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GRADE 12

ACCOUNTING P2

NOVEMBER 2024

MARKS: 150

TIME: 2 hours

**This question paper consists of 14 pages,
a formula sheet and a 12-page answer book.**

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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. A Financial Indicator Formula Sheet is attached at the end of this question paper.
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	TOPIC	MARKS	MINUTES
1	Debtors' Reconciliation, Age Analysis and VAT	40	35
2	Stock Valuation	35	25
3	Budgeting	40	35
4	Cost Accounting	35	25
TOTAL		150	120

QUESTION 1: DEBTORS' RECONCILIATION, AGE ANALYSIS AND VAT
(40 marks; 35 minutes)

1.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.

1.1.1 EFT payments by debtors should be recorded in the CRJ, only after receiving proof of payment or an entry on the business' bank statement.

1.1.2 Output VAT is regarded as an asset.

1.1.3 VAT on bad debts will decrease VAT payable to SARS. (3 x 1) (3)

1.2 **MATSAMO TRADERS**

The information relates to Matsamo Traders for August 2024. The business sells goods for cash and on credit.

REQUIRED:

1.2.1 Calculate the correct balance of the Debtors' Control account on 31 August 2024. Provide figures and a plus (+) or minus (–) sign for each correction. If there is no change to the balance, indicate with (0). (5)

1.2.2 Complete the correct Debtors' List on 31 August 2024. The pre-adjustment figures have been entered. (14)

INFORMATION:

A. Balances on 31 August 2024 before taking the errors and omissions below into account:

- (i) Debtors' Control Account balance in the General Ledger, R359 100
- (ii) **List of debtors' balances as per Debtors' Ledger:**

Debtors	Amount (R)
N Naidoo	63 000
S Sibiya	69 000
V Esterhuizen	114 000
J Nyoka	95 700
W du Plessis	11 500
Total	353 200

B. Errors and omissions:

- (i) No entry was made for the credit sale invoice issued to N Naidoo, R4 500.
- (ii) Merchandise sold on credit to S Sibiya for R18 000 was incorrectly posted to the account of V Esterhuizen.
- (iii) The debtors' allowances column in the DAJ was undercast by R11 000.
- (iv) An EFT payment of R5 700 was made by W du Plessis. This was correctly recorded in the relevant journal, but was posted as R7 500 to his account in the Debtors' Ledger.
- (v) Credit sales to V Esterhuizen, R5 200, were incorrectly recorded as R2 500 in the Debtors' Journal and posted as such to the Debtors' Control Account and Esterhuizen's account in the Debtors' Ledger.
- (vi) Goods returned by J Nyoka, R3 450, were posted to the wrong side of his account in the Debtors' Ledger.

1.3 DEBTORS' AGE ANALYSIS

The information relates to Timo Traders. Their credit terms are 60 days and it is expected at least 90% of debtors will adhere to these terms.

REQUIRED:

1.3.1 Provide a calculation or figures to show why Timo Traders should not be satisfied with the figures in the Debtors' Age Analysis. (4)

1.3.2 Explain TWO points of advice that you will offer to the owner. (4)

- NOTE:**
- Maximum discount is granted to debtors who settle their accounts timeously.
 - Interest at the accepted rate is being charged.

INFORMATION:**Debtors' Age Analysis on 31 August 2024:**

Total	Current month	30 days	60 days	90 days	90 +
R240 000	R118 000	R36 000	R38 000	R29 200	R18 800

1.4 VALUE-ADDED TAX

The following information relates to the financial records of Zaba Stores for the VAT period ended 31 August 2024. 15% VAT is applicable. Certain items are zero-rated.

REQUIRED:

Analyse the transactions under the headings provided in the ANSWER BOOK. Indicate the effect of EACH answer on the amount payable to SARS. Refer to the example completed in the ANSWER BOOK. (10)

INFORMATION:

Example: The owner took stock for private use, cost price R5 200 (excluding VAT).

