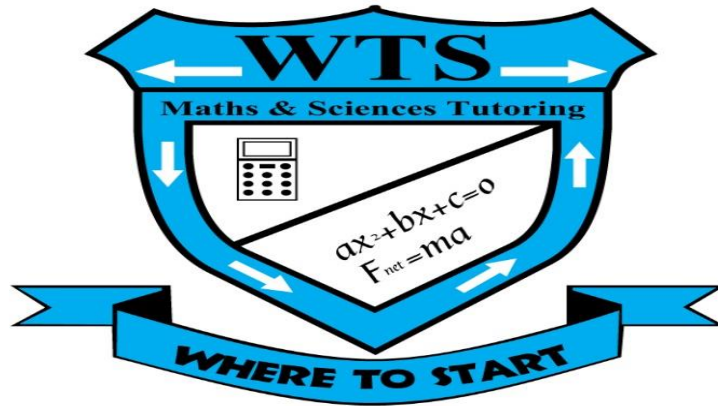


WTS TUTORING



2021 ACCOUNTING

GRADE 11

CAPS PAPERS & SOLUTIONS

CELL NO. : 082 672 7928

EMAIL : wtstutoring@gmail.com

FACEBOOK P. : WTS MATHS & SCEINCE TUTORING

TWITTER : @WTSTUTOR

INSTAGRAM : WTSTUTOR

WHATSAPP GROUP : 082 672 7928

WEBSITE : www.wtstutor.co.za

HERE YOU WILL FIND:

- **EXAMINATION GUIDELINES**
- **INSTRUCTIONS AND INFORMATION**
- **CAPS PAST PAPERS AND SOLUTIONS {2016 TO 2019}**
- **WTS TUTORS CENTRES**

PUBLISHERS

- **MR PROF KHANGELANI SIBIYA**
- **WTS TUTORING TEAM**



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

EXAMINATION GUIDELINES

ACCOUNTING GRADE 11

PAPER 1 & 2

2019

1. OVERVIEW

The Curriculum and Assessment Policy Statement (CAPS) for Accounting outlines the nature and purpose of the subject Accounting. This guides the philosophy underlying the teaching and assessment of the subject in Grades 10-12.

The points outlined in CAPS consequently have a significant effect on the setting of Accounting examinations.

The purpose of these Examination Guidelines is to highlight and further clarify these points to:

- Inform teachers on examination principles and curriculum content affecting the NSC examinations so that these can be reflected in school-based assessments.
- Assist teachers in adequately preparing learners for the demands of the NSC examinations.

2. FORMAT OF ACCOUNTING GRADE 11 MID-YEAR & YEAR-END EXAMINATION PAPERS

Examinations	Number of papers	Marks	Time
Mid-year	2 papers	150 each	2 hours each
Year-end	2 papers	150 each	2 hours each

The number of questions may vary from 3 to 6 questions in each paper. There is no stipulation on the marks allocated to each question. All questions are compulsory and are to be answered in specially prepared answer books, which are designed to address the requirements of each question and assist learners in time-management.

Year-end examination	Marks	Time
Paper 1	150	2 hours
Paper 2	150	2 hours
TOTAL	300	

The Accounting topics (previously in three fields) have been consolidated into two broad disciplines. Discipline 1 covers topics of reporting to external stakeholders, while Discipline 2 covers topics related to internal accounting processes.

Because the current Grade 11 annual teaching plan for the first two terms is focused more on Discipline 1 content and in order to have a well-balanced mid-year Grade 11 examination paper that meets all minimum requirements, the ATP is revised such that Cost accounting (manufacturing) will be taught in term 2 and Sports clubs are moved to term 3. The revised Summary of Annual Teaching Plan for Grade 11 is attached as Appendix 2.

The weighting of each broad discipline across the two year-end papers is amended to:

AMENDED WEIGHTING TO CATER FOR TWO EXAMINATION PAPERS		
Discipline 1	Recording, Reporting and Evaluation of Financial Information	Paper 1 150 marks; 2 hours
Discipline 2	Manufacturing, Forecasting & Internal Auditing and Control	Paper 2 150 marks; 2 hours

Note:

- Refer to the table below and to Appendix 1 for specific examinable content across the two examination papers.
- The principle of integration of the topics of Ethics and Internal Control in the teaching of other topics, where appropriate, is retained.
- Certain financial indicators apply to both disciplines and both examination papers. These are listed below and in Appendix 1.
- Although a formula sheet will be provided, candidates will be required to identify the appropriate financial indicators in calculating the relevant indicators and in supporting their comments on interpreting and evaluating financial information. Teachers are advised to guide learners in understanding the logic of each financial indicator to enhance their comments on the financial indicators, and to avoid reliance on the formula sheet.

3. EXAMINABLE CONTENT FOR GRADE 11 ACCOUNTING

NOTE: This is a summary only. Teachers must refer to Accounting CAPS for specific requirements. Refer to 3 below for relevant content from previous grades.

GRADE 11: PAPER 1

Recording, Reporting and Evaluation of Financial Information

- 11.1.1 Concepts relating to partnerships
- 11.1.2 Concepts relating to clubs
- 11.1.3 Concepts relating to GAAP
- 11.1.4 Ledger accounts of partnerships; & interpretation thereof
- 11.1.5 Ledger accounts of clubs & interpretation thereof
- 11.1.6 Accounting equation of partnerships
- 11.1.7 Adjustments & final accounts of partnerships & trial balances
- 11.1.8 Income Statement (Statement of Comprehensive Income) of partnerships
- 11.1.9 Balance Sheet (Statement of Financial Position) & Notes of partnerships
- 11.1.10 Statement of Receipts & Payments of clubs
- 11.1.11 Analysis and interpretation of financial statements of partnerships *
- 11.1.12 Valuation of fixed assets including additions, depreciation & disposal
- 11.1.13 Periodic & perpetual stock systems - concepts & reporting
- 11.1.14 Ethical behaviour in financial environments

GRADE 11: PAPER 2

Manufacturing, Forecasting & Internal Auditing and Control

- 11.2.1 Preparation of bank and creditors' reconciliations
- 11.2.2 Value Added Tax calculations
- 11.2.3 Manufacturing concepts
- 11.2.4 Cost Accounting - Ledger accounts
- 11.2.5 Calculation of unit costs and break-even point
- 11.2.6 Preparation of Cash Budget for sole traders
- 11.2.7 Preparation of Projected Income Statement for sole traders
- 11.2.8 Application of internal control & audit processes: cash, fixed assets, inventories, debtors, creditors, income & expenses including salaries/wages; & including financial indicators #
- 11.2.9 Valuation of fixed assets including depreciation & asset disposal for forecasting and internal control purposes
- 11.2.10 Periodic & perpetual inventory systems - concepts, recording & control
- 11.2.11 Ethical behaviour in financial environments

*

Financial Indicators for Financial Reporting (Grade 11 Paper 1)

Gross profit on sales	Gross profit on cost of sales	Net profit on sales
Operating expenses on sales	Operating profit on sales	Current ratio
Acid test ratio	Stock turnover rate	Stock holding period
Average debtors' collection period	Average creditors' payment period	Solvency ratio
Return on partners' equity	Debt/Equity ratio	

#

Financial Indicators for Internal Control (Grade 11 Paper 2)

Gross profit on cost of sales	Net profit on sales	Operating expenses on sales
Operating profit on sales	Stock turnover rate	Stock holding period
Average debtors' collection period	Average creditors' payment period	

4. RELEVANT SECTIONS OF CAPS FOR ACCOUNTING WHICH HAVE A DIRECT EFFECT ON THE SETTING OF EXAMINATION PAPERS

The Accounting CAPS contains several requirements which, apart from influencing the general teaching and assessment of the subject, have a direct bearing on the structure of and content addressed in formal examinations, including the Accounting NSC examination. The relevant sections are as follows (refer to the CAPS for further details):

Page 8-9	The nature and purpose of Accounting i.e. the subject is not limited to recording and preparation of financial information; the subject also addresses skills of recording, analysing, interpreting, communicating, presenting and problem-solving.
Page 8	Weighting of content to be addressed in the Grade 10-12 curriculum i.e. 50%: Recording, reporting and evaluation of financial information & corporate governance. 50%: Manufacturing, Forecasting & Internal Auditing and Control.
Page 42	Formal assessment tasks i.e. tasks should prepare learners for the demands of the Accounting NSC examination.
Page 44	Content relating to previous grades i.e. Grade 12 examinations may contain a 20% weighting of content stipulated in previous grades which has an impact on Grade 12 content.
Page 44	Cognitive levels to be addressed i.e. in the weighting of lower-order (30%); middle order (40%) and higher order (30%).
Page 44	Problem-solving i.e. 10% of all examinations may address problem-solving questions (in new and unfamiliar contexts) using critical and creative thinking.

5. DEGREES OF DIFFICULTY

All examinations, and most assessment tasks in Accounting, must reflect sub-questions of differing degrees of difficulty i.e. Easy, Moderate and Difficult.

The following weighting of degrees of challenge is generally accepted as appropriate for Grade 10-12 examinations:

Easy	Moderate	Difficult
30%	40%	30%

It must be noted that degrees of challenge are not necessarily tied to specific cognitive levels. A higher-order cognitive level question might not necessarily be Difficult, while a lower-order level question might not necessarily be Easy.

For example,

- In preparing financial statements, year-end adjustments will be regarded as being of the middle-order cognitive level (i.e. Applying), yet they could be Easy, Moderate or Difficult in challenge depending on the adjustment required.
- In comparing the % returns of two companies, the appropriate cognitive level would be higher order (i.e. Evaluating), yet the degree of challenge might well be Easy, depending on the context of the question and information provided.
- In a problem-solving question, the identifying of a problem from given financial information will be regarded as being of the higher order level (i.e. Creating), but could be Easy, Moderate or Difficult in challenge, depending on the context of the question and information provided.
- Assessment of whether a sub-question is Easy, Moderate or Difficult is obviously a subjective exercise which depends on the opinion and perception of the reviewer. Nevertheless, the exercise must be carried out by examiners and moderators to ensure that examination papers cater for the full range of abilities of learners who are adequately prepared for Accounting NSC examinations.

See APPENDIX 1. Examinable content across two examination papers Grades 10-12

GRADE 11 IMPLEMENTATION DATE: 2019

GRADE 11: PAPER 1

Financial Reporting and Evaluation

- | | |
|---------|---|
| 11.1.1 | Concepts relating to partnerships |
| 11.1.2 | Concepts relating to Clubs |
| 11.1.3 | Concepts relating to GAAP |
| 11.1.4 | Ledger accounts of partnerships; & interpretation thereof |
| 11.1.5 | Ledger accounts of clubs & interpretation thereof |
| 11.1.6 | Accounting equation of partnerships |
| 11.1.7 | Adjustments & final accounts of partnerships & trial balances |
| 11.1.8 | Income Statement (Statement of Comprehensive Income) of partnerships |
| 11.1.9 | Balance Sheet (Statement of Financial Position) & Notes of partnerships |
| 11.1.10 | Statement of Receipts & Payments of clubs |
| 11.1.11 | Analysis and interpretation of financial statements of partnerships * |
| 11.1.12 | Valuation of fixed assets incl. additions, depreciation & disposal |
| 11.1.13 | Periodic & perpetual stock systems - concepts & reporting |
| 11.1.14 | Ethical behaviour in financial environments |

GRADE 11: PAPER 2

Managerial Accounting & Internal Control

- 11.2.1 Preparation of bank and creditors' reconciliations
- 11.2.2 Value Added Tax calculations
- 11.2.3 Manufacturing concepts
- 11.2.4 Cost Accounting - Ledger accounts
- 11.2.5 Calculation of unit costs and break-even point
- 11.2.6 Preparation of Cash Budget for sole traders
- 11.2.7 Preparation of Projected Income Statement for sole traders
- 11.2.8 Application of internal control & audit processes: cash, fixed assets, inventories, debtors, creditors, income & expenses (incl. salaries/wages) & financial indicators #
- 11.2.9 Valuation of fixed assets including depreciation & asset disposal for forecasting and internal control purposes
- 11.2.10 Periodic & perpetual inventory systems - concepts, recording & control
- 11.2.11 Ethical behaviour in financial environments

*

Financial Indicators for Financial Reporting (Grade 11 Paper 1)

Gross profit on sales; Gross profit on cost of sales; Net profit on sales; Operating expenses on sales; Operating profit on sales; Current ratio; Acid test ratio; Stock turnover rate; Stock holding period; Average debtors' collection period; Average creditors' payment period; Solvency ratio; Return on partners' equity; Debt/equity ratio

#

Financial Indicators for Internal Control (Grade 11 Paper 2)

Gross profit on cost of sales; Net profit on sales; Operating expenses on sales; Operating profit on sales; Stock turnover rate; Stock holding period; Average debtors' collection period; Average creditors' payment period

Appendix 2: Summary of Annual Teaching Plan Grade 11

TERM 1										
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10
Topic	Reconciliations			Fixed Assets			Partnerships : Adjustments, ledger, accounting equation, final accounts			
	Integrate Internal control and ethics with all the topics									
Assessment	Written report				Informal				Test	

TERM 2										
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10
Topic	Partnerships: Financial statements			Partnerships: Analysis and interpretation of statements		Cost Accounting (Manufacturing) Ledger			Midyear examination	
	Integrate Internal control and ethics with all the topics									
Assessment	Project			Informal				Midyear examination		

TERM 3										
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10
Topic	Budgeting: Projected income statement, debtors' collection and creditors' payments, cash budgets				Inventory system			Clubs: Concepts, Ledger, Statement of receipts and payments		Revision
	Integrate Internal control and ethics with all the topics									
Assessment	Presentation (Budgeting)				Informal				Test	

TERM 4										
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10
Topic	Value Added Tax (VAT)		Revision and examination preparation			Final examination				
	Integrate Internal control and ethics with all the topics									
Assessment	Informal					Final examination				

Appendix 3: Formula Sheet

GRADE 11 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET										
<u>Gross profit</u> X <u>100</u>				<u>Gross profit</u> X <u>100</u>				<u>Net profit</u> X <u>100</u>		
Sales 1				Cost of sales 1				Sales 1		
<u>Operating expenses</u> X <u>100</u>					<u>Operating profit</u> X <u>100</u>					
Sales 1					Sales 1					
<u>Total earnings by partner</u> X <u>100</u>					<u>Net profit</u> X <u>100</u>					
Partner's average equity 1					Average owners' equity 1					
Current assets : Current liabilities					(Current assets – Inventories) : Current liabilities					
(Trade and other receivables + Cash and cash equivalents) : Current liabilities										
<u>Average debtors</u> X <u>365</u>					<u>Average creditors</u> X <u>365</u>					
Credit sales 1					Credit purchases 1					
<u>Average inventories</u> X <u>365</u> or <u>12</u>					<u>Cost of sales</u>					
Cost of sales 1					Average inventories					
Non-current liabilities : Partners' equity					Total assets: Total liabilities					

QP: EXEMPLAR P1

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: 25 marks; 20 minutes	
Topic of the question:	This question integrates:
GAAP and fixed assets	GAAP Fixed assets Internal control

QUESTION 2: 50 marks; 45 minutes	
Topic of the question:	This question integrates:
Income Statement and Balance Sheet Note	Income Statement Trade and Other Payables Note

QUESTION 3: 40 marks; 30 minutes	
Topic of the question:	This question integrates:
Partnerships	Concepts Notes to the Balance Sheet Balance Sheet and ethics

QUESTION 4: 35 marks; 25 minutes	
Topic of the question:	This question integrates:
Analysis and interpretation	Concepts Analysis and interpretation of financial statements

QUESTION 1: GAAP AND FIXED ASSETS**(25 marks; 20 minutes)****1.1 GAAP**

Choose ONE word/term for each of the following statements by choosing a GAAP principle from the list below. Write only the GAAP principle next to the question numbers (1.1.1 to 1.1.4) in the ANSWER BOOK.

matching; going concern; prudence; materiality

- 1.1.1 Service fees, cash deposit fees and ATM charges on the Bank Statement are added together and disclosed as bank charges.
- 1.1.2 Defaulting debtors' accounts are written off as bad debts, even though it may be recovered in the future.
- 1.1.3 Insurance includes R340, which relates to the next financial year.
- 1.1.4 The owner decides to purchase additional trading stock, which was offered at a discounted rate, as he knows that these can be sold in the following financial periods. (4 x 1) (4)

1.2 FIXED ASSETS

The information below relates to Masimanga Ltd for the financial year ended on 28 February 2019.

REQUIRED:

- 1.2.1 Calculate the missing amounts denoted by (i) to (iv). (17)
- 1.2.2 Give ONE suggestion that the internal auditor can use to check whether movable fixed assets have been stolen. (2)
- 1.2.3 Land and buildings were bought five years ago for R1 200 000. Since property prices have increased by 20% since then, Partner Piet suggested that the value of this asset be recorded at a higher amount so that a profit of R500 000 can be reflected on the Income Statement. Partner Naomi disagrees.

Provide ONE point why you would agree with Partner Naomi. (2)

INFORMATION:**A. FIXED ASSETS:**

	LAND AND BUILDINGS	VEHICLES
Carrying value (01/03/2018)		126 000
Cost	4 000 000	576 000
Accumulated depreciation		(450 000)
Movements:		
Additions	570 000	(ii)
Disposals	0	(iii)
Depreciation		(iv)
Carrying value (28/02/2019)	(i)	
Cost		564 000
Accumulated depreciation		

- B.** Depreciation on vehicles is calculated at 10% p.a. on cost.
- C.** A new vehicle was purchased on 1 December 2018.
- D.** Extract from the Fixed Assets Register in respect of a vehicle sold:

Ford Fiesta			
Date purchased: 1 March 2016			
Date sold: 30 September 2018		Selling Price: R81 348	
Depreciation rate: 10% p.a. on cost (fixed instalment method)			
	COST	DEPRECIATION	CARRYING VALUE
28 February 2017	R132 000	R13 200	R118 800
28 February 2018		?	?
30 September 2018		?	?

QUESTION 2: INCOME STATEMENT AND BALANCE SHEET NOTE**(50 marks; 45 minutes)****MASALA TRADERS**

You are provided with information relating to the year ended 30 June 2019.

REQUIRED:

- 2.1 Prepare the Income Statement (Statement of Comprehensive Income) for the year ended 30 June 2019. (40)
- 2.2 Prepare the Trade and Other Payables Note. (10)

INFORMATION:**Extract from Pre-adjustment Trial Balance on 30 June 2019**

Balance Sheet Accounts Section	Debit	Credit
Loan from Kim Bank		751 200
Debtors' control	185 000	
Creditors' control		126 075
Provision for bad debts		10 725
Trading stock	564 000	
SARS: PAYE		15 000
Pension fund		23 500
Nominal Accounts Section		
Sales		9 600 000
Cost of sales	6 400 000	
Debtors' allowances	168 000	
Sundry expenses	386 100	
Bank charges	62 850	
Commission income		96 200
Packing materials	23 100	
Bad debts	26 400	
Repairs and maintenance	161 200	
Salaries and wages	985 000	
Pension fund contributions	108 350	
Interest income		4 000
Advertising	56 800	
Rent income		131 580

Adjustments and additional information:

- A. Provide for R417 300 depreciation for the financial year.
- B. On 29 June 2019, F Mazisi, a debtor, returned merchandise. A credit note for R4 500 was issued to her. The cost price was R3 000. No entries were made for the return of the merchandise. These items were placed back in stock.
- C. The insolvent estate of a debtor, N Johnson, paid out 45 cents in the rand and made a direct deposit of R3 015 on 30 June 2019. This transaction was not recorded.
- D. The provision for bad debts must be decreased to R10 000.
- E. The stock count on 30 June 2019 revealed:
- Trading stock R553 650
 - Packing material R3 600
- F. The advertising expense is a fixed monthly contract with the local newspaper for the 12 months ending 30 June 2019. The monthly charge was increased by 12% on 1 March 2019. The premium for June 2019 was still outstanding.
- G. The loan statement received from Kim Bank reflected the following:

Balance on 1 July 2018	R902 400
Repayments during the year (including interest)	R151 200
Interest capitalised	?
Balance on 30 June 2019	R810 000

- H. An employee was left out of the Salary Journal. His details are:

GROSS SALARY	DEDUCTIONS		PENSION FUND CONTRIBUTION	NET SALARY
	PAYE	PENSION FUND		
R27 800	?	?	R7 575	R18 225

The employer contributes R1,50 for every R1 deducted from the employee's salary in respect of his pension fund.

- I. The monthly rent has remained unchanged during the financial year. During May 2019, the tenant paid R9 000 for repairs to the premises. As Masala Traders is responsible for all repairs, the tenant deducted this amount from the rent that he paid for May 2019. Note that the rent for June 2019 has not been received yet.

QUESTION 3: PARTNERSHIPS**(40 marks; 30 minutes)****KGALAGADI TRADERS**

You are provided with information for the financial year ended 28 February 2019. The partners are V Vilander and L Louw.

REQUIRED:**3.1 Refer to Information B.**

Calculate the percentage interest on capital as per partnership agreement. Note that there were no changes to the capital accounts during the financial year. (3)

3.2 Complete the Current Account Note for the financial year ended. (13)**3.3 Complete the Balance Sheet on 28 February 2019. Show your workings. (24)****INFORMATION:****A.**

Extract from the accounting records on 28 February 2019:		
		R
Capital: Vilander		660 000
Capital: Louw		440 000
Current account: Vilander (1 March 2018)	(credit)	65 000
Current account: Louw (1 March 2018)	(debit)	15 200
Drawings: Vilander		33 000
Drawings: Louw		259 000
Fixed assets at carrying value		750 000
Fixed deposit: FNB (12% p.a.)		151 200
Trading stock		?
Debtors' control		58 000
Provision for bad debts		3 900
Loan: Diamond Bank		208 800
Creditors' control		85 300
Accrued income		9 500
Prepaid expenses (See Information (a).)		?
Cash and cash equivalents		6 000
Bank (overdraft)		55 400

B. Additional information:**(a) Information relating to the partnership agreement:****Partners' salaries:**

- Vilander received R10 000 per month. His salary was increased by R2 500 per month from 1 December 2018.
- Louw receives R144 000 per year.

Interest on capital:

- Louw will receive R35 200 for the year.
- Vilander receives the same % interest as Louw.

Remaining profit (after the primary distribution):

The remaining profit is distributed in the ratio of the capital contribution at the end of the year.

The net profit after the primary distribution was R90 000.

- (b) The loan from Diamond Bank was originally received on 1 March 2017. The loan must be repaid in equal monthly instalments over a period of 5 years.

Interest is not capitalised and is up to date.

- (c) Provision for bad debts must be decreased by R200.
- (d) Insurance includes an annual premium of R12 000 paid for the period 1 October 2018 to 30 September 2019.
- (e) Inventory is a balancing figure.

QUESTION 4: ANALYSIS AND INTERPRETATION**(35 marks; 25 minutes)****4.1 FINANCIAL RESULTS FOR 2019**

The information relates to Ron-Y Fashions with partners Ronel Henning and Yvonne Twerefoo. The business opened on 1 March 2017 and sells ladies' clothes and jewellery.

Ronel Henning has given up a part-time job in order to run this business. She earned R102 000 p.a. in her previous job. Yvonne Twerefoo has decided to keep her existing job, where she is earning R109 800 p.a. She has decided not to work in Ron-Y Fashions for the first year (in other words she is a silent partner for the first year). She will review her situation at a later stage.

REQUIRED:

Show ALL calculations. Where comments are required, refer to figures in the statements provided or ratios/percentages calculated by you in order to support your answer.

- 4.1.1 The business was started on 1 March 2017. The partners are concerned about the financial results during the first year of operation.
- Calculate the % return on the partners' equity (use average equity). (6)
 - Comment on this return. Provide ONE point. (2)
- 4.1.2 Ronel Henning is concerned about whether she has made the right decision in resigning from her previous job.
- Calculate the total amount earned by Ronel Henning during the first year of operation of this business. (5)
 - What percentage of the total net income did she earn and what percentage did her partner, Yvonne, earn? (5)
 - Will the partners be satisfied with the amounts calculated above? Explain briefly. Quote figures. (4)

INFORMATION:

A. Figures extracted from the records for the year ended 28 February 2018		
	28 Feb. 2018	1 Mar. 2017
Capital: Ronel Henning	250 000	250 000
Capital: Yvonne Twerefoo	200 000	200 000
Current account: Ronel	66 400 (Cr)	0
Current account: Yvonne	34 400 (Dr)	0
Fixed deposit: First Bank (8% p.a. – matures in 2021)	30 000	30 000
Loan from Ronel's father (15% p.a.)	180 000	180 000

B. GENERAL LEDGER OF RON-Y FASHIONS

APPROPRIATION							
2018 Feb.	28	Salary: Ronel	91 200	2018 Feb.	28	Profit and loss	152 000
		Interest on capital	36 000				
		Bonus: Ronel	3 200				
		Current account: Ronel	12 000				
		Current account: Yvonne	9 600				
			152 000				152 000

C. Extracts from the existing partnership agreement:

(a) Salary allowances:

- Ronel Henning is entitled to an annual salary of R91 200.
- Yvonne Twerefoo (silent partner) does not receive a salary allowance.

(b) Interest on capital is due to both partners at 8% p.a.

(c) Ronel was allowed a special bonus for her extra managerial effort.

(d) Remaining profits or losses are shared in proportion to the capital balance at the end of the financial year.

NOTE: There were no changes to capital balances during the year.

(e) Each partner is allowed to draw a maximum of R5 000 cash or clothing at cost price per month. Each partner has made use of this facility to the maximum.

4.2 FINANCIAL DECISIONS FOR THE NEXT YEAR

Ronel Henning wants Yvonne Twerefoo to resign from her existing job and work as an active partner in the business in order to increase the returns earned by the partners.

If this is the case:

- They will retrench one of the three shop assistants, in other words he/she will lose his/her job.
- They will reduce the accounting fee by 80% (as Yvonne will be able to do most of the accounting).
- Yvonne will provide an extra R50 000 capital, which will be used to pay off part of the loan at the beginning of the financial year. Note that the loan was received from Ronel's father at 15% p.a. interest, which is not capitalised. It was also agreed that 50% of the loan must be settled at the end of the second year of business.
- The partners' salary allowance will increase to R104 880 p.a. each.

REQUIRED:

Assuming that profitability (and all income and expenses) remains the same in the second year of business:

- 4.2.1 Calculate the change in net profit if Yvonne decides to work fulltime. Show workings. (7)
- 4.2.2 Show the effect of this change to Yvonne's total earnings, if she gives up her job. (4)
- 4.2.3 Briefly explain TWO other advantages for the business if Yvonne works on a full-time basis in the business. (2)

ADDITIONAL INFORMATION:

The following is an extract from the Income Statement for Ron-Y Fashions for 2018:

Income Statement for the year ending 28 February 2018	
Gross profit	555 000
Operating expenses	(375 000)
Salaries of three sales assistants	172 800
Accounting and bookkeeping fees	22 500
Sundry operating expenses	22 430
Operating profit	180 000
Interest on investment (8% p.a.)	2 400
Profit before interest expense	182 400
Interest on loan (15% p.a.)	(27 000)
Interest on overdraft	(3 400)
Net profit for the year	152 000

35

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		
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365}{1}$	
$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365}{1} \text{ or } \frac{12}{1}$	$\frac{\text{Cost of sales}}{\text{Average inventories}}$	
Non-current liabilities : Owners' equity	Total assets : Total liabilities	

ANSWER BOOK

QUESTION 1: GAAP AND FIXED ASSETS

(25 marks; 20 minutes)

1.1

1.1.1	
1.1.2	
1.1.3	
1.1.4	

4

1.2.1

	WORKINGS	ANSWER
(i)		
(ii)		
(iii)		
(iv)		

17

1.2.2

Give ONE suggestion that the internal auditor can use to check whether movable fixed assets have been stolen.

