

DEPARTMENT OF ACCOUNTING
GRADE 12 –PAPER I
JUNE

Time: 120 Minutes
Marks: 200

READ THE FOLLOWING INSTRUCTIONS CAREFULLY

- This paper consists of 6 pages (including the front cover)
- 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 sheet.
- It is in your interest to write legibly and to present your work neatly
- You may not use green or red ink.
- The allocation of marks and the approximate time to be taken for each question are as follows:

Question 1: 69 marks; 31 Minutes	
The topic for this task is	The learning outcomes covered are:
Cash Flow, Interpretation and Problem Solving	LO 1 Financial information <ul style="list-style-type: none">• AS – Interpreting financial information
Question 2: 17 marks; 21 Minutes	
The topic for this task is	The learning outcomes covered are:
Inventory valuations and Validations	LO 2 Managerial accounting LO 3 Managing resources <ul style="list-style-type: none">• AS – Applying inventory principles
Question 3: 65 marks; 29 Minutes	
The topic for this task is	The learning outcomes covered are:
Companies and Balance Sheet	LO 1 Financial information <ul style="list-style-type: none">• AS – Interpreting financial information
Question 4: 33 marks; 29 Minutes	
The topic for this task is	The learning outcomes covered are:
Manufacturing	LO 2 Managerial accounting LO 3 Managing resources <ul style="list-style-type: none">• AS – Applying cost principles• AS – Depreciation
Question 5: 16 marks; 10 Minutes	
The topic for this task is	The learning outcomes covered are:
Bank Reconciliation Statement	LO 1 Financial Information <ul style="list-style-type: none">• AS 4 – Bank reconciliation• AS 6 – Internal control processes

QUESTION 1: Cash Flow, Interpretation and Problem Solving**(69 Marks; 31 Minutes)**

The following information was extracted from the accounting records of Strickies Musikland Limited.

REQUIRED:

- 1.1 Calculate:
- 1.1.1 Depreciation for the year ended 28 February 2008. (5)
- 1.1.2 Interest paid for the year ended 28 February 2008. (6)
- 1.2 Prepare the following notes to the Cash flow statement for the year ended 28 February 2008:
- 1.2.1 Reconciliation of profit before tax and cash generated from operations (27)
- 1.2.2 Income tax paid (6)
- 1.2.3 Cash and cash equivalents (7)
- 1.3 Prepare the Cash flow statement for the year ended 28 February 2008. (18)

INFORMATION:**1. Post-closing trial balance on**

	28 February 2008		28 February 2007	
	Debit	Credit	Debit	Credit
Ordinary share capital (Par value R5)		750 000		600 000
Ordinary share premium		140 000		100 000
Accumulated profit		85 500		30 000
Fixed assets at carrying value	941 900		759 000	
Trading stock	74 000		72 500	
Debtors control	147 000		170 000	
Provision for bad debts		7 000		10 000
Accrued income	18 000		16 000	
Prepaid expenses (interest on loan)	1 500		-	
SARS (Income tax)		19 500	12 500	
Bank	30 000			11 500
Cash float	8 000		6 000	
Creditors control		71 000		65 000
Income received in advance		2 400		1 900
Accrued expenses (interest on loan)		-		2 100
Consumable Stores on Hand	1 000		500	
Shareholders for dividends		26 000		36 000
Loan		120 000		180 000
	1 221 400	1 221 400	1 036 500	1 036 500

2. Earnings per share for 2008 is 70 cents per share.
3. Income tax for the year amounted to R48 000.
4. Dividends per share for 2008 is 33 cents per share.
5. Fixed assets purchased during the financial year amounted to R339 400.
6. Fixed assets sold at carrying value during the financial year is R25 000.
7. Interest on borrowed money:
- 7.1 The loan was decreased to its current figure on 1 September 2007. Interest is calculated at 13% p.a.
- 7.2 Interest on overdraft, R500.

QUESTION2:**Inventory Valuations & Validations***(17 Marks; 21 Minutes)***2.1 Inventory valuation methods**

Penny's Pens buys and sells one type of pen. The details for the year ended 28 February 2008 are:

1 March 2007:

- Opening stock comprised 10 pens at R30 each

30 April 2007:

- Bought 100 pens at R32 each
- Carriage on these pens paid was R140

31 August 2007:

- Bought 180 pens at R36 each
- Carriage on these pens paid was R340

31 January 2008:

- Bought 200 pens at R41 each
- Carriage on these pens paid was R500
- During the financial year ended 28 February 2008, 260 pens were sold at R50 each.

