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Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING P2

2021

MARKS: 150

TIME: 2 hours

**This question paper consists of 13 pages,
a formula sheet and a 9-page answer book.**

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL questions.
2. A special ANSWER BOOK is provided in which to answer ALL questions.
3. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. If you choose to do so, you may use the Financial Indicator Formula Sheet attached at the end of this question paper. The use of this formula sheet is NOT compulsory.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

| QUESTION | TOPIC | MARKS | MINUTES |
|--------------|-----------------------------------|------------|------------|
| 1 | VAT and Creditors' Reconciliation | 35 | 25 |
| 2 | Cost Accounting | 35 | 25 |
| 3 | Budgeting | 45 | 40 |
| 4 | Stock valuation | 35 | 30 |
| TOTAL | | 150 | 120 |

QUESTION 1: VALUE-ADDED TAX (VAT) AND CREDITORS' RECONCILIATION
(35 marks; 25 minutes)**1.1 VALUE-ADDED TAX (VAT)**

Hilda Groceries is registered for VAT. The standard VAT rate is 15% and is applied on most products.

REQUIRED:**1.1.1 Implementation of VAT:**

- Explain why the government implemented VAT in South Africa. State ONE point. (2)
- Explain why some products are zero-rated products. State ONE point. (2)

1.1.2 Calculate the amount payable to SARS in respect of VAT for the two months ended 30 April 2021. (11)**INFORMATION:**

A. Balance due to SARS on 1 April 2021, R9 450

B. Transactions for April 2021:

| | AMOUNT EXCLUDING VAT | VAT AMOUNT | AMOUNT INCLUDING VAT |
|--|----------------------------|---------------|----------------------------|
| | R | R | R |
| Total sales | 412 000 | ? | 473 800 |
| Purchases of trading stock | 230 000 | ? | |
| Discount allowed to debtors | | 1 890 | |
| Goods returned by customers | | ? | 19 320 |
| Bad debts recovered | | 1 140 | |
| Drawings of trading stock by the owner | | 1 380 | |

1.2 KHAYA STORES

Khaya Stores is owned by Peter Sithole. The business buys goods on credit from PN Suppliers. The business received a statement of account for February 2021.

REQUIRED:**1.2.1 Refer to Information A, B and C.**

Use the table that is provided.

Indicate the changes to the Creditors' Ledger Account in the books of Khaya Stores and the statement received from PN Suppliers to take into account the errors and omissions on 28 February 2021.

Indicate + or – for each amount. (12)

1.2.2 Refer to Information D.

- State TWO benefits of using electronic funds transfers (EFTs) for payments to creditors. (2)
- The internal auditor feels that this incident of fraud should never have occurred in this business. (2)
 - Explain why he feels this way. (2)
 - Explain how this could have been prevented. State TWO points. (4)

INFORMATION:**A. Creditors' Ledger of Khaya Stores****PN SUPPLIERS (CL8)**

| DATE | | DETAILS | DEBIT | CREDIT | BALANCE |
|------|----|---------------------|--------|--------|---------|
| | | | R | R | R |
| 2021 | 1 | Balance | | | 86 900 |
| Feb. | 5 | Invoice 353 | | 18 800 | 105 700 |
| | 7 | Debit note 72 | 600 | | 105 100 |
| | 13 | EFT 428 | 22 800 | | 82 300 |
| | | Discount | 1 140 | | 81 160 |
| | 14 | Invoice A417 | | 6 100 | 87 260 |
| | 16 | Invoice 390 | | 11 800 | 99 060 |
| | 23 | Invoice 401 | | 8 900 | 107 960 |
| | 24 | EFT 676 | 12 000 | | 95 960 |
| | 25 | Journal voucher 221 | 2 660 | | 93 300 |
| | 27 | Invoice 556 | | 7 700 | 101 000 |

B. Statement of account received from PN Suppliers

| Khaya Stores 228 Rhino Street | | | 25 February 2021 | | |
|----------------------------------|----|-----------------|------------------|--------|---------|
| DATE | | DETAILS | DEBIT | CREDIT | BALANCE |
| | | | R | R | R |
| 2021 Feb. | 1 | Balance | | | 86 900 |
| | 5 | Invoice 353 | 10 800 | | 97 700 |
| | 7 | Credit note 109 | 600 | | 98 300 |
| | 14 | Receipt 632 | | 22 800 | 75 500 |
| | 16 | Invoice 390 | 12 980 | | 88 480 |
| | 23 | Invoice 401 | 8 900 | | 97 380 |
| | 24 | Receipt 961 | | 12 000 | 85 380 |

C. Errors, omissions and other information:

- (i) Invoice 353 on 5 February 2021 was correct according to the statement.
- (ii) PN Suppliers made an error in recording the goods returned on 7 February 2021.
- (iii) Khaya Stores entered a discount with the EFT payment on 13 February 2021. PN Suppliers informed the business that they do not qualify for this discount.
- (iv) Invoice A417 in the Creditors' Ledger Account of PN Suppliers was for goods purchased from LM Suppliers.
- (v) The trade discount on Invoice 390 was not deducted by PN Suppliers.
- (vi) The bookkeeper transferred a debit balance from the Debtors' Ledger Account of PN Suppliers (Journal voucher 221) to their account in the Creditors' Ledger.
- (vii) The statement shows entries up to 24 February 2021 only.