2

1.2.3 Provide **ONE** point why you would agree with Partner Naomi.

--

2

TOTAL MARKS
25

QUESTION 2: INCOME STATEMENT AND BALANCE SHEET NOTE**(50 marks; 45 minutes)****2.1****MASALA TRADERS****INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2019**

Sales (9 600 000 – 168 000)	
Cost of sales (6 400 000	
Gross profit	
Other income	
Commission income	96 200
Gross income	
Operating expenses	
Sundry expenses	386 100
Bank charges	62 850
Operating profit	
Interest income	4 000
Profit before interest expense	
Interest expense	
Net profit for the year	

40

2.2 **TRADE AND OTHER PAYABLES**

Creditors' control	126 075
Pension fund (23 500	

10

TOTAL MARKS
50

QUESTION 3: PARTNERSHIPS

(40 marks; 30 minutes)

3.1 Calculate the percentage interest on capital.

3

3.2 **CURRENT ACCOUNTS**

	VILANDER	LOUW
Partner salaries		144 000
Interest on capital		35 200
Primary distribution		179 200
Final distribution		36 000
Drawings	(33 000)	(259 000)
		(43 800)
Balance at beginning		
Balance at end of year		

13

3.3

**KGALAGADI TRADERS
BALANCE SHEET ON 28 FEBRUARY 2019**

ASSETS	
NON-CURRENT ASSETS	901 200
Fixed assets	750 000
Fixed deposit	151 200
CURRENT ASSETS	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
EQUITY	
Capital	
Current account	
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
Trade and other payables	85 300
Bank overdraft	
Current portion of loan	
TOTAL EQUITY AND LIABILITIES	

24

TOTAL MARKS
40

QUESTION 4: ANALYSIS AND INTERPRETATION**(35 marks; 25 minutes)**

- 4.1.1 The business was started on 1 March 2017. The partners are concerned about the financial results during the first year of operation.

Calculate the % return on the partners' equity (use average equity).

6

Comment on this return. Provide ONE point.

2

- 4.1.2 Ronel Henning is concerned about whether she has made the right decision in resigning from her previous job.

Calculate the total amount earned by Ronel Henning during the first year of operation of this business.

5

What percentage of the total net income did she earn and what percentage did her partner, Yvonne, earn?

RONEL	YVONNE

5

Will the partners be satisfied with the amounts calculated above? Explain briefly. Quote figures.

RONEL	YVONNE

4

4.2 FINANCIAL DECISIONS FOR THE NEXT YEAR

4.2.1 Calculate the change in net profit if Yvonne decides to work fulltime. Show workings.

152 000

7

4.2.2 Show the effect of this change to Yvonne's total earnings, if she gives up her job.

4

4.2.3 Briefly explain **TWO** other advantages for the business if Yvonne works on a full-time basis in the business.

2

TOTAL MARKS
35

TOTAL: 150

QP: EXEMPLAR P2

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: 40 marks; 30 minutes	
Topic of the question:	This question integrates:
VAT and reconciliation	Concepts and calculations Creditors' Reconciliation Internal control

QUESTION 2: 45 marks; 40 minutes	
Topic of the question:	This question integrates:
Manufacturing	Concepts Ledger Accounts Interpretation of unit costs

QUESTION 3: 40 marks; 30 minutes	
Topic of the question:	This question integrates:
Budgets	Concepts Debtors' Collection Schedule Cash Budget Internal control

QUESTION 4: 25 marks; 20 minutes	
Topic of the question:	This question integrates:
Control of working capital	Analysis and interpretation of cash, stock, debtors and creditors

QUESTION 1: VAT AND RECONCILIATION**(40 marks; 30 minutes)****1.1 VAT**

Monde Stores, owned by Tom Monde, has been registered for VAT on a one-month period. You have been provided with the information from the journals for August 2019. The VAT rate is 15%.

REQUIRED:

- 1.1.1 Explain what is meant by *value-added tax*. (2)
- 1.1.2 Calculate the following:
- (a) Sales amount (excluding VAT) from the CRJ (3)
- (b) VAT input amount from the CPJ (3)
- (c) VAT output amount from the DJ (2)
- 1.1.3 Tom does not have enough money in his bank account to pay SARS for VAT. The bank balance is currently in overdraft at approximately R50 000. What advice would you offer Tom in order to:
- Solve the problem now
 - Solve the problem in the future
- (4)

INFORMATION FROM THE JOURNALS:**A. Cash Receipts Journal**

	R
Total of Sales column	
Total of Debtors' Control column	420 000
Total of Sundry Accounts column	0
Total of VAT Output column	141 300

B. Cash Payments Journal

	R
Total of Trading Stock column	248 000
Total of Creditors' Control column	494 000
Total of Sundry Accounts column (all equipment)	580 000

C. Debtors' Journal

	R
Sales (excluding VAT)	345 000

1.2 CREDITORS' RECONCILIATION AND INTERNAL CONTROL

Madi Traders buys goods on credit from Pine Suppliers. The business received a statement for April 2019 from the creditor.

REQUIRED:

- 1.2.1 Explain how the Creditors' Reconciliation Statement can assist the business in terms of their internal control measures. State ONE point. (2)
- 1.2.2 Calculate the correct balance of Pine Suppliers in the Creditors' Ledger Account of Madi Traders. Show the changes to the figure R117 180. (10)
- 1.2.3 Prepare a Creditors' Reconciliation Statement for Pine Suppliers on 30 April 2019. (10)
- 1.2.4 The owner of Madi Traders is not completely satisfied with the service and quality of goods received from Pine Suppliers. State TWO factors that he should consider before changing suppliers. (4)

INFORMATION:

A. Creditors' Ledger of Madi Traders

PINE SUPPLIERS (CL1)					
DATE			DEBIT	CREDIT	BALANCE
2019 April	01	Balance			44 220
	05	Interest		780	45 000
	08	Invoice 153		54 000	99 000
	10	Cheque 1449	22 500		76 500
	12	Debit note 746	5 760		70 740
	15	Invoice 111		27 300	98 040
	17	Invoice 214		91 500	189 540
	21	Invoice 273		20 250	209 790
	24	Debit note 966		5 400	215 190
	27	Journal voucher 490	3 600		211 590
	31	Cheque 2346	93 000		118 590
		Discount	1 410		117 180

B. Statement received on 30 April 2019:

PINE SUPPLIERS					
PO Box 159, Pretoria, 0001			Tel.: 012 348 2340		
Madi Traders			Date: 25 April 2019		
PO Box 3131			Credit limit: R90 000		
Shayas, 0945			Payment terms: 60 days		
Interest on overdue accounts: 6%					
DATE			DEBIT	CREDIT	AMOUNT
2019 April	01	Account rendered			44 220
	05	Interest	780		45 000
	08	Invoice 153	54 000		99000
	10	Receipt 491		22 500	76 500
		Discount		480	76 020
	12	Credit note 511		6 570	69 450
	17	Invoice 214	91 500		160 950
	19	Receipt 654		84 000	76 950
	21	Invoice 273	50 250		127 200
	24	Credit note 632		5 400	121 800

C. Additional information:

- (a) The discount of R480 received from Pine Suppliers on 10 April 2019 was omitted erroneously in the books of Madi Traders.
- (b) Invoice 111 was reflected erroneously in the account of Pine Suppliers in the Creditors' Ledger of Madi Traders. It refers to merchandise purchased from another supplier, Pilot Suppliers.
- (c) Goods returned on 12 April 2019 were recorded correctly in the statement from Pine Suppliers. The entry in the books of Madi Traders is incorrect.
- (d) Pine Suppliers made an error in the recording of Invoice 273 on the statement.
- (e) Receipt 654 was shown erroneously in the statement from Pine Suppliers. This transaction does not relate to Madi Traders and will be rectified in the next statement.
- (f) Pine Suppliers also purchases goods on credit from Madi Traders. Refer to Journal Voucher 490. Madi Traders has transferred a debit balance from the Debtors' Ledger. This entry has not been recorded by Pine Suppliers.
- (g) The transaction on 24 April 2019 is in respect of merchandise returned to Pine Suppliers.
- (h) The statement shows transactions up to 25 April 2019.

QUESTION 2: MANUFACTURING**(45 marks; 40 minutes)**

- 2.1 Give ONE term for each of the following descriptions by choosing a cost category from the list below. Write only the cost category next to the question numbers (2.1.1 to 2.1.4) in the ANSWER BOOK.

selling and distribution cost; direct labour cost;
direct material cost; administration cost; factory overhead cost

- 2.1.1 Salary of the factory foreman
- 2.1.2 Bad debts
- 2.1.3 Stationery and telephone expenses
- 2.1.4 Wages paid to workers in the production process (4)

2.2 GALANE MANUFACTURERS

Galane Manufacturers manufacture towels. The information below is from their financial records for the financial year ended 28 February 2019.

REQUIRED:

Use the information provided to complete the following accounts in the General Ledger:

- 2.2.1 Work-in-Progress Stock Account (10)
- 2.2.2 Finished Goods Stock Account (7)
- 2.2.3 Factory Overhead Account (15)

INFORMATION:**A. Balances taken from the records of Union Manufactures:**

	28 February 2019	1 March 2018
	R	R
Factory indirect material	2 630	3 480
Work-in-progress stock	38 300	33 150
Finished goods stock	34 100	15 250

B. Summary of transactions for the year ended 28 February 2019

	R
Raw materials purchased (all issued to factory)	516 000
Factory indirect materials purchased	21 560
Direct labour	?
Indirect labour	24 350
Factory manager's salary	65 060
Rent expense	39 200
Insurance	8 700
Water and electricity	16 500
Bad debts	2 980
Sundry factory expenses	25 750
Sales net of trade discount	1 800 000

C. Additional Information:

- (a) The mark-up % used in pricing goods is 60%. Trade discounts of R100 000 were granted.
- (b) Raw materials:
- R16 000 was paid for transporting raw materials.
 - Raw materials were returned to the suppliers, R20 000.
- NOTE:** No entry has been recorded for these items.
- (c) Two-thirds of the insurance expense relates to the factory.
- (d) Water and electricity must be allocated to the factory, sales department and the office in the ratio 4 : 1 : 1 respectively.
- (e) 65% of the rent expense must be allocated to the factory.

2.3 MOTHO SHOE FACTORY

Motho Shoe Factory manufactures one type of sport shoes. The factory produced 13 800 pairs of shoes during the year and all pairs were sold. There was no work-in-progress stock at the beginning nor at the end of the year.

- 2.3.1 Calculate the direct material cost per unit. (2)
- 2.3.2 Calculate the break-even point on 31 May 2019. (4)
- 2.3.3 Explain why the owner would NOT be happy with the business' current production level. Quote figures or indicators. (3)

	R
Direct material cost	2 070 000
Direct labour cost	2 992 000
Factory overhead cost	872 000
Fixed costs	1 514 000
Variable cost per unit	155
Sales per unit (pair)	259

QUESTION 3: BUDGETS**(40 marks; 30 minutes)**

You are provided with an incomplete Debtors' Collection Schedule and an extract from the Cash Budget of Cosmo Traders for three months ending 31 December 2019. The owner is Kagiso Cosmo.

REQUIRED:

- 3.1 Answer the following questions:
- 3.1.1 What is the main purpose of preparing the Cash Budget? (2)
 - 3.1.2 Name TWO items that will appear in the Cash Budget, but NOT in the Projected Income Statement. (2)
 - 3.1.3 Name TWO items that will appear in a Projected Income Statement, but NOT in the Cash Budget. (2)
- 3.2 Complete and total the Debtors' Collection Schedule for November and December 2019. (9)
- 3.3 Calculate the missing figures indicated by **A–G** in the Cash Budget. Refer to information (a) to (f) below. (15)
- 3.4 To increase sales and the number of customers, Kagiso intends to advertise that credit limits for all credit customers will be increased to R40 000 and new customers may open accounts during January 2020.
- Explain TWO factors that Kagiso should consider before increasing credit limits. (2)
- 3.5 Refer to additional information (g) regarding deliveries to customers.
- Provide calculations for the next three years to support your opinion.
 - Explain TWO other factors that Kagiso should consider before making a final decision.
 - Should the owner, Kagiso, choose Option 1 or Option 2? Give reasons. (8)

INFORMATION:

A. Debtors' Collection Schedule of Cosmo Traders for the period ending 31 December 2019:

Month	Credit Sales (R)	Debtors' Collection		
		October (R)	November (R)	December (R)
August	240 000	60 000		
September	360 000	144 000		
October	300 000	85 500		
November	330 000			
December	330 000			

B. Extract of the Cash Budget for 2019:

	October (R)	November (R)	December (R)
RECEIPTS			
Cash sales	?	A	?
Receipts from debtors	334 250	B	?
Loan from ATM Bank (12% p.a.)	180 000		
PAYMENTS			
Cash purchases	61 950	63 150	C
Payments to creditors	262 200	364 800	D
Interest on loan	0	1 800	E
Repayment of loan		18 000	8 000
Wages	30 000	34 375	F
Advertising	?	G	6 731
Rent expense	1 600	2 000	2 000
Purchase of motorbike (for deliveries)	25 000	2 100	2 100
Petrol for delivery motorbike		1 000	1 000

Additional information:

(a) Expected collection from debtors:

- 30% of debtors settle their accounts during the transaction month of sale to receive 5% discount for prompt payment.
- 40% settle their accounts in the month following the transaction month.
- 25% settle their accounts in the second month after the transaction month.
- 5% are written off as irrecoverable during the third month.

(b) Total sales

2019		
October	November	December
R400 000	R440 000	R440 000

- 75% of sales are expected to be on credit; the rest are cash.

(c) **Total purchases**

2019		
October	November	December
R206 500	R210 500	R185 600

- 30% of all purchases are cash; the rest are on credit.
- Creditors are paid two months after the purchase of stock.

(d) **Loan and interest on loan:**

The interest on the loan and the monthly loan instalments are payable at the end of each month. Interest is not capitalised and the interest rate did not change during the year. The loan was obtained on 31 October 2019.

(e) **Wages:**

In October the business will have six employees, each earning a wage of R1 250 per week. All the employees are paid their wages on Fridays. There are four Fridays in October, five Fridays in November and four Fridays in December 2019.

One employee will resign on 31 October 2019 and the remaining employees will receive a 10% increase from 1 November 2019. The business plans to employ two more staff members at the same weekly wage as on 1 December 2019.

(f) **Advertising:**

The advertising budget will be increased by 6% with effect from 1 December 2019.

(g) **Motorbike for deliveries:**

The owner, Kagiso, has budgeted to deliver goods to customers. He has two options:

Option 1: Purchase a motorbike from Speedy Bikes

A deposit of R25 000 will be paid to the supplier in October. Monthly instalments of R2 100. Kagiso has budgeted for this, as well as R1 000 per month for monthly petrol costs. He assumes that petrol prices increase and decrease with the exchange rate and that R1 000 per month is realistic over the next three years.

Option 2: DD Deliveries to deliver the goods

With this option, Kagiso will not need to buy the motorbike. DD Deliveries would charge a flat rate of R4 000 per month for the delivery service for the 12 months beginning on 1 November 2019. They will increase this rate by 5% per year thereafter with effect from 1 November in 2020 and 2021.

QUESTION 4: CONTROL OF WORKING CAPITAL**(25 marks; 20 minutes)**

You are provided with information from the records of Umgeni Furnishers for the past two financial years ended 28 February. The business sells tables and chairs.

The owner, Mary Benn, requires your advice regarding the control of her working capital. Refer to the questions below and quote figures or financial indicators to support your comments.

REQUIRED:**4.1 Cash in current bank account:**

Comment on the cash in the current bank account. What advice would you give to Mary? Provide ONE point. Quote figures. (4)

4.2 Trading stock:

4.2.1 Calculate the stockholding period for 2019. Use average stock in your calculation. (4)

4.2.2 Comment on the stock turnover rate and the stockholding period for 2019. Quote figures or indicators. Explain why she should be concerned about this. What advice would you give to Mary? Provide ONE point. (5)

4.3 Sales strategies:

4.3.1 Mary used two deliberate strategies to improve sales in 2019. Identify the TWO strategies. Quote the relevant figures. (4)

4.3.2 Bear in mind that the cost price of stock increased by the inflation rate of 6% and provide evidence that these strategies benefited the business. Quote figures. (4)

4.4 Debtors and creditors:

Comment on whether or not Mary has been controlling her debtors and creditors appropriately. Quote figures. How would this affect the business? (4)

INFORMATION:

A.	Figures from the Ledger:	2019	2018
	Total sales	R667 000	R512 000
	Cash sales	R220 000	R270 000
	Credit sales	R447 000	R242 000
	Cost of sales	R460 000	R320 000
	Gross profit	R207 000	R192 000
	Fixed deposit at Ace Bank (11% p.a.)	R80 000	R300 000
	Cash in the current bank account	R405 000	R120 000
	Trading stock	R170 000	R85 000
B.	Financial indicators:		
	Mark-up %	45%	60%
	Stock turnover rate	3,6 times	5,6 times
	Average stockholding period	?	66 days
	Average debtors' collection period	40 days	26 days
	Average creditors' payment period	38 days	30 days

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		
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365}{1}$	
$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365}{1}$ or $\frac{12}{1}$	$\frac{\text{Cost of sales}}{\text{Average inventories}}$	
Non-current liabilities : Owners' equity	Total assets : Total liabilities	

ANSWER BOOK

QUESTION 1: VAT AND RECONCILIATION

(40 marks; 30 minutes)

1.1 VAT

1.1.1 Explain what is meant by *value-added tax*.

2

1.1.2 Calculate the following:

- (a) Sales amount (excluding VAT) from the CRJ
- (b) VAT input amount from the CPJ
- (c) VAT output amount from DJ

8

1.1.3 Tom does not have enough money in his bank account to pay SARS for VAT. The bank balance is currently in overdraft at approximately R50 000. What advice would you offer Tom in order to:

- Solve the problem now
- Solve the problem in the future

4

1.2 CREDITORS' RECONCILIATION AND INTERNAL CONTROL

- 1.2.1 Explain how the Creditors' Reconciliation Statement can assist the business in terms of their internal control measures. State **ONE** point.

--

2

- 1.2.2 Calculate the correct balance of Pine Suppliers in the Creditors' Ledger Account of Madi Traders. Show the changes to the figure R117 180.

--

10

- 1.2.3 Creditors' Reconciliation Statement on 30 April 2019

10

- 1.2.4 The owner of Madi Traders is not completely satisfied with the service and quality of goods received from Pine Suppliers. State **TWO** factors that he should consider before changing suppliers.

--

4

TOTAL MARKS

40

(45 marks; 40 minutes)

2.1.1	
2.1.2	
2.1.3	
2.1.4	

4

GENERAL LEDGER OF GALANE MANUFACTURERS WORK-IN-PROGRESS STOCK

[illegible]

10

FINISHED GOODS STOCK

[illegible]

7

2.2.3

FACTORY OVERHEADS

[illegible]

15

2.3 MOTHO SHOE FACTORY

2.3.1 Calculate the direct material cost per unit.

2

2.3.2 Calculate the break-even point on 31 May 2019.

4

2.3.3 Explain why the owner would NOT be happy with the business' current production level. Quote figures or indicators.

3

TOTAL MARKS

45

QUESTION 3: BUDGETS**(40 marks; 30 minutes)**

3.1.1

What is the main purpose of preparing the Cash Budget?

2

3.1.2

Name TWO items that will appear in the Cash Budget, but NOT in the Projected Income Statement.

2

3.1.3

Name TWO items that will appear in a Projected Income Statement, but NOT in the Cash Budget.

2

3.2

Debtors' Collection Schedule of Cosmo Traders for the period ending 31 December 2019:

		Debtors' Collection		
Month	Credit Sales (R)	October (R)	November (R)	December (R)
August	240 000	60 000		
September	360 000	144 000		
October	300 000	85 500		
November	330 000			
December	330 000			
		289 500		

9

3.3

Calculate the missing figures indicated by A–G in the Cash Budget. Refer to information (a) to (f).

	CALCULATIONS	ANSWERS
A		
B		
C		
D		
E		
F		
G		

15

3.4

Explain TWO factors that Kagiso should consider before increasing credit limits.

2

3.5

Provide calculations for the next three years to support your opinion.

Option 1: Purchase a motorbike	
Option 2: Use DD Deliveries	

Explain TWO other factors that Kagiso should consider before making a final decision.

Should the owner, Kagiso, choose Option 1 or Option 2? Give reasons.

8

TOTAL MARKS
40

QUESTION 4: CONTROL OF WORKING CAPITAL

(25 marks; 20 minutes)

4.1

Comment on the cash in the current bank account.

What advice would you give to Mary? Provide ONE point. Quote figures.

4

4.2.1

Calculate the stockholding period for 2019. Use average stock in your calculation.

4

4.2.2

Comment on the stock turnover rate and the stockholding period for 2019. Quote figures or indicators. Explain why she should be concerned about this.

What advice would you give to Mary? Provide ONE point.

5

4.3.1 Mary used two deliberate strategies to improve sales in 2019. Identify the TWO strategies. Quote the relevant figures.

	Explanation (with figures)
Strategy 1	
Strategy 2	

4

4.3.2 Bear in mind that the cost price of stock increased by the inflation rate of 6% and provide evidence that these strategies benefited the business. Quote figures.

4

4.4 Comment on whether or not Mary has been controlling her debtors and creditors appropriately. Quote figures.

Comment on how this would affect the business.

4

TOTAL MARKS
25

TOTAL: 150

QP: A

QUESTION 1: COST ACCOUNTING - MANUFACTURING (60 marks; 36 minutes)

- 1.1 Match the terms in column A with the examples provided in column B. Write only the letter (A to E) next to each question number in the ANSWER BOOK (e.g.: 1.1.1 E).

COLUMN A	COLUMN B
1.1.1 Selling and distribution cost	A Wood used to make the desks
1.1.2 Direct material cost	B Advertising expense
1.1.3 Factory overhead cost	C Office stationery expense
1.1.4 Administration cost	D Factory rent expense
1.1.5 Direct labour cost	E Production wages

(5)

1.2 BEECUM BUILDERS

Beecum Builders manufactures school desks. The information presented relates to the financial year ended 29 February 2016.

REQUIRED:

- 1.2.1 Calculate the following:

• Direct material cost (6)

• Direct labour cost (7)

- 1.2.2 Complete the table for **factory overhead cost**. (10)

- 1.2.3 Post to the **Work-In-Process Stock** account in the general ledger. (8)

- 1.2.4 Calculate the gross profit earned for the financial year ended 29 February 2016. (8)

INFORMATION:

- A. Stock balances:

	29 FEBRUARY 2016 (R)	1 MARCH 2015 (R)
Raw material	34 530	23 500
Work-in-process	26 600	27 270
Finished goods	42 600	37 275
	240 desks	210 desks

B. Transactions during the year:

	(R)
Cash and credit purchases of raw material	488 400
Transport cost on raw material	14 230
Defective raw material returned to suppliers	8 600
Cash purchases of factory indirect material	23 750
Production wages	?
Salary and wages	213 800
Rent expense	278 400
Insurance	46 800
Water and electricity	134 900
Factory sundry expenses	38 699

C. Production wages:

Number of employees	5
Normal time (hours per employee)	1 840 hours
Overtime (hours worked per employee)	77 hours
Normal time rate	R45,60
Overtime rate	1,5 times the normal rate

Deductions and contributions:		
	EMPLOYEE	EMPLOYER
Pension Fund	7% of basic	9% of basic
Unemployment Insurance Fund (UIF)	1% of basic	1% of basic

- D. Consumable stores used in the factory amounted to R22 450.
- E. Indirect labour inclusive of benefits totalled R81 000.
- F. The rent expense must be apportioned between the factory, sales department and the office in the ratio 5 : 2 : 1.
- G. 75% of water and electricity must be allocated to the factory.
- H. $\frac{2}{3}$ of the insurance expense is for the factory.
- I. During the year, 8 000 desks were produced at a cost of R177,50 per unit. Desks are sold at a fixed selling price of R250 each.

1.3/...

1.3 ZONDO MANUFACTURERS

Zondo manufactures plastic stationery bags for matriculants. The information below is from their records for the financial year ended 30 June.

REQUIRED:

- 1.3.1 Calculate the amounts denoted by (a) and (b) in the information. (4)
- 1.3.2 Verify the break-even number of units for the financial year ended 30 June 2016 by showing a calculation. (4)
- 1.3.3 Comment on the break-even point and the level of production for both years. Quote relevant figures in your comment. (4)
- 1.3.4 Provide a valid reason for the change in direct material cost per unit. (2)
- 1.3.5 Give ONE suggestion that the business can use to improve production and profitability. Quote figures. (2)

INFORMATION:

	30 JUNE 2016		2015
	TOTAL COST	UNIT COST	UNIT COST
Fixed costs	?	25,00	23,50
Factory overhead cost	224 640	18,00	17,00
Administration cost	(a)	7,00	6,50
Variable costs	?	?	59,50
Direct labour cost	349 440	28,00	25,60
Direct material cost	374 400	(b)	25,00
Selling and distribution cost	106 080	8,50	8,90

Number of units produced and sold	12 480		11 800
Selling price per unit	R92,50		R83,00
Break-even number of units	12 000		11 800

QUESTION 2: RECONCILIATIONS, INTERNAL CONTROLS and VAT**(40 marks; 24 minutes)****2.1 CREDITORS' RECONCILIATION**

Dolphin Stores received a statement of account from creditor, Titan Suppliers.

REQUIRED:

- 2.1.1 Reconcile the account of Titan Suppliers in the Creditors Ledger of Dolphin Stores, with the statement received. Show negative amounts in brackets. (16)
- 2.1.2 Invoice 780 on the 12 July 2016, was for goods purchased by the owner for his personal use. What advice would you offer him about this transaction? Quote a relevant GAAP principle in your response. (3)
- 2.1.3 The internal auditor wants to improve the internal control of stock and creditors. Provide TWO control measures that he may consider. (4)

INFORMATION:

A. Creditors Ledger of Dolphin Stores
Titan Suppliers (CL6)

DATE	DETAILS	FOL	DEBIT	CREDIT	BALANCE
July 1	Account rendered/Balance	b/d			37 420
5	Invoice No. 154	CJ		7 830	45 250
8	Debit Note No. 43	CAJ		520	45 770
12	Invoice No. 780	CJ		2 500	48 270
16	Cheque No. 887	CPJ	12 500		35 770
	Discount received	CPJ	625		35 145
27	Invoice No. 991	CJ		3 560	38 705

B Statement of account received from Titan Suppliers

TITAN SUPPLIERS			
To : Dolphin Stores Peddie		No : 1123 25 July 2016	
DATE	DETAILS	AMOUNT	BALANCE
July 1	Balance		37 420
5	Invoice No. 154	8 730	46 150
8	Credit Note No. 90	(520)	45 630
16	Receipt No. 6651	(12 500)	33 130
24	Credit Note 112	(375)	32 755
25	Interest on overdue account	248	33 003
E&OE			
Statement includes transactions up to 25 July 2016			

C. Additional information:

- (i) Invoice No. 154 was recorded incorrectly on the statement.
- (ii) The goods returned on the 8th was posted incorrectly in the creditors' ledger account.
- (iii) Invoice No. 780 in the creditors' ledger was for goods purchased from another supplier, Titanic Stores.
- (iv) Titan Suppliers did not grant a discount for the payment on the 16th stating that the payment was too late to qualify for the discount.
- (v) Credit Note No. 112 on the statement was an error on the statement. Goods were not returned by the business.
- (vi) Interest on overdue account must still be taken into account

2.2 VALUE ADDED TAX (VAT)

2.2.1 Indicate whether the following statements are **True** or **False**.

- (a) All formal businesses must be registered for VAT.
- (b) Registered businesses must submit their VAT returns every month.
- (c) Salaries and wages are exempted from VAT. (3)

2.2.2 Choose the correct answer from those within brackets.

- (a) VAT paid to suppliers for the purchase of stock is referred to as (input VAT / output VAT).
- (b) VAT is payable to (**SARS** / **SARB**). (2)

2.2.3 Calculate the missing amounts on the table provided. Note that the standard VAT rate is 14%.

AMOUNT EXCLUDING VAT	VAT AMOUNT	AMOUNT INCLUDING VAT
14 500	(a)	(b)
(c)	(d)	40 584

 (8)

2.2.4 Ernest Polle purchases goods on a regular basis from Pinetown Wholesalers. The store manager of Pinetown Wholesalers has offered Ernest a special price of R56 800, inclusive of VAT, instead of the normal price of R76 200 for trading inventory, provided that Ernest pays cash and does not require any documentation.

- What advice would you offer Ernest about this transaction? Explain. (4)

40

QUESTION 3: FIXED ASSETS AND FINANCIAL STATEMENTS**(70 marks; 42 minutes)**

The following information was taken from the records of Monday Traders, with partners Mona and Daysee. The financial year ended on 29 February 2016.