PART A:

The business uses the FIFO method of valuing stock.

REQUIRED:

- | | | |
|-----|---|-----|
| 2.1 | Calculate the stock value for the 230 pens on hand at the year-end. | (3) |
| 2.2 | Calculate the mark-up % for the year. | (3) |
| 2.3 | Draft the Trading Account using the periodic inventory system. | (7) |

PART B:

The business uses the weighted average method of valuing stock.

REQUIRED:

- | | | |
|-----|---|-----|
| 2.4 | Calculate the stock value for the 230 pens on hand at the year-end. | (4) |
|-----|---|-----|

QUESTION 3: Companies and Balance Sheet**(65 Marks; 29 Minutes)**

The accounting period for Foxy (Pty) Ltd end on the last day of June.

REQUIRED:

Use the information given below to:

- | | | |
|-----|--|------|
| 3.1 | Calculate the Accumulated Profits at 30 June 2008. | (5) |
| 3.2 | Complete the Balance Sheet. | (51) |
| 3.3 | Complete the Trade and Other Payables note. | (9) |

INFORMATION:**1. Income Tax:**

- 1.1 Income Tax for the year ended 30 June 2008 amounted to 14 449.
- 1.2 Provisional Payments for the income tax to date amounted to R13 223 for 2008.

2. The total **Ordinary Share Dividends** for the year was increased by 15% from last year. No interim dividends were paid during the year.

3. Mortgage Loan and Interest:

- 3.1 The Mortgage Loan is repayable at R10 000 each year on 30 September.
- 3.2 Interest on the Mortgage Loan is paid on 30 September. During 2007 interest was calculated at 10% p.a. According to the accountants calculations it was established that R18 000 interest accrued must be included in the Balance Sheet on 30 June 2008. Total interest expense on Mortgage Loan for the year amounted to R24 250.

4. The return on capital employed for the year ended June 2008 is 15%. (Average Capital Employed was R 836 120)

5. Investment in Shares

- 5.1 The investments to be reflected in the Balance Sheet consisted of shares at Standard Bank Group Ltd. Dividends were received as follows:
 - 5.1.1 2007 – R 3 276 which amounted to 91 cents per share
 - 5.1.2 2008 – R 8 326 which amounted to 181 cents per share
- 5.2 The above shares (see 5.1.1) had been purchased prior to the financial year at R45 per share.
- 5.3 During the year, a further 1 000 shares were purchased at R56 per share.
- 5.4 The old shares were NOT re-valued at this time.

6. The buying and selling of fixed assets realised an increase in their book value of R 137 000.

7. The current ratio for June 2007 was 1,8:1

8. The acid-test ratio for June 2007 was 1:1

9. The debt-equity ratio for June 2007 was 0,5:1

10. Whilst the annual instalment was made on the Mortgage loan (see 3.1 above) there was no change to the Ordinary Share Capital during the year.

11. Loan from a director A. Fox of R17 500 was made on 1 January 2007.

12. The **net cash outflow** for the year to 30 June 2008 was R 1 850.

13. **Trade and Other Payables** resulted in a net cash inflow of R78 346.

14. **Trade and Other Receivables** resulted in a net cash outflow of R 1 445.

QUESTION 4:**Manufacturing****(33 Marks; 29 Minutes)**

The accounting period of Reflector Manufacturers ends annually on 28 February

REQUIRED:

- 4.1 Prepare the statement that will show the cost of production of finished goods for the financial year ended 28 February 2008. (19)
- 4.2 Draw up the Finished Goods Stock Account and close off the account on 28 February 2008. (6)
- 4.3 Do the following calculation, rounding off to the nearest cent.
- 4.3.1 Direct material cost per unit (3)
- 4.3.2 How many units must Reflector Manufacturers sell in order to make a R18 340 profit? (5)

INFORMATION:**1. Balance on:**

	1 March 2007	28 February 2008
Raw materials stock	27 630	38 440
Work-in-progress	15 670	11 210
Finished Goods Stock	42 550	46 890
Indirect Materials	6210	8 330

