



Province of the  
**EASTERN CAPE**  
EDUCATION

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**JUNE 2019**

**ACCOUNTING**

**MARKS: 300**

**TIME: 3 hours**



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This question paper consists of 15 pages and a 14-page answer book.

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**INSTRUCTIONS AND INFORMATION**

Read the 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. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or black/blue ink to answer the questions.
6. Where applicable, show all calculations to ONE decimal place.
7. Write neatly and legibly.

8. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

<b>QUESTION 1: 40 marks; 25 minutes</b>	
<b>Topic:</b>	<b>This question integrates:</b>
Inventory Valuation	<b>Managing resources</b> Inventory concepts and valuation Internal control

<b>QUESTION 2: 45 marks; 30 minutes</b>	
<b>Topic:</b>	<b>This question integrates:</b>
Reconciliation	<b>Financial accounting</b> Bank reconciliation Debtors' reconciliation <b>Managing resources</b> Internal control

<b>QUESTION 3: 50 marks; 30 minutes</b>	
<b>Topic:</b>	<b>This question integrates:</b>
Company financial statements	<b>Financial accounting</b> Adjustments Income statement

<b>QUESTION 4: 70 marks; 40 minutes</b>	
<b>Topic:</b>	<b>This question integrates:</b>
Company financial statements, Analysis and Interpretation	<b>Financial accounting</b> Notes to the Balance Sheet Balance sheet Analysis & interpretation of financial information

<b>QUESTION 5: 55 marks; 30 minutes</b>	
<b>Topic:</b>	<b>This question integrates:</b>
Company financial statements, Audit report	<b>Financial accounting</b> Notes to the Cash Flow Statement Cash Flow Statement <b>Managing resources</b> Audit report

<b>QUESTION 6: 40 marks; 25 minutes</b>	
<b>Topic:</b>	<b>This question integrates:</b>
Fixed Assets VAT	<b>Financial accounting</b> Fixed asset note calculations Asset disposal account VAT calculations <b>Managing resources</b> VAT ethics

**QUESTION 1: INVENTORY VALUATION****(40 marks; 25 minutes)****1.1 CONCEPTS****REQUIRED:**

Indicate whether the following statements are TRUE or FALSE:

- 1.1.1 When goods are sold, the cost of sales is recorded at the same time under the perpetual stock system. (1)
- 1.1.2 The specific identification method of stock valuation is based on the assumption that certain stock is identified to be sold first. (1)
- 1.1.3 Goods bought are debited to the Purchases Account under the periodic stock system. (1)
- 1.1.4 The weighted-average method of stock valuation is based on the assumption that the value of opening and closing stock are added up, and divided by the number of units bought. (1)

**1.2 INVENTORY VALUATION**

Zenko's Shop sells one type of suitcase. You are provided with information for the financial year ended on 30 April 2019.

The business uses the FIFO method for stock valuation and the periodic stock system.

**REQUIRED:**

- 1.2.1 Calculate the value of the closing stock on 30 April 2019. (8)
- 1.2.2 Calculate the following for the year ended 30 April 2019:
- Cost of sales (8)
  - Gross profit % (4)
  - Stock holding period for 2019 in days (5)
- 1.2.3 Comment on the stock holding period for 2019. Quote figures. (The stock holding period for 2018 was 182 days.) (4)
- 1.2.4 In order to improve on stock losses (20 suitcases) the previous year, the owner introduced stricter control measures over stock. Comment on whether it was successful. Show calculations. (7)

**INFORMATION:****Stock records of suitcases:**

Date	Number of units	Price per unit (including carriage on purchases)	Total value
1 May 2018	215		R122 550
30 April 2019	110	?	?

**Purchases of suitcases:**

Date	No. of units	Cost price per unit	Total purchases	Carriage on purchases per unit	Total carriage on purchases
10 July 2018	150	R580	R87 000	R30	R4 500
28 September 2018	200	R600	R120 000	R30	R6 000
2 December 2018	125	R630	R78 750	R30	R3 750
28 February 2019	75	R610	R45 750	R40	R3 000
TOTAL	550		R331 500		R17 250

**Return of suitcases:**

Ten (10) suitcases purchased during February 2019 were damaged and therefore returned to the supplier. The supplier agreed and credited the business account with the cost price including the carriage on purchases.

**Sales**

640 suitcases were sold during the year for R576 000.

**QUESTION 2: RECONCILIATIONS****(45 marks; 30 minutes)****2.1 BANK RECONCILIATION**

You are provided with information from the books of Qumbu Traders.

