

ACCOUNTING GRADE 12
SEPTEMBER 2009
MARKS: 300 MINUTES: 180

QUESTION 1:45 marks;27 minutes	
The topic of the question is:	The learning outcomes covered are:
Inventories	LO 3 - Managing Resources AS 4 – Validate and calculate inventories with specific reference to the different inventory valuation methods.

QUESTION 2:55 marks;33 minutes	
The topic of the question is:	The topic of the question is:
2.1 Bank Reconciliation statement	LO 1 – Financial Information AS 4 – Analyse and interpret bank, debtors and creditors reconciliations.
2.2 Internal control	LO 3 - Managing Resources AS6 – Apply internal control and internal audit processes in a business environment.

QUESTION 3:35 marks; 23 minutes	
The topic of the question is:	The learning outcomes covered are:
Manufacturing	LO 2 – Managerial Accounting AS 2 – Prepare and analyse production cost statement.

QUESTION 4:27 marks;16 minutes	
The topic of the question is:	The learning outcomes covered are:
Projected Income Statement	LO 2 - Managerial Accounting AS 3 – Analyse and interpret projected income statement.

QUESTION 5:113 marks; 66 minutes	
The topic of the question is:	The learning outcomes covered are:
5.1 Balance sheet	LO 1 – Financial Information AS 5 – Prepare, analyse and interpret financial statements
5.2 Auditing	LO 3 - Managerial Accounting AS 6 –Apply internal control and internal audit processes in a business environment
5.3 Cash flow statement	LO 1 – Financial Information AS 5 - Prepare, analyse and interpret financial statements

QUESTION 6:25 marks;15 minutes	
The topic of the question is:	The learning outcomes covered are:
VAT	LO 1 – Financial Information AS 7 – Application of VAT principles

QUESTION 1

(45 Marks, 27 minutes)

INVENTORY AND PROBLEM SOLVING

- 1.1. Laduma stores buys soccer balls from Australia that are then sold to many retail outlets in South Africa. They make use of the FIFO (First in First Out) method to value their stock.

REQUIRED:

- 1.1.1 Calculate the cost of sales for the month of May 2009 using the FIFO method. (11)
- 1.1.2 Calculate the gross profit for the month of May 2009 (3)
- 1.1.3 Calculate the value of trading stock on hand on 31May 2009 (4)
- 1.1.4 The owner of Laduma stores is unhappy that the business has used the FIFO method of valuation and would rather have used the Weighted Average Method.

He has made the necessary calculations using the Weighted Average method as follows:

Cost of sales	R 61 565
Gross profit	R 111 985
Value of stock on hand	R 4 736

He has come to you for advice. COMMENT on the following:

- 1.1.4.1 The difference between the two methods will have on the financial statements (4)
- 1.1.4.2 The reason why the figures are different. (8)
- 1.1.4.3 Give him advice as to whether he should change stock valuation method or not? (5)

INFORMATION:

- May 01 Stock on hand: 200 soccer balls at R150 each
- May 03 Purchase of soccer balls: 100 at R150 each
- May 10 Purchase of soccer balls: 90 at R160 each
Carriage on purchases: R 1000
- May 20 Purchase of soccer balls: 50 at R180 each
- May 23 Return of soccer balls: 20 soccer balls bought on 3 May
- May 31 Total number of soccer balls sold: 390
Sales figure: R 173 550

1.2 PROBLEM SOLVING

CARDIES who value their stock on the FIFO (First in First Out) method have completed their annual stocktaking in order to produce the financial statements. The following figures have been given to the owner of CARDIES but he is not happy with the actual figures as per stocktaking and the figures that the trading stock records in the books show do not agree.

REQUIRED

Make a study of the figures and issue a report in which you highlight the following:

- 1.2.1 Areas of concern with reasons. (6)
- 1.2.2 Two measures that could be taken to improve the situation. (4)

ITEMS OF STOCK	NO OF ITEMS PER STOCK RECORDS IN THE BOOK	NO OF ITEMS PER STOCKTAKING(PHYSICAL STOCKTAKING)	+(SURPLUS) OR --(DEFICIT)
Badges	112	111	- 01
Cards	58	45	- 13
Trophies	62	79	+ 17
Candles	24	24	0
Photo Frames	18	118	+ 100
Porcelain Dolls	135	30	- 105

- 2.1.7 A comparison of the Bank Statement for August 2009 with the Cash Journals showed the following differences:
- 2.1.7.1 A debtor, M.Mahlangu, deposited R860 directly into the business bank account.
- 2.1.7.2 An unpaid cheque for R566, received from a debtor, S.Simelane, was returned by the bank marked "refer to drawer".
- 2.1.7.3 A stop order for R800 in favour of Alpha Insurers was for the following:
- Building and contents of the business, R650.
 - Owner's private motor vehicle, R150.
- 2.1.7.4 The following costs were debited against the business' current account by Ndebele Bank:
- | | |
|--------------------------------|-----|
| • Service charges | R55 |
| • Cash deposit fee | 36 |
| • Levies on debit transactions | 11 |
- 2.1.7.5 Ndebele Bank credited the business current account with R54 interest
- 2.1.7.6 Cheque No 131, R 695, in favour of the City Treasurer for the electricity of the Business appeared correctly on the Bank Statement for August 2009. The cheque appeared in the Cash Payments Journal as R569. Rectify the error.
- 2.1.7.7 A deposit of R 4000 made on 31 August 2009, does not appear on the bank statement.
- 2.1.7.8 The following cheques were not presented to the bank for payment:
- No 132 for R1 639
 - No 133 for R1 051
- 2.1.8 The bank Statement shows a favourable balance of R5000 on 31 August 2009.