REQUIRED:

- 3.1 Complete the following accounts in the general ledger:
- 3.1.1 Accumulated depreciation on equipment (12)
- 3.1.2 Asset disposal account on 31 October 2015 (10)
- 3.2 Prepare the **Trade and Other Receivables** note for the Balance Sheet. (8)
- 3.3 Complete the **Income Statement** for the year ended 29 February 2016. (40)

INFORMATION:

- A. Balances and totals on 29 February 2016 (unless otherwise indicated):

	R
Buildings	963 000
Equipment (cost)	367 000
Accumulated depreciation on equipment (1 March 2015)	172 500
Loan : Kewl Bank	709 400
Fixed deposit: Oryt Bank (8,5% p.a.)	120 000
Trading stock	224 330
Debtors control	48 220
Provision for bad debts (1 March 2015)	1 420
Sales	852 000
Cost of sales (profit mark-up is 50% on cost)	?
Rent income	42 500
Commission income	19 440
Sundry operating income	7 760
Interest on investment	7 650
Salary and wages	141 360
Consumable stores	9 370
Bad debts	3 980
Insurance	14 740
Repairs and maintenance	13 930
Sundry operating expenses	10 660

B. The fixed assets comprise of Buildings and Equipment.

On 31 October 2015, old equipment was traded-in to upgrade old equipment. The transaction was not recorded. Details of the transaction is as follows:

Cost of the new equipment purchased	R165 000
Cost of the old equipment traded-in	R93 500
Accumulated depreciation on this equipment on 1 March 2015	R62 000
The trade-in value received	R29 600

Equipment is depreciated at 20% p.a. on the diminishing balance method.

C. Additional adjustments not taken into account

- (i) Outstanding debts totalling R3 220 must be written off and the provision for bad debts must then be adjusted to 4% of debtors.
- (ii) The rent for February was not yet received. Take into account that the tenant was granted R1 500 reduction in rent during November 2015 due to repairs being done to the buildings.
- (iii) A fire insurance policy was entered into on 1 July 2015. The annual premium of R7 020 was paid in full.
- (iv) The February 2016 loan statement showed an outstanding balance of R742 000. Interest on loan is capitalised. A fixed instalment including interest is paid on 27th of each month.
- (v) Interest on fixed deposit must be taken into account. The money was invested in June 2012. Interest is not capitalised.
- (vi) The annual stock take revealed that R2 460 worth of stock was missing. Unused consumable stores amounted to R880.
- (vii) Repairs to the building for R5 320 was posted in error to the Buildings account.

QUESTION 4 PARTNERSHIPS – LEDGER ACCOUNTS AND INTERPRETATION
(40 marks; 24 minutes)

Fountain Traders is a partnership business owned by partners Lyanda and Keenan.
The financial year ended on 31 August 2016.

REQUIRED:

- 4.1 Prepare the **Current Account: Keenan** on 31 August 2016. (9)
- 4.2 Calculate the following financial indicators on 31 August 2016.
 - 4.2.1 Acid test ratio (4)
 - 4.2.2 Debt/equity ratio (3)
 - 4.2.3 Percentage return earned by the partners (7)
- 4.3 The partners are concerned about the liquidity position of the business. Explain why they feel this way. Quote TWO financial indicators (with figures) to support your explanation. (6)
- 4.4 Comment on the percentage return earned by Partner Lyanda. Should she be satisfied with this percentage? Explain, quote relevant financial indicators and/or figures. (5)
- 4.5 Partner Keenan feels that the business should increase the loan. Partner Lyanda is not keen to incur more debt. Briefly explain who you would support. Provide TWO financial indicators (with figures) to motivate your choice. (6)

INFORMATION:

- A. Balances extracted from the financial records:

	31 AUGUST 2016	31 AUGUST 2015
Fixed deposit	100 000	125 000
Current assets including inventories	165 600	176 200
Inventories	62 200	54 000
Partners' equity	1 700 000	1 270 300
Capital : Lyanda	875 000	500 000
Capital : Keenan	675 000	750 000
Current Account : Lyanda	45 150 (cr)	12 400 (Dr)
Current Account : Keenan	104 850 (cr)	32 700 (cr)
Mortgage loan (12% p.a.)	425 000	762 180
Current liabilities	66 240	58 700

- B. Information from the Current account note on 31 August 2016:

	PARTNER LYANDA	PARTNER KEENAN
Annual salary allowance	265 200	225 216
Interest on capital	78 750	60 750
Bonus	-	13 784
Drawings for the year	322 400	?
Partners share of the remaining profit	36 000	?

- C. The total primary distribution amounted to R643 700.
- D. The partners share the remaining profit/loss in the ratio 2 : 1 between Lyanda and Keenan respectively.
- E. Financial indicators on 31 August:

	2016	2015
Current ratio	2,5 : 1	3 : 1
Acid test ratio	?	2 : 1
Stock turnover rate	11,2 times	9,4 times
Average debtors collection period	38 days	33 days
Debt/equity ratio	?	0,6 : 1
Return on average capital employed	33,5%	30,3%
Return earned by the partners	?	40,5%
Return earned by Partner Lyanda	54%	56%
Return earned by Partner Keenan	90%	84%
Interest rate on loans	12%	12%

QUESTION 5: BUDGETING**(35 marks; 21 minutes)**

The abridged Projected Income Statement of Thando Traders for the three months ended December 2016 is produced below.

REQUIRED:

- 5.1 List TWO items in the Projected Income Statement below, that will not appear in a Cash Budget. (2)
- 5.2 Complete the Debtors Collection Schedule to show the total amount expected to be received from debtors during November 2016. (7)
- 5.3 Calculate:
 - 5.3.1 Expected sales in December 2016 (3)
 - 5.3.2 The gross profit percentage on turnover for October 2016 (3)
 - 5.3.3 The percentage increase in rent income (4)
 - 5.3.4 The percentage commission expected to be received each month (2)
 - 5.3.5 The insurance amount for each month (3)
 - 5.3.6 The amount of the loan that will be repaid on 1 December 2016 (5)
- 5.4 Refer to Information G (budgeted and actual figures for November 2016): Comment on the variance for each item given. In each case, provide ONE point of advice that the business can use. (6)

INFORMATION:

- A. Abridged Projected Income Statement of Thando Traders for the three months ended 31 December 2016

	OCTOBER 2016	NOVEMBER 2016	DECEMBER 2016
Sales	98 000	102 900	?
Cost of sales	78 400	82 320	?
Gross profit	19 600	20 580	?
Other operating income	12 220	12 465	?
Rent income	6 500	6 500	7 280
Discount received	820	820	820
Commission income	4 900	5 145	?
Gross operating income	31 820	33 045	38 970
Operating expenses			
Salaries and wages	8 400	8 400	?
Insurance	?	?	?
Depreciation	?	?	?
Advertising	5 200	5 200	5 200
Bad debts	1 800	1 960	?
Telephone	3 300	3 300	3 300
Sundry expenses	1 250	1 260	1 270
Operating profit			
Interest on loan	2 500	2 500	2 000
Net profit (loss)			

- B. All sales are on credit. Sales in December is expected to increase by 20%.
- C. Debtors are granted 30 days credit. Receipts is normally as follows:
- 45% of debtors pay their accounts in the month of sales
53% of debtors pay their accounts in the month following the month of sales
2% of debtors is normally written off as bad debts
- D. Commission income is expected to be a fixed percentage of sales.
- E. The insurance premium is paid every quarter. The last payment of R2 400 was made on 30 September 2016.
- F. Interest on loan at 10% p.a. is paid at the end of each month.
- G. The accountant provided the actual and budgeted figures for the following items for November 2016:

	NOVEMBER 2016	
	BUDGETED	ACTUAL
Sales	102 900	82 320
Advertising	5 200	1 500
Telephone	3 300	5 450

QUESTION 6: NON-PROFIT ORGANISATIONS, STOCK SYSTEMS and PROBLEM SOLVING
(55 marks; 33 minutes)

6.1 CLUBS – MEMBERSHIP FEES ACCOUNT

You are provided with information from the records of Fore! Golf Club for the financial year ended 31 December 2015.

REQUIRED:

- 6.1.1 Provide the missing details denoted by (a) to (d) on the Membership Fees account provided. (4)
- 6.1.2 Fill in the missing amounts for (e) and (f) on the Membership Fee account. (4)
- 6.1.3 Calculate:
- The fees that was written off on 31 December 2015 (3)
 - The number of members in arrears with their 2015 fees (3)
 - The amount that must be transferred to the Income and Expenditure account in respect of Membership Fee income (8)
- 6.1.4 The chairman feels that membership is not being effectively controlled.
- Provide evidence from the information that confirms the chairman's observation (Give TWO points). (4)
 - Provide TWO suggestions to solve the problem. (2)

INFORMATION:

A. Membership records:

- (i) The annual membership fees is R2 400 per member. This was increased by R300 p.a. on 1 June 2015. Members who pay before 1 June 2015 pay the old fee.
- (ii) On 1 January 2015, there were 280 members on the club register.
- (iii) The cash book showed that old members who paid their fees did so before 1 June 2015.
- (iv) 12 new members joined the club on 1 February 2015 and 8 new members joined on 1 October 2015. New members only pay for the unexpired months in the first year of registration.
- (v) 9 old members resigned during January 2015. Two of these members paid their fees in full. The committee decided to give them a full refund.
- (vi) The outstanding fees for 2014 must be written off and the defaulting members must be excluded from the club records.
- (vi) The committee voted a R2 700 reward for the secretary. She decided to off-set her membership fee with this amount.

B. The incomplete Membership Fee account:

**GENERAL LEDGER OF FORE! GOLF CLUB
MEMBERSHIP FEES ACCOUNT**

2015 Jan	1	(a)		31 200	2015 Jan	1	(b)		9 600
Dec	31	Deferred income		(e)	Dec	31	Bank: 2014		16 800
		(c)		(f)			2015		?
		Income and expenditure		?			2016		13 500
							Accrued income		35 100
							(d)		2 700
							Membership fees written off		?

6.2 STOCK SYSTEMS

Bezzie's Centre sells fabric and dress making products. The business uses the periodic inventory method to record stock. The financial year ended on 31 October 2016.

REQUIRED:

- 6.2.1 Explain ONE difference between the perpetual stock system and the periodic stock system. (2)
- 6.2.2 Analyse transactions (ii) and (iii) in terms of the accounting equation. Complete the table provided. Show increase (+) and decrease (-) for assets, equity and liabilities. (8)
- 6.2.3 Calculate the cost of sales for the financial year ended 31 October 2016. (8)

INFORMATION:

A. Stock balance on 1 November 2015, R134 600.

B. Transactions during the current financial year:

	R
(i) Cash and credit purchases of trading goods.	622 400
(ii) Transport cost on trading goods paid by cheque.	92 200
(iii) Damaged goods returned to creditors.	45 300
(iv) Goods donated to a local school (fund raising).	5 500
(v) Goods taken by the owner for personal use.	3 750
(vi) Cost of goods returned by debtors taken into stock.	7 250

C. Stock take on 31 October 2016 revealed that R98 350 was on hand.

6.3 MANAGEMENT OF STOCK – PROBLEM SOLVING

Fundani Electronics is a retail business that sells car accessories. The business has branches operating in Queens, Cofimvaba and Tsolo.

Fundani, the owner, was concerned about the sale of a single brand of car radio and requested the figures for this product from each branch.

The information presented are for the three months ended 31 July 2016.

REQUIRED:

Identify a different problem in each branch, quoting the relevant figures for each. Also provide a possible solution to the problems identified. (9)

INFORMATION:

Information relating to the single brand of car radios

	QUEENS	COFIMVABA	TSOLO
Stock balance on 1 May 2016	230	160	85
Number of units sold during the period	180	40	85
Stock balance on 31 July 2016	35	120	Nil
Selling price per radio	R1 120	R1 120	R1 120
Deposit of sales revenue	R201 600	R44 800	R81 760
Advertising of radios	R1 400	R6 720	R6 120
Monthly salary of sales person	R7 000	R7 500	R7 500

55

TOTAL: 300

QP: B

QUESTION 1: RECONCILIATIONS AND INTERNAL CONTROL (45 marks; 30 minutes)

1.1 Indicate whether the following statements are TRUE or FALSE. Write your answer next to each number (1.1.1–1.1.4) in the ANSWER BOOK.

- 1.1.1 A credit balance on the bank statement is a favourable balance.
- 1.1.2 A post-dated cheque received from a debtor will be recorded in the CRJ and reflected as an outstanding deposit in the Reconciliation Statement.
- 1.1.3 Service fees, deposit fees and bank levies are grouped and called bank charges because of the prudence concept of GAAP.
- 1.1.4 A stale cheque must be cancelled in the CRJ. (4)

1.2 Bank Reconciliation

The information below is from the records of Algoa Stores for September 2017.

REQUIRED:

- 1.2.1 Identify the items (with amounts) that must be recorded in the CRJ. (7)
- 1.2.2 Identify the items (with amounts) that must be recorded in the CPJ. (6)
- 1.2.3 Prepare the Bank Reconciliation Statement on 30 September 2017. (10)

INFORMATION:

A. Information from the Bank Reconciliation Statement on 31 August 2017:

Debit balance as per bank statement	R84 000
Credit balance as per bank account	53 000
Outstanding deposits	56 000
Outstanding cheques:	
▪ No 8040 (1 March 2017)	5 000
▪ No 8440	8 500
▪ No 8447 (1 October 2017)	11 500

- B. A comparison of the bank statement with the business records revealed the following:

ITEM	TRANSACTION
A	A deposit of R56 000 was on the bank statement but not in the September 2017 journals.
B	A deposit of R29 000 appeared in the September 2017 CRJ but not on the bank statement.
C	Cheque No. 8040 issued in favour of the owner's membership fees does not appear on the current bank statement.
D	A direct deposit for R8 000 by the tenant, Gel Hairdressers, appeared on the bank statement and not in the journals.
E	Service fees of R540 appeared on the bank statement but not in the journals.
F	Interest of R200 was debited on the bank statement, and not recorded in the journals.
G	The bank statement reflected a dishonoured cheque of R2 000 received from debtor J Joseph due to insufficient funds. This must still be recorded by the business.
H	Cheque No. 9020 in favour of creditor RR Manufacturers, appeared as R5 400 in the CPJ but correctly as R4 500 on the bank statement.
I	Cheque No. 8440 for R8 500 was on the September bank statement but not in the September Journals.
J	Cheque No. 8520 for R19 000 appeared in the September CPJ but not on the September bank statement.
K	Cheque No. 8524 for R15 000, post-dated for 31 December 2017, was not recorded. It was issued in favour of Seconds - Car Sales as a deposit for a vehicle. This cheque does not appear on the bank statement.
L	A cheque for R3 000, dated 16 September 2017, was received from debtor, B Best, during August 2017. The cheque was deposited on 30 September 2017 but no entries were made to record the transaction. This deposit also did not appear on the bank statement.
M	The bank statement showed a favourable balance of R45 000 on 30 September 2017.

1.3 Debtors Reconciliation

The information relates to Jasmine Traders for July 2017.

REQUIRED:

- 1.3.1 Explain why the Debtors Control Account balance and the Debtors' List total should be the same. (2)
- 1.3.2 Show the corrections to each debtor's account to record the errors and omissions noted. (10)
- 1.3.3 The owner is concerned that debtors do not comply with the 30 days credit terms.
- Explain *30 days credit terms*. (2)
 - What should the credit - manager do to ensure that only reliable persons are allowed to buy goods on credit? Provide TWO points. (4)

INFORMATION:

A. Debtors Control balance on 31 July 2017, R38 940.

B. Debtors List on 31 July 2017:

A. Santos	DL1	12 560
B. Deepak	DL2	9 840
C. Mellissa	DL3	7 660
D. Rossie	DL4	11 400

C. The following errors and omissions were noted and must be recorded:

- (i) A cheque received from Mellissa for R3 500 was recorded in the debtor's ledger account of Rossie in error.
- (ii) Goods returned by Santos, R780, was posted to the wrong side of her account.
- (iii) A cheque received from Deepak, R4 000, was returned by the bank marked "R/D – post-dated".
- (iv) The Debtors' Journal was overcast by R290.
- (v) Goods sold for cash, R1 250, to Rossie was entered as a credit sale to his account.

QUESTION 2: PARTNERSHIPS – FINANCIAL STATEMENTS**(75 marks; 45 minutes)**

The information below, appeared in the books of PB Stores (with partners Pinky and Brian) on 28 February 2017, at the end of the current financial year.

REQUIRED:

- 2.1 Complete the Income Statement for the financial year ended 28 February 2017. Some amounts are provided in the answer book. (33)
- 2.2 Complete the following notes to the Balance Sheet:
- 2.2.1 Capital (8)
- 2.2.2 Current Account (28)
- 2.3 Pinky is unhappy with the way Brian is managing his investment in the partnership.
- 2.3.1 Provide TWO reasons to justify why he feels this way. In each case provide relevant figures to support your comments. (4)
- 2.3.2 Give ONE suggestion that the partnership can use to address the concern expressed by Pinky. (2)

INFORMATION:**A. Balances on 28 February 2017 (unless otherwise indicated):**

Capital: Pinky	R 280 000
Capital: Brian	350 000
Drawings: Pinky	26 409
Drawings: Brian	57 403
Current Account: Pinky (1 March 2016)	22 369
Current Account: Brian (1 March 2016)	32 412 (Dr)

B. Pre-Adjustment amounts (amongst others) from the General Ledger on 28 February 2017:

Loan: Rode Bank	?
Fixed Deposit (9% p.a)	220 000
Debtors Control	97 200
Provision for bad debts (1 March 2016)	5 440
Trading stock	133 390
Sales	993 250
Cost of sales	685 000
Rent income	117 250
Insurance	25 665
Commission income	58 545
Packing material	19 710
Water and electricity	32 180
Salaries and wages	45 000
Depreciation	17 150
Interest on investment	14 850
Sundry expenses	?

C. Adjustments:

- (i) The annual stock take revealed the following stock on hand:
 - Trading stock, R130 540
 - Packing material unused, R3 600.
- (ii) Adjust the Provision for Bad Debts to 5% of debtors.
- (iii) Interest on loan is capitalised. The loan statement received from Biltong Bank showed the following:

Loan balance on 1 March 2016	R 374 600
Repayments for the year (including interest)	86 400
Interest capitalised	?
Loan balance on 28 February 2017	327 000

- (iv) The rent for March 2017 was received. Note that the rent increased by R875 per month from 1 December 2016.
 - (v) Insurance includes an annual policy for R5 820 taken out on 1 June 2016.
 - (vi) The water and electricity account for February 2017 was not yet paid, R2 150.
 - (vii) Interest on investment is not capitalised. Interest for the last quarter of this financial year was not received.
- D. The Profit and Loss Account** reflected a net profit of R311 135 after taking into account all the adjustments.

E. Transactions relating to partners to be reflected in the partners' accounts only:

- (i) Pinky took goods from stock for her personal use at a selling price of R9 590. Goods are sold at a mark-up of 75% on cost.
- (ii) Brian used a business cheque for R5 100 for his personal telephone account.
- (iii) The partnership agreement provided for the following salary allowances :
Pinky, R113 400 p.a.
Brian, R7 800 per month.

The partners are entitled to an annual increase of 10% effective on the 1 December each year. This was not taken into account.
- (iv) Interest on capital is calculated at 8% of the capital balances.

On 1 June 2016, Pinky increased her capital by R40 000, and Brian decreased his capital by R10 000. These changes were recorded.
- (v) Pinky is entitled to a production bonus equal to 2% of total sales.
- (vi) The remaining profit or loss is shared in the ratio of the partners' capital balances at the end of the financial year.

QUESTION 3: PARTNERSHIPS – FINANCIAL STATEMENTS AND INTERPRETATION
(35 marks; 20 minutes)

- 3.1 Match the concept in COLUMN A with the statement in COLUMN B. Write only the letter (A–E), next to the numbers (3.1.1–3.1.4) in the ANSWER BOOK.

COLUMN A	COLUMN B
3.1.1 Return	A The effective management of expenses
3.1.2 Solvency	B The extent to which the business makes use of long-term debt (loans)
3.1.3 Profitability	C The ability of the business to settle short term debts in the next financial period
3.1.4 Liquidity	D Partners' earnings from the net profit
	E The relationship between total assets and total liabilities

(4)

3.2 MP TRADERS

Information from the records of MP Traders (partners Monty and Python) for the financial year ended 30 April 2017 is presented.

REQUIRED:

- 3.2.1 Calculate the following:
- Percentage mark-up on cost (4)
 - Percentage operating expenses on sales (3)
 - Total earnings of Monty (4)
 - The percentage return earned by Python (5)
 - The debt/equity ratio for 2017 (3)
- 3.2.2 Comment on the liquidity of the business. Quote and explain TWO financial indicators (with figures) in your answer. (4)
- 3.2.3 Were the partners justified in increasing the loan? Explain. Quote TWO financial indicators, with figures, in your explanation. (4)
- 3.2.4 Monty is not happy with his return on investment. Explain why you think he feels this way. Quote figures. (4)

INFORMATION:

- A. Extracts from the Income Statement on 30 April 2017:

Sales	R 4 257 000
Gross profit	1 677 000
Operating expenses	1 064 250
Net profit for the year	720 000

- B. Extracts from the partners' Current Accounts on 30 April 2017:

	MONTY	PYTHON
Total primary distribution	?	279 570
Share in the remaining profit	118 020	59 010
Drawings	198 000	210 000

- C. Extracts from the Balance Sheet on 30 April:

	2017	2016
Partners' Equity	1 237 300	838 300
• Capital	975 000	885 000
• Current Account	262 300	(46 700)
Loan: Simi Bank	742 380	85 000
Current Assets	598 080	441 600
• Trading stock	276 400	200 800
• Trade and other receivables	288 880	220 600
• Cash and cash equivalents	32 800	20 200
Current liabilities	427 200	368 000
• Trade and other payables	328 360	339 240
• Short-term portion of loan	98 840	28 760

- D. Details of the partners' equity on 30 April:

	MONTY		PYTHON	
	2017	2016	2017	2016
Capital	650 000	535 000	325 000	350 000
Current Accounts	202 720	22 300	59 580	(69 000)
	852 720	557 300	384 580	281 000

- E. Financial indicators on 30 April:

	2017	2016
Current ratio	1,4 : 1	1,2 : 1
Acid test ratio	0,8 : 1	0,7 : 1
Debt/equity ratio	?	0,1 : 1
Return on investment : Monty	54%	46%
Return on investment : Python	?	81%
Return on capital employed	69%	43%
Interest rate on loans	13%	13%

QUESTION 4: BUDGETING AND CLUBS

(70 marks; 40 minutes)

4.1 Budgets and Projected Income Statement

- 4.1.1 State ONE difference between a Cash Budget and a Projected Income Statement. (2)
- 4.1.2 List TWO items that would not appear in a Cash Budget. (2)
- 4.1.3 Explain why a business would compare the actual amounts received or paid against the budgeted figures. (2)

4.2 Thabo's Gymnasium

Thabo's Gymnasium offers training facilities. He also operates a gym shop that sells refreshments and training gear to the public.

REQUIRED:

- 4.2.1 Complete the Debtors Collection Schedule for the budget period. (10)
- 4.2.2 Fill in the missing amounts to complete the Cash Budget provided. (28)
- 4.2.3
- Calculate the percentage increase in salaries and wages. (3)
 - Explain why the workers should/should not be satisfied with this increase. (2)
- 4.2.4 Thabo is concerned about the following items for November 2017:

ITEMS	BUDGETED AMOUNT	ACTUAL AMOUNT
Fee income	33 600	23 520
Telephone	5 000	8 460
Maintenance: training equipment	13 000	8 200

- Provide a reason for his concern for each of the items listed. (3)
- In each case, give Thabo practical advice to address the concern. (3)

INFORMATION:

- A. Monthly gymnasium fees are R420 per member.
On 31 October 2017, there were 80 registered members. Thabo expects the membership to increase by 25% during December 2017.
- B. 30% of all sales in the Gym Shop is on credit.
60% of debtors pay in the month of sale
38% pay in the following month
The balance is written off thereafter.
- C. All goods are purchased on credit. Creditors are paid within 30 days to receive a 10% early settlement discount.

- D. Sales and Purchases figures for the budget period:

	OCTOBER	NOVEMBER	DECEMBER
Actual and budgeted sales	95 000	100 000	150 000
Actual and budgeted purchased	58 000	62 000	94 000

- E. Cash Budget for the budget period ended 31 December 2017.

RECEIPTS	NOVEMBER	DECEMBER
Cash sales	70 000	
Cash from debtors		
Fee income (gym members)	33 600	
Rent income		10 638
Loan: Thabo Snr	80 000	0
TOTAL RECEIPTS		196 038
PAYMENTS		
Payment to creditors (for stock)		
Salaries and wages	24 000	25 800
Personal trainers (fees)	21 400	
Cleaning detergents	4 500	4 500
Telephone	5 000	5 000
Maintenance of equipment	13 000	16 280
Purchase of new equipment		0
Loan instalment (including interest)	0	
Sundry expenses		18 375
TOTAL PAYMENTS		
SURPLUS/DEFICIT		
OPENING BALANCE IN BANK	(6 930)	
CLOSING BALANCE IN BANK		

- F. Rent will increase by 8% with effect from 1 December 2017.
- G. Thabo employs 5 personal trainers during November. They receive the same monthly fee. He will employ 2 additional trainers during December at the same monthly fee as the other five trainers.
- H. Maintenance of equipment is estimated at 4% of the cost of equipment, spread evenly throughout the year. Additional equipment will be purchased on 30 November 2017.
- I. Thabo plans to take a loan from his father on 1 November 2017 at 15% p.a. interest. He agreed to pay a monthly instalment of R5 000 and the interest, commencing on 1 December 2017.
- J. Sundry expenses for December is expected to be 1,5 times the November amount, due to the greater turnout expected during the holidays.

4.3 SPORTS CLUBS

Membership records of Mbizana Social Club for the year ended 31 December 2016 is presented below.

REQUIRED:

Prepare the Membership Fees account in the General Ledger. (15)

INFORMATION:

A. Balances on 31 December 2015:

Accrued income (Membership Fees)	4 800
Deferred Income (Membership Fees)	1 800

B. Extract from the Receipts and Payments Statement on 31 December 2016.

Membership fees received	for 2015	1 200
	for 2016	42 100
	for 2017	600
Membership fees refunded		900

- C.
- The club had 87 members on 31 December 2015.
 - Membership fees are R600 per member per year.
 - New members only pay for the months remaining in the year of joining.
 - New members:
 - 7 new members joined on 30 April 2016.
 - 9 members joined on 1 November 2016.
 - They paid the fees due.
 - The outstanding fees of 2015 must be written off. The defaulting members must be excluded from the club register.
 - 3 members resigned from the club during July 2016. They were refunded half their annual fees.
 - 2 members offset their membership fees by undertaking the repairs and maintenance to the clubhouse.
 - Some members did not pay their fees for 2016.

QUESTION 5: COST ACCOUNTING**(45 marks; 25 minutes)**

- 5.1 Match the examples provided in COLUMN B with a cost category provided in COLUMN A. Write only the letter (A–E) next to each number (5.1.1 – 5.1.4) in the ANSWER BOOK.

COLUMN A	COLUMN B
5.1.1 Direct material cost	A Depreciation on factory equipment
5.1.2 Direct labour cost	B Stationery purchased for office use
5.1.3 Selling and distribution cost	C Transport cost of raw materials
5.1.4 Administration cost	D Advertisements in the Daily Dispatch
	E Pension fund contributions of workers in production

(4)**5.2 Pefferville Manufacturers**

The following information relates to Pefferville Manufacturers for the financial year ended 30 April 2017.

REQUIRED:

- 5.2.1 Calculate the Factory Overhead Cost. (16)
- 5.2.2 Prepare the following General Ledger accounts:
- Work-in process stock (8)
 - Finished goods stock (5)

INFORMATION:**A. Stock records:**

	28 February 2017	1 March 2016
Raw material	27 420	32 110
Work-in-process	25 000	24 270
Finished goods	58 000	38 000
Factory consumables	2 300	0

B. Transactions for the year ended 30 April 2017 (amongst others):

	R
Raw material:	
Raw material issued to the factory for production	562 000
Salaries and wages in the factory:	
• Factory foreman	148 800
• Factory cleaners	62 200
• Workers in production (only normal time)	643 000
• Employer's contributions	93 940
Purchases of factory consumables	45 300
Rent expense	92 400
Water and electricity	83 280
Insurance	15 400
Sundry expenses	17 776
Depreciation on factory equipment	51 840
Advertising	7 350
Sales	2 752 000
The business applies a profit mark-up of 60% on cost.	

C. Additional information:

- Employer's contributes on behalf of each employee:

Pension Fund	9%
Unemployment Insurance Fund	1%
Skills Development	1%

- The business does not offer overtime hours.
- The rent expense must be split according to the floor space occupied by each department. The factory currently occupies 2 600 square metres of the total business premises of 3 640 square metres.
- 65% of the water and electricity account is allocated to the factory.
- 10% of the insurance is for the office. The balance is divided equally between the factory and the sales department.
- Half the sundry expenses relate to the factory.

