

**GRADE 12****MARKS: 100****TIME: 2 HOURS****INSTRUCTIONS TO CANDIDATES:**

- This paper consists of 6 pages. Please check that your question paper is complete.
- Read the questions carefully and only answer what is required.
- There is a complete Answer Book. There is a clearly marked page for each answer.
- You may not use green or red ink. **You are encouraged to use a pencil, but please use a soft, dark pencil.**
- It is in your interest to write legibly and to present your work neatly.
- **Show all calculations in brackets and in the space provided. DO NOT ABBREVIATE!**
- You are given a proposed time allocation in which to answer each question. Try not to deviate from it.

QUESTIONS	LEARNING OUTCOMES				COGNITIVE SKILLS					
	<u>LO 1</u> AS 5 AS 7	<u>LO 2</u>	<u>LO 3</u> AS 2 AS 4 AS 5 AS 6	TOTAL	Knowledge	Understanding Comprehension	Application	Analysis	Synthesis	Evaluation
					<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Question 1 [26min]	10		12	22	3	4	5	3	4	3
Question 2 [44min]			37	37	5	6	15	5		6
Question 3 [50min]	41			41	5	7	10	5	4	10
<b>TOTAL Marks</b>	<b>51</b>		<b>49</b>	<b>100</b>	<b>13</b>	<b>17</b>	<b>30</b>	<b>13</b>	<b>8</b>	<b>19</b>
<b>TOTAL %</b>	<b>51%</b>		<b>49%</b>	<b>100%</b>	<b>13%</b>	<b>17%</b>	<b>30%</b>	<b>13%</b>	<b>8%</b>	<b>19%</b>
<b>Targeted %</b>	<b>50-60%</b>	<b>20-25%</b>	<b>20-25%</b>		<b>60%</b>			<b>40%</b>		

**QUESTION 1****VAT****26 MINUTES****LO 1 Financial Information:**

*AS 7 Apply the principles of VAT in different situations.*

**LO 3 Managing Resources:**

*AS 3 Identify and analyse ethical behaviour applicable to the financial environment with reference to accountability and transparency.*

**CASE STUDY**

The accountant of Jolly Good Traders CC is young and inexperienced and he was asked to do the books of Jolly Good Traders CC to Balance Sheet level. His knowledge of the VAT act is limited to what he studied at university and he is struggling to balance the books. During the month of April 2008 the total turnover for the past two months was R255 600 and he calculated the VAT on the sales to be R29 200. Total expenses for the two months were R198 550 and he calculated the VAT on these expenses to be R27 797. He realized he made a mistake but when he told the owners they said that he should leave it as it is. The accountant knows what should be done but decided to go along with the owners reasoning and file the VAT 201 return with SARS. He paid the amount due to SARS according to his calculations and made out a cheque for the amount of R1 423. The bank account is currently in an overdraft of R250 000 and there overdraft ceiling is R275 000.

- 1.1 At what rate is VAT charged in S.A. (2)
- 1.2 According to the Case study he calculated the VAT on sales to be R29 200 and the VAT on expenses and stock to be R27 797. Which amount is classified as output VAT and which one is classified as input VAT on the VAT 201 return which is send to SARS. (2)
- 1.3 Calculate the correct VAT that should have been paid to SARS. (Show your workings; round off to the nearest cent) (6)
- 1.4 Explain in your own words if you think that the owners and the accountant are ethical when they completed the VAT 201 return. (6)
- 1.5 Jolly Good Traders has a huge bank overdraft and the owners are worried that they won't have enough money to pay the VAT to SARS. What advice will you give Jolly Good Traders to pay their VAT in the near future and in the distant future? (6)
- (22)**

**QUESTION 2**

**AUDITING & STOCK SYSTEMS**

**44 MINUTES**

**LO 3 Managing Resources:**

*AS 2 Use FIFO and weighted average to calculate the value of trading stock.  
AS 3 Identify and analyse ethical behaviour applicable to the financial environment with reference to accountability and transparency.*

**2.1 CORPORATE GOVERNANCE AND AUDITING**

**11 MINUTES**

Study the following audit report that was issued by the auditors of Gonwalo Ltd and answer the questions that follow.

**Audit opinion – To the shareholders**

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the group at 30 May 2008 and the result of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa.