2.2 INTERNAL CONTROL (9 Marks; 6 minutes)

- 2.2.1 Name three points why it is important for a business to prepare a BRS each month. (3)
- 2.2.2 Mention three other internal control measurements that a business can implement to protect its cash. (6)

QUESTION 3

[35 Marks;23 minutes]

MANUFACTURING

The following information relates to Nkomazi Padlock Manufactures. The business is owned by Nelson Mkhabela.

REQUIRED:

- 3.1. Prepare a Production Cost Statement for the year ended 30 June 2009. Show ALL your workings in brackets. (14)
- 3.2. Calculate the following unit costs for 2009:
- 3.2.1. Unit cost of production (3)
- 3.2.2. Direct Material Cost per unit (3)
- 3.2.3. Direct Labour Cost per unit (3)
- 3.2.4. Factory Overhead Cost per unit (3)
- 3.3 Explain what is meant by the break-even point and how this should be calculated by a manufacturing business. (4)
- 3.4 Prepare a Trading Statement for the year ended 30 June 2009. (5)

INFORMATION.**STOCK ON HAND ON 1 JULY 2008.**

Raw material	R 30 000
Work-in-process	R 36 000
Finished goods	R 61 920
(7 200 Padlocks all sold in July)	

STOCK ON HAND ON 31 JUNE 2009.

Raw material	R 36 000
Work-in-process	R 24 000
Finished goods (8 000 Padlocks)	?

AMOUNTS OWING ON 1 JULY 2008.

Creditors for raw material	R 21 000
Direct wages	R 9 000
Factory overheads costs	R 5 400

AMOUNTS OWING ON 30 JUNE 2009.

Creditors for raw material	R 24 000
Direct wages	R 7 200
Factory overheads costs	R 6 000

OTHER INFORMATION:

Cost of raw materials used during the year	R 270 000
Direct wages paid during the year	R 180 000
Factory overhead costs paid during the year	R 97 200
Depreciation of plant and machinery for the year	R 18 000
Advertising costs	R 40 000
Sales of finished goods (59 200 Padlocks)	R 634 344
60 000 Padlocks were manufactured during the year	

ADDITIONAL INFORMATION:

All Padlocks were sold at a constant mark up of 20% on cost during the year.

QUESTION 3

[35 Marks;23 minutes]

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ADDITIONAL INFORMATION:

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INSTRUCTIONS

4.1 Tom wants an explanation on each of the following aspects:

- 4.1.1 Salaries and wages - what is the percentage increase? (2)
- 4.1.2 Salaries and wages - would employees and the trade union be happy with the salary increase? (2)
- 4.1.3 Bad debts – why are there no bad debts in June? (2)
- 4.1.4 Depreciation - why has depreciation increased in June? (2)
- 4.1.5 Sundry operating expenses - by what percentage is it increasing each month? (2)
- 4.1.6 Interest income - why is interest income increasing each month yet the original investment amount has not changed? (2)

4.2 Advise on the following areas is also required of you:

- 4.2.1 Calculate the Mark-up percentage. (3)
- 4.2.2 Give a brief explanation on whether the mark-up percentage should be increased or not? (4)
- 4.2.3 The owner of the store is uncertain on whether he should keep the investment or rather cash it in to repay or reduce the amount of the loan. (4)
- 4.2.4 Lease agreement (rent income) - the lease agreement expires in August 2009. Provide a short explanation on whether the lease agreement should be renewed. Tom also needs to know whether the rent amount should be increased. He has not increased the rent in past two years. (4)

QUESTION:5

[113 Marks; 66 minutes]

5.1 BALANCE SHEET (26 marks; 16 minutes)

The following information was taken from accounting records of Laeveldbouhandelaars Limited. The company has an authorized share capital of 1 000 000 shares of R2.

You are required to:

Complete the balance sheet of Laeveldbouhandelaars LTD on 28 February 2009

Note: Show all calculations in brackets in order to earn part marks. The net profit for the year amounted to R448 500.

INFORMATION:

The following balances appeared in the General ledger of Laeveldbouhandelaars LTD on 28 February 2009.

	R
Ordinary share capital	800 000
Accumulated profits (28 February 2009)	167 920
Land and buildings	956 000
Equipment	526 000
Accumulated depreciation	157 800
Fixed deposit: Midsomer Bank	100 000
Loan from Bond Securities	120 000
Consumable stores on hand	31 710
Trading inventory	389 990
Debtors control	141 200
Creditors control	46 950
Provision for bad debts	4%
Cash float	1 000
Petty cash	500
Accrued expenses	18 210
Prepaid expenses	9 548
Income accrued	7 500
Income received in advance	20 000
Bank overdraft	83 840
SARS (income tax) Cr – 28 February 2009	3 080
Proceeds of shares issued	500 000

ADDITIONAL INFORMATION

1. Share issue

On 1 December 2008 another 200 000 shares were issued at R2.50 per share. The bookkeeper did not know how to process this transaction and so opened a new account called "proceeds of share issue" and posted the full amount received to the credit side of this account.

