



Education and Sport Development

Department of Education and Sport Development
Departement van Onderwys en Sportontwikkeling
Lefapha la Thuto le Tlhabololo ya Metshameko

NORTH WEST PROVINCE

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING

JUNE 2019

MARKS: 300

TIME: 3 hours

This question paper consists of 18 pages and a 16-page answer book.



INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue ink to answer the questions.
6. Where applicable, show all calculations to ONE decimal point.
7. Write neatly and legibly.



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

QUESTION 1: 35 marks; 20 minutes	
Topic:	This question integrates:
Bank Reconciliation and Creditors Reconciliation	Financial accounting Bank reconciliation Creditors reconciliation Managing resources Internal control

QUESTION 2: 60 marks; 35 minutes	
Topic:	This question integrates:
Manufacturing	Managerial accounting Production Cost Statement Abridged income statement Break-even analysis and interpretation Managing resources Internal control

QUESTION 3: 65 marks; 40 minutes	
Topic:	This question integrates:
Financial Statements and Notes	Financial accounting Accounting concepts Balance Sheet and Notes

QUESTION 4: 70 marks; 45 minutes	
Topic:	This question integrates:
Cash Flow Statement, Audit Report Interpretation and Analysis	Financial accounting Cash Flow Statement and Notes Ratio analysis and interpretation Audit Report Managing resources Ethics

QUESTION 5: 35 marks; 20 minutes	
Topic:	This question integrates:
Fixed Asset	Managing resources: Fixed assets Asset disposal Internal Control

QUESTION 6: 35 marks; 20 minutes	
Topic:	This question integrates:
Inventory Valuation	Managing resources Weighted average method FIFO method Internal control



QUESTION 1: BANK AND CREDITORS' RECONCILIATION**(35 marks; 20 minutes)****1.1 BANK RECONCILIATION**

The following information was extracted from the accounting records of Odendaal Traders on 31 July 2018. Odendaal Traders has its current bank account at Hope Bank.

REQUIRED:

- 1.1.1 Why should the auditor be concerned about ITEM 1? Mention TWO points. (4)
- 1.1.2 Explain the correct treatment of ITEM 3 when preparing the financial statements. (2)
- 1.1.3 The bookkeeper made a mistake in the CRJ.
- Which ITEM was incorrectly treated in the CRJ? (2)
 - Explain the correct treatment of the ITEM. (2)
- 1.1.4 Study the information below and identify the following. Write down only the item number in your ANSWER BOOK.
- ONE item that must be recorded in the CPJ for July 2018. (2)
 - ONE item that must be recorded in the CRJ for July 2018. (2)

INFORMATION:

The Cash Journals for July 2018 and the Bank Reconciliation Statement for June 2018 were compared with the Bank Statement on 31 July 2018 and the following differences were discovered:

ITEM 1	The Bank Reconciliation reflects two outstanding deposits: <ul style="list-style-type: none"> • R35 000 dated 10 July 2018 • R9 000 dated 31 July 2018
ITEM 2	The Bank Reconciliation reflects cheque no. 408. The date on the cheque is 17 January 2018. It was issued to Bina Stores.
ITEM 3	Cheque 890, dated 15 August 2018 for R550, was recorded in the CPJ only.
ITEM 4	A debtor settled her account by a cheque for R300, dated 5 August 2018. It was recorded in the CRJ, but was not deposited.
ITEM 5	A debit order for R2 590 in favour of the municipality for water and electricity appeared only on the bank statement.
ITEM 6	Rent directly deposited into the business account by a tenant was entered in the CRJ, R6 000.

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1.2 CREDITORS' RECONCILIATION

The Creditors' Control account and the Creditors' List were prepared by the bookkeeper on 30 April 2019, but you noted a few errors and omissions.

REQUIRED:

- 1.2.1 List the corrections that the bookkeeper must make to the Creditors' Control account in the General Ledger by showing the amounts with a '+' for an increase or a '-' for a decrease. Place an 'x' in the *No entry column* if there is no change. (10)
- 1.2.2 Prepare the correct Creditors' List on 30 April 2019. (11)

INFORMATION:

1. The Creditors' Control account reflected a balance of R 63 270 on 30 April 2019.
2. The list of creditors represents the closing balances of creditors in the Creditor's Ledger on 30 April 2019.