5.3 SaSa Furnishers

The information relates to the production of plastic bar-stools. There is no work-in-process stock at the end of a financial year.

REQUIRED:

- 5.3.1 Provide ONE difference between a fixed cost and a variable cost. (2)
- 5.3.2 Calculate the number of plastic bar-stools that the business needed to produce to break - even. (5)
- 5.3.3
- Comment on the break-even point calculated in QUESTION 5.3.2 and the level of production achieved. (3)
 - What advice would you offer SaSa for the future? Provide ONE point. (2)

INFORMATION:

- A. Cost structure for the financial year ended 31 December 2016:

		TOTAL AMOUNT (R)	UNIT COST (R)
Direct material cost	(VARIABLE COST)	1 576 800	54,00
Direct labour cost	(VARIABLE COST)	1 314 000	45,00
Factory overhead cost	(FIXED COST)	817 600	28,00
Selling and distribution cost	(VARIABLE COST)	467 200	16,00
Administration cost	(FIXED COST)	262 800	9,00

- B. Selling price of chairs: R155 each.
- C. 29 200 chairs were produced and sold during the current financial year.

QUESTION 6: FIXED ASSETS AND PROBLEM SOLVING**(30 marks; 20 minutes)****6.1 FIXED ASSET MANAGEMENT**

The information relates to Pitt Traders for the financial year ended 28 February 2017.

REQUIRED:

6.1.1 Prepare the Asset Disposal account for the trade-in on 1 December 2016. (9)

6.1.2 Calculate the amounts denoted by (i) to (iv) on the Fixed Asset note. (12)

INFORMATION:**A. Fixed Asset note**

	LAND AND BUILDINGS	VEHICLES	EQUIPMENT
Carrying value on 1 March 2016	1 500 000	250 000	
Cost		740 000	520 000
Accumulated depreciation	0	(ii)	(210 000)
Movements			
Additions	(i)	(iii)	160 000
Disposals	0	0	(77 248)
Depreciation	0	(iv)	
Carrying value on 28 February 2017	1 860 000		
Cost		1 070 000	
Accumulated depreciation			

B. Extensions to the warehouse were done.

C. A new vehicle was purchased on 1 November 2016.

D. On 1 December 2016, equipment with a cost of R142 000 was traded-in for new equipment. This trade-in resulted in a loss on disposal of R20 948.

E. Depreciation policy:
Vehicles: 15% on cost
Equipment: 20% on carrying value

6.2 PROBLEM SOLVING

Marie Jonker owns three minibus taxis. She is concerned about the performance of the business.

REQUIRED:

6.2.1 Identify ONE major problem related to each taxi. Quote figures. (6)

6.2.2 Provide a solution to the problems identified in QUESTION 6.2.1. (3)

INFORMATION:

Information from the business records on 30 June 2017, the financial year end.

	TAXI 1	TAXI 2	TAXI 3
Date purchased	1 July 1997	1 April 2013	1 May 2016
Cost of vehicle	R94 500	R230 000	R360 000
Accumulated depreciation	R94 449	R195 500	R84 000
Total revenue from taxi fares	R975 000	R600 000	R320 640
Kilometres covered	81 250 km	52 500 km	26 720 km
Fare per kilometre	R12	R12	R12
Fuel and repair cost	R585 000	R270 000	R65 000
Fuel and repair cost per kilometre	R7,20	R5,15	R2,45
Budgeted revenue from fares (total)	R2 500 000		
Fuel and repair budget (total)	R875 000		

30

TOTAL: 300

AB: A

QUESTION 1 COST ACCOUNTING - MANUFACTURING

1.1 Match the terms.

1.1.1	
1.1.2	
1.1.3	
1.1.4	
1.1.5	

5

1.2 **BEECUM BUILDERS**

1.2.1 Calculate:

Direct material cost	
Direct labour cost	

6

7

1.2.2 **FACTORY OVERHEAD COST**

	R

10

1.2.3

**GENERAL LEDGER OF BEECUM BUILDERS
WORK-IN-PROCESS STOCK ACCOUNT**

1.2.4 **GROSS PROFIT CALCULATION**

8

8

1.3 **ZONDO MANUFACTURERS**

1.3.1

(a)	
(b)	

4

1.3.2 Verify the break-even number of units for the financial year ended 30 June 2016 by showing a calculation.

4

1.3.3 Comment on the break-even point and the level of production for both years. Quote relevant figures in your comment.

4

1.3.4 Provide a valid reason for the change in direct material cost per unit.

2

1.3.5 Give **ONE** suggestion that the business can use to improve production and profitability. Quote figures.

2

Q1

60

QUESTION 2 RECONCILIATION, INTERNAL CONTROLS and VAT

2.1 CREDITORS' RECONCILIATION

2.1.1

	Adjustment to the creditors ledger account of Titan Suppliers	Creditors reconciliation (adjustment to the statement)
Balance	38 705	33 003
(i)		
(ii)		
(iii)		
(iv)		
(v)		
(vi)		
(vii)		

16

2.1.2

What advice would you offer him about this transaction? Quote a relevant **GAAP** principle in your response.

3

2.1.3

The internal auditor wants to improve the internal control of stock and creditors. Provide **TWO** control measures that he may consider.

4

2.2 VAT

2.2.1

(a)	
(b)	
(c)	

3

2.2.2

(a)	
(b)	

2

2.2.3

AMOUNT EXCLUDING VAT	VAT AMOUNT	AMOUNT INCLUDING VAT
14 500	(a)	(b)
(c)	(d)	40 584

8

2.2.4

- What advice would you offer Ernest about this transaction? Explain

ADVICE:

EXPLANATION :

4

Q2	40	
----	----	--

QUESTION 3 FIXED ASSETS AND FINANCIAL STATEMENTS

3.1.1

**GENERAL LEDGER OF MONDAY TRADERS
ACCUMULATED DEPRECIATION ON EQUIPMENT**

12

ASSET DISPOSAL

10

3.2 TRADE AND OTHER RECEIVABLES

Debtors control	

8

3.3 **MONDAY TRADERS**
INCOME STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2016

Sales	852 000	
Cost of sales		
Gross profit		
Other income		
Gross income		
Operating expenses		
Operating profit		
Profit before interest expense		
Net profit for the year		40

Q3	70	
-----------	-----------	--

QUESTION 4 PARTNERSHIPS – LEDGER ACCOUNTS AND INTERPRETATION

4.1 **GENERAL LEDGER OF FOUNTAIN TRADERS**
 CURRENT ACCOUNT: KEENAN

4.2 **FINANCIAL INDICATORS**

9

4.2.1 **Acid test ratio**

4

4.2.2 **Debt/equity ratio**

3

4.2.3 **Percentage return earned by the partners.**

7

4.3

The partners are concerned about the liquidity position of the business. Explain why they feel this way. Quote TWO financial indicators (with figures) to support your explanation.

6

4.4

Comment on the percentage return earned by Partner Lyanda. Should she be satisfied with this percentage? Explain, quote relevant financial indicators and/or figures.

5

4.5

Partner Keenan feels that the business should increase the loan. Partner Lyanda is not keen to incur more debt. Briefly explain who you would support. Provide TWO financial indicators (with figures) to motivate your choice.

6

Q4

40

QUESTION 5 BUDGETING

- 5.1 List TWO items in the Projected Income Statement given, that will not appear in a Cash Budget.

2

- 5.2 Complete the Debtors Collection Schedule to show the total amount expected to be received from debtors during November 2016.

MONTH	CREDIT SALES		NOVEMBER 2016

7

- 5.3.1 Expected sales in December 2016

3

- 5.3.2 The gross profit percentage on turnover for October 2016.

3

- 5.3.3 The percentage increase in rent income.

4

- 5.3.4 The percentage commission expected to be received each month.

2

5.3.5 The insurance amount for each month.

3

5.3.6 The amount of the loan that will be repaid on 1 December 2016.

5

5.4

	COMMENT	ADVICE
Sales		
Advertising		
Telephone		

6

Q5	35	
----	----	--

QUESTION 6 NON-PROFIT ORGANISATIONS, STOCK SYSTEMS and PROBLEM SOLVING

6.1.1

(a)	
(b)	
(c)	
(d)	

4

6.1.2

(e)	
(f)	

4

6.1.3

Calculate the fees that was written off on 31 December 2015.
Number of members in arrears with their 2015 fees
Income and expenditure amount.

3

3

8

6.1.4

Provide evidence from the information that confirms the chairman's observation (Give TWO points).

4

Provide TWO suggestions to solve the problem.

2

6.2.1

Explain ONE difference between the perpetual stock system and the periodic stock system.

2

6.2.2

Analysis of transactions: (show the increase or decrease under A, O and L)

NO	ACCOUNT DEBITED	ACCOUNT CREDITED	ASSET	EQUITY	LIABILITY
(ii)					
(iii)					

8

6.2.3

Cost of sales

8

6.3 **PROBLEM SOLVING**

	PROBLEM (WITH FIGURES)	SUGGESTION
QUEENS BRANCH		
COFIMVABA BRANCH		
TSOLO BRANCH		

9

Q6	55	
----	----	--

TOTAL: 300

AB: B

QUESTION 1: RECONCILIATIONS AND INTERNAL CONTROL

1.1 True or False

1.1.1	
1.1.2	
1.1.3	
1.1.4	

1.2 Bank Reconciliation

ITEMS AND AMOUNTS TO BE RECORDED IN THE CRJ AND CPJ

1.2.1	CRJ	1.2.2	CPJ
ITEM	AMOUNT	ITEM	AMOUNT

1.2.3 BANK RECONCILIATION STATEMENT ON 30 SEPTEMBER 2017

10

1.3 Debtors Reconciliation

- 1.3.1 Explain why the Debtors Control account balance and the Debtors List total should be the same.

2

1.3.2 Correct the Debtors' List

DEBTOR	WORKINGS	BALANCE
A. Santos	12 560	
B. Deepak	9 840	
C. Mellissa	7 660	
D. Rossie	11 400	

10

- 1.3.3 • Explain *30 days credit terms*

2

- What should the credit manager do to ensure that only reliable persons are allowed to buy goods on credit? Provide **TWO** points.

4

Q1

45

QUESTION 2: PARTNERSHIPS – FINANCIAL STATEMENTS**2.1 PB STORES****INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2017**

Sales	
Cost of sales	
Gross profit	
Other income	
Commission income	58 545
Gross income	
Operating expenses	
Salaries and wages	45 000
Operating profit	
Profit before interest expense	
Net profit for the year	311 135

33

2.2.1 CAPITAL NOTE

	PINKY	BRIAN	TOTAL	
Opening balance				
Closing balance				8

2.2.2 CURRENT ACCOUNT NOTE

	PINKY	BRIAN	TOTAL	
Salaries				
Interest on capital				
Bonus				
Closing balance				28

2.3.1 Provide TWO reasons to justify why he feels this way. In each case provide relevant figures to support your comments.

4

2.3.2 Give ONE suggestion that the partnership can use to address the concern expressed by Pinky.

2

Q2	75	
----	----	--

QUESTION 3: PARTNERSHIPS – FINANCIAL STATEMENTS AND INTERPRETATION

3.1 Matching

3.1.1		
3.1.2		
3.1.3		
3.1.4		

4

3.2 MP TRADERS

3.2.1 Calculate the following:

WORKINGS	ANSWER
<ul style="list-style-type: none"> Percentage mark-up on cost 	
	4
<ul style="list-style-type: none"> Operating expenses on sales 	
	3
<ul style="list-style-type: none"> Total earnings of Monty 	
	4
<ul style="list-style-type: none"> The percentage return earned by Python 	
	5
<ul style="list-style-type: none"> The debt/equity ratio for 2017 	
	3

- 3.2.2 Comment on the liquidity of the business. Quote and explain TWO financial indicators (with figures) in your answer.

4

- 3.2.3 Were the partners justified in increasing the loan? Explain. Quote TWO financial indicators, and figures, in your explanation.

4

- 3.2.4 Monty is not happy with his return on investment. Explain why you think he feels this way. Quote figures.

4

Q3	35	
----	----	--

QUESTION 4: BUDGETING AND CLUBS

- 4.1.1 State **ONE** difference between a Cash Budget and a Projected Income Statement.

2

- 4.1.2 List **TWO** items that would not appear in a Cash Budget.

2

- 4.1.3 Explain why it is necessary to compare the actual amounts received or paid against the budgeted figures.

2

4.2 Thabo's Gymnasium

4.2.1 Debtors' Collection Schedule

MONTHS	CREDIT SALES	NOVEMBER	DECEMBER
October	28 500	10 830	
November	30 000		
December			
Cash from Debtors			

10

4.2.2 Cash Budget for the budget period ended 31 December 2017

RECEIPTS	NOVEMBER	DECEMBER
Cash sales	70 000	
Cash from debtors		
Fee income (gym members)	33 600	
Rent income		10 638
Loan: Thabo Snr	80 000	0
TOTAL RECEIPTS		196 038
PAYMENTS		
Payment to creditors (for stock)		
Salaries and wages	24 000	25 800
Personal trainers (fees)	21 400	
Cleaning detergents	4 500	4 500
Telephone	5 000	5 000
Maintenance of equipment	13 000	16 280
Purchase of new equipment		0
Loan instalment (including interest)	0	
Sundry expenses		18 375
TOTAL PAYMENTS		
SURPLUS/DEFICIT		
OPENING BALANCE IN BANK	(6 930)	
CLOSING BALANCE IN BANK		

28

4.2.3 Calculate the percentage increase in salaries and wages.

Explain why you think that the workers should/should not be satisfied with this increase.

3

2

4.2.4

REASON FOR CONCERN	ADVICE
Fee income:	
Telephone:	
Maintenance: training equipment	

6

4.3 SPORTS CLUBS

GENERAL LEDGER OF MBIZANA SOCIAL CLUB MEMBERSHIP FEES ACCOUNT

15

Q4	70	
----	----	--

5.1 Matching

5.1.1	
5.1.2	
5.1.3	
5.1.4	

	R

16

[illegible][illegible]

5.3 **SaSa Furnishers**

5.3.1 Provide **ONE** difference between a fixed cost and a variable cost.

2

5.3.2 Calculate the number of plastic bar-stools that the business needed to produce to breakeven.

5

5.3.3 • Comment on the break-even point calculated in **QUESTION 5.3.2** and the level of production achieved.

3

• What advice would you offer **SaSa** for the future? Provide **ONE** point.

2

Q5

45

QUESTION 6: FIXED ASSETS AND PROBLEM SOLVING

6.1.1

GENERAL LEDGER OF PITT TRADERS

ASSET DISPOSAL ACCOUNT

9

6.1.2 Calculate the following:

WORKINGS	ANSWER
(i) Additional land and buildings	
(ii) Accumulated depreciation on vehicles	
(iii) Additional vehicles	
(iv) Total depreciation on vehicles	

2

2

2

6

6.2

6.2.1 IDENTIFY ONE PROBLEM QUOTE FIGURES	6.2.2 PROVIDE A VALID SOLUTION
TAXI 1:	
TAXI 2:	
TAXI 3:	

9

Q6	30	
----	----	--

TOTAL: 300

QP: C

QUESTION 1: RECONCILIATIONS

(40 marks; 25 minutes)

- 1.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the numbers (1.1.1–1.1.4) in the ANSWER BOOK.
- 1.1.1 An internal auditor will want to inspect the Bank Reconciliation Statement at the end of each month.
- 1.1.2 A debit balance on the bank statement reflects an unfavourable balance.
- 1.1.3 Service fees, cash deposit fees and interest on overdraft are recorded as bank charges in the Cash Payments Journal.
- 1.1.4 A post-dated cheque issued will only be recorded in the Cash Payments Journal on the date reflected on the cheque. (4 x 1) (4)

1.2 BANK RECONCILIATION – WINKLE TRADERS

Information from the records for October 2018 is presented.

REQUIRED:

- 1.2.1 Show the entries that must be recorded in the cash journals by completing the table provided in the answer book. (10)
- 1.2.2 Prepare the Bank Reconciliation Statement on 31 October 2018. (10)
- 1.2.3 It is evident that the business does not exercise effective internal controls over the cash resources.
- Identify TWO problems from the information provided.
 - In each case, provide a solution for the problem identified. (6)

INFORMATION:

A. Items from the Bank Reconciliation Statement on 30 September 2018.

Balance on the Bank Statement	R 10 400 Cr
Outstanding deposits: Dated 10 September 2018	18 500
Dated 27 September 2018	15 300
Outstanding cheques: No. 883 (12 March 2018)	4 000
No. 1139 (22 September 2018)	11 400
No. 1265 (15 October 2018)	9 700
Balance as per Bank Account	19 100

- Cheque 883 was issued to Dimbaza Tennis Club for the owner's membership fees. The club no longer exist.
- Cheque 1139 appeared on the October 2018 bank statement.

- B.** A comparison of the records revealed the following differences:
- The outstanding deposit of R18 500 appeared on the bank statement.
 - The deposit of R15 300 did not appear on the bank statement. The cashier in charge of all cash transactions, Sue Drowzy, stated that she used some of the money to pay her child's school fees. She promised to deposit the entire amount on 1 November 2018.
 - Bank charges of R1 120 appeared on the bank statement only.
 - The bank statement reflected a dishonoured cheque for R6 250 originally received from debtor, M. Mo, to settle her account of R6 500.
 - Interest of R450 was credited on the bank statement.
 - Cheque No. 1322 issued to creditor, Bee Dealers, appeared correctly on the bank statement as R6 780. It appeared in the journal as R7 860.
 - A debit order of R530 for the monthly insurance appeared twice on the bank statement. The bank promised to rectify this next month.
 - The October 2018 CRJ also showed two outstanding deposits:
R13 220 on 17 October 2018,
R10 400 on 29 October 2018.
 - The following cheques from the CPJ were still outstanding:
No. 1460, for R4 280 (dated 27 October 2018),
No. 1496, for R5 730 (dated 23 November 2018).
 - The bank statement closed off with an unfavourable balance of R12 190.

1.3 CREDITORS RECONCILIATION

Umph Suppliers is a creditor of Power Traders. The August 2018 statement from Umph Suppliers reflected a closing balance of **R21 500**. The records of Power Traders reflected an outstanding balance of **R20 000**.

REQUIRED:

Complete the table provided to show the effect of each error/omission. Indicate whether each amount is a + or – and total each column. (10)

ERRORS AND OMISSIONS NOTED:

- A.** An invoice for R4 450 was incorrectly reflected as R5 450 on the statement.
- B.** Power Traders recorded a 5% discount with the payment of R4 600. Umph Suppliers did not grant this discount, stating that the cheque was late.
- C.** An allowance of R520 for damaged goods was recorded as an invoice in the creditor's ledger account of Umph Suppliers in the books of Power Traders.
- D.** Power Traders reflected a credit invoice of R4 190 in the creditor's ledger account of Umph Suppliers. This was for goods purchased from Umteen Wholesalers.
- E.** A payment of R5 500 made on 28 August 2018 did not appear on the statement. The statement was received on 26 August 2018.

QUESTION 2: INCOME STATEMENT**(50 marks; 30 minutes)**

The information relates to Vuzi Traders for the financial year ended 28 February 2018.
Goods are sold at a profit mark-up of 70% on cost.

REQUIRED:

Prepare the Income Statement for the year ended 28 February 2018.

(50)**INFORMATION:****A. PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2018:**

Loan: Liesel Bank		179 500
Fixed deposit: PJ Bank	240 000	
Trading stock	58 680	
Debtors control	48 775	
Provision for bad debts (1 March 2017)		3 070
Sales		2 362 575
Cost of Sales	1 389 750	
Salaries and wages	285 200	
Bad debts	8 770	
Water and electricity	27 360	
Bad debts recovered		2 180
Telephone	15 675	
Packing material	38 550	
Insurance	23 720	
Advertising	19 660	
Rent income		30 750
Sundry expenses	32 340	

B. ADDITIONAL INFORMATION AND ADJUSTMENTS:

- (i) Credit sales of R17 425 on 28 February 2018 has not been recorded.
- (ii) Trading stock on hand as per physical stock-take amounted to R49 540.
- (iii) Packing material used during the financial year totalled R27 300.
- (iv) No entry was made for R1 470 received from the insolvent estate of a debtor. This represented 35% of the outstanding debt.
- (v) Received R820 from debtor J. Black. His account was previously written off.
- (vi) Adjust the provision for bad debts to 4% of the debtors' balance.
- (vii) Provide for the outstanding interest on fixed deposit. Note that the fixed deposit was invested on 1 May 2017 at 8% p.a. interest.
- (viii) The telephone account for February 2018 was not yet paid, R1 245.
- (ix) Insurance of R280 per month was paid for three months in advance.
- (x) Advertising includes R3 480 for a six-month contract from 1 November 2017.
- (xi) Rent income includes the rent up to 31 May 2018. The storeroom was only rented out from 1 January 2018.
- (xii) The loan statement from Liesel Bank reflected that R210 500 was still due. Interest on the loan is capitalised.

50

QUESTION 3: PARTNERSHIPS**(60 marks; 35 minutes)**

The information relates to TX Traders (with partners Thandi and Xola) for the financial year ended 28 February 2018.

REQUIRED:

- 3.1 Complete the Current Account note by filling in the missing amounts. (25)
- 3.2 Calculate the following financial indicators for the year ended 28 February 2018:
- 3.2.1 Current ratio (3)
- 3.2.2 Average debtors' collection period (6)
- 3.2.3 Partner Xola's return on equity (7)
- 3.2.4 Debt/equity ratio (4)
- 3.3 Comment on the liquidity of the business. Quote TWO financial indicators (with figures) to support your comment. (6)
- 3.4 Partner Xola suggested that the partnership increase the loan by R200 000 to finance the extensions to the buildings. Thandi disagrees stating that she is concerned about the unlimited liability principle.
- 3.4.1 Explain Thandi's concern about the 'unlimited liability' principle. (3)
- 3.4.2 Provide TWO points to support Xola's suggestion. Quote ONE financial indicator (with figures) in your motivation. (6)

INFORMATION:**A. Information extracted from the financial statements:**

	28 February 2018	1 March 2017
Capital: Thandi	800 000	800 000
Capital: Xola	1 000 000	900 000
Current Account: Thandi	?	22 320 Cr
Current Account: Xola	?	17 670 Dr
Drawings: Thandi	148 800	
Drawings: Xola	127 100	
Loan: Swazi Bank	800 000	800 000
Total Current Assets	407 340	
Debtors Control	167 300	219 200
Total Current Liabilities	226 300	
Sales	2 136 000	
Net profit for the year	471 250	

B. The partnership agreement makes provision for the following:

- Salaries:
Thandi is entitled to a monthly salary allowance of R12 400.
Xola receives 2,5% more than Thandi's allowance.
- Interest on Capital is provided for at 8% p.a. on capital balances.
Xola has increased her capital on 1 December 2017.
- Thandi is entitled to a production bonus of 0,5% of turnover (sales).
- Profits/Losses are shared in the ratio of capital balances.
The change in capital was not considered for the current financial year.

C. Credit sales accounts for 75% of total sales.

D. The following financial indicators were calculated on 28 February:

	2018	2017
Current ratio	?	2,2 : 1
Acid test ratio	0,8 : 1	1,2 : 1
Average debtors' collection period	?	40 days
Debt/equity ratio	?	0,5 : 1

60

QUESTION 4: COST ACCOUNTING**(50 marks; 30 minutes)****4.1 STRUMPHER MANUFACTURERS**

Strumpher Manufacturers produces rugby balls which are supplied to local schools and retailers in the Despatch area. The financial year ends on 28/29 February each year.

REQUIRED:

4.1.1 Calculate the following for the financial year:

- Direct material cost (7)
- Direct labour cost (5)

4.1.2 Record the following transactions in the General Ledger:

- Work-in-progress stock (10)
- Finished goods stock (6)

4.1.3 The owner is concerned about the control of workers in production. Provide TWO points that justify his concern. Quote relevant figures. (6)

INFORMATION:**A. Stock balance:**

	28 FEBRUARY 2018 R	1 MARCH 2017 R
Raw material	38 700	23 400
Work-in-progress	60 000	45 300
Finished goods	22 000	27 000

B. Transactions for the year:

- (i) Raw material for R342 600 was purchased on credit.
- (ii) Damaged raw material worth R15 700 was sent back to creditors.
- (iii) Cash purchases of raw material amounted to R155 000.
- (iv) Delivery cost on cash purchases of raw material, R19 400.
- (v) Total factory overheads for the year amounted to R273 340.

C. Details of workers in production:

Number of workers	4
Normal hours worked (basic)	1 440 hours per worker
Normal time as per contract	40 hours per week; 45 weeks per year
Normal time rate	R35 per hour
Total overtime hours worked	640 hours
Overtime paid	R33 600

The business contributes 1% to the UIF and 9% to the pension fund on behalf of all employees.

4.2 JOLENE AND JUANE DOLLS

The partnership manufactures dolls. The financial year ended on 30 April 2018. The mark-up percentage on cost is 50%.

REQUIRED:

4.2.1 Calculate the break-even point and comment on your findings. (10)

4.2.2 Did the business achieve the targeted gross profit on sales? Provide a calculation to support your opinion. (6)

INFORMATION:

A. Details of the cost accounts:

		UNIT COST	TOTAL AMOUNT
Direct material	Variable cost	?	R71 400
Direct labour	Variable cost	R23	?
Administration	Fixed cost	R12	R30 600
Selling and distribution	Variable cost	R14	R35 700
Factory overheads	Fixed cost	R18	R45 900

B. 2 550 dolls were made and sold during the financial year.

C. Total sales amounted to R242 250.

50

QUESTION 5: BUDGETING

(45 marks; 25 minutes)

KULFI TRADERS

Information from the records is for the budget period ended 31 December 2018.

REQUIRED:

5.1 Calculate the percentage of goods sold on credit during December 2018. (4)

5.2 Complete the Debtors Collection Schedule for December 2018. (8)

5.3 Prepare the Cash Budget for December 2018. (23)

5.4 Refer to the actual figures for October 2018 (Information K).

- Identify ONE item that was well controlled and ONE item that was not well controlled. In each case, provide a reason for your choice. (6)
- Provide the owner with different internal control measures he can use to exercise better control over any TWO items on this list. (4)

INFORMATION:

- A. Total sales figures for the budget period ended 31 December 2018:**
Goods are sold at a profit mark-up of 50% on cost.

MONTH	ACTUAL		BUDGETED	
	CASH	CREDIT	CASH	CREDIT
October	38 400	57 600		
November	43 200	64 800		
December			48 000	72 000

- B. Credit sales are collected according to the following trend:**
- 40% in the month of sale (these debtors receive a 5% discount).
 - 40% in the month following the month of sale
 - 18% two months after the sales month
 - 2% is written off as bad debts.
- C. Purchases of stock:**
- Stock sold is replaced in the month of sale (a base stock is maintained).
 - All purchases of trading stock are made on credit.
 - Creditors are paid in the month following the month of purchase.
- D. The three shop assistants each earn R10 100 per month. During December 2018, two of the three shop assistants will also receive their annual bonuses of 80% of their monthly salary.**
- E. Total rent income for the previous financial year was R139 680. The rent is expected to increase by 5% on the 1 December 2018.**
- F. The owner agreed to monthly drawings of R2 600. This comprises R1 800 cash and the balance in trading stock.**
- G. Interest on fixed deposit amounts to R9 600 per year. This is received in three equal instalments on 30 September 2018, 31 December 2018 and 31 March 2019.**
- H. Operating expenses amount to R18 000 per month and is paid by cheque.**
- I. Bank charges averages R1 620 per month.**
- J. The bank balance on 30 November 2018 was R98 330 (favourable).**
- K. Actual and budgeted figures for October 2018:**

	BUDGETED	ACTUAL
Drawings	R1 800	R1 500
Repairs and maintenance	R5 000	R1 200
Advertising	R3 600	R3 650
Rent Income	R11 640	R5 000

QUESTION 6: CLUBS AND FIXED ASSETS**(55 marks; 35 minutes)****6.1 SPORTS CLUBS**

The membership records of Mount Coke Hiking Club for the financial year ended 31 December 2017 is presented.

