



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

NOVEMBER 2020

**ACCOUNTING P2
(EXEMPLAR)**

MARKS: 150

TIME: 2 hours



This question paper consists of 11 pages, a 1-page formula sheet and a 9-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 FORMULA SHEET for financial indicators is attached to this question paper. You may use it if necessary.
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 1: 35 marks; 30 minutes	
Topic of the question:	This question integrates:
Reconciliations VAT	Financial Accounting <ul style="list-style-type: none"> • Concepts, Bank and Creditors' Reconciliation Managing resources <ul style="list-style-type: none"> • VAT Calculations • Internal controls

QUESTION 2: 53 marks; 40 minutes	
Topic of the question:	This question integrates:
Manufacturing and Cost Accounting	Managing Resources <ul style="list-style-type: none"> • Concepts, calculating and interpreting stock information • Break-even

QUESTION 3: 37 marks; 30 minutes	
Topic of the question:	This question integrates:
Budgets	Managerial Accounting <ul style="list-style-type: none"> • Debtors' Collection • Internal Control • Ethics

QUESTION 4: 25 marks; 20 minutes	
Topic of the question:	This question integrates:
Fixed assets Internal control	Managerial Accounting <ul style="list-style-type: none"> • Asset Disposal • Internal Control

QUESTION 1: RECONCILIATIONS AND VAT**(35 marks; 30 minutes)****1.1 CONCEPTS**

Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (1.1.1 to 1.1.2) in the ANSWER BOOK.

1.1.1 An external auditor will want to inspect the Bank Reconciliation Statement at the end of each month. (1)

1.1.2 A debit balance on the Bank Statement reflects an unfavourable balance. (1)

1.2 BANK RECONCILIATION

The accountant of Russel & Son received the Bank Statement on 31 July 2020 and compared it with the Cash Journals for July 2020.

REQUIRED:

Use the necessary information to prepare the Bank Reconciliation Statement on 31 July 2020 and determine the correct balance as per Bank Account. (8)

A. On 31 July 2020 the Bank Statement showed a favourable balance of R3 600.

B. Items on the Bank Statement for July 2020 that do not appear in the Cash Journals:

- Unpaid cheque originally received from a debtor, L. Red, for R820 in settlement of his debt of R850 was dishonoured due to insufficient funds.
- A tenant, N. Bergh, deposited the rent for June 2020 R2 500, directly into the current bank account of the business.
- A debit order for the owner's cellphone account, R1 400.
- Credit card levy and service fees, R360.
- A deposit of R3 800. It was discovered that the account of Russel & Son was credited in error. The bank will correct it in August 2020.

C. Items in the Cash Receipts and Cash Payments Journals that do not appear on the Bank Statement:

- Deposit on 29 July 2020, R15 200
- Cheques:
 - No. 231 R2 020 (dated 26 July 2020)
 - No. 235 R1 570 (dated 31 August 2020)

D. Unmarked item in the Bank Reconciliation Statement for June 2020:

Cheque no. 156, R2 860 (dated 5 January 2020)

1.3 CREDITORS' RECONCILIATION

Lavender Suppliers received a statement of account from a creditor, Bramley Traders. The balance on the statement did not agree with that on the account of Bramley Traders in the Creditors Ledger of Lavender Suppliers.

REQUIRED:

1.3.1 Bramley Traders offers credit terms of 60 days. Lavender Suppliers prefers to settle their account within 30 days during certain months. Provide TWO points to indicate that it is not a good decision. (4)

1.3.2 Record the following errors and omissions in the given table in the ANSWER BOOK and calculate the correct balance and total. (10)

Write the amounts in the appropriate columns and indicate the increase or decrease with a (+) or (-) with each amount.

INFORMATION:

Balance of Bramley Traders in the Creditors Ledger of Lavender Suppliers, R21 130. Balance on the statement received from Bramley Traders was R32 600.

Errors and omissions discovered:

- A.** An invoice for R13 300 received from Bramley Traders was correctly recorded in the Creditors' Ledger Account. The amount was incorrectly recorded as R11 200 on the statement.
- B.** Lavender Suppliers entered a 10% discount relating to a payment of R3 000 on 19 February 2020. Bramley Traders did not approve this discount stating that the payment was received late.
- C.** Goods returned, R500, appeared on the statement received. The bookkeeper of Lavender Suppliers forgot to record this transaction.
- D.** Purchases of R3 035 from Bramley Traders were recorded as a debit note in the Creditors' Ledger account.

