

**NATIONAL SENIOR CERTIFICATE**

**GRADE 11**

**ACCOUNTING P2 EXEMPLAR NOVEMBER 2019**

# MARKS: 150

**TIME: 2 hours**

**This question paper consists of 12 pages, a 1-page formula sheet and an 11-page answer book.**

**INSTRUCTIONS AND INFORMATION**

Read the following instructions carefully and follow them precisely.

|  |  |
| --- | --- |
| 1. | Answer ALL the questions. |
| 2. | A special ANSWER BOOK is provided in which to answer ALL the questions. |
| 3. | A FORMULA SHEET for financial indicators is attached to this question paper. You may use it if necessary. |
| 4. | Show ALL workings to earn part-marks. |
| 5. | You may use a non-programmable calculator. |
| 6. | You may use a dark pencil or blue/black ink to answer the questions. |
| 7. | Where applicable, show ALL calculations to ONE decimal point. |
| 8. | Write neatly and legibly. |

|  |  |
| --- | --- |
| 9. | Use the information in the table below as a guide when answering the question  paper. Try NOT to deviate from it. |

|  |  |
| --- | --- |
| **QUESTION 1: 40 marks; 30 minutes** | |
| **Topic of the question:** | **This question integrates:** |
| VAT and reconciliation | Concepts and calculations  Creditors' Reconciliation Internal control |
|  | |
| **QUESTION 2: 45 marks; 40 minutes** | |
| **Topic of the question:** | **This question integrates:** |
| Manufacturing | Concepts Ledger Accounts  Interpretation of unit costs |
|  | |
| **QUESTION 3: 40 marks; 30 minutes** | |
| **Topic of the question:** | **This question integrates:** |
| Budgets | Concepts  Debtors' Collection Schedule Cash Budget  Internal control |
|  | |
| **QUESTION 4: 25 marks; 20 minutes** | |
| **Topic of the question:** | **This question integrates:** |
| Control of working capital | Analysis and interpretation of cash, stock, debtors and creditors |

# QUESTION 1: VAT AND RECONCILIATION (40 marks; 30 minutes)

* 1. **VAT**

Monde Stores, owned by Tom Monde, has been registered for VAT on a one- month period. You have been provided with the information from the journals for August 2019. The VAT rate is 15%.

# REQUIRED:

* + 1. Explain what is meant by *value-added tax.* (2)
    2. Calculate the following:
       1. Sales amount (excluding VAT) from the CRJ (3)
       2. VAT input amount from the CPJ (3)
       3. VAT output amount from the DJ (2)
    3. Tom does not have enough money in his bank account to pay SARS for VAT. The bank balance is currently in overdraft at approximately R50 000. What advice would you offer Tom in order to:
* Solve the problem now
* Solve the problem in the future (4)

# INFORMATION FROM THE JOURNALS:

1. **Cash Receipts Journal**

|  |  |
| --- | --- |
|  | **R** |
| Total of Sales column |  |
| Total of Debtors' Control column | 420 000 |
| Total of Sundry Accounts column | 0 |
| Total of VAT Output column | 141 300 |

1. **Cash Payments Journal**

|  |  |
| --- | --- |
|  | **R** |
| Total of Trading Stock column | 248 000 |
| Total of Creditors' Control column | 494 000 |
| Total of Sundry Accounts column (all equipment) | 580 000 |

1. **Debtors' Journal**

|  |  |
| --- | --- |
|  | **R** |
| Sales (excluding VAT) | 345 000 |

|  |  |  |  |
| --- | --- | --- | --- |
| 1.2 | **CREDITORS' RECONCILIATION AND INTERNAL CONTROL** | |  |
|  | Madi Traders buys goods on credit from Pine Suppliers. The business received a statement for April 2019 from the creditor.  **REQUIRED:** | |  |
|  | 1.2.1 | Explain how the Creditors' Reconciliation Statement can assist the business in terms of their internal control measures. State ONE point. |  |
|  |  | (2) |
|  | 1.2.2 | Calculate the correct balance of Pine Suppliers in the Creditors' Ledger Account of Madi Traders. Show the changes to the figure R117 180. |  |
|  |  | (10) |
|  | 1.2.3 | Prepare a Creditors' Reconciliation Statement for Pine Suppliers on 30 April 2019. |  |
|  |  | (10) |
|  | 1.2.4 | The owner of Madi Traders is not completely satisfied with the service and quality of goods received from Pine Suppliers. State TWO factors that he should consider before changing suppliers. |  |
|  |  | (4) |