ERRORS AND OMISSIONS

1. The balance of Mango Traders' account was calculated incorrectly. It should be R9 965.
2. A credit invoice for R3 820 for trading stock purchased from Sphe Stores was incorrectly posted to the account of Serengeti Wholesalers.
3. A payment of R7 200 made to Post Network was recorded as R2 700 in the CPJ and posted as such.
4. A credit invoice for stationery purchased from Mango Traders for R825 was not recorded at all.
5. The CAJ total was overstated by R480.
6. Goods costing R2 100 returned to Rivera Distributors was recorded correctly in the relevant journal. It was however posted to Rivera Distributors' account as a credit purchase.



QUESTION 2: MANUFACTURING**(60 marks; 35 minutes)****2.1 AVRO VUMA MANUFACTURES**

You are provided with information relating to **AVRO VUMA MANUFACTURES** for the financial year ended 28 February 2019. This is a manufacturing business specialising in the production of hand-made leather shoes. They manufacture the shoes and sell them at a mark-up of 60% on cost.

REQUIRED:

Prepare the following for the year ended 28 February 2019:

- 2.1.1 Note for Direct Materials Cost (6)
- 2.1.2 Note for Factory Overhead Cost (15)
- 2.1.3 Production Cost Statement on 28 February 2019 (10)
- 2.1.4 Abridged Income Statement on 28 February 2019 (14)

INFORMATION:

1. Balances	28 Feb 2019	1 March 2018
Raw materials stock	404 650	R 465 000
Work-in-process stock		64 000
Finished goods stock	58 000	50 000
Consumable stores stock: Factory	11 600	23 400
Factory plant and Equipment at cost		1 000 000
Prepaid expenses: Factory insurance		5 000
Accumulated depreciation on Factory Plant and Equipment		350 000



Purchases of raw materials	R 1 000 000
Carriage on purchase of raw materials	90 000
Purchases of consumable stores for the factory	60 200
Return of consumable stores bought for factory	6 200
Purchases of cleaning materials (administration)	8 800
Purchases of factory equipment (1 September 2018)	350 000
Production wages	900 000
Salaries: Factory manager	190 000
Insurance [sales and administration department]	18 000
Water and electricity	275 200
Sundry Expenses: Factory	210 500
Administration	65 000

3. Notes and adjustments:

- 3.1 No entry was made for transport of raw materials, by BB Carriers, to the factory , R15 000.
- 3.2 During physical stocktaking of raw materials on 28 February 2019 a calculation error was made. Ten thousand articles costing 90c each were taken into account at R10 each on the stock lists. Correct the error.
- 3.3 The following information in respect of production wages for the last week of February 2019 appeared in the wages journal:
- | | |
|---|---------|
| Gross wages | R35 600 |
| Deductions: Unemployment Insurance Fund | 358 |
| Pension Fund | 3 664 |
| PAYE | 7 280 |
- The employer contributes to the UIF and the Pension Fund on a Rand for Rand basis.
- 3.4 Hundred percent of water and electricity was used in the factory. An amount of R26 000 was still outstanding on the total account for February 2019.
- 3.5 Included in the Sundry factory expenses is a deposit paid for the hire of factory equipment R5 000.
- 3.6 Depreciation on the factory plant and equipment must be brought into account at 10% per annum according to the diminishing balance method.
- 3.7 Eighty percent of the total amount for insurance is for the factory. The remainder is shared between the sales and administration department.
- 3.8 A total of 3 762 pairs of shoes were produced at a unit cost of R 800.



2.2 WOODEN MANUFACTURERS

The Noga family owns Wooden Manufactures. They manufacture quality wooden tables and deliver these to clients. The financial year ends on 31 October.

REQUIRED

- 2.2.1 Explain the difference between fixed cost and variable cost. (4)
- 2.2.2 Calculate the:
- (a) Total fixed cost (2)
- (b) Variable cost per unit. (3)
- 2.2.3 Calculate the break-even point. Should the business be satisfied with their current production of 18 000 units? Explain. (6)

INFORMATION

- The business produced and sold 18 000 tables during the year.
- The selling price of each table is R256, 00.
- The following costs were identified for 2019

Cost	Total	Unit cost
	R	R
Prime cost	1 242 000	93.00
Direct material cost	900 000	45.00
Direct labour cost	504 000	48.00
Factory overhead cost	543 000	?
Selling and distribution cost	?	32.10
Administration cost	217 000	16.50



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QUESTION 3**(65 Marks; 40 Minutes)****CONCEPTS, BALANCE SHEET AND NOTES**

You are provided with information relating to Joyco Limited. The financial year-end is 28 February 2019. The authorised share capital comprises of 1 000 000 ordinary shares.