- E. A direct transfer of R7 000 by Lavender Suppliers was recorded in the Cash Payment Journal on 27 February 2020. A discount of R700 for early payment was also recorded. The statement of account from Bramley Traders was dated 25 February 2020.

1.4 VAT

Battery Specialist is a registered VAT vendor. The standard VAT rate of 15% is applicable where necessary.

The information relates to the VAT period ended 31 August 2020.

REQUIRED:

- 1.4.1 Calculate the VAT amount payable/receivable to/from SARS. (9)

- 1.4.2 The internal auditor discovered that two large credit sales transactions for R598 000 during August 2020 were not recorded in the relevant journal. The owner insists that these should be recorded during September 2020, due to current cash flow problems.

Give ONE reason why the auditor would not be satisfied with this explanation. (2)

INFORMATION:

Details of transactions	VAT EXCLUSIVE	VAT	VAT INCLUSIVE
Invoices issued to credit sales customers			R1 415 880
Invoices received from suppliers	R952 000		
Credit notes received from suppliers		R9 240	
Discount allowed to debtors for early payments of accounts		R5 520	
Debtors' accounts written off as bad debts	R15 600		R17 940
Trading stock taken by owner for personal use		R252	

TOTAL: 35

QUESTION 2: MANUFACTURING AND COST ACCOUNTING

(53 marks; 40 minutes)

2.1 MANUFACTURING

You are provided with information on Champion Manufacturers for the financial year ended 29 February 2020.

REQUIRED:

2.1.1 Prepare the following Ledger Accounts:

- Raw Materials stock (14)
- Work-in-process Stock (12)
- Finished Good Stock (8)

2.1.2 Calculate the gross profit for the year. (3)

2.1.3 Calculate the mark-up percentage. (4)

INFORMATION:

A. The following indicates the stock on hand:

	R 29 Feb 2020	R 28 Feb 2019
Raw materials stock	85 500	107 000
Work-in-process stock	86 414	25 800
Stock of finished goods	25 400	126 400
Consumables stores on hand (indirect materials)	1 800	9 600

B. Summary of transactions for the year ended 29 February 2020.

	R
Office stationery purchased	4 350
Raw materials purchased for cash	250 000
Raw material purchased on credit	158 000
Indirect materials purchased for cash	19 900
Carriage on purchases of raw materials cash	15 400
Sales of finished goods	1 520 000
Advertising	28 200
Vehicle expenses	14 500
Salaries: Factory Foreman	90 000
Administrative staff	110 000
Sales staff	99 000
Rates	20 040
Insurance	31 200
Water and electricity	30 000

ADDITIONAL INFORMATION

- Raw materials costing R16 000, purchased from Electronic Suppliers, were returned on 29 February 2020. This transaction was not recorded.
- Direct labour cost amounted to R214 749 for the year.
- The Total Factory Overhead Cost for the year amounted to R216 965.

2.2 COST ACCOUNTING

Jellytot Manufacturers manufactures toddlers' tracksuits. Tracksuits are sold at a mark-up of 50% on cost.

REQUIRED:

2.2.1 From the list below, select only the THREE FIXED COSTS. (3)

Raw materials cost	Direct labour costs	Salary Foreman
Commission on sales: Sales Staff	Salary of Accountant	Factory Rent

2.2.2 Calculate the break-even value of Jellytot Manufacturers. (4)

2.2.3 In your opinion, should Jellytot Manufacturers change to a cheaper supplier? Give TWO reasons for your answer. (5)

INFORMATION

The owner of Jellytot Manufacturers has provided you with the following information:

- Selling price per tracksuit: R160
- Variable cost per tracksuit: R115
- Total fixed costs: R945 000

The owner informs you that he has discovered a new supplier for raw material. The material will fade after one wash. However, this will reduce the variable cost to R95. If the business charges the same selling price, it will ensure greater profits.

TOTAL 53

QUESTION 3: BUDGETING**(37 marks; 30 minutes)**

You are provided with information relating to Peter Pan Stationers. The business is owned by Vuyo Radebe and his wife, Lydia. The shop is managed by Alvin Alberts. However, he has been offered a job by a competitor at an increased salary.

