



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

SEPTEMBER 2019

ACCOUNTING

MARKS: 300

TIME: 3 hours



This question paper consists of 19 pages and a 19-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. 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 the questions.
6. Where applicable, show all calculations to ONE decimal point.
7. Write neatly and legibly.

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

QUESTION 1: 50 marks; 30 minutes	
Topic of the question:	This question integrates:
Debtors' Age Analysis and Reconciliation	Financial accounting Debtors age analysis Concepts Bank Reconciliation Managing resources Internal control
QUESTION 2: 35 marks; 20 minutes	
Topic of the question:	This question integrates:
Inventory Valuation	Managing resources Stock valuation methods Inventory calculations Internal Control
QUESTION 3: 45 marks; 25 minutes	
Topic of the question:	This question integrates:
Cost Accounting	Managerial accounting Production Cost Statement Break-even point and cost analysis Managing resources Internal control
QUESTION 4: 60 marks; 35 minutes	
Topic of the question:	This question integrates:
Companies: Financial Statements	Financial accounting Concepts Statement of financial position (Balance sheet) Managing Resources Ethics
QUESTION 5: 80 marks; 50 minutes	
Topic of the question:	This question integrates:
Companies: Cash flow and Interpretation	Financial accounting Cash flow statement Interpretation of financial information
QUESTION 6: 30 marks; 20 minutes	
Topic of the question:	This question integrates:
Cash Budgets	Managerial accounting Calculations and interpretation of budgets Managing resources Internal control

QUESTION 1: DEBTORS AGE-ANALYSIS AND BANK RECONCILIATION
(50 marks; 30 minutes)

1.1 DEBTORS AGE-ANALYSIS

The owner of Jumbo Traders, Sumi, approached you for assistance in connection with managing the debtors.

REQUIRED:

1.1.1 Explain how the Debtors' Age Analysis can assist with the control over debtors. Provide ONE point. (2)

1.1.2 Calculate the average debtors' collection period (in days) for the financial year ended 31 August 2019. (5)
• Comment on whether the business should be satisfied with this. (2)

1.1.3 Refer to Information C:

Identify TWO different problems revealed by the Debtors' Age Analysis. Quote evidence and/or figures. In each case, provide advice to improve the internal control relating to the problem identified. (6)

INFORMATION:

A. The balance of the debtors' control was R19 800 on 1 September 2018.

B. Total sales for the year amounted to R750 000.
40% of sales are for cash and the rest on credit.

C. Debtors' age analysis on 31 August 2019

Credit Policy: Debtors are granted 30 days in which to settle their debts.						
NAME	CREDIT LIMIT	TOTAL	CURRENT MONTH	30 DAYS	60 DAYS	60 DAYS+
B. Botha	R 8 000	R 6 000	R 6 000			
C. Coma	30 000	32 000	11 574	R 3 000	R 3 710	R13 716
P. Pule	20 000	18 600	-	8 000	10 600	
R. Rome	18 600	19 600	3 000	4 240	12 360	
		76 200	20 574	15 240	26 670	13 716
			27%	20%	35%	18%

1.2 BANK RECONCILIATION

You are provided with information relating to Simms Traders for July 2019.

REQUIRED:

- 1.2.1 Indicate whether the following statements are TRUE or FALSE. Write only true or false next to the question number ((a)–(d)) in the ANSWER BOOK.
- (a) A cheque that is more than six months old will not be cashed by the bank because it is a stale cheque.
 - (b) Service fees and interest on bank overdraft will be recorded as bank charges in the Cash Payments Journal.
 - (c) A debit balance on the bank statement reflects an unfavourable balance.
 - (d) An internal auditor should inspect the bank reconciliation statement at the end of each month. (4)
- 1.2.2 Calculate the correct totals for the Cash Receipts Journal and the Cash Payments Journal for July 2019. Use the tables provided. (14)
- 1.2.3 Prepare the Bank Reconciliation Statement on 31 July 2019. (10)
- 1.2.4 Explain how cheque no. 908 should be treated when preparing the financial statements on 31 July 2019, the financial year-end. (2)
- 1.2.5 **Refer to information F.**
The bookkeeper has decided to write off the amount of R50 000.
- Identify the GAAP principle applied by the bookkeeper. (1)
 - Provide TWO suggestions on how a similar problem can be prevented in the future. (4)