- Received discount of R17 250 when settling the account of the supplier.
- Merchandise amounting to R139 200 (VAT exclusive), including zero-rated items for R9 200, were sold on credit.
- Bought merchandise on credit from the supplier. The invoice received totalled R23 000 (VAT inclusive). Trade discount of 10% was incorrectly omitted from the invoice.

QUESTION 2: STOCK VALUATION**(35 marks; 25 minutes)****2.1 SUNGLASS CITY**

Nosisa is the owner of Sunglass City, selling one type of popular branded sunglasses. The financial year ended on 29 February 2024.

NOTE: Where comments or explanations are required, you should:

- Quote calculations, figures and/or trends
- Give a reason or an explanation in EACH case

REQUIRED:

2.1.1 Calculate the weighted average cost of ONE pair of sunglasses. (5)

2.1.2 Nosisa suspects that some sunglasses were stolen during the year.

- Calculate the number of sunglasses stolen. (4)
- Calculate the rand value of the sunglasses stolen, using the weighted-average stock valuation method. (2)

2.1.3 Calculate the value of closing stock using the first-in-first-out (FIFO) method. (5)

2.1.4 A whistle-blower has informed Nosisa that Micha (sales person) and Jack (supplier's delivery driver) have conspired to sell sunglasses at a reduced price. During an investigation it was discovered that the sunglasses sold were invoiced to the business. Nosisa has confirmed that the sunglasses were missing.

- Explain how Nosisa could have proven Jack and Micha guilty of the theft of the stock. Provide ONE point. (2)
- What action should have been taken against Micha and Jack? Provide ONE point for each person. (4)

INFORMATION**A. Stock records: (one 'unit' refers to one pair of sunglasses)**

	UNITS	TOTAL (R)
Opening stock (1 March 2023)	620	1 719 000
Closing stock (29 February 2024)	840	?

B. Purchases and returns during the financial year:

	UNITS	UNIT PRICE (R)	TOTAL (R)
May 2023	855	3 200	2 736 000
August 2023	800	3 750	3 000 000
November 2023	745	4 200	3 129 000
December 2023	(20)	4 200	(84 000)
TOTALS	2 380		8 781 000

C. Sales:

2 050 pairs of sunglasses were sold during the year at R5 600 per pair.

2.2 PROBLEM-SOLVING

The information is related to Slim-Line Boutique, owned by Mike Ndlela, for the year ended 29 February 2024. The business sold trousers and casual shirts throughout the year and introduced and sold formal shirts only from 1 November 2023.

REQUIRED:**2.2.1 Trousers:**

- Calculate the mark-up percentage achieved for trousers. (3)
- Comment on whether the mark-up percentage would benefit the business or not. (2)

2.2.2 Casual shirts:

Comment on how the return of 120 casual shirts would affect the business negatively. Provide ONE point. (2)

2.2.3 Formal shirts:

- Calculate how long (in days) it will take Mike to sell the closing stock of the formal shirts. (4)
- Comment on ONE other point that might concern Mike about the formal shirts. (2)

INFORMATION:

	Trousers (units)	Shirts (units)	
		Casual	Formal
Opening stock in units	140	200	0
Purchases during the year	720	1 300	980
Closing stock	285	100	125
Returns	15	120	0
Total units sold:	560	1 280	855
On-site	344	560	855
Online	216	720	0
Stock holding period	186 days	29 days	?
Mark-up percentage per item	?	55%	25%
Cost price per item	R500	R400	R680
Cost of sales	R280 000	R512 000	R581 400
Selling price per item	R920	R620	R850
Total cash sales banked	R515 200	R793 600	R726 750

QUESTION 3: BUDGETING**(40 marks; 35 minutes)**

- 3.1 Show the amounts for the transactions below in the appropriate columns for the Cash Budget and the Projected Statement of Comprehensive Income for December 2024 in the ANSWER BOOK.

Example: Monthly insurance premium for December 2024, R5 000, will be paid.

