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| ACCOUNTING  GRADE 11  2020  MEMORANDUM |

**QUESTION 1 (40 marks; 24 minutes)**

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| **RECONCILIATION** | |  |
|  |  |  |
| **1.1.1** | **BANK RECONCILIATION** |  |

**1.1.1.1**

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| **Dr GENERAL LEDGER OF LERATO TRADERS Cr** | | | | | | | | | |
| BANK | | | | | | | | | |
| 2015  Oct | 01 | Balance | b/d | **✓**  12 120 | 2015  Oct | 31 | Total payments | **✓** | **✓**  36 230 |
|  | 31 | Total receipts | **✓** | **✓**  47 352 |  |  | Balance | c/d | **🗹**  23 242 |
|  |  |  |  | **59 472** |  |  |  |  | **59 472** |
| 2015  Nov | 01 | Balance | b/d | **🗹**  23 242 |  |  |  |  |  |

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| **7** |

**1.1.1.2**

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| **BANK RECONCILIATION STATEMENT ON 31 OCTOBER 2015** | | |
|  | Debit | Credit |
| Credit **✓**balance as per Bank statement | **✓** | 24 106 |
| Credit outstanding deposit | **✓** | 6 280 |
| Debit outstanding cheques |  |  |
| No. 534 | 800 | **✓** |
| No. 542 | 3 264 | **✓** |
| No. 544 | 3 080 | **✓** |
| Debit**✓** balance as per Bank account | 23 242 | **✓🗹** |
|  | **30 386** | **30 386** |

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| **9** |

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| **1.1.2.1** | **Which subsidiary journal and subsidiary ledger would the internal auditor**  **check?**  Cash Receipts Journal **✓**  Debtors Ledger **✓** | |  | | --- | |  | | **2** | |

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| --- | --- | --- | --- | --- |
| **1.1.2.2** | **Provide TWO internal control measures that Lerato Traders should adopt.**  Possible answers: **✓✓ ✓✓**   * Separate duties: The person in charge of the general ledger and general journal should not also be in charge of the * Personal accounts of the debtors and cash receipts * Internal auditing. Banking must be checked by a senior person. Check that the entries were recorded properly * Receipts issued and that the actual deposit was made * Rotation of duties | |  | | --- | |  | | **4** | |

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| **1.1.2.3** | **What step can Lerato Andile take to recover the monies?**  Possible answers**✓✓**  Disciplinary Hearing / Warning  Deduct amount on a monthly basis from the cashier  ***Note firing the cashier is not an option (may be final step taken)*** | |  | | --- | |  | | **2** | |

**1.2 CREDITORS RECONCILITION**

|  |  |  |
| --- | --- | --- |
|  | **Creditors Ledger of MUZI Traders**  **NYATHELA TRADERS CL1** |  |
|  | |  |  |  |  | | --- | --- | --- | --- | |  | **Debit** | **Credit** | **Balance** | | **Balance** |  |  | **3 180** | | Trade discount not taken into account  18 180 – 16 500 | **✓✓** 1 680 |  | **🗹** 1 500 | | Discount omitted | **✓** 750 |  | **🗹** 750 | | Correction of posting error (250 x 2) |  | **✓✓** 1 000 | **🗹** 1 750 | | |  | | --- | |  | | **8** | |

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| --- | --- | --- |
|  | **Creditors Reconciliation Statement** |  |
|  | |  |  |  |  | | --- | --- | --- | --- | | **Balance** | **18 250** |  |  | | Invoice incorrectly debited (2 500 x 2) | **✓** **✓** (5 000) |  |  | | Incorrect invoice entry (239) | **✓** (5 000) |  |  | | Invoice 330 omitted | **✓** 10 000 |  |  | | Cheque payment omitted | **✓** (12 500) |  | |  | | --- | |  | | **7** | | | Debit note omitted | **✓** (4 000) |  | | Closing balance | **✓** **🗹** 1 750 |  | |  | | |  | | |  | | --- | |  | | **8** | |

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|  |
| **40** |

**QUESTION 2 (45 marks; 28 minutes)**

**BUDGETS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| 2.1 | **TEAK WOOD**  **DEBTORS COLLECTION SCHEDULE**   |  |  |  |  |  | | --- | --- | --- | --- | --- | | **CREDIT SALES** | | | **DECEMBER** |  | | September | **R420 000** |  | **0** |  | | October | **R486 000** |  | **243 000** |  | | November | **R540 000** | x 26%**✓** | 140 400 **✓** | **A** | | December | **R684 000** | x 15%**✓** x 98%**✓** | 100 548 🗹 | **B** | | **Total** | | | **483 948** |  | | |  | | --- | |  | | **5** | |