INFORMATION:

A. Bank reconciliation statement on 30 June 2019

	Debit	Credit
Balance as per Bank Statement	R19 310	
Outstanding deposit (10 May 2019)		R50 000
Outstanding cheques:		
No. 892 (1 January 2019)	12 340	
No. 897 (22 June 2019)	8 700	
Balance as per Bank Account	9 650	
	50 000	50 000

- B. Before receiving the July 2019 Bank Statement, the following provisional totals appeared in the Cash Journals for July 2019:
- CRJ R 127 670
 - CPJ R 68 900
- C. The Bank Statement for July 2019 reflected the following:
- Bank charges R1 300
 - Interest on overdraft R920
 - Debit order for insurance R600
 - Direct deposit of R1 800 for rent from a tenant.
- D. Cheque no. 892 was issued as a donation. It was not cashed.
- E. Cheque no. 897 did not appear in the July 2019 bank statement.
- F. The outstanding deposit (10 May 2019) cannot be traced and the cashier at that time has since disappeared. It was decided to write off this amount.
- G. A cheque received from Redman Traders dated 25 November 2019 for R15 000 was not recorded in the July 2019 Cash Receipts Journal. It was also not deposited during July.
- H. The following items appear in the July 2019 Cash Journals but not on the July Bank Statement:
- A deposit of R18 000, dated 27 July 2019
 - Cheque No. 905, dated 31 July 2019
 - Cheque No. 908, R3 100, dated 15 December 2019 was issued to a creditor D. Hart for supplying goods.
- I. The Bank Statement on 31 July 2019 reflects a credit balance of R44 040.

QUESTION 2: INVENTORY VALUATION**(35 marks; 20 minutes)**

Omega Electronics is a business that sells televisions. The business is owned by Ching Lee. They make use of the WEIGHTED AVERAGE method for stock valuation and use the periodic inventory system. The financial year ended on 28 February 2019. The mark-up is 25% on cost.

REQUIRED:

- 2.1 Calculate the following on 28 February 2019:
- 2.1.1 Value of the closing stock (10)
- 2.1.2 Gross profit for the year ended (5)
- 2.2 The owner and the accountant disagree on the method of stock valuation. The accountant wants to use the FIFO method.
- 2.2.1 Calculate the stock value on 28 February 2019 using the FIFO method. (7)
- 2.2.2 Explain the effect on gross profit if the FIFO method is used. (2)
- 2.2.3 As an internal auditor, explain the benefits of using the FIFO method to the owner and the accountant. State TWO points. (4)
- 2.3 Ching Lee feels that she was not able to achieve her targeted mark-up % for 2019.
- Do (or perform) a calculation to confirm whether she is correct. (3)
 - Provide TWO suggestions that can be implemented in order to improve profitability. (4)

INFORMATION:

A. Stock of television sets:

Date	Details	Total
1 March 2018	49 units	R195 424
28 February 2019	220 units	?

B. Purchases and returns of television sets during the year.

	Number of units	Total
Purchases:		
July 2018	200 units @ R4 680 each	R936 000
Oct 2018	388 units @ R5 145 each	1 996 260
Jan 2019	200 units @ R5 512 each	1 102 400
	788 units in total	4 034 660
Returns:		
7 units from January 2019 purchases.		

C. Sales for the year, R3 450 300.

QUESTION 3: MANUFACTURING**(45 marks; 25 minutes)****3.1 VUMA MANUFACTURERS**

You are provided with information relating to VUMA Manufacturers for the year ended 28 February 2019. The business produces handbags.

REQUIRED:

3.1.1 Prepare the following notes to the Production Cost Statement:

- Direct labour cost (6)
- Factory overhead cost (10)

3.1.2 Prepare the Production Cost Statement for the year ended 28 February 2019. (10)

INFORMATION:**A. Stock on hand on 1 March 2018**

Raw Materials	R138 000
Work in progress	79 000
Finished goods	68 000

B. Stock on hand on 28 February 2019:

Raw Materials	R142 000
Work in progress	?
Finished goods	172 000

C. Raw materials

- Raw materials purchased during the year amounted to R1 450 000.
- Raw materials costing R19 000 were returned to the supplier.