D. During an internal audit, the auditor noticed the following account in the Creditors' Ledger of Khaya Stores:

| EXCESS TRADERS | | | | CL24 | |
|----------------|----|----------------|----------|----------|----------|
| DATE | | DETAILS | DEBIT | CREDIT | BALANCE |
| 2021 Feb. | 20 | Invoice 11 334 | | R120 000 | R120 000 |
| | 22 | EFT | R120 000 | | R0 |

It was discovered that an EFT payment of R120 000 was made to Frank Adams, the sole owner of Excess Traders. Further investigation by the internal auditor revealed that this business is not operational and that Frank Adams is a close relative of the accountant of Khaya Stores.

QUESTION 2: COST ACCOUNTING**(35 marks; 25 minutes)**

- 2.1 Choose a cost category from COLUMN B that matches a description in COLUMN A. Write only the letter (A–E) next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK, e.g. 2.1.4 F.

| COLUMN A | | COLUMN B | |
|----------|------------------------------------|----------|-------------------------------|
| 2.1.1 | Commission to salespersons | A | factory overhead cost |
| 2.1.2 | Wages of factory maintenance staff | B | administration cost |
| 2.1.3 | Office stationery expenses | C | direct labour cost |
| | | D | direct material cost |
| | | E | selling and distribution cost |

(3 x 1)

(3)

2.2 **MEISIES OUTFITTERS**

The business manufactures clothing products. The owner is Minnie Zitha. The information relates to school dresses which is one of the products they manufacture. Dresses are manufactured according to orders received and there is no work-in-progress. The financial year ended on 30 April 2021.

REQUIRED:2.2.1 **Refer to Information D.**

Complete the Factory Overhead Cost Note for the school dresses. (10)

2.2.2 Calculate the total cost of production of school dresses produced. (4)

2.2.3 Minnie is concerned about wastage of fabric in the dressmaking section. Calculate the cost of this wastage to the business. (5)

2.2.4 The internal auditor expressed concern about the direct labour cost for the school dresses.

- Explain the problem that is of concern to the auditor. Quote figures. (3)

- State TWO possible causes of this problem. (2)

2.2.5 Provide a calculation to confirm that the break-even point for the current financial year is 17 000 units. (3)

2.2.6 Comment on the level of production achieved and the break-even point calculated above. Quote figures. (2)

2.2.7 Calculate the extra profit that would be earned if an additional 500 dresses are made and sold. Assume that all costs are unchanged. (3)

INFORMATION:**A. Raw material stock (fabric used to make the dresses):**

Fabric is issued to the factory using the weighted-average method.

| | UNITS (metres) | COST per metre | TOTAL COST |
|----------------------------------|---------------------------|---------------------------|-----------------------|
| Stock of fabric on 1 May 2020 | 9 000 | R14,20 | R127 800 |
| Fabric purchased during the year | 33 000 | R17,00 | R561 000 |
| | 42 000 | | R688 800 |
| Fabric issued to the factory | 29 000 | R16,40 | R475 600 |

B. Production and sales:

- Manufacturing one dress requires 1,6 metres of fabric.
- 17 800 dresses were produced and sold during the financial year at R75 per dress.

C. Direct labour cost for the year:

| | WORKERS | HOURS PER WORKER | RATE | TOTAL |
|--------------------------------|----------------|---------------------------------|-------------|-----------------|
| Basic wage (normal time)* | 8 | 1 250 | R25 | R250 000 |
| Total overtime worked | 8 | 720 | R45 | R259 200 |
| Total employer's contributions | | | | R26 250 |
| TOTAL | | 1 970 | | R535 450 |

*Normal time comprises a 5-day week of 8 hours per day. The factory operates for 46 weeks each year.

D. Factory overhead costs:

The following costs were extracted from the records on 30 April 2021:

| | |
|---|----------|
| Factory rent expense | R122 400 |
| Water and electricity | 81 600 |
| Insurance on factory equipment | 20 720 |
| Salary of the dressmaking supervisor | 76 960 |
| Delivery expenses | 36 800 |
| Wages of cleaners | 155 760 |
| Depreciation: dressmaking machines | 30 300 |
| Sundry factory expenses (dressmaking section) | 10 670 |

- Factory rent is split according to floor space occupied. The dress-making section occupies 320 m² of the total factory space of 1 280 m².
- 15% of the total water and electricity account must be allocated to the dressmaking section.
- Insurance on factory equipment was paid up to 30 June 2021. Dress-making equipment comprises $\frac{1}{3}$ of the total factory equipment.
- Only one of the six cleaners, Susan, was allocated to the dressmaking section. Susan earns 10% less than the other five cleaners.