**Smart  
Chartered Accountants (SA)  
Registered Accountants and Auditors  
Midrand 10 June 2008**

- 2.1.1 Why has this audit report been addressed to the shareholders? (3)
- 2.1.2 Briefly explain the significance of the reference to CA (SA) (2)
- 2.1.3 Explain how the firm of Smart arrived at the opinion that they express in this report. Give **TWO** points. (4)
- (9)**

**2.2 STOCK SYSTEMS**

**[28 marks;**

**33 MINUTES**

The following information relates to the trading activities of Pieterse Traders for the financial year ended 29 February 2008.

The business is owned by S Pieterse. The business sells only one type of overhead projector and has decided to keep the selling price constant throughout the year.

Mr Pieterse is keen to secure a loan from the bank. He wants to ensure that the profit in the financial statements creates a very favourable impression with the bank.

The business uses the periodic inventory system and the FIFO method of valuing stock.

**Information:**

	Number of units	Unit price R	Total R
Sales for the year	?	1 400	252 000
Stock on hand on 1 March 2007	40 units	950	38 000
Purchases during the year	210 units		170 000
June 2007	30 units	900	27 000
October 2007	80 units	850	68 000
January 2008	100 units	750	75 000

**Required:**

- 2.2.1 Explain the difference between the periodic and perpetual inventory systems. (4)
- 2.2.2 Calculate the total number of overhead projectors sold during the year. (3)
- 2.2.3 Calculate the total number of overhead projectors on hand at 29 Feb 2008. (3)
- 2.2.4 The business uses the FIFO valuation method.
- (a) Calculate the closing stock using the FIFO method. (3)
- (b) Calculate the gross profit for the year ended 29 February 2008 using the FIFO stock valuation method. (5)
- 2.2.5 In order to secure the loan the owner, S Pieterse, wants to change the stock valuation method to the weighted average method.
- (a) Calculate the value of the closing stock by using the weighted average stock valuation method on 29 February 2008. (5)
- (b) Calculate the gross profit for the year ended 29 February 2008 using the weighted average stock valuation method. (3)
- 2.2.6 In your opinion, will it be ethical for Mr Pieterse to change the method of stock valuation? Give ONE reason for your answer. (2)
- (28)**

**QUESTION 3    RATIOS AND INCOMPLETE FINANCIAL STATEMENTS    50 MINUTES**

<b><u>LO 1 Financial Information:</u></b>
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*AS 5 Prepare final accounts and financial statements, analyse and interpret the financial statements of a company.*

**Complete the:**

- 3.1 Income Statement and (19)
- 3.2 Balance sheet (22)

of ***Simpson Traders Limited***, given in your answer booklet, by using the given information and the information given in the financial statements in the answer booklet.

**Information**

- Net profit percentage before tax as a percentage on sales = 12%
- Income tax rate = 30% of profit before tax
- Earnings per share = 200 cents
- Number of shares issued = 21 000 ordinary shares
- The fixed deposit was invested on 1 June 2008 at an interest rate of 9% per annum.
- Amount available for distribution = R61 470
- No interim dividends were declared or paid during the most recent financial year.
- Acid test ratio = 1,4 : 1
- Current ratio = 2,2: 1

**Name of company: *Simpson Traders Limited***

**Income Statement for the year ended 30 June 2008**

Sales	
Gross income	
Operating expenses	(31 200)
Directors fees	22 500
Audit fees	1 200
Depreciation	7500
Operating profit	
Interest income	
Profit before interest expense	
Interest expense	(6390)
Net profit before tax	
Income tax	
Net profit after tax	
Earning per share	200 cents

**Name of Company: *Simpson Traders Limited***

**Balance sheet on 30 June 2008**

<b>ASSETS</b>	notes	
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<b>Non-current assets:</b>		<b>151 650</b>
Fixed assets	3	<b>91 650</b>
<b>Financial assets:</b>		
Fixed deposit:		<b>60 000</b>
<b>Current assets:</b>		
Inventory	4	
Trade and other receivables	5	<b>69 435</b>
Cash and cash equivalents	6	<b>45 540</b>
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Ordinary share capital	7	
Accumulated profit \ Retained income	9	
<b>Non-current liabilities:</b>		<b>102 000</b>
Loan\Mortgage bond		<b>102 000</b>
<b>Current Liabilities</b>		
Trade and other payables	10	
Shareholders for Dividends		<b>18270</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		