**REQUIRED:**

- 2.1.1 Calculate the correct balance of the Bank Account on 31 January 2019. (15)
- 2.1.2 Prepare the Bank Reconciliation Statement on 31 January 2019. (11)
- 2.1.3 An internal investigation revealed that cash deposits are not made immediately.  
Quote and explain TWO examples which led to this finding. (4)
- 2.1.4 Provide TWO internal control measures that the business can use to prevent this from happening again. (4)

**INFORMATION:**

A. Extract from the Bank Reconciliation Statement on 31 December 2018:

Outstanding deposits	
15 November 2018	R 4 100
31 December 2018	R 3 600
 Cheques not yet presented for payment:	
No. 673	R 1 080
No. 681	R 2 860
No. 707	R 3 900
No. 723	R 1 000

- Cheque no. 673 was issued on 21 July 2018 as a donation.
- Cheques no. 681 and no. 707 were reflected on the Bank Statement for January 2019.

B. The Bank Account in the General Ledger on 31 December 2018 reflected a favourable balance of R24 740.

C. Provisional totals for January 2019:

CRJ:	R68 720
CPJ:	R74 960

D. Items reflected in the Journals for January 2019, but not on the Bank Statement:

- The following cheques:
  - No. 782 for R5 400
  - No. 805 for R1 560, dated 8 February 2019
  - No. 808 for R5 400

**NOTE:** Cheque no. 782, dated 21 January 2019, issued for stationery was lost. Payment of this cheque was stopped. The cheque was replaced by cheque No. 808 on 30 January 2019.

- Cheque no. 790 was issued for trading stock purchased. The amount was recorded as R1 850 in the Cash Journal, but the correct amount of R1 580 was recorded in the Bank Statement.
- A deposit made by Qumbu Traders on 31 January 2019, R6 800.

E Items on the January Bank statement, but not in the Cash journals:

- A deposit of R3 600 on 12 January 2019
- Bank charges, R1 560  
**NOTE:** Bank charges were overcharged by R160. The bank will rectify the error in the next bank statement.
- Interest on credit balance, R500.
- A dishonoured cheque originally received from a debtor, R3 500.
- A direct deposit by a debtor, in settlement of his account of R1 500 after 10% discount was allowed.
- A debit order for instalment of the owner's personal insurance, R2 100.

## 2.2 DEBTOR'S RECONCILIATION

### REQUIRED:

Draw up a reconciled Debtor's List on 31 March 2019: (11)

### INFORMATION:

The following errors were found:

- An allowance of R300 for damaged goods returned by H. James was posted to the account of H. Jameson.
- An invoice issued to A. Dyantyi for R1 200 was entered correctly in the journal, but posted to her account as R2 100.
- R20 interest charge on the overdue account of E. Rasmeni, was posted to the wrong side of his account.

**QUESTION 3: INCOME STATEMENT****(50 marks; 30 minutes)**

You are provided with information extracted from the records of BigSave Ltd, on 30 April 2019.

**REQUIRED:**

Prepare the Income Statement for the year ending 30 April 2019.

(50)

**INFORMATION:**

**A. EXTRACT FROM THE PRE-ADJUSTMENT TRIAL BALANCE ON 30 APRIL 2019**

Trading stock	1840 800
Debtors control	625 600
Provision for bad debts	26 400
Sales	7 164 000
Cost of sales	3 840 000
Bad debts	14 520
Debtors allowances	84 000
Consumable stores	47 400
Salaries and wages	985 200
Employers' contributions	97 200
Rent income	278 000
Directors' fees	1 248 800
Repairs and maintenance	150 720
Bank charges	33 600
Auditing fees	105 600
Sundry expenses	107 670

**B. ADJUSTMENTS AND ADDITIONAL INFORMATION:**

- 1 Goods are sold at a mark-up of 40% on cost price.
- 2 An allowance for stock totally damaged was granted by the business. The value of the stock according to the original invoice received, R12 000.
- 3 On 30 April 2019, R2 880 was received from A. Kwaza, whose account had previously been written off as irrecoverable. The amount was entered as Bad debts in the CRJ.
- 4 The provision for bad debts must be adjusted to 5% of outstanding debts.
- 5 The company has 3 directors, each earning R44 600 per month. The third director was only appointed on 1 November 2018.



- 6 The following were reflected during a physical stock count on 30 April 2019:
- Trading stock, R1 847 800
  - Consumable stores, R600
- 7 Depreciation for the year amounted to R243 840.
- 8 An amount of R5 600 was paid too much in auditing fees.
- 9 An employee was omitted from the salaries journal. He has not been paid. His details are as follows:

<b>Deductions</b>	<b>Employer's contribution</b>	<b>Net salary</b>
R5 250	R4 410	15 750

- 10 The tenant is two months' arrears with the rent. The monthly rent was decreased by R1 000 on 1 January 2019.
- 11 Net profit after tax amounts to 5% on sales.
- 12 Income tax is calculated at 28% of the net profit.

**QUESTION 4: COMPANY FINANCIAL STATEMENTS****(70 marks; 40 minutes)****4.1 BALANCE SHEET AND NOTES**

Refer to the information from the records of RADABA LTD for the financial year ended 28 February 2019.