E. Additional information relating to the dressmaking section:

- Total variable costs amounted to R1 094 700 (R61,50 per unit)
- Fixed costs, comprising factory overhead costs and administration costs, totalled R229 500

QUESTION 3: BUDGETING**(45 marks; 40 minutes)**

- 3.1 Insert the relevant amount(s) for EACH transaction below into the appropriate columns for the following Cash Budget and Projected Income Statement for July 2021.

Example: Monthly telephone costs are expected to be R4 200.

| NO. | CASH BUDGET FOR JULY | | PROJECTED INCOME STATEMENT FOR JULY | |
|------|----------------------|---------|-------------------------------------|---------|
| | RECEIPT | PAYMENT | INCOME | EXPENSE |
| e.g. | | 4 200 | | 4 200 |
| | | | | |

(8)

TRANSACTIONS FOR JULY 2021:

- 3.1.1 A three-month advertising contract for R6 000 will be paid on 1 July 2021. R2 000 of this amount relates to the next financial year.
- 3.1.2 On 1 July 2021, R45 000 will be invested in a fixed deposit at 8% interest p.a. Interest is not capitalised and is received at the end of each month.
- 3.1.3 Budgeted cash sales, R23 200 (cost of sales; R16 000).

3.2 **ANOKHI (PTY) LTD**

The business sells electrical appliances. The financial year ends on 30 April. Kayla Bester is the sole shareholder and CEO of the business.

REQUIRED:

- 3.2.1 Complete the Creditors' Payment Schedule for the budget period ending 31 July 2021. (9)
- 3.2.2 Calculate the amounts for **(a)** to **(d)** in the Cash Budget. (16)
- 3.2.3 Kayla extracted the following actual and budgeted figures for May 2021:

| | BUDGETED | ACTUAL |
|------------------------------------|----------|----------|
| Total sales | R882 000 | R705 600 |
| Cash from debtors | 522 828 | 402 600 |
| Advertising | 35 280 | 35 280 |
| Delivery expenses (ABC Deliveries) | 57 330 | 51 200 |

Comment and quote figures on the:

- Effectiveness of the advertising
- Control over delivery expenses

Quote figures in EACH case.

(6)

3.2.4 Kayla decided that the business will purchase a delivery vehicle on 1 June 2021.

- State TWO benefits of this decision. (2)
- Apart from the items reflected in the Cash Budget (Information F), list FOUR other items that Kayla should include in the budget. (4)

INFORMATION:

A. Total sales:

| ACTUAL SALES | | BUDGETED SALES | |
|--------------|----------|----------------|-----------|
| APRIL 2021 | MAY 2021 | JUNE 2021 | JULY 2021 |
| R878 400 | R882 000 | R918 000 | R936 000 |

- B. Credit sales comprise 60% of total sales.
- C. Goods are sold at a mark-up of 80% on cost.
- D. The business maintains a fixed-stock base level. Stock sold in a month is replaced in the same month. The cash purchases are 65% of total purchases.
- E. Creditors are paid according to the following trend:
- 40% – settled in the month of purchase to earn 5% discount
 - 50% – settled in the month following the purchase month
 - 10% – settled in the second month after the purchase month

F. Extract: Cash Budget for the three months ended 30 July 2021

| | MAY 2021 R | JUNE 2021 R | JULY 2021 R |
|------------------------------------|---------------|----------------|----------------|
| Receipts | | | |
| Cash sales | 352 800 | 367 200 | 374 400 |
| Cash from debtors | 522 828 | 535 140 | 548 640 |
| Rent income | 15 500 | 15 500 | (a) |
| Loan: Jane Investments | 0 | (b) | 0 |
| Payments | | | |
| Cash purchases | 318 500 | 331 500 | 338 000 |
| Payments to creditors | 167 020 | 170 660 | ? |
| Salaries of sales assistants | 41 000 | 41 000 | (c) |
| Directors fees | (d) | 98 880 | 98 880 |
| Advertising | 35 280 | 36 720 | 37 440 |
| Interest on loan | 0 | 3 150 | 3 150 |
| Delivery expenses (ABC Deliveries) | 57 330 | 59 670 | 0 |
| Delivery vehicle deposit | | 140 000 | |

- (a) Rent income is expected to increase by 9% p.a. from 1 July 2021.
- (b) The business has negotiated a loan which will be received on 1 June 2021. Interest at 13,5% p.a. is payable at the end of each month, commencing from 30 June 2021.
- (c) The business employed five sales assistants in May and June on the same salary scale. Three of them will receive an annual bonus of 75% of their earnings in July 2021. A part-time sales assistant will be employed during July 2021 and will earn 50% of the monthly amount applicable to the others.
- (d) Kayla earns directors' fees of R720 000 for the year. The company also employed another director, Martin, for the entire year. Martin will receive an increase of 8% p.a. on his directors' fees from 1 June 2021.