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| 2.2 | TEAK WOOD **PROJECTED INCOME STATEMENT FOR DECEMBER 2015**   |  |  |  | | --- | --- | --- | |  | **DECEMBER** |  | | Sales (456 000**✓**✓✓ + 684 000**✓**) | 1 140 000🗹 | **C** | | Cost of Sales () ✓ | (712 500) 🗹 | **D** | | **GROSS PROFIT** | 427 500 🗹 | **E** | | **OTHER OPERATING INCOME** | **13 440** |  | | Rent Income | **13 440** |  | | **GROSS OPERATING INCOME** | **440 940** |  | | **OPERATING EXPENSES** | **(246 000)** |  | | Salaries and wages | **144 000** |  | | Advertising | **37 500** |  | | Sundry expenses | **15 000** |  | | Bad debts 9%**✓** X R486 000**✓** | 43 740✓ | **F** | | Discount allowed 2%**✓** x R102 600**✓** | 2 052 ✓ | **G** | | **Depreciation** | **3 150** |  | | **Trading stock deficit** | **558** |  | | **OPERATING PROFIT** | **194 940** |  | | **Interest expense** | **(10 800)** |  | | **NET PROFIT** | **184 140** |  | | |  | | --- | |  | | **15** | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| 2.3 | TEAK WOOD **CASH BUDGET FOR THE 3 MONTHS ENDING 31 DECEMBER 2015**   |  |  |  |  |  | | --- | --- | --- | --- | --- | | **CASH RECEIPTS** | **OCTOBER** | **NOVEMBER** | **DECEMBER** |  | | Cash sales | **324 000** | **360 000** | 456 000🗹 | **H** | | Cash from debtors | **167 442** | **208 980** | 483 948**✓** | **I** | | Rent Income 12 000 1.12 | **12 000** | **12 000** | 13 440🗹 | **J** | | Loan from Keybank | **0** | **270 000** | 0 |  | | **Total receipts** | **503 442** | **850 980** | 953 388**✓**🗹 | **K** | | **CASH PAYMENTS** |  |  |  |  | | Cash purchases | **152 000** | **180 000** | **114 000** |  | | Cash paid to creditors | **315 000** | **378 000** | **280 000** |  | | Interest on the loan | **6 750** | **6 750** | 10 800🗹 | **L** | | Salaries and wages  180 000 **✓**x 1.2**✓** | **180 000** | 216 000**✓** | **144 000** | **M** | | Advertising | **22 500** | **67 500** | **37 500** |  | | Sundry expenses | **15 000** | **15 000** | 15 000**✓** | **N** | | **Total payments** | **691 250** | **863 250** | **601 300** |  | | Surplus / Deficit | **(187 808)** | **(12 270)** | 352 088**✓**🗹 | **O** | | Opening bank balance | **124 000** | **(63 808)** | (76 078) **✓** | **P** | | Closing bank balance | **(63 808)** | **(76 078)** | (276 010)**✓**🗹 | **Q** | | |  | | --- | |  | | **19** | |

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| --- | --- | --- | --- | --- |
| 2.4 | **Discuss 2 ways, (other than increasing the loan), which indicates that the owners have taken the recession into account in the drawing up of the Cash Budget. Support your answers by quoting relevant figures.**   * The business increased the **advertisin**g in November from R22 500 to R67 500 in order to encourage customers to buy – this could include incentives. * Increases in **Cash Sales**. * More **monies received from debtors** – better internal control measures were put in place.. * The business is obviously looking to **cut back on wages and salaries** – either through retrenchments or by working short time. * Any other acceptable answer.   **ANY ACCEPTABLE ANSWER ✓✓✓ ✓✓✓** | |  | | --- | |  | | **6** | |

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| **45** |

**QUESTION 3 (85 marks; 50 minutes)**

**PARTNERSHIP FINANCIAL STATEMENTS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 3.1 | **Choose an explanation from COLUMN B that matches a concept in COLUMN A**   |  |  | | --- | --- | | **COLUMN A** | **COLUMN B** | | **3.1.1** | **B ✓✓** | | **3.1.2** | **E ✓✓** | | **3.1.3** | **D ✓✓** | | **3.1.4** | **C ✓✓** | | **3.1.5** | **A ✓✓** | | |  | | --- | |  | | **10** | |

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| 3.2.1 | |  |  |  |  | | --- | --- | --- | --- | | **CURRENT ACCOUNTS** | **MOROWA** | **RANI** | **Total** | | Net profit per Income Statement | 🗹862 636 | 🗹738 424 | **1 601 060** | | Partners’ salaries | **✓**480 000 | **✓**480 000 |  | | Interest on capital | **✓**180 000 | **✓**120 000 |  | | Partners’ bonuses | **✓**10 000 | **✓**10 000 |  | | Primary distribution of profit | 🗹670 000 | 🗹610 000 | **1 280 000** | | Final distribution of profit | 🗹192 636 | 🗹128 424 | **321 060** | | Drawings for the year | **✓** (576 000) | **✓** (545 000) |  | | Undrawn profits for the year | 🗹286 636 | 🗹193 424 |  | | Balance at beginning of year | **✓**250 000 | **✓** (11 000) |  | | Balance at end of year | 🗹536 636 | 🗹182 424 | **719 060** | | |  | | --- | |  | | **20** | |

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| 3.2.2 | |  |  | | --- | --- | | **TRADE & OTHER PAYABLES** | | | Trade creditors | **✓**239 600 | | Expenses accrued (payable) | **✓**2 800 | | Income received in advance (deferred) 236 800 – 12 800 **✓**=  224 000**✓** ÷ 14 = 16 000**✓** + 1 600**✓** = 17 600**✓** x 2**✓** | 🗹35 200 | | Creditors for salaries 20 000**✓** – 3 600**✓** – 1 500 **✓**– 1 960 **✓**- 400**✓** | 🗹12 740 | | Pension Fund 1 500**✓** + 2 250**✓** (1 500 x 1.5) | 🗹3 750 | | Medical Fund 1 960**✓** + 1 960**✓** | **✓**3 920 | | South African Revenue Services(PAYE) | **✓**3 600 | | UIF 200**✓** + 200 **✓** (1% x 20 000) | 🗹400 | |  | **302 010** | | |  | | --- | |  | | **25** | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| 3.3 | |  |  |  | | --- | --- | --- | | **QUEEN TRADERS** | | | | **BALANCE SHEET ON 28 FEBRUARY 2015** | | | |  |  | **R** | | ASSETS |  |  | | Non-current assets |  | **✓✓** 3 796 000 | | Tangible assets |  | **✓** 3 596 000 | | Financial assets |  | **✓** 200 000 | | Current assets |  | **✓**🗹 585 070 | | Inventories |  | **✓** 243 000 | | Trade and other receivables 111 200 **✓**– 3 324 **✓**+  7 800**✓** + 26 400**✓** |  | 🗹 142 076 | | Cash and cash equivalents |  | **✓** 199 994 | | TOTAL ASSETS |  | 🗹 4 381 070 | | EQUITY AND LIABILITIES |  |  | | Owners’ equity |  | **✓✓** 3 719 060 | | Capital 1 800 000**✓** + 1 200 000**✓** |  | **✓** 3 000 000 | | Current accounts |  | **✓** 719 060 | | Non-current liabilities |  | **✓**🗹 120 000 | | Loan: Money Bank 360 000 ✓– 240 000✓ |  | 🗹 120 000 | | Current liabilities |  | **✓**🗹 542 010 | | Trade and other payables | 9 | **✓** 302 010 | | Bank overdraft |  | 0 | | Short term loans / Instalment on loan |  | **✓** 240 000 | | TOTAL EQUITY AND LIABILITIES |  | 🗹 4 381 070 | | |  | | --- | |  | | **30** | |