**REQUIRED:**

4.1.1 Prepare the following notes to the Balance Sheet:

- Ordinary share capital (9)
- Retained income (11)
- Trade and other receivables (7)

4.1.2 Complete the Statement of Financial Position (Balance Sheet) on 28 February 2019. Where notes are not required, show ALL workings in brackets. (26)

**INFORMATION:**

A. **Amounts extracted from the financial records of RADABA LTD:**

	<b>28 Feb. 2019</b>
Fixed assets (cost)	6 791 400
Accumulated depreciation	1 940 400
Ordinary share capital	?
Retained income	531 050
Fixed deposit: Trust Bank (8%)	975 000
Loan: Easy Bank	723 900
Inventories	?
Debtors' Control	365 250
Creditors' Control	93 690
Provision for bad debts	14 610
Accrued expenses	18 180
Accrued income	5 910
Prepaid expenses	11 400
Cash (Bank and cash float)	504 900
SARS Income tax (provisional payments)	555 000
Dividends on shares (interim dividends)	405 000

B. **Share capital**

- The business has an authorised share capital of 800 000 shares.
- On 1 April 2018, the directors decided to repurchase shares at a total cost of R1 170 000. The shares were bought at R1,70 above the average price of R10 per share.
- A further 120 000 shares were issued on 31 October 2018 at R13 per share.

- C. On 27 February 2019, a final dividend of 30 cents per share was declared.  
Shares repurchased do not qualify for final dividends.
- D. A certain portion of the fixed deposit matures in the next 3 months, after which the remaining balance will be R800 000.
- E. Interest capitalised, R122 100, is reflected on the loan statement received. This was not recorded in the books. The business expects to decrease the loan by R169 200 in the next financial year.
- F. After all the above adjustments were taken into account the net profit before tax was calculated to be R1 741 500 and the income tax payable for the year R522 450.

#### 4.2 ANALYSIS AND INTERPRETATION OF FINANCIAL INDICATORS

##### REQUIRED:

Use the financial indicators of QUICKFIX LTD given below, to answer the following questions.

- 4.2.1 The company issued additional shares at R9. In your opinion, do you think the existing shareholders would be happy with the issue price? Quote ONE financial indicator with actual figure/percentage/ratio to support your statement. (3)
- 4.2.2 The directors feel that the shareholders should be satisfied with the performance of the company. Explain and quote TWO financial indicators with actual figures/ratios/percentages to support their opinion. (6)
- 4.2.3 The directors decided to increase the loan during the current financial year. Quote TWO financial indicators (actual figures/ratios/percentages) that are relevant to their decision. Explain why this was a good decision, or not. (8)

**The following financial indicators were calculated for the past two years:**

	2018	2017
Current ratio	1,7 :1	1 :1
Stock turnover rate	8 times	6 times
Debt-equity ratio	0,3 : 1	0,2 :1
% return on average shareholders' equity	16%	13%
% return on total capital employed	22%	18%
Dividends per share	34 cents	20 cents
Earnings per share	133 cents	120 cents
Net asset value per share	1 121 cents	992 cents
Market price on JSE	1 050 cents	980 cents
Interest rate on loans	15%	15%
Interest rate on fixed deposit	8%	8%

**QUESTION 5: AUDIT REPORT****(55 marks; 30 minutes)**

5.1 The information relates to Liam Ltd for the financial year ended 30 June 2018.

**REQUIRED:**

5.1.1 Prepare the note for CASH GENERATED FROM OPERATIONS. (19)

5.1.2 Complete the cash flow statement. (23)

**INFORMATION:**A. **Information from the Statement of comprehensive income (Income statement) for the year ended 30 June 2018.**

Depreciation	96 000
Interest expense	108 000
Income tax	113 400
Net profit after income tax	272 700

B. **Information from the Statement of financial position (Balance sheet)**

	30 June 2018	30 June 2017
Ordinary share capital	1 425 000	1 200 000
Retained income	85 200	64 500
Fixed assets	2 258 100	1 802 250
Financial assets	100 000	240 000
Non-current liabilities	880 000	970 000
Inventories	180 300	264 000
Trade and Other Receivables (see 1 below)	98 250	105 300
Trade and Other Payables (see 2 below)	143 250	165 300

**1. Trade and other receivables**

Nett trade debtors	90 500	89 900
SARS (Income tax)	7 750	15 400
	98 250	105 300

**2. Trade and other payables**

Trade creditors	44 250	102 000
Income received in advance		2 300
Shareholders for dividends	99 000	63 000
	143 250	165 300

**C. Share capital.**

- Received R440 000 for 40 000 additional shares issued on 31 October 2017.
- On 30 May 2018 R250 000 was paid for the re-purchase of shares.

