 800
Staff training	15 000	0	15 000	40 000

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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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*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.