REQUIRED:

- 6.1.1 Prepare the Membership Fees account in the General Ledger. Show the workings for part marks. (20)
- 6.1.2 New members are not satisfied with the fee structure for new members.
- Explain why they feel this way. Provide ONE point. (2)
 - Provide a solution to solve this problem. (2)

INFORMATION:**A. Extract from the post-closing trial balance on 31 December 2016.**

	DEBITS	CREDITS
Accrued income: membership fees	5 400	
Income received in advance: membership fees		1 500

B. Extract from the cash journals for the year ended 31 December 2017.

Membership fees collected:	61 500
• 2016 membership fees received	3 600
• 2017 membership fees received	55 200
• Membership fees received for 2018	2 700
Membership fee refunds	450

C. Details of Membership fees:

- Membership fees amount to R300 per member per year.
- New members joining before June pay the full amount. Those joining after June pay half the membership fees.
- On 31 December 2016, there were 210 members registered.
- The outstanding 2016 fees must be written off. Defaulting members must be expelled, effective from 1 January 2017.
- On 6 April 2017, 14 new members joined the club. They paid their entrance fees and membership fees in full.
- On 30 September 2017, 8 new members joined the club. They also met their financial obligations.
- The secretary requested that part of his honorarium of R500 be retained by the club to cover his membership fees. This was granted.
- Three members who paid their fees in full resigned on July 2017. The Committee decided to give each member a refund of half the fees.
- Some members did not pay their fees for 2017.

6.2 FIXED ASSET MANAGEMENT

The information presented, appeared in the books of Shirley's Delivery Services. The business is owned by Shirley May. She provides a delivery service for local furniture businesses. The financial year ended on 28 February 2018.

REQUIRED:

- 6.2.1 Calculate the total depreciation on vehicles and on equipment. (9)
- 6.2.2 Complete the Fixed Asset note by filling in the missing amounts. Some amounts are included on the note. (9)
- 6.2.3 Shirley suspects that some of the drivers are using the vehicles for their private purposes.
- Provide TWO points to justify her concern. Quote figures. (6)
 - Give Shirley TWO points of advice on how she can exercise better control over the use of the vehicles. (4)
- 6.2.4 The six drivers are dissatisfied with their salary increase and are planning a strike. Are they justified? Explain. (3)

INFORMATION:

- A. On 1 March 2017, the business owned six delivery vehicles.
On 1 June 2017, the business purchased an additional delivery vehicle.
- B On 28 February 2018, old equipment was donated to a local school.
- C. Vehicles are depreciated at 20% p.a. on cost and equipment is depreciated at 15% p.a. on carrying value.
- D. Additional information relating to fixed assets:

	28 February 2018	1 March 2017
Delivery vehicles (cost)	1 090 000	924 000
Accumulated depreciation on vehicles	?	554 400
Equipment (cost)	335 000	380 000
Accumulated depreciation on equipment	165 340	167 000
Repairs and maintenance on vehicles	45 220	32 300
Petrol and oil	114 100	65 200
Salaries to drivers	408 240	388 800
Sales	932 400	740 000

55

TOTAL: 300

AB: C

QUESTION 1: RECONCILIATIONS

1.1

1.1.1	
1.1.2	
1.1.3	
1.1.4	

4

1.2.1

CASH RECEIPTS JOURNAL		CASH PAYMENTS JOURNAL	
SUNDRY ACCOUNT	AMOUNT	SUNDRY ACCOUNT	AMOUNT

10

1.2.2

BANK RECONCILIATION STATEMENT ON 31 OCTOBER 2018		
	DEBIT	CREDIT

10

1.2.3

PROBLEM IDENTIFIED	SOLUTION

6

1.3 CREDITORS RECONCILIATION

Creditors Ledger Account	Statement
20 000	21 500
A	
B	
C	
D	
E	

10

QUESTION 2: INCOME STATEMENT

VUZI TRADERS

Income Statement for the year ended 28 February 2018

Sales	
Cost of Sales	
GROSS PROFIT	
Other income	
Gross income	
Operating expenses	
Operating profit	
Profit before interest expense	
Net profit for the year	

QUESTION 3: PARTNERSHIPS

3.1 CURRENT ACCOUNT NOTE

	THANDI	XOLA	TOTAL
Salaries			
Interest on capital			
Bonus			
Net profit for the year			471 250
Drawings	(148 800)	(127 100)	(275 900)
Balance (1 March 2017)			
Balance (28 February 2018)			

25

3.2 Calculate the following financial indicators:

3.2.1 CURRENT RATIO

3

3.2.2 AVERAGE DEBTORS COLLECTION PERIOD

6

3.2.3 PARTNER XOLA'S RETURN ON EQUITY

7

3.2.4

DEBT/EQUITY RATIO

4

3.3

Comment on the liquidity of the business. Quote TWO financial indicators (with figures) to support your comment.

6

3.4.1

Explain Thandi's concern about the 'unlimited liability' principle.

3

3.4.2

Provide TWO points to support Xola's suggestion. Quote ONE financial indicator (with figures) in your motivation.

6

QUESTION 4: COST ACCOUNTING

4.1.1 Calculate: Direct material cost

--	--

7

Calculate: Direct labour cost

--	--

5

4.1.2

GENERAL LEDGER OF STRUMPHER MANUFACTURERS WORK-IN-PROGRESS STOCK

10

FINISHED GOODS STOCK

6

- 4.1.3 The owner is concerned about the control of workers in production. Provide **TWO** points that justify his concern. Quote relevant figures.

Point 1:	Figures
Point 2:	Figures

6

4.2 JOLENE AND JUANE DOLLS

- 4.2.1 Calculate the break-even point.

--

7

Comment on the findings.

--

3

- 4.2.2 Did the business achieve the targeted gross profit on sales? Provide a calculation to support your opinion.

--

6

QUESTION 5: BUDGETING

- 5.1 Calculate the percentage of goods sold on credit during December 2018.

4

- 5.2 Complete the Debtors Collection Schedule for December 2018.

MONTH	CREDIT SALES	NOVEMBER	DECEMBER
October	57 600	23 040	
November	64 800	24 624	
December	72 000		
CASH FROM DEBTORS			

8

- 5.3 CASH BUDGET FOR DECEMBER 2018

RECEIPTS	DECEMBER 2018
Cash Sales	
TOTAL RECEIPTS	
PAYMENTS	
Advertising	3 600
Repairs and maintenance	5 000
TOTAL PAYMENTS	
SURPLUS/(SHORTFALL)	
Bank (Opening Balance)	
BANK (CLOSING BALANCE)	

23

5.4

ITEM	REASON
Well controlled:	
Not well controlled:	

Provide the owner with different internal control measures he can use to exercise better control over any **TWO** items on this list.

6

4

QUESTION 6: CLUBS AND FIXED ASSETS

**6.1.1 GENERAL LEDGER OF MOUNT COKE HIKING CLUB
 MEMBERSHIP FEES ACCOUNT**

20

6.1.2 Explain why they feel this way. Provide **ONE** point.

2

Provide a solution to solve this problem. **ONE** point

2

6.2.1 Calculate: Total depreciation on vehicles

6

Calculate: Total depreciation on equipment

3

6.2.2 **FIXED ASSETS NOTE**

	VEHICLES	EQUIPMENT	
CARRYING VALUE (1 March 2017)		213 000	
Cost	924 000	380 000	
Accumulated depreciation	(554 400)	(167 000)	
<i>Movements:</i>			
Additions		0	
Disposals	0		
Depreciation			
CARRYING VALUE (28 February 2018)			
Cost	1 090 000	335 000	
Accumulated depreciation		(165 340)	9

6.2.3 Provide **TWO** points to justify her concern. Quote figures.

	6
Give Shirley TWO points of advice on how she can exercise better control over the use of the vehicles.	4

6.2.4 The six drivers are dissatisfied with their salary increase and are planning a strike. Are they justified? Explain.

	3
--	---

TOTAL: 300

QP: D

QUESTION 1: ANALYSIS OF TRANSACTIONS AND FIXED ASSETS

(30 marks; 20 minutes)

1.1 ANALYSIS OF TRANSACTIONS

Analyse the following transactions by completing the table provided in the ANSWER BOOK. Refer to the example below. The perpetual stock system is used. The bank is in overdraft (negative balance) at all times. (12)

EXAMPLE: Pay the cleaner from the petty cash, R200.

General Ledger		Assets	Owners' equity	Liabilities
Account debited	Account credited			
Wages	Petty cash	-200	-200	0

TRANSACTIONS:

- 1.1.1 Bought trading stock from Sarah Baartman Suppliers for R25 000 and paid by cheque.
- 1.1.2 Issued a debit note to CNA Stationers for stationery returned, R500.
- 1.1.3 A debtor returned goods for R1 400 (cost price, R700). These goods were totally damaged.
- 1.1.4 A second hand cash register was accepted from W. Fray as payment for his debt. His debt of R3 500 was written off the previous year.

1.2 FIXED ASSETS

The information relates to Vens General Dealers for the financial year ended on 28 February 2019.

REQUIRED:

- 1.2.1 Calculate the missing figures denoted by (i) to (iii). (13)
- 1.2.2 The equipment was sold at a loss while the market value was R35 000. Provide TWO possible reasons for the loss and suggest ONE control measure to prevent this from happening again. (5)

INFORMATION:

A. Extract: Fixed Assets Note:

	VEHICLES	EQUIPMENT
Carrying value (1/03/2018)	143 000	222 720
Cost	(i)	435 000
Accumulated depreciation	(117 000)	(212 280)
Movements:		
Additions	140 000	
Disposals		(iii)
Depreciation	(ii)	
Carrying value (28/02/2019)		
Cost	400 000	342 000
Accumulated depreciation		

- B.** On 1 December 2018, old equipment was sold on credit for R25 000. The accumulated depreciation on the equipment sold was R54 800 on 1 March 2018.
- C.** A new vehicle was bought on 1 September 2018. Depreciation for the six months amounted to R14 000.
- D.** Depreciation on equipment is calculated at 20% p.a. on carrying value.
- E.** Depreciation on vehicles is calculated on the straight-line method.
NOTE: The old vehicle was bought on 1 March 2015.

QUESTION 2: INCOME STATEMENT AND BALANCE SHEET NOTE**(50 marks; 40 minutes)****TYALI TRADERS**

The following information relates to the financial year ended on 30 June 2019.

REQUIRED:

- 2.1 Complete the Income statement. (41)
- 2.2 Prepare the Trade and other receivables note. (9)

INFORMATION:**A. Extract from Pre-adjustment TRIAL balance on 30 June 2019**

BALANCE ACCOUNT SECTION	
Vehicles	680 000
Accumulated depreciation on vehicles	150 000
Fixed deposit (at 9% p.a. at Nedbank)	160 000
Trading stock	302 500
Debtors control	68 880
Provision for bad debts	2 010
Loan: Mtolo Bank	375 000
NOMINAL ACCOUNT SECTION	
Sales (including 75% mark-up)	1 737 750
Cost of sales	?
Rent income	81 792
Commission income	20 076
Discount received	6 850
Interest on fixed deposit	8 500
Salaries and wages	138 500
Consumable stores	11 900
Insurance	19 300
Sundry expense	?
Bad debts	4 120

B. Additional information and adjustments:

- (a) Goods returned by a debtor B. Jonson, R3 500 (cost price of R2 000), were placed back to the shelves. The transaction was not recorded.
- (b) Stocktaking revealed that stock, cost price R3 600, were missing and consumable stores on hand amounted to R2 900.

- (c) The bookkeeper omitted a discount of R150 from Julia Traders, a creditor. This was for early payment of the account.
- (d) Outstanding debts of R2 880 must be written off.
- (e) Provision for bad debts must be adjusted to 5% of debtors.
- (f) Insurance of R9 300 was fully recorded. The amount was paid for the period of 1 May 2019 up to 31 October 2019.
- (g) Rent income was increased by 6% on 1 December 2018. The rent for June 2019 is still outstanding.
- (h) The bookkeeper recorded R60 000 as additional fixed deposit on 1 February 2019.
- (i) Operating expenses amounted to 24% of the adjusted sales for the year.
- (j) The loan statement is as follows:

Balance on 01 July 2018	375 000
Repayment of loan (including interest)	161 250
Balance on 30 June 2019	257 250

- (k) Depreciation for the year amounted to R71 680.

QUESTION 3: PARTNERSHIPS**(40 marks; 30 minutes)****3.1 CONCEPTS**

Choose the correct term from the list to complete each of the following statements. Write only the term next to the question number (3.1.1–3.1.4) in the ANSWER BOOK.

current liabilities; income received in advance; balance sheet;
cash and cash equivalents; income statement; prepaid expense

- 3.1.1 The statement reflecting the financial results of the company is called a(n) ...
- 3.1.2 The amount of rent paid by the tenant for the next financial year will be recorded as ...
- 3.1.3 The statement reflecting the financial position of the company is called a/an ...
- 3.1.4 A fixed deposit that matures in the next financial year will be recorded under ... in the financial statements.
- (4 x 1) (4)

3.2 SS BROTHERS

S. Ntubeni and S. Kolisi are partners in this business. The financial year ended on 30 September 2019.

REQUIRED:

- 3.2.1 Complete the Current Account note for the financial year ended. (19)
- 3.2.2 Complete the Equity and Liabilities section of the Balance sheet on 30 September 2019. (17)

INFORMATION:**A. Extract from accounting records on 30 September 2019:**

Capital: Ntubeni	350 000
Capital: Kolisi	450 000
Current account: Ntubeni (1 October 2018)	(Dr) 30 000
Current account: Kolisi (1 October 2018)	(Cr) 10 500
Trading stock	132 600
Loan: BANI Bank	?
Fixed deposit: Easy Bank	180 000
Creditors control	60 500
Accrued expenses	8 000
Accrued income	15 000
Prepaid expenses	22 000
Income received in advance	7 500
Cash float	4 500
Bank	(Cr) 35 500
Petty cash	1 000
Drawings: Ntubeni	345 000
Drawings: Kolisi	375 000
Profit and loss (Net profit)	750 000

- B. On 31 March 2019 Kolisi increased his capital contribution with R50 000. This was entered in the books.
- C. The partnership agreement states the following:
- Interest on capital of 12 % p.a.
 - Kolisi received an annual salary of R240 000.
 - Ntubeni received a salary of R5 000 per month more than Kolisi due to extra management responsibilities.
 - Kolisi received a bonus of 10% of his annual salary.
 - Remaining profits are shared equally between the partners.
- D. R50 000 will be paid on the capital amount of the loan in the next financial year.
- E. Total assets for the year amounted to R1 170 000.

QUESTION 4: ANALYSIS AND INTERPRETATION**(30 marks; 30 minutes)****4.1 CONCEPTS**

Indicate whether the following statements are True or False. Write only 'True' or 'False' next to the question number (4.1.1–4.1.4.) in the ANSWER BOOK.

4.1.1 Solvency is the ability of the business to settle current liabilities.

4.1.2 Profitability is the effective management of expenses.

4.1.3 Creditors payment period is the period between 60–90 days that creditors should be paid.

4.1.4 Stock holding period is the amount of times stock is replaced.

(4 x 1) (4)

4.2 MK TRADERS

This business is owned by partners Mike and Koline. The financial year ends on 30 September each year.

REQUIRED:

4.2.1 Percentage return earned by Mike:

- Calculate the average percentage return earned by Mike. (6)
- Comment on the return earned by Mike. Quote figures. (2)

4.2.2 Comment on TWO liquidity indicators which improved. Quote figures. (6)

4.2.3 The partners planned minor extensions to the building to the value of R80 000. Partner Koline suggested an additional loan to be taken out for the extensions.

Why do you think Koline made this suggestion? Quote a financial indicator with figures to support your answer. (3)

INFORMATION:

A. Details of Partners Capital on 30 September 2019:

	MIKE	KOLINE	TOTAL
Balance at the beginning of the year	600 000	640 000	1 240 000
Additional capital contributed	100 00	-	100 000
Decrease in capital	-	(40 000)	(40 000)
Balance at the end of the year	700 000	600 000	1 300 000

B. Extract from the Partners Current Account on 30 September 2019:

	MIKE	KOLINE	TOTAL
Balance at the beginning of the year	21 152	(2 094)	19 058
Primary distribution	263 000	260 000	523 000
Final distribution	27 000	18 000	45 000
Drawings for the year	(288 400)	(277 380)	(565 780)
Undrawn profit for the year	1 600	620	2 220
Balance at the end	22 752	(1 474)	21 278

C. Financial Indicators on 30 September:

	2019	2018
Current ratio	1,8 : 1	1,4 : 1
Acid test ratio	0,5 : 1	0,6 : 1
Stock holding period	68 days	165 days
Average Debtors collection period	35,2 days	41,2 days
Average Creditors payment period	36,2 days	39 days
Debt/equity ratio	0,2 : 1	0,3 : 1
Return on earnings: Mike	?	
Return on earnings: Koline	45%	

4.3 JOHN'S APPLIANCES

John's Appliances sells (amongst other items) electric fans and electric heaters.

You are provided with information for the first three months of the financial year ended 28 February 2019.

REQUIRED:

4.3.1 Refer to the electric fans:

Identify TWO negative effects of the increase in the mark-up percentage. Quote the relevant figures. (4)

4.3.2 Refer to the electrical heaters:

The original supplier has left the country. John was forced to change to another supplier. In order to maintain the selling price, he had to decrease the mark-up %, and accepted that the gross profit would decrease in the short term.

- Identify ONE consequence (problem) resulting from the change in supplier. Quote figures. Provide a possible reason for the problem you identified. (3)

- Provide ONE suggestion (besides those mentioned above) that John can use to increase sales in general. (2)

INFORMATION:

	ELECTRIC FANS		ELECTRIC HEATERS	
	2019	2018	2019	2018
Units sold	320	400	600	500
Returns by customers	0	5	80	10
Selling price	R 1 530	R 1 280	R 420	R 420
Cost price	R 850	R 800	R 300	R 280
Mark-up %	80%	60%	140%	150%
TOTAL SALES	R 489 600	R 505 600	R 218 400	R 205 800
Gross profit	R 217 600	R 189 600	R 62 400	R 68 600
Stock on hand	55	50	200	120
Stock turnover rate	5,8	7,9	2,6	4,1

30

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		
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365}{1}$	
$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365}{1} \text{ or } \frac{12}{1}$	$\frac{\text{Cost of sales}}{\text{Average inventories}}$	
Non-current liabilities : Owners' equity	Total assets : Total liabilities	

AB: D

QUESTION 1: ANALYSIS OF TRANSACTIONS AND FIXED ASSETS

1.1 ANALYSIS OF TRANSACTIONS

	General Ledger		Assets	Owners' equity	Liabilities
	Account debited	Account credited			
1.1.1	Trading stock	Bank			
1.1.2			0	+500	-500
1.1.3					
1.1.4					

12

1.2 FIXED ASSETS

1.2.1 Calculate the missing figures denoted by (i) to (iii).

	WORKINGS	ANSWER
(i)		
(ii)		
(iii)		

2

4

7

1.2.2 The equipment was sold at a loss while the market value was R35 000. Provide TWO possible reasons for the loss and suggest ONE control measure to prevent this happening again.

Possible reasons:

Suggestion:

5

TOTAL MARKS

30

QUESTION 2: INCOME STATEMENT AND BALANCE SHEET NOTE**2.1 TYALI TRADERS****INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2019**

Cost of sales	
Gross profit	
Other operating income	
Gross operating income	
Operating expense	
Depreciation	71 680
Operating profit	
Profit before interest expense	
Net profit for the year	

41

2.2 **TRADE AND OTHER RECEIVABLES**

9

TOTAL MARKS
50

QUESTION 3: PARTNERSHIPS

3.1 CONCEPTS

3.1.1	
3.1.2	
3.1.3	
3.1.4	

4

3.2.1 CURRENT ACCOUNTS NOTE OF PARTNERS

	NTUBENI	KOLISI
Partners' salaries		
Interest on capital	42 000	
Partners' bonuses		
Drawings	(345 000)	(375 000)
Balance at the beginning	(30 000)	10 500
Balance at the end		

19

3.2.2 BALANCE SHEET ON 30 SEPTEMBER 2019

EQUITY AND LIABILITIES		
Owners' equity		
Non-current liabilities		
Current liabilities		
TOTAL EQUITY AND LIABILITIES		

17

TOTAL MARKS
40

QUESTION 4: ANALYSIS AND INTERPRETATION

4.1 CONCEPTS

True or False

4.1.1	
4.1.2	
4.1.3	
4.1.4	

4

4.2 MK TRADERS

4.2.1 Percentage return earned by Mike.

Calculate the average percentage return earned by Mike.

6

Comment on the return earned by Mike. Quote figures.

2

4.2.2 Comment on **TWO** liquidity indicators which improved. Quote figures.

6

4.2.3 The partners planned minor extensions to the building to the value of R80 000. Partner Koline suggested an additional loan to be taken out for the extensions.

Why do you think Koline made this suggestion? Quote a financial indicator with figures to support your answer.

3

4.3 JOHN'S APPLIANCES

- 4.3.1 Refer to the electric fans:
Identify **TWO** negative effects of the increase in the mark-up percentage. Quote the relevant figures.

4

- 4.3.2 Identify **ONE** consequence (problem) resulting from the change in supplier. Quote figures. Provide a possible reason for the problem you identified.

PROBLEM	REASON

3

Provide **ONE** suggestion (besides those mentioned above) that John can use to increase sales in general.

2

TOTAL MARKS
30

TOTAL: 150

SOLUTIONS

MEMO: EXEMPLAR P1

QUESTION 1: GAAP AND FIXED ASSETS

(25 marks; 20 minutes)

1.1

1.1.1	Materiality	✓
1.1.2	Prudence	✓
1.1.3	Matching	✓
1.1.4	Going-concern	✓

4

1.2.1

	WORKINGS	ANSWER									
(i)	$4\,000\,000 + 570\,000$ <div style="text-align: right;">2</div>	$4\,570\,000 \checkmark \checkmark$ no part-marks									
(ii)	$564\,000 \checkmark + 132\,000 \checkmark - 576\,000 \checkmark$ <div style="text-align: right;">4</div>	$120\,000 * \checkmark$ one part correct									
(iii)	$132\,000 - (13\,200 \checkmark + 13\,200 \checkmark + 7\,700 \checkmark \boxed{\times})$ <p style="text-align: center;"><small>$\frac{132\,000 \times 10\% \times 7}{12}$ 34 100 four marks</small></p> <p>OR: (from Asset Register) $118\,800 - 13\,200 - 7\,700$ <small>one mark one mark two marks</small></p> <div style="text-align: right;">5</div>	$97\,900 * \checkmark$ one part correct									
(iv)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Asset disposal/sold</td> <td style="width: 10%; text-align: center;">=</td> <td style="width: 40%;">7 700 <input checked="" type="checkbox"/> see iii</td> </tr> <tr> <td>New 120 000 <input checked="" type="checkbox"/> see ii x 10/100 x 3/12</td> <td style="text-align: center;">=</td> <td>3 000 * <input checked="" type="checkbox"/></td> </tr> <tr> <td>Old (576 000 – 132 000) x 10/100 <div style="margin-left: 40px;"><small>444 000</small></div></td> <td style="text-align: center;">=</td> <td>44 400 <input checked="" type="checkbox"/> * <input checked="" type="checkbox"/></td> </tr> </table> <div style="text-align: right;">6</div>	Asset disposal/sold	=	7 700 <input checked="" type="checkbox"/> see iii	New 120 000 <input checked="" type="checkbox"/> see ii x 10/100 x 3/12	=	3 000 * <input checked="" type="checkbox"/>	Old (576 000 – 132 000) x 10/100 <div style="margin-left: 40px;"><small>444 000</small></div>	=	44 400 <input checked="" type="checkbox"/> * <input checked="" type="checkbox"/>	$55\,100 * \checkmark$ one part correct
Asset disposal/sold	=	7 700 <input checked="" type="checkbox"/> see iii									
New 120 000 <input checked="" type="checkbox"/> see ii x 10/100 x 3/12	=	3 000 * <input checked="" type="checkbox"/>									
Old (576 000 – 132 000) x 10/100 <div style="margin-left: 40px;"><small>444 000</small></div>	=	44 400 <input checked="" type="checkbox"/> * <input checked="" type="checkbox"/>									

17

1.2.2

Give ONE suggestion that the internal auditor can use to check whether movable fixed assets have been stolen.

Any ONE point ✓✓

Part-marks for unclear/incomplete answers

- Conduct physical inspection (regular and random)
- Compare to Fixed Assets Register

2

1.2.3 Provide **ONE** point why you would agree with Partner Naomi.

ONE valid point ✓✓

Part-marks for unclear/incomplete answers

- GAAP prescribes the historical (original) cost principle when recording assets and only recognising profits and/or losses on disposal (i.e. prudence).
- IFRS provides for revaluation (fair value) provided that this estimate can be measured reliably (evidence).
- Essentially, financial statements must not be overstated to create a false impression on profitability.
- Partners' current accounts will be inflated with a non-cash item which will not be a true reflection of their net worth.

2

TOTAL MARKS

25

QUESTION 2: INCOME STATEMENT AND BALANCE SHEET NOTE

(50 marks; 45 minutes)

2.1 MASALA TRADERS INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

Sales (9 600 000 – 168 000 – 4 500✓)	9 427 500	*☑
Cost of sales (6 400 000 – 3 000✓)	(6 397 000)	*☑
Gross profit 5	3 030 500	☑
Other income operation one part correct	250 285	☑
Commission income	96 200	
Rent income (131 580 ✓ + 9 000 ✓ + 12 780✓✓)	153 360	*☑
Provision for bad debts adjustments (10 725 – 10 000)	725	✓☑
Gross income 9	3 280 785	☑
Operating expenses Check operation	(2 290 510)	☑
Sundry expenses	386 100	
Bank charges	62 850	
Packing material (23 100 – 3 600)	19 500	✓☑
Bad debts (26 400✓ + 3 685✓✓)	30 085	*☑
Repairs and maintenance (161 200 + 9 000)	170 200	✓☑
Salaries and wages (985 000 + 27 800)	1 012 800	✓☑
Pension fund contributions (108 350 + 7 575)	115 925	✓☑
Advertising (56 800✓ + 5 600 ✓✓)	62 400	*☑
Trading stock deficit (564 000 ✓ + 3 000✓ – 553 650✓)	13 350	*☑
Depreciation	417 300	✓
Operating profit Check operation 22	990 275	☑
Interest income	4 000	
Profit before interest expense	994 275	
Interest expense (810 000 + 151 200 – 902 400)	(58 800)	✓*☑
Net profit for the year 4	935 475	☑

*☑ One part correct

40

2.2 TRADE AND OTHER PAYABLES

Creditors' control	126 075	
Pension fund (23 500 + 7 575 ✓ + #5 050✓)	36 125	*✓
SARS – PAYE (15 000✓ + #4 525 ✓✓)	19 525	*✓
Accrued expenses (Advertising see IS)	5 600	✓
Creditors for salaries	18 225	✓
	205 550	*✓

One part correct

10

Pension fund 7 575/1,5

PAYE 27 800 – 18 225 – 5 050

TOTAL MARKS

50

QUESTION 3: PARTNERSHIPS

(40 marks; 30 minutes)

3.1 Calculate the percentage interest on capital.

35 200 ✓ / 440 000 ✓ x 100 = 8% ✓ one part correct

3

3.2 CURRENT ACCOUNTS

	VILANDER	LOUW
Partner salaries	127 500 ✓✓	144 000
Interest on capital	52 800 ✓✓*	35 200
Primary distribution	180 300 ✓	179 200
Final distribution	54 000 ✓✓	36 000
Net profit for the year	234 300 ✓	215 200
Drawings	(33 000)	(259 000)
	201 300✓	(43 800)
Balance at beginning	65 000✓	(15 200)✓
Balance at end of year	266 300 ✓	(59 000)✓

13

Salary Vilander: (10 000 x 9) + (12 500 x 3)

Interest on Capital: 660 000 x 8% see 3.1

3.3

**KGALAGADI TRADERS
BALANCE SHEET ON 28 FEBRUARY 2019**

ASSETS		
NON-CURRENT ASSETS		901 200
Fixed assets		750 000
Fixed deposit		151 200
CURRENT ASSETS		755 600 <input checked="" type="checkbox"/>
Inventory	balancing figure	678 800 <input checked="" type="checkbox"/>
Trade and other receivables		
58 000✓ – 3 700 ✓✓ + 7 000✓✓ + 9 500 ✓		70 800 <input checked="" type="checkbox"/>
Cash and cash equivalents	10	6 000 ✓
TOTAL ASSETS		1 656 800 <input checked="" type="checkbox"/>
EQUITY AND LIABILITIES		
EQUITY		1 307 300 <input checked="" type="checkbox"/>
Capital (660 000 + 440 000)		1 100 000 ✓✓
Current account (266 300 – 59 000)	see 3.1 5	207 300 <input checked="" type="checkbox"/>
NON-CURRENT LIABILITIES		139 200
Loan: Diamond Bank (208 800✓ – 69 600✓✓)	4	139 200 <input checked="" type="checkbox"/>
CURRENT LIABILITIES		210 300 <input checked="" type="checkbox"/>
Trade and other payables		85 300
Bank overdraft		55 400 ✓
Current portion of loan		69 600 <input checked="" type="checkbox"/>
TOTAL EQUITY AND LIABILITIES		1 656 800 <input checked="" type="checkbox"/>

24

TOTAL MARKS

40

QUESTION 4: ANALYSIS AND INTERPRETATION**(35 marks; 25 minutes)**

- 4.1.1 The business was started on 1 March 2017. The partners are concerned about the financial results during the first year of operation.