**INFORMATION:**

1. **Creditors' Ledger of Madi Traders**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **PINE SUPPLIERS (CL1)** | | | | | |
| **DATE** | |  | **DEBIT** | **CREDIT** | **BALANCE** |
| 2019  April | 01 | Balance |  |  | 44 220 |
|  | 05 | Interest |  | 780 | 45 000 |
|  | 08 | Invoice 153 |  | 54 000 | 99 000 |
|  | 10 | Cheque 1449 | 22 500 |  | 76 500 |
|  | 12 | Debit note 746 | 5 760 |  | 70 740 |
|  | 15 | Invoice 111 |  | 27 300 | 98 040 |
|  | 17 | Invoice 214 |  | 91 500 | 189 540 |
|  | 21 | Invoice 273 |  | 20 250 | 209 790 |
|  | 24 | Debit note 966 |  | 5 400 | 215 190 |
|  | 27 | Journal voucher 490 | 3 600 |  | 211 590 |
|  | 31 | Cheque 2346 | 93 000 |  | 118 590 |
|  |  | Discount | 1 410 |  | 117 180 |

1. **Statement received on 30 April 2019:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **PINE SUPPLIERS**  **PO Box 159, Pretoria, 0001 Tel.: 012 348 2340** | | | | | |
| **Madi Traders Date: 25 April 2019**  **PO Box 3131 Credit limit: R90 000**  **Shayas, 0945 Payment terms: 60 days Interest on overdue accounts: 6%** | | | | | |
| **DATE** | |  | **DEBIT** | **CREDIT** | **AMOUNT** |
| 2019  April | 01 | Account rendered |  |  | 44 220 |
|  | 05 | Interest | 780 |  | 45 000 |
|  | 08 | Invoice 153 | 54 000 |  | 99000 |
|  | 10 | Receipt 491 |  | 22 500 | 76 500 |
|  |  | Discount |  | 480 | 76 020 |
|  | 12 | Credit note 511 |  | 6 570 | 69 450 |
|  | 17 | Invoice 214 | 91 500 |  | 160 950 |
|  | 19 | Receipt 654 |  | 84 000 | 76 950 |
|  | 21 | Invoice 273 | 50 250 |  | 127 200 |
|  | 24 | Credit note 632 |  | 5 400 | 121 800 |

|  |  |  |
| --- | --- | --- |
| **C.** | **Additional information:** | |
|  | (a) | The discount of R480 received from Pine Suppliers on 10 April 2019 was omitted erroneously in the books of Madi Traders. |
|  | (b) | Invoice 111 was reflected erroneously in the account of Pine Suppliers in the Creditors' Ledger of Madi Traders. It refers to merchandise purchased from another supplier, Pilot Suppliers. |
|  | (c) | Goods returned on 12 April 2019 were recorded correctly in the statement from Pine Suppliers. The entry in the books of Madi Traders is incorrect. |
|  | (d) | Pine Suppliers made an error in the recording of Invoice 273 on the statement. |
|  | (e) | Receipt 654 was shown erroneously in the statement from Pine Suppliers. This transaction does not relate to Madi Traders and will be rectified in the next statement. |
|  | (f) | Pine Suppliers also purchases goods on credit from Madi Traders. Refer to Journal Voucher 490. Madi Traders has transferred a debit balance from the Debtors' Ledger. This entry has not been recorded by Pine Suppliers. |
|  | (g) | The transaction on 24 April 2019 is in respect of merchandise returned to Pine Suppliers. |
|  | (h) | The statement shows transactions up to 25 April 2019. |
|  |  | **40** |