D. Labour

- The factory has five workers involved in production. Together they worked a total of 800 hours per month at R50 per hour (normal time). Only three workers worked 60 hours each per month for overtime during the current financial year. The overtime rate is 1½ times the normal rate.
- The employer contributes 1% of normal wage to UIF for all employees.
- Indirect labour amounts to R135 340 including benefits.

E. **Figures obtained from the Trial Balance:**

Water and Electricity	R77 000
Rent expense	288 000
Depreciation on factory equipment	18 900
Depreciation on office equipment	5 300
Insurance	108 000
Sundry expense	84 000

Additional information relating to the above:

- The water and electricity bill are shared among factory, office and sales departments in the ratio 4 : 2 : 1.
- 75% of all sundry expenses relate to the factory.
- Rent remained unchanged throughout the financial year. Rent is allocated according to floor area occupied, as follows: 1 500 square meters, 500 square meters and 400 square meters for factory, sales and office departments respectively.
- Insurance cost on equipment is split amongst factory, sales and office as follows:
 - Factory R48 500
 - Sales 37 400
 - Office 22 100

3.2 **JPC MANUFACTURERS**

The information relates to JPC Manufacturers consisting of two factories producing different products: Suitcases and laptop bags.

The owner, JP has found out that his profit has declined from 2018 to 2019. He asks for advice.

REQUIRED:

- 3.2.1 Identify ONE variable cost that is not well controlled in each department. Quote figures. In each case, provide a solution for the problem identified. (8)
- 3.2.2 Calculate the break-even point of **suitcases** for 2019. (4)
- 3.2.3 Explain whether the business should be satisfied with the production of suitcases. Quote figures. (3)
- 3.2.4 JP wants to adjust the selling price of ONE of the products. What advice would you offer him? Provide a valid reason for your suggestion by quoting relevant figures. (4)

INFORMATION:

	SUITCASES		LAPTOP BAGS	
	2019	2018	2019	2018
General information				
Total fixed costs	R3 500 000	R3 500 000	R2 100 000	R2 100 000
Net profit/(loss)	(118 000)	1 050 000	1 692 000	1 932 000
Variable costs per unit	R242	R218	R92	R82
Direct material cost	R68	R70	R54	R40
Direct labour cost	R150	R130	R32	R32
Selling and distribution cost	R24	R18	R6	R10
Additional information				
Selling price per unit charged by JP	R420	R400	R250	R250
Selling price per unit charged by competitors	R405	R405	R265	R260
Number of units produced and sold	19 000 units	25 000 units	24 000 units	24 000 units
Break-even units	? (see) 3.2.2	19 231 units	13 292 units	12 500 units

QUESTION 4: FINANCIAL STATEMENTS**(60 marks; 35 minutes)**

- 4.1 Choose the correct description in COLUMN B to match the concept in COLUMN A. Write only the letters (A–E) next to the question numbers (4.1.1–4.1.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
4.1.1	SAICA	A	Guidelines for preparation of financial statements to ensure consistency
4.1.2	CIPC	B	Appointed by the board of directors
4.1.3	IFRS	C	Maintaining the integrity of the profession and institute disciplinary action against those who breach standards
4.1.4	Internal auditor	D	Expresses an unbiased opinion on the financial statements of the company
4.1.5	External auditor	E	Maintaining records and control of new/existing companies

(5 x 1) (5)

4.2 **CDJ LTD**

The information relates to a public company with an authorised share capital of 1 500 000 ordinary shares. The financial year-ended 28 February 2019.

REQUIRED:

- 4.2.1 Complete the Retained Income Note to the Statement of Financial Position (Balance Sheet). (12)
- 4.2.2 Complete the Statement of Financial Position (Balance Sheet) on 28 February 2019. (35)
- 4.2.3 At the annual general meeting, the board of directors proposed the following TWO programmes:
- Programme 1 R1 500 000 to be allocated for staff training and development initiatives during the next two financial years.
- Programme 2 R1 000 000 to be spent on the upliftment of the computer facilities at three local schools.
- Vic Pienaar, a young shareholder, was not pleased about this proposal. He feels that greater dividends should be given to shareholders.
- Explain why the directors included these proposals in their directors report. Provide TWO points. (4)
 - Provide a different benefit of each of the programmes proposed, to the company. (4)