Calculate the % return on the partners' equity (use average equity).

$$\frac{152\,000\checkmark}{\frac{1}{2}(450\,000\checkmark + 450\,000\checkmark + 66\,400\checkmark - 34\,400\checkmark)} \times \frac{100}{1} = 32,6\%\checkmark$$

466 000

6

Comment on this return. Provide ONE point.

This is an excellent return. Profitability is extremely satisfying.
Exceeds return on alternative investments such as fixed deposits (8% at present).

2

- 4.1.2 Ronel Henning is concerned about whether she has made the right decision in resigning from her previous job.

Calculate the total amount earned by Ronel Henning during the first year of operation of this business.

$$91\,200\checkmark + 20\,000\checkmark + 3\,200\checkmark + 12\,000\checkmark = 126\,400\checkmark$$

5

What percentage of the total net income did she earn and what percentage did her partner, Yvonne, earn?

RONEL	YVONNE
$\frac{126\,400\checkmark}{152\,000\checkmark} \times 100 = 83,2\%\checkmark$	$100\% - 83,2\% = 16,8\%\checkmark\checkmark$

5

Will the partners be satisfied with the amounts calculated above? Explain briefly. Quote figures.

RONEL	YVONNE
She will be satisfied as it exceeds her previous earnings of R102 000 by R24 400. ✓✓	She will also be satisfied as her return of 25 600/165 600 (15,4%) is still better than alternative investments. ✓✓

4

4.2 FINANCIAL DECISIONS FOR THE NEXT YEAR

4.2.1

Calculate the change in net profit if Yvonne decides to work fulltime. Show workings.

$$\begin{array}{rclcl}
 & \checkmark\checkmark & & \checkmark\checkmark & & \checkmark\checkmark & & \checkmark \\
 152\,000 & + & 57\,600 & + & 18\,000 & + & 19\,500 & = & 247\,100 \\
 & & 172\,800/3 & & 22\,500 \times 80\% & & 130\,000 \times 15\% & &
 \end{array}$$

7

4.2.2

Show the effect of this change to Yvonne's total earnings, if she gives up her job.

$$\begin{array}{rclcl}
 \text{Salary:} & & 104\,880 & \checkmark & \\
 \text{Interest on capital} & & 20\,000 & \checkmark & \\
 & & & = & 124\,880 & \checkmark \\
 & & & + & \text{as share in the remaining profit} & \checkmark
 \end{array}$$

4

4.2.3

Briefly explain TWO other advantages for the business if Yvonne works on a full-time basis in the business.

TWO points ✓ ✓

Shared responsibilities

Shared decision-making

Satisfaction and motivation to improve the business

2

TOTAL MARKS

35

TOTAL: 150

MEMO: EXEMPLAR P2

QUESTION 1: VAT AND RECONCILIATION

(40 marks; 30 minutes)

1.1 VAT

1.1.1 Explain what is meant by *value-added tax*.

Tax on sales of goods (levied on the purchaser by the seller) ✓✓

2

1.1.2 Calculate the following:

(a) Sales amount (excluding VAT) from the CRJ

$141\,300 \checkmark \times 100/15 \checkmark = R942\,000 \checkmark$

(b) VAT input amount from the CPJ

$(248\,000 + 580\,000) \times 0,15 = R124\,200 \checkmark \checkmark$ one part correct

(c) VAT output amount from DJ

$345\,000 \checkmark \times 15/115 \checkmark = R45\,000 \checkmark$ one part correct

8

1.1.3 Tom does not have enough money in his bank account to pay SARS for VAT. The bank balance is currently in overdraft at approximately R50 000. What advice would you offer Tom in order to:

- Solve the problem now

Borrow funds, introduce capital (any valid solution) ✓✓

- Solve the problem in the future

Better budgeting – VAT charged on customers must be earmarked for repayment, not spent on assets.

Ensure selling prices are realistic to generate funds to operate the business properly. ✓✓

4

1.2 CREDITORS' RECONCILIATION AND INTERNAL CONTROL

1.2.1 Explain how the Creditors' Reconciliation Statement can assist the business in terms of their internal control measures. State ONE point.

ONE valid point ✓✓

- It will assist the business in detecting errors/omissions in their books.
- A reliable external document is available (i.e. statement) to verify the records of the business.
- It will show errors/omissions in the statement received.
- Detect fraudulent activities and take action/It will show the correct balance to be paid to creditors.

2

1.2.2 Calculate the correct balance of Pine Suppliers in the Creditors' Ledger Account of Madi Traders. Show the changes to the figure R117 180.

117 180✓ - 480✓✓ - 27 300✓✓ - 810✓✓ - 10 800✓✓
 $5\,400 + 5\,400$
 = R77 790☑

10

1.2.3 Creditors' Reconciliation Statement on 30 April 2019

Balance per statement of account	121 800	✓
Credit amount to correct invoice overstated	(30 000)	✓☑
Debit amount wrongly credited	84 000	✓✓
Transfer of balance	(3 600)	✓✓
Credit payment after statement date	(93 000)	✓
Credit discount after statement date	(1 410)	✓
Correct balance	77 790	☑

10

1.2.4 The owner of Madi Traders is not completely satisfied with the service and quality of goods received from Pine Suppliers. State TWO factors that he should consider before changing suppliers.

TWO valid factors ✓✓ ✓✓

- The credit terms offered
- Will they offer discount for early payments
- Will alternative supplier be able to meet the demands of the business
- The quality of the products they are able to deliver

4

TOTAL MARKS

40

QUESTION 2: MANUFACTURING**(45 marks; 40 minutes)**

- 2.1 Give **ONE** term for each of the descriptions by choosing a cost category from the list.

2.1.1	Factory overhead cost	✓
2.1.2	Selling and distribution cost	✓
2.1.3	Administration cost	✓
2.1.4	Direct labour cost	✓

4

2.2.1 **GENERAL LEDGER OF GALANE MANUFACTURERS
WORK-IN-PROGRESS STOCK**

2018 Mar.	1	Balance b/d	33 150 ✓	2019 Feb.	28	Finished goods stock	1 206 350 ☑
2019 Feb.	28	Direct material cost 516 000 ✓ + 16 000 ✓ – 20 000 ✓	512 000 ☑			Balance c/d	38 300 ✓
		Direct labour cost	519 650 ☑				
		Factory overheads	179 850 ☑				
			1 244 650				1 244 650
2019 Mar.		Balance b/d	38 300 ✓				

10

2.2.2 **FINISHED GOODS STOCK**

2018 Mar.	1	Balance b/d	15 250	2019 Feb.	28	Cost of sales (1 800 000 ✓ + 100 000 ✓) ÷ 1,6 ✓	1 187 500 ☑
2019 Feb.	28	Work-in-progress	1 206 350 ☑			Balance c/d	34 100 ✓
			1 221 600				1 221 600
2019 Mar.	1	Balance b/d	34 100 ✓				

7

2.2.3

FACTORY OVERHEADS

2019 Feb.	28	Indirect labour (24 350 + 65 060)	89 410 ✓✓	2019 Feb.	28	Work-in- progress	179 850 ☑
		Indirect material cost 3 480✓+21 560✓ – 2 630✓	22 410 ☑				
		Rent expense 39 200 x 65/100	25 480 ✓☑				
		Insurance 8 700 x 2/3	5 800 ✓☑				
		Water and electricity 16 500✓ x 4/6✓	11 000 ☑				
		Sundry factory expenses	25 750 ✓				
			179 850				179 850

-1 foreign entry Bad debts

15

2.3 MOTHO SHOE FACTORY

2.3.1 Calculate the direct material cost per unit.

$$\frac{2070\,000}{13\,800} = R150 \checkmark \checkmark$$

2

2.3.2 Calculate the break-even point on 31 May 2019.

$$\frac{1\,514\,000 \checkmark}{259 \checkmark - 155 \checkmark} = 14\,558 \text{ units } \checkmark$$

4

2.3.3 Explain why the owner would NOT be happy with the business' current production level. Quote figures or indicators.

Explanation ✓✓ Figure ✓

The business produced 758 units less than the BEP (14 558 – 13 800).
 The business made a loss on 758 units.
 The business produced 758 units less than the break-even point.

3

TOTAL MARKS

45

QUESTION 3: BUDGETS**(40 marks; 30 minutes)****3.1.1****What is the main purpose of preparing the Cash Budget?**

Project future cash flow (inflow and outflow)
 Project the cash flow/determine the receipts and payments in the future
 Control the cash/Calculate the bank balance

2

3.1.2**Name TWO items that will appear in the Cash Budget, but NOT in the Projected Income Statement.**

Any TWO items ✓ ✓ Accept valid alternatives

Purchase of assets, Loan, Fixed deposit, Payment to creditors, Collection from debtors

2

3.1.3**Name TWO items that will appear in a Projected Income Statement, but NOT in the Cash Budget.**

Any TWO items ✓ ✓ Accept valid alternatives

Depreciation/Discount allowed/received/Bad debts/Provision for bad debts adjustment

2

3.2**Debtors' Collection Schedule of Cosmo Traders for the period ending 31 December 2019:**

Month	Credit Sales (R)	Debtors' Collection		
		October (R)	November (R)	December (R)
August	240 000	60 000		
September	360 000	144 000	90 000✓	
October	300 000	85 500	120 000✓	75 000✓
November	330 000		94 050✓✓	132 000✓
December	330 000			94 050☑
		289 500	304 050☑	301 050☑

9

3.3

Calculate the missing figures indicated by A–G in the Cash Budget. Refer to information (a) to (f).

	CALCULATIONS	ANSWERS
A	$440\,000 \times 25\%$ or $330\,000 \times \frac{25}{75}$	110 000✓✓
B	See 3.2	304 050☑
C	$185\,600 \times 30\%$	55 680 ✓✓
D	$206\,500 \times 70\%$	144 550✓✓
E	$(180\,000 - 18\,000) \times 0,12 \checkmark \div 12 \checkmark$	1 620☑ One part correct
F	$(1\,250 + 10\%) \times 7 \checkmark \times 5 \checkmark$	38 500☑
G	$6\,731 \times \frac{100}{106} \checkmark$	6 350☑

15

3.4

Explain TWO factors that Kagiso should consider before increasing credit limits.

Any TWO valid factors ✓✓ ✓✓

- Screen debtors properly/Background check.
- Consider the increase in the risk of bad debts.
- Verify the collection from each debtor before increasing the limit.
- Increase credits only for customers who settle their debts promptly.

2

3.5

Provide calculations for the next three years to support your opinion.

Option 1: Purchase a motorbike	$25\ 000 + (3\ 100 \times 36) = R136\ 600$ ✓ <input checked="" type="checkbox"/>
Option 2: Use DD Deliveries	<div> <div>48 000</div> <div>one part correct</div> <div>50 400</div> <div>52 920</div> </div> $(R4\ 000 \times 12) + (R4\ 200 \times 12) + (R4\ 410 \times 12) = R151\ 320$ ✓ <input checked="" type="checkbox"/>

Explain TWO other factors that Kagiso should consider before making a final decision.

Any TWO valid factors, e.g. ✓ ✓

Driver of the bike/Insurance/Reliability of service provider/Whether customers could pay for deliveries, etc.

Should the owner, Kagiso, choose Option 1 or Option 2? Give reasons.

Option ____ either 1 or 2 with reasons ✓✓

8

TOTAL MARKS
40

QUESTION 4: CONTROL OF WORKING CAPITAL**(25 marks; 20 minutes)****4.1 Comment on the cash in the current bank account.**

The net increase in the cash balance was R285 000/from R120 000 to R405 000. ✓✓

Fixed deposit decreased (matured); an inflow of R220 000. This could explain the increase in the bank balance (if money not used).

What advice would you give to Mary? Provide ONE point. Quote figures.

Mary should have re-invested the money/extended the investment period of the fixed deposit. It will earn a higher interest (11% p.a.) than the interest on the current account.

Unless she is keeping this for a specific urgent purpose, she should invest most of this in the fixed deposit so that she can earn a return (of 11%). ✓✓

4

4.2.1 Calculate the stockholding period for 2019. Use average stock in your calculation.

$$\frac{\frac{1}{2} (170\,000 + 85\,000)}{460\,000} \times 365 \text{ or } 12$$

$$= \frac{127\,500}{460\,000} \times 365 \text{ or } 12 \quad \checkmark$$

$$= 101 \text{ days or } 3,3 \text{ months} \quad \checkmark$$

OR using the STR: $365/3,6 = 101 \text{ days}$ or $12/3,6 = 3,3 \text{ months}$

4

4.2.2 Comment on the stock turnover rate and the stockholding period for 2019. Quote figures or indicators. Explain why she should be concerned about this.

Stock turnover rate decreased from 5,6 to 3,6 times. ✓

Stockholding period increased from 66 days (2 months) to 101 days (3 months). ✓

Both these indicators reflect that Mary is probably keeping too much stock on hand. ✓

She could be earning interest on the excess amount invested in stock/This asset does not earn a return. ✓

What advice would you give to Mary? Provide ONE point.

Purchase stock in smaller quantities in future. ✓

5

- 4.3.1 Mary used two deliberate strategies to improve sales in 2019. Identify the TWO strategies. Quote the relevant figures.

	Explanation (with figures)
Strategy 1	She decreased the mark-up % from 60% to 45%. ✓✓
Strategy 2	She allowed more people to buy on credit; 2018 cash sales were more than 50% of total sales, while in 2019, credit sales were a lot more than 50% of sales. ✓✓

4

- 4.3.2 Bear in mind that the cost price of stock increased by the inflation rate of 6% and provide evidence that these strategies benefited the business. Quote figures.

If the same stock was sold in 2019, cost of sales based on past volumes would be R339 200. ✓✓

Cost of sales in 2019 is R460 000 (which is 36% more), which means the volume of goods sold is 36% more (which will increase profit). ✓✓

OR

Cost of sales in 2019 is R460 000, which is 44% higher than last year; inflation of 6% is part of this change; the rest is increase in volume of goods sold.

NOTE: Learners could use similar reasoning with Sales or Gross profit.

4

- 4.4 Comment on whether or not Mary has been controlling her debtors and creditors appropriately. Quote figures.

She has not been controlling debtors well, as the collection period increased from 26 days to 40 days. ✓

She is also taking longer to settle the amounts owed to creditors – this period increased from 30 days to 38 days. ✓

Comment on how this would affect the business.

Slow-paying debtors will affect the cash flow, and the business will battle to settle its debts (as evidenced by the longer period to pay creditors). ✓✓

4

TOTAL MARKS

25

TOTAL: 150

MEMO: A

QUESTION 1 COST ACCOUNTING - MANUFACTURING

1.1 Match the terms.

1.1.1	B	✓
1.1.2	A	✓
1.1.3	D	✓
1.1.4	C	✓
1.1.5	E	✓

5

1.2 BEECUM BUILDERS

1.2.1 Calculate:

Direct material cost

23 500 ✓ + 488 400 ✓ + 14 230 ✓ – 8 600 ✓ – 34 530 ✓
= 483 000 ☒ One part correct

Accept alternative presentations; including a ledger account.

6

Direct labour cost

5 x 1 840 x R45,60 = 419 520 ✓ ☒*
5 x 77 X R68,40 ✓ = 26 334 ☒*
419 520 ☒ x 10% = 41 952 ☒*
(normal time wage)
Total = 487 806 ☒*

*One part correct

7

1.2.2 FACTORY OVERHEAD COST

	R
Factory indirect material	22 450 ✓
Indirect labour	81 000 ✓
Rent expense (278 400 x 5/8)	174 000 ✓✓
Water and electricity (134 900 x 75%)	101 175 ✓✓
Insurance (46 800 x 2/3)	31 200 ✓✓
Factory sundry expenses	38 699 ✓
	448 524 <input checked="" type="checkbox"/>

No part marks for workings

10

1.2.3

**GENERAL LEDGER OF BEECUM BUILDERS
WORK-IN-PROCESS STOCK ACCOUNT**

2015 Mar	1	Balance	b/d	27 270 ✓	2016 Feb	29	Finished goods stock Balancing figure		1 420 000 ✓
2016 Feb	29	Direct material cost		483 000 ✓*			Balance	c/d	26 600 ✓
		Direct labour cost		487 806 ✓*					
		Factory overhead cost		448 524 ✓*					
				1 446 600 ✓					
							One part correct		1 446 600
2016 Mar	1	Balance	b/d	26 600 ✓			*Check transfer of amounts from 12.1 and 1.2.2 Amount and detail to score mark.		

1.2.4

GROSS PROFIT CALCULATION

Cost of sales : $37\,275 \checkmark + 1\,420\,000 \checkmark - 42\,600 \checkmark = 1\,414\,675 \checkmark^*$

Sales (units) $210 + 8\,000 - 240 = 7\,970 \checkmark \checkmark$ desks sold $\times R250 = 1\,992\,500 \checkmark^*$

Gross profit : $1\,992\,500 - 1\,414\,675 = 577\,825 \checkmark^*$

Or $250 - 177,50 = 72,5 \times 7\,970 = 577\,825$

* one part correct

8

8

1.3

ZONDO MANUFACTURERS

1.3.1

(a) $12\,480 \times R7,00 = 87\,360 \checkmark \checkmark$

(b) $374\,400 / 12\,480 = R30 \checkmark \checkmark$

4

1.3.2

Verify the break-even number of units for the financial year ended 30 June 2016 by showing a calculation.

$25 \times 12\,480$ or $(224\,640 + 87\,360)$

$312\,000 \checkmark \checkmark$ One part correct in workings. = 12 000 (given)

$R92,50 \checkmark - (28 + 30 + 8,50)$

$66,50 \checkmark$

4

1.3.3

Comment on the break-even point and the level of production for both years. Quote relevant figures in your comment.

Valid comment $\checkmark \checkmark$ quoting figures $\checkmark \checkmark$

Comparing BEP to level of production – the business produced 12 480 units which is 480 units more than the BEP. Making low profit. Need to increase productivity to increase profits
Or

Compare production 2015 to 2016 – the business produced 680 units more than last year.

Or

BEP increased from 11 800 to 12 000 units. The business did not make a profit last year (broke even) but managed to increase the production levels this year.

4

1.3.4

Provide a valid reason for the change in direct material cost per unit.

Any valid reason ✓✓ refer to calculation (b)

- 20% increase is greater than inflation.
- Could be additional transport costs.
- Shortage of stock from suppliers pushed the price up (supply and demand).
- Wastage in the factory.
- Poorly trained workers.
- Stock theft.

2

1.3.5

Give ONE suggestion that the business can use to improve production and profitability. Quote figures.

ONE valid suggestion ✓✓

- Reduce costs – 20% increase in direct materials.
- Control use of raw material. Train workers to be more efficient
- Look for cheaper suppliers, local to reduce transport costs.
- Provide incentives to workers to produce more – only 680 units more than last year and 480 more than the BEP. Workers increase is 9%.
- Spend more money on advertising to improve sales – there was a decrease in selling and distribution costs from 8,90 to 8,50 per unit.
- Only a 11% increase in price of desks – could use a bigger mark-up. (40% mark-up presently being used)

2

Q1	60	
----	----	--

QUESTION 2 RECONCILIATION, INTERNAL CONTROLS and VAT

2.1 CREDITORS' RECONCILIATION

2.1.1

	Adjustment to the creditors ledger account of Titan Suppliers	Creditors reconciliation (adjustment to the statement)
Balance	38 705	33 003
(i)		(900) ✓✓
(ii)	(1 040) ✓✓	
(iii)	(2 500) ✓✓	
(iv)	625 ✓✓	
(v)		375 ✓✓
(vi)	248 ✓✓	
(vii)		3 560 ✓✓
	36 038 ☑	36 038 ☑

16

1 mark for each amount and 1 mark for the correct use of brackets/no brackets.
-1 for each superfluous entry per line.

2.1.2

What advice would you offer him about this transaction? Quote a relevant GAAP principle in your response.

Good explanation with the GAAP principle ✓✓✓ satisfactory explanation ✓✓ weak ✓ wrong 0

- It is not good business practice to combine personal transactions with business information. *Business entity concept*.
- The records of the business must reflect only business transactions so that the performance of the business can be accurately assessed.
- The owner's engagement with the business must be recorded as drawings to reflect a decrease in his equity.

3

2.1.3

The internal auditor wants to improve the internal control of stock and creditors. Provide TWO control measures that he may consider.

Any TWO valid control measures ✓✓ ✓✓

- Clear procedures for ordering, documenting, receiving and dispatching of goods.
- Maintaining all documentation and ensuring that the relevant people receive and deal with them timeously.
- Random and regular stock check against records to detect losses and/or fraud/ theft.
- Update stock records against sales so that stock piling does not occur.
- Division and rotation of duties for checks and balances.

4

2.2 VAT

2.2.1

(a)	False	✓
(b)	False	✓
(c)	True	✓

3

2.2.2

(a)	Input VAT	✓
(b)	SARS	✓

2

2.2.3

AMOUNT EXCLUDING VAT	VAT AMOUNT	AMOUNT INCLUDING VAT
14 500	(a) 2 030 ✓✓	(b) 16 530 ✓✓
(c) 35 600 ✓✓	(d) 4 984 ✓✓	40 584

8

2.2.4

• What advice would you offer Ernest about this transaction? Explain

Advice ✓✓ and explanation ✓✓ (give part marks for incomplete/short responses)

ADVICE:

I would advise Ernest to not engage in such practices. He should consider the long term prospects of his business and try to build the reputation of the business on sound moral and business ethics.

EXPLANATION : possible answers

- Ernest will be engaging in a fraudulent activity.
- He will also be defrauding SARS of VAT that must be paid on that purchase. This is also true for VAT he may be charging on the sale of these goods.
- He is encouraging the manager of Pinetown Wholesalers to "steal" from his company.
- It is unethical and if caught, he will be convicted of a crime.
- It will also negatively affect the image of his business.

4

Q2	40	
----	----	--

QUESTION 3 FIXED ASSETS AND FINANCIAL STATEMENTS

3.1.1

GENERAL LEDGER OF MONDAY TRADERS ACCUMULATED DEPRECIATION ON EQUIPMENT

2015 Oct	31	Asset Disposal ✓		66 200 ✓	2015 Mar	1	Balance	b/d	172 500 ✓
		Balance	c/d	154 100 ☑	Oct	31	Depreciation ✓		4 200 ✓✓
					2016 Feb		Depreciation (32 600 ✓✓ + 11 000 ✓✓)		43 600 ☑
				220 300					220 300
					Mar	1	Balance	b/d	154 100

$$93\,500 - 62\,000 \times 20\% \times \frac{9}{12} = 4\,200$$

$$273\,500 - 110\,500 \times 20\% = 32\,600$$

$$165\,000 \times 20\% \times \frac{4}{12} = 11\,000$$

12

ASSET DISPOSAL

2015 Oct	31	Equipment ✓		93 500 ✓	2015 Oct	31	Accu depr on equip ✓ (62 000 ✓ + 4 200 ☑)		66 200 ☑
		Profit on sale of assets ✓		2 300 ☑			Creditors control ✓		29 600 ✓
				95 800					95 800

10

3.2 TRADE AND OTHER RECEIVABLES

Debtors control (48 220 ✓ – 3 220 ✓)	45 000 ✓
Provision for bad debts 4% of debtors control balance	(1 800) ☑
Net trade debtors may not be shown	43 200
Accrued income *4 000 ☑ + 2 550 ☑ (*10 200 – 7 650)	6 550 2 marks
Prepaid expenses refer insurance expense	2 340 ☑
Operation, one part correct	52 090 ☑

8

*Refer Rent Income and Interest Income

3.3 **MONDAY TRADERS**
INCOME STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2016

	Sales	852 000	
	Cost of sales <small>852 000 x 100/150</small>	(568 000)	✓✓
	Gross profit <small>operation; must be subtracted</small>	284 000	☑
	Other income <small>operation; inspect</small>	76 000	☑
	Rent income <small>(42 500 ✓ + 4 000 ✓✓)</small>	46 500	☑*
	Commission income	19 440	✓
	Profit on sale of assets <small>refer 3.1.1</small>	2 300	☑
	Sundry operating income	7 760	✓
13	Gross income <small>operation; inspect</small>	360 000	☑
	Operating expenses <small>operation; inspect</small>	(250 000)	☑
	Salaries and wages	141 360	✓
	Consumable stores <small>(9 370 ✓ – 880 ✓)</small>	8 490	✓
	Bad debts <small>(3 980 ✓ + 3 220 ✓)</small>	7 200	✓
	Insurance <small>(14 740 ✓ – 2 340 ✓✓)</small>	12 400	☑*
	Repairs and maintenance <small>(13 930 ✓ + 5 320 ✓)</small>	19 250	✓
	Depreciation <small>(4 200 ☑ + 43 600 ☑)</small>	47 800	☑*
	Provision for bad debts adjustment <small>(1 800 – 1 420)</small>	380	✓✓
	Trading stock deficit	2 460	✓
	Sundry operating expenses	10 660	✓
23	Operating profit <small>operation; inspect</small>	110 000	☑
	Interest income <small>(120 000 x 8,5%)</small>	10 200	✓✓
	Profit before interest expense	120 200	
	Interest expense <small>(742 000 – 709 400)</small>	(32 600)	✓✓
6	Net profit for the year <small>operation; must be subtracted</small>	87 600	☑

40

*one part correct
-1 (max -2) for foreign entries; misplaced items must be marked wrong.

Q3	70	
-----------	-----------	--

QUESTION 4 PARTNERSHIPS – LEDGER ACCOUNTS AND INTERPRETATION

4.1

GENERAL LEDGER OF FOUNTAIN TRADERS

CURRENT ACCOUNT: KEENAN

2016 Aug	1	Drawings: Keenan		245 600 Balancing <input checked="" type="checkbox"/>	2015 Sept	1	Balance	b/d	32 700 ✓
		Balance	c/d	104 850 ✓	2016 Aug	31	Salary: Keenan		225 216 ✓
							Interest on capital		60 750 ✓
							Bonus		13 784 ✓
							Appropriation (36 000 X ½)		18 000 ✓✓
				350 450					350 450
					2016 Sept	1	Balance	b/d	104 850 ✓

Details and amounts to score the marks

4.2 FINANCIAL INDICATORS

9

4.2.1

Acid test ratio

(165 600 ✓ – 62 200 ✓) : 66 240 ✓

= 1,56 : 1 ☒ one part correct; in the form x : 1 (accept 1,6 : 1)

4

4.2.2

Debt/equity ratio

425 000 ✓ : 1 700 000 ✓

0,25 : 1 ☒ one part correct; in the form x : 1 (accept 0,3 : 1)

3

4.2.3

Percentage return earned by the partners.

$$\frac{697\,700}{\frac{1}{2} \times (1\,270\,300 \checkmark + 1\,700\,000 \checkmark)} \times 100 = 46,9\% \checkmark \text{ (accept 47\%)}$$

1 485 150

one part correct; must be %

7

- 4.3 **The partners are concerned about the liquidity position of the business. Explain why they feel this way. Quote TWO financial indicators (with figures) to support your explanation.**

Ratios and figures showing the trend ✓✓ ✓✓

Comment ✓✓ (could be a general comment or a comment for each ratio)

Current ratio dropped from 3 : 1 to 2,5 : 1

Acid test ratio dropped from 2 : 1 to 1,6 : 1 (refer 4.2.1)

Debtors collection worsened from 33 days to 38 days

Explanation:

The above financial indicators suggest that although the business is able to meet short term debts, it is heading for liquidity problems if corrective measures are not taken to improve. This must include an improved collection policy from debtors.

6

- 4.4 **Comment on the percentage return earned by Partner Lyanda. Should she be satisfied with this percentage? Explain, quote relevant financial indicators and/or figures.**

Yes/No ✓

Financial indicator with comparative figures ✓✓

Comment ✓✓

Lyanda earned a high return (54%). This is better than the rate of alternative investments. She may be dissatisfied because of the drop from last year (56%) and the fact that Keenan has achieved a very high return (90%) which was also an increase in his earnings from last year (84%).