- 3.1.1 Expected cash sales for December 2024, R132 000. Cost of sales, R101 000.
- 3.1.2 Drawings by the owner budgeted for December 2024, R40 000. This includes R34 000 cash and the remainder for merchandise.
- 3.1.3 A fixed deposit of R245 000 will mature on 31 December 2024. A direct deposit of R264 600 (inclusive of interest) will be made into the current banking account of the business on this date. Interest is not capitalised. (6)

3.2 **JESARY SUPERSPARES**

The information relates to the budget period ending 31 December 2024. The business is owned by Bluey Summers.

REQUIRED:3.2.1 **Creditors' Payment:**

- Calculate the credit purchases for November 2024. (4)
- Complete the Creditors' Payment Schedule for December 2024. (5)

3.2.2 **Calculate the following amounts:**

- (i) Rent expense for December 2024 (2)
- (ii) Interest on loan for December 2024 (4)
- (iii) Deposit to be paid on 30 November 2024 for the new computers installed (3)
- (iv) Insurance for December 2024 (3)
- (v) Salaries for November 2024 (3)

3.2.3 **Sales policy: Refer to Information I.**

Bluey effected changes to the sales policy from October 2024.

- Explain the change in the sales policy effected by Bluey in compiling his budget for October 2024. Provide ONE point with figures. (2)
- The actual credit sales were higher than the budgeted credit sales for October 2024. Explain why Bluey should not be concerned. Provide TWO points with figures. (4)
- Comment on the control over delivery expenses and packing materials for October 2024. Quote figures. (4)

INFORMATION:**A. Sales and Debtors' Collection:**

- 60% of total sales is cash sales.

B. Purchases of stock and payment to creditors:

- Goods are sold at a mark-up of 25% on cost.
- Trading stock on hand is maintained through monthly purchases.
- The business buys merchandise only on credit.
- Creditors are paid as follows:
 - 75% in the month after date of purchase to qualify for 3% discount.
 - The balance is paid in the month thereafter.

C. Rent expense:

- The business rents premises in a shopping centre.
- Rent will increase by 6% during December 2024.

D. Loan:

- Part of the loan from Diamond Bank will be paid on 1 December 2024.
- Interest at 14% p.a. is paid at the end of each month. Interest is not capitalised.

E. Office computers:

- New computers will be installed and will be operational from 30 November 2024.
- 20% cash deposit must be paid on 30 November 2024.
- The balance will be repaid in 36 equal monthly instalments from 31 December 2024.

F. Insurance:

- The current monthly insurance premium on the existing computers is R4 500. This monthly premium will increase by 28% from 1 December 2024 to get additional insurance cover on the new computers installed.
- The renewal period of other items insured will only come into effect next year.

G. Salaries:

- The business has 9 employees who earn the same monthly salary.
- 5 of the employees will receive a bonus of 70% of the normal monthly salary during December 2024.

H. Extract from the Cash Budget for the period ending 31 December 2024.

	Nov. 2024	Dec. 2024
RECEIPTS	(R)	(R)
Cash sales	103 200	112 200
Collection from debtors		
PAYMENTS		
Payment to creditors	207 012	?
Rent expense	29 000	(i)
Salaries	(v)	143 750
Drawings	50 000	50 000
Loan repayment		60 000
Interest on loan (14% p.a.)	3 500	(ii)
Deposit and instalments for new computers	(iii)	9 800
Insurance	17 500	(iv)

I. Figures for September 2024 (budgeted) and October 2024 (budgeted and actual):

	SEPTEMBER 2024	OCTOBER 2024	
	BUDGETED	BUDGETED	ACTUAL
Number of customers	520	540	729
Sales	R145 000	R160 000	R221 000
Cash sales	58 000	96 000	76 000
Credit sales	87 000	64 000	145 000
Gross profit	54 375	60 000	82 875
Delivery expenses	21 750	24 000	33 150
Packing materials	13 050	14 400	26 520

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QUESTION 4: COST ACCOUNTING**(35 marks; 25 minutes)****4.1 FLOWERPOTS MANUFACTURERS**

The business manufactures large concrete flowerpots. Their financial year ended on 29 February 2024.