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| **85** |

**QUESTION 4 (50 marks; 30 minutes)**

**PARTNERSHIP: RATIO ANALYSIS AND INTERPRETATION**

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| --- | --- | --- |
| **4.1** | **FIXED ASSETS** |  |
| **4.1.1** | **NOTES TO FINANCIAL STATEMENTS OF RAZZLE DAZZLETRADERS**  **FIXED ASSETS** |  |
|  | |  |  |  |  | | --- | --- | --- | --- | |  | **Land and buildings** | **Vehicles** | **Equipment** | | Carrying value beginning of the year | **402 931** | **160 000** | ✓**🗸** 270 000 | | Cost price | **402 931** | **1 080 000** | **450 000** | | Accumulated depreciation |  | ✓**🗸**(920 00) | **(180 000)** | |  |  |  |  | | Movements |  |  |  | | Additions | **🗸** 600 000 |  | **🗸**100 000 | | Disposals 80 000**🗸** – 33 930**🗸** |  |  | **🗹** (46 070) | | Depreciation *270 000* **🗸** *+ 100 000***🗸***– 46 070* **🗸***– 265 048***🗸** |  | **🗸🗹(159 999)** | **🗹**(58 882) | |  |  |  |  | | Carrying value at the end of the year | **🗸**1 002 931 | **🗸🗹**1 | **265 048** | | Cost price | **🗸**1 002 931 | **🗸**1 080 000 | **470 000** | | Accumulated depreciation |  | **🗹**(1 079 999) | **(204 952)** | |  | | | | | |  | | --- | |  | | **22** | |

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| **4.1.2** | **GENERAL LEDGER OF ORLANDO TRADERS** |  |
|  | |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | **Dr.** | | **ASSET DISPOSAL** | | | | | | | **Cr.** | | 2014  Aug | 31 | ✓ Equipment |  | ✓  80 000 | 2014  Aug | 31 | Accumulated depreciation on equipment**🗸** |  | ✓  33 930 | |  |  |  |  |  |  | 28 | ✓  Creditors’ control |  | **🗹**  33 910 | |  |  |  |  |  |  |  | Loss on sale of  asset ✓ |  | ✓  12 160 | |  |  |  |  | 80 000 |  |  |  |  | 80 000 | | |  | | --- | |  | | **8** | |

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| 4.1 | Calculate the following financial indicators: | |  | | --- | |  | | **8** | |
| 4.1.1 | **Debt/Equity Ratio (3)**  Non-current liabilities : Owners’ Equity  293 520 **✓**: 1 603 740**✓**  0.2 : 1**✓** |
| 4.1.2 | **Percentage return earned by Razzle (5)** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 4.2 | **Do you agree with Razzle opinion that the business has a sound liquidity position? Mention TWO financial indicators to support your answer.**  Yes / No **✓**  Financial indicator and comments  Possible answers – Any Two **✓✓ ✓✓ Must Quote Figures**  **Current ratio**: although it decreased from 2,6 : 1 to 1,7 : 1, it still indicated that there is adequate short term assets to cover current liabilities.  **Acid Test ratio**: improved from 1,8 : 1 to 1,1 : 1. Suggests that the business was holding too much stock in the previous year and was able to turn over stock more effectively in the current year.  **Debtors Collection Period**: Improved from 40 days to 30 days. Debtors are paying 30 days normally allowed. Indicates an improvement in the collection policy and thereby on cash management  ***Do not accept Creditors payment period – although improved, the business takes too long to settle short term debts*** | |  | | --- | |  | | **5** | |

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| 4.3 | **On the other hand Dazzle is not satisfied with her return on equity. Quote figures to support why she feels this way.**  Dazzle has maintained a positive current account balances **✓**of R3 600 in 2014 and R127 820 in 2015 **✓**as compared to Razzle’s balances which as negative (R74 070) in 2014 and a lesser amount in R51 120 in 2015. **✓** | |  | | --- | |  | | **3** | |
| 4.4 | **Two different ways to finance the extension of buildings**  **POSSIBLE ANSWERS ✓✓ ✓✓**   * The partners have increased their capital contribution by R450 000 * They increased the financial assets by R390 000 with an interest rate of only 8% * They repaid a large portion of the loan thereby improving the debt/equity ratio. * Their interest on loan is only 10.5% but the return on partners’ equity is 37%. * Their business can borrow more money at 10.5% p.a. interest and this would result in positive gearing | |  | | --- | |  | | **4** | |