2. Dividends

An interim dividend of 10c per share was declared and paid to shareholders on 31 August 2008. A final dividend of 40c per share was declared by the directors on 28 February 2009.

3. Bank statement

When the bank statement was compared to the Cash Journals, the accountant realized that cheque no 1278 was outstanding. On investigation it was found that this cheque, for R15 000 dated 13 March 2009 had been issued to Handyman CC to pay for repairs to the roof which were completed in January 2009

4. Fixed deposit

Half of the fixed deposit will mature on 1 December 2009.

5. Loan

The agreement with bond Securities states that R20 000 of The loan must be repaid each year on 1 September.

QUESTION 5.2
AUDITING.

(19 Marks; 10 minutes)

Audit opinion: In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the group at 28 February 2009 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Companies Act in South Africa.

OKUHLE & ASSOCIATES

CHARTERED ACCOUNTANTS (SA)

REGISTERED ACCOUNTANTS AND AUDITORS

Nelspruit 30 August 2009

- 5.2.1 In your opinion, should shareholders be satisfied with this audit report or not. (3)
- 5.2.2 Why auditors stipulate page numbers in the audit report (2)
- 5.2.3 In the report, auditors mention that they examined accounting principles that the company uses.
List three examples of what they might examine in this regard (6)
- 5.2.4 What could be the consequences for Okuhle & Associates if they did not do their job carefully? Mention three. (6)
- 5.2.5 What does SAICA stand for? (2)

Question 5.3

(69 marks; 40 minutes)

CASH FLOW STATEMENT

The given information was extracted from the financial statement of Arthurseat Ltd at 28 February 2009, at the end of the financial year.

REQUIRED

- 5.3.1. Prepare the cash flow statement for the year ended 28 February 2009 (show all notes and calculations) (51)
- 5.3.2 The cash flow statement indicates that directors have made certain important decisions. Mention two (4)
- 5.3.3 Calculate the acid test ratio for both years and comment on the liquidity position of the company. (14)

Items extracted from the income statement for the year ended 28 February 2009

Turnover	1 375 605
Depreciation on equipment	?
Income Tax	148 176
Interest on borrowed money	26 460
Net profit for the year	345 744

ARTHERSEAT LTD

Balance sheet at 28 February 2009

ASSETS	Notes	2009	2008
Non-current assets		961 296	602 700
Land and building at cost		696 696	399 000
Equipment at carrying value		264 600	203 700
Current assets		276 948	317 100
Inventory		145 278	221 550
Trade and other receivables		125 370	95 550
Cash and cash equivalents		6 300	-
Total assets		1 238 244	919 800

EQUITY AND LIABILITIES			
Capital and reserves		1 026 144	638 400
Ordinary share capital (R 2 par value)		840 000	630 000
Accumulated profits		186 144	8 400
	B		
Non-current liabilities		73 500	134 400
Mortgage loan		73 500	134 400
Current liabilities		138 600	147 000
Trade and other payables		138 600	123 900
Bank overdraft		-	23 100
Total equity and liabilities		1 238 244	919 800

Notes to financial statements

1. Total dividend on ordinary shares, R168 000

2. Equipment was sold at carrying value, R49 980 during the year.

New equipment, which cost R147 000, was bought on 28 February 2009

3.

Trade and other receivables	2009	2008
Trade debtors	117 810	80 850
Accrued income	7 560	6 090
SARS (income tax)	-	8 610

4.

Trade and other payables	2009	2008
Trade creditors	59 850	70 980
Accrued expenses	11 760	8 820
SARS (income tax)	10 290	-
Shareholders for dividends	56 700	44 100

QUESTION 6

[25 MARKS;15 MINUTES]

Ermelo Stores is owned by Ms. Ditshego and is registered for VAT according to Category B, i.e. the invoice basis, on a monthly period. The business trades only with other VAT-dealers.

You are provided with the information from the Journals for August 2009.

Required:

- 6.1 What is value added tax and what is standard rate for VAT in South Africa. (3)
- 6.2 Compile the VAT Control account to calculate, the amount of VAT to be paid over to SARS in August 2009 (18)
- 6.3 Ms.Ditshego does not have enough money in her bank account to pay the VAT to SARS.
The bank account is presently overdrawn with R50 000.
What advice should you give to her:
- To solve the problem for this month. (2)
 - Solve the problem in future. (2)

INFORMATION FROM THE JOURNALS:

Cash receipts journal	
Total of sales column	942 000
Total of debtors control	420 000
Total of sundry accounts	ZERO
Total of VAT-output column	?
Cash payment journal	
Total of trading stock column	248 000
Total of creditors control	494 000
Total of sundry accounts	580 000
Total of VAT-input column	?

Debtors journal	
Debtors control column (VAT included)	397 860
Debtors' allowances journal	
Total of VAT-output column	6 930
Creditors journal	
Total of VAT-column	58 170
Creditors' allowances journal	
Total of VAT-input column	7 210

GENERAL JOURNAL:

- The owner took stock at cost price, R9 000, for his personal use. The VAT on these goods is R1 200.
- A debtor , C van Niekerk , disappeared. Her debt of R4 560 was written off as irrecoverable. All goods sold to her were subject to VAT, to the value of R560.