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| --- | --- | --- | --- |
| **QUESTION 2: MANUFACTURING (45 marks; 40 minutes)** | | | |
| 2.1 | Give ONE term for each of the following descriptions by choosing a cost category from the list below. Write only the cost category next to the question numbers (2.1.1 to 2.1.4) in the ANSWER BOOK. | | |
| selling and distribution cost; direct labour cost;  direct material cost; administration cost; factory overhead cost | | | |
|  | 2.1.1 | Salary of the factory foreman |  |
|  | 2.1.2 | Bad debts |  |
|  | 2.1.3 | Stationery and telephone expenses |  |
|  | 2.1.4 | Wages paid to workers in the production process | (4) |
| 2.2 | **GALANE MANUFACTURERS** | |  |
|  | Galane Manufacturers manufacture towels. The information below is from their financial records for the financial year ended 28 February 2019. | | |
|  | **REQUIRED:** | |  |
|  | Use the information provided to complete the following accounts in the General Ledger: | | |
|  | 2.2.1 | Work-in-Progress Stock Account | (10) |
|  | 2.2.2 | Finished Goods Stock Account | (7) |
|  | 2.2.3 | Factory Overhead Account | (15) |

**INFORMATION:**

* 1. **Balances taken from the records of Union Manufactures:**

|  |  |  |
| --- | --- | --- |
|  | **28 February 2019** | **1 March 2018** |
| **R** | **R** |
| Factory indirect material | 2 630 | 3 480 |
| Work-in-progress stock | 38 300 | 33 150 |
| Finished goods stock | 34 100 | 15 250 |

* 1. **Summary of transactions for the year ended 28 February 2019**

|  |  |
| --- | --- |
|  | **R** |
| Raw materials purchased (all issued to factory) | 516 000 |
| Factory indirect materials purchased | 21 560 |
| Direct labour | **?** |
| Indirect labour | 24 350 |
| Factory manager's salary | 65 060 |
| Rent expense | 39 200 |
| Insurance | 8 700 |
| Water and electricity | 16 500 |
| Bad debts | 2 980 |
| Sundry factory expenses | 25 750 |
| Sales net of trade discount | 1 800 000 |

* 1. **Additional Information:**
     1. The mark-up % used in pricing goods is 60%. Trade discounts of R100 000 were granted.
     2. Raw materials:
        + R16 000 was paid for transporting raw materials.
        + Raw materials were returned to the suppliers, R20 000.

**NOTE:** No entry has been recorded for these items.

* + 1. Two-thirds of the insurance expense relates to the factory.
    2. Water and electricity must be allocated to the factory, sales department and the office in the ratio 4 **:** 1 **:** 1 respectively.
    3. 65% of the rent expense must be allocated to the factory.

|  |  |  |  |
| --- | --- | --- | --- |
| 2.3 | **MOTHO SHOE FACTORY** | |  |
|  | Motho Shoe Factory manufactures one type of sport shoes. The factory produced 13 800 pairs of shoes during the year and all pairs were sold. There was no work-in-progress stock at the beginning nor at the end of the year. | |  |
|  | 2.3.1 | Calculate the direct material cost per unit. | (2) |
|  | 2.3.2 | Calculate the break-even point on 31 May 2019. | (4) |
|  | 2.3.3 | Explain why the owner would NOT be happy with the business' current production level. Quote figures or indicators. |  |
|  |  | (3) |
|  |  | **R**  Direct material cost 2 070 000  Direct labour cost 2 992 000  Factory overhead cost 872 000  Fixed costs 1 514 000  Variable cost per unit 155  Sales per unit (pair) 259 |  |
|  |  |  | **45** |

# QUESTION 3: BUDGETS (40 marks; 30 minutes)

You are provided with an incomplete Debtors' Collection Schedule and an extract from the Cash Budget of Cosmo Traders for three months ending 31 December 2019. The owner is Kagiso Cosmo.