(41)

# ANSWER BOOKLET

GRADE 12

MARKS: 100

TIME: 2 HOURS

%

NAME: \_\_\_\_\_

QUESTIONS	AVAILABLE	ACHIEVED	LO
1. VAT	10		LO 1
	12		LO 3
2. AUDITING & STOCK SYSTEMS	37		LO 3
3. RATIOS AND INCOMPLETE FINANCIAL STATEMENTS	41		LO 1
	100		

QUESTION 1

VAT

22 MARKS/ 26 MINUTES

1.1 At what rate is VAT charged in S.A. (2)

1.2 According to the Case study he calculated the VAT on sales to be R29 200 and the VAT on expenses and stock to be R27 797. Which amount is classified as output VAT and which one is classified as input VAT on the VAT 201 return which is send to SARS? (2)

1.3 Calculate the correct VAT that should have been paid to SARS. (Show your workings, round off to the nearest cent.) (6)

**1.4 Explain in your own words if you think that the owners and the accountant were ethical when they completed the VAT 201 return.**

**(6)**

**1.5 Jolly Good Traders has a huge bank overdraft and the owners are worried that they won't have enough money to pay the VAT to SARS. What advice will you give Jolly Good Traders to pay their VAT in the near future and in the distant future?**

**(6)**



**Rubric used to assess the VAT question.**

<b>Criteria</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
<b>VAT Rate</b>	Learners have no idea what the current VAT rate is in South Africa. <b>1</b>	Learners know the current VAT rate in South Africa. <b>2</b>		
<b>Output VAT and Input VAT</b>	Learners have no idea what output and input VAT is. <b>1</b>	Learners know the difference between output and input VAT <b>2</b>		
<b>Calculate VAT to be paid to SARS</b>	Learners can not calculate VAT payable to SARS at all. <b>1</b>	Some calculations were done but mostly incorrectly. <b>2</b>	Most of the calculations done but not entirely correct. <b>4</b>	Calculations done expertly. <b>6</b>
<b>Ethics</b>	No explanation given at all. <b>1</b>	Some explanation given but very vague. <b>2</b>	Good explanation given with some examples. <b>4</b>	An excellent explanation given on ethical behaviour with an example. <b>6</b>
<b>Advice on SARS payment</b>	No advice given at all. <b>1</b>	Some advice given but not convincing. <b>2</b>	Good advice given. <b>4</b>	Excellent advice given to the owners. <b>6</b>

**QUESTION 2    AUDITING & STOCK SYSTEMS    37 MARKS/44 MINUTES**

**2.1 CORPORATE GOVERNANCE AND AUDITING                      9 MARKS/11 MINUTES**

**2.1.4 Why has this audit report been addressed to the shareholders? (3)**

**2.1.5 Briefly explain the significance of the reference to CA (SA). (2)**

**2.1.6 Explain how the firm of Smart arrived at the opinion that they express in this report. Give TWO points. (4)**

**2.2 STOCK SYSTEMS**

**28 MARKS/ 33 MINUTES**

**2.2.1 Explain the difference between the periodic and perpetual inventory systems. (4)**

**2.2.2 Calculate the total number of overhead projectors sold during the year. (3)**

**2.2.3 Calculate the total number of overhead projectors on hand at 29 February 2008. (3)**

**2.2.4 The business uses the FIFO valuation method.**

**(a) Calculate the closing stock using the FIFO method. (3)**

**(b) Calculate the gross profit for the year ended 29 February 2008 using the FIFO stock valuation method. (5)**

**2.2.5 In order to secure the loan the owner, S Pieterse, wants to change the stock valuation method to the weighted average method.**

**(a) Calculate the value of the closing stock by using the weighted average stock valuation method on 29 February 2008.**

**(5)**

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- (b) Calculate the gross profit for the year ended 29 February 2008 using the weighted average stock valuation method. (3)

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2.2.6 In your opinion, will it be ethical for Mr Pieterse to change the method of stock valuation? Give ONE reason for your answer (2)

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**QUESTION 3 RATIOS AND INCOMPLETE FINANCIAL STATEMENTS**  
**41 MARKS/ 50 MINUTES**