REQUIRED:

- 3.1 Explain the importance of comparing budgeted figures with actual figures achieved for the same period. (2)
- 3.2 Calculate the missing amounts (indicated by **(a)**, **(b)** and **(c)**) in the Debtors' Collection Schedule for the budgeted period March to May 2020. (4)
- 3.3 Calculate the following budgeted figures:
- 3.3.1 Total budgeted sales for March 2020 (2)
 - 3.3.2 Amount budgeted for payments to creditors during May 2020 (4)
 - 3.3.3 Budgeted salaries of the shop assistants for April 2020 (4)
 - 3.3.4 The percentage increase in the salary of the manager expected in May 2020 (3)
 - 3.3.5 Amount of the additional loan expected to be obtained on 1 April 2020 (4)
- 3.4 An official of the local municipality has offered to recommend Peter Pan Stationers to supply stationery to the value of R500 000. However, he will only do this if Vuyo pays him R20 000 in cash.
- Give Vuyo advice in this regard. State TWO points. (4)
- 3.5 Vuyo's wife is angry that he has not been adhering to the cash budget. Vuyo says that he deliberately did not keep to the budget because he wanted to improve the overall results of the business.
- Identify THREE over-payments in April 2020, apart from vehicle expenses. Provide figures to support your answer. Provide a valid reason for each over-payment to support Vuyo's decisions. (6)
 - Explain how this difference of opinion with his wife can be avoided in future. (2)
 - State TWO other strategies that Vuyo and his wife could consider in future to improve the results of the business. (2)

INFORMATION:**A. Sales and debtors' collection:**

- The TOTAL sales for April 2020 and May 2020 have been estimated as follows:

April 2020	70 000
May 2020	78 750

- 80% of all sales are for cash. The rest is on credit.
- Debtors are expected to pay as follows:

60% within the same month of sale, subject to a 4% discount

38% in the month following the month of sale

2% of debts are written off in the second month following the month of sale

- Debtors' collection schedule:**

	CREDIT SALES R	2020 MARCH R	2020 APRIL R	2020 MAY R
February	31 500	11 970		
March	10 500	(a)	3 990	
April	14 000		8 064	(b)
May	(c)			
			12 054	

B. Purchases of merchandise and payment to creditors:

- The business works on a fixed-stock base where the stock sold in a month is replaced at the end of that month.
- The business uses a mark-up of 75% on cost.
- 70% of all merchandise is purchased on credit.
- Creditors are paid in full in the month following the month of purchase.

C. Salaries:

- The business has 12 shop assistants employed on equal pay in March 2020. Nine of the shop assistants are entitled to a bonus equal to 80% of their monthly salary during April 2020.
- All shop assistants will receive a general increase during May 2020.
- The manager received a bonus in April 2020.

D. Loan:

An additional loan will be taken from Atlantic Bank on 1 April 2020 at 14% p.a. interest.

E. Extract from the Cash Budget for the three months ending 31 May 2020:

RECEIPTS	MARCH	APRIL		MAY
	Budgeted	Budgeted	Actual	Budgeted
Cash sale of stock	42 000	56 000	59 200	63 000
Collection from debtors	18 018	12 054	12 800	?
Rent income	5 600	6 160	6 160	6 160
Additional loan acquired	0	?	?	0
PAYMENTS				
Cash purchase of stock	9 000	12 000	28 000	13 500
Payment to creditors	58 500	21 000	21 000	?
Salaries of shop assistants	102 000	?	?	110 160
Salary of manager	16 000	16 000	40 000	19 200
Interest on loan (14% p.a.)	6 300	7 175	7 175	7 175
Delivery expenses (for deliveries to customers)	9 200	9 200	0	9 200
Insurance (paid annually)	0	27 000	27 000	-
Advertising	0	0	0	20 000
Purchase of vehicle	0	0	180 000	0
Vehicle expenses	0	0	4 000	4 000
Sundry expenses	5 300	5 300	5 300	5 800

TOTAL: 37

QUESTION 4: FIXED ASSETS AND INTERNAL CONTROL (25 marks; 20 minutes)

You are provided with information relating to Everest Traders.