2. Summary of transactions for the year:

Credit Purchases:	
Raw materials	207 850
Indirect materials	15 660
Cash Payments:	
Carriage on raw materials	7 210
Wages: Direct Labour	132 570
: Indirect Labour	32 440
Salaries: Sales Staff	92 430
: Factory Staff	113 550
Purchases of stationery: Sales Section	1 990
Rent Expense: Administration Section	33 500
: Factory	56 900
Maintenance: Administration section	13 330
: Factory	33 500
Selling Expenses	22 100
Administrative Expenses	34 600
Cash Receipts:	
Sales of finished goods	990 670
Additional information	
Depreciation on administration equipment	11 220
Depreciation on factory equipment	22 330
During the year, 20 000 units were completed	

QUESTION 5:**Bank Reconciliation Statement****(16 Marks; 10 Minutes)**

Kerry Slack, the owner of Slack Traders asked the bookkeeper Nicola Buck to prepare the bank reconciliation statement for May 2008. Kerry was shocked that the Bank reconciliation statement did not balance. Nicola has now approached you for help.

REQUIRED:

- 1.1 Using the information given below correct the bank reconciliation statement. (16)
- 1.2 Answer the questions that Henry has for you.

INFORMATION:

Slack Traders
Bank reconciliation statement on 31 May 2008

	Debit	Credit
Overdrawn balance according to Bank statement		185
Deposits not yet taken into account	13 000	
Cheques outstanding:		
• 4222 (issued on 24 November 2007)		800
• 4557 (issued on 16 May 2008)		5 300
• 4570 (issued on 20 May 2008)		1 875
• 4575 (issued on 29 May 2008 but dated 3 July 2008)		2 985
Favourable balance according to bank account		6 005
	13 000	17 150

ADDITIONAL INFORMATION

- Cheque 4222 was issued in favour of Night Aid, a charity organisation as a donation. The charity no longer exists.
- Cheque 4557 appeared on the bank statement for May 2008 as R3 500. The amount appeared in the cash payments journal as R5 300. The bookkeeper was unsure on how to deal with this and therefore recorded it as an outstanding cheque. The amount on the bank statement is correct.
- A deposit of R300 for the personal account of Kerry Slack appeared on the bank statement of Slack Traders. The bookkeeper was unsure how to deal with this so he ignored it when preparing the bank reconciliation statement.
- A stop order in favour of Outsurance, R1 450 for the insurance of the business and a direct deposit by a customer for R500 was not considered by the bookkeeper when preparing the bank account.

DEPARTMENT OF ACCOUNTING
GRADE 12 – PAPER I
JUNE

Time: 120 Minutes
 Marks: 200

Name of learner: _____

Mark obtained: _____/200

Percentage obtained: _____%

Rating obtained:

7	6	5	4	3	2	1
Outstanding 80 - 100	Meritorious 70 - 79	Substantial 60 – 69	Adequate 50 - 59	Moderate 40 - 49	Elementary 30 - 39	Not achieved 0 - 29

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Question 1	Question 2	Question 3	Question 4	Question 5	TOTAL
69	17	65	33	16	200

PERCENTAGE:

SYMBOL:

Comment:

Signed:

QUESTION 1: Cash Flow, Interpretation and Problem Solving**(69 Marks; 31 Minutes)**

1.1.1 Depreciation for the year ended 28 February 2008.

--

1.1.2 Interest paid for the year ended 28 February 2008.

--

1.2.1 Reconciliation of profit before tax and generated from operations

Adjustments in respect of	
Operating profit before changes in working capital	
Changes in Working Capital	
in Inventory	
in Receivables	
in Payables	
Cash Generated from Operations	

1.2.1 Income Tax Paid

--

1.2.3 Cash and Cash Equivalents

	Net Change	28 February 2008	28 February 2007
Bank			
Cash Float			

1.3 Cash Flow Statement for the year ended 28 February 2008.

Cash Flow from Operating Activities		
Cash Generated from Operations		
Interest Paid		
Dividends Paid		
Taxation Paid		
Cash flow from investing Activities		
Cash flow from financing Activities		
Net Change in Cash Equivalents		