5

- 4.5 **Partner Keenan feels that the business should increase the loan. Partner Lyanda is not keen to incur more debt. Briefly explain who you would support. Provide TWO financial indicators (with figures) to motivate your choice.**

Financial indicators with comparative figures ✓✓ ✓✓

Comment – motivation for support of one partner ✓✓

Financial indicators :

Debt/equity was 0,6 : 1 and is now 0,25 : 1 (refer 4.2.2.)

Return on capital employed was 30,3% and is now 33,5%

Comment:

The business is lowly geared and is positively geared. The loan is used effectively to generate a high return.

There was no urgency to repay the loan.

I would support Keenan as the loan only cost 12% and is able to generate 33,5% return.

6

Q4	40	
----	----	--

QUESTION 5 BUDGETING

5.1

List TWO items in the Projected Income Statement given, that will not appear in a Cash Budget.

Any TWO of : ✓ ✓

Discount received
Depreciation
Bad debts

2

5.2

Complete the Debtors Collection Schedule to show the total amount expected to be received from debtors during November 2016.

MONTH	CREDIT SALES		NOVEMBER 2016
October	98 000 ✓	x 53%	51 940 ✓✓
November	102 900 ✓	x 45%	46 305 ✓✓
TOTAL			98 245 ☑

7

5.3.1

Expected sales in December 2016

102 900 ✓ x 120% ✓ = 123 480 ☑ One part correct

3

5.3.2

The gross profit percentage on turnover for October 2016.

19 600 ✓ / 98 000 ✓ x 100 = 20% ☑ One part correct

3

5.3.3

The percentage increase in rent income.

$\frac{780 \checkmark \checkmark}{7\,280 - 6\,500} \times 100 = 12\% \checkmark$ One part correct

4

5.3.4

The percentage commission expected to be received each month.

$\frac{4\,900}{98\,000} \times 100 = 5\% \checkmark \checkmark$ or $5\,145 / 102\,900 \times 100 = 5\%$
(no part marks)

2

5.3.5 **The insurance amount for each month.**

$$\frac{2\,400}{3} \checkmark = 800 \quad \checkmark \quad \text{One part correct}$$

3

5.3.6 **The amount of the loan that will be repaid on 1 December 2016.**

$$a \times 0,1 \times 1/12 = 2\,500 \quad a = 300\,000 \quad \checkmark \checkmark$$

$$b \times 0,1 \times 1/12 = 2\,000 \quad b = 240\,000 \quad \checkmark \checkmark$$

$$\text{amount paid is } 300\,000 - 240\,000 = 60\,000 \quad \checkmark \quad \text{One part correct}$$

5

5.4

	COMMENT ✓ ✓ ✓	ADVICE ✓ ✓ ✓
Sales	Received less than the budgeted amount / over-budgeted / expected sales to be higher than what was received. Not well controlled	Monitor sales closely / extend the target market / offer after sales services / discounts / reduce mark-up / clearance sales / give salespersons commission on sales
Advertising	Spent less than the budgeted amount / over-budgeted / was not effectively applied / may have resulted in the poor actual sales	Use the budget effectively / explore other types of advertising such as flyers / posters / specials / ensure that this is a percentage of sales revenue
Telephone	Under-budgeted / spent too much / Telephone was used more than expected / telephone may be abused / not well controlled	Monitor the use of the telephone / keep a log book / provide codes for employees / check the statements / restrict private use.

6

Q5	35	
-----------	-----------	--

QUESTION 6 NON-PROFIT ORGANISATIONS, STOCK SYSTEMS and PROBLEM SOLVING

6.1.1	(a)	Accrued income ✓	
	(b)	Income received in advance / deferred income ✓	
	(c)	Bank ✓ (refunds)	
	(d)	Honorarium ✓	4

6.1.2	(e)	13 500 ✓✓	
	(f)	$2 \times 2\,400 = R4\,800$ ✓✓	4

6.1.3	<p>Calculate the fees that was written off on 31 December 2015.</p> <p>$31\,200 \checkmark - 16\,800 \checkmark = 14\,400$ ☑</p>	3												
	<p>Number of members in arrears with their 2015 fees</p> <p>$35\,100 \checkmark / 2\,700 \checkmark = 13$ members ☑</p>	3												
	<p>Income and expenditure amount.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <tr> <td style="width: 60%;">280 – 9 – 6 = 265 must pay.</td> <td></td> </tr> <tr> <td>265 – 13 ☑ (in arrears) 252 x 2 400</td> <td style="text-align: right;">604 800 ☑</td> </tr> <tr> <td>Arrears amount (13 members)</td> <td style="text-align: right;">35 100 ☑</td> </tr> <tr> <td>12 new members x R2 200 ✓</td> <td style="text-align: right;">26 400 ✓</td> </tr> <tr> <td>8 new members at R675 ✓</td> <td style="text-align: right;">5 400 ✓</td> </tr> <tr> <td>TOTAL</td> <td style="text-align: right;">671 700 ☑</td> </tr> </table>	280 – 9 – 6 = 265 must pay.		265 – 13 ☑ (in arrears) 252 x 2 400	604 800 ☑	Arrears amount (13 members)	35 100 ☑	12 new members x R2 200 ✓	26 400 ✓	8 new members at R675 ✓	5 400 ✓	TOTAL	671 700 ☑	8
280 – 9 – 6 = 265 must pay.														
265 – 13 ☑ (in arrears) 252 x 2 400	604 800 ☑													
Arrears amount (13 members)	35 100 ☑													
12 new members x R2 200 ✓	26 400 ✓													
8 new members at R675 ✓	5 400 ✓													
TOTAL	671 700 ☑													

6.1.4 **Provide evidence from the information that confirms the chairman's observation (Give TWO points).**

Any TWO of: ✓✓ ✓✓

Large outstanding fees from 2014 : 31 200 (13 members)

Accounts written off : 14 400 (6 members)

Large outstanding fees for 2015 : 35 100 (13 members)

Resignations : 9 members

New members: only 20 in the year (7% of membership)

4

Provide TWO suggestions to solve the problem.

Any TWO suggestions ✓ ✓

Send early reminders for fees.

Provide incentives for early payments such as discounts, free tickets etc.

Allow payments in instalments (monthly).

Create a debit order system.

Uplift the image of the club to attract new members such as sponsorships, attractive prizes and inter-club competitions.

2

6.2.1 **Explain ONE difference between the perpetual stock system and the periodic stock system.**

Any ONE valid difference explained ✓✓

<i>Perpetual stock system</i>	<i>Periodic stock system</i>
Cost of sales calculated at point of sale	Cost of sales calculated at end of financial period
Stock value can be determined/ identified at any time (from records)	Stock value determined/identified by stock count
Cost of sales account used	Purchases account used
Stock bought regarded as an asset	Stock bought regarded as an expense

2

6.2.2 **Analysis of transactions:** (show the increase or decrease under A, O and L)

NO	ACCOUNT DEBITED	ACCOUNT CREDITED	ASSET	EQUITY	LIABILITY
(ii)	Carriage on purchases ✓	Bank ✓	- 92 200 ✓	- 92 200 ✓	+ 92 200*
(iii)	Creditors control ✓	Creditors allowances ✓		+ 45 300✓	- 45 300 ✓

8

* if Bank is assumed to be a liability.

6.2.3 **Cost of sales**

$$\begin{array}{ccccccccccc} \checkmark & & \checkmark & & \checkmark & & \checkmark & & \checkmark & & \checkmark \\ 134\ 600 & + & 622\ 400 & + & 92\ 200 & - & 45\ 300 & - & 5\ 500 & - & 3\ 750 & - & 98\ 350 & = & 696\ 300 \end{array}$$

Accept alternative presentations such as the signs being reversed, ledger account or an adjustment of the purchases account.

8

6.3 PROBLEM SOLVING

	PROBLEM (WITH FIGURES) Problem ✓ ✓ ✓ figure ✓ ✓ ✓	SUGGESTION ✓ ✓ ✓
QUEENS BRANCH	<ul style="list-style-type: none"> Missing units of stock (50 – 35) = 15 units Low advertising – 0,7% of sales 	Need more effective stock control Check stock against records Set up security Budget more for advertising and assess if it is increasing sales.
COFIMVABA BRANCH	<ul style="list-style-type: none"> Low sales volume 40/160 units Holding too much stock 120 units High advertising R6 720, not yielding results (15% of sales) High salary for sales person R7 500 	Pay the salesperson a commission to improve sales Transfer stock to Tsolo branch. Monitor advertising to ensure that there is no abuse – extend the market
TSOLO BRANCH	<ul style="list-style-type: none"> No stock to meet demand (would run out) – nil (85 – 85) Deposit of sales money is short by R13 440. 	Monitor deposits, request notification from bank, division of duties, change managers, transfer more stock to this branch

9

Q6	55	
-----------	-----------	--

TOTAL: 300

MEMO: B

QUESTION 1: RECONCILIATIONS AND INTERNAL CONTROL

1.1 True or False

1.1.1	True ✓
1.1.2	False ✓
1.1.3	False ✓
1.1.4	True ✓

4

1.2 Bank Reconciliation

ITEMS AND AMOUNTS TO BE RECORDED IN THE CRJ AND CPJ

1.2.1	CRJ
ITEM	AMOUNT
C	5 000 ✓
D	8 000 ✓✓
H	900 ✓✓
L	3 000 ✓✓

1.2.2	CPJ
ITEM	AMOUNT
E	540 ✓
F	200 ✓
G	2 000 ✓✓
K	15 000 ✓✓

13

1.2.3 BANK RECONCILIATION STATEMENT ON 30 SEPTEMBER 2017

	DEBIT	CREDIT
Cr balance as per statement		45 000 ✓
Cr deposits not yet recorded (3 000 ✓ + 29 000 ✓)		32 000 (2 marks)
Dr outstanding cheques No. 8447	11 500 ✓✓	
No. 8520	19 000 ✓	
No. 8524	15 000 ✓	
Dr balance as per bank account	31 500 ☑ Balancing figure	
- 1 (Max -2) for details incorrect / omitted	77 000 ☑	77 000 ☑

10

1.3 Debtors Reconciliation

1.3.1 Explain why the Debtors Control account balance and the Debtors List total should be the same.

Valid explanation ✓✓ (part mark for incomplete answer)

The Debtors' Control is a summary of all the debtors information posted from the different journals. The Debtors List is the posting to individual debtors' accounts from the same journals.

2

1.3.2 Correct the Debtors' List

*one part correct

DEBTOR	WORKINGS		BALANCE	
A. Santos	12 560	– 1 560 ✓✓ 780 x 2 (1 mark each)	11 000	✓*
B. Deepak	9 840	+ 4000 ✓	13 840	✓*
C. Mellissa	7 660	– 3 500 ✓	4 160	✓*
D. Rossie	11 400	+ 3 500 ✓ – 1 250 ✓	13 650	✓*

10

1.3.3 • Explain 30 days credit terms

Explanation ✓✓

Debtors are granted 30 days to pay their account before any action to collect is taken.

2

• What should the credit manager do to ensure that only reliable persons are allowed to buy goods on credit? Provide TWO points.

Any TWO complete, valid explanations ✓✓ ✓✓ (part marks for incomplete, brief answers)

- Control application forms – check personal details such as address, contact numbers and employment history.
- Check salary/earnings to assess affordability.
- Check credit history and references for creditworthiness.
- Bank statement/bank details to verify account details.
- Monthly budget summary to assist with control of credit according to the National Credit Act (NCA).

4

Q1

45

QUESTION 2: PARTNERSHIPS – FINANCIAL STATEMENTS

2.1 PB STORES

INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2017

	Sales	993 250 ✓
	Cost of sales	(685 000) ✓
	Gross profit	308 250 ✓
	Other income operation	166 750 ☑
	Commission income	58 545
	Rent income (117 250 ✓ – 9 625 ✓✓)	107 625 ☑*
	Provision for bad debts adjustment (5 440 – 4 860)	580 ✓☑*
11	Gross income operation(+)	475 000 ☑
	Operating expenses operation	(144 865) ☑
	Salaries and wages	45 000
	Depreciation	17 150 ✓
	Insurance (25 665 ✓ – 1 455 ✓✓)	24 210 ☑*
	Packing material (19 710 ✓ – 3 600 ✓)	16 110 ✓
	Water and electricity (32 180 ✓ + 2 150 ✓)	34 330 ✓
	Trading stock deficit (133 390 – 130 540)	2 850 ✓☑*
15	Sundry expenses (balancing figure)	5 215 ☑
	Operating profit Profit bef Int Exp – Int Inc	330 135 ☑
	Interest income (14 850 + 4 950)	19 800 ✓✓
	Profit before interest expense (NP + Interest expense)	349 935 ☑
	Interest expense (327 000 ✓ – 288 200 ✓)	(38 800) ☑*
7	Net profit for the year	311 135

33

*one part correct
-1 (max -2) for foreign entries

2.2.1 CAPITAL NOTE

May be combined

	PINKY	BRIAN	TOTAL
Opening balance <small>workings</small>	240 000 ✓*	360 000 ✓*	600 000 ✓*
Additions to capital	40 000 ✓		40 000
Withdrawal of capital		(10 000) ✓	(10 000)
Closing balance	280 000 ✓	350 000 ✓	630 000 ✓

8

2.2.2 CURRENT ACCOUNT NOTE

* (refer workings at the bottom to award part-marks)
Accommodate alternative arrangements / Misplaced items (-1 each). Award the method marks.

	PINKY	BRIAN	TOTAL
Salaries	116 235 ✓✓✗*	95 940 ✓✗*	212 175
Interest on capital	21 600 ✓✗*	28 200 ✓✗*	49 800
Bonus	19 865 ✓✓		19 865
Total primary distribution	157 700	124 140	281 840 ✓
Final division of profits	13 020 ✓	16 275 ✓	29 295 ✓
Net profit for the year	170 720	140 415	311 135 ✓
Drawings	(31 889) ✓✗*	(62 503) ✓✗*	(94 392) ✓
Retained income	138 831	77 912	216 743 ✓
Opening balance	22 369 ✓	(32 412) ✓	(10 043) ✓
Closing balance	161 200 ✓	45 500 ✓	206 700 ✓

28

Check operation for all other method marks

2.3.1 Provide TWO reasons to justify why he feels this way. In each case provide relevant figures to support your comments.

Any TWO complete, valid reasons ✓✓✓✓ (part marks for incomplete, brief answers)

- He had a debit balance on his Current account, (R32 412).
- Excessive drawings, R62 503.
- Reduced his capital contribution, R10 000 (although he is still the major partner).

4

2.3.2 Give ONE suggestion that the partnership can use to address the concern expressed by Pinky.

Any ONE suggestion ✓✓

- Re-visit the partnership agreement.
- Set limits for drawings.

2

Salaries (113 400 + 2 835); (93 600 + 2 340)
Interest on capital (4 800 + 16 800); (7 200 + 21 000)

Share in profit : 29 295 x 4/9 and x 5/9
Drawings (26 409 + 5 480); (57 403 + 5 100)

Q2

75

QUESTION 3: PARTNERSHIPS – FINANCIAL STATEMENTS AND INTERPRETATION

3.1 Matching

3.1.1	D ✓	
3.1.2	E ✓	
3.1.3	A ✓	
3.1.4	C ✓	

4

3.2 MP TRADERS

3.2.1 Calculate the following:

WORKINGS	ANSWER	
<ul style="list-style-type: none"> Percentage mark-up on cost $\frac{1\,677\,000 \checkmark}{(4\,257\,000 - 1\,677\,000)} \times 100$ $2\,580\,000 \checkmark \checkmark$	65% <input checked="" type="checkbox"/> One part correct	4
<ul style="list-style-type: none"> Operating expenses on sales $\frac{1\,064\,250 \checkmark}{4\,257\,000 \checkmark} \times 100$	25% <input checked="" type="checkbox"/> One part correct	3
<ul style="list-style-type: none"> Total earnings of Monty $720\,000 \checkmark - 338\,580 \checkmark \checkmark$ $(279\,570 + 59\,010)$	381 420 <input checked="" type="checkbox"/> One part correct	4
<ul style="list-style-type: none"> The percentage return earned by Python $\frac{(279\,570 + 59\,010) \checkmark}{\frac{1}{2} \checkmark (281\,000 \checkmark + 384\,580 \checkmark)} \times 100$	102% <input checked="" type="checkbox"/> One part correct	5
<ul style="list-style-type: none"> The debt/equity ratio for 2017 $742\,380 \checkmark : 1\,237\,300 \checkmark$	0,6 : 1 <input checked="" type="checkbox"/> One part correct	3

3.2.2 Comment on the liquidity of the business. Quote and explain TWO financial indicators (with figures) in your answer.

Financial indicators (with figures) ✓ ✓
Comment ✓✓

The current ratio improved from 1,2 : 1 to 1,4 : 1
The acid test ratio improved from 0,7 : 1 to 0,8 : 1

The business is experiencing liquidity problems – it does not have sufficient cash to meet short-term obligations. There is some evidence of stock-piling.

4

3.2.3 Were the partners justified in increasing the loan? Explain. Quote TWO financial indicators, and figures, in your explanation.

Yes/No ✓
Financial indicator with figures ✓ ✓
Explanation ✓

The debt equity ratio moved from 0,1 : 1 to 0,6 : 1 (refer 3.2.1)
The business is making greater use of borrowed capital (loans).
An improvement on the return on capital employed (43% to 69%) shows that the business is making effective use of the loan to improve profitability.
Interest on loan is 13% - positive gearing

4

3.2.4 Monty is not happy with his return on investment. Explain why you think he feels this way. Quote figures.

Financial indicators with figures ✓✓
Explanation ✓✓

Monty's return has increased from 46% to 54%.
Python's return increased from 81% to 102%.

He is probably unhappy because his return is almost ½ of Python's (53%).
It was the same last year (57%).
He is the partner that has contributed more capital (650 000: 325 000).
He manages his Current Account better (202 720 : 59 580).

4

Q3

35

QUESTION 4: BUDGETING AND CLUBS

4.1.1 State ONE difference between a Cash Budget and a Projected Income Statement.

Any valid difference ✓✓ (must include information of both)

- A cash budget focuses on cash receipts and cash payments. It shows the surplus/shortfall of cash and the cash balance over the budget period.
- A Projected Income Statement focuses on income and expenses over the budget period and projects the profit or loss. Includes only nominal accounts, cash and non-cash items and takes into account adjustments.

2

4.1.2 List TWO items that would not appear in a Cash Budget.

Any TWO examples of non-cash items ✓ ✓

Depreciation; bad debts; discount allowed; discount received; drawings of stock etc.

2

4.1.3 Explain why it is necessary to compare the actual amounts received or paid against the budgeted figures.

Any valid explanation ✓✓

- Helps to control payments (cash management).
- Management can take corrective measures in addressing variances.
- Mismanagement and fraud can be exposed.

2

4.2 Thabo's Gymnasium

4.2.1 Debtors' Collection Schedule

MONTHS	CREDIT SALES	NOVEMBER	DECEMBER
October	28 500	10 830	
November	30 000	18 000 ✓✓	11 400 ✓✓
December	45 000 ✓✓		27 000 ✓ 60% of cr sales
Cash from Debtors operation		28 830 ☑	38 400 ☑

10

4.2.2 Cash Budget for the budget period ended 31 December 2017

RECEIPTS		NOVEMBER	DECEMBER
Cash sales		70 000	105 000 ✓✓
Cash from debtors	refer 4.2.1	28 830 ☑	38 400 ☑
Fee income (gym members)		33 600	42 000 ✓✓
Rent income		9 850 ✓✓	10 638
Loan: Thabo Snr		80 000	0
9 TOTAL RECEIPTS	operation	222 280 ☑	196 038
PAYMENTS			
Payment to creditors (for stock)		52 200 ✓✓	55 800 ✓✓
Salaries and wages		24 000	25 800
Personal trainers (fees)		21 400	29 960 ✓✓
Cleaning detergents		4 500	4 500
Telephone		5 000	5 000
Maintenance of equipment		13 000	16 280
Purchase of new equipment		82 000 ✓✓	0
Loan instalment (including interest)		0	6 000 ✓✓
12 Sundry expenses		12 250 ✓✓	18 375
TOTAL PAYMENTS	operation	214 350 ☑	161 715 ☑
SURPLUS/DEFICIT	operation; subtracted	7 930 ☑	34 323 ☑
OPENING BALANCE IN BANK		(6 930)	1 000 ☑ Nov closing balance
7 CLOSING BALANCE IN BANK	operation	1 000 ☑	35 323 ☑

28

4.2.3 Calculate the percentage increase in salaries and wages.

$$\frac{25\,800 - 24\,000}{24\,000} \times 100 = 7,5\% \quad \text{one part correct}$$

3

Explain why you think that the workers should/should not be satisfied with this increase.

Any valid explanation ✓✓

- A fair increase – greater than the inflation rate.
- The business was able to give an increase in spite of the low bank balance.

2

4.2.4

REASON FOR CONCERN ✓ ✓ ✓	ADVICE ✓ ✓ ✓
Fee income: <ul style="list-style-type: none"> The club was not able to collect all the fees from members. Only 56 of the 80 members paid their fees. 30% of members did not pay. 	Improve the collection policy. Provide incentives for early payments. Do not allow members to use facilities if fees not paid.
Telephone: <ul style="list-style-type: none"> Overspent on budgeted amount. (under-budgeted). Not well controlled. 	Investigate the usage of telephone. Check if there is abuse and improve. The internal controls such as using pin numbers or codes. Budget more realistically if necessary.
Maintenance: training equipment <ul style="list-style-type: none"> Underspent (over-budgeted). Did not make effective use of the budget. Neglected to do the necessary maintenance. 	Investigate the contract for maintenance. Unwise to neglect this as defective equipment can cause physical harm to members who can sue the business. Effective maintenance must be done to improve the lifespan of the equipment.

6

4.3 SPORTS CLUBS

 GENERAL LEDGER OF MBIZANA SOCIAL CLUB
 MEMBERSHIP FEES ACCOUNT

2016 Jan	1	Accrued Income	4 800 ✓	2016 Jan	1	Deferred income	1 800 ✓
Dec	31	Deferred income	600 ✓	Dec	31	Bank	43 900 ✓✓
		Income and expenditure (47 700 ✓ + 2 800 ✓ + 900 ✓)	51 400 ☑*			Fees written off (4 800 – 1 200)	3 600 ✓✓
		Bank (refund)	900 ✓			Repairs and maintenance	1 200 ✓
			*one part correct			Accrued income Balancing figure	7 200 ☑
			57 700 ✓				57 700
		-1 for incorrect dates				-1 (max -2) for incorrect or no details	

15

Q4

70

QUESTION 5: COST ACCOUNTING

5.1 Matching

5.1.1	C ✓	
5.1.2	E ✓	
5.1.3	D ✓	
5.1.4	B ✓	

4

5.2.1 FACTORY OVERHEAD COST

	R	
Factory foreman and cleaners 148 800 ✓ + 62 200 ✓ + 23 210 ✓	234 210	☑*
Factory consumables (45 300 – 2 300)	43 000	✓✓
Rent expense (92 400 x ²⁸⁰ / ₃₈₄)	66 000	✓✓
Water and electricity (83 280 x 65%)	54 132	✓✓
Insurance (15 400 x 90%)/2	6 930	✓✓
Sundry expenses (17 776/2)	8 888	✓✓
Depreciation	51 840	✓
Accept alternative account names and/or workings	465 000	☑*
*one part correct		

16

5.2.2 GENERAL LEDGER OF PEFFERVILLE MANUFACTURERS

WORK-IN-PROCESS STOCK ACCOUNT

2016 Mar	1	Balance	b/d	24 270	2017 Feb	28	Finished goods stock Balancing figure		1 740 000
									☑
2017 Feb	28	Direct material cost		562 000 ✓			Balance	c/d	25 000 ✓
		Direct labour cost (643 000 ✓ + 70 730 ✓)		713 730 ☑*					
		Factory overhead cost		465 000 ☑ 5.2.1					
				1 765 000					1 765 000
Mar	1	Balance	b/d	25 000 ☑*	*one part correct				

FINISHED GOODS STOCK ACCOUNT

2016 Mar	1	Balance	b/d	38 000 ✓	2017 Feb	28	Cost of sales (2 752 000 x 100/160) One part correct		1 720 000
									✓☑
2017 Feb	28	Work-in-process stock Refer WIP Account		1 740 000			Balance	c/d	58 000 ✓
				1 778 000					1 778 000
Mar	1	Balance	b/d	58 000					

5.3 SaSa Furnishers

5.3.1 Provide ONE difference between a fixed cost and a variable cost.

Any valid difference ✓✓

- A fixed cost: Expected to remain constant and is not influenced by the level of production.
- A variable cost: This cost changes depending on the number of units produced and sold.

2

5.3.2 Calculate the number of plastic bar-stools that the business needed to produce to breakeven.

$$\frac{1\,080\,400}{817\,600 \checkmark + 262\,800 \checkmark} = 27\,010 \text{ units } \checkmark \quad \text{one part correct}$$

$$\frac{155 \checkmark - 115 \checkmark}{40}$$

5

5.3.3 • Comment on the break-even point calculated in QUESTION 5.3.2 and the level of production achieved.

Valid comment comparing BEP with units produced ✓✓ figures ✓

The business should be satisfied as it produced more than the BEP

(29 200 – 27 010) 2 190 units

Mark according to the answer in 5.3.2.

3

• What advice would you offer SaSa for the future? Provide ONE point.

Valid point ✓✓

- Try to increase the level of production to increase profitability.
- Try to control variable costs to lower the cost of production.
- Look for cheaper suppliers of raw material.
- Increase advertising.

2

Q5

45

QUESTION 6: FIXED ASSETS AND PROBLEM SOLVING

6.1.1

GENERAL LEDGER OF PITT TRADERS

ASSET DISPOSAL ACCOUNT

2016 Dec	1	Equipment ✓		142 000 ✓	2016 Dec	1	Accumulated depreciation on equipment ✓ (142 000 – 77 248)		64 752 ✓✓*
							Creditors control ✓ Balancing figure		56 300 ✓
							Loss on sale of asset ✓		20 948 ✓
				142 000					142 000
									*one part correct

9

6.1.2 Calculate the following:

WORKINGS	ANSWER
(i) Additional land and buildings 1 860 000 – 1 500 000	360 000 ✓✓ One part correct
(ii) Accumulated depreciation on vehicles 740 000 – 250 000	490 000 ✓✓ One part correct
(iii) Additional vehicles 1 070 000 – 740 000	330 000 ✓✓ One part correct
(iv) Total depreciation on vehicles (iii) above $330\,000 \times 15\% \times \frac{4}{12} = 16\,500$ ✓ one part correct $740\,000 \times 15\% = 111\,000$ ✓✓	127 500 ✓ One part correct

6.2

6.2.1 IDENTIFY ONE PROBLEM ✓ ✓ ✓ QUOTE FIGURES ✓ ✓ ✓	6.2.2 PROVIDE A VALID SOLUTION ✓ ✓ ✓
TAXI 1: Is old – bought in 1997 (20 years) Fully depreciated – has a book value of R1 High fuel and repair cost – R7,20/km 60% of revenue	Replace this vehicle Give this driver the new vehicle Use this vehicle for short runs
TAXI 2: R30 000 of fare not handed in Fuel and repairs is 45% of revenue	Monitor daily takings regularly Collections must be done daily Deduct the money from the driver's salary. Disciplinary hearing
TAXI 3: New vehicle – only travelled 26 720km 32% of Taxi 1 and 50% of Taxi 2	Investigate the reason for the low number of trips Driver may be on leave / engaging in fraudulent behaviour Give this vehicle to a more hardworking driver

9

Q6	30	
----	----	--

TOTAL: 300

MEMO: C

QUESTION 1: RECONCILIATIONS

1.1

1.1.1	True ✓
1.1.2	True ✓
1.1.3	False ✓
1.1.4	False ✓

4

1.2.1

CASH RECEIPTS JOURNAL		CASH PAYMENTS JOURNAL	
SUNDRY ACCOUNT	AMOUNT	SUNDRY ACCOUNT	AMOUNT
Drawings ✓	4 000 ✓	Bank charges ✓	1 120 ✓
Interest income ✓	450 ✓	Debtors control ✓	6 250 ✓
Creditors control ✓	1 080 ✓		*

10

1.2.2

BANK RECONCILIATION STATEMENT ON 31 OCTOBER 2018		
	DEBIT	CREDIT
Dr balance as per statement	12 190 ✓	
Outstanding deposit:		* 15 300 ✓
17/10/2018		13 220 ✓
29/10/2018		10 400 ✓
Outstanding cheques: No. 1265	9 700 ✓	
No. 1460	4 280 ✓	
No. 1496	5 730 ✓	
Cr error on statement		530 ✓
Balance as per bank account	7 550 <input checked="" type="checkbox"/> Balancing figure	
	39 450	39 450 <input checked="" type="checkbox"/> one part correct

10

* If concept of Prudence is considered, the deposit of R15 300 can be entered in the CPJ to be cancelled and NOT shown as outstanding deposit in the BRS. (1 mark) Adapt totals and Balance as per Bank account.