3.1 Income Statement and (19)

***Name of company: Simpson Traders Limited***  
**Income Statement from the year ended 30 June 2008**

Sales	
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Gross income	
Operating expenses	<b>(31 200)</b>
Directors fees	<b>22 500</b>
Audit fees	<b>1 200</b>
Depreciation	<b>7500</b>
Operating profit	
Interest income	
Profit before interest expense	
Interest expense	<b>(6390)</b>
Net profit before tax	
Income tax	
Net profit after tax	
Earning per share	<b>200 cents</b>

**CALCULATIONS:**

**3.2 Balance sheet**

**(22)**

**Name of Company:      *Simpson Traders Limited***

**Balance sheet on 30 June 2008**

<b>ASSETS</b>	notes	
<b>Non-current assets:</b>		<b>151 650</b>
Fixed assets	3	<b>91 650</b>

Financial assets:		
Fixed deposit:		<b>60 000</b>
<b><i>Current assets:</i></b>		
Inventory	4	
Trade and other receivables	5	<b>69 435</b>
Cash and cash equivalents	6	<b>45 540</b>
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b><i>Capital and reserves:</i></b>		
Ordinary share capital	7	
Accumulated profit \ Retained income	9	
<b><i>Non-current liabilities:</i></b>		<b>102 000</b>
Loan\Mortgage bond		<b>102 000</b>
<b><i>Current Liabilities:</i></b>		
Trade and other payables	10	
Shareholders for Dividends		<b>18270</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		

# MEMO

GRADE 12

MARKS: 100

TIME: 2 HOURS

NAME: \_\_\_\_\_

%
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QUESTIONS	AVAILABLE	ACHIEVED	LO
1. VAT	10		LO 1
	12		LO 3
2. AUDITING & STOCK SYSTEMS	37		LO 3
3. RATIOS AND INCOMPLETE FINANCIAL STATEMENTS	41		LO 1
	100		

QUESTION 1

VAT

22 MARKS/ 26 MINUTES

Rubric used to assess the VAT question.

Criteria	Level 1	Level 2	Level 3	Level 4
VAT Rate	Learners have no idea what the current VAT rate is in South Africa. 1	Learners know the current VAT rate in South Africa. 2		
Output VAT and Input VAT	Learners have no idea what output and input VAT is. 1	Learners know the difference between output and input VAT 2		
Calculate VAT to be paid to SARS	Learners can not calculate VAT payable to SARS at all. 1	Some calculations were done but mostly incorrectly. 2	Most of the calculations done but not entirely correct. 4	Calculations done expertly. 6
Ethics	No explanation given at all. 1	Some explanation given but very vague. 2	Good explanation given with some examples. 4	An excellent explanation given on ethical behaviour with an example. 6
Advice on SARS payment	No advice given at all. 1	Some advice given but not convincing. 2	Good advice given. 4	Excellent advice given to the owners. 6

QUESTION 2    AUDITING & STOCK SYSTEMS    37 MARKS/44 MINUTES

2.2.1 Why has this audit report been addressed to the shareholders?(3)

- Shareholders have invested money in the company and they would be interested to know how and where their money has been spent.
- They need and want to see reliable fair and accurate results of the company they have invested money in.
- ✓✓✓

2.2.2 Briefly explain the significance of the reference to CA (SA) (2)

All audit firms and chartered accountants must be affiliated and registered with CA(SA). This ensures shareholders and readers of the audit report that the auditors are credible and qualified to issue such an audit report. ✓✓

2.2.3 Explain how the firm of Smart arrived at the opinion that they express in this report. Give TWO points. (4)

- They check if all the necessary financial systems are in place. ✓✓
- They follow an audit trail of checking and verifying source documents, journal entries and financial statements. ✓✓

## 2.3 STOCK SYSTEMS

28 MARKS/ 33 MINUTES

2.2.1 Explain the difference between the periodic and perpetual inventory systems. (4)

Periodic: Value of the stock is determined periodically by a physical stock taken- simpler and cheaper method to use since the cost of sale is not continually calculated ✓✓