QUESTION 2:

Cash Flow, Interpretation and Problem Solving

(17 Marks; 21 Minutes)

2.1 Calculate the stock value for the 230 pens on hand at the year-end.

2.2 Calculate the mark-up % for the year.

2.3

TRADING ACCOUNT

2.4 Calculate the stock value for the 230 pens on hand at the year-end.

QUESTION 3: Cash Flow, Interpretation and Problem Solving**(65 Marks; 29 Minutes)****FOXY (Pty) Ltd
Balance Sheet at 30 June 2008**

	2008	2007
ASSETS		
Non-Current Assets		
Tangible Assets		500 000
Financial Assets		
Investment in Shares		
Current Assets		
Inventory		
Trade and Other Receivables		
Cash and Cash Equivalents		69 100
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Shareholder's Equity		
Share Capital		
Share Premium		60 000
Accumulated Profits		57 244
Non-Current Liabilities		
Mortgage Loan		
Loan from A.Fox		
Current Liabilities		119 055
Trade and Other Payables		109 055
Short Term Loan		10 000
TOTAL EQUITY AND LIABILITIES		

Trade and Other Payables

	2008	2007
Trade Creditors		69 493
Accrued Expenses (Interest on Mortgage Loan)		6 562
SARS (Income Tax)		0
Distributions payable to members		33 000
		109 055

Calculate the Accumulated Profits at 30 June 2008.

Calculations:

Return on Capital Employed

Other Calculations:

QUESTION 4:

Manufacturing

(33 Marks; 29 Minutes)

REQUIRED:

4.1 Prepare the statement that will show the cost of production of finished goods for the financial year ended 28 February 2008. (19)

4.2 Draw up the Finished Goods Stock Account and close off the account on 28 February 2008. (6)

FINISHED GOODS									

4.3 Do the following calculations, rounding off to the nearest cent.

4.3.1 Direct material cost per unit (3)

--

4.3.2 How many units must Reflector Manufacturers sell in order to make a R18 360 profit? (5)

--

DEPARTMENT OF ACCOUNTING
GRADE 12 – PAPER I
JUNE - MARKING GUIDELINES

Time: 120 Minutes
 Marks: 200

Name of learner: _____

Mark obtained: _____/200

Percentage obtained: _____%

Rating obtained:

7	6	5	4	3	2	1
Outstanding 80 - 100	Meritorious 70 - 79	Substantial 60 – 69	Adequate 50 - 59	Moderate 40 - 49	Elementary 30 - 39	Not achieved 0 - 29

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Question 1	Question 2	Question 3	Question 4	Question 5	TOTAL
69	17	65	33	16	200

PERCENTAGE:

SYMBOL:

Comment:

Signed:

QUESTION 1: Cash Flow, Interpretation and Problem Solving**(69 Marks; 31 Minutes)**

1.1.2 Depreciation for the year ended 28 February 2008.

$$759\,000 \checkmark + 339\,400 \checkmark - 25\,000 \checkmark - 941\,900 \checkmark = 131\,500 \checkmark$$

1.1.2 Interest paid for the year ended 28 February 2008.

$$180\,000 \times 13/100 \times 6/12 = 11\,700 (\checkmark)$$

$$120\,000 \times 13/100 \times 6/12 = 7\,800 (\checkmark)$$

$$2\,100 \checkmark + 19\,500 \checkmark \checkmark + 500 \checkmark + 1\,500 \checkmark = 74\,000 \checkmark$$

1.2.1 Reconciliation of profit before tax and generated from operations

Profit before taxation	153 000 ✓✓✓
Adjustments in respect of	151 500
Depreciation	131 500 ✓
Interest Expense	20 000 ✓
Operating profit before changes in working capital	256 500
Changes in Working Capital	22 500 ✓
Increase ✓ in Inventory (72 500 ✓ + 500 ✓) – (74 000 ✓ + 1 000 ✓)	(2 000) ✓
Decrease ✓ in Receivables (170 000 ✓ – 10 000 ✓ + 16 000 ✓) – (147 000 ✓ – 7 000 ✓ + 18 000 ✓)	18 000 ✓
Increase ✓ in Payables (71 000 ✓ + 2 400 ✓) – (65 000 ✓ + 1 900 ✓)	6 500 ✓
Cash Generated from Operations	327 000 ✓

