KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING

COMMON TEST

JUNE 2021

MARKS: 100

TIME: 1½ HOURS

This question paper consists of 9 pages and an answer booklet of 8 pages.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show workings in order to achieve part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Where applicable, show all calculations to ONE decimal point.
7. 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 and table below as a guide when answering the question. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Debtors age analysis and Creditors Reconciliation	30	25
2	Inventory Valuation	35	32
3	Cost Accounting	35	33
TOTAL		**100**	**90**

QUESTION 1 (30 Marks; 25 Minutes)

DEBTORS AGE ANALYSIS AND CREDITORS RECONCILIATION

1.1 Indicate whether each of the following statements is TRUE or FALSE. Write only 'True' or 'False' next to the question number (1.1.1 – 1.1.3) in the ANSWER BOOK.

1.1.1 An internal auditor will want to inspect the Fixed Asset Register as part of his/her work. (1)

1.1.2 A debit balance on the Bank Statement reflects an unfavourable balance. (1)

1.1.3 Service fees and interest on an overdraft are recorded as Bank Charges in the books of the business. (1)

1.2 DEBTORS AGE ANALYSIS

Sobantu Traders sell goods for cash and on credit. The business is owned by Njabulo Khumalo.

REQUIRED:

1.2.1 How can the preparation of a debtor's collection schedule and debtor's age analysis assist Njabulo in controlling debtors? (4)

1.2.2 Sobantu Traders have Payslips of all their debtors. What other information should they obtain before allowing customers to open accounts? State TWO points with a reason in each case. (4)

1.2.3 Calculate the percentage of debtors complying with the credit terms. (3)

1.2.4 Explain TWO measures to improve collection from debtors. (4)

INFORMATION:

Debtors' age analysis on 28 February 2021:

TOTAL	CURRENT	30–60 DAYS	61–90 DAYS	MORE THAN 90 DAYS
300 200	36 024	24 016	156 104	84 056

The credit period is 60 days.

1.3 CREDITORS' RECONCILIATION

Mathebula Traders received a statement of account from a creditor, Ngubane
Suppliers. The balance on the statement did not agree with that on the account of Ngubane Suppliers in the Creditors Ledger of Mathebula Traders.

REQUIRED:

1.3.1 Provide THREE points for good internal control over creditors (3)

1.3.2 Complete the table in the ANSWER BOOK to show how the differences must be treated to reconcile the Creditors Ledger Account balance with the statement balance.

Write the amounts in the appropriate columns and indicate the increase or decrease with a (+) or (-) with each amount.

Total the columns to show the correct balance at the end of February 2021. (9)

INFORMATION:

Balance in the Creditors Ledger of Mathebula Traders	R17 925
Balance in the statement received from Ngubane Suppliers	R29 400

A comparison between the Creditors Ledger Account of Ngubane Suppliers and the statement of account showed the following differences:

A. An invoice for R11 200 received from Ngubane Suppliers was correctly recorded in the Creditors Ledger Account. The amount was incorrectly recorded as R9 100 on the statement.

B. Mathebula Traders entered a discount of R875 relating to a payment of R9 000 on the 10 February 2021. Ngubane Suppliers did not approve this discount stating that the payment was received late.

C. The statement of account reflected returns valued at R1 190. The Creditors Ledger Account showed R690. It was established that Mathebula Traders miscalculated the value of the goods returned.

D. An invoice for R3 100 received from Ngubane was incorrectly recorded as a debit note in the Creditors Ledger.

E. A direct transfer of R7 000 by Mathebula Traders was recorded in their business books on 27 February 2021. The statement of account from Ngubane Suppliers was dated 25 January 2021.

30

QUESTION 2 IVENTORY VALUATION (35 marks; 32 minutes)

2.1 Cool Traders sells one type of air conditioner. The business uses the periodic inventory system. The financial year ends annually on 30 June.

REQUIRED:

2.1.1 Calculate the value of closing stock using the FIFO method of stock valuation. (5)

2. 1.2 Calculate Cost of Sales using the FIFO method. (5)

2. 1.3 Calculate the stock turnover rate of air conditioner (Use the average stock). (5)

2.1.4 Calculate the number of units missing. (5)

2.1.5 The CEO is concerned that a number of units are missing in spite of the installation of security cameras and division of duties. What other solutions would you offer to the CEO to help solve the problem of the missing units? Provide TWO good solutions. (2)

2.1.6 Cool Traders uses the Periodic Stock system. Briefly explain to the CEO how the Perpetual Stock System works. In your explanation state TWO main advantages of the Perpetual Stock System. (2)

2.1.7 CEO wants to alternate between using the weighted-average method and a FIFO method, depending on which will result in the higher cost of sales.