REQUIRED:

3.1 Choose the appropriate words given below to complete the sentences:

Financial assets, Qualified, Operating expense, Cash and cash equivalents, Operating profit, Borrowed capital, Financial cost, Unqualified, Working capital.

- 3.1.1 The difference between current assets and current liabilities is referred to as
- 3.1.2 The audit report states: "With the exception of a few aspects, shareholders can rely on the figures in the financial statements". This will be regarded as a/an report.
- 3.1.3 Interest on the bank overdraft is classified as a/an
- 3.1.4 A fixed deposit which will mature in the next financial year, will be regarded as part of in the Balance sheet. (4)

3.2 Prepare the following notes to the financial statements:

- 3.2.1 Ordinary share capital (10)
- 3.2.2 Retained income (12)
- 3.3** Prepare the Balance Sheet (Statement of Financial Position) on 28 February 2019. (39)

INFORMATION:**A. Ordinary share capital**

- The ordinary share capital account had a balance of R2 100 000 on 1 March 2018. The number of shares in issue on this date was 700 000.
- On the 1 June 2018, the company's board of directors authorized the buy-back of 5% of the company's shares from existing shareholders. A repurchased price was set at R9 each. An electronic transfer of funds was made to shareholders for shares repurchased. This was recorded on 1 June 2018.
- 50% of the remaining shares were issued on 1 November 2018 at R7, 00 each.



B. Dividends

- Interim dividends of R134 000 were paid on 31 August 2018.
- Final dividends of 35 cents per share were declared on 28 February 2019.

C. Net profit and tax

Income tax for 28 February 2019 was calculated to be R375 000 after making all the adjustments below. The income tax rate is 30% of the net profit.

D. The following balances appeared in the books on 28 February 2019:

• Creditors control	R 650 000
• Debtors control	R 470 000
• Creditors for salaries	R 35 500
• Income receivable	R 46 000
• Cash at bank	R 190 650
• SARS-Income tax (provisional tax) Debit	R 400 000

E. Fixed deposits

An amount of R175 000 of the fixed deposits matures on 30 September 2019. The rest matures in 2021.

F. The following relates to the mortgage loan from Sentry bank:

• Mortgage loan at the beginning	R 256 600
• Interest is capitalised	R ?
• Repayment of loan and interest for the year	R 96 600
• Closing balance	R 193 000
• R40 000 of the loan will be paid in the next financial year.	

G. Fixed assets

- Land and buildings amounted to R1 800 000 on 28 February 2019
- Vehicles at book value amounted to R800 000 on 1 March 2018, depreciation is calculated at 10 % p.a. on the diminishing balance method.
- All equipment was bought on 1 September 2015 at R600 000, depreciation is calculated at 15% p.a. on cost price.

H. Rent income

Rent income, R93 800, the tenant has already paid rent for March 2019. Rent was increased by R700 per month on 1 December 2018.

I. Financial indicators

- The net asset value was 450 cents per share on 28 February 2019.
- The current ratio is 1,2:1 on 28 February 2019.



QUESTION 4: CASH FLOW STATEMENT, AUDITING AND INTERPRETATION**(70 Marks; 45 Minutes)**

- 4.1 Choose a term in COLUMN B that matches the description in COLUMN A. Write only the letter (A-E) next to the question number (4.1.1- 4.1.5).

COLUMN A		COLUMN B	
4.1.1	The extent to which a company is financed by loan.	A	Liquidity
4.1.2	An increase in inventory indicates an of cash.	B	Solvency
4.1.3	An increase in creditors indicates an of cash.	C	Gearing
4.1.4	Ability of the business to pay off all its debts.	D	Outflow
4.1.5	Ability of the business to pay off its short-term debts.	E	Inflow

(5)

- 4.2 You are provided with information relating to Amanda Limited for the financial year ended 30 June 2019.