# REQUIRED:

* 1. Answer the following questions:
     1. What is the main purpose of preparing the Cash Budget? (2)
     2. Name TWO items that will appear in the Cash Budget, but NOT in

the Projected Income Statement. (2)

* + 1. Name TWO items that will appear in a Projected Income Statement,

but NOT in the Cash Budget. (2)

* 1. Complete and total the Debtors' Collection Schedule for November and December 2019. (9)
  2. Calculate the missing figures indicated by **A**–**G** in the Cash Budget. Refer to information (a) to (f) below. (15)
  3. To increase sales and the number of customers, Kagiso intends to advertise that credit limits for all credit customers will be increased to R40 000 and new customers may open accounts during January 2020.

Explain TWO factors that Kagiso should consider before increasing credit

limits. (2)

* 1. Refer to additional information (g) regarding deliveries to customers.
* Provide calculations for the next three years to support your opinion.
* Explain TWO other factors that Kagiso should consider before making a final decision.
* Should the owner, Kagiso, choose Option 1 or Option 2? Give reasons. (8)

# INFORMATION:

1. **Debtors' Collection Schedule of Cosmo Traders for the period ending 31 December 2019:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | **Debtors' Collection** | | |
| **Month** | **Credit Sales (R)** | **October (R)** | **November (R)** | **December (R)** |
| August | **240 000** | 60 000 |  |  |
| September | **360 000** | 144 000 |  |  |
| October | **300 000** | 85 500 |  |  |
| November | **330 000** |  |  |  |
| December | **330 000** |  |  |  |

1. **Extract of the Cash Budget for 2019:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **October (R)** | **November (R)** | **December (R)** |
| **RECEIPTS** |  |  |  |
| Cash sales | **?** | **A** | **?** |
| Receipts from debtors | 334 250 | **B** | **?** |
| Loan from ATM Bank (12% p.a.) | 180 000 |  |  |
| **PAYMENTS** |  |  |  |
| Cash purchases | 61 950 | 63 150 | **C** |
| Payments to creditors | 262 200 | 364 800 | **D** |
| Interest on loan | 0 | 1 800 | **E** |
| Repayment of loan |  | 18 000 | 8 000 |
| Wages | 30 000 | 34 375 | **F** |
| Advertising | **?** | **G** | **6 731** |
| Rent expense | 1 600 | 2 000 | **2 000** |
| Purchase of motorbike (for deliveries) | 25 000 | 2 100 | 2 100 |
| Petrol for delivery motorbike |  | 1 000 | 1 000 |

**Additional information:**

* 1. **Expected collection from debtors:**
     + 30% of debtors settle their accounts during the transaction month of sale to receive 5% discount for prompt payment.
     + 40% settle their accounts in the month following the transaction month.
     + 25% settle their accounts in the second month after the transaction month.
     + 5% are written off as irrecoverable during the third month.
  2. **Total sales**

|  |  |  |
| --- | --- | --- |
| **2019** | | |
| **October** | **November** | **December** |
| R400 000 | R440 000 | R440 000 |

* + - 75% of sales are expected to be on credit; the rest are cash.
  1. **Total purchases**

|  |  |  |
| --- | --- | --- |
| **2019** | | |
| **October** | **November** | **December** |
| R206 500 | R210 500 | R185 600 |

* + - 30% of all purchases are cash; the rest are on credit.
    - Creditors are paid two months after the purchase of stock.

# Loan and interest on loan:

The interest on the loan and the monthly loan instalments are payable at the end of each month. Interest is not capitalised and the interest rate did not change during the year. The loan was obtained on 31 October 2019.

# Wages:

In October the business will have six employees, each earning a wage of R1 250 per week. All the employees are paid their wages on Fridays. There are four Fridays in October, five Fridays in November and four Fridays in December 2019.

One employee will resign on 31 October 2019 and the remaining employees will receive a 10% increase from 1 November 2019. The business plans to employ two more staff members at the same weekly wage as on 1 December 2019.

# Advertising:

The advertising budget will be increased by 6% with effect from 1 December 2019.