- In your opinion, why do you think CEO wants to increase the value of cost of sales in the financial statements? (1)
- Provide ONE reason why the bookkeeper says that alternating between two methods of valuing stock does not comply with the requirements of GAAP (1)

INFORMATION:

A.

STOCK:	Number of units	Unit cost	Total cost
Balance - 1 July 2020 (including import duties)	20	R3 500	?
Balance - 30 June 2021 (physical count)	120	?	?
Purchases:	380		R1 930 000
▪ 1 October 2020	160	R4 000	R640 000
▪ 1 January 2021	140	R5 500	R770 000
▪ 1 April 2021	80	R6 500	R520 000

B. Import duties R1 375 per unit (constant for the year)

C. Carriage on sales R1 500 (constant for the year)

D. Sales for the year, R2 064 000. (258 units)

2.2 GYM SLIM

Gym Slim is an outlet of Sports shop. Stock is valued using the FIFO method. The following figures have been given to the owner of Gym Slim but he is not happy as the actual figures as per stocktaking and the figures of the Trading Stock records in the books do not agree.

REQUIRED:

2.2.1 Calculate the number of days of stock on-hand for Gym Bags. Gym Bags are sold at a mark-up of 25% on cost.
The average stock amounted to R156 240. (3)

2.2.2 Identify ONE different problem in respect of the manner in which each product is managed. Quote figures to support your answer. In each case offer practical advice. (6)

ITEMS OF STOCK	Sweatbands	Towels	Gym Bags
Opening stock in unit	120	80	290
Purchases in units	5 600	960	1 444
Sales in units for the year	4 800	840	930
Closing stock in units	810	200	804
Selling price per unit	R45	R125	R350
Period of stock on hand	50 days	70 days	?
Cash deposited for the year	R216 000	100 000	R325 500

35

QUESTION 3: COSTING, BREAK-EVEN AND INTERPRETATION

(35 marks; 33 minutes)

3.1 WOODLANDS FURNITURE

Woodlands Furniture is a manufacturing business that produces one style of tables. The financial year ended on 28 February 2021.

REQUIRED:

3.1.1 Prepare the Production Cost Statement for the year ended 28 February 2021. (16)

3.1.2 Prepare the abridged Income Statement to calculate the net profit on 28 February 2021. (6)

INFORMATION:

A. Stock on hand:

Stock records	28 February 2021	1 March 2020
Raw material stock	R 21 600	R 16 400
Work-in progress stock	22 810	19 400
Finished good stock	25 600	28 300

- Purchases of raw materials for the financial year amounted to R529 575.
- Damaged material valued at R19 000 was returned to the supplier.
- On 28 February 2021 a calculation error was made during the stock taking. 1 050 items were recorded at R5 each instead of 50 cents each.
- Stationery valued at R1 000, purchased for the Administration department was incorrectly allocated to the Selling and Distribution department.

B. The business employs THREE factory workers, with the following conditions:

- work 8 hours normal time per day
- 5 days a week,
- 48 weeks a year,

	RATE PER HOUR	NUMBER OF WORKERS	TOTAL
Normal time	R20	3	?
Overtime			R77 600
			?

NOTE: Employers' contribution: 15% of normal wage.

C. Total sales amounted to R978 375. Mark-up of 25% is applicable in all goods sold.

D. The following information was calculated on 28 February 2021:

Direct material cost	R ?
Direct labour cost	R ?
Factory overhead cost	?
Administration cost	25 000
Selling and distribution cost	86 000
Cost of production of finished goods	?

3.2 KETTLE MANUFACTURERS

The business produced and sold 4 100 kettles for the year ended 28 February 2021. The following information was extracted from their books:

REQUIRED:

3.2.1 Calculate the break-even point for the year ended 28 February 2021. (6)

3.2.2 Should the business be satisfied with the number of units that are currently produced? Explain. (3)

3.2.3 Despite the fact that there was an increase in the price of direct material, the direct material cost per unit decreased from R32 to R27. Give a valid reason for the decrease. (2)

3.2.4 Despite the fact that there was no increase in wages during the year, the direct labour cost per unit increased from R20 to R28. Give a valid reason for the increase. (2)

INFORMATION:

	R
Sales	615 000
Direct material cost	110 700
Factory over heads cost	246 000
Selling and distribution cost	61 500
Direct labour cost	114 800
Administration cost	102 500

Additional information

- Selling price per unit amounts to R150.

35

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 and other receivables + Cash and cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income after tax + Interest on loans}}{\text{Average Shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	

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.