REQUIRED:

- 4.2.1 Calculate the following figures that will appear on the Cash Flow Statement:
- Income tax paid (5)
 - Dividends paid (4)
 - Purchases of tangible assets (6)
 - Buy-back of shares (repurchased of shares) (3)
- 4.2.2 Calculate the following for the financial year ended 30 June 2019:
- Return on total capital employed (ROTCE) (8)
 - Dividends pay out % for 2019 (3)
- 4.2.3 The CEO, Mr. Pine currently owns 1 242 000 of the issued shares on 1 July 2018. The board of directors has decided to repurchased some shares
- Explain the effect that the repurchase of shares on 31 January 2019 had on his control of the company. Give a calculation(s) to support your answer. (8)
 - Mr. Pine wants to purchase additional shares at R10, 00 without advertising the shares to the public. Give TWO reasons why you would not approve of this. (4)
- 4.2.4 The directors are of the opinion that the liquidity has improved. Quote THREE financial indicators (with figures) to support this opinion. (6)
- 4.2.5 The shareholders are not happy with their return and earnings. Quote and explain TWO financial indicators (with figures) to support their opinion. (4)



INFORMATION:**1. Information extracted from the Income Statement on 30 June 2019:**

Depreciation	205 000
Interest on loan	148 500
Income tax (30% of the net profit before tax)	?
Net profit after tax	4 200 000

2. Information from the Balance Sheet on 30 June 2019:

	2019	2018
Fixed assets (at carrying value)	5 953 000	5 692 500
Ordinary share capital	5 388 900	4 620 000
Retained income	3 183 100	528 000
Non-current liabilities	1 800 000	2 500 000
SARS : income tax	Dr 500 000	Cr 800 000
Shareholders for dividends	?	300 000
Trade creditors	900 000	700 000

3. Shares:

- Authorised share capital is 3 200 000 ordinary shares.
- 2 310 000 ordinary shares in issue on 01 July 2018
- 390 000 ordinary shares issued on 01 August 2018.
- On 31 January 2019, 265 000 shares were repurchased at R3.
(These shares do not qualify for final dividends.)

4. Fixed assets:

- Fixed assets were sold for cash at carrying value of R 327 750 during the financial year. Fixed assets were also purchased during the financial year.

5. The following financial indicators were calculated for the past two financial years:

	2019	2018
Current ratio	2 : 1	0,9 : 1
Acid test ratio	1:1	0.5:1
Debtors collection period	21 days	38 days
Stock turnover rate	11 times	15 times
Debt-equity ratio	0.1:1	0.3:1
Return on total capital employed (ROTCE)	?	29%
Return on shareholders' equity (ROSHE)	20%	23%
Earnings per share (EPS)	75 cents	33 cents
Dividend per share (DPS)	45 cents	60 cents
Net asset value per share (NAV)	1250 cents	1140 cents
Interest rate on investment	9%	9%
Market value (JSE)	1400 cents	1300 cents



4.3 CORPORATE GOVERNANCE AND INTERNAL CONTROL

You are provided with an extract from the report of the independent auditors for Zodwa Ltd for the financial year ending 28 February 2019.

Audit opinion- To the shareholders

We have examined the financial statements set out on pages 10 to 30.

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company at 28 February 2019 and results of their operations and cash flows for the year ended, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa.

Snow & White
Chartered Accountants (SA)
Registered Accountants and Auditors
Melmoth 1 January 2007

- 4.3.1 Is this a qualified/unqualified report? (2)
- 4.3.2 Explain **TWO** major consequences for Snow and White should they be negligent in performing their duties. (4)
- 4.3.3 Provide **TWO** actions that Snow and White will have to take to verify the Fixed/ Tangible Assets figure in the Balance Sheet? (4)
- 4.3.4 The CEO was given a new laptop by Brats Computers on 31 March 2019. Brats Computers have tendered to supply computers to Zodwa Ltd next year. Comment on whether or not this will affect the audit report next year. Explain. (4)



QUESTION 5: ASSET MANAGEMENT**(35 marks; 20 minutes)**

You are provided with information relating to Josy Supermarket for the financial year ended 28 February 2019.

5.1 FIXED ASSETS

The following information relates to the fixed/tangible assets of Josy Supermarket for the year ended 28 February 2019.

REQUIRED:

5.1.1 Refer to Information **A**, **B** and **C**. Calculate the amounts indicated by (i)–(iii). Show the workings in the space provided in the ANSWER BOOK. (13)

5.1.2 Refer to Information **D**. Prepare the Asset Disposal Account for the computer sold on 30 November 2018. (11)

5.1.3 Refer to Information **E**. You are the internal auditor of Josy Supermarket. The owner has asked you to investigate the control of small movable display cabinets and shelves in the business.

(a) Explain how the Fixed Assets Register will assist you in your duties as internal auditor. Provide ONE point. (2)

(b) The owner has received numerous complaints from his customers about the display cabinets and shelves. On a busy day the business often has up to 540 customers in the shop at the same time.