REQUIRED:**4.1.1 Refer to Information A.**

Calculate the direct/raw material cost. (4)

4.1.2 Refer to Information B.

Calculate the direct labour cost. (7)

4.1.3 Refer to Information C.

Complete the Factory Overhead Cost Note. (8)

INFORMATION:**A. Direct/Raw materials cost:**

The business uses a high quality concrete mix to make the pots.

Production requirements:

- 4 800 units were produced and sold during the financial year.
- Each complete pot requires 1,4 packets of direct materials (concrete mix).
- The business allows for wastage of 10% of direct materials (concrete mix).
- The cost price of concrete mix was maintained at R125 per packet for the financial year.

B. Direct labour cost:

- Direct labour budgeted for the year amounted to R1 117 200.
- The business has 7 direct workers. Each worker is required to work 1 680 hours per year and is paid the same hourly rate.

The following items have not yet been recorded:

- One worker resigned on 31 October 2023. This worker did not work overtime.
- Three of the direct workers were required to work overtime of 60 hours each during the year. Overtime rate is 1,6 times the normal hourly rate.

C. Extract of pre-adjustment amounts on 29 February 2024:

The bookkeeper calculated the factory overhead cost as R1 132 700.

Other pre-adjustment amounts on 29 February 2024:

	R
Office salaries	247 800
Advertising	27 450
Rental of sales department property	25 200
Bad debts	18 700

Adjustments to factory overheads:

- The clerk was paid a salary of R9 200 per month, which was recorded as an administration cost. 20% must be allocated to the office and the rest to production.
- Rent of R126 000 was shared and recorded according to the following floor area by the bookkeeper:

TOTAL	FACTORY	OFFICE	SALES
600 m ²	400 m ²	80 m ²	120 m ²

- However, since the beginning of the financial year, the annual rent has increased to R157 500 as the size of the factory has increased. The bookkeeper did not consider the increased rent of R157 500 and the following adjusted floor areas:

TOTAL	FACTORY	OFFICE	SALES
800 m ²	600 m ²	80 m ²	120 m ²

4.2 TIMEPIECE MANUFACTURERS

The business manufactures watches and is owned by Jabu Tallies. The financial year ended on 31 August 2024.

NOTE: Where comments or explanations are required, you should:

- Quote calculations, figures and/or trends
- Give an explanation or a reason in each case

REQUIRED:

- 4.2.1 Comment on the level of production and break-even point on 31 August 2024. (4)
- 4.2.2 Comment on the gross profit earned by the business and the price charged for the watches. In your opinion, explain if Jabu's customers found the 2024 price reasonable. Provide figures. (4)
- 4.2.3 Identify the TWO main costs that would have a positive effect on the selling price. In each case, provide a strategy that Jabu would have implemented. (4)
- 4.2.4 Jabu wishes to increase his profit by R300 000 during the next financial year, while maintaining the costs. Calculate the price that he would have to charge his customers in order to produce 400 extra units. (4)

INFORMATION:

	31 August 2024 R	31 August 2023 R
Total sales	3 712 800	2 880 900
Gross profit	1 237 600	960 300
Total variable cost	2 748 200	2 217 420
Total fixed cost	1 820 000	1 820 000
	Cost per unit R	Cost per unit R
Variable costs per unit	755	762
Direct material cost	450	520
Direct labour cost	185	132
Selling and distribution cost	120	110
	Units	Units
Number of units produced and sold	3 640	2 910
Break-even point	6 868	7 983
Selling price per unit	R1 020	R990

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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 1 below)	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 2 below)
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (See Note 3 below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
NOTE: 1. Trading stock at the end of a financial year may be used if required in a question. 2. Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant). 3. 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.	