QUESTION: 1

1.1 INVENTORY

1.1.1 COST OF SALES FOR MAY 2008

Opening stock	200 X 150	30 000
COST OF SALES		

1.1.2 GROSS PROFIT FOR MAY 2008

11

1.1.3 VALUE OF TRADING STOCK ON 31 MAY 2008

3

1.1.4.1 THE EFFECT ON THE FINANCIAL STATEMENTS

4

4

QUESTION: 1

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4

4

1.2 PROBLEM SOLVING

1.2.1 AREAS OF CONCERN

--

6

1.2.2 TWO CONTROL MEASURES TO IMPROVE THE SITUATION

--

4

TOTAL MARKS	45
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QUESTION 2

2.1 BANK RECONCILIATION

**2.1.1 CASH RECEIPTS JOURNAL OF LIBANGENI TRADERS-
AUGUST 2009**

CRJ1

Date	Details	Bank	Sundry Account		
			Amount	Fol	Details

(10)

**2.1.1 CASH PAYMENTS JOURNAL OF LIBANGENI TRADERS-
AUGUST 2009.**

CPJ1

Date	Details	Bank	Sundry Account		
			Amount	Fol	Details

(20)

2.1.2 GENERAL LEDGER OF LIBANGENI TRADERS

BANK							

(6)

2.1.3 BANK RECONCILIATION STATEMENT OF LIBANGENI TRADERS AUGUST 2009

	DEBIT	CREDIT

(10)

2.2 INTERNAL CONTROL

(9 MARKS)

	<ul style="list-style-type: none"> •
2.2.1	<ul style="list-style-type: none"> •
	<ul style="list-style-type: none"> •

(3)

2.2.2	•
	•
	•

(6)

TOTAL MARKS	
	55

QUESTION 3

(35 MARKS)

MANUFACTURING

Production Cost Statement for the year ended 30 June 2009

Direct Material Cost	270 000
Direct Labour Cost	
Prime Cost	
Factory overhead cost	
Total manufacturing costs	
Work-in-process on 1 July 2008	
	600 000
Work-in-process on 30 June 2009	
Cost of production	

(14)

3.4 Trading Statement for the year ended 30 June 2009

Sales	
Cost of finished goods	
Gross Profit	

(4)

TOTAL MARKS	
	35

QUESTION 4

(27 MARKS)

4.1 PROJECTED INCOME STATEMENT

4.1.1 Salaries and wages - what is the percentage increase?

(2)

4.1.2 Salaries and wages - Would employees and the trade union be happy with the salary increase?

(2)

4.1.3 Bad debts - why are there no bad debts in June?

(2)

4.1.4 Depreciation - why has depreciation increased in June?

(2)

4.1.5 Sundry operating expenses - by what percentage is it increasing each month?

(2)

4.1.6 Interest income - why is interest income increasing each month yet the original investment amount has not changed?

(2)

4.2

4.2.1 Mark-up percentage

(3)

4.2.2 A brief explanation on whether the mark-up percentage should be increased or not?

(4)

4.2.3 A brief explanation on whether he should keep the investment or rather cash it in to repay or reduce the amount of the loan.

(4)

4.2.4 Lease agreement (rent income) - the lease agreement expires in August 20.9. Provide a short explanation on whether the lease agreement should be renewed. Tom also needs to know whether the rent amount should be increased. He has not increased the rent in past two years

(4)

TOTAL MARKS	
	27

QUESTION 5

[113 MARKS]

5.1 BALANCE SHEET

(26 Marks)

**Laeveld Bouhandelaars Limited
Balance Sheet as at 28 February 2009**

ASSETS	
Non-current assets	
Tangible assets	
Financial assets	
Current assets	625 800
TOTAL ASSETS	2 000 000
EQUITY AND LIABILITIES	
Capital and reserves	1 467 920
Accumulated profits	167 920
Non-current liabilities	
Current liabilities	
Short term portion of loan	20 000
Bank overdraft	
TOTAL EQUITY AND LIABILITIES	2 000 000

5.2 AUDITING

(19 marks)

5.2.1	In your opinion, should shareholders be satisfied with this audit report or not.	(3)
5.2.2	Why auditors stipulate page numbers in the audit report	(2)

5.2.3	List three examples of what they might examine in this regard	(6)
5.2.4	What could be the consequences for Okuhle & Associates if they did not do their job carefully?	(6)
5.2.5	What does SAICA stand for ?	(2)

5.3 CASH FLOW STATEMENT WITH NOTES**(21Marks)****5.3.1 Artherseat Ltd/ Artherseat Beperk****Cash Flow Statement for the year ended 28 February 2009****Kontantvloeistaat vir die jaar geëindig 28 Februarie 2009**

CASH FLOW FROM OPERATING ACTIVITIES KONTANTVLOEI UIT BEDRYFSEKTIWITEITE		
CASH FLOWS FROM INVESTING ACTIVITIES KONTANTVLOEI UIT BELEGGINGSAKTIWITEITE		
CASH FLOWS FROM FINANCING ACTIVITIES KONTANTVLOEI UIT FINANSIERINGSAKTIWITEITE		
NET CHANGE IN CASH & CASH EQUIVALENTS NETTO VERANDERING IN KONTANT & KONTANTEKWIVALENTE		
CASH & CASH EQUIVALENT : BEGINNING OF YEAR KONTANT EN KONTANTEKWIVALENTE AAN BEGIN VAN JAAR		
CASH AND CASH EQUIVALENTS AT END OF YEAR KONTANT EN KONTANTEKWIVALENTE AAN EINDE VAN JAAR		

(21)

5.3.2 IMPORTANT DIRECTORS DECISIONS

(4 marks)

1.	
2.	