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| **50** |

**QUESTION 5 (30 marks; 18 minutes)**

**MANUFACTURING LEDGER ACCOUNTS**

|  |  |  |  |  |
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| **5.1** | **THREE FIXED COSTS**  Salary Foreman**✓**  Factory Rent**✓**  Salary of the Accountant**✓** | |  | | --- | |  | | **3** | |
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**5.2**

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| **GENERAL LEDGER OF STUDIO MANUFACTURERS** | | | | | | | | | |
| **BALANCE SHEET ACCOUNT SECTION** | | | | | | | | | |
| **Dr.** | | **Raw Materials Stock** | | | | | | | **Cr.** |
| **2014**  **Mar** | **01** | **Balance** | **b/d** | **321 000** | **2015Feb** | **28** | Creditors Control | **✓** | **✓**  48 000 |
| **2015**  **Feb** | **28** | 750 000 + 46 200  Bank | **✓** | **✓✓✓**  796 200 |  |  | Raw Material Issued | **✓** | **🗹**  1 286 700 |
|  |  | 474 000  Creditors control | **✓** | **✓**  474 000 |  |  | **Balance** | **c/d** | **256 500** |
|  |  |  |  | 1 591 200 |  |  |  |  | 1 591 200 |
| **2015**  **Mar** | **01** | **Balance** | **b/d** | **256 500** |  |  |  |  |  |

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| **Dr.** | | **Work–in-Process Stock** | | | | | | | **Cr.** |
| **2014**  **Mar** | **01** | **Balance** | **b/d** | **77 400** | **2015Feb** | **28** | Finished Goods Stock | **✓** | **✓**  2 400 000 |
| **2015**  **Feb** | **28** | Direct Labour Cost | **✓** | **✓**  644 247 |  |  | **Balance** | **c/d** | **259 242** |
|  |  | Direct Materials Cost | **✓** | **🗹**  1 286 700 |  |  |  |  |  |
|  |  | **Factory Overhead Cost** |  | **✓🗹**  650 895 |  |  |  |  |  |
|  |  |  |  | 2 659 242 |  |  |  |  | 2 659 242 |
| **2015**  **Mar** | **01** | **Balance** | **b/d** | **259 242** |  |  |  |  |  |

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| 5.3 | **Break-even point**  Fixed cost = R803 000 **✓**+ R235 840 **✓**= R1 038 840**✓**  Break-even point  =  **=**  **🗹**  **=**  **🗹**  **= 4 722 units ✓🗹** | |  | | --- | |  | | **9** | |

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|  |
| **30** |

**QUESTION 6 (50 marks; 30 minutes)**

**CLUBS, VAT, PERIODIC INVENTORY, ETHICS AND INTERNAL AUDIT**

**6.1 CLUBS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| 6.1 | |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | | **GENERAL LEDGER OF TWA FENCING CLUB**  **MEMBERSHIP FEES ACCOUNT** | | | | | | | | | 2014  Jan | 1 | Accrued Income**🗸** | **🗸**  4 800 | 2014  Jan | 1 | Income Received in Advance**🗸** | **🗸**  3 600 | | Dec | 31 | Bank**🗸** | **🗸**  1 200 | Dec | 31 | Bank**🗸** | **🗸**  38 400 | |  |  | Income received in Advance**🗸** | **🗸**  6 000 |  |  | Membership fees written off**🗸** | **🗸🗸**  2 400 | |  |  | Income & Expenditure**🗸** | **🗸☑**  39 600 |  |  | Accrued Income**🗸** | **🗸**  7 200 | |  |  |  | 51 600 |  |  |  | 51 600 | |  |  |  |  |  |  |  |  | | |  | | --- | |  | | **18** | |

**6.2 PERIODIC INEVNTORY AND VAT**

|  |  |  |  |  |
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| **6.2.1.1** | **What is VAT rate in South Africa?**  14%**🗸🗸** | |  | | --- | |  | | **2** | |

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| **6.2.1.2** | **Calculate the VAT paid by Molapo Stores.**  Cost price of camera = R5 130 (VAT Inclusive) | |  | | --- | |  | | **(4)** | |

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| **6.2.1.3** | **Discuss TWO consequences for Cannon South Africa for not paying VAT paid by Molapo Stores to SARS**  **POSSIBLE ANSWERS – ANY TWO – learner must explain for full marks**  **🗸🗸 🗸🗸**   * Prosecution – The VAT vendor Cannon South Africa has a responsibility of paying over VAT to SARS * Additional taxes – if the VAT is not shown on the VAT form and SARS finds this out then SARS can charge a penalty for late payment * Fines and/or imprisonment – for the evasion of VAT | |  | | --- | |  | | **(4)** | |

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| 6.2.2.1 | |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | | **GENERAL LEDGER OF MOLAPO STORES**  **FINAL ACCOUNT SECTION**  **TRADING ACCOUNT** | | | | | | | | | 2015  Feb | 28 | Opening  stock**🗸** | **🗸**  49 990 | 2015  Feb | 28 | Sales**🗸** | **🗸**  10 234 350 | |  |  | Purchases**🗸**  5 130 000 **🗸**– 41 040**🗸** – 5 130**🗸** | **🗸☑**  5 083 830 |  |  | Closing  stock**🗸** | **🗸**  513 000 | |  |  | Carriage on Purchases**🗸** | **🗸**  131 000 |  |  |  |  | |  |  | Profit and loss**🗸** | **☑**  5 482 530 |  |  |  |  | |  |  |  | 10 747 350 |  |  |  | 10 747 350 | |  |  |  |  |  |  |  |  | | |  | | --- | |  | | **16** | |