QUESTION 4: STOCK VALUATION**(35 marks; 30 minutes)**

4.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (4.1.1 to 4.1.4) in the ANSWER BOOK.

4.1.1 The (specific identification/first-in first-out) method assumes that the closing stock is valued at the most recent batches purchased.

4.1.2 The (periodic/perpetual) system requires a year-end stock count to be able to calculate cost of sales.

4.1.3 The (weighted-average/first-in first-out) method is suitable for similar goods that are bought in bulk.

4.1.4 The (periodic/perpetual) system requires that all products are scanned at the point of sale.

(4)

4.2 **GWEN BOUTIQUE**

The information relates to ALUZE bags for the financial year ended 28 February 2021. The business uses the first-in first-out method to determine the value of these bags. The periodic inventory system is in use.

REQUIRED:

4.2.1 Calculate the following for the year ended 28 February 2021:

- Value of the closing stock (5)

- Cost of sales (5)

4.2.2 **Stockholding period:**

- Calculate the average stockholding period (in days). (5)

- Explain whether Gwen should be satisfied with this figure, or not. State TWO points.

NOTE: The average stockholding period on 29 February 2020 was **52 days**.

(4)

4.3 **PROBLEM-SOLVING**

Refer to Information D.

Gwen Boutique also sells jackets and jerseys. Gwen has provided the information and requested advice.

Identify TWO problems in EACH product for 2021. In each case, give ONE piece of advice to address the problem identified.

(12)

INFORMATION:**A. Stock balances:**

| DATE | UNITS | TOTAL VALUE (including carriage) |
|------------------|-------|-------------------------------------|
| 1 March 2020 | 420 | R68 120 |
| 28 February 2021 | 380 | ? |

B. Purchases and returns for the year:

| DATE | UNITS | UNIT COST | TOTAL PURCHASE AMOUNT | CARRIAGE COST (per bag) | TOTAL COST (including carriage) |
|----------------|--------------|--------------|-----------------------------|-------------------------------|---------------------------------------|
| 30 Jun. 2020 | 500 | R155 | R77 500 | R12 | R83 500 |
| 31 Oct. 2020 | 750 | R160 | R120 000 | R13 | R129 750 |
| 15 Feb. 2021 | 320 | R170 | R54 400 | R15 | R59 200 |
| TOTAL | 1 570 | | | | R272 450 |
| Returns | 20 | | | | R3 700 |

C. Sales:

Total sales amounted to R393 750 (1 590 bags).

D. Problem-solving:

| | JACKETS | | JERSEYS | |
|---|----------|----------|----------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Units: Opening stock | 407 | 120 | 218 | 200 |
| Units: Purchases | 800 | 800 | 1 800 | 2 200 |
| Units sold (gross) All sales are for cash. | 550 | 500 | 1 970 | 2 260 |
| Units returned by customers | 0 | 0 | 90 | 78 |
| Units: Closing stock | 615 | 407 | 138 | 218 |
| Stock turnover rate | 0,9 | 1,9 | 10,6 | 10,4 |
| Mark-up % achieved | 75% | 50% | 25% | 25% |
| | R | R | R | R |
| Cost price per item | 360,00 | 360,00 | 170,00 | 160,00 |
| Selling price | 630,00 | 540,00 | 212,50 | 200,00 |
| Income from sales deposited in the bank | 346 500 | 268 920 | 349 500 | 436 400 |

| GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET | |
|---|---|
| $\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$ | $\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$ |
| $\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$ | $\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$ |
| $\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$ | $\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$ |
| Total assets : Total liabilities | Current assets : Current liabilities |
| (Current assets – Inventories) : Current liabilities | Non-current liabilities : Shareholders' equity |
| (Trade & other receivables + Cash & cash equivalents) : Current liabilities | |
| $\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ | $\frac{\text{Cost of sales}}{\text{Average trading stock}}$ |
| $\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$ | $\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$ |
| $\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$ | $\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (* See note below) |
| $\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$ | |
| $\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$ | $\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$ |
| $\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$ | $\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$ |
| $\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$ | $\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$ |
| $\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$ | |
| NOTE: * In this case, if there is a change in the number of issued shares during a financial year, the weighted-average number of shares is used in practice. | |