INFORMATION:**A. Balances/Totals on 28 February 2019:**

	Debit	Credit
Ordinary share capital (1 000 000 shares)		R4 200 000
Retained income (1 March 2018)		468 000
Loan: Central Bank		352 400
Fixed assets at cost	R4 919 040	
Accumulated depreciation		201 520
Trading stock	255 340	
Debtors' Control	235 000	
Provision for bad debts		4 000
Fixed deposit: King Bank	?	
Bank	381 300	
Creditors' Control		22 000
SARS (income tax)	340 000	
Insurance	23 520	
Rent Income		34 600

B. Additional information:**(i) Share Capital:**

200 000	Shares were in use at the beginning of the current financial year.
600 000	Additional shares were issued on 1 April 2018 at R3,90 per share.
200 000	Additional shares were issued on 31 October 2018 at R5 per share.
50 000	On 28 February 2019, shares were bought back from the estate of a diseased shareholder for R237 500. This transaction has not yet been recorded.

(ii) Loan agreement with Central Bank:

Opening balance of loan on 1 March 2018.	R550 000
Repayment during the year, including interest	197 600
Closing balance	420 000

- The interest on loan is capitalised.
- R150 000 of the loan will be paid in the next financial year.

(iii) Dividends:

- An interim dividend of 30 cents per share was paid on 31 August 2018.
- A final dividend of 22 cents per share was declared on 28 February 2019 and must still be brought into account.

- (iv) **The following adjustments must be taken into consideration for the drafting of the Balance Sheet only:**
- The rent for February 2019 was not received yet. The space was rented out since 1 December 2018.
 - An additional insurance policy on granite saws was taken out on 1 October 2018. The annual premium of R13 440 was paid.
 - Consumable stores on hand, R1 580.
 - A debtor owing R35 000 was declared insolvent. No entry was made.
 - The provision for bad debt must be adjusted to R6 000.
 - Audit fees of R9 000 are still outstanding on 28 February 2019.
- (v) **Net profit and income tax:**
Income tax for the year was calculated at 30%.
Net profit before tax is R1 085 600 after all adjustments above were taken into account.

QUESTION 5: CASH FLOW AND INTERPRETATION (80 marks; 50 minutes)

The following information relates to Frankfurt Ltd that distributes perfumes to retailers. The financial year ended on 31 August 2019.

REQUIRED:

- 5.1 Calculate the following concerning the cash flow statement:
- 5.1.1 The cash generated from operations (15)
 - 5.1.2 The cash flow from investing activities (10)
 - 5.1.3 The cash flow from financing activities (7)
 - 5.1.4 The net change in cash and cash equivalents (5)
- 5.2 Calculate the following financial indicators for 2019:
- Acid test ratio (4)
 - Debt-equity ratio (4)
 - Net asset value per share (4)
 - Percentage return on total capital employed (8)
- 5.3 It was a good decision for the directors to increase the loan. Explain by quoting TWO financial indicators with figures to support the director's decision. (6)
- 5.4 One of the shareholders wants to sell his shares at 550 cents per share. Explain why the business should not repurchase these shares. Quote TWO financial indicators (with figures) to support your opinion. (4)
- 5.5 Identify TWO major decisions taken by the directors, as evident from the Cash Flow Statement. Quote figures. Explain how these decisions would benefit the business in future. (8)
- 5.6 Lee Jenkins owns 20 000 shares in the company. She is not satisfied with the low dividends she obtained this year.
- Calculate the amount of dividends she obtained. (2)
 - Explain to her why you think the directors changed the dividend pay-out policy this year. Quote figures. (3)

INFORMATION:**A. Extract from the Income Statement on 31 August 2019:**

Depreciation	R950 000
Interest expense	144 150
Net profit before tax	1 230 000
Income tax	?
Net profit after tax	861 000

B. Extract from the Balance Sheet on 31 August:

	Note	2019	2018
Fixed assets at carrying value		R3 616 400	R2 300 000
Financial assets		300 000	712 500
Current assets		1 231 050	1 116 650
Inventories		903 900	1 044 700
Trade and other receivables	See (iv)	257 150	70 950
Cash and cash equivalents		70 000	1 000
Ordinary share capital		1 932 000	2 000 000
Retained income		1 413 800	1 156 000
Loan		1 622 000	300 000
Bank overdraft			62 000
Trade and other payables	See (v)	944 800	?