5.3.3 CALCULATION OF LIQUIDITY

--

(12)

TOTAL MARKS	
	113

QUESTION 1**(45 Marks)****1.1.1 COST OF SALES FOR MAY 2009**

Opening stock	200 X 150	30 000
Purchases 3 May 100 – 20	80 X 150 ✓	12 000 ✓
Purchases 10 May	90 X 160 ✓	14 400 ✓
Purchases 20 May	50 X 180 ✓	9 000 ✓
Plus carriage on purchases		1 000 ✓
Less closing stock		5400 ✓✓
Cost of sales		61000 ✓✓

--

11

1.1.2 GROSS PROFIT FOR MAY 2009

R173 550 ✓ – R61000 ✓ = R112 550 ✓

3

1.1.3 VALUE OF TRADING STOCK ON 31 MAY 2009

30 ✓ X 180 ✓ = R5 400 ✓✓

(420- 390 sold)

4

1.1.4.1 THE EFFECT ON THE FINANCIAL STATEMENTS

Under the FIFO method the business will show a greater gross profit ✓✓ and also a greater stock figure. ✓✓

(Based on learner's figures and compared to R111 985 and R4 736.)

4

1.1.4.2 THE REASON FOR THE DIFFERENCES

The price of stock purchased has increased ✓✓over the month using the FIFO method the stock on hand will be at a higher stock value and lower cost of sales. ✓✓

Under the weighted average method each time goods are purchased a new average ✓✓is worked out which has resulted in a lower per unit figure, hence a lower stock value and higher cost of sales (lower gross profit). ✓✓

(Use own opinion in determining if learner understands the difference – based on their results.)

8

1.1.4.3 ADVISE ON WHETHER TO CHANGE

Learners to give their own opinions.

Yes or No ✓

SUGGESTIONS:

It is important to be consistent and can't change from one year to another.

Differences are minimal.

Depends on whether the business wants to show higher or lower profits and / or stock values.

Insignificant over a period of time.

Ease of working out one method as against another.

ETC.

✓✓✓✓ (2 X 2)

5

1.2 PROBLEM SOLVING

1.2.1 AREAS OF CONCERN

Learners to express their own opinions but need to highlight shortages ✓✓ surpluses ✓✓ but should also touch on the concept of materiality ✓✓ (1 missing as against 105)

Shortages in badges cards and porcelain dolls Badges.

Is only 1 and thus it might not be financial viable to recount but definitely porcelain dolls are excessive.

Surpluses in trophies and photo frames - indicates a lack of control.

(6)

1.2.2 TWO CONTROL MEASURES TO IMPROVE THE SITUATION

Learners to express their own measures.

SUGGESTIONS:

Division of duties

More regular stock taking

Checks on ordering

Slow moving stock

ETC

✓✓✓✓ (2x2)

(4)

10

QUESTION 2**[55 Marks]****BANK RECONCILIATION/BANKVERSOENING**

CASH RECEIPTS JOURNAL OF LIBANGENI TRADERS-AUGUST 2009 CRJ1
KONTANTONTVANGSTE JOERNAAL VAN LIBANGENI HANDELAARS-AUGUSTUS 2009
KOJ1

Date <i>Datum</i>	Details <i>Besonderhede</i>	Bank	Sundry Account <i>Diverse Rekeninge</i>		
			Amount <i>Bedrag</i>	Fol	Details <i>Besonderhede</i>
31	Totals/ <i>Totale</i>	✓44 190	44 190		
31	Wishart Stores/ <i>Wishart Winkels</i>	✓350	350		Trading Stock/ <i>Handelsvoorraad</i> ✓ Creditor's Control <i>Krediteure Kontrole</i>
	M.Mahlangu	✓860	860		Debtor's Control ✓ <i>Debiteure Kontrole</i>
	Ndebele Bank	✓54	54		Interest on current account/ ✓ <i>Rente op lopende</i> <i>rekening</i> -
	City Treasurer <i>Stadstesourier</i>	✓569*	569		Electricity/ ✓* <i>Elektrisiteit</i>
		<input checked="" type="checkbox"/> 45 454			

(10)

***If a learner did not make a reverse entry in the Cash Receipts Journal and only recorded the difference of R126 in the Cash Payments Journal, he/she should be rewarded the 2 marks in this journal.**

CASH PAYMENTS JOURNAL OF LIBANGENI TRADERS-AUGUST 2009 CPJ1
KONTANTBETALINGSJOERNAAL VAN LIBANGENI HANDELAARS -
AUGUSTUS 2009 KBJ1