* 1. **Motorbike for deliveries:**

The owner, Kagiso, has budgeted to deliver goods to customers. He has two options:

Option 1: Purchase a motorbike from Speedy Bikes

A deposit of R25 000 will be paid to the supplier in October. Monthly instalments of R2 100. Kagiso has budgeted for this, as well as R1 000 per month for monthly petrol costs. He assumes that petrol prices increase and decrease with the exchange rate and that R1 000 per month is realistic over the next three years.

Option 2: DD Deliveries to deliver the goods

With this option, Kagiso will not need to buy the motorbike. DD Deliveries would charge a flat rate of R4 000 per month for the delivery service for the 12 months beginning on 1 November 2019. They will increase this rate by 5% per year thereafter with effect from 1 November in 2020 and 2021.

**40**

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| **QUESTION 4: CONTROL OF WORKING CAPITAL (25 marks; 20 minutes)** |
| You are provided with information from the records of Umgeni Furnishers for the past two financial years ended 28 February. The business sells tables and chairs.  The owner, Mary Benn, requires your advice regarding the control of her working capital. Refer to the questions below and quote figures or financial indicators to support your comments.  **REQUIRED:** |

# Cash in current bank account:

Comment on the cash in the current bank account. What advice would you

give to Mary? Provide ONE point. Quote figures. (4)

# Trading stock:

* + 1. Calculate the stockholding period for 2019. Use average stock in

your calculation. (4)

* + 1. Comment on the stock turnover rate and the stockholding period for 2019. Quote figures or indicators. Explain why she should be concerned about this. What advice would you give to Mary? Provide

ONE point. (5)

# Sales strategies:

* + 1. Mary used two deliberate strategies to improve sales in 2019. Identify the TWO strategies. Quote the relevant figures. (4)
    2. Bear in mind that the cost price of stock increased by the inflation rate of 6% and provide evidence that these strategies benefited the

business. Quote figures. (4)

# Debtors and creditors:

Comment on whether or not Mary has been controlling her debtors and creditors appropriately. Quote figures. How would this affect the business? (4)

# INFORMATION:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **A.** | **Figures from the Ledger:** | **2019** | **2018** |  | |
|  | Total sales | R667 000 | R512 000 |
|  | Cash sales | R220 000 | R270 000 |
|  | Credit sales | R447 000 | R242 000 |
|  | Cost of sales | R460 000 | R320 000 |
|  | Gross profit | R207 000 | R192 000 |
|  | Fixed deposit at Ace Bank (11% p.a.) | R80 000 | R300 000 |
|  | Cash in the current bank account | R405 000 | R120 000 |
|  | Trading stock | R170 000 | R85 000 |
|  |  |  |  |
| **B.** | **Financial indicators:** |  |  |
|  | Mark-up % | 45% | 60% |
|  | Stock turnover rate | 3,6 times | 5,6 times |
|  | Average stockholding period | **?** | 66 days |
|  | Average debtors' collection period | 40 days | 26 days |
|  | Average creditors' payment period | 38 days | 30 days |
|  | | | | | **25** |

|  |  |
| --- | --- |
| **TOTAL:** | **150** |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **GRADE 11 ACCOUNTING: FINANCIAL INDICATOR FORMULA SHEET** | | | | | | | | |
| Gross profit Sales | x 100  1 | Gross profit Cost of sales | | x 100  1 | Net profit Sales | | x 100  1 | |
| Operating expenses x 100  Sales 1 | | | Operating profit x 100 Sales 1 | | | | | |
| Total earnings by partner x 100 Partner's average equity 1 | | |  | Net profit Average owners' equity | | | x | 100  1 |
| Current assets **:** Current liabilities | | | (Current assets – Inventories) **:** Current liabilities | | | | | |
| (Trade and other receivables + Cash and cash equivalents) **:** Current liabilities | | | | | | | | |
| Average debtors x 365 Credit sales 1 | | | Average creditors x 365 Credit purchases 1 | | | | | |
| Average inventories x 365 or 12 Cost of sales 1 | | |  | Cost of sales Average inventories | | . |  |  |
| Non-current liabilities **:** Owners' equity | | | Total assets **:** Total liabilities | | | | | |