REQUIRED:

- 4.1 What is a *Fixed Assets Register*? (2)
- 4.2 Calculate the depreciation on equipment for the year. (10)
- 4.3 Prepare the Asset Disposal account. (10)
- 4.4 The owner is concerned about the internal control over the fixed assets of the business. Suggest THREE internal control measures that could be implemented. (3)

INFORMATION:

1. The following balances appeared in the general ledger on 29 February 2020, the end of the financial year.

Fixed Asset	Cost price 29 Feb 2020	Accumulated depreciation 1 March 2019
Equipment	645 000	180 000

2. **Equipment:**

- On 1 December 2019 obsolete equipment was traded in. The cost price of the equipment was R60 000 and the accumulated depreciation on 1 March 2019 amounted to R42 000.
The trade-in offer of R22 000 was accepted and the cost price of the new equipment was R90 000. This has been properly recorded.
- Equipment is depreciated at 20% p.a. on the diminishing balance method.

TOTAL 25

TOTAL: 150

GRADE 11 ACCOUNTING: FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$		$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Total earnings by partner}}{\text{Partner's average equity}} \times \frac{100}{1}$		$\frac{\text{Net profit}}{\text{Average owners' equity}} \times \frac{100}{1}$
Current assets : Current liabilities		(Current assets – Inventories) : Current liabilities
(Trade and other receivables + Cash and cash equivalents): Current liabilities		
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$		$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365}{1}$
$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365}{1} \text{ or } \frac{12}{1}$		$\frac{\text{Cost of sales}}{\text{Average inventories}} \times \frac{365}{1}$
Non-current liabilities: Owners' equity		Total assets: Total liabilities



Province of the
EASTERN CAPE
EDUCATION

NAME:

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

NOVEMBER 2020

**ACCOUNTING P2
ANSWER BOOK
(EXEMPLAR)**

MARKS: 150



QUESTION	MAX. MARKS	MARKS OBTAINED	MODERATED MARKS
1	35		
2	53		
3	37		
4	25		
	150		

This answer book consists of 9 pages.

1.4 VAT

1.4.1 Calculate the VAT amount payable/receivable to/from SARS.

9

1.4.2 The internal auditor discovered that two large credit sales transactions for R598 000 during August 2020 were not recorded in the relevant journal. The owner insists that these will be recorded during September, due to current cash flow problems.

Give ONE reason why the auditor would not be satisfied with this explanation.

2

TOTAL MARKS:	35	
--------------	----	--

QUESTION 2: MANUFACTURING AND COST ACCOUNTING

2.1 MANUFACTURING

2.1.1 GENERAL LEDGER OF CHAMPION MANUFACTURERS

RAW MATERIALS STOCK

2019 Mar	01			2020 Feb	29				
2020 Feb	29								
									14

WORK-IN-PROCESS

2019 Mar	01			2020 Feb	29				
2020 Feb	29								
									12

FINISHED GOODS STOCK

2019 Mar	01			2020 Feb	29				
2020 Feb	29								
									8

2.1.2 Calculate the gross profit for the year.

	3

2.1.3 Calculate the mark-up percentage.

	4

2.2 COST ACCOUNTING

2.2.1 **Three fixed costs**

--

3

2.2.2 **Calculate the break-even value of Jellytot Manufacturers.**

--

4

2.2.3 **In your opinion, should Jellytot Manufacturers change to a cheaper supplier? Give TWO reasons for your answer.**

--

5

TOTAL MARKS:	53	
---------------------	-----------	--

QUESTION 3: BUDGETING

3.1 Explain the importance of comparing budgeted figures with actual figures achieved for the same period.

--	--

	2

3.2 Calculate the missing amounts (indicated by a, b and c) in the Debtors' Collection Schedule for the budgeted period March to May 2020.

a		
b		
c		

	4

3.3.1 Calculate the budgeted total sales for March 2020.

--	--

	2

3.3.2 Calculate the amount budgeted for payments to creditors during May 2020.

--	--

	4

3.3.3 Calculate the budgeted salaries of the shop assistants for April 2020.

--	--

	4

3.3.4 Calculate the % increase in the salary of the manager expected in May 2020.

--

3

3.3.5 Calculate the amount of the additional loan expected to be acquired on 1 April 2020.

--

4

3.4 An official of the local municipality has offered to recommend Peter Pan Stationers to supply stationery to the value of R500 000. However, he will only do this if Vuyo pays him R20 000 in cash. Give Vuyo advice in this regard. State TWO points.