Perpetual: Value is continually updated, easier to detect and correct losses ✓✓

2.2.2 Calculate the total number of overhead projectors sold during the year. (3)

$$✓ 252\ 000 / ✓ 1400 = 180 (✓)$$

2.2.3 Calculate the total number of overhead projectors on hand at 29 February 2008. (3)

$$✓ 250 - ✓ 180 = 70 (✓)$$

2.2.4 The business uses the FIFO valuation method.



(a) Calculate the closing stock using the FIFO method. (3)

$$\checkmark 70 \text{ units at } \checkmark R750 = R52\,500(\checkmark)$$

(b) Calculate the gross profit for the year ended 29 February 2008 using the FIFO stock valuation method. (5)

$$\checkmark 252\,000 + \checkmark 52\,500 - \checkmark 38\,000 - \checkmark 170\,000 = R96\,500(\checkmark)$$

2.2.5 In order to secure the loan the owner, S Pieterse, wants to change the stock valuation method to the weighted average method.

(a) Calculate the value of the closing stock by using the weighted average stock valuation method on 29 February 2008. (5)

*Total value of stock available x 70/total items available*

$$\checkmark 38\,000 + \checkmark 170\,000 \times \checkmark 70/\checkmark 250 \text{ or } 832 \times 70 = R58\,240(\checkmark)$$

(b) Calculate the gross profit for the year ended 29 February 2008 using the weighted average stock valuation method. (3)

$$96\,500 + (58\,240 - 52\,500) = \checkmark 96\,500 + \checkmark 5\,740 + (\checkmark) R102\,240$$

2.2.6 In your opinion, will it be ethical for Mr Pieterse to change the method of stock valuation? Give ONE reason for your answer. (2)

*Yes or No* ✓

*Any valid reason* ✓

- *Cannot change the stock system to increase the gross profit in order to secure a loan from the bank.*
- *Must be properly disclosed in the notes of the financial statements so that the readers can make their own decision*

**QUESTION 3 RATIOS AND INCOMPLETE FINANCIAL STATEMENTS**

[41 marks; 50 minutes]

**3.1 Income Statement and****(19)****Name of company:** *Simpson Traders Limited***Income Statement from the year ended 30 June 2008 [19]**

Sales (60 000 x 100/12)	500 000 ✓✓
Gross income (65 940 (✓) + 31 200 ✓)	97 140
Operating expenses	<b>(31 200)</b>
Directors fees	<b>22 500</b>
Audit fees	<b>1 200</b>
Depreciation	<b>7500</b>
Operating profit (66 390 (✓) – 450 (✓) )	65 940
Interest income (60 000 ✓ x 9% ✓ x 1/12 ✓)	450
Profit before interest expense (60 000 (✓) + 6 390 ✓)	66390
Interest expense	<b>(6390)</b>
Net profit before tax (42 000 (✓) x 100/70 ✓✓)	60 000
Income tax (60 000 (✓) – 42 000 (✓) )	(18 000)
Net profit after tax (21 000 ✓✓ x 2,00 ✓)	42 000
Earning per share	<b>200 cents</b>

3.2 Balance sheet

(22)

**Simpson Traders Limited**

Balance sheet on 30 June 2008

(22)

ASSETS	notes	
<b>Non-current assets</b>		<b>151 650</b>
Fixed assets	3	<b>91 650</b>
Financial assets:		
Fixed deposit:		<b>60 000</b>
<b>Current assets</b> (82 125 (✓) x 2,2 (✓✓))		180 675
Inventory (180 675 (✓) – 69 435 (✓) – 45 540 (✓))	4	65 700
Trade and other Receivables	5	<b>69 435</b>
Cash and cash equivalents	6	<b>45 540</b>
<b>TOTAL ASSETS</b> (151 650 (✓) + 180 675 (✓) )		332 325
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b> (332 325 (✓) - 102 000 ✓ - 82 125 (✓))		148 200
Ordinary share capital (148 200 (✓) - 43 200 (✓))	7	1 05 000
Accumulated profit (61 470 ✓ - 18 270 ✓)	9	43 200
<b>Non-current liabilities:</b>		<b>102 000</b>
Loan\Mortgage bond		<b>102 000</b>
<b>Current liabilities</b> [(69 435 ✓ + 45 540 ✓) 1,4 (✓✓)]		82 125
Trade and other payables (82 125 (✓) - 18 270 ✓)	10	63 855
Shareholders for dividends		<b>18 270</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		332 325(✓)