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| **6.3** | **Discuss the following preventative internal control measure relating to stock within a business** | |  | | --- | |  | | **(6)** | |
| **6.3.1** | **Bar Codes**  Unique to each product and when scanned will give the price and the product. Prevents incorrect amounts being entered. **✓✓✓** |
| **6.3.2** | **Special plastic devices attached to camera**  These are plastic discs or magnetic strips attached to inventory. This device is removed when purchased. If not removed from inventory then at the exit it will trigger the alarm. **✓✓✓** |

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**PAPER 2**

**QUESTION 1**

**1.1**

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| **No** | **Alphabet** |
| **1** | E✓ |
| **2** | F✓ |
| **3** | G✓ |
| **4** | A✓ |
| **5** | B✓ |

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**1.2.1**

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| **Cash Receipts Journal of Orlando Traders – August 2015** | | | | | | | |
| **Doc.** | **D** | **Details** | **Fol** | **Bank** | **Sundry Accounts** | | |
| **Amount** | **Details** | |
|  | 31 | **Totals** | **b/f** | **135 800** |  |  | |
| BS |  | L Lamula ✓ |  | 3 625 | ✓3 625 | Debtors’ Control✓ | |
| BS |  | Fund Bank ✓ |  | 1 250 | ✓1 250 | Interest on Fixed Deposit✓ | |
| 801 |  | Veritas Welfare ✓ |  | 23 750 | ✓23 750 | Donation✓ | |
|  |  |  |  | 707 625 |  |  | |
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| **Cash Payments Journal of Orlando Traders – August 2015** | | | | | | | |
| **Doc.** | **D** | **Details** | **Fol** | **Bank** | **Sundry Accounts** | | |
| **Amount** | **Details** | |
|  | **31** | **Totals** | **b/f** | **153 225** |  |  | |
| BS |  | M Mokgome ✓ |  | 17 125 | ✓ 17 125 | Rent Income ✓ | |
| BS |  | Meadowlands Insurers ✓ |  | 2 875 | ✓ 2 875 | Drawings ✓ | |
| BS |  | Fund Bank ✓ |  | 2 375 | ✓ 2 375 | Bank Charges ✓ | |
| BS |  | Fund Bank✓ |  | 1 750 | ✓ 1 750 | Interest on Overdraft ✓ | |
| 503 |  | Phefeni Traders ✓ |  | 6 750 | ✓ 6 750 | Creditors’ Control  ✓ | |
| 553 |  | Veritas Welfare ✓ |  | 31 250 | ✓31 250 | Donation✓ | |
|  |  |  |  | 828 250 |  |  | |
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**1.2.2**

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| **General Ledger of Orlando Traders** | | | | | | | | | |
| **Dr Bank Account B8 Cr** | | | | | | | | | |
| 2015  Aug | 1 | Balance | b/d | ✓✓  37 500 | 2015  Aug | 31 | Total ayments✓ | CPJ | 🗹  828 250 |
|  | 31 | Total receipts✓ | CRJ | 🗹707 625 |  |  |  |  |  |
|  |  | Balance | c/d | 83 125 |  |  |  |  |  |
|  |  |  |  | 828 250 |  |  |  |  | 828 250 |
|  |  |  |  |  | 2015  Sep | 1 | Balance | b/d | 🗹  83 125 |

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**1.2.3**

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| **Bank Reconciliation Statement on 31 August 2015** | | **Debit** | **Credit** |
| Dr ✓Balance as per bank statement | | ✓ 41 875 |  |
| Cr Outstanding deposit | |  | ✓✓ 134 500 |
| Dr Outstanding cheques | |  |  |
|  | **Number** |  |  |
|  | 819 | ✓ 69 375 |  |
|  | 841 | ✓ 64 000 |  |
|  | 849 | ✓ 11 125 |  |
|  | 853 | ✓ 31 250 |  |
| Cr ✓Balance as per Bank account | |  | ✓🗹83 125 |
| **1 mark If both totals are the same**  **2 marks if both the totals are accurate** ✓ 🗹 | | **217 625** | **217 625** |

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| **1.3** | **Orlando Traders made a cheque out for R31 250 to Veritas Welfare. Do you think this was a good business decision to make out such a large sum as a donation? Motivate ONE good reason for your opinion** | |  | | --- | |  | | **4** | |
|  | No ✓  The Business has a huge overdraft of R83 125. Donations should only be made if the Bank account is positive/favourable✓✓✓  **OR**  Accept only if King Code is mentioned  Yes ✓  King Code of Ethics ✓– it is an ethical decision to give to the poor. ✓✓ |

**CREDITORS RECONCILIATION**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **1.2.1** | **Why should the statement of account received from Forte Traders agree with the account in creditors’ ledger of PJ Stores Traders?** | |  | | --- | |  | | **2** | |
|  | Forte Traders and PJ Stores use the same information to complete their accounts  ✓✓ |

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| **PJ STORES** | |
| **CREDITORS RECONCILIATION STATEMENT ON 31 MARCH 2015** | |
| **Balance as per Creditors Statement on 31 March 2015** | **27 440** |
| Statement undercast | ✓✓360 |
| Returns posted on the incorrect side (490 + 490) | ✓ ✓ (980) |
| Discount received | ✓ ✓ (600) |
| Trader discount omitted | ✓ ✓ (760) |
| Balance as per Creditors ledger on 31 March 2015 | 25 460 |

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| **1.2.3** | **Mention TWO responsibilities that a business has towards their creditors** | |  | | --- | |  | | **4** | |
|  | * Provide creditors with accurate information about the business * Ensure that payment to creditors are done correctly and timeously   ✓✓ ✓✓ |