--

4

3.5

Identify **THREE** over-payments in April 2020, apart from vehicle expenses. Provide figures to support your answer. Provide a valid reason for each over-payment to support Vuyo's decisions.

	Over-payment with figures	Valid reason
1		
2		
3		

6

Explain how this difference of opinion with his wife can be avoided in future.

2

State **TWO** other strategies that Vuyo and his wife could consider in future to improve the results of the business.

2

TOTAL MARKS:	37	
--------------	----	--

QUESTION 4: FIXED ASSETS AND INTERNAL CONTROL

4.1

What is a *Fixed Assets Register*?

2

4.2

Calculate the depreciation on equipment for the year.

10

4.3

Asset Disposal

10

4.4

The owner is concerned about the internal control over the fixed assets of the business. Suggest **THREE** internal control measures that could be implemented.

3

TOTAL MARKS:	25	
--------------	----	--

TOTAL: 150



**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

NOVEMBER 2020

**ACCOUNTING P2
MARKING GUIDELINE
(EXEMPLAR)**

MARKS: 150

MARKING PRINCIPLES:

1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no foreign item penalty for misplaced items). 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. Full marks for correct answer. If the answer is incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer).
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. This memorandum is not for public distribution; as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions
8. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.
10. 'Operation' means 'Check operation'. 'One part correct' means 'Operation and one part correct'.
11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. In such cases, do not award the method mark. Indicate by way of
12. Be aware that some candidates provide valid alternatives beyond the memorandum.
13. Codes: f = foreign item; p = placement/presentation.

This marking guideline consists of 9 pages.

QUESTION 1: RECONCILIATION

1.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question number.

1.1.1	False	✓
1.1.2	True	✓

2

1.2

Bank Reconciliation Statement on 31 July 2020:		
	Debit	Credit
Balance as per Bank Statement		3 600 ✓
Late deposit		15 200 ✓
Outstanding cheques:		
No 231	2 020 ✓	
No 235	1 570 ✓	
Correct error deposit	3 800 ✓✓	
Balance as per Bank Account	Balancing figure <input checked="" type="checkbox"/> 11 410	
	18 800 <input checked="" type="checkbox"/> for both totals	18 800

-1 Foreign item: Max. 2

8

1.3.1 Although Bramley Traders offers credit terms of 60 days, Lavender Suppliers prefers to settle their account within 30 days during certain months. Provide TWO points to indicate that it is not a good decision.

Any TWO points ✓✓ ✓✓

- Keep money as long as possible in own bank account to earn interest.
- First collect money from debtors to pay creditors.
- If no early payment discount is offered, there is no benefit
- Pay as late as possible, but avoid unnecessary interest charged.

4

1.3.2

	CREDITORS' LEDGER ACCOUNT OF BRAMLEY TRADERS	STATEMENT FROM BRAMLEY TRADERS
	21 130	32 600
A		13 300 - 11 200 + 2 100 ✓✓
B	+ 300 ✓✓	
C	- 500 ✓	
D	(3 035 + 3 035) + 6 070 ✓✓	
E		- 7 000 one mark; -700 one mark- 7 700 ✓✓
	27 000 <input checked="" type="checkbox"/> *	27 000

* Operation one part correct. Both figures

10

1.4 VAT

1.4.1 Calculate the VAT amount payable/receivable to/from SARS.

142 800 ✓✓	184 680 ✓✓
5 520 ✓	9 240 ✓
2 340 ✓	252 ✓
43 512 <input checked="" type="checkbox"/> Operation one part correct	

OR Choose the line

$$184\ 680 - 142\ 800 + 9\ 240 - 5\ 520 - 2\ 340 + 252 = 43\ 512$$
$$- 184\ 680 + 142\ 800 - 9\ 240 + 5\ 520 + 2\ 340 - 252 = 43\ 512$$

9

1.4.2 The internal auditor discovered that two large credit sales transactions for R598 000 during August 2020 were not recorded in the respective journal. The owner insists that these will be recorded during September, due to current cash flow problems.