1.2.3

PROBLEM IDENTIFIED ✓✓ ✓✓	SOLUTION ✓ ✓
Deposits are not being done regularly / Poor internal control of cash.	Check deposits Arrange bank notification for all transactions Create rules and procedures for staff to follow. Monitor.
The cashier has no supervision/ is in charge of too many related functions.	Division of duties. Authorisation for transactions Regular and random audit of records.

6

1.3 CREDITORS RECONCILIATION

Creditors Ledger Account	Statement
20 000	21 500
A	(5 450 – 4 450) – 1 000 ✓✓
B + 230 ✓✓	
C (520 x 2) – 1 040 ✓✓	
D – 4 190 ✓	
E	- 5 500 ✓
15 000 <input checked="" type="checkbox"/> one part correct	15 000 <input checked="" type="checkbox"/> one part correct

10

Accept brackets for negative amounts (if used).

-1 on each line for foreign items (only if a mark is scored on that line).

QUESTION 2: INCOME STATEMENT

VUZI TRADERS

Income Statement for the year ended 28 February 2018

Sales	2 362 575 ✓ + 17 425 ✓	2 380 000	✓	
Cost of Sales	1 389 750 ✓ + 10 250 ✓✓	(1 400 000)	☒*	
GROSS PROFIT		980 000	☒*	8
Other income		17 000	☒*	
Trading stock surplus	58 680 – 10 250 ✓ – 49 540 ✓	1 110	☒*	
Bad debts recovered	2 180 ✓ + 820 ✓	3 000	✓	
Provision for bad debts adjustment	3 070 – 2 480	590	✓☒*	
Rent income	30 750 ✓ – 18 450 ✓✓	12 300	☒*	
Gross income		997 000	☒*	14
Operating expenses		(442 000)	☒*	
Packing material		27 300	✓	
Bad debts	8 770 ✓ + 2 730 ✓✓	11 500	☒*	
Telephone	15 675 ✓ + 1 245 ✓	16 920	✓	
Insurance	23 720 ✓ - 840 ✓✓	22 880	☒*	
Advertising	19 660 ✓ – 1 160 ✓✓	18 500	☒*	
Salaries and wages		285 200	✓	
Water and electricity		27 360	✓	
Sundry expenses		32 340	✓	
Operating profit		555 000	☒*	21
Interest income	240 000 x 8% x ¹⁰ / ₁₂	16 000	✓✓☒*	
Profit before interest expense		571 000	☒*	
Interest expense	210 500 – 179 500	(31 000)	✓☒*	
Net profit for the year		540 000	☒*	7

50

-1 each for foreign items (all balance sheet accounts) Max. -2
Misplaced items must be marked wrong.

*one part correct

QUESTION 3: PARTNERSHIPS

3.1 CURRENT ACCOUNT NOTE

	THANDI	XOLA	TOTAL	
Salaries	148 800 ✓✓	152 520 ✓✓	301 320	
Interest on capital	64 000 ✓	74 000 ✓✓	138 000	
Bonus	10 680 ✓✓	0	10 680	
Total primary distribution	223 480	226 520 ☑	450 000 ☑	
Final distribution of profits	10 000 ✓✓	11 250 ✓✓	21 250 ☑	
Net profit for the year	233 480 ☑	237 770 ☑	471 250	
Drawings	(148 800)	(127 100)	(275 900)	
Retained income for the year	84 680 ☑	110 670 ☑	195 350	
Balance (1 March 2017)	22 320 ✓	(17 670) ✓	4 650	
Balance (28 February 2018)	107 000 ☑	93 000 ☑	200 000 ☑	25

Accept alternative formats/presentations.
Allocate the marks accordingly.

*one part correct. Check operation for all totals.

3.2 Calculate the following financial indicators:

3.2.1 **CURRENT RATIO**

407 340 ✓ : 226 300 ✓ = 1,8 : 1 ☑ one part correct

3

3.2.2 **AVERAGE DEBTORS COLLECTION PERIOD**

193 250 three marks

$\frac{1}{2} \checkmark (219\,200 \checkmark + 167\,300 \checkmark) \times 365 = 44 \text{ days} \checkmark \text{ one part correct}$

1 602 000 ✓✓

6

3.2.3 **PARTNER XOLA'S RETURN ON EQUITY**

$\frac{237\,770 \checkmark}{\frac{1}{2} \checkmark (900\,000 \checkmark + 1\,000\,000 \checkmark + 93\,000 \checkmark \text{ 3.1.} - 17\,670 \checkmark)} \times 100$

1 900 000 ✓ two marks 75 330 ✓ two marks ☑

987 665 four marks

= 24,1 or 23% ☑ one part correct

7

3.2.4 **DEBT/EQUITY RATIO**

$800\,000 \checkmark : \frac{2\,000\,000}{(1\,800\,000 \checkmark + 200\,000 \checkmark \text{ 3.1.})}$

= 0,4 : 1 ☑ one part correct

4

3.3

Comment on the liquidity of the business. Quote TWO financial indicators (with figures) to support your comment.

Financial indicators with trends ✓✓ ✓✓ (any TWO)
General comment ✓✓

Current ratio decreased from 2,2 : 1 to 1,8 : 1 (see 3.2.1)
Acid test ratio decreased from 1,2 : 1 to 0,8 : 1
Debtors average collection period worsened from 40 days to 44 days. (see 3.2.2)

The financial indicators suggest that the liquidity position was satisfactory but is moving towards an unsatisfactory position. At this trend, the business may experience problems in meeting its short term debts in the future. The acid test ratio indicates that the business holds too much stock; debtors are taking too long to settle their accounts.

6

3.4 3.4.1

Explain Thandi's concern about the "unlimited liability" principle.

Explanation of unlimited liability ✓✓✓ part marks for unclear/incomplete answers

A partnership business is not recognised as being separate from the owners.
The partners are therefore responsible for all debts of the business.
This liability may extend beyond their investment (equity) in the partnership.
He is concerned that his private possessions (assets) may be used to settle the debts of the business.

3

3.4.2

Provide TWO points to support Xola's suggestion. Quote ONE financial indicator (with figures) in your motivation.

TWO valid points ✓✓ ✓✓
ONE relevant financial indicator (with figures) ✓✓

The debt/equity ratio improved from 0,5 : 1 to 0,4 : 1 (see 3.2.4)
The business is lowly geared (not making extensive use of loans)
Increasing the loan by R200 000 will cause the debt/equity ratio to move to 0,5 : 1 (which is still reasonable).
If the extensions to the business contributes to greater profitability and the return on capital employed is greater than the interest on the loan, then Xola's suggestion can be supported.

6

QUESTION 4: COST ACCOUNTING

4.1.1 Calculate: Direct material cost

$$\begin{array}{ccccccccccc} 23 & 400 & + & 342 & 600 & - & 15 & 700 & + & 155 & 000 & + & 19 & 400 & - & 38 & 700 & = & 486 & 000 \\ \checkmark & & & \checkmark & & & \checkmark & & & \checkmark & & & \checkmark & & \checkmark & & & & & \checkmark \end{array}$$

☒ one part correct

7

Calculate: Direct labour cost

4 x 1 440 x R35	201 600	<input checked="" type="checkbox"/> one part correct
Contributions (201 600 x 10%)	20 160	<input checked="" type="checkbox"/> one part correct
Overtime	33 600	<input checked="" type="checkbox"/>
TOTAL	255 360	<input checked="" type="checkbox"/> one part correct

5

4.1.2

GENERAL LEDGER OF STRUMPHER MANUFACTURERS WORK-IN-PROGRESS STOCK

balancing figure

2017 Mar	1	Balance	45 300 ✓	2018 Feb	28	Finished goods stock ✓	1 000 000 <input checked="" type="checkbox"/>
2018 Feb	28	Direct material cost ✓	486 000 <input checked="" type="checkbox"/> *			Balance c/d	60 000 ✓
		Direct labour cost ✓	255 360 <input checked="" type="checkbox"/> *				
		Factory overhead cost ✓	273 340 ✓				
			1 060 000				1 060 000
2018 Mar	1	Balance b/d	60 000				

*see 4.1.1

10

FINISHED GOODS STOCK

2017 Mar	1	Balance b/d	27 000 ✓	2018 Feb	28	Cost of sales ✓	1 005 000 <input checked="" type="checkbox"/> Balancing figure
2018 Feb	28	Work-in-progress ✓	1 000 000 <input checked="" type="checkbox"/> See above			Balance c/d	22 000 ✓
			1 027 000				1 027 000
2018 Mar	1	Balance b/d	22 000				

6

- 4.1.3 The owner is concerned about the control of workers in production. Provide TWO points that justify his concern. Quote relevant figures.

TWO valid points ✓ ✓ figures ✓✓ ✓✓

Point 1: Normal hours worked is below the contracted hours.	Figures They should be working 1 800 hours (40 x 45) but only 1 440 hours are worked (80%).
Point 2: Overtime hours are relatively high.	Figures 640/1 440 (44,4%) 640/1 800 (35,5%)

6

4.2 JOLENE AND JUANE DOLLS

- 4.2.1 Calculate the break-even point.

$$\begin{array}{l} 76\ 500 \text{ two marks} \\ 30\ 600 \checkmark + 45\ 900 \checkmark = 2\ 550 \text{ units } \checkmark \text{ one part correct} \\ 95 \checkmark - (23 \checkmark + 14 \checkmark + 28 \checkmark) \\ 30 \text{ four marks} \end{array}$$

7

Comment on findings

Comparison of units produced to BEP ✓✓ comment ✓

The number of units produced and sold is equal to the BEP of 2 550
The business managed to break-even but was not able to make a profit.

3

- 4.2.2 Did the business achieve the targeted gross profit on sales? Provide a calculation to support your opinion.

Yes/No ✓

$$\begin{array}{l} \text{DMC} + \text{DLC} + \text{FOHC} \\ (71\ 400 + 58\ 650 + 45\ 900) \times 150\% \checkmark \\ 175\ 950 \checkmark \text{ one part correct} \\ = 263\ 925 \text{ expected sales } \checkmark \\ 242\ 250 \text{ actual sales } \checkmark \end{array}$$

Or: if unit costs are used.

$$\begin{array}{l} (28 + 23 + 18) \times 150\% \\ = 103,50 \text{ expected selling price} \\ 95,00 \text{ actual selling price} \end{array}$$

6

QUESTION 5: BUDGETING

- 5.1 Calculate the percentage of goods sold on credit during December 2018.

$$\frac{72\,000 \checkmark}{120\,000 \checkmark\checkmark} \times 100 = 60\% \quad \checkmark \text{ one part correct}$$

72 000 + 48 000 two or nothing

4

- 5.2 Complete the Debtors Collection Schedule for December 2018.

MONTH	CREDIT SALES	NOVEMBER	DECEMBER
October	57 600	23 040	10 368 ✓✓
November	64 800	24 624	25 920 ✓✓
December	72 000	72 000 x 40% x 95%	27 360 ✓✓✓*
CASH FROM DEBTORS			63 648 ✓*

8

*one part correct

- 5.3 CASH BUDGET FOR DECEMBER 2018

RECEIPTS

DECEMBER 2018

Cash Sales	48 000	✓
Cash from debtors see 5.2.2	63 648	✓
Rent income 139 680/12 ✓ x 105% ✓	12 222	✓*
Interest on fixed deposit 9 600/3	3 200	✓✓
TOTAL RECEIPTS	127 070	✓* 8
PAYMENTS		
Payments to creditors (43 200 + 64 800) ✓ x 100/150 ✓	72 000	✓*
Salaries (10 100 x 180% x 2) + 10 100 ✓ 36 360 ✓ one part correct	46 460	✓*
Drawings	1 800	✓✓
Operating expenses	18 000	✓
Bank charges	1 620	✓
Advertising	3 600	
Repairs and maintenance	5 000	
TOTAL PAYMENTS	148 480	✓* 12
SURPLUS/(SHORTFALL)	(21 410)	✓*
Bank (Opening Balance)	98 330	✓
BANK (CLOSING BALANCE)	(76 920)	✓* 3

23

-1 Foreign entries (max -2) any non-cash item

*one part correct

5.4

ITEM ✓✓	REASON ✓✓ ✓✓
Well controlled: Drawings Advertising	<i>Drawings:</i> The owner is considerate of the cash flow situation. The business was in a shortfall position. <i>Advertising:</i> This budget was well used. Only R50 over. The business expects sales to increase during November and December so they must advertise.
Not well controlled: Repairs and maintenance Rent income	<i>Repairs:</i> It is always wise to use the maintenance budget so that equipment/assets work more efficiently over a longer period. <i>Rent:</i> Poor collection policy. Tenant is taking advantage. Affecting the cash flow.

6

Provide the owner with different internal control measures he can use to exercise better control over any TWO items on this list.

ONE point on each item. ✓✓ ✓✓

Repairs and maintenance:
 Have regular inspections on assets needing maintenance.
 Take out a contract to ensure that this is done regularly.

Rent income:
 Stipulate a fixed date for payment – or interest will apply.
 Suggest a debit order to ensure payment is made.
 Send reminder before due date.

4

QUESTION 6: CLUBS AND FIXED ASSETS

6.1.1

GENERAL LEDGER OF MOUNT COKE HIKING CLUB MEMBERSHIP FEES ACCOUNT

2017 Jan	1	Accrued income	5 400 ✓	2017 Jan	1	Deferred income	1 500 ✓
Dec	31	Bank ✓ (refund)	450 ✓	Dec	31	Bank	61 500 ✓
		Deferred income ✓	2 700 ✓			Fees written off ✓ 5 400 – 3 600	1 800 ✓✓
		Income and Expenditure ✓	66 150 ☑*			Honorarium ✓	300 ✓
						Accrued income ✓	9 600 ☑ Balancing figure
			74 700				74 700

201 x 300 + 3 x 150 + 14 x 300 + 8 x 150
60 300 ✓ 450 ✓ 4 200 ✓ 1 200 ✓

20

6.1.2

Explain why they feel this way. Provide ONE point. ✓✓

The constitution provides for ½ or full amount payable.
It would be unfair to a new member who joins in November.
Some members will benefit more than others depending on the number of months in the club.

2

Provide a solution to solve this problem. ONE point ✓✓

The club can use a pro-rata system whereby members only pay for the unexpired months in the first year.
The club can calculate a monthly fee and make the fees payable monthly.

2

6.2.1

Calculate: Total depreciation on vehicles

924 000 ✓ x 20% = 184 800 ☑ one part correct
1 090 000 – 924 000 = 166 000 ✓ x 20% x $\frac{9}{12}$ ✓ = 24 900 ☑ one part correct

Total: 209 700 ☑ one part correct

6

Calculate: Total depreciation on equipment

(380 000 ✓ – 167 000 ✓) x 15% = 31 950 ☑ one part correct
213 000 two marks

3

6.2.2 FIXED ASSETS NOTE

	VEHICLES	EQUIPMENT
CARRYING VALUE (1 March 2017)	369 600 ✓	213 000
Cost	924 000	380 000
Accumulated Depreciation	(554 400)	(167 000)
Movements:		
Additions	166 000 ✓✓	0
Disposals	0	(11 390)☒
Depreciation <small>see 6.2.1</small>	(209 700)☒	(31 950)☒
CARRYING VALUE (28 February 2018)	325 900☒	169 660✓
Cost	1 090 000	335 000
Accumulated Depreciation	(764 100)☒	(165 340)

9

6.2.3 Provide TWO points to justify her concern. Quote figures.

TWO valid points (with figures) ✓✓ ✓✓ related to sales increase ✓✓

Petrol and oil cost is now 48 900 (75% more than last year);

Sales only increased by 192 400 (26%).

Repairs and maintenance increased by 12 920 (40%).

6

Give Shirley TWO points of advice on how she can exercise better control over the use of the vehicles.

TWO points ✓✓ ✓✓

Install tracking devices on vehicles.

Use a logbook to keep records on mileage.

Make provision for all vehicles parked at business after finishing time.

Allocate vehicles to drivers on a daily basis.

4

6.2.4 The six drivers are dissatisfied with their salary increase and are planning a strict. Are they justified? Explain.

Yes/No ✓ Explanation ✓✓

It is only 5% which is below the inflation rate.

Sales increased by 40%, they are only receiving 5%.

3

TOTAL: 300

MEMO: D

QUESTION 1: ANALYSIS OF TRANSACTIONS AND FIXED ASSETS

1.1 ANALYSIS OF TRANSACTIONS

	General Ledger		Assets	Owners' Equity	Liabilities
	Account debited	Account credited			
1.1.1	Trading stock	Bank	+25 000 ✓	0	+25 000 ✓
1.1.2	Creditors control ✓	Stationery ✓	0	+500	-500
1.1.3	Debtors allowance ✓	Debtors control ✓	-1 400 ✓	-1 400 ✓	0
1.1.4	Equipment ✓	Bad debts recovered ✓	+3 500 ✓	+3 500 ✓	0

12

No marks awarded if entries are made in all 3 columns for the accounting equation.

1.2 FIXED ASSETS

1.2.1 Calculate the missing figures denoted by (i) to (iii).

WORKINGS		ANSWER
(i)	143 000 + 117 400 or 400 000 – 140 000	260 000 ✓✓ no part marks
(ii)	14 000 ✓ + (117 000 ✓ ÷ 3 ✓) 39 000 two	53 000 ✓ One part correct
(iii)	(93 000 – 54 800) 38 200 ✓ x 20% x 9/12 ✓ = 5 730 see above 93 000 ✓ – (54 800 ✓ + 5 730 ✓) 435 000 – 342 000 60 530 two marks	32 470 ✓ One part correct

2

4

7

1.2.2

The equipment was sold at a loss while the market value was R35 000. Provide TWO possible reasons for the loss and suggest ONE control measure to prevent this happening again.

TWO valid reasons ✓✓ ✓✓

Not properly taken care off

Not depreciated by the correct amount

Too expensive to maintain/they want to get rid of it

ONE valid suggestion ✓

Implement/improve maintenance plan

Calculate the correct depreciation

5

TOTAL MARKS
30

QUESTION 2: INCOME STATEMENT AND BALANCE SHEET NOTE

2.1 TYALI TRADERS

Income Statement for the year ended 30 JUNE 2019

Sales (1 737 750 – 3 500)	1 734 250	✓☑*	
Cost of sales (993 000 – 2 000) or (1 734 250 x 100/175)	(991 000)	✓☑*	
Gross profit	operation	743 250	☑ 5
Other operating income	operation	116 500	☑
Rent Income (81 792 ✓ + 7 632 ✓✓)	89 424	☑*	
Commission income	20 076	✓	
Discount received (6 850 ✓ + 150 ✓)	7 000	✓	
Gross operating income	operation	859 750	☑ 10
Operating expense Adjusted sales x 24%	(416 220)	☑	
Depreciation	71 680		
Salaries and wages	138 500	✓	
Consumable stores (11 900 ✓ – 2 900 ✓)	9 000	✓	
Bad debts (4 120 ✓ + 2 880 ✓)	7 000	✓	
Insurance (19 300 ✓ – 6 200 ✓✓)	13 100	☑*	
Provision for bad debts adjustment (3 125 – 2 010)	1 115	✓☑*	
Trading stock deficit	3 600	✓	
Sundry expenses	Balancing figure	172 225	☑
Operating profit	operation	443 530	☑ 17
Interest income (9 000 ✓✓ + 2 250 ✓✓) or (5 250 + 6 000)	11 250	☑*	
Profit before interest expense	operation	454 780	☑
Interest expense (161 250 + 257 250 – 375 000)	(43 500)	✓☑*	
Net profit for the year	operation	411 280	☑ 9

41

-1 each for foreign items (all balance sheet accounts) Max. -2
Misplaced items must be marked wrong.

*one part correct

2.2 TRADE AND OTHER RECEIVABLES

Trade debtors (68 880 ✓ – 2 880 ✓ – 3 500 ✓)	62 500	<input checked="" type="checkbox"/> *
Provision for bad debts 5% of Trade debtors	(3 125)	<input checked="" type="checkbox"/>
Net trade Debtors	59 375	
Accrued Income (7 632 + 2 750) see 2.1	10 382	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> *
Prepared Expense see 2.1	6 200	<input checked="" type="checkbox"/>
	75 957	<input checked="" type="checkbox"/> *
*one part correct		

9

TOTAL MARKS
50

QUESTION 3: PARTNERSHIPS

3.1 CONCEPTS

3.1.1	Income statement ✓	
3.1.2	Income received in advance ✓	
3.1.3	Balance sheet ✓	
3.1.4	Cash and cash equivalents ✓	

4

3.2.1 CURRENT ACCOUNT NOTE OF PARTNERS

	NTUBENI	KOLISI
Partners' salaries 240 000 ✓ + 60 000 ✓ or 25 000 x 12	300 000 <input checked="" type="checkbox"/> *	240 000 ✓
Interest on capital 27 000 ✓ + 24 000 ✓	42 000	51 000 <input checked="" type="checkbox"/> *
Partners' bonuses		24 000 ✓✓
Primary distribution operation	342 000 <input checked="" type="checkbox"/>	315 000 <input checked="" type="checkbox"/>
Final distribution see bottom	46 500 ✓ <input checked="" type="checkbox"/> *	46 500 ✓ <input checked="" type="checkbox"/> *
Net profit for the year	388 500	361 500
Drawings	(345 000)	(375 000)
Retained income operation	43 500 <input checked="" type="checkbox"/>	(13 500) <input checked="" type="checkbox"/>
Balance at the beginning	(30 000)	10 500
Balance at the end operation	13 500 <input checked="" type="checkbox"/>	(3 000) <input checked="" type="checkbox"/>

19

*one part correct

$$\begin{array}{rclcl} & 342\,000 + 315\,000 & & & \\ \text{Final distribution: } 750\,000 & - & 657\,000 & = & 93\,000 \div 2 = 46\,500 \\ & \text{one mark} & \text{one mark} & & \text{one mark} \quad \text{one mark} \end{array}$$

Accept alternative format/presentation – Net profit can also be shown above.

3.2.2 BALANCE SHEET ON 30 SEPTEMBER 2019

EQUITY AND LIABILITIES			
Owners' equity	operation	810 500	<input checked="" type="checkbox"/>
Capital (350 000 + 450 000)		800 000	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> *
Current Account (13 500 – 3 000)	see 3.2.1	10 500	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> *
Non-current liabilities		198 000	
Loan	balancing figure: (TE&L – E- CL)	198 000	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Current liabilities	operation	161 500	<input checked="" type="checkbox"/>
Trade and other payables (60 500 ✓+8 000 ✓+7 500 ✓)		76 000	<input checked="" type="checkbox"/> *
Current portion of loan		50 000	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Bank overdraft		35 500	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
TOTAL EQUITY AND LIABILITIES		1 170 000	<input checked="" type="checkbox"/>

*one part correct

5

12

17

TOTAL MARKS
40

QUESTION 4: ANALYSIS AND INTERPRETATION

4.1 CONCEPTS

True or False

4.1.1	False ✓
4.1.2	True ✓
4.1.3	True ✓
4.1.4	False ✓

4

4.2 MK TRADERS

4.2.1 Percentage return earned by Mike.

Calculate the average percentage return earned by Mike

$$\begin{array}{l} 290\,000 \text{ two marks} \\ \frac{263\,000 \checkmark + 27\,000 \checkmark}{\frac{1}{2} \checkmark (1\,300\,000 \checkmark + 43\,904 \checkmark)} \times 100 \\ 671\,952 \text{ three marks} \\ = 43,2\% \checkmark \quad \text{one part correct} \end{array}$$

6

Comment on the return earned by Mike. Quote figures.

Compared the partners' % return ✓
Mention increase/decrease in capital ✓

Possible answers

Koline's return on earnings is 45% compared with that of Mike's of 43%.
Mike increased his capital from R600 000 to R700 000 above Koline's capital of R600 000.
Koline decreases her capital from R640 000 to R600 000 which is less than Mike's capital of R700 000.

2

4.2.2

Comment on TWO liquidity indicators which improved.

Quote figures.

ANY TWO

Financial indicator ✓ : Figures and trend ✓ : Comments ✓

Current Ratio:

In 2018 it was 1,4 : 1 and in 2019 it is 1,8 : 1, improved by 0,4, which is 29%.

The business will be able to cover its short term debts.

Stock Holding Period:

The period of holding stock improved from 165 days (almost six months) in 2018 to 68 days in 2019 (97 days).

The movement of stock is better compared to the previous year.

Debtors Collection Period:

The period of collections from debtors improved from 41,2 days in 2018 to 36,2 days in 2019 (improvement of 6 days).

Debtors are paying faster, closer to the normal credit terms which is 30 days.

6

4.2.3

The partners planned minor extensions to the building to the value of R80 000. Partner Koline suggested an additional loan to be taken out for the extensions.

Why do you think Koline made this suggestion? Quote a financial indicator with figures to support your answer.

Financial indicator ✓ Figures and trend ✓ Explanation ✓

The debt equity ratio decreased from 0,3 : 1 in 2018 to 0,2 : 1 in 2019 – the business is lowly geared (equity is still more than the loans).

3

4.3 JOHN'S APPLIANCES

4.3.1

Refer to the electric fans:
Identify **TWO** negative effects of the increase in the mark-up percentage. Quote the relevant figures.

Any TWO ✓✓ ✓✓

Drop in the net number of units sold ($395 - 320 = 75$ units).

Drop in sales revenue by R16 000.

Decrease in stock turnover rate from 7,9 times to 5,8 times.

4

4.3.2

Identify **ONE** consequence (problem) resulting from the change in supplier. Quote figures. Provide a possible reason for the problem you identified.

PROBLEM ✓✓	REASON ✓
Increase in the units returned by the customers, by 70 units.	Poor quality products.
Unsold stock / large stock balance 200 – 120:	Customers not familiar with the brand name.
80 units compared to last year.	Customers not prepared to pay the same price as the older model.
Lower stock turnover rate from 4,1 to 2,6 times.	

3

Provide **ONE** suggestion (besides those mentioned above) that John can use to increase sales in general.

Valid suggestion ✓✓

Advertise more

Provide free delivery or after sales services

2

TOTAL MARKS

30

TOTAL: 150

WTS IS FOR THE NATION

MERCY!!!!

WHERE TO START MATHS AND SCIENCE TUTORING

Our **vision** is to create a majority of learners who will master Maths and Science around the country

➤ **TO: EDUCATORS & LEARNERS**

✓ **JOIN US ON WHATSAP GROUP: 082 672 7928**

✓ **WE CONDUCT THE FOLLOWING PROGRAMS**

1. WTS VISITING SCHOOL PROGRAM

- ✓ DAYS : FRIDAYS, SATURDAYS & SUNDAYS
- ✓ SUBJECTS : MATHS, MATHS LIT AND PHYSCS
- ✓ TIME : ANY TIME AND EVEN CROSSNIGHTS

2. WTS PRIVATE CLASSES

❖ AREAS: RICHARDS BAY

❖ MTUBATUBA

❖ EMPANGENI

❖ ESKHAWINI

❖ DURBAN

❖ PMB

✓ GRADES : 8 TO 12

3. WTS SATURDAY & SUNDAYS CROSS DAYS CLASSES

- ✓ LEARNERS FROM DIFFERENT SCHOOLS ARE ALLOWED
- ✓ TIME : 08:00 TO 16:00
- ✓ SUBJECTS : MATHS & SCIENCES
- ✓ VENUE : RICHTEC COLLEGE (RICHARDS BAY)
- ✓ DAYS : SATURDAYS

4. WTS FINISHING / UPGRADING SESSIONS

- ✓ PLACE : KZN RICHARDS BAY
- ✓ SUBJECTS : MATHS & PHYSICS
- ✓ TIME : 18:00 TO 22:00
- ✓ ACCOMMODATION IS AVAILABLE!!

5. WTS CROSSNIGHTS

- ✓ EVERY TERM

6. WTS CAMPS

- ✓ EVERY TERM

➤ ACKNOWLEDGEMENTS

- ✓ DEPARTMENT OF EDUCATION PAST PAPERS

“WHERE TO START MATHS & SCIENCE TUTORING IS FOR THE NATION”

**WHERE TO START MATHEMATICS AND SCIENCE OTHER
GRADES TITLES AVIALABLE IN CAPS PAPERS AND
SOLUTIONS:**

- **GRADE 10**
- **GRADE 12**

WTS TUTORING IS FOR THE NATION