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**ASSET DISPOSAL**

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| **2.1.1** | **What is the importance of an asset register?** | |  | | --- | |  | | **2** | |
|  | * List all the assets owned by the business * Each asset must have a unique name clearly identifying the asset * Data on the location, age and assessment value, performance, condition and risk recorded * Record regular monitoring information – e.g. when last the asset was serviced, how much it has been used   ANY ONE ✓✓ |
| **2.1.2** | **Provide two suitable reason for the equipment being disposed (sold).** | |  | | --- | |  | | **4** | |
|  | * Upgrading – if its technology * Improving the image of the business (new furniture) * Re-designing the layout for more efficiency * Equipment not suitable or giving problems (maintenance   ANY TWO ✓✓ ✓✓ |

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| **2.2.3 General Ledger of SebetsaTraders** | | | | | | | | | | | |
| **Dr Asset Disposal Account N6 Cr** | | | | | | | | | | | |
| 2015  Feb | 28 | Equipment🗸 | GJ | ✓160 000 | 2015  Feb | | 28 | | Accumulated depreciation on Equipment🗸 | GJ | 🗸92 000 |
|  |  | Profit on sale of asset🗸 | GJ | 🗸12 000 |  | |  | | Bank🗸 | GJ | 🗸80 000 |
|  |  |  |  | 172 000 | **2 marks If both totals are the same** ✓✓ | | | | |  | 172 000 |
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| **2.1.2** | **Tangible Assets [Note 3]** | **Land and Buildings** | | **Vehicles** | **Equipment** |
|  | **Carrying value on 28 February 2014** | **1 840 000** | | **80 000** | ☑165 920 |
|  | **Cost** | **1 840 000** | | **800 000** | 🗸480 000 |
|  | **Accumulated Depreciation** |  | | **(720 000)** | **(312 800** |
|  | **Movements** |  | |  |  |
|  | Additions at cost | 🗸720 000 | |  | 🗸100 000 |
|  | Disposals at carrying value |  | |  | 🗸🗸(68 000) |
|  | Depreciation |  | | 🗸79 999 | 🗸 a\*☑(33 184) |
|  | Carrying value on 29 February 2015 | **🗹**  2 560 000 | | 🗸🗸1 | 🗸☑164 736 |
|  | Cost [**480 000** + 100 000🗸– 160 000🗸] |  | |  | 🗸420 000 |
|  | Accumulated Depreciation |  | |  | b\*☑255 264 |
|  | a**\*☑ 20% of the carrying value at the beginning of the year**  **b\*☑ any figure greater than 41 480** | | | |  |
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**QUESTION 2.2**

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| **2.2.1 General Ledger of Alpha Stationery Shop** | | | | | | | | | |
| **Dr Bank Account B8 Cr** | | | | | | | | | |
| 2015  Feb | 28 | Opening Stock |  | 🗸245 000 | 2015  Feb | 28 | Sales |  | 🗸  1 532 900 |
|  |  | Purchases 960 000🗸 – 26 000🗸– 6 300🗸 + 54 000🗸 + 4 800🗸) |  | 🗸978 000 |  |  | Closing stock |  | 🗸  302 000 |
|  |  | Carriage on Purchases  35 000🗸+4 800🗸 |  | 🗸39 800 |  |  |  |  |  |
|  |  | Custom Duties |  | 🗸🗸  21 600 |  |  |  |  |  |
|  |  | Profit and loss |  | 🗹  550 000 |  |  |  |  |  |
|  |  |  |  | 1 834 900 |  |  |  |  | 1 834 900 |

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| **2.2.2** | **Calculate cost of sales. Show ALL workings.** | |
|  |   245 000 + 978 500 + 39 800 + 21 600 – 302 000 = R982 900 See 2.2.1 above | |
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| **2.2.3** | **Calculate the mark-up % achieved.** | |
|  | 550 000 x 100 = 56%   982 900 1 | |
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| **2.2.4** | **The business aims at a mark-up % of 65%. Give TWO possible reasons for the actual mark-up % being different to the intended mark-up %.** | |
|  | Any two valid reasons e.g.    * Trade discounts offered to customers * Theft of stock * Errors in pricing the stock | |
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**QUESTION 3.1**