**D. Dividends**

- An interim dividend of R77 000 was paid on 5 January 2018.
- A final dividend was declared on 29 June 2018.

**E. Fixed Assets**

- The following changes to buildings were made during the year:  
Extensions of R566 600  
Repairs to the old building, R150 000
- Old equipment, carrying value R35 250, was sold at a loss of R5 250.

**5.2 AUDIT REPORT**

The following is an extract from the audit report issued by the external auditors of VOVO Ltd.

**REQUIRED:**

- 5.2.1 What type of report did VOVO Ltd receive? Explain. (3)
- 5.2.2 The Companies Act requires public companies to be audited. Provide a reason for this. (2)
- 5.2.3 Explain ONE major consequence for Makaya&Ntini should they be negligent in performing their duties. (2)
- 5.2.4 Name ONE other party, other than the shareholders, that would be interested in this audit opinion and give a reason for their interest. (2)
- 5.2.5 Briefly indicate how this audit report would possibly affect the shares of VOVO Ltd on the Johannesburg Securities Exchange (JSE). Mention TWO points. (4)

**INFORMATION:****Audit opinion – to the shareholders**

We have not been able to obtain sufficient audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements of VOVO Ltd for the year ended 28 February 2019.

**Makaya&Ntini**  
Chartered Accountants (SA)  
Registered Accountants and Auditors  
**EAST LONDON**  
**30 April 2019**

**QUESTION 6: RECONCILIATION AND VAT****(40 marks; 25 minutes)****6.1 FIXED ASSETS**

You are provided with the incomplete fixed asset note of Komani Ltd.  
The financial year ended 31 December 2018.

**REQUIRED:**

- 6.1.1 Calculate the missing figures indicated by **A** to **E** in the incomplete Fixed Asset Note. (7)
- 6.1.2 Prepare the Asset Disposal Account for the office furniture sold. (10)
- 6.1.3 Comment on the sale of land to the husband of the CEO.  
See information **B**. (2)

**INFORMATION:****A. INCOMPLETE FIXED ASSET NOTE**

	Land and buildings	Equipment	Vehicles
<b>Carrying value (1 January 2018)</b>	<b>A</b>	180 000	
Cost		350 000	650 000
Accumulated depreciation		<b>B</b>	(250 000)
<b>Movements</b>			
Additions			<b>C</b>
Disposals	200 000		
Depreciation			<b>D</b>
<b>Carrying value (31 December 2018)</b>	2 100 000		
Cost	2 100 000	<b>E</b>	950 000
Accumulated depreciation			

- B. Land not used was sold for cash to a local business man for R200 000.  
The business belongs to the husband of the company's CEO.
- C. Old office furniture was offered for sale (see fixed asset register below).  
The local recreational club offered to pay R10 000 in cash. The offer was accepted on 30 September 2018 and the rest was regarded as a donation by the business.

FIXED ASSET REGISTER		OE 201	
Item	Office furniture		
Cost	R32 000		
Purchased	1 October 2016		
Depreciation rate	20% p.a. on cost		
	Depreciation	Accumulated depreciation	Carrying value
31 December 2016	1 600	1 600	30 400
31 December 2017	6 400	8 000	24 000
30 September 2018	?	?	?

- D. A new vehicle was purchased on 31 December 2018 for R300 000 less 10% trading discount.  
Depreciation on vehicles is written off at 15% p.a. on the diminishing balance method.

## 6.2 VAT CALCULATIONS

The information below relates to Nobs Traders for the VAT period ended 28 February 2019.

### REQUIRED:

Calculate the amount of VAT payable to/receivable from SARS on 28 February 2019. Indicate whether the amount is payable or receivable. (13)

### INFORMATION:

- A. Amount owed to SARS on 1 February 2019, R49 800.  
B. Transactions for the period ended 28 February 2019:

• Total sales (VAT exclusive)	R412 800
• Total purchases (VAT inclusive)	552 000
• VAT on discount allowed to debtors	3 000
• VAT on returns to creditors <b>NOTE:</b> VAT on returns to creditors should be adjusted as the creditor agreed to an allowance of R23 000 less than the original claim	8 700
• VAT on goods for personal use by owner	1 500
• Total amount of bad debts written off	5 750

## 6.3 VAT AND ETHICS

### REQUIRED:

Read the given information and answer the questions that follow.

- 6.3.1 Why should Rantsi Traders produce a proof of sales? (2)  
6.3.2 How would this affect the VAT returns of Rantsi Traders? (2)  
6.3.3 Advise Rantsi traders of the implications, should he agree to this request. Mention TWO points. (4)

### INFORMATION:

A customer requested Rantsi Traders to sell goods to him exclusive of VAT. In exchange the customer will pay cash for all his purchases. Rantsi Traders stated that he would then not be able to produce the source document for these sales.

40

**TOTAL: 300**