Give ONE reason why the auditor would not be satisfied with this explanation.

Unethical. ✓ He should not go along with the owner's request. They make use of the invoice basis to record VAT, so it has to be recorded and paid. ✓

2

TOTAL MARKS:	35	
--------------	----	--

QUESTION 2: MANUFACTURING AND COST ACCOUNTING**2.1 MANUFACTURING**

2.1.1

**GENERAL LEDGER OF CHAMPION MANUFACTURERS
RAW MATERIALS STOCK**

2019 Mar	01	Balance	107 000 ✓	2020 Feb	29	Creditors' control ✓	16 000 ✓	
2020 Feb	29	Bank ✓ (250 000 + 15 400) 1 mark each	265 400 ✓✓✓			Raw Material Issued/ ✓ Work in process	428 900 ✓ <input checked="" type="checkbox"/>	
		Creditors' control ✓	158 000 ✓			Balance	85 500 ✓	
			530 400				530 400	
2020 Mar	01	Balance	85 500 ✓					14

WORK-IN-PROCESS

2019 Mar	01	Balance	25 800 ✓	2020 Feb	29	Finished Goods Stock ✓	800 000 ✓ <input checked="" type="checkbox"/> Balancing figure	
2020 Feb	29	Direct Labour Cost ✓	214 749 ✓			Balance	86 414 ✓	
		Direct Materials Cost /Raw material stock ✓	428 900 <input checked="" type="checkbox"/>					
		Factory Overhead Cost ✓	216 965 ✓					
			886 414				886 414	
2020 Mar	01	Balance	86 414 ✓					12

FINISHED GOODS STOCK

2019 Mar	01	Balance	126 400 ✓	2020 Feb	29	Cost of sales ✓	901 000 ✓ <input checked="" type="checkbox"/> Balancing figure	
2020 Feb	29	Work-in-process stock ✓	800 000 <input checked="" type="checkbox"/>			Balance	25 400 ✓	
			926 400				26 400	8
2020 Mar	01	Balance	25 400 ✓					

2.1.2 **Calculate the gross profit for the year.**

$$R1\ 520\ 000\ \checkmark - R901\ 000\ \checkmark = R619\ 000\ \checkmark$$

3

2.1.3 Calculate the mark-up percentage.

$$\frac{619\,000}{901\,000} \times \frac{100}{1} = 68,7\%$$

4

2.2 COST ACCOUNTING

2.2.1 Three fixed costs

- Salary foreman ✓
- Factory Rent ✓
- Salary of the Accountant ✓

3

2.2.2 Calculate the break-even value of Jellytot Manufacturers.

$$\frac{R945\,000}{R160 - R115}$$

$$\frac{R945\,000}{R45}$$

$$= 21\,000 \text{ units}$$

4

2.2.3 In your opinion should Jellytot Manufacturers change to a cheaper supplier? Give TWO reasons for your answer.

Yes/No ✓

Reason ✓ ✓ ✓ ✓

No

- Lose goodwill
- Poor quality of material
- Customers will go elsewhere – less profit
- Eventually cheaper quality and cheaper price

Yes

- Emphasis is on profit
- A demand can be created; then the business should be able to supply it.

5

TOTAL MARKS	53	
-------------	----	--

QUESTION 3: BUDGETING

3.1 **Explain the importance of comparing budgeted figures with actual figures achieved for the same period.**

One valid explanation ✓✓

Deviations can be determined and remedial measures will be put in place.
Establish whether the budgeting was realistic.
Identify trends of mismanagement of cash.

2

3.2 **Calculate the missing amounts (indicated by a, b and c) in the Debtors' Collection Schedule for the budgeted period March to May 2020.**

a	6 048 ✓✓
b	5 320 ✓
c	15 750 ✓

4

3.3.1 **Calculate the budgeted total sales for March 2020.**

$10\,500 \times 100/20 = 52\,500$ ✓✓

2

3.3.2 **Calculate the amount budgeted for payments to creditors during May 2020.**

40 000
 $70\,000 \checkmark \times 100/175 \checkmark \times 70\% \checkmark = 28\,000$ any one part correct
OR
 $12\,000/30 \times 70 = 28\,000$
 1 mark 1 mark 1 mark 1 w/w mark