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| **3.1.1** | **You are required to match the example in the left-hand column with the appropriate**  **concept in the right-hand column**  **.**  **[Business Entity, Historical Cost, Prudence, Matching, Materiality, Going concern]** | |
|  | |  |  |  | | --- | --- | --- | |  | **Examples of year-end adjustments** | **Appropriate principle applied** | | **A** | Trading stock is reflected at R23 500 in the financial statements of the partnership. The trading stock will sell at R35 250 in the next financial year | Prudence principle | | **B** | Postage stamps purchased for R250 is recorded as Sundry Expenses. | Materiality principle | | **C** | One of the partners receives R1,5 million as part of his inheritance. The amount is not recorded in the books o the partnership | Business Entity principle  | | **D** | The partnership has purchased dental equipment for R1,7 million. Technology is changing virtually every day. The equipment will be useless to anyone in the future. Therefore the partnership decides to depreciate it over its useful life time of 8 years. | Going concern principle  | | **E** | The Income Statement of the partnership will reflect the telephone account with the amount paid for the11 months and the accrual amount. | Matching principle  | | **F** | Land and Building is recorded in the Balance Sheet for R300 000 for the past 5 years. It was recently appraised at R2,3 million. | Historical Cost principle  | | |
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| **3.1.2 General Ledger of Westridge Traders** | | | | | | | | | |
| **Dr Appropriation Account F3 Cr** | | | | | | | | | |
| 2015  Feb | 28 | **Salary: West** |  | 🗸🗸720 000 | 2015  Feb | 29 | Profit and loss | 🗸 | ☑  3 130 000 |
|  |  | **Salary: Ridge** |  | 🗸🗸900 000 |  |  |  |  |  |
|  |  | **Interest on capital** 195 000🗸 +  225 000🗸🗸☑ |  | 🗹420 000 |  |  | +  120 000 + 105 000 |  |  |
|  |  | **Partners bonus** 20 000 🗸+ 20 000🗸 |  | 🗸40 000 |  |  |  |  |  |
|  |  | **Current a/c: West** |  | 🗸420 000 |  |  |  |  |  |
|  |  | Current a/c: Ridge  420 000🗸÷  2🗸 X3🗸 | 🗸 | 🗹 630 000 |  |  |  |  |  |
|  |  |  |  | 3 130 000 |  |  |  |  | 3 130 000 |
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| **3.1.3** | **West suggests that the interest on capital of 12 % p.a. in the partnership agreement be reduced to 8 % p.a. in line with current interest rates offered by commercial banks. How would this decision affect the partners if they had to share in a remaining loss?** | |
|  | * It will decrease the partners’ earnings. 🗸🗸 * It will decrease the personal income tax of the partners. * Any possible answer. | |
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| **3.2** | **RM Traders: Extract of Balance Sheet on 28 February 2015** | | | |
|  | **EQUITY AND LIABILITIES** | **Note** |  |  |
|  | **Partners’ Equity** |  | **2 043 350** | **☑** |
|  | Capital  [1 000 000 ✓ + 850 000 ✓ + 150 000✓] | **7** | 2 000 000 | **🗹** |
|  | Current Accounts  [51 800🗸 - 8 450🗸] | **8** | 43 350 | **🗹** |
|  | **Non-current liabilities** |  | **100 000** |  |
|  | Loan: Ching Bank [12 % p. a.] |  | 100 000 | 🗸 |
|  | **Current liabilities** |  | **270 100** | **☑** |
|  | Bank Overdraft [101 250🗸 - 75 000🗸] |  | 26 250 | **🗹** |
|  | Trade and other payables  [**45 350** + 75 000🗸 + 17 500🗸 + 2 500🗸 + 3 500🗸] | **9** | **143 850** | **☑** |
|  | Current portion of loan |  | 100 000 | 🗸 |
|  | **TOTAL EQUITY AND LIABILITIES** |  | **42 413 450** | ☑ |
|  |  |  |  |  |
|  | **\* any one of the figures must be correct** |  |  | **20** |

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**QUESTION 4**

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| **4.1** | **Letter** |
| 4.1.1 | C🗸🗸 |
| 4.1.2 | D🗸🗸 |
| 4.1.3 | B🗸🗸 |
| 4.1.4 | E🗸🗸 |
| 4.1.5 | A🗸🗸 |
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| **4.2.1** | **Comment on whether the business was more profitable in 2012 than in 2011. Support your answer with a suitable financial indicator. Show your calculation. [Refer to information A]** | |
|  | **Operating profit on turnover**  300 000\_ 🗸 x 100🗸  1 470 000 🗸 1  20.4%☑\*  **\* If any one of the above figures is correct other than 100**  Yes. 🗸  The operating profit improved from 16%🗸 in 2011 to 20,4%🗸 in 2012. | |
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| **4.2.2** | **Comment on whether the owner should be pleased with his return. Use a suitable financial indicator to support your answer. Show your calculation.**  **[Refer to information A]** | |
|  | **Return on owners’ equity**  300 000\_ **🗸** x 100🗸 [1 246 620**🗸** + 1 100 000**🗸**] / 2**🗸** = 1 173 310  1 173 310 1  🗸🗸🗸☑  25.56%**☑**\*  **\* If any one of the above figures is correct other than 100**  Yes. **🗸**   * Return on equity improved from 20% in 2011**🗸** to 25, 56%**🗸** in 2012.   **OR**   * The return of 25, 56%🗸 in the business far exceeds the return on investment of approximately 8% from a financial institution.🗸 | |
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| **4.2.3** | **Do you think that the business will run into liquidity problems? Support your answer by quoting two financial indicators. Show calculations.**  **[Refer to information B]** | |
|  | **Acid Test Ratio**  92 500🗸 : 117 500🗸 [162 500 - 70 000 = 92500]  0,78 : 1☑\*  **\* If any one of the above figures is correct**  Yes.🗸   * The acid test ratio has decreased from 1.1: 1🗸 in 2011 to 0.78: 1🗸 in 2012. * The stock turnover rate has decreased from 8 times in 2011🗸 to 6 times in 2012🗸. | |
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**QUESTION 5**

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| **5.1.1** | **Calculate Direct Labour Cost**  R192 600**✓** + (1% X R192 600) **✓**+ (10.5% XR192 600) **✓**  = R192 600 **✓**+ R1 926 **✓✓**+ R20 223**✓✓**  = R214 749**✓🗹** | |  | | --- | |  | | **10** | |

**5.1.2**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **GENERAL LEDGER OF SNUG-FIT CALCULATORS** | | | | | | | | | |
| **BALANCE SHEET ACCOUNT SECTION** | | | | | | | | | |
| **Dr.** | | **Raw Materials Stock** | | | | | | | **Cr.** |
| 2014  Mar | 01 | Balance | b/d | **✓**  107 000 | 2015Feb | 28 | Creditors Control | **✓** | **✓✓**  16 000 |
| 2015  Feb | 28 | 250 000 + 15 400  Bank | **✓** | **✓✓✓**  265 400 |  |  | Raw Material Issued | **✓** | **✓🗹**  428 900 |
|  |  | 158 000  Creditors control | **✓** | **✓✓**  158 000 |  |  | Balance | c/d | **✓**  85 500 |
|  |  |  |  | 530 400 |  |  |  |  | 530 400 |
| 2015  Mar | 01 | Balance | b/d | **✓**  85 500 |  |  |  |  |  |