Date Datum	Details Besonderhede	Bank	Sundry Account Diverse Rekeninge		
			Amount Bedrag	Fol	Details Besonderhede
31	Totals/Totale	42 500✓	42 500		
31	Wishart Stores/ Wishart Winkels	350✓	350✓		Trading Stock/ Handelsvoorraad✓ Creditor's Control Krediteure Kontrole
	S.Simelane	566✓	566✓		Debtor's Control/ ✓ Debiteure Kontrole
	Hollard Insurers Versekerers (800)	650✓ 150	650✓ 150✓		Insurance/ Versekering✓ Drawings/✓ Onttrekkings
	Ndebele Bank (55+36+11)	102✓	102✓		Bank Charges/✓ Bankkoste
	City Treasurer/ Stadstoesourie	695✓	695✓✓		Electricity Municipal✓ Services/ Elektrisiteit Munisipaliteitsdienste
	City Treasurer/ Stadstoesourier	OR 126✓	126✓✓		Electricity Municipal✓ Services/ Elektrisiteit Munisipaliteitsdienste
		44 444 ☑45 013			

(20)

GENERAL LEDGER OF LIBANGENI TRADERS
ALGEMENE GROOTBOEK VAN LIBANGENI HANDELAARS

BANK							
2009 AUG.	1	Balance <i>Saldo</i>	✓4 000	2009 AUG	31	Total payments✓ <i>Totale Betalings</i>	✓44 444
	31	Total Receipts <i>Totale</i> ✓ <i>Ontvangstes</i>	✓45 454			Balance <i>Saldo</i>	<input checked="" type="checkbox"/> 5 010
			49 454				49 454
2009 SEPT.	1	Balance <i>Saldo</i>	5 010			Credit Balance also acceptable/ <i>Krediet balans</i> ook <i>aanvaarbaar</i>	

(6)

- **Sundry accounts/ Miscellaneous accounts also acceptable**
- ***Diverse rekeninge ook aanvaarbaar***
- **Ignore date**
- ***Ignoreer datums***
- **Details and amounts must be combined to earn marks**
- ***Besonderhede en bedrag word gekombineer om punte te verdien***

BANK RECONCILIATION STATEMENT OF LIBANGENI TRADERS - AUGUST 2009
BANKVERSOENINGSTAAT VAN LIBANGENI HANDELAARS - AUGUSTUS 2009

	DEBIT <i>DEBIET</i>	CREDIT <i>KREDIET</i>
Balance according to Bank Statement <i>Kredietsaldo volgens Bankstaat</i>		5 000✓✓
Credit outstanding deposit <i>Krediteer uitstaande deposito</i>		4 000✓
Debit outstanding cheques <i>Debiteer uitstaande tjeks</i>	104	950✓✓
	132	1 639✓
	133	1 051✓
	135	350✓
Debit balance according to Bank Account <i>Debietsaldo per Bankrekening</i>		5 010✓
(Mark only figures/ <i>Merk slegs getalle</i>)	Both/Albei 9 000	Both/Albei <input checked="" type="checkbox"/> 9 000

(10)

2.2 INTERNAL CONTROL**(9 Marks)**

2.2.1	<ul style="list-style-type: none">• It confirms the accuracy of all transactions recorded in the Journals ✓
	<ul style="list-style-type: none">• It enables the business to keep track of outstanding cheques/ outstanding deposits ✓
	<ul style="list-style-type: none">• It provides accurate figures which are essential to make short and long term forecasting ✓
	<ul style="list-style-type: none">• The bank balance is kept up to date ✓ <p>(MARK ANY THREE)</p>

(3)

2.2.2	<ul style="list-style-type: none">• Division of duties
	<ul style="list-style-type: none">• Regular bank reconciliation should be done monthly
	<ul style="list-style-type: none">• Keep cash in a safe, so that it does not lie around
	<ul style="list-style-type: none">• Only one person should be responsible for the safe keys <p>(Any other relevant answer)</p>

(6)

3.4 TRADING STATEMENT FOR THE YEAR ENDED 30 JUNE 2009.

Sales	✓	✓	634 344	✓
Cost of finished goods (634 344x100/120)			(528 620)	✓
Gross Profit			105 724	✓

(5)

QUESTION 4

[27 Marks]

4.1 PROJECTED INCOME STATEMENT

HILTON DEALERS

(12 Marks)

4.1.1 Salaries and wages - what is the percentage increase.

$\frac{500}{5000} \times 100 = 10\%$ ✓✓	2
---	---

4.1.2 Salaries and wages - Would employees and the trade union be happy with the salary increase.

Yes - it is probably higher than the inflation rate. ✓✓ (Based on answer in (a) above Any other suitable reason.	2
---	---

4.1.3 Bad debts - why are there no bad debts in June.

They probably stopped selling on credit. ✓✓ They have exercised better control over debtors. Any other suitable answer.	2
---	---

4.1.4 Depreciation - why has depreciation increased in June

Additional assets may have been acquired ✓✓ Any other suitable answer.	2
---	---

4.1.5 Sundry operating expenses - by what percentage is it increasing each month.

$9\ 180 - 9\ 000 = R180$ $\frac{180}{9\ 000} \times 100 = 2\%$ ✓✓	2
--	---

4.1.6 Interest income - why is interest income increasing each month yet the original investment amount has not changed.

Interest earned is being capitalized. ✓✓
Interest rate may have changed.
Any other suitable answer.

2

4.2

(15 Marks)

4.2.1 Mark-up percentage

$$\frac{20\,000}{25\,000} \times 100 = 80\% \quad \checkmark\checkmark\checkmark$$

3

4.2.2 A brief explanation on whether the mark-up percentage should be increased or not?

Any appropriate answer.
An increase in higher profits. ✓✓
An increase in mark-up results in higher prices - turnover may decrease. ✓✓
(4)

4.2.3 A brief explanation on whether he should keep the investment or rather cash it in to repay or reduce the amount of the loan.