4

3.3.3 **Calculate the budgeted salaries of the shop assistants for April 2020.**

$102\,000/12 = 8\,500$
 $8\,500 \times 3 = 25\,500$
 $15\,300 \times 9 = 137\,700$
 $25\,500 \checkmark + 137\,700 \checkmark \checkmark = 163\,200$ any one part correct
OR
 $102\,000$ one mark + $61\,200$ two marks = $163\,200$ 1 w/w mark
 (102 000 X 80% X 9/12)
 one mark one mark

4

3.3.4 Calculate the % increase in the salary of the manager expected in May 2020.

$$\frac{3\ 200\ (1\ mark)}{(19\ 200 - 16\ 000)} \checkmark / 16\ 000 \checkmark = 20\% \checkmark$$
 any one part correct

3

3.3.5 Calculate the amount of the additional loan expected to be acquired on 1 April 2020.

$$875 \checkmark \times (100 \times 12) \checkmark / 14 \checkmark = 75\ 000 \checkmark$$
 any one part correct

OR

$$7\ 175 \times 100/14 \times 12 = 615\ 000$$
 two marks

$$6\ 300 \times 100/14 \times 12 = \underline{540\ 000}$$
 one mark
75 000 one w/w mark

4

3.4 An official of the local municipality has offered to recommend Peter Pan Stationers to supply stationery to the value of R500 000. However, he will only do this if Vuyo pays him R20 000 in cash. Give Vuyo advice in this regard. State TWO points.

Any two suggestions ✓✓ ✓✓

- This is a bribe which is unethical and illegal.
- If this information is made public, it will have a negative effect on the business in the future.
- Vuyo must tender formally to the municipality to secure the contract through the normal processes.

4

3.5

Identify **THREE** over-payments in April 2020, apart from vehicle expenses. Provide figures to support your answer. Provide a valid reason for each over-payment to support Vuyo's decisions.

	Over-payment with figures Item and figure ✓ ✓ ✓	Valid reason ✓ ✓ ✓
1	Cash purchase of merchandise (R28 000) was significantly higher than the budgeted figure (R12 000)	Possibly to take advantage of bulk discounts on purchases.
2	The bonus of the manager (R24 000)	He has retained the services of a valuable employee.
3	Purchase of vehicle (R180 000)	The difference between motor vehicle expenses and delivery expenses is R5 200 per month

6

Explain how this difference of opinion with his wife can be avoided in future.

As they are jointly running the business, they should have specific meetings to determine the budget jointly. Vuyo should consult his wife before spending on unbudgeted items. ✓✓

2

State **TWO** other strategies that Vuyo and his wife could consider in future to improve the results of the business.

Any two valid points: ✓ ✓

- Advertise monthly
- Reduce the number of shop assistants
- Reinstate deliveries to customers
- Negotiate longer credit terms with creditors

2

TOTAL MARKS:

37

QUESTION 4: FIXED ASSETS AND INTERNAL CONTROL

4.1

What is a Fixed Assets Register?

Any valid explanation ✓✓

A Fixed Asset Register is a book in which all the assets owned by a business is recorded.

2

4.2

Calculate the depreciation on equipment for the year.

New equipment: 90 000 x 20% x 3/12 R4 500 ✓✓

Equipment sold: 60 000 ✓ – 42 000 ✓ = 18 000 x 20% x 9/12 ✓
R2 700 ✓

Old equipment: 555 000 ✓ – 138 000 ✓ = 417 000 x 20% R83 400 ✓

Total: R90 600 ✓

10

4.3

Asset Disposal

2020 Dec 1	Equipment ✓	60 000 ✓	2020 Dec 1	Acc dep on equipment ✓ (42 000 ✓ + 2 700 ✓) see 4.2	44 700 ✓
	Profit on sale of equipment ✓	6 700 ✓		Creditors' control ✓	22 000 ✓
		66 700			66 700

10

4.4

The owner is concerned about the internal control over the fixed assets of the business. Suggest THREE internal control measures that could be implemented.

Three valid suggestions ✓ ✓ ✓

- Ensure that all fixed assets are safely stored (security)
- Ensure that proper authorisation procedures are in place
- Do regular physical checks against the fixed asset register

3

TOTAL MARKS:	25	
---------------------	-----------	--

TOTAL: 150