C. Additional information:**(i) Ordinary share capital:**

1 000 000	Shares in issue at beginning of year	R2 000 000
200 000	Additional shares issued on 30/11/2018	520 000
280 000	Shares repurchased on 31 May 2019	(588 000)
920 000	Issued shares on 31 August 2019	1 932 000

(ii) Extract from Retained income:

Repurchase of shares	(R266 000)
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(iii) Fixed assets

- Fixed assets were bought during the year for R?
- Fixed assets were sold during the year at book value, R225 000.

(iv) Trade and other receivables:

	2019	2018
Net Trade debtors	R208 150	R70 000
Prepaid expenses	0	950
SARS (Income tax)	49 000	

(v) **Trade and other payables:**

	2019	2018
Trade creditors	R944 800	R860 700
Income received in advance	0	28 300
SARS (Income tax)		163 700
Shareholders for dividends	193 200	120 000

D. **Financial indicators:**

	2019	2018
% Return on shareholder's equity	?	16,3%
Earnings per share	80 cents	56 cents
Dividends per share	33 cents	50 cents
% Return on total capital employed	?	21,2%
Interest rate on loan	15%	14%
Net asset value per share (NAV)	?	315,6 cents
Debt/equity ratio	?	0,1 : 1
Market price per share	380 cents	360 cents
Current ratio	1,6 : 1	1,5 : 1
Acid-test ratio	?	0,4 : 1

QUESTION 6: CASH BUDGET**(30 marks; 20 minutes)**

You are provided with information relating to Stutt LTD. The financial year of the business ended on 31 July 2019.

REQUIRED:

- 6.1 Provide ONE point why is it a good idea to compare actual figures against budgeted figures. (2)
- 6.2 Refer to the Cash Budget under Information D:
Identify TWO items that were incorrectly entered in the Cash Budget (2)
- 6.3 Complete the Debtors Collection Schedule for July 2019. (7)
- 6.4 Calculate the following:
- 6.4.1 Percentage increase in salary and wages with effect from July 2019. (3)
- 6.4.2 Missing figures, (i) and (ii), in the extract of the Cash Budget. (8)
- 6.5 At the end of July 2019 you identified the following when comparing the budgeted against the actual figures:
- Explain what you would mention to shareholders about each of the following items at the end of July 2019.
 - In each case advise what effect these items will have on the company. (4)

	JULY 2019	
	BUDGETED	ACTUAL
Audit fees	75 000	157 500
Advertising	30 000	0

- 6.6 Shareholders are thinking of purchasing the business premises rather than renting it.
Explain ONE advantage and ONE disadvantage of this option. (4)

INFORMATION:**A. Sales, purchases of stock and cost of sales:**

Total sales for April 2019 to July 2019 were as follows:

Month	Total sales
April	R180 000
May	300 000
June	420 000
July	480 000

- 40% of all sales are cash, the rest is on credit.
- The mark-up is 60% on cost of sales at all times.
- Stock is replaced on monthly basis.
- 70% of all purchases are cash, the rest is on credit.

B. Debtors' collection:

Debtors are expected to pay as follows:

- 30% are expected to pay their account in the month of sale (current) to qualify for 2,5% discount for early payment.
- 50% pay in the month following the sales transaction month (30 days).
- 18% pay in the second month (60 days).
- 2% are written off.

C. Creditors' payment:

Creditors are paid in the month after purchases.

D. STUTT LTD

Extract from cash budget for June and July 2019

	JUNE 2019	JULY 2019
RECEIPTS		
Cash sales	180 000	210 000
Collection from debtors	?	?
PAYMENTS		
Directors fees	300 000	255 000
Audit fees	-	75 000
Salary and wages	135 000	151 200
Funds for share buy-back	-	450 000
Vehicles bought on credit	285 000	-
Payment to creditors	53 438	(i)
Cash purchase of stock	183 700	(ii)
Depreciation	19 200	19 200
Advertising	30 000	30 000
Land and buildings	-	4 500 000
Rent expense	46 125	46 125

30

TOTAL: 300