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| **16** |

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| **Dr.** | | **Work–in-Process Stock** | | | | | | | **Cr.** |
| 2014  Mar | 01 | Balance | b/d | **✓**  25 800 | 2015  Feb | 28 | Finished Goods Stock | **✓** | **✓🗹**  800 000 |
| 2015  Feb | 28 | Direct Materials Cost | **✓** | **✓🗹**  428 900 |  |  | Balance | c/d | **✓**  86 414 |
|  |  | Direct Labour Cost | **✓** | **✓🗹**  214 749 |  |  |  |  |  |
|  |  | Factory Overhead Cost | **✓** | **✓**  216 965 |  |  |  |  |  |
|  |  |  |  | 886 414 |  |  |  |  | 886 414 |
| 2015  Mar | 01 | Balance | b/d | **✓**  86 414 |  |  |  |  |  |

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| **Dr.** | | **Finished Goods Stock** | | | | | | | **Cr.** |
| 2014  Mar | 01 | Balance | b/d | **✓**  126 400 | 2015Feb | 28 | Cost of sales | **✓** | **✓✓**  901 000 |
| 2015  Feb | 28 | Work-in-process stock | **✓** | **✓🗹**  800 000 |  |  | Balance | c/d | **✓**  25 400 |
|  |  |  |  | 926 400 |  |  |  |  | 926 400 |
| 2015  Mar | 01 | Balance | b/d | **✓**  25 400 |  |  |  |  |  |

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| **9** |

**1.2**

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| **1.2.1** | **THREE FIXED COSTS**  Salary Foreman**✓**  Factory Rent**✓**  Salary of the Accountant**✓** | |  | | --- | |  | | **3** | |

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| **1.2.2** | **Calculate the break even value of MEED Manufacturers.**    =  = 36 000 units**✓🗹** | |  | | --- | |  | | **5** | |

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| **1.2.3** | **In your opinion should MEED Manufacturers change to the cheaper supplier? Give two reasons for your answer.**  Yes/No **✓** Reason **✓✓✓** Explanation **✓✓✓** | | |  | | --- | |  | | **7** | |
|  | No   * Lose goodwill * Poor quality of material * Customers will go elsewhere – less profit * Eventually cheaper quality and cheaper price | Yes   * Emphasises is on profit   A demand can be created then the business will be able to supply |

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| **70** |

**QUESTION 6 BUDGETS (30 marks; 18 minutes)**

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| 6.1 | **KUDU TRADERS -**  **DEBTORS COLLECTION SCHEDULE**   |  |  |  |  |  | | --- | --- | --- | --- | --- | | **CREDIT SALES** | | | **NOVEMBER** | **DECEMBER** | | October | **72 000** | **X 70%** | **55 440** |  | | November | **63 900** | X 70%✓ | **12 780** | ✓ 49 203 | | December | ✓✓90 000 | X 20%✓ | --- | ✓18 000 | | **Total** | | | 🗹 68 220 | 🗹 67 203 | | |  | | --- | |  | | **8** | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| 6.2 | KUDU TRADERS **CASH BUDGET FOR THE 3 MONTHS ENDING 31 DECEMBER 2015**   |  |  |  |  |  | | --- | --- | --- | --- | --- | | **CASH RECEIPTS** | **OCT** | **NOV** | **DEC** |  | | Cash sales | **48 000** | **42 600** | 60 000 | ✓ | | Cash from debtors | **60 600** | **68 220** | 67 203 | 🗹 | | Rent Income 5 500 x 1,15 ✓ | **5 500** | **5 500** | 6 325 | ✓ | | **Total receipts** | **114 100** | **116 320** | **133 528** |  | | **CASH PAYMENTS** |  | | | | | Cash purchases of trading stock | **16 200** | **18 000** | 20 700 | ✓ | | Payments to creditors 48 300 x 0,95 | **27 000** | **53 200** | 45 885 | ✓✓ | | Wages (9 000 X 1.075 ✓+ 4 500✓ | **9 000** | **14 400** | 14 175 | **🗹** | | Loan |  | **10 000** |  |  | | Interest on loan 15% x 70 000✓ ÷ 12✓ | **1 000** | **1 000** | 875 | **🗹** | | Drawings | **10 000** | **6 000** | 7 500 | ✓ | | Consumable stores | **7 400** | **8 000** | 8 000 | ✓ | | Vehicle 150 000 – 67 500 = 82 500 ÷ 3 |  | **67 500** | 27 500 | ✓✓ | | Donations |  | **2 000** |  |  | | **TOTAL PAYMENTS** | **70 600** | **180 100** | **124 635** |  | | Cash surplus (shortfall) | **43 500** | **(63 780)** | 8 893 | 🗹 | | Bank – opening balance | **25 000** | **68 500** | 4 720 | 🗹 | | Bank – closing balance | **68 500** | **4 720** | 13 613 | 🗹 | | |  | | --- | |  | | **20** | |

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| **6.3** | **Two operating expenses which appear in the Income Statement and not in the Cash Budget** | |  | | --- | |  | | **2** | |
|  | Bad Debts , Depreciation, Discount Received  **Any two✓✓** |

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| **30** |