Depends on the interest rate - generally interest % on loans is higher than the interest earned on investments - in which case it would make more sense to Pay off the loan. ✓✓
He should cash in the investment and pay off or reduce the loan - profits will increase. ✓✓
Any other suitable answer.

(4)

4.2.4 Lease agreement (rent income) - the lease agreement expires in August 20.9. Provide a short explanation on whether the lease Agreement should be renewed. Tom also needs to know whether Rent amount should be increased. He has not increased the rent in Past two years.

Yes - He should renew the agreement as this is providing useful income for the business. ✓✓
He should consider increasing the rent annually (inflation linked). ✓✓
Any other suitable answer.

(4)

QUESTION: 5

[113 Marks]

5.1 BALANCE SHEET

(26 Marks)

LAEVELDBOUHANDELAARS LIMITED
BALANCE SHEET AS AT 28 FEBRUARY 2009

ASSETS	
Non-current assets	1 374 200
Tangible assets (956 000 + 52 600 – 157 800) ✓ ✓ ✓	1 324 200
Financial assets	
Fixed deposit (100 000 – 50 000) ✓ ✓	50 000
Current assets	625 800
Inventories (389 990 + 31 710) ✓ ✓	421 700
Trade and other receivables (141 200 – 5 648 + 9 548 + 7 500) ✓ ✓ ✓ ✓	152 600
Cash and cash equivalents (500 +1 000 + 50 000) ✓ ✓ ✓	51 500
TOTAL ASSETS	2 000 000
EQUITY AND LIABILITIES	
Capital and reserves	1 467 920
Ordinary share capital (800 000 + 400 000) ✓ ✓	1 200 000
Ordinary share premium	100 000 ✓
Accumulated profits	167 920
Non-current liabilities	100 000
Long term from Bond Securities (120 000 – 20 000) ✓ ✓	100 000
Current liabilities	432 080
Short term portion of loan	20 000
Trade and other payables (46 950+15 000+3 080+18 210+20 000+240 000) ✓ ✓ ✓ ✓ ✓ ✓	343 240
Bank overdraft (83 840 – 15 000) ✓	68 840
TOTAL EQUITY AND LIABILITIES	2 000 000

5.2 AUDITING**(19 marks)**

5.2.1	In your opinion, should shareholders be satisfied with this audit report or not. Yes, they should be satisfied because it is an unqualified report. ✓ ✓ ✓	(3)
5.2.2	Why auditors stipulate page numbers in the audit report To protect themselves ✓ To indicate that they are only responsible for the pages they have numbered. ✓	(2)
5.2.3	List three examples of what they might examine in this regard Depreciation methods Eg. Cost price ✓ ✓ Stock valuation methods Eg. Fifo ✓ ✓ Valuation of fixed property ✓ ✓	(6)
5.2.4	What could be the consequences for Okuhle & Associates if they did not do their job carefully? They may be sued by people who relied on their opinion ✓ ✓ They may not be re-appointed by shareholders again ✓ ✓ They may face disciplinary hearing from professional bodies to which they belong. ✓ ✓	(6)
5.2.5	What does SAICA stand for ? South African institute of Chartered Accountants. ✓ ✓	(2)

5.3 CASH FLOW STATEMENT

(21Marks)

ARTHERSEAT LTD/ARTHERSEAT BEPERK

5.3.1 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2009

KONTANTVLOEISTAAT VIR DIE JAAR GEEINDIG 28 FEBRUARIE 2009

CASH FLOW FROM OPERATING ACTIVITIES KONTANTVLOEI UIT BEDRYFSEKTIWITEITE		275 016 <input checked="" type="checkbox"/>
Cash generated by operations Kontant deur bedrywighede voortgebring	1	586 152 ✓
Interest paid/Rente betaal		(26 460) ✓✓
Dividends paid/Dividende betaal	2	(155 400) ✓
Taxation paid/inkomstebelasting betaal	3	(129 276) ✓
CASH FLOWS FROM INVESTING ACTIVITIES KONTANTVLOEI UIT BELEGGINGSAKTIWITEITE		(394 716) <input checked="" type="checkbox"/>
Purchase of non-current assets/Aankoop van nie-bedryfsbat	4	(444 696) ✓
Proceeds from sale of non-current assets/Onbrenge met verkoop van nie-bedryfsbates		49 980 ✓
CASH FLOWS FROM FINANCING ACTIVITIES KONTANTVLOEI UIT FINANSIERINGSAKTIWITEITE		149 100 <input checked="" type="checkbox"/>
Proceeds from issued of shares/Opbrenge verkry van aandel uitgereik		210 000 ✓ ✓✓
Payment of capital portion of long term loans/Terugbetaling van kapitaalgedeelte van langtermynlenings		(60 900) ✓ ✓✓
NET CHANGE IN CASH AND CASH EQUIVALENTS NETTO VERANDERING IN KONTANT EN KONTANTEKWIVALENTE		29 400 <input checked="" type="checkbox"/>
Cash and cash equivalent : Beginning of the year Kontant en kontantekwivalente aan begin van jaar		(23 100) ✓ ✓
Cash and cash equivalents at end of year Kontant en kontantekwivalente aan einde van jaar		6 300 ✓✓