1.2.1 Income Tax Paid

Balance at the beginning of the year	12 500 ✓✓
Amount as per Income Statement	(48 000) ✓
Balance at the end of the year	<u>19 500</u> ✓✓
Amount Paid	(16 000) ✓

1.2.3 Cash and Cash Equivalents

	Net Change	28 February 2008	28 February 2007
Bank	41 500 ✓	30 000 ✓	(11 500) ✓
Cash Float	2 000 ✓	8 000 ✓	6 000 ✓
	43 500 ✓	38 000	(5 500)

1.3 Cash Flow Statement for the year ended 28 February 2008.

Cash Flow from Operating Activities		227 900
Cash Generated from Operations	1	327 000 ✓
Interest Paid		(23 600) ✓
Dividends Paid (36 000 ✓ + 49 500 ✓ ✓ - 26 000 ✓)	3	(59 500) ✓
Taxation Paid	4	(16 000) ✓
Cash flow from investing Activities		(314 400)
Purchase of non-current assets		(339 400) ✓
Proceeds of sale of non-current assets		25 000 ✓
Cash flow from financing Activities		130 000
Proceeds from issue of share capital (150 000 ✓ + 40 000 ✓)		190 000 ✓
Payment of capital portion of long-term loan (180 000 ✓ - 120 000 ✓)		(60 000) ✓
Net Change in Cash Equivalents	2	43 500 ✓

✓ If notes are filled in

QUESTION 2:**Cash Flow, Interpretation and Problem Solving****(17 Marks; 21 Minutes)**

2.3 Calculate the stock value for the 230 pens on hand at the year-end.

10 x 30 = 300
 100 x 32 = 3 200
 180 x 36 = 6 480
 200 x 41 = 8 200
SOLD (260 x 50) = 13 000

Stock on hand : 30 x 36 = 1 080 ✓
: 200 x 41 = 8 200 ✓
TOTAL 9 280 ✓

2.4 Calculate the mark-up % for the year.

$\frac{3\ 120}{9\ 880} \times 100 = 31.58\ %$ ✓

2.3

TRADING ACCOUNT

Mrch	1	Opening Stock (10x30)	GJ	300 ✓	Feb	28	Sales	GJ	13 000 ✓
Feb	28	Purchases	GJ	17 880 ✓			Closing Stock	GJ	9 280 ✓
		Carriage on Purchases	GJ	980 ✓					
		Profit & Loss ✓	GJ	3 120 ✓					
				22 280					22 280

2.5 Calculate the stock value for the 230 pens on hand at the year-end.

$(300 + 3\ 200 + 6\ 480 + 8\ 200) = 18\ 180 \checkmark + 980 \checkmark = 19\ 160 / 490 \checkmark = 39.10 \checkmark$

QUESTION 3: Cash Flow, Interpretation and Problem Solving**(65 Marks; 29 Minutes)****FOXY (Pty) Ltd
Balance Sheet at 30 June 2008**

	2008	2007
ASSETS		
Non-Current Assets	637 000 ✓	500 000 ✓
Tangible Assets	637 000 ✓	500 000
Financial Assets	218 000 ✓	162 000 ✓
Investment in Shares (3 600 x 45) + (1 000 x 56)	218 000 ✓✓	162 000 ✓✓
Current Assets (119 055 x 1.8)	156 028 ✓	214 299 ✓
Inventory (119 055 x 0.8)	37 378 ✓	95 244 ✓✓
Trade and Other Receivables (214 299 ✓ - 95 244 ✓ - 69 100 ✓) and (49 955 ✓ + 1 445 ✓)	51 400 ✓	49 955 ✓
Cash and Cash Equivalents (69 100 ✓ - 1 850 ✓)	67 250 ✓	69 100
TOTAL ASSETS	1 011 028 ✓	876 299 ✓
EQUITY AND LIABILITIES		
Shareholder's Equity	548 513 ✓	499 744 ✓
Share Capital	382 500 ✓	382 500 ✓
Share Premium	60 000 ✓	60 000
Accumulated Profits	106 013 ✓	57 244
Non-Current Liabilities	247 500 ✓	257 500 ✓
Mortgage Loan	230 000 ✓	240 000 ✓
Loan from A.Fox	17 500 ✓	17 500 ✓
Current Liabilities	215 015 ✓	119 055
Trade and Other Payables	205 015 ✓	109 055
Short Term Loan	10 000 ✓	10 000
TOTAL EQUITY AND LIABILITIES	1 011 028 ✓	876 299 ✓