Identify and explain THREE major problems (with figures) relating to the control of the display cabinets and shelves. In EACH case, provide a valid, practical solution to improve the control over these assets. (9)

INFORMATION:

A. Information from the financial statements for the year ended 28 February 2019:

FIXED/TANGIBLE ASSETS	LAND AND BUILDINGS	VEHICLES	EQUIPMENT
Carrying value on 1 March 2018	2 000 000	264 600	(i)
Cost	2 000 000	552 000	800 000
Accumulated depreciation	0	(287 400)	(390 000)
Movement			
Additions	(ii)	0	100 000
Disposals at carrying value	0	0	
Depreciation	0	(iii)	
Carrying value on 28 February 2019	3 315 000		
Cost	3 315 000		
Accumulated depreciation	0		



- B.** The business has two vehicles. The following details appeared in the Fixed Assets Registers:

	Vehicle 1	Vehicle 2
Cost	240 000	312 000
Accumulated depreciation on 1 March 2018	(225 000)	(62 400)
Carrying value on 1 March 2018	15 000	249 600

NOTE: Vehicle 1 is old and is reaching the end of its useful life.

- C.** The business provides for depreciation on its fixed assets as follows:
- On vehicles at 15% p.a. on cost
 - On equipment at 20% p.a. on the diminishing-balance method. Equipment comprises shopping display cabinets, shelves, computers, fridges and other general shop equipment.
- D.** An old computer bought for R 90 000 on 1 June 2016 was sold for cash, R 60 000 on 31 August 2018.
- E.** The following information refers to the display cabinets and shelves of the business:

	DIPLAY CABINETS	SHELVES
Number of units on hand on 1 March 2018	148	120
Additional units purchased during the financial year at R2 000 each for the display cabinets and R250 each for the shelves	112	35
Number of damaged units written off during the financial year	14	60
Number of units on hand as per physical count on 28 February 2019	210	95
Repair and maintenance cost for units during the financial year	R1 800	R16 000



**QUESTION 6: INVENTORY VALUATION, INTERNAL CONTROL AND
PROBLEM-SOLVING** (35 marks; 20 minutes)

6.1 TYRES GALORE

You are provided with information relating to Tyres Galore. The business sells one type of vehicle tyre. The financial year ends on 28 February 2019. The business uses the weighted-average method for stock valuation and the periodic stock system.

REQUIRED:

- 6.1.1 Calculate the value of the closing stock on 28 February 2019 using the weighted-average method. (8)
- 6.1.2 Calculate the following for the year ended 28 February 2019:
- Cost of sales
 - Gross profit (6)
- 6.1.3 Calculate the average stock-holding period (in days) on 28 February 2019 (5)
- 6.1.4 Calculate the value of the closing stock by using the FIFO method. (7)

INFORMATION:**A. Stock:**

Date	Tyres	Total value (including carriage)
1 March 2018	520	R320 770
28 February 2019	325	?

B. Purchases:

Date	Tyres	Cost price	Total purchases	Carriage	Total cost (including carriage)
31/05/2018	460	R650	R299 000	R18	R307 280
01/08/2018	700	R680	R476 000	R18	R488 600
15/10/2018	500	R710	R355 000	R30	R370 000
01/02/2019	300	R725	R217 500	R30	R226 500
TOTAL	1 960		R1 347 500		R1 392 380

C. Returns:

Thirty tyres from the purchases on 1 February 2019 were not of a high quality. These were returned to the supplier. The business account was credited with R22 650 (including carriage on purchases).

D. Sales:

2 115 tyres were sold during the financial year. The selling price was kept constant at R1 400 per tyre.



6.2 PROBLEM-SOLVING

You are provided with information of Celia's Clothing with different owners in Johannesburg. Each shop has a floor space of 100 m².

REQUIRED:

6.2.1 Identify ONE problem in Shop 1 and ONE problem in Shop 2. Quote figures. In EACH case, give ONE point of advice.

6.2.2 Explain TWO good decisions that Sandra has made in respect of Shop 3. Quote figures.

Information per shop for December 2018:

	SHOP 1	SHOP 2	SHOP 3
Managers	Andy	Tom	Sandra
Sales	R360 000	R250 000	R960 000
Returns from customers	R8 000	R37 000	R20 000
Mark-up percentage	70%	50%	60%
Stock-holding period	180 days	30 days	30 days
Advertising	R15 000	R5 800	R48 500
Rent expense	R45 000	R34 000	R96 000
Days worked per week	6	5	7
Shop assistants	4	2	6

35

TOTAL: 300