Notes to the cash flow statement/ Natos by die kontantvloeistaat/

1.Reconciliation between profit before tax and cash generated by operations / Rekonsiliasie van wins voor belasting met kontant deur bedrywighede voorgebring	
Profit before tax/ Wins voor belasting (148 176 + 345 744)	493 920 ✓✓✓✓
Adjustments i.r.o./ Aansuiwerings m.b.t.:	
Depreciation/ Waardevermindering	36 120 ✓✓✓
Interest paid/ Rente betaal	26 460 ✓
Operating profit before change in working capital/ Bedryfswins voor verandering in bedryfskapitaal	556 500
Change in working capital/ Verandering in bedryfskapitaal	29 652
Decrease in inventory/Afname in voorraad	76 272 ✓✓
Increase in debtors/Toename in debiteure	(38 430) ✓ ✓
Decrease in creditors/Afname in krediteure	(8 190) ✓ ✓
Cash generated by operations/Kantant deur bedrywighede voortgebring/	586 152

(14)

2. Dividends paid/ Dividende betaal	
Amount in financial statements/ Bedrag in finansiele state/	(168 000) ✓✓✓
Balance owing last day of previous year/ Saldo verskuldig laast dag van vorige jaar	(44 100) ✓ ✓
Balance owing last day of current year/ Saldo verskuldig laaste dag van huidige jaar	56 700 ✓ ✓
Amount paid/ Bedrag betaal	(155 400)

(7)

3. Taxation paid/Inkomstebelasting betaal	
Amount in Income statement/Bedrag in Inkomstestaat	(148 176) ✓ ✓
Balance owing by SARS last day of previous year/Salod verskuldig deur SAID laaste dag van vorige jaar	8 610 ✓ ✓
Balance owing last day of current year/Saldo verskuldig laaste dag van huidige jaar	10 290 ✓ ✓
Amount paid/Bedrag betaal	(129 276)

(6)

4. Non-current assets bought/Nie-bedryfsbates gekoop	
Land and buildings/Grond en geboue	(297 696) ✓ ✓
Equipment/Toerusting	(147 000) ✓ ✓
	(444 696)

(4)

Calculation/Berekening	
Equipment at carrying value / Toerusting teen drawaarde	203 700
Equipment sold at carrying value/ Toerusting verkoop teen drawaarde (2008-02 – 28)	(49 980)
Equipment bought/ Toerusting gekoop	147 000
Expected carrying value / Verwagte drawaarde (2009-2-28)	300 720
Actual carrying value / Werklike drawaarde (2009-2-28)	(264 600)
Depreciation /Waardevermindering	36 120

5.3.2 IMPORTANT DIRECTORS DECISIONS

(4 marks)

1.	Issue of shares ✓✓
2.	Redemption of loan ✓✓

5.3.3 CALCULATION OF LIQUIDITY

Vuurproefverhouding	= (bedryfbates –voorraad) :	
Acid test ratio	= (current assets-inventory)	: Bedryfslaste/current liabilities
2009	= 131 670	: 138 600 ✓
	= 0,95	: 1 ✓
2008	= 95 550	: 147 000 ✓
	= 0,65	: 1 ✓

Algemeen aanvaarbare norm van vuurproefverhouding is 1:1 ✓b

Generally accepted norm for acid test ratio is 1:1 ✓

2008-verhouding kleiner as 1:1 , nl. 0,65 :1 ✓

2008-likiditeit onbevredigend kan sukkel om korttermynverpligtinge na te kom ✓

2009 verhouding effens kleiner as 1: 1, nl. 0,95 : 1 beter as 2008 verhouding/likiditeit

Het verbeter ✓

2008- ratio is smaller than 1:1, i.e 0,65 : 1. ✓

2008- liquidity unsatisfactory can have problems meeting short-term liabilities ✓

2009- ratio just smaller than 1:1, i.e 0,95 : 1 better than 2008 ratio and liquidity much better ✓

(12)

QUESTION 6

(25 MARKS)

VAT

6.1 VAT is a tax levied on taxable goods and services that are sold in a country. ✓ ✓
The standard rate is 14%. ✓

(3)

**6.2 GENERAL LEDGER OF MENLO STORES
VAT CONTROL ACCOUNT**

2008 Aug.	31	Debtors Control/ allowances ✓	DAJ	✓ 6930	-	2008 Aug.	31	Bank ✓	CRJ	✓ 131 880	-
		Bad debts/Debtors control ✓	GJ	✓ 560	-			✓ Debtors Control	DJ	48 860 ✓	-
		Bank ✓	CPJ	✓ 115 920	-			Drawings ✓	GJ	1 200 ✓	-
		Creditors Control ✓	CJ	✓ 58 170	-			Creditors control / allowances ✓	CAJ	✓ 7 210	-
		Balance	c/d	7 570 ☑	-						
				189 150	-					189 150	-
						2008 Sept.	1	Balance	b/d	7 570 ☑	-

(18)

6.3 To solve the problem for this month.

- Borrow more money; increase overdraft; capital input etc. ✓ ✓

To solve the problem in future.

- Budget more efficiently; keep all VAT-output to clients to pay over to SARS and not spend it. ✓ ✓

(4)