Trade and Other Payables

	2008	2007
Trade Creditors (69 493 ✓ + 78 346 ✓)	147 839 ✓	69 493
Accrued Expenses (Interest on Mortgage Loan)	18 000 ✓	6 562
SARS (Income Tax) (14 449 ✓ - 13 223 ✓)	1 226 ✓	0
Distributions payable to members (33 000 x 1.15)	37 950 ✓	33 000
	205 015 ✓	109 055

Calculate the Accumulated Profits at 30 June 2008.

Balance at the beginning of the year	57 244 ✓
Net Profit after taxation (125 418 ✓ - 24 250 ✓ - 14 449 ✓)	86 719
Ordinary Share Dividends	<u>(37 950)</u> ✓
Balance at the end of the year	106 013

Calculations:

Return on Capital Employed

$$\frac{X}{836\,120} \times \frac{100}{1} = 15 \quad \checkmark$$

$$X = 125\,418 \quad \checkmark \text{ (Net profit before interest and tax)}$$

Other Calculations:

$$(X \times 10/100 \checkmark \times 3/12 \checkmark) + ((X - 10\,000) \checkmark \times 10/100 \times 9/12 \checkmark) =$$

$$X/40 + 3X/40 - 30\,000/40 = 24\,250$$

$$4X = 1\,000\,000$$

$$X = 250\,000 \quad \checkmark$$

QUESTION 4:**Manufacturing****(33 Marks; 29 Minutes)****REQUIRED:**

4.1 Prepare the statement that will show the cost of production of finished goods for the financial year ended 28 February 2008. (19)

Direct / Prime Cost	336 820 ✓
Direct Materials Cost (27 630 ✓ + 7 210 ✓ + 207 850 ✓ – 38 440 ✓)	204 250
Direct Labour Cost (132 570)	132 570 ✓
Factory Overhead Cost (6 210 ✓ + 15 660 ✓ – 8 330 ✓ + 32 440 ✓ + 113 550 ✓ + 56 900 ✓ + 33 500 ✓ + 22 330 ✓)	272 260
Total Manufacturing Cost	609 080 ✓
Work-in-Progress at the beginning of the year	15 670 ✓
	624 750 ✓
Work-in-Progress at the end of the year	11 210 ✓
Cost of production of finished Goods	635 960 ✓

4.2 Draw up the Finished Goods Stock Account and close off the account on 28 February 2008. (6)

FINISHED GOODS

Mrch	1	Balance	b/d	42 550 ✓	Feb	28	Cost of sales ✓	GJ	631 620 ✓
Feb	28	Work – In – Progress ✓	GJ	635 960 ✓			Balance	c/d	46 890 ✓
				678 510					678 510
Mrch	1	Balance	b/d	46 890					

4.3 Do the following calculations, rounding off to the nearest cent.

4.3.1 Direct material cost per unit (3)

$$204\,250 \text{ ✓} / 20\,000 \text{ ✓} = 10.21 \text{ ✓}$$

4.3.2 How many units must Reflector Manufacturers sell in order to make a R18 360 profit? (5)

$$\frac{272\,260 \text{ ✓} + 18\,360 \text{ ✓}}{49.53 \text{ ✓} - 16.84 \text{ ✓}} = 8\,890 \text{ ✓}$$

QUESTION 5:**Bank Reconciliation Statement****(16 Marks; 10 Minutes)**

	Debit	Credit
Debit balance as per bank statement ✓	185 ✓	
Credit deposit not yet credited by the bank ✓		13 000 ✓
Debit cheques not yet presented for payment ✓		
No. 4570	1 875 ✓	
No. 4575	2 985 ✓	
Debit with incorrect amount credited ✓	300 ✓	
Debit balance as per bank account	7 655 ✓	
(6 005 + 800 ✓✓ + 1 800 ✓✓ - 1 450 ✓ + 500 ✓)		
	13 000	13 000